



Economia Aziendale Online

Economia Aziendale Online

**Business and Management Sciences
International Quarterly Review**

**SPECIAL ISSUE
THE MULTIDIMENSIONAL CONTENT OF
ECONOMIA AZIENDALE**

**Exploring Theories and Applications
of Business Economics and Management
[2 of 3]**

**State of the art of IR disclosure in Europe.
A research agenda**

Valentina Beretta
Maria Chiara Demartini
Sara Trucco

Pavia, Luglio 2019
Vol. 10 - N. 2/2019

www.ea2000.it
www.economiaaziendale.it


PaviaUniversityPress

State of the art of IR disclosure in Europe. A research agenda

Valentina Beretta¹

Chiara Demartini²

Sara Trucco³

¹ *PhD Student*
University of Pavia

² *Associate Professor*
University of Pavia

³ *Associate Professor*
Università degli Studi
Internazionali di Roma

Corresponding Author:

Valentina Beretta
University of Pavia
Via S. Felice 5, 27100 Pavia,
Italy
email:
valentina.beretta02@universitadipavia.it

Cite as:

Beretta, V., Demartini, C.,
Trucco, S. (2019). State of
the art IR disclosure in
Europe. A research agenda.
Economia Aziendale Online,
Special Issue, 10(2), 203-217.

Section: *Refereed*

Received: 09 February 2019

Published: 10 July 2019

ABSTRACT

Anche se la tematica dell'Integrated Reporting (IR) è ampiamente discussa tra gli accademici e le associazioni professionali, maggiori ricerche sono necessarie al fine di comprendere l'evoluzione dell'adozione dell'IR in Europa. Questo articolo ha dunque l'obiettivo di analizzare i percorsi evolutivi dell'IR nei paesi europei, prendendo in considerazione l'IR delle aziende quotate pubblicati tra il 2011 e 2016 e disponibili nel database dell'Integrated Reporting Emerging Practice (IIRC) Examples. Inoltre, la ricerca ha l'obiettivo di identificare delle future linee di ricerca nell'ambito della presente tematica. Risultati empirici mostrano la diffusione dell'IR in Europa. In particolare, i risultati in Europa evidenziano che il numero degli IR dopo la crisi finanziaria è simile per ciascun anno analizzato con l'eccezione del 2012 in cui si registra una drastica riduzione del numero degli IR. Il paper inoltre evidenzia quali fattori possono essere considerati importanti nell'adozione di questo framework. I professionisti possono trarre vantaggio da questo studio poiché possono essere consapevoli circa il processo di implementazione del framework IR tra le aziende che appartengono a diversi settori nel contesto Europeo.

Even if the topic of the Integrated Reporting (IR) disclosure is widely discussed among scholars and practitioners, more research is needed in order to have a better understanding of the evolutionary path of the adoption of IR across Europe. Therefore, the paper aims to analyze the development paths of IR in Europe, considering the IR of listed firms published between 2011 and 2016, and available in the Integrated Reporting Emerging Practice (IIRC) Examples Database. Furthermore, this research aims to identify a set of issues for further research in the field of IR. Empirical results show the pace of diffusion of IR in Europe. In particular, results in the European setting highlight that the number of IR after the global financial crisis is similar for each year in the sample time period with the exception of the year 2012 in which there is a drastically decrease in the number of integrated reports. This paper also highlights which factors of the firms are relevant or not in adopting such a reporting framework. Practitioners can benefit from this study since they could be aware about the process of implementation of IR among firms belonging to different industries in Europe.

Keywords: Integrated Reporting Disclosure, voluntary disclosure, Europe

1 – Introduction

In accounting literature, disclosure strategies are implemented by firms to communicate information related to their position and performance (Owusu-Ansah, 1998). While the importance of financial disclosure has been recognized since a long time, the relevance of non-financial disclosure is still growing. In particular, firms are willing to disclose information related to the management, measurement, and the reporting of the social, environmental, and economic consequences of their activities (Dumay et al., 2016).

At this purpose, social and environmental reporting has been introduced to disclose this kind of information (Hogner, 1982; Guthrie and Parker, 1989; Buhr and Grafström, 2007). At the beginning, the information were mainly reported in the annual reports, while, subsequently, stand-alone reports had increasingly been adopted (Cho et al., 2009). However, given the increased complexity of these additional stand-alone reports, there has been the need to recombine them with financial disclosure.

The attempt to integrate social, environmental, financial and governance information resulted in the emergence of integrated reporting (Dey and Burns, 2010; Hopwood, Unerman and Fries, 2010). According to the IIRC, the integrated report represents the communication of the information related to how the organization's strategy, governance, performance and prospects, combined with its external environment, can create value. In particular, the description of the value creation process of the firms should consider the interconnections between the different forms of capital that can contribute in the process: financial, manufactured, intellectual, human, social and relationship, and natural (IIRC, 2013).

Since the introduction of IR, research in this field has grown a lot. However, since the decision to adopt the IR methodology is made on a voluntary basis in most of the countries adopting this reporting tool (Adams, 2015), research is needed in order to have a better understanding of the evolutionary path of the adoption of IR across Europe.

Hence, the contribution of this study is twofold: first, it will shed some lights on the trends of IR in Europe, considering the IR of listed firms published between 2011 and 2016, and available in the Integrated Reporting Emerging Practice (IIRC) Examples Database; second, drawing on key insights derived from the analysis, a set of issues for further research in the field of IR is outlined.

The remainder of the paper is structured as follows. In the following Section, the IR literature will be reviewed and discussed. Then, the research methodology will be presented in the Third Section. The Fourth Section summarizes the results of the analysis of the state of the art of IR in Europe. Discussion and concluding remarks are outlined in the last Section.

