

Senior executives' perspectives of integrated reporting regulatory regimes as a mechanism for advancing sustainability in South African listed companies

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ABSTRACT

South African listed companies are among the first in the world to be subject to compliance with integrated reporting requirements in terms of stock exchange listing requirements. Integrated reporting, as a novel and evolutionary step in corporate reporting, along with the influence that integrated thinking and integrated reporting principles will have on companies, has been the subject of global debate in recent years. This study, performed two years into the South African integrated reporting regime, aims to summarise the findings of the perceptions of chief executive officers (CEOs), chief financial officers (CFOs) and senior executives of South African listed companies on the organisational changes perceived as a result of implementing integrated reporting requirements. The findings confirm and strongly support several of the anticipated organisational outcomes of a regulatory integrated reporting regime, most notably the advancement of strategic decision-making that recognises the organisation's dependence on resources and relationships in creating and sustaining longer-term stakeholder value, greater consideration of the linkages and interdependencies between financial, social and environmental, and economic matters in setting strategic objectives, and an increased organisational focus on integrating social and environmental objectives into strategic objectives and aligning reported key performance indicators (KPIs) with external stakeholder requirements. Integrated reporting is also perceived as encouraging decision-making in the organisation with the objective of longer-term sustainable wealth-creation. However, maintaining the balance between transparency and business confidentiality when

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disclosing forward-looking information and strategy remains a challenging aspect of integrated reporting for companies.

Key words: Corporate reporting and organisational behaviour, disclosure regarding forward-looking statements, disclosure of KPIs (key performance indicators), environmental strategic objectives, integrated reporting, integrated thinking, social strategic objectives, sustainable capitalism, sustainability reporting, sustainable wealth-creation, sustainable business practices

Introduction

Sustainable development is essential to ensuring the future viability of organisations in view of increasing pressure on energy and commodity prices and growing scarcity of raw materials (Brockett & Rezaee 2012: 8). Sustainable development will therefore be a defining element of the economy of the future and a central element of future value-creation and prosperity (Rowledge, Barton & Brady 1999: 29).

The overall objective of corporate sustainability reporting is stated as advancing sustainable development (GRI 2011: 3). The relevance and importance of corporate sustainability reporting in advancing sustainable development was elevated globally by the inclusion of Paragraph 47 in the Outcome Document of the 2012 United Nations Conference on Sustainable Development (Rio+20). This paragraph states that the United Nations acknowledges the importance of corporate sustainability reporting, encourages companies to consider integrating sustainability information into their reporting, and encourages governments to develop best practice models and facilitate action for the integration of sustainability reporting (United Nations General Assembly 2012: 9). Mandatory integrated reporting, which is aimed at accelerating the widely advocated mainstreaming of sustainable capitalism, is regarded as one of these emerging best practice models (GIM 2012: 17).

Sustainable capitalism can be described as having the objective of maximising long-term value-creation by explicitly integrating environmental, social and governance (ESG) factors into strategy, the measurement of outputs and the assessment of both risks and opportunities. Its aim is to generate financial return for stakeholders in the long term and in a responsible manner (GIM 2012: 12). Sustainability has been described as the primary moral and economic imperative of the 21st century and one of the most important sources of both opportunities and risks for business (Marx & Van Dyk 2011: 40). However, the breakthrough paradigm is seeing the goal as integrating, rather than trading off or balancing the three goals of economic development, environmental protection and restoration, and social equity

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and wellbeing (Rowledge et al. 1999: 29). This resonates with the aims of integrated reporting, since integrated reporting is expected to act as a force for financial stability and sustainability (IIRC 2013: 1). While integrated reporting draws on multiple strands, the early development of integrated reporting policies and practices appears to have largely been informed and driven by considerations linked to social and environmental reporting (De Villiers, Rinaldi, Unerman 2014: 6).

The recent integrated reporting developments form part of the global process of progress towards an ideal regime for reporting that could adequately address the needs of a rapidly changing 21st century business landscape. This challenging business environment includes globalisation, with growing policy activity worldwide in response to financial, governance and other crises; heightened expectations of corporate transparency and accountability; actual and prospective resource scarcity; population growth; and environmental concerns (IIRC 2011: 2). In addition, public distrust of business is at historic heights as employees, customers and stakeholders of business are disconnected from the companies they interact with (Sisodia 2009: 188). Reform in the role of business in society, and improving the credibility of business in society by improving ethical and responsible conduct of business as social and environmental conscience grows is key to restoring trust in business (Karns 2011: 337). Increasingly, shareholders are requiring information about a company's corporate responsibility to be disclosed not only since shareholders believe that companies should be held accountable for their environmental stewardship, but also as valuable relevant information for shareholders' decision-making (De Klerk & De Villiers 2012: 24).

The global response to these changes in the business environment is clearly evident in integrated reporting principles. Integrated reporting content dictates a significant shift in emphasis towards the reporting of an altered and expanded set of organisational dimensions of performance, including an emphasis on dimensions of performance relating to economic, environmental and social governance aspects, risks and opportunities (KPMG 2010: 5). Viewed against the backdrop of the traditional historically oriented annual report as the prime report to stakeholders, the concept of integrated reporting is regarded globally as an evolutionary stride and transformation in corporate reporting (KPMG 2010: 3). Furthermore, the focus of the integrated report on disclosing forward-looking statements in external reporting represents a radical shift in emphasis from traditional reporting, which previously reported largely on historical performance. The introduction of integrated reporting appears to have created a new set of priorities for directors, expressed through reporting (ACCA 2012: 5).

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Although the concept of integrated reporting is nascent and voluntary reporting by companies is increasing, significant widespread change is only expected to come about once integrated reporting is mandated globally (Eccles & Krzus 2010: 218). Burritt (2012: 391) argues that if integrated reporting is both required and successfully adopted throughout the world, or, at least the world where stock exchanges form a key component of capital allocation to companies, environmental performance accounting would, for the first time, become mainstream, since such accountability would no longer be a subservient supplement to the main financial accounts and reports in the way that environmental and sustainability reporting have emerged until now. The Johannesburg Stock Exchange (JSE) has set a precedent in its internationally pioneering decision to require all listed companies either to produce an integrated report or to explain why they are not doing so (GIM 2012: 17). South African listed companies are among the first in the world to be subject to a 'comply or explain' requirement to prepare an integrated report, as described in the King Code of Governance Principles for South Africa of 2009. This is achieved by a JSE listing requirement in respect of all JSE-listed companies for financial year-ends commencing on or after 1 March 2010. South Africa therefore provides an environment within which integrated reporting may be viewed in practice for the first time (ACCA 2012: 6).

