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# A critical reflection on voluntary corporate non-financial and sustainability reporting and disclosure: lessons learnt from two case studies on integrated reporting

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## Abstract

**Purpose** – This study aims to provide a critical assessment of developments in the field of voluntary corporate non-financial and sustainability reporting and disclosure (VRD). The assessment is grounded in the empirical material of a three-year research project on integrated reporting (IR).

**Design/methodology/approach** – Alvesson and Deetz's (2021) critical management framework structures the arguments in this paper. By investigating local phenomena and the extant literature, the authors glean insights that they later critique, drawing on the empirical evidence collected during the research project. Transformative redefinitions are then proposed that point to future opportunities for research on voluntary organisational disclosures.

**Findings** – The authors argue that the mainstream approaches to VRD, namely, incremental information and legitimacy theories, present shortcomings in addressing why and how organisations voluntarily disclose information. First, the authors find that companies adopting the International IR Council's (IIRC, 2021) IR framework tend to comply with the framework only in an informal, rather than a substantial way. Second, the authors find that, at times, organisations serendipitously chance upon VRD practices such as IR instead of rationally recognising the potential ability of such practices to provide useful information for decision-making by investors. Also, powerful groups in organisations may use VRD practices to establish, maintain or restore power balances in their favour.

**Research limitations/implications** – The paper's limitations stem directly from its aim to be a critical reflection. Even when grounded on empirics, a reflection is mainly a subjective effort. Therefore, different researchers could come to different conclusions and offer different lessons from the two case studies.

**Practical implications** – The different rationales the authors found for VRD should make a case for reporting institutions to tone down any investor-centric rhetoric in favour of more substantial disclosures. The findings imply

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that reporting organisations should approach the different frameworks with a critical eye and read between the lines of these frameworks to determine whether the purported normative arguments are achievable practice.

**Originality/value** – The authors reflect on timely and relevant issues linked to recent developments in the VRD landscape. Further, the authors offer possible ways forward for critical research that may rely on different methodological choices, such as interventionist and post-structuralist research.



**Keywords** Voluntary disclosure, Integrated reporting, Serendipity, Critical research, Figurational theory

**Paper type** Research paper

## 1. Introduction

This paper is motivated both by our genuine interest in voluntary non-financial and sustainability reporting and disclosure (VRD) by corporates and by the growing interest among academics and practitioners in integrated reporting (IR). The following passage, borrowed from Buhr *et al.* (2014, p. 66), summarises our motivation:

> The task of the academic is, at least in part, to act as a challenge to and as a conscience for the nation. There are few issues more important than accountability and sustainability but there is so little critical work challenging the more vacuous of business initiatives. Unless academics are challenging - what are we for, really?

This paper is a critical reflection and is also motivated by the recent developments occurring in VRD (IFRS Foundation, 2021a, 2021b). It also binds together four issues that underlie the research. First, our analysis focuses on the information that is voluntarily provided by corporations to interested stakeholders. Therefore, what has been deliberately left out is any analyses of any regulations that mandate disclosures, such as Directive 2014/95/EU (European Parliament and Council of the European Union, 2014).

Secondly, the reference to corporations is also deliberate. The focus here is not simply on organisations but rather on firms – either for-profit or not-for-profit – that have a corporate structure. For example, organisations such as hospitals, charities, universities or state departments are not considered. Rather, the focus is on for-profit corporations – small, medium and large – as well as not-for-profit organisations, such as member-based accounting bodies that are organised similarly to for-profit companies with limited liability, corporate governance structures and reporting requirements. We made this choice not because other types of organisations are less important for our economies and societies but, rather, we want to focus on entities driven by and managed according to more similar rationales – whether this be the pursuit of profit or the advancement of a profession.

Thirdly, information beyond sustainability information is considered, including other types of non-financial information, such as intellectual capital (Petty and Guthrie, 2000).

Lastly, the distinction between reporting and disclosure is relevant here and comes from linguistic and practical roots (Dumay, 2016; Dumay and Guthrie, 2017; La Torre *et al.*, 2020). To report means “to give a formal or official account or statement of” something (www.merriam-webster.com). Therefore, reporting has to do with corporations providing periodic accounts of their activities to interested stakeholders (Buhr *et al.*, 2014; Dumay, 2016). Alternatively, to disclose means “to make known or public” and “expose to view” (www.merriam-webster.com). Therefore, disclosure occurs when unknown or secret information is voluntarily made public by a corporation or involuntarily uncovered by other actors (Dumay and Guthrie, 2017; La Torre *et al.*, 2020).

Both reporting and disclosure are relevant to our research. Often, VRD research has focused on the information companies officially provide in corporate reports (Merkl-Davies and Brennan, 2007). However, focussing only on reporting may end up privileging the dominant, corporate-centred narrative while downplaying other points of view emerging from disclosures, such as

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interviews, news articles and social media posts (Perkiss *et al.*, 2020). As this paper aims to be critical of dominant, taken-for-granted views on VRD, we deem the distinction between reporting and disclosure important.

The research project informing this paper began in mid-2018 and was inspired by Hopwood's (1983, p. 303) call for "understanding or explaining the workings of accounting in action". Specifically, the aim was to understand in more depth whether IR, the latest contestant in the VRD movement, could concretely add value to corporations or whether it was just another passing fad.

VRD has been around for several decades (Buhr *et al.*, 2014; Guthrie and Parker, 1989). However, it has only been since the 2000s that calls for integrating non-financial and financial disclosures to provide a more complete picture of an organisation's value creation have taken off (Buhr *et al.*, 2014; Dumay *et al.*, 2016). In theory, IR aims to provide a more complete picture. In its first discussion paper, the International IR Council (IIRC, 2011, p. 2) advocated that "because reporting has evolved in separate, disconnected strands, critical interdependencies between strategy, governance, operations and financial and non-financial performance are not made clear". During 2020 and 2021, calls to simplify the VRD landscape, avoid redundancy and harmonise the different standards and frameworks to ensure inter-operability have grown (Barker and Teixeira, 2020; CDP *et al.*, 2020b, 2020a). As a consequence, the VRD landscape is undergoing significant changes.

In 2020, the IIRC, who issued the IR framework, has fundamentally ceased to exist. On 9 June 2021, the Value Reporting Foundation (VRF) was established from the merger between the IIRC and the Sustainability Accounting Standards Board (SASB). Only five months later, on 3 November 2021, the IFRS Foundation (2021b) announced its intention to consolidate the VRF along with the Climate Disclosure Standards Board (CDSB) and released its prototype sustainability reporting standards. However, such a move by the IFRS Foundation might not necessarily mean the end of IR *tout court*. As stated in IFRS Foundation's press release:

> The IFRS Foundation has reached commitments with the CDSB [Climate Disclosure Standards Board], whose secretariat is hosted by CDP, and the VRF to consolidate their technical expertise, content, staff and other resources with the IFRS Foundation. It is intended that the technical standards and frameworks of the CDSB and the VRF [. . .] will provide a basis for the technical work of the new board (IFRS Foundation, 2021b).

In addition, following the *statement of intent to work together towards comprehensive corporate reporting* (CDP *et al.*, 2020b) issued by the five major institutions involved in developing reporting frameworks, the IIRC and SASB's merger and further consolidation may just be the first steps towards a broader simplification of the VRD field. Nonetheless, it seems that such a simplification will not go beyond the dichotomy between sustainability reporting targeted either at stakeholders or at investors. On 24 March 2022, the global reporting initiative (GRI), which champions a stakeholder-centric view of sustainability reporting, and the IFRS Foundation announced that they would work for

> [. . .] ensuring compatibility and interconnectedness of investor-focused baseline sustainability information that meets the needs of the capital markets, with information intended to serve the needs of a broader range of stakeholders. (IFRS Foundation, 2022).

Yet, they also kept the two pillars of sustainability reporting separate:

> [. . .] a first pillar representing [the] investor-focused capital market standards of IFRS Sustainability Disclosure Standards developed by the ISSB [International Sustainability Standards Board], and a second pillar of GRI sustainability reporting requirements set by the GSSB, compatible with the first, designed to meet multi-stakeholder needs. (IFRS Foundation, 2022).

As the VRD landscape evolves, the academic research on IR and voluntary disclosure has flourished almost to saturation point. For example, the Scopus database contains 512 (English-

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language) academic articles in the *business, management and accounting* category that contain the phrase *integrated report** [1] (www.scopus.com accessed 29/11/2021). At the end of 2018, there were only 221. Also, a search for the phrase *voluntary disclosure* returns 1,346 articles with a very stable 12% year-over-year growth rate since 2014. If we consider both the amount of academic production on IR and the potential disappearance of IR into the ISSB, one might wonder if it makes sense to research IR at all. However, several researchers have been calling for additional critical research on voluntary corporate reporting such as IR (Dumay *et al.*, 2016; Flower, 2020; La Torre *et al.*, 2019; Roslender and Nielsen, 2020).

