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Article

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Amfiteatru Economic Journal

Provided in Cooperation with:

The Bucharest University of Economic Studies

Suggested Citation: Dumitru, Mădălina; Guşe, Raluca Gina; Feleagă, Liliana; Manguic, Dragos Marian; Feldioreanu, Alexandra Ionelia (2015) : Marketing Communications of Value Creation in Sustainable Organizations. The Practice of Integrated Reports, Amfiteatru Economic Journal, ISSN 2247-9104, The Bucharest University of Economic Studies, Bucharest, Vol. 17, Iss. 40, pp. 955-976

This Version is available at:

<https://hdl.handle.net/10419/168959>

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MARKETING COMMUNICATIONS OF VALUE CREATION IN SUSTAINABLE ORGANIZATIONS. THE PRACTICE OF INTEGRATED REPORTS

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Please cite this article as:

Dumitru, M., Gușe, R.G., Feleagă, L., Mangiuc, D.M. and Feldioreanu, A.I., 2015. Marketing Communications of Value Creation in Sustainable Organizations. The Practice of Integrated Reports. *Amfiteatru Economic*, 17(40), pp. 955-976

Abstract

This paper represents an investigation of the communication practices used by the organizations included in the International Integrated Reporting Council's Pilot Programme, in order to investigate how integrated reports are used as instruments for the communication of information regarding the value creation and distribution. We analyzed the methods used by 95 organizations, experienced in sustainability reporting. We used both quantitative and qualitative data extracted from the integrated reports published in 2014. The theoretical framework of the research relies on the stakeholder theory. The perspective used in the analysis of the results was derived from the classic and modern theories in marketing, which include the use of annual reports as marketing communication tools. The main results show that the provisions of the International Integrated Reporting Framework were only partially observed by the organizations included in the sample. The analyzed reporting practices show evidence of the existence of correlations between the size of integrated reports and the disclosure of the value added distribution for the traditional stakeholders. The disclosure of information regarding the customers, environment and the society is correlated with the presentation of the value added statement.

Keywords: Marketing communication, value creation, integrated reporting, annual reports, stakeholder theory, qualitative and quantitative study.

JEL Classification M14, Q56

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Introduction

Social and environmental accounting involves extending the *accountability* of organizations beyond the traditional role of providing a financial account to the owners of capital, in particular shareholders (Gray, Owen and Maunders, 1987). In a traditional sense, corporate social responsibility (CSR) is focused on ex post profit distribution, based on the idea that companies must give back to society part of the value they have created, for moral, as well as practical reasons. By contrast, the integrated view of CSR focuses on value creation instead of profit distribution. The International Integrated Reporting Council (IIRC) describes integrated reporting (IR) as a “clear and concise representation of how an organization demonstrates stewardship and how it creates and sustains value” (IIRC, 2011, p.2). The broader approach to value creation and the disclosure of the value creation process has the potential to change the managers’ views and strategies regarding profit maximization (Adams, 2015).

Our focus in this paper is the corporate communication of value creation. We consider that the development of the International <IR> Framework (IIRF) by the IIRC has generated momentum and provides us with the unique opportunity to address the issue. Studying this emerging reporting practice is necessary as the way to “do” integrated reporting in the future will to be influenced by the activities and narratives of the early adopters (Higgins, Stubbs and Love, 2014). Since its establishment, the IIRC has developed a Pilot Programme which included a number of 99 companies for the financial year 2013. We analyzed the integrated reports to determine which are the instruments used by these organizations in the process of reporting on value creation mechanisms and strategies. We selected these companies as their concerns make them sustainable organizations.

Our research objective is to determine to what extent the organizations use the integrated reports as a viable communication tool for value creation. We take into consideration the reality that the value creation process starts from the last consumer of the value chain – the customer. Willing consumers validate the value of products and services (Priem, 2007, p. 219). Thus, our research is closely related to marketing. The significance of organizations’ customer focus was discussed extensively in the traditional marketing literature, which has since moved to a more stakeholder-inclusive approach (Hult, et al., 2011; Sisodia, Wolfe and Sheth, 2007). We intend to use the contributions in the marketing literature (such as customer focus in reporting and reporting as a differentiation strategy) along with the accounting and reporting perspectives to analyze the content of integrated reports.

The remainder of this paper is organized as follows. Section 1 describes the relevant literature on the use of the annual (integrated) report as a marketing tool and the value creation and reporting. Section 2 is a description of the theoretical framework for our research and of the research methodology employed in this paper. We place our research within the boundaries of the stakeholder theory. Section 3 presents the results and analysis of the qualitative and quantitative studies, in the context provided by the theoretical framework of the research. The conclusions synthesize the main results and contributions of our paper, as well as its limitations and directions for future research.

1. Literature review

1.1. The annual report as a marketing tool

According to Buhr, Gray and Milne (2014), reporting is generally driven by the immediate and strategic objectives of the organization. Sustainability reporting shows that organizations take into consideration the specific aspects of sustainability in their planning activities (Băleanu, Chelcea and Stancu, 2011). The motivations associated with marketing, such as competitive advantage, peer and industry pressures, image management, public relations, corporate reporting awards, financial benefits from investor reactions, play an important role in shaping the content of annual reports.

The traditional marketing approach focuses on a small number of stakeholders, acknowledging their ability to influence and benefit from organizational performance: customers (Deshpande, Farley and Webster, 1993;), employees (Berman, et al., 1999; Waddock and Graves 1997) and shareholders (Rao and Bharadwaj, 2008). The modern marketing approaches are more inclusive, by considering all stakeholder groups.

The importance of using the annual reports as communication tools is based on the fact that they are accessible to all stakeholder groups, due to their public availability. In addition, annual reports receive a higher level of trust from stakeholders than other communication tools, due to external verification.