2 - Literature review

After the 2007-2008 financial and economic crisis, a stream of management and financial accounting literature pointed out that the extant reporting frameworks (Hoque, 2017), their assurance (Sikka, 2009) and the control systems in place were no longer able to detect potential pitfalls in the management of large corporation (Hopwood, 2009). In this sense, it is possible to argue that the last Global Financial Crisis made clear that corporate disclosures lost part of their relevance (Johnson and Kaplan, 1991). In 2010, in an attempt to give some relevance back to the corporate reporting, Eccles and Kruz conceptualized the potential of "one report", that is a

single corporate report encompassing both financial and non-financial information (Eccles and Kruz, 2010). In the same year, motivated by the need to develop a corporate reporting framework capable of effectively addressing environmental and social issues, the Global Reporting Initiative (GRI) and the Prince of Wales' Accounting for Sustainability Project founded the International Integrated Reporting Council (IIRC). In 2013, the work of the IIRC resulted in an international IR framework (IIRC, 2013). The IR framework does not adopt a standard-based approach, with minimum requirements in terms of contents, valuation techniques and reporting approaches. In contrast, this framework is based on premises and principles aimed at giving back the relevance to the corporate reporting for a wide range of stakeholders. Two are the founding premises upon which the IR framework is based. On the one hand, financial and sustainability information cannot be disclosed in separate reports, since this will limit the understanding of how corporate strategy is aimed at balancing shareholders and other stakeholders' needs (Sarafeim, 2015). On the other hand, the increased environmental uncertainty puts more and more pressure on organisations to detect and pursue ways to create value in both the short and the longer term. Hence, the corporate reporting should be able to effectively communicate the value-creating mechanisms by putting together information coming from different forms of capital (Adams and Simnett, 2011). The seven guiding principles for IR preparers can be summarized as follows: strategic focus and future orientation; connectivity of information; stakeholder relationships; materiality; conciseness; reliability and completeness; consistency and comparability (IIRC, 2013). Taken together, they address the main objectives of the IR, namely the integration of information, the disclosure of strategic and the forward-looking orientation, as well as the relevance of corporate reporting for a broad set of stakeholder groups. Putting it differently, they define the main aim of the integrated thinking approach. This approach entails "the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects" (IIRC, 2013: 33). Thus, it is supposed to shift corporate thinking from a financial and shareholders' related concern to a more balanced approach of the notions of profit maximization and societal as well as environmental wellbeing (Adams and Whelan, 2009). Recent studies reckoned that IR has "attracted much academic interest and criticism" (Chaidali and Jones, 2017, p. 4). More specifically, some scholars examined the role of the national cultural system on IT (García-Sánchez, Rodríguez-Ariza and Frías-Aceituno, 2013) and the institutionalization of IR (Higgins, Stubbs, & Love, 2014). Furthermore, recent studies pinpointed that there has been a "rapid implementation of IR" following prior criticism related to the background and basic assumptions of IR (de Villiers, Venter and Hsiao, 2017). Similarly, Adams and Simnett discussed the paucity of other than accounting professionals in the panel of IR development (Adams and Simnett, 2011). However, a question on the extent to which the IR is spread and its pace of diffusion in the context in which it was founded, i.e. Europe, is still open to debate (IIRC, 2017). This paper aims at investigating the following research questions: How much is the IR adopted by European organisations? Which are the main features of the firms adopting such a reporting framework?

3 - The <IR> framework

The IIRC defined the integrated report as "a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term" (IIRC, 2013:

7) and consistently addressed a minimum set of information that needs to be disclosed in an IR. This information refers to eight leading areas which regard the organizational overview and the external environment, the governance, the business model, the risk and opportunities, the strategy and the resource allocation, the performance, the outlook, and the basis of presentation (IIRC, 2013). Each of those areas is expected to be linked to the others according to the integrated thinking approach. Within this reporting structure, the IR prepares are called to provide information on the relationship between six main capitals, which are accounted for in the IR framework (Figure 1). Since organizations ground their value creation strategies (to different extent) on these six capitals, the changes in the forms of capitals are expected to describe the connections and the structure of the business model adopted by the organization. Firms adopting the IR framework reports on the stock and flows of financial, manufactured, intellectual, human, social and relationship, and natural capital.

