Stubbs, Wendy and Higgins, Colin 2014, Integrated reporting and internal mechanisms of change, Accounting, auditing & accountability journal, vol. 27, no. 7, pp. 1068-1089.

Integrated Reporting and internal mechanisms of change

Wendy Stubbs

School of Geography and Environmental Science, Monash University,

Melbourne, Australia, and

Colin Higgins

Deakin Graduate School of Business, Deakin University, Melbourne, Australia

Abstract

***Purpose* –** The purpose of this paper is to investigate the internal mechanisms employed by early adopters of integrated reporting in Australia to manage their reporting process and explores whether integrated reporting is stimulating innovative disclosure mechanisms.

***Design/methodology/approach* –** The study was based on in-depth semi-structured interviews with organisations in varying stages of implementing integrated reporting. In total, 23 interviews were conducted with sustainability managers, finance managers and communications managers across 15 organisations. A content analysis of the interviews was undertaken using qualitative coding techniques.

***Findings* –** While the organisations that are producing some form of integrated report are changing their processes and structures, or at least talking about it, their adoption of integrated reporting has not necessarily stimulated new innovations in disclosure mechanisms. This study did not uncover radical, transformative change to reporting processes, but rather incremental changes to processes and structures that previously supported sustainability reporting.

***Research limitations/implications* –** A major limitation of this research study was the small sample of organisations and stakeholders that participated, and the single-country focus. Finance, accounting and strategy people were particularly under-represented in this study, as well as external stakeholders, and the conclusions can only be tentative until further tested.

***Practical implications* –** This paper sheds light on the practices of early adopters of integrated reporting, and their learning could inform other organisations considering an integrated reporting approach.

***Originality/value* –** As an emerging phenomenon, there are few empirical studies exploring integrated reporting practices and this paper provides some insights into integrated reporting in Australia.

Introduction

Reporting on corporate social and environmental responsibility (referred to as sustainability reporting in this paper) has evolved significantly in the past three decades. In the last ten years the number of organisations producing sustainability reports has increased substantially, particularly amongst the large multinational companies (Kolk, 2010). In 1999, about 39 per cent of the Global Fortune 250 companies (G250) reported on their sustainability activities. This has increased to 95 per cent in 2011 (KPMG, 2011). The latest development in sustainability reporting innovation is integrated reporting, a reporting approach that promises to be "holistic, strategic, responsive, material and relevant across multiple time frames" (Adams and Simnett, 2011, p. 292). It incorporates the work of the International Integrated Reporting Committee (IIRC), the Global Reporting Initiative (GRI), The World Business Council for Sustainable Development, The World Resources Institute, the Carbon Disclosure Project and the UN Global Compact.

Integrated reporting is presented as more than just the "publication of one report that comprises both financial and non-financial information" (Jensen and Berg, 2012, p. 299); it is about clearly and concisely representing how an organisation creates and sustains value, taking account of economic, social and environmental factors (IIRC, 2013). It is claimed that integrated reporting can help drive organisational change towards more sustainable outcomes (Eccles and Krzus, 2010).

The IIRC (2013, pp. 7, 33) defines integrated reporting as:

A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation [y] An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.

A large number of sustainability reporting studies have been published, primarily focusing on examining the internal and external drivers of reporting and the type and level of disclosure, and mainly drawing upon analyses of reports and formal documents (Fifka, 2013; Frostenson et al., 2012) rather than engaging directly with firms. Much less thought has been devoted to the internal processes of developing and generating sustainability reports (Frostenson et al., 2012; Schaltegger, 2012a) and even fewer studies have investigated the emerging phenomenon of integrated reporting (Frı´as-Aceituno et al., 2013). To date, research into integrated reporting has been limited to theoretical investigations and stand-alone case studies (Jensen and Berg, 2012). It is unclear why companies pursue integrated reporting, what approaches and internal mechanisms early adopters use to implement it, and whether it is driving organisational change at this early stage.

In light of this, the aim of this paper is to examine the internal mechanisms and processes employed by early adopters of integrated reporting. It draws insights from Laughlin's (1991) model of organisational change to explore whether integrated reporting is stimulating innovative disclosure mechanisms. The paper reports on an exploratory study of 15 organisations in Australia who are at various stages of integrated reporting.

Integrated reporting raises new challenges compared to sustainability reporting as, according to the definition of integrated reporting, it is more closely tied into business strategy and how an organisation creates value. This suggests a more prominent role for finance and strategy teams in understanding and disclosing non-financial information. As such, the study sought the perspectives of finance managers in addition to sustainability managers. This study also responds to calls for more research at the level of the firm to further understanding of reporting initiatives (Kolk, 2010) and to engage with actors responsible for organisational reporting to gain more understanding of the issues associated with implementing reporting innovations (Adams and Whelan, 2009; Parker, 2005).

The paper first reviews the evolution of sustainability reporting and integrated reporting, followed by a discussion of Laughlin's (1991) model of organisational and environmental change. Previous studies that examined the internal processes involved in sustainability reporting are then reviewed, followed by the research methods and research findings.

Sustainability and integrated reporting

Sustainability reporting first appeared during the 1970s with the publishing of the first wave of social reports, mainly in the USA and Western Europe (Fifka, 2013; Kolk, 2010). While the practice had faded out by the 1980s, environmental-focused reporting emerged in the late 1980s (Kolk, 2010). In the 1990s, non-financial reporting by large multinational corporations took off and today, over 95 per cent of the 250 largest companies in the world (G250) and 69 per cent of publicly traded N100 companies (largest 100 companies by revenue in 34 countries) disclose their sustainability performance (KPMG, 2011). While the amount of disclosure increased rapidly over the last decade and is anticipated to continue to increase (Aras and Crowther, 2009), sustainability reporting remains patchy outside of the G250 and the N100 (Higgins et al., 2011; Milne and Gray, 2007; Stubbs et al., 2013). Integrated reporting is the latest reporting innovation, emerging in 2010 with the formation of the International Integrated Reporting Council. The IIRC (2013, p. 7) developed the International /IRS Framework to "to establish Guiding Principles and Content Elements that govern the overall content of an integrated report". However, integrated reporting is not presented as the next generation of sustainability reporting but as an attempt to promote "a more cohesive and efficient approach to corporate reporting that draws on different reporting strands" (IIRC, 2013, p. 2). An integrated report aims to bring together detailed financial information, operational data and sustainability information to focus only on those matters "that have a material bearing on the ability to create value in the short, medium and long term" (IIRC, 2013, p. 26). The IIRC expect integrated reporting to become the "corporate reporting norm. No longer will an organization produce numerous, disconnected and static communications" (IIRC, 2013, p. 2).

Mirroring the growth in the practice of sustainability reporting, the academic literature on sustainability disclosure has also grown significantly in the last two decades (Kolk, 2010) and a large number of empirical studies exist today (Fifka, 2013). The literature has mainly focused on the range of motivations, internal and external drivers for reporting (Lee and

Hutchison, 2005; Roberts, 1992) and on report content primarily based on analysis of sustainability reports (Higgins et al., 2011). Fifka's (2013) meta-analysis of 186 studies found that most of the empirical studies examined internal determinants such as size, industry and profitability and external drivers such as stakeholder pressures and regulation. Many studies concerning the internal aspects of sustainability reporting are conducted from a managerial perspective such as setting targets, choosing indicators or meeting sustainability requirements, while other studies adopt a critical perspective (Frostenson et al., 2012). Few studies focus on internal mechanisms and processes for sustainability reporting (Adams, 2002; Adams and Frost, 2008; Frostenson et al., 2012; Schaltegger, 2012a), the "how" rather than the "why" or "what". As Frostenson et al. (2012, p. 7) emphasise, in sustainability reporting research, "[T]oo easily, the issue of how gets a response in terms of a why".

