THE IMPLICATIONS OF INTEGRATED REPORTING ON ORGANIZATIONAL REPORTING PRACTICES: A CASE OF A SRI LANKAN COMPANY

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Abstract
Purpose
The purpose of the study is to explore the implications of Integrated Reporting (IR) on organizational reporting practices. In particular, this paper studies the implications of IR on reporting processes of organizations with reference to the guiding principles and the content elements of the IR Framework.

Design/Methodology/Approach
The study was conducted as a thematic case study of a business conglomerate, since the issue investigated in the case warrants an in-depth analysis which is supported by the case study approach. The findings of the study were analysed with reference to the IR framework and the design archetype model extracted from Laughlin (1998) which was built by Hinings and Greenwood (1988) building on the work of Miller and Friesen (1984).

Findings
The research findings advocate that the organization had embraced integrated thinking even prior to the adoption of IR and therefore the value creation process and the decision-making process of the organization did not change drastically following the adoption of IR. Further, the researchers found that the implementation of IR made no significant changes to the reporting process and the report content as the organization used to disclose same level of information even prior to the adoption of IR. However, it was identified that the connectivity of information presented in the reports and the formats used to present non-financial information improved with the adoption of IR and this was identified as the main reason for the adoption of IR despite it not bringing in drastic changes to the reporting practices.
Contributions
This paper is expected to contribute towards the organizational reporting literature in several ways. First, the research analyses, in depth, the implications of IR on organizational reporting practices particularly in the context of a developing country, Sri Lanka. Second, it examines the extent of adherence of these practitioners to the guiding principles and the content elements laid out by the IR Framework. Further it identifies whether the adoption of IR and the adherence to the IR framework made a substantial change to the organizational reporting practices. Moreover, this could be used by the practitioners as measure of evaluating whether the adherence to the IR framework has made any changes to organizational reporting practices which would help the organizations to evaluate whether their efforts have been fruitful.

Keywords: Content Elements, Guiding Principles, Integrated Reporting, Organizational Reporting Practices

1. Introduction
Integrated reporting (IR) is the most recent advancement in a long line of proposed developments aimed at enhancing the quality and relevance of organizational reporting practices. Failure of the previous initiatives to achieve the desired aim of providing useful information beyond financial information to the stakeholders to support them in their decision-making process has resulted in the development of the International <IR> Framework (herein after referred to as the IR Framework) by the International Integrated Reporting Council (IIRC). Hence, IR promotes a more comprehensive and coherent approach to corporate reporting, which brings together economic, social, governance and financial information to better communicate the value created by an organization over short, medium and long term.

The outcome of the IR process is a coherent, comprehensive and concise communication of the value created and sustained by an organization over the short, medium and long term. It is expected that IR will bring about a shift in general thinking patterns of organizations to incorporate a more integrated thinking attitude. Thus, the IIRC (2016) describes IR as follows,

Integrated Reporting brings together the material information about an organization’s strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organization demonstrates stewardship and how it creates value, now and in the future. Integrated Reporting combines the most material elements of information currently reported in separate reporting strands (financial, management commentary, governance and remuneration, and sustainability) in a coherent whole, and importantly.

• Shows the connectivity between them; and

• Explains how they affect the ability of an organization to create and sustain value in the short, medium and long term.
The IR agenda advocates bringing “shifts” in corporate reporting practices (IIRC, 2013a; Coulson et al., 2015). In doing so, the IR agenda builds on prior developments in organisational reporting theory and practice, with a goal to bring together material financial and non-financial information through the lens of multiple capitals (IIRC, 2013a). Hence, the IR initiative embraces prior developments in various organisational reporting strands: triple bottom line and sustainability.

Increasing number of companies worldwide are in the process of adopting IR, with the latest survey done by IIRC reporting that over 1,000 companies worldwide have implemented IR (IIRC, 2016) and 40 out of 290 companies have prepared integrated reports by 2017 as highlighted in the keynote speech made by Richard Howitt, CEO of the (IIRC) in Sri Lanka at CMA Excellence in Integrated Reporting Awards 2017.