In the marketing literature (Subramanian, Insley and Blackwell, 1993; Anderson and Imperia, 1992) the idea was advanced that all organizational communication tools should be used as part of an integrated marketing communication strategy. Therefore, the annual reports can be analyzed as marketing communication tools, in terms of their ability to contribute to the achievement of the organization's objectives and to the establishment of the corporate image and identity. Stanton and Stanton (2002) concluded that annual reports "use the tools of management, marketing and communication tools to construct a picture of the organization". For example, the outsourcing of annual reports preparation to designers was interpreted as an indication of their use for the impression management or as marketing tools. Marketing communication is based on the implementation of clear strategic objectives. Therefore, the annual report can be used to consolidate the organization's market position.

Researchers investigated if annual reports serve a communicative purpose or are used strategically, as tools to manipulate stakeholders' perceptions and decisions. The study by Yuthas, Rogers and Dillard (2002) uses Habermas' principles of communicative actions (comprehensibility, truth, sincerity and legitimacy), analyzing how the narrative sections of annual reports are used for public relation purposes. Their results showed that, to a large extent, the narrative sections complied with the Habermasian norms: the information communicated through the annual reports was not distorted, even if the organization expected to disclose negative information in the near future.

The annual reports are attributed an important role for the mediation, suppression or transformation of social conflicts (Guthrie and Parker, 1989). They are also considered to be key mechanisms that reflect the organizations' accountability for the resources entrusted to them (Lamond, 1995). Judd and Tims (1991) described annual reports as a communication vehicle between the management and customers, shareholders, employees, suppliers, media and government. Garcia Osma and Guillamón-Saórin (2011) show that annual reports provide the opportunity for thematic manipulation, by using positive

language, keywords and statements (instead of neutral or negative ones) to convey a positive outlook of performance. Other impression management practices commonly used in annual reports consist of selective disclosures, or the focus on positive outcomes (Brennan, Guillamon-Saorin and Pierce, 2009), the placement of positive information in prominent locations (e.g. titles), as well as repeating the positive information through the disclosure (Guillamon-Saorin, Garcia-Osma and Jones, 2010).

In our study, we used the literature on annual reports to determine the nature of the data to be collected, to formulate the research hypotheses, to organize the qualitative information, as well as to interpret the results.

1.2. Value creation

Value creation is a fundamental element in the IIRF. It is explained in two sections of fundamental concepts: value creation for the organization and for others, and the value creation process; the term “value creation” is used over 50 times in the 168 paragraphs of the IIRF (Flower, 2015).

Value is not created by an isolated organization, but it is generated through the relationships of the organization with the stakeholders, it is influenced by the external environment and it depends on the resources. The factors involved in the value creation of an organization according to the IIRF are: the external environment, the organization’s mission and vision, the governance, the business model, capitals as inputs, business activities, outputs, outcomes, risks and opportunities, strategy, resource allocation, performance and outlook (IIRC, 2013b) When the interactions, activities and relationships are significant for the organization’s ability to create value, they are included in the integrated report (IIRC, 2013b).

The capitals play an essential role in the value creation. The value added (VA) offers information and reflect the connections between the financial capital (dividends’ distribution, interests registered), human capital (salaries and other benefits), social capital (taxes, donations, sponsorships) and the manufactured capital (goods purchased, the depreciation). The annual reports can show changed in the percentages of the value added allocated to different types of capital (Froud, et al., 1996; Shaoul, 1997). A sustainable organization should not ignore a capital for another (for instance, the social capital in favor of the financial capital).

From the integrated reporting’s point of view, the organization creates value for several stakeholders, not just for the shareholders. Unlike other indicators (such as the net result or EVA) the value added shows the remuneration of all of the stakeholders, thus reflecting the ability of the organization to satisfy the needs of several groups.

In accounting, the VA was computed using two methods: the subtractive method and the additive method. According to the *subtractive method* the VA is equal to the sum of the amounts created by the economic entity for: employees, government, investors, creditors, organization. It results that the VA is created for the organization itself (the economic performance) and for others (the social performance). We notice a duality of the VA concept which we will pursue in the way in which the information is presented by the companies included in our sample. By the traditional stakeholders (mentioned above), a sustainable organization creates value for the society and the environment as well.

The users of the information offered by the annual reports are interested in the value that the organizations creates for themselves, as well as for the others, if this is affecting the resources and the accomplishment of the targets by the entity. A loss shows that the wealth created was not big enough to remunerate all the stakeholders (Shaoul, 1996).

VA means more than net result; it shows the contribution of the organization to the national economy (Schreuder, 1979). This is an essential element of the value creation in the IIRF (IIRC, 2013b).

The value is created for different time horizons. The value can take different forms. Some organizations report the tangible value (for instance, the salary paid to the employees) and the intangible value obtained (for instance, the jobs offered).

According to the IIRC the value can be created in organization through their business models. Given the importance of the value creation for the entity and for the stakeholders, many companies report this information in distinct sections of the annual report. Some organizations use innovative ways to communicate the value creation and preservation (IIRC, 2012). Because of this fact in the literature (for instance, Haller and Van Staden, 2014) it is suggested that the presentation within the annual report of a new financial statement called the Value Added Statement (VAS) should be required. VAS has to show the computation of the VA using both methods (subtractive and additive). The organizations disclose indicators about value creation such as “VA per sales”, “VA per production”, “VA per input factors (bought-in-materials)”, “VA per number of employees”, “VA per number of working hours” (Haller and van Staden, 2014). The fourth generation of standards issued by the Global Reporting Initiative (GRI, 2013) require the disclosure of the economic value generated and distributed using the accrual accounting. The indicators that must be presented are:

- Direct economic value generated: revenues;
- Economic value distributed: operating costs/expenses; salaries and employee benefits; distributions to the creditors and investors; distributions to the government; community investments;
- Economic value retained (calculated as the difference between the first two indicators).