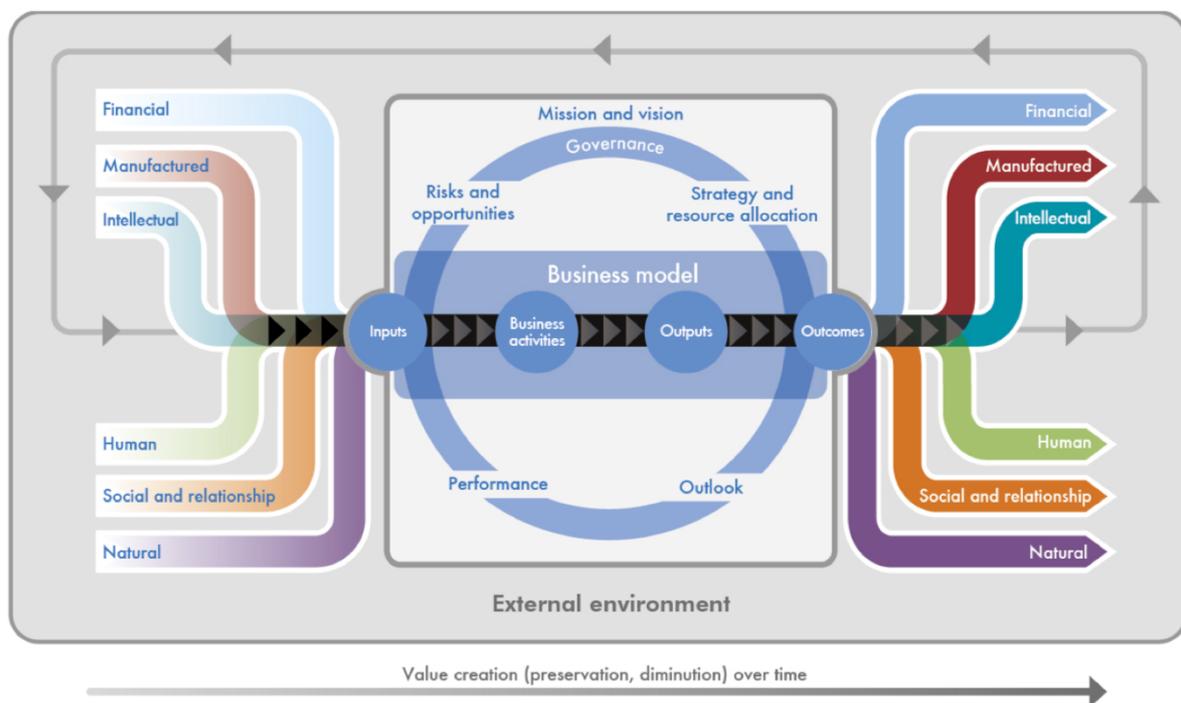


Figure 1 – The value creation process
 Source: IIRC (2013: 13)

According to the IIRC definition, financial capital addresses a traditional definition conceptualized by international accounting standard setters (IASB (International Financial Reporting Standards), 2018). Manufactured capital instead looks at fixed non-financial assets, such as “buildings”, “equipment”, and “infrastructure”. With regard to intellectual capital, human capital and social and relationship capital, Dumay posited that these forms of capital are overlapping the three categories of intellectual capital (IC), by stating that “when you take away the physical capitals of financial, manufactured and natural capital, the remaining three intangible capitals broadly align with IC's three capitals: human capital with human capital; social and relational capital with relational capital; and IC with structural capital (Dumay, 2016, p. 175). Consistently, de Villiers and Sharma pointed out that IC is a component of both IR and

GRI frameworks (de Villiers and Sharma, 2017). Thus, it is expected to gain greater relevance in the future. Finally, natural capital aims at capturing the firm's environmental footprint by reporting the flows of renewable and non-renewable environmental resources. However, the perspective is still firm-related, since the reporting of the changes in natural capital specifically disclose how these forms of capital "support the past, current or future prosperity of an organization" (IIRC, 2013: 12). Moreover, it is unclear whether non-fixed non-financial assets, such as inventory, are included into the natural capital or in other forms of capitals and which ones.

4 - IR implementation, evolution and main criticisms

From an IR implementation standpoint, the issue of quality assessment in the field of IR adoption is still under-researched and needing great attention, since quality of non-financial disclosure is supposed to drive higher economic performance (Barth et al., 2017). Hence, de Villiers and his colleagues suggest to control for innovative variables when assessing IR quality (de Villiers et al., 2017). These controls should include, among others, the additional quantity and quality of information in the IR compared to other disclosure channels than IR, as well as a proxy for CSR performance, and the issuance of a stand-alone CSR report (de Villiers et al., 2017). Prior research, indeed, found that stand-alone CSR reports is associated to higher economic and environmental, social and governmental performance compared to IR (Maniora, 2017).

IR users reported they do not believe that IR framework should be mandated, leaving the opportunity for the market to reward those companies that issue high quality IR and practitioners to try different reporting approaches (Stubbs and Higgins, 2018). Hence, the decision to adopt the IR methodology should be grounded on a voluntary basis, at least for a relevant period of time (Adams, 2015).

The decision to voluntarily start issuing the IR is based on a number of determinants. Prior studies found that the economic effects of non-financial disclosures are country specific, with masculinity, individualism and long-term orientation as main moderating variables of the link between non-financial disclosure and profitability (Maroun, 2015). The role of assurance on sustainability and non-financial information is still open to debate (Cheng et al., 2014), with investors making decisions based on the weightings they put on this information when assured, compared to non-assured non-financial information (Reimsbach, Hahn and Gürtürk, 2018). However, when financial assured and non-financial non-assured information is combined in a single report, such as in the case of IR, the relevance of the whole information decreases compared to stand-alone reports (Reimsbach, Hahn and Gürtürk, 2018). Thus, the decision to gain assurance on IR is rooted into three main theories, namely institutional, agency and diffusion of innovation theories. According to Briem and Wald (2018), in fact, and consistent with institutional theory, companies look for assurance due to coercive pressures exerted by their stakeholders. Agency theory predicts that firms ask for assurance in search of reliability and credibility on their information. Finally, grounding on the diffusion of innovation theory, auditors can be considered as actors of change since they provide support to the implementation of IR assurance (Briem and Wald, 2018).

Although the research on IR has been critical on the IIRC's aims of the introduction of such a comprehensive report (Flower, 2015), which is mainly shareholders focused, empirical findings show that firms are adopting IR for other than the founders' intended aims also. In

particular, Beck and colleagues found that the willingness to adopt the IR in a corporation was part of a journey in which IR is a feature of the legitimacy strategy adopted by the organization and integrates that strategy (Beck, Dumay and Frost, 2017). These findings are not consistent with prior research claiming that IR will have a low, if any, effect on corporate practices (Flower, 2015). Similarly, Brown and Dillard criticized the IR for being stakeholder management oriented, rather than aiming at stakeholder accountability (Brown and Dillard, 2014).

5 - Methodology

5.1 - Sample selection and data collection

In order to perform the analysis, all the integrated reports (IRs) from European listed companies from 2011 to 2016 available in the IIRC's Integrated Reporting Emerging Practice Examples Database were considered.

Only IRs related to listed firms and for which financial data were available were included in the analysis.

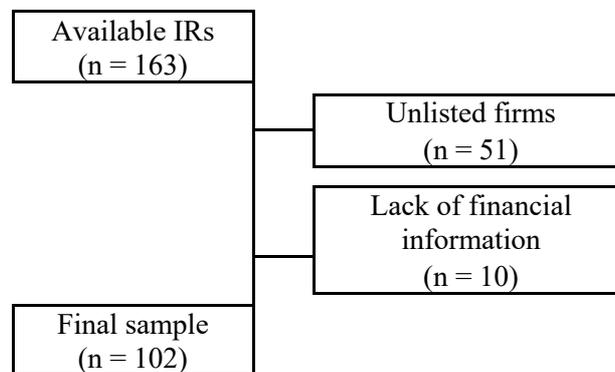


Table 1 - Analyzed integrated reports selection

While 163 integrated reports were available in the database, 51 were excluded because they refer to unlisted firms, and 10 were excluded because it was not possible to complement them with the financial information required for the purposes of the analysis (Table 1).

