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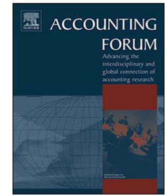

Integrated reporting decision usefulness: Mainstream equity market views

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ABSTRACT

The International Integrated Reporting (< IR >) Framework (2013) identified providers of financial capital as its primary users. This research provides evidence from 22 mainstream equity market actors, employed by global investment houses, regarding the decision usefulness of and resistances to < IR > , as a reporting framework. Despite institutional-level support for < IR > , the interviews reveal that its usefulness to fund managers and equity analysts is low. Concerns are evident over the Framework design and its relevance to more structural issues pertaining to equity market culture. The implication of this is that < IR > may become a reporting fad, not embedded into mainstream investment thinking.

1. Introduction

The International Integrated Reporting (< IR >) Framework was released by the International Integrated Reporting Council (IIRC) in December 2013. The Framework, which is non-mandatory, states that “the primary purpose of an integrated report is to explain to providers of financial capital how an organisation creates value over time” (IIRC, 2013a, p. 4). A fundamental concept within the < IR > Framework is the capitals model,[1] which “provide[s] insight about the resources and relationships used and affected by an organization [in their value creation]” (IIRC, 2013a, p. 4). Further, it is claimed that the Framework reflects an “inclusive market-led approach” (IIRC, 2016) designed to “improve the quality of information available to providers of financial capital [such as the equity markets] to enable a more efficient and productive allocation of capital” (IIRC, 2013a, p. 2) and improve analyst investment assessments (EY, 2015). More recently, the IIRC (2015, p. 9) affirm that “…integrated reports give investors information more relevant to decisions over the longer term”. Despite such claims, academic studies (see Davies, Haldane, Nielsen, & Pezzini, 2014; Hughes, 2014) and practice based statements (see CFA, 2006, 2013, 2014; Kay, 2012) confirm short-termism in modern capital markets. This background raises concerns about the level of use and effectively the decision usefulness of < IR > from an equity investment perspective. Indeed, the IIRC itself recognises that < IR > is in a breakthrough phase (2014–17) in terms of investor demand and use (IIRC, 2014).

Integrated reporting has become a more researched area (see in Beck, Dumay, & Frost, 2017; Bernardi & Stark, 2016; Chaidali & Jones, 2017; Dumay, Bernardi, Guthrie, & Demartini, 2016; Gibassier, Rodrigue, & Arjaliès, 2018; Perego, Kennedy, & Whiteman,

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[1] The capitals referred to in the < IR > Framework are financial, manufactured, intellectual, human, social and relationship, and natural capitals. The capitals are one of the fundamental concepts that underpin the < IR > Framework. The other concepts are value creation for the organisation and others, and the value creation process itself.

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2016). Despite this recent attention, there is very limited direct evidence in the literature as to its decision usefulness to equity investors. Indeed, Atkins and Maroun (2014) call for "further research into users" views and perceptions of the decision usefulness of integrated reporting" (p. 18). This follows Potter and Soderstrom's (2014, p. 16) comment that, "even if companies provide integrated reports, we know relatively little about whether stakeholders would actually use the reports to inform their decision making". Similarly, Rowbottom and Locke (2016, p. 110) call for research to examine "the use and perceived usefulness of integrated reports by the providers of capital". Finally, Peters and Allen (2016) comment, whilst recognising the "efforts by the IIRC to develop a framework for reporting value creation….the question remains however, if companies make such disclosures about long-term value creation, will investors read, consider and challenge management on them?". This research seeks to address this lack of evidence.

More specifically, first, we examine investor use of, and their demand for, < IR > as a decision useful reporting innovation. Second, we examine the barriers that may impair its use by equity market actors. This research is informed through 22 semi-structured interviews with mainstream senior equity market participants. All of them were employed by global investment houses, of which 12 were fund managers (buy-side) and the remaining ten mainstream equity analysts (sell-side).

Both academic and practice/policy relevant contributions arise from this research. First, we contribute directly to the expanding academic literature in this area by providing evidence of the decision usefulness of < IR > to equity market participants. In fact, this is the first study to directly engage with mainstream equity investors.[2] Second, given the voluntary nature of < IR > , the study contributes to the wider social and environmental accounting literature which examines the decision usefulness of such disclosure to investors (e.g., Campbell & Slack, 2008; Milne & Chan, 1999; Murray, Sinclair, Power, & Gray, 2006). Third, the research is timely, highlighting the lack of demand and decision usefulness of < IR > to mainstream equity investors, reflecting their views on the Framework design and wider structural issues in relation to equity market culture. This raises practice-relevant concerns regarding the longer term sustainability of < IR > .

The remainder of the paper is organised as follows. Section 2 first discusses the concept of decision usefulness of corporate reporting and academic and practice based < IR > related studies. Second, it provides insights form the wider accounting literature relevant to decision usefulness of corporate voluntary disclosures. Third, the section reflects on equity market culture and how this may act as a barrier for the demand for, and decision usefulness of, < IR > . Section 3 discusses the research design employed in this research. Section 4 presents and discusses the interview findings. Finally, Section 5 provides concluding comments including the implications of the findings and recognises the limitations of the research.

2. Literature review

The section is comprised of three strands. First, we briefly introduce the concept of decision usefulness of corporate reporting and the emergence of < IR > , claiming to more effectively serve long-term investor needs in this respect. We also summarise the academic and practice based literature on < IR > , with a specific focus on its potential relevance to capital markets. Second, we draw on insights from the wider accounting literature, such as social and environmental reporting, which indicate that attributes inherent in the < IR > Framework may impair this decision usefulness objective. Finally, we reflect on the general short-termism that prevails in the equity markets which may be an additional barrier for the demand for and in turn decision usefulness of the < IR > Framework.

2.1. Decision usefulness and prior < IR > related studies

The decision usefulness objective of corporate reporting is a primary characteristic of accounting information (IASB, 2010). Such information should be decision useful to investors with respect to their understanding of the future prospects of an entity, and deriving from that, the value of its equity (IASB, 2013). However, it is argued that the usefulness of reporting information to investors may be limited to fulfilling no more than a confirmatory role (Ball, Jayaraman, & Shivakumar, 2012; Ball & Shivakumar, 2008). Indeed, the annual report itself has been criticised as becoming overly complex and providing an information overload with "too much clutter" (ACCA, 2013, p. 24). Moreover, there have been numerous calls from regulators and professional bodies for corporate reporting information to be more focussed on corporate strategy and for greater co-ordination of financial and non-financial information to increase its relevance and hence decision usefulness to users (EFRAG, ANC, & FRC, 2012; FRC, 2011; FRC, 2012; ICAS, 2010).

