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STAKEHOLDER VALUE CREATION THROUGH INTEGRATED REPORTING

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1 INTRODUCTION

1.1 Evolution of corporate reporting

The evolution of corporate reporting started first with *stand-alone financial reports* (Rupley et al. 2017, 172). Even today, corporate reporting is still very much focused on the financial aspect of reporting. Every company that is listed on a stock exchange has to issue a financial performance report at least once a year. There is a set of different accounting standards that regulate these reports, like International Financial Reporting Standards (IFRS) and US Generally Accepted Accounting Principles (GAAP). Capital markets benefit greatly from these reports, because the reports are made with high quality: they represent a transparent and accurate view of companies' financial status. (Eccles & Saltzman 2011, 57–58.)

Stand-alone financial reports have gained also a lot of critique. They do not contain information about a company's nonfinancial performance. The nonfinancial performance of a company is however an important contributory cause to the long-term financial picture of a company. Financial reports have strict auditing standards. The increasing complexity of financial reporting is one of the criticised aspects. How can these reports create equal value to all stakeholders when only educated individuals understand these reports? Financial reports are also backward looking and do not contain enough information about the company's estimated performance in the future. Business involves risks and stakeholders should be able to trust that companies do not understate these numerous risks. (Eccles & Saltzman 2011, 58.)

Global pressures and the critique on stand-alone financial reports motivated companies to the second stage of corporate reporting evolution. In addition to the standalone financial reports, companies started to produce *stand-alone nonfinancial reports:* sustainability reports or corporate social responsibility (CSR) reports. (Rupley et al. 2017, 172.) Issuing these reports is becoming more and more common among companies, even though it is still very much based on voluntariness (Eccles & Saltzman 2011, 58).

The difference between the terms *sustainability* and *CSR* is very slight and often the terms are used mixed (Marrewijk 2003, 102). *Sustainable development* was first introduced to a larger audience in 1987 with the Brundtland report, Our Common Future, by the World Commission on Environment and Development. It stated that sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". (UNWCED 1987, 8.) Nowadays sustainable development is seen more and more complex and many studies have been proliferated since (Bebbington et al. 2014, 5). CSR is a term that has been in discussion for a long time now. The modern era of CSR is traced back to the 1950s.

(Carroll 1999, 269.) There are many definitions for CSR and Carroll is one of the most cited CSR writers. He sees CSR as a four-step pyramid. Businesses have four types of social responsibilities that amount to the total of CSR: economic, legal, ethical, and philanthropic. (Carroll, 1991, 40.)

Especially in reporting literature and the actual company reports, the previous terms are used rather interchangeably, along with various other terms. These all refer to a report that has information about nonfinancial company performance. Typically the issued reports cover a company's ESG performance. ESG covers issues related to the environment, social responsibility and corporate governance. Linked to the environment, a company can give for example information on climate change, carbon emissions and so on. Human rights, gender equality, health and safety are examples of social responsibility. Reporting and disclosure, and approach to risk management are examples of corporate governance. (Eccles & Saltzman 2011, 58; Galbreath 2013, 530.)

The third face of corporate reporting evolution is the *integration* of stand-alone financial reports and stand-alone nonfinancial reports. This current phase originates again from the global pressures: reporting should move toward comparability and accountability. (Rupley et al. 2017, 172.) This global pressure is coming from the *stakeholders.* Stakeholder is according to Freeman (1984) "any group or individual who can affect or is affected by the achievement of the organisation's objectives". The reports that companies issue are an important source of information for different stakeholders. For example employees want to know where to work, customers want to know from whom to buy and investors want to make the best possible resource allocation decisions. (Eccles & Saltzman 2011, 58.)

During this three-phase corporate reporting evolution, companies have used various frameworks and standards to help the reporting process. Frameworks and standards for nonfinancial reports do not however come even nearly to the same level as it is for the financial reports. There are however several nonfinancial reporting initiatives, like the Global Reporting Initiative (GRI) guidelines and Account Ability standards that have risen in favour for stand-alone nonfinancial reporting. (Eccles & Saltzman 2011, 58.) Especially the creation of GRI in 1997 by US financial investor groups is seen as a milestone for including nonfinancial information into the mainstream of company reporting (Moneva et al. 2006, 135; Beck et al. 2017, 192). The International Integrated Reporting framework is the first framework to clarify the latest evolution phase: the integration of financial and nonfinancial reporting (Rupley et al. 2017, 174). Integrated reporting (IR) is discussed in more detail in the next section.

1.2 Rise of integrated reporting

The Integrated Reporting framework was developed and released by The International Integrated Reporting Council (IIRC) in 2013. In the framework an integrated report is defined as "a concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term" (The International IR Framework 2013, 7). The basic idea behind an integrated report is that it "brings together material information on financial and nonfinancial performance in one place" (Eccles & Saltzman 2011, 59).

The reason for issuing an integrated report is similar regardless of the company or the field in which the company operates: the belief that integrated reporting is the best way for communication. Stakeholders will get accurate information on how a company has committed to sustainability, both financially and in ESG terms. (Eccles & Saltzman 2011, 58.) Stakeholders are provided with valuable information about the future survival ability of a company, because the key opportunities and risks are identified and reported (Cheng et al. 2014, 93). Integrated reporting controls that a company has a strategy that is sustainable (Eccles & Saltzman 2011, 58).

Compared to stand-alone nonfinancial reporting, integrated reporting has a multiple stakeholder focus. Integrated reporting provides a more strategic aspect to reporting, because it discusses the future outlooks by connecting these outlooks to the past performance. (Rupley et al. 2017, 174.) Integrated reporting does not remove any mandatory reporting, but it has the aim of capturing fragmentary information: the most important information from different reports is linked into one place. The degree of complexity and the number of issued integrated reports grow continuously (Niskala & Pajunen 2015, 6).

The future of integrated reporting looks rather bright and more and more companies all over the world are starting to adopt it. At the moment more than 1,000 businesses globally are practicing integrated reporting. This reporting method helps them to communicate with their investors and other stakeholders. Also pioneers in the public sector are showing increasing interest in integrated reporting. For example the European Commission has labelled IR as "a step ahead" in its directive on nonfinancial reporting. The International Integrated Reporting framework was one of the frameworks that European Commission used when creating the guidelines for nonfinancial reporting. (Integrated reporting: When? Advocate for global adaption 2017; Communication from the commission 2017.)

One of the first companies issuing an integrated report was the Danish medical company called Novo Nordisk. In 2004 they released an annual report called Annual Report: Financial, Social, and Environmental Performance. The goal of the report was to evaluate how corporate sustainability, especially social responsibility and environmental responsibility results, are aligned to the economic performance of the company. In the report, sustainability information is linked to the financial statement giving valuable information on the actual economic results and position. This model has been later on an example to numerous companies producing an integrated report. (Niskala et al. 2013, 264.)

South Africa is one of the forerunner countries of integrated reporting because it is the only country that has mandated integrated reporting. All companies listed on the Johannesburg Stock Exchange have been producing integrated reports since the year 2010. The King code on corporate governance is explicitly linked to the International Integrated Reporting framework. (Integrated reporting: When? Advocate for global adaption 2017.) As we can draw a conclusion based on the presented examples, integrated reports have been produced long before the actual integrated reporting framework existed. The release of the framework in 2013 simplified the producing process of integrated reports and highlighted the pursued conciseness of these reports. The length of issued integrated reports varies usually between 40 to 140 pages. (Rupley et al. 2017, 175.)

1.3 Purpose of the study

The purpose of this study is to analyse the means through which companies create value for stakeholders through integrated reporting. The main research question of this study is: **How does integrated reporting create value for stakeholders from the reporting company perspective?** The sub research questions in this study are:

- How does integrated reporting differ from other sustainability reporting means in terms of value creation?
- How do companies engage stakeholders in integrated reporting in terms of value creation?

Integrated reporting is a comparatively new theme for research. The research questions of this study are designed to discuss gaps in this new field.

The first research focus that should be studied more profoundly is the ways integrated reporting differs from other sustainability reporting means. *Sustainability reporting* is seen as a process that helps organisations to, measure performance, set goals and manage the change toward an economy that is globally sustainable. Long-term profitability is combined with social responsibility and the care of the environment. (GRI: Reporting principles and standard disclosures 2013, 85.) For companies to start practicing integrated reporting requires assurance and explaining how issuing an integrated report benefits them. This comparison and presenting the own distinctive features of integrated reporting are the basis for understanding value creation through integrated reporting. The challenges of integrated reporting and the benefits of integrated reporting that help overcoming the challenges are also crucial factors in understanding the value creation process. Companies will probably not practice any new challenging reporting forms if they are not explained how they can better create value, and how value is created to them.

The second theme that should be studied more is how different stakeholders are engaged in integrated reporting. Integrated reporting, and sustainability reporting in general, is criticised for the extra emphasis on finance providers (Niskala et al. 2013, 265; Cheng et al 2014, 97; Bebbington et al. 2014, 5). Stand-alone sustainability reporting, for example global reporting initiative, GRI, is sometimes even seen more inclusive compared to integrated reporting. GRI focuses on future actions, plans, and identifying stakeholders. Integrated reporting has however a different target audience because of its aim to present information that is related to extensive risk evaluation and value growth potential for the future. It is natural that this information is more appealing to capital providers and investors. (Villiers et al. 2014, 1059–1061.)

This study discusses intentionally all stakeholder groups. This is done in order to figure out how companies see and expect different stakeholder groups to be engaged in their reporting processes. Investors do in fact need the information from sustainability reports to critically assess the future performance, operations and risks (Clarkson et al. 2013, 430). However, this study takes a perspective that sustainability reporting and integrated reporting could provide value related information for all stakeholders. One reason for the original emergence of integrated reporting was specifically the stakeholder pressure to include social and environmental performance in corporate reports (Ballou et al. 2006, 65).

Utilising *stakeholder engagement* is seen in this study as a major factor that influences how a sustainability report can create value. Stakeholder engagement means having an overall strategic posture where direct negotiation and communication with stakeholders is the key (Freeman et al. 2007, 15–16). Stakeholder demand is one reason why the concept of sustainability was developed, and reporting is seen as one of the key mechanisms for stakeholder engagement. (Herremans et al. 2016, 417.)

Value creation through integrated reporting is the final theme that should be studied more from the company perspective in order to explain value creation for different stakeholders. Value creation is an integral part of integrated reporting, and it is important to find out how value can be created for stakeholders, also other than finance providers, and how the stakeholders are engaged in the processes. How a company expects to create value, and how different stakeholders perceive the value are two totally different things. This study takes the company perspective in data collection. However, *perceived value creation* is seen important in addition to *expected value creation*, because these two are linked and companies can have their own opinions on both of these.

Perceived value from a reporting viewpoint, highlights that competitive advantage can be gained if exceptional perceived value is created. The quality of a sustainability report has a great impact on the perceived value. Companies have to genuinely describe the company, because ingratiating actions are usually seen as morally negative. (Godfrey 2005, 784–785.) The stakeholder in question that is reviewing the report has also an impact on the perceived value and quality. For example, financial stakeholders are interested in the sustainability information that is clearly linked to the company access to critical economic resources. Other stakeholders usually use the sustainability disclosures to evaluate their own relationship with the company. All in all, the relationship that the stakeholder has with the company affects significantly the aspects perceived as valuable in the report. (Herremans et al. 2016, 418.)

Expected value from the company perspective is very much dependent on how the company governance sees value, and what is seen valuable. Currently, sustainability reporting is mostly done on voluntary basis and this means that companies can selectively decide what to report about. This gives companies a lot of power and the report readers a lot of uncertainty in estimating the information in reports. (Gray 2006, 803.) Value is a preferential assessment of a single transaction or fundamental end-state (Boksberger & Melsen 2011, 229–230). Different stakeholders value different things in reports and it is up to companies to try to create value for all stakeholders through reporting (if they see this necessary). Figure 1 sums up the studied research focuses of this study.

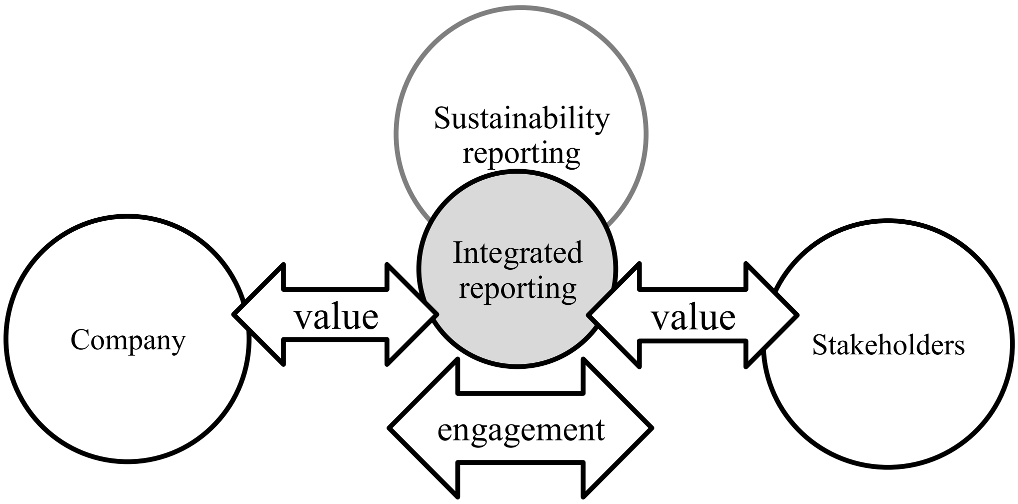

Figure 1 Research focuses of the study

With the figure 1, the company perspective, and the research questions in mind, this study should provide new and relevant information for both companies practising integrated reporting, and stakeholders reading these reports. Hopefully after reading this study, company leaders will understand the importance of integrated reporting and stakeholder engagement in value creation processes. In addition, stakeholders could pay additional attention to nonfinancial reports when making their decisions, and understand better how companies expect to create value for them.

2 INTEGRATED REPORTING IN THE SUSTAINABILITY REPORTING CONTEXT

This chapter focuses on discussing the first sub research question: How does integrated reporting differ from other sustainability reporting means in terms of value creation? The value aspect of integrated reporting is carried throughout the chapter. Value creation through reporting and integrated reporting is however discussed more fully in chapter 3.

First (2.1), integrated reporting is positioned in the sustainability reporting discussion. The main differences that portray integrated reporting in this context are described. Especially the differences and similarities between integrated reporting and the most commonly used sustainability reporting framework GRI are seen important. The rising popularity of integrated reporting is also briefly discussed.

Second (2.2), the main challenges and critique of sustainability reporting and integrated reporting are summed up. The challenge aspect of reporting is seen important, even though it is not the main focus of this study. This information is seen however necessary, because it is important to see that sustainability reporting is not always as simple as reporting frameworks indicate. All these challenges clarify the differences between value creation in sustainability reporting and integrated reporting, which is essential part of the first sub research question of this study.

Third (2.3), the main points of the international IR framework are presented. That is done for the most part by using the framework itself as a reference. The framework is seen as the best communication of the practices of producing an integrated report. Integrated reporting is also fairly new theme for research and that is why the actual framework is seen as the most reliable resource.

2.1 Integrated reporting in the sustainability reporting discussion

Historically, sustainability reporting or corporate social responsibility reporting has evolved from employee reporting, social reporting, environmental reporting, triple bottom line reporting (TBL, environmental, economic, social), to recent miscellaneously labelled forms of reporting. Sustainability reports have mainly voluntary and unregulated nature. There is still no standardised terminology that can help interpret report content or the developments of reporting. (Buhr et al. 2014, 55.) Eccles and Krzus (2010, 5) are also aware of the fact that the terminology in these reports and discussion about nonfinancial reporting can be disagreeable to some readers. Terms like corporate social responsibility, ESG metrics, sustainable development, nonfinancial information, and sustainability are used rather freely in the accounting literature.

In this study the vocabulary used will focus on the words *sustainability reporting* and *nonfinancial reporting*, because of the future orientation of integrated reporting and the ‘one report’ point of view: financial and nonfinancial information in one place. Tulder and Zwart (2006, 247) see also that sustainability reporting is the broadest possible form of reporting. It includes the vision on sustainability in addition to the financial, environmental and social reporting aspects. The issuance of a sustainability report can have varied receptions in the market, but quality reports are usually perceived as meaningful actions from the reporting companies (Guidry & Patten 2010, 36).

There are more and more standards and frameworks for sustainability reporting. The most commonly used sustainability reporting framework at the moment is the global reporting initiative (GRI) framework. At the moment there are over 23,000 GRI reports in the GRI database and the number is growing. (GRI, 2017.) From the world´s 250 largest companies by revenue based on Fortune 500 ranking of 2016, 89 per cent are using some sort of guidance or framework for sustainability reporting. 75 per cent of these reports are used applying the GRI framework. (KPMG, Blasco & King 2017, 28.) The basic idea of GRI is to report about chosen indicators that are linked to TBL, environmental, social, and economic aspects of business. A company can choose the level of compliance it wants to follow: A+, A, B+, B, C+ and C (the lowest). GRI has evolved over the years since the first published guidelines in the year 2000 from G1, G2, G3, G4, to the current GRI standards. (Buhr et al. 2014, 63; GRI 2017: GRI standards.)

When comparing integrated reporting to the sustainability reporting discussion, it is important to note that integrated reporting is much more than issuing one document that has financial and nonfinancial information. Integrated reporting takes it further: financial and nonfinancial information is gathered so that their impact on each other is revealed. This means that a long-term business strategy becomes the focus over short-term financial goals. (Eccles & Krzus 2010, 29–30.) Integrated reporting requires *integrated thinking* throughout the organisation. It means that business leaders look at the business from a holistic view. Looking beyond the financial aspect makes it possible to include a more comprehensive overview of the business. Integrated reporting forces business leaders to think about strategies, operations, risks and opportunities, future, governance and so on. (Busco et al. 2014, 24.)