Responding to Flower's (2015) critique on the failure of the IIRC, Adams (2015) calls for critical researchers to engage with IR to understand how such a phenomenon is translated into organisational practices. Similarly, Dumay *et al.* (2016, p. 179) notice a lack of critical and performative research on IR that is "able to develop understanding about the impact of these new technologies on practice" – the so-called third stage of IR research. By reviewing academic research on IR, Rinaldi *et al.* (2018, p. 1311) maintain that additional work is needed to "examine the role of IR ideas in mediating the relationships between organizations and stakeholders" resorting to new models and methodologies. They also call for further studies on the rationales behind IR adoption and on how a voluntary organisational disclosure, such as IR, eventually emerges in practice (Rinaldi *et al.*, 2018). More recently, Flower (2020, p. 151) has advocated

> For accounting initiatives like IR to be re-envisioned using a CDAA [critical dialogic accounting and accountability] lens that engages with the plurality of perspectives in relation to accountability and sustainability; takes ideological conflicts seriously; and addresses power dynamics explicitly.

These calls for more critical research on IR lead us to conclude that, notwithstanding the growing amount of IR research, there is still a relevant gap in academic research as to *how and why a voluntary corporate reporting framework such as IR is used in practice*.

To address this gap, we have structured our paper around Alvesson and Deetz's (2021) critical management framework. Firstly, we present insights into the arguments commonly used by institutions to promote VRD, such as normative, incremental information and the legitimacy argument. Secondly, we build on the findings of the two case studies to both offer critiques of the insights discussed and to show how VRD practices sometimes are the product of serendipitous discoveries (Merton and Barber, 2004; Yaqub, 2018) or power games (Elias, 1978). Lastly, we offer transformative redefinitions and point to ways forward for both research and practice.

The remainder of the paper is organised as follows. Section 2 traces the development of IR and the most recent developments the VRD movement is experiencing. Section 3 discusses Alvesson and Deetz's (2021) critical framework, which provides the theoretical grounding for this research. Section 4 presents the insights generated through an analysis of the background literature and the theoretical frameworks used in VRD research, with specific attention to IR. Section 5 briefly outlines the methodology of the two case studies, while the findings of such case studies are illustrated in Section 6. Section 7 offers critiques grounded in the empirical evidence collected from the two case studies. Section 8 offers some thoughts on the transformative redefinitions of VRD, and Section 9 concludes the paper.

## 2. Integrated reporting and recent developments in the voluntary corporate non-financial and sustainability reporting and disclosure movement

### *2.1 The International Integrated Reporting Council's establishment and the integrated reporting framework*

The International Integrated Reporting Committee was founded in 2010 by Mervyn King and Paul Druckman, who were senior members of the GRI, and Sir Michael Peat, the then

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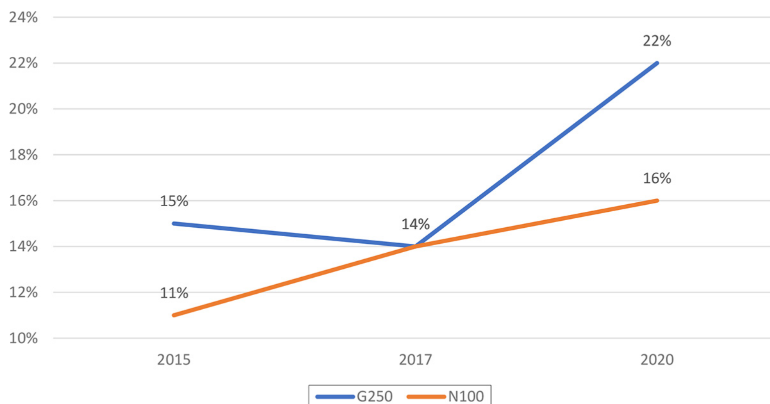
Chair of the Prince of Wales's Accounting for Sustainability project (A4S) (Buhr *et al.*, 2014; Dumay *et al.*, 2016; Elkington, 2009). The GRI has been operating since 1997 (GRI, 2021) and its standards (GSSB, 2020) are the dominant framework for sustainability reporting (KPMG, 2020). Since 2016, the GRI guidelines have flowed into the GRI Sustainability Reporting Standards. Established in 2004, A4S aims to push the financial sector towards sustainable business and shift the focus of financial and accounting systems from short-term financial outcomes to economic success based on the health and stability of society and the environment (A4S, 2021). However, the IR framework keeps A4S focussed on the financial sector because IR targets "providers of financial capital" above all else (IIRC, 2021, p. 2).

In 2011, the IIRC issued a consultation paper prompting "input from all those with a stake in improved reporting, including both producers and users of reports" (IIRC, 2011, p. 1). Only two years later, the IIRC (2013) issued the IR framework. The IR framework, revised in 2021, contains eight content elements suggesting what to disclose to reporting companies. It also includes seven guiding principles to help "prepar[e] and present an integrated report" (IIRC, 2021, p. 25). The stated aims of IR are to improve the information available to providers of financial capital, enhance accountability and stewardship, support value creation and communicate material issues (IIRC, 2021). However, as we will argue further ahead, such an investor-centric focus has exposed the IIRC to several criticisms.

### *2.2 Integrated reporting uptake and the saturation of integrated reporting research*

IR has slowly, yet steadily, increased its appeal to companies. According to KPMG (2017, 2020), the share of the 250 largest companies worldwide, which label their annual reports as "integrated", went up from 14% in 2017 to 22% in 2020 (Figure 1). When taking the 100 top companies in each of the 52 countries surveyed, the figure increases from 14 to 16%. Of these, 70% also refer to the IIRC's IR framework.

Corporateregister.com (2021), a private company and website specialising in tracking voluntary organisational reporting, returns analogous results. Corporateregister.com contains tens of thousands of reports – sustainability, integrated, CSR, and so on - and keeps track of those reports referencing the IR framework. Moreover, corporateregister.com classifies such reports into two levels of adherence to the framework. The "level 1" group contains reports that simply reference the IIRC of the IR framework. The "level 2" group contains reports that reference the IIRC or the IR




**Source:** KPMG (2017, 2020) data

**Figure 1.** Share of G250 and N100 companies labelling their annual reports as "integrated"

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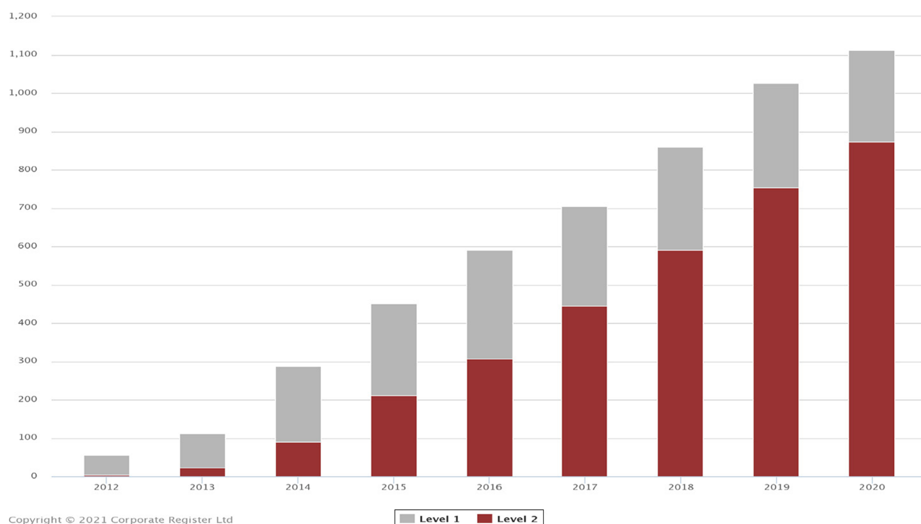
framework and disclose information about at least two of the six capitals defined by the IIRC (2021). As Figure 2 shows, the number of reports falling into the two groups has been steadily growing worldwide. Moreover, the main driver of this growth is the "level 2" group of reports.

Figures 1 and 2 show that, since the first publication of the IR framework in 2013, a growing number of organisations have adopted some form of integrated report. Similarly, Figure 3 shows the Google Trends analysis on IR. Online search data, such as that from Google Trends, can provide insights into the attention given to a specific topic (Teoh, 2018). Google Trends normalises search data, which allows for feasible comparisons between terms (Google, 2021). Figure 3 reflects a growing interest in IR from 2009 to 2017 that stabilises from 2018 onwards.