Within this environment and with close involvement of the Global Reporting Initiative (GRI) and the Prince's Accounting for Sustainability Project (A4S), the IIRC sought "to create a globally accepted accounting for sustainability that brings together financial, environmental, social and governance information" (IIRC, 2013b). These features of < IR > are claimed to facilitate decision usefulness of reporting in line with investor needs (IIRC, 2013a; IIRC, 2015a). Eccles and Krzus (2010) referred to the advent of 'One Report' as fully integrating financial and non-financial reporting conducive to more longer term thinking by preparers and external stakeholders notably including investors. Indeed, ACCA (2012, p. 3) highlight, the emergence of < IR > as an attempt "to bring together these themes [such as financial, ESG information, strategy, risk and value creation] in a coherent framework" to help address the criticisms of the traditional form of reporting. The section continues with a review of the prior < IR > related literature.

Firstly, we consider academic studies on < IR > . To date, the majority of academic < IR > research has focussed on its conceptualisation (e.g., Flower, 2015; Humphrey, O'Dwyer, & Unerman, 2017; Rowbottom & Locke, 2016) or issues relevant to its adoption and supply by corporate preparers (e.g., Adams, Potter, Singh, & York, 2016; Brown & Dillard, 2014; Higgins, Stubbs, &

[2] In contrast, six out of the seven financial stakeholders interviewed by Stubbs et al. (2016); (see also Stubbs & Higgins, 2015), in an Australian context, represented Environmental, Social and Governance (ESG) investment professionals.

Love, 2014; Stubbs & Higgins, 2014). A number of recent sources also provide a comprehensive overview of the development of < IR > and associated literature (e.g., Dumay et al., 2016; Mio, 2016; Perego et al., 2016; Velte & Stawinoga, 2017). Other research has indicated, but without direct engagement with investors, or other providers of capital, the potential usefulness of < IR > to that audience (see for instance Burke & Clark, 2016; Eccles & Krzus, 2010; Eccles, Krzus, & Ribot, 2015; Perego et al., 2016; Setia, Abhayawansa, Joshi, & Huynh, 2015; Zhou et al., 2016). In contrast, some studies have been critical of < IR > raising questions as to its usefulness to investors (Flower, 2015; Potter & Soderstrom, 2014; Rowbottom & Locke, 2016). Further, Beck et al. (2017) and Gibassier et al. (2018) and Mio and Fasan (2016) highlight the potential for divergence between preparers and multiple users (beyond providers of financial capital) in relation to their understanding of, and disclosures associated with, < IR > , raising concerns regarding a lack of specificity.

Of specific relevance to this study, there is a strand of market based accounting literature examining the valuation implications and, thus, the potential decision usefulness of integrated reporting in a South African context. Driven by the King Code of Governance Principles (2009), integrated reporting – albeit not the < IR > Framework – has been a mandatory requirement for listed companies on the Johannesburg Stock Exchange since March 2010 on an "apply or explain" basis.

The common findings of such studies is that integrated reporting is associated with positive market related outcomes. For example, Baboukardos and Rimmel (2016) report an increase of the earnings valuation coefficient under the integrated reporting regime. Studies that have examined comparative reporting quality show firm value (de Klerk & de Villiers, 2012; Lee & Yeo, 2016), accounting performance (Lee & Yeo, 2016), realized future operating cash flows and less over- and under-investment (Barth, Cahan, Chen, & Venter, 2017) as positively associated with integrated reporting quality. Further, Bernardi and Stark (2016) and Zhou et al. (2016) find a positive association specifically between aspects of integrated reporting and analyst earnings forecast accuracy.

Such positive findings from this market based literature are generally attributed to the more transparent reporting by companies allowing investors to appreciate future potential but also understand imputed risks that may be more concealed under the previous reporting regime. More specifically, it is argued that for firms in more complex operating and informational environments, integrated reporting reduces information processing costs, mitigating information asymmetry between corporate insiders and external suppliers of capital (Lee & Yeo, 2016). Thus, it is within this spirit that Bernardi and Stark (2016) conclude that "the mandatory presentation of integrated reports enhances analysts' understanding" (Barth et al., 2017, p. 7).

Based on this evidence, in a mandatory setting, it seems evident that integrated reporting is decision useful to providers of financial capital and equity market analysts. However, either focusing on the < IR > Framework or in the South African context in particular, there is very limited direct "demand-side" engagement and evidence as to the actual use of < IR > and its decision usefulness to providers of financial capital, and specifically, equity investors.

Stubbs, Higgins, Milne, and Hems (2014) provide some, although limited, investor-based evidence in their pilot study interviewing four Australian fund managers (conducted in 2014), notably all of whom were participants in the Australia < IR > Investor Network. Whilst they found some support for greater alignment of business strategy with < IR > , they conclude that the benefits of < IR > to investors were "anticipated rather than actually being realised" (p. 7). They also raised concerns regarding its wider use by investors due a lack of reporting consistency and comparability over time and between companies. Additionally, they highlighted a perceived lack of wider understanding of < IR > and specifically the capitals model.

In a South African context, Atkins and Maroun (2014) find general support for integrated reporting, enhancing disclosure for investment decision making. In fact, the authors note that the "institutional investment community was effectively 'sold' on integrated reporting as a concept and in practice" (Atkins & Maroun, 2014, p. 17). However, criticisms were also raised in relation to a lack of assurance, the need for a more comprehensive reporting framework and the need for its wider dissemination to, and engagement with, institutional investors. In the same context, through a national online survey to individuals consuming financial information, Rensburg and Botha (2014) find that only a small number individuals use integrated reports as their main source of financial and investment information.

Secondly, turning to practice based evidence on < IR > , the IIRC claims that "investors are increasingly calling for businesses to produce integrated reports…with investors more than ever before using this information to draw conclusions on value, and better inform and underpin their decisions" (IIRC 2015b). Beyond such IIRC advocacy, there is indeed some evidence of practice-based support with regard to the decision-usefulness of < IR > to investors and thus purportedly their appetite for such reporting. For instance, UBS (2012, p. 1) although outlining < IR > nonetheless report that it is "a new approach to corporate reporting, designed to allow investors to make insightful connections between key pieces of information, thereby smoothing the investment process". Further, an ACCA survey (2013) based on 300 UK and Irish investors reported that 90% believed that "it would be valuable for companies to combine financial and non-financial information into an integrated reporting model [resulting in] an enhanced understanding of the long-term outlook of a company" (ibid, p. 6). However, the report continued "that there remains some confusion over what it [< IR >] can achieve and how it will work in practice" (ACCA, 2013, p. 7). The ACCA (2013) survey also highlighted concerns regarding reporting clarity and its level of complexity and vagueness of objectives. Finally, in a study funded by CPA Australia, Stubbs, Higgins, & Milne (2016) explore the information needs of 24 company stakeholders and their perspectives on integrated reporting. This sample includes one mainstream equity investor and six investment professionals with specific focus on ESG investments. Stubbs et al. (2016, p. 6) inter alia conclude that "investment stakeholders, did not perceive themselves as the intended audience" of this type of reporting. Further, the mixed views on the usefulness of < IR > mostly brought into light a perceived lack of such usefulness".[3]

[3] These findings are reaffirmed in the academic paper by Stubbs and Higgins (2015) which is associated with this practice based study.