Another aspect that makes integrated reporting different from other sustainability reporting methods is the fact that integrated reports should be designed to, at some level, benefit all stakeholders. (Busco et al. 2014, 24.) Separate sustainability information does not work in the long term when value needs to be created for all stakeholders (The International IR Framework 2013, 4). When comparing integrated reporting to GRI, one of the biggest differences is probably the value creation aspect of integrated reporting, which naturally is the most tempting information for finance providers. GRI has the focus on the identification of different considerations and prioritising different stakeholders based on these. It may be argued that even though integrated reporting should provide value related information for all stakeholders, the fundamental value focused characteristic of integrated reporting pushes the focus more towards finance providers. (Niskala et al. 2013, 269.)

Integrated reporting has the goal of completing other reporting frameworks. In other words, integrated reporting is not in any way replacing any mandatory reporting frameworks. However, the implementation and the contents of these voluntary and mandatory reports may change because of integrated reporting. Important aspects of other frameworks are linked together in order to give better and more comprehensive overview of all the crucial factors in a company's value creation abilities. The most significant are the changes for sustainability reporting. (Niskala & Pajunen 2015, 51.)

The principles of integrated reporting lean strongly on the basics of sustainability reporting. It can be stated that if a company has strong sustainability reporting, the transition to integrated reporting will be easier. The role of sustainability is significant in developing integrated thinking in the company and in defining the essential viewpoints and expectations that stakeholders have. (Niskala & Pajunen 2015, 52.) Fundamentally, the point of integrated reporting is not to separate the terms financial and nonfinancial, but to understand the factors that add or reduce value (The International IR Framework 2013, 2). When comparing integrated reporting to the most popular sustainability reporting framework in use, GRI, many similarities can be noted. For example the guiding reporting principles, content elements, and extent of the reporting are mainly similar. Both frameworks have the same philosophy: reporting about what is essential. (Niskala & Pajunen 2015, 59.)

The popularity of integrated reporting grows slowly but steadily. In 2017 14 per cent of reporting N100 and G250 companies specifically label their reports as "integrated". Around two thirds of these companies reference the actual IR framework. N100 countries are a KPMG indicator for a worldwide sample of 4,900 companies comprising the top 100 companies by revenue in each researched country. (KPMG, Blasco & King 2017, 3–24.) The top ten integrated reporting countries are listed in table 1.

Table 1 Actual number of integrated reporters in N100 companies: top ten countries (adapted from KPMG, Blasco & King 2017, 24)

	2015	2017	Change %
South Africa	88	90	+2
Japan	21	42	+21
Spain	27	36	+9
The Netherlands	27	26	-1
Brazil	6	22	+16
Mexico	5	21	+16
South Korea	10	17	+7
UK	9	15	+6
Sweden	13	15	+2
Poland	10	15	+5

As we can see from table 1 the global growth is still modest, but in some countries the popularity has risen significantly. These countries are Japan, Brazil, Mexico and Spain. In South Africa the integrated reporting is already at a comparatively high level because of the 2010 King code on corporate governance.

2.2 Overcoming challenges in integrated reporting

2.2.1 Challenges of sustainability reporting and integrated reporting

Even though integrated reporting combines financial and nonfinancial information, the changes in reporting practices and company actions are most significant for the sustainability reporting part (Niskala & Pajunen 2015, 51). This is why the challenges of sustainability reporting and integrated reporting are assumed to be similar and discussed together in this chapter. The challenges related to sustainability reporting and integrated reporting can be overcome. In case of integrated reporting, the three benefit classes presented in the following chapter are seen as one way to overcome the challenges. This discussion clarifies the differences between value creation in sustainability reporting and integrated reporting, which is an essential part of the first sub research question of this study.

To start with, it needs to be defined why to report about sustainability in the first place. There have been challenges and critique towards sustainability reporting and questioning whether sustainability reporting is even accurate enough to describe the real sustainability situation of a company. There are also mixed opinions on whether the level of corporate environmental disclosures and corporate environmental performance are synced. (see Clarkson et al. 2008; Al-Tuwaijri et al. 2004) Another challenge that sustainability reporting and integrated reporting have is the effort that the reporting causes. Companies may not want to practise sustainability reporting because they are not required to do so. For example, the high level of transparency that integrated reporting provides may introduce risks if the company fails to reach the stated goals. Creating a report requires a lot of collaboration between different business units. These units may not be willing to spend the time away from their traditional responsibilities. To overcome these different challenges for why to report in the first place, companies have to engage in dialogue with the stakeholders. An integrated report is a great tool to achieve that: at the end long-term value for all stakeholders can be created. Integrated reporting is also a good discipline that ensures the sustainable strategy of a company. (Eccles & Armbrester 2011, 15–16.)

The value aspect of reporting is another challenge. There has been critique towards the linkage between a sustainability report and value creation, and especially to whom the value is created. (Gray 2006, 793.) It is even claimed that sustainability reporting in some companies is simply used as a public relations tool. These companies have stakeholders that are crucial for the perceived legitimacy of their activities. Their reporting practices are thus addressed to the most powerful stakeholders (owners, investors), marginalising the interests of stakeholders that are less powerful. (Bebbington et al. 2014, 5.)

Bakan (2004) has even questioned the whole concept of CSR and sustainability. He says that companies may not be able to be socially responsible when the self-interest of the business is totally opposite. He thinks that other stakeholders cannot be held at the same level as shareholders in reporting practices in terms of value creation and valuable information provided. Even though the goal is that these reports provide information to all stakeholders about how the company is performing, the reports are in many cases too general and not tailored to meet the stakeholders' needs for reporting properly (Dawkins 2004, 119). When it comes to integrated reports, it is claimed that the reports have generic value creation figures and tables, but further elaboration usually is missing. It is difficult to understand the actual value creation when companies incorporate unverified values and narratives. (Haji & Hossain 2016, 436.)

In addition to having to assess if the sustainability reports are only public relations tools, and if all necessary information for every stakeholder group is presented, stakeholders need to find the relevant information in these long reports. This information overload is another common issue for the report readers, the various stakeholders. When there is a lot of information about for example individual, social, environmental, and economic impacts, it becomes more difficult for a common reader to appreciate the linkages between these impacts. (Villiers et al. 2014, 1045.)

A noteworthy challenge for companies creating sustainability and integrated reports is what information to include in the reports. Gray (2010, 47) questions whether accounting for sustainability is actually accounting for sustainability. Social and environmental issues must be addressed, but the level that should be applied can be unclear: policy, personal, or organisational level? There should be more nuanced understanding of sustainability if it is to create same type of accounts that there are in financial reporting (Gray 2006, 793). Different reporting frameworks do not fix the challenge of creating a report that is informative and also comparable to other reports. The release of the integrated reporting framework in 2013 helped the specifying process of which factors to put into an integrated report. There are also nowadays more and more examples of integrated reports that can help in the benchmarking process. The most used sustainability reporting framework GRI and the international integrated reporting framework do also include for example some similar content elements that help the comparison process (Niskala & Pajunen 2015, 59).

The lack of globally set standards for measuring, reporting, and auditing sustainability reports, makes comparing different companies based on their reports more difficult. The focus of these standards is still very much on the financial reporting aspect. It is difficult to compare companies based on nonfinancial information when no one is assuring the information to be right. (Eccles & Saltzman 2011, 59.) Independently assured reporting is not a common practise. The number of sustainability reports does rise all the time but the growth of assurance is not equal. A reader of financial reports can rely on the information provided rather confidently because the assurance of the reports is required by law. External auditing of sustainability reports is, however, completely voluntary. (Buhr et al. 2014, 64.) Recently the trend is improving a bit. More than two thirds of the G250 companies are seeking for third party assurance for their sustainability data. It is assumed that the assurance rate increases mostly in countries that have already a high rate of sustainability reporting achieved. (KPMG, Blasco & King 2017, 26.) A conclusion can be drawn that if sustainability reporting would be encouraged all over the world, the assurance would follow once the companies had established their reporting practises.

In this study it is, despite some criticism, assumed that good-quality sustainability reports are worthwhile and that they can create value to different stakeholder groups, because it is the most common perspective to sustainability reporting (see Guidry & Patten 2010, 33; Goettsche et al. 2016, 149). The level at which different stakeholders are taken into account in terms of valuable information presented in the reports remains to be seen. It is noted that sustainability reporting still needs continuous development and more companies adapting reporting guidelines in order to guarantee the reliability of the reports. Only when a company can appropriately measure its sustainability, a trustworthy report can be created (Porter & Kramer 2006, 81). All in all, the challenges related to sustainability reporting and integrated reporting can be overcome. The next presented benefit classification is an important motive when companies are debating whether to start producing integrated reports or not.

2.2.2 Benefits of integrated reporting

Companies have usually clear strategic priorities, which they do report. What in most reports is still lacking is the integration of these strategies to other reported issues. For example over 90 % of companies do report about the risks in their business, but less than third of companies cross-reference these risks to strategy, business model, and other areas. (PwC 2013 survey of FTSE 100 reporting.) An essential goal of integrated reporting is to give stakeholders integral, reliable and timely information. The benefits of integrated reporting can only be achieved when the reporting company has a clear outlook of its performance. An integrated report pursues a better overall picture of the matters affecting company performance from a strategic angle. (Niskala & Pajunen 2015, 8–9.)

It is possible to identify three benefit classes for integrated reporting. The first one is *internal benefits*. It includes for example better engagement with stakeholders, lower reputational risk and better internal decisions about resource allocation. The second benefit class is *external market benefits.* It includes for example fulfilling the needs of mainstream investors and appearing on sustainability indices. The third benefit class is *managing regulatory risk*. It includes for example being ready and prepared for a probable wave of global regulation and responding to stock exchange requests. A great example of stock exchange request is the Johannesburg Stock exchange; all listed companies need to issue integrated reports applying the King code on corporate governance. (Eccles & Saltzman 2011, 57–59.) Table 2 gathers all of the three benefit classes and examples of them.

Table 2 Three benefit classes of integrated reporting (adapted from Eccles & Armbrester 2011, 15)

1. Internal benefits	2. External benefits	3. Managing regulatory risk
A better understanding of and consensus about the material metrics for measuring performance.	Meeting the needs of mainstream as well as growing numbers of socially responsible investors.	Catching a new wave of legislation, which is likely to spread throughout the globe over the next decade.
Clearly articulated statements about the relationship between financial and nonfinancial performance, which go beyond simply stating that: "good environmental, social and governance performance is good for our shareholders."	Inclusion on sustainability indices, which are increasingly appearing on stock exchanges.	Responding quickly to new reporting guidelines as they are issued by securities' regulators.
A more holistic view of the company's strategy and performance by people in the company's functions and business units.	Ensuring that data vendors have accurate nonfinancial information, which is now part of the basic subscription services of Bloomberg and Thomson Reuters, and is of increasing interest to analysts and investors.	Complying with new stock exchange regulations and filling requirements.
Identification of where internal measurement and control systems can be improved.	Satisfying the expectations of individual consumers and business customers, who are making sustainability an important element in their buying decision.	Having a seat at the table, as new frameworks and standards get developed.
Better risk management.	Giving the company credibility in requiring better information from its own vendors in order to reduce supply-chain risks.	
Process and production efficiencies.	Enhancing the company's reputation and brand, especially if it is one of the first in its sector or country to do so.	
Better engagement with current and prospective employees and other stakeholders.	Lowering reputational risk, due to better communication with all stakeholders and a better understanding of their expectations.	

The benefits listed in table 2 are motivators for companies to practise integrated reporting. These will naturally vary by country, industry and company. These benefits are good motivators when a company wants to overcome the numerous challenges of integrated reporting.

The benefits of integrated reporting are directly and indirectly linked to value. From the company perspective, integrated reporting affects directly cost reduction (eco-efficiency cost savings, reduced procurement costs, reduced cost of compliance) and revenue growth (product innovation, business model innovation, new revenue streams).

Indirect value is created in the form of better risk management and brand enhancement. Integrated reporting reduces for example reputational, operational, and regulatory risks, and engages and attracts employees. (Implementing integrated reporting 2015, 8.)

From the stakeholder perspective value is also created. Stakeholders want to find out for example how the business is managed, and what are the future outlooks or the risks of the business, because they need this information for their decision-making. A more comprehensive view of all factors that contribute to value creation can be created through integrated reporting, because stakeholders can recognise how sustainability-related activities can have also financial implications. Financial and nonfinancial business activities are always linked. (Miller et al. 2017, 2–6.) Stakeholder value creation is discussed in more detail in chapter 3.

2.3 The international IR framework

2.3.1 The basic idea of the international IR framework

The foundation of integrated reporting is the international IR framework. The framework was released by the International Integrated Reporting Council (IIRC) in 2013 after an extensive consultation and testing through the IIRC Pilot Programme. This testing was made by 140 businesses and by investors in 26 countries. The main purpose of this framework is to accelerate the adoption of integrated reporting. (IIRC Technical Resources: International <IR> Framework, 2017.) The creating organ of the framework, the IIRC consists of regulators, investors, companies, standard setters, NGOs and the accounting profession representatives. Their view is that value creation is the future of corporate reporting. (The International IR Framework 2013, 1.)

The IR framework (2013, 2) condenses its goals into four points. Firstly, the framework will improve the quality of information available especially to the providers of financial capital. This will help to achieve a more efficient and productive allocation of capital. Secondly, the framework will bring a more efficient and cohesive approach to corporate reporting. This will improve the communication of value creation over time. Thirdly, companies using IR will enhance the accountability and stewardship for different *capitals*, that are resources and relationships used and affected by the company (financial, manufactured, intellectual, human, natural, and social and relationship). The interdependencies of these capitals can be better understood when using IR. The point is to maintain and balance the capitals. This underlines the accountability and responsibility that a company has towards these capitals and the deep comprehension towards the interdependencies of the capitals. The amount of the capitals is not fixed, because they increase, decrease, and change continuously. (Niskala et al. 2013, 265–267.) Finally, IR will support integrated thinking. This will help decision-making when thinking about how to create value over short, medium and long term. (The International IR Framework 2013, 2.)

An integrated report that is created with the international IR framework is meant to be a periodic communication that simplifies integrated thinking: processes should be effective and cohesive and duplication should be reduced (IIRC Technical Resources: International <IR> Framework, 2017). The international IR framework itself is a 37 page long communication of how an integrated report should be produced. Integrated thinking is the base of everything and when a company can embed it into important activities, the connectivity of information will flow into decision-making, analysis and reports. Value is created over the short, medium and long term. Integrated thinking forces companies to take into account all the factors that affect the ability to create value. This can be for example the capacity to respond to key stakeholders' needs and interests. (The International IR Framework 2013, 1–2.)

Financial capital providers are seen as the primary intended users of integrated reports. However, integrated reports should be designed so that all stakeholders that are interested in the value creation abilities of an organisation benefit from the reports. These stakeholders include for example employees, customers, suppliers, business partners, regulators, policy makers, and local communities. (Busco et al. 2014, 24.) One of the research focus at the basis of this study focuses on the equality between different stakeholders. This choice is made precisely because of the fact that sustainability reporting has traditionally had an extra focus on providers of financial capital as the primary stakeholder group. Shareholders and investors have a reasonably strong interest on sustainability disclosures and responsible investment (Rinaldi et al. 2014, 92; Niskala et al. 2013, 265). These providers of financial capital find it naturally critical to assess voluntary sustainability disclosures, because they give important information on future financial performance and operations, and future value of the company becomes easier to understand (Clarkson et al. 2013, 430).

The framework is designed to be flexible and precise at the same time. There are certain aspects that an integrated report should fulfil, but ultimately there is also a lot of 'open space' that should be meaningfully filled so that the report becomes a communication that creates value for stakeholders. (Busco et al. 2014, 24.) The framework supports also other existing reporting standards and frameworks especially when calculating different key performance indicators. There is no need to invent new detailed accounting indicators. The main point with the framework is to help companies produce the report while at the same time supporting integrated thinking, which in the long run creates sustainable strategies and value. (Niskala et al. 2013, 265.)

As stated, producing an integrated report is meant to be flexible. It should however be possible to compare different companies based on their IR reports. The IR framework does not include any specific key performance indicators, but there are a small number of requirements that you have to fulfil before it can be said that a report is an integrated report done based on the international IR framework. An integrated report can be a standalone report or it can be a part of another communication. An integrated report should also include a statement from the governance that the responsibility for the report is accepted. (The International IR Framework 2013, 4.) The absence of specific key performance indicators in integrated reporting means that when doing detailed calculations, the help from existing and established frameworks is emphasised. The integrated approach is fundamentally all about the company actively contemplating the connection between different operations and the use of different capitals, and how the operations affect the capitals and how value is created when supporting these capitals. (Niskala et al. 2013, 265.)

The use of the international IR framework is not as popular as for example GRI. That is why it is also seen important to be able to compare integrated reports to reports done with different frameworks. The international IR framework is constructed so that the comparison to reports created with other frameworks is somewhat possible. For example the guiding reporting principles, content elements, and extent of the reporting are mainly similar in IR and GRI. (Niskala & Pajunen 2015, 59.) The guiding principles and content elements are the basic requirements displayed for an integrated report. (The International IR Framework 2013, 4.) These are presented in in the following sections with some comparisons to the GRI framework. This helps in describing what integrated reporting really is and how it is positioned in the sustainability reporting context.

