International Journal of Management, Accounting and Economic Studies
Volume 2, Number 1, 2023

Integrated Reporting (IR) as a Tool for Communicating Corporate Values

Yoga Tama[1]

[1] Universitas Negeri Yogyakarta, Yogyakarta, Indonesia

Abstract

Article history:
Received: January 9, 2023
Revised: February 21, 2023
Accepted: April 25, 2023
Published: June 30, 2023

Keywords:
Corporate Reporting,
Integrated Reporting,
Stakeholders,
Sustainability,
Value Communication.

Identifier:
Zeros Open
Page: 37-55
https://zeraopen.com/journal/ijmaes

Integrated Reporting is a corporate reporting approach aimed at combining financial and non-financial information holistically within a single, integrated document. Integrated Reporting plays a strategic role as a tool for communicating corporate value to stakeholders by providing a comprehensive picture of an organization's performance, prospects, and governance. This study aims to examine the role of Integrated Reporting as a medium for conveying a company's long-term value through a literature review approach, utilizing various international and national academic sources published. The review findings indicate that Integrated Reporting contributes significantly to enhancing transparency, strengthening stakeholder trust, and aligning economic objectives with social and environmental values. By presenting a more complete and forward-looking view of organizational value creation, Integrated Reporting supports informed decision-making among stakeholders and promotes accountability beyond financial performance. These findings reinforce the understanding that Integrated Reporting should not be perceived merely as a reporting obligation, but rather as a strategic communication tool for conveying corporate value in the context of sustainability and responsible business conduct.

©2023 The Author(s).
This is an open-access article under CC-BY-SA license (https://creativecommons.org/licence/by-sa/4.0/)

1. Introduction

The communication of corporate value has become increasingly vital in the modern business landscape, which is undergoing transformation due to globalization, technological advancements, and increasing demands for sustainability. The valuation of corporate value now no longer relies solely on financial performance, but also considers non-financial elements such as governance, environmental, and social aspects. Along with these changes, a need for a more comprehensive and strategic reporting approach has emerged. One approach that has developed in response to these challenges is Integrated Reporting (IR), a corporate reporting framework developed by the International Integrated Reporting Council (IIRC). IR is designed to integrate financial and non-financial information to convey a holistic picture of a company's value creation (Dameri & Ferrando, 2022).

Integrated Reporting not only combines financial and sustainability reports but also focuses on long-term value creation and the management of various resources and relationships that influence a company's ability to create that value (Barnabè et al., 2019). Thus, IR represents a transformation from a traditional reporting model into a strategic communication tool that places stakeholders at its center. An integrated report presents a comprehensive narrative regarding a company's strategy, governance, performance, and prospects that collectively contribute to value creation within the dynamic framework of the external environment.

In its implementation, IR is intended to address the information gap that often occurs between companies and their stakeholders. In the current situation, investors, customers, regulators, and society in general are increasingly demanding transparency and accountability from organizations (Hess, 2019). Corporate reports that only include financial data are no longer adequate to explain the risks and opportunities associated with sustainability and social responsibility. Therefore, integrated reporting offers added value in providing relevant, concise, and integrated information.

This research compiles a literature review discussing the role of IR as an instrument for communicating corporate value, referencing national and international academic sources published in last five years. Its main focus is on IR's ability to enhance stakeholder perception of corporate value, including the application of IR in real practice across various industry sectors, and mapping the benefits and challenges faced, both in the Indonesian and global contexts. In addition, this study also describes IR's contribution to shaping the company's image as a responsible and sustainable entity in the long term.

The results of various studies show that the implementation of IR has a positive impact on corporate reputation, strengthens investor confidence, and increases efficiency in managerial processes. Nevertheless, there are a number of obstacles in its implementation. Some of the most prominent obstacles include low managerial understanding of IR principles, limitations in the availability and processing of non-financial data, and organizational cultural resistance to changes in reporting practices.