This phenomenal growth in IR has resulted in increase in research in this area. While many studies have addressed the need for development of IR (De Villiers, Rinaldi & Unerman 2014, Brown & Dillard 2014, Steyn 2014, Ahmed, Anifowose 2016 ,Setia, Abhayawansa, Joshi & Huynh 2015; Jensen, & Berg 2011, Higgins, Stubbs & Love 2014), few studies have addressed the diffusion of IR (Robertson & Samy 2015, Gunarathne & Senaratne 2017) and the outcomes and outputs of IR (Haller & Staden, 2014, Coulson, Adams & Haynes, 2015, Oshika & Saka, 2017, Kılıç & Kuzey 2018). However, literature on the implications of IR on organisational reporting practices is limited (Ahmed & Hossain 2016, Stubbs & Higgins 2014). These studies find a little or no change in the substance or quality of the reports produced following the introduction and implementation of IR and a little or no shift in the general thinking patterns of organizations to incorporate a more integrated and holistic thinking attitude, despite the efforts by IIRC to bring in “shifts” in corporate reporting.

In this context, this study investigates whether the change brought by IR is substantive (i.e. integrated reports reflect actual changes in corporate activities) or symbolic (i.e. integrated reports do not reflect a real change but appear to be consistent with the social expectations as to such reports.). Under this broad issue the following research questions are being addressed.

1. How did the implementation of IR affect the organizational reporting processes?
2. How did the implementation of IR affect the content of the reports issued by the organization?
3. How organizations have used information gathered through the IR process in the decision-making process?

These issues are explored in the context of a developing country based on a business conglomerate recognized for the Integrated Reports produced by the company. The selected organisation has produced integrated reports since 2015 and these reports have gained recognition at the competitions on IR organized by Professional Accounting Bodies (PABs) in Sri Lanka as well as in the South Asian Region. In this context, the objectives of this paper are three-fold as indicated below:
1. To explore the implications of IR on organizational reporting processes.

   To identify the changes that took place in organizational reporting processes as a result of implementing IR.

2. To examine how the content of the reports issued by organizations has changed as a result of the implementation of IR.

   To identify the changes made to the content of the reports issued by organizations in accordance with the content elements in the IIRC guidelines.

3. To analyze how integrated reporting is used as a decision-making tool in an organization.

   To examine how the information generated via integrated reports are taken into consideration when making important business decisions in course of an entities activities and to identify the value placed on these information by managers.

This study extends the current discussion on the contribution of IR as to the transformation of organisational reporting practices in general and more specifically in a developing country context by addressing the changes in organizational reporting practices and decision-making processes due to IR. In addition to this theoretical contribution, the study sheds light to policy makers, practitioners as well as propagators as to the change brought in an organisation based on IR.

The remaining sections of the paper are organised as follows: Section 2 presents the review of literature followed by section 3 which discusses the research methodology in detail and section 4 which covers the research findings, the section 5 carries the conclusion, the section 6 carries the implications of the study and finally the section 7 carries the limitations of the research and suggestions for future research.

2. Literature Review
This section takes a critical look at the extant literature on the subject of the study and thereby draw the research gap explored in the study.

2.1 The Development of IR
The key contributors in the area suggest that integrated reporting has been practiced in the world even before the formation of IIRC. (De Villiers, Rinaldi & Unerman (2014))

Several key researchers in the area have revealed that organizations moved away from traditional financial reporting and started disclosing non-financial information to meet the expectations of the stakeholders. (De Villiers, Rinaldi & Unerman (2014) and Steyn (2014)).

The empirical evidence suggests that initially organizations incorporated non-financial disclosures into annual reports. Then at a later stage separate reports were issued to disclose the environmental and social aspects in a more comprehensive manner and due to the belief, that financial reports and non-financial reports cater two separate audiences and not the same audience (Robertson & Samy (2015)). However, due to the complexity of these standalone
reports and other issues associated with the stand-alone reports such as from silo thinking, lack of uniformity in reporting practices most companies started to combine all the environmental, social, governance and financial information into a single report which is now popularly known as an integrated report. (De Villiers, Rinaldi & Unerman (2014) and Robertson & Samy (2015))

2.2 Diffusion of IR
This section describes how the developed IR was diffused in the corporate world.

Several key contributors have suggested that countries with higher investor protection, higher private expenditures for tertiary education, higher economic development and higher corporate responsibility enhance the likelihood of companies engaging in IR. Furthermore, it’s stated that several institutional factors relate to the level of forward looking disclosures made by companies and that both gender diversity and firm size are positively related to forward-looking disclosures in integrated reporting and leverage is negatively related to forward looking disclosures. Further, the findings reveal that contrary to the popular belief that there is no significant impact created by board size, board composition, profitability or industry on forward-looking disclosures. (Jensen & Berg (2011), Kılıç & Kuzey (2018))

Gunarathne & Senaratne (2017), reveals that with the advancement in technology and globalization, Sri Lankan companies have realized that stakeholders look for information beyond just pure financials and that the early adopters of integrated reporting are companies who have followed sustainability reporting in the future making it a transition from sustainability reporting rather than a complete transformation in their reporting processes and practices.

