The Relevance of Nationality for the Stakeholder Salience Theory from a South African Perspective

A research report submitted by:

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I. List of abbreviations and definitions

Abbreviation	Phrase
BSE	Bombay Stock Exchange
IIRC	International Integrated Reporting Council
JSE	Johannesburg Stock Exchange
NVG	National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business
Term	**Definition**
Legitimacy (Stakeholder)	The common perception that a specific concern is important and as a result, worthy of protection (Mitchell, Agle, and Wood (1997)).
Legitimacy theory	How organisational actions and practices are the result of societal expectations (Haji and Anifowose, 2016).
Normative power	Power based on certain values (Etzioni, 1964).
Power	The ability to have a dominant position over the decision making of the organisation (Mitchell et al., 1997).
Salience	The condition of being particularly important (Mitchell et al., 1997).
Stakeholder	A party that has an interest in an organisation and can either affect or be affected by the business (Freeman and Reed, 1983).
Stakeholder salience theory	The degree to which managers give priority to competing stakeholder claims (Mitchell et al., 1997).
Utilitarian power	Power based on strategic resources (Etzioni, 1964).
Urgency	The stakeholder relationship or claim is critical to the stakeholder (Mitchell et al., 1997).

II. Abstract

Purpose: The purpose of this study was to investigate the integrated report of listed companies in South African and Indian (text seems to be missing) to assess the relevance of nationality for stakeholder salience. This study replicates a study performed Gianfelici, Casadei, and Cembali (2018).

Design and methodology: The study uses a descriptive research method to analyse the impact of stakeholder salience in developing markets. The integrated reports of 80 organisations comprising of the top 40 listed companies in the JSE and BSE were analysed using a coding tool that has been outlined in the Methodology Section. The research study applied quantitative content analysis to quantify the power, urgency and legitimacy components of the stakeholder salience theory.

Findings: Stakeholder salience is not influenced by nationality in developing countries.
Practical implications: The study contributes to corporate disclosure literature in South African and India. The findings are expected to be of practical benefit to decision-makers in organisations in terms of how resources can be effectively allocated to create value for the organisation while catering to the needs of salient stakeholders.

Originality and value: The stakeholder salience theory is relatively new. This is the first research that is only focused on the application of this theory to developing markets.

III. Keywords

Stakeholder salience theory, integrated reporting, nationality, stakeholder identification.

IV. Acknowledgements

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CHAPTER 1: BACKGROUND TO STUDY

1.1. Introduction

Stakeholders were previously considered to be a generic group, without any individuality or clear influence on organisations (Freeman, 1994). In 1984, Freeman (1984) outlined the broad definition of stakeholders as; anyone who can influence an organisation. Donaldson and Preston (1995) identified stakeholders as people or groups with legitimate interests that have intrinsic value. Over time, the definition of ‘stakeholder’ evolved. Stakeholders were identified as individuals with morals that they use and can influence how they interact with organisations (Freeman, 1994). It is from this observation that Freeman (1994) developed *The Principles of Who and What Really Count*. The assumption of these principles is that the objective of an organisation is to enhance the financial well-being of investors. (Mitchell et al., 1997) identified that the Principles of Who and What Really Counts do not acknowledge that organisations have multiple objectives and have to accounts to multiple stakeholders. In response to this, (Mitchell et al., 1997) developed the stakeholder salience theory to identify stakeholders from non-stakeholders.

Stakeholder salience is defined by Mitchell et al. (1997) as the extent to which managers give preference to competing stakeholders. A salient stakeholder is one that has the ability to influence decisions made by management (Mitchell et al., 1997). Value creation measures, tactics, and commercial performance of modern organisations are intensely affected by the requests and behaviours of salient stakeholders (Mitchell et al., 1997). The definition of stakeholder salience is based on the aspects of power, legitimacy and urgency which stakeholders use to influence decisions made by the organisation (Mitchell et al., 1997). Stakeholder power is defined as the extent to which certain stakeholders control resources that can influence the operations of an organisation (Roberts, 1992). Legitimacy is defined by Mitchell et al. (1997) as the common awareness that a specific stakeholder interest is important and as a result, worthy of protection. Lastly, Mitchell et al. (1997), provide a two-fold definition of urgency. Firstly, urgency is defined as a relationship or claim that is time-sensitive and, secondly, that the relationship or claim is critical to the stakeholder (Mitchell et al., 1997).

Mitchell et al. (1997) applied normative theory for stakeholder identification and descriptive theory for stakeholder salience in developing the stakeholder salience theory. Normative stakeholder theory relates to the moral code that is associated with the management of an organisation (Freeman, 2001) and is related to why organisations should focus on stakeholders (Donaldson and Preston, 1995). Donaldson and Preston (1995) ground normative stakeholder theory upon the following ideas:

- Stakeholders have legitimate interests in the activities of the organisation. This legitimate interest is the catalyst for stakeholder identification; and
- The interests of stakeholders have intrinsic value, meaning that stakeholders should be given attention based on the interests they hold and not merely on their ability to advocate for other stakeholders.

Normative stakeholder theory is based on ethics and morality of organisations towards stakeholders (Donaldson and Preston, 1995). It is linked to the Kantian school of thought because it relies on the morality and virtues that both stakeholders and organisations uphold (Freeman, 1994). Descriptive stakeholder theory illustrates that organisations have stakeholders (Freeman, 2001). This theory has been used to explain the behaviour and characteristics of organisations and corporate actors (Donaldson and Preston, 1995).

Identifying which stakeholders are important to an organisation serves no purpose if the organisation does not take steps to assess and maintain the relationship it has with its stakeholders. Organisations are required to convey information to these important stakeholders of how they are meeting their short, medium and long term goals in order for organisations to maintain their reputation and legitimacy (Ditlevsen, Nielsen, and Thomsen, 2013; Haji and Anifosowe, 2016; Van Zijl, Wöstmann, and Maroun, 2017). A single organisation can interact with multiple stakeholders (Neville and Menguc, 2006). In order to maintain its legitimacy, the organisation has to satisfy the needs of the stakeholders that it deems to be important (Haji and Anifosowe, 2016). If an organisation erroneously identifies certain stakeholders as important, it could end up misallocating limited resources which could have been used to create value (Gianfelici et al., 2018). The information conveyed to stakeholders through the use of integrated reporting guidelines is regarded as corporate disclosures (Soyka, 2013). Stakeholders rely on this information to form opinions about the organisation (Gianfelici et al., 2018). This is because these disclosures provide stakeholders with access to information about how the organisation uses various types of resources to create value (Haji and Anifosowe, 2016). To maintain their legitimacy, organisations tailor their corporate disclosures to align with the needs of stakeholders (Gianfelici et al., 2018).

The objective of integrated reporting is for the organisation to illustrate its ability to create value over time (IIRC, 2013). This value-creation depends on the interaction of the organisation's social, environmental and economic performance (Gianfelici et al., 2018). This is emphasised by the triple bottom line reporting paradigm as outlined by the King Code of Corporate Reporting in South Africa (IOD, 2016). There is now currently a new paradigm shift in financial reporting due to an organisation's value being based on non-tangible aspects like big data from customer details (Tomo, 2015). It is worth mentioning that this paradigm shift has the ability to influence non-financial disclosure (Tomo, 2015). Traditional financial information systems have not been able to keep up with the shift in financial reporting (Lev, 2000). It is unlikely that non-financial disclosure has developed to keep up with the change in technology. The reason for this slow change is that the International Integrated Reporting Council (IIRC) views technology as an "enabler of, rather than a prerequisite for, the preparation of an integrated report" (IIRC, 2013, 44). Despite the link between technology and non-financial disclosure, this study does not focus on the effects of big data and the internet on non-financial disclosure.

Integrated reporting was also introduced to increase the amount of non-financial disclosure in order to provide users with the information that they deem to be useful (Soyka, 2013). It was expected to break down communication and reporting silos by providing more than historical financial information (IIRC, 2013). It was expected to be a bridge between traditional accounting and the needs of stakeholders to maintain coherence between stakeholders and the organisation (Dumay, Bernardi, Guthrie, and Demartini, 2016). To maintain coherence between the stakeholders and the organisation, the integrated report should have a degree of comparability that results in consistency in how the integrated report is prepared (IIRC, 2013).

The current reporting framework as set up by the IIRC (2013) is principles-based. An alternative reporting framework would be rules-based which some have argued might result in more coherent non-financial disclosure (IIRC, 2013). The principles-based approach has been argued to result in the lack of structure on how the integrated reports are prepared (Wilmshurst, 2000). The lack of structure within national regulation on integrated reporting has resulted in organisations adding pictures of corporate social responsibility initiatives to pages of the integrated report (Wilmshurst, 2000). This is due to organisations being granted the freedom to decide what will be included in the integrated report (Wilmshurst, 2000). These pictures do not illustrate to the various stakeholders the objective of integrated reporting as required by the IIRC (2013), which is, how value is created over time (Abeysekera, 2013). This, in turn, has reduced the reliability, materiality and comparability of information within the integrated report as required by The Conceptual Framework of Financial Reporting (IASB, 2010).

Despite criticism, the integrated report is still considered a viable tool that management uses to communicate with its stakeholders in order to maintain stakeholder relationships. Therefore, in this study, business-stakeholder relationships were explored based on the non-financial disclosure in integrated reports (Soyka, 2013). The integrated report has been established as a tool that organisations use to convey the outcomes of their undertakings to stakeholders (Freeman, Harrison, and Wicks, 2007). However, it is critical to note that different countries apply different integrated reporting standards because they have to report to different types of stakeholders. Hofstede (1983) asserts that regional and national differences are still prevalent in multinational organisations. The behaviour of managers and preparers of financial information is influenced by the country they are working within (Hofstede, 1983). Porter (1996), also asserts that organisations have not evolved beyond countries, which means that countries have an influence on how organisations operate. There is currently no universal model to prepare or present non-financial information (Roberts, 1992). The nationality of an organisation was determined as where the integrated reports are prepared and issued, in line with Hofstede (1983) and Porter (1996).

The focus of this study is developing countries. Furthermore, the study is solely focused on integrated reports in South Africa and India to determine if stakeholder salience is influenced by nationality in developing countries. South Africa and India were selected because both countries have similar political, environmental and socio-economic environments. Furthermore, both South Africa and India are in a post-colonial state. This new state influences how business is conducted and how integrated reporting frameworks are implemented (Abraham, Marston, and Jones, 2015; Dumay et al., 2016; Haji and Anifosowe, 2016). Organisations in these countries have to be more sensitive to the environmental impact of their operations, as well as the socio-economic status of the population when making business decisions (Mawdsley and McCann, 2011). The study replicates the study conducted by Gianfelici et al. (2018). The study conducted by Gianfelici et al. (2018) used the first integrated reports of 64 organisations from the IIRC's database. The original study included developing and developed countries.

1.2. Purpose

The purpose of this study was to investigate the integrated report of listed organisations in South Africa and India to assess the relevance of nationality for stakeholder salience. As stated, this study replicates a study performed by Gianfelici et al. (2018). In their study, they investigated the integrated report to assess the application of the stakeholder salience theory in relation to nationality and industry. Their results indicate that stakeholder salience is not influenced by nationality (Gianfelici et al., 2018).

1.3. Statement of the problem

The allocation of resources is one of the factors that have a significant impact on the application of the stakeholder salience theory (Mitchell et al., 1997). The economic challenges within both South Africa and India are similar (Nayyar, 2016). In South Africa, communicating valuable information to all stakeholders is challenging (Rensburg and Botha, 2014). This is because each stakeholder views different sets of information as valuable (Rensburg and Botha, 2014). For example, a shareholder may be concerned with dividends and investments, whereas, trade unions may be concerned with how much the CEO earns compared to other employees. This means that allocation of resources becomes a crucial element for organisations when selecting which stakeholders are important for value creation (Oliver, 1991). If resources are incorrectly allocated, it may impede the organisation's ability to create value over time. Furthermore, the organisation may invest in projects that are not fruitful because they appeal to the interests of irrelevant stakeholders.

1.4. Research question

This study is specifically aimed to determine the relevance of nationality on the stakeholder salience theory. This is done by analysing the integrated reports of 80 organisations comprising of the top 40 listed companies in the JSE and BSE. In order to identify the effects of the stakeholder salience theory on nationality in developing countries, the research study addressed the following question:

Question: Is stakeholder salience influenced by corporate nationality in developing markets?

Two hypotheses were formulated:
H0 – Stakeholder salience is not influenced by corporate nationality in developing markets**.**
H1- Stakeholder salience is influenced by corporate nationality in developing markets.

1.5. Assumptions

In research, assumptions are defined as beliefs that are necessary to conduct the research but cannot be proved (Simon and Goes, 2013). This report measures the urgency component of the stakeholder salience theory on the basis that a stakeholder "feels" or "believes" that the information is important when organisations disclose more legally required information about a specific stakeholder. This assumption cannot be proved, therefore, the coding instrument used in the study by Gianfelici et al. (2018) is modified by the researcher for this study.

1.6. Limitations and delimitations

Limitations are situations that are outside the control of the researcher and can influence the outcome of the research study as they mainly stem from methodological choices (Simon and Goes, 2013). The entire population of organisations that are listed will not be selected for the research study. The study will also use non-probability sampling. This is a limitation because the results cannot be generalised to the entire population when this type of sample is used. The integrated reports used in this study will be the 2018 integrated reports of the top 40 listed organisations on the Johannesburg Stock Exchange (JSE) and the Bombay Stock Exchange (BSE). The year and requirements for the organisations to be listed limit the population. The results may not be representative of the whole populace of organisations. The study applies content analysis. A limitation of this research technique is that it relies heavily on the quality of the data – in this instance, the integrated reports. The researcher cannot influence the quality of the integrated reports that were investigated in this research study. The practical limitations of this study relate to time and human resources. These are cited as limitations because the researcher does not have control over delays that arise while conducting the study.

Delimitations arise from what the researcher consciously includes or excludes (Simon and Goes, 2013). For the purposes of this research, stakeholders include employees, suppliers, customers, debt holders and investors based on the literature outlined. Stakeholders that do not meet the definitions of traditional stakeholders are classified as “other” stakeholders. Other stakeholders are deemed to be the government and regulatory bodies and customer, environmental, and employee advocates. In terms of employees, the study excludes executive and non-executive directors from the definition of employees. The study focuses only on the integrated reports issued in South Africa and India to assess if nationality has an influence on stakeholder salience. No degree of subjectivity is required when giving a score to each criterion on the measurement tool. This is because the criteria are either met or not met. These criteria are outlined in the Data Analysis Section (Section 3.3). The research study focuses only on South Africa and India because these countries have similar socioeconomic issues, these issues are elaborated on in the Literature Review (Section 2.3).

1.7. Significance of the study

Historically, the primary goal of most organisations has been to maximise profits (Jensen, 2000; Koplin, 1963; Lu, 2011). With an ever-changing economic environment; organisations are now beginning to move towards value maximisation (Jensen, 2000; Koplin, 1963). Organisations can use stakeholder theory to maximise the value of the organisation (Allen, Carletti, and Marquez, 2007; Sundaram and Inkpen, 2004). Managing the complex nature of business-stakeholder relationships is a demanding task for managers (Jensen, 2000; Weber and Marley, 2012). The application of the stakeholder salience theory may mitigate this task for managers (Mitchell et al., 1997; Weber and Marley, 2012).