Reporting on sustainability has become a prominent feature of corporate reporting in the past decade (Das Gupta 200: 134). However, reporting on sustainability aspects does not necessarily directly translate into integration of these aspects into strategy, decision-making and performance measurement. A key challenge for business is therefore to advance from simply reporting on ESG matters to connecting and incorporating these dimensions into strategy, performance and governance (Brockett et al. 2012: 18). The Prince's Accounting for Sustainability Project suggests a concept termed 'connected reporting', which is aimed at aligning the interests of management with those of long-term investors and stakeholders by identifying and assessing the link between the organisation's strategic objectives, performance, governance, rewards, risks and opportunities (Brockett et al. 2012: 83).

Among other benefits, integrated reporting is expected to enhance accountability and stewardship for resources and advance integrated thinking and incorporation of sustainability aspects into strategic objectives, management reporting, analysis and decision-making (IIRC 2013: 2).

The empirical study on which this article is based explored the perceived role of integrated reporting requirements for South African listed companies in advancing the integration of economic, social and environmental aspects into organisational strategic objectives. The study also explored the perceptions surrounding the role

of integrated reporting in advancing organisational strategic decision-making that is conducive to longer-term sustainable wealth-creation for stakeholders, as well as perceptions surrounding the disclosure of future-orientated information and performance objectives in the integrated report, and alignment of disclosed KPIs with both organisational objectives as well as stakeholder requirements.

The initial focus of the developing concept of integrated reporting is on large listed companies and the needs of their investors, with a view to gradually expanding the application to not-for-profit and smaller entities (IIRC 2012: 4). The study is significant from a global perspective, since integrated reporting and integrated thinking form a new and globally developing concept, and the potential benefits and expected outcomes are currently the subject of continued global debate.

This study is unique since it aims to provide valuable insights into and understanding of the resulting organisational changes brought about in South African companies by compliance with integrated reporting requirements, particularly the role of integrated reporting in advancing the integration of ESG factors into management decision-making, performance objectives and strategy, as well as the alignment of company objectives with stakeholder requirements. This will enable government, regulators, policy makers, standard setters and business to gain a better understanding of the potential role of a regulatory integrated reporting regime in advancing the integration of sustainability principles into mainstream business strategy, performance measurement and decision-making, especially in view of future considerations of potentially expanding the application to a larger base of entities beyond listed public companies.

Background and context

Annual financial statements historically focused mainly on financial performance. Reporting on sustainability performance has been placed in the foreground with the advent of the movement of business towards more stakeholder-oriented approaches and sustainable business practices. The Global Reporting Initiative (GRI), which issues guidelines on sustainability reporting, views transparency about economic, environmental and social impacts as a fundamental component of effective stakeholder relations (GRI 2011: 3). The GRI was formally launched in 1997, and was soon aligned with the International Accounting Standards Board (IASB) and the Financial Standards Board (FASB). The GRI Reporting Framework, the G4 guidelines, provides a generally accepted framework for reporting on an organisation's economic, environmental and social performance.

The framework describes sustainability reporting as the practice of measuring and disclosing performance and being accountable to internal and external stakeholders for organisational performance. The overall objective of sustainability reporting is stated as advancing sustainable development (GRI 2011: 3). The number of companies worldwide that publish sustainability reports disclosing their impact and initiatives with regard to societal and environmental issues has grown substantially in the past decade. This provides evidence of the relevance and imperatives of corporate responsibility in the society in which these companies operate (Das Gupta 2010: 162). There is therefore a growing appreciation of the fact that while protecting and enhancing shareholders' wealth remains an important objective, the aspirations of other stakeholder groups need to be factored in (Das Gupta 2010: 163). This is supported by research indicating that areas such as environmental management accounting are developing rapidly, involving research from an increasing range of authors and regions (Schaltegger, Gibassier & Zvezdov 2013: 22).

According to the GRI, the business agenda seems set to move far beyond citizenship and corporate sustainability reporting in the next decade, and reporting will evolve in parallel (GRI 2010: 11). However, the nature of the information provided in sustainability reports has often resulted in sustainability issues being viewed as a separate dimension to be managed. Integrated reporting therefore aims to combine the different strands of reporting (financial, management commentary, governance and remuneration, and sustainability reporting) into a coherent whole that explains an organisation's ability to create and sustain value. The information that is expected to be included in the integrated report should enable a meaningful assessment of the long-term viability of the organisation's business model and strategy.

Integrated reporting framework

The South African context

Integrated reporting is an evolving concept that, in the South African context, has its origin in the governance principles relating to integrated thinking as contained in the King Code of Governance Principles for South Africa of 2009 (King III). King III urged organisations to commit to the principles of integrated thinking, promoting the concept that strategy, governance and sustainability are intimately entwined (De Villiers et al. 2014: 12). Following the incorporation of King III requirements into the JSE Listings Requirements, listed companies are required to issue an integrated report for financial years commencing on or after 1 March 2010 on a comply-or-explain basis. Subsequent to the inclusion of the concept of

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integrated reporting in the King III principles, the IRC (Integrated Reporting Committee) was formed under the chairmanship of Prof. Mervyn E. King (Senior Counsel). The IRC published guidelines on integrated reporting, the first in the world, as recommended by King III on 25 January 2011 in its discussion paper entitled 'Framework for integrated reporting and the integrated report'. According to the IRC, the user of an integrated report should be able to determine from the report whether the organisation's governing structure has sufficiently applied its collective mind to identifying the social, environmental, economic and financial issues that impact on the organisation's business, and whether these have been appropriately incorporated into its strategy (IRC 2011: 1). This implies transparency on the part of business towards stakeholders on how business balances often-conflicting objectives relating to environmental, social, economic and financial issues in determining its future strategic objectives.

International developments

The South African guidelines were soon followed by the publication on 12 September 2011 of the international discussion paper entitled 'Towards integrated reporting: communicating value in the 21 century' by the IIRC (International Integrated Reporting Council). The IIRC was formed in 2010 by leaders from the Global Reporting Initiative (GRI), Prince's Accounting for Sustainability Project, International Federation of Accountants (IFAC), International Accounting Standards Board (IASB), United Nations Environmental Programme (UNEP) Finance Initiative, UN Global Compact, Carbon Disclosure Standards Board (CDSB), International Organisation of Securities Commissions (IOSC), and World Business Council for Sustainable Development (WBCSD). After extensive consultation and public commentary, the final version of the International Integrated Reporting Framework was published in December 2013. On 18 March 2014, the Integrated Reporting Committee of South Africa (IRC) announced its endorsement of the recently published International Integrated Reporting Framework of the IIRC. South Africa thus now subscribes to the international framework.

Integrated reporting is described by the IIRC as a report that brings together material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates (IIRC 2011: 21). It provides a clear and concise representation of how an organisation demonstrates stewardship and how it creates and sustains value.

The IIRC also launched the Integrated Reporting Pilot Programme, which includes private and public organisations and institutional investors that implement

integrated reporting, in most instances on a voluntary basis. The Pilot Programme was due to run until September 2014, allowing participating companies to test the International Integrated Reporting Framework during their next reporting cycle.