2.3 The expected change and the actual change of reporting practices as a result of implementation of IR.
This section discusses the extant literature on the change that was expected in organizational reporting practices with the fast diffusion of IR and the actual change that took place as a result of adopting IR.

Key researchers in the area has established that IR is fundamentally about the establishment of an innovative global reporting framework which would complement distinct reporting requirements in a manner that would increase the effectiveness of what entities report and a tool that enables organizations to assess how the organization created value for its investors overtime and how the organization has performed during the period in terms of the multiple capitals. (Higgins, Stubbs & Love (2014), Steyn (2014))

The empirical evidence available suggest that the organizations are expected change their organizational reporting practices through a greater cross functional communication to facilitate the diffusion of integrated reporting and that integrated reporting should be embedded to the organizational strategy. (Robertson & Sammy (2015)). Furthermore, it's suggested that the companies who adopt IR are expected to make substantial changes that restructures the business model and encourages sustainability (Steyn (2014)) and that IR should endorse efficiency and productivity of capital allocation and acts as dynamism for sustainability (Oshika & Saka (2017)).
Even though a considerable change was expected in organizational reporting practices and organization business model as a result of implementation of IR, the available literature suggests that in the restructures the business model is not deemed as material outcomes in companies that have implemented integrated reporting which signals that integrated reporting has failed to create the expected changes in business entities (Steyn (2014)) and that most organizations use IR as a mere reputational management tool (Ahmed & Hossain (2016)) or a tool of improving organizational legitimacy (Setia, Abhayawansa, Joshi & Huynh (2015)) and that many integrated reports fail to completely connect financial information and sustainability information fails to motivate the organizations to transform their reporting practices to become sustainable. (Oshika & Saka (2017) and Brown & Dillard (2014)) and that the adopters of integrated reporting are merely following the trend and have not really learnt the meaning of integrated reporting thus resulting in a "practice-reporting portrayal gap" (Gunarathne & Senaratne (2017)).

Moreover, it has been argued by the key contributors that there is a great variance between the levels of forward looking voluntary disclosure between the adopters of integrated reporting and that organizations usually lean towards more qualitative disclosures and that companies generally tend to dodge disclosure of quantitative and qualitative non-financial disclosures that would adversely affect the organization (Kılıç & Kuzey (2018)).

The empirical evidence suggests that even though there were no radical changes made to the organizational reporting practices, but instead incremental changes were made to the reporting mechanisms (Stubbs & Higgins (2014)) and the quality of integrated reports in terms of materiality, connectivity of information, reliability and completeness (Ahmed & Anifowose (2016)). Furthermore, key contributors to the literature have stated that organizations that create value to the stakeholders use IR as a story telling method to broadcast their success.

2.4 Theoretical and Empirical Research gap and research questions
The extant literature suggests that the purpose of implementation of IR is to improve the effectiveness and the efficiency of the information reported by organizations and that the organizations should change their organizational reporting practices and improve integrated thinking to facilitate a successful implementation of IR. (Robertson & Sammy (2015), Steyn (2014) and Oshika & Saka (2017)) Current literature on the changes occurred as a result of the implementation of IR suggests that the organizational reporting practices have not changed dramatically with the adoption of IR as most organizations are concerned about creating organizational legitimacy rather than improving integrated thinking and disclosing the actual change that occurred in multiple capitals and the value created by the organization. (Ahmed & Hossain (2016), Setia, Abhayawansa, Joshi & Huynh (2015), Brown & Dillard (2014) and Steyn (2014)). Therefore, it’s evident that there exists a major gap between the desired outcome of implementing IR and the actual outcome experienced by companies who implement IR as a result of adoption of IR.

Hence, the researchers identified the research gap of whether the implementation of IR has made any significant impact on the organizational reporting practices. The research is based on a Sri Lankan company due to the identified high diffusion rate of IR in the country (Gunarathne
The researchers identified and addressed the following research issue;

The study focuses on the fact whether the change is substantive (i.e. Integrated Reports reflect actual changes in corporate activities) or symbolic (i.e. integrated reports do not reflect a real change but appear to be consistent with the social expectations as to such reports.) Under this broad issue, the following three research questions are addressed in the study:

1. How did the implementation of IR affect the organizational reporting processes?
   This question explores the ways in which the implementation of IR and the adherence to the IIRC Framework on IR in terms of guiding principles have affected the organizational reporting processes.