5.2 - Variables included in the analysis

Each integrated report that was downloaded from the IIRC's Integrated Reporting Emerging Practice Examples Database was classified according to the year of publication, the company that disclosed it, and the country of origin.

Additionally, the sector of operation was also considered for the analysis. Firms were classified according to their industry, and to the extent to which they are part of an environmentally sensitive industry or not. A dummy variable was created in order to distinguish between environmentally sensitive industries (Oil and Gas, Utilities, Industrials and Basic Materials, dummy variable equal to 1) and other industries (dummy variable equal to 0).

Total assets were included in the analysis in order to represent the size of the company that discloses the IR. Financial data were collected from the Datastream Eikon DFO Database for the years from 2011 to 2016. Subsequently, the sample has been split in two different groups: firms

with total assets higher than the median were classified as “Big firms”, while firms with total assets lower than the median were classified as “Small firms”.

5.3 - Data analysis

In order to answer to the research questions, descriptive statistics have been performed in order to highlight the trends of IR disclosure in the analyzed sample.

6 - Empirical results

Empirical results are shown in this section. Table 2 shows the number of integrated reports per year (in the sample time period: 2011-2016). Table 2 demonstrates that the number of integrated reports is similar for each year in the sample time period with the exception of the year 2012 in which there is a drastically decrease in the number of integrated reports. This result can be due to the announcement of a new IR framework, which was then released in 2013 (IIRC, 2013). Many early or new adopters could have decided to wait for the new framework to align to the new reporting standard. Hence, in the years after the introduction of the new framework by the IIRC, it is possible to observe the highest diffusion of IR in the analyzed sample. However, it could also be noted that the spread of IR has not reached the expected rate in the years following its introduction, thus leaving both academics and practitioners with an open discussion on the relevance and the value of IR for IR adopters (De Villiers and Sharma, 2017). Research has identified one of the possible motivations of the limited diffusion of this framework in the lack of harmonisation of IR with financial reporting (Dumay et al., 2016). Moreover, and consistent with the prior research, preparers are still looking for a solid economic motivation for the adoption of IR, since at this stage they just do not “trust” the new reporting framework (Chaidali et al., 2017).

Year	N. of Integrated Reports
2011	20
2012	6
2013	16
2014	21
2015	20
2016	19
Total	102

Table 2 - Number of Integrated Reports per year

Figure 2 shows the number of integrated reports per year by sensitivity to the environment, by showing that especially in 2015 and 2016 there is a prevalence of integrated reports, which belong to industry not sensible to the environment. Environmental-sensitive industries are those that should benefit more from that part of the IR, which focuses on social and environmental reporting (Clarkson et al., 2015). Hence, these empirical findings are negligibly aligned to the core philosophy of the IIRC, which aims at engaging a wide range of corporations, and

especially those which are not usually involved in social and environmental reporting (Tweedie and Martinov-Bennie, 2015).

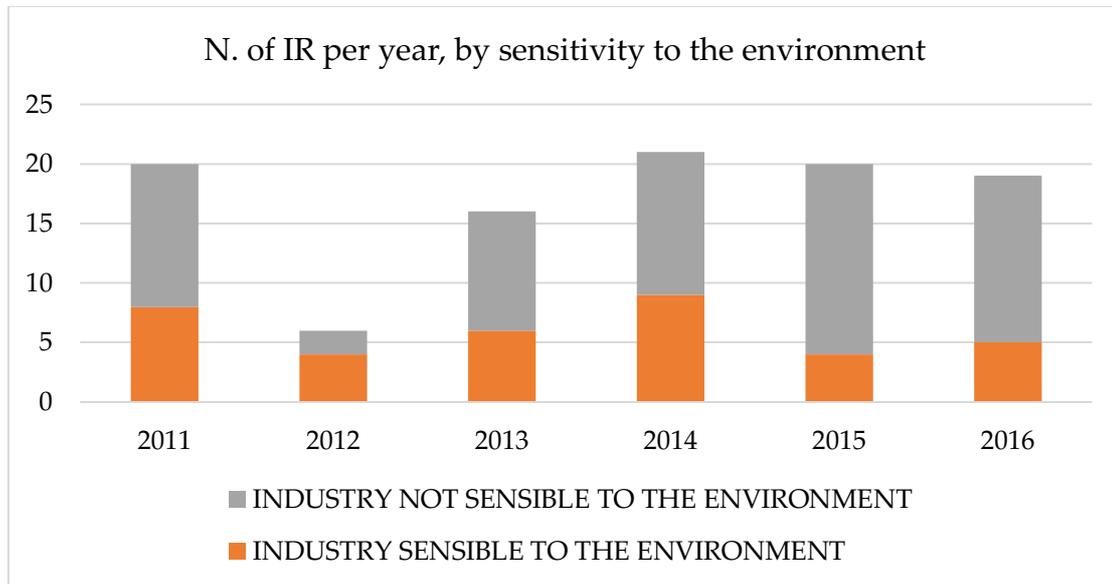


Figure 2 - Number of Integrated Reports per year by sensitivity to the environment

Table 3 shows the number of integrated reports per country, displayed per year of issuance. Results demonstrated that the UK has the highest number of IR, followed by Italy and The Netherlands. Thus, there seem to be a country effect on the adoption of IR as a reporting tool. It is not surprising that UK is the country with the highest frequency in firms adopting the IR framework, since the IIRC council is based in London and both professional and academic attention is addressed to the IR in England, including both private and public sector organisations (Jensen and Berg, 2012; Robertson and Samy, 2015; BUFDG, 2017; Slack and Tsalavoutas, 2018). Italy and the Netherlands are also addressing a lot of research effort to the debate on IR, which is also translated into organisational practice (van Bommel, 2014; Guthrie, Manes-Rossi and Orelli, 2017).