Organisations are tasked with the duty of having a conscious while they operate, this duty is emphased by the concept of corporate citizenship (IOD, 2016). How organisations choose to allocate resources in order to fulfil the needs of all these stakeholders becomes imperative for the organisations to maintain their legitimacy (Haji and Anifosowe, 2016).

The academic benefit of this study is that it is expected to contribute to the literature on corporate disclosure, particularly in South Africa. This will be achieved by analysing the integrated report and assessing whether there is a link between nationality and stakeholder salience (Gianfelici et al., 2018). Moreover, there is minimal research that is focused on the quality of details reported in annual reports in developing countries (Padia and Yasseen, 2011). The stakeholder salience theory will be explored in order to bridge this gap.

The study is expected to provide a practical benefit to the preparers of financial information on how to allocate resources effectively to create value for the organisation while catering to the needs of salient stakeholders. The research will provide information on whether organisations choose to focus on the right stakeholders when allocating resources. This is because the proper allocation of resources will assist organisations to maximise value.

1.8. Structure of remaining chapters

In this report the literature on the stakeholder salience theory will be discussed in Chapter 2. Firstly, the reasons for introducing the integrated report in South Africa and India will be outlined. This is followed by an overview of the components of the stakeholder salience theory. These components are power, legitimacy and urgency. Stakeholders will be defined and identified. The components of the stakeholder salience theory will be applied to each stakeholder category. The methodology of this study is discussed in Chapter 3. This is followed by the presentation of the results and the discussion thereof in Chapter 4. The report concludes with Chapter 5 in which the main findings and future areas of research are provided.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

This chapter begins with an overview of the literature review strategy followed in this study in Section 2.2. In Subsection 2.3, the concept of the integrated report is discussed as well as the benefits and drawbacks of integrated reporting. The history of integrated reporting in South Africa and India is also outlined. Ultimately, comparisons are drawn between the integrated reporting framework in South Africa and India. The concept of 'nationality' is defined since this is a key concept in this research. The focus of Section 2.4 is on stakeholder identification and categorisation. In Section 2.5, the components of stakeholder salience theory, namely, power, legitimacy and urgency are defined and applied to each stakeholder category. In the final section of this chapter a summary of the literature review is provided.

2.2. Literature review strategy

A literature review assists the researcher to gain an understanding of the significance of the problem and generate ideas on how to solve the problem and identify areas of future research (Hart, 1998). The purpose of this literature review is to outline the integrated report as a tool to quantify and measure the stakeholder salience theory (Gianfelici et al., 2018). (Gianfelici et al., 2018) A systematic literature review was conducted to critically identifyi, collect and analyse the relevant research before formulating the research question (California, 2018; Engelbrecht, Yasseen, and Omarjee, 2018). The literature reviewed relates to the integrated report and the stakeholder salience theory. The researcher outlined the background, benefits and drawback of the integrated report in general and in the context of both South Africa and India. From this, a comparison was drawn between South Africa and India. Stakeholders were defined and the literature on stakeholder identification was applied and customers, suppliers, debt holders, investors and 'other' stakeholders were identified. The researcher provided an in-depth analysis of the stakeholder salience theory through analysis of the aspects of power, legitimacy and urgency and application to stakeholders. The sources used in this literature review are journal articles, the IIRC (2013), King I, II, III and IV and the NVGs. The literature review covers literature which is related to the hypotheses developed in this study.

2.3. The integrated report

2.3.1. Introduction of integrated reporting

The International Framework for Integrated Reporting was introduced in December 2013 by the IIRC (2013). The concept of integrated reporting was introduced as a response to societal pressures for organisations to provide information that is useful to all stakeholders (Dumay et al., 2016). These pressures arise from both South Africa and India being in a post-colonial state (Abraham et al., 2015; Dumay et al., 2016; Haji and Anifosowe, 2016). The issues of poverty alleviation, unemployment and investor confidence resulted in society requiring more than mere profitability from organisations (Dumay et al., 2016). Integrated reporting was expected to be a solution for the deficiencies in traditional financial reporting which focuses primarily on providers of financial capital (Dumay et al., 2016).

The concept of integrated thinking was introduced through the integrated report to make businesses think about how they create value in the short-, medium- and long term (IIRC, 2013). The report was expected to have, ”a single model approach to combining the financial and various forms of non-financial disclosure” (IOD, 2009, p. 108). This hybrid method of reporting was created for organisations to have a guideline to disclose information that is pertinent to stakeholders and provides information on value-creation (Eccles, 2010; Padia and Yasseen, 2010). The information is mandated to be concise and complete (IIRC, 2013).

2.3.2. Benefits of integrated reporting

Haji and Anifosowe (2016) note that integrated reporting has benefits for organisations and users. The benefits received by the organisation can be classified into three categories; internal, external and regulatory (Haji and Anifosowe, 2016). One of the internal benefits of integrated reporting is that organisations can obtain a better understanding of their financial and non-financial models (Haji and Anifosowe, 2016). A thorough understanding of these models assists organisation to identify weaknesses and make better financial and nonfinancial decisions (Dumay et al., 2016). This internal benefit translates to the external benefit of organisations being able to provide valuable information that can have a positive impact on the value of the organisation (Haji and Anifosowe, 2016; Holt, Yasseen and Padia, 2015; Melloni, Caglio, and Perego, 2017). By being aware of the non-financial impact of the organisation’s operations, organisations are able to effectively manage their compliance with other legislation (Haji and Anifosowe, 2016). This results in reduced non-compliance penalties which, in turn, increase profits. The organisation also benefits by positioning itself as a good corporate citizen in society.

The benefits of integrated reporting for users are related to the fact that user have access to information about how the organisation uses various types of resources to create value (Haji and Anifosowe, 2016). This information is supposed to be easy to understand per the recommendation of the IIRC (2013). Users receive this benefit in different ways depending on whether the integrated reporting disclosure is voluntary, semi-mandatory or mandatory (Abraham et al., 2015; Stubbs and Higgins, 2018).

Voluntary disclosure is beneficial for users because it encourages flexibility and allows organisations to learn from each other (Abraham et al., 2015; Stubbs and Higgins, 2018). Without strict rules to adhere to, organisations are likely to produce reports that are relevant to stakeholders (Melloni et al., 2017; Stubbs and Higgins, 2018). A semi-mandated integrated reporting disclosure paradigm fosters a higher degree of disclosure by organisations (Stubbs and Higgins, 2018). This can be achieved by governments finding the correct amount of minimum disclosure to encourage organisations to disclose more than what is required (Abraham et al., 2015; Stubbs and Higgins, 2018). With limited regulatory influence, organisations are likely to focus on how their disclosure will meet the needs of stakeholders instead of making it a tick-box exercise (Stubbs and Higgins, 2018). If integrated reporting is fully mandatory; it outlines clear rules for compliance (Stubbs and Higgins, 2018). Implementation in a mandatory environment is higher provided that there is effective oversight by the government (Abraham et al., 2015)

2.3.3. <u>Drawbacks of integrated reporting</u>

The drawbacks of integrated reporting became more apparent after it was implemented (Melloni et al., 2017). Organisations began to provide disclosure that focused on providers of capital and ignored other stakeholders (Haji and Anifowose, 2016; Stubbs and Higgins, 2018). This is mainly because "the primary purpose of an integrated report is to explain to providers of financial capital how an organisation creates value over time" (IIRC, 2013, p. 4). Organisations are justified to implement an investor focus in their integrated report because of the primary objective in the IIRC (2013). The IIRC (2013) specifically states that when organisations communicate how they created value, the financial interests of investors do not outweigh those of other stakeholders. Unfortunately, this is not sufficient to encourage organisations to apply a holistic stakeholder focus (Cheng, Green, Conradie, Konishi, and Romi, 2014; Haji and Anifowose, 2016; Stubbs and Higgins, 2018).

Another drawback of integrated reporting is the lack of assurance over the integrated report which reduces the reliability of the integrated report (Stubbs and Higgins, 2018; Van Zijl et al., 2017). This lack of assurance can be linked to organisations producing lengthy reports that do not provide substantial information to stakeholders (Melloni et al., 2017; Simnett and Huggins, 2015). Integrated reports are biased towards positive disclosure (Abraham et al., 2015; Haji and Anifowose, 2016; Stubbs and Higgins, 2018). This results in extensive use of impression management techniques to pull attention away from the negative outcomes of the organisation's operations (Fernando and Lawrence, 2014; Haji and Anifowose, 2016, Yasseen, Moola-Yasseen and Padia, 2017). Possible impression management techniques that may be used are thematic content and verbal tone manipulation (Melloni et al., 2017). Thematic manipulation entails organisations limiting the disclosure of negative outcomes or exaggerating positive outcomes of their operations (Richard, Fisher, and Staden, 2015). An example of this is how organisations use pictures related to their corporate social responsibility initiatives in the integrated report to conceal that they have not met the objectives set out by the IIRC (2013). Verbal tone manipulation is present when organisations use complex terminology to reduce the stakeholder's ability to interpret the disclosure (Cho, Roberts and Patten, 2010). Corporate disclosures with verbal tone manipulations are more likely to have more optimistic verbiage and limited certainty (Cho et. al. 2010). As a result, organisations may not act on changing negative outcomes of their operations (Stubbs and Higgins, 2018). A voluntary integrated reporting framework may not result in desirable governance outcomes which is not in the best interest of stakeholders (Abraham et al., 2015)

2.3.4. <u>Legitimacy theory</u>

Integrated reporting enhances the organisation's reputation and legitimacy (Ditlevsen et al., 2013; Haji and Anifowose, 2016; Van Zijl et al., 2017). The disclosure of non-financial information manages stakeholder expectations and depicts conformity with societal norms (Deephouse and Suchman, 2008; Loate, Padia, and Maroun, 2015). The need for conformity arises as a result of a social contract between organisations and society (Ditlevsen et al., 2013). The social contract can consist of legal requirements (explicit terms) and societal expectations (implicit terms) (Fernando and Lawrence, 2014).

Legitimacy theory is defined as organisational actions and practices resulting from societal expectations (Fernando and Lawrence, 2014; Haji and Anifowose, 2016). There are three levels to the application of legitimacy theory (Deephouse and Suchman, 2008; Meyer and Rowan, 1977). The first level comprises of symbolic actions through impression management (Haji and Anifowose, 2016). These actions are only superficial and do not bring about any actual change (Haji and Anifowose, 2016). Impression management techniques such as thematic content and verbal tone manipulation have been identified as drawbacks of integrated reporting (Fernando and Lawrence, 2014). It has been established that these impression management techniques do not encourage organisations to bring about change that is in the best interest of stakeholders (Abraham et al., 2015).

The second level of legitimacy theory refers to instances where organisations acknowledge that there is a need to resolve societal issues but only perform ceremonial actions (Haji and Anifowose, 2016). These ceremonial actions may be in the form of extensive disclosure in the integrated report (Fernando and Lawrence, 2014). Although the disclosures may be in compliance with the integrated reporting framework, it does not mean that they result in any substantial action (Haji and Anifowose, 2016). These actions do not result in societal issues being resolved (Haji and Anifowose, 2016). The third level of legitimacy theory relates to instances where organisations make a significant change in their operations in response to regulatory requirements and societal expectations (Haji and Anifowose, 2016). The integrated reporting framework is meant to assist organisations to reach the third level of legitimacy theory.

2.3.5. Integrated reporting in South Africa

South Africa was the first country to mandate the integrated report in the annual report of listed organisations through the introduction of the King Code Report on Corporate Governance in 1994 (Dumay et al., 2016; Melloni et al., 2017). Haji and Anifowose (2016) believe that integrated reporting was introduced to South Africa to appeal to international investors, increase the inflow of foreign direct investment and enhance the global competitiveness and reputation of local organisations. This is evidenced by the positive link between the quality of integrated reports and the market value of South African organisations that implemented integrated reporting (Melloni et al., 2017). The nobility in introducing integrated reporting was to reduce corruption and mitigate the apartheid social injustices (Haji and Anifowose, 2016).

The introduction of the King I, was exceptional because of its stakeholder inclusive approach (Dumay et al., 2016). The goal of King I was to build a roadmap in the private sector to follow the post-apartheid democratic landscape of the country (Dumay et al., 2016). In 2002, King II was introduced. The framework introduced the idea of integrated sustainability reporting. King II was adapted to give context on how organisational operations affect the environment (Dumay et al., 2016).

In 2009, King III was rolled out with a focus on both sustainability and financial performance (Dumay et al., 2016). An outstanding feature of this was the concept of “apply or explain”. The corporate governance landscape was allowing organisations to have flexibility in what they disclose. King III was the first instance of a semi-mandated integrated reporting environment in South Africa (Stubbs and Higgins, 2018). This flexibility fostered corporate commitment and dedication (Stubbs and Higgins, 2018). The fact that reporting requirements are compulsory for organisations listed on the JSE resulted in a higher degree of compliance (Stubbs and Higgins, 2018).

In 2016, King IV was introduced and it replaced King III entirely (Dumay, Bernardi, Guthrie, and La Torre, 2017). Distinguishing features of King IV are its principles and outcomes-based approach which require organisations to apply and explain how they meet the principles set

(Dumay et al., 2017; Governance and King, 2016). The "apply and explain" approach indicates a mandated approach to integrated reporting (Stubbs and Higgins, 2018). This research tests the application of the King IV report for organisations listed on the JSE to measure the urgency component of the stakeholder salience theory.

2.3.5. Integrated reporting in India

The economic liberalisation of India in the early 1990s' brought about changes in the Indian financial sector (Chakrabarti and Kagade, 2018). Early development in Indian corporate legislation included the development of the Securities and Exchange Board of India Act, 1992 which protected investors (Chakrabarti and Kagade, 2018; Faujdar, 2011). Integrated reporting was introduced in India as a response to institutional forces in the form of poverty alleviation, increasing investor confidence and navigating the corporate landscape of the newly liberated India (Abraham et al., 2015). The first endeavour was the development of the Code of Desirable Corporate Governance in April 1997 (Chakrabarti and Kagade, 2018; Faujdar, 2011). Following this, committees were established to promote and raise standards of corporate governance in listed organisations (Chakrabarti and Kagade, 2018, p. 4). In order to achieve this goal, the listing requirements of Indian organisations were amended to include Clause 49, a voluntary code following the "comply or explain" approach (Sen, 2004). Clause 49 was the first instance of a semi-mandatory approach to integrated reporting (Stubbs and Higgins, 2018).

The Enron Scandal promoted a paradigm shift in corporate governance laws (Chakrabarti and Kagade, 2018; Rajan and Pahal, 2012). The amendments to corporate governance laws encompassed the evaluation of existing practices and improvements in existing practices (Faujdar, 2011; Peters, April, Shockley, and Dhamija, 2007). The recommendations included:;

- Making directors fiduciaries of the company;
- Appointing only non-executive directors on the audit committee that are financially literate with at least one with accounting and financial management expertise;
- Providing whistle-blowers a direct line to the audit committee to improve efficiency; and

- Requiring the audit committee to approve related party transactions (Chakrabarti and Kagade, 2018; Peters et al., 2007; Rajan and Pahal, 2012).