2.2. Decision usefulness and insights from the wider accounting literature

It is argued that accounting information does play an important role in investor decision making (Coram, Mock, & Monroe, 2011; Eccles et al., 2015; Solomon & Solomon, 2006). However, in contrast, Ball (2013, p. 848) remarks that “there is abundant evidence that accounting reports in fact do not provide a relatively large proportion of the new information used by the equity market”. This debate is mirrored in the extensive non-financial voluntary reporting literature that reveals mixed results on the decision usefulness of such disclosures to investors. This is apposite to the current paper considering < IR > as a voluntary reporting framework incorporating issues such as ESG reporting and hence providing relevant insights into the decision-usefulness of such disclosures to investors.

In two early experimental studies, Milne and Chan (1999) and Chan and Milne (1999) examined the usefulness of social disclosures for investment decision making. Milne and Chan (1999: 451) concluded that “corporate narrative social disclosures do not make much difference to investors’ decision making” and, “only when corporate social disclosure [has] a significant impact on future cash-flow will it be perceived as useful” (p. 452). Further, in a similar study analysing the news direction (good or bad news) of social and environmental disclosures, Chan and Milne (1999: 266) affirm that “UK City analysts… are driven by the requirements of their clients, which they interpret to be primarily a positive financial outcome on the clients’ investments. Issues considered moral or emotional are not seen as part of the analyst’s remit”, highlighting the lack of relevance and usefulness of such information. Consistent with this, Deegan and Rankin (1997; 1999) found that whilst social, and especially environmental, information may be important to some non-institutional investors, significantly, they find that it is of little importance to mainstream institutional investment analysts and not relevant to decision-making (and similarly see Beattie & Pratt, 2002; Campbell & Slack, 2008; Ho & Wong, 2004). Common reasons for such findings were attributed to a lack of numerical content and granularity in such reporting as well as boiler-plated disclosures. Further, Arvidsson (2014: 210) reports that actors in the stock market express “mistrust towards this information and continue to have a meagre interest in it”. Indeed, Arvidsson (2014: 213) argues that such reporting is perceived as “little more than window dressing or a public relations exercise” (and see Harding, 2005; Loughran, McDonald, & Yun, 2009).

However, in contrast to these studies, there is a range of counter-veiling research that contends the decision usefulness of non-financial voluntary disclosures. Whilst some of these studies unsurprisingly find evidence as to the usefulness of such disclosures by socially responsible or ethical fund analysis management (see Cohen, Holder-Webb, Nath, & Wood, 2011; Miles, Hammond, & Friedman, 2002), other studies are more relevant to mainstream equity investor demand. Notably, Solomon and Solomon (2006: 573) reporting on interviews with institutional investors find, “strong evidence that SEE [social, ethical and environmental] information was decision useful and would continue to grow in importance”. However, their findings reveal that levels of such disclosure were considered inadequate by investors for their needs. Interestingly, Luo, Wang, Raithel, & Zheng (2015) highlight the increasing demand by analysts in relation to CSR reporting and the integration of such reporting into mainstream investment decision making to add investment value. Thus, it would appear from this that < IR > could serve such investor needs. Moreover, with regard to long-term decision making Serafeim (2015: 35) (and see Chew, 2015) found evidence of a clientele effect of integrated reporting with long-term investors, although this related to a mixture of “some version of sustainability or integrated reporting”, again highlighting the potential usefulness of < IR > and wider reporting issues.

2.3. Equity market culture

A much debated but significant characteristic of the equity capital market is the level of short-termism. This is generally “… described as a situation where the (financial) investing community has a systematic preference for near-future cash flows at the expense of those resulting at longer horizons (Coates & Davis, 1995)” (Black & Fraser, 2002, p. 135–136). This feature has been highlighted by many academic studies in the past (see Coates & Davis, 1995; Cuthbertson, Hayes, & Nitzsche, 1997; Davies et al., 2014; Hughes, 2014; Miles, 1993; Nickell & Wadhwani, 1987).

In light of this background, there are institutional calls for a change in investment culture towards more longer-term investment decision making (e.g., CFA, 2014). The longer-term orientation of investor thinking envisaged by < IR > in particular is synonymous with that advocated by Focusing Capital on the Long Term (FCLT).[4] They report the results of a McKinsey survey (2017) (and similarly see Barton, 2011) that concludes that long-term outperforms short-term total shareholder return and across a range of financial and economic metrics such as revenue growth and capital investment. However, they recognise the pressure towards short-term thinking for investment returns and corporate financial performance. With regard to the latter, and in line with the extensive academic evidence, KPMG (2013, p. 4) also report that “there is a gap between the information currently being reported by companies and the information investors need to assess business prospects and value; Integrated Reporting can help fill this gap…[thus,] Integrated Reporting can help readers [investors] look beyond companies’ short-term results to form clearer views on long-term value” (and similarly see Deloitte, 2013).

From a UK perspective in particular, The *Kay Review of UK Equity Markets and Long-Term Decision Making* (Kay, 2012) likewise emphasised the need for long-term investor decision making. The report asserts that “models used in the equity investment chain should give information directly relevant to the creation of long-term value” (Kay, p. 12). However, the Review recognises, and is critical of, the incentives pervading the equity market militating against this in favour of more short-term performance metrics. The

[4] FCLT is a not-for-profit organisation whose founders included BlackRock, Dow and McKinsey that is “dedicated to encouraging long-term behaviours in business and investment decision making” (fcltglobal.org).

UK Investment Management Association (IMA) and CFA Institute similarly voice support for more long-term thinking. For instance, CFA (2006) have long commented on the need "to promote broad education of all [equity] market participants about the benefits of long-term thinking…to mitigate the current over-emphasis on short-term performance" (p. 1) (and see CFA, 2013, 2014).

Indeed, the academic study of Humphrey et al. (2017) recognises that such institutional change towards a culture of more longer-term investor thinking is critical to the success of < IR > . Thus, < IR > may face an investment related cultural challenge to its acceptance and use within mainstream equity markets. This is also stated by UBS (2012) who noted that the most obvious block to < IR > demand was capital market culture and the dismissal of reporting not directly associated with financial performance.

Thus, in summary, the annual report as the traditional reporting mechanism has become subject to criticism as to its format and content. Additionally, there has been mixed evidence as to the decision usefulness of non-financial voluntary disclosures that actually form part of < IR > reporting. Moreover, there is widespread agreement that a "black box" still remains concerning the situated process of information use by capital market actors and their broader decision context (Beyer, Cohen, Lys, & Walther, 2010; Ramnath, Rock, & Shane, 2008). Alongside this are concerns regarding short-termism in the capital markets. As a result, < IR > emerged as a means to provide more holistic reporting with an emphasis on longer term value decision useful to investors and other providers of capital. However, despite this critical period for < IR > , there remains very limited empirical evidence as to the views of investors concerning their use of < IR > , and its usefulness to them, as an identified prime user group. This research addresses this lack of evidence.

