A normative view of value creation in the context of stakeholder understanding

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Abstract

This paper contributes to the literature on integrated reporting and current perspectives of value creation, through the implementation of framing theory. The paper develops a normative understanding of value creation. It addresses the need for additional research on the use of an integrated report, from the perspective of integrated report preparers, in communicating the affairs of an entity. In doing so, the research explores the perceived informational needs of stakeholders from the perspective of preparers, using framing tasks. The research relies on institutional logics, as a theoretical framework and interviews 23 preparers of large organisations listed on the Johannesburg Stock Exchange (JSE). With he use of framing tasks, the purpose and objectives of the integrated report is investigated. The results reveal the following types of preparers: the compliance-focused, the stakeholder-focused and the business-focused preparer. Each of these preparers use the integrated report for a different purpose. This research approaches the problem of inconsistent and misdirected integrated reports. An investigation into framing tasks, yielded insight into the process of disclosing, measuring, and understanding value creation. This research explores how preparers respond to the challenge of preparing an integrated report, how they measure and present their value creation, as well as how they engage with their stakeholders. This includes obtaining an understanding of the motivations and incentives which drive the preparation of an integrated report. The results of this research shows how preparers have shifted from lengthy compliance-based reports, to integrated disclosures which allow for business models that achieve sustainability and produce a comprehensive account of the value creation process. This shift showcases the social mechanisms which support the preparation of integrated reports as the reporting process develops into a more integrated and instinctive form.

1. Introduction

1.1. Statement of the problem

The actions of society and the neglect of genuine sustainability have put great pressure on both the environment and the economy (Andersen, 2007; Brown & Ulgiati, 1999, p. 1). Consequently, researchers and business leaders question corporate reporting's ability to provide relevant information (Steyn & De Beer, 2012). The above, coupled with a general failure to address critical sustainability concerns (Atkins & Maroun, 2018; Murray, Skene, & Haynes, 2017, p. 216), has prompted the introduction and continued development of a more stakeholder inclusive and holistic approach to disclosing value creation (Joffe, 2018). The International Integrated Reporting Council's (IIRC) framework on integrated reporting is an excellent example(IIRC, 2018).

Over the last two decades, a growing number of companies have adopted the integrated reporting framework (the Framework) (IoDSA, 2009). An "integrated report" (IR), as established by the International Integrated Reporting Council (IIRC, 2013), is the "one report" for all stakeholders' information needs (Eccles & Krzus, 2010). An IR should be an organisation's only report to stakeholders (Mervyn King's foreword, IRCSA, 2011).

Integrated reporting follows a stakeholder approach (Carels, Maroun, & Padia, 2013; Sierra-García, Zorio-Grima, & García-Benau, 2015)[1] and acknowledges the growing emphasis on environmental, social and governance issues (ESG), to provide a platform for strategic stakeholder communication. Integrated reporting proposes the integration of material financial and non-financial information, while aiming to provide benefits to a wide range of stakeholders (de Villiers & Sharma, 2017; Joffe, 2018; Sierra-García *et al.*, 2015).

In South Africa, companies have attempted to present various ESG disclosures using the Framework (IIRC, 2013a) for several years (Solomon & Maroun, 2012). This was driven by the

[1] This is supportive of King-IV (Joffe, 2018).

introduction of King III in 2009s[2] and the JSE listing requirements (IRCSA, 2011)[3].

While progress has been made, the move towards integrated reporting has been a difficult one (Carels et al., 2013; IRCSA, 2011), as concerns remain over the quality and benefit of these reports. Presenting understandable disclosures remains a difficult task (Krzus, 2011; Rensburg & Botha, 2014). Disclosures of information are often found to be inadequate, repetitive, inconsistent (Dumay, 2016; McNally, Cerbone, & Maroun, 2017; PwC, 2014, 2015) and overly complex (Carels *et al.*, 2013; Solomon & Maroun, 2012), with a dominant financial focus (Eccles & Armbrester, 2011). Additionally, there is limited guidance available for preparers (Eccles & Saltzman, 2011; Simnett & Huggins, 2015). This has resulted in IRs which do not explain or report clearly on how ESG issues are being managed in conjunction with economic ones to ensure sustainable value creation (Atkins & Maroun, 2018; IoDSA, 2009; King & Atkins, 2016; Krzus, 2011; Russell, Milne, & Dey, 2017).

1.2. Purpose of the study

The purpose of this study is to explore the understanding, presentation and measurement of value creation in the context of integrated reporting. Through an exploration of preparer framing tasks, the researcher will identify current perspectives of value creation. The perspectives will then be used to develop a normative understanding of value creation relevant to preparers, stakeholders, auditors and business leaders.

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[2] King III promotes the adoption of integrated reporting in response to the failure of sustainable reporting standards (Carels et al., 2013; Solomon & Maroun, 2012).

[3] The incorporation of King III into the JSE listing requirements resulted in companies having to disclose the extent of their application of King III. The introduction of King III, through a recommendation, effectively enforced the preparation of an IR for listed companies (IoDSA, 2009). If a listed company does not prepare an IR, in terms of King III, the company is required to explain the reasons why they are not doing so.

1.3. Research questions

The research dealt with the following questions:

- RQ 1 – How do preparers perceive stakeholder's understanding of the value creation process in the context of integrated reporting?
- RQ 2 – How should value creation be presented and measured?

The study focuses on only the perspectives of preparers of the IR. This is an inherent limitation (see Section 1.4 and Section 5). The focus on preparers is, however, appropriate as the content of an IR, subject to legislation, is at the discretion of preparers (Dawkins & Ngunjiri, 2008), regardless of stakeholder pressure.

1.4. Significance of the study

Within academics and practice, little attention has been given to the multiple capital model (Adams, 2015; Cheng, Green, Conradie *et al.*, 2014; Feng, Cummings, & Tweedie, 2017; King & Atkins, 2016). As a result, the current research aims to complement the wide range of existing research on integrated reporting with a specific focus on the value-creating process with regards to stakeholders.

This study's contribution is theoretical, empirical and practical. Theoretically, the study intends to understand preparer perspectives within a corporate reporting context, using framing theory (see Maroun, 2019; Roussy & Brivot, 2016). This should provide valuable theoretical insight into value creation and add to the limited body of corporate reporting research, although limitations do exist (which will be discussed in Sections 1.4 and 3.7). In doing so, the research provides primary evidence (from a sample of expert IR preparers and academics) on the development of disclosures of the value creation process. This research will provide important practical and empirical contributions to assist preparers and users in understanding value creation.

Additionally, this study focuses on stakeholders which is especially important in a South African context, given the high levels of chronic poverty (Aliber, 2003) and a history of poor natural capital management[4] (as discussed by Giannetti *et al.*, 2013). This is further exacerbated by corruption (Justesen & Bjørnskov, 2014), a poor financial outlook (Gupta, Pattillo, & Wagh, 2009) and the effects of the ongoing COVID-19 pandemic (de Villiers, Cerbone, & Van Zijl, 2020).

1.5. Limitations and delimitations

Several limitations have been identified in this study.

- Firstly, this research has been restricted to a South African context, in which integrated reporting practices are relatively established[5]. This is an important delimitation because preparers of IRs in South Africa are experienced and have been exposed to the Framework for a considerable amount of time.
- Secondly, as discussed in Section 1.3, only preparers were engaged to explore the presentation and measurement of value creation. The views of a broader stakeholder community have not been considered.
- Thirdly, in performing detailed interviews, the researcher inevitably becomes a part of the data collection instrument. The results of the research, therefore, are not always conducive to generalisation and reproduction (Creswell & Creswell, 2017), as a result the findings of this research should not be extrapolated to a larger population.
- Lastly, as per the method followed in Section 3, the study does not wish to measure the quality of specific IRs. Consequently, the data collected may not be representative of the population studied. However, the principle and frames identified can be used broadly for all stakeholders because of the conceptual approach followed by this study.

[4] South Africa relied almost entirely on non-renewable sources in 2013 (Giannetti, Demétrio, Bonilla *et al.*, 2013), and exported 1.3 times more minerals and metals then Russia (a country 14 times its size).
[5] Accordingly, given that the preparation of IRs is an established practice, the reasons for preparing an IR have not been addressed.

1.6. Report structure

The paper first reviews the theoretical framework of IR, which includes a discussion of the benefits and determinants of IR, integrated thinking, value creation and the challenges faced in preparing an IR. Framing theory is then discussed, followed by a review of previous studies which made use of framing theory within an accounting context. Lastly, to end the report findings and conclusions are presented.

2. Theoretical framework

2.1. Integrated reporting framework

The Framework promotes a cohesive, clear and efficient approach to the corporate reporting of an organisation's value creation process (Cheng et al., 2014; Feng et al., 2017, p. 331). An IR should enable stakeholders to assess (holistically) an organisation's value creation process over time[6] (IRCSA, 2011, p. 2), with a primary focus on the providers of financial capital (IIRC, 2013, p. 7, para. 1.7). However, the Framework should not be applied only to meet disclosure requirements and should be used to inform insight over an organisation's value creation through the application of integrated thinking (Guthrie, Manes-Rossi, & Orelli, 2017, p. 554).

The Framework aims to provide greater clarity of the interrelationship between financial and non-financial metrics (Atkins & Maroun, 2015). Through its objectives, the Framework aims to improve information quality (Atkins & Maroun, 2015; de Villiers, Unerman, & Rinaldi, 2014; IIRC, 2013) and "provide insight about the resources and relationships used and affected by an organization" (IIRC, 2013, p. 2). This is in line with the objectives of sustainable development[7].

Accordingly, an organisation's IR should enable readers to determine whether the governing structure, through an appropriate strategy, has identified and understood factors affecting the organisation[8] (Carels *et al.*, 2013; IRCSA, 2011, p. 2). The determinants and benefits of integrated reporting are outlined below:

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[6] This is a central theme of integrated reporting and ensures long-term economic, social and environmental prosperity (Adams & Whelan, 2009).

[7] "Sustainable development is a form of development that meets the needs of the present without compromising the ability of future generations to meet their own needs." (Brundtland, Khalid, Agnelli *et al.*, 1987).

[8] These include both financial and non-financial factors.

de Villiers, Hsiao, and Maroun (2017a) outline the determinants and consequences of integrated reporting, these are summarised in Figure 1.

Figure 1:

Summarized determinants and consequences[9]

Determinants

Internal

Organisational features, such as:

- Size, ownership structure etc.

External

- Stakeholder pressure
- Institutional pressure
- Legitimacy

Who is benefitted?

- The IIRC
- Preparers and managemen t
- Report users and stakeholder

Consequences

- Transparency
- Longer term investors
- Economic benefits and lower forecast errors
- Changes in mindset
- Compliance
- Improved awareness of internal environment.
- Limited readability
- Confidentiality threats

The purpose of de Villiers *et al.* (2017a) was to develop a conceptual framework for examining the development of integrated reporting. In doing so, the paper identified both internal and external determinants, as well as, the consequences and benefits of integrated reporting. This was done in the context of the IIRC, report users and report preparers[10].

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[9] Adapted from de Villiers *et al.* (2017a, p. 452)
[10] The report preparers act as agents for the organisation for the discussion of the determinants and benefits.

