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Integrated reporting: A cross-cutting theoretical view on its use and value

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Orientation: Diverging views on the relevant content and target audiences of financial and non-financial reporting have caused a proliferation of reporting standards. This has led to calls for integration and convergence in approaches.

Research purpose: Wide-ranging findings have been reported on the drive behind and consequences of integrated reporting (IR). Theoretical perspectives used to review financial and non-financial corporate reporting were critically compared to propose a cross-cutting theoretical view on IR, thereby enhancing multidisciplinary dialogue.

Motivation for the study: Integrated reporting has pointed to fragmentation in corporate disclosures. The call for integrated thinking also exposes not only divergent reporting approaches but also a gap between two main schools of thought in accounting research and theory.

Research approach/design and method: A critical literature review was conducted, examining scholarly research on IR, practitioner reports and relevant textbooks to propose a cross-cutting theoretical lens on why and how companies disclose specific information in certain reporting formats.

Main findings: Theoretical viewpoints on IR centre on accountability or efficiency. Yet, contrasting conclusions are drawn on the decision usefulness for various target audiences. As such, an aspirational efficiency view is proposed to reconcile accountability and efficiency considerations in future IR investigations.

Practical/managerial implications: The refined understanding of reporting efficiency, disclosure quality and key users sheds light on reporting ideologies that idiomatically 'talk past one another'. The proposed theoretical view can be applied in future research on how IR strategically integrates diverse information sets.

Contribution/value-add: The proposed theoretical view builds on components of theories applied in corporate reporting research to conjunctively account for accountability and efficiency.

Keywords: integrated reporting; aspirational efficiency; accountability; legitimacy; stakeholders; disclosure.

Introduction and rationale

Corporate reporting has arrived at a crossroad where pointed questions are asked about the disconnect between siloed financial and non-financial disclosures (Adams 2015; De Villiers, Venter & Hsiao 2017). While the International Financial Reporting Standards (IFRS) and the Global Reporting Initiative (GRI) offer detailed guidance on financial and sustainability reporting, respectively, concerns were raised since the 2000s that the resultant reporting was siloed, complex and insufficient to meet the evolving information needs of several stakeholders (De Villiers, Rinaldi & Unerman 2014). These reporting ideologies idiomatically 'talked past one another'.

It became evident that existing corporate reporting models had to be re-examined, given the complexity and heterogeneity of underlying concepts and increasing interest in non-financial performance disclosure (Stolowy & Paugam 2018). The reporting debate was accompanied by a growing body of research on whether and how economic and sustainability goals can co-exist in corporate value propositions and business models. Some scholars view sustainability goals as a trade-off whereby companies should choose between profit maximisation and their societal impact, while others argue that companies can incorporate societal demands and re-think their business models to innovatively align financial and sustainability goals (Alberti & Varon Garrido 2017; Menghwar & Daood 2021).

At the start of the 2010s, the time was ripe for integrated reporting (IR), as reporters and report users showed particular interest in the connection between financial and sustainability performance

(Beck, Dumay & Frost 2015; Camilleri 2018). In response to deliberations on 'blended value' reporting, the International Integrated Reporting Council (IIRC 2013) proposed the International <IR> Framework. By implication, the IIRC (2013) suggested that economic and sustainability goals can be integrated, and that the outcomes thereof should be reported in an integrated format to augment financial and sustainability reporting. The IIRC (2013) furthermore proposed that a primary stakeholder group, namely the providers of financial capital, deserves a tailor-made report to explain how a company creates value over time. Value creation should be explained with reference to six types of capital, namely financial, manufactured, intellectual, human, social and relationship and natural capital.

Numerous IR scholars have initially examined the generation of integrated reports, while the quality and impact of integrated reports have received greater attention in recent years (Dumay et al. 2016; Rinaldi, Unerman & De Villiers 2018). After 10 years of experimentation with IR, it was evident that a more critical assessment of its usefulness is required. Scholars who focused on the decision usefulness and accountability of both financial and non-financial reporting have consulted several theories and often applied market efficiency and legitimacy perspectives. These approaches reflect economic and accountability analyses to interpret the motivation behind and value of corporate reporting (Deegan & Unerman 2011; eds. Gray, Bebbington & Gray 2010; Hoque 2018).

This study responds to calls for a more nuanced theoretical lens in order to improve understanding and assess the merit of IR (Cho et al. 2015; Rinaldi et al. 2018; Unerman & Chapman 2014). While reporting practice has shown a gap between financial and non-financial disclosures, accounting theory and research have also shown a disconnect between efficiency and accountability schools of thought in analysing financial and non-financial reporting. The arrival of IR signals a call for integrated thinking, as well as integration across related theories.