3. Method

The research was designed to capture the views of mainstream equity market participants on their demand for, and their views towards, < IR > as a decision useful reporting framework. To reflect the nature of the equity market, both equity analysts (sell-side) and fund managers (buy-side) were interviewed. Prior research highlights that the two groups operate in distinctive aspects of the equity market, but are interdependent with one another (see Barker, 1998; Campbell & Slack, 2011). Fund managers will typically use sell-side research in their investment decision making alongside their longer term company relationships and understanding of their equity positions (Barker, 1998; Brown, Call, Clement, & Sharp, 2016).

The research specifically focussed on mainstream investment due to its importance in the equity market compared to ethical or socially responsible investment (SRI) funds.[5] Significantly, as contested by Humphrey et al. (2017), it is that mainstream audience, as opposed to SRI investors, that are critical for the success and sustainability of < IR > in terms of their demand and use. All of the interviews were conducted in 2015 which purposely allowed for over a full year since the release of the < IR > Framework and for the increase in availability of < IR > based reports evidenced on the IIRC's website in the "examples database". Significantly, this also reflects the IIRC identified breakthrough phase (IIRC, 2014) in relation to the use of < IR > by equity investors.

Semi-structured in-depth interviews were employed in this study. These facilitate the provision of a meaningful understanding of participant views and appropriate richness of data. This research design is also considered an appropriate method to investigate the decision usefulness of corporate reporting with stakeholders (Bebbington, Gray, & Laughlin, 2001; Deegan & Unerman, 2006) and has been used by prior literature in this area (e.g., Campbell & Slack, 2008; Slack & Campbell, 2016; Stubbs et al., 2016; Stubbs & Higgins, 2015).

Two pilot interviews with equity investors, not included in the final sample, were conducted in advance of the main interview stage. The objective of this was to ensure that the questions were appropriate and allowed for the interviewees to fully discuss the decision usefulness of, and their demand for, < IR > . One of the issues that emerged from the pilot interviews was the possibility that some of the interviewees may not have used, or be familiar with, the < IR > Framework and integrated reporting. Based on this, prior to each interview in the main stage of the research, each participant was requested to review the < IR > website, and specifically selecting appropriate reporting examples to them. The interviewees were also invited to canvass the views of their investment teams on < IR > as part of that process. All of the interviewees complied with this request, reviewing both the < IR > website and < IR > Framework, and confirmed their review of an integrated report relevant to their sector. This process helped assure their familiarity with the < IR > Framework and relevant reporting examples. Thus, in all of the interviews, mainstream fund managers and analysts were able to give cogent responses as to the decision usefulness of < IR > to them. Indeed, many of the interviewees brought notes with them to the interview as well as copies of reports for discussion.

Each interview covered a series of key areas to enable appropriate findings regarding the decision usefulness of, and demand for, < IR > as well as their identified barriers to its usefulness as a reporting framework. Each interview was structured in the following three parts:

- Their familiarity with < IR > ;
- The decision usefulness of < IR > to them: whether < IR > is helpful to their needs through its focus on value creation, corporate strategy and its use of the capitals model; and
- The barriers to their use of < IR > as providers of financial capital.

[5] For example, the UK Investment Association (2015) valued SRI funds under management at around £10 to £12 billion being around 1.2% of the total funds under management but 'remained tiny compared to net sales of funds overall' (p. 39). This is broadly comparable to that provided by EIRIS [Ethical Investment Research Services] which at June 2014 estimated that SRI funds accounted for 1.5% of funds under management (SRI services, 2017).

Table 1
Summary of equity market interviewees.

Ref.	Position/job title
	Fund managers:
FM1	Global markets portfolio manager
FM2	Head of global specialist funds
FM3	Investment director, global equities
FM4	Executive director, wealth management
FM5	Global equity fund manager
FM6	Head of UK institutional funds
FM7	Global portfolio manager
FM8	Managing director – global equities
FM9	Associate UK fund manager
FM10	Global growth fund manager
FM11	Fund director – UK growth
FM12	Investment director
	Equity analysts:
EA1	Head of European equity research
EA2	Senior equity analyst
EA3	Deputy head of UK investment office for global equity funds
EA4	Managing director, global markets research – industry sector equities
EA5	Managing director, global markets research – equities and financial.
EA6	UK equity analyst – industrials
EA7	Equity market research associate director
EA8	Director – equity research
EA9	Equity research analyst
EA10	Equity research – consumer groups

In total, 22 interviews, comprising 12 with lead portfolio/fund managers and 10 with individuals who held a senior position in equity analysis were conducted. This final sample size compares well with other similar capital market participant research (e.g., Barker, Hendry, Roberts, & Sanderson, 2012: 11 fund managers; Campbell & Slack, 2008, 2011: 19 sell-side analysts; Coram et al., 2011:eight financial analysts; Solomon & Solomon, 2006: 21 institutional investors; Solomon, Solomon, Norton & Joseph, 2011: 20 institutional investors). A summary of our interviewees is shown in Table 1.

The vast majority of interviews were face to face, held in the offices of each respective interviewee. Two of the interviews were conducted on Skype. With the exception of one interviewee, based in Geneva, all interviewees were based in London and all were employed by global investment houses. In line with the approach used by Jones and Solomon (2010), we conducted interviews until we felt we had reached saturation and no new issues were arising (Corbin & Strauss, 2008). On average, the interview length was around 50 minutes with a maximum length of 80 minutes. All of the interviewees were assured anonymity by person and institution, and each agreed to speak freely on their use and demand in relation to < IR > . Each interview was recorded and subsequently transcribed for analysis, coded by interviewee and indicated as FM (for fund managers) and EA (for equity analysts), consistent with Table 1, in chronological order.

Initially, all of the transcripts were read by one of the researchers to be familiar with the general findings across all of the interviews. From this, a general coding template reflecting the three interview areas was produced which was used to highlight key recurring themes. Identified key themes reflected the views of the majority of the whole interview set, or a majority of views in one of the fund manager or equity analysts sub-sets which are reported in the findings section. For the subsequent analysis, each researcher then separately conducted a detailed manual thematic analysis of each interview identifying relevant quotes pertaining to the coding themes across the three interview areas (Boyatzis, 1998; Miles & Huberman, 1994). The analysis is consistent with the staged approach suggested by Easterby-Smith, Thorpe, and Lowe (1991) and used in other interview based research (Armitage & Marston, 2008; Campbell & Slack, 2011; Solomon et al., 2011). Subsequent to this independent analysis, both researchers met to discuss and agree quotes most relevant to illustrate viewpoints appropriate to each theme from the interview data.

4. Findings

The findings are presented by summarising the common themes from the interviews using illustrative verbatim quotes. We first reflect on the cohort's familiarity with < IR > , before secondly examining its decision usefulness to them as a reporting framework (Sections 4.1 and 4.2 respectively). Thirdly, we report on the barriers that may impair its usefulness to them and thus contribute to shedding light on equity investor resistance towards < IR > (Section 4.3).