2. How did the implementation of IR affect the content of the reports issued by the organization?
   This question addresses how the adherence to IIRC Framework on IR in terms of its content elements has changed the content of the reports issued by the organization.

3. How organizations have used information gathered through the IR process in the decision-making process?
   This question explores how organizations use the information generated by the IR process in taking strategic decisions.

3. RESEARCH METHODS

This section discusses the research approach, conceptual diagram, operationalization of the research variables and the analysis adopted in the study.

3.1 Research Approach

The study adopts case study approach as the selected organisation needs an in-depth thematic analysis. Hence, a case study is done on one of the largest diversified business conglomerates in Sri Lanka, to identify how IR has impacted on its reporting practices and decision-making process. This organisation was identified as it had consistently been recognized for its high-quality IR practices by various award schemes of professional accounting bodies such as ICASL, CMA and ACCA. Further, being a diversified business conglomerate, it represents a vast number of industries. Additionally, as one member of the research group is working in the selected organization, the access to information was high.

3.2 Conceptual Diagram

The conceptual diagram was developed based on the IIRC Framework and the design archetype model extracted from Laughlin (1998). The main objective of developing the diagram was conceptualization of the objectives of the study.
The diagram first explains how the implementation of IR affects the organizational reporting processes. This is analysed through the elements of the guiding principles of IIRC framework and the changes are reflected through the changes in organizational structure, decision process and communication systems which flows in through the design archetype of Laughlin’s model.

Secondly it explains how the implementation of IR changes the content of the report which is analysed through the content elements of IIRC framework. Finally, the diagram explains how the changes in the above said reporting practices impacted the strategic decision-making process of the company.

The value creation process in terms of implementation of IR will change within the context of the organizational culture and the three levels of interpretative schemes explained in the Laughlin model namely, metarules, mission / purpose, beliefs / values and norms. The value created will be reflected through the six capitals in the organization as depicted in the diagram.

Figure 1- Conceptual Framework

Accordingly, under the operationalization, the following main themes were used to analyze the study.

1. Impact on the reporting process – The changes made to the organizational reporting processes was measured through the 7 guiding principles provided by the IIRC and the archetype model extracted from Laughlin (1998) which measures the changes made to the reporting structure, communication systems and the decision-making process.

2. Impact on the report content – The changes made to the report content was measured using the 8 content elements provided by the IIRC.
3. Impact on strategic decision making – The changes made to the value creation process through the six capitals was used to measure the impact on strategic decision making.

Accordingly, the main themes of the study can be elaborated and explained as below.

3.2.1 Seven Guiding Principles
1. Strategic focus and future orientation- Reporting should become futuristic and in line with the corporate strategy after the implementation of IR.
2. Connectivity of information- Reporting should become holistic and there should be a connection between financial information and non-financial information with the introduction of IR.
3. Stakeholder relationships- Integrated Report should meet the expectations of the stakeholders and should provide them with the necessary information about the value created.
5. Conciseness- Integrated Report should be precise and easy to understand
6. Reliability and completeness- Integrated Report should be unbiased and should disclose all positive and the negative relevant material information accurately.
7. Consistency and comparability- Integrated Report should be consistent overtime and should be presented in a manner that is comparable with previous reports of the same organization or the similar reports of other organizations.

3.2.2 Eight Content Elements
1. Organizational Overview and external environment – The Integrated Report should explain what the organization does and the circumstances under which it operates.
2. Governance – The integrated report should explain how the organizational governance structure supports its ability to create value in short, medium and long term.
3. Business Model – The content of the Integrated Report will change based on the business model of the organization and hence the reason why IIRC does not impose rules on reporting structures.
4. Risks and Opportunities – The Integrated Report should explain the specific risks and opportunities that affect the organization’s value creating ability.
5. Strategy and Resource Allocation – The Integrated Report should explain where the organization wishes to be in future and what are their plans to reach the set goals.
6. Performance – The Integrated Report should point out to what extent the organization had achieved its strategic objectives and what are its outcomes in terms of effects on the mentioned 6 capitals in the conceptual diagram.
7. Outlook – The Integrated Report should explain the challenges and uncertainties the organization would encounter in pursuing its strategy and the potential implications of the said challenges on the business model and future performance.

8. Basis of Presentation – The Integrated Report should explain the basis for determining what matters to be included in the Report and how are the matters quantified and evaluated.

3.2.3 Strategic Decision making
The capitals refer broadly to any store of value that an organization can use in the production of goods or services. There are 6 capitals namely Manufactured Capital, Intellectual Capital, Financial Capital, Human Capital, Social and Relationship Capital and Natural Capital. Value creation process refers to the core and other activities of an organization which leads to either the creation or the destruction of the value.

