The Rise of Integrated Reporting: Understanding Attempts to Institutionalize a New Reporting Framework

Christopher Humphrey
Manchester Business School, University of Manchester
Email: cgh1382004@yahoo.co.uk

Brendan O’Dwyer
University of Amsterdam Business School
Email: b.g.d.odwyer@uva.nl

Jeffrey Unerman
School of Management, Royal Holloway, University of London
Email: Jeffrey.unerman@rhul.ac.uk

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ABSTRACT

This paper examines the rise of what has been widely claimed to represent a new and striking future for corporate reporting, namely the notion of 'Integrated Reporting' (IR). The paper, distinctively, does not seek to study Integrated Reporting through the increasingly evident norm of analyzing the form of content of IR reports and the varying nature of practice. Rather, it studies the rise of IR through the attempts by the International Integrated Reporting Council (IIRC) to institutionalize such reporting practice as being critical not only to the longer term relevance and value of corporate reporting, but also to the maintenance of social well-being and the longer-term sustainability of businesses. Informed by a growing body of work on professionalization projects and field level change, the paper charts the emergence of the IIRC as a key force in the promotion of IR and examines the various mechanisms and strategies through which it has enrolled a wide range of stakeholder groups to support the idea of IR. The analysis reinforces the importance of recognizing how professionalization projects are intrinsically connected to the broader institutional field in which change is sought, but reveals a number of distinctive elements to the development of IR that caution against viewing such projects in overly restrictive and pre-determined terms. Behind the dynamics associated with attempts to institutionalize IR, the paper reveals a number of important opportunities and challenges for both theoretical and practical development, primarily illustrated in the paper through its consideration of the relationship between conceptualizations of enlightened corporate reporting and enlightened investment behaviour.

Keywords: Integrated reporting, IIRC, profession, institutional theory, corporate reporting, sustainability
1. Introduction

Our long-term vision is a world in which integrated management and thinking are embedded within mainstream business practice in the public and private sectors, facilitated by Integrated Reporting as the corporate reporting norm. The cycle of integrated thinking and reporting, resulting in efficient and productive capital allocation, will act as forces for financial stability and sustainability. (quotation from the International Integrated Reporting Council (IIRC) meeting outlining the IIRC’s long-term vision, December 5, 2013, emphasis in original)

The quotation above outlines the highly ambitious long-term vision of the International Integrated Reporting Council (IIRC) for the future of corporate reporting which envisages that Integrated Reporting (IR) will eventually become the international corporate reporting norm. This vision was agreed at a meeting of the IIRC council which approved the final draft of a conceptual framework for IR in December 2013. The framework was launched subsequent to this meeting, just over three years after the IIRC’s formation. The speed of this framework development testifies to the dramatic rise of IR and the escalating global significance and visibility of the IIRC. IR is now routinely discussed and advocated in positive terms by leading multinationals, the EU Commission, international accounting and investment bodies, and Heads of State as an innovation that needed to happen, and as something that is going to lead the way in terms of the future development of corporate reporting. The practical momentum generated by the IIRC has been equally notable, with IR having moved very quickly from a nascent idea, through an emerging practice, to a seeming practice necessity.

This paper aims to advance our understanding of how and why the IIRC and its advocated version of IR practice has evolved to attain this rapid prominence and widespread support from its inception up until the launch of its final IR framework. Critical to the profile and shape that the IIRC’s form of IR is assuming, and its claimed status as an emerging, innovative practice, is the construction of working arrangements and networks by the professionals and professional bodies that are members of and/or contribute to the development of the IIRC and its policies and practices. Hence, the paper places particular emphasis on the structures and strategies that have been installed and adopted to secure the IIRC’s legitimacy within the corporate reporting field. Through such processes of institutional development, the paper’s analysis unveils the shaping and re-shaping that has taken place in the formulation of the philosophy underpinning the IIRC’s proposals, the principal declared tenets of their version of IR practice, and the relative strength of its underlying knowledge base. Drawing on Suddaby and Viale's (2011) theorization of how professionals reconfigure organizational fields, the analysis reinforces the importance of recognizing how professionalization projects are intrinsically connected to the broader institutional field in which change is sought (see also, Muzio et al., 2013), while revealing a number of distinctive elements within the development of the IIRC’s IR reporting guidance that caution against theorizing such projects in overly restrictive and pre-determined terms.

The paper makes a number of contributions to the literature. First, our analysis indicates that studies examining IR in the accounting literature should avoid becoming dominated by efforts to study
its practice devoid of the context from which this practice is emerging. The nature of practice is being, and will continue to be, shaped significantly by the institutional context within which IR is emerging. Studying practice in isolation of this context is therefore limited in terms of the capacity to explain critical patterns of development and key differences in practice. It is also limited in the sense that it often leaves academics solely as the providers of empirical evidence/data while allowing others (more prominent in the IR arena) to drive and shape practice.

Secondly, the paper encourages a deeper level of academic thinking with respect to the development of IR, both from the perspective of future academic research and, at a policy level, the future development and delineation of IIRC strategic priorities and challenges. Our analysis illustrates how the IIRC’s efforts to reconfigure the field of corporate reporting have been contingent on creating a common set of mutual interests among potentially competing professional reporting bodies. These bodies have extracted formal written reassurances that the IIRC’s IR will not evolve to colonize their particular reporting space within the corporate reporting field despite key aspects of the IIRC’s ambitions articulating this possibility. Hence, unlike many prior studies of professionalization projects (see for example, Gendron and Barrett, 2004; Hoffman, 1999; Power, 1997), our analysis shows how, to date, no one dominant professional actor (or set of actors) has colonized the IR space. In contrast, we identify and analyse the dynamics through which a coalition of professional actors has initially sought to maintain IR as something of an open intellectual space and how, despite a subsequent tightening of formal institutional arrangements and relationships this space has remained open to additional entrants, thereby continuing to represent a clear opportunity for professional advancement.

Such work also highlights the importance of institutional analysis considering connections across related organizational fields. Suddaby and Viale (2011: 426) theorise that because professions and professionals are so embedded in organizational fields, their projects of professionalization reverberate throughout the field and influence, either directly or indirectly, the institutionalization projects of other entities. Our analysis develops and extends this theorization by showing how the IIRC’s successful reconfiguration of the corporate reporting field has come to hinge centrally on the IIRC being able to instigate institutional change in an adjacent field: namely, the field of mainstream investment. Specifically, it will be seen that the IIRC has had to try and reconstruct mainstream investor interests and promote a greater focus on long term investment; meaning that the IIRC is not only in the process of constructing a new form of reporting but also legitimating a particular form of mainstream investor. Without the latter, the former will not succeed, but to change the latter requires a major shift in what has, for a long time, been seen as a system of financial capital provision that privileges the short-term over the longer-term.
The remainder of the paper is structured as follows. Section 2 presents Suddaby and Viale’s (2011) theorization of how professionals reconfigure organizational fields and locates this theorization and related institutional studies in the field of corporate reporting that forms the focus of our study. Section 3 outlines the research method adopted. Section 4 presents a detailed case analysis tracing key aspects of the evolution of the IIRC and the IIRC’s version of IR from the inception of the IIRC to the launch of its IR framework in December 2013. Section 5 provides an extensive discussion critically reflecting on the nature of the IIRC’s evolution as well as positing some ideas for future research.

2. Theoretical framing

This paper situates the practice of Integrated Reporting within the broad organizational field of corporate reporting. While circumscribing a field is somewhat challenging, especially when studying its dynamics (Malsch and Gendron, 2013; Wooten and Hoffman, 2008) the corporate reporting field we seek to examine is populated by a myriad of national and international actors supporting and stimulating various forms of financial and non-financial reporting practice. These actors include: international and national accounting bodies (for example, IFAC (International Federation of Accountants), IASB (International Accounting Standards Board), FASB (Financial Accounting Standards Board), ICAEW (Institute of Chartered Accountants in England and Wales), AICPA (American Institute of Certified Public Accountants); the Big 4 professional services firms; international and national regulators; and consulting and advisory bodies promoting different forms of corporate reporting, such as Accounting for Sustainability (A4S), the Global Reporting Initiative (GRI), the Carbon Disclosure Project (CDP), and the World Intellectual Capital Initiative (WICI). A core aspect of our analysis of the rise of the IIRC (and its version of IR) focuses on examining how a group of professionals have sought to reconfigure this corporate reporting field. Given this focus on professionals and field-level change, we chose to frame our analysis by drawing on key aspects of Suddaby and Viale's (2011) theorization of the role of professions and professionals in crafting and changing organizational fields (see also, Muzio et al., 2013; Venter and De Villiers, 2013). This theorization was mobilized as a sensemaking device to help focus our analysis and enable our understanding and communication of the process studied (Ahrens and Chapman, 2006: 836; Silverman, 2010).