4.1. Familiarity with < IR >

The initial part of each interview established whether the interviewees had heard of < IR > , and their level of familiarity with it, prior to their pre-interview review. Of the 22 interviewees, only three fund managers and two equity analysts confirmed that they had previously heard of < IR > . The common reason for their familiarity was that they had all served as either a firm or professional

body representative, in some capacity, with regard to the consultation processes and development of < IR > . Within this sub-sample, it was notable that they regarded it unlikely that other mainstream investors would have used, or even heard of, < IR > . This was commonly attributed to a lack of communication about < IR > within investment houses and a general lack of < IR > discourse, such as at client meetings and capital market events. For instance, FM3, one of the fund managers who had participated, at a firm-level, in prior < IR > discussions, observed that:

"…my colleagues are not asking me about it, so, you know, 60-odd colleagues, very few mentioning or even bringing it up in communications with companies, so it's really left to me to do that. I don't think any of us have really utilised it enough yet in our meetings and that's something that I need to do more of".

From this, it would appear that the onus of < IR > use resides at an individual level. Similarly, an equity analyst (EA8) who had prior knowledge of < IR > commented:

"…for some companies integrated reports are available but most people rely on the annual report or more importantly their knowledge of the company and market, nobody really talks about integrated reporting in the office or with clients".

Overall, these comments on a lack of communication were echoed by the wider interviewee base. For instance, FM10 mentioned:

"…I've not heard of IR referred to at any meetings, internally or with clients"

and EA2 mentioned:

"…even in open forum discussions on investment decisions, no mention has been made of this type of reporting, maybe surprising given this Network that is referred to and that includes my company, but that's the case".

Further, EA10 concluded:

*"…I've never come across this [< IR >] on agendas, or at capital market presentations by corporates [reporters]".*He/she continued rather dismissively: *"I suspect if it was mentioned not many analysts would be interested anyway".*

Based on the above, it would appear from the interview evidence that < IR > has so far failed to permeate beyond its more high level institutional-based support, as evidenced by the Investor Network, or those more specific individuals that were involved in earlier consultation processes. Such findings would thus question IIRC's claims that, "investors are increasingly calling for businesses to produce integrated reports…with investors more than ever before using this information to draw conclusions on value, and better inform and underpin their decisions" (IIRC 2015b). Such a disconnect between IIRC's narrative and reality is depicted in the following statement by a fund manager (FM5):

"…I'm guessing they [IIRC] think this [IR] is something that people are aware of, but I'm not sure this is the reality".

Further, these findings lend support to the criticism by Humphrey et al. (2017). They highlight that < IR > is often advocated in positive terms through the use of inter-relationships (such as the Investor Network) to advance its legitimacy and the IIRC's attempts to reconfigure corporate reporting towards its use by investors and providers of capital more widely.

We now move into specific issues regarding < IR > decision usefulness to the participants as a cohort.

4.2. Views on the decision usefulness of < IR >

Overall, the participants questioned the decision usefulness of < IR > due to a number of identified weaknesses. However, they also recognised some positive attributes of this reporting framework. These perceived strengths and weaknesses of < IR > are summarised in Table 2, which are then discussed in turn, accompanied by interview quotes.

4.2.1. Perceived strengths and potential decision usefulness of < IR >

From the 22 interviews, only a relatively small number of fund managers (four) and analysts (three) were positive as to the

Table 2
Summary of equity market views on decision usefulness of < IR > .

Strengths:

- Linkage of value creation underpinned by firm strategy in reporting.
- Reporting of key performance indicators reflecting strategy and core business areas.
- Linkage of risks to value creation and relevant capitals in the business.

Weaknesses:

- Lack of critical mass in use and familiarity with < IR > .
- Traditional deference to annual report format and statutory accounting information.
- Lack of measurability across the < IR > Framework and use of more qualitative reporting.
- Lack of reporting comparability between companies and longitudinal consistency in reporting.
- Level of managerial discretion due to the voluntary nature of the < IR > Framework.
- No mandatory reporting requirements or reporting pro-forma and associated assurance.
- Perceived jargon in < IR > Framework and usefulness of capitals model.

potential decision usefulness of < IR > and its relevance to them. However, these views were generally, although not exclusively, restricted to those that had prior knowledge of < IR > . A common theme emerging from these positive opinions was the link of value creation underpinned by firm strategy and the reporting of associated key performance indicators across a business. For instance FM5, commented:

"…showing us what the sort of key performance indicators will be used to measure how the management delivers on the creation of that value-added and how that is more clearly linked to the business model and strategy".

From an analyst perspective, EA8 noted that:

"…such a framework may help make reporting more orderly or logical in following the value creation chain from strategy through to the underlying elements of the business and their link to KPIs".

This theme of value creation was also referred to by FM8 (a fund manager not previously familiar with < IR >) who expressed support for < IR > reporting that more clearly shows, (making an implied reference to the capitals model):

"…what critical aspects of the business are they relying on to generate the return or value creation that they want to achieve in the future?".

Similarly, with reference to the capitals model, EA4 reported that:

"…for these companies where natural capital is an issue, such as water, I would like to see more about the associated risks in their reporting".

These positive views on < IR > are in line with prior academic studies which contend that < IR > , by providing investors with a more holistic reporting of financial and non-financial performance and clearer links to organisational value creation, does potentially support better investment decision making. For instance, Setia et al. (2015, p. 398) argue that < IR > "enables investors to obtain a broader and holistic view of organisational value creation and performance". Similarly, Burke and Clark (2016, p. 275) note that an integrated report, "may enhance the usefulness of information to investors via a complete representation of operations…. (so) that providers of financial capital both better understand the firm's strategy and have greater confidence in the sustainability of the firm's business model" (and see Eccles & Krzus, 2010; Perego et al., 2016). Further, the views presented here are in line with the narrow support for greater alignment of business strategy with < IR > presented in the pilot study by Stubbs et al. (2014) in the Australian context.

4.2.2. Perceived weaknesses and potential decision usefulness of < IR >

Beyond the lack of familiarity revealed earlier which suggests initial prima facie evidence as to a lack of decision usefulness, 15 of the interviewees (eight fund managers and seven analysts) questioned why there was a need for integrated reporting. A few initially referred to their use of the annual report. As an example of this, FM11 commented:

"…why do I need < IR > when what I have [the annual report] seems sufficient?".

EA9 similarly observed:

"…reporting is already crowded, but at least with the annual report I know what I am getting, and that's fine for now".

More widely, the respondents did not perceive < IR > as relevant to their needs as investors. For instance, from a fund manager perspective, FM 9 observed:

"…it seems a little irrelevant to the investment process".

More bluntly, FM1 commented:

"…to be honest, it's just not relevant to what I do".

