

A Systematic Review of the Literature on Integrated Reporting

Akansha Arora, Dr Tanushree Sharma,

Manipal University Jaipur

ABSTRACT

Background - Integrated reporting is a cutting-edge business reporting method that is particularly beneficial for Public Interest Entities (PIEs). This innovative reporting method encompasses pertinent data on human, manufactured, intellectual, natural, social and relationship capital alongside the financial capital.

Objective - The study investigates the philosophical underpinnings of integrated reporting and the research on voluntary disclosure. The value of integrated reporting and integrated thinking in business communication is underscored by an analysis of the concept's fundamental aspects from the perspective of the business and other stakeholders. It endeavours to elicit such perspectives and achieve a clear representation of voluntary disclosure of Integrated Reporting through the use of a systematic literature review.

Design/methodology/approach – The Preferred Reporting Items for Systematic Reviews and Meta-Analyses i.e. PRISMA methodology was employed to assess a thorough evaluation of the literature. An exhaustive literature evaluation can be facilitated by the use of PRISMA, an evidence-based framework that writers can employ.

Findings and Results - The results substantiate the benefits that a business may derive from the implementation of high-quality integrated reporting. It promotes an innovative strategic and cultural approach to corporate management, fosters integrated thinking and advances a long-term vision of corporate management, thereby enhancing the company's capacity to disseminate a sustainable culture. This study underscored the disadvantages of integrating reporting.

Conclusion - The objective of the systematic literature review was to compile the current body of knowledge regarding the subject matter. This paper offers a critical examination of the current research on integrated reporting, a description of prospective research opportunities, and a perspective on the field's evolution.

Keywords: PRISMA Framework, Corporate Reporting, Sustainability Reporting, Integrated Report, Integrated Thinking

Introduction

Corporate reporting has witnessed a significant transformation over time, resulting in a more comprehensive, pertinent as well as transparent dissemination of information to all stakeholders, both domestically and internationally. CSR reports are regarded as a "best practice" by global PIEs in the Global Reporting Initiative (GRI) Standards (KPMG 2017). Meanwhile, the effectiveness of non-financial reporting for decision-making has been called into question as a result of information saturation and greenwashing legislation (Huang & Watson, 2015). A new corporate reporting reform, Integrated Reporting (IR), was established in response to the increasing pressure on companies to disclose their business performance and value propositions more publicly and prospectively. Integrated reporting (IR) integrates qualitative and quantitative information to examine how an organisation generates value in addition to providing a comprehensive examination of an organization's strategic approach, operational achievements, and future outlook (Burke and Clark, 2016). Business reporting generally does not integrate financial and business sustainability information. Consequently, it is frequently impossible to meet stakeholders' expectations for the integration of various components within a single and more comprehensive assessment. The International Integrated Reporting Council (IIRC) has released the first iteration of a conceptual framework for integrated reporting (IR) that is based on principles as a response to these problems.

published the initial version of a framework concept for integrated reporting (IR) that is founded on principles in response to these challenges, 2013). The financial, manufactured, intellectual, human, social and relationship as well as the natural capital must be explicitly linked in order for IR to align with an integrated thinking approach and prioritize the materiality principle (IIRC, 2013). Furthermore, the accounting profession has discovered that financial reports fail to furnish stakeholders with the precise information they require.

Organizations are required to deliver a more clear and comprehensive report on their strategy and anticipated value growth. The aim of corporate reporting reform, also known as IR, is to alleviate the constraints placed on financial disclosure and sustainability disclosure practices.

The entity's financial report and the sustainability report are integrated into a unified report through IR. The six distinct capitals that are the main components of IR are financial capital, intellectual capital, human capital, manufactured capital, social and relationship capital, and natural capital.

The business report must illustrate how the company's strategic mission is upheld by its short, medium and long-term value creation processes. Society is challenging the fundamental purpose of an organization to generate wealth due to this limited focus, which fails to generate value or justice for individuals, society and the environment (Grey, 2006). In response to these concerns, corporate reporting is evolving and this voluntary disclosure has been gaining importance in order to provide more valuable data and also strengthening the corporate accountability and transparency.

