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INTEGRATED REPORTING: ADVOCACY FOR NIGERIAN COMPANIES

Clement C. M. Ajekwe
Department of Accounting, Benue State University, Makurdi

ABSTRACT: *In the 21st century, when integrated reporting is emerging as the new approach to corporate reporting, no Nigerian listed company is known to have prepared and published any variant of an integrated report. This is in sharp contrast to South Africa where integrated reporting is a mandated listing requirement. Perhaps Nigerian companies are insufficiently aware of the benefits of integrated reporting, hence the non-adoption of integrated reporting as the preferred corporate reporting model. In this paper, the concepts, scope and structure of integrated reports as well as benefits and scepticism of integrated reporting are accessed through a review of relevant literature. The paper recommends that the Financial Reporting Council of Nigeria (FRCN) "persuades" Nigeria listed companies to migrate to integrate reporting on a voluntary basis initially as soon as possible.*

KEY WORDS: Integrated reporting, corporate reporting model, financial and non-financial reporting Nigeria

JEL Classification: M40, M41, Q01, Q56

INTRODUCTION

Literature in business ethics as well as stewardship, institutional, legitimacy and political economy theories collectively contribute to the advancement of organisations' responsible and sustainable behaviours that are often reflected in their willingness to engage with different stakeholders by reporting the broad bases of financial and non-financial capitals (Gray, Adams & Owen, 2014; IIRC, 2013; Lueg, Lueg, Andersen & Dancianu, 2016; de Villiers, Rinaldi & Unerman, 2014; Ioannou & Serafeim, 2012; Brammer, Jackson & Matten, 2012; Muth & Donaldson, 1998; Davis, Schoorman & Donaldson, 1997; Eisenhardt, 1989). Increased awareness of corporate sustainability reporting (CSR) issues (see Elving, Golob, Podnar, Ellerup-Nielsen & Thomson, 2015) or institutional and stakeholder expectations about the role of business in society have influenced organisations to increase their accountability by reporting material financial and non-financial information on their economic, social and governance (ESG) performance in their mandated corporate communications (Golob, Podnar, Elving, Ellerup-Nielsen, Thomsen & Schultz, 2013; Brammer, Jackson & Matten, 2012). Nigerian companies (such as Zenith Bank Plc & Lafarge Africa Plc) are known to have prepared separate sustainability report (s)[1] and a financial report. Communication of separate financial and non-financial (sustainability) performance of an organisation makes sense only if the organisation's financial and non-financial events are independent of each other. If, however, sustainability and the organisation's strategy are fused together as they usually are,

[1] Sustainability reporting, comprising three dimensions (environment, economical and social), is represented most widely by the Corporate Sustainability Reporting (CSR) and triple bottom line accounting (Triple-P).

then preparing separate financial and non-financial reports disentangles their interrelatedness. Moreover, traditional financial and sustainability reporting are retrospective; future targets and crucial risks and opportunities that may become relevant in the future are not communicated (Jensen & Berg, 2012). Indeed, such reports have often been based on a silo mentality as separate reports are presented to address economic, social and environmental issues separately instead of clearly articulating the connections between them. Such a silo approach to sustainability reporting fails to communicate comprehensive information on business activities and tends to make financial dimensions of many externalities opaque.

As a solution to this problem, several academic studies (e.g. Simnett & Huggins, 2015; Eccles & Krzus, 2010; Mammatt, 2009), interest groups (e.g. Accounting for Sustainability (A4S), 2010; Global Reporting Initiative (GRI), 2010; International Integrated Reporting Council (IIRC), 2010) and companies (e.g. BASF, Phillips, AES Brasil, Clorox, GE, Mitsubishi, Novo Nordisk, Tata Steel & Vivendi) have called for the publication of one report that encapsulates both financial and non-financial information and that presents a more holistic picture of the business, including future targets and the links between them. Such an integrated report would reveal the long-term consequences of decision making in all relevant impact areas (Jensen & Berg, 2012; Vancity. 2005). In particular, there are calls for the integration of reporting to bring together all the material strands of reporting (financial, non-financial, management commentary, governance, remuneration & sustainability) through the lens of value creation and multiple capitals thereby increasing the relevance of financial and, significantly, non-financial reporting to users (EFRAG et al. 2012; FRC 2011; ICAS 2010).