The amendments also included means to mitigate the conflict of interest between organisations and auditors (Chakrabarti and Kagade, 2018; Rajan and Pahal, 2012). In implementing this, audits were disqualified if there were any business relationship with the organisation, or a personal relationship with a director alongside the provision of non-audit services (Faujdar, 2011; Rajan and Pahal, 2012, p. 3)

The Satyam Scandal resulted in changes in the Indian Companies Act (Chakrabarti and Kagade, 2018; Faujdar, 2011; Rajan and Pahal, 2012). In response to this, India began to implement a mandatory approach to integrated reporting (Stubbs and Higgins, 2018). The new Companies Act defined what an independent director is; it introduced limitation of liability for non-executive directors; and explicitly defined the duties of all directors (Chakrabarti and Kagade, 2018; India, 2013). The Companies Act mandates that directors have to consider the interests of employees, communities and the environment alongside those of shareholders (Chakrabarti and Kagade, 2018, p. 10; India, 2013). The Act defined related party transactions and placed strict restrictions on approval of related party transactions (Chakrabarti and Kagade, 2018; India, 2013). Other amendments made to corporate legislation includes executive remuneration, auditors, mergers and acquisitions, class action law suits and tribunals and authorities (Chakrabarti and Kagade, 2018; India, 2013)

The increase in foreign direct investment brought about a need for organisations to produce high-quality reports on how they used resources (Abraham et al., 2015; Peters et al., 2007). Over time, integrated reporting became compulsory for all listed organisations (Chakrabarti and Kagade, 2018; Rajan and Pahal, 2012). The Indian government enforces stringent penalties for non-compliance with corporate governance requirements (Abraham et al., 2015). The penalties resulted in higher quality disclosure (Abraham et al., 2015). It is important to note that organisations still provide more positive disclosure even with penalties in place (Abraham et al., 2015; Rajan and Pahal, 2012).

In 2011, India released the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs) as part of their integrated reporting framework (IICA, 2009). The objective of these guidelines is to promote responsible business practices in order to encourage economic growth that is socially and environmentally sustainable (IICA, 2009). The application of the NVG is mandated for the top 100 listed organisations in India by the Securities Exchange Board of India (SEB). The “apply or explain” approach is required when preparing the integrated report (IICA, 2009).

2.3.6. Comparison between South Africa and India

The integrated reporting paradigm in South Africa is similar to that of India. Firstly, because integrated reporting was introduced as a response to market forces rather than corporate scandal in both India and South Africa (Abraham et al., 2015; Haji and Anifowose, 2016; Dumay et al., 2016). Secondly, quality integrated reporting is crucial in both countries to retain and encourage foreign investment (Abraham et al., 2015; Haji and Anifowose, 2016). Thirdly, integrated reporting is compulsory in both South Africa and India (Abraham et al., 2015; Melloni et al., 2017; Stubbs and Higgins, 2018). Furthermore, there is evidence of a positive impact on the market value of organisations that implement the integrated reporting framework (Abraham et al., 2015; Melloni et al., 2017). As a result, a comparison can be made between South Africa and India because the factors that influence the integrated reporting landscape in each country are similar (Barney, 1991).

2.4. Nationality

The concept of nationality is a key component for this research, this study assesses if nationality has an influence on the stakeholder salience theory. In order to determine the nationality of an organisation, the economic theory of multinationals was developed in the 1960's by Stephen Hymer (Buckley & Casson, 1985), it focused on the nation of operations as the starting point for determining organisational nationality (Jones, 2006). From a tax perspective, the South African tax legislation uses permanent establishment rules as a key determinant of whether an organisation is liable for tax (De Koker, Williams, & Silke, 2011). This is similar to the Indian tax legislation which determines that a country that is has a permanent establishment in India is taxable (Nakayama, 2012). The definition of permanent establishment in the context of India focuses on whether the profits have a "business connection" which refers to the real economic operations of the entity (Nakayama, 2012). The definition of a permanent establishment in South Africa focuses on a fixed place of business through which the business of an enterprise is wholly or partly carried (De Koker et. al., 2011). The South African definition also includes where management decisions are made, which is similar to India's "business connection" criteria (De Koker et. al., 2011, Nakayama, 2012).

From a financial accounting perspective, the nationality of a company in terms of IFRS can be linked to the concept of the functional currency (IASB, 2010). This is defined in IAS 21 as the currency of the primary economic environment in which the entity operates (IASB, 2010). From a tax and financial accounting perspective, the research concludes that the nationality of an organisation is based on where the real economic activity occurs.

Business operations are closely linked to management behaviour as they are the ones behind the operating decisions. The behaviour of managers and prepares of financial information is influenced by the country that they are preparing integrated reports in (Hofstede, 1983). Therefore, the study concludes that corporate nationality is based on where the integrated reports are prepared and issued, in line with Hofstede (1983).

2.4. Stakeholder identification

In developing the stakeholder salience theory, Mitchell et al. (1997) cited the "Principles of Who and What Really Counts" by Freeman (1994). Freeman's (1994) broad definition of a stakeholder brought into question the normative theory of stakeholder identification and the descriptive theory of stakeholder salience. The ultimate goal of the stakeholder salience theory is to reliably distinguish stakeholders from non-stakeholders (Mitchell et al., 1997).

Freeman (1984) describes a shareholder as any group or individual who can affect or is affected by the achievement of the organisation's objectives. This broad definition means that anyone can be a stakeholder (Burns, Barney, Angus, and Herrick, 2016). The flaw in this definition is that it does not identify who these groups are, how many of these groups exist and how do they determine what affects them (Phillips, 2003).

In order to narrow down this broad definition of a stakeholder, Burns et al. (2016) restricted stakeholders to individuals and groups that provide resources to an organisation expecting a return. Stakeholders are restricted to employees, suppliers, customers, debt holders and shareholders. These are known as *traditional* stakeholders.

Boesso and Kumar (2009) bring more depth to the description of who stakeholders are. They separate the shareholding stakeholders from the non-shareholding stakeholders. These disparate groups (non-shareholding stakeholders) may not benefit from the organisation through a return on their investment (Boesso and Kumar, 2009). This does not mean that disparate groups have no influence over the organisation (Boesso and Kumar, 2009). Donaldson and Preston (1995) distinguish between actors and influencers by stating that; some stakeholders have no influence and some influencers have no stake. Regardless of that, they can assist organisations in identifying the needs of society at large (Boesso and Kumar, 2009). Other stakeholders, for example, the society at large, are considered to be included as a manner of consequence according to Burns et al. (2016) and Freeman and Reed (1983).

Employees are classified as non-shareholding stakeholders for the purposes of this research study. Employees have a dual influence on the operations of the organisation (Mäkelä, 2013). They influence the organisation as either human resources or intellectual capital. Classifying employees as intellectual capital detaches the human aspect of their contribution to the organisation (Mäkelä, 2013). It can be argued that integrated reporting was introduced to mitigate the ethical concerns of how employee contributions are disclosed in traditional accounting (Mäkelä, 2013).

Currently, organisations that operate in different industries will report to different stakeholders (Azzone, Brophy, Noci, Welford, and Young, 1997). There is evidence that 'traditional stakeholders' are deemed to be more important than peripheral stakeholders (Freeman and Reed, 1983; Martínez_Ferrero, Ruiz_Cano, and García_Sánchez, 2016). For the purposes of this research, non-traditional stakeholders are classified as 'other' stakeholders.

From the definition by Freeman (1984), it is clear that a stakeholder is not just an individual or a group of individuals. Stakeholders can also include broad aspects like the natural environment because it has an impact on how the organisation conducts its affairs (Freeman, 1984). Contrary to this view, the definition of stakeholder by Burns et al. (2016) excludes the natural environment. This is because the natural environment cannot be a stakeholder as it cannot voluntarily accept benefits nor enact moral duties (Burns et al., 2016). This does not fully exclude the natural environment because a legitimate stakeholder can act on behalf of the natural environment (Freeman, 1984).

Stakeholder	**Definition**
Customer	An individual or organisation that buys goods and/or services from an organisation (Majava, Nuottila, Haapasalo, and Law, 2013; Woodward, Edwards, and Birkin, 1996).
Employee	A person who works for an organisation in order to earn compensation (Balyan, 2011; Woodward et al., 1996). For the purposes of this research employees exclude executive members and non-executive members of the board of directors.
Debt holder	The holder of a financial instrument with the right to receive payments that reduce the principal amount (Freeman, 1984; Woodward et al., 1996).
Investor	An individual or organisation that contributes money to an organisation with the expectation of a financial return (Woodward et al., 1996).
Supplier	An individual or organisation that sells goods and/or services to an organisation (Freeman, 1984; Phillips, 2003; Woodward et al., 1996).

Other	Stakeholders that do not fall under any of the above-mentioned definitions.

2.5. Stakeholder salience

Stakeholder salience is the degree to which managers give priority to competing stakeholders (Mitchell et al., 1997). The definition of stakeholder salience is based on power, legitimacy and urgency. It is upon these components that management will choose which stakeholders are important to the organisation in terms of allocation of resources and aligning the performance of the organisation to stakeholder needs (Mitchell et al., 1997).

The three pillars in the stakeholder salience theory were developed by assessing stakeholders that had the power to influence the organisation, the legitimacy of the stakeholder's relationship with the organisation and the urgency of the stakeholder's claim on the organisation (Mitchell et al., 1997). When applying this typology an assessment has to be made of what stakeholders exist and how managers respond to the existence of these stakeholders (Phillips, 2003).

2.5.1. Power

Power is defined in the Oxford dictionary as the ability to control people or things (Stevenson, 2010). Power is intangible, even though it can be defined in terms of the English language and other disciplines (Mitchell et al., 1997). Stakeholder power is defined as the degree to which stakeholders control resources that can influence the operations of an organisation (Roberts, 1992).

The resources held by stakeholders result in three main categories of power: voting, political, and economic (Freeman and Reed, 1983; Lahouel, Peretti, and Autissier, 2014). Stakeholders have voting power if they can use their voting rights to influence decisions made by the organisation (Freeman and Reed, 1983; Lahouel et al., 2014). An example of voting power is the shareholding. Stakeholders have political power if they can use regulation to influence decisions made by the organisation (Freeman and Reed, 1983; Lahouel et al., 2014). An example of political power is legislation and protesting. Stakeholders have economic power if they can use economic resources to influence decisions made by organisations (Freeman and Reed, 1983; Lahouel et al., 2014). An example of economic power is the spending capacity of customers. Economic power can be further elaborated using Porter's five forces. Based on the type of resource a stakeholder has, power can be forced (coercive power); it can be based on strategic resources (utilitarian power); or it can be based on certain values (normative power)

(Etzioni, 1964). It is from this theoretical framework that the research assesses how the stakeholders identified have a “stake” in an organisation.

2.5.1.1. Customer

Customers can use their economic resources in order to influence organisations (Freeman and Reed, 1983; Lahouel et al., 2014). The use of these economic resources is defined as the customer’s bargaining power (Porter, 2008). Customers can use their economic resources to influence production, ethical sourcing of resources and applying environmentally friendly practices. Customers, therefore, have economic power over the organisation. As customer bargaining power increases, the economic power of customers increases (Lahouel et al., 2014) Customers spend based on the types of values that they uphold (Majava et al., 2013). The economic power of customers is further categorised as normative power because it is based on values (Etzioni, 1964).

2.5.1.2. Employee

Employees provide intellectual and human capital to the organisation (Mäkelä, 2013). Employees have political power because they can protest to influence the decisions of organisations (Freeman and Reed, 1983; Lahouel et al., 2014). Employees can also influence legislation which affects how organisations conduct business (Freeman, 1984). Employees, therefore, have political power over the organisation (Freeman and Reed, 1983; Lahouel et al., 2014).

Based on the definition of economic power by Lahouel et al. (2014) and Freeman and Reed (1983), employees have economic power over the organisation. This is because employees can demand a higher wage which influences the input costs of the organisation (Freeman, 1984). Employees can be categorised as suppliers of the organisation because they supply human and intellectual capital (Mäkelä, 2013). When employees demand a higher wage to influence the organisation they have bargaining power over the organisation (Porter, 2008). The political power and economic power of employees is further categorised as normative power because it is based on values (Etzioni, 1964).

2.5.1.3. Debt holder

Banks and other credit facilities provide organisations with economic resources that the organisations need to operate effectively (Freeman, 1984). Based on the definition of economic power by Lahouel et al. (2014) and Freeman and Reed (1983), banks have economic power over the organisation because they hold economic resources required by organisations. Organisations require long term funding from credit providers in order to fund long term projects (Roberts, 1992). These long-term projects are required to achieve the organisation's long term strategic goals (Freeman, 1984; Roberts, 1992). The economic power of banks is further categorised as utilitarian power because the funding is used for strategic purposes (Etzioni, 1964).

2.5.1.4. Investor

Based on the definition of voting power by Lahouel et al. (2014) and Freeman and Reed (1983), investors have voting power over an organisation. Investors acquire voting power by buying shares in the organisation (Freeman, 1984). Investors can use their voting power to influence the long-term projects taken up by the organisation (Freeman, 1984). The voting power of investors is further categorised as utilitarian power because organisations rely on the consent of investors to achieve strategic objectives (Etzioni, 1964).

2.5.1.5. Supplier

Suppliers provide organisations with inputs that the organisation needs to make products (Freeman, 1984). This means that suppliers have economic power (Lahouel et al., 2014; Freeman and Reed, 1983). The economic power of suppliers is defined as the supplier bargaining power (Porter, 2008). Suppliers have the ability to charge higher prices which influences the profitability of the organisation (Porter, 2008). Suppliers may offer products that are differentiated, scarce or of high quality (Porter, 2008). The ability to charge higher prices is based on the type of goods or services offered by the supplier (Porter, 2008). Profit maximisation is a key element for suppliers (Porter, 2008). In order to achieve profit maximisation suppliers uphold certain values which are translated in how they produce goods or provide services (Lahouel et al., 2014). The economic power of suppliers is classified as normative power (Etzioni, 1964).

2.5.1.6. Other

Society can influence organisational decisions by influencing regulations introduced (Freeman, 1984). Society has influenced the introduction of the King Code in South Africa and the NVGs in India. Society, therefore, has political power over the organisation (Freeman and Reed, 1983; Lahouel et al., 2014). The political power of society over organisations is as a result of the values upheld by society (Freeman and Reed, 1983; Lahouel et al., 2014). The political power of society is classified as normative power (Etzioni, 1964).

The government (including regulatory bodies) can influence the operations of an organisation by creating and implementing legislation that mandates how the organisation should operate (Roberts, 1992). The legislation implemented by governments indicates that governments have political power over organisations (Freeman and Reed, 1983; Lahouel et al., 2014). Governments can also impose penalties to encourage organisations to comply with laws and regulations (Abraham et al., 2015). The penalties imposed by governments can influence the profitability of an organisation (Abraham et al., 2015). Governments, therefore, have economic power over organisations (Freeman and Reed, 1983; Lahouel et al., 2014). The political power and economic power of governments are further categorised as normative power because the political and economic power of governments over organisations are based on values (Etzioni, 1964).