**Source:** Corporateregister.com (2021)

**Figure 2.** Adoption of the IR framework worldwide

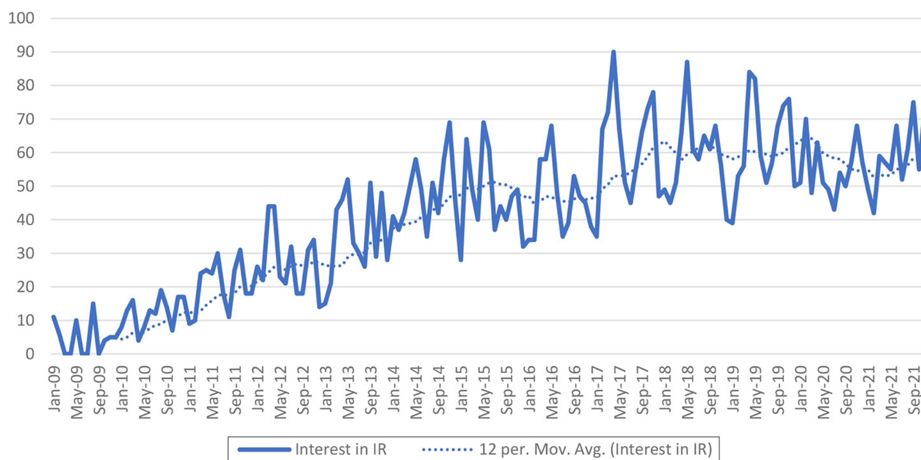



**Figure 3.** Google Trends analysis for IR worldwide

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Unsurprisingly, academic research on IR has flourished, too. Figure 4 shows the number of academic articles on IR retrieved from the Scopus database[1] and the year-over-year growth rates. In 2012, the Scopus database contained only 13 articles on IR. Nine years later, in 2021, there were 510. On average, the annual growth rate of the articles has been around 53%, but from the graph, the high growth rates registered in the first years have been decreasing consistently until 2017 when they stabilised. In the past three years, the growth rates seem to have undertaken a slow, declining path. Therefore, we maintain that academic research on IR has now approached a maturity stage.

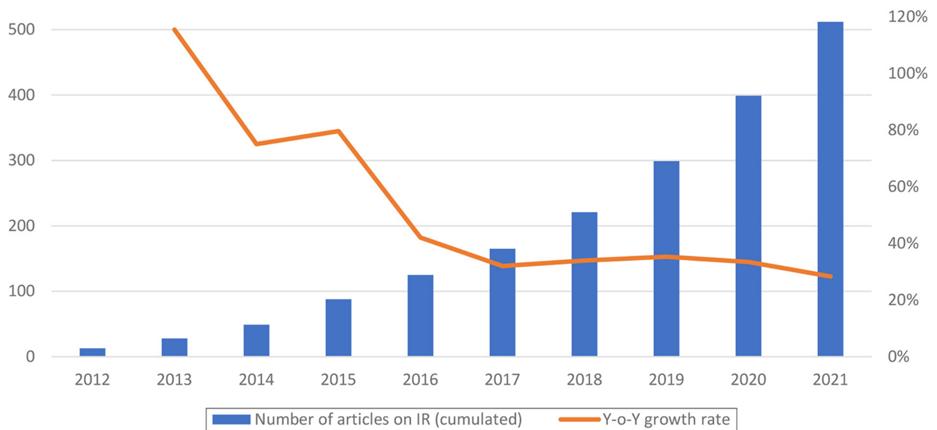
### *2.3 Recent developments in the voluntary corporate non-financial and sustainability reporting and disclosure movement*

The IR framework and the GRI are not the only initiatives in the VRD panorama. In fact, the VRD landscape has become quite crowded with institutions and frameworks. As a result, in September 2020, the five main bodies regulating sustainability and IR issued a *statement of intent to work together towards comprehensive corporate reporting* (CDP *et al.*, 2020b). In addition to the IIRC and the GRI, the other three institutions signing the statement were:

(1) The Carbon Disclosure Project (CDP). Established in 2000 (CDP, 2021a), the CDP helps organisations measure and manage their risks and opportunities on climate change, water security and deforestation. In addition, it provides the secretariat for the CDSB. Since 2018, the CDP has aligned its disclosure platform with the Task Force on Climate-related Financial Disclosure (TCFD), founded in 2015.

(2) The CDSB. Founded in 2007, the CDSB seeks to "standardise environmental information reporting" (CDSB, 2019, p. 1). It provides a framework for climate change reporting that was last updated and expanded in 2015 (CDSB, 2019).

(3) The SASB was established in 2011 to "ensure all investors could access material sustainability information" (Rogers, 2019, p. 11). The SASB has issued 77 industry-specific standards containing minimal sets of financially material sustainability topics and associated metrics (SASB, 2021). The SASB also sits on the CDBS Board.




**Source:** Elaboration from Scopus data

**Figure 4.** Cumulated number of articles on IR in Scopus database and year-over-year growth rate

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Two immediate results of the intent to work together are the merger between the SASB and the IIRC into the VRF, formalised in June 2021, and the further consolidation of the VRF and the CDSB into the IFRS Foundation (2021b) in November 2021.

The VRF aims to achieve a more simplified system to answer the world's reporting needs. It also "unites the IIRC's historic focus on enabling management and business decision-making with SASB's historic focus on enabling investor decision-making" (VRF, 2021a, p. 3). The VRF intends to achieve such an aim by relying on three complementary tools that should reinforce each other: the integrated thinking principles, the IR framework and the SASB Standards. The VRF states that "rather than using a narrow focus on financial tools, today's best-performing organisations are basing business decisions on interconnected information across multiple capitals, including natural, social and relationship, human, manufactured and intellectual, as well as financial" (VRF, 2021b, p. 6). The VRF, therefore, leverages four complementarities between the IIRC and the SASB (VRF, 2020). Firstly, both organisations focus on providers of financial capital. Secondly, the SASB's network of investors integrates the IIRC's network of companies. Thirdly, the IR framework's international recognition compensates for the US-centred SASB Standards. Fourthly, the SASB Standards tell companies *what* to disclose; the IR framework tells them *how*.

On 3 November 2021, during COP26 in Glasgow, the IFRS Foundation launched the ISSB, which should provide a baseline for high-quality sustainability disclosure to meet investors' information needs (IFRS Foundation, 2021b). The VRF and the CDSB are expected to consolidate within the IFRS Foundation and provide technical expertise, content and human resources. The announcement is coherent with VRF's (2020 p. 3) statement to "stand ready to engage with international bodies such as IFRS Foundation, IOSCO, EFRAG, CDP, CDSB, GRI, TCFD and others to work towards a comprehensive, coherent global system for corporate reporting". As part of the announcement, the IFRS Foundation (2021b) created TRWG, composed of representatives from the CDSB, TCFD, IASB, VRF and the World Economic Forum. In the *General Requirements for Disclosure of Sustainability-related Financial Information Prototype* – a document prepared by TRWG for the ISSB – integrated reports are acknowledged as one of the options for sustainability-related financial disclosures (TRWG, 2021). Beyond this acknowledgement, the fate of IR and integrated thinking in the new ISSB is still unknown.

As the VRD landscape evolves, critical research is needed to go beyond the rhetoric pushed forth by the five main bodies regulating sustainability and IR to understand whether the VRD standards and framework live up to their task in practice (Adams, 2015; Flower, 2015, 2020; Dumay *et al.*, 2016; Rinaldi *et al.*, 2018). Therefore, in the next section, we will explain the critical management framework (Alvesson and Deetz, 2021) used to understand *how and why a voluntary corporate reporting framework such as IR is used in practice*.

## 3. A critical management framework

We draw on Alvesson and Deetz's (2021) critical management framework to structure the arguments in this paper. For a critical argument to be good, it should try to go beyond known targets worthy of critique and focus "on things that may appear to be good or unproblematic but are much more constraining, repressive or thought-limiting in their effects" (Alvesson and Deetz, 2021, p. viii). In our case, in principle, it might be difficult to argue against the need of having companies disclose more information to enhance transparency and decision-making – something voluntary organisational disclosure advocates affirm. However, we argue that companies using a voluntary organisational

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disclosure, such as IR, might result in repression when used to maintain unbalanced power or limit free thinking when companies favour impression management strategies.

Alvesson and Deetz (2021) built their critical management framework around three tasks: insight, critique and transformative redefinition. Insight is "the leading edge of human thought" and involves unravelling the different ways in which objects and events are formed and sustained to read something into what is ambiguous (Alvesson and Deetz, 2021, p. 17). By investigating local phenomena, insight produces a meaning of interest in the data and explains the conditions for seeing or pointing to that meaning (Alvesson and Deetz, 2021; de Villiers and Sharma, 2020). Therefore, insight is related to interpretation, adding practical knowledge to what was previously understood. In turn, interpreting for insight is a four-step process (Alvesson and Deetz, 2021). Firstly, researchers pay attention to something. Secondly, they create an image – a *gestalt* – of this something. Thirdly, they attach a non-obvious meaning to it and, lastly, they explore that meaning or point to an additional, unexpected, new meaning for the phenomenon.