Year	Denmark	France	Germany	Greece	Italy	Luxembourg	Netherlands	Spain	Sweden	Switzerland	The Netherlands	UK
2011	1	1						1		2	2	13
2012	1				2						1	2
2013	1				2					1	3	9
2014				2	3		2	2				12
2015	1	2	2		1	1	4	1	1	1		6
2016	1	1			3		4	1		1		8
Total	5	4	2	2	11	1	10	5	1	5	6	50

Table 3 - Integrated Reports per country

Table 4 shows the IR per industry, outlined by year. Results show that the financial services industry has the highest number of IR, followed by consumer goods, basic material and industrial industries. The prevalence of financial corporations addressing their attention towards integrated thinking and IR could be a reaction to the 2007-2008 financial crisis. Hence, more and more banks and other financial institutions are looking for frameworks reporting how they interact with the social and environmental context to (re)gain legitimacy (Lodhia, 2015).

YEAR	Basic materials	Consumer goods	Consumer services	Financial services	Healthcare	Industrials	Oil and Gas	Professional services	Real estate	Technology	Telecommunications	Utilities
2011	5	4		2	4	2	1			1	1	
2012		1			1	2						2
2013	1	3	2	3	2	2	3					
2014	2	2	3	5		3	2	1		1		2
2015	2	2	2	6	2	1		1	1	2		1
2016	2	2		9	2	2			1			1
Total	12	14	7	25	11	12	6	2	2	4	1	6

Table 4 - Integrated Reports per Industry

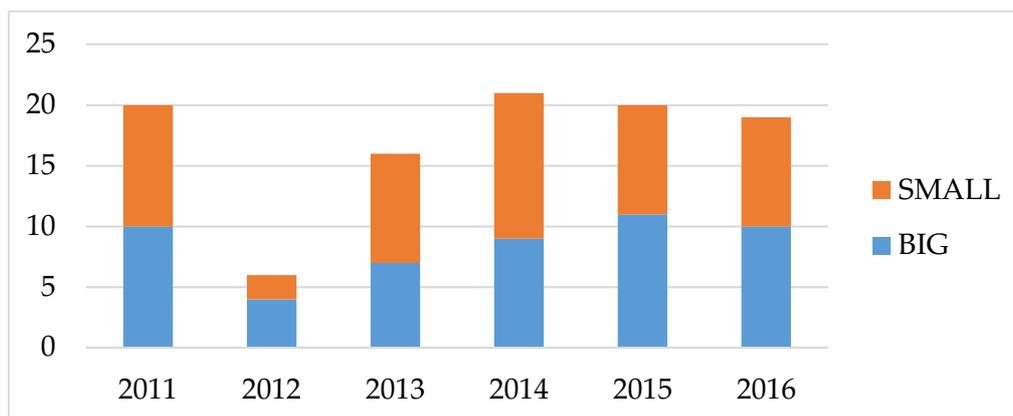


Figure 3 - Number of Integrated Reports divided by firm's size

Figure 3 shows the number of IR divided by firm's size. Results show that there is the same distribution between small and big firms in our sample time period, with the exception of the year 2012, where there were more big firms, which produced IR than small firms. This result is quite surprising since the adoption of the IR framework is demanding in terms of financial, human and administrative resources committed to the implementation of the whole reporting process (Maroun, 2018). Hence, it was expected to find a majority of medium or larger firms,

rather than smaller ones, using IR as a reporting tool. However, there is a growing stream of literature addressing the benefits of IR for SMEs also (Yonkova, 2013; Reuter and Messner, 2015; Del Baldo, 2017). Moreover, the IIRC itself stated that the IR can be equally adopted by both large and small firms (International Integrated Reporting Committee, 2011).

Figure 4 shows the number of IR divided by firm's size and industry. Results show that the industries "Utilities", "Telecommunications", "Financial Services" and "Basic Materials" are mainly characterized by big firms which produce Integrated reports, whereas the industries "Technology", "Real Estate", "Professional services", "Industrials" "Healthcare", "consumer services" and "consumer goods" are mainly composed of small firms which produce Integrated reports.