The internal determinants included organisational factors such as the representatives of leadership, the size and future outlook of the organisation, performance[11], culture, corporate governance and the cost-benefit of disclosure, as investigated by Fasan and Mio (2016) and Lai, Melloni, and Stacchezzini (2016).

The external determinants included institutional pressure (McNally *et al.*, 2017; Steyn, 2014), stakeholder pressure (Kerr, Rouse, & de Villiers, 2015) and corporate legitimacy or reputation(Steyn, 2014). These determinants were associated with the following themes: the introduction of regulations, the role of media and cultural dimensions, geographical locations and market sectors.

The consequences of producing an integrated report included numerous examples of the financial, reputational and operational effects to those who are affected[12] by the preparation of an IR.

The majority of the consequences were associated with the IR's promotion of transparency and integrated thinking, through clear, concise and holistic reporting. This creates an increased risk to confidentiality, exposure to litigation and increased cost of disclosure, as well as the potential for integrated reporting to become a compliance task (Flower, 2015), filled with repetition (Atkins & Maroun, 2015).

Financially, Barth, Cahan, Chen et al. (2016) found that organisations producing an IR had a lower cost of equity and attracted more long-term investors (Serafeim, 2015). This was supported by lower analyst forecast errors (Zhou, Simnett, & Green, 2017).

In the same way, improved transparency in communication and response to institutional pressure enhance the preparer's legitimacy and accountability towards stakeholders (Haji & Anifowose, 2016). Concurrently, it better informs the decision making of management, promotes inter-department communication (Mio, Marco, & Pauluzzo, 2016) and provides a clearer understanding of value creation through the application of integrated thinking.

[11] Both financial and non-financial.
[12] These include the IIRC, report preparers and report users.

Integrated thinking

Integrated thinking is defined as an "active consideration of the relationship between different factors affecting the organisation's value-creation processes" (IIRC, 2013, p. 2). Per the Framework, integrated thinking is integral to the making of decisions which are holistic, future-orientated and inclusive (CIMA, 2017). The implementation of integrated reporting should bring together financial information, operational data and sustainable information, in an attempt to focus on material issues which affect an organisation's ability to create value in the short-, medium- and long-term (Stubbs & Higgins, 2015, p. 489).

Integrated thinking implies an ability to find an optimal balance between managing short-term business imperatives and ongoing value creation (Churet & Eccles, 2014, p. 45), and explains the interrelationship of financial and non-financial metrics (Atkins & Maroun, 2015). Integrated thinking aligns internal processes with a strategy which considers the external environment (Barth *et al.*, 2016, p. 5; PWC, 2015) and promotes sustainable development through a more proactive approach to reporting and creating value (McNally *et al.*, 2017, p. 484).

This proactive approach implies that an organisation undertakes various internal processes of change aimed at producing an IR and creating information feedback loops for internal decision making (Feng *et al.*, 2017; Guthrie *et al.*, 2017; Stubbs & Higgins, 2014) while promoting a better understanding of value creation. Integrated thinking is, as a result, the ultimate driver of a more comprehensive management-driven approach to value creation in the short-, medium- and long-term (IFAC, 2015, p. 5).

Value creation

A central theme of integrated reporting and thinking is a value-creating process which trades-off short-term maximised profits, for long term-value in economic, social and environmental prosperity (Adams, 2015; Adams & Whelan, 2009; Su, Heshmati, Geng *et al.*, 2013). However, it is unlikely that the value creation process will create optimal values without a holistic consideration of all business inputs (CIMA, 2017; IIRC, 2013, par. 2.9). Accordingly, a distinguishing feature of the value creation process is its multi-capital approach.

The multi-capital approach entails the recognition of resource inputs as an organisation's "value stock", in the form of the six capitals (IIRC, 2013, p. 11). The six capitals provide a way to report on external resource inputs, their subsequent transformation and interaction, in the process of value creation. Accordingly, the Framework explores value-creation using these six capitals (Feng et al., 2017; Tweedie & Martinov-Bennie, 2015). These are defined in Table 1.

Table 1:

The six capitals

Capital	Definition	Relevance
Financial	*Financial capital – The pool of funds:* • *Available to an organization for use in the production of goods or the provision of services* • *Obtained through financing, such as debt, equity or grants, or generated through operations or investments.* (IIRC, 2013 para. 2.15.)	Financial capital acts as a medium of exchange and allows value to be released and transferred between capitals, through economic transactions (IIRC, 2013b para. 4.7 & 4.8). Financial capital can, as a result, restrict and manage resources.
Manufactured	*Manufactured physical objects (as distinct from natural physical objects) which are available to an organization for*	Manufactured capital acts as a proxy for sustainable development (IIRC, 2013b para. 4.13). This is because sustainable initiatives must be aligned with the

Table 1:

The six capitals

Capital	Definition	Relevance
	use in the production of goods or the provision of service (IIRC, 2013 para. 2.15.)	existing infrastructure in place (Stahel, 2013). Additionally, the infrastructure in place must be flexible to market fluctuations, in response to sustainability issues (IIRC, 2013b para. 4.10).
Intellectual	*Organizational, knowledge-based intangibles, including:* • *intellectual property, such as patents, copyrights, software, rights and licences* • *"organizational capital" such as tacit knowledge, systems, procedures and protocols.* (IIRC, 2013 para. 2.15.)	Intellectual capital is an important determinant of an organisation's future earnings through the creation of competitive advantage (IIRC, 2013b para. 4.14). Intellectual capital is a proxy of management's thought process and provides a narrative of the organisation's approach to value creation (de Pablos, 2003; Dumay, 2016).
Human	*People's competencies, capabilities and experience, and their motivations to innovate* (IIRC, 2013 para. 2.15.).	Human capital is a representation of the skills and abilities of an organisation's employees, both future and present. Human capital showcases an organisations contribution to improving human life (IIRC, 2013b para.

Table 1:

The six capitals

Capital	Definition	Relevance
		4.24; Kamp, Morandi, & Østergård, 2016). Human capital is dependent on other capitals (IIRC, 2013b para. 4.29).
Social and relationship	*The institutions and the relationships within and between communities, groups of stakeholders and other networks and the ability to share information to enhance individual and collective well-being.* (IIRC, 2013 para. 2.15.).	Social and relationship capital is representative of stakeholder relationships. This capital is often referred to as an organisation's "social licence" to operate (IIRC, 2013b para. 4.31). Social and relationship capital creates the social support structure which allows the functioning of the other capitals and improves information efficiency (IIRC, 2013b).
Natural	*All renewable and non-renewable environmental resources and processes that provide goods or services which support the past, current or future prosperity of an organization.* (IIRC, 2013 para. 2.15.).	Natural capital represents both the resource stocks and ecosystem services offered to create the other capitals, for which they all draw from the environment (Odum, 1996). Natural capital showcases the dependence and impact of an organisation on the natural environment (IIRC, 2013b para. 4.36).

In creating value, considerations are affected by both an internal and external environment (IIRC, 2013, pp. 2,10,13). Value is maximised only when the internal environment is appropriately connected to the external environment. An appropriate connection allows for a sustainable business model and stronger management structure (Churet & Eccles, 2014).

The external environment of an organisation includes various exposures to economic conditions, technological change, societal concerns and environmental challenges (IIRC, 2013, pp. 13,25). The core of an organisations internal environment is its business model. An organisation's business model represents the chosen system of inputs, business activities, outputs and outcomes (see Figure 2) which aim to create value over the short-, medium- and long-term (CIMA, 2017; IIRC, 2013, pp. 13,25). The organisations' business model is affected by its governance structure, mission and vision, strategy and resource allocation, performance and outlook (IIRC, 2013, p. 13). Monitoring systems are set up by an organisation to measure its performance. Performance measures ensure business models are reactive and that their outlook is maintained (IIRC, 2013, p. 13).

<u>This value creation process is illustrated in Figure 2.</u>

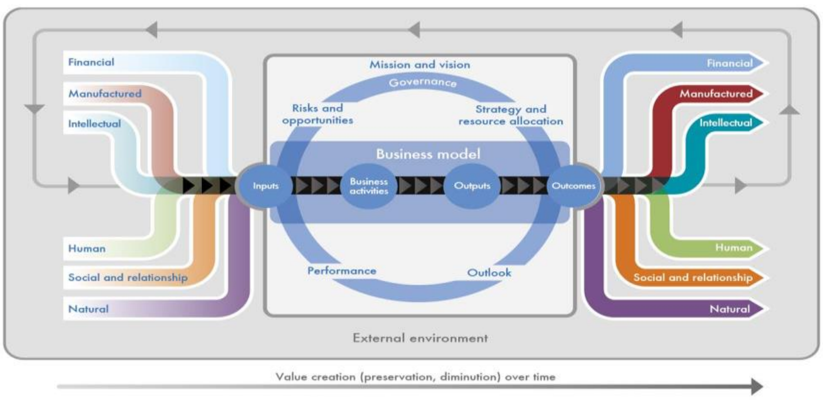

Figure 2; Source: (IIRC, 2013; pg. 13), illustrates the value creation process through the inputting of the six capitals, from the external environment, into the business model. These inputs are then "increased, decreased or transformed" (IIRC, 2013, p. 33) into positive and negative outcomes and consequences that affect the six capitals.

Despite the Framework being offered as a guide for the implementation of integrated thinking and various business components to create value, the process of preparing an IR remains complex and its relevance is continually challenged in defiance of the benefits and determinants discussed above. The challenges faced in preparing an IR are discussed below.

Challenges faced in preparing an integrated report

Integrated reporting has been widely reviewed, and its implementation challenged extensively (Dumay, 2016), specifically for its failure to promote action on sustainability (Feng *et al.*, 2017, p. 334), extensive reliance on human-based value systems and a focus on financial capital providers (Adams, 2015; Cheng *et al.*, 2014; Flower, 2015).

The Framework and integrated thinking have further been faulted for complexity in application, reliance on professional judgement (as discussed by Adagish, 2009; Carels *et al.*, 2013; Feng *et al.*, 2017; Krzus, 2011; Maroun & Atkins, 2018a; Solomon & Maroun, 2012) and inconsistencies in the concepts of the six capitals (Cheng *et al.*, 2014). This is further exacerbated by a lack of explanation (Feng *et al.*, 2017) and a need for a more arithmetic approach (as discussed in Bui & de Villiers, 2017; Guthrie *et al.*, 2017; Lee, 2012; Martinov-Bennie, 2012).

This has caused preparers to disclose subjective explanations, which are confined to insubstantial narratives with little future orientation (Atkins & Maroun, 2015). Preparers of IARs tend to resort to repetitive and generic disclosures. IARs have, therefore, been designated to only serve for impression management (Melloni, 2015; PWC, 2015; Stubbs & Higgins, 2014). This detracts from the relevance of an IR (Carels et al., 2013; McNally et al., 2017).

Additionally, McNally *et al.* (2017) pointed out a lack of information integration, stating that any integration between strategy, financial and non-financial measures which did exist was often superficial and “cosmetic”, and not productive to value creation (as per McNally *et al.*, 2017; PWC, 2015, p. 6). There is a definite separation between an organisation’s strategy, value creation, risk identification process, key performance indicators and six capital flows. This was a growing trend identified by EY (2019), often coupled with poorly developed methods for the identification, quantification and communication of risk exposures (Du Toit, 2017; Raemaekers, Maroun, & Padia, 2016).