Over the last few years, Integrated Reporting (commonly abbreviated to <IR>) has emerged as one of the new organisational practice whereby organisational disclosures on social and environmental performance and impacts are incorporated with economic and financial information in one document[2]. The International Integrated Reporting Council, a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs, emerged with the mandate to provide guidance on the content of the integrated report and drive the agenda for its global standardisation. Indeed <IR> is gaining momentum (Humphry, O'Dwyer & Unerman, 2015). Concepts of integrated reporting are being accepted and embraced globally. Denmark, South Africa, Japan, China and India require companies to produce and file "integrated" reports in one form or the other. Similar mandates are pending legislation in the UK, France, and Germany. Furthermore, investor and sustainability activists are calling for the adoption of integrated reporting.

Regrettably, Nigerian companies are not known to have prepared and published any variant of an integrated report (Tijani, Gboyega & Kayode, 2013; Umoren, Udo & George, 2015; Okaro & Okafor, 2017)3. However, this may change in the near future; the Institute of Chartered Accountants of Nigeria (ICAN) published a Technical Bulletin on the subject

[2] Scholars and practitioners identify three distinct variants of "integrated reporting" based on (i) Eccles & Krzus, 2010 (ii) IoDSA, 2014, 2016 and (iii) IIRC, 2013 (Tweedie & Martinov-Bennie, 2015; Dumay, Bernardi, Guthrie, Demartini, 2016; Feng, Cummings & Tweedie, 2017). The IIRC (2013) variant is emphasised in this paper.

[3] Nigeria competes with South Africa for foreign direct investment (FDI); because South Africa has mandated integrated reporting ahead of Nigeria, it is more likely to widen its competitive advantage when it comes to competing for FDI.

(https://icanig.org/technical-bulletin). Furthermore, Zenith Bank Nigeria Plc is known to have started training its staff on Integrated Reporting under the Mandatory Continuing Professional Education (MCPE) programme provided by ICAN (Iyoha, Ojeka & Ogundana, 2017). It is expected, therefore, that a Nigerian company will implement integrated reporting in the near future. When that happens, the isomorphism dimension to the institutional theory suggests that institutions will adopt, copy or imitate similar practices (including <IR>) by others in the same (institutional or territorial) environment (Deegan, 2009; Deegan & Jeffry, 2006; DiMaggio & Powell, 1983).

Why are Nigerian companies not preparing and publishing integrated reports? This paper assumes that Nigerian companies may have insufficient understanding or evidence of the benefits of integrated reporting to the business, investors and the capital market, hindering the adoption of integrated reporting voluntarily as a result. This paper reviews extant literature and advocates voluntary adoption of integrated reporting by Nigerian listed firms. The study contributes to extant literature on the current status of integrated reporting in Nigeria and will act as a reference for future studies.

The paper is structured as follows; in the next section, the main Integrated Reporting concepts are discussed. Section3 discusses the mandated contents of an integrated report as guided by the IIRC principles followed in section 4 by benefits and scepticisms of preparing and publishing integrated reports. Section 5 explores possible explanations why integrated reporting is not yet implemented in Nigeria followed by summary, conclusion and recommendations in section 6.

Fundamental Concepts in Integrated Reporting

Organisations take inputs or resources in one form or another from various ***capitals*** and transform them through their ***business models*** to produce products and services and other outcomes that, over the short, medium and long term, create or destroy value for the organisation, its stakeholders, the society and the environment. In this value creation process, both internal processes and ***externalities*** have the potential to impact the organisation’s value and profitability. In the circumstances, internal processes and externalities are both relevant when communicating information about the organisation. In other words, value creation is not just assessed with reference to an organisation’s internally-generated outcomes such as performance, share price, growth and profit. An assessment of the positive or negative internal and external outcomes from the business model informs the determination of whether, to what extent, for whom and over what timescales value has been created or destroyed. Whether outputs and outcomes represent value creation depends in part on the reaction of or outcomes for consumers and all other stakeholders affected by the organisation’s activities (e.g., competitors, regulators & local communities) and also on the outcomes from the organisation’s business model on the environment. An organisation’s ability to create value is closely linked to the supply chains, communities and natural environment, which may share in the value creation or value destruction process. The way in which all of those constituencies experience the outcomes of an organisation’s business model informs an assessment of whether value has been created or destroyed, and for whom. Next, the fundamental concepts: capitals, business models and externalities, are discussed.