Given this complexity, a thorough understanding and in-depth analysis of IR are crucial so that integrated reporting can be optimally utilized as an effective and strategic value communication tool. Therefore, this study aims to contribute in the form of a theoretical and practical mapping that can be utilized by academics, business practitioners, and policymakers. This includes understanding the extent to which IR can strengthen the communication of corporate value, how its implementation takes place in various industry sectors, and optimal strategies that companies can pursue so that IR can continuously bridge stakeholder expectations.

2. Literature Review

2.1. Conceptual Framework of Integrated Reporting (IR)

Integrated Reporting (IR) is a corporate reporting approach that combines financial and non-financial information, designed to enhance communication about how an organization creates value in the short, medium, and long term (IIRC, 2021). This approach not only presents reports as a collection of historical data but also as a strategic narrative reflecting the company's long-term vision. IR focuses on six capitals: financial, manufactured, intellectual, social and relationship, human, and natural. Each of these capitals is interconnected and contributes differently to the sustainable creation of corporate value. By integrating these dimensions, IR provides a more complete picture of a company's performance, not only in terms of profitability but also in the context of social and environmental impact.

Kostenko et al. (2021) explain that IR reflects a paradigm shift in corporate reporting that is not only shareholder-oriented but also encompasses all stakeholders. This marks a shift in focus from short-term value to sustainable long-term value. Within this framework, integrated reports are not merely reporting documents but strategic managerial tools that align mission, strategy, governance, and performance outcomes with long-term value creation. Xu et al. (2018) highlight that IR can improve reporting quality and encourage transparency in sustainability disclosure. Furthermore, IR also contributes to better internal decision-making processes by providing integrated and relevant information across organizational functions. This makes IR not only an external communication tool but also an instrument for improving internal efficiency and coordination within the company.

2.2. IR as a Means of Value Communication and Stakeholder Trust

A number of studies have found that IR is an important medium for building trust and credibility between companies and their stakeholders. In the context of value communication, IR acts as an information bridge capable of conveying a company's strategic narrative more transparently and structured. Vitolla et al. (2019) show that the narrative in IR helps stakeholders understand how a company's strategy is linked to long-term value creation. This provides a more comprehensive understanding of the organization's future direction and how strategic decisions affect sustainability. Obeng et al. (2021) state that investors are increasingly considering non-financial information in their valuation processes, making IR an important tool for communicating a company's strategic position. They emphasize that the integration of financial and non-financial aspects makes risk analysis more accurate, which ultimately strengthens investor confidence in decision-making.

Leukhardt et al. (2022) also show that capital markets respond positively to companies that adopt IR, especially when the information provided is relevant, reliable, and demonstrates business continuity in the long-term horizon. Research by Cooray et al. (2020) reinforces these findings by stating that the quality of IR has a positive relationship with stakeholder perception, especially in the context of governance and board diversity. This emphasis on diversity increases the social legitimacy of the company. In the context of emerging markets such as Africa and Asia, IR is seen as an important innovation that helps overcome information asymmetry and significantly increases public accountability (Maama & Marimuthu, 2022). These studies indicate that IR is not just a reporting tool but also a strategic reputational instrument.

2.3. Implementation Challenges and Driving Factors of IR

Despite its broad benefits and great potential, the implementation of Integrated Reporting (IR) in various organizations still faces a variety of significant challenges. Pistoni et al. (2018) note that not all companies have the capacity, both in terms of human resources and reporting systems, to systematically and consistently compile non-financial information. This challenge becomes more complex when non-financial information is not yet fully viewed as an integral part of business strategy. In addition, limited managerial understanding of the essence of IR often leads to reporting being done formally without directly linking it to the strategic value creation that should be communicated to stakeholders. Bernardi & Stark (2018) also note that there is still a wide gap between sustainability disclosure and its integration with financial aspects in integrated reports.