Subsequently, despite the recognised benefits of an IR and the emphasis on sustainable value creation, preparers and users of the IR continue to misunderstand the integration, presentation and measurement of value creation. The study intends to explore the frames of reference used by preparers of an IR which influence presentation and measurement. In doing so, the study provides insight into the preparer's understandability of value creation, and their approach to communicating this with stakeholders. To facilitate this, it is necessary to develop a framework for exploring value creation reporting.

2.2. A framework for exploring value creation reporting

This study uses framing theory to identify and organise different normative perspectives of value creation measurement and presentation in an IR. Framing theory has been widely employed in the social sciences to explain the process of identifying problems, proposing solutions and enforcing change within social constructs (Benford & Snow, 2000; Snow, Rochford Jr, Worden *et al.*, 1986).

In prior accounting research, framing theory has been used to examine the reactions of management to an uncertain business environment (Hargrave & Van de Ven, 2006; Kaplan, 2008)to develop environmental carbon accounting practices (Ascui & Lovell, 2011), the different perspectives of the internal audit quality (Roussy & Brivot, 2016) and the rationale behind assuring an IR (Maroun, 2019).

In prior research, framing theory has been successfully used to understand the dynamics and varied interpretations of challenges in the context of social constructs (Goffman, 1986; Snow *et al.*, 1986). Within prior research, core framing tasks have been used to develop a structured conceptualisation of complex issues (Maroun, 2019). This was done by breaking complex issues into smaller parts or specific problems which lend themselves to the development of proposed solutions (Ascui & Lovell, 2011; Roussy & Brivot, 2016). Similarly, framing theory can be used to develop a structured model (adapted from Maroun, 2019) which highlights differences in how value creation is understood, as well as the basis of value creation's measurement and presentation, possible changes required to existing reporting practices and the motivation for either seeking to improve stakeholder cognisance or to keep reporting practices and business models unchanged. Before going into detail on these points, an outline of framing theory is provided.

Framing theory

According to Goffman (1986), when faced with a complex reality, individuals compartmentalise the parts of the greater issue into "frames". Frames or "interpretative schemes" provide a basis for an individual to understand, analyse and manage reality (Goffman, 1986; Kaplan, 2008, p. 732; Roussy & Brivot, 2016). Frames can be in the form of metaphors, generalisations, social constructs and defined knowledge templates, which provide pluralistic and subjective accounts of reality (Goffman, 1986; Roussy & Brivot, 2016).

The process of individuals developing perspectives on an object of analysis is termed the "schemata of interpretation" (Goffman, 1986, p. 21). An individual's "schemata of interpretation" are an amalgamation of cognitive learning and social constructs (Goffman, 1986; Roussy & Brivot, 2016, p. 716). This process, according to Benford and Snow (2000), involves the attendance to three core framing tasks: namely, the identification of a problem and consideration of its attributes (diagnostic frame), identifying an appropriate solution and defining strategies to remedy the identified problem (prognostic framing) and the providing of rationale about why the selected solution should be embraced as the most appropriate (motivational framing). These framing tasks are interrelated through rational decision making to align frames (Benford & Snow, 2000) and to allow for social mobilisation in the understanding of complex tasks (Snow & Benford, 1988). (See Appendix B for examples of framing theory implemented in a business context).

Framing theory and the disclosure of value creation in an integrated report

The disclosure of value creation has been explained in terms of the core framing tasks. Diagnostic framing will be used to describe how preparers understand the process of presenting an IR. Although the preparation of an IR does not constitute a "problem" per se, adapting the process followed by Roussy and Brivot (2016), the focus will be on why and how preparers choose to disclose value creation. The prognostic framing task, through the consideration of current ideas on value creation and the effect of the problem, proposes a solution. Prognostic framing builds on the elements of diagnostic framing (Maroun, 2019)[13]. Motivational framing is used to communicate the previous framing tasks and offer a rational basis for a given disclosure practice (Roussy & Brivot, 2016). Motivational framing is, as a result, used to justify a decision[14] and encourage implementation (Bay, 2011).

Accordingly, the diagnostic, prognostic and motivational frames will be used to present different normative positions on the understanding of the value creation process (RQ1) and how preparers believe value creation should be presented and measured (RQ2). Possible normative positions have been summarized in Table 2 and organised according to a diagnostic, prognostic and motivational perspective.

The perspectives on integrated reporting are sourced from McNally et al (2017). The application of diagnostic, prognostic and motivation framing is per the cited sources and is intended to provide a sense of how framing theory will be applied, rather than to pre-empt findings.

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[13] Prognostic framing adds an active element in approaching how to solve a problem.
[14] Accordingly, theories such as Prospect theory have been used to in conjunction with framing theory (Aerts, 2005)

Table 2: Framing of expected normative positions of an IR.

Different perspectives on integrated reporting	Diagnostic	Prognostic	Motivational
Compliance	IR s are required to satisfy the JSE listing requirements (McNally et al, 2017), demonstrate compliance with King-IV (McNally et al, 2017) and ensure comparability with other published reports (Feng *et al.*, 2017). The IR becomes a marketing tool with little contribution to sustainable development (Haji & Anifowose, 2016)	Features of the understanding of and reporting on value creation: Defining value creation per IIRC (2013, 2B); Value creation understood according to internal metrics only; Limiting disclosures to prescribed content elements; Avoiding complex explanations of how value is generated in financial and non-financial terms to ensure that the cost of reporting is kept to a minimum (adapted from De Villiers et al., 2017(a))	Value creation is part of a broader compliance approach to reporting. The benefit of value creation disclosure is that it demonstrates compliance with the IIRC framework. Disclosures are limited as preparers are driven by their marginal benefit, as this should not exceed their cost (see De Villiers et al., 2017(a)).
Stakeholder	In addition to demonstrating	Features of the understanding of and	The organisation must ensure that it

expectation	compliance, integrated reporting can be used to manage expectations and to present the organisation in a more favourable light (Dumay et al. 2016).	reporting on value creation: Emphasising positive aspects of value creation while minimising explanations dealing with negative outcomes/impacts. Focusing on policies and mission statements to create the impression that integrated thinking is being applied while details on specific actions are limited; Avoiding unwanted attention or being held accountable for any firm commitments through disclosures which are generic and outcomes which are not quantified. (adapted from Dumay et al., 2016; De Villiers et al., 2017(a))	provides sufficient information to enable non-experts to understand its value creation process. This is also important for signalling compliance with the IIRC framework and, in turn, garnering support from stakeholders. At the same time, care must be taken to avoid providing sufficiently specific information on value creation because this may lead to unintended consequences, including the loss of competitive advantage and unwanted attention from powerful constituents (see Benford, 2000).
Business management and strategy	Integrated reporting is not only a compliance exercise. It forms part of a process which strives for the	Features of the understanding of and reporting on value creation: Detailed explanations of value-creation,	There is a need for sustainability concerns to be at the forefront of strategic decision making and business

	sustainable use of financial and non-financial resources to generate long-term returns for shareholders and other stakeholders.	with appropate connections made between the business model, strategy and stakeholder engagement; The six capitals are used to frame value creation, while emphasising the best interests of different stakeholders; Value creation is derived internally but takes into account both the operational environment and stakeholders; A continuous re-assessment of the value-creation process takes place, which is supported by appropriate disclosures (Atkins & Maroun, 2018; IIRC, 2013, 4C).	models (Pauchant, Mitroff, Weldon *et al.*, 1990). There is a need to become more sustainable and to alter strategy, as natural capital depletion becomes a greater risk to operations (Andersen, 2007). Stakeholders are central to the value creation process (IIRC, 2013, para. 2.2). An organisation must remain accountable to, inform and engage stakeholders (Abeysekera, 2013, p. 3; de Villiers, Venter, & Hsiao, 2017b, p. 913).

As argued by McNally et al (2017), the process of preparing an IR and presenting value creation is a challenging one . In approaching the preparation of the IR, preparers implement framing tasks but the approaches followed to craft their integrated reports are not always the same. The process of preparing an IR reveals distinct groups of preparers who have different objectives and understand the IR differently .

These distinct groups have been identified and assessed as per the perspectives of McNally et al (2017). These distinct groups have been grouped into 'preparer' perspectives according to their underlying objectives. As such, the following perspectives have been recognised: the preparer who is focused on compliance objectives, preparers who focus on building relations with stakeholders and preparers who implement the IR as a business tool to promote sustainable operations.

The three groups of preparers and their perception of the IR have provided insight into the understandings of the value creation process (RQ1) and the process followed to present and measure value creation (RQ2). The framing have then been used as a framework to understand the process followed by each group to obtain an understanding of the value creation process (RQ1) and examine how they present and measure value creation (RQ2).

3. Methodology

This chapter explains the chosen research method. Section 3.1 discusses the use and appropriateness of a qualitative methodology. Section 3.2 explains the research design and use of semi-structured interviews. Section 3.3 explains how and why the chosen sample was selected. Section 3.4 discusses the research instrument. Section 3.5 – 3.7 Discusses data collection, data analysis, data interpretation and the limitations of this research. Given the exploratory nature of this study, Section 3.8 discusses its validity and reliability.

3.1. Research methodology

The research uses an exploratory research design given the absence of detailed prior research (O'Dwyer, Owen, & Unerman, 2011; Sundin, Granlund, & Brown, 2010) and the need to address information in the context of ESG issues (Reinecke, Arnold, & Palazzo, 2016). A qualitative approach is necessary as it offers deeper insights than those which would have been obtainable using a quantitative approach (Holland & Doran, 1998; O'Dwyer *et al.*, 2011).

This method is designed to provide insights into the presentation and measurement of value creation, as well as stakeholder understanding. The research consisted of an inductive thematic exercise inspired by grounded theory (Leedy & Ormrod, 2015b). The researcher made use of dialogue, which is important due to its ability to extract detail (Rowley, 2012). Accordingly, this research contributes to the improvement of value creation disclosures (Leedy & Ormrod, 2015b). The use of dialogue, further, ensured validity (Leedy & Ormrod, 2015b).

The research was performed in South Africa which is regarded as a pioneer of integrated reporting (de Villiers *et al.*, 2014). Given that a primary listing requirement of South Africa is the preparation of IRs (Humphrey, O'Dwyer, & Unerman, 2014; Solomon & Maroun, 2012), South Africa offers a stable and mature reporting environment for integrated reporting research.

This research investigates normative perspectives using framing theory so, an assumption was made that individuals understand the world differently and hold multiple beliefs. Accordingly, an interpretive approach was adopted to investigate the understanding of value-creation (Cerbone & Maroun, 2020; Simnett & Huggins, 2015).

The conclusions reached in this study will hopefully, not only address the lack of Africa-specific research on environmental reporting but provide a basis for future research to assist with the preparation and measurement of value creation.

3.2. Research design

Semi-structured interviews are used to collect data. The interview questions were open-ended which ensured that participants were able to interpret the topic freely and the researcher could gauge their stance (Holland, 2005). This was advantageous, as participants were encouraged to talk widely around the topic, without the restriction of a “correct” or “incorrect” answer (Holland & Doran, 1998).

