Integrated Reporting Insight: Why Organisation Voluntarily Reports?

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Abstract: This study is advancement of study of (Dragu & Tiron-Tudor, 2013) and (de Villiers, Hsiao, & Maroun, 2017), overcoming their limitations and factors left in their study. The revelation is accomplished by studying PESTLE factors and various theories in coincidence with Integrated Reporting (IR). The author revealed that the main factors that encourage the adoption of IR are the matter of self-interest, regulatory pressure, managerial attitude, motivations, market force, disclosure of non-financial parameters, managing different group of stakeholders and development of business model. Furthermore, IR framework is surrounded by various theories i.e. institutional theory, legitimacy theory, innovation diffusion theory, stakeholder theory, stewardship theory, positive accounting theory and the theory of signalling. Subsequently, considering all the possible determinants and the surrounded theory, a conceptual model has been established for the facilitation of adopting IR framework.

Keywords: Integrated Report, Voluntary Reporting, Legitimacy Theory, Signalling Theory, Stakeholder Theory, Determinants, Conceptual Model
JEL Classification: M10, M14

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1. INTRODUCTION

The traditional reporting was the disclosure of financial reporting in addition to separate corporate responsibility and/or environmental report in the annual report of the companies. But due to increase in the demand for more transparent reporting, shareholder theory shifted to stakeholder theory including investors, creditors, employees etc. Theory of Agency is now no more suitable for corporate reporting (Tschopp & Nastanski, 2014); (Ioannou & Serafeim, 2015); (Higgins, Stubbs, & Love, 2014); (Meijden, 2016); (Dumay, Torre, & Farneti, 2018), stewardship should Since the release of first document on <IR> in 2011, the organisation has been the core driver of <IR> practices which gains the curiosity of over 75 organisations worldwide in IIRC's pilot program (Dragu & Tiron-Tudor, 2013); (Jeroe, 2016). This figure has now gone to 1600 organisations and 64 countries (IIRC, 2017) all over the world (AECA, International Symposium, 2017 cited in (KPMG, 2018).

> The world has never faced greater challenges: over-consumption of finite natural resources, climate change and the need to provide clean water, food and a better standard of living for a growing global population. Decisions taken in tackling these issues need to be based on clear and comprehensive information; but as *the Prince of Wales has said, we are at present "battling to meet 21st century challenges with, at best, 20th century decision making and reporting systems". The IIRC's remit is to create a global accepted framework for accounting for sustainability.... The intention is to help with development of more comprehensive and comprehensible information about and organisation's total performance, prospective as well as retrospective, to meet the needs of the emerging, more sustainable, global economic model"*

be prominent to maintain corporate legitimacy. Consequently, the need for transparent reporting system emerged due to amendments in laws, standards, guidance, codes and requirement of stock exchange listing, with the integration of environment, social and governance factors to disclose financial and non-financial elements. (Dragu & Tiron-Tudor, 2013). In August 2010, IIRC was formally established in collaboration of A4S and GRI in the following terms:
Source: (Flower, 2015)

1.1 THEORITICAL BACKGROUNG OF INTEGRATED REPORTING

What is Integrated Reporting?

Integrated reporting is the set of integrated thinking, subsequently allows productive and efficient allocation of capitals, improving the quality and value of information to bring materiality about the organisation' strategies, governance, performance and the scenarios that reflects the social, environmental and financial stability to create value over time either short/medium/long term. (IIRC, 2013). <IR> is not simply disclosure of facts or data, it is a tactic grounded on social world's stories, signifying the proactive part of the contributors. It is the reflection of organisations' processes that gives meaning to actions, events and objects, provides guidance to brings reality (Aluchna, et al. 2019). It begins with financial disclosures, then covers non-financial disclosures with highlights to ESG elements (Camilleri, 2018) and grow into a holistic information with precise structure (Adams, 2015).

2. REVIEW OF LITERATURE

As per the objectives of this study, the most supportive and latest literature has been reviewed. Nevertheless, some classic literature which are vital for theoretical review has also been considered. This mixture of contemporary and relic literature brings quality to this study. (de Villiers, Venter, & Hsiao, 2017) consideration was to find out why accounting profession is curious about IR. The author discussed about the IR background, measurement methods and approaches. Furthermore, gave direction for future research by discussing issues on research design, research questions and control variables to consider for IR researchers. (Juma, Tumwebaze, & Orobia, 2018) finding

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reveals that regulatory bounding, effect of globalization, cultural leadership and mindset are hindering the adoption of IR in developing countries. Further, deficiency in awareness about IR and nature & size of business are also responsible factors for voluntary adoption of IR. (Loprevite , Ricca , & Rupo, 2018) empirically verified that the voluntary Integrated Reporting is strategically effective and brings high level of integrated performance on social, governance, environmental and financial elements as well positively influence investors' choice. Nonetheless, the empirical evidences show that mandatory regime (in South Africa) has positive role in improving the organisations' integrated performances in the average term.

3. OBJECTIVE OF THE STUDY

a) To study the theories that explains why organisation reports voluntarily.
b) To study the PESTLE factors that influences the determinants of voluntary adoption of <IR> framework.
c) To develop a conceptual model for factors influencing adoption and facilitates implementation of <IR> framework.

4. SCOPE OF THE STUDY

This is an explanatory research to come with conceptual paper cited with recent literatures. The findings are useful as a reading material for students, academicians and researchers for understanding the theoretical background of IR. Further, this article can also be added as a chapter for academic book, as it brings different theories, factors, determinants and overall conceptual model behind IR, at one place.

5. RESEARCH METHOLODY

This paper is study of concept and theories acting behind the adoption of IR, solely based on secondary data. Therefore, the content analysis method has been adopted which is best suitable for our set objectives. The author identified the supporting literatures on <IR> by searching Google Scholar, SSRN, Scopus, and highly ranked articles from reputed journals such as Elsevier, Emerald, Taylor&Francis with good citation numbers. Also, we have referred resource provided by IIRC from website and reports prepared by Big4 companies which are publicly available on their website.

6. VOLUNTARY DISCLOSURE

Organisation do voluntary disclosure to bring transparency with their stakeholder and reduce information asymmetry, that fulfil their legitimacy needs, attracts investors and to be an idle steward in the eye of society. The motivations for voluntary disclosure and adoption of IR framework are self-interest, the stakeholder theory, legitimacy theory, stewardship, diffusion of innovation and institutional perspectives. Further elaboration has been done in next two sections and based on that conceptual model has been developed in the third section.