From this standpoint, simply resting on prior understanding is insufficient. Therefore, in any insight produced by the researcher, there must be a critical element. Critique builds upon insight to uncover underlying concepts, such as asymmetrical power relations and communicative distortion (Alvesson and Deetz, 2021). However, the production of critique is often more fruitful when abstract concepts are addressed later in the research to favour first-hand impressions, notes and transcribed material emerging from case studies, ethnographic analysis and interventionist research (Alvesson and Deetz, 2021; Dumay, 2010; Qu and Dumay, 2011). In summary, critique "counteracts the dominance of taken-for-granted goals, ideas and discourses that put their imprints on management and organisation phenomena" (Alvesson and Deetz, 2021, p. 18).

The rationale behind transformative redefinitions is that if researchers stop at insight and critique, they fail to perform a crucial task for a critical researcher, which is pointing at possible ways forward and enabling change (Alvesson and Deetz, 2021). Therefore, a researcher should go beyond "ordinary complaints and usual oppositions" (Alvesson and Deetz, 2021, p. 6) by adding "clearer indications of a more positive future or, more cautiously, alternative routes towards engagement with the world" (p. 152). When the three tasks function together, researchers can develop a good critical argument:

> The first task (producing insight) directs us to avoid totalising thinking through the paying of careful attention to local processes; the second (producing critique) guides us to avoid myopia through looking at the totality; and the third task (transformative redefinition) directs us to avoid hyper-critique and negativity through taking the notion of critical pragmatism and positive action seriously. (Alvesson and Deetz, 2021, p. 20)

In this paper, we have applied Alvesson and Deetz's (2021) critical framework to help academia form deeper insights into the VRD debate that has developed at a global and institutional level. Following this, we drew on both local knowledge from our research about IR and on extant literature to add critique to such insights. Lastly, we offer transformative redefinition by pointing at possible ways forward for the voluntary organisational disclosure movement.

## 4. Generating insights: mainstream arguments to voluntary corporate non-financial and sustainability reporting and disclosure adoption

### *4.1 Normative, incremental information and legitimacy arguments*

This section draws both on the documents issued by the five leading institutions involved with VRD (i.e. CDSB; GRI; SASB; IIRC; CDP) and on the extant literature. From these sources, we

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have gleaned insights into the arguments commonly used to promote VRD and, specifically, how it provides normative, incremental information or fosters legitimacy. Table 1 summarises these insights.

We are aware that reducing the debate on VRD and IR to only normative, incremental information and legitimacy is a simplification as researchers have also used other arguments (Buhr *et al.*, 2014; de Villiers and Maroun, 2018). However, as explained in this section, we have merely focussed on those arguments that are the most present in academic research and in the documents produced by voluntary reporting advocates (Dumay *et al.*, 2018).

*4.1.1 Why should organisations disclose? A normative argument rooted in shareholder capitalism.* In accounting research, the disclosure of information is often associated with the need to reduce information asymmetry and address agency problems (Dumay *et al.*, 2019; Gaeremynck and Van Peteghem, 2014). The main argument of the proponents of this view is that shareholders do not have complete information about the prospects of the company, while managers have a better understanding of it. Therefore, more organisational disclosure, whether voluntary or mandated, is seen to reduce the information asymmetry between shareholders and managers, i.e. the principal and the agent (Jensen and Meckling, 1976). This stream of research has produced several studies on the benefits of disclosure beyond the financial statements, such as reducing uncertainty about the real value of a company, increasing a company's visibility and the willingness of investors to invest in it, lowering the cost of capital and enhancing reputation (Armitage and Marston, 2008; Gaeremynck and Van Peteghem, 2014).

Similarly, the leading corporate reporting institutions maintain that their standards or frameworks help organisations to increase their transparency for the benefit of stakeholders – investors first and foremost (CDP *et al.*, 2020a). For example, the CDP supports companies to measure, manage and communicate their environmental impact so that "investors and purchasing organisations [can] make informed decisions, reward high-performing companies, and drive action" (CDP, 2021b, p. 2). The underlying rationale is that if companies measure and disclose climate data, they will increase their awareness towards managing greenhouse gases and climate change risks. In turn, this will provide organisations with a range of benefits from better reputation and risk management to increased transparency towards stakeholders (CDP, 2021b). Similarly, one of the objectives of the CDSB framework for reporting environmental and climate change is to "provide environmental information about the reporting organisation that is connected with financial

| ARGUMENT | INSIGHT | MAIN REFERENCE |
|---|---|---|
| *Why should organisations voluntarily disclose?* | | |
| Normative | Organisations should voluntarily disclose material information to benefit stakeholders, investors first and foremost | CDP (2021b), CDP (2021b, 2020a), CDSB (2019), IFRS Foundation (2021a, 2021b), IIRC (2021), SASB (2017) |
| *Why do organisations disclose?* | | |
| Incremental information | Organisations voluntarily disclose to reduce information asymmetries and enhance informed decision-making | Li, Richardson, and Thornton (1997), Merkl-Davies and Brennan (2007), Milgrom, 1981), Smith and Taffler (1992), Verrecchia (1983) |
| Legitimacy | An organisation may voluntarily disclose information to acquire, maintain and repair legitimacy | Deegan (2002), Dumay *et al.* (2018), Merkl-Davies and Brennan (2007), Unerman and Chapman (2014) |

**Table 1.**
Insights generated

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and other information and is useful to present and [help] potential equity investors, lenders and other creditors in making decisions in their capacity as capital providers" (CDSB, 2019, p. 5). The approaches followed by the CDP and the CDSB are in line with a *weak* form of sustainability since market forces, such as investors, are expected to guide incremental adjustments to the current system (Bebbington, 2001).

The GRI takes a more stakeholder-centric focus than a value-for-investor focus (Safari and Areeb, 2020). Organisations ostensibly adopt the GRI standards to "create a common language for organisations and stakeholders, with which the economic, environmental, and social impacts of organisations can be communicated and understood" (GSSB, 2020, p. 3). The GRI standards on sustainability reporting should therefore help stakeholders decide an organisation's impact on sustainable development. As such, a high-quality, GRI-compliant sustainability report should help in "enabling stakeholders to make sound and reasonable assessments of an organisation, and to take appropriate actions" (GSSB, 2020, p. 7). However, a stakeholder-centric focus neither guarantees behavioural change towards greater sustainability nor increased trust and transparency (Dumay *et al.*, 2019).

The SASB Standards and the IIRC's IR framework both draw on the transparency-for-investors argument, and unsurprisingly, the VRF does the same. The IIRC states four objectives for IR (IIRC, 2021). They are: increasing the disclosure quality for providers of financial capital to enhance capital allocation; communicating the material factors impacting value creation; improving accountability and stewardship; and supporting value creation through integrated thinking. The underlying rationale is that "the cycle of integrated reporting and thinking, resulting in efficient and productive capital allocation, will act as a force for financial stability and sustainable development" (IIRC, 2021, p. 2). The SASB Standards maintain that "corporate reporting must extend beyond financial statements to facilitate the measurement and reporting of sustainability information that will enhance a decision maker's understanding of all material risks and opportunities" (SASB, 2017, p. 4). As SASB metrics should have predictive value, they "will thus be of interest to investors and creditors, thereby helping to communicate and to more completely represent company performance" (SASB, 2017, p. 5). Therefore, both the IIRC and SASB have adopted a normative, rhetorical argument privileging a neoliberal capitalist ideology centred on (financial) investor value (Brown *et al.*, 2020; Flower, 2020; La Torre *et al.*, 2019).

The VRF took the same normative argument when promoting the integrated thinking principles, the IR framework and the SASB Standards (VRF, 2021a). The VRF (2021a, p. 2) maintains that the combination of those three tools "can strengthen internal planning processes, provide an accessible on-ramp to more comprehensive, decision-useful disclosure, and help businesses communicate drivers of their long-term value to providers of financial capital". The underlying rationale is that "capital markets must evolve to deliver long-term value to shareholders while also helping secure the future of our people and our planet-improving reporting is an important means to this end" (VRF, 2020). Therefore, the VRF does not distance itself from the arguments used by the IIRC and the SASB. Instead, it purports analogous reasons for why an organisation should use the VRF's tools.