A pilot interview was performed. The purpose of this interview was to ensure that questions posed reduced areas of confusion and adequately addressed the research questions (Leedy & Ormrod, 2015b; O’Dwyer *et al.*, 2011; Rowley, 2012). Accordingly, the pilot interview’s purpose was to improve the interview agenda. All changes and concerns were attended to, before the commencement of the full study (Rowley, 2012). The data collected from this interview were not included in the results.

To address the risk of rehearsed responses, participants were not provided with detailed questions in advance although they were provided with a general outline of the nature and purpose of the research. A general outline was provided which allowed the participants an opportunity to reflect on current events and their own experiences.

3.3. Selection of participants

Participants were purposively selected, based on their knowledge of and experience with the preparation of an IR (Leedy & Ormrod, 2015a). Although this purposeful selection could have introduced bias (Creswell & Poth, 2016; Solomon & Maroun, 2012), it was inappropriate to rely on non-technical perspectives of the value creation process given the exploratory nature of this research (Creswell & Poth, 2016). This selection, through the reliance on informed and experienced professional judgement, ensured that a large basis of uniform responses was received (Creswell & Creswell, 2017). Because of this, stakeholders were not interviewed. This was supported by the fact that the disclosure of non-financial information, subject to legislation, is at the discretion of preparers, despite stakeholder pressure (as discussed in Dawkins & Ngunjiri, 2008).

It was acknowledged that a purposeful selection would not cater for all stakeholders' information needs (Maroun, 2017) but it ensured that only experienced informed participants were engaged and the purpose of the research was not lost in its attempt to satisfy expectations. Instead, the participants selected were the auditors, academics and preparers of IRs.

All selected participants have several years of experience in multiple sectors in the application of corporate reporting. A total of 20 interviews were performed ranging between 45 and 90 minutes. They were digitally recorded. The duration and number of interviews were informed by the need to achieve "conceptual saturation".

Semi-structured interviews were performed between August 2020 and December 2020 and lasted between 45 and 90 minutes. Each interview was then transcribed and initial summary notes made. The transcripts and summary notes were then analysed, points were raised and effectively analysed, while similarities and differences between participants were identified and aggregated.

The researcher relied on a relatively small sample size of participants because of the exploratory nature of this study (Leedy & Ormrod, 2015b; Ryan, Scapens, & Theobald, 2002). It is important to note that the purpose of qualitative research is to explore a problem, and to offer deeper insight, and not to generalise information (Creswell & Creswell, 2017; Leedy & Ormrod, 2015b). Small sample sizes are an inherent characteristic of qualitative research (Rowley, 2012).

3.4. The research instrument

This section describes the research instrument used. Semi-structured interviews were conducted, giving respondents the freedom to interpret questions and express themselves. If necessary, follow-up questions were asked. An interview agenda which covered general questions regarding the presentation and measurement of value creation was used (see Appendix A). The use of an interview agenda ensured that the study remained exploratory and intentionally unobtrusive within the wider study of integrated reporting.

The perspectives on integrated reporting were sourced from McNally et al (2017) and explained in the literature review: framing theory and the disclosure of value creation in an integrated report. These perspectives informed the interview questions and provided a sense of how framing theory will be applied and made relevant to the interview questions.

Interview questions were derived from prior literature regarding perspectives of corporate reporting and value creation (Benford & Snow, 2000; Maroun, 2019; McNally *et al.*, 2017). The prior literature was used to gain an understanding of the general approach to both applying framing theory and implementing integrated reporting . This allowed the researcher to obtain an understanding of the development of an individual's "schemata of interpretation", . In doing so, the researcher was able to present questions in relation to the presentation and measurement of value creation which would be considered by an individual as per the concepts of framing theory. This process allowed the interview questions to be presented and organised according to a diagnostic, prognostic and motivational perspective.

The questions did not lead the participants and were designed to explore underlying themes and perspectives (Kvale & Brinkmann, 2009; Leedy & Ormrod, 2015b). Additionally, the use of open-ended questions ensured that the researcher's views were not imposed on the participants (O'Dwyer *et al.*, 2011).

3.5. Data collection

Selected participants were contacted by phone or e-mail and invited to participate in the interviews. Participants were provided with a general outline of the nature and purpose of the research. This was followed by a request for their involvement in the study. The interviews were conducted electronically via Skype or Microsoft teams after an appropriate time and date was arranged. Before the conduction of the interviews, all the necessary ethics declarations and processes were followed. .

The researcher made use of a small sample of participants because of the exploratory nature of this study (Leedy & Ormrod, 2015b; Ryan et al., 2002)[15]. Interviews were carried out individually to ensure that participants did not influence one another (Rowley, 2012). Before the commencement of the interview, the interview agenda (see Appendix A) was made available to the participants to ensure that participants were informed and could provide a sufficient response (adapted from O'Dwyer et al., 2011).

Before the commencement of the interview, participants were informed that they would remain anonymous and permission to record the interview was obtained and confidentiality confirmed. Participants were made aware that if they did not wish to answer a question, they could decline. The interviews were recorded to ensure accuracy, as well as to facilitate the interviewer's explorative freedom without being constrained by note-taking (Creswell & Creswell, 2017; Leedy & Ormrod, 2015a; Rowley, 2012; Ryan et al., 2002).

Although the phrasing and sequencing for each question varied, the researcher ensured that the same core themes were dealt with in all interviews. These core themes are contained in the interview agenda (see Appendix A) (Cerbone & Maroun, 2020; O'Dwyer *et al.*, 2011).

After each interview, a discussion between the researcher and supervisor occurred. The purpose of this discussion was to reflect on the interview and ensure that all complications were probed before subsequent interviews took place. This discussion was recorded. The

[15] A small sample size does not reduce the external validity of the research, given its exploratory nature (Leedy & Ormrod, 2015b).

researcher then reanalysed the interview recordings and took note of any important points, as well as any practical details. These notes were then compared to the discussions between supervisor and researcher. This purpose of this was to ensure consistency, with any discrepancies being followed upon. Each interview was then transcribed and initial summary notes made.

3.6. Data analysis and interpretation

The data analysis and interpretation were inspired by framing theory. The processes of analysing and interpreting data were iterative and involved a grounded theory approach. The purpose of this was to identify themes from the analysis and re-analysis of transcripts and summary notes.

After transcripts and summary notes were analysed, key themes, as well as similarities and difference, were identified and aggregated. The researcher then grouped similar comments under open codes. Data points were then compared to the initial discussion between the supervisor and researcher to ensure validity and consistency. The transcribed interviews were then made available to the participants for review.

As each interview was completed, transcribed and analysed, it was coded, with consideration made for the main points identified in the recordings, and the research questions (Leedy & Ormrod, 2015b; Rowley, 2012). Examples included the importance of non-financial information, the purpose of preparing an IR, the implementation of integrated thinking, stakeholder engagement and the involvement of the board of directors.

During the coding process, the researcher remained aware of new codes that affected previous interviews. At the identification of a new theme, the researcher re-coded previous transcripts. This process continued until a sufficient level of conceptual saturation and familiarity was achieved (adapted from Atkins & Maroun, 2015; Creswell & Creswell, 2017; Holland & Doran, 1998).

On the achievement of saturation, the open codes were then re-examined and grouped under different axial codes. The framing perspectives outlined in Table 2 served as a basis for the axial codes which further added structure to the data collection reduced subjectivity and informed the presentation of findings in Section 4. The respondents and their grouped perspectives are shown below in Table 3:

Table 3:

Summary of the respondents

Code	Industry	Preparer perspective
Preparers		
R1	Mining/ Industrials	Stakeholder-focused
R2	Mining/ Industrials	Stakeholder-focused
R3	Financial services	Compliance-focused
R4	Financial services	Compliance-focused
R5	Financial services	Compliance-focused
R6	Financial services	Stakeholder-focused
R7	Mining/ Industrials	Business-focused
R9	IT services	Business-focused
R10	IT services	Business-focused
R11	Logistics company	Compliance-focused
R12	Logistics company	Stakeholder-focused
R13	Logistics company	Stakeholder-focused
R14	Communications consultancy	Business-focused
R20	Mining/ Industrials	Stakeholder-focused
R21	Communications consultancy	Compliance-focused
R23	Financial services	Business-focused

Table 3:

Summary of the respondents

Code	Industry	Preparer perspective
Assurance and advisory experts		
R8	Audit partner: Advisory services and integrated reporting	Stakeholder-focused
R15	Associate Director: Assurance	Stakeholder-focused
R16	Advisory: Corporate governance and reporting	Business-focused
R17	Integrated reporting specialist	Business-focused
R18	Audit partner: Sustainability and climate change	Business-focused
R19	Associate professor: Accounting, Finance and Integrated reporting	Business-focused
R22	Advisory: Corporate governance and reporting	Business-focused
R24	Advisory: Sustainability and business performance	Business-focused

3.7. Limitations of the study

Only preparers and measurers of value creation were engaged in this study. The absence of views from a broader stakeholder community is one of its major limitations. This study was not designed to compare and contrast the views of multiple stakeholders but rather to obtain a complete view of the different framing perspectives held by preparers. This study was restricted to a South African context (see section 1) although the theoretical approach implemented makes the findings broadly acceptable.

An inherent limitation of a qualitative research methodology is that the findings are not conducive to generalisation and reproduction but the purpose of this research is to explore the research question and not to generalise findings, extrapolate results or obtain a statistical consensus (Creswell & Creswell, 2017; Holland & Doran, 1998). The data collected may not be representative of the population studied and the findings affected by the choice of participants (see Section 3.3). However, the principle and frames identified can be used broadly for all stakeholders because of the theoretical approach followed by this study.

A further limitation of the study is that the responses provided by participants may be rehearsed. There was also a risk that the responses provided were modified as a result of social pressures and employer organisation conformity (Alvesson, 2003)[16].

Lastly, it must be acknowledged that the purpose of these interviews was to obtain a complete view of different framings of the value creation process, not to contrast the views of participants.

3.8. Validity and reliability

Validity refers to study's ability to measure what it intends to measure (Collingridge & Gantt, 2008; Kelley, 1927), it is the quality of being factually correct. The following was undertaken to ensure validity and reliability.

Small sample sizes are an inherent characteristic of qualitative research (Rowley, 2012). This does not threaten validity and reliability, as the purpose of this study was to explore a problem and not to generalise information (Creswell & Creswell, 2017; Leedy & Ormrod, 2015b).

The focus on experience and knowledgeable participants ensured that higher-quality responses were received (Rowley, 2012). A pilot interview was performed to identify problem areas and ensure that questions encouraged an appropriate response in answering the

[16] The frequently critical views towards the processes involved in the preparation of the IR, coupled with the assurance of anonymity implied that no material threat to the quality of this study exists (Cerbone & Maroun, 2020; McLeish, 2016).

research question (see Section 1.3) (Leedy & Ormrod, 2015a). Open-ended and non-restrictive questions were asked to reduce the risk of rehearsed responses (Alvesson, 2003) and to promote interpretive freedom (see Section 3.2).