Although integrated reporting is a relatively new area of policy and practice, both public policy as well as organisational practices in this area are developing rapidly; as a rapidly developing regulatory arena, it provides the opportunity to study the development of accounting regulation over a much shorter period than has typically been the case for accounting standards (De Villiers et al. 2014: 4).

Literature review

Sustainability reporting versus integrated sustainable business practices

The annual report, as the most comprehensive disclosure medium to stakeholders, is regarded by corporations as having greater importance for corporate legitimacy as a disclosure medium than information contained on internet websites (Watson 2011: 99). Organisations often use the annual report as a means of influencing society's perceptions of their operations (Deegan, Rankin & Voght 2000: 2). However, the business case for companies to fully engage with the concept of responsible business practices by displaying accountability for the economic, social and environmental impact of their operations is still not universally accepted, and may often amount to ESG reporting in the annual report, which is equivalent to corporate window dressing (Ackers 2009: 5). Furthermore, corporate social responsibility (CSR) contributions in the South African context have often been viewed as cosmetic and self-serving, ignoring environmental care and protection (Samkin 2012: 138). Although many companies today place significantly more emphasis on responsible business practices than in the past as a result of public scrutiny of activists, the media and investors, the possibility exists that companies merely 'green wash' or window dress by superficially reporting on ESG issues without making substantial changes in their actual practices (Waddock 2008: 105). Critics of sustainability disclosure claim that these disclosures are often a symbolic attempt to connect with the concept of sustainability while continuing with business as usual (De Villiers et al. 2014: 6). Green washing can be described as the attempts of companies to present the image of a socially responsible approach in their business practices while few actual substantive changes occur (Hinson & Ndlovu 2011: 332).

The more advanced stage of sustainability practices in companies is therefore considered to be the stage where, in addition to sustainability reporting, sustainability is integrated into the decision-making process, the drivers of performance are

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measured and the linkages between them clearly understood (Epstein & Roy 2001: 94). Furthermore, translating strategy on ESG matters into action requires appropriate systems, structures and measures that provide managers with information relating to their current and past performance, and insight into their ability to improve their competitive position in future (Epstein & Roy 2001: 94).

Stakeholder responsiveness

A guiding principle of the integrated report, according to the IIRC, is that of stakeholder responsiveness and inclusiveness, which determines that the integrated report should provide insights into the organisation's relationships with its key stakeholders and indicate how and to what extent the organisation understands, takes into account, and responds to their needs (IIRC 2011: 13).

The IRC describes as a key anticipated benefit of integrated reporting the opportunity that an organisation's leaders are afforded through integrated reporting to demonstrate to a wide range of stakeholders their understanding of the business and the challenges facing it (IRC 2011). A strategic dimension of corporate social responsibility not only includes corporate social responsibility aspects as an essential element of company strategy, but also encompasses the building of relations with stakeholders and the creation of effective channels for communication and innovation, as well as continuous management of stakeholder relations (Mallin 2009: 99). The aim of stakeholder dialogue is to investigate constellations of interests and issues concerning the company and the stakeholders, exchange opinions, clarify expectations, enhance mutual understanding and, if possible, find innovative solutions (Pohl & Tolhurst 2010: 17). Stakeholder collaboration is considered vital to solving complex problems involving multiple stakeholders in terms of the knowledge required and alignment of key relationships (Laszlo 2008: 78).

Objectives of integrated reporting

In the International Integrated Reporting Framework issued by the IIRC in December 2013, it is stated that integrated reporting aims to enhance accountability and stewardship for the resources or capitals that organisations control, which include human, social and relationship, and natural capitals or resources, as well as to advance integrated thinking, decision-making and actions that focus on creating value over the short, medium and long terms (IIRC 2013: 2). Furthermore, one of the key objectives of integrated reporting is stated to be reporting that focuses on the ability of the organisation to create value in the short, medium and long terms, and, in doing so, emphasises the importance of integrated thinking within the organisation.

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Integrated thinking is described in the framework as the active consideration by an organisation of the relationships between its various operating and functional units and the capitals (financial, manufactured, intellectual, human, social and natural) that the organisation uses or affects (IIRC 2013: 2). The greater the extent to which integrated thinking is embedded in an organisation's activities, the more naturally will the connectivity of information flow into management reporting, analysis and decision-making (IIRC 2013: 2). The integrated report furthermore clearly presents the link between financial performance and the use of and impact on the significant resources and relationships on which it depends (IIRC 2011: 13).

IIRC Pilot Programme experience

The purpose of the IIRC Integrated Reporting Pilot Programme is stated as tracking the experience of participants over the two-year period ending September 2014 with the aim of capturing the benefits of adopting integrated reporting and adjusting frameworks and guidelines where required (Black Sun Plc & IIRC 2012: 25). The IIRC expects to demonstrate that the changes to company behaviour as a result of adopting integrated reporting principles will be significant (Black Sun Plc & IIRC 2012: 25).

According to the *IIRC Pilot Programme Yearbook 2013*, implementers of integrated reporting reported an incorporation of a sustainable enterprise theme throughout organisations following the implementation of integrated reporting, and strategy and the business model are more centred on activities that will ensure long-term viability of the business through a clear consideration of human capital, natural capitals and social capitals alongside the financial capitals as a result of integrated reporting (IIRC 2013: 19). Furthermore, by reporting on and demonstrating the interaction with natural capitals for value-creation and performance, stakeholders are better enabled to look beyond the short term to form a more strategic long-term vision for the company (IIRC 2013: 26).

Integrated Reporting among the IIRC Pilot Programme participants has also been connected with several reported benefits, most notably providing a driver for prioritising internal processes, identifying relevant issues and KPIs followed by data-collection to measure such KPIs, and, finally, the embedding of the collected information into performance management systems and decision-making (IIRC 2013: 15). Furthermore, Pilot Programme participants reported improved connection between departments, improved focus and awareness of senior management around the issues of long-term sustainability, more informed decision-making taking sustainability issues into account, as well as better articulation of the strategy and business model (IIRC 2013: 16).

The role of compliance disclosure regimes in advancing norms and changing behaviour

Compliance disclosure regimes are often aimed at encouraging companies to improve behaviour through external pressures (Fasterling 2012: 75). Compliance disclosure regimes prompt dialogue about a norm proposal's desirability and its interpretation, and about the facts that underlie the norm proposal application, thus becoming an advantageous regulatory technique in areas and regulatory contexts where norms are not yet fully functional and still need to be developed and tested (Fasterling 2012: 75). Mandatory reporting as a form of regulation allows for variation in performance, but also seeks continual intensification of what acceptable performance should be for all corporations (Hess 2008: 473).