As an emerging phenomenon, there are even fewer academic studies on integrated reporting. The studies to date have focused on the outcomes and benefits of integrated reporting, compared to sustainability reporting, such as: it provides forward-looking information (Adams and Simnett, 2011;Watson, 2011); it demonstrates how organisations create and sustain value (Hampton, 2012; Watson, 2011); it reduces reputational risk and enables companies to make better financial and non-financial decisions (Hampton, 2012); it breaks down operational and reporting silos in organisations, and leads to improved systems and processes (Roberts, 2011); and, it improves resource allocation decision making (Frı´as-Aceituno et al., 2013). Nevertheless, integrated reporting has been criticised for its focus on financial capital providers to the detriment of the information demands and needs of other key stakeholders (Cheng et al., 2014), requiring protection mechanisms for stakeholders other than shareholders in order to "increase companies' holistic transparency" (Frı´as-Aceituno et al., 2014, p. 68). At this stage, integrated reporting is targeted at large, publicly listed companies, excluding small to medium-sized organisations, and those in the government and non-government sectors (Burritt, 2012). In addition, Frı´as-Aceituno et al. (2014, p. 68) research found that companies with monopolistic power are less likely to publish integrated reports to preserve their abnormal profits, and they warn against the "opportunistic use of information". In regards to the six capitals, the "subjective" concepts of stock and flow of capitals create difficulties for organisations "to explain some of their capitals beyond insubstantial narratives" (Cheng et al., 2014, p. 98). Questions have also been raised about the assurance aspects of integrated reporting (Burritt, 2012; Cheng et al., 2014, p. 99) and whether the International /IRS Framework provides "suitable criteria and appropriate subject matter" for reports to be assured. It is questionable whether, in the absence of assurance, organisational stakeholders will be interested enough in integrated reporting to ensure the survival of this new corporate reporting form (Cheng et al., 2014) and therefore whether the "mass implementation of integrated reporting is likely to eventuate" (Burritt, 2012, p. 391). To date, no studies have focused on how the early adopters of integrated reporting are managing and implementing this new approach to reporting.

Given the lack of knowledge in this area, this paper explores the internal mechanisms employed by Australian early adopters of integrated reporting, drawing on insights from previous studies of sustainability reporting mechanisms and Laughlin's (1991) model of organisational change.

Organisational change

State	Description	Type of change
Inertia	Do not respond to environmental issues	None
Rebuttal	Pressure to change is resisted. May result in minor temporary changes to systems	First order – changes to structure, processes, systems ("systems")
Reorientation	Small changes to systems, but no change to underlying DNA	First order (transition)
Colonisation	Substantive change is forced upon organisation's systems, driven by a small group, leading to change in the underlying DNA	Second order – changes to beliefs, values, norms, as well as to systems (Laughlin, 1991) (revolution, transformation) first order (Gray *et al.*, 1995)
Evolution	Major changes to DNA and systems accepted by whole organisation	Second order (Laughlin, 1991) (transformation) first order (Gray *et al.*, 1995)

Sources: Gray *et al.* (1995) and Laughlin (1991)

Table I. Summary of change pathways

Laughlin (1991) investigated pathways of organisational change in response to external environmental "jolts" (see Table I). He conceptualised organisations as consisting of three components, two intangible and one tangible: interpretative schemes (beliefs, values, norms and mission/purpose, which relate to the culture of an organisation), design archetypes (structure, processes and systems) and the tangible sub-systems (buildings, people, behaviours, machines and finance). First-order change (morphostatis), initiated by an environmental jolt, results in changes to the design archetype and/or sub-systems. This does not change the central core, or DNA, of the organisation, but is a transition. Second-order change (morphogenesis) affects all components. This transformative change penetrates the DNA of the organisation. Laughlin identified four pathways for change, two first order (rebuttal and reorientation) and two second order (colonisation and reorientation). In the rebuttal pathway, an environmental jolt may result in minor changes to the design archetype, but the jolt is rejected and the organisation reverts to its original state. Environmental jolts that are internalised by an organisation and result in changes to the design archetype and sub-systems are classified as reorientation. Colonisation occurs when an environmental jolt results in changes to the design archetype and sub-systems, flowing through to the interpretive schemes, forced upon the organisation by a small group. Evolution involves major changes in the interpretive schemes, which reshapes the design archetype and sub-systems, but it is chosen and agreed to by the whole organisation.

A question is whether integrated reporting can drive morphogenetic change, towards more sustainable outcomes as suggested by Eccles and Krzus (2010). Integrated reporting potentially offers opportunities to reconceptualise the interpretive schemes due to its acknowledgement of the inter-connectedness of natural (environment), human (people), social (relationships between stakeholder groups) and financial capitals[1] to shape organisations. The broadening of organisations' remit to stewardship of all capitals (IIRC, 2013), is more reminiscent of an ecological modernisation interpretive scheme than neoclassical economic "business-as-usual" that has a singular profit-maximisation focus (Stubbs and Cocklin, 2008). Ecological modernisation is "people centred (improving human welfare) and environment centred (maintaining the integrity and variety of non-human nature)”, acknowledging that a prosperous economy depends on a healthy ecology and vice versa (Stubbs and Cocklin, 2008, p. 513). The capitals stewardship concept might suggest that organisations adopting integrated reporting buy-in to this view, although the capitals framework is not required to be adhered to by organisations preparing integrated reports. However, the focus of integrated reporting on creating value and on the investment community audience, may suggest that integrated reporting reinforces neoclassical economic interpretive schemes, where “efficient and productive capital allocation” acting as “a force for financial stability” (IIRC, 2013, p. 2) continue to take priority.

A few studies have used Laughlin’s model to examine the interaction between environmental accounting and organisation change (see, e.g. da Silva Monteiro and Aibar-Guzman, 2010; Gray et al., 1995; Larrinaga-Gonzalez and Bebbington, 2001; Larrinaga-Gonzalez et al., 2001; Tilt, 2006). In considering whether environmental accounting can drive organisational change or whether environmental accounting interventions are used to appropriate the environmental agenda (“institutional appropriation”), Larrinaga-Gonzalez and Bebbington (2001, p. 281) suggest that sustainability reporting initiatives that are aligned with an organisation’s rationale and reinforce its “internal unity”, will be more effective in driving change than ones that are not. Initiatives aligned with integrated reporting’s focus on value creation may reinforce an organisation’s profit-maximisation rationale (first-order change), but the intent of an integrated report to show “stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural)” (IIRC, 2013, p. 2) may require second-order change to internalise this concept and shift the rationale of the organisation.

Nevertheless, the empirical studies have not found any evidence of morphogenesis. Gray et al. (1995) found that even though some organisations expressed views aligned with Laughlin’s (1991) depiction of colonisation and evolution, the environmental jolts experienced did not result in significant changes to the central values and beliefs, but minor reorientation (they remained in the neoclassical economic interpretive scheme). Their conclusion was that, rather than environmental accounting encouraging “possibilities for change” (Gray et al., 1995, p. 214), it was used to negotiate and control the environmental disturbances. Larrinaga-Gonzalez et al.’s (2001) study of Spanish firms and da Silva Monteiro and Aibar-Guzm□an’s (2010) study of a Portuguese company reinforce Gray et al.’s (1995) findings, that evidence of colonisation and evolution discourses does not imply morphogenesis.

Internal mechanisms employed in sustainability reporting

While we did not find any literature on the internal mechanisms employed by early adopters of integrated reporting, a few studies have explicitly examined the mechanisms employed in sustainability reporting (see, e.g. Adams, 2002; Adams and Frost, 2008; Adams and McNicholas, 2007; Frostenson et al., 2012). Adams (2002) combined a review of the literature with a study of a small sample of German and British firms to identify the structures and processes involved in sustainability reporting. She found that a number of internal contextual factors influenced the reporting process: changes in the chairperson influenced social disclosure; a corporate social reporting committee increased social disclosures; ownership resided either in the environmental department or the communications/public relations (PR) department; varying levels and nature of stakeholder engagement and linkages to governance structures; while reporting guidelines and other companies' reports are referred to, the report preparers determine the content; and, the absence of accountants in the data collection process, and the view that accountants are not considered appropriate people to be involved in non-financial reporting.