It is expected that after the implementation of IR and the adherence to the IIRC guiding principles and the content elements the reporting practices of an organization would transform in a manner that would show how the value created by an organization and it is depicted through the capitals of the business and that the information generated through value creation would be used by the organization in making informed strategic decisions.

3.3 Sources and Collection of Data
As this is a case study data has been collected through several methods and triangulated the data to examine the objectives of the study.

Review of integrated reports – The Annual Reports of the company three years before the implementation of IR in 2015 (from 2012/2013 to 2014/2015) and three years after the implementation of IR (from 2015/2016 to 2017/2018) was analysed to gather data as to analyse how the content of annual reports had changed in terms of the content elements of the IIRC framework.-and it was discovered that the company was already disclosing the relevant information with regard to Integrated Reporting but the format and the process was improved with IR implementation.

Questionnaire - A Questionnaire was distributed among 12 managerial level employees representing the Corporate Finance and Strategy division, Group Finance division, Group Sustainability Division and the CSR arm of the selected organization to collect data as to the changes made to the organizational reporting structure and to how the information generated through reports are used in strategic level decision making. Through the guiding principles section of the questionnaire, the changes to the reporting process brought in through implementation of IR was explored and through the content element section of the questionnaire, the changes to the report content brought in through the implementation of IR was explored. (Annexure 01)

Interviews – Vice President / Group Financial Controller, Manager – Corporate Finance and Strategy, Assistant Manager – Corporate Finance and Strategy and Manager – Group Sustainability were interviewed separately one hour each to identify the changes made organizational structure, organizational vision and mission, organizational goals and
objectives, organizational strategic thinking and organizational reporting practices through face to face interviews and insights were received that the company was already disclosing the reporting requirements of IR and through the implementation of IR, the reporting process and content improved. An interview guide (Annexure 02) covering all areas related to the research was used to gather information in a methodical manner.

Data gathered through these different sources were triangulated along with the personal experiences of one of the researchers working in the Group Finance division of the company. Information included in corporate websites and other online materials, information from media articles and standalone sustainability reports were also used to gain insights into the research. It should also be noted that one of the researchers contributing to the study is in employment with the company under review, actively engaged in the preparation of their Integrated Reports and hence would be considered as an information source to generate insights into the organization, IR process followed by the organization and the impact of implementation of IR on the organizational reporting practices.

3.5 Data Analysis Strategies
This was an exploratory and descriptive case study and the data gathered through different sources were triangulated and a thematic analysis was carried out based on the theoretical framework of the study to examine objectives of identifying the implications of IR on organizational reporting process and the report content of reports and to identify how the information generated through these reports are used by the management in making strategic decisions.

Accordingly, the first objective of the research of exploring the implications of IR on organizational reporting processes is achieved by comparing the 7 guiding principles of IR with the reporting practices before and after the adoption of IR. The second objective of examining the changes made to the report content with the adoption of IR is achieved by comparing the contents of the annual reports and integrated reports issued by the company under review before and after the adoption of IR. The third objective is to analyse how integrated reporting is used as a decision-making tool in an organization is achieved by comparing how the decision-making mechanism of the company changed as a result of implementing IR.

4. Findings and Discussion
The study is operationalized through 3 key themes in accordance with the IR Framework. As depicted by the conceptual diagram, reporting practices of the company under review is analysed through the reporting processes and the report content. Accordingly, reporting processes of the company under review are analysed using the 7 guiding principles of IR whilst the report content is analysed using the 8 content elements of IR as per the IR Framework.

4.1 Transition to IR.
The diffusion of integrated reporting around the globe was one of the most significant changes made to the traditional corporate reporting process after the introduction of sustainability reporting. Accordingly, these changes were introduced to Sri Lanka in the latter part of 2010.
Whilst it was a major move to some of the companies, the ones who operated with a futuristic view had identified these key changes decades ahead (De Villiers, Rinaldi & Unerman (2014)) and companies that had followed Sustainability Reporting in the past (Gunarathne & Senaratne (2017)) managed to adopt to IR without minimal effort.

The company under review is also one of the few companies who had prepared themselves for these changes in advance. The company had the practice of disclosing non-financial data such as the sustainability performance, corporate governance and the corporate social responsibility of the company either in the same report along with the financial information or in separate individual reports even before the company adopted the concept of IR in a formal manner in the year 2014.