By communicating information that stakeholders can use to assess the ability of a company to create value, integrated reporting can support the decision-making process (IIRC, 2013a). However, for the information to be used, organizations need to be more open in communicating the significant risks and opportunities.

2. Research methodology

2.1. Stakeholder theory

Stakeholder theory is an important conceptual innovation by focusing on the value-generating purpose of business instead of profit maximization and distribution. It provides us with an appropriate framework to analyze the relationships between organizations and their respective stakeholders.

According to Haller and van Staden (2014), the underlying theoretical concept associated with integrated reporting is “stakeholder theory”, which was concerned from the beginning with the problem of value creation (Freeman, 1984). Stakeholder theory views an enterprise as a coalition of different interest groups, and therefore a firm’s value creation as the result of collective efforts (Shaoul, 1998). Freeman, et al. (2010) assumes that the interests of different stakeholders are joint and the process of value creation is best managed by managing stakeholder relationships.

The stakeholder approach to value creation can be summarized as follows: business represents a set of relationships between different stakeholder groups (customers, suppliers, employees, shareholders and financiers, managers and communities) that interact and create value. Therefore, the fundamental drivers of value are stakeholder relationships (Freeman, et al., 2010).

Stakeholder theory influenced the accounting literature. Shareholder-centered accounting systems were attributed unanticipated roles, such as tools used by stakeholders to construct reality. Such contributions are those of Meek and Gray (1988) who discussed the inclusion of a VAS in the annual reports, in order to demonstrate the wealth created for a diverse group of stakeholders, while still allowing the organization to maintain its primary orientation on shareholders. Rahman (1990) argued in favor of VAS to be provided by multinational companies in host countries as part of financial reports, which would benefit multiple stakeholders in the decision-making process. However, O’Dwyer (2005) revealed managers’ reluctance to address statements to specific stakeholders. Owen, Swift and Hunt (2001) and Saravanamuthu (2004) negatively comment on the ability of CSR and traditional accounting systems, respectively, to balance different stakeholder interests. The results mentioned above suggest that while organizations recognize the need to change the reporting perspective to include different stakeholder groups, they have reservations in addressing nontraditional stakeholder groups based on the same standards used for traditional reporting purposes. Bhimani and Soonawalla (2005) argued in favor of integrating financial reporting, corporate governance reporting, CSR reporting and stakeholder value creation reporting. They identified the main advantage of the integrated approach to reporting: addressing both conformance and performance reporting issues in a comprehensive and interlinked manner.

Another fundamental issue of stakeholder theory is to understand who stakeholders are and how organizations relate to them, in other words, what stakeholders are legitimate and deserve consideration or matter in the decision-making processes (Freeman, et al., 2010). The IIRC mentions in the IIRF the following stakeholder groups: suppliers of financial capital, employees, customers, suppliers, business partners, local communities, legislators, regulators and policy-makers (IIRC, 2013b).

The most widely used stakeholder definition is that of Freeman (1984, p.46): “a stakeholder in an organization is any group or individual who can affect or is affected by the achievement of the organization’s objectives.” Clarkson (1998) makes a distinction between primary or definitional stakeholders who ensure that the organization is a going concern (such as customers, employees, suppliers, financiers and communities) and secondary or instrumental stakeholders (groups that affect primary stakeholders, such as competitors, government, media, or special interest groups and consumer advocacy groups). Kaler (2002) finds the superior definition is that of stakeholders as claimants (groups who make a claim on the firm), as opposed to influencers (groups that influence or are influenced by the firm), or combinatory definitions.

Stakeholder legitimacy was addressed by Freeman, et al. (2010) in two ways. First, managers should attend to stakeholders simply because it is in the best interest of the organization. This is a “weak” form of stakeholder legitimacy (Freeman, 1984). The second form of stakeholder legitimacy arises when consideration is given to stakeholder interests regardless of whether it benefits the organization; it “is a stronger and more overtly moral concept” (Freeman, et al., 2010, p.209). Donaldson and Preston (1995) distinguish between (a) groups to whom management has an obligation or duty to and (b) groups that can affect or are affected by the firm. They conclude that while management may need to consider both their interests, only the former group is “legitimate” enough to have their interests advanced by management decisions. A similar approach is used by Dunham, Freeman, and Liedtka (2006). Phillips (2003) identifies legitimate stakeholder groups based on the principle of fairness: employees, customers, stockholders, suppliers, and others, who are part of the “value-chain” of the organization, all voluntarily accept benefits of the firm and therefore these are the groups who have legitimacy and a claim on the firm. We use this particular approach when we analyze the information pertaining to the process of value creation and distribution.

This paper addresses the issue of stakeholder legitimacy by examining the organizations’ disclosure policies in respect to financial and nonfinancial information targeting specific stakeholder groups. This approach is based on the premise that organizations are more likely to provide financial information (not necessarily mandatory, but easily extractable from accounting data) addressed to those stakeholder groups that are perceived as legitimate.

We examine the level of disclosure concerning value creation for and value distribution toward the following stakeholder groups: shareholders/investors, employees, customers, creditors/financiers, government, communities/society, the natural environment. Our selection was based on the organizations’ ability to account for and disclose financial and nonfinancial information concerning certain stakeholder groups. We searched for stakeholders that are generally mentioned in VASs and with respect to which organizations can also disclose financial information in the form of expenses incurred or profit distributed. One of our motivations was to attempt to derive some conclusions by comparing information provided in VASs and information provided by other sections of annual reports, such as income statements and notes to the financial statements, which address similar issues about value creation and value distribution to different stakeholder groups. For organizations that provide a VAS as part of the integrated reports, there are two sets of data (income statements and VASs) that provide a more complete picture of value creation and distribution.