7. THEORIES THAT EXPLAINS WHY ORGANISATION VOLUNTARILY REPORTS WITH IR FRAMEWORK

7.1. Diffusion of Innovation (DOI) Theory

DOI is originated to explain the behavioural change on how an idea or any product or a plan or a program get diffused throughout the social system, overtime. The consequence of this diffusion is that adaptor (people/organisation), as part of societal system, accept "innovation" i.e. new idea or behaviour or product or program (Rorgers, 1962). Such an adoption drives through a process, in which some adapt early or later, some accept as useful or some wait for others until it become useful. This theory has been used to study the factors that stimulate the integration of environmental innovation and sustainability (e.g. sustainable product/ innovative services) in business (Halila, 2007); (Dibra, 2015); (Klaus & Clausen, 2016). In the light of this theory, IR framework is an innovative idea which has to diffused in social organisations, companies/ firms being the targeted population. The pilot companies looking into the relative advantage of IR and its compatibility with other traditional reports, took risk to become the 'innovators' and 'early adapters' of IR. and further supported in framework development. These companies encouraged other companies over the world to think on voluntary adoption of IR. But (Gibassier, Rodrigue, & Arjaliès, 2018) reveals that IR is the utmost disruptive innovation in the domain of corporate reporting and demonstrated IR as myth owing to its complexity, antithetical notion and multidimension factors. They suggested that the myth of management innovation may provide direction and motivation to the organisation, reflecting towards the IR accomplishment.

7.2. Legitimacy Theory

The root of legitimacy is beliefs and perceptions that can be perceived as an estimation or assessment of acceptance of what is desirable or appropriate. It is the perception of concern audiences or of the whole society (Gillet-Monjarret, 2015); (Jeroe, 2016). The theory of legitimacy primarily maintains ethical behaviour of firms, to function in a certain economy (Aluchna, et al. 2019). For example, with <IR>, [1]LOTOS Group is capable to assemble non-financial data with financial information. It's legitimacy strategy which is called as "license to operate"[2] entails two tactics, addressed mainly to public authorities and NGOs to establish a socially responsible image and transparently showing their continuous improvement. Their commitment towards the ecology, local community and the national economy, creates company's image. Thus, the story of <IR> is centred around the theory of legitimacy, that brings social

[1] It is one of the largest European petroleum companies and CSR leader in Poland, being the early adopter as well pioneer of IR, since 2009.

[2] LOTOS Environmental Report 2006; cited in **(Aluchna, Hussain, & Roszkowska-Menkes, 2019)**

connectivity, balance reputational risk to fulfils stakeholders' expectations (Aluchna, et al. 2019).

7.3. Signalling Theory

Signal contain messages, description or images to communicate form one entity to other. Its quality depends on the conveying abilities of the sender to satisfy the demand of receiver (Connelly, Certo, Ireland, & Reutzel, 2011). Signalling theory focus on the information asymmetric (Spence, 1973)., with manifold entities such as organisations or individuals. It is concern with how insider (the entity or the agent) commence actions to signal its fundamental quality to reduce information irregularities with the outsider- the principal (Jeroe, 2016). Further, this theory defines the behaviour of two parties i.e. the sender, who focus on how to communicate (send signal) and the receiver, who focus on how to infer the received signal (Dumay, et al. 2018). The credibility of IR will send the signal to various stakeholders about the organisation, to meet their information expectancy (Fernando, Dharmawati, Sriani, Shauki, & Diyanty, 2017). Correspondingly, the holistic approach of IR offers a more useful signal to investors counting the better quality of information on operational measures, organisational strategies, financial statements, non-financial externalities and much more. (Aluchna, et al., 2019) argue that signalling theory attempts to explain the firms' action that may not certainly rooted in its own culture. The signals send by the company may not be true representation of its values but could me masking action. IR formulates about organisations' strategies, performance; transparencies, value creation (Draisey, 2015); that signals its impression for the receivers (referee of IR) (Camilleri, 2018); (Moratis, 2018)

7.4. Stakeholder Theory

Stakeholder theory (ST) postulates that an organisation/company should not only pay attention towards the proprietors of firm and profitability but also take care of the society, environment and the economy in which it functions (Jensen & Berg, 2011). The premises of these corporate objective are in corresponding to theory of legitimacy and stakeholder. It operates at micro-level to realize how stakeholders are interacted by the organisation practically (Dumay, et al. 2018). Further, this theory explains why and how the gap between corporate actions and corporate disclosure continues (Cho, et al., 2015); (Jeroe, 2016). Stakeholder theory overcomes the critics of agency and legitimacy theory, i.e. it can explain managers behaviour, assuming that managers are self-interested to act in favour of stakeholders, instead of why companies disclose information. In this sense, adoption and implementation of <IR> can be perceived as a tool to get approval to operate in the society and to avoid negative movements from the pressuring groups (Aluchna, et al., 2019). ST implicates that certain disclosures are aimed to provide organisations' resources to certain stakeholders (Hussain, Rigoni, & Cavezzali, 2018). For example, the managers of LOTOS Group have experienced several benefits of <IR>, e.g. achieving legitimacy, satisfying the holistic communication demand of stakeholders, reduces information asymmetry, manage risks and attracts investors (Martínez-Ferrero, García-Sánche, & Ruiz-Cano, 2016); (Aluchna, et al., 2019). Integrated report is matrix of materiality (Eccles & Spiesshofer , 2015) that shows how stakeholder theory can be used to line up company's important issues with important stakeholder. Integrated report also highlights how influential stakeholders can drive management behaviour towards society and environment, rather than only profit motives (Adams, 2015), (Camilleri, 2018), (Draisey, 2015), (de Villiers, Hsiao, & Maroun, 2017); (Dumay, et al. 2018), (Aluchna, et.al., 2019).

7.5. Institutional Theory

The institutional theory recognised that with the help of various mechanism (e.g. rules, guidelines, procedures, authoritative), the organisations and the individuals possess the capacity to generate, sustain and can transform the institutions, often can diffuse, disuse or decline the institutions (Suchman, 1995); (Meyer and Rowan, 1977) cite in (Camilleri, 2018). Many researchers believe that, the implementation and diffusion of organisational practices are often scrutinized on the context of institutional theory (Meyer & Rowan, 1977; Powell & DiMaggio, 1983; Oliver, 1991; Aguilera & Jackson, 2003; Delmas & Toffel, 2004; Guerreiro et al., 2006; Matten & Moon, 2008; Jackson & Apostolakou, 2010; cited in (Jensen & Berg, 2011). According to institutional theory, organisations are implanted in a comprehensive system of economic, political, financial, cultural and educational institutions that exercise institutional pressure to influence them. This theory elucidates, how the institutions responds to their surrounding situations/pressures to adapt prevailing rules and institutional norms where they operate (Dragu & Tiron-Tudor, 2013); (Jeroe, 2016). (Jensen & Berg, 2011) argues that political system is also the determinants of <IR> with the belief that countries that have civil laws have protracted approach towards stakeholder and to encourage social and environmental disclosures. Further, the study reveals that the countries with higher investors' protection law, high private expenditures on tertiary education and the economical developed countries initiate <IR>. Therefore, the principal forces for the promotion of financial reporting is the government (Adams, 2015), along with other institutions such as ISO, OECD, UN Global Compact, GRI and IIRC (Camilleri, 2018).