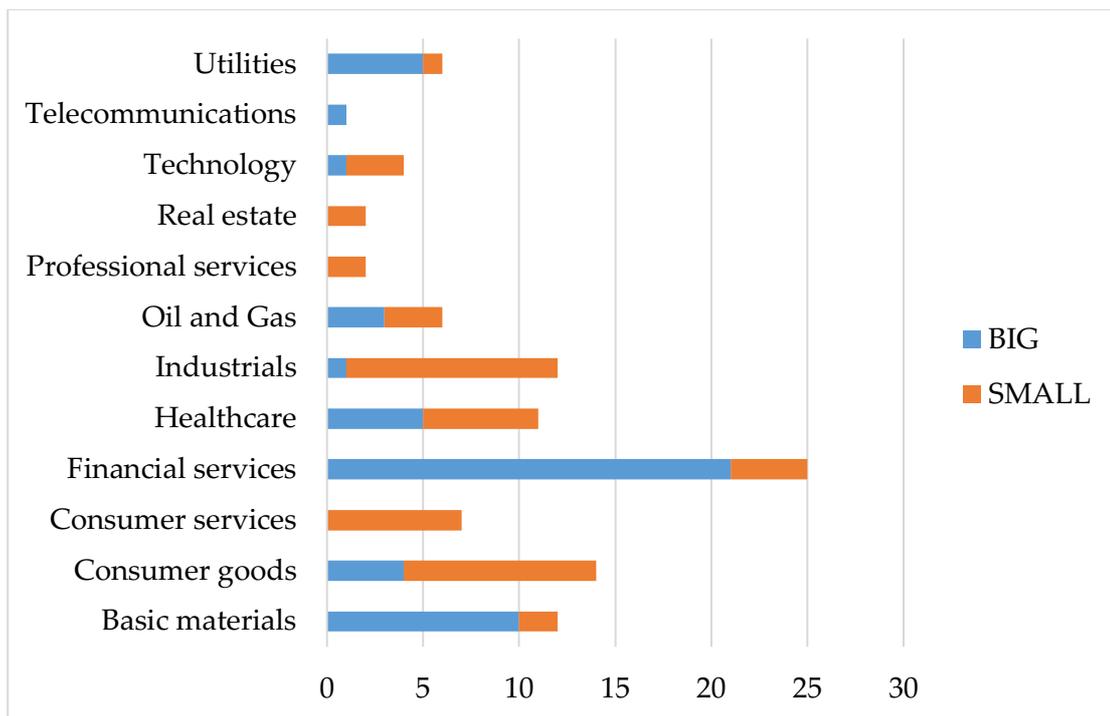


Figure 4 - Number of integrated reports divided by firm's size and industry

6.1 - Focus on the first three countries by number of IR

Table 5 compares the IR issued in the countries mostly represented in the analyzed sample. UK companies have consistently published IR in the observed years, whereas Italian companies have started adopting the IR framework only since 2012, while Dutch companies only since 2014. While in the UK, IR has been adopted in all of the analyzed industries, Italian and Dutch IRs are more focused in specific sectors. In particular, traditional industries in Italy and service industries in the Netherlands. In all the three countries, the financial sector is highly represented. In both the UK and Italy, half of the IRs are issued by companies operating in environmentally sensitive industries. While in Italy and the Netherlands big companies are the most sensible to IR framework, in UK most of the IRs are issued by small companies.

	UK	Italy	Netherlands
YEAR			
2011	13		
2012	2	2	
2013	9	2	
2014	12	3	2
2015	6	1	4
2016	8	3	4
INDUSTRY			
<i>Basic materials</i>	10		
<i>Consumer goods</i>	7		
<i>Consumer services</i>	5		1
<i>Financial services</i>	8	6	7
<i>Healthcare</i>	1		2
<i>Industrials</i>	9	2	
<i>Oil and Gas</i>	4	2	
<i>Real estate</i>	1		
<i>Technology</i>	1		
<i>Telecommunications</i>	1		
<i>Utilities</i>	3	1	
SENSITIVITY TO THE ENVIRONMENT			
<i>Industry sensible to the environment</i>	26	5	0
SIZE			
<i>BIG</i>	17	9	7
<i>SMALL</i>	33	2	3

Table 5 - Comparison of IRs in the three most represented Countries

7 - Discussion

This paper aims at analyzing the state of art of how much the IR is spread and its pace of diffusion in Europe, since this topic is still open to debate among scholars and practitioners, thus answering the following research questions “How much is the IR adopted by European organizations? Which are the main features of the firms adopting such a reporting framework?”. As a matter of fact, recent studies reckoned that IR has “attracted much academic interest and criticism” (Chaidali and Jones, 2017), also because other studies highlighted that there has been a fast growth and implementation of IR (de Villiers, Venter and Hsiao, 2017).

Empirical findings in the European setting highlight that the number of IR after the global financial crisis is similar for each year in the sample time period with the exception of the year 2012 in which there is a drastically decrease in the number of IR. However, the diffusion of this reporting tool in the European context is thus far very limited, representing a negligible percentage of the European firms. This result could be due to the fact that, even though non-financial disclosure is supposed to drive enhanced economic performance (Barth et al., 2017), some research found that the issuance of stand-alone CSR reports is linked to higher economic, social and environmental performance, compared to the adoption of IR (Maniora, 2017). Then, a feature still needing further attention is the quality of the information released in the IR,

compared to other non-financial information reported by the company (de Villiers et al., 2017). Recently, in fact, the IIRC has invested a lot to promote the use of IR, which is at this stage perceived more as a “rebranding” of traditional annual reports rather than an innovative reporting framework (Chaidali and Jones, 2017). Thus, the Council together with academics and practitioners could better identify the differences between the traditional financial, as well as the intellectual and sustainability, reporting systems in order to give support to the initial idea of “one report” attached to the IR (Dumay, 2016; de Villiers and Sharma, 2017). Moreover, the IIRC is called to engage more with practitioners in order to provide the IR with the required “trust” that will enable a faster and larger diffusion of the integrated thinking approach (Chaidali and Jones, 2017). This might involve a refocus of IR on societal and environmental reporting (Adams and Whelan, 2009) in order to engage a wider set of stakeholders in the process of preparation and use of the IR (Milne and Gray, 2013). Furthermore, results show that especially country and industry are factors, which have some impacts on the choice to adopt the IR. Indeed, results demonstrated that the firms in the UK have the highest number of IRs, followed by firms in Italy and The Netherlands. Industries like Financial Services, Consumer Goods, Basic Material and Industrial Industries have the highest number of IR. The adoption of IR by quite a considerable number of financial institutions testifies that IR is a tool used by banks and other financial organisations that need to (re)gain legitimacy in a field that was largely affected by distrust after the Global Financial Crisis (Lohdia, 2015). By reporting on their business model and how they use different forms of capital, financial institutions are being more transparent on the processes that allow them to make profits and can provide a better communication of their values (Lee and Yeo, 2016; Slack and Tsalavoutas, 2018). However, this is more evident in a mandatory rather than voluntary setting (Bernardi and Stark, 2016; Barth et al., 2017). Moreover, results demonstrate that the feature of size does not have impact on the choice to adopt the IR by firms. Even though this evidence could be affected by the sample size of this study, this result is worth of additional research, since prior research put forward that size is a determinant of sustainability reporting adoption (Wijk and Persoon, 2006; Morhardt, 2009). Hence, in order to investigate whether IR is perceived to provide a larger and different set of benefits by SMEs compared to other stand-alone intellectual and sustainability reports, future studies could address this line of inquiry.