2.2. Research method

Recent studies argue that “integrated reporting is more closely tied into business strategy and how an organization creates value” (de Villiers, Rinaldi and Unerman, 2014). The quantitative and qualitative information extracted from the annual reports of organizations included in the IIRC Pilot Programme are correlated with the principles of value creation and communication set forth in the IIRF. This helps us appreciate the extent to which IR principles were incorporated in the annual reports.

The content analysis of annual reports is widely used in sustainability research, because it provides the possibility of in-depth studying of phenomena (Tilling and Tilt, 2010; Cho, 2009). Our study is based on analyzing the content of the annual reports published in 2014 by the organizations included in the IIRC Pilot Programme in 2013. 99 organizations were identified that meet this criterion. We downloaded the integrated reports of these organizations from their respective websites. We were not able to find integrated reports published in 2014 for two organizations. One organization did not disclose any information we searched for in the annual report. One organization was a public sector entity and did not disclose any information we could use. Thus, we analyzed a number of 95 integrated reports.

In our research, we started from the hypothesis that the entities which have voluntarily adhered to the IIRC Pilot Programme are observant of the IIRF requirements. Haller and van Staden (2014) recommended the value added statement as an instrument for the communication of information regarding value creation. Taking into consideration all these aspects, as well as the provisions of the International Integrated Reporting Framework, we formulated the following research questions:

RQ1. Do the entities in the IIRC Pilot Programme include value creation sections in their annual reports?

RQ 2. Do the entities in the IIRC Pilot Programme disclose the value added statement?

RQ 3. Do the entities in the IIRC Pilot Programme disclose information about value creation for all the stakeholder groups?

RQ 4. Is the term „value for investors” more frequently used than the value for all other stakeholder groups?

RQ 5. What are the stakeholder groups for which entities disclose less information regarding value creation?

Our research has a qualitative and a quantitative section.

For the quantitative analysis, we extracted from the annual reports general information about the organization (e.g. continent, industry) and information about the content of the integrated report, focusing on the components of VA distribution. A total of 17 variables were defined for statistical processing (Table no. 1):

Table no. 1: The variables employed

Variable code	Variable name	Variable code	Variable name
SERIES1	Continent	SERIES10	Financial creditors score
SERIES2	Industry	SERIES11	Organization score
SERIES3	Number of pages in the report	SERIES12	Customer score
SERIES4	Value: number of instances	SERIES13	Environment score
SERIES5	Investor/shareholder value: number of instances	SERIES14	Society score
SERIES6	Company presents VAS	SERIES15	Customer score (qualitative)
SERIES7	Employee score	SERIES16	Environment score (Qualitative)
SERIES8	Government score	SERIES17	Society score (qualitative)
SERIES9	Investors score		

We assigned scores for the disclosure of value creation for each stakeholder group (0 – no information is disclosed; 1 – information is disclosed in monetary terms) and we compared the results. The types of information extracted from the annual reports were:

- Employees: expenses related to employees (wages, contributions, benefits, pensions);
- Government: tax expenses;
- Investors: dividends distributed;
- Financial creditors: interest expenses;
- Organization: increases or decreases in retained earnings;
- Natural environment: environmental expenses, restructuring provisions;
- Society: donations, value of social programs.

We also focused on the duality of value creation, that is, we searched if the companies included in our sample use the additive method, the subtractive method or both. We also searched for the types and number of stakeholders that are presented in VAS, and also the frequency with which a certain stakeholder is mentioned.

After we analyzed all the integrated reports, only 43 of those reports were selected for the qualitative research. The selection included the reports which had a dedicated section for the disclosure of information regarding value creation. Other reports were considered that did not have a dedicated section for value creation, but only to the extent to which they included relevant information about value creation, complying with IIRF provisions.

Based on the reviewed literature (Adams, 2015), for the qualitative section of our study we identified a set of key aspects which define the value creation process that we studied using content analysis:

- The way in which the organizations create value.
- The stakeholder groups for which the organizations create value.
- The types of capitals used by the organizations to create value.
- The plans that the organizations have on the long-term for value creation.
- The type of value (tangible or intangible) which is presented in the integrated reports.

We assigned scores corresponding to the disclosure of added value information for the following stakeholder groups: customers/clients, environment, and society. We selected these groups because we believe that they best define marketing communications of sustainable organizations. The qualitative scores were attributed as follows:

- 0: no information is disclosed on the value creation;
- 1: only narrative information is disclosed on value creation (or nonfinancial);
- 2: quantitative (financial) information is disclosed in value creation.

3. Research results

3.1. Results of the quantitative data analysis

To address the research question RQ1 *Do the entities in the IIRC Pilot Programme include value creation sections in their annual reports?*, we analyzed the structure of the integrated reports. Less than 50% of the analyzed samples included in their integrated reports dedicated sections about value creation (AB Volvo, Aegon, Enagas, Enel, Gold Fields etc.). There are also organizations who disclose information about value creation in other sections of the annual report, such as the section about sustainability, or the section about corporate governance (Inditex, Flughafen Munich, Port Metro Vancouver). One special case is represented by the organizations who have a high level of integration of information about value creation (Natura). In these cases it is not possible to identify one section dedicated to value creation; instead, the process is described throughout the entire annual report.