The capitals

Central to integrated reporting is the concept of multiple capitals and the prepositions that (i) value is increasingly shaped by factors such as reliance on the environment, social reputation, and human capital skills in addition to financial resources; and (ii) all organisations depend on various forms of capital for their value creation and commercial viability. Therefore, value is created not only for shareholders but also for the society as a whole by means of a sustainable strategy. As a consequence,, in addition to financial capital, integrated reporting examines five additional capitals that should guide an organisation's decision-making and long-term success**.**. The IIRC's Discussion Paper (2011): "*Towards Integrated Reporting – Communicating Value in the 21st Century*" identifies six capitals: financial capital, manufactured capital, human capital and intellectual capital, natural and social capital. The capitals are stocks of value that are increased, decreased or transformed through the activities and outputs of the organisation. Together, these capitals are the basis of an organisation's value creation. For example, an organisation's financial capital is increased when it makes a profit, and the quality of its human capital is improved when employees become better trained. The six capitals are discussed *ad seriatim:*

Financial capital is broadly understood as the pool of funds available to an organisation. This includes both debt and equity finance. This description of financial capital focuses on the source of funds, rather than its application which results in the acquisition of manufactured or other forms of capital.

Manufactured capital refers to material goods and infrastructure owned, leased or controlled by an organisation that contribute to production or service provision, but do not become embodied in its output. Examples include: tools, technology, machines, buildings and all forms of infrastructure ... Manufactured capital is important for the sustainable development of an organisation in two ways: First, the efficient use of manufactured capital enables an organisation to be flexible, responsive to market or societal needs, innovative and faster in getting its products and services to market. Second, manufactured capital and technology can reduce resource use and focus more on human creativity, thus enhancing both efficiency and sustainable development.

Intellectual capital is a key element in an organisation's future earning potential, with a tight link and contingency between investment in R&D, innovation, human resources and external relationships, which can determine the organisation's competitive advantage. ***Intellectual Capital Accounting*** (ICA) is an accounting, reporting and management technology of relevance to organisations to understand and manage knowledge resources. It can account and report on the size and development of knowledge resources such as employee competencies, customer relations, financial relationships and communication and information technologies (Guthrie, Ricceri & Dumay, 2012). It is worth noting that intellectual property is a component of intellectual capital, but that the two terms are not synonymous. Intellectual property is that part of intellectual capital over which the organisation has specific legal rights (such as patents). Intellectual capital on the other hand includes broader knowledge-based intangibles over which specific organisation legal rights may not exist.

Human Capital is "generally understood to consist of an individual's capabilities, and the knowledge, skills and experience of the company's employees and managers, as they are

relevant to the task at hand, as well as the capacity to add to this reservoir of knowledge, skills, and experience through individual learning". (Dess & Picken, 1999: 8). It embodies competencies (tacit and implicit knowledge and attitudes, including skills acquired through formal education, childhood education and on the job training), and capabilities (sum of expertise and capacity: ability to carry out an organisational activity) and talent (Forum for the Future, 2009: 14). Human capital is a competitive intangible asset especially now that there is a shift towards the realisation that intangible resources drive value more than tangible resources (Kulvisaechana &Stiles, 2003: 3). Unlike a "physical" capital, human capital is embodied in individuals who "own" their human capital and can facilitate the creation of different forms of well-being (Stiglitz, Sen & Fitoussi, 2011: 273). "Because of this range of payoffs, and of its links to a variety of other fields (such as health, paid work and caring), the concept of human capital enters contemporary debates in a variety of forms: (i) as a driver of economic growth and innovation; (ii) as an investment to secure greater access to jobs, higher income and lower poverty; and (iii) as one of the assets that should be preserved and developed – on par with natural capital and other types of resources – to secure sustainable development". (Stiglitz et al., 2011: 273). Leadership is a key concept discussed with respect to the development of human capital. Forum for the Future's Five Capitals Model (www.forumforthefuture.org/project/five-capitals/overview) also includes joy, passion, empathy and spirituality in its definition of human capital.

Social and relationship capital refers to social networks and the associated norms of reciprocity (Putman, 2004), people's ability to work together for common purposes individually or in groups within organisations (Fukuyama, 1995), as well as between an organisation and its external stakeholders including the community and shareholders. Aspects of social and relationship capital in a business context relevant to <IR> have value and include: the strength/ efficacy of supply chain relationships (e.g., establishing quality expectations, just-in-time delivery systems, and recycling programmes), community acceptance, government relations, relationships with competitors (e.g., coming together to develop industry standards), and customer loyalty. It is only by building relationships that an organisation can retain its social licence to operate. Interrelationships of social and relationship capital and other capitals (i) complement other intangible capitals, including human and intellectual capitals and (ii) are "clearly linked in a kind of virtuous circle, with education tending to increase social capital and at the same time social capital tending to increase educational performance." (Putnam 2004).