The concept of monitoring, assessing and disclosing an organization's social, environmental, and economic impacts began to gain momentum in the late 1990s and early 2000s. Velte and Swinoga (2017) found that the integrated reporting (IR) improves the decision-making process of contemporary company organizations by combining conventional financial accounting with sustainability and corporate governance considerations through the practice of "integrated thinking." Integrated reporting focuses on the value generated by an organization via the integration of financial and non-financial data. It also takes into account a full view of a company's performance, strategy, and future prospects. Regarding their reporting structures and primary target audiences, separate CSR reporting and investor relations are entirely different ideas. CSR reports are a valuable source of information for all interested stakeholders. In its framework for investor relations (IR), the IIRC emphasises that the primary focus of IR should be on investors (IIRC, 2013). This can assist senior management in the execution of IR without the need to address numerous conflicts of interest among other stakeholder groups. However, the value of IR may be recognized by other stakeholders beyond the shareholders (Eccles & Krzus, 2015).

Archival Study

All the business entities with the exception of South Africa, are still free to choose to embrace Integrated reporting. Despite the increasing relevance of IR in corporate practice (KPMG 2017), its implementation would necessitate a significant investment of resources. Consequently, the scope of IR is predominantly restricted to capital market firms. The ongoing global legislative discussion on climate change reporting suggests that Integrated Reporting (IR) may eventually supplant Corporate Social Responsibility (CSR) reporting. This is because climate-related risks should be incorporated into risk management systems and financial reporting disclosures (Eccles & Krzus, 2019).

Integrated reporting (IR) is a comprehensive approach to a company's strategy, performance, and prospects that emphasises the ways in which a business contributes value by combining financial and non-financial data (Burke and Clark, 2016). Stakeholders are informed and educated about the business activities by increased corporate transparency, which enables them to make informed decisions.

The first ever King Code of Corporate Governance Principles, commonly referred to as "King I," was issued in 1994, signifying the commencement of South Africa's journey towards improved corporate governance. I was named after Mervyn King, a former justice of the South African Supreme Court who was particularly recognized for his comprehensive perspective on the corporation's scope, which emphasized the involvement of all stakeholders rather than simply shareholders. Stewart (2010) notes that the private sector recognised the need for a new system of governance as the South African government was "embarking on the path to real democracy." Additionally, other more developed and democratic countries, such as the UK, were developing corporate governance frameworks at the same time as the King I report was being developed (Makiwane & Padia, 2013). The King II report was produced in 2002. Mervyn King recognised the necessity of revising King I in response to the Johannesburg Earth Summit, which resulted in the release of the King II report in 2002 (Gleeson-White, 2014, p. 156). Subsequently, the report introduced the concept of "Integrated Sustainability Reporting" and facilitated the formation of a task force responsible for "analysing a diverse array of novel and intricate non-financial reporting areas" (Gleeson-White, 2014). The framework for this new report was established by the Global

Reporting Initiative (GRI) and the Triple Bottom Line. Following the liquidation of Enron and WorldCom, the New York Stock Exchange "adopted a portion of King II and incorporated it into the Sarbanes-Oxley Act." Consequently, King's concept of corporate governance was able to establish itself as a significant source of inspiration for global corporate governance guidelines.

The current edition of the King Report on Governance for South Africa 2009 (King) in that country is the source of the current edition. This report provides a comprehensive and integrated representation of the business's sustainability and financial health. King III has established a set of guidelines that the Johannesburg Stock Exchange (JSE) is required to adhere to on a voluntary "apply or explain basis" as of March 1, 2010. The International Integrated Reporting Council (IIRC) published the International framework in December 2013 after releasing a draft framework in 2009 and soliciting feedback from interested parties (respondents) (IIRC, 2013). The IIRC's present framework (IIRC, 2013) is designed to enhance the quality of data that is accessible to financial capital providers, thereby enabling a more efficient and profitable distribution of funds. Consequently, we are obligated to comply with the IIRC's directive that "Investors must comprehend the manner in which the strategy being implemented generates value over time."