Similar general comments were also expressed by some of the equity analysts. For instance, EA7 remarked:

"…it's just another noise of reporting – what does it really give me that I don't already know"

and EA10 noted:

"…it seems like another reporting output that clutters company reporting and doesn't add any value to what I need or do".

These views echo prior studies which indicate that the annual report is the dominant source of information for equity investors and that integrated reports increase vagueness and complexity of reporting instead of improving it (e.g., ACCA, 2013; Rensburg & Botha, 2014; Stubbs et al., 2016). The views expressed here also reflect older studies on the usefulness of wider narrative ESG reporting which has been found to be of little importance to mainstream institutional investment analysts (Beattie & Pratt, 2002; Campbell & Slack, 2008; Deegan & Rankin, 1997, 1999; Ho & Wong, 2004).

A number of more specific themes emerged in relation to their reticence towards < IR > and its perceived lack of usefulness to them. These views were common across the cohort of interviewees, including those who were previously familiar with < IR > .

Firstly, there appears to be resistance towards the use of, and demand for, < IR > unless more clear and direct measurable metrics emerge as to < IR > 's claimed links to value creation. This is better encapsulated by the statement of a fund manager (FM7), who, in response to *Why would capital markets use and demand IR?,* commented:

"…Whenever there's direct evidence that the output of the integrated reporting and its claimed direct links to value creates alpha in the future, or reduces risk premium, then it would be valued".

However, there were criticisms from 16 of the respondents specifically regarding a perceived lack of measurability across the < IR > Framework and questioning the relevance of more qualitative aspects of reporting to them as users.

For instance, FM6 argued that:

"…if you can't actually put a financial figure on, why is it relevant to me?".

More broadly, FM9 commented:

"…there is not much by way of hard measurability for its use, so that beyond the financial reporting that I already have, how does the other reporting specifically link into value creation, so that it is directly measured. I just don't see that and so why would I use it?".

From an analyst perspective, EA8 reflected:

"…for my job, I need hard measurable data, that is verifiable and I can use in models for future value. I don't see how < IR > really does this and how any of the inputs and capitals are really linked to value creation".

EA1 bemoaned:

"…another corporate reporting piece that does not give us clear year-on-year indicators of value and exactly how that value is created from a financial perspective".

These views are reflective of the conclusion of the ACCA (2013) investor survey which highlighted concerns regarding reporting clarity and < IR > level of complexity and vagueness of objectives. In fact, such views are broadly reflective of the findings of Milne and Chan (1999: 452) who, in their experimental study on one aspect of voluntary reporting, concluded that "only when corporate social disclosure [has] a significant impact on future cash-flow will it be perceived as useful".

Another area of concern raised by the majority of participants (eight fund managers and all 10 of the analysts) was a perceived lack of reporting comparability between companies and longitudinal consistency in reporting. For example, EA1 stated that:

"…from the reports I've read, I just don't see how we would get comparability between companies or over time…it's just not clear why companies should consistently report across a sector, and that would not give me what I need".

The consistency issue was directly raised by EA3 who observed that:

"… < IR > does not appear to give us clear year on year consistent indicators of value, but instead allows management to choose".

From a fund manager perspective, FM9 opined:

"…for the reports I need from analysts and my own review of corporate reporting, direct comparability between companies in my sector is essential….and as for consistency of reporting surely that is what accounting standards have sought to give us. We need to be certain that any future reporting models are able to offer confidence in both comparability and consistency of reporting issues, and not just some managerial commentary on issues that may pertain to value creation".

Following on from this opinion, many of the interviewees who raised these issues, also highlighted the voluntary nature of the < IR > Framework with no mandated reporting requirements or reporting pro-forma that, they argued, would help facilitate greater comparability and consistency. Rather, it seemed to the interviewees that companies would have the freedom, and hence managerial discretion, to report largely as they wished within the general framework. For instance, FM11 claimed:

"…it seems to me that managers will have pretty much the freedom to disclose what they wish within the framework, with no guarantee of consistency of reporting, and certainly no clear means of comparability".

Similarly, FM5 noted:

"…*With no real template it's hard to see how companies across the sector would be comparable and the performance metrics that they use would surely be up to management.*"

And FM11 noted:

"…*Whilst I like the idea of more joined up reporting, how will this achieve more than the current report in terms of strategy reporting and I don't see how any greater comparability between companies would be achieved.*"

Finally, EA10 commented:

"…The issue is that IR would seem to favour what management wish to report rather than using clear metrics that would really achieve performance over time and between companies in the sector. We already use industry benchmarks so I'm not sure what integrated reporting adds that we don't already have."

A lack of financial measurability, comparability and consistency were key user issues regarding < IR > highlighted by Rowbottom and Locke (2016), Potter and Soderstrom (2014) and Eccles and Krzus (2010) (despite the latters' general advocacy for integrated reporting). These studies note that such concerns are not alleviated by the voluntary nature of < IR > which enables

managerial choice in disclosure. As IFAC claimed in its early comments on the development of < IR > also referring to measurement issues raised previously, “to be useful, the proposed disclosures need to be measured in a consistent way across organizations and industries. That requires the development of global standards to guide what should be reported and how the reported items should be measured … Without comparability between entities, it will be very difficult for investors and others to assess the results of one entity versus another” (IFAC, 2011, p. 8).

Relevant to the lack of mandatory reporting standards is reporting assurance which was identified as a further issue impairing the usefulness of < IR > to investors. This was referred to by six of the fund managers and eight analysts. For example, FM8 observed:

> “…*I cannot see how without mandatory force reporting would be useful across the sector. Good reporters will continue to be good reporters regardless of IR. Surely a new framework would need the credibility of compliance and assurance.*”

More explicitly, EA5 commented:

> *“…whilst I don’t read audit reports – I need them to be there, then I’m happy that the report seems fair to use. Why would I rely on a non-assured report, especially when there seems more subjectivity at play within it?”.*

The lack of standards and reporting was also directly referred to by FM 2 who observed:

> *“…surely for < IR > to have use there needs to be a mandated reporting framework so that the reports are both consistent and also serve as a basis for some kind of assurance”.*

Indeed, the importance of assurance was raised by Atkins and Maroun (2014) in their South African study. Additionally, these views echo Flower’s (2015, p. 1) criticism that < IR > will fail as it will “have little impact on corporate reporting practice, because of their lack of force”, and that without any mandated content it, “leaves far too much discretion to the firm’s management” (Flower, 2015, p. 10).

Overall, these findings reflect on Stubbs et al.’s (2014) claim regarding the potential, but not the actualisation, of < IR > demand and use. The more favourable comments on < IR > ’s decision usefulness tended to be restricted to those that had previously engaged with the < IR > consultation phase, and whilst not captured by this, may nonetheless be somewhat biased in their views toward < IR > . Nevertheless, even among the advocates of < IR > , it appears that during this “breakthrough phase” (2014-17), there are widespread concerns impairing < IR > ’s decision usefulness to equity investors. Thus, these findings are more in line with findings on the lack of usefulness of voluntary ESG disclosures (Beattie & Pratt, 2002; Campbell & Slack, 2008; Chan & Milne, 1999; Ho & Wong, 2004; Milne & Chan, 1999) and lend support to Arvidsson’s (2014: 210) claim that actors in the stock market express “mistrust towards this information and continue to have a meagre interest in it”.