2.3.2 Guiding principles of integrated reporting

Table 3 presents the guiding principles of integrated reporting. The guiding principles should be used in the preparation of an integrated report, if a report is said to be in accordance with the international IR framework. The principles give information on what kind of information should be in the report and how the information should be presented. (The International IR Framework 2013, 5.) GRI has also reporting principles, which are in the table as a comparison. The principles of both of the frameworks ensure that the content and the scale of reporting remain sufficient. (Niskala & Pajunen 2015, 14.)

Table 3 Guiding principles (adapted from The International IR Framework 2013, 5; Niskala & Pajunen 2015, 15; GRI Reporting principles and standard disclosures 2013, 16–18)

IR guiding principle	Explanation of the IR guiding principle	GRI reporting principle
Strategic focus and future orientation	An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term, and to its use of and effects on the capitals.	Principles for defining report content: • Stakeholder inclusiveness • Sustainability context • Materiality • Completeness
Materiality	An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short medium and long term.	
Stakeholder relationships	An integrated report should provide insight into the nature and quality of the organization's relationship with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.	
Connectivity of information	An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time.	Principles for defining report quality: • Balance • Comparability • Accuracy • Timeliness • Clarity • Reliability
Conciseness	An integrated report should be concise.	
Reliability and completeness	An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.	
Consistency and comparability	The information in an integrated report should be presented: • on a basis that is consistent over time • in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time.	

The first three IR guiding principles and the first four GRI reporting principles in table 3 are all principles that guide the actual content of the reports. The rest of the principles are all linked to reporting quality. The main message of these principles is to report about content that is essential. GRI highlights that economic, social, and environmental factors are an interest to stakeholders and the business. IR has the emphasis on the essential factors for company value creation. (Niskala & Pajunen 2015, 53.) Next the guiding principles of integrated reporting are presented more in-depth.

Strategic focus and future orientation principle guides to report for example about the opportunities, risks, and the dependencies that the market position and the business model provide, and how the company balances the interests for short, medium and long-term. The future orientation part means that all of the information that is future oriented should be assessed thinking about the feasibility of the information for the readers of the report and also thinking about the uncertainty of the information. (Niskala et al. 2013, 269.) Learning from past experiences is also an important part in determining strategic directions for the future (The International IR Framework 2013, 16).

Materiality principle guides to produce information that is simple and essential in estimating the value creation in short, medium, and long term. Material information is something that can affect the estimation process of stakeholders. This information can have notable effect on the strategy, business model, or the capitals, and that is why the material information should have the main focus in integrated reports. (Niskala et al. 2013, 270.) Determining the materiality has four main points that should be processed applying both positive and negative matters. These four main points are: identifying relevant matters, evaluating importance, prioritising important matters, and determining information to disclose. (The International IR Framework 2013, 18–19.)

Stakeholder relationships principle guides to produce a report that gives truthful description about how the company defines its key stakeholders and how the discussion and interaction with these stakeholders has succeeded and how and to what extent the company takes the needs and expectations of the stakeholders into consideration. (Niskala et al. 2013, 270.) The key stakeholder approach is important, because an integrated report should not be produced so that it attempts to satisfy the information needs of all stakeholders, but just the ones that actually need the information. It is significant to remember that value cannot be created within an organisation alone. Value is always created through relationships with the stakeholders. (The International IR Framework 2013, 17.)

Connectivity of information principle guides to report for example about the connections between past, present, and future developments. The information in an integrated report should also be connectable to other possible reported information from the company, and also information from other sources. An important aspect is also to report about the connection between financial and nonfinancial information. An example of this is how new environmental technology provides new business opportunities. (Niskala et al. 2013, 269.) Integrated thinking should be embedded well into a company's activities, because the connectivity on information can then naturally flow into decision-making, analysis, management reporting, and finally to an integrated report (The International IR Framework 2013, 16).

Conciseness principle highlights that the information in integrated reports should focus only on essential information and the information should be presented clearly and concisely. Additional information should be clearly marked if it is included in an integrated report. (Niskala et al. 2013, 270.) Too generic disclosures should also be avoided, because the information should always have the object of explaining the organisations strategy, governance, prospects, and performance. The readers of the reports should not be burdened with irrelevant information or language too technical to understand. (The International IR Framework 2013, 21.)

Reliability and completeness principle highlights that integrated reports should include both positive and negative information and in a way that it is material, balanced, and without faults. Besides the actual provided information, this principle should be used already in the data collection phase and in possible dialogues with the stakeholders. The information should be complete and also future oriented, and there should be enough information about all the essential matters. A company should also weight the actual reached benefits that integrated reporting has given. (Niskala et al. 2013, 270.) It is important for the companies to evaluate cost and benefits when deciding what to include in the integrated report. The report should meet its primary purpose but the costs cannot be too high. For example the level of specificity, the extent of the report, and the preciseness of information should help the report to meet its purpose without generating significant extra costs. (The International IR Framework 2013, 21–22.)

Consistency and comparability principle guides to produce a report that has used the same calculations, and accounting methods year after year. If changes are made, it should be clearly explained, and it should clearly improve the quality of information reported. All value factors are very much company specific and that is why the content elements presented next are compulsory in every integrated report. They help compare different companies. (Niskala et al. 2013, 270; The International IR Framework 2013, 23.)

2.3.3 Content elements of integrated reporting

The content elements describe the content that an integrated report should include (table 4). They are essentially linked to each other so they cannot be processed totally separately. (The International IR Framework 2013, 5.) The content elements of integrated reporting take the report content to a more specific level when compared with the guiding principles. It can be seen that value creation plays an important role in integrated reports. Future planning, strategic objectives and risk evaluation are other aspects highlighted based on the content element. A company has to know where it stands and where it is going in order to apply integrated thinking into its practises. GRI has standard disclosures that describe what a GRI report should include (GRI: Reporting principles and standard disclosures 2013, 20). These are in table 4 as a comparison to the IR content elements.

Table 4 Content elements (adapted from The International IR Framework 2013, 24; Niskala & Pajunen 2015, 57; GRI: Reporting principles and standard disclosures 2013, 20–23)

IR content element	Explanation of the IR content element	GRI standard disclosure
Organizational overview and external environment	What does the organization do and what are the circumstances under which it operates?	Organizational profile (G4 3–16)
Governance	How does the organization's governance structure support its ability to create value over short, medium and long term?	Governance (G4 34–55) Ethics and integrity (G4 56–58)
Business model	What is the organization's business model?	Strategy and analysis (G4 1–2)
Strategy and resource allocation	Where does the organization want to go and how does it intend to get there?	
Risks and opportunities	What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?	Strategy and analysis (G4 2) Identified material aspects and boundaries (G4 17–23)
Performance	To what extent has the organisation achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?	Disclosures on management approach (G4 DMA) Indicators (G4 EC1–9, EN1–34, LA1–16, HR1–12, SO1–11, PR1–9)
Outlook	What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?	
Basis of preparation and presentation	How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?	Report Profile (G4 28–33)

The standard disclosures of GRI and the content elements of IR have similarities and differences. To the most part both frameworks support each other. They both aim at coherent report content. GRI takes this coherency further, because there are specific indicators and calculation instructions in GRI. The international IR framework has an approach that highlights the general value creation components and the business model of the company. The framework is more of a conceptual framework that helps companies to understand their value creation rather than providing exact report content. (Niskala & Pajunen 2015, 56–57.) Next the content elements of integrated reporting are presented more in-depth.

Organizational overview and external environment content element guides reporting companies to give a clear representation on what the company does and what are the circumstances it operates in (Niskala et al. 2013, 271). The company's mission and vision are identified and context in which the company operates in is described. This means information from for example company culture, ethics, and value, and the competitive landscape. External environment is all legal, social, commercial, political, and environmental contexts that affect the value creation abilities of the company directly or indirectly. (The International IR Framework 2013, 24.)

Governance content element evaluates the executive board and the management. The strategic decisions should be well justified and the risks should be assessed when doing strategic choices. (Niskala et al. 2013, 271.) For example the leadership structure, strategic decisions, innovation enabling, and the key stakeholders relationships and their effects on the capitals should be covered from a value creation aspect (The International IR Framework 2013, 25).

Business model content element guides to describe the business model. The sustainability of the business model should be assessed. (Niskala et al. 2013, 272.) The business model in integrated reports is a system that fulfils strategic purposes in order to create value. The business model includes key inputs, business activities, outputs, and outcomes. (The International IR Framework 2013, 25.) These value creation components are discussed more in chapter 3.

Strategy and resource allocation content element gives instructions to report about for example the short, medium, and long-term strategic goals, and about the actions how these goals can be reached. It is also important to report how resources have been allocated and how previously set goals have been measured and reached. (Niskala et al. 2013, 272.) Stakeholder engagement is also an important part in formulating strategy and resource allocation plans. The key findings and features of this engagement should be reported in an integrated report. (The International IR Framework 2013, 28.)

Risks and opportunities content element includes for example specific sources for opportunities and risks in the internal and external business environment of the company and the estimation of the influences and possibilities of realisation. The value creation perspective is important in managing these risks and opportunities. It should be included in different strategy processes. (Niskala et al. 2013, 271.) The value creation aspect could be for example a description of specific steps being taken to manage key risks or utilise key opportunities. This content element involves a degree of uncertainty, which should be well assessed when identifying the risks and opportunities. The reader of the report should always understand the probabilities of occurrence. (The International IR Framework 2013, 27.)

Performance content element guides to describe for example all the quantitative and qualitative information about goals, value creating factors, opportunities, and risks. It is especially important to describe the connections between economic results and the capitals. Key performance indicators improve the comparability and the assessment process of the reached goals. (Niskala et al. 2013, 272.) The key performance indicators are essential in explaining financial implications and measures with other components. For example efforts to enhance human capital can lead to expected revenue growth. (The International IR Framework 2013, 28.)

Outlook content element instructs to report for example about the risks and opportunities of the future and how these can affect the reaching of the strategic goals. It is important to report about the capitals and how the availability, price, quality, and importance of these capitals influence the value creation process. (Niskala et al. 2013, 273.) This content element has a clear future emphasis, which means that the analysis of the reported content should be sound and transparent. Companies should be prepared to respond to critical uncertainties and challenges. The possibilities of these challenges and the effects on the company should be clearly disclosed in an integrated report. (The International IR Framework 2013, 28–29.)

Basis of preparation and presentation is the final content element and it guides to describe how the information in the integrated report is selected and how the calculations have been made and estimated. It is important to name the significant frameworks and methods in the quantifying processes. An integrated report identifies the boundaries for reporting and how these have been determined. (The International IR Framework 2013, 29.)

To sum up the above discussion, integrated reporting would not exist without sustainability reporting, because sustainability is a central part in understanding company value creation. The company management has the main responsibility of making the strategic decisions that create value for different stakeholders. It is important to report about what is essential and to find out ways to utilise existing reporting frameworks (like GRI) in order to think integrated and to create an integrated report. (Niskala & Pajunen 2015, 59.) Integrated reporting has challenges similar to sustainability reporting and the challenges can be overcome for example with the unique benefits that integrated reporting has. Integrated reporting has its own distinct place in the sustainability reporting discussion and the main point that makes it different from other sustainability reporting frameworks is the focus it has on value creation. Value creation, stakeholders, and stakeholder engagement are discussed in-depth in the following section.

3 STAKEHOLDER ENGAGEMENT AND VALUE CREATION IN REPORTING

This chapter focuses on discussing the second sub research question: How do companies engage stakeholders in integrated reporting in terms of value creation? This chapter goes into more depth with the value creation aspect of reporting and integrated reporting. The role of the stakeholders and how they are engaged in the reporting processes is another important theme in this chapter.

First (3.1), stakeholders are defined and their role in reporting is discussed. This discussion is seen important because the ways companies position their different stakeholders and engage them to the process of integrated reporting needs to be examined more. The first part (3.1.1) focuses on identifying stakeholders and discussing the possible engagement in reporting processes. The second part (3.1.2) takes a very distinct company perspective and provides a model for assessing the quality of stakeholder engagement.

Second (3.2), value creation through reporting is discussed. This section has also the main focus on stakeholders because of the aim of this study to analyse the means companies create value for stakeholders through integrated reporting. The first part (3.2.1) explains how integrated reporting can be examined through shared value creation and the stakeholder value creation model of the international IR framework is presented. The second part (3.2.2) discusses the role of dialogue in reporting practices.

Finally (3.3), a theoretical framework for analysing stakeholder value creation through integrated reporting is presented. This section brings together the theoretical part of this study and sums up the main findings from literature. This discussion is the base for the empirical part of this study.

3.1 Stakeholders in reporting processes

3.1.1 Stakeholder identification and engagement in reporting

As Freeman (1984, 46) has stated, a stakeholder is "any group or individual who can affect or is affected by the achievement of the organisation's objectives". Stakeholders can be defined both broadly and narrowly or using the terms primary stakeholders and secondary stakeholders. A broad definition (secondary stakeholders) includes individuals or groups close to the organisation along with those that are very remote from the organisation but are somehow impacted by the organisations practices, operations and policies. A narrow definition (primary stakeholders) includes only those that are close to the organisation. These stakeholders have a formal and contract based connection to the company, and they can affect considerably the decisions made and the success of the organisations operations. (Rinaldi et al. 2014, 86–87; Niskala et al. 2013, 72.) There are many different types of stakeholder groups in academic literature. Common among these are shareholders, investors, insurers, banks, customers, suppliers, trade unions, employees, the media, and non-governmental organisations (NGOs). NGOs are often proxies for other stakeholders who cannot take part in the dialogue with the company. (Rinaldi et al. 2014, 91.)

It is important to understand the different expectations and demands stakeholders have, and to create reports, which are specific and tailored enough to meet the needs of different stakeholders (Dawkins 2004, 119). In the past, companies could have satisfied stakeholder needs easily, but currently stakeholders are more active in demanding meaningful actions from companies (Kaptein & Tulder 2003, 206). Value can only be created if different stakeholders and the company understand how the value is created for everyone and how it can be created together (Niskala et al. 2013, 75). Stakeholders have different interests, and a company should respond to those successfully in order to exist. A company should have a purpose in everything it does and have commitment to the stakeholders. Even the smallest stakeholders need reasons for engaging in the value creation processes and trade. (Freeman et al. 2007, 12–13.)

Stakeholders are an important part in a company's success and key stakeholder relationships should be managed properly. The concerns and feedback from key stakeholders create the basis for successful and interactive sustainability strategies. (Quinn & Thorne 2014, 111.) Stakeholders need to be identified and realistically assessed. Creating value for stakeholders is fundamentally about understanding and satisfying stakeholders' needs and concerns. Every stakeholder should be assessed from three angles (1) actual or current behaviour, (2) cooperative potential, and (3) competitive threat. Companies should shift their focus from thinking about stakeholders' attitudes more towards comprehension about stakeholder behaviour and beliefs about the business. If companies do not take stakeholder behaviour and beliefs into account, stakeholders might become a competitive threat and leave the value creation process. This might be the case for example when a specific stakeholder group feels that the company is not meeting their needs or puts the needs of other stakeholders first. (Freeman et al. 2007, 15–16.)

To avoid the competitive threat that ignoring the stakeholders might create, companies should manage their stakeholder relations also across different stakeholder groups. The key in this is to find strategies and programs that satisfy and appeal to multiple stakeholder groups at the same time. This usually requires *stakeholder engagement.* (Freeman et al. 2007, 15–16.) This means interaction between a company and its stakeholders in a way where the stakeholders can express their opinions to all matters affecting them (O'Dwyer 2005, 28).

Nowadays, companies increasingly need an overall strategic posture in their operations. This can be achieved when negotiating and communicating directly with the stakeholders. Relationships are built when communicating in good faith. (Freeman et al. 2007, 15–16.) Companies should consult with potential stakeholders in a structured manner. At the end, stakeholders decide how well a company has performed. (Thomson & Bebbington 2005, 517.) Besides providing companies a clear purpose to engage relevant stakeholders, stakeholder engagement is now identified as a fundamental accountability mechanism, because companies are obliged to involve stakeholders in identifying, understanding and responding to issues and concerns related to sustainability. On the other hand, companies need also to report, explain, and be responsible towards stakeholders for the decision, performance and actions taken. (AccountAbility 2011, 6.)

Stakeholder demand is the reason why the concept of sustainability reporting was developed. Sustainability disclosure, in other words, reporting is seen as one of the key mechanism for stakeholder engagement. (Herremans et al. 2016, 417.) According to Deegan and Unerman (2011, 396) stakeholder engagement through reporting takes place in four stages. A company has to answer four questions in order to report about sustainability. The first decision to think about is *why* the company wants to disclose sustainability information publicly. Secondly, the company has to identify *to whom* these disclosures are directed. In other words, the stakeholders need to be identified. Thirdly, *what* information and issues should be disclosed needs to be decided. This means identifying the stakeholders' information needs. Finally, the company has to decide *how* it wants to report. This means choosing the right reporting format for the company.

The first stage, answering the *why* question, has the emphasis of understanding the organisational motives for having dialogue and engagement with the stakeholders. There are generally two standpoints to this issue. Firstly, companies can use their nonfinancial reports as a tool to win or retain support from stakeholders who can influence the achievement of the goals of the company. Usually, this type of reporting driven by profit-oriented and economic motives cannot be even described as sustainability reporting. The main goal in this situation is to use the reports as marketing tools towards economically powerful stakeholders. The second standpoint is to use the reports to transform the business practises so that they can become sustainable both socially and environmentally. This is a holistic perspective that includes all stakeholders into the decision-making. (Rinaldi et al. 2014, 89.)

The second stage in engaging stakeholders in sustainability reporting is answering *to whom*, which links stakeholder identification to motives for issuing a sustainability report. This question needs to be considered after the first question, because the range of stakeholders is directly dependent on motives in engaging in sustainability reporting. Is the company focusing on stakeholders that have an economic impact on the company, or is the company taking the holistic approach, which includes all stakeholders equally to the decision-making. (Rinaldi et al. 2014, 89–90.)