Adams and Frost's (2008) study of four British and three Australian sustainability reporting leaders and Adams and McNicholas (2007) study of a state-owned enterprise reinforce Adams' (2002) earlier findings. They highlighted the importance of sustainability steering committees and stakeholder engagement mechanisms in developing performance indicators and analysing the data that goes into the report, and verified that ownership of the reporting process resided in the communications/PR department or the sustainability/corporate social responsibility (CSR) group. Both of these studies suggest that sustainability reporting can be a catalyst of organisational change through integrating sustainability performance data into strategic planning, decision making, risk management and performance measurement processes and systems.

The most recent study by Frostenson et al. (2012) of a large Swedish retailer did not uncover any new insights. They found that the sustainability reporting process was one where internal stakeholders (staff from all major functions in the organisation) negotiated the "best story of the corporation's sustainability impact" (Frostenson et al., 2012, p. 4), through an ad hoc and complex data collection process. As the previous studies found, the sustainability report is owned by the communications group (there is no formal CSR group) and there is a reporting steering committee and reference group with many representatives from different departments. The report is ultimately approved by the company board.

These studies suggest that the mechanisms employed in sustainability reporting reflect first-order change of the reorientation kind. While the studies conclude that sustainability can be a catalyst for change, the changes appear to be confined to the design archetypes – the structures, processes and systems – and there is no suggestion of changes to the underlying beliefs and norms. Sustainability reporting was owned and driven by a team within the CSR or communications group, drawing in representatives from other areas to gain access to data, but there is no indication that sustainability values and norms have been internalised by the whole organisation. These studies raise a number of questions for examining the early adopters of integrated reporting: are the same "first order" mechanisms being utilised in integrated reporting as sustainability reporting or is there evidence of new innovations?; are integrated reports utilising sustainability committees, internal stakeholder engagement and separate sustainability teams or using other approaches?; is the integrated report owned by communications or CSR groups or has it moved into the mainstream business?; are accounting/finance people driving integrated reporting, or is it the sustainability team?; are there any indications of new reporting mechanisms that are driving second order change (colonisation or evolution)?

Sustainability reporting has been further classified into two approaches: the "outside-in" approach which aims to secure legitimacy and the "inside-out" approach which is concerned with managing performance against the business strategy (Beck et al., 2012; Burritt and Schaltegger, 2010; Schaltegger, 2012a). Beck et al. (2012) suggest that sustainability reporting has evolved over time from the outside-in to the inside-out process. The outside-in approach aligns the internal management of information and reporting to meet requirements of external stakeholders and reporting standards (Schaltegger, 2012b). Organisations pursue this approach to enhance their reputations and secure social legitimacy with their stakeholders, but reporting serves the PR function of "socially compliant" reporting (Schaltegger, 2012a, p. 189). The GRI typifies the outside-in approach. This approach typically includes processes for stakeholder dialogue, screening material issues of concern to external parties, and, reporting and communicating the organisation's impacts on these issues to external audiences (Burritt and Schaltegger, 2010). Sustainability accounting and performance management systems are driven by reporting requirements (Schaltegger, 2012b).

In contrast, in the inside-out approach, sustainability reporting is based on "corporate strategy, strategically aligned accounting systems and corporate performance achievements" (Schaltegger, 2012b, p. 9). Reporting is an outcome of managing strategically relevant issues and key performance indicators (KPIs). The strategy identifies relevant KPIs, which in turn determines the accounting methods and report/disclosure content. The KPIs, accounting and reporting processes support internal decision making to implement corporate sustainability (Burritt and Schaltegger, 2010). This approach aims for competitive positioning in the belief that "excellent performance will be understood and appreciated by society" (Schaltegger, 2012b, p. 10).

A third "twin approach" combines both the inside-out and the outside-in processes, while Schaltegger (2012a) also identifies a fourth PR-driven approach to reporting. The PR approach treats sustainability reporting as a "satellite activity", isolated from the core business processes. Schaltegger (2012a) criticises this approach for its selective positive reporting of issues deemed appropriate by PR, suggestive of window-dressing. Reporting focuses on positive performance, which could result in greenwashing "by reporting achievements in a way which are either only 'part of the story' or so much exaggerated that they do not reflect the true picture" (Schaltegger, 2012a, p. 188). The twin approach, involving external stakeholders and establishing a management approach where reporting is integrated, includes many organisational units in collecting information, communicating and reporting to improve sustainability performance. In addition, it involves external stakeholders in jointly developing sustainability strategy, reporting, communication and accounting, as stakeholders contribute to value creation (Schaltegger, 2012a).

The outside-in and PR approaches are more aligned with a reorientation approach, where an external jolt (such as responding to pressure from stakeholders to be more transparent), results in small changes to the accounting and performance management systems. The inside-out and twin approaches suggests that sustainability issues (human, social and natural capital) help shape business strategy, a view more aligned with the integrated reporting philosophy. Whether and how these approaches are manifested by the integrated reporting early adopters will be examined.

Research methods

The exploratory research study used an interpretive mode of inquiry based on qualitative data. The study engaged directly with "insiders" involved in integrated reporting to examine the phenomenon in the context in which it occurs (Crane, 1999). The study used in-depth semi-structured interviews with organisations in varying stages of integrated reporting. The interviews were supplemented with reports issued by the organisations and data on their web sites, to help understand how the organisations were managing the integrated reporting process. Integrated reporters were identified from a number of sources. Companies stating their commitment to integrated reporting were identified from the web sites of the ASX50 (largest 50 companies listed on the Australian Securities Exchange). All companies in the ASX50 provide some level of sustainability disclosure and just over 50 per cent are rated as "best practice" sustainability reporters in the Australian Council of Superannuation Investors (2012) annual sustainability reporting study. Potential candidates were also found from integrated reporting research undertaken by the Association of Certified Chartered Accountants in Australia and NetBalance Foundation (ACCA and NBF), (2011), the Business Reporting Leaders Forum (2012) web site and from referrals made by integrated reporters.

Industry (no. of organisations)	Sustainability	Finance	Communications
Financial services (5) (F1-F5)	5	3	3
Industrials (5) (I1-I5)	4	1	1
Property (3) (P1-P3)	3	0	1
Transport (2) (T1-T2)	2	0	0
Total	14	4	5

Table II. Summary of research participants by industry sector

We identified 22 organisations across four industry sectors (financial services (F), industrials (I), property (P) and transport (T)) from this process and 15 agreed to participate in the research study (see Table II). Three groups of people were targeted to interview: sustainability managers, finance managers and communications managers (external affairs, corporate communications or investor relations). Based on previous research (Adams and Frost, 2008; Adams and McNicholas, 2007), sustainability managers are typically responsible for sustainability reporting and we started with the assumption that they would be involved in integrated reporting (which was verified in initial phone calls or e-mails). Communications people were also included as they have played a prominent role in sustainability reporting (Adams, 2002; Frostenson et al., 2012). Finance managers were included because the focus on value creation in integrated reporting suggests a more prominent role for the finance group. All participants were in middle management positions (either had "manager" or "head" as part of their job title). Two financial services participants were new to the organisation (o9 months), 13 participants had two to five years in their organisation (six financial services, three industrials, four property), six had six to ten years (two financial services, three industrials, one transport) and two had greater than ten years (one financial services, one transport).

We initially approached the sustainability managers for an interview and asked if they could refer us to a finance person. In most cases, a finance person was not identified or was unavailable to be interviewed, and in some cases, we were referred to a communications person. The functional roles may influence the interviewees' perceptions of sustainability.