Research Question

Currently, the primary inquiry that arises is what is the solution? Diverse perspectives regarding the existing reporting methodology exist among researchers. The objective of this study is to evaluate the research that has been conducted on integrated reporting through archival research. According to Massaro et al. (2016), researchers employ the systematic literature review technique to evaluate and map the current intellectual landscape in order to identify future research requirements. Consequently, it is imperative to assess the existing corpus of knowledge prior to proposing potential research directions. Massaro et al. (2016) formulate two general and flexible research questions that are essential for conducting a systematic literature review by utilising the three critical research tasks of "insight," "critique," and "transformative redefinitions" proposed by Alvesson and Deetz (2000) to outline a future course.

1. What is the current status of the investigational research for?

2. In what ways will research thrive in the future?

Methodology

Research Strategy

The current study utilizes a systematic review methodology as its research strategy. It allows for the creation of a research framework that should be built based on a scientific approach. This framework strives to establish a transparent and replicable procedure by conducting thorough research on published and unpublished studies, with the goal of minimizing biases.

. PRISMA 2020 is intended for use in systematic reviews that either lack synthesis (due to the identification of only one acceptable study, for instance) or implement synthesis (e.g., pairwise meta-analysis or other statistical synthesis methods). The PRISMA 2020 elements are relevant for mixed-methods systematic literature reviews, which include both quantitative and qualitative investigations. Consequently, the PRISMA technique was implemented subsequent to the development of the research questions (Moher et al., 2009). In order to identify pertinent literature for this systematic search, we designed the search strategy. The search criteria were employed in this search strategy were Integrated Reporting, Integrated Report, and Integrated Thinking. The search strategy was specifically designed for databases such as Scopus, EBSCO and Web of Science. Journal articles, review papers and research reports that were published in English were the subjects of the queries, which were conducted from the database's inception until 2023.

Criteria for Selection

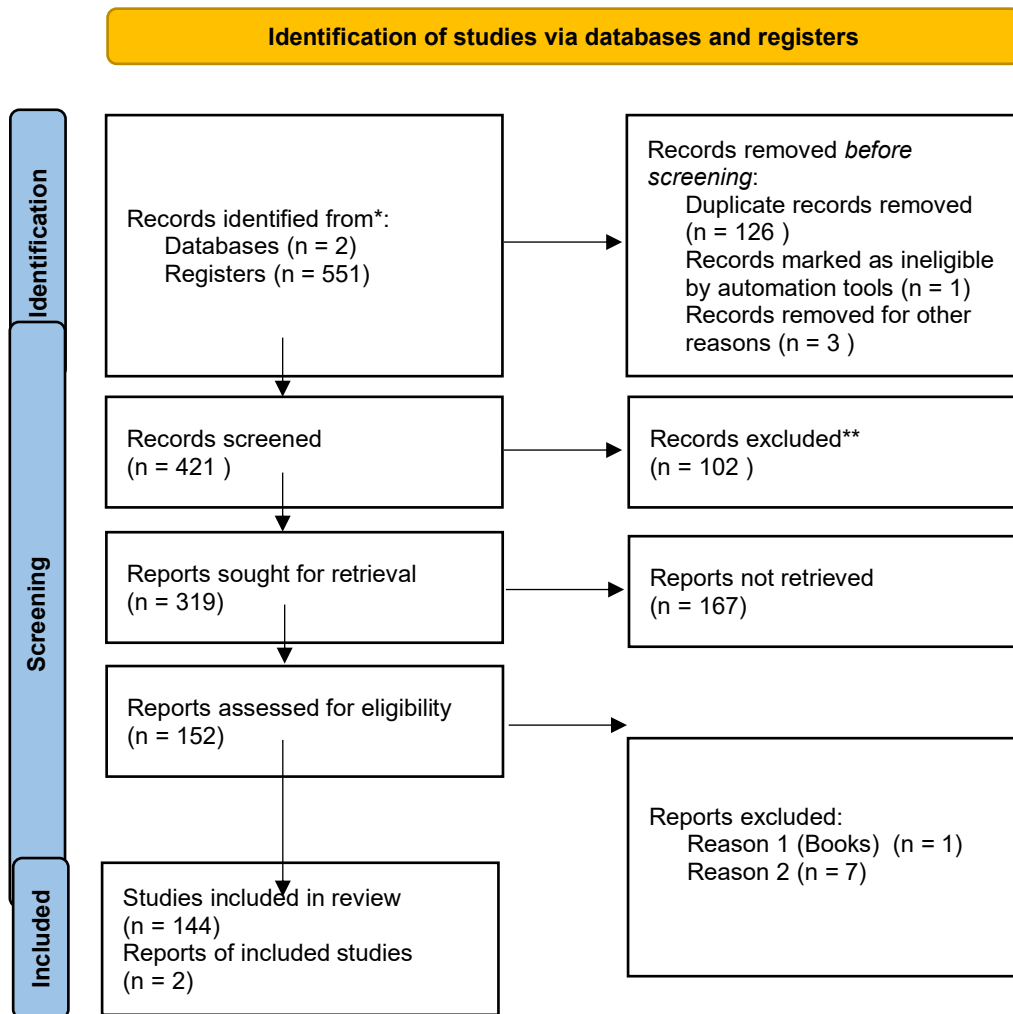
The PRISMA Statement (Moher et al., 2009) served as the foundation for the selection criteria. PRISMA protocols for medical research have been accessible under the Quality of Reporting of Meta-analyses (QUOROM) Statement since 1996, a distinct designation. It was established to rectify the inadequate meta-analysis reporting (Moher, et al., 2009). The new moniker for this was Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA) in 2009. The