INSTITUTIONAL ENDORSEMENT OF <IR>

Accountancy bodies:

International Accounting Standards Board (IASB) and International Federation of Accountants (IFAC)

Supranational organizations:

Including the European Commission, World Bank, United Nations Conference on Trade and Development (UNCTAD), Principles for Responsible Investment (PRI) and the Organisation for Economic Co-operation and Development (OECD)

B20:

IIRC part of B20 agenda of the G20 since 2014

SOURCE: (IIRC, 2017)

7.6. STEWARDSHIP THEORY

Stewardship theory is contrast to agency theory, as because it throw-outs the economic supposition that agents/executives/managers are always self-opportunistic, individualistic selfish and always care for their personal interest. (Dumay, et al. 2018); (Domínguez-Escrig et al., 2018). ST postulates that people are collectively minded and are intrinsically obsessed, to work for the society or organisations or others to accomplish the delegated tasks/responsibilities. It argues that the pro-organisational and collaborative people works to attain the organisational or societal goals to achieve high satisfaction (Donaldson and Davis, 1991); (Davis, Schoorman, & Donaldson, 1997); (Menyah, 2013). The basic assumption of this theory is underpinned with dimension of behaviour, a perfect steward, psychological mechanism and sociological factors such as organisational culture and situational mechanism. Further, it also assumes that there is robust association of organisational success and prime satisfaction. Therefore, a perfect steward works to maximise the organisation performance and on the same time satisfy the challenging interests of shareholders. In IR practice, this theory is evidenced by underlining the stewardship of capitals including human, financial, intellectual, manufacturing, social and natural capitals (IIRC, 2013). In addition, IR overcomes the limitation of traditional reporting in which accountability of environmental (natural) and social disclosures were lacking (Jensen & Berg, 2011). As CSR, corporate governance and the motivation to understand the influence of human activities on the natural resources (environment) for the long-term sustainability is deeply rooted in stewardship theory (Menyah, 2013), likewise, IR gives the holistic view of ethical governance, natural, human and social capital besides other capitals (as mentioned above) to generate long-term values (Draisey, 2015); (Camilleri, 2018). Stewardship enhance the shareholders interest in corporate governance (Hussain, Rigoni, & Orij, 2016), improve communication channel among the business and the stakeholders, too acts as a custodian for continuing and other assets (IIRC, 2017). Thus, the stewardship behaviour of organisation is motivated by decent practices, self-actualization (as the assumption of ST) or performing well (satisfying the assumption of institutional theory and legitimacy theory) (Davis, et al., 1997) cited in (Dragu & Tiron-Tudor, 2013).

7.7. The Positive Accounting Theory

The positive accounting theory (henceforth PAT) is about explanation of actualities and prediction of facts that could happen in future (Gaffikin, 2006), cited in (Santoso & Sebayang, 2018). It is generally adopted in two perspectives: efficiency or opportunistic. The PAT is grounded on the postulation that all the actions of managers are self-interested and self-motivated for grabbing the opportunities to maximise their wealth and to improve the efficiency. The PAT is surrounded with three hypotheses: bonus plan (managerial compensation), debt contract (debt/equity) and the political cost. (Watts & Zimmerman, 1990). In a single financial report, different accounting method are applied, for example in accounting for inventory and depreciation, that can affect the earnings, which will influence the shareholder dividends and stock price.

Bonus Plan (Managerial Compensation)

Managerial compensation such as bonus, incentives, etc. is adjudicated on the basis of financial health of company and its market value (Kartadjumena & Rodgers, 2019).The mechanistic bonus plan hypothesis of PAT argues that the managers changes the accounting methods to manipulate earnings by shifting future profit to current or vice-versa, which gives them personal bonus aids or managerial compensations (Watts & Zimmerman, 1990); (Jeroe, 2016); (Santoso & Sebayang, 2018). With this assumption, the voluntary disclosure of CSR information will affect the financial performance which will subsequently affect their bonus (Setyorini & Ishak, 2012), (Jeroe, 2016); (Kartadjumena & Rodgers, 2019). Consequently, the holistic IR framework will be managers' preference to maximise personal as well as shareholder values, to remove information asymmetry, encourage company to participate in CSR activities and being responsible steward.

Debt Contract (Debt/Equity)

The debt contract hypothesis assumes that the change in accounting method is proportional to debt/equity ratio, as the ratio will increase, more likely the manager will change the accounting method to shift the future earnings to current profit so as to maximise income (Watts & Zimmerman, 1990); (Setyorini & Ishak, 2012); (Jeroe, 2016). The mangers do so to lower the potential bearing of constraints (Deegan & Unerman, 2005) cited in (Setyorini & Ishak, 2012). It is also argued that when the company makes large use of debt, it comes in eye of stakeholders such as shareholders, creditors, lenders etc. To overcome this, company use to do voluntary disclosures of more information on CSR activities and possibly attempts to decrease cost of debt capital (Carp, Pavaloaia, Afrasinei, & Georgescu, 2019). Thus, IR will be useful tool to encourage CSR activity (Ioannou & Serafeim, 2015), maintain transparency with the creditors and lenders(Aluchna, et al., 2019), and could borrow more capital from existing lenders.

The Political Cost

The political cost hypothesis assumes that the when firms' political cost is higher, managers opt for change in accounting method, to swing the current profit to future profit (Watts & Zimmerman, 1990); (Setyorini & Ishak, 2012); (Jeroe, 2016). The political cost are the consequences of economic regulation and political process. Political perceptibility significantly affects the social and environmental disclosed voluntarily (Belkoui and Karpik, 1989) cited in (Setyorini & Ishak, 2012); (Darus & Taylor, 2009); (Chen, Cheng, Gong, & Tan, 2015) (Jeroe, 2016). So, the managers determine to change the accounting method to reduce risk and the associated political cost, to transfer wealth in form of political action and by voluntary CSR information disclosure. Logically, the political cost will possibly influence the adoption and implementation of IR framework.