According to Scott (2008), professions and professionals play a crucial role in shaping institutions given their ability to simultaneously create, legitimize and control the knowledge and practices that govern various elements of everyday life (Currie et al., 2012: 940). Scott conceives of professions and professionals as primary societal institutional agents (Scott, 2008: 227) who have assumed central roles in creating, disrupting and maintaining prevailing institutions (Currie et al., 2012: 940; Lawrence and Suddaby, 2006; Lawrence et al., 2009, 2011). For Suddaby and Viale (2011), projects of professionalization and institutionalization occur simultaneously, with field level
change being understood as ‘a series of *reciprocal and mutual projects* between professions and other powerful actors’ (p. 427, emphasis added) in the institutional environment:

Because professions are so embedded in organizational fields, their projects of professionalization reverberate throughout the field and influence, either directly or indirectly, the institutionalization projects of other entities. (Suddaby and Viale, 2011: 426).

Drawing on a comprehensive review of prior research on professions and institutional change, Suddaby and Viale (2011) utilize four dynamics in theorizing how professionals reconfigure organizational fields. We delineate key aspects of these dynamics below.

### 2.1 Defining new uncontested spaces

The first dynamic involves professionals defining new uncontested intellectual and/or economic spaces through either colonizing space occupied by other professions (Abbott, 1988; Greenwood and Suddaby, 2005; Power, 1997, 2003) or by defining new practice areas through expanding, redefining or renewing their expertise and knowledge base (Barrett and Gendron, 2006; Fogarty et al., 2006; Gendron and Barrett, 2004; O’Dwyer, 2011; O’Dwyer et al., 2011; Shafer and Gendron, 2005). While these processes allow professions to expand their jurisdiction they can also generate wider institutional impacts as the landscape of a particular field, such as corporate reporting, is simultaneously reshaped. Professionals are said to define new spaces by initially offering a vaguely defined ‘idea’ (Scott, 2008: 224), underpinned by ambiguous terms and phrases, describing some form of presumed reality and offering a solution to an assumed problem (Greenwood et al., 2002; Shafer and Gendron 2005). Subsequently, the terms and phrases underpinning the idea are more clearly articulated, often in a manner suited to the professionals’ expertise, thereby enabling them to populate the space and claim territory. Professionals’ development of new practice areas such as nouvelle cuisine (Rao et al., 2003), environmental audits (Hoffman, 1999; Power, 1997, 2003), sustainability assurance (O’Dwyer, 2011; O’Dwyer et al., 2011), and corporate social responsibility represent identified examples of this dynamic in action (Muzio et al., 2013).

### 2.2 Populating the new space with new actors

Having defined new spaces, professionals seek to fill them with new and legitimate social actors who serve their interests. These actors may comprise categories of individuals or new forms of organization. Professionalization projects can also seek to legitimate new professional roles or occupational categories tied to new practices (Muzio et al., 2013). Prior examples cited by Suddaby and Viale (2011) include accountants’ (albeit failed) efforts to legitimate the occupational category of Global Business Professional and the emergence of the new occupational categories of Forensic Accounting, Human Resource Professional and Environmental Compliance Officer.
2.3 **Promulgating new rule systems that redefine the boundaries of organizational fields**

The two dynamics above indicate how professionals advance their projects of professionalization by expanding their knowledge base and jurisdiction and, in the process, subordinating existing occupations and establishing new areas of practice or new expert occupations. Suddaby and Viale’s (2011) third dynamic proposes that such changes in the basis of expertise can also induce key shifts in the boundaries and rule systems (what they term, the ‘logics’) of organizational fields. A key process through which professionals enrol their expertise to alter field logics and boundaries, while simultaneously advancing their own professional projects, is by presenting and endorsing rule systems (such as regulations, laws, legal forums, standards, or conceptual schemes) supposedly designed in the broader social interest but which only the professionals comprehend. Once established, these rule systems become part of the institutional fabric of a field. However, because the professionals who construct the rules are likely to be highly capable of claiming to have the requisite expertise and legitimacy with which to interpret and apply them, such rules serve to consolidate the power and status of the professions involved (Muzio et al., 2013). An additional key feature of this dynamic is the way in which professionals seek out new alliances and strategic relationships with institutions that they perceive as being able to facilitate the progress of their professionalization projects (see, Gendron and Barrett, 2004; Shafer and Gendron, 2005). Consequently, professionals’ efforts are often reciprocated by other powerful actors who stand to gain from also becoming dominant actors in a reconfigured field. For example, Suddaby and Viale (2011) highlight Loft et al.’s (2006) study of the role of accounting professionals, particularly the International Federation of Accountants (IFAC), in the development of new standards for the international accounting profession. In their analysis, Loft et al. (2006) unveiled the reciprocal efforts of numerous related actors, such as IFAC, the European Commission (EC), the World Bank, and the International Association of Securities Commissions (IOSCO), in constructing a regulatory scheme for global finance that, ‘ultimately, served to consolidate these actors as dominant coercive institutions in the emerging field of global financial transactions’ (Suddaby and Viale, 2011: 432-433).

2.4 **Managing the reproduction of professional capital**

Suddaby and Viale’s fourth dynamic relates to the broad-based capacity that professionals have to manipulate the social order within an organizational field. This ability (or ‘social skill’ (Fligstein, 1996)) is largely based on their unique access to a wide range of capitals within a field, such as social, cultural and symbolic capital, and their ability to move between these capitals. Access to these capitals derives from a long history in serving elites which instils a sensitivity to, and a capability to reproduce, social structures of hierarchy and status (Suddaby and Viale, 2011)
Rhetoric (or framing) strategies are often adopted to enable professionals to use their access to various capitals to influence the social order, shape the speed and direction of field level change and legitimate the acceptance of particular change programmes (see also, Edward Green Jr. and Li, 2011; Etzion and Ferraro, 2010; Suddaby and Greenwood, 2005). This assists in mobilizing collective action among key audiences and in challenging taken-for-granted assumptions (Battilana et al., 2009; Hardy and Maguire, 2008). A key rhetorical strategy involves the use of universalist themes to connect professional interests to broader (and more stable) value systems. This seeks to promote the cultural authority of professionals’ work by connecting ‘professional diagnosis, treatment and inferences to central values in the larger culture’ (Abbott, 1988: 184). According to Suddaby and Viale (2011):

… language, particularly rhetoric, plays a central role in how professions reproduce social, cultural and symbolic capital within a field. Language is a crucial weapon in this process and professionals are skilled rhetoricians. (p. 435)

Rhetorical strategies assist in constructing stable and solid networks of support around claims to expertise in new spaces (Larson, 1977; Power, 1996, 2003). However, while professionals’ ‘social skills’ underpin their ability to engage others in collective action, building such support can be challenging (Gendron and Barrett, 2004; Shafer and Gendron, 2005).

As noted earlier, the theoretical framing of Suddaby and Viale is mobilized in this paper as a sensemaking device to assist in focusing and structuring our analysis (while not restricting it) – and, thereby, enable us to enhance understanding and communication of the process through which the IIRC and its version of IR have gained prominence. Prior to presenting the results of our analysis, the following section outlines the research method we adopted.

3. Research method

To address our core objective of analysing the evolution of the IIRC and its efforts to promote Integrated Reporting we conducted a qualitative analysis of a range of archival and other data. The documentary material analysed included formal IIRC documents such as the IIRC’s 2011 Discussion Paper and responses, the 2013 technical agenda papers of the IIRC Working Group and Council, the IIRC consultation draft framework and submissions, the IIRC’s Emerging Integrated Reporting Database, the final IR framework and its supporting Basis for Conclusions and Summary of Significant Issues. We also analyzed all Memoranda of Understanding signed by the IIRC, IIRC press releases, Background Papers, the IIRC Pilot Programme Yearbooks for 2012 and 2013, the IIRC blog, and twitter feeds on IR from the IIRC, ICAEW sustainability, Ethical Corporation, The Prince of Wales’s Accounting for Sustainability (A4S) Project, the GRI, PwC Sustainability, TEEB (now
renamed the National Capital Coalition), IFAC, SASB (Sustainability Accounting Standards Board), KPMG Sustainability, Deloitte IAS Plus, and The Federation of European Accountants (FEE), among others. We constructed a database of research studies and commentaries on IR and its evolution emanating from professional accounting bodies, consultancies, professionals in the field of corporate reporting, the investment industry and key media commentators. We also gathered copies of presentations made by the IIRC and others such as CSR consultants and professional accounting bodies at public events and conferences. We placed particular emphasis on accessing all media contributions by IIRC board members, including interviews, opinion pieces, and YouTube videos of presentations on IR and the IIRC. This allowed us to build up an extensive archive of data that we attached chronologically to each phase in the IIRC’s development.