In terms of the types of information disclosed in monetary terms which can be associated with value creation and/or value distribution, we noticed that for certain stakeholder groups (government, creditors, employees) organizations disclose expenses incurred and payments, while for others there are presented payments, liabilities, or investments (society, environment). Dividends paid are disclosed more frequently than dividends distributed. These aspects have a negative impact on the comparability of information regarding value creation.

Regarding the research question RQ2 *Do the entities in the IIRC Pilot Programme disclose the value added statement?* we determined that there are organizations which describe the value creation in VASs. 28 organizations in our sample (29.17%) present a VAS. Of these, 13 use the dual approach recommended by Haller and van Staden (2014). VAS is different from other performance reporting tools insofar as it brings a twofold approach, disclosing information on value creation and value distribution. A summary of the information disclosed by the organizations in our sample per stakeholder groups in the VASs is presented in table no. 2.

Table no. 2: Information presented in VAS

Stakeholder group	Average % of VA distributed to the group	Number of VASs disclosing distributions to the group	Of which, number of VASs prioritizing the group
Employees	38,66	27	14
Government	20,14	26	7
Group	15,97	21	5
Investors	14,42	25	2
Creditors	6,23	23	0
Other interests	2,41	6	0
Society	2,17	13	0

We note that while society was presented in many annual reports as a mixed group including several stakeholders, in the VASs the distribution of VA to society is presented separately. There is no organization that discloses distributions to the environment. Although only six organizations disclose distributions to other interests group, the percentage allocated to this group is higher than the percentage allocated to society.

The IIRC received several requests and suggestions from organizations to provide concrete examples of indicators that can be used in integrated reports. Therefore, we believe that in terms of value added it is important to identify *other indicators used in the analyzed reports (aside from the VASs) to disclose value creation*. Of these, we mention: EVA (CCR), profit (Novo Nordisk, Uralsib), total performance (The Crown Estate), REBITDA per number of full time employees (Solvay), social impact, total revenues (Enagas), cash flow (Inditex), profitability improvement, and higher exposure to brands (Vivendi). EnBW presents the value creation starting from the average value of capital employed, using the formula Value Added = (Return on capital employed – Weighted average cost of capital) x Capital Employed, without providing other details on the distribution of value. We believe that the use of VASs can contribute to the improvement of quality of value added disclosures in the integrated reports.

The general results regarding the information related to the VA distributed to different stakeholder groups are summarized in Table no. 3. They show that generally organizations do not take into consideration all the stakeholder groups when disclosing information about value creation. Therefore, the fact that for none of the stakeholder groups mentioned in the International Integrated Reporting Framework there cannot be found information in all the integrated reports leads to a negative answer to the research question RQ3 *Do the entities in the IIRC Pilot Programme disclose information about value creation for all the stakeholder groups?*

Table no. 3: The number of companies presenting financial information about VA for stakeholders groups

Stakeholders group	Number of companies which disclose information		Average	Standard deviation
	Number (N = 95)	Percentage		
Government	77	81.05	0.81	0.39
Employees	70	73.68	0.74	0.44
Investors	70	73.68	0.74	0.44
Financial creditors	66	69.47	0.69	0.46
Organization	65	68.42	0.68	0.47
Society	34	35.79	0.36	0.48
Environment	26	27.37	0.27	0.45
Customers	21	22.11	0.22	0.42

The disclosure of information about value creation for investors was analyzed in the context created by the IIRC preference for this particular stakeholder group as the main user of information in the integrated reports. The choice was criticized in the literature (Flower, 2014). Adams (2015) states that it is unrealistic to expect organizations to disclose information about value creation for other stakeholder groups (i.e. society) before the information about value creation for investors. We noticed that there are more organizations that disclose information about value creation and distribution to the government (81%) as compared to the number of companies which disclose information about value creation for investors (73%).

Approximately half of the analyzed organizations make explicit reference to the shareholder value, separately from the value for other stakeholders (Deutsche Bank, Indra, Interserve, Novo Nordisk etc.). In the content of the analyzed annual reports, there are 13,674 instances in which the word “value” is used in the context of value creation. Out of

these, the word “value” is used 254 times in relation with the shareholders (0.2%). Therefore, the answer to the research question RQ4 Is the term „value for investors” more frequently used than the value for all other stakeholder groups? is negative. Nevertheless, the investors group is prioritized, as the information about the dividends distributed and/or paid is disclosed in the majority of the analyzed reports.

The information above indicate a multi-stakeholder model, used in a manner that ensures benefits for the organization in relation to certain stakeholder groups which are perceived as privileged in terms of legitimacy. This approach is specific to marketing communications, and it can be attributed to the significant influence exercised in the preparation of integrated reports by the marketing, communications and/or public relations departments in the organization. It may also be an indication of the use of annual reports as marketing tools, to attract investors and customers oriented toward socially responsible organizations.

The total score that could be assigned to an organization for the disclosure of financial information about VA was situated between 0 and 8. The frequency with which the organizations included in our sample were assigned a score is presented in Table no. 4. The results show that only two organizations disclose information about value creation for all stakeholder groups. We notice that most of the companies register an above average score. Yet, many companies register a score of zero; these organizations do not integrate the financial and nonfinancial information in their annual reports, and instead of providing the financial figures they narratively disclose the story of their organization.

Table no. 4: The frequency of the total quantitative scores

Score	Frequency	Score	Frequency	Score	Frequency
0	12	3	5	6	20
1	2	4	14	7	13
2	7	5	23	8	2

In order to answer the research question RQ5 *What are the stakeholder groups for which entities disclose less information regarding value creation?*, we assigned scores from 0 to 2 for the disclosure of the information regarding the VA distribution for the customers, environment and society. The frequency with which these scores were assigned is presented in Table no. 5. The table shows us that most of the companies do not disclose information related with the VA distribution towards the customers, environment and society, thus supporting H5. The organizations that disclose information about value creation for society do so in the form of financial information. The results are correlated with the information in Table no. 2, which showed that society is included as a stakeholder in the VAS, while the customers and the environment are not. We understand the correlation as an indication of consistency in terms of the organizations’ willingness to disclose financial information in the VASs and other sections of the annual report. This behavior supports the use of VAS as a reporting instrument for value creation.