Customer, environmental and employee advocates can influence the implementation of laws to protect customers, the environment and employees (Burns et al., 2016; Lahouel et al., 2014). the laws and regulations introduced have a direct impact on the operations of an organisation (Freeman and Reed, 1983; Lahouel et al., 2014). The influence they have on laws and regulations is political power (Freeman and Reed, 1983; Lahouel et al., 2014). The political power of customer, environmental and employee advocates is further categorised as normative power because the political power of other stakeholders is based on the values that they uphold (Etzioni, 1964). The power that each stakeholder has over the organisation is measured in terms of utilitarian and normative power (Etzioni, 1964). The theory used to measure these components of power is elaborated on in the Data Analysis section (Section 3.3).

2.5.2. Legitimacy

Legitimacy is defined by Mitchell et al. (1997) as the common perception that a specific interest is important and as a result, worthy of protection. The organisation gains social acceptance by protecting specific interests (Van de Ven, 2005). Santana (2012) defines legitimacy as a social good that can be categorised and negotiated differently. Stakeholder legitimacy was previously believed to only exist when a stakeholder has power (Freeman, 1984). Santana (2012) states that legitimacy and power are separate attributes and legitimacy can exist without power.

Moral legitimacy is an essential condition of stakeholder status. Researchers agree on the importance of legitimacy in stakeholder theory (Donaldson and Preston, 1995; Freeman, 1984; Mitchell et al., 1997; Phillips, 2003). However, insufficient research exists on how to quantify legitimacy (Phillips, 2003). The issue with qualifying legitimacy lies in the fact that there are various types of legitimacy (Phillips, 2003). The research analyses stakeholder legitimacy in terms of normative, derivative and social legitimacy.

Normative legitimacy is based on moral obligations (Freeman, 1984; Phillips, 2003). Normative legitimacy exists within normative systems which emphasise morality (Santana, 2012). These moral obligations are based on the actions of the parties involved within the sphere of private associations (Phillips, 2003). An organisation has a moral obligation towards some stakeholders because they are human beings (Freeman, 1984; Van de Ven, 2005). A drawback of normative legitimacy is that morality is not universally agreed upon (Phillips, 2003; Van de Ven, 2005). Normative legitimacy cannot be effectively applied to assess stakeholder legitimacy in multinational organisations (Phillips, 2003). As a result, the research applies normative legitimacy based in how a stakeholder can effect an obligation to an organisation.

Derivative legitimacy is based on the power that other stakeholders have to influence stakeholders that have normative legitimacy (Phillips, 2003). Derivative legitimacy exists within regulatory systems which emphasise conforming with rules (Santana, 2012).
Stakeholders that possess normative legitimacy have a direct influence on the organisation (Phillips, 2003). Stakeholders that have derivative legitimacy have an indirect influence on the organisation (Santana, 2012). Their influence is indirect because it is based on an obligation owed to stakeholders that have normative legitimacy (Phillips, 2003). Derivative legitimacy is interpreted in a managerial sense (Phillips, 2003). Because it is interpreted in a managerial sense, managers are likely to respond to their needs (Phillips, 2003).

Social legitimacy is “a composite perception by the focal organisation’s management of the legitimacy of the stakeholder as an entity, legitimacy of the stakeholder’s claim, and legitimacy of the stakeholder’s behaviour at a certain point in time” (Santana, 2012, p. 258). In short, social legitimacy is created by management (Santana, 2012). The nature of social legitimacy is that it varies over time (Santana, 2012). Social legitimacy exists within cultural cognitive systems which emphasise a common frame of reference (Santana, 2012). A drawback of stakeholder legitimacy is that it does not consider cultural diversity (Van de Ven, 2005). The research will examine social legitimacy in terms of the elements of stakeholder legitimacy.

The three elements of stakeholder legitimacy are: the legitimacy of a stakeholder as an entity; the legitimacy of the stakeholder’s claim; and the legitimacy of the stakeholder’s behaviour

(Santana, 2012). The legitimacy of the stakeholder as an entity is influenced by society (Santana, 2012). For a stakeholder to be legitimate as an entity, they have to be seen as legitimate by the organisation and society (Santana, 2012). The legitimacy of a stakeholder's claim is determined at an inter-organisational level (Santana, 2012). A stakeholder can only have a legitimate claim when then possess the right to something

(Santana, 2012). This right gives the stakeholder a claim in the organisation (Santana, 2012). The legitimacy of a stakeholder's behaviour is based on the stakeholder's action or behaviour relating to a particular claim (Santana, 2012).

For each type of legitimacy, the organisation has an obligation to a stakeholder (Freeman, 1984; Phillips, 2003; Santana, 2012). An organisation has an obligation to a stakeholder when it voluntarily accepts and recognises the stakeholder's contributions (Phillips, 2003).

The recognition of the stakeholders' contributions can be formal or informal (Fernando and Lawrence, 2014; Freeman, 1984; Woodward et al., 1996). The recognition can be in the form of consent, a promise or a contract (Phillips, 2003). Formal contributions are legally defined and are based on contracts (Woodward et al., 1996). Informal contributions are communal and based on morality (Woodward et al., 1996). Whether the recognition is formal or informal, the obligation only exists within the relationship between the organisation and the stakeholder (Phillips, 2003).

Literature shows that non-financial disclosure is critical for a stakeholder to be seen as legitimate (Boesso and Kumar, 2009; Weber and Marley, 2012). When an organisation acknowledges the existence of a certain stakeholder, they imply that the specific stakeholder's needs are important (Mitnick, 2000). When the organisation does not disclose information relating to specific stakeholders, it implies that the organisation is not concerned with them (Mitnick, 2000). The coding tool used in Data Analysis (Section 3.3) aligns with this literature.

2.5.2.1. Customer

Customers expect quality and safe products from the organisation (Woodward et al., 1996). The relationship between customers and the organisation is primarily contractual because the sale of products has to abide by legislation (Phillips, 2003; Woodward et al., 1996).

Although the organisation has a moral obligation to meet the customer's expectation on quality, normative legitimacy is not enough to assess the legitimacy of customers because of the existence of legislation. This means that customers are a legitimate entity of the organisation (Santana, 2012).

Customers possess the legal right to receive safe products (Santana, 2012; Woodward et al., 1996). This right means that the customers have a legitimate claim on the organisation (Santana, 2012). Customers have economic power over the organisation (Freeman and Reed, 1983; Lahouel et al., 2014). They can choose to continue or cease the relationship with the organisation based on the quality of the products. The use of the customer's economic power over the organisation means that the customer's behaviour is legitimate to the organisation (Santana, 2012). As such, customers have social legitimacy (Santana, 2012).

2.5.2.2. Employee

Employees expect the organisation to pay remuneration for the services they offer (Woodward et al., 1996). Employees also expect the organisation to provide fair and safe working conditions (Woodward et al., 1996). The relationship between employees and the organisation is primarily contractual because there are employment contracts in place (Phillips, 2003; Woodward et al., 1996). They also have economic power based on their ability to negotiate the remuneration they can receive (Freeman and Reed, 1983; Lahouel et al., 2014). This relationship means that employees are a legitimate entity to the organisation (Santana, 2012).

The organisation has a moral obligation to respect the human rights of its employees (Freeman, 1984; Phillips, 2003; Van de Ven, 2005). This research classifies the respect of human rights as a moral obligation because human rights are not universally agreed upon (Phillips, 2003; Van de Ven, 2005). The organisation has a moral obligation to apply universally agreed-upon standards of human rights even though there is no national law in place (Van de Ven, 2005). Regardless of where the specific human rights apply, these human rights prevail (Van de Ven, 2005). These rights mean that the employees have a legitimate claim over the organisation (Santana, 2012). Employees have political power based on human rights laws and norms (Freeman and Reed, 1983; Lahouel et al., 2014). When employees act based on the power that they have over the organisation, the organisation will see their behaviour as legitimate (Santana, 2012). As such, employees possess normative and social legitimacy.

2.5.2.3. Debt holder

Debt holders expect the organisation to honour their financial obligations and meet other contractual requirements (Woodward et al., 1996). The relationship between the debt holders and the organisation is purely contractual (Woodward et al., 1996). The organisation has a legal obligation to meet the contractual requirements of the loan. This means that debt holders are a legitimate entity to the organisation (Santana, 2012).

There is no element of moral obligation because the relationship is purely contractual (Woodward et al., 1996). As per the definition of normative legitimacy by Phillips (2003), debt holders do not have normative legitimacy. The debt holders have legitimate claims over the organisation (Santana, 2012) and debt holders have economic power over the organisation by virtue of the contract they have with the organisation (Freeman and Reed, 1983; Lahouel et al., 2014). The debt holder's ability to affect their economic power over the organisation means that their behaviour will be deemed to be legitimate (Santana, 2012). Debt holders, therefore, have social legitimacy (Santana, 2012).

2.5.2.4. Investor

The relationship between the organisation and the investor is contractual because the contribution gives the investor a legal right to provide consent or criticism over the operations of the organisation. The relationship means that investors are a legitimate entity to the organisation (Santana, 2012).

Investors have the voting power over the organisation by virtue of the shares they hold in the organisation (Freeman and Reed, 1983; Lahouel et al., 2014). Investors, therefore, have a legitimate claim over their organisation by virtue of their voting power (Santana, 2012). As such, investors have social legitimacy (Santana, 2012).

Organisations have a moral obligation to investors because they increasingly require them to justify their actions (Nielsen and Thomsen, 2018). Investors gain normative legitimacy when they use their voting power to influence environmental and societal decisions made by the organisation (Freeman and Reed, 1983; Nielsen and Thomsen, 2018; Phillips, 2003).

2.5.2.5. Supplier

Suppliers expect the organisation to pay in time in order to maintain the relationship (Woodward et al., 1996). The relationship between suppliers and the organisation is primarily contractual because contract law applies (Phillips, 2003; Woodward et al., 1996).

Although the organisation has a moral obligation to meet the supplier's expectation on timely payment, as per the definition of normative legitimacy by Phillips (2003), suppliers cannot have normative legitimacy. This means that suppliers are a legitimate entity to the organisation (Santana, 2012).

Suppliers have the legal right to receive timeous payments (Santana, 2012; Woodward et al., 1996) and they have a legitimate claim on the organisation by virtue of this right (Santana, 2012). Suppliers have economic power over the organisation based on the bargaining power they have over the organisation (Freeman and Reed, 1983; Lahouel et al., 2014; Porter, 2008). They can choose to continue or cease the relationship with the organisation based on whether the terms of the supply agreement are met (Woodward et al., 1996). The use of the supplier's economic power over the organisation means that the supplier's behaviour is legitimate to the organisation (Santana, 2012). As such, suppliers have social legitimacy (Santana, 2012).

2.5.2.6. Other

The organisation does not owe these stakeholders any moral obligation (Phillips, 2003). There is no contractual relationship between the organisation and these stakeholders (Phillips, 2003). They do not have a stake, yet their actions can influence traditional stakeholders (Donaldson and Preston, 1995). This ability to influence traditional stakeholders means management is more likely to give them attention (Phillips, 2003). As such, other stakeholders have derivative legitimacy.

The government (including regulatory bodies) can influence the behaviour of traditional stakeholders by implementing laws and regulations (Roberts, 1992). The governments have a formal legal relationship with organisations (Roberts, 1992; Woodward et al., 1996). Numerous prior studies have established precedents showing that governments have political power (Abraham et al., 2015; Freeman and Reed, 1983; Lahouel et al., 2014). Governments can use their political power to influence the behaviour of stakeholders. An example of governments exerting power is the introduction of the sugar tax in South Africa to encourage a healthier lifestyle (Escobar, Veerman, Tollman, Bertram, and Hofman, 2013). The decisions made by governments can influence the organisation directly (Freeman, 1984) through the introduction and implementation of laws and regulations. However, the government responds to the needs of society to make their decisions (Becker and Strömberg, 2012). As such, government have derivative legitimacy (Phillips, 2003).

Customer, environmental and employee advocates can influence the implementation of laws to protect customers, the environments and employees (Burns et al., 2016; Lahouel et al., 2014). The advocates have political power over the organisation (Freeman and Reed, 1983; Lahouel et al., 2014). By virtue of their power, the advocates have a legitimate claim over the organisation (Santana, 2012). Customer, employee and employee advocates do not contribute any resources to the organisation (Santana, 2012). As a result, organisations do not owe them any obligations (Santana, 2012). Regardless of this, these advocates are legitimate objects of managerial attention (Santana, 2012). Customer, environmental and employee advocates represent the views of primary stakeholders (Santana, 2012). Advocates do not merit additional managerial attention (Santana, 2012). However, organisations need to co-operate with advocates to improve their efficiency in responding to the needs of primary stakeholders (Santana, 2012). As such, customer, environmental and employee advocates have derivative legitimacy (Phillips, 2003).

2.5.3. <u>Urgency</u>

Urgency is defined in the Oxford dictionary as the quality of needing to be dealt with immediately (Stevenson, 2010). From this definition, the element of urgency is time-sensitive (Mitchell et al., 1997). However, the second part of the definition states that urgency is the feeling or belief that a matter must be dealt with immediately (Stevenson, 2010). This “feeling” or “belief” is derived from an individual being convinced that a matter is highly important (Mitchell et al., 1997). The dictionary definition is in line with Mitchell et al. (1997), where they provided a two-fold definition of urgency. The first element is that the relationship or claim is time-sensitive, the second element is that the relationship or claim is critical to the stakeholder (Mitchell et al., 1997).

Given that time sensitivity is not the only element to determine if a stakeholder has urgency, the second element of the definition will be applied to assess urgency because more disclosure increases information asymmetry (Martínez_Ferrero et al., 2016; Melloni et al., 2017). As such, a stakeholder will be considered to have urgency if there is disclosure specifically to abide by laws and regulations (Martínez_Ferrero et al., 2016; Melloni et al., 2017). This is done in order to reduce the effect of impression management when data is being extracted (Melloni et al., 2017). For the purposes of this study, when organisations disclose more legally required information about a specific stakeholder, the stakeholder “feels” or “believes” that the information is important.

The laws and regulations that the research focuses on is the King Code IV in South Africa and the NVGs in India. These laws and regulations influence the environment the organisation operates in (Boesso and Kumar, 2016).

2.5.4. <u>Categorisation</u>

It is from the components of power, legitimacy and urgency that the stakeholder salience theory was developed (Mitchell et al., 1997). The overlaps between power, legitimacy and urgency results in stakeholders being categorised into 7 types (Mitchell et al., 1997).