Many companies still view IR only as a compliance obligation to regulations, rather than as a means of communicating corporate value that can strengthen their image and strategic position. Meanwhile, Mokabane & Du (2022) emphasize that an organizational culture that is open to transparency and active involvement from top leadership are key factors determining the success of comprehensive IR implementation. However, Vitolla et al. (2019) show that the existence of strong regulatory support, increasing pressure from institutional investors for sustainability practices, and the use of modern reporting technology can significantly drive improvements in IR quality in both public and private sectors. Therefore, increasing integrated reporting literacy among managers and policymakers is a very important and urgent factor.

3. Method

This study employs a literature review or library research method, which aims to collect, review, and analyze various relevant academic studies regarding Integrated Reporting (IR) as a tool for corporate value communication. The main focus of this review is to identify how IR is implemented, the benefits and challenges faced in its application, and the impact of IR on stakeholder perception in the context of modern organizations. The literature review method was chosen because it provides flexibility in exploring theories, empirical findings, and the dynamics of IR concept development from diverse academic disciplinary perspectives.

The inclusion criteria in this study cover four important aspects. First, selected articles are scientific journals published. Second, all literature sources were obtained through Google Scholar, using a combination of keywords such as "Integrated Reporting," "corporate value communication," "stakeholder trust," and "sustainability reporting" in both English and Indonesian. Third, only national and international journals indexed in reputable academic databases from google scholar. Fourth, the articles reviewed specifically discuss the role of IR in the context of corporate value communication and are not limited to administrative or technical accounting discussions.

The data collection process was carried out systematically by filtering journals with high access and verifiable through trusted academic platforms. From all the literature examined, several articles were selected that met the criteria for data completeness, scientific relevance, and substantial contribution to the topic studied. The analysis of these journals was conducted with a thematic synthesis approach, which involves grouping the research content into main themes such as the conceptual framework of IR, the benefits of IR implementation in companies, the role of IR in building communication with stakeholders, and common obstacles in its application. To maintain validity and reliability, only journals from reputable publishers and articles that passed strict academic selection were used as references. With this approach, this study is expected to present a comprehensive understanding of the role of IR as a means of corporate value communication, both theoretically and practically.

4. Results

The literature review indicates that Integrated Reporting (IR) significantly influences how companies communicate value to their stakeholders. In an era of increasing transparency and accountability, the need to communicate more than just financial performance has become urgent. IR allows companies to present a holistic narrative about how they create value in the short, medium, and long term, by integrating financial and non-financial aspects (Arul et al., 2021). This approach positions IR as a crucial pillar in conveying the essence of corporate sustainability and responsibility more comprehensively. In practice, integrated reports not only serve as reporting documents but also as a strategic communication medium reflecting the company's identity, direction, and responsibility towards various aspects of sustainability.

One of the main findings from the literature is that IR helps companies build better relationships with investors and other stakeholders. This is particularly important in the current context where stakeholders demand clarity regarding the social and environmental impacts of corporate activities. More complete and structured information in IR helps reduce information asymmetry, increase transparency, and provide a deeper understanding of the company's business model (Bergh et al., 2019). IR also supports openness to strategic risks and opportunities faced by the company in the future. In this context, IR is not only seen as an obligation but also as a crucial instrument for managing reputational risk and market trust in building long-term value.

In a study by Leukhardt et al. (2022), it was found that companies implementing IR showed better market performance compared to companies that did not. This is attributed to investors' positive perception of companies considered socially and environmentally responsible. This superior market performance indicates that IR can enhance market perception of a company's quality and resilience. IR is also considered a positive signal about good corporate governance, as the presentation of integrated information reflects more mature and accountable decision-making processes.

Research by Obeng et al. (2021) shows that capital markets respond more positively to companies that integrate sustainability reporting with financial reports because such information is considered relevant in long-term investment decisions. This integration provides a strong foundation for investors in evaluating a company's intrinsic value. Thus, IR becomes a strategic tool in building more nuanced and sustainable financial communication.