The third stage *what*, takes the focus from stakeholder identification to the actual stakeholder engagement and dialogue. The social, environmental and economic expectations of different stakeholders need to be identified. These expectations indicate the behaviour stakeholders require form the company, and the information they need in order to estimate the performance of the company in relation to the expectations. (Deegan & Unerman 2011, 396.)

The *how* stage refers to the chosen reporting format (Deegan & Unerman 2011, 396). One of the internal benefits of integrated reporting is better engagement with current and prospective stakeholders (Eccles & Armbrester 2011, 15–16). Based on this statement and the value creation aspect of integrated reporting, stakeholder engagement should be an integral part in integrated reporting. An integrated report can benefit all stakeholders interested in the reporting company's abilities to create value over time (The International IR Framework 2013, 4). This is why the holistic reporting perspective is seen important in this study. If a company focuses too much on the interests of the finance providers, it might lead to a competitive threat because other key stakeholders feel that they are ignored.

Stakeholder engagement should also always be done with quality. In the case of reporting, the quality of reporting practices influences the markets perceptions of the company (Guidry & Patten 2010, 33). Assessing the quality of stakeholder engagement is discussed next. This discussion is seen important for this study, because it helps to position integrated reporting to the context of stakeholder engagement and value creation.

3.1.2 Assessing the quality of stakeholder engagement

The assessment part of the quality in stakeholder engagement is very important. There is no point in having engagement with the stakeholders if the impacts of this are not properly contemplated. (Niskala et al. 2013, 95). According to Zadek and Raynard (2002, 11–12), quality in stakeholder engagement is procedural quality, responsiveness quality, or quality of outcomes. *Procedural quality* describes how the engagement is undertaken and whether is consistent with the purpose declared for the engagement. *Responsiveness quality* goes through the ways companies respond to stakeholders. The responses should be coherent and done in a responsible manner. *Quality of outcomes* contemplates how stakeholder engagement is linked with decision-making. Stakeholders should be able to actively and meaningfully take part in processes. The assessment of the quality of stakeholder engagement can be done in many ways. Friedman and Miles (2006, 162) present a twelve-step ladder model for evaluating stakeholder engagement (table 5).

Table 5 Assessing stakeholder management and engagement (Friedman & Miles 2006, 162)

Management level	Engagement level	Level of influence	Style of dialogue
12. Stakeholder control	Majority representation of stakeholders in decision-making process.	Forming or agreeing to decisions.	Multi-way dialogue.
11. Delegated power	Minority representation of stakeholders in decision-making process.		
10. Partnership	Joint-decision power over specific projects.		
9. Collaboration	Some decision-making power afforded to stakeholders over specific projects.		
8. Involvement	Stakeholders provide conditional support. The organisation decides when support is needed.	Having an influence on decisions.	
7. Negotiation			
6. Consultation	Organisation has the right to decide. Stakeholders can advise.	Being heard before decisions.	Two-way dialogue.
5. Placation	Stakeholders can hear and be heard but there is no assurance for that.		
4. Explaining	Educate stakeholders.		
3. Information		Knowledge about decisions.	One-way dialogue.
2. Therapy	"Cure" stakeholders of their ignorance and preconceived beliefs.		
1. Manipulation	"Misleading" stakeholders, attempting to change stakeholder expectations.		

Table 5 examines four different concepts and the links between these concepts from a quality perspective. The concepts are stakeholder management, stakeholder engagement, stakeholder influence level, and stakeholder dialogue. Stakeholder engagement was introduced in section 3.1.1. Stakeholder management is managing stakeholder relationships in a way where the actual relationship is managed and not the actual stakeholder group. (Friedman & Miles 2006, 149.) Stakeholder influence level is the possible effect that stakeholders can have on company decisions (Friedman & Miles 2006, 162). Stakeholder dialogue is the way stakeholders communicate with the company. Stakeholders and the company can exchange viewpoints on current concern and bring forward future expectations and interests. (Tulder & Zwart 2006, 362.) This dialogue can be multi-way dialogue, two-way dialogue, or one-way dialogue. (Friedman & Miles 2006, 162.) Stakeholder dialogue is discussed more detailed in the chapter 3.2.2 from a value creation perspective.

When analysing table 5, it is important to realise that it is not in any way required or recommended that every stakeholder relation should be managed at level 12. It is very likely that different stakeholders are at different levels at different times. The lower levels (manipulation, therapy, and informing) are situations where the company only informs about decisions that have already been made. Usually verified sustainability reports get to the third level. The first two levels include for example briefing sessions, newsletters, and other publications. (Friedman & Miles 2006, 162–163.)

It is important to understand when analysing table 5 from a sustainability reporting perspective is that reports usually engage different stakeholders differently. For example financial stakeholders are most interested in the company's access to economic resources, whereas other stakeholders might be more interested in evaluating their relationships with the company. (Herremans et al. 2016, 418.) This means that different stakeholder groups may be engaged at different levels in the model. Reports are eventually always only one-way communication between stakeholders and the company (Friedman & Miles 2006, 168). This is why sustainability reports and integrated reports can on their own only achieve level 3: information.

The middle levels in table 5 (explaining, placation, consultation, negotiation) include some participation. Stakeholders can voice their concerns prior to decision-making, but there is no assurance that it will impact the end result. *Explaining* is educating and informing stakeholders, but in a two-way process, like in workshops. *Placation* and *consultation* include different types of questionnaires, interviews, focus groups, and advisory panels. In these cases, it is also not in any way verified that companies would actually filter the results to decision-making. *Negotiation* is the first step where stakeholders can have some sort of influence on decisions, but where the dialogue is more like bargaining. (Friedman & Miles 2006, 163–164.)

Integrated reports should include a clear description of company relationships with the stakeholders. Key stakeholders should be identified and their legitimate needs, interests and expectations should be taken into account. (Niskala & Pajunen 2015, 43.) The process of sustainability reporting can achieve the middle levels of stakeholder engagement, if stakeholders can take part in the process and give advise. This is seen as two-way dialogue and can reach the level 6: consultation. (Friedman & Miles 2006, 163–168.) In other words, the actual integrated reports cannot reach level higher of information, but if there is stakeholder engagement in the actual process of integrated reporting, higher levels can be achieved.

The highest levels in table 5 (involvement, collaboration, partnership, delegated power, stakeholder control) are characterised by trust and actively attempting to engage stakeholders in decision-making. *Involvement* means that the company is willingly engaging stakeholders to common issues through constructive dialogue. It is not guaranteed that decisions will be agreed on, but at least stakeholders have real ability to influence corporate decisions. *Collaboration* is engaging with stakeholders through different projects, like strategic alliances, but the company has the ultimate control. *Partnership* is similar to collaboration, but now the decision-making is done together, like in joint ventures. Stakeholder decision power is restricted to particular projects. *Delegated power* takes the decision from projects to organisation-wide control. An example of this is electing stakeholders to the board of directors. *Stakeholder control* is exceedingly rare. In this management level, the power is given to stakeholder groups and the company management team has a minority say in decisions. An example of this could be found in community projects. (Friedman & Miles 2006,164.)

Based on these observations, the stakeholder value point of view in this study, and the fact that sustainability reports have usually focused mainly on financial providers' needs, it will be interesting to see in the empirical part of this study what the actual situation with integrated reports is: how are different stakeholders engaged in integrated reporting and do companies feel that financial providers' needs are focused on at other stakeholders' expense. Another interesting point would be to see how companies understand the levels they engage their different stakeholders and could integrated reporting achieve even the multi-way dialogue levels. At the end, integrated reporting should benefit all stakeholders that are interested in the company's value creation abilities (The International IR Framework 2013, 7).

In the next chapter the focus shifts from stakeholder identification and engagement in reporting to value creation through reporting. Integrated reporting is discussed in the context of shared value creation. In this section briefly mentioned stakeholder dialogue is discussed more from the value creation aspect. Sustainability reporting can establish a sound basis for dialogue with the stakeholders (Guidry & Patten 2010, 36), but the dialogue must be done right in order to create value (Tulder & Zwart 2006, 367).

3.2 Value creation in reporting processes

3.2.1 Shared value creation and integrated reporting

Different stakeholders value different things in reports and it is up to companies to try to create value for all key stakeholders. According to Boksberger & Melsen (2011, 229–

230) *value* as a singular refers to preferential judgement of a single transaction or fundamental end-state. *Values* are any conclusive social behaviour like attitudes, ideology, justifications, and beliefs. In other words, value is something that is understood based on values. There needs also to be a clear distinction between the demand and supply perspective: who is creating the value and who is receiving it. In this study value creation is studied from the company perspective: the company has the main responsibility of value creation but value can be created together with the stakeholders through stakeholder engagement.

From a reporting viewpoint, companies can gain competitive advantage if they can create exceptional perceived value for the stakeholders. The reports must be in this case made with quality, because dishonest actions are seen usually as morally negative and they harm the reputation of the company. Companies have to focus on actions that genuinely describe the company. (Godfrey 2005, 784–785.) Significant perceived value is not created by simply issuing a sustainability report. The quality of a sustainability report does matter. (Guidry and Patten 2010, 33.) Table 5 presented in section 3.1.2 can help companies to assess the quality of their stakeholder engagement, which is seen as the main prerequisite for value creation (Niskala et al. 2013, 75). Competitive advantage can be gained if companies change their operations from service providers to value facilitators (Yi, 1).

Different stakeholders have also different relationships with the company. This relationship can affect significantly the aspects perceived as valuable in the sustainability reports. Herremans et al. (2016, 418) see that the quality of information in sustainability reports depends on the stakeholder in question. Financial stakeholders are interested on sufficient information on environmental and social aspects that are linked to the access to critical economic resources. Other stakeholders use sustainability disclosures to evaluate economic, environmental, and social aspects of sustainability to their own relationships with the company.

The differences between stakeholders and their interests and the ways companies understand their value creating and how stakeholder perceive value created to them can generate a lot of uncertainty. Companies have a lot of power in selecting what to put in a sustainability report. Expected value from the company perspective is very much dependent on how the company governance sees value, and what is seen valuable. Sustainability reporting is mostly done on voluntary basis, and this gives companies even more power to report about matters beneficial to them. Report readers are left with a lot of uncertainty in estimating the information in the reports. (Gray 2006, 803.) This justifies the importance of sustainability reporting frameworks. Integrated reporting makes the communication about sustainability and value creation more concise, which can benefit all stakeholders that are interested in the value creation abilities of the company (The International IR Framework 2013, 7).

Value creation through integrated reporting can be studied in one way through the theory of *shared value creation,* because of the similar value creation ideologies the integrated reporting and shared value creation both have (Niskala et al. 2013, 273; Haller 2016, 37). Porter and Kramer introduced in 2006 the well-known model that integrates business and society, which gained considerable attention across the world in academics and corporate practices (see Crane et al. 2014, Dembek et al 2016, Hovring 2017). Successful companies need a healthy society, and vice versa. Business leaders and civil society leaders should focus more on their points of intersection of their activities. Social responsibility is supposed to be about building shared value. It is not damage control as a PR campaign. (Porter & Kramer 2006, 83–92.)

Shared value creation is all about looking at social responsibility from a strategic angle. Companies should use the same frameworks to guide their sustainability as they use for their core business. In this way sustainability becomes a source of innovation, opportunity, and competitive advantage that benefits both the company and the society. Value for all parties can only be created if companies and society understand that they need each other. Society needs successful companies because they create jobs, innovation, wealth and so on. Companies need society, because productive workforce demands good education, health care, and equal opportunities. Safe working conditions and good government are also prerequisites for business. (Porter & Kramer 2006, 80–83.)

Integrated reporting has its own distinctive value creation model, which has the same strategic angle to look at value creation as shared value creation. It is presented in the international IR framework (2013, 10) as a process where value is created for the company and for the stakeholders through *activities*, *relationships*, and *interactions* (figure 2).

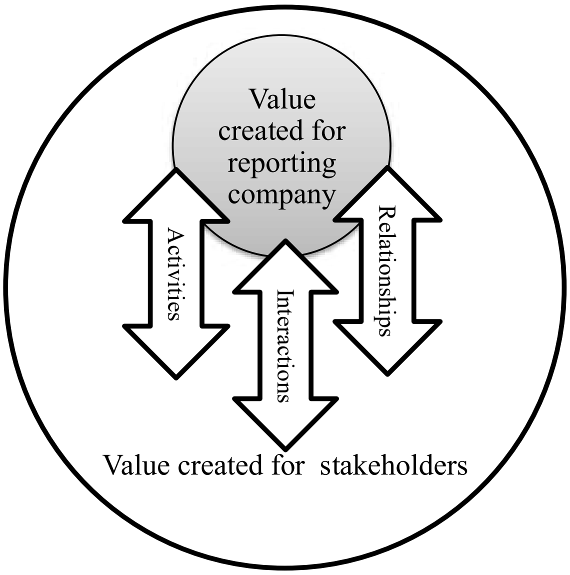

Figure 2 Value created for the company and the stakeholders in integrated reporting (The International IR Framework 2013, 10)

The company creates value over time for itself through the preservation or diminution of the *capitals* (financial, manufactured, intellectual, human, natural, and social and relationship) in its business activities. This is the smaller circle in the figure 2. Stakeholders are the bigger circle, which includes everyone interested in the company's value creation abilities. (The International IR Framework 2013, 10.)

Value creation in integrated reporting is always future oriented. Companies cannot be too focused on short-term financial performance, because it harms the long-term value creation process. (Cheng et al. 2014, 101.) When the activities, interactions, and relationships (in this study referred as stakeholder engagement) between the company and the stakeholders are material to the company's ability to create value for itself, the information is included in the integrated report. The ability of a company to create value for itself is always linked to the value for the others, the stakeholders. (The International IR Framework 2013, 10–11.)

The providers of financial capital are mostly interested in the value a company can create for itself, because this value is directly linked to financial returns. The providers of financial capital are however also interested in the company's ability to create value for other stakeholders, because it affects the company's ability to create value for itself. (The International IR Framework 2013, 10.) This is the two-way engagement in the figure 2. A conclusion can be drawn that companies should not focus too much on the value created for only the financial stakeholders, because the value created for others leads to value created for the company, which leads to better value and better financial returns for the finance providers. Finance providers can also have personal objectives affecting their assessment of the company (The International IR Framework 2013, 10), which highlights the importance of value creation for all stakeholders.

To sum up this section, value creation through integrated reporting can only be achieved, when companies engage their stakeholder to the process. Competitive advantage is gained when a company is able to clearly add value to this relationship (Quinn & Thorne 2014, 123). Stakeholder dialogue is an important part of value creation through stakeholder engagement (Tulder & Zwart 2006, 367). The next section brings this discussion to a more practical level and examines how this dialogue can be harnessed in order to create shared value.

3.2.2 Value creation through dialogue in reporting

Successful stakeholder engagement requires successful stakeholder dialogue. This dialogue is often difficult, but fundamentally productive. Companies and stakeholders should be capable of listening and learning from each other. (Lawrence 2002, 199.) Stakeholder dialogue aims essentially at the development of norms for the operations of companies. This happens through exchanging viewpoints on current concerns, and bringing forward future interests and expectations. (Tulder & Zwart 2006, 362.) In many cases, companies already have some sort of discussion with the stakeholders. These might be with for example employee representatives or government institutions. This discussion can be rather easily transformed into stakeholder dialogue, by taking a strategic approach and having the discussions in a more structured and targeted manner. (Kaptein & Tulder 2003, 209.)

As the prior chapter highlighted, stakeholder engagement is an integral part of value creation and reporting gives structure to stakeholder dialogue. Reporting can be seen as a sort of verification on whether a company includes all relevant perspectives to its operations. Participating stakeholders are informed about other stakeholders that have been part of the discussion, and those stakeholders that have not been part of the discussions are also given important information about the manner in which the company is responding to its responsibilities and how the rights and interests of different stakeholders are fulfilled. Some companies are even going so far as to invite their stakeholders to respond to the reports. This can lead to even greater stakeholder engagement. In that regard, reporting does indeed strengthen stakeholder dialogue and vice versa. Reporting creates continuity, which creates value to both the company and the stakeholders. (Tulder & Zwart 2006, 362–363.)

Stakeholder dialogue has the goal of mutual understanding and reaching agreement on controversial points whenever possible (Zöller 1999, 197). In other words, real dialogue includes always the possibility to change company policies when seen necessary. The value of ‘sharing information’ is not equal to the value of ‘dialogue’. This is an important aspect when evaluating sustainability reports. Some companies might claim that they are holding a dialogue, when in fact they are only sharing information. (Tulder & Zwart 2006, 367.) Table 6 clarifies what stakeholder dialogue actually is by comparing it to stakeholder debate. Stakeholder debate means when discussion is not a discussion at all, but rather having a conflict or confrontation with the stakeholders (Tulder & Zwart 2006, 362).

Table 6 Stakeholder debate versus stakeholder dialogue (adapted from Kaptein & Tulder 2003, 210)

Stakeholder debate	Stakeholder dialogue
Competition with a single winner or only losers (either-or thinking)	Cooperation where everyone is a winner (and-and thinking)
Egocentric where the other party is a threat or a means to personal profit	Empathetic where the other party is an opportunity and represents an intrinsic interest
Putting yourself in a better light	Being yourself
Speaking, to which others have to listen	Listening to others before speaking yourself
Influencing	Convincing
Confronting, combative and destructive, whereby the weaknesses and wrongs of the other party are sought out and the similarities are negated	Constructive and, from a point of mutual understanding and respect, looking for similarities from which to consider the differences
A closed and defensive attitude because you personally know the truth	A vulnerable attitude because there are many truths and where parties are open to criticism about their own performance and they can use this to learn from each other
Taking and keeping	Giving and receiving
Divide and rule	Share and serve
Separate/isolated responsibilities	Shared responsibilities

The final objective of stakeholder dialogue is to create a sustainable strategy. There is no point in even starting a dialogue if the company is not willing to learn and make changes to its operations. (Niskala et al. 2013, 93). This can be only done when the dialogue is done right, which means actual dialogue, and not debate or information sharing. Rightly done dialogue gives stakeholders the expression that the company is in fact respecting them and committing to contribute. (Kaptein & Tulder 2003, 210.) For example, if a company is giving a tour to a group of stakeholders in its new facilities a week before official opening, it is not real stakeholder dialogue, because the stakeholders cannot have an actual impact on the operations (Tulder & Zwart 2006, 368).