At the start of each interview, participants were informed of their anonymity, permission obtained to record the interview and that the research's sole purpose was academic. The participants were interviewed individually and provided a general outline of the nature and purpose of the research. Following the interview, a debriefing session was held between the researcher and supervisor. As a validity check, the results of this session were compared to the findings. Follow ups were conducted with the participants and transcripts made available for review (Leedy & Ormrod, 2015b; Rowley, 2012).

Interpretive studies are inherently subjective as the researcher is integrally involved in collecting data. Nonetheless, the selected research method does not threaten the validity and reliability of the data collected (as discussed in Creswell, 2014). The researcher further reduced bias by subjecting all open and axial codes collected to a peer review (Creswell & Poth, 2016). Additionally, prior research was used to inform the interview agenda, as well as the selection of open and axial codes (Creswell & Clark, 2017).

4. Results

The interviews conducted questioned preparers on both their reason for and process of preparing and understanding of an IR. Concurrently, participants shared their views on the purpose and relevance of integrated thinking (diagnostic framing task), how they prepare and compile the IR (the prognostic framing task) and their rationale behind preparing an IR (motivational framing task).

Through an iterative process (see Section 3.6), three groups of preparers emerged. The three groups are: (1) The compliance-focused perspective, (2) the stakeholder-focused perspective and (3) the business-focused perspective.

For each group, the process of compiling an IR has been split into the three framing tasks. These tasks are as follows: the diagnostic framing task focuses on why the IR is prepared. The prognostic framing task focuses on how value creation is presented and measured, understood by preparers, and communicated to stakeholders.

4.1. Compliance-focused perspective

4.1.1. Diagnostic framing task: Why is the IR prepared?

All interviewees understood the regulatory pressures on listed companies in South Africa to prepare an IR per King IV and the JSE listing requirements. However, preparers with a compliance perspective prepare IRs and disclose value creation only for regulatory, compliance and comparability purposes (McNally *et al.*, 2017). There is a sense that companies have no other choice but to prepare an IR (R3, R4, R5, R21). For example:

> *Being a listed entity, we are **actually obliged** to prepare it (an IR) … It is quite difficult to prepare an integrated report… That is why we prepare the integrated report, **it is more of a must**. (R3, emphasis added)*

Compliance-focused preparers found the preparation of the IR[17] to be difficult (Feng *et al.*, 2017) with little benefit to their operations and revenue flow (R3, R14, R21).

> *Frameworks are great but sometimes it is quite difficult… Sometimes it's easier if it's just a checklist, with King III you've got a checklist and you can tick it and say you comply or you don't comply (R3).*

There was little evidence of the compliance-focused preparer's interpretation of reporting principles, application of integrated thinking or an understanding of the six capitals, as recommended by the IIRC (2013).

Additionally, respondents perceive the IR as a marketing and impression management tool (R4, R5) which is separate from the business and beyond their area of expertise (Cerbone & Maroun, 2020). They outsource the preparation of their IR and rely on competitors' IRs to improve the content, structure and aesthetic of their reports (R3, R4, R5, R14, R21) for better comparability.

> *I think other companies use it as a marketing tool and for us, it's also, in a sense, a marketing tool that we market to our shareholders (R3).*

The preparation of an IR is not for sustainable development (Haji & Anifowose, 2016) as compliance-focused preparers often use the IR to improve legitimacy (Melloni, 2015; PWC, 2015; Suchman, 1995) and maintain their reputation.

> *We look at various other integrated reports all over the world… There are a few companies the board really likes and admires, so those are the integrated reports that we will look at to see what they included in them (R3).*

[17] References to the "preparation of the IR" include the presentation and measurement of value creation.

4.1.2. Prognostic framing task: Disclosure and measurement of value creation

Respondents were unable to demonstrate an understanding of the six capitals, instead, they approach the IR as a checklist of minimal prescribed content (R14, R21) which, if complied with, will always provide useful information to their financial capital providers (R3, R4, R5, R21)[18]. This is probably a result of the compliance-focused preparer not perceiving any value apart from defining and referencing reporting frameworks, in particular the IIRC (2013). (R3, R4, R5). For example:

> *The only time we get asked (for ESG information) ourselves, is when we're doing a tender: we just have to put it in and it's just a tick box exercise … We've not yet to win or lose a tender based on our ESG information (R11) … My worry is that we're not meeting that expectation (of the document being useful) for fear of leaving something out so, as a result, we overload information (R4).*

Correspondingly, the compliance-focused preparers' definition of value creation is limited to internal metrics and measurements which are framed financially (Tregidga, Milne, & Kearins, 2014). Value creation, therefore, follows a central finance logic:

> *The angle we use is to show shareholders that we don't waste their money… to enhance your (shareholders') return, so that's what we try and do with our integrated report. (R3)*

Compliance-focused preparers understand that negative financial results affect investor confidence which reduces share value. Consequentially, the compliance-focused preparers often neglect a multi-stakeholder approach and focus on depicting "good" news for shareholders (Edgley, Jones, & Atkins, 2015). This is evidenced by the use of the IR as a marketing tool which is eventually summarised to isolate financial information (R3, R4, R11), as stakeholders understand value creation only from a financial perspective, with little contribution being made by the IR.

[18] The favouring of financial dominance may be as a result of their compliance mentality.

The compliance-focused preparer has various financial information controls in place but struggles to implement controls for non-financial information. Non-financial reporting is avoided as it is considered too costly. Complex disclosures of social and environmental capitals are, therefore, deemed to be costly luxuries with little benefit (R11, R14) (Zhou *et al.*, 2017). As a result, compliance-focused preparers do not concern themselves with non-financial information (R4, R5, R6) and focus mainly on implementing procedures for producing financial information and meeting compliance requirements.

> *There are very robust control procedures around financial information, however, nonfinancial information or quantitative information tends to be more of the issue (R4).*

Compliance-focused preparers are reluctant to quantify non-financial information as they perceive these disclosures to be the "soft-side" of reporting (R4, R5, R6). If they do provide non-financial information, it tends to take on a more qualitative frivolous approach (R15). This is in contrast to their financial approach, for which they can easily provide quantified measurements (R1) (Solomon & Maroun, 2012). Given the difficulty of the IR, the compliance-focused preparer struggles to interpret reporting guidelines. The objective of providing these disclosures is only to claim compliance (R3), with the extent of disclosure driven by other IRs and certain reporting frameworks. Their best indicators of value creation and performance are based on the financial impacts of their actions (R3, R4, R5, R14, R11).

4.1.3. Prognostic framing task: Preparing the IR and stakeholder engagement

The preparation of an IR is a tedious task (R11, R21) with the responsibility for its preparation typically siloed to a single financial person or division[19] (R3, R4, R5, R11, R14). Rarely does the compliance-focused preparer involve more than one senior manager, being either the CFO (R3, R4), company secretary (R11) or investor relation manager. If a bigger team is used, the members chosen are usually part of a marketing or investor relations division (R4).

[19] These compliment a central finance logic.

Often, it's (the task of preparing the IR is the responsibility of) someone who's got it as an add-on job or it's a lower-level job, and it's like trying to make a change from the bottom up and it's often quite difficult (R21).

The compliance-focused preparer prefers to isolate responsibilities and, in turn, neglects diversity in driving integrated thinking. There is little evidence of information integration and interpretative understanding in the IRs of the compliance-focused preparer, as guides, such as King IV, the GRI and the IIRC, are treated as strict rules and checklists which one person is tasked with following (R11).

The compliance-focused preparers do not deal with the connection among the reporting process, strategy and business model. Companies following a compliance approach to reporting lack specific performance measures and do not actively deploy integrated thinking, as they feel their reporting should be based on common knowledge (R3, R11). The IR has no value and does not interest or create a dialogue with stakeholders (R3, R4, R5). Their stakeholder engagement, as a result, is primitive, informal and financially focused.

Basically, it's just myself and the consultants who just sit and say, "Who are my stakeholders?" that's the process, there's a debate and then we go to the audit committee and say, "This is who we've identified, is there anyone that you think we have left out?" (R3).

Their process for determining reportable content is decided on by a small group of internal stakeholders (R5), with little evidence of an external engagement with non-financial stakeholders (R3, R4) or of a systematic approach to identifying their stakeholders. There is a de-emphasis on stakeholders, as the compliance-focused preparer is fixated on current and future financial capital provides which are the main stakeholders as per IIRC (2013 para. 1.7). The minimal stakeholder identification which does take place is based on "rule of thumb" using "common sense" (R3, R4, R5), while the only engagement taking place is in the form of investor expositions or roadshows (R4, R5), without the IR being circulated as investors will not read it (R5)[20].

Both the preparation of the IR and the stakeholder engagement process are treated as separate communication tasks, allocated to a single financial person. The compliance-focused preparer, therefore, follows a similar financial logic as that described by Atkins, Solomon, Norton *et al.* (2015). The IR becomes an extension of the financial statements (R4, R23) and is reduced to a compliance exercise with little intrinsic value as stakeholders become disinterested.

4.1.4. Motivational framing task: The rationale behind the disclosure of value creation in the IR.

Compliance-focused preparers benefit from the preparation of an IR as it demonstrates compliance with the Framework, improving their legitimacy and reputation. In this way, the IR is a marketing tool. Preparers limit their disclosures as they have a limited marginal benefit which does not exceed the cost of comprehensive disclosure, specifically with regards to non-financial information. The compliance-focused preparer is fully committed to the financial logic which supports the fiduciary duty of the preparer and uses the IR as an extension of the financial report. The IR is, therefore, not integrated but kept separate from business operations and used to show “good” news to the people that matter, who are their shareholders.

[20] Non-participation by stakeholders is deemed to be good as this implies that all expectations have been met (R3, R9, R10). Compliance-focused preparers conclude that, if stakeholders do not provide feedback, this is because the IR is non-value adding in the context of describing value creation (R3, R4, R5, R11).

4.2. Stakeholder-focused perspective

4.2.1. Diagnostic framing task: Why is the IR prepared?

Initially, the stakeholder-focused preparer found the preparation of an IR difficult (R21) and treated the report as a compliance exercise, much like the compliance-focused preparer (R1, R2, R10, R12, R13). However, the stakeholder-focused preparer evolved their reporting process to recognises value beyond compliance (R1, R6, R14.) As one preparer explained:

> *It's (the IR) one of those things the JSE requested … but I think, since then (its introduction) … it has evolved into something useful … the integrated report pulls everything together and gives a summary of what we are as an organisation… It is a living, breathing document that says, "This is our strategy, this is what we are trying to achieve." I think there is a lot more value in it now than what has previously come out of it because people are actually starting to use it (R6).*

The IR is used by the stakeholder-focused preparer to communicate to stakeholders a 'concise and succinct' (R1) [21] description of the organisation, its strategy and its performance to meet stakeholder expectations and present the organisation in a favourable light (R6, R12, R13, R15) (Dumay et al. 2016). The IR is 'really information management' (R1) and a stakeholder communication tool in addition to demonstrating compliance (R6, R15).

As the stakeholder-focused preparer is mindful of the IRs ability to manage expectations, value is sought in stakeholder communication (Cerbone & Maroun, 2020) and see social relevance as important (R8, R15, R22).