Lastly, the IFRS Foundation used arguments like those used by the IIRC, SASB, CDP, CDSB, GRI and VRF when announcing the ISSB. This decision is not surprising because the IFRS and IIRC are competing for frameworks that serve similar purposes and apply similar approaches (Barker and Teixeira, 2020). The IFRS Foundation (2021a) explicitly acknowledges that its sustainability disclosure standard will draw on the prototype standard jointly published by the CDP *et al.* (2020a) Moreover, the IFRS Foundation's Constitution states that:

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> The IASB is responsible for developing a set of accounting standards (referred to as 'IFRS Accounting Standards') and the ISSB is responsible for developing a set of sustainability disclosure standards (referred to as 'IFRS Sustainability Disclosure Standards'). These complementary sets of IFRS Standards are intended to result in the provision of high-quality, transparent and comparable information in financial statements and in sustainability disclosures that is useful to investors and other participants in the world's capital markets in making economic decisions. (IFRS Foundation, 2021a, p. 6)

We argue that even if the corporate reporting landscape has evolved rapidly in the past two decades with new institutions proliferating, stabilising and being absorbed, the advocated reason for an organisation to voluntarily disclose information has remained mainly unaltered – it is to provide stakeholders, especially investors, with incremental information for decision-making.

The investor-centric focus that such institutions take on voluntary organisational disclosure reiterates the primacy of shareholder capitalism over more inclusive approaches. Shareholder capitalism, as Friedman (1970) argues in his influential article in the *New York Times*, maintains that the only responsibility managers and executives have is to answer to their shareholders and maximise their profits in any legal and ethically viable way. Any other social responsibility that executives pursue, e.g. eliminating discrimination or reducing pollution, is seen as "preaching pure and unadulterated socialism", which, in Friedman's (1970) view, is a bad thing.

Even though the shareholder-primacy model has been widely debated and criticised over the years (Davis, 2021) – and in the columns of the *New York Times*, too (Sorkin, 2020) – it is still influencing the sustainability and voluntary disclosure debate (Bebbington, 2001; Dumay *et al.*, 2019; Thomson, 2015). Considering just IR, Flower (2015, p. 15) deemed the IIRC experience a failure exactly because it abandoned the idealistic aim to "develop a model of accounting that would promote sustainability and protect the environment" in favour of a more watered-down approach to sustainability accounting. A fundamental and controversial issue remains as to whether sustainability should be stripped of its radical vision and be subordinated to neoliberal, investor-centric capitalism (Deegan, 2020; Thomson, 2015).

Dumay *et al.* (2019) argue that even the most recent developments of stakeholder capitalism and multi-capitalism are fundamentally flawed because they are still rooted in a broader version of agency theory. Freeman *et al.* (2007, p. 312) have proposed the concept of stakeholder capitalism to go beyond "naïve self-interest [and] the separation of business and morality". In their view, stakeholder capitalism offers:

> A new narrative of capitalism, one that builds in morality and ethics from the foundations, and acknowledges stakeholders as essential to value creation and trade, rather than trying to put the rights of one group beyond discussion. (Freeman *et al.*, 2007, p. 304)

The former IIRC CEO Richard Howitt contributed to a white paper outlining the concept of multi-capitalism that is "capitalism designed to maintain the carrying capacities of all vital capitals (natural, human, social, intellectual, constructed, and financial) respecting normative thresholds" (Baue, 2020). However, these potential answers to Flower's (2015) and Thomson's (2015) critiques also fail to address the root of the problem since even by adopting a multi-capital, stakeholder-centric focus:

> If a company and its managers are driven to act in the interests of powerful stakeholders, of which shareholders are likely the most representative category, then the moral and philosophical ideals of the company and its managers will be compromised by the motive of profit. (Dumay *et al.*, 2019, p. 26)

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As the prototype ISSB standard relies on the same investor-centric view of VRD, it will almost certainly reiterate the same flaws of shareholder capitalism. In explaining the purpose of the prototype ISSB standards, the TRWG (2021, p. 8) states that:

> The objective of sustainability-related financial disclosures is to provide information about the significant sustainability-related risks and opportunities to which the reporting entity is exposed that is useful to primary users of general purpose financial reporting in deciding whether to provide resources to the entity. Those decisions involve decisions about:

- buying, selling or holding equity and debt instruments;
- providing or settling loans and other forms of credit; or
- exercising rights to vote on, or otherwise influence, management's actions that affect the use of the entity's economic resources.

One of the ISSB's main purposes is, therefore, to address the information needs of unsophisticated investors (Dye, 1998). Unsophisticated investors are those who cannot command information from the companies they invest in. Conversely, sophisticated investors, such as hedge funds and institutional investors, already can collect private information and process difficult public information to make informed decisions (Callen *et al.*, 2005; Stein, 2009; Thomas, 1999). Sophisticated investors either have the time and resources to obtain timely information, or they pay someone to do it for them by looking for snippets of information that give them some sort of arbitrage (Bence *et al.*, 1995). It follows that, given the normative argument pushed forth by corporate reporting institutions to improve the quality of information available to that investor category, unsophisticated investors are the ones who could potentially most benefit from VRD standards and frameworks.

It is self-evident that the rationale behind voluntary organisational disclosure for the ISSB is an investor-centric one that primarily concerns the principal–agent, being the unsophisticated investor's relationship with corporate management. Stakeholders are not even part of the equation, nor are deeper understandings of the stewardship role that voluntary organisational disclosure may fulfil if it were to follow criteria rooted in trust, timeliness and fairness (Dumay *et al.*, 2019).

*4.1.2 Why do organisations disclose? Incremental information and legitimacy.* The academic literature often provides two answers to why organisations voluntarily decide to disclose: an incremental information argument and a legitimacy argument. Firstly, an organisation may strategically provide (or withhold) information to signal its performance (Milgrom, 1981; Smith and Taffler, 1992), reduce information asymmetry (Merkl-Davies and Brennan, 2007) or avoid the costs of *bad* information (Li *et al.*, 1997; Smith and Taffler, 1992; Verrecchia, 1983). The incremental information approach stems from agency theory and implies a strong form of market efficiency in which investors can spot reporting biases and demand the disclosure of proprietary information for making decisions (Merkl-Davies and Brennan, 2007). It follows that the corporate reporting institutions mentioned in Section 1.2 draw on an incremental information approach. The underlying rationale is that organisations need to disclose proprietary information to investors to foster informed decision-making.

Some researchers maintain that the incremental information argument may also prove valid for IR as voluntary organisational disclosure cannot leave profit maximisation out of consideration (Adams, 2015; de Villiers and Hsiao, 2018). For example, Lee and Yeo (2016) draw on this argument when they maintain that "in firms with higher external financing needs, the sub-sample of firms with higher Integrated Reporting have higher firm valuation,

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suggesting that Integrated Reporting mitigates the information asymmetry between corporate insiders and external suppliers of capital". Bernardi and Stark (2018) find that the accuracy of one-year-ahead earnings forecasts by analysts increased after the King III Report made IR mandatory in South Africa. Research also shows that high-quality IR reduces information asymmetry impacting both agency costs between managers and the board and the cost of equity capital (García-Sánchez and Noguera-Gámez, 2017; Vitolla *et al.*, 2020; Vitolla *et al.*, 2020). These studies on the effects of IR adoption show that the incremental information argument may hold in cases where IR increases the transparency and quality of disclosures.

The incremental information argument, however, may not be the only reason driving organisations to adopt IR. An organisation may voluntarily disclose information to acquire, maintain and repair its legitimacy (Deegan, 2002; Dumay *et al.*, 2018; Unerman and Chapman, 2014). Accounting researchers have used legitimacy theory since the 1980s to explain voluntary organisational disclosure and, arguably, it has become the dominant – or, at least, the most used – paradigm in this field (Dumay *et al.*, 2018). For example, annual reports can follow legitimation tactics to gain, maintain and repair legitimacy when facing public criticism (Deegan, 2002; Milne and Patten, 2002). Thus, companies may want to alter stakeholder impressions and conform, even only symbolically, to social values by adopting different legitimation disclosure responses (Brennan and Merkl-Davies, 2015; Chauvey *et al.*, 2015). These findings parallel an impression management approach to organisational legitimacy, which sees organisations use voluntary reporting and management tools to gain legitimacy (Boiral, 2013; Cho *et al.*, 2012; Marquis *et al.*, 2016).

IR, too, may respond to legitimating rationales (Ahmed Haji and Anifowose, 2017; Beck *et al.*, 2017; Casonato *et al.*, 2019). Beck *et al.* (2017), for example, explore the journey towards IR of a large Australian bank. After a cultural, governance and risk management turmoil, the organisation started producing a voluntary, non-financial report to restore its legitimacy. Several years later, the company shifted towards IR, marking "the shift in [the organisation]'s approach to managing the entity's legitimisation" and reinforcing "the entity's compliance with shifting societal norms" (Beck *et al.*, 2017, p. 202). Unsurprisingly, Casonato *et al.* (2019) found that, as time passed, the same company decoupled what it disclosed from how it acted, therefore threatening the same legitimacy it once aimed to repair and maintain. Beck *et al.*'s (2017, p. 203) conclusion that "the IIRC's vision of IR as a standardised means of informing investors and other stakeholders about the true short-, medium- and long-term values of the organisation might never be realised in practice" goes in the opposite direction to the incremental information argument. Thus, if IR is decoupled from corporate action, then the information about value creation conveyed in the reports will not find confirmation and will become useless for investors, too.