While we expected the sustainability managers and communications managers who were responsible for issuing sustainability/integrated reports to have beliefs and values aligned with sustainability, this may not be the case for other communications and finance people. However, it became clear when setting up the interviews that the finance people who agreed to an interview had voluntarily chosen to be part of the integrated reporting team and were interested in sustainability issues. While we wanted to talk to finance people not so closely involved in the integrated reporting process, none agreed to an interview.

In total, 23 people from the 15 organisations agreed to an interview: 14 sustainability managers (SUST), four finance managers (FIN) and five communications managers (COMMS). In total, 22 face-to-face interviews and one phone interview were conducted during June-October 2012. The length of the interviews was 45-60 minutes. The interviews probed the history of sustainability and integrated reporting in the organisation, the meaning of integrated reporting, the drivers and challenges, how they were implementing it and if (and how) their approach had changed from sustainability reporting (processes, systems and structures). This paper focuses on exploring the mechanisms employed by the organisations in producing their integrated report. As the study investigated an emergent phenomenon and was cross-sectional rather than longitudinal, we were unable to track actual changes in mechanisms over time. The interviews uncovered the approaches early adopters are taking and perceptions of how the reporting process is changing. We used Laughlin's (1991) theoretical model of change to help understand the nature of the changes taking place.

All interviews were recorded and transcribed. To maintain confidentiality of the organisations and participants, participants' are identified by their job role (SUST, FIN and COMMS) and industry (F, I, P and T).

Of the participating organisations five were assessed by the ACCA and NBF (2011) report as leaders in integrated reporting in one or more areas (mission and strategy, management approach, performance tracking, risk management, stakeholder engagement and the format of public reporting) but were not issuing an integrated report at the time of the interviews (they were issuing a standalone sustainability report). However, all were investigating integrated reporting and following the IIRC integrated reporting pilot study (three Australian organisations are participating in the pilot). Four participating organisations were in the early stages of integrated reporting and said they were issuing a combined report (information from the annual report combined with information from the sustainability report), and six were issuing, or attempting to issue, an integrated report, although none claimed that they were "there yet".

A content analysis of each interview was undertaken using qualitative coding techniques (Strauss and Corbin, 1990/1998). The interviews were coded using the Nvivo software package to identify the internal reporting processes and mechanisms. Through coding at the word, phrase, sentence and paragraph level, patterns emerged within the data resulting in the key themes discussed in the Results section (Neuman, 2003; Patton, 2002). An interpretive approach, utilising qualitative data collection and analysis methods, is an appropriate methodological approach in exploratory research of this nature (Crane, 1999).

Results

The interviewees identified some specific mechanisms employed by the organisations to facilitate integrated reporting, which will be discussed in ensuing sections. These include:

- push/pull approach;
- cross-functional teams and stakeholder engagement;
- sustainability committees;
- ownership of integrated reports;
- materiality analysis; and
- integrated measures.

We were particularly interested in understanding if, and how, existing internal structures and processes may have changed due to integrated reporting. While we did uncover evidence of change, one interviewee said that "nothing's changed" (SUST-F2) from when they were producing a separate sustainability report and financial report. They ventured that this was because the organisation was relatively small and sustainability had always been aligned with its core values and business philosophy. This suggests that integrated reporting did not provide an external jolt to initiate changes to the design archetype, nor to the interpretive scheme as this person believed the company's values were already aligned with those of sustainability. The organisation was not listed on the stock exchange (shareholder-owned) and its business model may not be as strongly aligned with the neoclassical economic model as publicly listed companies are. In addition, the sustainability manager said that they had always worked closely with the business groups, including the finance team, in producing the sustainability report. It could also be due to the fact that the organisation's first integrated report was "essentially tacking the two [sustainability report and financial report] together and renaming it" but they are aiming to align the second integrated report "around our strategic plan". This may trigger first or second order changes but longitudinal research is required to explore this further.

Push/pull approach

In nine of the 15 organisations, we observed two different strategic approaches to integrated reporting. In three cases, organisations were using integrated reporting to explicitly drive change in the organisation ("push" strategy) and in four cases, integrated reporting was seen a result of an integrated business ("pull" strategy). In the latter organisations, the interviewees believed that integrated reporting was better able to tell the company story about how the company creates value, than issuing separate sustainability and financial reports: "[y] telling the broader picture of your organisation over a longer-term view" (SUST-F2). Two organisations suggested that their integrated reporting process was a combination of push/pull.

In three organisations (F3, I2, I5), the integrated report is explicitly used as a tool to drive organisational change to integrate sustainability more closely into the core business ("push" sustainability into the core business). This process is driven by the sustainability team. The report is used as an internal tool by the sustainability team to "push it [sustainability] up" (SUST-I2) the organisation and engage the different groups in the organisation in the integrated reporting process, as "whatever we want to say in this report needs to have had some robust internal discussions to get us to that position" (SUST-F3). While this approach appears to be gaining traction in the three organisations, they did suggest that a push process was the "tail wagging the dog" (COMMS-F3; SUST-I5; SUST-I2):

> *I can see the broader benefit in doing this, the tail wagging the dog thing. I think it's an odd way to go about driving change to change how people report rather than change how people develop strategy, and then have the report because the report should really be the output of the [company's] strategy and performance, but instead we're trying to use that to push the other way [y] I think there's been some small steps and it potentially will [work] (COMMS-F3).*

One sustainability person who is using a push strategy seemed to be conflicted about this approach. While they stated that they would rather not use "any sort of public report as a mechanism for driving integration", they also thought "absolutely it's part of my role to challenge the organisation [y] to drive understanding of value creation from investment in sustainability", utilising the reporting process (SUST-I2). However, one interviewee disagreed with the push strategy, suggesting that sustainability is not truly embedded in the business if the report is used to drive change, rather than being an outcome of an integrated business. They were not convinced that this was an effective approach:

> *Look, I do think that there's an argument to say that reporting drives change. But I also think that if people are integrating the report or taking sustainability initiatives so that they can stick it in a report, then I don't think it's embedded, and I don't think that that's the right way to think about it (SUST-T2).*

It is questionable whether the push strategy is effective at driving deep organisational change. Laughlin (1991, p. 213) argued that "inertia" is only overcome when the environmental disturbance is an "uncontrollable jolt", requiring staff to "shift inert characteristics of organizational life". Larrinaga-Gonzalez and Bebbington's (2001) research revealed that internal pressures are much weaker drivers of organisational change than jolts from external stakeholders or regulatory pressures. In the firms that are using a push strategy, the sustainability people are driving the change. While this suggests a "positive inner colonization" (Laughlin, 1991, p. 220), where a small group of employees force changes to the systems and processes flowing through to the interpretive schemes, there is an absence of an "uncontrollable jolt". There are no external stakeholder pressures or regulatory pressures forcing change (Laughlin, 1991) upon the organisation, just the desire of the sustainability team to integrate sustainability more widely, and deeply, into the organisation. The interviews did not provide evidence that the push strategy is leading to second-order change, but rather "some small steps" (COMMS-F3) indicating first-order change. Interestingly, the interviewee that was critical of the push strategy, was the only person that alluded to the need for changes to occur to the interpretive scheme:

> *I think that we've got to move away from a world that is based on financial metrics. I'm a climate change believer, probably not surprising given my role, and I think that if we're actually going to make a difference, then we have to change the way we think and we can't just be driven by a financial outcome (SUST-T2).*

When probed about the extent to which sustainability values were embedded in the culture of the organisation, the interviewee said that they were in parts of the organisation but "it's an ongoing battle. And people change and then you've got to start again". The questioning of the organisation's "central myths" (Larrinaga-Gonzalez et al., 2001, p. 230) has not translated to changes in the interpretive model (second-order change), as evidenced by a later statement that:

> *[…] business is here to make money, we're here to make a profit. So I want to deliver to [organisation] business outcomes that have a financial robustness and have other benefits as well, that are sustainable (SUST-T2).*