The Group Financial Controller stated:

We always had a unified cohesive way of thinking across the group across various employee levels even before the terms Integrated Thinking and Integrated Reporting came to play. We didn’t have a proper name to define this view, but we called it “the umbrella view”.

He further stated:

We tried several ways of presenting non-financial information to the stakeholders. We tried issuing stand-alone reports, we tried incorporating non-financial information to separate sections of the annual report and we tried adopting formats used by other award winning local and global companies renowned for their non-financial reports.

These practices (now called IR framework) were initiated by the key management personnel who were in charge with the governance in early 2000s by incorporating some of the guidelines (Strategic focus and futuristic orientation, stakeholder relationships etc). This information was communicated to the stakeholders through 2 separate sets of reports. One of these reports included the general financial and other standard information (required by laws and regulations applicable; CSE rulings, Companies act requirements etc) while the other used to exceed the expectations of the users by incorporating integrated thinking (overall picture of the organization).

However, with the recent development of IR, company adopted the IR principles and guidelines in to their reporting process. However, it should be noted that even though adopting to IR principles were a major change to some of the companies, it wasn’t the case for the company under review. With a minimal change the company succeeded to adopt the IR principles and continue to tell their story. (Higgins, Stubbs & Love (2014)).

As suggested by Steyn (2014), companies are motivated by either the pressure from the stakeholders for the company to adopt the IR guidelines or to appear as a good corporate citizen than the competitors. The company had identified the stakeholders’ need for non-financial information even before the adoption of IR and had tested out different methods of disclosing those additional information requested by the stakeholders through various methods (e.g. publishing two types of reports as mentioned earlier). However, the reporting templates used
by the company were not accordance with the generally accepted IR template at that time since the company wanted to present their story in their own way.

Manager – Corporate Finance and strategy emphasized:

We didn’t adopt IR initially when early adopters of IR in Sri Lanka did because we opted to present our own story rather than adhering to a general format but then we realized that the stakeholders were more receptive of the reports issued by the early adopters of IR than the reports issued by us.

The company identified that the stakeholders had welcomed IR with warm hands when they analysed the reception of the community to the integrated reports issued by the early adopters of Sri Lanka and therefore, the company decided to present their story as per the guidelines set by the IIRC and adopted IR to meet the stakeholder pressure. With the early adoption of IR introduction several business entities in the country managed marketing tool to impress the regulators and potential investors. The company could have capitalized this opportunity before these players and had the chance to earn the reputation of being the initiatives to introduce IR in Sri Lanka. However, it was seized by the competitors, the company was also forced to move in to IR reporting principles (even though the same was there inside the organization).

The following sections will discuss the research findings in terms of the research objectives.

4.2 Implications of IR on reporting process of the company.

The researchers analysed the changes made to the reporting process of the company using the guiding principles of the IIRC framework. (Table 1) and identified that no change had been made to the reporting process in terms of stakeholder relationships, conciseness and reliability and completeness. Further, the research findings advocate that due to the inherent limitations including secrecy and confidentiality the organization does not completely report the strategic focus and futuristic details in their reports. Moreover, when considering the connectivity of information, materiality of information and consistency and comparability of the disclosed information improved significantly after the adoption of IR.

<table>
<thead>
<tr>
<th>Element</th>
<th>Pre-IR adoption era</th>
<th>Post-IR adoption era</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Strategic focus and future orientation</td>
<td>Due to inherent limitations (i.e. secrecy) the strategic focus of the organization was not completely reported.</td>
<td></td>
</tr>
<tr>
<td>2. Connectivity of information</td>
<td>✓ ✓ ✓</td>
<td>Improved connectivity</td>
</tr>
<tr>
<td>3. Stakeholder relationships</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>4. Materiality</td>
<td>✓ ✓ ✓</td>
<td>Weightage given to non-financial information was increased</td>
</tr>
<tr>
<td>5. Conciseness</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>6. Reliability and completeness</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓</td>
</tr>
<tr>
<td>7. Consistency and comparability</td>
<td>✓ ✓ ✓</td>
<td>Both internal and external consistency and comparability was increased</td>
</tr>
</tbody>
</table>

*Table 1- The implications on reporting process (through guiding principles)*
The changes in the reporting process were further analysed using the archetype model extracted from Laughlin to identify the changes made to the process in terms of the organizational reporting structure, the decision-making process and the communication system. The researchers recognized that there were no drastic changes made to the organizational structure in terms of new positions, new job roles, new organizational divisions. Furthermore, researchers identified that the communication process and the decision-making process changed slightly as the Corporate Finance and Strategy division started taking an active role in integrating the information presented in stand-alone reports prepared by other divisions including the Group Sustainability division and the Group CSR arm.