## 5. Methodology

To provide a critical answer to the research gap, we must introduce the two case studies that informed this paper. The empirical evidence collected from the two separate case studies belong to a broader research project on IR. The first case study goes deep into IR practice to understand why Alpha, an Italian SME, adopted the IR framework. The second case study aims to understand the rationales and the modalities behind the adoption of IR in CPAA, a not-for-profit professional accounting association based in Australia.

These two cases suited our need for theoretical sampling, pushing us as researchers to observe peculiar events for developing new ideas (Parker and Northcott, 2016; Rubin and Rubin, 2011). Also, as Alvesson and Deetz (2021) state, paying attention to something that is out of the ordinary may help researchers to uncover new explanations when existing ones are

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deemed insufficient. Finding IR being adopted in an SME and a not-for-profit organisation is indeed surprising. Firstly, only a few SMEs are publishing integrated reports and IR adoption in SMEs is an under-researched phenomenon that is worth exploring (de Villiers *et al.*, 2020). Also, the uptake of IR is mainly concentrated on big, listed companies (KPMG, 2020). Secondly, unlike for-profit organisations, not-for-profit entities do not rely on investors to finance their activities. This difference makes not-for-profit organisations exceptions in the IR movement and, likewise, in academic research settings (Adams, 2015; Lodhia *et al.*, 2020).

We studied Alpha and CPAA separately, using a case study methodology in line with a qualitative approach to the phenomenon studied (Parker and Northcott, 2016; Rubin and Rubin, 2011). Table 2 summarises the data sources for the two case studies.

For the Alpha case study, we participated in an informal meeting with the CFO in November 2018, followed by a company seminar. The two events lasted for 2.5 h combined, during which time we had the opportunity to talk freely with the CFO about Alpha's experience with IR and take notes. Between April and July 2019, we conducted semi-structured interviews with the CFO and CEO (Bryman and Bell, 2015). At the outset of each interview, the interviewer reminded the interviewee that their name and the company's name would be kept anonymous, and that the interviews were being recorded. Each interview lasted from 45 to 75 min. Lastly, in October 2019, we conducted an on-site field visit and a meeting with Alpha's CEO, CFO and controller. At the meeting, we took notes and were given some internal documents (Table 2). We corroborated the data collected with publicly available information, such as the company's published reports and website.

We collected data on CPAA through public documents made available on the CPAA website, and we integrated them with documents provided by other actors such as the press and an independent review panel (Table 2). We first collected CPAA's corporate reports to understand why and how IR was used by CPAA. In addition, CPAA's website, press releases

| Case study | Source | Data |
|---|---|---|
| Alpha | Public documents | Integrated Report 2016; Integrated Report 2017; Integrated Report 2018<br>Environmental Declaration 2019 |
| | Website | Sustainability section; media section |
| | Interviews | 1 interview with the CEO (75 min)<br>1 interview with the CFO (45 min) |
| | Meeting/seminar | 1 meeting with the CFO (2.5 h) |
| | On-site field visit | Participants: CEO; CFO; controller (3.5 h) |
| | Internal documents | Minutes from departmental meetings; map of KPIs; map of processes; map of quality objectives; organisation chart; organisation chart of the environmental management system; organisational chart of work safety; strategic map |
| CPAA | Public documents | 5 annual reports<br>3 sustainability reports<br>7 integrated reports<br>10 press releases<br>4 annual general meeting communications<br>COO letter to members<br>Board of directors' response to independent review panel<br>3 Board of directors' update reports on independent review panel's recommendations |
| | Documents from other actors | 1 independent review panel's final report<br>136 articles from the press |

**Table 2.**
Data sources of the two case studies

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and annual general meeting's minutes were used to corroborate relevant information. Also, we used the Review Panel's (2017) report as a data source. The Review Panel was instituted by CPAA's Board to enquire into CPAA's remuneration, governance, financial advice arm, marketing strategy and member engagement. We also relied on the Factiva database – Dow Jones' global news monitoring search engine – to retrieve articles about CPAA from 2008 to 2019. As our research focused mainly on the governance scandal that exploded in 2017, we restricted the search to the articles referring to the governance scandal and obtained a final set of 136 case articles. The analysis of such articles and the review panel's report allowed us to contrast the narrative conveyed through CPAA's corporate reports and reveal marginalised counter-narratives (Alvesson and Deetz, 2021; Perkiss *et al.*, 2020).

## 6. Main findings from the two cases

This section presents the most relevant empirical evidence collected from the two case studies underpinning the larger research project. Specifically, it shows how IR emerged almost by chance in Alpha and how it was used as a power tool in CPAA. The empirical evidence described in this section forms the basis for the development of our critiques in the subsequent section (Alvesson and Deetz, 2021).

### *6.1 Chancing upon management accounting and voluntary corporate non-financial and sustainability reporting and disclosure practices: discovering integrated reporting in Alpha*

Founded in 1960, Alpha is an Italian manufacturing company that supplies mechanical components to the construction sector with a business-to-business (B2B) business model. Therefore, Alpha does not directly sell its products to consumers (the owners of a building); instead, it sells to the construction company in charge of building or refurbishing a property. As of 2020, Alpha had 49 employees, assets of €22m and an annual turnover of €8.6m.

Over the years, Alpha has implemented a wide range of management accounting practices, including the balanced scorecard, strategic maps, environmental management systems, quality control systems, the eco-management audit scheme (EMAS), risk maps and others. Eventually, through these practices, Alpha's managers found their way to IR, which they saw as a good way to solve their needs for better systematisation and communication of Alpha's practices. Their integrated reports have since received public awards and recognition for their quality, being hailed as best practice examples of integrated reports for an SME.

As we went deeper into IR practice to understand how it came to be that Alpha adopted the IR framework, we recognised three important elements that led to the adoption of IR in Alpha: a search process being in place, the ability of managers to understand IR potential and the role of chance in bumping into IR. Firstly, Alpha's managers were searching for *something* to address Alpha's systematisation and communication needs.

> As a company grows, it risks losing control over who does what and how to do things. To not lose the organisation's pieces, the company needs to build an organisational structure to collect and codify information; otherwise, it will get lost. (field visit, controller)

> We needed to write, make evident, collect, and narrate what is inside Alpha and its vision. [. . .] It is useful to narrate how the company creates value and its linkages with the territory. There is the willingness to share what Alpha is about with everyone that is part of it: employees, suppliers, customers, etc. [. . .] It is not just about taking into account organisational impacts, but also explaining how you get to meet your targets and how you manage the company in practical terms. (interview, CFO)

> Thanks to IR, we introduced surveys for customer, employee, and supplier satisfaction. And we continue to do them. (interview, CFO)

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Secondly, the managers' sagacity and willingness to expand their knowledge allowed them to learn new practices and recognise their potential value. For example, their involvement with networks of people outside Alpha provided the mental sparkle to understand and value IR. Similarly, allowing a student from a nearby university to research the balanced scorecard inside Alpha helped Alpha's managers recognise its value and combine it with their IR programme. Therefore, even if Alpha's managers were not searching for IR or other practices specifically, they were sagacious enough to see their potential when they chanced upon them.

> The company decided to evolve from an organizational point of view. We did not think "in 10 years I want to do IR"; inside the company there were already strategic and organisational reports. Therefore, when the reorganisation process started in 2008, we couldn't conceive IR; we just wanted to avoid bankruptcy! [. . .] Later on, when this [IR] framework was born in 2013, it coupled almost entirely with Alpha's reality, mentality, vision, and management approach (interview, CFO).

> Alpha has been undertaking a management evolution for many years with the aim to evaluate the use of all the corporate capitals - most of all the intangible ones - both for the management and for the value creation. At present Alpha presents an organisational and management structure that perfectly balances these capitals, and the Integrated Report has the fundamental objective of being a disclosure tool and an innovative accounting model that reflects management's values and the operational applications of the business (Alpha 2016 Integrated Report).

Thirdly, chance and unexpectedness were embedded in Alpha's search and networks. Specifically, while IR was discovered, thanks to the participation in a business reporting network, the balanced scorecard came to Alpha through a collaboration with an Italian university and a master's thesis project. The search manifested into deliberate trials, errors, iterations and enabling new practices outside the company's boundaries. The search itself was messy and did not follow a predetermined path but was characterised by randomness.

> Thanks to the relationships gained at a CSR event in Milan and at the not-for-profit foundation I was part of, I had the chance to learn about this Business Reporting Network. Thanks to such a network, we started to delve deeper into integrated reporting. (interview, CEO)

> We landed on the Balanced Scorecard and non-financial KPIs because we were looking for a way to codify, measure, and value intangibles and all the investments in human and relational capital. (interview, CEO)

### *6.2 Integrated reporting as a power game: CPAA's governance struggle*

While in Alpha, IR emerged as a useful tool to systematise and communicate what was going on inside the company, for CPAA, it served very different purposes – purposes that changed over time.