Table no. 5: The frequency of the qualitative scores registration

Score	Customers	Environment	Society
0	47	39	49
1	31	36	22
2	20	23	27

The correlation matrix built on the basis of the data extracted from the integrated reports is presented in Table no. 6.

Table no. 6: Correlation matrix

Series	Value	Series	Value	Series	Value	Series	Value
03-01	-0.326**	11-04	0.232*	10-07	0.486**	14-13	0.428**
13-02	-0.404**	12-04	-0.236*	11-07	0.468**	16-13	0.822**
16-02	-0.374**	15-04	-0.302**	09-08	0.626**	17-13	0.478**
17-02	-0.244*	09-05	0.273**	10-08	0.671**	15-14	0.207*
04-03	0.417**	14-05	0.293**	11-08	0.654**	16-14	0.391**
07-03	0.342**	17-05	0.244*	12-08	0.258*	17-14	0.893**
08-03	0.409**	13-06	0.346**	15-08	0.251*	16-15	0.289**
09-03	0.423**	14-06	0.260*	10-09	0.434**	17-15	0.314**
10-03	0.384**	16-06	0.309**	11-09	0.417**	15-16	0.289**
11-03	0.439**	17-06	0.262*	11-10	0.631**	17-16	0.559**
16-03	0.229*	08-07	0.626**	16-10	0.204*		
07-04	0.209*	09-07	0.349**	15-12	0.776**		

Note: **. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The results show that the number of pages of the integrated report is correlated with the presentation of the information regarding the VA distribution for all the traditional stakeholders (employees, government, investors, financial creditors, organization). These variables are correlated with each other as well. Therefore, a report which includes financial data presented for different types of stakeholders has a larger number of pages.

It is interesting that the disclosure of VAS is only correlated with the disclosure of the VA for the environment and society (quantitative and qualitative). It means that most of the times the information about VA distributed to the environment and society is not included in other sections of the integrated reports. The same correlations were also established for the industry.

However, the presentation of the information regarding value creation and distribution to the customers, the environment, or the society does not depend on the number of pages. The disclosure of the information for the customers depends only on the disclosure of the information for the government and on the score awarded after the qualitative analysis of the information for this group of stakeholders. The information concerning the environment is correlated with the disclosure of VAS, with the disclosure of the information for the society and with all the other qualitative scores. A similar situation is noticed for the society (which is correlated with the environment and the qualitative information). The qualitative scores for the customers depend on the disclosure of all the other information on groups of stakeholders, except for the ones specific to the employees. The qualitative scores for the environment and for the society depend on the presentation of VAS and of the information specific to these groups of users.

3.2. Results of the qualitative data analysis

The content analysis of the 43 annual reports selected for the qualitative study shows that, generally, when value creation is described, the directions provided in the IIRF are followed: the business model, strategy and capitals employed, for all stakeholders. The association between value creation, strategies and the business model is characteristic to a significant number of integrated reports. The business mode includes value-generating activities (ACCA, Aegon, Akzo Nobel), is defined depending on the organization's ability to create value (Solvay), or it is described in full detail to explain to stakeholders how value is created (ARM, Itau, The Crown Estate). Some organizations state that they implemented new strategies for value creation (AES) and set the creation of more value as a long term objective (AES, HSBC). SAP connects its business model and strategy to create value with its major growth opportunities. The approach based on Porter's value chain is also frequent (Via Gutenberg, AB Volvo, Aegon etc.).

We noticed that organizations use the sections dedicated to the description of *the way they create value* to also disclose information about their differentiation strategy (from competition). The aspects that provide the organization with a competitive advantage are emphasized, such as innovation, sustainability, excellence, responsibility, adaptability.

Value is created through innovation at Akzo Nobel: use of renewable resources, focusing on the value chain, investment in talents, and career planning. Masisa suggests selling innovative products for generating VA. At Fibria, innovation is part of value creation at many levels: business model, innovative development of product and methods, innovations from employees. Fibria Celulose adopts an innovative business model called "asset light": by selling properties located in remote, barely accessible areas and identifying other sources of raw materials near the wood processing centers, the company becomes flexible and adaptable. The managerial philosophy of Freund Corporation, "develop the future through creativity", is materialized by the creation of new products, identification of new markets and innovations in management and interpersonal relationships. Freund stimulates innovation within the organization or within collaborations with other organizations. This is a key input for value creation, linked to relationship capital, and identified by the IIRC as "joint technological development" (IIRC, 2013c, para. 2.28).

Organizations pursue sustainable growth concurrently with value creation (Takeda, Garanti, Royal BAM Group). Novo Nordisk sets three social targets which help to generate value; the Triple Bottom Line principle supports value creation in three ways: makes the organization more adaptive to its business environment, strengthens its competitive edge, and is an engine for innovation in collaboration with partners. FMO describes the following means used to create value, associated with sustainability: using and sharing (with clients) knowledge and experience in environmental protection, social and governance (ESG) improvement measures, initiating sector-wide environmental and social (E&S) initiatives.

Enagas suggests a dual approach to value creation, which results from sustainable management and excellence (in other words, from providing innovative services that contribute to sustainable development). Other organizations describe the value creation as a result of excellence in their activity: organizational excellence (Port Metro Vancouver, Generali), the excellence in the quality of products and services (Enel, Jones Lang la Salle, Melia Hotels International), and operational excellence (Fibria).