However, other results indicate that IR implementation still faces obstacles, especially in developing countries that have structural challenges in their reporting systems. These obstacles show that the IR adoption process requires deep transformation, not only at the technical level but also culturally. The biggest challenges include a lack of understanding of the IR framework, limited capacity for non-financial reporting, and resistance to traditional reporting culture changes. These limitations often lead to reporting being symbolic without truly reflecting the strategic value and sustainability of the organization. A study by Pistoni et al. (2018) found that although there has been an increase in the number of companies preparing integrated reports, the quality of reporting still varies greatly, depending on the industry sector, ownership, and local regulations. This reflects the need for continuous training and guidance in consistent IR implementation.

Research by Cooray et al. (2020) found that board diversity, especially gender representation and professional background, contributes to improving the quality of IR. This diversity encourages diverse perspectives in preparing integrated reports, thus reflecting a more inclusive and responsible approach to sustainability issues. A more diverse board tends to promote more transparent and responsible reporting due to higher sensitivity to social and environmental issues. In practice, companies with inclusive leadership structures tend to be more proactive in adopting the IR framework because they see it as part of a progressive sustainability and governance strategy. Additionally, companies with strong governance systems tend to be more ready to prepare high-quality IR consistent with internationally recognized reporting principles.

Research by Maama and Marimuthu (2022) in Sub-Saharan Africa shows that IR has a positive impact on operational efficiency and financial performance. The implementation of IR helps clarify the relationship between operational activities and value creation, allowing companies to optimize the use of existing resources. They emphasize that IR can serve as a tool to identify hidden internal value and provide more accurate information for managerial decision-making. IR also helps organizations in introspecting long-term strategies and risks that might be overlooked in conventional reporting. These benefits also include improvements in internal cross-departmental communication and increased coordination in cross-functional reporting.

In addition to investors, IR also impacts a company's relationships with customers, employees, government, and local communities. Reporting that reflects a commitment to sustainability creates greater trust from various external parties. By communicating a commitment to sustainability and social responsibility, companies strengthen their social legitimacy in the eyes of the public. This relationship is important in maintaining the continuity of operations and support from the communities where the company operates. This is reinforced by the study of Bernardi and Stark (2018) which shows that companies that perform IR tend to have more accurate financial performance predictions because financial analysts have more complete information for their projections. This accuracy in estimation becomes a competitive advantage for companies in attracting investment and managing market expectations more effectively.

However, IR is not without criticism. Some academics argue that there is still bias in reporting, where companies tend to select information that presents a positive image and conceals less favorable aspects. This phenomenon is known as selective disclosure, which can reduce the integrity of the report itself. This raises concerns about greenwashing or window dressing, especially if there are no strong external verification mechanisms. Unclear standards and a lack of independent audits can worsen the perception of IR's validity as a reporting instrument. To overcome this, Vitolla et al. (2019) suggest the importance of standardization and independent audits of integrated reports. These efforts aim to ensure the accuracy, relevance, and credibility of reports in the eyes of stakeholders and encourage companies to truly apply the principles of transparency and responsibility.

IR shows great potential as an effective and strategic tool for communicating corporate value. Its presence helps companies connect strategic narratives, operational activities, and sustainability aspects in one accessible and understandable document for various parties (Lai et al., 2018). However, the success of its implementation is highly influenced by internal organizational support, a clear regulatory framework, and market and investor pressure for sustainable governance practices. Companies that are able to position IR as part of their corporate strategy, rather than merely a compliance tool, tend to gain greater benefits in the long term.

IR has a strategic function to connect a company's mission, operational activities, risks, and performance outcomes with the goal of creating sustainable value. Moreover, IR creates a reporting ecosystem that is adaptable to changes in the business environment and social expectations. If adopted consistently and accompanied by a commitment to transparency principles, IR can become a new standard in corporate reporting that is not only accountable but also future-oriented. Therefore, in the increasingly connected and complex modern corporate world, IR is one of the important pillars in addressing the challenges of accountability, sustainability, and value creation across time and sectors.