3.3 Theoretical framework for analysing stakeholder value creation through integrated reporting

The purpose of this study is to analyse the means through which companies create value for stakeholders through integrated reporting. The research questions of this study are designed to discuss gaps in this new field of study. The research focus (figure 1), the research questions, and the reporting company perspective of this study assure that the literature review is done from a perspective of novelty value. Figure 3 presents the theoretical framework for analysing stakeholder value creation through integrated reporting from a reporting company perspective. It brings together the main findings from literature and it is the base for the empirical part of this study.

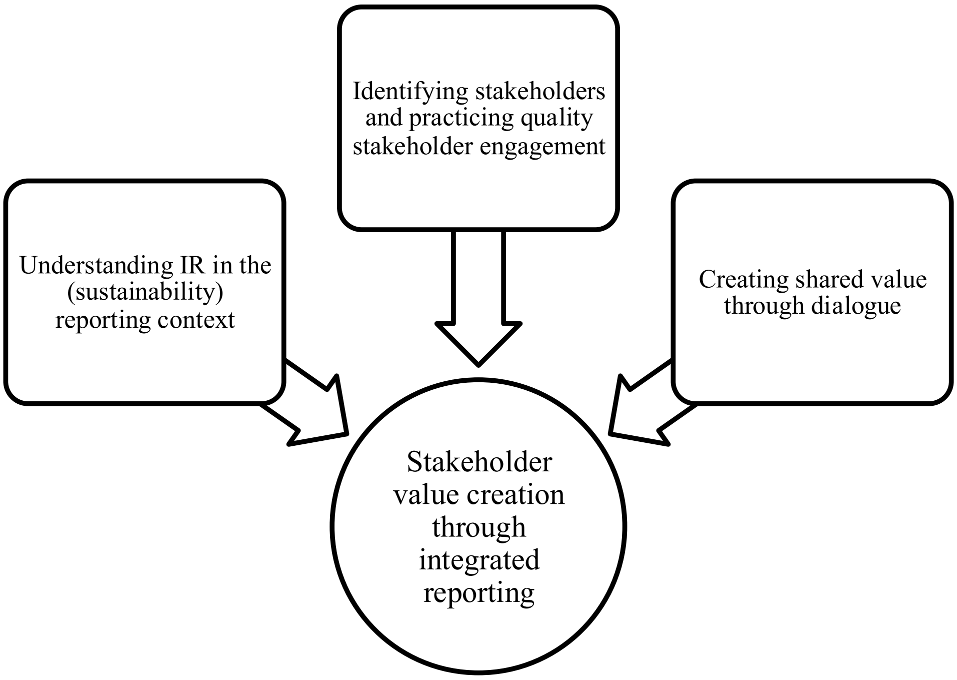

Figure 3 Analysing stakeholder value creation through integrated reporting from a reporting company perspective

As seen in figure 3 there are three main themes in the theoretical part of this study that define stakeholder value creation through integrated reporting. These are the themes that companies should take into consideration when contemplating how integrated reporting can create value for stakeholders.

Understanding IR in the (sustainability) reporting context is the first theme. This theme was discussed in chapter 2. Companies should understand what integrated reporting really is and how it is in context with other reporting means. The challenges of sustainability reporting and integrated reporting, and the benefits of integrated reporting, which can help to overcome the challenges, were also presented in chapter 2. Integrated reporting does not exist without sustainability reporting, because sustainability is central part in understanding company value creation. Existing financial and nonfinancial reporting frameworks are needed in order to think integrated and to create an integrated report. Integrated reporting completes other reporting frameworks. (Niskala & Pajunen 2015, 51, 59.) The main point that makes integrated reporting different from sustainability reporting frameworks is the focus it has on value creation.

Identifying stakeholders and practicing quality stakeholder engagement is the second main theme. This theme was discussed in chapter 3.1. Key stakeholders need to be identified in order to create value for them. If companies do not take stakeholders into account, the stakeholders might leave the value creation process. This might be the case for example when a specific stakeholder group feels that the company is not meeting their needs or puts the needs of other stakeholders ahead. (Freeman et al. 2007, 15–16.) Quality stakeholder engagement is needed in order to create value through integrated reporting. According to Deegan and Unerman (2011, 396) stakeholder engagement through reporting takes place through answering four questions in order to report about sustainability: *why* the company wants to disclose sustainability information publicly, *to whom* these disclosures are directed, *what* information and issues should be disclosed, and *how* the company wants to report.

Stakeholder engagement should also always be done with quality and companies should be able to assess the quality of their stakeholder engagement. Friedman and Miles (2006, 162) present a twelve-step ladder model for evaluating stakeholder engagement (table 5). With this model companies can evaluate their stakeholder engagement: how different stakeholders are engaged in integrated reporting. At the end, integrated reporting should benefit all stakeholders that are interested in the company's value creation abilities (The International IR Framework 2013, 7).

Creating shared value through dialogue is the third main theme for analysing stakeholder value creation through integrated reporting. This theme was discussed in chapter 3.2. Shared value creation is all about looking at social responsibility from a strategic angle. (Porter & Kramer 2006, 80–83.) According to the stakeholder value creation model of integrated reporting (figure 2) value is created for the company and for the stakeholders through activities, relationships, and interactions. This is referenced as stakeholder engagement.

Stakeholder engagement in practice is usually stakeholder dialogue. The objective of stakeholder dialogue is to create a sustainable strategy for the company. There is no point in even starting a dialogue if the company is not willing to learn and make changes to its operations. (Niskala et al. 2013, 93.) This can be only done when the dialogue is done right, which means actual dialogue, and not debate or information sharing. Sustainability reporting can establish a sound basis for dialogue with the stakeholders (Guidry & Patten 2010, 36), but the dialogue must be done right in order to create value (Tulder & Zwart 2006, 367).

To conclude, value creation through integrated reporting can only be achieved, when companies identify their stakeholders and engage them to the process. An integrated report is the end result of this process. Rightly done dialogue is the basis for the engagement and shared value creation. Understanding the idea of integrated reporting and the context where it is in sustainability reporting and corporate reporting in general is a prerequisite for successful integrated reporting. The empirical research of this study is described in the following chapter. This methodological part discusses the research approach, data collection, data analysis, and evaluation of the research.

4 METHODOLOGY

This chapter discusses the empirical research part of this study. First (4.1), the research approach of this study is discussed. Second (4.2), the data collection of this study is presented. This study uses two ways for collecting data: interviews and secondary data. Both of these are discussed in depth in this section along with the operational research frame of this study. The operational research frame connects the theoretical and empirical part of this study by clarifying how the research questions, theoretical background, themes, and interview questions are all linked. Third (4.3), the data analysis of this study is discussed. This is done by first discussing the goal of data analysis and then presenting the analysis methods for the two different types of data collected. The interviews are analysed with thematic analysis and the secondary data is analysed with content analysis. Finally (4.4), the trustworthiness of this study is discussed. This is done by first choosing the right prerequisites for contemplating trustworthiness. Thereafter the prerequisites are all discussed separately from the viewpoint of this study.

4.1 Research approach

Methodology is a theory about understanding observing. It discusses how research should proceed. Methods are ways to gather evidence for the research. (Sachdeva 2009, 7.) The research method can be qualitative, quantitative, or a mix of both of them. (Silverman 1997, 12–25). Quantitative research emphasises the meaning of data collection in numeral forms, and statistical analysis based on the collected data (Garwood 2006, 250). Qualitative research emphasises meanings and processes that occur naturally (Denzin & Lincoln 2000, 8). The purpose of this study is to analyse the means through which companies create value for stakeholders through integrated reporting. The starting point is value and how companies expect to create it for different stakeholders. Qualitative research is the best way of conducting this study, because stakeholder value creation through integrated reporting from a reporting company perspective can be studied in depth through meanings and processes that occur naturally.

Qualitative research is, at its core, understanding and describing interactions, meanings, and processes. These constitute a real-life setting for organisational behaviour. Qualitative research provides insights to issues, which cannot be produced with quantitative research. The reason for this is the detailed description of actual functions that only qualitative research can explain. (Gephart & Robert 2004, 455.) Qualitative research can include static categorisation but it is usually linked to dynamic processes. Discovering and developing new concepts is the final goal of qualitative research. (Gerson & Horowitz 2002, 199.) Integrated reporting is a rather new theme for research and it is important to provide new insights to this theme. The results of this study could provide new and relevant information for both companies practising integrated reporting, and their stakeholders reading these reports. The results could even be applied to the field of sustainability reporting generally.

The research questions of this study are also grounds for conducting a qualitative research. The research questions drive the research project from the beginning to the end. The research questions therefore determine also the choice of the research method. (Eriksson & Kovalainen 2008, 27.) The research questions of this study are designed to help to *understand* and *describe* how integrated reporting creates value to different stakeholders from a company perspective. Qualitative research is seen as the best approach to provide understanding and in-depth description of experiences and processes (Vonk et al. 2007, 132; Eriksson & Kovalainen 2008, 5). In qualitative research the research questions are usually "how" or "what" questions (Wilson 2014, 16). In this study all the three research questions are "how" questions. It is seen that this format can best help describing and understanding the complex nature of stakeholder value creation.

The research process starts always from formulating the research questions and ends to drawing conclusions, and if qualitative approach is maintained through the whole process, it is possible to resolve choices in different and valuable ways. (Gerson & Horowitz 2002, 199.) Qualitative approach was maintained throughout this study. The research theme was first contemplated in-depth and the research questions were designed to discuss the research focus of this study (figure 1). A theoretical framework for analysing stakeholder value creation though integrated reporting (figure 3) was compiled after an extensive literature review. This framework was the basis for the empirical part of this study.

4.2 Data collection

Qualitative research involves always some kind of encounters with the world. These can be interactions with a selected group or take the form of continuous daily life. The aim is to get people to construct, interpret, and give meaning to the experienced encounters, in addition to the measurable facts. (Gerson & Horowitz 2002, 199.) There are various qualitative approaches and it is just as important to make decisions between these approaches as it is between the initial choice between quantitative and qualitative research (Eriksson & Kovalainen 2008, 6). Most commonly used approaches are field observations, focus groups, and in-depth interviewing. (Guest et al. 2012, 4.) The research process becomes extensive with these approaches, because the interviewing and observation techniques give new ways to encounter with the social world. (Gerson & Horowitz 2002, 199.) The data collection process can be done in several ways. The researcher can be a participative individual, observe from a distance, interview people or collect and analyse secondary documents and material. (Marshall & Rossman 2006, 97.) In this study the data is collected in two ways: through interviewing and through secondary data.

Interviewing is today one of the key methods in human and social sciences (Brinkmann 2013, 1). Interviewing is seen as a good way to answer the research question and sub research questions, because of the deep understanding level these questions require (Gerson & Horowitz 2002, 199). In this study the interview data was collected from companies practicing integrated reporting. This data collection method was seen important because of the company perspective of this study: companies practicing integrated reporting are the best resource for understanding and describing stakeholder value creation through integrated reporting from a company perspective.

Secondary data is always pre-existing data that is gathered or complied somehow (Dale et al. 1988, 3; Heaton 2004, 2). The end result of integrated reporting is the completed integrated report. These reports were seen as important secondary data for this study because the reports are the primary published source for describing the company perspective about stakeholder value creation through integrated reporting. The interviews and the integrated reports together were seen as extensive data for this qualitative study. They were both needed in order to get a comprehensive picture of the studied phenomenon.

The operational research frame (table 7) connects the theoretical and empirical parts of this study. It clarifies how the research questions, theoretical background, themes, and interview questions are all linked.

Table 7 The operational research frame for this study

Research question	Sub research questions	Theoretical background	Themes	Interview questions
How does Integrated Reporting create value for stakeholders from the reporting company perspective?	How does integrated reporting differ from other sustainability reporting means in terms of value creation?	Corporate reporting Sustainability reporting Integrated reporting GRI Challenges of sustainability reporting and IR Benefits of IR The international IR framework.	Understanding IR in the (sustainability) reporting context	1–9
	How do companies engage stakeholders in integrated reporting in terms of value creation?	Stakeholder identification Stakeholder engagement Quality stakeholder engagement Assessment of the quality of stakeholder engagement	Identifying stakeholders and practicing quality stakeholder engagement	10–17
		Perceived and expected value Value creation through reporting Shared value creation Stakeholder value creation in IR Stakeholder dialogue	Creating shared value through dialogue	18–23

The main themes of this study are based on the theoretical framework (figure 3) formed based on an extensive literature review. The interview questions of this study are presented in appendix 1. These questions are divided in themes according to the three themes that rose from the literature review. All of the interview questions have a theoretical background and a link to the research questions of this study.

In qualitative research the amount of research data can vary. There are no clear rules for sufficient amount for data collection, but usually the advice is that the collection process may be concluded when no new characteristics are found in the already collected data. (Mäkelä 1990, 52.) In this study the companies for the data collection were chosen based on the quality of their integrated reporting, because the quality of reporting is an important precondition for stakeholder value creation based on the literature review of this study. Companies were seen as quality creators of integrated reporting in this study though a benchmarking process or through a 'recognised report' mention in the IR examples database (IR examples database, Recognized reports). The analysed report from the chosen companies is always the newest one at the time of the analysis. Integrated reporting is still evolving in practice and it was seen that the latest report best describes the current situation of stakeholder value creation in the companies. Table 8 presents the data collected for this study.

Table 8 Data collected for this study

Company	Industry	Interview			Secondary data (IR report)	
Generali Group	Global insurance undertaker	YES	Interviewee title	Analyst dealing with integrated reporting implementation and Group Assets accounting	YES	Generali: Annual integrated report and consolidated financial statements 2017, 1–358.
			Interview type	Email		
			Date	25.5.2018		
ACCA	Professional accountancy body	YES	Interviewee title	Strategic communications advisor to chief executive	YES	ACCA: Shaping futures together. Integrated annual report 2017, 1–54.
			Interview type	Phone		
			Date	7.6.2018 (51min)		
Aspiag Service S.r.l. Despar Nordest	Consumer goods	YES	Interviewee title	Chief Financial Officer	YES	Aspiag Service S.r.l. Despar Nordest: Integrated report 2016, 1–110.
			Interview type	Email		
			Date	5.9.2018		
British Land	Commercial property	NO	Interviewee title		YES	British Land: We create Places People Prefer. Annual report and accounts 2017, 1–184.
			Interview type			
			Date			

All the studied companies are based in Europe, because the same geographical location was seen important for defining the limits for the research. Integrated reporting is rather new and rare reporting practice. This is why the studied companies could not be chosen for example through the field of operation or the size of the company. The prerequisites for the companies were merely the location and that they produce quality integrated reports that follow the international integrated reporting framework. All of the companies were contacted with an interview request, but not all were able to give an interview, even though all of the companies showed initial interest. In this case the integrated report was seen sufficient enough to embody the company view of stakeholder value creation through integrated reporting.

Generali Group is considered from the IIRC as one of the best in class in terms of reporting. The Generali Group interviewee is part of the team responsible of the implementation of the Integrated Reporting framework at the group level. ACCA was one of the initial pilot programme participants of IIRC. They were involved with integrated reporting at the very beginning before IIRC had actually published the framework. About thirty mainly European based organisations were working with the IIRC in helping refine the framework. The ACCA interviewee was involved right at the beginning and had the opportunity to grow along with IIRC as an organisation. Aspiag Service is also a recognised reporter from the IIRC. The interviewed CFO started conducting the project of integrated reporting a few years ago in the company with a small but attached team in the finance function. CFO leadership was in their opinion necessary in order to identify material aspects of value creation, align performances and objectives with precise metrics and KPIs, organise data collection and create a value creation model. British Land did not give an interview. Their report was however analysed for this study, because they are a recognised European reporter from the IIRC as well.

Structured interviews are interviews based on questionnaire logic. The interviewer cannot provide any additional information beyond the scripted questionnaire (Conrad & Schober 2008, 173; Brinkmann 2013, 19) *Unstructured interviews* are interviews where the interviewer remains a listener and cannot interrupt or ask any specific questions. *Semi-structured interviews* are the most common in qualitative research and used in this study. These interviews give the interviewer a chance to become a part of the knowledge-producing process with the interviewee. (Brinkmann 2013, 20–21.) Understanding the life world of the interviewee leads to interpreting the meaning of the researched phenomena (Kvale & Brinkmann 2008, 3). The e-mail interviews of this study were also seen as semi-structured interviews because both interviewee and interviewer were given the chance of asking clarifying questions and giving additional comments outside the interview questions.

Interviews can be done using different media. Face-to-face interviews are the most common interview data collection method. However, interviews can take place also over telephone or as Internet interviews. (Brinkmann 2013, 28; Eriksson & Kovalainen, 2008, 78.) The interviews of this study were conducted via telephone and email. The interviewees were given the chance to decide the most suitable option for them. All of the interviews were done in English. No face-to-face interviews were done because of the rarity of integrated reporting: there were not enough companies issuing quality integrated reports in a suitable travelling distance. After all, there is no universally correct way of choosing the interview data collection media type that guarantees success over other media (Brinkmann 2013, 30), so the face-to-face interviews were not seen as a prerequisite for the success of this study.