7.8. Agency Theory

Corporations were typically distinguished between the proprietorship and the wealth, being proprietor as principal as agents/executives are hired by them to manage their business and to maximize the firms' wealth generally for shareholders. The agency theory proposes that the company executives so called 'the agents' and the owner called 'the principals' are motivated by the opportunities for their personal gain. Exactly, the principal invests his wealth in money-making companies and possibly project governance system such as to make best use of his investment. Whereas, the agent takeover the responsibilities of his principal's (owner's) undertakings with the perspectives of jobs security. There may come a diverging situation where the agent may feel embarrassed by his principal's controlling mechanism, which may lead to unproductivity and could ultimately cause loss to the principal (Davis, et al., 1997). In this theory, it is expected that the principal's authority is delegated to the agent, empowering him to act on his behalf. Then if the agent is individualistic, self-centred rather than an idle steward for his principal, it is this authority that could allow agent to utilize the given opportunities to make his own utility in the expense of his principal's value (Eisenhardt, 1989) cited in (Camilleri, 2018). This implies that the agency theory does not change the agent's (manager's) behaviour not to act as the perfect steward in the interest of all shareholders, it only affirms their power. Hence, (Dumay, et al. 2018) argue that stewardship of companies' resources, which serves as a predominant controller to update managerial behaviour is necessary for increasing the trust. Further, their realisation suggests to abandon the agency theory as because untruthful and profit-making behaviour of agent and the principal has unexpected consequences. In IR practice, organisations are the holistic drivers for creating values (Dragu & Tiron-Tudor, 2013); (Adams, 2015); (Jeroe, 2016) ; (IIRC, 2017) (Camilleri, 2018). IR is a mechanism creating a platform to serve holistic information materiality and consequently, any omissions or misrepresentation could influence the decision of its users. In this context some researchers (Tschopp & Nastanski, 2014); (Ioannou & Serafeim, 2015); (Higgins, et al., 2014); (Meijden, 2016); (Dumay, et al. 2018) argue that the agency theory is no longer suitable paradigm for corporate reporting. But the holistic framework of IR has potential to remove the information gap and could force to change managerial behaviour (w.r.t. the principal and the agent), to overcome the limitation of agency theory.

8. DETERMINANTS OF VOLUNTARY ADOPTION OF <IR>

(Dragu & Tiron-Tudor, 2013) broadly considered Economic, Political and Cultural factors as the determinant of <IR>, that will impact IR adoption externally. While, according to (de Villiers, et al., 2017) proposed model, the determinant of integrated reporting could be Organisational (internal) and external factors. But we extend the consideration of (Dragu & Tiron-Tudor, 2013) by taking PESTLE Factors, which is earth-shattering for any country and externally impact business. Based on that, all the possible determinants have been extracted and categorized under internal and external determinant.

8.1. PESTLE Factors

P represents for political factors including government policies, activities and movements of regulatory bodies. It has power to change the outcomes, changes can be at social, economic or legal level or mixed of all these. E and S represents for Economic and social factors respectively, While T, L and E represents Technology, Legal and Environmental respectively. Business is intensely rooted and surrounded by PESTLE factors of their origin country. Though, these factors are external but highly impact the business both internally and externally. Companies uses PESTLE analysis for its strategic planning (DataBio, 2017).

How PESTLE Factors influence the adoption and implementation of IR Framework?

Political Economical and Legal Factors

Political and legal factors are the primary driver for IR, as companies are deeply rooted within these factors. Adoption of IR requires political intervention and legal amendment in securities exchange regulation, investors protection law, disclosure and data transparency law, employment protection (Jensen & Berg, 2011), strong support from accounting bodies, NGOs, World bank, UNs etc. Certainly, government have power and tendency to emphasise financial reporting to boost transparency for stakeholders (Manes-Rossi, 2018). The political and legal factors likewise influence the economy of country and the economy in influenced by the business and the organisations working within. From the economic perspectives, complete disclosure brings transparency and lower the information asymmetry (Aluchna, et al., 2019). (Jensen & Berg, 2011) reveals that economic development has encouraging impact on the adoption of IR, because they argue that generally economically developed countries prefer to apply innovative management instruments than in developing countries and the economy which has good level of education system (as qualified persons are required to prepare IR (Aras, Özsözgün Çalışkan, Esen, & Kutlu, 2019) and high level of trade unions.

Social, Environmental and Technological Factors

The economic and social status of person or group reflecting their attitudes, trends and preferences are referred as social factors, that are capable of influencing political decisions, legislation and eventually market behaviour (DataBio, 2017). Since these factors may influence the company's current as well as future performance, therefore, the adoption of IR may be influenced by market force, legislation related to health and safety of employees, career attitude towards development of IR framework, companies' attitude towards ecological product, knowledge and skills of report preparers (managers as individual). Similarly, Environmental factors are the major concern for government, companies as well as public too. It influences the operating conditions of the business, corporate responsibilities, demand of eco-friendly products and overall sustainability of the country (DataBio, 2017). IR is more likely to be adopted by environmental sensitive companies either voluntary or being forced by law, engaged in more CSR activities and the countries prevailing with strong environmental protection law. Last and the vital factor is the technological factors, in together physical capital, human capital and technology describe overall development of society. Almost all the sectors are digitalised showing the dominant trend and shall continue to challenge traditional solution by offering increased capacity, accuracy, less manpower and lower costs. Technology is crucial in case of information system, monitoring system, intellectual capital, human capital, data collection and its analysis. Preparation of IR requires technical equipment/infrastructure (Aras, et al., 2019), therefore, adoption and implementation of IR framework is easy for high-tech industries and large firms whereas quite difficult for small industries (SMEs) and low-tech industries.

8.2. Internal Determinants

8.2.1. Self-Interest:

The journey of IR begins with the motivation of self-interest, that has been shown by participating companies[3] in IIRC's pilot programme. It was two years programme in which the selected companies e.g. Coca Cola, Volvo group, Microsoft, PwC, KPMG etc. worked as a peer network organisation group, to exchange their knowledge and experiences in the development of IR framework. The aim of this programme was to encourage the participating organisations to innovate their reporting practices, notify the evolution of investors practices and reporting and to merge this information for future development and implementation of international integrated reporting leadership (IIRC, 2011); (Jeroe, 2016). The programme attracted world's dedicated leaders from regulatory, corporate, accounting, investment, security exchange, academics, standard setting bodies and the civil society. (Eccles & Serafeim, 2011); (Vitolla & Raimo, 2018) argues that the companies that have high sustainable strategies are initial adopter of IR, because IR is a logical means to report on these strategies for them.