Social responsibility also reflects how organizations create value. Danone's value proposition is to "Bring health to the largest number of people through food". Deutsche Bank creates value through "responsible banking". BASF suggests an original concept - "value-value" - which "highlights robust and quantified examples of how BASF generates economic value through providing solutions for societal needs and environmental challenges". Value can also be created at the customer, for example by the sale of products (more efficient in terms of consumption) or by providing better services, that have a positive impact on customers' business models.

Organizations declare a variety of *stakeholders for which they create value*, ranging from one to twelve stakeholder groups. We found that there is a lack of consistency in presenting and defining stakeholder groups. This is reflected in the form of classifications of stakeholder groups provided in the sections about value creation, different from classifications provided in other sections of the same annual report. For example, AB Volvo discloses in the narratives section of the annual report that it generates VA for shareholders and society, but in the financial statements it includes six stakeholder groups (suppliers, employees, society – including the state, creditors, the group, and investors). FMO creates added value for their clients and to the markets they are active in, but enumerates the following groups of stakeholders: clients, partners, investors, government and ministries, NGOs, knowledge centers and universities. Randstad states that value is created for society as a whole, but later on it describes the following stakeholder groups: customers, candidates, employees, shareholders, society and the labor market. Solvay, Tata Steel Limited, Transnet create value for all stakeholders, without making any other classifications or clarifications.

The dual approach specific to the IIRF (creation value for shareholders *as well as* for other stakeholders) is present in some of the annual reports (e.g. CPFL, Novo Nordisk). In other similar reports, "other stakeholder groups" are called "society at large". Therefore, the term "society" is used for communities, but also for the state/government and other stakeholders, different from one entity to another. AB Volvo includes the social costs, pensions, taxes and fees in the VA distributed to society. Aegon initially uses the term "society" for all the stakeholders, but in another section of the annual report it divides them into customers, *but also* employees, business partners and investors, local communities in which it operates. In the report issued by Akzo Nobel the stakeholders are customers, investors, employees and society at large, while the organization creates value for employees, environment, customers and the community (donations, grants, taxes). Pricewaterhouse Coopers creates value for society, customers and employees.

Other organizations talk about creating value for only one stakeholder considered to be significant (e.g., Aegon and bankmecu for the society, Vivendi for investors), while in another part of the annual report they add further details. Generali presents the primary stakeholder groups for which it creates value (the financial community, clients, human resources and distribution channels), but at the same time it places customer value at the center of its commercial activities. Some companies use the marketing-specific triple association between stakeholders – shareholders – customers while describing value creation (Freund Corporation, Enel).

Sometimes it is mentioned explicitly and separately the value created for customers (Generali, Enel, FMO etc.), or it is integrated in the same phrase as the value for shareholders (Akzo Nobel, Deutsche Bank, Garanti). The Akzo Nobel integrated report

states that the manufacturing of better products for customers will finally generate value for shareholders. Deutsche Bank aims to ensure a balance between VA for clients and for investors. Customers and investors are also the most important stakeholders for Garanti. However, Garanti mentions value creation for stakeholders and society, which shows that these concepts should be better defined by the IIRC.

Organizations include communities in describing the value creation. Usually the positive aspects in terms of value distribution are mentioned (donations, sponsorships, social investment, investment in education etc.) along with the organization's impact on the community in which it operates (increase in employment rates, participation in programs, community involvement etc.). The references to community are more frequent in the case of companies that base their activities on natural, human and relationship capital (Fibria, Inditex, Interserve, Natura). Representative in this respect is Gold Fields, which discusses in detail the importance of relationships with the host communities for mining "for the sustainability and growth of the business". In this manner, Gold Fields explicitly describes the strategic value of communication on the creation and distribution of value to acquire the organizational legitimacy - the establishment and maintenance of a strong social license to operate from the host communities.

In terms of *the capitals used by the organizations to create value*, in the IIRF the following types of capitals are mentioned: financial, manufactured, intellectual, human, social and relationship, and natural (IIRF, par. 2.15). By analyzing the integrated reports, we found that the description of capitals is dependent on the industry in which the organization operates. Organizations in the financial community mainly use financial and human intellectual capital (Aegon: talent, expertise, trust, Singapore Accountancy Commission: human, intellectual and social; LeasePlan Corporation: human and organizational). Services providers (Interserve) and organizations relying on distribution networks (Natura, Enagas) make detailed presentations about relationship capital. ACCA discloses that it uses intellectual capital (intellectual property), manufactured capital (offices, IT infrastructure), financial capital, human capital (employees), social and relationship capital (brand, partners, suppliers).

Other organizations state that they use all six forms of capital provided by the IIRF (e.g. Transnet, Melia Hotels International). At Sasol, the long-term value is guaranteed by employees (human capital), partners, customers and suppliers (relational and social capital), the range of projects and long-term vision (intellectual capital).

Without explicitly using the word "capitals", Enagas mentions the resources used for value creation: financial, human, natural, material, and supply chain. Supply chain can be understood as a form of social and relationship capital. Interserve defines four types of capitals: financial, social (people and communities), natural and knowledge capital.

The description of *plans that the organizations have on the long-term for value creation* usually results from the description of strategies. Creating long-term value is part of the organization's strategy (BASF, Garanti etc.) and it is frequently presented as the result of the competitive advantage or the organization's position on the market. The information related to customers is emphasized; therefore marketing communication is used.