Regulatory transparency is the mandatory disclosure of structured factual information by private or public institutions in order to advance a clear regulatory goal. Regulatory transparency not only requires the provision of factual information, but also seeks to change the discloser's behaviour in specific ways (Weil, Fung, Graham & Fagotto 2006: 155). However, in as much as regulation seeks to change behaviour, a change in societal ethos and accepted norms and behaviour may precede regulation. In such a case, laws and regulations requiring disclosure can be described as an end point following widespread voluntary adoption of reporting standards that have become an expected and standardised part of the societal ethos (Rivoli & Waddock 2011: 102).

User embeddedness describes the degree to which information that is mandated in a disclosure system is integrated into the decision-making process of the company (Weil et al. 2008: 160). The factors that influence the likelihood that disclosed information will become embedded in a user's decision-making will depend on the perceived value and relevance to the company's objectives, its compatibility with decision-making routines and its comprehensibility (Weil et al. 2008: 161).

Lawrence, Botes, Collins and Roper (2013: 154) argue that accounting and reporting systems are not, as they are often portrayed, neutral collectors of objective information as an input to rational decision-making. Instead they should be regarded as part of the evolution of the organisation, creating the environment in which the organisation changes and responds to societal needs. From this perspective, the internal information-collecting for reporting purposes has an important signalling effect throughout the organisation of priorities of the organisation, thus changing behaviour (Lawrence et al. 2013: 156).

According to the IIRC, the greater the extent to which integrated reporting principles and integrated thinking are embedded in an organisation's activities, the

more naturally will the connectivity of information flow into management reporting, analysis and decision-making (IIRC 2013: 2).

Research objectives

While early claims from IIRC Pilot Programme participants suggest that integrated reporting may advance the widespread incorporation of sustainability themes into business strategy, reporting and decision-making, thereby advancing sustainable business practices and sustainable capitalism, there has been limited examination in the literature of this developing theme, particularly in the context of an integrated reporting compliance regime. Voluntary participation in the IIRC Pilot Programme and the positive reported outcomes thereof at organisational level may not necessarily be replicated on a larger scale in an integrated reporting compliance regime. Accordingly, the research question can be described as whether integrated reporting, implemented as a regulatory and compliance regime, can positively contribute towards building the business case for CSR and advance sustainable capitalism by actively encouraging the incorporation of sustainability dimensions into the mainstream business strategic objectives, KPIs and strategic decision-making.

The research method was to investigate the perceptions of high-level implementers charged with the duty of compiling an integrated report (CEOs, CFOs) on the impact of integrated reporting requirements on South African listed companies. The following dimensions were considered in the study:

- The role of integrated reporting in advancing economic, social and environmental aspects into strategic objectives
- The role of integrated reporting in advancing the alignment of KPIs disclosed in the report with organisational objectives as well as the objectives of stakeholders
- The role of integrated reporting in advancing decision-making aimed at longer-term sustainable wealth-creation, and taking non-financial performance measures into account.

Research method and data

The research methodology comprised a review of the limited available current literature on the developing concept of integrated reporting. The research instrument employed was an electronic web-based questionnaire, which was distributed to high-level implementers of integrated reporting in South Africa.

Survey development

The questionnaire was developed based on the expected outcomes of integrated reporting in advancing sustainable business practices identified during the literature review. The objective of the survey was to obtain the perspectives and perceptions of high-level implementers of integrated reporting in a compliance regime with respect to the validity of the expected outcomes of integrated reporting in their organisations.

Integrating economic, social and environmental aspects into strategic objectives

One of the key objectives of integrated reporting is to report on the extent to which the organisation's governing structure has applied its collective mind in identifying and addressing the social, environmental, financial and economic issues that impact on the organisation and on how these issues have been integrated into the organisation's strategy (IRC 2011: 6). Furthermore, the integrated report should reflect the extent to which a systematic process exists to take into account material economic and social issues in determining the key performance indicators (KPIs) and key risk indicators (KRIs) for the organisation (IRC 2011: 6). The integrated report should provide insight into the organisation's strategy, and how it relates to the organisation's ability to create value in the short, medium and long terms (IIRC 2013: 16). The integrated report should report on the extent to which the organisation achieved its strategic objectives, and should contain qualitative and quantitative information about performance and KPIs that combine financial measures with other components, for example, the ratio of greenhouse gas emissions to sales (IIRC 2013: 28).

This construct and the survey questions were developed with the aim of measuring the perceptions of the role of integrated reporting requirements in advancing the integration of social and environmental aspects into strategic objectives, key performance measures and KPIs.

Strategic focus and forward-looking orientation of the integrated report: disclosing future objectives

A key shortcoming of financial reporting is considered to be the historical view adopted, which does not provide sufficient information for stakeholders to enable them to make a meaningful assessment regarding the organisation's ability to create and sustain value over the short, medium and long terms (IRC 2011: 3). Integrated reporting requirements therefore represent a significant shift in emphasis from

reporting on historical performance to the inclusion of forward-looking information, which includes performance objectives and targets (IRC 2011: 15).

Future orientation is described as one of the key guiding principles of the integrated report by the IIRC; this requires the company to disclose the future outlook of the company, which includes the future objectives of the company, how these objectives will be achieved, as well as what the critical enablers, both challenges and barriers, may be along the path of progress towards set objectives (IIRC 2011: 13).

The challenge for those responsible for preparing the integrated report is how to move away from the traditional structure and detailed approach prescribed by the IFRS to a more integrated forward-looking approach (Hanks 2012: 19). Furthermore, those individuals who prepare the integrated report need to apply their minds to methods in which useful forward-looking information can be provided in the integrated report, discarding information that is harmful to business activities (Watson 2012: 16).

This construct and the relevant survey questions were developed to assess attitudes towards the disclosure of future-looking information, in view of business confidentiality, as well as the role of integrated reporting in advancing the alignment of KPIs disclosed in the report with organisational objectives and the objectives of stakeholders.

Strategic decision-making directed at creating longer-term sustainable wealth

The integrated report should reflect the extent to which a systematic process exists for incorporating material financial, social, economic and environmental and governance issues into the organisation's strategic decision-making (IRC 2011: 6).

According to Mervyn King, Chairperson of the IRC (Integrated Reporting Committee), one of the anticipated outcomes of integrated reporting is the following:

If done properly, organisations that produce an integrated report for the first time will take a new look at themselves and their business models, and they will be encouraged to explore new and potentially innovative opportunities in their products, services, processes and markets (IRC 2011: Foreword).

This construct and the survey questions were developed to determine the extent to which the compilation of the integrated report resulted in the reconsideration of the business model and strategy of the organisation, and the extent to which integrated reporting contributes towards strategic decision-making aimed at longer-term sustainable wealth-creation for stakeholders. This included examining the

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question of whether integrated reporting requirements contributed towards strategic decision-making that flows from a responsive, inclusive and consultative stakeholder engagement process, and whether it contributed positively towards decision-making that recognises the organisation's dependence on the availability of resources and relationships in creating and sustaining long-term stakeholder value, as envisioned by the IIRC (IIRC 2012: 3).