As a final note, while reflecting on the encouraging findings of the market based literature on the effects of integrated reporting in South Africa, one needs to acknowledge the mandatory implementation of integrated reporting − albeit not the < IR > Framework. It may be more difficult for such positive outcomes to be observed under the voluntary regime advocated by the IIRC with regard to < IR > .

4.3. *Barriers to < IR > use by equity investors*

Beyond specific comments relevant to its decision usefulness, the interviewees raised two main issues in relation to the design of the Framework and cultural issues pervading the equity market that impair its demand and use by them. These are now discussed in turn.

4.3.1. *< IR > related design issues*

Firstly, the cohort, were in general, critical towards the capitals model used in the < IR > Framework. Some of the respondents were highly dismissive. For example, FM1 stated:

> *“…this notion of different forms of capital was a load of rubbish. I couldn’t care less about this type of reporting… and I wouldn’t want to see a business wasting time on thinking about things in that way”.*

Similarly, FM2 commented:

> *“…I’m not sure that that diagram with the capitals in it is particularly useful. It’s useful from the sense that it helps you take a broader view, but trying to label them all and going through and actually calling them ‘capitals’, I’m not entirely sure of their relevance”.*

Others expressed concern that the capitals model would not help gain a wider understanding of value creation from an investor perspective. For instance, EA5 remarked:

> *“…a lot of that [capitals] would be totally subsumed by just the financial piece, and a lot of the other stuff might be nice to have but actually the financial side of things is going to so dominate stock price that the rest of it becomes irrelevant to me”.*

The emphasis towards financial metrics coupled with the need for clearer specific and quantifiable links across reporting is consistent with those views expressed earlier on measurability in particular as to < IR > ’s perceived lack of usefulness to the two groups.

Secondly, and in part related to their criticisms of capitals, concerns were raised by 13 of the interviewees (five fund managers and eight analysts) regarding the language employed within the < IR > Framework. They regarded it as unnecessary jargon and off-

putting to its diffusion and use by them. This was encapsulated by FM4 who commented:

"…I mean this whole industry is very jargonistic, the whole sort of 'ESG', "SRI" – there you go, the jargon itself, it's full of acronyms which if you're trying to turn it mainstream just doesn't help".

Along similar lines, FM10 commented:

"…what I don't understand is why introduce something and then use language that maybe inhibits its use – just keep it simple and get the message out as to why it adds value as a corporate report".

From an analyst viewpoint, EA3 noted:

"…I think it's nebulous [so] that it's very difficult to make people buy into it".

Similarly EA4 noted:

"…there is always a danger when you use too much terminology that's jargon to me that you confuse people".

Although perceived complexity and jargon and the language associated with < IR > , and in particular the "capitals" model may become more familiar over time, nonetheless at this juncture, both fund managers and analysts highlight these as clear barriers to its potential demand and use by them.

4.3.2. Equity market culture

The final issue that arose from virtually all of the fund managers and equity analysts related to the underlying structure and nature of the capital markets that led them to further question the relevance of < IR > to them.

First, on reflection of the issues highlighted in the previous section, many of the fund managers do not feel the need to include < IR > in their decision making. Consistent with this, the sell-side equity analysts unsurprisingly perceive a lack of demand from fund managers to use < IR > and to consider its relevance to them in the investment information supply chain. For example, EA5 expressed the issue of a lack of demand as follows:

"…it would obviously be demand-driven, so if the buy-side told us that they thought this was important, we'd obviously focus on that, yes. But I think for them to think it was important they'd have to perceive it making a difference to the stock price and I don't see that they're at that stage in my sector right now, so I have no reference to IR, because at the end of the day that's what they're remunerated on".

The significance of investment culture on demand for < IR > in investment decision making was directly referred to by EA2 who commented:

"…I'm not that interested in IR, and until there's a structural change in the market and clear demand from fund managers, that will remain the answer. It would be a major shift…it's a little bit like the SRI thing, you know, it maybe was a nice idea and it never really took off because there was no evidence that they ever performed any better".

Second, despite aspirations and encouragement for more holistic longer-term investor thinking (Barton, 2011; CFA, 2013, 2014; Eccles & Krzus, 2010; Kay, 2012; Serafeim, 2015) and the use of < IR > as supporting that objective, many interviewees specifically commented on the apparent incentivisation of short-termism in investment thinking and the consequential pressures on equity analysis. For example, FM5 observed:

"…I think the analysts within [the] sell-side know the long term value drivers… they're just not incentivised to go out to write about them… I think it's going to be a difficult tension to overcome. Most of the sell-side are tied into shorter term factors and are consequently uninterested in integrated reporting".

Such pressure on the short-term was also echoed by FM6 who noted:

"…So it's become more short term and analysts aren't being given the luxury or maybe even the ability to write longer term reports… the city's too short-termism, I think it's here to stay, there's not a lot you can do about it".

Similarly, FM11 and FM3 commented respectively:

"…*Of course we look at long term strategy of the company and the strength of the management team to deliver that. But then we need evidence of short term performance in the market against our benchmark peers as well as picking those longer term winners*". And,

"…*The reality is, whether we like it or not, that funds are judged so often in the market on relatively short term benchmark performance*".

Finally, EA10 commented:

"…The way quarterly reporting drives our attention means it is difficult to move beyond short term performance. Sure if things are as expected that helps a longer term fit, but current returns tend to dominate our thinking".

All these views confirm findings in academic studies (e.g., Davies et al., 2014; Hughes, 2014) in that short-termism prevails in modern capital markets. They also allow for the conclusion that analysts are incentivised by short-term performance and thus more longer-term, and holistic considerations of value, are effectively crowded out of their thinking and in their reports to fund managers.

Overall, emergent from fund managers' and analysts views are inherent tensions in the nature of equity markets concerning short-

term pressures and incentive structures further impairing the use and application of < IR > . These findings would be consistent with Campbell and Slack (2011) who observed, sell-side analysts can be assumed to be rational actors behaving according to their incentives and remits (Davis, Lukomnik, & Pitt-Watson, 2006; Juravle & Lewis, 2008). Indeed, Humphrey et al. (2017) noted the current system of financial capital provision on, “privileging the short-term over the longer term,” (p. 3) and went on to question whether < IR > is capable of, “meeting supposedly market-led information needs of long-term providers of financial capital,” (p. 12) to which this research sheds empirical evidence. At present it would appear there is only limited rational or economic motive for the demand and use of < IR > by either side (fund managers and equity analysts) of the equity markets. Further, until there is evidenced demand from the fund managers arising from a change of opinion as to its value relevance, equity analysts are reticent to pay heed of < IR > and hence the current lack of familiarity and use is mirrored between the two groups.