This documentary data was supplemented with participation in several events linked to the work of the IIRC as its development proceeded and interactions with IIRC members and IIRC advocates. Two of the authors participated in roundtables hosted by the IIRC in 2011 in London and Amsterdam while another researcher participated in the Italian roundtable and provided details on these deliberations to the authors. One author participated in meeting launching the IIRC’s Pilot Programme for businesses in Rotterdam in late 2011. This author also, at the invitation of the IIRC, developed and led an Integrated Reporting Academic Network which involved discussions and engagement over an extended period with executives seconded to the IIRC. He also led the academic engagement on the Prince of Wales’s A4S project from which the IIRC initially emerged. Two of the authors presented at and organised the academic session on Integrated Reporting at the GRI 2013 conference in Amsterdam which was attended by key individuals from the IIRC including the CEO, Paul Druckman. One author participated in an invited session given by the multinational AkzoNobel to discuss its initial experiences with and reasons for engaging in IR. We also drew on discussions and informal meetings with members of the IIRC such as Mark Brand, European Relationship manager, Jessica Fries, a board member and Executive Director of A4S, and partners and staff in Big 4 professional services firms in the Netherlands providing services related to IR.

We used a modified form of content analysis (see, Malsch and Gendron, 2011; Shapiro and Matson, 2008) to analyze the archival data. This focused on examining both the manifest (literal meaning) and latent (deep structural meaning) content of the evidence (Suddaby et al., 2007). Initially, we read all the documentary evidence separately focusing on the manifest content of the documents. This focus led to an identification and description of the key phases in the evolution of the IIRC, identifying the key actors involved and their interactions and interrelationships. We then conducted a number of keyword or theme-based searches of all documentation to delve deeper into the phases of the IIRC’s progression. These included documentary searches using guiding themes such as: sustainability versus value creation; stakeholders versus investors, solutions offered; integrated versus connected, new reporting versus building on existing reporting; shifting scope of integrated reporting;
belief statements and expectations of actors; ambiguity of language, use of rhetoric; criticisms of IR; relationship to prior (and existing) corporate reporting initiatives; market-led; harmonization; competing reporters; alliances; use of supporting evidence; and the role of long term investors. We documented the key actors in the field and their interrelationships and also kept a record of all our meetings and conversations at the events we were directly involved in connected to the IIRC’s evolution. This was an ongoing process as the IIRC and IR was evolving as data collection and analysis proceeded. Data collection commenced in January 2012 and ceased in mid-January 2013.

Our second analysis phase concentrated on the latent content of the data. This involved an interpretive content analysis focused more explicitly on understanding and explaining the data in the context of the central dynamics outlined in Suddaby and Viale’s (2011) theorization of the role of professions and professionals in crafting and changing organizational fields. This framing was used as a sensemaking device to help focus and structure our analysis (while not constraining it), thereby enabling us to enhance our understanding and communication of the process through which the IIRC and its version of IR have gained prominence. This phase involved re-reading and interpreting our first phase of the data analysis separately, and then engaging in extensive discussion and debate until agreement was reached about its meaning in the context of the analytical framing. The following section presents the results of this analysis process.

4. **Case narrative**

This section presents and analyses the institutional developments and maneuvering used to rapidly build support for the IIRC and its version of IR. The case narrative commences by explaining the origins of the IIRC and placing its arguments for IR in the context of earlier developments in IR practice. It subsequently explores how the IIRC and its high profile supporters proposed IR as a partial solution to societal-level problems surrounding the sustainability of business and society, while offering scant evidence in support of this solution. We then examine how various mechanisms were adopted that maintained support from a variety of corporate reporting constituencies in refining IR and establishing its rule systems, while focusing IR more centrally on meeting supposedly market-led information needs of long-term providers of financial capital. We illustrate how the IIRC subsequently strengthened alliances of institutional support for the IIRC (and its developing variant of IR) among professional networks of corporate report preparers in order to mobilize collective action through consensus-building and keeping open the ‘intellectual space’ of IR. The final subsection illustrates how, having asserted the primacy of the (long-term) investor for IR, the IIRC has strived to stimulate mainstream investor interest in long-term performance and business ‘sustainability’ as part of an effort aimed at instigating institutional change in the field of mainstream investment.
4.1 The origins of the Integrated Reporting ‘idea’ – Defining a new and uncontested corporate reporting space

The IIRC emerged from a meeting convened at the Prince’s Accounting for Sustainability Project’s (A4S) Annual Forum in December 2009 in London. A4S had been formed in 2004 as a collaborative initiative (comprising representatives from industry, the investment community, academia, NGOs, and the accountancy profession) that, among other sustainability accounting initiatives, developed a connected reporting framework promoting the reporting of sustainability information alongside more conventional financial information. A4S claimed that there had been a lack of connection between sustainability and financial reporting which meant that sustainability reporting was largely detached from organizations’ strategic objectives (see, Hopwood et al., 2010). It launched its connected reporting framework in 2007 to help highlight clear connections between financial and sustainability information and to assist in ensuring that sustainability considerations were embedded into organizations’ day-to-day processes. According to A4S’s patron, The Prince of Wales, the hope was that the framework would ‘encourage and facilitate clear, concise and comparable sustainability reporting to ensure that broader and longer-term sustainability considerations are integrated and connected with traditional accounting measurements’. It was argued that companies who adopted connected reporting would ‘get ahead of the game’ in advance of inevitable regulation, and thereby enhance their credibility and standing.

At the 2009 A4S Annual Forum meeting, a group of self-selected professionals, primarily from the field of corporate reporting, decided, at the instigation of The Prince of Wales, that a committee should be formed, called the International Integrated Reporting Committee\(^1\), to create a globally accepted framework for ‘accounting for sustainability’. This sought to extend the work of A4S. The IIRC was formally launched by A4S and the Global Reporting Initiative (GRI) in August 2010\(^2\). A GRI/A4S joint press release announcing the launch, and other supporting statements, mobilized high level themes calling for the creation of a new corporate reporting space around Integrated Reporting that would contribute to ensuring future economic and social well-being. For example, the founding Chairman of the IIRC, Sir Michael Peat, hailed IR as:

\[\ldots\text{a vital building block to enable the world’s economy to evolve and maintain standards of living for people who already enjoy a good quality of life, and create them for the hundreds of millions who do not, without the present unsustainable over-consumption of the world’s finite resources.}\]

\(^1\) This name was changed to International Integrated Reporting Council in late 2011.

\(^2\) According to A4S, IFAC also appear to have had a key role in establishing the IIRC even if they were not part of the Press Release which launched the Committee. For example, the following is stated on the A4S website implying that IFAC was a central party in the launch of the IIRC: ‘Following the success of the work undertaken by A4S and others in driving forward this agenda, at the A4S Forum event on 17th December 2009 His Royal Highness The Prince of Wales, called for an ‘International Integrated Reporting Council’ to be established to oversee the development of an international connected and integrated approach to corporate reporting. The IIRC was subsequently established by A4S in collaboration with the International Federation of Accountants (IFAC) and the Global Reporting Initiative (GRI) in 2010’.
The initial press release indicated that IR would ‘build on’ the existing practice of financial reporting and ‘environmental, societal and governance’ reporting. It claimed that the IIRC was responding to the need for a concise, clear, consistent and comparable reporting framework which would integrate financial and non-financial information and eventually ‘bring corporate reporting into line with the business needs of the 21st century’.

However, IR as a concept and practice was not new. For example, Danish pharmaceutical multinational Novo Nordisk had been publishing what it called an annual integrated sustainability and financial report since 2004, having changed its Articles of Association to mandate such annual reporting (see, Dey and Burns, 2010). In South Africa, since 2010, corporations whose primary listing is on the Johannesburg Stock Exchange have been required either to publish an annual integrated report or explain why they have not done so (see, ACCA, 2012). These South African IR requirements are based on proposals for mandatory IR in the September 2009 King Report on Governance Principles for South Africa (commonly referred to as King III as the report is the third in a series of corporate governance reports in South Africa produced by the King Committee, chaired by Judge Professor Mervyn King), which themselves derive in part from recommendations on IR in the preceding 2002 King Report on Corporate Governance for South Africa (commonly referred to as King II) (see also, Owen, 2013: 348-349).

A key difference between these earlier developed forms of IR and the work of the IIRC is the latter’s global ambitions and reach. When the IIRC was launched in 2010, it was overseen by a 33 member steering group chaired by Sir Michael Peat (a former partner at KPMG and at the time Principal Private Secretary to the Prince of Wales and Duchess of Cornwall) with Professor Mervyn King (who also chaired both the South African King Committee on Corporate Governance and the GRI) as Deputy Chair. A 20 member IIRC working group was also established and included nine individuals directly linked to the accounting profession. It was co-chaired by Ian Ball, the CEO of IFAC and Paul Druckman, ex-President of the ICAEW and Chair of A4S. The IIRC’s initial documentation promoted itself as ‘a coalition with clout’ reflecting the ‘right balance’ of powerful stakeholders, and it immediately launched a campaign to spread its Integrated Reporting message with the aim of creating an IR framework proposal in time for the November 2011 G20 meeting.

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3 South African development of IR both predates the formation of the IIRC and has subsequently taken a different direction and focus to the framework eventually published by the IIRC. South African IR is underpinned by a stakeholder inclusive logic focused on the information needs of a broad range of stakeholders whereas, as we shall see later in the paper, IIRC IR has increasingly become focused on the information needs of providers of long-term financial capital, or what we refer to as an enlightened shareholder logic.