> *We're a very complex group, so it is very easy to have a 180-page document… Our mandate is, how we get everything precise, short and to the point which I think, from a stakeholder perspective, is probably what they want to see (R12).*

[21] They regard the length of their reports as a major issue. Their IR tends to be shorter than that of the compliance-focused preparer (R12, R13)

The stakeholder-focused preparer provides comprehensive disclosures to gain stakeholder support (R15)[22]. The preparers are concerned with stakeholder perception and, like the compliance-focused preparer, will use their IR as a marketing tool (R6)[23] which enables understandability for the non-expert stakeholder while ensuring trust. This will occasionally result in unbalanced positive disclosures to appease stakeholders (R17) (Dumay, 2016). However, some respondents did note the need to understand and account for negative impacts.

The IIRC is moving towards outcomes that mustn't be biased. They must recognize that that organization has probably had some negative impact. So, it's (the IR) very much a holistic value creation reflection (R8).

4.2.2. Prognostic framing task: Disclosure and measurement of value creation

The stakeholder-focused preparer is more open to actively understanding and interpreting the Framework (R1, R6, R12, R13, R15)[24]. They are intuitive and no longer perceive the guidelines as strict rules and checklists (R1, R2, R6, R21). Preparers, unlike the compliance-focused, attempt to internalise the principles of the IR (R1, R2, R6, R12, R13), which provides an improved platform for strategic decisions and stakeholder engagement (R1, R15, R18).

The guidelines helped us find a good way to do something or report... That's what forces you in a direction, and then as you mature in the process, you realize, actually, I can do this and you begin to learn and become more intuitive (R1).

You've got to (reference to stakeholder engagement) be able to contextualise them (material matters) in a way that's fit for the public (R21).

This approach requires a more mature reporting process compared to a compliance-focused approach, in an attempt to improve stakeholder communication and recognise a need to

[22] This is achieved through "one-way" communication channels, with minimal external feedback loops (R1, R2, R3, R6).
[23] This will occasionally result in unbalanced positive disclosures to appease stakeholders (R17) (Dumay, 2016).
[24] As recommended by the IIRC (2013)

remove compliance checklists (R6, R10, R15). By emphasising stakeholder communication, respondents display an understanding of and report on the value creation process. However, they tend to adopt a financial logic which resembles a compliance-focused one (R1, R2, R6, R12, R13).

> *People are happy with the financial numbers; they are happy with the financial indicators so they are happy to talk to the financial story. (R6)*

> *I think you will find a full spectrum of people who would like to behave … where it's purely financial performance and short term … there might be providers of capital, who precisely, want to work only with and for such organisations. (R15)*

Respondents, like the compliance perspective, favour shareholders despite claiming to follow a multi-stakeholder approach. The stakeholder-focused preparer is realistic and acknowledges that, apart from financially driven investors, stakeholders do not use their IR (R1, R6, R7, R11).

> <u>*Interviewer*</u>*: You talked about long-term investors (shareholders) being a proxy. Is that the general approach… or do you identify and regard other specific stakeholders?*

> *Obviously, we do but I just find that when I have to prepare the report, I am realistic enough to know that nobody is going to pick up this report. We hope they will, we hope they will inform themselves with it, but we know they won't… In that sense, they are a good proxy (R7).*

As in the compliance perspective, respondents, are sceptical about the benefits of the IR. They have reservations about the benefits of IR in the context of the cost of preparing the reports and the risk of losing their competitive advantage (R10, R11).

> *We draft and we leave gaps, and sometimes you draft whole things, that do exist, but they get pulled out anyway because they don't want to be too transparent. People are worried about that fine line between sharing and over-sharing (R21).*

However, the stakeholder-focused preparer acknowledges a growing emphasis on non-financial information, influenced by various criticisms of financial dominance. As a result, respondents are beginning to introduce non-financial information systems and controls (R8, R12, R13, R22). For example, when asked if non-financial information is as important as financial information, a respondent replied:

> *You can't do the one without the other, and it's important for the CEO to recognise it … he needs to link that to his growth and his profitability in terms of what he's doing on the sustainability side (R11).*

Stakeholder-focused preparers are beginning to identify the importance of non-financial information in measuring and communicating value creation as the needs of all stakeholders become relevant (R21). Respondents are taking note of non-financial capitals, becoming aware of the benefits of integration and introducing data collection systems (R1, R2, R6, R12, R13) to measure and explain their value creation more accurately.

> *But I think really effective business models and I'm talking more of the portrayal of their business model recognizes inputs, cuts across the six capitals. It's recognizing that to run a business effectively, you need all of those six capitals to operate in concert (R8).*

Some stakeholder-focused preparers are moving towards a proactive engagement to gain non-financial relevance (R1, R2, R8, R15). Respondents were in the process of creating greater business and stakeholder consensus (R1, R8, R22), defining expectations (R1) and obtaining feedback (R6, R12). They are pushing the boundaries of stakeholder communication (R6), initiating stakeholder discussion (R1) and improving stakeholder understanding (R1, R12, R15, R22). They are beginning to see the importance of creating long-term relationships and letting stakeholders underpin value creation measurement (R1, R7). There is an increasing internal strategic focus on stakeholder needs, as preparers slowly develop a more inclusive business model (R6, R21, R15, R22).

> *I just went to a lot of my key investors and analysts etc., especially from an ESG perspective, to try and understand what they're looking for in an integrated report and where they think we could improve… we do it proactively rather than getting a reactive response (R12).*

However, the IR remains a difficult task and has not yet been implemented as a management tool. The stakeholder-focused preparer is, therefore, inclined to make the IR process easier. As a result, the preparer tends to assume and define stakeholders expectations and would rather focus on creating "real value" for stakeholders, through selective disclosure (Atkins *et al.*, 2015).

> *There is a change in how we're reporting and it is becoming more capitals focused … I don't think internally we have a very formalised system that's in use yet. Our sustainability report explains it well but I don't think that's really gotten to be embedded yet. I find it very difficult to apply the 6 capitals to the banking environment (R6).*

Correspondingly, respondents define value as being subjective (R15) and "in the eye of the beholder" (R17). Value is, therefore, reactive to perception, with various respondents placing an increased emphasis on 'transparency and accountability' (R1, R13, R15, R22) and information accuracy (R6, R12), to attract long-term investors (Serafeim, 2015). In this way, preparers obtain greater support for their value creation story and better manage the expectations of stakeholders.

> *How can you make it easy for them? Openness, honesty, transparency for sure (R15).*

As a result, the stakeholder-focused preparer recognises that integrated thinking forms the basis of multi-stakeholder communication as discussed above (R21). The stakeholder-focused preparer is beginning to realise that integrated thinking is important for their survival (R1, R8, R13, R15, R22). The stakeholder-focused preparer takes an active approach to consider and define integrated thinking with an emphasis on communication and social relevance (R14, R21) to comply with the IIRC (2013, p. 2).

> *Businesses need to… get this integrated management model (apply integrated thinking to their business model) up and running now, to survive and to be successful (R8).*

> *I think what the integrated report is actually forcing us to do… is to manage the business in an integrated manner and to think in an integrated fashion (R12).*

Respondents would, therefore, actively consider and implement integrated thinking to "connect the dots" (R1, R2, R18, R22) or to better communicate their understanding of value (R15), but do not apply it to their strategic decision-making process (R22). This is typically through a focus on compliance and definitions at a board level, this is supported by respondents advocating for a chief value officer (R8, R13, R15). Stakeholder focused preparers, therefore, tend to apply integrated thinking inconsistently as they promote it at a board level but neglect it at an operational level (R15, R22).

4.2.3. Prognostic framing task: Preparing the IR and stakeholder engagement

Stakeholder-focused preparers understand that the IR is a learning process (R1, R12, R13), to which they need to commit and 'just get started'(R17), while recognising and utilising existing data systems (R1, R6, R15). Like the compliance-focused preparer, the stakeholder-focused preparer follows a simple and informal process of stakeholder identification and engagement. However, the stakeholder-focused preparer's stakeholder engagement is becoming more formalised.

> *So, it's a little bit more of an informal process and we are looking at making it a more formalised process (R6).*

As a result, the stakeholder-focused preparers claim to actively consider the needs of and are in the process of improving their engagement (R1, R6, R10, R12), but they were unable to substantiate this. Additionally, there was evidence of stakeholder-focused preparers maintaining a simple "one-way" communication in favour of financial capital providers (R6, R12, R13). Their engagement process was very similar to that of the compliance perspective, with little integration of the non-financial capitals as to avoid any firm commitments.

> *There is a change in how we're reporting and it is becoming more capitals focused… The focus is on our strategies so that's what everyone really talks about and the capitals underpin that but it's not a firm thing (R6).*

> <u>*Interviewer:*</u> *Do you have any other processes in place to engage with the stakeholders?*

Not at this stage but it is something that's on the cards (R12).

In contrast to the compliance-focused preparer, the stakeholder-focused preparer acknowledges a need for diversity (R22). They are beginning to rely on a more diverse team to engage with stakeholders (R1, R2, R8)**,** collect information (R1, R2) and decide on information relevance (R6, R12). Respondents identified the importance of senior management in compiling the IR (R1, R2, R8) and indicated a willingness to engage sustainability experts (R1, R2, R12, R13), as well as the younger generation (R22): this necessitates the formation of bigger teams (R8, R12, R13, R20).

I know internally there's a stakeholder engagement forum … They're a group of 6 people from various functional areas, so you will have someone from investor relations, people from business units (R6).

Despite advocating for diversity and larger reporting teams, stakeholder-focused preparers continue to vest the ultimate responsibility for the IR on a single person in the division (R1, R2, R11, R14). As a result, preparers struggle to interpret and implement integrated thinking, beyond a simple rephrasing of the definition for compliance purposes. If integrated thinking was applied by a preparer, it was basic and limited to a reactive stakeholder communication process to improve legitimacy (Melloni, 2015).

4.2.4. Motivational framing task: The rationale behind the disclosure of value creation in the IR.

The stakeholder-focused preparer benefits from preparing an IR and disclosing value creation, as it improves stakeholder communication and builds support for the respective organisation. The IR, therefore, offers a platform to manage expectations and to improve understanding without creating firm-wide commitments. In this way, disclosures are often directed at pleasing stakeholders, in a generic and understandable financial manner. The IR improves social relevance which is an important factor of subjective value creation. Nevertheless, some respondents have begun to push the agenda of integrated thinking, non-financial reporting and informed stakeholder relations.

4.3. Business-focused preparer

4.3.1. Diagnostic framing task: Why is the IR prepared?

The business-focused preparer, like the compliance and stakeholder-focused preparers, acknowledges and understands the need to meet certain compliance requirements, for both regulatory purposes and to meet stakeholder needs.

> *A lot of investors approach companies to make sure that we tick the boxes... The big pension funds use them (tick-boxes) to say, "Do they do things okay?". So, they have a bit of an approach to say, "Do they check the boxes?" (R7).*

Nevertheless, the business-focused preparer would rather focus on strategic direction and business models (R22), with a minimal focus on compliance and expectation management (R7, R9, R10, R16, R17).