5. Discussion

The results of this study indicate that Integrated Reporting (IR) is evolving into a strategic communication tool in the context of corporate value. IR is not just a response to changes in reporting practices but also represents a philosophical transformation regarding how corporate value should be communicated to various stakeholders. Amid increasingly complex business dynamics and growing awareness of sustainability, companies are required to convey information that reflects not only financial performance but also social, environmental, and governance values. These demands are further strengthened by market pressure, regulations, and public expectations for comprehensively responsible companies. In this context, IR emerges as a solution to these demands through an approach that coherently and integrally combines financial and non-financial information in a single, easily understandable report (Lakshan et al., 2022).

The main findings in this review show that IR can enhance transparency, build trust with stakeholders, and provide a strategic framework for risk and opportunity management. The transparency offered by IR contributes to strengthening organizational accountability and reducing information uncertainty, which has been a challenge in the relationship between companies and the public. This is important given that investors and other stakeholders not only rely on financial data but also consider aspects such as social impact, sustainability strategies, and corporate governance in evaluating long-term performance and prospects.

On the other hand, IR also strengthens a company's credibility in public perception, which in turn can affect market valuation. A well-prepared integrated report reflects a company's commitment to sustainability and good governance, which are important factors in investment decision-making processes (Hichri, 2022). The reviewed studies show that companies adopting IR are better able to attract investor interest and expand access to capital. Furthermore, investors tend to trust companies that demonstrate openness and integrity in their reporting. This is due to the perception that IR reflects a company's long-term responsibility and its ability to manage non-financial risks that are increasingly relevant in the modern era.

However, this study also reveals a number of challenges in IR implementation. These challenges include a lack of in-depth understanding by management of IR concepts and principles, limitations in the collection and measurement of non-financial data, and the absence of truly binding and uniform international standards. This discussion indicates that to make IR truly effective, fundamental organizational culture changes are needed, increased human resource capacity in non-financial reporting literacy, and strong commitment from top management. This commitment must be reflected not only in reporting but also in daily strategic and operational decision-making (Sawyerr & Harrison, 2020). Regulatory support and market pressure are also crucial external factors in encouraging quality IR adoption. Regulations that promote openness and clear reporting guidelines can accelerate widespread IR implementation. Incentives or guidelines from financial authorities, stock exchanges, and reporting standard-setting bodies will accelerate the convergence of IR as a common practice in corporate reporting. The involvement of professional associations, academics, and oversight bodies is also essential to create a healthy and credible integrated reporting ecosystem.

Thus, IR has the potential to be a transformational tool in business reporting, but its success largely depends on the consistency, integrity, and adaptability of companies in internalizing IR principles into their organizational structure and strategy. This internalization process requires time and continuous learning, especially in adjusting information systems, resources, and managerial mindsets to align with IR objectives. When successfully implemented, IR will not only improve the quality of corporate reporting but also strengthen reputation and competitiveness in the long term.

6. Conclusion

Integrated Reporting (IR) has proven to play a crucial role as a tool for communicating corporate value in an increasingly complex and dynamic business era. By combining financial and non-financial information, IR provides a more comprehensive overview of an organization's strategy, performance, prospects, and long-term value. This allows stakeholders to understand more deeply how companies create and maintain value across various dimensions. The results of the literature study indicate that IR can strengthen stakeholder trust, increase transparency, and encourage more responsible managerial practices. IR also provides direct benefits in the form of improved reputation, operational efficiency, and investment attractiveness. Nevertheless, IR implementation still faces a number of challenges, especially in sectors and regions that lack adequate non-financial reporting infrastructure. The success of IR as a value communication tool heavily depends on internal organizational commitment, regulatory support, and the readiness of the organizational culture to change. Therefore, companies need to view IR not merely as a reporting obligation, but as a strategic tool for building social legitimacy and strengthening long-term competitive positioning. This research suggests that IR should be adopted more widely and supported by adequate policies and training to optimize its benefits.