Overall, the evident lack of penetration of < IR > to equity capital providers as highlighted in this research does bring into light the following issue. Although there are claims in the literature asserting that wider non-financial reporting, which is embedded into < IR > , is of increasing importance to mainstream investors (Friedman & Miles, 2001; Renneboog, Horst, & Zhang, 2008; Solomon & Solomon, 2006), the incentive structures, prevailing in the capital markets as reflected in the interviews, would seem to militate against the decision usefulness of < IR > . Further, the design of the < IR > Framework itself, specifically concerns regarding the lack of mandatory compliance and assurance, would appear to further impair its usefulness to investors. Flower (2015, p. 1) had previously bemoaned that the IIRC would fail, in part due to its abandonment of sustainability in favour of its focus on “value for investors” and not “value for society”. The current level of resistance to < IR > would suggest that this shift by IIRC to investors is by no means a panacea.

5. Concluding comments

The < IR > Framework was issued in December 2013. It was positioned as serving the needs of providers of financial capital who were identified as the main constituent user group (Milne & Gray, 2013). Further, < IR > was aspired to become the corporate reporting norm and institutionalised into investment thinking and decision making. By doing so, < IR > has sought to challenge silo accounting and its focus on financial reporting with a need for greater integration of all aspects of the business in reporting (Druckman, 2016). Nonetheless, the Framework constrains itself as it maintains the focus on the needs of providers of financial capital, which is traditionally the primary role of the current the financial reporting paradigm (Barker & Kasim, 2016).

Despite increased coverage of integrated reporting in the accounting literature (see Dumay et al., 2016) this has largely been confined to its conceptualisation and reporting or evidence in a mandatory South African context. Indeed, numerous calls for research specifically relating to its demand by users (de Villiers, Rinaldi, & Unerman, 2014; Rowbottom & Locke, 2016) have to date largely gone unanswered. This research provides insights from 22 mainstream senior mainstream equity market actors as to their level of familiarity with, and demand for < IR > , its potential decision usefulness to them as a reporting innovation as well those issues that militate against its use by them. In doing so, the research, first, contributes directly to the expanding academic literature in the area of integrated reporting by being the first of its kind to provide substantive evidence of the demand for and decision usefulness of < IR > from mainstream equity investors. Second, further relevant insights are made to the debate regarding the decision-usefulness of voluntary disclosures in accounting. Through examining the < IR > Framework this study contributes to the wider accounting literature by expanding those prior studies limited to more discrete areas such as social and environmental reporting.

The insights arising from our findings are summarised as follows. First, despite the IIRC's infrastructure of support for < IR > , there is limited evidence as to the use of < IR > at a mainstream equity market operational level. More specifically, whilst high level institutional support and associated infrastructure may well be evidenced, this appears to be only at a surface, or symbolic, level whilst the actual use of < IR > at an actor level is low. Even in those cases where interviewees were familiar with < IR > , its further application, across investment users, appeared stifled. Thus, the concerns of the IIRC and the identified “breakthrough phase” (IIRC, 2014) are apposite: there appears little application outside key proponents and the findings of the limited familiarity with, and use of < IR > , by the interviewees are somewhat alarming for the prospects for the success of the < IR > initiative. Second, only about one third of the interviewees seemed positive as to the potential decision usefulness of < IR > and its relevance to them. The common theme emerging from these positive opinions was the link of value creation underpinned by firm strategy and the reporting of associated key performance indicators across a business. Nevertheless, the majority of the interviewees questioned the need for < IR > over that of the annual report and they did not perceive < IR > as specifically relevant to their needs as investors. Third, the interviewees raised a number of issues in relation to the design of the Framework and also cultural issues (i.e., short-termism) pervading the equity market that impair its demand and use by them.

Reflecting on these issues, prior research has shown that in a mandatory reporting environment (i.e., South Africa), integrated reporting is associated with positive market related outcomes such as forecast accuracy and hence is perceived decision useful in that context. Such findings contrast to those reported in this study and those in other voluntary reporting environments such as Australia. The integration of financial and non-financial issues pertain to both the King Code in South Africa and that set in the < IR > Framework. Thus, arguably, it is the mandatory nature of reporting regime that facilitates greater decision usefulness due to underlying levels of comparability, consistency and assurance. Alluding to this, there is a danger that < IR > , in a voluntary environment, becomes more disparate (Mio & Fasan, 2016) as preparers follow aspects of the Framework and their interpretation and application of it (Gibassier et al., 2018), appealing to multiple and diverse stakeholder groups (Beck et al., 2017). Consequently, this may further weaken the usefulness of < IR > to mainstream financial stakeholders such that it becomes ill-defined due to a “lack of specific indications as to what an integrated report should be” (Gibassier et al., 2018).

Stemming from our findings and associated contributions, the following policy implications arise. To strengthen confidence from

users, and consistent with Eccles and Krzus (2010) in their advocacy of One Report, specific standards (rather than principles based guidelines) and measurement attributes as well as related assurance mechanisms to facilitate greater consistency from reporters and comparability across companies would be welcomed. Further, the IIRC may need to re-think the terminology of < IR > , and in particular that of the capitals model which may help towards its acceptance and use by mainstream providers of financial capital. Consideration of these suggestions would represent a fundamental shift in IIRC orientation. However, without such change < IR > could become a reporting fad (Alcouffe, Berland, & Levant, 2008; Dunne, Helliar, Lymer, & Mousa, 2103; Slack & Campbell, 2016; Vinnari & Laine, 2013) such that its wide application in equity decision-making by mainstream investors does not materialise.

Whilst the identified barriers may need to be addressed in relation to the Framework itself, there remains a need for increasing discourse, raising its internal profile within investment organisations. The latter could potentially be facilitated though the < IR > Investor Network. Furthermore, the wider issue of capital market culture and the prevalence of short-termism remains a perennial issue. Until there is a significant shift towards more longer-term investor thinking, seen in some markets such as the Netherlands (IIRC, 2017), the appeal of < IR > , and long term value creation, for its integration into investment thinking remains aspirational.

Our study is subject to a number of limitations, which can pave the way for future research. We recognise that the sample of equity market actors in this research, whilst large compared to many similar qualitative investor studies, is limited through its focus on those working in London, albeit for international investment houses. We would also welcome counter-veiling studies that examine the use and application of < IR > by equity investors in other international capital markets as well as wider providers of financial capital such as corporate debt. Further, research is needed to more fully consider the capital market benefits of < IR > , for instance evidenced through lower risk premiums or reduced share price volatility, that have to date not been established. Finally, stemming from our findings, further research could usefully consider the views of the Investor Network and specifically how members, as potential change agents, seek to promote and diffuse < IR > through their respective institutions and into wider use in the equity market at an actor level. In particular, future research could explore the views of the Investor Network on ways of introducing assurance and specific measurement attributes in an < IR > setting which may help satisfy equity market demand for such information.

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