8 - Conclusion

This paper contributes in defining the state of art of the IR in the European setting, by highlighting which factors of the firms are relevant or not in adopting such a reporting framework. Practitioners can benefit from this study since they could be aware about the process of implementation of IR among firms belonging to different industries in Europe.

Main limitation of this study could be linked to the fact that the number of IR in Europe is still very low and therefore, any more developed statistical models can be applied at this stage.

Even if this paper represents a preliminary investigation of this topic, this paper opens interesting avenues of research and some research questions deserve future analysis. In particular, future studies could address to answer the following research questions:

- What are the differences in terms of IR among continents?
- What are the future lines of development of IR?
- What is the role of assurance in the adoption and use of IR?
- What is the users’ satisfaction in the adoption of IR?

- What are some measure in the evaluation of the satisfaction in the adoption of IR?
- How can the quality of information included into the IR affect the use of such information by stakeholders?
- Which are the differences in mandatory and non-mandatory settings in terms of economic and non-economic benefits of IR?
- How does size impact on the process of IR adoption and preparation?
- To what extent the content of the IR is compliant with the IR Framework?

Hence, the path to develop further the knowledge of how, when and under which circumstances IR is used in practice is still open to future research. This paper highlighted some of avenues for future studies, but many others can be uncovered as the IR is further implemented, used and refined in both theory and practice. To advance this field, the third, whereby IR practices are strengthened into organisations, and fourth stage of research, aimed at developing an IR eco-system, might be embraced (Dumay, 2013; Dumay and Garanina, 2013).

REFERENCES

- Adams, C. A. (2015). The International Integrated Reporting Council: A call to action. *Critical Perspectives on Accounting*, 27, 23–28. <https://doi.org/10.1016/j.cpa.2014.07.001>
- Adams, C. A., & Whelan, G. (2009). Conceptualising future change in corporate sustainability reporting. *Accounting, Auditing & Accountability Journal*, 22(1), 118–143. <https://doi.org/10.1108/09513570910923033>
- Adams, S., & Simnett, R. (2011). Integrated Reporting: An Opportunity for Australia's Not-for-Profit Sector. *Australian Accounting Review*, 21(3), 292–301. <https://doi.org/10.1111/j.1835-2561.2011.00143.x>
- Barth, M. E., Cahan, S. F., Chen, L., & Venter, E. R. (2017). The economic consequences associated with integrated report quality: Capital market and real effects. *Accounting, Organizations and Society*, 62, 43–64. <https://doi.org/10.1016/j.aos.2017.08.005>
- Beck, C., Dumay, J., & Frost, G. (2017). In Pursuit of a 'Single Source of Truth': from Threatened Legitimacy to Integrated Reporting. *Journal of Business Ethics*, 141(1), 191–205. <https://doi.org/10.1007/s10551-014-2423-1>
- Bernardi, C., & Stark, A. (2016). Environmental, social and governance disclosure, integrated reporting, and the accuracy of analyst forecasts. *The British Accounting Review*. Retrieved from <https://www.sciencedirect.com/science/article/pii/S0890838916300397>
- Brown, J., & Dillard, J. (2014). Integrated reporting: On the need for broadening out and opening up. *Accounting, Auditing & Accountability Journal*, 27(7), 1120–1156.
- BUFDG. (2017). *IR report - Insight into Integrated Reporting in British Universities - Aug 17*.
- Buhr, H., & Grafström, M. (2007). The making of meaning in the media: The case of corporate social responsibility in the Financial Times, 1988–2003. *Managing Corporate Social Responsibility in Action: Talking, Doing and Measuring: Ashgate*.
- Chaidali, P. (Penny) P., & Jones, M. J. (2017). It's a matter of trust: Exploring the perceptions of Integrated Reporting preparers. *Critical Perspectives on Accounting*, 48, 1–20. <https://doi.org/10.1016/J.CPA.2017.08.001>
- Cheng, M., Green, W., Conradie, P., Konishi, N., & Romi, A. (2014). The International Integrated Reporting Framework: Key Issues and Future Research Opportunities. *Journal of International Financial Management & Accounting*, 25(1), 90–119. <https://doi.org/10.1111/jifm.12015>
- Cho, C. H., Phillips, J. R., Hageman, A. M., & Patten, D. M. (2009). Media richness, user trust, and perceptions of corporate social responsibility: An experimental investigation of visual web site disclosures.

Accounting, Auditing & Accountability Journal, 22(6), 933–952.