Table 1

Seven Categories of Stakeholders

Category	Attributes
1. Definitive stakeholders	Have power, legitimacy and urgency (P/L/U)
2. Dominant stakeholders	Have power and legitimacy (P/L)
3. Dependent stakeholders	Have legitimacy and urgency (L/U)
4. Dangerous stakeholders	Have power and urgency (P/U)
5. Dormant stakeholders	Only have power (P)
6. Discretionary stakeholders	Only have legitimacy (L)
7. Demanding stakeholders	Only have urgency (U)

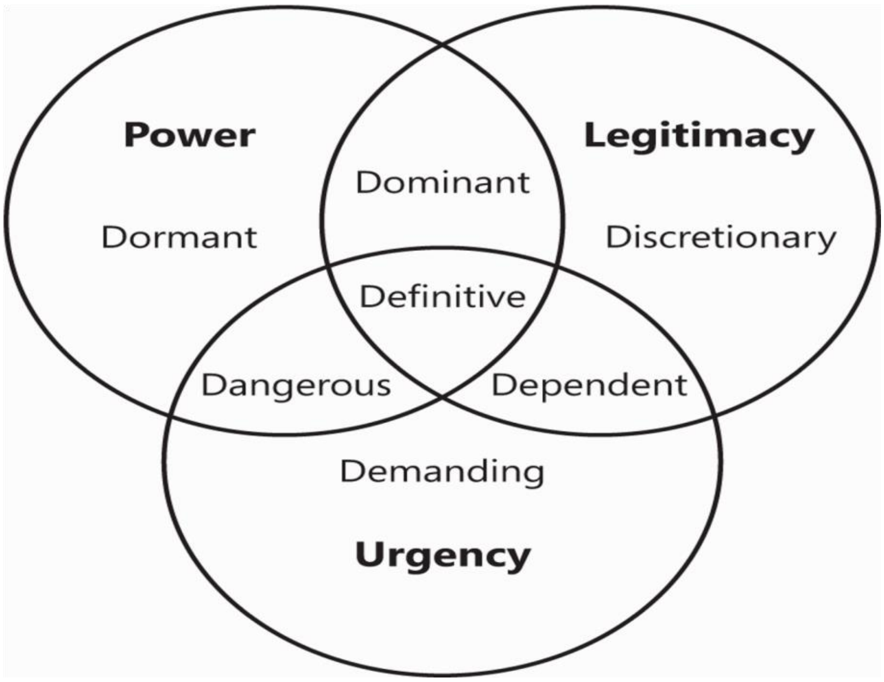


Figure 1: Categories of stakeholders

Original figure by Mitchell et al. (1997, p. 874)

Management has the task of selecting salient stakeholders in order to prioritise their needs (Freeman, Harrison, Wicks, Parmar, and De Colle, 2010). This is done by making the business goals align with the needs of such stakeholders. Ultimately, if this is done correctly, the organisation maximises its ability to create value over time (Donaldson, 1999). Management cannot meet the needs of all stakeholders, therefore, choosing salient stakeholders is imperative to the longevity of an organisation (Harrison and John, 1994).

Stakeholders do not have a common goal, nor do they have the same needs (Neville and Menguc, 2006). Due to the diversity of stakeholder needs, stakeholders may be in conflict with each other (Greenley, Hooley, Broderick, and Rudd, 2004; Sen, Bhattacharya, and Korschun, 2006). The conflicting needs of stakeholders result in organisations being in a position where they must choose which stakeholders have to be prioritised (Gianfelici et al., 2018). The risk is that management may choose to prioritise the wrong stakeholders which could lead to the organisation making losses and losing value over time (Barney, 1991; Oliver, 1991).

There may be stakeholder multiplicity in the sense that the same stakeholder may be able to be categorised in separate stakeholder categories (Neville and Menguc, 2006). The inability to adequately separate stakeholders may result in juxtaposing the needs of completely different stakeholders (Gianfelici et al., 2018; Neville and Menguc, 2006). For example, a shareholder may also be a creditor. The stakeholder salience theory assists in mitigating this issue by categorising stakeholders based on the attributes of power, legitimacy and urgency (Mitchell et al., 1997). This results in organisations knowing which stakeholders to focus on, particularly in the instance of stakeholder multiplicity (Goodpaster, 1991).

An organisation may have limited resources, therefore, they may have to be selective in allocating their resources in order to continue to maximise value (Barney, 1991; Jawahar and McLaughlin, 2001). As a result, managers may face challenges when determining which stakeholders to prioritise in order to maximise value (Oliver, 1991). The core of every organisation is to maximise profits (Jensen, 2000; Koplin, 1963; Lu, 2011). This can be done through co-operating with parties that will support the existence of the organisation. In order to maximise profits, managers will prioritise stakeholders that will help the organisation to achieve its goals (Goodpaster, 1991).

The assertions of Hofstede (1983) and Porter (1996) were applied to define nationality. Defining nationality was important because of the comparison among organisations in different nations. Ultimately, the nationality of an organisation is defined according to where the integrated report is issued.

2.6. Summary

The research study identified that the integrated reporting framework was introduced to respond to market forces rather than corporate scandals in both countries (Abraham et al., 2015; Dumay et al., 2016 Haji and Anifowose, 2016). Quality integrated reporting is compulsory in both countries (Abraham et al., 2015; Melloni et al., 2017; Stubbs and Higgins, 2018). The integrated reporting has a positive impact on the market value of organisations in both countries (Abraham et al., 2015; Melloni et al., 2017).

This was followed by identifying stakeholders based on existing literature. The study established that stakeholder theory is normative and mainly focuses on traditional stakeholders (Freeman and Reed, 1983; Martínez-Ferrero et al., 2016). The concept of stakeholder multiplicity was applied in determining and defining different types of stakeholders (Neville and Menguc, 2006). Ultimately, the research study identified customers, employees, debt holders, investors, suppliers and other stakeholders (Freeman, 1984; Woodward et al., 1996).

The stakeholder salience theory was assessed through defining the aspects of power, legitimacy and urgency and applying to each identified stakeholder category (Mitchell et al., 1997). Stakeholder power is defined as the degree to which stakeholders control resources that can influence the operations of an organisation (Roberts, 1992). These resources result in voting power, economic power and political power (Freeman and Reed, 1983; Lahouel et al., 2014). The use of this power was further condensed to either be utilitarian or normative power (Etzioni, 1964). Utilitarian power is based on strategic resources and normative power is based on certain values (Etzioni, 1964). The literature was applied to determine that debt holders and investors have utilitarian power (Etzioni, 1964). It was also determined that customers, employees, suppliers and other stakeholders have normative power (Etzioni, 1964).

Mitchell et al. (1997) defines legitimacy as the common perception that a specific interest is important and as a result, worthy of protection. Stakeholders can either have normative, social or derivative legitimacy (Freeman and Reed, 1983; Phillips, 2003; Santana, 2012). Santana (2012) states that a stakeholder has social legitimacy if it is a legitimate entity to the organisation, they can have a legitimate claim over the organisation or have legitimate behaviour. For each type of legitimacy, the organisation has an obligation to a stakeholder (Freeman and Reed, 1983; Phillips, 2003; Santana, 2012). An organisation has an obligation to a stakeholder when it voluntarily accepts and recognises the stakeholder's formal or informal contributions (Phillips, 2003). The literature was applied to determine that other stakeholders have derivative legitimacy because they can influence traditional stakeholders. Investors and employees have both normative and social legitimacy (Phillips, 2003). In applying the literature, the study determined that customers, suppliers and debt holders have social legitimacy (Santana, 2012).

Mitchell et al. (1997), applies two meanings to the component of urgency. The first element is that the relationship or claim is time sensitive (Mitchell et al., 1997). The second element is that the relationship or claim is critical to the stakeholder (Mitchell et al., 1997). The second definition of urgency was applied in this study. A stakeholder was considered to have urgency if there is stakeholder specific disclosure to abide by laws and regulations (Martínez_Ferrero et al., 2016; Melloni et al., 2017). The research study used the King Code IV for South African organisations and the NVGs for Indian organisations. This is a departure from the original study conducted by Gianfelici et al. (2018) which measured urgency by applying the first part of the definition.

CHAPTER 3: METHODOLOGY

3.1. Introduction

The methodology was developed bearing the factors that influence stakeholder salience, these are the aspects of power, legitimacy and urgency. The study applies content analysis on non-financial information to quantify the aspects of power, legitimacy and urgency in relation to the stakeholder salience theory.

A deductive approach was followed. A deductive research strategy is one where the theory is used to guide the hypothesis (Bryman, 2016). The stakeholder salience theory was used to guide the hypothesis. The hypothesis tested is:

H0 - Stakeholder salience is not influenced by corporate nationality in developing markets**.**

H1- Stakeholder salience is influenced by corporate nationality in developing markets.

An epistemological concern relates to the question of what is or should be regarded as general knowledge in a study (Bryman, 2016). Epistemological considerations can either be positivist or interpretive (Bryman, 2016). Under positivist considerations, the purpose of research is to provide information for the establishment of natural laws (Bryman, 2016). The interpretive considerations relate to people and their institutions (Bryman, 2016). This research study applies the interpretive considerations. The research study relates to the testing of the stakeholders salience theory in the annual reports that organisations produce.

Ontological concerns relate to the question of whether “social entities can and should be considered objective entities that have a reality external to social actors, or whether they can and should be considered social constructions built up from the perceptions and actions of social actors” (Bryman, 2016, p. 32). Ontological positioning are either objective or constructionist (Bryman, 2016). An objective position states that social phenomena is as a result of problems outside of the control of social actors (Bryman, 2016). A constructionist position states that social phenomena is influenced by social actors (Bryman, 2016). The research study employs the constructionist position because it states that the nationality of organisations is influenced by management (social actors) (Hofstede, 1983; Porter, 1996).

3.2. Methodology

The purpose of this study is to investigate the application of the stakeholder salience theory in the integrated reports prepared by South African and Indian listed organisations. The study is performed with the intention to answer the research question, "*Is stakeholder salience influenced by corporate nationality in developing markets*?"

This research approach is quantitative because the data acquired is analysed and used to produce numerical data that is tested and interpreted by the researcher in order to identify the relationship between different variables (Bryman, 2016; Leedy and Ormrod, 2015). The data sourced from the integrated report is not in numerical format. Through quantitative content analysis and the application of the coding instrument, there is a quantitative output. This quantitative output will be used to identify the relationship between corporate nationality in South Africa and India and the stakeholder salience theory.

A descriptive study is an analysis of the relationship between variables (Leedy and Ormrod, 2015). An observation study is a method of observing the behaviour of individuals in terms of predetermined categories (Bryman, 2016). Observation studies are used in a quantitative manner in this study to analyse the relationship between organisations and stakeholders in terms of how organisations choose which stakeholders are important. The observation is of the interpretation of integrated reports instead of natural phenomena. The study uses a descriptive research method to analyse this relationship. When drawing conclusions, the researcher keeps cognisance of the fact that correlation is not necessarily causality (Leedy and Ormrod, 2015).

3.2.1. Research design

A research design is the framework for the collection and analysis of data (Bryman, 2016). A cross sectional research design is made up of the collection of data on more than one case, at a single point in time in order to collect data that is quantitative or quantifiable data which is then examined to detect patterns of association (Bryman, 2016, p. 59). The research study relates to more than one case (South Africa and India) at a single point in time (integrated reports observed relate to the 2018 financial year) the data is quantifiable using the coding instrument to detect if there is a link between nationality and stakeholder salience.

Content analysis is a thorough and orderly research method that analyses material to identify patterns within that material (Leedy and Ormrod, 2015). The investigation of the integrated reports of South African and Indian listed organisations will require analysis with the goal of identifying patterns relating to stakeholder power and legitimacy. Therefore, content analysis is used. A pertinent issue of content analysis is the coding instrument that is prepared in order to describe critical categories and sub-categories for the group of data and findings (Gianfelici et al., 2018).

The coding instrument is the measurement tool. The coding instrument is the framework applied to measure the aspects of power, legitimacy and urgency. The coding instrument was previously used by Gianfelici et al. (2018). The preparation of the coding instrument will consist of measures to scrutinize the integrated reports (Weber and Marley, 2012). The tool will measure the power, legitimacy and urgency aspects of the stakeholder salience theory

(Gianfelici et al., 2018). A score of “1” or “0” will be awarded when criteria are either met or not. The awarding of a score will be in line with the literature outlined.

The coding instrument will be adapted when measuring the component of urgency as the integrated reports of organisations that are listed on the JSE and the BSE. South African listed organisations are prepared in line with the King IV report (IOD, 2016), while the integrated reports of Indian listed organisations are prepared in terms of the Companies Act in India (India, 2013). The governance structure for organisations used in the original study by Gianfelici et al. (2018) is not the same as the one used in the listed South African and Indian organisations. Due to the difference in the reporting requirements, the coding instrument is adapted to cater for these differences.

3.2.2. Population and study sample

A sample is a component of the population that is selected to be investigated (Bryman, 2016). The study investigated 80 organisations. The sample is the integrated reports of the top 40 listed organisations in the JSE and BSE. The study employs the use of nonprobability sampling in selecting the integrated reports. Non-probability sampling entails the selection of units based on a specified criterion. This results in the certain units having a higher chance of selection within the population (Bryman, 2016). Purposive sampling is a type of non-probability sampling method (Leedy and Ormrod, 2015). The use of this sampling technique requires the application of a criteria in selecting the sample units (Bryman, 2016). A purposive sample will be used when conducting the research by selecting the top 40 organisations from the JSE and BSE due to their high market capitalisation (Barac and Moloi, 2010; Marx and Mohammadali-Haji, 2014). It is important to outline that the top 40 listed organisations in the JSE and BSE do not reflect the total population of listed organisations. However, they were chosen because of their high market capitalisation because organisations with a high market capitalisation are expected to have more sophisticated nonfinancial disclosure (Barac and Moloi, 2010; Marx and Mohammadali-Haji, 2014). The sampling technique was chosen because it is low cost and time efficient (Dudovskiy, 2018).

3.2.3. Sources and collection of data

The integrated reports of the listed organisations were used. Their integrated reports are publicly available due to the listing requirements. The integrated reports were sourced from each organisation's websites. The data was acquired through the collection of the integrated reports of the listed entities on both the JSE and BSE for the 2018 financial years. The integrated reports in India are presented in English, therefore, any analysis was not affected by translation. The measuring tool was used to collect the data from the integrated reports. The data collection process and the submission of the research paper were completed by 20 April 2020.

3.2.4. Management of data

The data was kept in a saved file on the computer. The analysis of the stakeholder salience was indicated on an excel spreadsheet. All the data was password protected and backed up on a USB.

3.3. Data analysis

The analysis of stakeholder salience is based on the framework established by Mitchell et al. (1997) which includes the aspects of power, legitimacy and urgency. The stakeholder salience theory in this research was analysed in terms of power, legitimacy and urgency.

The data was analysed in terms of content analysis and hypothesis testing.

3.3.1. Legitimacy

A stakeholder is considered to have legitimacy when they are explicitly mentioned in an integrated report (Gianfelici et al., 2018). A score of "1" or "0" was given to record the presence or absence of legitimacy. The score of 1 was awarded only once, not for each mention of a specific stakeholder in the integrated report. This scoring is in line with a great quantity of prior studies and content analysis procedures (Beck, 2002; Thijssens, Bollen, and Hassink, 2015). The rationale behind this scoring is in line with the literature by Mitnick (2000) which is outlined in Legitimacy. Stakeholders that only have legitimacy were categorised as discretionary stakeholders.

3.3.2. Power

Power was analysed in terms of normative and utilitarian power. A stakeholder has utilitarian power when there is an explicit description of which resources are within the control of said stakeholder (Etzioni, 1964). For example, shareholders are deemed to have utilitarian power by virtue of their shareholding. Therefore, all shareholders will be given a score of 1 (Gianfelici et al., 2018).

Normative power was measured on the number of sentences (Gianfelici et al., 2018). This is due to the literature agreeing on this being a more reliable manner of deducting meaning from written communication (Guthrie and Abeysekera, 2006; Milne and Adler, 1999). The alternative, being the number of pages, was not used because it has been proven not to have derived conclusive results due to its broad nature (Weber and Marley, 2012).