primary motivation for the name change from QUOROM to PRISMA was the prerequisite to incorporate both systematic and meta-analyses (Moher, et al., 2009). The primary objective of the inquiry was to map the existing literature on Integrated Reporting in the fields of Business, Management, Commerce, and Humanities. The inquiry was subsequently restricted to the subject areas of financial and sustainability reporting. The search period encompassed the years 2010–23. All articles published prior to 2010 were excluded from the search. Articles from any other country were also excluded, as the search was primarily focused on the ASEAN countries. A total of 85 research articles were excluded at this stage. At this juncture, 105 recordings were extracted.

Quality assessment

The study was founded solely on original research publications, review papers and conference proceedings. In order to guarantee that the review maintained the highest quality, each duplicate entry was thoroughly examined. To ensure the quality and relevance of the scholarly literature included in the review process, the abstracts of the articles were subjected to a thorough analysis and refinement. Later, each research report was subjected to a comprehensive assessment. The second criterion for elimination was to limit the papers to those that were exclusively published in English. The analysis did not include one article that was written in a language other than English. Furthermore, the analysis is further reduced by the elimination of nine additional articles as a result of the removal of duplicate information. We selected 144 publications after assessing each article according to the inclusion and exclusion criteria that were previously specified. In order to compile data on the conception, discussion, and principal use of Integrated Reports to listed businesses, the literature review was restricted to publications that had been released within the past thirteen years, as illustrated in Figure. Furthermore, it illustrates the incorporation and exclusion of literature at each level in accordance with the PRISMA framework 2020. Since the implementation of integrated reporting, it has become mandatory for business organisations to include sustainability disclosures in their reports. The primary objective of early research on the subject was to assess integrated reporting, offer normative guidance on its implementation, or offer criticism. Eventually, these studies were replaced by empirical research that encompassed interviews, case studies, and content analysis (Erin et al., 2022). The main focus of discussion in this research were the effects of integrated reporting and the corporate and national factors that influence it. Nevertheless, the volume of studies and the conflicting opinions regarding this practice suggest that additional efforts are necessary to gain a more comprehensive understanding of the current contributions. Furthermore, the relatively recent advancement of integrated reporting underscores the significance of developing a research strategy that will guide subsequent investigations. The objective of this study is to address these two objectives by offering a content-based classification of prior research and identifying potential areas for future investigation (Manes-Rossi et al., 2018a). One of the most emblematic and vital reporting concepts is accounting materiality. It is also characterized as a term that is difficult to understand or interpret (Beske et al., 2020) and has a flexible nature and a vague existence (Edgley et al., 2015). Although cultural context might alter the interpretation of materiality, it remains a core notion in corporate reporting (Eccles et al., 2014). Decisions involving materiality necessitate the use of professional judgement. The concept of materiality in the audit process is associated with the acceptable amount of mistake in reporting, as discussed by Edgley (2014) and Edgley et al. (2015). However, the concept of materiality in social and environmental reporting (SER) is significantly different from materiality in financial audit (Edgley et al., 2015). Furthermore, the flexible character of materiality is highlighted in SER (Edgley et al., 2015). In the context of IR, Cerbone and Maroun (2020) argue that materiality is solely defined in connection to financial success. Eccles and al. (2014) argue that material things are those that are pertinent and important in the "language of the IIRC" (p. 121). The field of International Relations (IR) has difficulties since materiality is contingent upon the individual characteristics of each organization involved. The concept of materiality is challenging in reporting because it is difficult to establish a consistent and clearly defined understanding of the concept when numerous logics are used to put it into practice. (Edgley et al., 2015, p. 14).