> *We are not G4 compliant, we did not do it to be compliant (R10).*

> *It's (The IR) meant to be a strategic conversation on the strategy, performance risk, and opportunities the business faces and on the future of the organization (R18).*

Some respondents showed evidence of an ability to understand, interpret and implement the Framework (R7, R9, R10), some explicitly state that a sole focus on compliance and shareholders is detrimental to value creation and is an indicator of poor management (R16, R22, R23). They recognise many tasks, typically used in impression management, to be tedious, repetitive and a hindrance to the connected nature of the IR (R14). The business-focused preparer, therefore, questions the purpose of being completely compliant.

> *You might use it (the G4) as a part of the process, in terms of materiality, as a guide. But … why do I need to say I'm G4 compliant? (R9).*

IAR was born from King III, which called for connected reporting. You can't have sustainability reporting there and financial reporting here. We need to be connected, as the IAR is not a marketing tool (R17).

Instead, they believe that compliance requirements should be met automatically through normal operations and stakeholder engagement (R7, R9, R10, R16. R17). As a result, "you cannot compile an IR just to be a good corporate citizen" (R7). Consider the following two comments:

My objective is not integrated thinking, as a director my objective is also not an integrated report. My objective is to create a sustainable business (R16).

And as the years went on, it became clearer to me… It (the IR) was becoming a grudge compliance...I think it became clearer and clearer to people, simply to me. But this wasn't adding value. Also, it wasn't adding value to the decision-making process of the collective mind (R22).

Business-focused preparers would rather focus on sustainability concerns and long-term returns. These preparers understand the importance of human capital and the risks of natural capital depletion (Andersen, 2007) and feel compelled to alter their strategy to be more socially and environmentally responsible (R15, R22, R23). One preparer provided the following example:

(The company) came up with the view that they could do fair trade. But fair trade, on its own, didn't pay a living wage … went further to say, it's not just that they should have a living wage, the living wage should be sufficient enough, so that kids don't have to work in plantations … Now for kids to be able to go to school, the family needs to be earning enough, so they don't just see the kids as another source of income (R24).

Focusing on the link between reporting and a company's operations and strategy has implications for how codes of best practice are understood and applied. For example:

So, for me, King IV and good governance practices are not a compliance issue that you tick off, they are actually, a really important leadership tool, which helps you run your business appropriately (R16).

The old-style management accounting term of a business model: "It is how we make our money" … we need to change this perception, to the integrated reporting version of the business model (R17).

4.3.2. Prognostic framing task: Disclosure and measurement of value creation

The business-focused preparer acknowledges that a financial dominance exists, with respondents suggesting that they are inherently bound to it. This is because of social norms and capitalism (R7, R8, R11, R12, R17), which is consistent with a finance logic. However, there is evidence of respondents identifying a need to change this perspective and provide equal importance to non-financial and financial information (R7, R8, R9, R10, R22, R23).

It (the IR) is looking back at your financial performance and recognizing that without financial capital, sadly ... if you're not managing your balance sheet and you're not managing your profitability, it won't happen (R8).

"It is how we make our money", Which sadly, is still used by some companies and we need to change this perception to see the integrated reporting version of the business model (R17).

The business-focused preparer attempts to improve the relevance and importance of non-financial information in their reporting. This is done through the pursuance of stakeholder long-term value (R23). The business-focused preparer believes that the consideration of non-financial information in both running a successful business and reporting on it is in the best interest of their stakeholders.

I think any board that's just measuring and monitoring financial performance is not doing their job properly. So most good companies and, therefore, the board will set themselves targets when it comes to areas beyond just financial performance (R18).

This is a logic supported by the centralisation of their stakeholders, as they continuously re-assess the value creation process and become more aware of their non-financial impact (R18), through extensive stakeholder integration (R22, R23).

It's (The preparation of the IR) meant to be a strategic conversation on the strategy, performance risk, and opportunities that the business faces and the future of the organization. It often does lead stakeholders into much more detailed forms of reporting, where there's much more disclosure information (R18).

(The preparation of the IR) needs to be embedded in everyone's day-to-day operations, and not by seeing it as something additional, something new, but essentially part of what you want and what you do (R18, emphasis added).

As a result, respondents integrate their business model (R16, R17, R18) with the different capitals, materiality and risk determination (R7, R22), ESG issues (R16), KPI (R7) strategy and outlook (R10, R16, R17), employee controls and various value drivers (R9, R10, R16). Additionally, their measurement of value creation will emphasise their stakeholder impact (R7, R16, R17, R18, R19, R23). In this way, they understand the benefit of the IR and are not deterred by the cost.

In our strategy, we are trying to find a way to say, "These are our strategies, this is how it flows through capitals to risks" …(R7).

We are taking integrated reporting as serious as we are, and focusing on the messaging, with our new CEO we've been having a lot of emphasis on strategy and how the strategy has been changed to adapt to the change in operating context (R12).

I think you need to come up with a number of key performance indicators, financial and non-financial that will measure the value and I think you've got a report against them in terms of the performance (R19).

A highly diversified board is conducive to an integrated business model, as diversity in leadership allows for a holistic view of the organisation. They understand that all outcomes have trade-offs and consistently consider these in decision making (R17, R23). There was evidence of respondents rejecting both silo thinking and complete board agreement (R8, R16, R18, R22, R23) as they consider these to be obstacles to sustainability. One respondent coined the phrase 'group thinking'(R16) for which all members of management think the same and come to the same conclusions.

I say that group thinking and a lack of diversity on your boards and in your leadership, teams are the enemy of, in my view, integrated thinking (R16).

Accordingly, a diversified leadership team will naturally promote integrated thinking as their backgrounds, skills and experience to produce multiple viewpoints and ingenuity (R11, R16, R18). The business-focused preparer, in contrast to the stakeholder-focused preparer, does not regard integrated thinking as an active process, it is merely a 'fancy term' (R16). They are hesitant to apply integrated thinking purposefully, for the fear of it becoming a compliance tick-box exercise (R16). Accordingly, integrated thinking becomes a business mechanic (R1, R2, R7, R16, R18). In this way, success and survivability through integrated thinking occur before the IR is produced (R23).

So integrated thinking is just how you think in making business decisions and in reporting on those in a holistic manner (R16).

This whole concept of integrated thinking and value creation really needs to be built into every part of the business strategy and DNA (R18).

Given that integrated thinking is not a purposeful process, the stakeholder-focused preparers believe that every person must be responsible for value creation, as a result they are advocates for improved secondary and tertiary education.

I just wish universities would embrace this concept (value creation and integrated) and start thinking about what value they are trying to create and package these in terms of value (R19).

They believe, however, that where the board should act instinctively, other controls should be in place to ensure that everyone takes responsibility for value creation (R16, R17). In this way, value creation is derived internally, as the IR becomes a solution to silo thinking. This mindset favours an extensively linked and integrated business model and strategy (R23), which considers all the capitals in the best interest of all stakeholders.

In our strategy, we are trying to find a way to say, "These are our strategies, this is how it flows through capitals to risks but mostly it flows through the KPI of the senior managers" (R7).

The business-focused preparer is, therefore, highly skilled and experienced in implementing an integrated business model, as integrated thinking is simply "what we have always done" (R16). As a result, the business-focused preparer is more adept at explaining and measuring value creation.

4.3.3. Prognostic framing task: Preparing the IR and stakeholder engagement

The business-focused preparer is of the impression that stakeholders are essential to the success of the organisation (IIRC, 2013, para. 2.2) (R7, R8, R10, R16, R17, R18, R23). Accordingly, like the expectation management perspective, they believe that the IR is important to stakeholders, and therefore, adopt a multi-stakeholder approach (R7, R10, R16).

> *You also need to look at all the stakeholders and decide how to communicate with them (R18).*

As a result, the business-focused preparer is incentivised to obtain social relevance and improve their ethics (R23). They continue to use their IR as a communication tool (R7, R18), with transparency and accountability remaining important (R10, R17) (Abeysekera, 2013, p. 3; de Villiers *et al.*, 2017b, p. 913). However, they de-emphasis short-term stakeholder support, choosing rather to centralise their stakeholders as important business components. In this way, the centralisation ensures that activities are in the best interest of the stakeholders and the business (R16, R23).

> *I think society is going to look into companies more closely and see what their purpose is... And I think in what we're living through now (because of increased social awareness and mishaps), I think that is going to be highlighted (R17).*

> *A board should take account of legitimate and reasonable needs, the interests and expectations of its stakeholders but always make its decision on the long-term interest of the company (R21).*

The business-focused preparer endorses long-term symbiotic stakeholder relationships (R9, R10, R17, R18) and ethics (R16, R23). These relationships improve their consideration of strategic sustainability (R17, R18) (Pauchant *et al.*, 1990). These are not the same as the "one-way" communication channels of the expectation management and compliance-focused preparer (R9, R10).

> *We are trying to create a platform to put all of this on and to get multiple stakeholders to look in and perhaps start achieving this consensus (R8).*

> *So, all stakeholders have an impact on the organization and all organizations have an impact on stakeholders. It's quite a symbiotic relationship between the two… It's a relationship, they rely on each other for well-being and success (R18).*

Apart from obtaining an understanding of stakeholder expectations, respondents were more inclined to educate stakeholders and grow mutually beneficial relationships. The business-focused preparer aims to align the needs of stakeholders with the needs of the organisation (R16, R17)[25]. In doing so, the preparer ensures that sustainable business decisions support stakeholder understandability.

> *The board's role is to look after the health of the company for the longer-term. So, it's not just focusing on short-term financial profits. It is taking a longer-term view (R17).*

The business-focused preparer concedes that not all expectations can be met (R10, R15, R22), as they reject overloaded reports. The business-focused preparer is, therefore, more concerned with internal data relevance, sustainable development and informed communication (R9, R10, R16), so their reports are more objective and derived internally (R17, R18).

> *You can't be all things to all people and your job is not to please, satisfy and meet the needs of your stakeholders (R16).*

> *We now have a system online, where we can track who is reading what part of the integrated report… Hopefully, this will give us a good indication of where we need to spend more time and give more information (R10).*

[25] This includes a stakeholder impact assessment (R18).

The business management implements vigorous stakeholder identification and engagement processes (R7, R9, R10), with extensive triangulation (R17), self-reflection and both internal and external feedback (R6, R9, R17). The business-focused preparers often make use of a diversified team (R16, R17, R18, R19) and promote the involvement of top management in the preparation and implementation of the IR (R8, R19). This is key to the success of the IR as a management tool (R7, R16, R17, R18).

> *It has to be owned by the directors and managers where they can report what they're doing, how they're doing it, why they're doing it and what the future entails. The Framework wants to be said [Compliance] and not really have much substance beneath it (R18).*

> *It's a sort of multi-functional thing, it's not the finance team or the sustainability team with the investor relations team… these three key areas are working together, usually with finance people who know how to report sustainability (R19).*

4.3.4. Motivational framing task: The rationale behind the disclosure of value creation in the IR.

The business-focused preparer does not directly benefit from the preparation of an IR and disclosure of value creation as a direct benefit would imply that the IR is a separate reporting task. Business-focused preparers are, by contrast, more concerned with being good business leaders. The IR is, therefore, only beneficial to them if they can incorporate it into their business process. In this way, their compliance is met automatically, while their business model, sustainability concerns and stakeholder relationships are brought to the forefront of strategic decisions in line with the Framework. The IR is a complementary guide to sustainable development and ensures an organisation is “nudged” into being intuitively ‘good’ and stakeholder centric. In this way, the IR is beneficial if it is used as a management tool, which does not interrupt normal business operations but promotes the awareness of natural capital risks and centralised stakeholder relationships.