4 See also the work of Robert Eccles and colleagues with whom the IIRC formally engaged immediately after the IIRC’s launch (see, Eccles and Krzus, 2010).
4.2 Articulating the ‘problem(s)’ and specifying the Integrated Reporting solution

4.2.1 Mobilizing rhetorical universalist themes in support of a vague idea

Within the above mobilization of influential figures, the initial rhetoric enrolled to support the IIRC’s formation was underpinned by a sense of irresistibility and urgency. IR was apparently vital to ‘our’ future well-being and represented an inevitable force for ‘good’. The IIRC needed to build a global consensus around IR as ‘co-ordinated, international action [was] needed now’. Prominent industry and professional leaders endorsed IR by attaching it to different, albeit interrelated issues of societal significance. Jane Diplock, then chairperson of IOSCO (International Organisation of Securities Commissions) and a future IIRC board member, contended that ‘[w]hile Integrated Reporting alone cannot ensure sustainability, it is nevertheless a powerful mechanism for helping us all make better decisions about the resources we consume and the lives we lead.’ Jim Singh, CFO of Nestle claimed that companies had no choice but to communicate through IR if they were committed to the long term and wanted to be trusted, while Goran Tidstrom, President of IFAC, maintained that IR would help stakeholders make better resource allocation decisions that were fundamental to creating, what he termed, ‘a sustainable society’.

The IIRC’s first Discussion Paper (DP), launched in September 2011, articulated a rationale for IR and offered proposals for the development of an International IR Framework and how this might be established and adopted. It was also evangelical in the manner in which it framed the promise of IR. It claimed that changes in the business environment such as globalization, higher expectations for corporate transparency and accountability, resource scarcity, population growth, and environmental concerns meant that the information needed to assess the past and current performance of organizations was now much broader. It asserted that the corporate reporting field was too confused, fragmented and cluttered with immaterial, disconnected information in diverse reports and was therefore unsuited to a changing, more globalized world underpinned by rapid population growth, increasing global consumption, and rapid advances in technology. A key problem, constantly reiterated in the rhetoric endorsing IR, was that only about 19% of a company’s market value was explained by physical and financial assets (compared to 83% in 1975), while the remaining intangible factors were only partially explained in financial statements. The financial reporting model was therefore deemed both to be broken and focused too narrowly on mandated disclosures. This was held in contrast to IR’s proposed coverage of a broader range of positive and negative issues which would, it was claimed, automatically enhance trust.

Escalating demands for a broad information set from markets, regulators and civil society were held to necessitate a new framework to support the future development of corporate reporting. IR offered the solution which would make visible organizations’ use of and dependence on different resources and relationships (termed ‘capitals’) and their access to and impact on them. IR was critical
as it would offer a meaningful assessment of the long-term viability of an organization’s business model and strategy, meet the information needs of investors and other stakeholders and, ultimately, ensure the effective allocation of scarce resources. IR essentially offered something for ‘everyone’: it would assist investors to make better long term investment returns; civil society would be able to assess organizations’ stewardship not only of financial capital but of human, natural, social and other ‘capitals’; so-called ‘integrated thinking’ would allow employees to identify how they contributed to the ability of an organization to ‘create and sustain value’ over time; and lower volatility in markets would emerge due to the improved internal decision making and behaviours encouraged by IR, as well as the longer term perspective it promoted.

The long-term focus of IR was also offered as a way of addressing some of the media and regulatory concerns surrounding short-termism resulting from the financial crisis. The rhetoric of risk-reduction was repeatedly enrolled by high profile supporters of the IIRC. For example, Peter Simons of CIMA (Chartered Institute of Management Accountants) insisted that IR represented ‘a reaction to the sudden and unexpected nature of the crash’ which would encourage ‘better risk management and more transparency in reporting to better inform stakeholders’. There seemed little room for any doubt that IR represented the future of corporate reporting given its ability to contribute to solving this array of fundamental problems. The underlying rhetoric was consistently linked to the concept of globalization and, in particular, to the efforts of the IASB and FASB to harmonize international financial reporting standards. Given its transcendent tendencies, IR would not merely ‘reflect and build on’ current reporting through ‘enhance[ing] and consolidat[ing] existing reporting practices’, but would ultimately become an organization’s primary report, replacing rather than adding to existing reporting. Other forms of separate reporting containing more detailed financial information, operational data and sustainability information would, in time, be relegated in importance.

4.2.2 The limited evidence supporting the Integrated Reporting solution

Despite the seemingly urgent need for IR, limited evidence was mobilized to support several of the effusive claims made on its behalf. For example, there was little indication in the IIRC’s material as to how and why IR was the answer for meeting the needs of the ‘emerging more sustainable global economy’. There was also little on what exactly were these needs and who determined them. Moreover, where was the evidence of the emergence of a ‘sustainable economy’? Notwithstanding this lack of supporting evidence, powerful actors in the corporate reporting field continued to queue up to advocate the idea of IR with a certainty that belied its nascent nature.

The September 2011 Discussion Paper suggested somewhat tentatively that the initial focus of IR would be on investors with a long-term focus, and introduced a number of high-level concepts
designed to underpin IR practice. The Discussion Paper also allowed actors in the corporate reporting field to reflect on what the IR idea really represented. While the 214 respondents to the Discussion Paper were almost uniformly supportive of the ‘idea’ of IR and of the IIRC’s broad ambitions, many were also critical of the lack of compelling evidence offered in support of the proposed IR solution to the societal-level problems presented by the IIRC and its high profile supporters. Several respondents observed that the Discussion Paper was written in an overly persuasive marketing style while the language used was accused of ‘overclaiming outcomes from IR that depend[ed] on subjective judgement’ (Association of Accounting Technicians (UK)). Deloitte Touche Tohmatsu noted in their response:

We find that the discussion paper reads more as guidance on how to produce an integrated report ... without fully articulating why such a report should be produced. We acknowledge that the Integrated Reporting debate is at an early stage and that the concepts outlined in the discussion paper are necessarily at a very high level. Evidence of the debate being at an early stage is that the discussion paper makes a number of assertions about the need for such a report without referencing any substantive research to support those assertions (emphasis added).

As the IIRC openly acknowledged in summarising the responses to the Discussion Paper, respondents also remained unsure as to what IR actually represented and how it would relate to existing financial and non-financial reporting in the corporate reporting field:

It was apparent from the responses that there is a diversity of views, and even a degree of confusion, about the definition of Integrated Reporting; about what Integrated Reporting is, or is intended to become; and how Integrated Reporting should relate to existing reporting strands (e.g. financial, management commentary, governance and remuneration, and sustainability reporting).

4.2.3 Mobilizing vague underlying concepts to define the Integrated Reporting intellectual space

The degree of confusion expressed by many respondents to the 2011 Discussion Paper was exacerbated by the high level of ambiguity surrounding many of the concepts introduced to underpin IR. For example, IR was defined in the Discussion Paper as follows:

Integrated Reporting brings together the material information about an organization’s strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organization demonstrates stewardship and how it creates value, now and in the future. Integrated Reporting combines the most material elements of information currently reported in separate reporting strands (financial, management commentary, governance and remuneration, and sustainability) in a coherent whole, and importantly: shows the connectivity between them; and explains how they affect the ability of an organization to create and sustain value in the short, medium and long term.

According to this definition, IR would explain an organization’s ability to create and sustain value thereby improving investors’ and other stakeholders’ insight and understanding. It would reflect integrated thinking among senior management as opposed to the thinking in silos encouraged by ‘traditional’ reporting and support resource allocation decisions consistent with achieving sustained
value creation and long term viability. Drawing on prior work by Forum for the Future\(^5\), the Discussion Paper introduced the notion of capitals (financial, manufactured, human, intellectual, natural and social) to represent the resources and relationships an organization depended on for its (past, present and future) success. IR promised to make visible how an organization used these different capitals, its impact on them and their interdependence, while also contending that not all capitals were equally relevant or applicable to all organizations.

Concerns about ambiguity and the ‘high level’ nature of the concepts introduced pervaded the comments on the Discussion Paper, especially those emanating from the accountancy profession. The notions of ‘value’ and ‘value creation’ were deemed confusing and vague. Despite the tentative initial focus on long term investors there was perceived ambiguity about for whom an organization created and sustained value (ACCA - Association of Chartered Certified Accountants; Malaysian Institute of Accountants) and the focus on value creation was seen as one-sided as it did not acknowledge that, in addition to creating value, businesses consumed value or incurred costs to create value (Deloitte Touche Tohmatsu). The concept of ‘capitals’ caused considerable confusion as they: were not clearly defined (AASB, Australia; Deloitte Touche Tohmatsu); were difficult to operationalize (IDW Germany); and lacked a clearly developed rationale (FEE - Federation of European Accountants)). Moreover, they could not support a common unit of measurement (KPMG) and performance could not be measured consistently across them without causing confusion for readers (Deloitte Touche Tohmatsu). Concepts such as stewardship and materiality also lacked clarity. Deloitte Touche Tohmatsu, for example, argued that the concept of stewardship needed to be revisited to acquire a different meaning as it did not currently extend to other resources or capitals not controlled by the business.