Description of population and sampling

Since these requirements apply only to companies listed on the JSE, the population comprised all entities listed on the Main Board of the JSE in 2012 according to the June–September 2012 Profiles Stock Exchange Handbook (JSE Handbook). Adjustments were made to the population as a result of group structures, companies that were not eligible to participate in the survey because of delisting or schemes of arrangement entered into after the publication of the Stock Exchange Handbook, as well as companies that had not yet made sufficient progress towards publishing an integrated report. The latter in some instances comprised offshore-based companies with secondary JSE listings. Since the population was relatively small, no sampling was done.

Description of survey

A self-administered web-based questionnaire, aimed at high-level implementers of the integrated reporting requirements in South African listed companies, was compiled. This survey assessed the perceived changes in the organisation that had taken place as a result of the integrated reporting requirements, with specific reference to strategy formulation and decision-making, management information systems, performance measurement systems and forward-looking information. Perceptions of the organisational impact of integrated reporting requirements on companies were tested in the survey by statements on a five-point Likert scale, ranging from 'strongly agree' (1) to 'strongly disagree' (5). The survey consisted of Section A, which collected data on the profile of respondents, mostly in order to establish the experience of the companies in compiling an integrated report. This was done to ensure that the target companies on which the researcher relied for responses were adequately experienced in the integrated reporting process, since this is still a new concept for business. It was also established whether the company was an SRI (Socially Responsible Investment) Constituent in order to ensure that responses were balanced across SRI Constituents and Non-SRI Constituents. Section B comprised

six sections that each addressed a specific construct to test perceptions of the specific expected outcomes of integrated reporting as identified in the literature review. The six sections were: (1) integrating economic, social and environmental aspects into strategic objectives, (2) future orientation and strategic focus and the disclosure of KPIs, (3) management information systems, (4) performance measurement systems, (5) strategic decision-making conducive to longer-term sustainable wealth-creation and (6) strategy-formulation: incorporating risks and opportunities into strategic objectives. Respondents were also given the opportunity to include specific comments after the statements comprising each construct. Section C comprised the benefits and implementation challenges of integrated reporting. This article reports on the findings of Section A and Section B (1), (2), and (5). The remaining sections are covered in a separate research report.

The survey was designed for and aimed at top management (CEOs or CFOs) as high-level implementers of the integrated reporting requirements. Since the concept of integrated reporting is new globally, and the practical impact of these requirements is unknown, the questionnaire was designed to address wide-ranging aspects rather than in-depth aspects that are associated with more established concepts where there has been previous research on the subject matter. The survey as well as the individual questions included in each construct were also validated, and the resulting commentary incorporated in the survey, by a trial of the electronic survey completed by five colleagues who are experienced researchers to ensure that the constructs were clear, the web-based design was fully functional and the survey was easy to use.

Survey process and administration

The database for eligible listed companies was compiled. A total of 347 companies were listed in the Handbook, of which 20 were consolidated as a result of group structures. Furthermore, two companies delisted subsequent to the publication of the Handbook, and eight companies were ineligible due to being secondary listings on the JSE. The remaining 315 companies were contacted to establish whether an integrated report had been issued for the period in question. Of these, 42 companies had not yet adopted integrated reporting for a full reporting period and were therefore deemed ineligible to participate in the survey. The 273 eligible companies were then contacted by e-mail and, where telephone contact details could be established, by telephone, based on the contact details supplied in the JSE Handbook. This was done in order to identify the CEO or CFO of the company or alternatively the person responsible for the overall implementation of integrated reporting in the company. An e-mail providing the link to the electronic survey was sent to the appropriate

identified person in each company. This was followed by e-mail reminders at seven-day intervals, as well as telephonic reminders where this information was available. The electronic responses, in total 81 responses, were recorded in a secure database during the period November and December 2012, after which the data were extracted by the database administrator for further processing. Responses that were not fully completed, in other words not all fields were completed or submitted for capturing in the database, were removed from the data prior to performing statistical analysis. After removing the data of 31 incomplete surveys, the relevant response rate, based only on the 50 fully completed surveys, was established at 18%.

A substantial disparity in response rates exists between studies in behavioural sciences and commercial or business surveys (Baruch 1999: 421). Studies conducted at the individual level (e.g. employees or general population) reflect an average response rate of 52.7%, whereas studies conducted at organisational level reflect a much lower response rate of 35.7%. (Baruch & Holton 2008: 1150). Commercial or business surveys traditionally have lower response rates with an average of 21% reported for 183 business mail survey studies (Paxson, Dillman & Tarnai 1995: 310). Furthermore, in a study on survey response rates over a 20-year period conducted by Baruch in 1999, the most notable finding was the exceptionally low response rate found specifically in studies involving top management or organisational representatives, as opposed to surveys directed at individual participants. According to Denison and Mishra (1995: 208), a 21% response from CEO-level respondents is described as a typical response for a mail survey sent to a large sample of companies (Baruch 1999: 423). Baruch suggests that in considering response rates, a further distinction should be made between studies directed towards top management (CEO/MD) and representatives of organisations, and studies directed towards others such as mid-level managers; the former groups are associated with much lower response rates. The main reason cited for this fact is accessibility to these top management executives, who are typically very busy people with extensive responsibilities (Baruch 1999: 434). Furthermore, a substantial disparity exists between response rates of mail surveys compared to web-based surveys, the latter having a substantially lower response rate compared to mail surveys (Hardigan, Succar & Fleisher 2011: 383). In a recent study comparing response rates of the same survey based on a mail survey and web-based survey, the mail survey reported a 26% response rate compared to an 11% response rate for the web-based survey (Hardigan et al. 2011: 383).

Since analogous business mail surveys directed at the same target audience reflect an average response rate of 21%, the response rate of 18% for a web-based survey compares favourably.

The collected data were processed and analysed by a statistician using descriptive methods. The researcher collated and summarised all the comments received from each section. The internal consistency of the constructs was measured per construct using Cronbach's alpha in order to establish the reliability of the constructs tested. The statistician did not consider further validation of the survey, in addition to the pre-trial of the survey, to be viable due to the limited quantity of the data. This may be viewed as a potential limitation of the study.