5. Discussion and conclusion

This paper investigates the presentation and measurement of the value creation process followed by preparers to communicate with stakeholders in the context of integrated reporting. An exploration of preparer framing tasks was evaluated, yielding insight into the process of disclosing, measuring and understanding value creation.

This research highlights three perspectives followed by preparers of an IR in a value creation context. Table 4 provides a summary of the framing tasks followed by compliance-focused stakeholder engagement and business-focused preparers to engage with the Framework to prepare an IR and provide information on their organisation's value creation process.

Table 4: Summary of the framing tasks

	Compliance-focused preparer	Stakeholder-focused preparer	Business management preparer
Diagnostic Why should the IR be prepared?	The purpose of the IR is for compliance and to ensure they improve and maintain both their legitimacy and reputation.	The purpose of the IR, initially, was solely a compliance exercise, however, it is now used to manage stakeholder expectations, as social relevance is held in high regard. The IR is a communication tool in addition to demonstrating compliance	The purpose of integrated reporting is not for compliance or to manage expectations, rather it assists the business-focused preparer in establishing both sustainability concerns and stakeholder relationships in their business model.
Prognostic How should Value creation be	Value creation is defined but limited to internal metrics and measurements, which are	Value creation is understood and reported in the context of stakeholder	Financial dominance is identified as an issue by preparers, for which they are actively changing, as non-financial information

Table 4: Summary of the framing tasks

	Compliance-focused preparer	Stakeholder-focused preparer	Business management preparer
disclosed and measured?	framed financially (Tregidga *et al.*, 2014). The IR tends to be used as a marketing tool for shareholders. Minimal controls in place for non-financial information, as non-financial reporting is deemed too difficult and costly. Tend to provide a qualitative 'fluffy' approach to non-financial disclosures.	communication, although it follows a financial logic. They have reservations about the benefits of the IR in the context of reporting costs. Although, they are beginning to take non-financial information more seriously, with more proactive engagement taking place Value is defined as being subjective, as these preparers focus on improving their stakeholder support. Integrated thinking is thought to be integral to a multi-stakeholder approach and is actively considered at a management level.	is important in the context of stakeholder best interest. Integrated thinking is essential for the integration of various business components, including strategy, risk analysis, control systems and value drivers. Although, they are hesitant to apply integrated thinking consciously. Diversity in their board is extremely instrumental to success and survivability through a more holistic thought process. They are very knowledgeable and aware of the value creation process.
Prognostic How should the IR be prepared and stakeholders	Preparing the IR is tedious, with the preparers often isolating its responsibility to a financial person or division. Guides are implemented as checklists, with little	Preparing the IR is a learning process, for which diversity is growing in importance. Stakeholder engagement is becoming more formalised, although it is	The IR is deployed as a management tool, with stakeholders and core business activities being made central. This allows them to internally derive their IR, whilst remaining

Table 4: Summary of the framing tasks

	Compliance-focused preparer	Stakeholder-focused preparer	Business management preparer
engaged with?	integration and interpretation. Reporting is not used to underpin business strategy, with little application of integrated thinking. Stakeholder engagement is primitive, informal and financially focused, with little evidence of external engagement. Shareholders are favoured over stakeholders, although in general, all stakeholders are disinterested. The IR provides little value and is treated as a separate communication task, which adds to financial reporting. Integrated thinking is hardly ever implemented.	similar to the compliance-focused perspective and favours financial capital providers. They are beginning to understand integrated thinking and apply it at a very basic level in communicating with stakeholders.	aware of their surroundings. They attempt to build long term stakeholder relationships, which are integral to value creation. They tend to educate stakeholders as they attempt to reach a consensus.
Motivational What is the rationale of	Integrated reporting is a compliance focussed process, with minimal intrinsic value, except as a marketing tool.	Integrated reporting is important for stakeholder communication and ensures that stakeholder support is improved and maintained.	They do not directly benefit from strictly reporting per the Framework, as they are more concerned with being 'good business people'.

Table 4: Summary of the framing tasks			
	Compliance-focused preparer	Stakeholder-focused preparer	Business management preparer
preparing the IR?	It is a separate task from the operations of the business.	Through stakeholder support, an organisation can improve their subjective value, with the IR typically playing an important role as a marketing tool, without creating firm-wide commitments. Preparers are used to a financially focused reporting process; however, the IR allows them to explore non-financial information.	The IR is only beneficial to preparers if it can be married into their business process. The IR is not a set of strict rules, but rather a guide that allows the functioning of an established sustainable business.
Number of respondents	5	8	11

The first group of preparers identified, the compliance-focused preparers, understood the IR to be a compliance-based exercise. A compliance-focused approach is evidenced by a rule-based approach to presenting and measuring value creation per the reporting frameworks. Accordingly, there is little interpretation of frameworks, which is evidenced by a reporting process which avoids non-financial information and implements primitive stakeholder engagement. This simple reporting process is supported by a compliance rational which views the IR as a separate reporting task. Accordingly, these preparers are heavily influenced by a need to improve and maintain their legitimacy and reputation for financial capital providers, as they use their IR as a marketing tool. The stakeholders understand the value creation process from a financially dominant perspective.

The second preparer group identified, the expectation focused preparers, showed evidence of a change in their understanding of integrated reporting. Initially, the purpose of the IR was primarily compliance-based (R6, R12, R13), much like the first preparer but has since shifted towards presenting and measuring value creation with a greater focus on stakeholders. These preparers recognise social relevance as a value proxy which parallels social support to non-financial disclosure (R1, R2, R8, R15). This is demonstrated by the formalisation of stakeholder engagement to improve understanding, as well as increase awareness of non-financial information (R8, R12, R13, R22). Accordingly, preparers have begun to focus on the implementation of non-financial data collection, the introduction of basic integrated thinking and diversity in leadership, and the creation of longer-term stakeholder relationships. Nevertheless, preparers maintain their reservations about the benefits of the IR as a business management tool. Accordingly, these preparers are influenced by a need to gather stakeholder support but not to support the operations of the business as this may lead to the creation of unwanted firm-wide commitments. The expectation-focused preparer describes their value creation in financial terms but are beginning to expose their stakeholders to non-financial metrics.

The final group of preparers identified, the business-focused preparers, showed little commitment to compliance. This preparer utilises the IR as a management tool (R17) while the compilation of the final report becomes a by-product. Accordingly, the primary focus of this preparer is the success of their business, through the application of informed business sense, diversity and experience.

The business-focused preparer does not follow frameworks on a rule basis but rather as guides to assist the application of sub-conscious decisions which allows the IR to be derived internally. This approach is supported by the development of long-term stakeholder relationships. The rationale of the business-focused preparer is that a sustainable business will always be successful if the leadership remains focused on the business. Consequently, the IR as a compliance exercise impedes the normal functioning of the business model. In contrast, by merging the Framework to the business model, stakeholder understanding of value creation is centralised. Their stakeholders understand value creation holistically in the context of business decisions expressed primarily through non-financial data.

Each preparer has different reasons for preparing an integrated report which informs how they measure value creation and explain it to their 'audience'. . Interestingly, there seems to be a shift in the processes deployed by preparers, as they move away from becoming compliance orientated to a more business focused model. This occurs as preparers become more experienced and aware of stakeholder needs. This allows them to identify the interconnections among value creation, stakeholder needs and their business model more readily. In closing, stakeholder perceptions (RQ1) can be seen as a motivational task in the presentation and measurement of value creation (RQ2).

5.1. Contribution

This study, through the application of framing theory, contributes to the existing body of research in the corporate reporting sphere. It specifically gives attention to the perspectives for assessing the ability of an organisation to create value and communicate this effectively while providing evidence on the development of disclosures in the value creation process. The use of framing theory is beneficial as it stimulates the development of normative understandings of the representation of value creation in an IR.

The research confirms that various perspectives exist on value creation and it provides evidence of the three framing tasks acting as a social mechanism behind integrated reporting. The thesis provides insight into the social mechanisms supporting preparer and stakeholder interpretation of the Framework and codes of best practice. The insights provided suggest that integrated reporting continues to develop into a more integrated and instinctive form of reporting with the emergence of a business-focused preparer.

The increased relevance of sustainable business models (Ellen MacArthur Foundation, 2013) calls for a simplification of the reporting process (Flower, 2015; King & Atkins, 2016) and a history of poor capital management in South Africa (Aliber, 2003; Giannetti *et al.*, 2013)

5.2. Future research

The purpose of this research was to explore the development of disclosures on the value-creating process through a focus of the perspectives of the preparers of IRs. This research does not consider the views from a broader stakeholder community. The perspectives held by different stakeholders may be an area for future research.

The study also did not investigate the underlying causes of the differences between preparer perspectives between the groupings. An exploration of the experience, educational background and beliefs held by preparers may present an area of future research. This may provide further insight into the adaptability of and future outlook of the integrated reporting process.

This research explored the concepts of value on a broad basis and did not concern itself with differentiating relative value with regards to each capital. The concept of real wealth value representations through an ecocentric value system, may present an area for future research.

Finally, this research considers only the perspectives of preparers in a South African context. A similar study which incorporates the factors of a different jurisdiction may be interesting, as different and additional normative understanding may be evident.

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7. Appendix A

Interview Agenda

The following discussion points will be used in the interviews with the participants. The interviews will be transcribed and the data analysed subsequent to the interviews being conducted.

Discussion points

1. What do you wish to achieve by preparing an integrated report?
2. To what extent should preparers be involved in stakeholder engagement?
3. How are current business operations and reporting practices modified to cater for the preparation of an integrated report?
4. Where is the IIRC Framework lacking with regards to guiding and assisting the presentation of value creation? How can it be improved?
5. Are shareholder information needs impractical?
6. What are your information needs? How do these needs affect the process of presenting value creation?

8. Appendix B

Citation	Purpose of research
(Kaplan, 2008)	Explore and provide insight into the influence of frames on organisational strategy making.
(Bay, 2011)	Performed an analysis of the procedure followed in the creation of financial responsibility of individuals in the context of accounting.
(Szulanski, Doz, & Ovetzky, 2004)	Explores the role of management cognition in response to industry changes in the context of decision making. Accordingly, this paper performs an analysis of the nature of cognitive frames and its effect on decision making.
(Markowitz, Cobb, & Hedley, 2012)	Investigated, using framing theory, the successful legitimisation of socially responsible mutual funds. As such, they provided insight into the relationship between legitimacy and frame alignment, specifically the alignment of social change and profit-making.
(Hoffman & Ventresca, 1999)	Explores the present framing of the economic versus environmental debate, with a focus on institutional mechanics, to provide insight into the shaping of a policy debate.
(Mowen & Mowen, 1986)	Explored framing biases observed in consumer decision, in the context of business decisions. As such, this paper addressed the framing of decisions as a precondition of information processing bias in business decisions.