The interviewees were given the opportunity to ask about possible unclear interview questions and to give additional comments outside the interview questions. The interviewed individuals were all professionals of integrated reporting in their organisations. In other words, the interviewee selection followed the principle of *purposeful sampling,* where they were selected deliberately: The important information that they have could not be found elsewhere. (Maxwell 1996, 70.) The analysed reports supported the collected interview data. The following section discusses how the interview- and secondary data was analysed.

4.3 Data analysis

The goal of data analysis is to decide how the collected data is classified, managed, and analysed, so that new information of the research can be yielded. This requires that the empirical data is examined, categorised, and tabulated in an organised way. This organised way of data analysis is especially important in qualitative analysis, because of the substantial amount of qualitative data available. (Yin 1989, 105; Eskola & Suoranta 1988, 19–20.) The interviews in this study are analysed with thematic analysis and the secondary data is analysed with content analysis.

There are many ways of analysing interviews and it is important, despite the interview type, to be accepting of information and opinions of the interviewee. The respondents should be able to have knowledge and understand the interview questions, and be motivated to answer the questions. (Vonk et al. 2007, 16.) In this study the companies were motivated to participate in the interviews by clearly explaining the purpose of the study and the possible benefits of participating in the study.

It is also important to remember that the interviewer should always try to be neutral in analysing the data, and not get personal opinions or own expectations to affect the data analysis process. Carefully documented data analysis helps the readers of the study to assess how well and objectively the study is done. (Tynjälä 1991, 392.) The phone interview data of this study was carefully transcribed from the audio file. Listening and transcribing audio files is already an opportunity for data analysis (Maxwell 1996, 78). The word-by-word transcription in this study required listening to the audio multiple times. The themes of this study could be recognised already at this point. The e-mail interviews were naturally a ready text for analysis.

The interview data of this study was analysed with thematic analysis. Thematic analysis is the most common method of qualitative analysis. Thematic analysis focuses on describing themes in the collected data. The themes can be both implicit and explicit ideas within the data. The themes can be further developed into codes or thematic networks that represent the identified themes in the analysed text. (Attride-Stirling 2001, 385; Guest et al. 2012, 10–11.) This study identified three key themes based on the literature review for stakeholder value creation through integrated reporting (figure 3). These themes were also the basis for the interview questions and data analysis of the interviews. Possible new themes rising from the interview data were also taken into consideration in the data analysis process. The interview transcripts were sorted to themes with colours. After the interview data was examined and categorised in the themes, the actual analysis was done in order to explain the research questions of this study. Quotations were used as an effect to highlight the interviewee's opinions and to validate the analysis.

Secondary data analysis is a method for doing research that uses pre-existing data. Secondary data analysis can be done for both quantitative and qualitative data. Qualitative data can be 'non-naturalistic', data solicited by researchers, or 'naturalistic', data collected with minimal involvement by researchers. (Heaton 2004, 1–5.) In this study the collected secondary qualitative data from the integrated reports is naturalistic data. Naturalistic data is traditionally studied using the methodology of documentary analysis (Heaton 2004, 6). Documents can be read by analysing their content meaning, in other words, using content analysis (Coffrey 2014, 370).

Content analysis is a common technique in social sciences. The researcher selects the relevant documents and specifies the themes of interest. In this study the documents are the integrated reports from the studied companies (table 8). The themes for the content analysis are the same as they are for the interviews (table 7). The documents are read and then coded according to the themes. For example, prevalence of certain words or ideas can be coded. (Hodson 1999, 5–6.) In this study colour coding was used according to the themes of this study. Appendix 2 is an example of the colour coding of the studied integrated reports.

Content analysis is fundamentally making valid inferences from text (Weber 1990, 9). Content analysis of the integrated reports from the companies was seen as a suitable addition to the interview data analysis: for one thing to get enough data for the analysis and for another to get data that is not in any way confounded. Compared to interviews as an analysis technique, content analysis yields namely usually unobtrusive measures, because neither the reader nor the publisher of the report content is aware of being analysed. This means that there is little risk that the actual act of measurement itself could confound the data. (Webb et al. 1981.) The analysis should in any case be done with quality in order to conduct a successful research. The following section discusses the trustworthiness of this study.

4.4 Evaluation of the research

For qualitative research to be scientific in nature, the researcher has to assure the readers that the study is done with quality and trustworthiness. Explicit evaluation criteria can highlight the strengths and limitations of the study and increase the transparency. The evaluation of the research should be a continuous process throughout the whole study. This ensures that the research is going in a direction of good quality. (Eriksson & Kovalainen 2008, 290.) In this study the evaluation process started right from the selection of the topic and research question definition. The purpose of this study was held as a thread though the whole process in order to ensure the good quality.

The framework from Lincoln and Guba (1985, 289–331) was used to assess the trustworthiness of this study. The framework was chosen for this study because it is referenced a lot in methodological literature (see for example Tynjälä 1991; Holloway & Wheeler 1996; Eskola & Suoranta 1998). According to Lincoln and Guba (1985, 300), four terms: *credibility, transferability, dependability,* and *conformability* are the criteria for evaluating the trustworthiness of qualitative research in naturalistic conditions. Naturalistic paradigm refers to natural circumstances where the researcher does not do any specific actions to affect the research conditions (Tuomi & Sarajärvi 2018). The four mentioned terms of are equivalents for the conventional quantitative research terms *internal validity, external validity, reliability,* and *objectivity* (Lincoln & Guba 1985, 300). The four naturalistic terms were seen more fitting to this study because of the qualitative research approach chosen. The final goal of evaluating trustworthiness through the four naturalistic terms is to help readers that might want to use the research paper in their own work, to gain confidence that the study is done with quality (Lincoln & Guba 1985, 328).

Credibility is according to Lincoln and Guba (1985, 301) a set of techniques that helps the researcher to assure that the produced findings and interpretations are credible. It is important that the findings are equivalent to the real world and can be applied in a real world setting (Tuomi & Sarajärvi 2018). In this study the credibility aspect was taken into consideration right from the start. The topic was carefully examined through an extensive literature review, keeping in mind the aspired novelty value, the research focuses, and the research questions. The empirical part of the study was based on the main themes found in the academic literature. The operational research frame of this study (table 7) explains clearly how the research questions, theoretical framework and the empirical part of this study are all linked. Both the interviews and the secondary data were carefully gathered to represent the real life setting of quality integrated reporting. Quality integrated reporters were chosen for the data collection because the academic literature suggests that only quality reports can create value. This is justified in chapter 3.2. The data was carefully analysed and put together with the theory to represent the real life setting of stakeholder value creation through integrated reporting. The findings of this study represent the company perspective of integrated reporters. The findings can also be applied to other companies contemplating for instance the benefits of starting integrated reporting.

Transferability in naturalistic conditions is according to Lincoln and Guba (1985, 316) a necessary description that enables transfer of the findings to other contexts. This means providing an extensive enough database for potential appliers to make their transferability judgements possible. The transfer should be possible in both theoretical and empirical contexts (Sinkovics et al. 2008, 696). The theoretical part of this study is extensive and in that case applicable in other contexts like in another time frame. However, integrated reporting is a rather new theme for research and it is likely that the academic literature in this field becomes much more extensive in following years. Integrated reporting in practice is also rather rare. This created some difficulties for the empirical part and data collection process of this study. Quality European integrated reporters that are able to give an interview are rather hard to find. That is why the data for this study was narrower that first intended. In the ideal case all the studied companies would have given also an interview to enhance the data. Without an interview, the report was however seen as sufficient data to embody the company view of the studied topic. It is also important to take into account that integrated reporting according to the 2013 released international IR framework is a new practice, so the studied companies cannot have extensive experience in it. They are continuously developing their reporting practices. The transferability of this study was however enhanced with elaborate reporting of the research process throughout the whole study. The interview questions are also available in appendix 1 to improve the transferability.

Dependability refers according to Lincoln and Guba (1985, 292) to the independence of the measures. In other words, the researcher makes sure that the principles of scientific research are followed, and understands and takes into consideration external factors that may affect the research findings (Tuomi & Sarajärvi 2018). The external factors should be minimised in order to be able to get consistent result that do not have variance (Lincoln & Guba 1985, 290). A more extensive research data would have improved the dependability of this study. The interviews followed however the same questions and the secondary data was analysed with the same colour coding system according to the same themes as the interview transcripts. The research process was also clearly explained and justified throughout the study and all reasoning was always justified with reliable referencing to academic literature.

Conformability is according to Lincoln and Guba (1985, 292–293) conducting research on phenomena objectively. This means that the researcher does not let own experiences, dispositions, or qualities affect the research. Conformability can be achieved through collective judgement by multiple observers or through using right methodology that characterises the research. The theory and research questions should be constructed right by using the right literature and by avoiding overstatements (Sinkovics et al. 2008, 696). The conformability aspect was maintained throughout the study. The theoretical justification and the main themes were all justified with highly referenced and peer reviewed literature. The interview questions and the colour coding for both the interviews and the analysed integrated reports were done with accuracy and according to the themes raised by the literature review. The set themes could have however affected the analysis part of this study slightly, because the researcher might have been too concentrated on the themes from the literature, which could have disturbed the process of finding new possible themes from the data. The rather narrow data also made it hard to find possible differences in the data that could have provided alternative and competing viewpoints to the topic. The previous knowledge of the researcher and the rather positive association with integrated reporting might also have caused the researcher to look for more positive findings in the data.

To sum up the trustworthiness discussion of this study, this research can provide valuable insights to stakeholder value creation through integrated reporting from the company perspective. The researched companies were all experts in the field of integrated reporting and were able to provide valuable viewpoints to the topic. A more extensive data could have however provided even more trustworthy findings and other possible themes not found in this research. For total generalizability to the field of integrated reporting, this study should be supported by further studies and with broader data. Also the viewpoints from the key stakeholders of the companies could provide more insight to the topic. They naturally have also a big role in understanding how value is created for them. The following chapter focuses on representing the finding from the data and compares the empirical findings to the theoretical framework of this study and answers the research questions.

5 INTEGRATED REPORTING AND STAKEHOLDER VALUE CREATION

This chapter discusses the findings of this study. This is done in four parts according to the main themes and research questions. All of the themes are discussed based on the thematic analysis of the interviews and the content analysis of the analysed integrated reports. Each section also discusses the links between theoretical findings and empirical findings for the main themes. Quotations are used to enliven the analysis and highlight the company perspective. First (5.1), the company view of understanding integrated reporting in sustainability reporting context is discussed. For example the company opinions of disclosing sustainability information publicly, the term 'integrated thinking', and the experienced challenges and benefits of integrated reporting are discussed. Second (5.2), the theme of stakeholder identification and quality stakeholder engagement is discussed. For instance the company views of key stakeholder identification, stakeholder influence level, and quality control of integrated reporting are discussed. Third (5.3), stakeholder dialogue and shared value creation is discussed. For example the company opinions of how integrated reporting can create value differently for different stakeholder groups, and how stakeholder dialogue can be seen as a value creating action are contemplated. Finally (5.4), the findings of this study are summed up. This is done by bringing together all the three main themes and discussing them together with the research questions of this study.

5.1 Understanding integrated reporting in the sustainability reporting context

The motivation to disclose sustainability information publicly and to move to integrated reporting was seen as an important step and especially beneficial from the stakeholder perspective in all of the analysed companies. Stakeholders need material information to understand how companies operate and create value. Also the EU regulatory requirements for disclosing sustainability information were seen as motivational in some cases. Some organisations also found it important to be at the cutting edge of new thinking around corporate reporting.

British Land describes integrated reporting in their latest report as a reflection of how their sustainability is integrated into their operations and how value is delivered to their stakeholders in a lasting way. Aspiag Service describes that the move to integrated reporting was motivated by the need to improve their outgoing reporting for improved representation of the company. Generali Group describes the stakeholder information needs and the need to evolve their reporting portfolio as the main reason for moving to integrated reporting. ACCA describes their primary motivation for moving to integrated reporting was to give an example for their member organisations. They also felt that integrated reporting resonated a lot with the way they were already operating.

> *"We saw that integrated reporting was becoming the next big important thing in terms of corporate reporting. ... And it seemed sensible if we were saying that other organisations should be looking at this and doing this that we should do it ourselves. So it was really kind of, if you like, walking the talk if we were telling our own members that integrated reporting was valuable and was the next important step in corporate reporting. We felt we should be using it as well for our own organisation, even if it was not mandated."* (ACCA representative)

> *"We were convinced of the need to improve our outgoing reporting for improved representation of the company, its resources and capacity, its processes. Although not listed and despite the fact that we already drafted a complete statutory financial statement together with a full management report, we believed that many aspects and significant information were still missing that would enable the stakeholders to better understand its solidity, its innovation and concern for the environment and for the areas in which it operates and, ultimately, the reasons behind its leadership in the reference market."* (Aspiag Service representative)

Integrated reporting is much more than issuing one document that has financial and nonfinancial information in it. The main idea is that the information is gathered so that the impact on each other is revealed. This helps reporting companies to avoid short-term financial goals and to have the long-term business strategy in the centre of decisions. (Eccles & Krzus 2010, 29–30.) Compared to financial and nonfinancial reporting, integrated reporting is understood also in the analysed companies as a more genuine reflection of where a company is at currently. Integrated report is a mix of financial and nonfinancial report with one big conceptual difference: it does not really matter what is financial and what is nonfinancial information, it matters what is material in explaining the value creation process. Integrated reporting has the goal of completing other reporting frameworks (Niskala & Pajunen 2015, 51). All of the analysed companies also use some other frameworks or standards to give a comprehensive picture of their business. For example IFRS standards are used for financial statements and GRI standards and UN Sustainable Development Goals are used to complete nonfinancial information.

Different companies have naturally different types of stakeholders that are interested in varying detail in reports. Integrated reporting brings together information that proves the stakeholders the sustainable strategy of the company, rather than telling only a small part of the whole story. Integrated reporting enables companies to give a better and fuller story of what they do to make their organisation successful.

> *”I think when I sit down and read an integrated report, whether it is ours or somebody else's, I think you get a very clear view of where organisation's priorities are, you get a very clear view of challenges and opportunities, and that future focus that you don't always get with financial statements.”* (ACCA representative)

Integrated reporting requires integrated thinking throughout the organisation. This means that business is looked at from a more holistic view. (Busco et al. 2014, 24.) Integrated reporting is seen as a means to drive integrated thinking through organisations and to enable the connectivity of information. Embracing integrated reporting can even help to highlight areas where there is not enough connectivity and to help companies to address those issues. In that sense integrated thinking helps strategy creation and implementation.

> *“Integrated thinking for us means “breaking the silos”. We are starting to think more integrated: Matters are not clustered in single departments. Every topic has interconnections and in order to deal the best way with it, you have to communicate and co-work with many other departments.* (Generali Group representative)

The principles of integrated reporting lean strongly on the basics of sustainability reporting (Niskala & Pajunen 2015, 51). Some of the analysed companies had used some kind of sustainability reporting before making the decision to move to integrated reporting. These previous sustainability reports were however in some cases described as more of a marketing document towards stakeholders. Integrated reporting shifted the focus to other capitals, like intellectual capital, talent, value creation and so on. The sustainability reporting experience was seen to ease the transition to integrated reporting, because IR resonated rather well with the way organisations were already operating.

Integrated reporting is collective work that brings together different departments. Previous sustainability reporting was usually done by only one or a few departments, which meant that the whole organisation was not always represented. The cooperation that integrated reporting requires enables companies to prepare a document that fully represents the whole organisation. The strategy is also seen in some cases as an important aspect of the integrated reporting process: The capitals of integrated reporting and the organisation strategy have many synergies that can greatly support each other. From the strategy perspective, integrated reporting can even help companies to achieve competitive advantage.

The challenges of integrated reporting from the company perspective are very much linked to the collaboration the reporting process requires throughout the whole organisation and the spreading of integrated thinking in the process. And even though different departments would feel very engaged in the matter, it is not always obvious that they can produce the information required. Another identified challenge can be the difficulty to align the future perspective required from integrated reporting to the strategy of the company. It can be difficult to estimate huge future directions. Also the link between integrated reporting and competitive advantage can be found a challenge sometimes. Companies might not feel confident in disclosing data that might include sensitive information that the competitors can then find out. There should however be no barriers for disclosure with integrated reporting, but sometimes this can be hard to achieve in practice.

A challenge for integrated reporting and sustainability reporting in general found in the literature review was the difficulty to compare companies based on nonfinancial information if the information is not assured to be right (Eccles & Salzman 2011, 59). The audit process of integrated reporting varies between different reporters in practice. Internal audits can be made and in some cases independent auditors' reports are also made on the information. This study encourages all reporting companies to audit the produced integrated reports the best way possible to assure the stakeholders that the information is right. This is seen as one important value creation action.

The benefits of integrated reporting are a way to overcome the possible challenges of integrated reporting. According to the literature review of this study, the benefits can be *internal benefits*, *external benefits*, or *managing regulatory risk*. (Eccles & Saltzman 2011, 57–59.) In the empirical data, the found benefits were also in line with these three benefit classes.