Non-response bias

The risk exists with a self-administered questionnaire that individuals with a particular interest in the subject may choose to complete the survey (De Villiers & Van Staden 2010: 232), which could introduce bias into the results. The fact that, where possible, the specific senior executive tasked with implementing integrated reporting in each company was identified and requested to complete the survey, as well as the ease and convenience of a web-based survey, which in turn contributed to a higher response rate, are both factors that reduced the possibility of non-response bias. Furthermore, the researcher used the approach used in the literature (Pike 1996: 23) of testing for non-response bias by comparing early and late responses. The Mann-Whitney U-test, also known as the Wilcoxon rank sum test, was used to compare the responses between the early responses (the first 15 responses) and the later responses (the remaining 35 responses). The results were analysed by performing a non-parametric Mann-Whitney U-test on the ranks, which tests for significant differences between the ranks of the two groups. The analysis revealed no significant differences between the mean ranks of the early-response and the late-response groups, since all the p-values in the analysis were above 0.05. P-values below 0.05 indicate a significant difference at a 95% level of confidence. Since the response rate is acceptable, and responses are similar for both groups, it is unlikely that a non-response rate bias is evident based on this analysis.

However, the distribution of responses among SRI Constituents compared to Non-SRI Constituents may be indicative of a possible non-response bias. This can be explained by considering the inherent differences between these two groups. The extent to which listed companies in the FTSE/JSE All Share Index incorporate sustainability principles into their everyday business practices is measured by the JSE based on the criteria determined in the Socially Responsible Investment (SRI) Index Criteria (JSE 2012: 2). These criteria measure the triple bottom line performance of companies in the FTSE/JSE All Share Index, with the aim of compiling an index comprising those companies that meet the criteria requirements. These companies,

the SRI Constituents, are recognised for incorporating sustainability principles into their everyday business practices; furthermore the index serves as a tool for investors to assess companies on a broader base.

The SRI Index, which also offers an aspirational sustainability benchmark, was developed in 2004, and companies that comply with the criteria are listed after the annual review as SRI Constituents. Approximately 20% of South African listed companies comply with the criteria and are listed as SRI Constituents. It is significant to note that the majority (52%) of the participating companies in the survey are SRI Constituents, which indicates a disposition for SRI Constituents to have participated in the survey. The percentage of SRI Constituent respondent companies is shown in Table 1.

Table 1: Percentage of SRI Constituent respondent companies

	Frequency	Percentage	Valid percentage	Cumulative percentage
SRI Constituents	26	52.0	52.0	52.0
Non-SRI Constituents	24	48.0	48.0	100.0
Total	50	100.0	100.0	

The substantial number of SRI Constituents in the data is significant in view of the fact that the extent to which these companies incorporate sustainable business practices into their business model and strategy has been externally verified against the SRI criteria. Although this increases the value of the results, since SRI Constituents are able to evaluate the impact of integrated reporting requirements as a further step in advancing sustainable business practices from the perspective of an organisational environment where sustainable business practices currently prevail, this may also indicate a non-response bias that must be taken into account when considering the results of the study. This should be highlighted as a limitation of the study.

Results and discussion

This article reports on the results of Section A and selected parts of Section B of the survey. In the first section, the results reporting on the profile of the participating companies are discussed. The second section reports on the findings of the three areas considered in Section B of the survey.

Profile of participating companies

Experience of companies in preparing integrated reports

The experience of a company in preparing integrated reports, as measured by the number of integrated reports issued by the company, is set out in Table 2.

Table 2: Number of integrated reports issued by the company

	Frequency	Percentage	Valid percentage	Cumulative percentage
One report issued	1	2.0	2.0	2.0
Two reports issued	11	22.0	22.0	24.0
Three reports issued	27	54.0	54.0	78.0
More than three reports issued	11	22.0	22.0	100.0
Total	50	100.0	100.0	100.0

The majority of the companies had issued at least two integrated reports (78%). This is significant from the perspective that a substantial portion of the companies demonstrated a reasonable degree of experience in the process of preparing the integrated report, which supports the quality of the responses received, and accordingly, the quality of the results. It might be assumed the more experienced a company is with the integrated reporting process, and the longer this has been implemented in the company, the better the respondent will be equipped to judge the impact of these requirements and the resulting changes of the integrated reporting regime.

Integrating economic, social and environmental aspects into strategic objectives

The integrated report should provide insight into the organisation's strategy, and how it relates to the organisation's ability to create value in the short, medium and long terms (IIRC 2013: 16). Adopting a strategic focus as a guiding principle for preparing an integrated report includes clearly articulating how the continued availability, quality and affordability of significant resources, described as 'capitals' in the International Integrated Reporting Framework, contribute to the organisation's ability to achieve its strategic objectives in the future and create value (IIRC 2013: 16). The integrated report should therefore identify the organisation's short-, medium- and long-term objectives, the strategies in place to achieve these objectives, the resource allocation

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plans to implement the strategy, as well as how it will measure achievements and target outcomes for the short, medium and long terms (IIRC 2013: 27).

Respondents indicated their level of agreement with statements relating to the role of integrated reporting requirements in advancing the integration of economic, social and environmental aspects into strategic objectives. Their perspectives are presented in Table 3. Estimates of internal consistency of the construct as measured by Cronbach's alpha were 0.895, indicating very good reliability. Reliability coefficients exceeding 0.60 are considered sufficient for exploratory research instruments (Tredoux & Durrheim 2010: 216).

A conclusive finding of this section is that the considerable majority of respondents (76%) agree with the notion that the integrated reporting requirements and the process of compiling the integrated report advance management's greater consideration of the linkages and interdependencies between financial, social, environmental and economic matters in setting strategic objectives within their organisation.

Environmental dimensions of organisational performance

A significant finding of this section is that a compelling majority (72%) of respondents view the integrated reporting requirements and the process of compiling the integrated report as improving the focus of the organisation on integrating environmental strategic objectives into organisational strategic planning.

Although 68% of participants viewed the transparent disclosure of environmental strategic objectives and KPIs as positively contributing towards an organisational culture where environmental aspects are embedded in the strategic planning process, it is nevertheless worth noting that 20% of participants disagree with this view.

It is also clear from the collated respondents' commentary that the process of compiling the integrated reports and the requirement that KPIs on environmental and social aspects should be disclosed serve the clear purpose of creating an awareness of the need to include environmental and social aspects into strategic planning and strategic objectives. However, respondents view the progress of their organisation towards an organisational culture where these aspects are embedded in the strategic planning process as moderately successful, although there is still substantial room for improvement.

Codified views also supported the perception of the smallest group (20%) of respondents (20%) that integrated reporting requirements do not advance the inclusion of the environmental dimensions of organisational performance into business strategy, strategic objectives and KPIs, but merely require their disclosure.

Social dimensions of organisational performance

In terms of social objectives, a significant majority (76%) of participants view integrated reporting requirements as improving the focus by the organisation on integrating social strategic objectives into organisational strategic planning. This finding is reinforced by the finding that a negligible percentage (8%) of respondents do not perceive integrated reporting as a contributor towards advancing the inclusion of social objectives into strategic planning and objectives in their organisation.

When considering the role of integrated reporting in the advancement of the inclusion of social objectives in the strategy, strategic objectives and KPIs, 66% of participants viewed the transparent disclosure of social strategic objectives and KPIs in the integrated report as positively contributing towards an organisational culture where social aspects are embedded in the strategic planning process.