To summarise, from its launch in August 2010 to the release of the Discussion Paper in September 2011, IR was promoted as an irresistible idea whose time had come. Mirroring the initial stage in Suddaby and Viale’s (2011) framing of professionalization projects, the initial IIRC working and steering groups mobilized their significant social and reputational capital behind the IIRC’s emerging version of IR, enrolling, in the process, high level proponents to issue supportive rhetoric proclaiming IR’s potential to address universal themes associated with creating sustainable societies and preventing future financial crises. This did, however, create some curiosity among actors in the corporate reporting field, many of whom had little indication as to what IR actually represented. Nevertheless, it does appear that a combination of social capital, high level rhetoric drawing on universal themes, and the somewhat ambiguous conceptual ideas offered in the September 2011 Discussion Paper served to stimulate and sustain enough initial interest in IR to persuade and mobilize a wide variety of actors to take a leap of faith and actively engage with its future development.

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4.3 Refining the Integrated Reporting idea and establishing ‘rule systems’ – seeking conceptual clarity within an ‘enlightened shareholder’ logic

While the IR idea garnered significant interest and general, if qualified, support from respondents to the Discussion Paper, its vague conceptual underpinnings were in need of clarification if this initial interest was to be consolidated and escalated. A series of ‘background papers’ were commissioned from ‘Technical Collaboration Groups’ to provide clarification with regard to some of the key concepts underpinning the ‘rule systems’ of IR. These included papers on: ‘value creation’ (led by Ernst & Young and an 18 person steering committee including just one academic [with a financial accounting background], with interim findings produced in 2012 and the final report published in July 2013); ‘materiality’ (led by AICPA, report published in March 2013); ‘connectivity’ (led by the World Intellectual Capital Initiative (WICI), report published in July 2013); ‘capitals’ (led by ACCA and the Netherlands Institute of Chartered Accountants (NBA), report published in March 2013); and the ‘business model’ (led by CIMA, IFAC and PwC, report published in March 2013)⁶. These papers primarily enrolled the expertise of the accountancy profession and presented a more definitive shift in the focus of IR towards providers of financial capital. For example, in seeking to clarify the intended users of integrated reports, the materiality background paper stated that IR was principally aimed at providers of financial capital to support their financial capital allocation assessments, with long-term ‘enlightened’ investors likely to be the primary beneficiaries of IR. A matter was material only if it was ‘of such relevance and importance that it could substantively influence the assessments of providers of financial capital with regard to [an] organization’s ability to create value over the short, medium and long term’. More contentiously, the paper also asserted (without appearing to cite evidence in support of this assertion) that ‘the interests of [these] [long term financial capital] providers are likely to be aligned with the public interest’ (p. 1).

The ‘capitals’ paper also prioritized a more distinct ‘enlightened shareholder’ logic which contrasted with the ‘stakeholder inclusive’ logic both suggestive in the IIRC’s prior emphasis on multiple notions of capital and that underpinned the GRI’s existing sustainability reporting guidelines. The ‘capitals’ paper clearly distinguished IR from sustainability reporting on the basis that the latter ‘target[ed] a wider stakeholder audience than … IR, which focus[ed] primarily on providers of financial capital, particularly those with a long term view’. For IR, an organization’s impact on the various capitals was material only if it ‘affect[ed] stakeholders’ perceptions of the organization in such a way that it ha[d] a significant business consequence’.

Suddaby and Viale’s (2011) analytical framework claims that professionals seeking to colonise new intellectual spaces will tend to advocate, adopt and clarify key terminology in ways that marry well with their own existing expertise. However, despite the prevalence of the accounting profession in leading the attempts to clarify some of the vague concepts underlying IR, we found little evidence that this clarification was exclusively suited to their expertise or that of any other particular professional group actively seeking to enter and shape the IR field. For example, subsequently, in responding to the draft framework launched in April 2013, different members of the accounting profession continued to raise concerns regarding the clarity of concepts, with their responses also addressing different concerns over concepts. Moreover, the apparently more explicit adoption of an enlightened shareholder logic was not automatically accepted by all professional groupings, with even some members of the accounting profession continuing to express concern over the more definitive focus on providers of financial capital. While the IIRC’s delineation of IR had narrowed, its clarification of concepts and focus on enlightened shareholders did not directly privilege any one set of professionals. Additionally, it did not appear that highly influential professional groups, such as the accounting profession, were speaking with one voice. Hence, at this stage in the development of IR, clarification of concepts had not produced professional closure and the IR intellectual space retained a certain degree of openness.

4.4 Concretizing alliances - Mobilizing collective action and seeking consensus

Throughout the process of developing its IR framework the IIRC continued to mobilize and build on its social capital, and persistently presented itself as a comprehensive coalition of representatives from civil society and the corporate, accounting, securities, regulatory, NGO and standard setting sectors. Its primary engagement efforts evolved, however, to focus mainly on the business and investment communities who possessed significant economic and political capital. These efforts accelerated subsequent to the September 2011 publication of the Discussion Paper with the appointment of Paul Druckman as CEO and Mervyn King as Chair of the IIRC. The standing and high reputation of both King and Druckman has been noted above, with both able to call on significant social capital to escalate the momentum behind the IR idea. At this time, the IIRC also formalized its organizational structure and established a seven person board which, apart from Druckman and King, included influential members of the accounting profession such as Ian Ball (CEO of IFAC), Ernst Ligteringen (the CEO of GRI), and Jessica Fries (Executive Director of A4S).

A Business Network Pilot Programme, allowing businesses to experiment with IR, commenced in October 2011 just after the formal launch of the Discussion Paper. This initially attracted over 40 companies and by the end of 2013 had grown to over 100. The Pilot Programme required participating businesses to devote resources to developing IR practices within their own
organizations, in addition to the financial contributions they made to support the IIRC with, for example, the Pilot Programme network contributing 57% of the IIRC’s overall income of approximately £Stg 1.5m in 2012.

Druckman exhibited a strong entrepreneurial flair and was both passionate and relentless in his engagement efforts, promoting the IIRC message at numerous high level fora, including the 2012 Rio+20 corporate sustainability forum where he explicitly linked IR to improving corporate transparency and accountability. In July 2012, Peter Bakker, the President of the World Business Council for Sustainable Development (WBCSD), was appointed as Deputy Chair of the IIRC to build additional business support for IR in advance of the draft IR framework launch planned for April 2013. This further formalized the business engagement that the IIRC now seemed to prefer. High level ‘ambassadors’, most of whom held senior positions or had significant links with the accounting and investment professions, were formally appointed to engage further with influential stakeholders. They were specifically charged with building a consensus around the need for a global IR framework and with stimulating productive discourse around the IIRC’s work that would further its aims. Significantly, in view of parallel efforts in the European Commission to mandate greater non-financial reporting among large EU companies, a central and highly active ambassador for IR was Richard Howitt MEP, the European Parliament Rapporteur on CSR.

4.3.1 The role of Memoranda of Understanding (MOUs) in constructing a sense of mutuality and reciprocity

In its attempts to gain greater traction for IR, a key component in the IIRC’s development strategy has been to pursue a variety of official Memoranda of Understanding (MOUs) with a number of existing bodies in the corporate reporting field. As noted earlier, some of these bodies, such as the GRI and IFAC had initially positioned themselves on the IIRC board and were influential in driving the IIRC’s momentum. The MOUs signed by the IIRC with accounting bodies, standard setters and other possible collaborators or competitors, including the GRI, the CDSB, and the WICI lent an additional level of formalization to such arrangements, The wording of these MOUs reflected a sense of mutuality and reciprocity among key actors by recognizing complementarities in terms of commitment to IR but also providing assurances that IR would not colonize existing reporting spaces.

The first MOU was signed with the International Federation of Accountants (IFAC) in October 2012 ‘to recognize [the IIRC’s and IFAC’s] shared vision for the evolution of corporate reporting’. IFAC committed to respecting the integrity of the IIRC’s mandate and to ‘work proactively

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7 Bakker memorably linked IR to the accounting profession in an address at Rio+20 when he proclaimed that ‘accountants would save the world’ by leading the way in supporting the adoption of IR.
[with the IIRC] … to identify ways and means by which IR principles could be aligned with accounting practices to strengthen corporate reporting’. IFAC CEO Ian Ball (who is also a member of the IIRC Board and Chair of its Working Group) highlighted how IR could supplement traditional financial reporting:

There are inherent synergies between the work of IFAC and the IIRC in support of an internationally accepted framework for Integrated Reporting … Traditional financial reporting alone is no longer enough information for investors and stakeholders. A more complete picture is needed, and the work of the IIRC will help guide organizations to achieve this (emphasis added).