> *"It has allowed us to show leadership in corporate reporting, it has brought us to innovation and simplification in our corporate reporting portfolios (i.e. quarterly disclosure rationalisation), and finally it is enabling us in developing and spreading integrated thinking in our company. Moreover having adopted integrated reporting has put Generali Group a step ahead in respect to many competitors in terms of compliance with the European Directive 2014/95/EU."* (Generali Group representative)

> *"As regards the benefits, we noticed: a widespread organisational awareness about integrated thinking and reporting; an already achieved compliance with European regulations, that we anticipated; a greater information sharing for the*

> *management; a cultural process of change management that permitted some company projects such as the ISO14001 and OHSAS 18001 certifications, the identification of the company values basing a shared culture; the improvement of sustainability themes, identifying new business opportunities (such as the development of natural, ecological, healthy, and specific private label products). Moreover, we contributed to a more ethic and clear approach for our stakeholders and distributed a lot of added value to our community."* (Aspiag Service representative)

Reputational value is also something that can be gained through integrated reporting. Companies can gain credibility amongst stakeholders if the reporting is honest and transparent. By actually addressing the things that cannot be measured and the explanation why, can actually gain even more credibility and better relationships and understanding of the stakeholders. Integrated reporting can, in other words, take reporting away from the 'marketing tool' perspective, and focus on actual value creation for the stakeholders.

Reputational value can also concern the employees of the company. Especially when the external reporting is equivalent to the internal reporting of the company. Employees can gain a lot of trust and confidence in the organisation when they know that what is said internally is also strongly reflected to external reporting. This is why companies practicing integrated reporting should have a special focus on the connectivity of information throughout the whole organisation.

The use of the actual international IR framework is seen important for the success of integrated reporting. By following the main concepts of the framework like the capitals, content elements, and guiding principles, companies can benefit from more holistic and disciplined approach to reporting that allows the clear description of the value creation story for the stakeholders. Also the reputational benefits from using the actual framework are seen important. It is important to try to use the framework in every possible respect. In practice however it can sometimes be difficult, but in these cases it is important to explain, as the framework says, why these things are not disclosed. For example huge targets beyond one year can be sometimes difficult to disclose if the company prefers approving targets rolling base each year.

To summarise the discussion about the first main theme of this study, it can be said that the empirical findings of this study are very much linked to the theory about the topic. The analysed companies have a clear view of what integrated reporting really is and how it is in context with other reporting means. The holistic value creation focus of integrated reporting is clearly seen as a main characteristic for integrated reporting. The linkage between strategy, integrated reporting and competitive advantage was a new theme found in the empirical part of this study. It is suggested that future research should focus more on this theme. The following section discusses the second main theme found in the literature review of this study. It shifts the focus more toward stakeholders and how they are engaged in the process of integrated reporting.

5.2 Identifying stakeholders and practicing quality stakeholder engagement

Based on the theoretical part of this study, it is argued that quality stakeholder engagement is needed in order to create value through integrated reporting. This requires that key stakeholders are identified and that their opinions are taken into account. Otherwise, stakeholders might leave the value creation process. This might be the case for instance when a specific stakeholder group feels that the company is not meeting their needs or puts the needs of other stakeholders first. (Freeman et al. 2007, 15–16.)

The company perspective for key stakeholder identification and the significance of it in their reporting practices is very much aligned with the theoretical discussion in this study. All analysed companies had identified their key stakeholders clearly and justified the stakeholder identification with the organisations' strategy or with the interest that certain people might have on the reports. Some companies also did specific stakeholder mapping exercises and materiality matrixes for identifying key stakeholders.

From the produced report perspective, different stakeholders are not treated differently regarding the information they are given. In other words, there are not any specific stakeholder groups that get more information than others do. The analysed organisations feel that presenting one holistic story for everyone is important. Every stakeholder's needs are met, but it is important that the key stakeholders and the most valuable stakeholders' needs are always met first.

> *"Because we create members and we exist to look after our members' interests, I think that our members are probably up and most in our minds when we write the reports. ... We are very conscious that it needs to be addressing issues that are close to their heart and demonstrating to them how ACCA is delivering value to them. But at the same time we are also thinking about: Does this meet the needs of tuition providers? Does it meet the needs of employers? So we do address multiple stakeholders and we would always think about them but first check the reports to make sure that it makes sense from a member's perspective."* (ACCA representative)

> *"The Board will continue to focus this year on monitoring British Land's culture and promoting good governance that supports openness and accountability*

throughout the business, including open engagement with stakeholders." (British Land, Annual report and accounts 2017)

The information that different stakeholders are interested in the most varies naturally between different stakeholder groups. It is important to understand these different expectations and demands from stakeholders, and to create reports that are tailored enough to meet different stakeholder needs. (Dawkins 2004, 119.) Even though the information need varies between stakeholder groups, a common factor is that everyone wants to see year after year reliable and consistent data that is explained and disclosed the right way. This is why the whole process of integrated reporting should be done in detail and in the right way. A certain piece of information is not necessarily the most important one for all key stakeholders.

Stakeholder engagement means interaction between a company and its stakeholders in a way where stakeholders can express their opinions to all matters affecting them (O'Dwyer 2005, 28). Stakeholder engagement through integrated reporting has a strong link to the strategy. It is common that stakeholders are involved in the strategy creation of organisations. In terms of integrated reporting, the taken measures vary between companies. For example, questionnaires, e-mail surveys, university collaborations, face-to-face panels, local activities in retail stores, and events were mentioned as a way to gather information about the stakeholder opinions regarding integrated reporting. The stakeholders can express their opinions to what they like or do not like in the reports and reporting practices. Identifying the material issues relevant to them can help companies improve their reporting significantly. The reports are directed to the stakeholders, so it is of course natural that the stakeholders should be engaged in the process. Value can be created this way in both directions, for the stakeholders and for the reporting company.

The analysed companies had a strong stakeholder engagement even before they started to produce integrated reports. The transition to integrated reporting has however made this engagement even better and more focused to the material issues and the strategy. The feedback from both internal and external stakeholders has also in some cases increased and become more valuable. Some companies have even noticed that more and more people are reading the reports after transferring to integrated reporting.

According to the literature review of this study, the influence level that stakeholders have on reporting can be assessed with the ladder model from Friedman and Miles (2006, 162). Reports are seen as one-way communication between stakeholders and the company. Stakeholder engagement in the process of integrated reporting can however bring the influence level higher. The analysed companies see stakeholders important in identifying everything that needs to be addressed and disclosed in the reports. Stakeholders can also have a big role in strategy creation and future development of the disclosed material issues. The on-going engagement that integrated reporting enables is seen in some cases even more important than the actual disclosed information put in the reports. The stakeholder influence level through integrated reporting can bring the engagement level to consultation, which means that stakeholders are advisors in decision-making. In other words, stakeholder engagement changes the one-way communication of just the reports to two-way communication in the reporting process.

> *"I think actually for us having that on-going engagement with the stakeholders around strategy and direction will actually be more important than how we actually disclose things in the future, because the timetable for developing and delivering new strategy and the utility the organisation will need in the future will be that much greater. So I think we kind of need to be in a constant process of consultation with the stakeholders to make sure that we are responding to their needs."* (ACCA representative)

The overall quality of stakeholder engagement can be noticed from the satisfaction levels of the stakeholders in relation to the reports. The work of identifying stakeholders to engage with and checking both external and internal stakeholder feedback are seen to improve the quality of the engagement. Some companies found also the help of external consultants specialised in stakeholder engagement and integrated reporting valuable.

To sum up the discussion about the second main theme of this study, the linkage between strategy and integrated reporting can be noticed again. The empirical findings were also in this theme very much aligned to the theoretical part of this study. However any clear differences in the engagement level between different stakeholders were not found. Also company preferences to value some stakeholder groups over others in the reporting process were not found. It is suggested that future research could focus even more on the differences between different stakeholder groups. Maybe a case study that takes the opinions from the stakeholder side into account as well could shed more light on this theme. Some analysed integrated reports used for example the expression "shareholders and other stakeholders", which might indicate some preferences. The following section discusses the final main theme found in the literature review of this study. The focus shifts from stakeholder engagement to shared value creation and stakeholder dialogue.

5.3 Creating shared value through dialogue

Shared value creation through stakeholder dialogue is the final main theme found in the theoretical part of this study. Shared value creation brings strategic angle to social responsibility and reporting (Porter & Kramer 2006, 80–83). Value creation for stakeholders through integrated reporting from a company perspective is linked closely to the value creation model integrated reporting requires. Stakeholders need that clear explanation of the value creation to them. Integrated reporting gives a broader view on value creation because it is a multi-capitals model.

> *"It does encourage you to think about: Are you actually investing in all of the right capitals in the right way across your organisation. So it does enable you to do that calculation, and to see much more clearly areas that you are underinvesting in or areas that need developing."* (ACCA representative)

Explicitly stated value creation model can also help stakeholders to understand the contributions of other stakeholder groups and why it is important to create value for them too. The model enables stakeholders to think more widely about their place in business and contribution to the society and why value needs to be created for everyone. A clear value creation model can even encourage different stakeholders to deeper cooperation.

The international IR framework (2013, 10) explains value creation between a company and its stakeholders through *activities, relationships,* and *interactions.* In other words, value can be created in both directions: from a company to its stakeholders and from different stakeholders to the company. An active relationship with the stakeholders is the key to successful value creation. The activities, relationships, and interactions vary and can be for example academic lessons, joint business plans, conversations, joint events, and face-to-face meetings with different stakeholders in order to improve both the reporting practices and the business in general. Integrated reporting can definitely increase this engagement significantly. This links to the value creation model of integrated reporting: When stakeholders understand specifically the value created to them, it is easier to collaborate and continue the value creation together. This requires naturally clear and consistent data disclosure and honest conversations with the stakeholders.

When considering the company attitudes towards different stakeholder groups, no clear differences were noticed in the value creation through the reporting practices. Integrated reports provide a holistic picture of the organisation and value creation. Different stakeholders are naturally interested in different information in the reports. However all this information should be reflected in the reports so that the bigger story told in the reports is extensive enough for different stakeholder needs.

> *"Internal stakeholders are an active part in the preparation of the report, while for the external ones, referring to reporting, we receive feedbacks ... regarding the current effectiveness and the room for improvements of our corporate reporting portfolio. Speaking in broader sense, Group is implementing T-NPS and*

R-NPS as well as the Global Engagement Survey for engaging and being informed on the expectations of many of our key stakeholders." (Generali Group representative)

According to the literature review of this study successful stakeholder engagement requires successful stakeholder dialogue. The value of 'sharing information' is not equal to the value of 'dialogue'. (Tulder & Zwart 2006, 367.) Stakeholder dialogue is seen important from the company perspective. The most important stakeholder relationships are seen to happen at market level as person-to-person relations. Surveys and other monitoring practices complete this dialogue. Stakeholder dialogue is important from the reporting perspective, but it can also prevent possible risks when companies are aware of the situation in the market and can address those issues before they actually happen.

"The fact that we collect so much data in stakeholders now gives us an insight into behaviour. And sometimes it gives us early warnings of things that might go wrong or the things that we need to be concerned about so we can address them before that actually happens" (ACCA representative)

Stakeholder dialogue is perceived a major value creating action is organisations. This also linked to the competitive advantage. International standards are becoming very similar and technology is rather easy to develop. The unique connection with the stakeholders is however something that is very hard for the competitors to copy. The organisational ability to respond quickly to stakeholder needs is becoming more and more important and stakeholder dialogue ensures that those needs are something of which the organisation is well aware. This organisational agility to respond to the stakeholder needs is seen as prerequisite of being one step ahead of competitors in the business environment of the future.

"Only by having dialogue with your main stakeholders you can understand their legitimate expectations towards you. Thus, by satisfying their expectations you are able to create consensus among your firm and this will allow you to more effectively operate in the market." (Generali Group representative)

To summarise the discussion about shared value creation through dialogue, the linkage between strategy and integrated reporting was noticed again. Stakeholder dialogue is seen to create value for organisations especially from the competitive advantage viewpoint. The actual activities, relationships, and interactions taken to create stakeholder value vary between different companies. However, the common view on the topic is that an active relationship with the stakeholders is the key to successful business. The following section discusses the empirical findings from the perspective of research questions of this study. The discussion brings together all the main themes of this study and gives suggestions for future research.

5.4 Company perspective to stakeholder value creation through integrated reporting

The purpose of this study was to analyse the means through which companies create value for stakeholders through integrated reporting. Integrated reporting is rather new theme for research and the field has many areas to be researched more. The research questions of this study were designed to answer some identified research focuses based on the literature review. The main research question of this study was: How does integrated reporting create value for stakeholders from the reporting company perspective? The sub research questions of this study were:

- How does integrated reporting differ from other sustainability reporting means in terms of value creation?
- How do companies engage stakeholders in integrated reporting in terms of value creation?

The sub research questions of this study were determined in order to answer the main research question.

The first sub research question examined integrated reporting in the corporate reporting and especially sustainability reporting context. The value creation perspective was held throughout the theoretical and empirical discussion. The focus in this discussion was especially on defining integrated reporting and comparing it to other reporting means designed to disclose nonfinancial information. The possible benefits of integrated reporting were also examined. This was seen as a means to help companies take the initial step to integrated reporting. Also already reporting companies could understand their process better and get ideas on how to improve the already existing integrated reporting practices. The benefits are linked to value creation, so the discussion can also be interesting to the different stakeholders of reporting companies. The challenges of integrated reporting were also discussed. A conclusion was made that the benefits of integrated reporting can help to overcome possible challenges.

The main theme found in the theoretical part of this study, that links the first sub research question to the main research question, was to *understand integrated reporting in the sustainability reporting context*. Companies need to understand integrated reporting clearly in order to be able to create value through it to the stakeholders. The theoretical part of this study found that integrated reporting, compared to other nonfinancial reporting means, has a more holistic approach to disclosure, because financial and nonfinancial information is gathered so that the impact on each other is revealed. Long-term business strategy becomes the focus over short-term financial goals. (Eccles & Krzus 2010, 29–30.) Integrated thinking is required throughout the whole organisation in order to assure successful integrated reporting (Busco et al 2014, 24). The empirical findings supported the basic definition of integrated reporting. Integrated reporting was seen as more genuine reflection of where a company is at currently. Integrated thinking helped companies, not only to disclose more connected information, but also to highlight the areas where the connectivity could be improved.

Integrated reporting has the goal of completing other reporting frameworks. Integrated reporting can however change the existing reporting practices because of the value creation aspect it has. The principles of integrated reporting lean strongly on the basics of sustainability reporting. Strong sustainability reporting background can ease the transition to integrated reporting. (Niskala & Pajunen 2015, 51.) All of the analysed companies used also some other standards and frameworks in their reporting practices. Some also had previous knowledge of sustainability reporting and felt that this experience eased the initial transition to integrated reporting. The previous sustainability reports were in some cases more of marketing tools and integrated reporting shifted the focus more on the capitals and value creation. To sum up the answer to the first sub research question, the main characteristic that makes integrated reporting different from other sustainability reporting means is the clear and holistic value creation focus it has.

The second sub research question examined integrated reporting as means to engage stakeholders to integrated reporting from a value creation perspective. Stakeholder engagement, shared value creation, and stakeholder dialogue were important topics linked to this research question. Value creation through integrated reporting can only be achieved, when the key stakeholders are identified and engaged to the process. The focus in the empirical part of this study was on the two main themes found in the literature review: *Identifying stakeholders and practicing quality stakeholder engagement* and *creating shared value through dialogue*. Rightly done dialogue was seen as the basis for stakeholder engagement and shared value creation.

The stakeholder engagement discussion focused intentionally on all stakeholder groups. This was done in order to find possible preferential differences towards different stakeholder groups from the company perspective. On one hand, integrated reporting and sustainability reporting are criticised for the extra emphasis on finance providers (Niskala et al 2013, 265; Cheng et al. 2014, 97; Bebbington et al. 2014, 5), but one the other hand, the emergence of integrated reporting was greatly affected by the common stakeholder pressure to include social and environmental performance in corporate reports (Ballou et al. 2006, 65). Value is supposed to be created for all stakeholders (The International IR Framework 2013,4). This study took the perspective that integrated reporting could provide value and value related information for all stakeholders. The empirical part of this study also supported this claim mostly. However, it is suggested that this particular field needs more research, because no clear preferential differences were found in the data. Combining the stakeholder opinion to the company opinion on preferential differences could help to shed some more light to this topic. The secondary data analysis found that some reporters used the expression "shareholders and other stakeholders", which might indicate that there are indeed more preferences towards finance providers. Thus, the topic needs to be examined more.

Stakeholder engagement is seen as a major factor that influences value creation through integrated reporting. Reporting is one of the key mechanisms of stakeholder engagement (Herremans et al. 2016, 417). According to Deegan and Unerman (2011, 396) stakeholder engagement through reporting has four stages. First, companies have to think *why* they want to disclose sustainability information publicly. Second, it has to be identified to *whom* these disclosures are directed. Third, *what* information and issues should be disclosed needs to be decided. Finally, in needs to be decided *how* to report. All of the analysed companies used naturally integrated reporting. The first three stages were also well understood in the analysed companies. Key stakeholders were identified and the motivation for sustainability disclosure was usually the clear stakeholder need for more holistic and value based information. It was seen important that all stakeholder needs would be met in the reports.

The quality of stakeholder engagement needs to be properly assessed (Niskala et al. 2012, 95). This study examined the twelve-step ladder model from Friedman and Miles (2006, 162; table 5). The quality control of stakeholder engagement was seen important also in the empirical part of this study. The stakeholder satisfaction levels were seen as an important indicator of the quality. No clear differences were found in relation to the value different stakeholders get from the reports. It is suggested that future research would focus on this topic also based on the assessment ladder. It was found out that the engagement reached at some point the level of consultation, which means that stakeholders are allowed to assist but the company has always the final say. There was however not found any differences between different stakeholder groups. It should be studied more which level different stakeholders can reach.