Normative power was computed in two phases (Gianfelici et al., 2018). The first phase was a computation of the total number of sentences dedicated to the specific legitimate stakeholder category divided by the total number of sentences dedicated to all legitimate stakeholder categories within the integrated report (Gianfelici et al., 2018). The first computation was converted to a percentage (Gianfelici et al., 2018). The second phase was a computation of the average number of sentences to measure normative power (Gianfelici et al., 2018). This was determined as the ratio between the total number of sentences related to each stakeholder category and the total amount of sentences comparative to all stakeholder categories within the integrated report (Gianfelici et al., 2018) A stakeholder was considered to have normative power when the percentage of the integrated report's sentences devoted to explaining the relationship between the specific legitimate stakeholder and the organisation (Phase One) was equal to or higher than the average number of sentences to measure normative power (Phase Two). A score of 1 was given if the sentences devoted to a specific stakeholder are average or above average. A score of 0 was given if the sentences devoted to a specific stakeholder are below average or if there are no sentences devoted at all. This scoring is in line with a number of prior studies and content analysis procedures (Beck, 2002; Thijssens et al., 2015).

Reports that showed a number of sentences that were extra-ordinarily high or low for a specific stakeholder category were excluded from the computation. These extra-ordinary figures were considered to be outliers. They were excluded because they could have negatively affected the analysis (Gianfelici et al., 2018). Power primacy, which is grounded on a specific appreciation for the stakeholder group stated earlier (Weber and Marley, 2012), was excluded from this research as it is not always reliable (Gianfelici et al., 2018). If a stakeholder only has power, then, the stakeholder was categorised as a dormant stakeholder (Mitchell et al., 1997).

3.3.3. Urgency

The analysis was based on whether the requirements of the King IV report and the Indian Companies Act are met. To measure the urgency component for organisations listed on the JSE the following criteria were assessed to determine compliance with Principle 16 (Recommended practice 4 and 5) of the King IV report. The researcher attempted to answer the following questions to assess if the aforementioned are met.

Have individual stakeholders and stakeholder groups been identified?
Has the organisation determined material stakeholders based on how they are affected by the activities, outputs and outcomes of the organisation?
Is stakeholder risk an important part of risk management?
Are there formal means of communicating with stakeholders?
Are there appropriate responses to stakeholder communications?
Are there key areas of focus relating to a particular stakeholder group?
Is there an overview of managing stakeholder relationships?
Are there actions taken to assess the effectiveness of stakeholder management?
Are there future areas of focus?

(IOD, 2016)

To measure the urgency component for organisations listed on the BSE the following criteria was assessed to determine compliance with the principles in the NVGs. The researcher applies Annexure A: The Business Case for following the Guidelines for the Social, Environmental and Economic Responsibilities for Business.

Principle	Revenue growth and market access	Cost savings and productivity	Access to capital	Risk management/ license to operate	Human capital	Brand value/ reputation
1. Ethics, transparency, accountability	New customers Business partner of choice	Reduced cost of ambiguity Reduced litigation	Attractive to investors, banks Attractive to financial markets	Positively seen by communities, NGOs, local governments, regulators	Attract and retain employees	Positively seen by customers, regulators, media
2. Safe and sustainable goods and services	New customers Customer loyalty	Efficiency gains across the value chain – procurement, production distribution, after-sales	Investors feel assured that liability issues are minimized. Sustainable production attracts	Reduced risk of action from regulators and NGOs	Employee morale is high due to working to improve the quality of life of customers/community	Better brand identity New found USP
3. Well-being of employees	Business partner of choice	Increased productivity High morale Less absenteeism		Improved labour relations leading to less disruptions	Attract and retain employees Reduced tardiness & absenteeism	Employer of choice
4. Responsiveness to all stakeholders	Responsive to customer demands/ needs/ wants leads to increase in market share; The ability to function in the long-term is improved to being responsiveness.	Efficiency gains across the value chain – procurement, production distribution, after-sales	Attractive to investors, banks Attractive to financial markets	Positively seen by communities, NGOs, local governments, regulators	People drawn to work for a sensitive employer	Positively seen by customers, regulators, media Ehances corporate cache
5. Promoting Human rights	Business partner of choice	Minimized litigation	Attractive to investors, banks Attractive to financial markets	Positively seen by communities and NGOs Lower risk of non-compliance	Employees/ talent attracted by firm that is committed to the dignity of all.	Positively seen by customers, regulators, media
6. Protecting the Environment	Business partner of choice Sustainability oriented buyers will prefer to deal with organization	Lower operating costs in the long term Less danger of "externalities" emerging as liabilities.	Attractive to investors, banks Attractive to financial markets	Positively seen by communities, NGOs, local governments, regulators Lower risk of non-compliance	Talent is drawn to the firm due to its commitment to the well-being of the planet.	Positively seen by customers, regulators, media
7. Responsible policy advocacy	Growth stimulated due to openness and trust	Blunt the possibility of others using policy to stymie business.	Openness will attract investors committed to good governance	Positively seen by civil society	People drawn to work for an open firm.	Positively seen by customers, regulators, media
8. Supporting inclusive development	New customers Market expansion Innovative thinking stimulated	New models will emerge to impact cost savings	Newer sources of funding such as social venture funds	Enhanced governmental support to initiatives -cordial relations with stakeholders conducive for business growth.	Potential source of trained employees	Positively seen by customers, regulators, media
9. Providing value to customer	New customers Customer loyalty	New markets brought into fold	Investors back a growing firm	Lower risk of consumer action	Talent will be drawn towards growing firm	Customers perceive brand and firm favourably

(IICA, 2011, pp. 45-46)

The measurement of urgency was in two phases. In phase one, a score of 1 was given for each question answered in the affirmative. A score of 0 was awarded for any criteria not met. The total score was tallied for each stakeholder. The average score was computed based on the total responses for all stakeholders divided by the number of stakeholders per company. A score of 1 was awarded to a specific stakeholder if their total score was at average or above average. A score of 0 was be given if the sentences devoted to a specific stakeholder were below average or if there are no sentences devoted at all. This scoring is in line with a number of prior studies and content analysis procedures (Beck, 2002; Thijssens et al., 2015). Stakeholders that only have urgency were characterised as demanding stakeholders.

3.3.4. Power, Legitimacy and Urgency

Due to stakeholder multiplicity (Neville and Menguc, 2006) and other factors, some

	P	**L**	**U**	**P/L**	**P/U**	**L/U**	**P/L/U**
				Dominant	Dependent	Dangerous	Definitive
Stakeholder 1	1	1	0	1	0	0	0
Stakeholder 2	1	0	1	0	1	0	0
Stakeholder 3	0	1	1	0	0	1	0
Stakeholder 4	1	1	1	0	0	0	1

stakeholders may receive a score of 1 if they score a 1 for power and legitimacy, power and urgency, legitimacy and urgency and power, legitimacy and urgency. These stakeholders were categorised as dominant stakeholders, dependent stakeholders and definitive stakeholders.

Table 2

For example

3.4. Hypotheses testing

The following hypotheses were used in order to compare the influence of nationality for the stakeholder salience theory.

H0 - Stakeholder salience is not influenced by corporate nationality in developing markets.

H1- Stakeholder salience is influenced by corporate nationality in developing markets

To evaluate the research hypotheses, the tool that was used is the Kruskal-Wallis test. This test examines if a relationship between two categorical variables exists or, more accurately, if the two variables are independent (McKight and Najab, 2010). If the significant value (Sig.) is minor (usually, less than 0.05), the hypothesis that the variables are independent is rejected (McKight and Najab, 2010). As a result, the contradictory hypothesis, that they are related in some way, increases confidence (McKight and Najab, 2010). The Kruskal-Wallis test is deemed to be inappropriate when the sample is too small (Vargha and Delaney, 1998). However, it is appropriate in this instance because the notion that expected amounts should be greater than 5 is constantly substantiated.

The data collected was analysed using descriptive analysis techniques to find the mean, median and mode of both South African and Indian organisations (Leedy and Ormrod, 2015). The outliers were excluded from further analysis to prevent the distortion of results (Leedy and Ormrod, 2015). The data was included in a stakeholder salience frequency table to assess the level of salience for different groups of stakeholders. From this, conclusions were drawn on which stakeholders are important to management based on the integrated reports for both South African and India.

A comparison was made between India and South Africa to assess whether developing countries view stakeholders as important on the same basis or if nationality has an impact on stakeholder salience for developing countries to test the hypothesis.

3.5. Validity

Validity is concerned with the integrity of the conclusions that are generated from a piece of research (Bryman, 2016, p. 47). The concepts of validity relate to measurement, internal and external validity (Bryman, 2016).

This study is a replication of a study performed by Gianfelici et al. (2018). The method that was used in this study was tested for internal validity in the original study referred to above. The internal validity refers to the manner in which the design and data used in the study allowed accurate conclusions to be drawn regarding the cause and effect relationships within the data (Leedy and Ormrod, 2015). Measurement validity relates to the stability of the measure (Bryman, 2016). This concept is met because the measuring tool used stems from the study performed by Gianfelici et al. (2018). The tool was adapted to measure the urgency component of the stakeholder salience theory. In this instance, the concept of causality has to continue to be in tact in order for the tool to maintain its internal validity (Bryman, 2016). Causality is referenced in terms of the impact an independent variable has on a dependent variable (Bryman, 2016). In computing urgency, the independent variable is the requirements of King IV and the NVGs which are elaborated on in Section 2.3 and Section 3.3.3.The dependent variable is the disclosure in line with King IV and the NVGs in the integrated reports. The variables are nominal because they cannot be rank ordered (Bryman, 2016). If the disclosure requirements change, it will result in changes in disclosure because it affects the organisation’s legitimacy and legal compliance (Fernando and Lawrence, 2014). As a result, the researcher concludes that internal validity is maintained in the coding instrument post adaptation.

External validity is concerned with the question of whether the results of a study can be generalised beyond the specific research context (Bryman, 2016, p. 47). The results of the study are consistent with the study by Gianfelici et al. (2018) which means that there results can be generalised beyond the comparison among developing countries (Bryman, 2016).

3.6. Reliability

Reliability is concerned with the question of whether the results of a study are repeatable (Bryman, 2016, p. 46). Reliability is achieved as listed organisations' integrated reports are prepared by professional and competent individuals. In addition, the integrated reports of listed entities will be audited and are therefore more reliable (RSA, 2008). The supervisors are familiar and experienced with the methodology used. This increases the reliability and repeatability of the report.

3.7. Summary

The methodology is outlined in section 3.2, the research study applies quantitative content analysis. The Kruskal Wallis test was assessed as an appropriate tool to test the hypothesis (McKight and Najab, 2010). The research outlined how data is obtained from the aspects of power, legitimacy and urgency in relation to the stakeholder salience theory by Mitchell et al. (1997).

CHAPTER 4: RESULTS AND ANALYSIS

4.1. Introduction

The results and data analysis component is discussed with references to tables and graphs. Table 3 shows the stakeholder salience frequency tables for South Africa and India respectively. The research study uses these tables to analyse the aspects of the stakeholder salience theory. Table 3 was compiled by applying the methodology outlined in Chapter 3.

Table 4 outlines the percentage of stakeholders with power (dormant) in both South Africa and India. Table 5 outlines the percentage of stakeholders with legitimacy (discretionary) in both South African and India. Table 6 outlines the percentage of stakeholders with power and legitimacy (dominant) in both South Africa and India. Table 7 outlines the percentage of stakeholders with urgency (demanding) in both South Africa and India. Table 8 outlines the percentage of stakeholders with power and urgency (dangerous) in both South Africa and India. Table 9 outlines the percentage of stakeholders with power and legitimacy (dependent) in both South Africa and India. Table 10 outlines the percentage of stakeholders with power, legitimacy and urgency (definitive or salient) in both South Africa and India. Table 11 is the summary of propositions applying the Kruskal Wallis Test. Following each table is an analysis of the with reference to the literature.

4.2. Research results and discussion

Table 3

Stakeholder Salience Frequency Table

South Africa

	(P)	(L)	(U)	(P/L)	(P/U)	(L/U)	(P/L/U)
Customer	19	31	22	18	16	22	16
Supplier	3	16	13	1	1	9	0
Investor	35	33	28	33	27	26	26
Employee	24	28	25	18	15	22	13
Debt holder	35	8	11	8	11	7	7
Other	21	25	22	17	16	21	14

India

	(P)	(L)	(U)	(P/L)	(P/U)	(L/U)	(P/L/U)
Customer	22	39	23	22	12	23	12
Supplier	1	22	13	1	1	10	1
Investor	39	39	5	39	5	5	5
Employee	36	39	32	36	29	32	29
Debt holder	39	6	1	6	1	0	0
Other	5	32	31	5	5	25	5

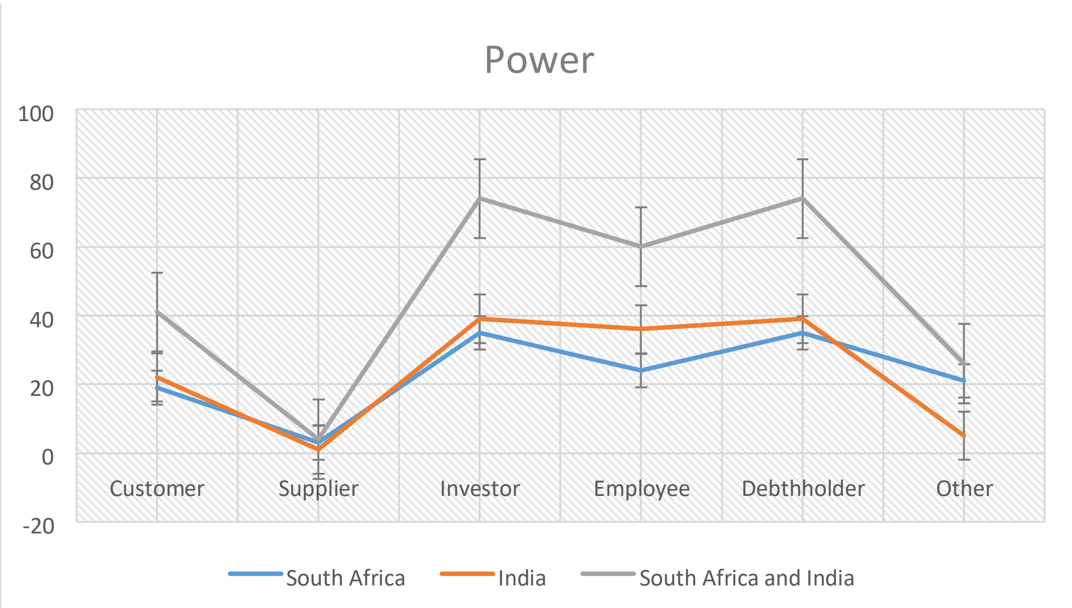
Table 3 is a summary of the data collected for each component of the stakeholder salience theory for stakeholders in South Africa and India. This data is used to determine if stakeholder salience is influenced by nationality in developing countries.