Natural capital includes resources, such as timber, fish, water, minerals, etc., which can be used by humans to provide a return. In addition to these resources, there are a number of processes, sometimes referred to as" ecosystem services", from which humans benefit that, are provided by nature. The concept of natural capital is often understood as any stock of natural resources or environmental assets that provides a flow of useful goods or services, now and in the future" (Brand 2009: 608). Natural capital is a metaphor to indicate the importance of elements of nature (e.g., minerals, ecosystems and ecosystem processes) to human society. Natural ecosystems are defined by a number of environmental characteristics that in turn determine the ecosystems' capacity to provide goods and services." (Ekins, Simon, Deutsch, Folke & de Groot, 2003: 169) "Natural capital may thus be defined as any stock of natural resources or environmental assets (such as soil, water, atmosphere, ecosystems) which provide a flow of useful goods or services, now and in the future'' (de Groot, van der Perk, Chiesura & van Vliet, 2003: 188)

Business Model

At the core of the value creation process is an entity's business model which draws on various capitals as inputs and, through business activities, converts them to outputs (products, services, by-products, waste) and outcomes (internal and external consequences for the capitals) (IIRC, 2013). The term "business model" first gained prominence during the rise of e-commerce in the 1990s. Subsequently, the term was widely used to describe the innovative ways of "doing business" with the rise of the internet and as information became cheaper to share, store and process. The term has also gained attention in reporting for its link to accounting standards and financial statement preparation (ICAEW, 2010). Business model thinking provides an interesting paradigm for developing financial reporting standards. For example, a business model approach to the accounting for financial instruments determines that a debt security has to be measured at market value when it is held for trading purposes, but is reported at historic cost if it is intended to be held to maturity.

Extant literature highlights diverse views regarding the nature and scope of the business model (see Leisenring, Linsmeier, Schipper & Trott, 2011; Luddeke-Freund, 2009; Osterwalder & Pigneur, 2010; Al-Debei, el-Haddadeh &Avison, 2008: Osterwalder, Pigneur & Tucci, 2005). Despite these variations in business model definitions, key recurrent themes can be identified: (i) an explicit link between the business model and an organisation's ability to make money and drive financial performance; (ii) an organisation's inputs – the resources and capabilities (or capitals) on which it relies – as a key component of the business model; (iii) actions or activities, being the very mechanics of the business and (iv) how an organisation creates value, outcomes or impacts for its customers and other stakeholders. For the purpose of this paper "business model" refers to the organisation's chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term.

Every organisation requires one or more of the capitals as inputs to its business model. These capitals are then consumed or transformed by activities that produce a range of outputs. The extent to which these outputs create or destroy value depends on the outcomes they generate and the perspective taken. For instance, manufacturing a product that appeals to customers will create demand and generate revenue; whether that demand is profitable depends on the market price that product can command and the cost structure implicit in the supply chain. In the longer term, factors such as customer satisfaction, innovation, organisational reputation, ethical practices and environmental impact are likely to affect brand loyalty and the organisation's value-creating potential. These factors are also likely to have a direct impact on the dynamics of demand, market price and cost of supply through brand loyalty and supply chain availability. Business model reporting should therefore be a central part in facilitating a better understanding of the organisational aspects such as: (i) what are the impacts of key external factors upon the organisation? (ii) What does the organisation do to create value for customers and other stakeholders, and thereby for providers of financial capital? (iii) What are the organisation's desired outcomes? And how the organisation relies on in terms of the capitals; including the organisation's positioning in the value chain and the markets in which it operates.

Externalities

In the traditional corporate profit maximization model, externalities comprising social, economic and environmental impacts tend to be excluded from organisational financial reporting (Unerman, Bebbington & O'dwyer, 2018) because, arguably, they (the externalities)