PRISMA 2020 flow diagram for new systematic reviews which included searches of databases and registers only



From: Page MJ, McKenzie JE, Bossuyt PM, Boutron I, Hoffmann TC, Mulrow CD, et al. Updated guidelines for systematic review reporting: the PRISMA 2020 statement [1]

The systematic literature on this subject was mapped, the state of knowledge was synthesised, and an agenda for further research was established using the PRISMA Framework 2020 (Moher et al., 2009). This utilised mathematical and statistical methods to generate word groups, clusters, networks, and maps from the indexing data of the document. Dumay et al. (2016) conducted a comprehensive examination of IR material that was presented at conferences or documented in scholarly publications; however, no additional research was conducted on the subject after that date. Diverse components of the integrated communication issue have been the subject of recent research. This study makes two contributions to the body of knowledge on integrated reporting. Initially, this study contributes to the existing body of knowledge by clarifying the findings of theoretical and empirical research and developing a classification scheme that is predicated on the categories of sustainable reporting, sustainable development, stakeholders, corporate governance, corporate social responsibility, financial (and non-financial) reporting, worldwide reporting, and content analysis. This can improve the understanding of this emerging issue among academics and practitioners, as the current literature is fragmented. Secondly, this study contributes to the field of integrated reporting research by identifying unexplored, novel territory that necessitates further investigation. Based on this assessment, further investigation is required to acquire a thorough comprehension of the qualitative and organizational elements that impact integrated reporting.

Conclusion

The study endeavoured to identify future challenges that researchers should address, as well as to conduct a comprehensive review of the academic literature to examine the assumptions and implications of integrated reporting. To accomplish this, the selected papers were categorised using a framework that encompassed the following primary themes from the literature study: stakeholders, sustainable reporting, non-financial reporting, content analysis, and corporate governance. This investigation emphasises these four critical elements of integrated reporting. The initial significant factor is the transition of integrated reporting studies from a prescriptive financial report to a more comprehensive strategic tool that includes non-financial variables related to the environment and society. Additionally, a number of studies have been conducted in recent years to examine the integrated reporting elements that have the potential to enhance the market value of a company from the perspective of stakeholders. In order to increase awareness of the potential advantages and limitations of this new management tool for integrated view, studies pertaining to the topic's novelty and the resulting body of knowledge that is evolving into a new methodology for corporate governance primarily focused on the interaction between the inside-out perspective of corporate management and the outside-in perspective of stakeholders. This focus was achieved by reducing information asymmetry and increasing corporate transparency with the publication of the Integrated Reporting by the IIRC. Further investigation is warranted regarding the efficacy of integrated reporting. Future research could investigate the impact of the industry, financial characteristics, outside pressures, cultural setting, and corporate governance factors on the quality of integrated reporting. However, there is also a data vacuum in studies that investigate the impact of integrated reporting quality. Further financial research may examine the impact of high-quality reporting on equity costs, debt market value, and financial outcomes. The longitudinal effects of integrated reporting quality on non-financial performance, including social, environmental and governance performance, should also be examined in subsequent studies, both in developed and developing nations and across industries.

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