Assistant Manager – Corporate Finance and Strategy stated:

Earlier Group Sustainability division prepared the sustainability report, CSR arm prepared the CSR report and other divisions prepared their own reports but now, we collect the relevant data from all these divisions and we at Corporate Finance and Strategy prepare one report integrating all the collected information.

![Diagram](image)

*Figure 2: The involvement of Corporate Finance in integrating the information*

4.3 Implications of IR on the report content of the reports issued company.

The researchers analysed the changes made to the report content of the reports issued company using the content elements given in the IIRC framework. (Table 2) and identified that no change had been made to the report content in terms of information about governance, business model, risks and opportunities, strategy and resource allocation, performance and outlook.
Moreover, the researchers found that when considering the information presented in reports with relation to organizational overview and external environment the clarity and the relevance of the disclosures has improved.

Further, the researchers found that in overall the level of clarity of the disclosed information has improved with the adoption of IR as IR provided the organization with a better method of fabricating their story by providing the company with an improved basis of presentation.

<table>
<thead>
<tr>
<th>Element</th>
<th>Pre-IR adoption era</th>
<th>Post-IR adoption era</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Organizational Overview and external environment</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>2. Governance</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>3. Business Model</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>4. Risks and Opportunities</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>5. Strategy and Resource Allocation</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>6. Performance</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>7. Outlook</td>
<td>✓ ✓ ✓</td>
<td>✓ ✓ ✓ ✓ ✓ ✓</td>
</tr>
<tr>
<td>8. Basis of Presentation</td>
<td>Both the financial and non financial information were available</td>
<td>Level of clarity was increased</td>
</tr>
</tbody>
</table>

Table 2- Implications on Report content (through content elements)

4.3. Implications of IR on decision making of the company.
The researchers were able to identify that all the layers of the organization from the Board of Directors to the operational employees of the company share the same vision regarding the company and the thinking of all the employees are in line with the shared vision. Decisions taken by the top management is cascaded down in a well-established manner where Board of Directors, Group Executive Committee, Group Operating Committee, Group Management committee interacts effectively to achieve the organizational objectives through integrated thinking.

However, the researchers failed to identify any significant changes in organizational strategic decision making with the adoption of IR as Integrated Thinking was already incorporated into the decision-making mechanisms of the company under review before the implementation of IR.

5. Conclusion
The research findings advocate that the organization had integrated thinking (which was referred to as the “Umbrella View” by the company at then) precedent to the implementation of the IR Framework by the IIRC in 2013. (De Villiers, Rinaldi & Unerman (2014)) The researchers found evidence which indicate that there were no changes made to the value creation process of the company as a result of the implementation of IR since, the company’s overall view was not impacted by the adoption of IR.
The gathered information revealed that the available human, technological, financial and other resources at the time of the implementation of IR were adequate for the company to successfully implement IR and therefore, the company didn’t have to make any changes to its existing resources at the time of the implementation.

Further research findings indicated that no changes were made to the risk management structure, governance structure, the business model and the strategy of the company as a consequence of embracing IR and that the company had used IR as a mechanism of broadcasting what the company has been doing all along in a much more vibrant and an attractive manner.

Hence, it’s palpable that the adoption of IR by the business entity had made no radical change to the reporting practices of the organization (Stubbs & Higgins (2014)) but only made incremental changes to the reports issued by the organization under review in terms of the presentation of the information and the quality of the presentation in terms of connectivity of information, completeness and materiality. (Stubbs & Higgins (2014))

6. Implications of the study

Literature on the implications of IR on organizational reporting practices identifies little or no change in the substance or quality of the reports produced following the introduction and implementation of IR. It further identifies little or no shift in the general thinking patterns of organizations to incorporate a more integrated and holistic thinking attitude. This research study contributes to the existing literature on the topic as the study explored the implications of IR on organizational reporting practices of a Sri Lankan company and advocated that there had been no radical changes in organizational reporting practices and the substance of the reports issued as a result of adopting IR.

The research would be useful for corporates in understanding the impact of integrated reporting on their reporting practices and to decide how effectively the organization has implemented IR. The research would also be helpful in analysing whether the changes in reporting practices as a result of implementation are substantive or symbolic which would help the independent third parties who offer awards for integrated reports to make better judgments.

7. Research limitations

The research was conducted as a case study and explored a single Sri Lankan business conglomerate which operates across several business segments. Therefore, the research findings may not be universally applicable to all the industries and all the organizations across the globe.