- Clarkson, P., Fang, X., Li, Y., Policy, G. R. A. and P., & 2013, U. (2015). The relevance of environmental disclosures: are such disclosures incrementally informative? *Elsevier*. Retrieved from <https://www.sciencedirect.com/science/article/pii/S0278425413000665>
- de Villiers, C., & Sharma, U. (2017). A critical reflection on the future of financial, intellectual capital, sustainability and integrated reporting. *Critical Perspectives on Accounting*. <https://doi.org/10.1016/J.CPA.2017.05.003>
- de Villiers, C., Venter, E. R., & Hsiao, P.-C. K. (2017). Integrated reporting: background, measurement issues, approaches and an agenda for future research. *Accounting & Finance*, 57(4), 937–959. <https://doi.org/10.1111/acfi.12246>
- Del Baldo, M. (2017). The implementation of integrating reporting & IR in SMEs. *Meditari Accountancy Research*, 25(4), 505–532. <https://doi.org/10.1108/MEDAR-11-2016-0094>
- Dey, C., & Burns, J. (2010). Integrated reporting at Novo Nordisk. *Accounting for Sustainability: Practical Insights*, 197–214.
- Dumay, J. (2013). The third stage of IC: towards a new IC future and beyond. *Journal of Intellectual Capital*, 14(1), 5–9.
- Dumay, J. (2016). A critical reflection on the future of intellectual capital: from reporting to disclosure. *Journal of Intellectual Capital*, 17(1), 168–184. <https://doi.org/10.1108/JIC-08-2015-0072>
- Dumay, J., Bernardi, C. C., Guthrie, J., & Demartini, P. (2016). Integrated reporting: a structured literature review. In *Accounting Forum* (Vol. 40, pp. 166–185). Elsevier. <https://doi.org/10.1016/j.accfor.2016.06.001>
- Dumay, J., & Garanina, T. (2013). Intellectual capital research: a critical examination of the third stage. *Journal of Intellectual Capital*, 14(1), 10–25. <https://doi.org/10.1108/14691931311288995>
- García-Sánchez, I.-M., Rodríguez-Ariza, L., & Frías-Aceituno, J.-V. (2013). The cultural system and integrated reporting. *International Business Review*, 22(5), 828–838.
- Guthrie, J., Manes-Rossi, F., & Orelli, R. L. (2017). Integrated reporting and integrated thinking in Italian public sector organisations. *Meditari Accountancy Research*, 25(4), 553–573. <https://doi.org/10.1108/MEDAR-06-2017-0155>
- Guthrie, J., & Parker, L. D. (1989). Corporate social reporting: a rebuttal of legitimacy theory. *Accounting and Business Research*, 19(76), 343–352.
- Hogner, R. H. (1982). Corporate social reporting: eight decades of development at US Steel. *Research in Corporate Performance and Policy*, 4(1), 243–250.
- Hopwood, A. G., Unerman, J., & Fries, J. (2010). *Accounting for sustainability: Practical insights*. Earthscan.
- IASB (International Financial Reporting Standards). (2018). *IFRS® Conceptual Framework Project Summary*. Retrieved from <https://www.ifrs.org/-/media/project/conceptual-framework/fact-sheet-project-summary-and-feedback-statement/conceptual-framework-project-summary.pdf>
- IIRC. (2013). International <IR> Framework.
- International Integrated Reporting Committe. (2011). Communicating Value in the 21st Century. *Integrated Reporting*, (September), 17. <https://doi.org/10.1177/1469605303003002002>
- Jensen, J. C., & Berg, N. (2012). Determinants of traditional sustainability reporting versus integrated reporting. An institutionalist approach. *Business Strategy and the Environment*, 21(5), 299–316.
- Lee, K., & Yeo, G. H. H. (2016). The association between integrated reporting and firm valuation. *Review of Quantitative Finance and Accounting*, 47(4), 1221–1250.
- Lodhia, S. (2015). Exploring the transition to integrated reporting through a practice lens: an Australian

- customer owned bank perspective. *Journal of Business Ethics*, 129(3), 585–598.
- Maniora, J. (2017). Is Integrated Reporting Really the Superior Mechanism for the Integration of Ethics into the Core Business Model? An Empirical Analysis. *Journal of Business Ethics*, 140(4), 755–786. <https://doi.org/10.1007/s10551-015-2874-z>
- Maroun, W. (2015). Culture, profitability, non-financial reporting and a meta-analysis: Comments and observations. *Meditari Accountancy Research*, 23(3), 322–330.
- Maroun, W. (2018). Modifying assurance practices to meet the needs of integrated reporting. *Accounting, Auditing & Accountability Journal*, 31(2), 400–427. <https://doi.org/10.1108/AAAJ-10-2016-2732>
- Morhardt, J. E. (2009). Corporate social responsibility and sustainability reporting on the Internet. *Business Strategy and the Environment*, 19(7), n/a-n/a. <https://doi.org/10.1002/bse.657>
- Owusu-Ansah, S. (1998). The impact of corporate attributes on the extent of mandatory disclosure and reporting by listed companies in Zimbabwe. *The International Journal of Accounting*, 33(5), 605–631.
- Reimsbach, D., Hahn, R., & Gürtürk, A. (2018). Integrated Reporting and Assurance of Sustainability Information: An Experimental Study on Professional Investors' Information Processing. *European Accounting Review*, 27(3), 559–581. <https://doi.org/10.1080/09638180.2016.1273787>
- Reuter, M., & Messner, M. (2015). Lobbying on the integrated reporting framework. *Accounting, Auditing & Accountability Journal*, 28(3), 365–402. <https://doi.org/10.1108/AAAJ-03-2013-1289>
- Robertson, F. A., & Samy, M. (2015). Factors affecting the diffusion of integrated reporting – a UK FTSE 100 perspective. *Sustainability Accounting, Management and Policy Journal*, 6(2), 190–223. <https://doi.org/10.1108/SAMPJ-07-2014-0044>
- Slack, R., & Tsalavoutas, I. (2018). Integrated Reporting decision usefulness: mainstream equity market views. In *Accounting Forum* (Vol. 42, pp. 184–198). Elsevier. <https://doi.org/10.1016/J.ACCFOR.2018.01.005>
- Stubbs, W., & Higgins, C. (2018). Stakeholders' Perspectives on the Role of Regulatory Reform in Integrated Reporting. *Journal of Business Ethics*, 147(3), 489–508. <https://doi.org/10.1007/s10551-015-2954-0>
- Tweedie, D., & Martinov-Bennie, N. (2015). Entitlements and time: Integrated Reporting's double-edged agenda. *Social and Environmental Accountability Journal*, 35(1), 49–61.
- van Bommel, K. (2014). Towards a legitimate compromise? *Accounting, Auditing & Accountability Journal*, 27(7), 1157–1189. <https://doi.org/10.1108/AAAJ-04-2013-1309>
- Wijk, J. Van, & Persoon, W. (2006). A Long-haul Destination:: Sustainability Reporting Among Tour Operators. *European Management Journal*, 24(6), 381–395. <https://doi.org/10.1016/J.EMJ.2006.07.001>
- Yonkova, B. (2013). *Integrated Reporting and SMEs*. Retrieved from www.scribd.com/antonis_politis/d/85406227-Key-figures-on-European-business-with-a-special-feature-on-SMEs