On signing the MOU with IFAC, Druckman stressed the crucial role of the accounting profession in supporting the adoption of IR which would, he contended, ‘support … efficient and productive capital markets, and a more sustainable global economy’:

The accountancy profession globally has a vital role to play in providing confidence in the validity of both the narrative and the numbers that businesses must disclose to secure investment and provide transparency. This MoU underscores the value that both IFAC and the IIRC place in this continued partnership, and its role in helping to secure an evolution in corporate reporting that supports efficient and productive capital markets, and a more sustainable global economy.

Prior to the launch of the draft IR framework in April 2013, the IIRC signed another MOU with the IASB in which the IASB committed to ‘work proactively to identify ways and means by which IR and financial reporting standards could be aligned to strengthen corporate reporting’. This was a considerable commitment given the complexity and controversy already existing in the financial reporting standards space, especially with respect to the efforts to create global support for IFRSs. Throughout 2013, additional MOUs were signed with potentially competing reporting and standard setting bodies such as the Carbon Disclosure Project (CDP), the Climate Disclosure Standards Board (CDSB) and the World Intellectual Capital Initiative (WICI). These MOUs also emphasised collaboration and the complementary roles that the respective bodies could play alongside the IIRC. On signing the MOU with the CDP and CDSB, Druckman stated that IR would not replace but would draw on the reporting advocated by these bodies, thereby somewhat softening the earlier IIRC rhetoric suggesting that IR would eventually replace much existing financial and non-financial reporting:

The express intention of the IIRC to work collaboratively with other reporting initiatives, frameworks and innovations is to provide greater clarity to the market and achieve greater momentum towards the adoption of Integrated Reporting. IR is not intended to supplant other non-financial disclosures, but to utilize these disclosures, through the application of the principles of IR.

A key MOU was signed with the GRI in March 2013. Ernst Ligertingen, the CEO of the GRI and also an IIRC Council member, highlighted what he saw as an evolution in corporate reporting in

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9 In January 2014, an MOU was also signed with the Sustainability Accounting Standards Board (SASB) in the United States.
which IR and sustainability reporting would play a vital and complementary role. The MOU was carefully worded to ensure that neither body operated to threaten the other. For example, the commitments and arrangements between the parties specified the following:

The IIRC commits to … develop and maintain the International IR Framework with the intent that it will be (to the extent relevant, applicable and practicable) compatible with and supportive of, yet avoiding duplication (where reasonably possible) of, GRI’s guidelines and standards, both current and (to the extent reasonable and practicable) under development.

GRI commits to … develop and maintain its guidelines and standards with the intent that these will be (to the extent relevant, applicable and practicable) compatible with and supportive of the International IR Framework and related guidance, both current and (to the extent reasonable and practicable) under development.

Suddaby and Viale (2011) suggest that field-level change is often best understood as a series of reciprocal and mutual projects between professions and other powerful bodies. Professional projects also involve professions exchanging resources and commitments with other institutional actors in order to establish and maintain positions of hegemony and power (Suddaby and Viale, 2011; Larson, 1977). While benefiting from the general framing of professionalization projects offered by Suddaby and Viale, our analysis of the early efforts by the IIRC to institutionalize its version of IR continues to illuminate a number of important, specific refinements to Suddaby and Viale’s broad or outline representation of processes of field-level change. In contrast to claims by Suddaby and Viale (2011) that individual professions tend to expand their jurisdiction by colonizing other professions, our analysis illustrates how, as the new practice of IR was driven by a coalition of professionals, efforts to diminish perceived threats of colonization were deemed necessary to secure continuing coalition support. It would appear that in the case of IR, key professional groups in the corporate reporting field first felt the need to establish a formal sense of mutuality and reciprocity among themselves, prior to formalizing the commitments that Suddaby and Viale represent as essential with other powerful bodies outside or peripheral to the field. It seems that such linkages were necessary in the case of IR in order to maintain support and cohesion and to avoid creating the impression that any one professional grouping would dominate the emerging IR space. The MOUs’ emphasis on complementarity and mutuality therefore represented an essential effort to embed an existing coalition of professionals fully within the IR development process. As noted earlier, the nature and wording of the mutuality arrangements suggest that existing bodies such as the GRI required reassurance that their place in the social order of the corporate reporting field was not being threatened – with the potentiality of challenge being raised by the way the emergence of an explicit enlightened shareholder logic to underpin IR implied that the GRI reporting model may only comprise a minor part of the final IR framework. Moreover, while new practice areas are often theorized as emerging due to professionals expanding, redefining or renewing their knowledge base (O’Dwyer, 2011; O’Dwyer et al., 2011; Power, 1997, 2003; Gendron and Barrett, 2004), our case suggests that existing professionals in the
corporate reporting field chose to cling to their existing areas of practice and sought to ensure that the shape of IR embraced their existing areas of expertise (see also, O’Dwyer, 2011).

4.5 Market-led or a case of educating the market? - the significance of the notion of an enlightened long term investor

Ultimately, Integrated Reporting should bring better investment decisions, otherwise it is a waste of time. (David Matthews, KPMG, quoted in The Financial Times, November 20th, 2011)

As noted above, the enlightened shareholder logic underpinning IR became more pronounced in the period following the 2011 Discussion Paper’s publication. Its emerging dominance first became evident in the IIRC’s reaction to respondents’ criticism of the Discussion Paper’s proposal suggesting that the initial primary focus of IR should be on (long term) investors. The IIRC’s riposte starkly asserted that if the primary focus of Integrated Reporting was not on investors’ needs, then other stakeholders were unlikely to derive any benefits from IR:

While the primary audience of an Integrated Report is investors, it is clear that investors are not the only audience. The ultimate objectives of other stakeholders are unlikely to be served by corporate reporting that does not allow investors to make better informed investment decisions.

The long-term investor focus was further reinforced in Druckman’s evolving engagement efforts where he consistently separated the intent of IR from the interests of stakeholders concerned with sustainability, while also stressing the market-led nature of the IR phenomenon:

IR is ... not part of a strand of thought that focuses on environmental sustainability although this would be incorporated but about presenting a clear, concise report that ensures investors and other stakeholders have access to relevant information about how a business is creating and preserving value in the short, medium and long term.10

Yet, significant uncertainties surrounded this market-led claim and the associated long term investor focus. Firstly, long term investors, as envisaged by the IIRC, seemed to be in short supply (see, Barton, 2011; EVCA, 2013; Kay, 2012) and secondly, it was unclear if mainstream investors, hardly a homogenous group, actually required IR (ACCA, 2013). Hence, having become increasingly assertive about the primacy of the (long-term) investor for IR, the IIRC now strived to stimulate investor interest. In essence, while the IIRC had articulated numerous ‘problems’, their proposed IR solution needed to be ‘sold’ to the group that the IIRC hoped would secure the future for IR: namely, mainstream investors. However, for the IIRC, it was critical that a certain type of mainstream investor was constructed (see also, Young, 2006); one exclusively concerned with long-term performance and

business ‘sustainability’. Hence, the success of the IR professionalization project became framed in a way that clearly depended on instigating institutional change in an adjacent field of activity by convincing many mainstream investors to change their behaviour and convert to the IR cause.

4.5.1 Constructing the enlightened shareholder – seeking institutional change in the field of investment

The quest to seek out and convert the mainstream investment community influenced the IIRC’s formation of a Pilot Programme Investor Network to add to the Business Network Pilot Programme in March 2012. This was initially comprised of over 35 global investor organizations including Goldman Sachs UK, the London Pension Funds Authority (LPFA), and Natixis Asset Management, France. A clear specification of the benefits of IR to investors was posted on the IIRC website employing further sweeping rhetoric. For example, it was claimed that IR would provide ‘clear, concise information about the value of an organization’ and allow for the comparison of ‘high level information’ both ‘across organisations and internationally’. Investors would be able to ‘assess the short, medium and long term impact of [key] risks and opportunities across their investment portfolio’ and reduce their costs as fewer resources would be required for research. Ultimately, IR would facilitate better decision-making in the form of ‘[m]ore effective capital allocation decisions leading to better long-term investment returns’.

Members of the IIRC Pilot Programme Investor Network were asked to create momentum for IR by publically advocating its practice and by advising the IIRC on how best to engage with the investor community in order to enable it to develop and demonstrate investor demand for IR. As the Network evolved, Druckman’s media contributions consistently connected this (long-term) investor focus with broader societal concerns such as quests to combat market instability and distorted business decision making:

The benefits of IR for businesses are plentiful – it focuses the organisation on its future orientation and creating value through the business model. However, the main audience for IR is the investor. In recent times, investor decision-making has become short-term and fast-paced. The average time that US institutional investors hold stock in a particular company has fallen from seven years to seven months in the space of a generation. This has led to market instability and has a distorting effect on business decision-making … The instigation of IR would be a powerful tool for investors and would install a culture of transparency, reliability and stability so that investors can begin to trust their money to longer term investments.11

There was, however, a continuing level of mixed evidence of the substantive extent of investor interest in the IR idea. Even the Investor Network seemed initially unconvinced, evidenced by its

critical, albeit constructive, review of reporting by 19 businesses experimenting with IR as part of the Business Network Pilot Programme. Despite this criticism, the investment community appeared open to the potential of the IR idea. For example, an ACCA survey of 300 Irish and UK investors published in June 2013 found that 90 per cent of those surveyed felt that ‘it would be valuable for companies to combine financial and non-financial information into an Integrated Reporting model’ (ACCA, 2013: 20). However, rather tellingly, what IR would look like remained a mystery for many respondents, with 43% expressing concern that it would be too complex and 39% unsure as to what it was meant to achieve. As one respondent to the survey stated:

I think everybody agrees that [IR] would aid the creation of an overall picture of the business and its prospects …[b]ut in practical terms there is much less consensus in terms of what we actually mean, what it would look like, how different it would be and how it would be better (ACCA, 2013: 21).