Founded in 1886, CPAA is a professional accounting association based in Australia. In 2020, CPAA had 169,000 members, 567 employees, an income of AU$156m and assets of AU $271m (all amounts in AUD) (CPAA, 2021). Even though obtaining CPAA status is not compulsory for practising accounting in Australia, the CPAA certification acknowledges that a person is proficient in finance, accounting and business skills. CPAA issued its first integrated report in 2013 and continues to do so to the present day.

In 2017, CPAA faced heavy criticism from its members and the press. Their criticism, mainly levelled at CPAA's board of directors and CEO, spanned CPAA's remuneration scheme, marketing strategy and expenditures, governance structure and member engagement (Review Panel, 2017). Moreover, the establishment of CPAA's financial

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consulting arm created a conflict of interest that drew the attention of other actors such as the New South Wales Crown Solicitor, the Australian Securities and Investments Commission, the Professional Standards Council and the Senate Economics Committee (Aston, 2018; Patrick and Bailey, 2017). The mounting pressure from different stakeholders for change at CPAA resulted in the resignation of the president, a breakdown in the membership of the board, termination of the CEO's contract and the launch of an independent review panel inquiring into the causes of the scandal (Aston, 2018). Before, during and after this corporate governance scandal, CPAA continued to issue integrated reports, which gives us the chance to understand how IR was used in the different phases of the scandal.

Firstly, before the scandal, the old board used integrated reports and other communication channels to diffuse CPAA's strategy and to highlight the organisation's achievements to current and prospect members. From about 2010, CPAA began following a marketing strategy centred on its CEO's persona to build brand awareness and stakeholder engagement (Review Panel, 2017). For example, the CEO hosted a 12-episode TV series, published an autobiography titled *The Naked CEO* – promoted on billboards and signage in Times Square (New York City) and at Australian airports (Review Panel, 2017) – and hosted a talk show on the Nine (TV) Network. While the corporate reports still aimed "to provide readers with a comprehensive picture of how CPA Australia has created value" (CPAA, 2017, p. 1), the other channels ended up exposing CPAA to financial and reputational risks by over-relying on the CEO's persona (Review Panel, 2017). Moreover, the reports did not show the issues that could have weakened CPAA's legitimacy, such as the remuneration scheme or a breakdown of how the marketing budget had been spent. CPAA's choice was to only disclose positive issues while downplaying negative ones.

Secondly, during the scandal, integrated reports became irrelevant because other disclosures such as articles from the press and the independent review panel's report were timelier. The review panel went deep into the causes of the scandal by assessing both members' feedback and CPAA reports (Review Panel, 2017). The review panel's final report tackled five main issues – governance, remuneration, marketing strategy and expenditure, member services and engagement and CPAA's financial consulting arm – and included a plethora of recommendations on the issues that led to the scandal for the new board to address.

Third comes the aftermath. The scandal erupted on 30 May 2017 with the president's resignation and ended, roughly, on 4 August 2017 when CPAA announced the renewal of the entire board by the year's end. The integrated report accounting for the CPAA scandal came out only in April 2018 (CPAA, 2019). The new board used integrated reports to account for past issues and ongoing changes to CPAA's remuneration schemes, strategy, member engagement and governance system. The report begins with a statement from the president recognising that "2017 has perhaps been the most challenging and disruptive year in CPA Australia's history" and goes on to spell out how the new board has been working to implement the IRP's recommendations (Review Panel, p. 2). Moreover, the report gives a detailed account of the directors' and top executives' remuneration (both old and new). Plus, there is confirmation by the new board that a review of the CPAA's strategy was underway to re-establish the member-centric mission of the organisation (CPAA, 2018).

## 7. Empirically grounded critique of the main approaches to voluntary corporate non-financial and sustainability reporting and disclosure

The debate on why organisations voluntarily decide to disclose is far from conclusive. On the one hand, the legitimacy and impression management arguments counter the incremental

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information (Casonato *et al.*, 2019; Merkl-Davies and Brennan, 2007). On the other hand, Guthrie and Parker (1989, p. 351) question the usefulness of legitimacy theory to frame voluntary organisational disclosure as "a proactive process of information provided from management's perspective, designed to set and shape the agenda of debate and to mediate, suppress, mystify and transform social conflict". Moreover, the legitimacy theory may offer only a partial picture of why organisations decide to disclose (Adams, 2002), and relying on such a theory over and over may be counter-productive (Unerman and Chapman, 2014). During the research project, these considerations led us to look beyond incremental information and legitimacy theories to both uncover novel insights on why organisations voluntarily adopt IR in practice and provide an empirically grounded critique (Alvesson and Deetz, 2021).

### *7.1 Critique: why do organisations disclose? Alpha's happy accident*

The critique we gleaned from Alpha's case is that a voluntary organisational disclosure tool such as IR may be adopted because of a *happy accident* (Merton and Barber, 2004; Meyers, 2011), rather than because of legitimacy or incremental information needs. In the theory of scientific research, such happy accidents are often described using serendipity. For Yaqub (2018, p. 169), serendipity is "the notion of researchers making unexpected and beneficial discoveries". By this reckoning, if a serendipitous change occurs following a lucky accident, only individuals searching with sagacity, curiosity, enterprise, courage, imagination, determination, assiduity and alertness can benefit from it (Heinström, 2006; Merton and Barber, 2004).

Alpha's IR adoption reflects all three characteristics of serendipity: search, sagacity and chance (Dew, 2009; McCay-Peet and Toms, 2015). Firstly, Alpha's managers were searching for *something* to address Alpha's need for control. Secondly, the managers had the sagacity and willingness to expand their knowledge through experimentation and networking, which allowed them to learn a new practice and recognise its potential value. Thirdly, the role of chance and unexpectedness was embedded in Alpha's search process and networks (Hadid and Al-Sayed, 2021; Yaqub, 2018). Had Alpha not engaged with external networks, it may have never discovered the balanced scorecard or IR. Therefore, we maintain that IR may be just the right tool discovered at the right time by sagacious actors looking to improve management controls and not necessarily a legitimising or informative tool.

### *7.2 Critique: why do organisations disclose? The CPAA's power game*

The second critique emerging from the CPAA case is that CPAA's rationale for adopting IR did not align with the rationale prescribed by the IR framework. Instead, it evolved in line with the phases of a power game among the figurations that CPAA comprises (Elias, 1978). This power game resulted in different agendas and rationales for IR, with some gaining more prominence than others due to shifting power balances.

What we observed in CPAA was a power game played by five different figurations: the old board of directors, the press, the so-called rebel members, the independent review panel and the new board of directors (Elias, 1978). Specifically, the case findings mirror a *power game* where "two or more people measur[e] their strength against each other" and arrive at a stable or unstable balance of power (Elias, 1978, p. 73). Power games are usually fuelled by questions such as "Who has the higher power ratio and can therefore steer the activities of the other side to a greater extent than they can steer his own activities. . . [who] can put more pressure on them than they can put on him?" (Elias, 1978, p. 79). As we observed in the CPAA story, a power game emerged when two figurations standing in opposition to CPAA, the angry members and the press, questioned the board and the CEO's power to impose their agenda (Dopson, 2001, 2005).

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The figurations played the power game in three phases – before the scandal (2006–2016), during the scandal (early 2017) and after the scandal (late 2017–2019). In each phase, different voluntary disclosure tools gained and lost relevance and served various purposes. Overall, we found different rationales behind the adoption and use of IR. Before the scandal, the old board of directors used IR to maintain their favourable power balance (Couldry and Hepp, 2017), painting CPAA as a progressive leader in the voluntary organisational disclosure movement (Cho *et al.*, 2015). This allowed the board and the CEO to keep the power (im)balance with its members stable, at least for a time (Elias, 1978).

During the scandal, IR completely lost its relevance as other forms of disclosure became the means through which actors constructed their agency (Couldry and Hepp, 2017; Hepp *et al.*, 2015). News articles, members' emails and social networks became the prevalent communication channels.

After the scandal, the new board of directors used IR along with the independent review panel's report to restore CPAA's legitimacy (Beck *et al.*, 2017; Deephouse *et al.*, 2017). In particular, the review panel acted as an intermediate figuration to repair the power balance by establishing its final report as common ground for the opposing parties (Couldry and Hepp, 2017; Elias, 1978). Also, IR informed stakeholders about the changes implemented after the scandal (Pfarrer *et al.*, 2008). At first glance, the 2017 integrated report mainly followed a legitimacy repairing logic because it extensively disclosed the remuneration schemes, gave prominence to the governance section and renewed the focus on member engagement (Deephouse *et al.*, 2017; Merkl-Davies and Brennan, 2007). However, these corporate reports were also part of the new board's strategy to restore power (Elias, 1978). The president and CEO's letters contained in the 2017 integrated report acknowledged that CPAA underwent hard times, but did not apologise, express regret or identify the guilty parties, thus distancing themselves from the scandal (Pfarrer *et al.*, 2008).