Commentary from respondents supported the view that integrated reporting represents a significant shift in the way organisations report. Although respondents noted that more profound organisational changes were experienced when sustainability reporting was first introduced, it is nevertheless acknowledged that when there were further changes in reporting requirements for the integrated report, subsequent further changes within their organisation were inevitable.

Strategic focus and forward-looking orientation of the integrated report: disclosing future objectives

Forward-looking orientation of the integrated report

Respondents indicated their level of agreement with statements relating to the inclusion in the integrated report of forward-looking information and KPIs. Their perspectives are presented in Table 4. Estimates of internal consistency of the construct as measured by Cronbach's alpha were 0.652, indicating adequate reliability.

The inclusion of future-looking information in the integrated report is perceived to pose a degree of challenge for organisations in respect of business confidentiality. Fifty-eight per cent of responding companies view the publication of strategic objectives in the integrated report as potentially compromising business confidentiality. A larger percentage (68%) of organisations consider the publishing of more specific KPIs and future targets, as opposed to strategic objectives, as posing risks to the business. The information published by these organisations in the integrated report is therefore considered to be limited in its scope, nature and value. From the commentary gathered on this construct, it is clear that the balance between transparency of disclosure of forward-looking information and business confidentiality remains a challenging aspect

Table 3: Perceptions of the role of integrated reporting in advancing the integration of economic, social and environmental aspects into strategic objectives

Statement	Mean (N=50)	Agree and strongly agree (%)	Neutral (%)	Disagree and strongly disagree (%)	Total (%)
Integrated reporting advances the organisational focus on integrating environmental strategic objectives into strategic planning within the organisation	2.30	72	16	12	100
Integrated reporting advances the focus of organisational results on integrating social strategic objectives into strategic planning in the organisation	2.12	76	16	8	100
Integrated reporting results in greater consideration of linkages and interdependencies between social, environmental and economic aspects in setting strategic objectives in the organisation	2.18	76	14	10	100
Transparent disclosure of environmental KPIs in the integrated report advances the embedding of environmental objectives in strategic planning and objectives	2.36	68	12	20	100
Transparent disclosure of social KPIs in the integrated report advances the embedding of social responsibility objectives in strategic planning and objectives	2.34	66	22	12	100

of compiling the integrated report. Extensive commentary in this regard was recorded, and it is clear that some respondents consider integrated reporting requirements in respect of forward-looking information and disclosure of strategic objectives to be a risk to competitive advantage.

The view expressed in the collated commentary is that, because of this risk, the information disclosed is often superficial and is provided merely to comply with disclosure requirements. Respondents noted that KPIs are often at the core of the company's strategy and that, if correctly defined and formulated, they should give the company a competitive advantage. Extensive disclosure of the strategy to competitors is perceived by some respondents to have the potential to undermine the company's survival. Some respondents endorse the view that strategy and each company's tailored KPIs are integral to a company's competitive advantage and intellectual

property and should not be disclosed extensively, but selectively. The challenge of disclosure of strategy without compromising business confidentiality was initially not specifically addressed in the discussion drafts of the IRC or the IIRC. However, subsequent to performing the survey, this challenge has been recognised by the IIRC in the summary of significant issues flowing from the discussion paper, where it is concluded that it is the intention that all material matters be disclosed in the integrated report, but that the depth of these disclosures and the information provided will depend on the availability of data and the likelihood of compromising competitiveness (IIRC 2013: 10). The Integrated Reporting Framework issued in December 2013 now also includes a proviso in par 3.51 that allows for a degree of non-disclosure of critical strategies on the basis of the risk of significant competitive harm (IIRC 2013: 8).

Inclusion in the report of strategic objectives and priority key performance indicators

The framework for integrated reporting of the IIRC specifically mandates disclosure of a concise statement of strategic objectives that aim to create and sustain value over the medium and long terms, together with a list of priority KPIs and information on how these KPIs have been determined (IIRC 2011: 4).

A significant majority of participants (70%) view the requirement that the integrated report should disclose the key priority performance indicators as positively contributing within their organisation to the greater alignment of reported KPIs with the requirements of external stakeholders, as well as greater alignment of reported KPIs with organisational strategic objectives. However, 14% of participants did not view the disclosure requirement as a contributing factor to aligning KPIs with external stakeholder requirements, and 16% did not view integrated reporting requirements as contributing towards greater alignment of reported KPIs and organisational strategic objectives. In contrast, a majority (52%) of participants (albeit a relatively low percentage) concur that the assessment of external stakeholder reporting requirements had a direct impact on their company's strategy, objectives and KPIs. A reasonable percentage (30%) reported no changes in their company's strategy, objectives and KPIs as a result of the external stakeholder reporting requirements of the integrated report. Commentary from the respondents supported the view that linking and aligning individual managers' performance to organisational performance KPIs is paramount in achieving active measurement and management of these KPIs (according to the principle that 'what gets measured get managed').

Involvement of CEO and board members in establishing KPIs for reporting

A substantial majority (68%) of the organisations reported a significant level of active involvement of the CEO and board members during the process of determining the KPIs for inclusion in the integrated report, but 26% reported that the process of determining KPIs and their compilation in the integrated report was not characterised by significant involvement of the CEO and other board members.

Table 4: Perceptions of disclosure of KPIs and forward-looking information in the integrated report

Statement	Mean (N=50)	Agree and strongly agree (%)	Neutral (%)	Disagree and strongly disagree (%)	Total (%)
Disclosing key KPIs results in greater alignment with external stakeholder objectives	2.38	70	16	14	100
Disclosing KPIs results in greater alignment of reported KPIs and organisational strategic objectives	2.34	70	14	16	100
Assessment of external stakeholder requirements for integrated reporting impacted on strategy, objectives and KPIs	2.72	52	18	30	100
Significant involvement of CEO and board in determining KPIs for integrated reporting was experienced	2.52	68	6	26	100
Publishing strategic objectives compromises business confidentiality and limits scope, nature and value	2.66	58	8	34	100
Publishing KPIs and forward-looking information poses a business risk and information is therefore limited in scope, nature and value	2.48	68	4	28	100

Strategic decision-making directed at creating longer-term sustainable wealth

The integrated report should reflect the extent to which a systematic process exists for incorporating material financial, social, economic, and environmental and governance issues into the organisation's strategic decision-making (IRC 2011: 6).