When the draft framework was launched in April 2013, the sentiment in the Discussion Paper suggesting that investors would only initially be regarded as the primary focus of IR had been replaced by a much more definitive sense that they were, indeed, now the primary intended users of IR. The draft framework claimed that all stakeholders interested in value creation over time would benefit if IR focused on providers of financial capital:

Although providers of financial capital are the primary intended report users, an integrated report and other communications resulting from IR will be of benefit to all stakeholders interested in an organization’s ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators, and policy-makers. (emphasis added)

While the Investor Network sought to create and stimulate mainstream investor interest in IR, this proved to be a tough task, with only small minority of stakeholder respondents to the Discussion Paper coming from what the IIRC termed the ‘investors/investor groups’ stakeholder. Some respondents from bodies potentially required to produce integrated reports warned ‘that the IIRC may have overestimated investor demand and noted, among other things, that success would depend on widespread acceptance which, in turn, would rely on strong regulatory demand’. The Discussion Paper contained no definition of ‘investors’ despite the considerable diversity within the investor community giving rise to considerable variation in ‘investor’ needs. Further, despite the existence of the Investor Network, the lack of investor engagement in the framework drafting process persisted up to and after the draft framework was launched in April 2013. For example, a study of the 359 responses to the draft framework published by the Albert Luthuli Centre for Responsible Leadership at the University of Pretoria claimed that investor apathy surrounding the framework development had persisted, with the study highlighting ‘low levels of substantive response and high ‘no comment’ levels’ from

investors, something they felt should be of concern given the focus on providers of financial capital as the primary audience for IR.\textsuperscript{13}

Notwithstanding this apparent investor disinterest in the framework drafting process, IIRC efforts to convert investors towards longer time horizons were reinforced by broader, high level efforts in other domains, especially in the UK where the IIRC was headquartered. For example, in the wake of the global financial crisis, mainstream investors were experiencing increasing political pressure to show greater concern for the long term. The publication in the UK in 2012 of The Kay Review of UK Equity Markets and Long-Term Decision Making (Kay, 2012) substantiated this interest and pressure by calling for a shift in the culture of investment in the UK to address misaligned incentives, restore trust and confidence in the investment chain, and tackle the short-termism which the report claimed often impeded the creation of sustainable value by British companies. Moreover, in December 2013, the same month as the final IR framework was released, the UK Investment Management Association (IMA) launched an Investor Network to promote long-term investment decision making aimed at ensuring that, \textit{inter alia}, ‘the voice of serious and trusted long-term investors [w]ould be elevated further relative to noisy speculators, overly influential investment banks, and [the] media babble that ha[d] dominated perceptions of the City’ (IMA, 2013: 3). Influential consulting groups such as McKinsey also published high profile reports, as well as papers in influential business journals like the \textit{Harvard Business Review}, seeking to ‘focus … capital on the long term’ (Barton, 2011). However, these consulting groups simultaneously issued research indicating how board members felt that short-term pressures were actually increasing despite their desire for longer time horizons in running their companies.\textsuperscript{14}

Commenting on responses to the draft framework, the IIRC acknowledged that there remained unrest among over a third of respondents, including some members of the accountancy profession, regarding IR’s primary focus on providers of financial capital. For example, while acknowledging that providers of financial capital provided an appropriate starting point for IR in the short term, Ernst & Young questioned ‘whether this focus may be too narrow, and whether an integrated report should ultimately be aimed at a broader range of stakeholders (insofar as they are relevant from a value creation perspective)’. They also suggested that ‘further research would be appropriate to determine whether the information needs of providers of financial capital are aligned with those of other stakeholders’.\textsuperscript{15} When launching the final framework in December 2013, the IIRC defended its position by arguing that trying to aim at all stakeholders would be an impossible task and highlighted how the framework advised companies to focus on stakeholder responsiveness. It reiterated the


directional and influencing role it sought to have on the investment community by helping direct financial capital to sustainable businesses undertaking long term value creation within planetary limits and societal expectations. Hence, even after the final framework launch, the future of IR remained contingent on the success of the IIRC’s ongoing quest to construct the enlightened long-term investor.

5. Discussion and conclusions

There is no doubting that the rise of IR and the global significance and visibility of the IIRC has been dramatic, even impressive. A mark of its impact and success to date is that it is hard to find outwardly negative comments about IR among actors in the corporate reporting field. It is routinely discussed and advocated in positive terms, as an innovation that needed to happen, as something that is going to lead the way in terms of the future development of corporate reporting. The momentum generated by the IIRC is also equally notable, with IR seeming to have moved very quickly from a nascent idea, through an emerging practice to a practice necessity, and one requiring the specification of formal conceptual frameworks, codes of intent, practice and application. While it cannot be said with certainty, although it has been often claimed, that IR is the future for corporate reporting, it seems set, over the next few years, to have a very interesting future and one in which academic accountants should be actively interested and engaged. Indeed, such a belief was one of the key motivations for us to write this paper, not as a way of calling for the development of more academic IR gurus or figureheads to lead the promotion of IR, but in this case to begin to explore the institutional practices and alliances underlying the IIRC’s development and their significance for the emerging practice of IR.

In this regard, we have sought not to represent ourselves as obvious advocates or critics of IR but more as interested, analytical observers keen to see what can be learned from studying the strategy of the IIRC in its promotion and development of IR. At one level, such analysis had very much an operational feel to it, in terms of identifying what the IIRC had done to progress IR so quickly as a recognized idea or philosophy that it claims could and should underpin corporate reporting. At another level, our study of the work of the IIRC has had an analytical spirit in terms of assessing the extent to which certain strategic intentions, choices and actions have served to influence the particular shape and conceptual underpinnings of recommended IR practice.

Collectively these two levels or dimensions of analysis provide a way of assessing the ways by which an emerging field of corporate reporting practice becomes populated by different professional groups and associated interests and the effect that such institutionalizing patterns of behavior and development have on the resulting form and underlying philosophy of (IR) practice. Such analysis can tell us much about what IR is, what it represents, from where it draws its strengths, what have been its primary successes and key constraints, and what particular challenges it faces in the foreseeable future.
5.1 Simultaneous professionalization and institutionalization

The paper has identified four key elements to the IIRC’s strategy with respect to the promotion and development of IR. The first element was the IIRC’s vivid attempt to mobilize interest in the idea of IR and essentially to populate the conceptual space in such a way that represented IR as vital for the broader social good and a truly sustainable society. This initial phase is replete with examples of the skill with which professionals with significant social capital create new, but vague, intellectual spaces for future population. IR was a concept that had something for ‘everyone’ and something that everyone apparently should be a part of. This missionary zeal was quickly supported by the IIRC’s 2011 Discussion Paper which sought to put more flesh on the basic idea – but this essentially succeeded in making it clear that while, for many, the broad idea of IR was attractive and worth pursuing, its precise meaning and practical content was less obvious and uniform. In some respects, IR was a generally nice idea, not so much because it was attractive to everyone but because different parties and interest groups could all construct it in a way that made it attractive to them.

The second stage of strategic development involved the IIRC in both better formulating and also defending the idea of IR. This saw a considerable degree of formalization of key concepts (including the notion of multiple capitals and more specifically contemplating the relative significance of different forms of capital and their respective interests). This process of consolidation bore witness to a greater utilization of various groupings of expertise, albeit underpinned by the considerable presence of the accountancy profession.

The third element of strategic development saw a shift in emphasis – moving from the clarification and consolidation of ideas to the concretizing of relationships, with a number of formal agreements and, in particular memoranda of understanding (MOUs) between the IIRC and significant bodies and players in the global corporate reporting field. Such formal institutionalizing steps included a considerable degree of interlinkages of, and cross-representation on, executive boards and governing council positions. They also demonstrated, especially in the wording of formal documents, an apparently very careful consideration of, and respect for, particular domains of interest and existing spheres of influence and professional legitimacy.

While representing a development that has engaged and involved a significant number of major accounting entities, from the Big 4 professional services firms to some of the largest professional accounting bodies, it remains an arena in which a good number of other professional groups and disciplines see as a strategic development opportunity. Indeed, rather than trying, in classical notions of professional closure, to be the primary (and perennially positive) advocates of IR, a number of the biggest professional services firms have been amongst some of the more cautioning
and constructive critics of IR, at least in terms of where its future direction looks most likely to be heading.