8.2.2. Non-Financial Disclosures:

Despite of self-interest, the primary determinant for shift towards IR is the demand of non-financial performance information by the stakeholders, as traditional way of preparing financial report does not full this purpose. Additionally, it is the overwhelming feeling of millennials that, business ought to be measured beside financial performance (Deloitte, 2018). IR is the evolution of CSR reporting, environmental report and the most recent sustainability report, which provides holistic, responsive, relevant and materiality across multiple time setting (Eccles & Serafeim, 2011), (Frias-Aceituno, Rodríguez-Ariza, & Garcia-Sanchez, 2014) (Stubbs & Higgins, 2014), (Eccles & Spiesshofer , 2015). Recent literatures reveal that sustainability report is disconnecting financial information from non-financial one, which has diverted managers' attention in search of new reporting technique (Jensen & Berg, 2011). To overcome this disconnection, traditional reporting techniques has been evolved to IR with innovative techniques (Aluchna, et al., 2019). According to voluntary theory, IR put ups all kinds of voluntary disclosures, non-financial performance indicators bridges the gap between stakeholders, increase trust and attract more investors (Hoque, 2017). Many public as well private entities have started disclosing non-financial information due to stakeholder demand and increasing awareness of CSR towards the society (Camilleri, 2018). Furthermore, as per (WBCSD, 2018) discussion, non-financial indicator is essential for positive valuation, screening and for attaining stewardship objectives as because it gives context to financial information, comprehend corporate culture, identify risk, strategies and opportunities for the long-term sustainability and sustainable product.

8.2.3. Size of Organisation

Size is important variable (Waddock and Graves, 1997) for CSR disclosure, since larger firms tends to disclose more as compare to smaller firms. The reason is that large firms take part in more CSR activities and more likely to use CSR reports (Jeroe, 2016). In large companies, other corporate characteristics are used to differentiate them form smaller companies, e.g. various range of product, multifaceted distribution channels, extensive usage of capital markets for financing. Such features are important for interacting with the stakeholders, giving quantity and quality to the report. Integrated reporting is highly influenced by size of organisation. The early adopter of IR was Coca Cola, Microsoft, KPMG, PwC, Volvo, (IIRC, 2011); (Jeroe, 2016) that were of large firm category. Where as in some research model (Loprevite, et al., 2018), size as variable were statistically found insignificant.

8.2.4. Financial Performance

Financial and non-financial indicators are parallel to each other (Dragu and Tiron-Tudor, 2013a); (Jeroe, 2016); (EY, 2017), integrated disclosure of these indices can minimize the information- asymmetry (Martínez-Ferrero, et al., 2016); (Aluchna, et al., 2019) between stakeholders and the organisation. Integrated reporting brings quality in disclosure, which lead to reduction in cost of capital, upsurge profit, stock price and EPS (Hoque, 2017); (Hussain, et al., 2018). Integrated reporting is completely associated with firm's valuation, accounting performance, and stock market, reflecting in reduction of cost (Lee & Yeo, 2016). Also, IR is beneficial for capital market, reduction in cost of various capital is highly align with IR, but negatively associated with earning forecast error. This indicates that for the prediction of earnings, information contained in IR has been proven very helpful, providing the required future-oriented information on business model and corporate strategies (Zhou, Green, & Simnett, 2016); (Jeroe, 2016); (Hoque, 2017); (Hussain, et al., 2018). The profitability of firm is directly linked with disclosure on performance of ESG information, such info aids readers to get access, supports for further processing and analysis (Hoang, 2018). Also, (Aras, et al., 2019) reveals that 90 per cent of companies who have started preparing IR consider financial matric as key for decision making. Some researcher consider profitability and leverage as the determinant of IR (de Villiers, et al., 2017); (Adhariani & de Villiers, 2018), where as in some research model (Loprevite, et al., 2018), these variable were statistically found insignificant. This disparity may be due to the variation in geographical location, market structure, organisational objective, mode of business etc.

8.2.5. Market Orientation

Market orientation has been found positively related to firm's performance, profitability, growth etc (Mahmoud, Blankson, & Hinson, 2017). In countries such as UK or US, corporate regulators are harmonised by capital market. Companies have to count on the stakeholders for their capital, who demands for all relevant operational disclosure

[3] Full list is available at https://integratedreporting.org/news/iirc-announces-selection-of-global-companies-to-lead-unique-integrated-reporting-pilot-programme/

on ESG elements. So, the companies distinguish themselves by using innovative reporting format (Eccles & Spiesshofer , 2015). It is being proven that IR is mostly published by the companies where in the countries that have higher market orientation (Jensen & Berg, 2011).

8.2.6. Ownership Structure

Shareholders are the controller of companies and the presence of controlling ownership changes the nature of corporate governance.(Jensen & Berg, 2011) argues that the level of ownership concentration in a company influences the extent of reporting sustainability matters. Due to the dominating position of shareholders, they are able to pursue their own interested goal i.e. profit maximization and if required to the detriment of minority shareholders. Usually, the majority shareholders gather their desire set of information directly from the company and are therefore do not hooked on published information. Therefore, dispersed ownership structure is supportive to IR. Some companies perceive that implementation of new-fangled practice may lead to resistance (Aras, et al., 2019).

8.2.7. Growth Potential

Firm's growth is multiple dimensional, that states improvements in financial position i.e. increase in sales and revenue, profit margin, return on investment and hike in market share. According to (Slater and Narver 1990; Morgan et al. 2009) growth is the organisation ability to recover its investment and reflection of financial improvements as compared to its competitors (Mahmoud, et al., 2017). (Carp, et al., 2019) broke down the firm growth in three direction: the panorama for improved market value, the degree of cost of capital and the operational performance of the organisation. As discussed above, IR is positively associated it the financial performance of organisation (Lee & Yeo, 2016); (Hoque, 2017); (Hussain, et al., 2018), also it attracts more investors through its non-financial disclosures. The main agenda of IR is promoting integrated thinking and explaining how the firms are creating values in given span of time i.e. short/medium/long to its financial capital providers. It is one of the objective of IR to explain the flow of financial capital, operational performance and how it effects the capital (IIRC, 2013); (IIRC, 2019); (Draisey, 2015); (EY, 2017); (Eccles & Spiesshofer , 2015) it also requires to explain why the market values of companies are higher than book value (Serafeim, 2015); (Jeroe, 2016); (Zhou, et al., 2016).