have for the most part, had little or no impact on the key drivers of internal value of the organisation, i.e., revenues, costs and risk. Today, several developments have compelled organisations to accelerate and intensify the rate of the communication of externalities (societal value) as a component of organisational value creation (KPMG, 2014). First, the global population is not only growing rapidly but is also increasingly more educated, more knowledgeable, affluent and urban. This pattern is driving the consumption of energy, fuel and other resources ever higher and resulting in scarcity challenges around food, water and material resources. At the same time, the climate is changing, ecosystems are declining and forests (and forest resources) are disappearing. Impacts of these complex and interconnected system of mega-forces have significant implications for the entire global community particularly for businesses. Second, public awareness and understanding of organisational externalities is growing as more information becomes available, (thanks to digital connectivity), and spreading more widely and rapidly than ever before. Public awareness is also growing partly due to the growing number of studies that quantify organisational externalities. One of such studies is KPMG (2012) which found that the cost of environmental damage caused by 11 key industry sectors in 2010 was equivalent to 41 percent of their pre-tax profits. The KPMG (2012) study also showed that some sectors, such as food producers, would have no profits left if they had to pay the full cost of their negative environmental externalities and took no mitigating actions. Third, a number of factors drive organisations to report on externalities at a rapid rate. Organisations are finding that by increasing their positive externalities and decreasing their negative externalities, they can actually grow revenues, cut costs and reduce risk (Clark, Feiner & Viehs, 2015). These factors or drivers include: (i) Greater legislation and other forms of regulation, including industry self-regulation which increasingly require organisations to pay more of the costs they impose on society and also improve the rewards the organisations receive for providing benefits to society; (ii) With the advent of digital technology and social media, people are more aware of what organisations are doing and have channels through which to voice their opinions and take action.

Furthermore, as wealth and living standards increase, people feel more empowered to stand up for their own interests. Other social trends, such as plummeting trust in business and increasing anger over financial inequality, are also increasing public scrutiny of organisations. As a result, many organisations are responding to stakeholder action by doing more to understand and address (through reporting/communicating) their externalities and societal value creation. (iii) Market dynamics, such as changing operating environments, resource pressures and market disruptions are also bringing new opportunities and risks related to externalities. For example, organisations can profit by tapping into new markets for products and services that create societal value, such as low-carbon technologies. At the same time, market dynamics such as commodity scarcity are increasing the cost to organisations of behaviour that reduces societal value. Some organisations are anticipating these market dynamics and investing ahead of the curve to develop new markets and gain competitive edge. They are also addressing their own negative externalities to reduce exposure to legislation, stakeholder action and commodity price rises. In effect, the opportunities and risks of these market dynamics are encouraging organisations to internalize their externalities.

Scope and Structure of Integrated Reports

At its most basic, an integrated report is a single document combining quantitative and qualitative information (i.e., financial, management commentary, governance, remuneration,

and sustainability). The IIRC (2013:7) notes that integrated reporting is "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". By properly combining compartmentalised reports into a "One Report" (Eccles & Krzus, 2010), a statement is made that there is one holistic story about the business, demonstrating that sustainability performance and financial performance are seen by the organisation to be equally important and interdependent. As integrated reporting requires organisations to identify the interdependences between all internal and external elements that materially affect their ability to create value over time, a comprehensive value creation story is told. Seeing this connectivity requires integrated thinking as opposed to "silo thinking", all the operating and functional units of an organisation, as well as the capitals it uses to create value must be considered in order to enable integrated decision-making and actions. Therefore, integrated reporting is not just about the report; it is also about the process of the organisation's unique approach to value creation.

Regarding its main users, the intention of the IIRC is that an integrated report should be prepared primarily for providers of capital in order to support their financial capital allocation assessments. However, integrated reports will also benefit all stakeholders (employees, customers, suppliers, business partners, local communities, legislators, regulators & policy makers) interested in an organisation's ability to create value over time. As integrated reporting is focused on the creation of value in the short, medium and long-term, it supports and aligns with interests of the providers of financial capital who take a long term view of an organisation's continuance and performance.

IIRC (2013) provides neither a standard format for an Integrated Report or specific disclosure requirements. Instead, IIRC (2013) sets out seven Guiding Principles and eight Content Elements for an integrated report. The seven guiding principles are: 1) Strategic focus and future orientation, 2) Connectivity of information, showing a holistic picture of the combination, inter-relatedness and dependencies between the factors that affect the organisation's ability to create value over time, 3)Materiality, disclosing information about matters that substantially affect the organisation's ability to create value over the short, medium and long term, 4) Conciseness, 5) Reliability and completeness, including that all material matters, both positive and negative, be presented in a balanced way and without material error, 6) Consistency and comparability, i.e., presenting information (a) on a basis that is consistent over time and (b) in a way that enables comparison with other organisations to the extent that it is material to the organisation's own ability to create value in the short, medium and long term, and 7) Responsiveness and Stakeholder Inclusiveness, providing insight into the nature and quality of the organisation's relationships with its key stakeholders and how and to what extent the organisation understands, takes into account and responds to their needs.