In four of the organisations – all of them financial services (F1, F2, F4, F5) – we found statements supporting a "pull" process, where interviewees said that the integrated report is a reflection, or outcome, of an integrated business, or one becoming more integrated – sustainability is "part of the organisational conversation" (SUST-F5) and "fundamental to how we run our business" (SUST-F1). Interviewees talked about being accountable for social and environmental externalities (SUST-F1) and embedding sustainability into policies and all position descriptions (FIN-F2). The pull process appears to be aligned with an inside-out sustainability reporting process, where reporting is the "disclosing statement resulting from the process of managing strategically relevant issues" (Schaltegger, 2012b, p. 10). According to one interviewee, "you really need an integrated business to be able to produce an integrated report" (SUST-F4). The pull strategy seems to follow the reorientation change pathway, where a new integrated reporting norm is "accepted and internalised into the workings of the organisation", but the "real heart" (interpretive schemes) of the organisation is not affected (Laughlin, 1991, p. 217). Change occurs to the design architecture (structures, decision processes, communication systems), which gives "direction, meaning, significance" to the subsystems of the organisation (Laughlin, 1991, p. 211). These changes to the design architecture and subsystems do not "drastically affect the central core of the organisation" (Laughlin, 1991, p. 218).

This raises the question of whether integrated reporting represents "an evolution of business towards more environmentally friendly forms, or an instrument of environmental reorientation/colonisation, leading to, or enabling a process of capturing the environmental debate" by business-as-usual interpretive schemes (Larrinaga-Gonzalez et al., 2001, p. 218).While this question was not explicitly explored in this research, the interviewees did not provide evidence of a shift of values from a "business-centred" to a people-centred and "environmental-centred point of view" (Gray et al., 1995, p. 226; Stubbs and Cocklin, 2008), and more detailed case studies of the four organisations are required to fully explore this. The concentration of the pull process in the financial services organisations suggests that this industry is more advanced in "integrated thinking", which the IIRC (2013, p. 33) defines as “the active consideration by an organisation of the relationships between its various operating and functional units and the [six] capitals that the organisation uses or affects”.

Two organisations (SUST-T1, SUST-I1) expressed views that their integrated reporting approach was a push/pull process rather than one or the other; that it can help drive change as well as be an outcome of the business strategy:

> *I think certainly [integrated reporting can drive change in the business] , I think it’s circular […] and I think that can help drive our thinking and then that helps our reporting (SUST-T1).*

Cross-functional teams

For five organisations (F1, F2, F3, F5, P3), cross-functional teams are a key mechanism for implementing integrated reporting. In the past, to produce the standalone sustainability report, the report owners (typically the sustainability team) gathered the data from the “owners” of the data to produce the report. The report was reviewed and ratified by a sustainability committee, with members drawn from different functional areas. However, integrated reporting requires earlier planning and coordination across business areas. The organisations now use cross-functional teams to drive the integrated reporting process and “align it under our strategic plan” (SUST-F2). These teams include representatives from finance, strategy, investor relations, legal, risk, accounting and sustainability:

> *But the difference is we’ve now created an internal committee that brings together a lot more: financial group, strategy, risk management, stakeholders, to have that conversation. So strategy and risk have been involved in sustainability reporting in the past, but it’s been from purely a sustainability angle. Now it’s group-wide; it’s how do we want our financials to talk to our sustainability materiality and vice versa. So it’s a larger conversation and it touches on a lot of what everyone’s doing every day, rather than just sustainability (SUST-P3).*

In another organisation, the integrated reporting process was initiated by the sustainability team working with group strategy on “a kind of thinking piece around what the issues were” (SUST-F5). This then went to the sustainability council consisting of all the general managers of each business unit to “test what that means in terms of what we should be doing [y] and what are the targets we want to set”, before engaging the other groups. However, in two of these companies (F1, F3), the actual structure that supports the cross-functional approach lags the thinking, “it’s not happening yet in sort of a coordinated way” (FIN-F1). Another finance manager believed that people are “hungry for that” kind of cross-functional collaboration – “there’s less of that ‘protecting my patch’ and ‘you don’t need to know about my stuff’ than it used to be ten years ago” (FIN-F3) – but a communications person’s experience in the same organisation was quite different. They found a level of resistance to this change, or a level of scepticism:

> *Resistance probably a bit of a strong word. I think sceptical, I was sceptical, the legal team was sceptical, finance was sceptical. Probably the only ones that were not sceptical were corporate responsibility, but it's a bit of a domino effect so slowly I think we're getting there (COMMS-F3).*

In these organisations, the sustainability people were facilitating, or coordinating, the cross-functional teams to produce an integrated report. Larrinaga-Gonzalez and Bebbington (2001, p. 286) proposed that where environmental accounting is used by non-accountants to try to steer change, "existing accountants may resist the changes being implemented", inhibiting changes to the organisation. This results in first-order change only. Two sustainability managers (F3, F5) appeared to be cognisant of this issue and were attempting to educate the finance people to gain their support for integrated reporting, which possibly could lead to positive inner colonisation (second-order change) (Laughlin, 1991). To be successful, the sustainability managers would need to influence enough powerful people in the organisation to create "lasting and fundamental change" in the interpretive scheme and design archetype of the organisation (Laughlin, 1991, p. 220).

A sustainability manager that was working in a cross-functional team felt that Finance was still lagging so they initiated a one-on-one conversation with the finance team, "and really that was an education discussion; that was more what integrated reporting is" (SUST-F3). In another organisation where the finance team was reluctant to be involved, a workshop was organised to explain the integrity of the integrated reporting process and educate them about integrated reporting:

> *[…] our auditors talked them [finance] through the fact that they do go back to source […] and then they test the veracity of the systems that are providing the data as well as the numbers, and they do checks on each of the claims made in the text [y] Anyway, it was clear that they had no understanding that we went through a process that was actually very similar to their own and in fact, they had admitted when they left that meeting that they had felt quite embarrassed about the view that they'd had before. And there's been an acknowledgement that whilst the data might behave in a different way to typical financial data, the robustness of it is the same (SUST-F5).*

This highlights the importance of internal engagement and education, particularly for groups traditionally not engaged in the sustainability reporting process, and it takes time to engage and educate the cross-functional team members. Whether this leads to a change in the dominant ethos of the finance people (second-order change) remains to be seen, and requires further research (longitudinal study). Nevertheless, this is not dissimilar to Adams and McNicholas (2007) findings that emphasise the importance of an internal staff engagement process to address the lack of experience and knowledge of managers involved in the sustainability reporting process, and for people to gain a common understanding of reporting practices and data/performance indicators.

Sustainability committee

One mechanism commonly used to manage sustainability reports is a sustainability committee (Adams, 2002; Adams and Frost, 2008). Consistent with this, nine of the organisations have some form of sustainability committee that signs off their report (F1, F3, F5, I1, I2, I5, P2, P3, T1). The committees include the CEO and/or the CEO's direct reports with representation from across the organisation. Six of the organisations have finance people on their committees, while three of them have representation from the strategy group. One financial services organisation has replaced its sustainability committee with an annual review steering committee "which has representatives at the highest level from across our business, so we have our legal, marketing, communications, shareholder relations, finance and strategy" (SUST-F3). The committee provides "strategic direction" in addition to signing off the report. The sustainability manager believes that this committee "sets us apart from our peers […] I think that's one of the key strengths for us is that we have that group that is interested" (SUST-F3). Two organisations (F2, T2) have disbanded their sustainability committees because they believe that sustainability is integrated into the business and now they do not need a separate committee:

> *[…] that committee was rolled up and finished last year, so we felt that they had done their job about raising awareness, setting that agenda and embedding stuff (FIN-F2).*

The financial services organisation's integrated report is signed off by the Board. The finance manager's view is consistent with the sustainability manager's (SUST-F2) view discussed earlier, that the business philosophy was already aligned with sustainability values. The sustainability manager in the transport-sector organisation also expressed the view that sustainability was "sufficiently embedded, it's now considered by the board just like other strategic issues" (SUST-T2) but, as discussed earlier, the manager's responses suggest that a sustainability-based interpretive schemes is not embedded in this organisation. The reshaping, or "rolling up", of the sustainability committee is consistent with Laughlin's (1991) first order changes to the design archetype (structures and processes).