8.2.8. Managerial Attitude

Despite of not possessing enough knowledge about IR, 95 per cent of report prepares and 98 per cent of other stakeholders are eager to acquire more about IR. Corporate report preparers believes that IR benefits the company as well as the stakeholders and requires more guidelines for proper implementation (Adhariani & de Villiers, 2018). This attitude of management is movement towards the stewardship which encourage implementation of IR, enhancing the shareholder interest in corporate governance (Hussain, et al., 2016) and brings transparency among business and the stakeholders (IIRC, 2017). Another driver of this change is the concept of bringing materiality in the report, which is determined by the constant interaction among the management and the report users, primarily the investors or the capital providers. Materiality depends on the strategy team, top management and the theory of institutional reality (Lai, Melloni, & Stacchezzini, 2017). As IR provides materiality and more clear direction for preparing corporate reports, helps managers to find and rectify the limitation with their strategic plans with affecting the everyday operations (Dumay, et al. 2018). Managers could act as a perfect steward to motivate decent practices, enhance self-actualization or perform well to satisfy the theoretical assumption of stewardship, institution and legitimacy.

8.2.9. Corporate Governance

IR, enhancing the shareholder interest in corporate governance (Hussain, et al., 2016) and brings transparency among business and the stakeholders (IIRC, 2017). After facing financial scandals, shareholders and investors are forcing companies to bring transparency about their corporate governance structure (OECD, 2009, 2010). In these circumstances, stakeholders are eager to know how companies' governance support for strategic objectives and the remuneration information of those who are in charge with governance. Owing to the lack of transparency and frequent changes in company's policy, causes impact on investors' assessment of company and improper valuation of its organisational reputation (WBCSD, 2018). Therefore, it becomes the responsibility of top management to disclose financial information, changes in its policy, along with non-financial information, either voluntarily or mandatory. It is the matter of fact that, more the disclosures, more gaining of investors trust and ultimately enhance the corporate reputation. Corporate governance is the second main content element of IR framework. IR provides insight story about the actions taken with regards to ethical values, organisational culture, and the relationship with those in-charged with the governance. This aspect is the reflection of company's action on taking sustainability in its business strategy (IIRC, 2013); (IIRC, 2019). Furthermore, in the reporting system, IR provides information on flow of various capital (e.g. financial, intellectual, social etc.), value creation process, which helps board management to manage risk, manage stakeholder, legitimate accountability for transparency and demonstrates the linkage of sustainability activities with the present organisational goals and also with the future objectives.

8.2.10. Motivations

The biggest and the primary motivation behind the adoption of IR is to satisfy shareholders and other stakeholders i.e. the stakeholder theory (Adhariani & de Villiers, 2018), provoke integrated thinking to bring materiality, transparency, assessment of true organisational value and to appeal foreigner investors for capital growth. Besides the institutional objectives, IR is motivated more by the theory of stewardship, positive accounting theory and political economy, as it explains the assessment of impacts on human and social rights, impact on environment and other global issues (Eccles & Serafeim, 2011); (de Villiers, et al., 2017); (Dumay, et al. 2018); (Aluchna, et al. 2019). According to (EY, 2017) investor's survey, the biggest motivating factor (72 per cent response) for IR is building corporate reputation (assumption of legitimacy theory). One more motivation is the theory of signalling, to know how the competitors of similar companies are preparing their integrated reports (Adhariani & de Villiers, 2018) as shown in below table:

Table1: *Motivations for Adopting IR Framework*

Motivation	(%) of all respondents	(%) of knowledgeable respondents
To satisfy shareholders and other stakeholders	63	66
It is mandated by corporate regulations	33	41
The knowledge that your competitors or similar companies/ organisations are preparing integrated reports	49	43
It is mandated by the accounting profession	33	29
Other		
To increase the accuracy of financial information		
To increase transparency		
To show the value of utilising various resources		
To publish reports more quickly		
To promote integrated thinking in management	8	4

Source: (Adhariani & de Villiers, 2018)

8.2.11. Corporate Reputation

Corporate reputation is the reflection from the theory of institution, stakeholder theory, stewardship theory and the theory of legitimacy. The companies that perform well in sense of financial, social and governance, showing profit increase, along with doing the social responsibilities makes good reputation in stakeholders' eyes. The transparency between the company and the stakeholders enhance its corporate reputation. Many managers believe that CSR activities and taking sustainability issues in business model, enhance their reputation (Hoque, 2017). In practice, IR framework is a tool to bring best possible transparency, by disclosing flow of various fundamental capitals, operational activities, governance policies, how the company creates value in given time periods and futuristic plans for upcoming time (IIRC, 2013). Thus, disclosure through IR tool enhance corporate transparency, create corporate reputation, attract investors and gives many momentous business advantages. For example, companies with high reputation are capable and preferential to negotiate with the host government, can fascinate more contracts, can captivate potential employees and can charge for desirable best price for their product (KPMG, 2018);(Hoque, 2017); (Aluchna, et al., 2019).

8.2.12. Business Model Development

One similarity between business model and IR framework is demonstrating how the company create and deliver values to the stakeholders. A business model of the company logically describes the method of its operation and strategies implemented for achieving organisational goal and creating the values over specified time (IIRC, 2013a);(Sukhari & de Villiers, 2018). Further, (Lee & Yeo, 2016) and (Baboukardos & Rimmel, 2016) confirms the association of the company's value and the adoption of IR framework. (IIRC, 2013a) model of six capital defines values more largely and also gives time extension to become these values materialistic. Consequently, IR's business model concept is different from traditional model, as it attempts to capture broader set of values and its interrelationship that invariably arise in the long-term (Tweedie, Nielsen, & Martinov-Bennie, 2018). (Sukhari & de Villiers, 2018) reveals that after the adoption of IR framework, the companies' disclosure level of their business model and strategies have increased.

8.2.13. Stakeholder Management

According to (CIPFA; IIRC & World Bank, 2016), stakeholders are those group or individual that are sensibly be expected to be affected by business activities of organisations, its outcomes, or whose actions can sensibly affect the capability to create value over particular time. Stakeholders may count business partners, employees, customers, suppliers, service users, financers, legislators, policy makers, environmental group, NGOs, local communities or any citizens. So, it is imperative to understand the perspectives of those stakeholders which is useful for the organisation. As it will drive to identify the material to be considered in the integrated report (Eccles & Serafeim, 2011); (Manes-Rossi, 2018). Several research (Adams, 2015); (Debreceny, 2015); (Draisey, 2015); (Eccles & Spiesshofer , 2015); (CIPFA; et al., 2016); (Hoang, 2018); (Camilleri, 2018); (Juma, et al., 2018); (Aluchna, et al., 2019)reveals that IR strengthens the teamwork by taking stakeholders through the complete disclose of social, environmental and governance issues. Ultimately, IR helps in bringing legitimacy and strengthening the stewardship of the organisation. For example: ROSATOM[4] after the adoption of IR framework (followed by AA1000 standard and GRI) attempts to use all possible methods of communication such as surveys, questionnaire, public dialogs, interviews, presentations to take the opinion of key stakeholders, consequently, report users get the verified material about the ROSATOM. Similarly, in (Black Sun, 2014) study, 92 per cent respondents agree that integrated reporting has improved the understanding of performance and creating value at employee level and leadership level, along with the external stakeholder (CIPFA; et al., 2016); (Hoque, 2017); (Aluchna, et al., 2019).