Competitive advantage was discussed briefly in the theoretical part of this study. It was seen that companies could gain competitive advantage if they create exceptional perceived value for their stakeholders. The reports must be done in quality, because ingratiating actions could be seen morally negative and harm the reputation of the company. (Godfrey 2005, 784–785; Quinn & Thorne 2014, 123.) The theme of competitive advantage was found to be even more significant in the empirical part of this study and companies saw it linking to for example strategy creation, the holistic approach that integrated reporting has, the challenges of integrated reporting, and the stakeholder dialogue. Also the reputational value of integrated reporting rose clearly from the data. It is suggested that future research could focus on the linkage between integrated reporting, strategy and competitive advantage more profound. The reputational value of integrated reporting should also be studied more. It could perhaps even be a good motivator for companies not doing integrated reporting to start to produce the reports. It might be that companies need a clearer message of all the benefits of integrated reporting.

To sum up the answer to the second sub research question, the means that companies engage their stakeholders to integrated reporting, and how these activities, relationships and interactions look like, are rather varied between different companies. Important is that companies can actually clearly indicate in their reports how the stakeholders are engaged to the integrated reporting and business in general. It is true that value can be created beyond the actual integrated reports, but integrated reporting has helped companies to create value more holistically, so the process of integrated reporting is much more than a way to communicate the benefits to the stakeholders. All analysed companies had presented a clear value creation model in their reports, but more important was the way integrated reporting had made stakeholder dialogue and engagement better than before.

The main research question can be answered based on the two sub research questions. Value creation is a very broad term and it can be understood very differently in different companies. What makes integrated reporting different from any other reporting means is the way value is seen as a holistic concept that requires integrated thinking and cooperation between different departments. The stakeholders need to be first identified in order to create value for them. Companies have to also have a clear understanding of what integrated reporting is and what it means to their organisation. The actual annual integrated report cannot be the only way value is created. Shared value creation and engagement is needed in the *process* of integrated reporting. This engagement should be done in quality in order to create value for the stakeholders. Stakeholder dialogue is one of the most important value creation actions companies can take. Integrated reports are one-way dialogue, but the process of integrated reporting and the engagement and dialogue it requires bring the communication to a two-way level. The following chapter brings the findings of this study to a more general level by introducing the theoretical and managerial conclusions.

6 CONCLUSIONS

This chapter discusses the conclusions of this study. The conclusions bring the findings of this study to a more general level. First (6.1) the theoretical contribution of this study is discussed. This study had the starting point of novelty value to a rather new research topic: integrated reporting. This study brought some new information and viewpoints to this topic and these are carefully contemplated in this section. Second (6.2) the managerial implications of this study are discussed. This study was made from a reporting company perspective, so the implications are mostly recommendations to reporting companies. However, the conclusions of this study can be applied to a broader readership, like companies considering moving to integrated reporting.

6.1 Theoretical contribution

Existing literature about integrated reporting is still rather scarce because of the novelty of the field. The international integrated reporting framework was first introduced to the public in 2013. Thus, the use of the framework is also still rather rare and the reporting practices of the companies that already use it are developing constantly. This is why any new information on the topic can have a rather substantial theoretical contribution. The findings of this study supported the already existing theory and found also some new viewpoints and even contradictions to previous literature.

The first main theme of the theoretical framework of this study was that companies need to *understand integrated reporting in the sustainability reporting context.* The empirical findings of this theme supported the theoretical findings. Integrated reporting is understood as a mix of financial and nonfinancial reporting. The information is gathered so that the impact on each other is revealed. In other words, separate information does not work in integrated reporting. The value creation process and long-term business strategy is the key focus. This requires integrated thinking throughout the organisation. Integrated thinking is looking at the business from a holistic viewpoint (Busco et al. 2014, 24). Integrated reporting enables companies to drive integrated thinking throughout the organisation so that the connectivity of information is guaranteed. The empirical part of this study found also another reasoning for the benefits of integrated thinking: some companies have found it as a valuable tool to help to highlight areas where the connectivity is lacking. This brings integrated reporting to a strategy creation and implementation level. In other words, integrated thinking is required for achieving successful integrated reports, but this required *process* can improve the business in a broader strategy level.

The second main theme of the theoretical framework of this study was *identifying stakeholders and practicing quality stakeholder engagement.* The empirical findings supported very much the theoretical findings. Value creation through integrated reporting requires stakeholder engagement. Key stakeholders need to be identified and their opinions need to be taken into account. In practice, any specific differences in how the process of integrated reporting engages different stakeholder groups, or that any stakeholder group would get more valuable information in the produced reports than others, were not noticed. It is however suggested that this should be studied more, because these findings have a minor contradiction with some parts in the theory of this study. It can be claimed that because integrated reporting presents information related to broad risk evaluation and future value growth potential that this information could be naturally more appealing to finance providers (Villiers et al. 2014, 1059–1061). Some analysed reports also used the term “shareholders and other stakeholders”, which might indicate to some preferences towards the finance providers. However, it is also claimed that integrated reporting should create value to all stakeholder groups (The International IR Framework 2013, 4), so this field definitely needs more research. All in all, it was however noticed that the move to integrated reporting had improved the stakeholder engagement on a general level and integrated reporting had shifted the reporting practices away from a ‘marketing tool’ perspective to a value creation perspective.

The third main theme of the theoretical framework of this study was *creating shared value through dialogue.* Shared value creation brings a strategic angle to social responsibility and reporting (Porter & Kramer 2006, 80–83). Stakeholders need a clear value creation explanation and the value creation model integrated reporting requires is good way of achieving this. The empirical part of this study found that when companies are able to explicitly state the value creation for their stakeholders, the stakeholders could better understand why value is created for everyone and how this benefits everyone in the long run. A clear value creation model can even encourage different stakeholders to deeper cooperation. Successful stakeholder engagement requires also successful stakeholder dialogue (Tulder & Zwart 2006, 367). The analysed companies perceived stakeholder dialogue as a major value creating action. Stakeholder dialogue ensures that the needs of the stakeholders are met. The organisational ability to respond quickly to stakeholder needs is becoming more and more important. In the future this unique relationship with the stakeholders can become a huge source of competitive advantage.

New noteworthy themes rose from the analysis part of this study in addition to the themes of the theoretical framework. It is suggested that the link between integrated reporting, strategy, and competitive advantage should be researched more. This theme rose in many different occasions in the data analysis phase. For example sensitive data disclosure as a competitive disadvantage as well as competitive advantage gained from stakeholder dialogue rose from the data as new themes. Integrated reporting should definitely be studied more from this strategy perspective.

Reputational value was briefly discussed in the theoretical part of this study (table 2). In the empirical part it rose as a bigger benefit of integrated reporting as initially expected. It is suggested that this field should be studied more from all possible angles of reputational value. It was linked for example to the actual international integrated reporting framework, to the employee trust and confidence, and to credibility amongst stakeholders. Reliable data disclosure was seen to affect greatly the reputational value amongst stakeholders. It was even seen that by actually addressing the things that cannot be measured and the explanation why, can actually gain even more credibility and better relationships and understanding of the stakeholders.

To summarise the theoretical contribution discussion, the initial research focus (figure 1) is contemplated. This study provided some new information to the recognised research focuses. However, future research is needed in order to completely understand all the possible means that companies use to create value for stakeholders through integrated reporting. Especially the second research focus, understanding stakeholder engagement in the process of integrated reporting needs more research. The future research could be done more from an individual stakeholder group approach, so that the engagement, and eventually value creation, could be understood better from the viewpoint of different stakeholder groups. It is difficult to imagine that all stakeholder groups would feel that they are involved to the process of integrated reporting at the exact same engagement level. An important literature review finding though was that the relationship that a stakeholder has with the company affects significantly the aspects perceived as valuable in the reports (Herremans et al. 2016, 418). The expected and perceived value could also have in this sense some differences. The following section brings the findings of this study to a more practical level and discusses the managerial implications of this study.

6.2 Managerial implications

The results of this study offer valuable insight to everyone interested in integrated reporting and the means companies create value to stakeholders with it. Integrated reporting is rather new theme in practice for reporting companies and the field is developing constantly. Thus, managerial implication of studies in this field can be rather significant. Three main groups are identified that can find this study especially valuable: companies practicing integrated reporting, companies considering moving to integrated reporting, and the stakeholders of companies practicing integrated reporting.

Companies already practicing integrated reporting can first of all benefit from the theoretical framework of this study (figure 3) and the identified main themes in it:

Companies should understand integrated reporting in the sustainability and corporate reporting context, companies should be able to identify their key stakeholders and practice quality stakeholder engagement, and companies should create shared value through dialogue. The actual integrated reports should include a clear and understandable stakeholder value creation model. It is also recommended that it would be combined with a description of how the stakeholders are engaged in the reporting process and also in the business in general, because stakeholder engagement and value creation are very much connected. All in all, a holistic picture of the value creation with reliable quality data is the key to successful integrated reporting. Cooperation between different departments with integrated thinking is recommended in order to report about the business holistically. It is important to notice that the value of 'sharing information' is not equal to the value of 'dialogue'. Quality audit of integrated reports is also recommended. The audit is a value creating action that assures the stakeholders that the provided information is right.

Companies considering moving to integrated reporting can also benefit from this study. First of all, the reputational value gained with integrated reporting among multiple stakeholders can be considerable. Important is that integrated reporting is done with quality and using the actual international integrated reporting framework. Integrated reporting can even help companies to gain competitive advantage. It is important to be at the cutting edge of corporate reporting. For instance the regulatory requirements in the EU are constantly developing and integrated reporting can help companies to respond quickly to new regulations. Integrated reporting gives companies also the possibility to have the organisational agility to respond to stakeholder needs. Integrated reporting can move the 'marketing tool' perspective of sustainability reporting to an actual holistic description of the business from a value creation perspective. Previous sustainability reporting experience is seen to ease the transition to integrated reporting. However, integrated reporting is recommended for all companies, because it enables better stakeholder engagement and more holistic value creation. The possible challenges of integrated reporting can be overcome with the multiple benefits that integrated reporting creates for reporting companies and their stakeholders.

The stakeholders of companies practicing integrated reporting can also benefit from this study. Naturally, the actual integrated reports of the companies are the first source of information to the stakeholders. However, this study provides theoretical insight to what integrated reporting really is. In addition, the interviews conducted in this study provided some additional insights to the company opinion about value creation to the stakeholders that cannot be directly found in the actual integrated reports. The empirical part of this study highlighted the importance of the stakeholder opinion about produced integrated reports. Thus, this study encourages that stakeholders state their opinions about the reports to the companies, because companies can then improve their reporting practices and create more value for the stakeholders in the future.

7 SUMMARY

The purpose of this study was to analyse the means through which companies create value for stakeholders through integrated reporting. In order to address the purpose, integrated reporting was examined in the context of sustainability reporting and corporate reporting in general. In addition, the means companies engage stakeholders in integrated reporting were studied from a value creation viewpoint.

This study identified three main themes affecting stakeholder value creation through integrated reporting from a company perspective. First, in order to create value for the stakeholders, companies should understand the role of integrated reporting in a broader sustainability and corporate reporting context. Second, key stakeholders should be identified and quality stakeholder engagement should be practiced. Finally, companies should aim to create shared value through stakeholder dialogue.

The theoretical framework, formed after a literature review on the topic, was the starting point for the empirical research of this study. This study had a qualitative research approach in order to receive a deep insight into the topic rather new for both theoretical research and practice. The data was collected from four Europe based companies practicing quality integrated reporting. Three of the companies gave an interview and all of the companies were analysed based on their at the time latest integrated report. Thematic analysis was used to examine and interpret the interview data. Content analysis was used for the reports. Themes taken from the theoretical framework guided the both analysis means.

Although the study based on a rather small participant sample, the findings can help to better understand stakeholder value creation through integrated reporting from a company perspective. The findings are seen especially beneficial for three main groups: companies practicing integrated reporting, companies considering moving to integrated reporting, and the stakeholders of companies practicing integrated reporting. For the most part the findings supported already existing literature on the topic of integrated reporting. Value creation is a broad term that can be understood differently in different companies. Integrated reporting enables value creation more holistically than other reporting means. Integrated thinking and cooperation between different departments is required in the process of integrated reporting. Integrated thinking can even help companies highlight areas where connectivity is lacking and in this way improve the business from a strategic angle.

Integrated reporting should be seen as a *process* method in reporting companies. The actual integrated reports enable only one-way dialogue, but the *process* of integrated reporting and the engagement and dialogue it requires brings the communication to a two-way level. Integrated reporting can help companies to improve their stakeholder engagement on a general level and also from a value creation perspective. When an organisation can provide a holistic value creation story based on the information gained from continuous stakeholder engagement, competitive advantage can be achieved. The organisational ability to respond quickly to stakeholder needs is constantly becoming more and more important.

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APPENDICES

APPENDIX 1 THE INTERVIEW QUESTION FRAME

The background questions:
How would you shortly describe your company?
What is your position in your company?
How would you describe your involvement in integrated reporting?
Has your company used other (sustainability) reporting frameworks before IR?
Does your company use also other (sustainability) reporting frameworks in addition to IR? Which? Why?

Theme 1 – Understanding IR in the (sustainability) reporting context
1. Why does your company want to disclose sustainability information publicly?
2. How did your company make the decision to start integrated reporting?
3. How would you describe the process of integrated reporting in your company?
4. How do you see integrated reporting compared to financial reporting and nonfinancial reporting?
5. How do you understand the term ‘integrated thinking’?
6. How would you describe the use of the international IR framework in your company?
7. How would you describe the biggest challenges of integrated reporting in your company?
8. Are these challenges different from / similar with possible previous challenges that you have had with (sustainability) reporting before IR?
9. How would you describe the benefits of integrated reporting for your company?

Theme 2 – Identifying stakeholders and practicing quality stakeholder engagement
10. Who are your key stakeholders?
11. How have you identified your key stakeholders?
12. How do you engage your stakeholders to the process of integrated reporting?
13. To whom are your reports directed? Do you make difference between different stakeholder groups?
14. What information is the most important to include in your integrated reports for the stakeholders?
15. Does the current stakeholder engagement differ from the time before integrated reporting?
16. How would you describe the influence level that your stakeholders have to your integrated reporting?
17. How do you assess the quality of your stakeholder engagement?

Theme 3– Creating shared value through dialogue
18. How would you shortly describe value creation for your stakeholders through integrated reporting?
19. What kind of activities, relationships, or interactions does your company do in order to create value to / together with the stakeholders?
20. Does your company’s integrated reporting create value differently for different stakeholder groups? How?

21. How do you think that stakeholders can create value for your company through integrated reporting?
22. Do you practice dialogue with your stakeholders? How would you describe the dialogue with your stakeholders? (for example one-way, two-way, multi-way dialogue)
23. How would you see stakeholder dialogue as a value creating action?

APPENDIX 2 AN EXAMPLE OF DATA CATEGORISATION

We, Generali | Our performance | Risk Report | Outlook | Consolidated Non-Financial Statement | Appendices to the Management Report | Consolidated Financial Statements | 19

Understanding IR in the (sustainability) reporting context (theme 1)

Identifying stakeholders and practicing quality stakeholder engagement (theme 2)

Glossary available at the end of this document

Creating shared value through dialogue (theme 3)

Financial capital
13.4% RoE (+0.0 pps)
€ 1,330 mln proposed total dividends (+6.5%)

Our performance, p. 45

Human capital
We are committed to valuing and developing our people in order to be ready to more effectively meet future challenges.
We listen to them as to understand how we can improve and meet their needs.
Global Engagement Survey 2017
86% response rate (+1 pps vs 2015)
80% engagement rate (-2 pps vs 2015)

Our strategy, p. 32

Natural capital
We are committed to contributing to the transition towards a more sustainable economy and society, even by managing our direct impact.
t 112,782 CO_2e total emissions (-9.5% vs base year 2013)

Our rules for running business with integrity, p. 23

Total emissions refer to 44% of the total Group employees in the following countries: Austria, France, Germany, Italy, Czech Republic, Spain and Switzerland.

Output

Impact

Social and relationship capital
We continue to implement our **Net Promoter System Program** - recently awarded by Medallia as one of the most successful global programs - and listen to our customers and distributors while responding to their feedback and allowing ourselves to improve their satisfaction and loyalty.
Customer T-NPS, active in 54 business units and with a coverage of approximately 90% of our customer base
167 thousand unsatisfied clients were re-contacted
+350 quick wins were implemented
+250 structural improvements
Distributor R-NPS, active in 31 sales channels in 20 business units
147 improvements were implemented
Global Agent Excellence Contest launched in 23 business units to improve digital adoption and further empower our agents.
Connected Agent and Mobile Hub, initiatives which aim to respectively equip our agents with tools to interact with customers through digital channels and our customers with a platform for managing their policies through their cell phones in an easier and more independent manner. The agents have already been provided with tools in Spain, Argentina, Austria, Switzerland and Indonesia; the platform was launched in France and Switzerland and is being launched in Italy and Spain.

We support the most vulnerable people through **The Human Safety Net (THSN)**, a global initiative which tackles three important socio-demographic issues.

Vision, Mission, Values, p. 21

Manufactured capital
approximately € 26 billion in real estate assets composed of both historical properties as well as recent ones, and managed by Generali Real Estate (GRE) for the purposes of creating eco-sustainable value. Within the realm of the European project, Green Building Workshop, GRE developed the Green Building Guidelines (GBG) which aim to improve the environmental performance of the real estate assets of the Group by bringing them to elevated standards in order to mitigate the future obsolescence of properties and to ensure that - along the entire real estate value chain - all affected parties (manufacturers, administrators, tenants) understand and respect effective sustainability rules. An increasing number of buildings is therefore certified according to HQE, DGNB, LEED and/or BREEAM standards.

Intellectual capital
We have strong technical know-how which allows us to offer insurance solutions that are high in quality as well as innovative and digital so as to meet the needs of our clients and simplify our processes.

Our strategy, p. 30