Ownership

Larrinaga-Gonzalez and Bebbington (2001) found that while management supported the environmental agenda, the accounting department did not initiate or own the environmental accounting initiatives (they were "quarantined" to the environmental management group). This inhibited the ability of environmental accounting to drive substantive organisational change. There is some evidence that integrated reporting is moving beyond the sustainability group.

Report ownership appears to be one mechanism used by four organisations (F2, F4, P3, T1) to manage the shift from sustainability reporting to integrated reporting. One organisation (F2) moved its integrated reporting under the operations executive, another (T1) under the finance director. Two organisations (F4, P3) moved the sustainability team and integrated reporting to the communications division, to sit "within the broader business" (SUST-F4). One sustainability manager has recently widened her role to acknowledge the wider remit of integrated reporting:

[…] my new role is manager of corporate communications. So that now gives me access to the full suite of our reporting documents, which is hugely helpful as we move towards better communication methods through integrated reporting [y] improving our messaging around how sustainability and our group strategy work together. So that's a key objective of my new role in corporate communications, and it's also making sure that the work that I did in my previous role is also embedded in a lot of the corporate communications (SUST-P3).

In another organisation, while the integrated report still resides in the sustainability group, the sustainability manager pointed to "a bit of jockeying about where it sits" (SUST-F5), as the sustainability team are working more closely with the communications and finance groups.

Two finance people (FIN-F1, FIN-F2) also talked about how integrated reporting was facilitating a move "away from silos", through closer involvement of the finance and sustainability people. One finance manager suggested that ownership of integrated reporting should sit with finance because:

[…] within Group Finance we are seasoned at pulling together these things […] but it won't be a Finance product as such, it will be a coordination exercise (FIN-F1).

They justified this because the CFO is now "focused on both strategy and finance […] which again fits perfectly in with this whole way of thinking", and the CFO's role is "more of an enabling role" (FIN-F1). All these activities are illustrative of changes to the design archetype (reporting structures), and demonstrate the "transition" nature of first-order change (Laughlin, 1991).

However, for the majority of the organisations, there appeared to be little engagement of the finance people with integrated reporting, as indicated by the lack of participation of finance people in the research study (only four finance interviewees). We asked the sustainability managers to refer us to a finance manager, but in eight of the organisations this did not occur because the sustainability managers were reluctant to approach the finance people, they did not know who to approach, or they could not find someone interested in participating in the research. This suggests that sustainability is quarantined and the integrated reporting discourse is not penetrating the financial areas.

Materiality

Identifying material issues is a key step in the sustainability reporting process, as suggested by the GRI (2011). All the organisations in this study have a process to identify material issues but the integrated reporters are changing their materiality process. The organisations issuing integrated reports, are attempting to align the materiality process with the business strategy and some expressed the desire to move away from sustainability reporting guidelines that have a “one size fits all” approach. Integrated reporters point to focusing on fewer, more strategic issues rather than lots of issues that are, for example, covered by the GRI:

> *And what integrated reporting approach is saying is actually, for a [financial services institution], why should we be reporting on nox [nitrogen oxide], sox [sulphur dioxide] and other emissions when we don’t have any, so we’ll always just have a gap; what we should be reporting on are those issues that are material to our operations in terms of the sustainability impacts by which we may be impacted and that we generate (SUST-F1).*

In one transportation organisation, where the sustainability manager reports into Group Finance, the Deputy CFO questioned the sustainability manager as to why water consumption was a material issue to the business and why it needed to be reported. A finance manager criticised his organisation’s first attempt at an integrated report, because it was not focused on the material issues. There was:

> *[…] too much information. so [this year] we don’t want to report too much and really immaterial non-meaningful data. That’s why I think this year’s going to be a little bit different for us. It’s really taking it back to those seven points in the strategic plan and reporting under seven major headings (FIN-F2).*

All of the organisations have been using the GRI sustainability reporting guidelines to help manage their sustainability reporting content and process but seven of the sustainability managers (3F, 2P, 2I) believe that the GRI is problematic in moving from sustainability reporting to integrated reporting. They were critical of the GRI because it “is a checklist of stuff that you have got to cover [y] it’s an exercise in filling up space” (SUST-I2), and felt that it is not as relevant to integrated reporting as it is to sustainability reporting. In contrast, the two other financial services sustainability managers felt that the GRI was still very relevant for integrated reporting. According to one sustainability manager, the GRI puts “standardised reporting ahead of integrated [reporting]” (SUST-F1). The GRI, which typifies the outside-in approach (Schaltegger, 2012b), encourages organisations to report against standardised indicators “whether you’re a bank or a mining company, a pharmaceuticals company etcetera” (SUST-F1), and because of this, the integrated reporters critical of GRI did not think it was appropriate for integrated reporting:

> *[…] we’ve had our dramas with GRI and the fact that it tries to be everything to everyone […] and it’s sometimes crazy what you’re being asked to report on [y] whereas a lot of the value of integrated reporting is the materiality conversation that you have where you’re talking about group strategy (SUST-P3).*

Even though interviewees were critical of the GRI – “integrated reporting should be a move on from GRI because it is about those issues that are fundamental to a specific reporting organisation" (SUST-F1) – at this stage none have stopped using it. Four people (SUST-F1, SUST-F2, SUST-F3, SUST-I2) thought the next release of the GRI guidelines, G4, would better address integrated reporting, but one sustainability manager believed that G4 would be more challenging for companies to use as "G4 is looking like it's going to require more effort". A move away from the GRI for one organisation is a logical progression in its reporting process as the "business strategy and sustainability strategy discussion is far more integrated" resulting in more indepth discussions around "fewer things that have become truly material or significant" (SUST-F5). For another, the integrated report is an outcome from the process of identifying its material issues in line with its business strategy:

> *[…] we've always just reported on as many indicators and always been [GRI] Aþ. I think now that we've restructured it, it'll be a lot easier for us to work out what is material and what we don't really need to report on. I think it will become a lot clearer now that we're reporting everything under our strategic plan because our strategic plan sets out what we're trying to achieve as a business (SUST-F2).*

While many of the early adopters of integrated reporting are questioning the use of GRI, they argued that "rules" are required to support the development of integrated reporting. Half of the integrated reporters (SUST-F1, SUST-F2, SUST-I1, SUST-I5, COMMS-F1, COMMS-F3, COMMS-I4, COMMS-F5, COMMS-P1, FIN-F1, FIN-F2, FIN-F4) argue for new standards or regulation, particularly the communications and finance people. The finance people are used to working with standards and are frustrated that there are no "actual rules":

> *So there's a lot of dichotomy between the standards, and I guess that's where we need some direction as to say how would you harmonise or at least get them to talk to each other (FIN-F1).*

Another finance person suggested that until integrated reporting matures, and there is a standardised way of looking at the world, there is not a lot of value in it: "unless you can compare, I don't see a lot of meaning other than it makes you feel good" (FIN-F2). A "piece meal" approach makes it "much harder then, for the person looking in to say how do I compare company A to company B" (COMMS-F5). The shift from GRI's approach of reporting on standard metrics to one focused around materiality and business strategy does raise the issue of comparability. However, there were differing views on this issue. While one financial services finance manager thought that the industry was "a more generic industry, so [the measures are] closer to alignment" (FIN-F3), comparability was a major concern for FIN-F2:

> *When you get into the non-financial data, you'll be going oh well, I've read it and it's an interesting story and it made me feel good, or bad, but I can't compare any metrics, or not many metrics, in the [company X] report to the [company Y] report.*

However, they did also point out that while the lack of standards was frustrating, it was also "exciting because it's a little bit cutting edge". A financial services sustainability manager thought that integrated reporting aimed "for a greater focus on specific materiality to certain businesses or of sectors, and allows for increased comparability", but the communications and finance people from this organisation expressed concerns. There is a danger that companies may exclude reporting on issues where they do not perform well, because they deem them not material. This was alluded to by one sustainability manager:

> *[…] this openness of you work out what's material for you and you report on it, might mean that all sorts of companies, within any particular sector, just don't report on that stuff anymore because they say well, that didn't come up in any materiality analysis [y] I think maybe what might prevent it is doing materiality stuff properly [y] if you do that properly then you're not just picking and choosing (SUST-F4).*

In summary, while we found evidence of some minor first-order change to the early adopters' materiality processes and an intention to move away from the GRI framework, organisations were still using the GRI while waiting to see how new standards, or regulation, may arise.