8.3. External Determinants

8.3.1. Regulatory Pressure

(Loprevite, et al., 2018) examine regulatory factor, from an economic-corporate viewpoint of <IR>, the voluntary reporting of European companies is strategically effective and brings high level of integrated performance on social, governance, environmental and financial elements as well positively influence investors' choice, whereas, in South Africa, mandatory regime plays an imperative role in improving the report quality and integrated performance. The degree of disclosures of listed companies, on social, human, natural relational and intellectual capital have extended (Kosovic & Patel, 2013). Alternatively, (Steyn, 2014) in his study demonstrates that, the mandatory adoption in short term is perceived as an obligation, follow-on difficulties such as: need to adapt reporting system,

[4] Russian State Atomic Energy Corporation

corporate culture, cost for new compliance; however, shows encouraging effects in medium term. The interviewees in the study of (Juma, et al., 2018) suggested that the government should make IT mandatory with the support of international standard setting bodies.

8.3.2. Media attention

Social media is considered as an effective tool and new channel of communication for companies. Being advantageous of cost, immediacy and media coverage, it is useful in information sharing through press release, industry news, earning announcements and CEO commentary (Rivera-Arrubla & Zorio Grima, 2016). Nonetheless, the question is Whether Integrated Reporting is to gain media attention or of media exposure? Media is considered as most influential stakeholders (Deegan & Brown, 1998). Its role in society is important in the sense it can loom the legitimacy of corporate action. Different stakeholders exert different pressure. So, the intended adoption of social and environmental initiatives possibly due to media pressure. The social and environmental information conveyed by media to the public has power to influences the opinion of other stakeholders. Sometime, dissemination of sustainability information is to earn good faith or to control the belief of public opinion (Li, Richardson &Thornton, 1997); (Deegan & Brown, 1998); (Bewley & Li, 2000) cited in (Gillet-Monjarret, 2015); (Hoang, 2018). There is significant bond between the quantity of articles, the amount of environmental report and the media exposure of companies (Cormier & Magnan, 2003). Thus, firms enrol themselves voluntary in social and environmental activities not only for financial consideration but also to manage their reputation in public eyes', to control stakeholders' opinion, to avoid media exposure and to earn public attention and their faith on company. In short, to attain socially created legitimacy. Even then, the question is Whether Integrated Reporting is to gain media attention or of media exposure?

8.3.3. Industrial Sector

The enduring vision of IIRC is to make <IR> as reporting norms for both in private as well as public sectors (CIPFA, et al., 2016). The market force that encourage voluntary adoption of <IR> framework is the pressure from big institutional investors dynamic in both public and/or private sectors. The large companies due to pressure from public and to establish reputation adopt <IR>, the larger the companies, the more transparent they are, more they manage their legitimacy and status. While, others in their particular sector follow them to match "best practices" (Eccles & Serafeim, 2011). The main concentration of <IR> is the creation of values, in public sector this is understood as creation of 'public value' (Manes-Rossi, 2018). (CIPFA; et al., 2016) have discussed many benefits of adopting <IR> by public entities such as stakeholder management, improving governance, accountability, how and where to use the public resources, brings advances in decision making as well increasing the understanding level of value creation and performance that may improve democratic participation and upsurge public trust.

8.3.4. Market Force

- Investors: Active investors inspire the voluntary implementation of <IR>. Around 71 per cent of investors uses <IR> in their executive process (IIRC, 2017). It is their belief that <IR> brings improved engagement between the company management and the financial investment community about substantial issues. <IR> highlights the ethical values and sustainability there in adds worth to the company. Due to the demand of non-financial information, ESG disclosures, financial performance, strategies and risk management, <IR> is more preferential by them. Furthermore, in a survey by (EY, 2017), 70 per cent of institutional investors rank usefulness of integrated report on second after the company's annual report (Draisey, 2015). As investors own significant proportion in companies' stock, they can pressurize the company to adopt <IR> in several ways such as highlighting the issues at the general meeting or on proxy statement (Eccles & Serafeim, 2011).
- Customers: another market force is the customer and considered as main driving force for implementing IR (Eccles & Serafeim, 2011) (Eccles & Spiesshofer , 2015) (Mahmoud, et al., 2017). (EY, 2017) reveals that 74 per cent of investors said that, they prepare integrated report to build corporate reputation with the customers. Customers are interested in looking more sustainable strategies, non-financial disclosures and ESG activities of the companies.
- Voice of Civil Society

  Civil society is known as more than a sector, much dominated by NGO community and surrounded by wider range of vibrant organised and unorganised sectors. Its role is changing, acts as facilitators, innovators, service providers, convenors as well as advocates. It is progressively visible and effective in embark upon societal encounters, particularly identifying the influential source of societal/social capital. Furthermore, the context of civil society is evolving, shifting towards geopolitical and economic power, a power to hold all stakeholders by being involved with government, business and international organisations (WEF, 2013).(Eccles & Serafeim, 2011); (Eccles & Spiesshofer , 2015) opinion that re-imagination of integrated form of reporting originates from the demand of civil society. In addition to regulators, standard setters, investors, corporates and accounting profession, NGOs are also part of IIRC council (IIRC, 2017). As civil society and NGOs play an vital role in creation and enforcement of framework and are seen highly interested in non-financial aspect specially for social capital (WEF, 2013); (Villiers, 2014). IR framework (IIRC, 2013) is itself a voice of civil society, its requirement of explanation for and on: flow of various capital (all six capitals); detailing of content elements; enquiring way i.e. How, What, When, is itself the evident.