References

Arul, R., De Villiers, C., & Dimes, R. (2021). Insights from narrative disclosures regarding integrated thinking in integrated reports in South Africa and Japan. *Meditari Accountancy Research*, *29*(4), 720-739.

Barnabè, F., Giorgino, M. C., & Kunc, M. (2019). Visualizing and managing value creation through integrated reporting practices: a dynamic resource-based perspective. *Journal of Management and Governance*, *23*(2), 537-575.

Bergh, D. D., Ketchen Jr, D. J., Orlandi, I., Heugens, P. P., & Boyd, B. K. (2019). Information asymmetry in management research: Past accomplishments and future opportunities. *Journal of management*, *45*(1), 122-158.

Bernardi, C., & Stark, A. W. (2018). Environmental, social and governance disclosure, integrated reporting, and the accuracy of analyst forecasts. *The British accounting review*, *50*(1), 16-31.

Cooray, T., Gunarathne, A. N., & Senaratne, S. (2020). Does corporate governance affect the quality of integrated reporting?. *Sustainability*, *12*(10), 4262.

Dameri, R. P., & Ferrando, P. M. (2022). Value creation disclosure: the international integrated reporting framework revisited in the light of stakeholder theory. *Meditari Accountancy Research*, *30*(3), 739-761.

Hess, D. (2019). The transparency trap: Non-financial disclosure and the responsibility of business to respect human rights. *American Business Law Journal*, *56*(1), 5-53.

Hichri, A. (2022). Corporate governance and integrated reporting: evidence of French companies. *Journal of Financial Reporting and Accounting*, *20*(3/4), 472-492.

Kostenko, O., Kravchenko, O., Ovcharova, N., Oleksich, Z., & Dmytrenko, A. (2021). Integrated reporting in investment decision-making: bibliometric analysis of scientific landscape. *Agricultural and Resource Economics: International Scientific E-Journal*, *7*(2), 141-159.

Lai, A., Melloni, G., & Stacchezzini, R. (2018). Integrated reporting and narrative accountability: the role of preparers. *Accounting, Auditing & Accountability Journal*, *31*(5), 1381-1405.

Lakshan, A. M. I., Low, M., & de Villiers, C. (2022). Challenges of, and techniques for, materiality determination of non-financial information used by integrated report preparers. *Meditari Accountancy Research*, *30*(3), 626-660.

Leukhardt, L., Charifzadeh, M., & Diefenbach, F. (2022). Does integrated reporting quality matter to capital markets? Empirical evidence from voluntary adopters. *Corporate social responsibility and environmental management*, *29*(5), 1482-1494.

Maama, H., & Marimuthu, F. (2022). Integrated reporting and cost of capital in sub-Saharan African countries. *Journal of Applied Accounting Research*, *23*(2), 381-401.

Mokabane, M., & Du Toit, E. (2022). The value of integrated reporting in South Africa. *South African Journal of Economic and Management Sciences*, *25*(1), 4305.

Obeng, V. A., Ahmed, K., & Cahan, S. F. (2021). Integrated reporting and agency costs: International evidence from voluntary adopters. *European Accounting Review*, *30*(4), 645-674.

Pistoni, A., Songini, L., & Bavagnoli, F. (2018). Integrated reporting quality: An empirical analysis. *Corporate Social Responsibility and Environmental Management*, *25*(4), 489-507.

Sawyerr, E., & Harrison, C. (2020). Developing resilient supply chains: lessons from high-reliability organisations. *Supply Chain Management: An International Journal*, *25*(1), 77-100

Vitolla, F., Raimo, N., Rubino, M., & Garzoni, A. (2019). How pressure from stakeholders affects integrated reporting quality. *Corporate Social Responsibility and Environmental Management*, *26*(6), 1591-1606.

Xu, L. D., Xu, E. L., & Li, L. (2018). Industry 4.0: state of the art and future trends. *International journal of production research*, *56*(8), 2941-2962.