Integrated measurement systems and metrics

An area that was flagged as requiring substantial change by six organisations (COMMS-F1, COMMS-F5, COMMS-P1, SUST-I1, SUST-I2, SUST-P3) was developing mechanisms (tools, performance indicators and processes) to "attempt to capture some of that value creation process, particularly around social" and develop more "consistent measurement systems" (COMMS-P1). It is very early days and while there are intentions to adopt change, little work has been done on developing new measurement systems. There is some evidence of experimentation "to get some measures that support financial and non-financial strategic outcomes" (COMMS-F5). Four people mentioned working on community development/investment indicators:

> *So we're trying to measure the value of different sustainability elements which will then ideally feed into integrated metrics to say we have a strong focus on community (SUST-P3).*

> *This sustainability manager said that this was one area where the finance team were "very happy to kind of take it on [y] to really get the financial metrics to tell a story" (SUST-P3).*

Conclusion

This paper sought to explore the reporting mechanisms of early adopters of integrated reporting, as this is an under-studied area within both the sustainability reporting and integrated reporting literature. The exploratory study of 23 people across 15 Australian organisations revealed that integrated reporting is in an embryonic stage in Australia. The organisations that have adopted integrated reporting are grappling with how best to implement it within their organisations. While the organisations that are producing some form of integrated report (combined or integrated) are changing their processes and structures, or at least talking about it, their adoption of integrated reporting has not necessarily stimulated new innovations in disclosure mechanisms. This study did not uncover second order, transformative change, but rather incremental changes to processes and structures that previously supported sustainability reporting (first-order change). Change of a first-order nature reflects, in Laughlin's (1991, p. 218) words, "a 'transition' rather than a 'transformation'". Rather than the early adopters rebutting the "disturbance" of a proposed new reporting regime, they internalise it in such a way that "it really does not drastically affect the central core of the organization" (p. 218). The IIRC seems to be avoiding explicit association with existing sustainability reporting initiatives and terminology by positioning integrated reporting as a new corporate reporting approach that reflects "integrated thinking" and represents "how an organisation creates value" (IIRC, 2013, p. 4). However, the interviews indicate that integrated reporting is the (incremental) next phase in sustainability reporting, rather than revolutionary transformation of the existing financial and sustainability reporting approaches and processes seen in the colonisation and evolution pathways (Laughlin, 1991). There was no evidence of fundamental change to the interpretive schemes (the central core) of the organisations. Incremental change was observed in the broadening of constituencies involved in the reporting process, through cross-functional teams, and attempts to move away from siloed thinking and structures. Although at this stage, few are shifting the ownership of the reporting process from the sustainability or communications groups to the finance or strategy areas. In contrast to earlier findings regarding accountants (Adams, 2002), finance people are not seen as inappropriate people to be involved in non-financial reporting. Together with the strategy team, they are encouraged to participate in the integrated reporting process, not just to provide data, but to be part of the cross-functional teams. In two of the organisations the CFO/Finance Director seems to have a wider, more strategic role in the company and they are taking a lead role in the integrated reporting process. Discussions about developing integrated measurement systems, moving away from the GRI and the development/adoption of integrated reporting standards indicate intentions to adopt change rather than actual changes.

Arguably, the "push" approach is one innovative mechanism used by three early adopters to drive cultural change in the organisation. While Adams and Frost (2008) and Adams and McNicholas (2007) found that sustainability reporting can be a catalyst for change, integrated reporting is used as an explicit tool to drive change. In setting the expectation internally and externally that the organisation will produce an integrated report, the business strategy is revisited in light of negotiating the integrated "story" (Frostenson et al., 2012):

[…] tell a story across all forms of capital [y] to communicate to a really broad stakeholder base what the company does, why it exists, and what it intends to do in the future to improve those thing (FIN-F3).

However, there was no evidence in negotiating the integrated story that the interpretive schemes of the organisations were actually changing at this stage, as integrated reporting was not challenging the underlying DNA of the organisation (Laughlin, 1991). While there was evidence of changes at the level of resources and structures, there was no evidence that integrated reporting initiatives led to changes inwhat Laughlin refers to as the intangible elements of the organisations (core beliefs, values, norms or mission/ purpose). Nor was there evidence that a shift to integrated reporting reflects a peoplecentred and environment-centred organisation (Stubbs and Cocklin, 2008), with a focus on stewardship of all capitals.

Six organisations adopting integrated reporting indicated a move away from the outside-in approach, as characterised by aligning internal reporting processes with external reporting standards such as the GRI (Schaltegger, 2012b), to an inside-out (strategy led) or twin approach. This seems to be an extension of the trend over time for sustainability reporting to move to an inside-out process (Beck et al., 2012), and not a new approach.

As integrated reporting is in its early adoption stage, it may take more time before innovative disclosure mechanisms emerge. The research study suggests that, at this stage, integrated reporting is a "transition" (Laughlin, 1991) from sustainability reporting rather than a radical, new innovative initiative that is driving "transformation". The early adopters exhibit a more holistic approach with more engagement between internal stakeholders but the lack of "rules" and standards may be inhibiting more widespread adoption of integrated reporting. The absence of these rules and standards could be a driver of "cutting edge" (FIN-F2) reporting innovations in the future.

A major limitation of this research study was the small sample of organisations that participated and the single-country focus, and the conclusions can only be tentative until further research is undertaken with a larger group of stakeholders. Finance and accounting people were particularly under-represented in this study, and people from the strategy function were not represented at all. Interviews are subject to inaccuracy and bias (Crane, 1999), particularly if not all stakeholders' voices are heard. In addition, the views of external stakeholders were not explored. Further studies are required with organisations undertaking integrated reporting across different countries, and with a wider range of internal and external stakeholders, to further understand the mechanisms that promote and facilitate integrated reporting. In addition, longitudinal studies are well suited to explore changes in reporting mechanisms in response to integrated reporting.

Note

1. Integrated reporting proposes that six capitals – financial, manufactured, intellectual, human, social and relationship and natural – underpin the value of an organisation.

References

Adams, C.A. (2002), "Internal organisational factors influencing corporate social and ethical reporting: beyond current theorising", Accounting, Auditing & Accountability Journal, Vol. 15 No. 2, pp. 223-250.

Adams, C.A. and Frost, G.R. (2008), "Integrating sustainability reporting into management practices", Accounting Forum, Vol. 32 No. 4, pp. 288-302.

Adams, C.A. and McNicholas, P. (2007), "Making a difference; sustainability reporting, accountability and organisational change", Accounting, Auditing & Accountability Journal, Vol. 20 No. 3, pp. 382-402.

Adams, C.A. and Whelan, G. (2009), "Conceptualising future change in corporate sustainability reporting", Accounting, Auditing & Accountability Journal, Vol. 22 No. 1, pp. 118-143.