Table 4

Percentage of Stakeholders with Power in each Country

Power

South Africa		India		South Africa and India	
Investor	26%	***Investor***	27%	***Investor***	27%
Debt holder	26%	***Debt holder***	27%	***Debt holder***	27%
Employee	18%	***Employee***	25%	***Employee***	22%
Other	15%	***Customer***	15%	***Customer***	15%
Customer	14%	***Other***	4%	***Other***	9%
Supplier	2%	***Supplier***	1%	***Supplier***	1%



In Table 4, the researcher outlines the percentage of stakeholders in South Africa, India and both countries that have power in organisations. Investors and debt holders are dormant stakeholders in both countries (54% in aggregate). This data indicates that stakeholders with utilitarian power have the most influence on the organisation's activities. Integrated reporting was partly introduced in order to attract investors in response to market forces. (Abraham et al., 2015; Dumay et al., 2016; Haji and Anifowose, 2016). Prior research has outlined that quality integrated reporting is crucial to retain and encourage foreign investment (Abraham et al., 2015; Haji and Anifowose, 2016). The fact that investors have the most power in both countries is in line with the reasons why integrated reporting was introduced.

Investors and debt holders having the most power in both countries are also in line with the drawbacks of integrated reporting. The integrated reports in South Africa and India indicate a preference towards providers of financial resources (Haji and Anifowose, 2016; Stubbs and Higgins, 2018). The results indicate that stakeholders with utilitarian power have the most power over the organisation (Etzioni, 1964).

Employees are ranked third in both countries as dormant stakeholders. Employees have a high degree of power over organisations. In India, employees are deemed to have power because of the requirements in the NVGs in India (IICA, 2011). The power attributed to employees is in line with the assessment made by Mäkelä (2013) on the introduction of integrated reporting.

Customers are ranked fourth in India and fifth in South Africa. The difference in results is a 1% difference which not considered to be a large difference. The results indicate that customers have some bargaining power over organisations in India and South Africa (Porter, 2008).

Other stakeholders have a low ranking for the component of power in both countries. The results show that other stakeholders have a higher ranking in South Africa. There is a significant difference in the results for other stakeholders between South Africa and India.

Suppliers have the least amount of power in both countries. This indicates that suppliers do not have high bargaining power in developing countries (Porter, 2008). Suppliers are thus considered dormant stakeholders because they cannot use it to influence the operations of organisations (Mitchell et al., 1997). The results confirm that suppliers, therefore, have limited economic power as defined by (Lahouel et al., 2014; Freeman and Reed, 1983).

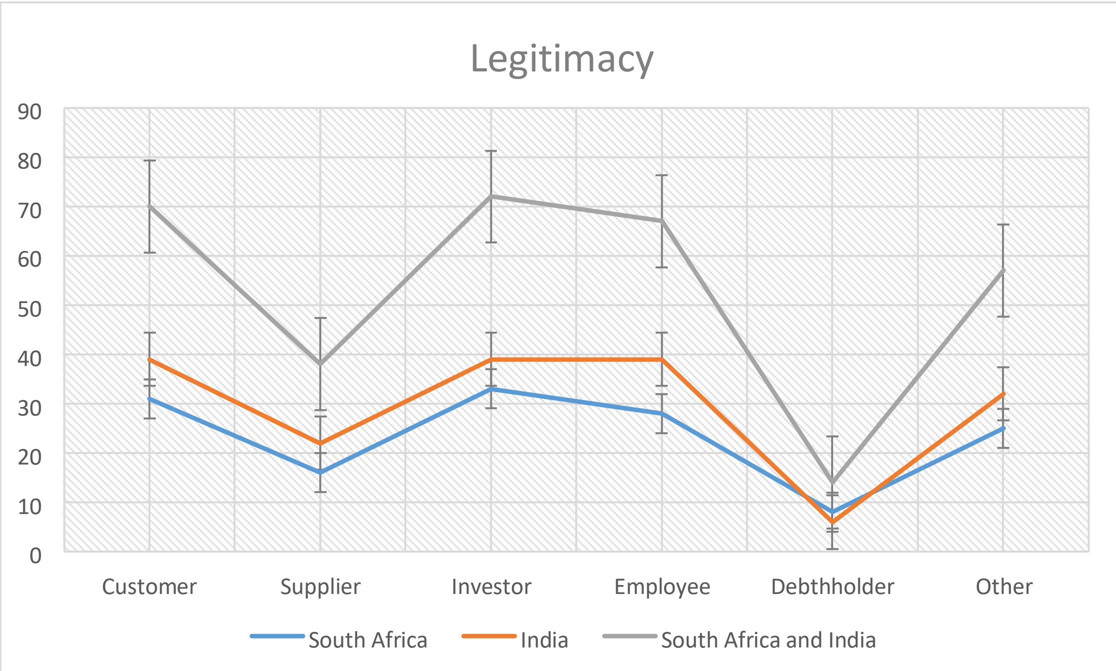
Overall, the results indicate that stakeholders that have normative power over the organisation have the least amount of power in both countries.

Table 5

Percentage of Stakeholders with Legitimacy in each Country

Legitimacy

South Africa		India		South Africa and India	
Investor	23%	***Customer***	22%	***Investor***	23%
Customer	22%	***Investor***	22%	***Customer***	22%
Employee	20%	***Employee***	22%	***Employee***	21%
Other	18%	***Other***	18%	***Other***	18%
Supplier	11%	***Supplier***	12%	***Supplier***	12%
Debt holder	6%	***Debt holder***	3%	***Debt holder***	4%



In Table 5, the researcher outlines the percentage of stakeholders in South Africa, India and both countries that are legitimate to organisations. Investors, employees and customers are discretionary to organisations in both South Africa and India. This data indicates that stakeholders with a contractual relationship with the organisation are a focal point of management (Phillips, 2003; Woodward et al., 1996). Customers, employees and investors are a legitimate entity and have a legitimate claim over the organisation by virtue of the legislation in place (Santana, 2012). All these stakeholders have power over the organisation. It is important to note that each stakeholder has a different type of power. Customers and employees have economic power over the organisation (Lahouel et al., 2014; Freeman and Reed, 1983). Investors have voting power over the organisation (Lahouel et al., 2014; Freeman and Reed, 1983). Regardless of the power held by these stakeholders, they are still considered to have legitimate behaviour in organisations (Santana, 2012).

There is an element of moral obligation to customers, employees and investors. However, the researcher notes that only investors and employees have normative legitimacy. The results for investors affirm the notion that the integrated report has a bias towards providers of financial resources (Ellerup Nielsen and Thomsen, 2018; Haji and Anifowose, 2016; Stubbs and Higgins, 2018).

It is interesting to note that the results indicate that debt holders have the least amount of legitimacy for both countries. The researcher has also established that debt holders do not have normative legitimacy because they have a purely contractual relationship with the organisation (Freeman and Reed, 1983; Phillips, 2003; Woodward et al., 1996). The results contrast the views of Stubbs and Higgins (2018) and Haji and Anifowose (2016) because debt holders are providers of financial resources yet they do not have legitimacy over the organisation.

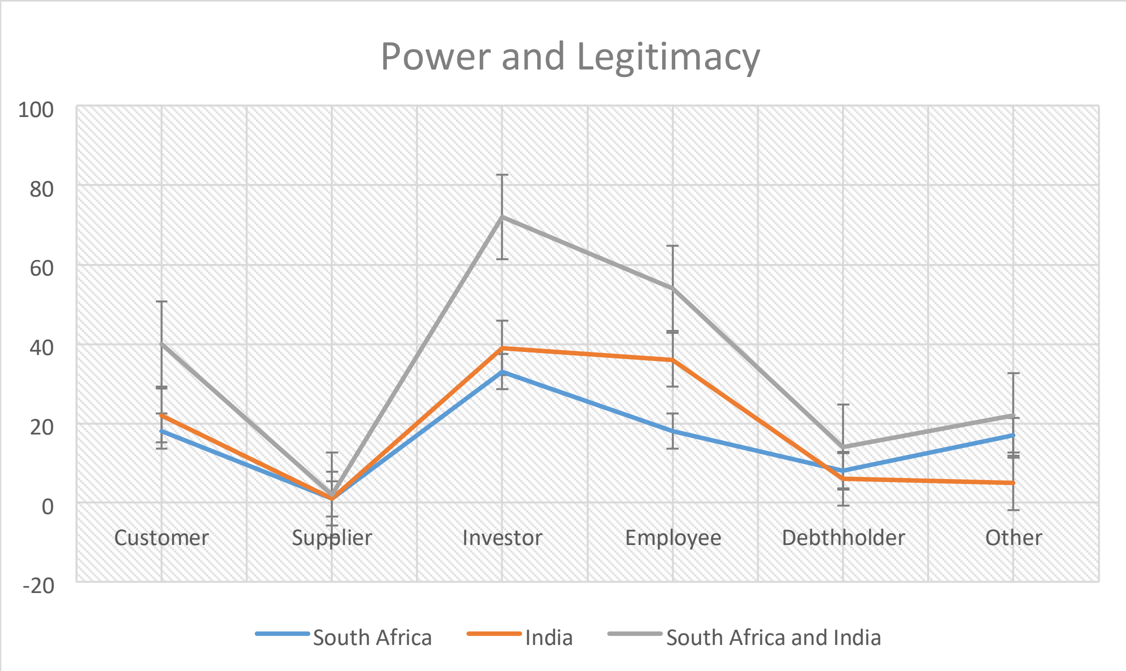
Employees gain normative legitimacy by virtue of being human beings (Phillips, 2003; Van de Ven, 2005). The results also contrast the views of Stubbs and Higgins (2018) and Haji and Anifowose (2016). The legitimacy of employees as stakeholders is in line with the assessment made by Mäkelä (2013) that the integrated report was introduced to mitigate the ethical concerns of how employee contributions are disclosed in traditional accounting.

Table 6

Percentage of Stakeholders with Power and Legitimacy in each Country

Power and Legitimacy

South Africa		India		South Africa and India	
Investor	35%	***Investor***	36%	***Investor***	35%
Customer	19%	***Employee***	33%	***Employee***	26%
Employee	19%	***Customer***	20%	***Customer***	20%
Other	18%	***Debt holder***	6%	***Other***	11%
Debt holder	8%	***Other***	5%	***Debt holder***	7%
Supplier	1%	***Supplier***	1%	***Supplier***	1%



In Table 6, the researcher outlines the percentage of stakeholders in South Africa, India and both countries that are legitimate to organisations. The results show that customers, investors and employees are dominant in both countries.

Investors have utilitarian power over the organisation (Etzioni, 1964). The utilitarian power of investors stems from the voting power that they possess over the organisation (Freeman and Reed, 1983; Lahouel et al., 2014). The results indicate that power is a significant component for legitimacy. The power that a stakeholder has a direct influence on the legitimacy of the stakeholder's behaviour (Freeman and Reed, 1983; Phillips, 2003; Santana, 2012).

Customers have normative power over the organisation (Etzioni, 1964). The normative power stems from the economic power that customers have over the organisation (Freeman and Reed, 1983; Lahouel et al., 2014). The results outlined in table 5 indicate that customers do not have as much power over the organisation. This indicates that the legislation in place to protect customers outweighs the power held by customers.

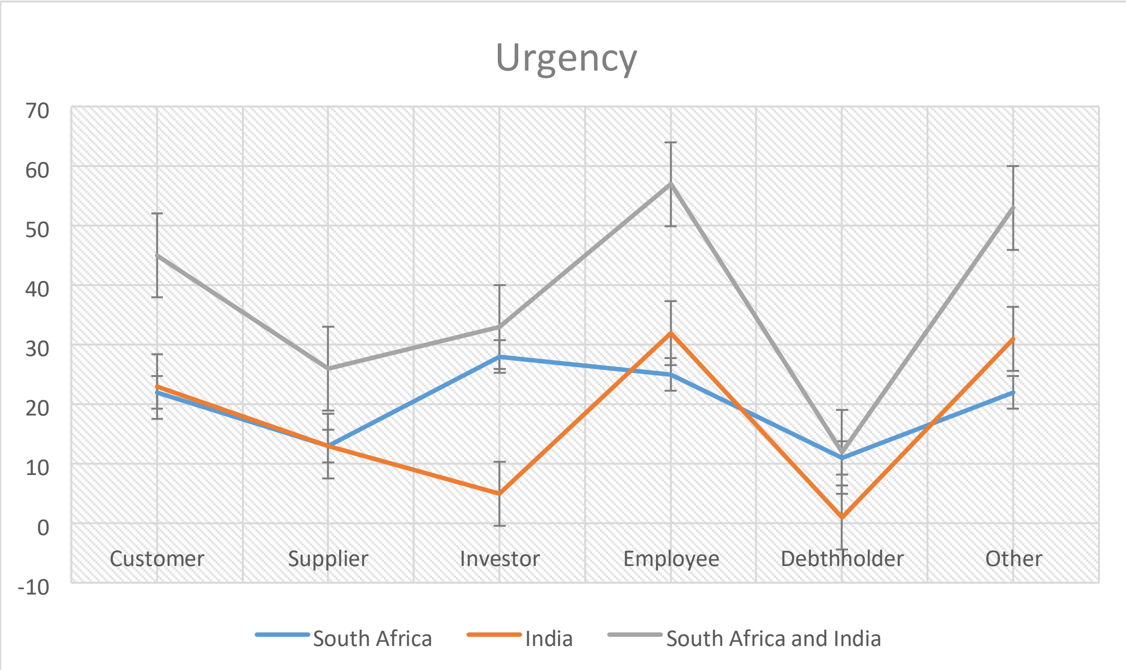
Employees have normative power over the organisation (Etzioni, 1964). The normative power stems from both economic and political power that they have over the organisation (Freeman and Reed, 1983; Lahouel et al., 2014). The results outlined in Table 5 indicate that employes have a substantial amount of power over the organisation. The results outlined in Table 6 indicate that employees have a substantial amount of legitimacy. This indicates that employees have dominant stakeholders as a result of both the power and legitimacy that have.

Table 7

Percentage of Stakeholders with Urgency in each Country

Urgency

South Africa		India		South Africa and India	
Investor	23%	***Employee***	30%	***Employee***	25%
Employee	21%	***Other***	30%	***Other***	23%
Customer	18%	***Customer***	22%	***Customer***	20%
Other	18%	***Supplier***	12%	***Investor***	15%
Supplier	11%	***Investor***	5%	***Supplier***	12%
Debt holder	9%	***Debt holder***	1%	***Debt holder***	5%



In Table 7, the researcher outlines the percentage of stakeholders in South Africa, India and both countries that are urgent to organisations. The urgency of stakeholders has a unique characteristic because there is little correlation between South Africa and India. In South Africa; investors, employees and customers are the demanding stakeholders. In India; employees, other stakeholders and customers are the demanding stakeholders.

The urgency component was measured by determining whether the criteria in the integrated reporting framework was met. The results show that in South Africa, investors have the most urgency. This is in line with the argument outlined by Stubbs and Higgins (2018). Similar to the legitimacy component. It is interesting that the results show Debt holders and investors in India as the stakeholders with the least amount of urgency. Debt holders also have a low ranking for urgency in South Africa. The urgency component once again contradicts the views of Stubbs and Higgins (2018) and (Haji and Anifowose, 2016) that the integrated reporting framework was introduced to appeal to investors and other providers of financial resources.