Suddaby and Viale (2011) argue that field-level change can be understood as a sequence of reciprocal and mutual projects between professions and other powerful bodies. While benefiting from the general framing of professionalization projects offered by Suddaby and Viale, our analysis of these early efforts by the IIRC to institutionalize its version of IR illuminated a number of important, specific refinements to Suddaby and Viale’s theorization of processes of field-level change. In contrast to Suddaby and Viale’s (2011) assertion that individual professions tend to expand their jurisdiction by colonizing other professions, our analysis illustrated how, as the new practice of IR was propelled by a coalition of professionals, attempts to reduce perceived threats of colonization were seen as necessary to secure ongoing coalition support. In the case of IR, key professional groups in the corporate reporting field sought to first create a formal sense of mutuality and reciprocity among themselves, before formalizing the commitments that Suddaby and Viale suggest are essential with other powerful bodies outside or peripheral to the field. Such linkages appear to have been necessary in the case of IR in order to maintain support and cohesion and to avoid creating the impression that any one professional grouping would control the emerging IR space. Moreover, while new practice areas are often theorized as emerging due to professionals expanding, redefining or renewing their knowledge base (O’Dwyer, 2011; O’Dwyer et al., 2011; Power, 1997, 2003; Reed, 1996), our analysis suggests that existing professionals in the corporate reporting field chose to re-emphasise their existing areas of expertise and sought to ensure that the shape of IR incorporated this expertise (see also, O’Dwyer, 2011).

It is clear from the way in which IR and associated conceptual framings have been developing that, despite the talk of different capitals, the central capital provider and focus of concern with regard to the primary intended audience of the reports produced under IR is financial capital. As we have seen in our earlier analysis, this is something that the IIRC has advocated with increasing clarity in the face of expressions of concern from various stakeholders that the longer term sustainability and ‘game changing’ capacities of IR are inevitably going to be in doubt/constrained if IR is seen to be captured by the interests and demands of a stakeholder group that has a good degree of responsibility for the current (unsatisfactory) shape of corporate reporting. The IIRC’s response to such criticisms and concerns has been to emphasize that they are talking of a different representation of financial capital; one driven by a broad-based recognition and acceptance of the values underpinning IR with respect to capital interdependencies and the importance of longer term economic, social and environmental development over short-term financial gain. As such, the task facing the IIRC is not only to construct a new form of reporting but also to legitimate and mobilize the long-term investor. Without the latter, the former will not succeed, but to change the latter requires a significant shift in what has, for a long time, been seen as a system of financial capital provision that prioritizes the short-term over the
longer-term. This is a fundamental issue confronting the IIRC but one that, to date, has been subject to relatively little scrutiny.

The typical representation of IR is of a practice that will have a catalytic effect in delivering more sustainable and long-term oriented corporate strategies, practices and capital markets. At present, it is an unproven claim that IR will serve to direct financial capital to long-term, sustainable businesses. It is a belief statement, a testable proposition not a proven fact. Furthermore, the vitality and success of IR essentially depends on pre-establishing such perspectives on and commitments to sustainability among key financial capital providers. Failure here will mean that any resulting IR will inevitably be captured by the existing, narrowly specified interests of financial capital.

5.2 Reorienting capitalism through re-shaping corporate reporting or vice versa?

A question that the analysis above poses is the extent to which IR might be more successful if it had been packaged less as a new reporting initiative and rather more as an initiative seeking to change or at least reshape some critical underlying pillars of the existing capitalistic system? If one regards the answer as immediately obvious and in the negative, then this is suggestive of IR being inherently captured by its foundation as a reporting function. For instance, it is very different to be talking about the differential rights of (different forms of) capital as compared to the integrated nature of (different forms of) capital. IR is not really discussing the former but to what extent is it reasonable to expect financial capital to change by itself, and without giving greater rights and influence to other forms of capital?

The rights to (access) information (as against the eligibility to receive a particular corporate report) has been a longstanding issue of contention in the academic field of social reporting, with it being argued that corporate social and environmental reports are always likely to be vulnerable to claims of corporate capture, ‘green wash’ and challenges to their representational faithfulness, unless the rights of access to corporate information are extended to the broader stakeholder groups on whose behalf such reporting is said to be being undertaken (Bebbington et al., 2014; Cooper and Owen, 2007; Gray, 2012; Gray et al., 1989, 1997, 2014; Murray et al., 2006; Owen et al., 1997).

The obvious question then to ask of IR is whether there is likely to be anything sufficiently innovative and path-breaking in its practice to withstand and overcome the challenges and hurdles which have inhibited past reporting initiatives of similar intent (see, Cooper and Morgan, 2013; Gray, 2012; Milne and Gray, 2013)? This is very much an empirical question and one that we suggest should attract the interest of researchers, practitioners and regulators alike. As we explained at the outset, such a question remains largely beyond the scope of this paper, for our focus has been on the specific rise of the IIRC. However, the question we would pose here is what happens if such research and
analysis starts to show that IR is not delivering what was eagerly anticipated, whether in the precise form of IR reporting content or the operational and strategic consequences of such reporting? The expectation would be that IR would whither on the vine of past ‘new’ reporting initiatives or get rebadged and reborn as another new (but destined to fail) consultancy-driven idea or wish.

One thing that IR has in its favour, and in a potentially very significant way, is the level of institutional support that has been built up in support of it. The IIRC has been dramatically quick and effective in establishing itself as a globally recognized body leading this new reporting initiative and the signing up of so many supportive actors (through the various MoUs) has to give IR a sense of institutional commitment that could help significantly in riding the wave of teething troubles and unmatched expectations that early IR reporting practice encounters. It could also be said that coming after the outbreak of the global financial crisis and all the questions that this has raised in terms of the accountability and governance systems operating in the corporate world and the overall transparency and usefulness of audited corporate reports, IR has exceedingly strong advantages of timing, of being in the ‘right’ place at the ‘right’ time as is evident in both political and industry driven initiatives seeking to encourage more long term investment horizons. The danger, however, is that the winds of time can blow with great and contrary force. The 1975 UK *Corporate Report* and its transferring of the concept of profit into one of the value added by different primary stakeholder groups (see, ASSC, 1975; Gray et al., 1987), an initiative only belatedly recognized by the IIRC\(^{16}\) but one that has significant parallels to IR metaphorically, withered in the face of rapidly rising levels of inflation and the resulting experiment with current cost accounting (leading to the UK accounting standard SSAP16). It remains to be seen whether any conceptual, financial or social and environmental storm will destroy or at least hinder the development of IR – but the risks are there as when corporations fail they tend to disintegrate in various unanticipated ways. Will such disintegration be capably anticipated by any prospective form of IR particularly given its emphasis on forward looking reporting? Given these issues and this apparent unawareness of prior historical reporting efforts (see also, Levy et al., 2009), the recent related concerns of one of the academic pioneers of corporate social and environmental reporting are worth reiterating:

... we already know that there is very long history ... of investor dissatisfaction with corporate disclosure. That is nothing new and, on the whole unsurprising that investors want more information than corporations generally want to supply. To simply call for new information (for example, linking investor information to strategy) is probably doomed because, 50 years of evidence will show that, corporations really do not want to fully and honestly declare this sort of data. Equally there is a long history of attempts by the profession to examine this at root and branch. These attempts have been unsuccessful for less obvious reasons but they all seem to have foundered to some degree or other on an apparent reluctance to address conflict, the public interest and coherence. It is difficult to imagine that the IIRC is attempting to re-discover the excellent *The Corporate Report* from 1975. If it is, it would do well to explore why that thoughtful initiative failed. (Gray, 2012: 2)

Clearly, there are roles here to contemplate with respect to the form of independent, external assurance that will accompany published integrated reports. But again, it also needs to be remembered that the accounting profession has been here before, with the development in the mid-1990s of business risk based approaches to auditing (BRA). While there are definite and direct linkages between a form of reporting which is focused on the long-term sustainability of the business and a form of auditing intent on assessing the degree to which a business is meeting its stated objectives, BRA itself proved not to be a sustainable audit approach, in the face of criticism from both the profession and its regulators (see, Curtis and Turley, 2007; Robson et al., 2007).

The success of the IIRC and its version of IR may ultimately depend on which professional groupings and specialisms serve to influence the construction of any such reports. We may now have an IR framework but we, as yet, do not have an integrated IR profession. In having been promoted more as an idea and a concept, the IIRC has created an institutional space open to be filled by the contributions and perspectives of competing, not integrated, sets of reporting professionals. Its success to date has been routed in appearing to offer something to ‘everyone’ or, subsequently, appealing to a new, enlightened investor that it is hoped many would regard as preferable to today’s dominant short-termism. Who wins out or loses in any resulting battle for professional influence and ascendency in this developing institutional field will, ultimately, largely be responsible for writing and constructing the rise or fall of IR. Whether the IIRC can inspire, harness and control different interest groups is a challenging policy task and a research question worthy of a sustained and integrated level of study on the part of academic accounting researchers.
References