Guided by these principles, an integrated report should address the following within its contents: (1) Organisational overview and the external environment under which the organisation operates. (2) Governance structure and how this supports the organisation's ability to create value. (3) The organisation's business model (4) Strategy and resource allocation (5) Performance and achievement of strategic objectives for the period and outcomes (6) Disclosure of the basis of presentation, including what matters are to be included in the integrated report and how the elements are quantified or evaluated (7) Risks and opportunities

and how they are dealing with them and how they affect the company's ability to create value (8) Future outlook and challenges facing the company and the<IR> implications.

Through effectively connecting the often compartmentalised areas, businesses are able to provide not only an update of past performance but also a long-term perspective of future value generation of the organisation

Advantages and Scepticisms of integrated reporting

The two objectives of integrated reporting included in the IIRC's Framework are: (1) improving the quality of information available to outside providers of financial capital to enable a more efficient capital allocation, and (2) supporting integrated internal thinking, decision making, and actions that focus on value creation for the organisation over the short, medium and long term. The advantages of <IR> are elaborated on in the next section:

Benefits to the capital market

Empirical studies interrogating the benefits of <IR> to the capital markets are based mainly in South Africa where listed companies are required to adhere to the King III Code of Governance to adopt <IR> on a 'Comply or Explain' basis. These studies have found associations between IIRC framework-based <IR> reports and increased Tobin's Q (Barth, Cahan, Chen & Venter, 2017; Lee & Yeo 2016), lower analyst forecast error and lower forecast dispersion (Bernardi & Stark 2018; Zhou, Simnett, & Green, 2017). These studies are reviewed below:

Barth *et al.* (2017) address the question of how integrated report quality[4] (IRQ) is associated with firm value by identifying and empirically assessing two channels for the positive association between IRQ and firm value:

1. A capital market channel that relates to higher quality information for outside providers of capital, and.
2. A real effects channel that relates to higher quality internal decision making.

Findings from Barth et al. (2017) include: (a) Confirmation that there is a positive association between IRQ and firm value. (b) Higher IRQ is associated with greater liquidity; this is a capital market effect, and higher expected future cash flows, a real effect. (c) There is no evidence of a relation between IRQ and cost of capital—another capital market effect.

Regarding which features of integrated reports are associated with firm value, the study found that connectivity; stakeholder relationships, materiality, and conciseness are the most important drivers of firm value, liquidity and expected cash flows. The importance of connectivity is particularly pertinent because connectivity is closely linked to integrated thinking, which is central to achieving the dual objective of providing information to both external and internal decision makers.

Lee and Yeo (2016) examined the association between <IR> and corporate valuation; to determine (i) whether equity investors value <IR> and (ii) whether some firm characteristics are associated with <IR>. After controlling for various firm characteristics that affect equity valuation (firm size, sales growth, capital expenditure intensity, operating profitability, liquidity, industry membership and time trends), the study found that firms with higher <IR> Scores have higher Tobin's Q and therefore, higher market valuation, implying that equity investors do value <IR>.

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[4] Integrated reports that comply with the IIRC Framework are deemed to be of high quality (Barth et al. 2017; Lee & Yeo, 2016),

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Bernardi and Stark 2018 studied the impact of the adoption of <IR> on South Africa's "comply or explain" reporting regime on analyst forecast accuracy as a way of evaluating capital market users' perceptions of the usefulness of <IR>. The study found results consistent with both those who support <IR> and the theory that the level of environmental, social and governance disclosures is a mediating variable in determining the effectiveness of <IR> in the capital market.

Zhou et al. (2017) studied the degree of integration of the financial reports of South African firms and its effect on analyst forecast accuracy and found evidence suggesting that the higher the degree of integration of the reports, the better the accuracy of analyst forecast errors; this finding is consistent with the idea that integrated reporting provides useful information to capital market participants.These findings show a positive association of capital market benefits and <IR>. However, their generalisations could be misleading as these findings may in fact, reflect country-specific characteristics or regulatory effects of South Africa's <IR> mandatory "comply or explain" regime. Some case studies on voluntary <IR> have found that <IR> has not led to innovations or transformative changes in disclosure practices and managers often consider it an extension or repackaging of sustainability reporting (Lodhia 2015; Stubbs & Higgins 2014; Chaidali & Jones 2017) suggesting that integrated reports do not necessarily provide incremental or material information for capital providers (Pistoni, Songini, & Bavagnoli, 2018; Kılıç & Kuzey 2018). In addition, while investors are the primary target audience of integrated reports, such reports are not necessarily considered a relevant information source for investment decision-making (Hsiao & Kelly, 2018; Abhayawansa, Elijido-Ten & Dumay, 2018). Firms that voluntarily adopt <IR> could have diverse reasons for adopting the new communication model. Consequently, firms that voluntarily adopt might be different from non-adopting firms in ways that bias the results of tests of usefulness as demonstrated by **Hsiao, de Villiers and Scott (n.d.) (https://www.afaanz.org/)** that compared an international sample of firms that voluntarily prepared and published integrated reports (<IR> firms) and a matched sample of firms that did not prepare integrated reports (non <IR> firms). The results of Hsiao et al. provide no evidence of an association between voluntary <IR> adoption and capital market consequences. It should be noted that the findings of the study do not discourage voluntary adoption of the IIRC Framework, but rather question its usefulness relative to application of general <IR> concepts. While the results show that there are no significant changes in the capital market consequences after voluntary adoption of the IIRC Framework and initiation of integrated reports, it is possible that any consequences are gradual and more prevalent towards the long-term.