It follows that the critique we take from the CPAA case is that VRD does not follow only legitimacy or normative rationales but can also be a power tool wielded by the opposing figurations (Couldry and Hepp, 2017). VRD, such as IR, has no unique purpose but evolves according to the changes in the power balance and the phases of the power games among figurations (Elias, 1978). Therefore, IR is used by different figurations to pursue their agenda whether that be to maintain power balances (Couldry and Hepp, 2017), paint progressive façades (Cho *et al.*, 2015), restore legitimacy (Deephouse *et al.*, 2017) or inform stakeholders about corrective changes (Pfarrer *et al.*, 2008).

## 8. Transformative redefinition: is there a road ahead for voluntary corporate non-financial and sustainability reporting and disclosure?

Good critical research cannot free itself from pointing at possible ways forward (Alvesson and Deetz, 2021). In this concluding section, we will try to do just that.

### *8.1 From normative rhetoric to substantial disclosure*

In the past 25 years, the VRD movement has experienced a corporate reporting frenzy, with more than ten new institutions being created (Section 2). At the time of writing, the developments in the VRD movements culminated with the statement of intention to work together by the leading corporate reporting institutions (CDP *et al.*, 2020b) and the announcement of the new ISSB (IFRS Foundation, 2021b). Notwithstanding the fuss around such changes, the normative arguments – rooted in incremental information theory – pushed forth by such institutions have not changed. We argue that these institutions should acknowledge the expanding body of academic work on the rationales behind adopting voluntary organisational disclosures. For example, they could abandon moralising,

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rhetorical arguments about why an organisation *should* voluntarily disclose (La Torre *et al.*, 2019) and understand the more nuanced reasons why companies *do* disclose in practice (Hopwood, 1983).

The objective of the prototype ISSB standards to provide sustainability information "to users of general purpose financial reporting" (TRWG, 2021, p. 4) resonates with the distinction between unsophisticated and sophisticated investors (Dye, 1998). Unsophisticated investors cannot command information from the companies that they invest in and potentially could benefit from voluntary corporate reporting the most. However, if voluntary corporate reporting follows impression management (Brennan and Merkl-Davies, 2015; Merkl-Davies and Brennan, 2007), legitimising purposes (Casonato *et al.*, 2019; Cho *et al.*, 2012) or the agendas of powerful figurations (Couldry and Hepp, 2017), rather than incremental information, will unsophisticated investors truly be able to make more informed decisions?

Sophisticated investors, such as hedge funds and institutional investors, have a greater ability to collect private information and process difficult public information (Callen, Hope, and Segal, 2005; Stein, 2009; Thomas, 1999). We strongly doubt that investment managers of the likes of BlackRock, Inc. or AQR Capital Management, LLC. really need IR to achieve "efficient and productive capital allocation" (IIRC, 2021, p. 2). Also, if IR, the GRI and all manner of other general-purpose reporting were going to save the world through more sustainability and accountability, the world would be saved by now. In fact, Buhr *et al.* (2014, p. 64) deem voluntary reporting initiatives "an almost complete failure". The IFRS Foundation (2022) made clear that the IISB will not abandon the investor-centric focus that characterised the IIRC in favour of a broader and stronger approach to sustainability. Thus, considering that the new ISSB standard is relying on the same rationale that has not worked before, what is so special about it that will work now?

We do not have an answer to these two questions. However, even if we acknowledge that the corporate reporting institutions need to push the adoption of their standards and frameworks through rhetorical strategies (La Torre *et al.*, 2019), we also maintain that a more critical approach to those standards and frameworks could be helpful. Further interventionist research could help address such an objective (Dumay, 2010). For example, critical researchers may need to get their hands dirty working side-by-side with corporate reporting institutions to provide them with a more critical edge (Adams, 2015). This type of research may help prevent – or at least reduce – the regulatory capture denounced by Flower (2015) and Thomson (2015).

### *8.2 Chancing upon voluntary reporting tools*

There is a multiplicity of reasons for adopting IR (and VRD in general). One is simply that sometimes managers serendipitously chance upon a tool good enough to serve their organisation's need at the right time, and they are sufficiently sagacious to recognise its hidden potential (Yaqub, 2018). If this holds, as we observed during our research, one could wonder why a company should adopt a specific tool, such as IR, *vis-à-vis* the plethora of other available tools.

Serendipitously discovering a corporate reporting tool, however, is not a passive effort. Managers need to discover them, whether experimenting, networking externally to their organisations or leveraging internal communication channels (Andon *et al.*, 2007; Hadid and Al-Sayed, 2021). And, they also need the necessary sagacity to spot valuable tools. Here, we see a crucial role for the education system to train managers to see whether a tool sold as innovative is truly as such or just the same old wine in a new bottle. As we highlight above, new initiatives, such as the prototype ISSB standards, are just that. While there may be

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improvement (because the multitude of frameworks influencing the new standards will merge and, in turn, likely become comparable), that still does not solve the problem of timeliness, whereby annual reports mainly provide historical information, and little information on the prospects of material change.

Critical researchers may want to play a role as critical researchers keep such tools under the spotlight critiquing the content of standards and frameworks and their use in practice in a timely fashion. Therefore, critical researchers can uncover whether the normative arguments purported by corporate reporting institutions genuinely live up to their tasks in practice.

*8.3 Follow the money*

We are left wondering why such a considerable number of corporate reporting frameworks and proponent organisations have proliferated. We acknowledge the need for more non-financial disclosure after the accounting failures at the beginning of the 21st century and the rise of intangibles as an explanation for growing market-to-book ratios (Buhr *et al.*, 2014). However, we are worried about the risk of the accounting profession and multinational companies capturing such institutions to ensure a manageable, weak approach to disclosure rather than a more strong, disruptive one (Flower, 2015; Thomson, 2015). Also, such institutions tend to rely on a neoliberal, capitalistic, investor-centric view of voluntary organisational disclosure, watering down the calls for stewardship-driven, sustainability-centric disclosures (Dumay *et al.*, 2019; Flower, 2020). We maintain that, as each institution has its supporting network and financiers, further research may uncover the figurations and networks behind such institutions to understand whether they have common interests and shared links.

A relevant path for critical accounting research is to follow the money that provides funding to the corporate reporting institutions to understand who controls what. For example, by adopting a figurational approach (Elias, 1978), researchers may look into the governance structures of such institutions and their financial statements to uncover the network supporting them. The SASB and IIRC's merger into the VRF and the announced consolidation of the VRF and the CDSB into the IFRS Foundation is a good starting point for undertaking such research.

## 9. Conclusion

In this paper, we provided a critical reflection of current and future developments in the VRD field. As the VRD landscape is changing fast on a global level with corporate reporting institutions popping, up, merging and disappearing, we adopted a critical management framework (Alvesson and Deetz, 2021) to critique and redefine the mainstream arguments on which VRD relies. Specifically, we critiqued the normative, incremental information and legitimacy arguments.

Our critical reflection is not only theoretical but, rather, grounded in empirical material collected over a three-year project on IR. By exploring IR adoption in Alpha and CPAA, we present why and how these organisations voluntarily disclose information. We show that these organisations were adopting IR because of serendipity and power struggles, rather than to provide transparent and timely information to the providers of financial capital. These different rationales to VRD that we found build a case for reporting institutions to move towards more substantial disclosure to provide accountability towards a broader base of stakeholders impacted by corporate activities. Also, our findings call for more critical research on the use of VRD standards and frameworks in practice to consider whether the purported normative arguments live up to their tasks.

Our paper has also limits stemming directly from its aim to be a critical reflection. The argument presented throughout the paper has been grounded in two case studies, which

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were part of a broader three-year research project on IR. Even when grounded on empirics and logical arguments, a reflection is always a subjective effort. Therefore, different researchers could come to different conclusions and learn different lessons from the ones we have presented in this paper. Further critical research is encouraged to counter, confirm or expand our reflections, therefore contributing to advancing academic research on VRD.

## Note

1. Here are two examples of the strings we used to query the database: TITLE-ABS-KEY ("integrated report*") AND (PUBYEAR BEF 2019) AND (LIMIT-TO (DOCTYPE, "ar")) AND (LIMIT-TO (SUBJAREA, "BUSI")) AND (LIMIT-TO (LANGUAGE, "English")); TITLE-ABS-KEY ("integrated think*") AND (PUBYEAR BEF 2019) AND (LIMIT-TO (DOCTYPE, "ar")) AND (LIMIT-TO (SUBJAREA, "BUSI")) AND (LIMIT-TO (LANGUAGE, "English")).

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