Adams, S. and Simnett, R. (2011), "Integrated reporting: an opportunity for Australia's not-for-profit sector", Australian Accounting Review, Vol. 21 No. 3, pp. 292-301.

Aras, G. and Crowther, D. (2009), "Corporate sustainability reporting: a study in disingenuity?", Journal of Business Ethics, Vol. 87 No. S1, pp. 279-288.

Association of Certified Chartered Accountants and NetBalance Foundation (2011), Adoption of Integrated Reporting by the ASX50, ACCA & NetBalance Foundation, Melbourne.

Australian Council of Superannuation Investors (2012), Sustainability Reporting Practices of the S&P/ASX200, ACSI, Melbourne.

Beck, C., Dumay, J. and Frost, G. (2012), "Sustainability reporting – inside out or outside in?", paper presented at 11th A-CSEAR Conference 2-4 December, University ofWollongong,Wollongong.

Burritt, R.L. (2012), "Environmental performance accountability: planet, people, profits", Accounting, Auditing & Accountability Journal, Vol. 25 No. 2, pp. 370-405.

Burritt, R.L. and Schaltegger, S. (2010), "Sustainability accounting and reporting: fad or trend?", Accounting, Auditing & Accountability Journal, Vol. 23 No. 7, pp. 829-846.

Business Reporting Leaders Forum (2012), "BRLF background", available at: www.ske.org.au/ BRLF.php (accessed 30 October 2012).

Cheng, M., Green,W., Conradie, P., Konishi, N. and Romi, A. (2014), "The international integrated reporting framework: key issues and future research opportunities", Journal of International Financial Management & Accounting, Vol. 25 No. 1, pp. 90-119.

Crane, A. (1999), "Are you ethical? Please tick yes or no. On researching ethics in business organizations", Journal of Business Ethics, Vol. 20 No. 3, pp. 237-248.

da Silva Monteiro, S.M. and Aibar-Guzm□an, B. (2010), “Organizational and accounting change within the context of the environmental agenda”, Journal of Accounting & Organizational Change, Vol. 6 No. 4, pp. 404-435.

Eccles, R. and Krzus, M. (2010), “Integrated reporting for a sustainable strategy”, Financial Executive, March, pp. 29-32.

Fifka, M.S. (2013), “Corporate responsibility reporting and its determinants in comparative perspective – a review of the empirical literature and a meta-analysis”, Business Strategy and the Environment, Vol. 22 No. 1, pp. 1-35.

Frı´as-Aceituno, J.V., Rodrı´guez-Arı´za, L. and Garcı´a-Sanchez, I.M. (2013), “Is integrated reporting determined by a country’s legal system? An exploratory study”, Journal of Cleaner Production, Vol. 44, pp. 1-210, available at: www.sciencedirect.com/science/journal109596526144/

Frı´as-Aceituno, J.V., Rodrı´guez-Arı´za, L. and Garcı´a-Sanchez, I.M. (2014), “Explanatory factors of integrated sustainability and financial reporting”, Business Strategy and the Environment, Vol. 23 No. 1, pp. 56-72.

Frostenson, M., Helin, S. and Sandstro¨m, J. (2012), “Sustainability reporting as negotiated storytelling”, paper presented at EBEN Research Conference, 7-9 June 2012, Newcastle University Business School, Newcastle upon Tyne.

Global Reporting Initiative (2011), Sustainability Reporting Guidelines Version 3.1, GRI, Amsterdam.

Gray, R., Walters, D., Bebbington, J. and Thompson, I. (1995), “The greening of enterprise: an exploration of the (non) role of environmental accounting and environmental accountants in organizational change”, Critical Perspectives on Accounting, Vol. 6 No. 3, pp. 211-239.

Hampton, R. (2012), “Brace yourself: more regulatory changes”, Accountancy SA, May, pp. 22-23.

Higgins, C., Milne, M. and van Gramberg, B. (2011), “Towards a more nuanced understanding of sustainable development reporting in Australia”, paper presented at 25th Australian and New Zealand Academy of Management Conference, ANZAM,Wellington, 7-9 December 2011.

IIRC (2013), The International /IRS Framework, The International Integrated Reporting Council, London.

Jensen, J.C. and Berg, N. (2012), “Determinants of traditional sustainability reporting versus integrated reporting. An institutionalist approach”, Business Strategy and the Environment, Vol. 21 No. 5, pp. 299-316.

Kolk, A. (2010), “Trajectories of sustainability reporting by MNCs”, Journal of World Business, Vol. 45 No. 4, pp. 367-374.

KPMG (2011), International Survey of Corporate Responsibility Reporting 2011, KPMG International, Amsterdam.

Larrinaga-Gonzalez, C. and Bebbington, J. (2001), "Accounting change or institutional appropriation? – a case study of the implementation of environmental accounting", Critical Perspectives on Accounting, Vol. 12 No. 3, pp. 269-292.

Larrinaga-Gonzalez, C., Carrasco-Fenech, F., Caro-Gonzalez, F., Correa-Ruiz, C. and Paex-Sandubete, J. (2001), "The role of environmental accounting in organizational change: an exploration of Spanish companies", Accounting, Auditing and Accountability Journal, Vol. 14 No. 2, pp. 213-239.

Laughlin, R.C. (1991), "Environmental disturbances and organizational transitions and transformations: some alternative models", Organization Studies, Vol. 12 No. 2, pp. 209-232.

Lee, T.M. and Hutchison, P.D. (2005), "The decision to disclose environmental information: a research review and Agenda", Advances in Accounting, Vol. 21, pp. 83-111.

Milne, M. and Gray, R. (2007), "Future prospects for corporate sustainability reporting", in Unerman, J., Bebbington, J. and O'dwyer, B. (Eds), Sustainability Accounting and Accountability, Routledge, London, pp. 184-207.

Neuman, W. (2003), Social Research Methods: Qualitative and Quantitative Approaches, Pearson Education Inc., New York, NY.

Parker, L.D. (2005), "Social and environmental accountability research: a view from the commentary box", Accounting, Auditing & Accountability Journal, Vol. 18 No. 6, pp. 842-860.

Patton, M.Q. (2002), Qualitative Research & Evaluation Methods, 3rd ed., Sage Publications, Thousand Oaks, CA.

Roberts, R.W. (1992), "Determinants of corporate social responsibility disclosure", Accounting, Organizations and Society, Vol. 17 No. 6, pp. 595-612.

Schaltegger, S. (2012a), "Sustainability reporting beyond rhetoric: linking strategy, accounting and communication", in Jones, S. and Ratnatunga, J. (Eds), Contemporary Issues in Sustainability Accounting, Assurance and Reporting, Emerald Group Publishing Limited,

Bingley, pp. 183-196.

Schaltegger, S. (2012b), "Sustainability reporting in the light of business environments: linking business environment, strategy, communication and accounting", discussion paper, available at: www2.leuphana.de/umanagement/csm/content/nama/downloads/download_publikationen/Schaltegger_Sustainability_Reporting_in_the_Light_of_Business_Environments. pdf (accessed 15 January 2013).

Strauss, A.L. and Corbin, J.M. (1990/1998), Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory, 2nd ed., Sage Publications, Thousand Oaks, CA.

Stubbs, W. and Cocklin, C. (2008), "An ecological modernist interpretation of sustainability: the case of Interface Inc.", Business Strategy and the Environment, Vol. 17 No. 8, pp. 512-523.

Stubbs, W., Higgins, C. and Milne, M. (2013), "Why do companies not produce sustainability reports?", Business Strategy and the Environment, Vol. 22 No. 7, pp. 456-470.

Tilt, C.A. (2006), "Linking environmental activity and environmental disclosure in an organisational change framework", Journal of Accounting & Organizational Change, Vol. 2 No. 1, pp. 4-24.

Watson, A. (2011), "Financial information in an integrated report: a forward looking approach", Accountancy SA, December, pp. 14-17.