Furthermore, the research findings might not be applicable to a country where the diffusion rate is not high like Sri Lanka.
Moreover, the organization that was studied had always disclosed the same non-financial information even before the official adoption of IR. Therefore, the research findings might not be applicable to an organization that moves straight from traditional reporting to IR.

### 7.1 Suggestions for future research

The researchers believe that future research can be improved by conducting a case study which considers multiple number of organizations across several regions with different IR diffusion rates representing a variety of business industries.

### References


Annexure 01: Questionnaire

EXPLORING THE IMPLICATIONS OF INTEGRATED REPORTING ON ORGANIZATIONAL REPORTING PRACTICES: A CASE OF A SRI LANKAN COMPANY

Name of the respondent: ..........................................................................................................

Position of the respondent: ..................................................................................................

When was IR initiated in your organization? ..........................................................................

1. What were the motivating factors that led to the adoption of IR?
   - To meet stakeholder expectations
   - Adoption of IR by competitors
   - To improve the corporate image
   - To attract more funds
   - Others (Please Specify)
     ........................................................................................................................................
     ........................................................................................................................................
     ........................................................................................................................................

2. Did the organizational reporting structure change due to the adoption of IR?
   - Yes
   - No
   - If yes, mention the ways in which the changes occurred.
     - New positions were introduced
     - Changes were made to the job descriptions of the existing employees
     - Changes were made to the existing Information Systems
     - Changes in the level of Inter departmental involvement in reporting process
     - Others (Please Specify)
       ........................................................................................................................................
       ........................................................................................................................................
       ........................................................................................................................................

3. Did any new parties other than the finance team get involved in the preparation of the integrated report?
   - Yes
   - No
   - If yes, please specify,
     - Human Resource Management Team
     - Group Sustainability Team
     - Engineering Team
Marketing and CSR

Others

4. Were there any new upgrades or new system implementations which came into play due to moving into IR.

☐ Yes
☐ No

☐ If yes, please specify

5. How do you see the implementation of IR to reporting system?

☐ It is an additional burden
☐ It is a good initiative
☐ It is a mere PR tool used by the organization

6. Do you benchmark your Integrated Report with the top local / global Integrated Reports?

☐ Yes
☐ No

6.1 If yes, please mention the key areas in which it has been used

7. Do you use the information gathered through IR process in making day to day management decisions?

☐ Yes
☐ No

8. Has implementation of IR increased the attention of top management to the company financial statements and the reporting process?

☐ Yes
☐ No

9. Do you believe that the top management of the organization is committed to the IR process?

☐ Yes
☐ No
Annexure 02: Interview Guide

Transition to IR

1. How did the available technology and other resources at the period of the transition facilitate the change from SR to IR? Were new resources introduced to facilitate IR?

2. How did the implementation of IR affect the value creation process of the company and the value created by the company?

3. Does the management make use of the information generated through the IR process in making key strategic decisions on a regular basis?

4. Did the risk management approaches of the company change as a result of the implementation of IR?

Guiding Principles

1. Strategic focus and future orientation
   I. Did implementation of IIRC guidelines make any changes to the strategic management process of the company? i.e. organizational structure, job descriptions of employees, functional activities, internal communication etc.
   II. Who are the strategic level employees engaged in the IR process and what functions do they represent?
   III. How does the company reliably arrive at the futuristic information presented in Integrated Reports and what are the special tools used (if used)?

2. Connectivity of information
   I. How did the implementation of IR, connected the financial & non-financial information provided in stand-alone reports (Eg- Sustainability, Governance) prior to the implementation of IR?
   II. What are the main divisions involved in IIRC reporting process?
   III. How does the company keep the integration/bonding between several departments/functional areas?

3. Stakeholder relationships
   I. How did the relationship between the company and the key stakeholders change as a result of adoption of IR?

4. Materiality
   I. Did the implementation of IR affect the materiality/impact assessment of the company?

5. Conciseness
I. How does the company ensure the conciseness of Integrated Reports that contains a vast number of financial & non-financial information and what are the special techniques used by the company?

6. Reliability and completeness
   I. How does the company certify the reliability and the completeness of the non-financial information presented in their reports? (What are the techniques used – Eg – Assurance, Certifications and etc. Who are the people involved)

7. Consistency and comparability
   I. Are the non-financial KPIs consistent throughout the group and through financial years.
   II. Are the formats utilized in collecting non-financial data and presenting the non-financial information consistent through financial years to improve the comparability?
   III. Do you compare the non-financial information presented in the Integrated Reports with the information presented by key competitors in the industry?