On the other hand, Martinez (2016) sought to evaluate potential external benefits related to capital markets of the Integrated Reporting Framework on a sample of international voluntary adopters. The study found <IR> to be positively associated with market value and expected future cash flows, but not with bid-ask spread or implicit cost of capital, suggesting that <IR> enhanced investor's perception of the firm's future cash flows but failed to improve the firm's information environment.

On the whole, through integrated reporting a company can communicate better with the capital markets by convincingly telling its story to the market; with the new communication model; businesses can obtain capital at a reasonable cost, enhance their corporate reputations and

maintain their licences to operate (KPMG, 2011). Integrated reporting will enable the capital markets to better understand a company's strategy, align their models with business performance, and make efficient and forward-looking investment and other key decisions

Benefits for Internal Decision-making

Integrated reporting involves organisations taking a disciplined and integrated thinking approach across the different organisational units. This provides a complete view of how an organisation creates value over time through financial, non-financial, qualitative and quantitative information (Eccles & Krzus, 2010; Cheng, Green, Conradie, Konishi & Romi, 2014; Higgins, Stubbs & Love, 2014; Haller & Van Staden, 2014; Girella, 2018). As a consequence, organisations experience a new and better understanding of how inputs are transformed into results (Adams & Simnett, 2011; Abeysekera, 2013; Van Bommel, 2014; de Villiers et al., 2014; Stubbs & Higgins, 2014). Understanding how value is created enables businesses to improve on their decision-making, enables crafting of a sustainable strategy that will create long-term value for shareholders and society (Eccles & Serafeim, 2014). In addition, integrated reporting provides greater context for performance data, clarifies how relevant information fits into the operations of a business which may help in making long-term decisions. Producing a truly integrated report enables communication of consistent messages; companies that produce one message for investors and another for their other stakeholders expose themselves to public relations risks and ridicule. By releasing one integrated report, one coherent message is presented to a significant forum (such as the annual general meeting); allowing the discussion of financial and non-financial results in an integrated way.

From a practitioner's view-point, **IIRC and Black Sun (2014)** provide evidence of significant internal decision-making benefits for businesses. Based on opinions of those managing and delivering <IR>, the following significant benefits were identified:

1. Preparation of integrated reports focused on improving an understanding and measurement of business outcomes; integration of internal management permitted better conversations between board and management.
2. Preparation of integrated reports improved the quality of management information and decision making
3. Preparation of integrated reports enabled integrated thinking, a new approach to relations with financial capital providers and other stakeholders; financial capital providers not only understand the organisation's strategy better, they also have greater confidence in the long-term viability of business models. Furthermore, the move away from compliance-based reporting made integrated reports more interesting and more engaging for a range of stakeholders.
4. Integrated reporting connected departments, broadened perspectives, broke down silos, increasing respect and understanding between departments. In particular, finance, sustainability, investor relations and the board (in that order) had the most active participation across all stages of the process, while risk management and internal audit were the least involved in the <IR> process.

In addition to the benefits accruing to an "<IR> firm positively, there are (adverse) consequences for not adopting <IR>: It is said companies "do well by being good to the public" because meeting the needs of non- shareholding stakeholders creates shareholder value (Freeman, Harrison, Wicks, Parmar & de Colle, 2010, Porter & Kramer 2011). By not meeting the needs of non-shareholding stakeholders, companies can destroy shareholder value because

of consumer boycotts (Sen , Gurhan-Canli & Morwitz. 2001), inability to hire the most talented people (Greening & Turban, 2000), and paying punitive fines to governments.