8.3.5. Geographical Location

IR is more expectedly to published in countries with higher grade of market orientation and also with high trade union density (Jensen & Berg, 2011). Furthermore, the sustainable countries (EPI, 2018) such as Switzerland (Müller, Vesser, & Rinaldi, 2017), Denmark, Germany (Eccles & Serafeim, 2011) (Hirschnitz-Garbers, et al., 2015) and UK are more producer of IR as the companies and investors both have high interest in non-financial performance metrics and are on the forerunner of IR. The market force is the dominating factor in these countries, stock listing requirement or investor interest are getting strong regulatory support to encourage IR. Where as in countries such as South Africa and Brazil which are not in the virtuous rank of sustainable countries but companies are more sustainable and highly appreciate integrated reporting. However, in emerging economic such as China and India which are least sustainable countries (as per (EPI, 2018)) as well SAARC nation (Gunarathne & Senaratne, 2017), urge investors to demand for IR adoption. The countries adopted IR voluntary given the breakthrough moment (IIRC, 2017) and getting the regulatory support is shown in below map:

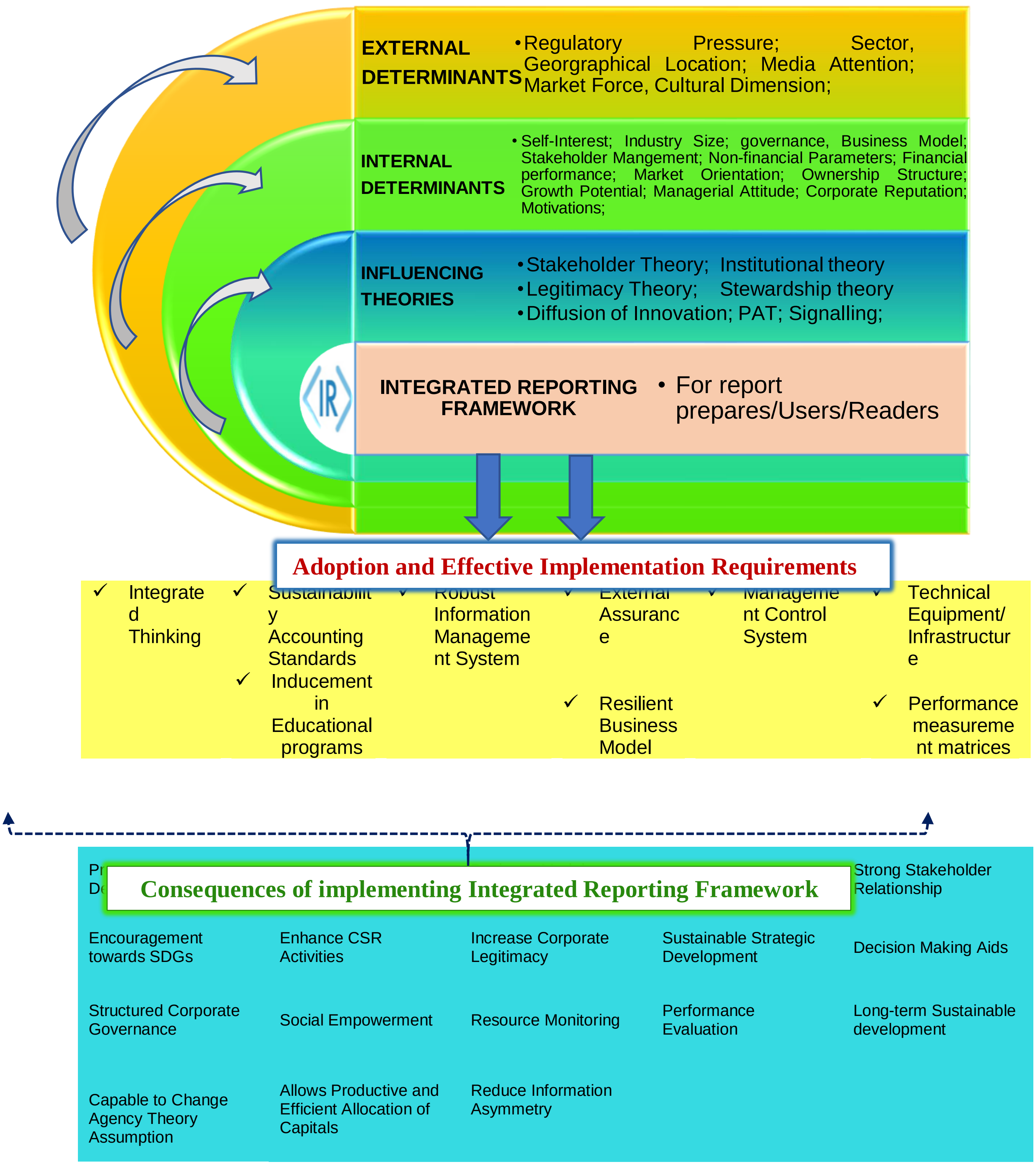
Source: Annual Report, (IIRC, 2017)

8.3.6. Cultural dimension

The important aspects of any country's culture are the extent to which its companies are responsible for societal wellbeing. In some countries, corporate responsibility is limited to financial wellbeing where as in some countries, corporate responsibility is extended to environmental and social wellbeing. It is supposed that companies' national responsibilities impact the livelihood to act responsible and to disclose environmental and social information. So, the companies from high national corporate responsibility are more probably to prepare IR. The association of <IR> adoption and culture has been found positive (Jensen & Berg, 2011). Further, the society with strong communist and feminist ideals pressurize companies to integrate information (Garcia – Sanchez et. al, 2013); (Dragu & Tiron-Tudor, 2013); (Juma, et al., 2018). According to (Jensen & Berg, 2011) study, the probability of formulating IR is higher for countries that makes high investment protection law, level of self-expression is high, makes more private disbursement on tertiary education. Similarly, (Frıas-Aceituno et al., 2013); (de Villiers, Venter, & Hsiao, 2017) reveal that companies operating with in better civil law countries are more interested in preparing IR. On the other hand, 55 per cent newly adopter of IR says that IR is not suitable for internal cultural and philosophy of company (Aras, et al., 2019).

9. CONCEPTUAL MODEL OF FACTORS INFLUENCING IMPLEMENTATION AND ADOPTION OF IR FRAMEWORK

Figure-1: *Conceptual model for the factors influencing adoption and effective implementation of IR Framework.*



Source: Own Compilation (Based on the findings of section-1 and 2)

10. CONCLUSION AND RECOMMENDATION

Integrated reporting is surrounded by the assumption of theory of legitimacy (Aluchna, et al., 2019) for satisfaction of various stakeholders. It is a kind of innovation that has to be diffused for societal benefits. It is perceived that IR framework will change the tradition of multifaceted reporting system with the help of its sophisticated and holistic agenda. Nevertheless, it is imperative to consider and work on the determinant that influence the companies to adopt and successfully implement IR. For this, the conceptual model established in this paper will be supportive and therefore it is recommended to work on the requirement of IR implementation as highlighted in our model.

11. LIMITATION AND FUTURE RESEARCH DIRECTION

The effort of this article is to logically connect various theories and determinants that influences the adoption and effective implementation of IR framework, subsequently based on the available literatures supporting the objectives of the study, this is the one limitation. Likewise, PESTLE analysis has been done theoretically and logically, this is another limitation of our study. So, it is suggested to conduct empirical analysis of PESTLE factors and various additional determinants found in this article.

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