Repsol creates long-term value by integrating "corporate accountability expectations of stakeholders in the decision-making process." CCR links the business model ("the attributes of the competitive advantage") with the long-term value creation. On the medium

and long The Crown Estate is focused on sustainable value creation, customers and the commitment of stakeholders. Employees are encouraged to create long-term value (BASF, Royal BAM Group, Akzo Nobel). Long-term value creation depends on the markets in which the organizations operate (e.g. Aegon). A way to create long-term value is reinvesting capital in activities which improve the organization's competitive edge. Enel intends to create value in the future by strengthening its leadership position, which is the foundation of future development. It relies on intellectual capital (technological innovation) and manufactured capital (geographically and technologically well diversified asset portfolio) to create value in the long term.

Some organizations present the long-term value creation at the client/customer. For example, AB Volvo used buy-back programs to reduce the customer's costs. Its employees have the resources (for example, manuals) that help them to extract as much as possible when disassembling the products, to be reused. The long-term value creation is taken into account by manufacturing more efficient products starting with the design phase.

One of the contributions brought by integrating reporting to the development of financial reporting is that it presents the intangible values together with the tangible values. The objectives of SK Telecom are presented in the annual report on three dimensions of value: "creating new values (Value Creation)," "delivering optimized values (Value Delivery)," and "sharing values with society (Value Sharing)." Some organizations state that they create public value (for example, ACCA). Most organizations disclose that they obtain VA (tangible value) as profit.

Intangible value is usually created for stakeholders other than the investors. Akzo Nobel creates social value (it helps employees to grow and they continue to innovate to deliver more sustainable products and solutions to customers), human value (employee engagement, training, development), environmental value (improving the environmental footprint – eco-efficiency). In some annual reports the organizations state that they generate many types of value for society (as a whole, representing all the stakeholders) through the business model (bankmecu). PriceWaterhouse Coopers wants to improve the employees' value (intangible) and the value at the client. Value for the employees is represented by the appreciation they receive within the organization and also in the collaborations with the clients. Vivendi discloses "financial information and social concerns".

The organizational culture and philosophy of Inditex involves the creation of tangible value (financial profitability) and intangible value: shareholders' confidence in the quality of the organization's corporate governance, customers' confidence in the products they buy, the continuous improvement of working conditions in the supply chain, and the organization's ability to collaborate with charitable organizations to develop community programs.

Conclusions

The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time (IIRC, 2013b). Both aspects are important for our research: stakeholders and value creation.

For the analysis of data, we used a mixed approach; none of the two analyses is purely qualitative or quantitative. The qualitative analysis, based on reviewing thousands of pages, helped us to gain a better understanding of what companies report: indicators in

conjunction with narratives. Our sample was made up of the most representative organizations in the area of integrated reporting. We built our hypotheses starting from the idea that they are observing the requirements of the IIRF. However, our results showed that organizations have partially and selectively adopted/used the IIRF.

Our study is representative in the field of integrated communication of value creation for the sustainable organization. We used a large sample of companies, which allowed us to formulate pertinent conclusions. Our work brings an important contribution to the understanding of value creation disclosure, by pursuing several aspects, including the VAS.

As opposed to most marketing research, focused on studying the relationship between an organization and the consumers, our study takes into consideration a variety of stakeholder groups. We identified the following indications that the annual (integrated) report is used as a marketing tool, especially with respect to the section about value creation:

- Most organizations report primarily for shareholders and customers;
- There is no clear definition for VA, even in the case of organizations that disclose quantitative information about VA (cash flows vs. expenses and revenues);
- Quantitative information is not disclosed, even in cases when it could easily be extracted from the accounting records (for example, expenses related to salaries), as compared to the abundance of qualitative and especially narrative information.

In terms of stakeholder groups for which value creation is disclosed, the adoption of the IIRF involves distinct disclosures for shareholders. Instead, some organizations did not disclose any specific information about the value created for shareholders, or prioritized disclosures for other stakeholder groups such as customers. The majority of organizations reported for a multitude of stakeholder groups, without placing the shareholders at the center of their reporting model. As to the nature of information presented for shareholders, the value of dividends paid is disclosed more frequently than the value of dividends distributed for the same financial year. This is not comparable with the information about value creation, since it involves income from two separate financial years. Therefore, it is our opinion that the shareholder-centered multi-stakeholder approach has not been assimilated by the majority of organizations.

Regarding the contributions of our study, we noticed the lack of comparability associated with the disclosure of conceptually heterogeneous information, in the process of providing a picture of value creation and distribution: expenses, cash payments, revenues, cash receipts. We also noticed that a small number of organizations define VA, and in very different forms, which is supported by the large number of indicators used to report VA. The value created for employees is presented in detail in the narrative section of most annual reports. However, we had difficulties in extracting information about salaries expenses and other expenses related to employees. Society is also defined in different forms from one organization to another, and even within the same annual report. It is our opinion that the IIRC needs to develop further examples about value creation reporting and to provide clear definitions of the terms used.

There is previous research showing that a manager's position on a proposed reporting standard is thought to be driven by the proposal's influence on his expected utility in terms of economic consequences (Durocher, Fortin and Cote, 2007). Our study indicates that

there are some organizations that adopted the IIRF insofar as it served their interest. It is an opportunistic behavior, indicating that organizations try to gain a competitive advantage through the affiliation to the IIRC Pilot Programme, even if the main IR principles are not yet fully incorporated in their reporting practices.

The limitations of our study consist primarily of using the integrated reports issued within a single financial year. The data was extracted from a single source (the annual/integrated report), in order to support conclusions based on this particular type of reporting and communication, with the risk of excluding information presented in other types of corporate communications. One of the directions for future research that we envisage is a more developed quantitative analysis based on the relative amounts of the value distributed to different groups of stakeholders. In addition, we intend to perform more detailed analyses of stakeholder groups that could result in further classifications, based on the information from the narrative sections of annual reports, in conjunction with the information in VASs and financial statements.

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