Drawbacks of integrated reporting

Not all capital market players believe that <IR> has decision-usefulness. **Slack and Campbell (2016)** studied <IR> from demand and supply perspectives, directly examining the views of 37 senior capital market users of financial information and found 'mixed views on <IR> among the study participants. The authors found evidence that while buy-side fund managers used and demanded <IR>, mainstream investment fund managers and equity analysts on the sell side 'were neither aware of, nor familiar with <IR>; this was reflected in their lack of demand for <IR> and their perception that it lacked decision-usefulness. The study identified a number of barriers to the wider use of <IR>, including: (i) users' general lack of familiarity with <IR>, (ii) concerns about the measurability and connectivity of the capitals model and (iii) a lack of widespread engagement and discourse around <IR>. In particular, Slack and Campbell (2016) were concerned about the multiple capitals model, observing a 'general misunderstanding of, and concerns expressed about' the model. The authors felt that scepticism about <IR>'s reporting of the six capitals (and a lack of a specific reporting template) impeded demand for <IR>. The study suggested that a more focused discussion of strategy linked to the business model might have increased the relevance and usefulness of the six <IR> capitals for investment decision-making purposes to them, recommending that more research be carried out to establish the market benefits of <IR>, and that those already supportive of <IR> should be encouraged to promote its inclusion in client meetings and at market events generally. These drawbacks do not appear to be formidable enough to deter 1,600 organisations across 64 countries including every G20 economy from voluntarily adopting integrated reporting (http://integratedreporting.org/). This is an indication that the benefits of implementing <IR> outweigh the drawbacks.

Possible explanations why integrated reporting is not yet implemented in Nigeria

Evidence anchored on institutional theory demonstrate that firms located in countries with a common law legal system are more focused on protecting shareholders and less interest on the other stakeholders. Shareholder-oriented companies aim to make a profit and to be able to pay dividends to the shareholders. Since their focus is on the financials of the company, they will attach foremost importance to the disclosure of financial information more than the disclosure of other types of information (Soderstrom &Sun, 2007). On the other hand, a civil/code law system promotes higher values of social responsibility, favouring transparency and enhancing stakeholder engagement and supporting publication of other information such as sustainability and integrated reports that provide an ordered, coherent summary of diverse informative approaches (Ali & Hwang, 2000; Ball, Kothari &Robin, 2000; Hung, 2001; Leuz, Nanda & Wysocki, 2003; Holthausen, 2009). A number of studies provide evidence that firms from countries with code/civil law legal systems issue more and higher quality corporate environmental and social reports than firms from common law Anglo-Saxon countries (Smith, Adhikari &Tondkar, 2005; Kolk & Perego, 2008; Frias-Aceituno,Rodriguez-Ariza & Garcia-Sanchez, 2013).

Nigeria is a common law country associated with a weak corporate enforcement regime and minimal legislative or stakeholder pressure from society for corporate accountability (World Bank, 2004, 2011; Madawaki, 2014). Unlike South Africa, there is no legal requirement for

listed nor non- listed firms in Nigeria to prepare integrated reports; this implies that integrated reports are voluntary. In addition, managers of Nigerian companies may not have been sufficiently aware of the benefits of integrated reporting and may be under the impression that its implementation is costly and/or that <IR> may divulge sensitive information that might be exploited by their competitors. Based on these factors, non- implementation of integrated reporting by Nigerian companies should be understandable. On the other hand, adoption of integrated reporting by Nigerian companies has several potential benefits traditionally associated with voluntary disclosure including helping to build, maintain or enhance corporate reputation (Adams 2002; Solomon & Linda 2002; Bichta 2003; Dwyer 2003; Navickaite & Juozas 2007),accessing lower cost of capital (Dhaliwal, Zhen Li, Tsang & Yang, 2011; Nikolaev & Van Lent, 2005; Plumlee, Brown & Marshall 2009), gaining competitive advantage (Cheah, Kang & Chew, 2007) and gaining employees' commitment (Rettab, Brik & Mellahi, 2009) and reducing company risk (Sangle 2010).

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This paper accessed the concepts, scope and structure of integrated reports as well as benefits and scepticism of integrated reporting through a review of literature. The paper noted the fact that no Nigerian company has published an integrated report when progressive organisations are moving to <IR> even prior to the establishment of any formal requirements (Deloitte, 2011). Possible explanations for non-implementation of integrated reporting are also accessed. The paper noted that South Africa has mandated integrated reports for listing on the Stock Exchange.

This paper recommends that the Financial Reporting Council of Nigeria (FRCN), the Nigerian financial reporting regulator, persuades Nigerian listed firms to migrate to integrated reporting initially on a voluntary basis as soon as possible as this is international best practice .

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