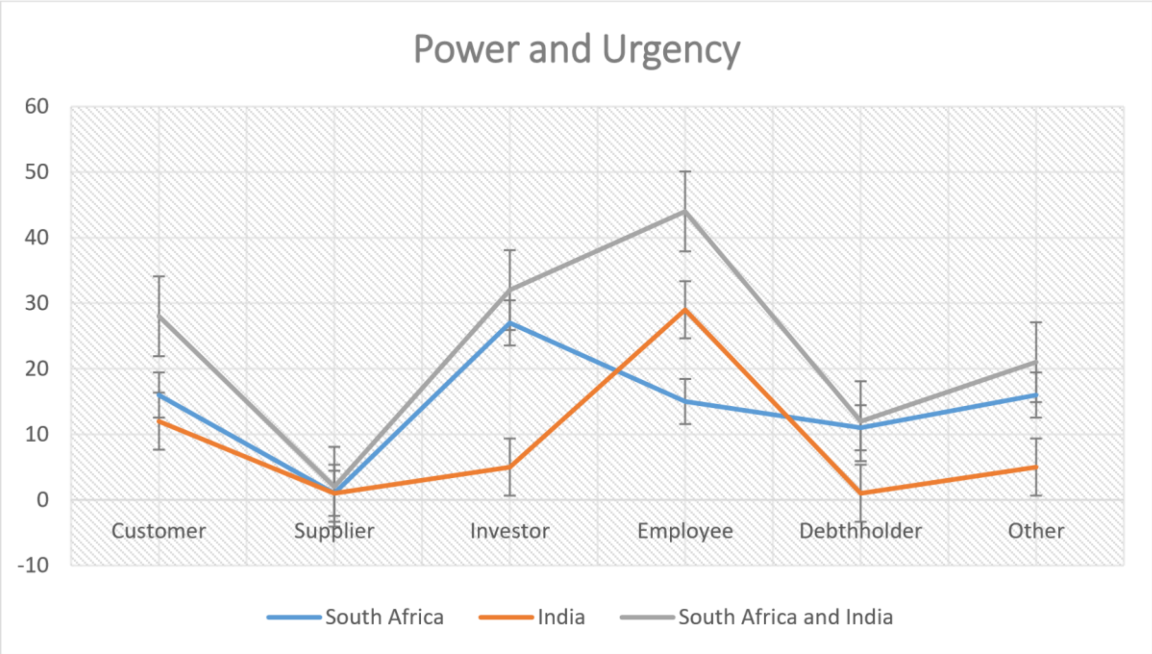
The results indicate that employees are urgent in India. This may be attributed to the extensive disclosure requirements for employees in the NVGs in India (IICA, 2011). They also have a high ranking on South Africa because of the requirements outlined in the King Code IV (IOD, 2016). The results are in line with the argument made by Mäkelä (2013) on why the integrated reporting framework was introduced.

Table 8

Percentage of Stakeholders with Power and Urgency in each Country

Power and Urgency

South Africa		India		South Africa and India	
Investor	31%	***Employee***	55%	***Employee***	32%
Customer	19%	***Customer***	23%	***Investor***	23%
Other	19%	***Investor***	9%	***Customer***	20%
Employee	17%	***Other***	9%	***Other***	15%
Debt holder	13%	***Supplier***	2%	***Debt holder***	9%
Supplier	1%	***Debt holder***	2%	***Supplier***	1%



In Table 8, the researcher outlines the percentage of stakeholders in South Africa, India and both countries that are urgent to organisations. Investors, customers, employees and other stakeholders are dangerous stakeholders in South Africa and India.

Employees are ranked highly in India and fourth in South Africa. They have a high degree of normative power as a result of the economic and political power that they have over the organisation (Etzioni, 1964; Freeman and Reed, 1983; Lahouel et al., 2014). Employees have a high ranking of urgency in India and South Africa as outlined in Table 7. The power that employees have does not outweigh the urgency that they have. It can be assumed that the amount of power that employees have influences the amount of disclosure relating to employees.

Investors have a high ranking as dangerous stakeholders in South Africa. They have a low ranking as dangerous stakeholders in India. In South Africa, investors have a high raking for power and a high raking for urgency. In India, investors have a low ranking for urgency and a high raking for power. The results indicate that investors in India rely mainly on the NVGs in India to be considered as dangerous stakeholders of the organisation.

Customers have a similar ranking in both countries for the components of urgency and power. The results are similar to other stakeholder categories. For these stakeholder categories, there is a link between the ranking for dominant and demanding stakeholders. Stakeholder's power has a direct influence on how dangerous the stakeholder is in South

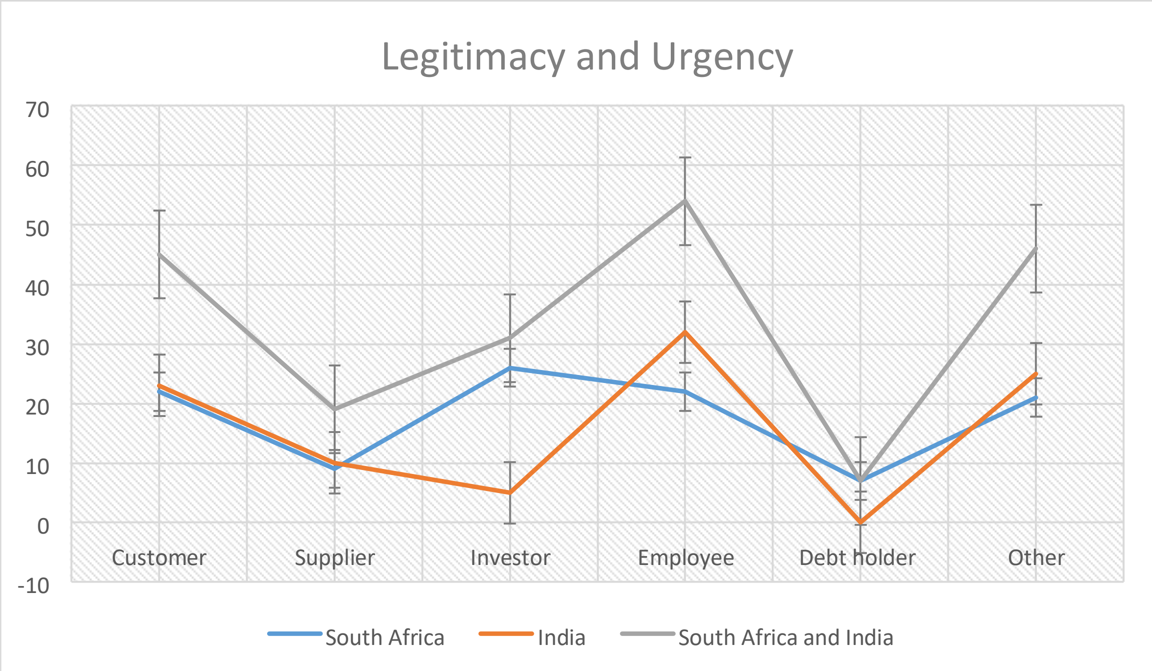
Africa. Stakeholder's urgency has a direct influence on how dangerous a stakeholder is in India.

Table 9

Percentage of Stakeholders with Legitimacy and Urgency in each Country

Legitimacy and Urgency

South Africa		**India**		**South Africa and India**	
Investor	24%	***Employee***	34%	***Employee***	27%
Customer	21%	***Other***	26%	***Other***	23%
Employee	21%	***Customer***	24%	***Customer***	22%
Other	20%	***Supplier***	11%	***Investor***	15%
Supplier	8%	***Investor***	5%	***Supplier***	9%
Debt holder	7%	***Debt holder***	0%	***Debt holder***	3%



In Table 9, the researcher outlines the percentage of stakeholders in South Africa, India and both countries that are legitimate and urgent to organisations. The results show that each country has a different set of demanding stakeholders. In South Africa; investors, employees and customers are demanding stakeholders. In India; employees, customers and other stakeholders are demanding stakeholders. The lack of correlation may be as a result of the lack of correlation in assessing demanding stakeholders.

Employees are dependent stakeholders in both countries. In India, employees have a high rating for urgency. The extensive disclosure required by the NVGs in India outweighs the respect for employees' human rights. In South Africa, employees have a similar ranking for both the urgency and legitimacy component. There is no element that solely influences the dependence of employee in South Africa.

Other stakeholders are dependent on both countries. In India, other stakeholders have a high rating for urgency. The extensive disclosure requirements in the NVGs in India outweighs derivative legitimacy. In South Africa, other stakeholders have the same ranking for both the urgency and legitimacy component. There is no element that solely influences the dependence of other stakeholders in South Africa.

Customers are dependent stakeholders in both countries. In both countries, the ranking for the components of legitimacy and urgency are similar. This indicates that there is no element that solely influences the dependence of customers in both countries.

Investors are only dependent stakeholders in South Africa. Investors are not dependent stakeholders in India because they have a low raking for the urgency component.

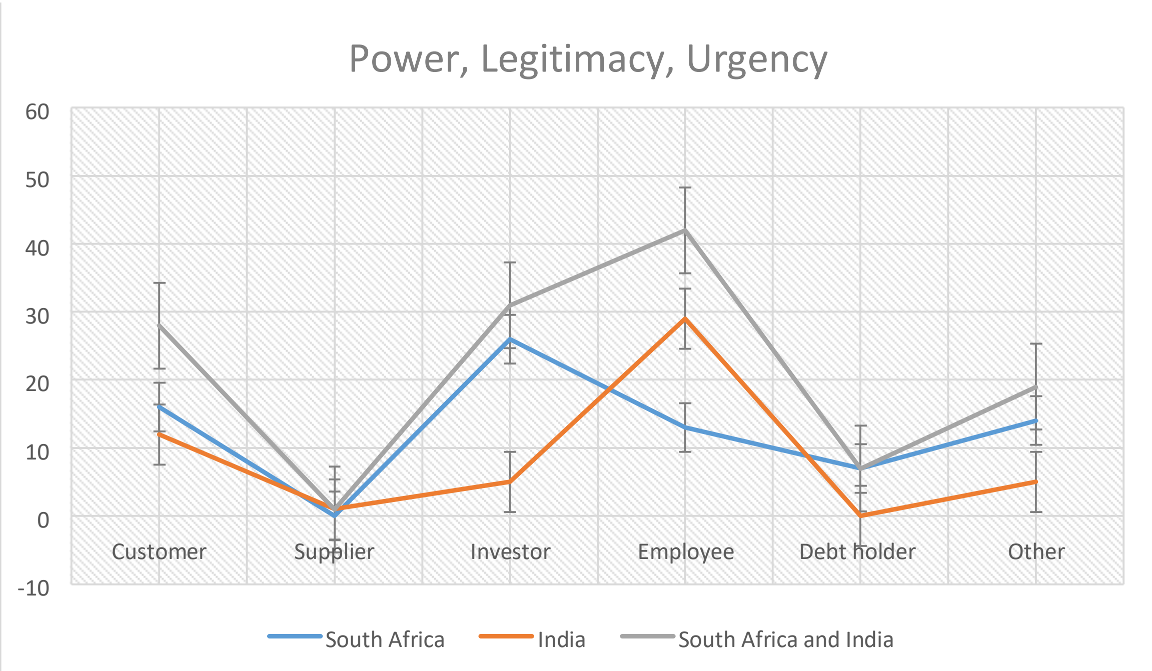
The researcher identified that urgency influences which stakeholders are dependent in India. The requirements in the NVGs in India result in stakeholders believing that they are important to the organisation. In turn, they are likely to impose more demands over the organisation. The King Code does not result in stakeholders feeling more urgent to the organisation. South African stakeholders are less likely to impose demands on organisations based on either their legitimacy or urgency.

Table 10

Percentage of Salient Stakeholders in each Country

Power, Legitimacy and Urgency

South Africa		India		South Africa and India	
Investor	34%	***Employee***	56%	***Employee***	33%
Customer	21%	***Customer***	23%	***Investor***	24%
Other	18%	***Other***	10%	***Customer***	22%
Employee	17%	***Investor***	10%	***Other***	15%
Debt holder	9%	***Supplier***	2%	***Debt holder***	5%
Supplier	0%	***Debt holder***	0%	***Supplier***	1%



In Table 10, the researcher outlines the percentage of salient stakeholders in South Africa, India and both countries. Investors and customers are recognised as definitive stakeholders in most South African organisations. This indicates that South African integrated reporting is mainly focused on investors which are in line with the assessment made by Haji and Anifowose (2016). The assessment is that integrated reporting in South Africa was introduced to appeal to investors. Customers are non-shareholding stakeholders. The fact that they come to second to investors is expected because they have the ability to represent the needs of society (Boesso and Kumar, 2016).

Table 10 also outlines that employees and customers are recognised as the definitive stakeholder in most Indian organisations. Indian integrated reporting is mainly focused on non-shareholding customers. This may be because the Indian integrated reporting framework was introduced in response to market forces (Abraham et al., 2015).

Table 11

Summary of Propositions

	Critical value	Significance	Supported?
H0	3,84	0,04	YES

Hypothesis **Kruskal Wallis Test**

In Table 11, the researcher applied the Kruskal Wallis test to assess the null hypothesis that stakeholder salience is not influenced by nationality in developing markets. The null hypothesis is supported, stakeholder salience is not influenced by nationality in developing markets. This may be as a result of the similarity in the integrated reporting framework in South Africa and India (Abraham et al., 2015; Dumay et al., 2016; Haji and Anifowose, 2016). The results are consistent with the original study by Gianfelici et al. (2018) where they studied whether the stakeholder salience theory is influenced by corporate nationality.

CHAPTER 5: CONCLUSION

5. Conclusion

The purpose of this research was to assess if nationality has an influence on stakeholders and to determine which stakeholders are important to an organisation. To make this assessment, the stakeholder salience theory developed by Mitchell et al. (1997) was used. This study was significant because integrated reporting is a critical component of reporting. It has evolved over time as a result of stakeholders requiring more concise disclosure from the organisation (Dumay et al., 2016; Ellerup Nielsen and Thomsen, 2018). The integrated report was expected to be a bridge between traditional accounting and the needs of stakeholders (Dumay et al., 2016). South Africa and India were chosen because in the original study conducted by Gianfelici et al. (2018) the stakeholder salience theory was applied to a variety of organisations across the globe. The sample included organisations from both developing and developed countries. The research solely focused on developing countries and has contributed to the body of research related to non-financial disclosure in developing countries. The research is expected to further enhance the understanding around non-financial disclosure and its impact on all stakeholders.

The research applied quantitative content analysis. The research design was cross sectional. The coding instrument was used to measure each component of the stakeholder salience theory, these components are; power, legitimacy and urgency. The coding instrument was adapted in order for it to be in line with the reporting requirements of South Africa and India, measurement validity was still maintained because the results were not erratic in relation to the measure. The hypothesis was tested using the Kruskal Wallis test. The results of the original study indicated that stakeholder salience is not influenced by nationality. The results of this study also indicated that stakeholder salience is not influenced by nationality in developing countries.

There are various future areas of research identified by the researcher. In general, more research is required over non-financial disclosure by organisations in developing countries. More research must be conducted on how to quantify legitimacy (Phillips, 2003). There is a large body of literature in identifying and classifying legitimacy and limited literature on measurement (Phillips, 2003). An assessment can be made on which type of urgency organisations focus on and stakeholders identify with. A comparison can be made between the two definitions of urgency. The time-sensitive component of urgency also warrants further research on how it can be identified and measured. This will bring about more depth into the stakeholder salience theory. An increased number of organisations will also be appropriate to assess the whether the results are the same when conducting this research. The use of technology and how it influences integrated reporting is also a considerable area of future research.

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