Respondents indicated their level of agreement with statements relating to the role of integrated reporting in advancing decision-making aimed at longer-term sustainable wealth-creation. Their perspectives are presented in Table 5. Estimates

Table 5: Perceptions of the impact of integrated reporting requirements in strategic decision-making

Statement	Mean (N=50)	Agree and strongly agree (%)	Neutral (%)	Disagree and strongly disagree (%)	Total (%)
Integrated reporting enhances management decision-making as it requires the integration of management information in financial as well as non-financial performance measures	2.56	62	14	24	100
Integrated reporting enhances strategic decision-making aimed at longer-term sustainable wealth-creation for stakeholders	2.38	66	14	20	100
Integrated reporting enhances strategic decision-making that flows from responsive, inclusive and consultative stakeholder engagement	2.68	52	24	24	100
Integrated reporting enhances strategic decision-making that recognises the organisation's dependence on resources and relationships in creating long-term sustainable wealth	2.38	68	16	16	100
Integrated reporting results in the reconsideration of long-term sustainable value-creation of the business model and strategy	2.56	54	22	24	100

of internal consistency of the construct as measured by Cronbach's alpha were 0.904, indicating excellent reliability.

A significant finding with respect to this construct is that 68% of companies reported a positive contribution towards strategic decision-making that recognises the organisation's dependence on resources and relationships in creating and sustaining longer-term stakeholder value. Furthermore, a significant majority of respondent companies (66%) reported a positive contribution towards strategic decision-making aimed at longer-term sustainable wealth-creation for stakeholders. A substantial percentage (62%) of companies reported an enhanced management decision-making process as a result of integrated reporting requirements that mandate the collection and reporting of both financial and non-financial (social and environmental) information. However, a lower percentage (54%) of companies

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reported a reconsideration of the long-term sustainable value-creation of the current business model and strategy in their organisations.

Strategic decision-making flowing from responsive, inclusive and consultative stakeholder engagement

The findings of the study indicated that although the majority of respondents (52%) perceive integrated reporting as enhancing strategic decision-making that flows from responsive, inclusive and consultative stakeholder engagement, a fairly significant portion of respondents (24%) submitted neutral responses or did not support this view (24%). From the summary of commentaries, it was evident that stakeholder engagement processes and responsiveness to stakeholder needs were challenging to organisations because of diverging stakeholder needs. Respondents confirmed this and cited the lack of active stakeholder participation and feedback as barriers to meaningful stakeholder engagement.

Conclusion

The business case for companies to fully engage with the concept of responsible business practices, by displaying accountability for and reporting on the economic, social and environmental impact of their operations, is still not universally accepted. Although sustainability reporting practices worldwide have improved in the past decade, the more advanced stage of sustainability practices is where sustainability is not only reported on, but is integrated into the decision-making, performance, governance and strategic objectives of organisations. The international relevance and prominence of corporate sustainability reporting on economic, social and environmental dimensions of organisational performance were highlighted during the United Nations Conference on Sustainable Development in 2012 (Rio+20). Against this backdrop, integrated reporting is expected to act as a force for financial stability and sustainability, to enhance accountability and stewardship for capitals, and to advance integrated thinking, decision-making and actions that focus on creating value over the short, medium and long terms.

Although limited evidence from the Integrated Reporting Pilot Programme suggests that integrated reporting may advance a sustainable enterprise theme throughout organisations, greater awareness around issues of long-term sustainability, clearer consideration of the interaction with natural capitals for value-creation and performance, as well as more informed decision-making aimed at longer-term sustainability, these benefits may not necessarily be replicated on a large

scale in a mandatory integrated reporting regime. Mandatory reporting regimes have previously been shown to intensify the clarification of acceptable norms and performance for companies, thereby changing organisational behaviour. Mandatory reporting as a form of regulation can also advance clear regulatory goals by advancing the embedding and integrating of disclosed information in organisational decision-making. In this context, the purpose of the study was to consider the role of the South African integrated reporting compliance regime in advancing the integration of social and environmental objectives into strategic objectives and decision-making. The study therefore aimed to summarise the perceptions of senior executives two years into the South African integrated reporting regime, by providing insights and assessments from executives of South African listed companies in respect of the perceived changes that resulted from the implementation of integrated reporting on a comply-or-explain basis. The potential limitations of the study must be borne in mind in considering the results, namely, the non-response bias identified with regard to the disproportionate number of SRI Constituents that participated in the study, as well as the limited data available for further analysis.

The key assessments from the results of the study include the following perceived changes as a result of both the process of compiling the integrated report and integrated reporting and disclosure requirements:

- Management's greater consideration of the linkages and interdependencies between financial, social, environmental and economic matters in setting strategic objectives within their organisation
- Improved organisational focus on integrating first-ranked social and second-ranked environmental strategic objectives into organisational strategic planning
- Greater alignment of reported KPIs with the requirements of external stakeholders, as well as greater alignment of reported KPIs with organisational strategic objectives
- Advancing an organisational culture where social as well as environmental considerations and aspects are embedded in the strategic planning process
- Advancement of strategic decision-making that recognises the organisation's dependence on resources and relationships in creating and sustaining longer-term stakeholder value
- Advancement of strategic decision-making that is aimed at longer-term sustainable wealth-creation
- An enhanced management decision-making process as a result of integrated reporting principles that mandate the collection and reporting of both financial and non-financial information.

Stakeholder engagement for the purposes of determining report content remains a challenging aspect of the integrated report due to divergent stakeholder needs; however, the findings support the view that integrated reporting enhances strategic decision-making flowing from responsive, inclusive and consultative stakeholder engagement.

Although a substantial majority of the organisations reported a significant level of active involvement of the CEO and board members in the process of determining the KPIs for inclusion in the integrated report, the publishing of specific future targets as opposed to broad strategic objectives was regarded as posing risks to the business and, as a result, the information published in an integrated report from these sources is still considered to be limited in its scope, nature and value. It is clear that the balance between transparency of disclosure of forward-looking information and business confidentiality of information that defines the company's competitive advantage remains a challenging aspect of compiling the integrated report. The IIRC now recognises this challenge, and the new international framework makes provision for non-disclosure due to competitive harm.

Although there is no overwhelming evidence that integrated reporting at this stage results in the reconsideration of long-term sustainable value-creation of the business model and strategy, the study does provide evidence that integrated reporting, in a regulatory regime, can advance the incorporation of financial, social, environmental and economic dimensions into strategic objectives and strategic planning processes, and can serve to advance decision-making aimed at longer-term sustainable wealth-creation. This is directly aligned with the objectives of sustainable capitalism, which aims to maximise long-term value-creation by explicitly integrating environmental, social and governance factors into strategy and performance measurement. Consequently, integrated reporting, although only a reporting regime, is perceived to have organisational impact well beyond producing report content or changing internal business processes and practices. The results of the study suggests clear changes in organisational behaviour and business practices through explicit consideration by managers of interdependencies between financial, social and environmental matters, as well as incorporating these into strategic objectives, strategic planning and decision-making, as a result of the integrated reporting compliance regime. The results also suggest clear advancements in decision-making that takes into account the organisation's dependence on the availability of resources and on creating and sustaining longer-term sustainable value, as well as a clear alignment of reported KPIs with external stakeholder requirements.

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