In addition to refining the scholarly and practical understanding of stakeholder information needs, the merit of IR is related to the efficiency of the reporting organisation, the market and the accomplishment of societal goals. For the purpose of this study, efficiency is interpreted as signalling the productive and optimal use of resources, notably relevant information collected, processed and optimally communicated to meet the information needs of diverse stakeholders. Seeking to bridge the identified knowledge gap, the objectives of this study were twofold: firstly, to critically reflect on theories that were applied by prior corporate reporting scholars, and secondly, to propose a cross-cutting theoretical lens on IR.

The methodology pursued was a critical literature review of scholarly research on corporate reporting, with a specific focus on IR, as well as a reference to South Africa where IR is most established. Peer-reviewed journal articles and research volumes on IR, as well as relevant textbooks and industry reports, were considered. Examination of the theories applied considered accounting theories focused on open systems, markets and the external context within which organisations report, seeking to meet the information needs of external players and capital markets.

This study proposes an aspirational efficiency perspective that bridges the gap between two schools of thought. The proposed cross-cutting theoretical lens connects legitimacy, stakeholder, institutional and efficiency viewpoints while acknowledging that investors do not necessarily respond in a rational manner to information at their disposal. The aspirational element of the proposed theory highlights the reality that markets are not fully efficient, and investors are not completely objective. The proposed theory also acknowledges the substantive nature of legitimacy by not only reflecting on inputs and reporting processes but also output legitimacy and long-term efficient outcomes.

After a summary of the methodological approach, the following section provides a theoretical overview of accountability and efficiency perspectives. Based on the comparative discussion of theories that were used in prior reporting studies, the aspirational efficiency view is proposed. This theoretical lens can be used to enlighten future deliberations on the capacity of IR to bridge divergent reporting formats.

Methodological approach

The literature on corporate reporting, with a specific focus on IR, and applicable theoretical lenses were critically reviewed based on the guidance provided by Wallace and Wray (2011) and Mingers (2000). According to Wallace and Wray (2011), a critical literature review can be defined as a 'constructively critical account, developing an argument designed to convince a particular audience about what the published literature (theory, research, practice or policy) indicates and is not known' about a specific topic or research question(s).

Wallace and Wray (2011) specified that criteria should firstly be set for selecting sources. A rationale should be provided for the selective inclusion of specific parts of the sources. Thereafter, a critical synopsis should be provided, before reporting synthesised outcomes in a logically structured manner. Moreover, Mingers (2000) outlined four key aspects to a critical literature review, namely scepticism towards rhetoric, tradition, authority and objectivity. Rhetoric refers to the logical soundness and manner of expression of arguments, while tradition is related to assumptions about acceptable practices. Authority pertains to legitimacy assumptions and finally deciding whose views should be objectively included in the review.

The following selection criteria were set to select sources for inclusion in this critical literature review: Peer-reviewed journal articles, research volumes, textbooks and practitioner reports that covered corporate reporting or IR and related theoretical lenses. Key elements of the selected sources were recorded, including author(s), journal or book or report or article name and year of publication. Details on the theoretical lens(es), methodology and key findings were also recorded.

A critical synopsis was then constructed, followed by conclusions. Assumptions related to the discussed theoretical lenses are mentioned in the theoretical review. In order to enhance consistency and objectivity, the reported observations and derived conclusions were rechecked against the included sources to confirm their applicability.

Theoretical overview

Several benefits of corporate reporting as defined by the IIRC (2013) and the GRI and International Organisation of Employers (GRI & IOE 2014) were discussed, as shown in Table 1. These benefits are linked to various theories adopted in order to assess organisational performance management, accounting and reporting from multiple disciplinary perspectives.

Perusal of Table 1 illustrates the scope of developing a cross-cutting theoretical perspective that can be used by practitioners and future IR researchers from multiple disciplines to reflect on the use and value of IR. Such a theory should ideally enhance efficiency and effectiveness in internal management systems and governance, engagement with diverse stakeholders and accountability for societal impact.

TABLE 1: Motivations for corporate reporting and related theories.

Internal benefits	Related discipline and theory	External benefits	Related discipline and theory
Vision and strategy: influencing management to adopt a long-term strategy, policy and business plans	**Business development and strategy:** organisational theory, economics and transformation, foresight	**Reputation and trust:** mitigating (or addressing) negative environmental, social and governance (ESG) impacts, improving reputation and brand loyalty and enhancing transparency	**Marketing and public relations:** Legitimacy theory and social contract
Management systems: streamlining processes, improving efficiency, linking financial and non-financial performance, benchmarking performance, improved financial returns	**Operations and organisational performance management:** organisational theory, efficiency or productivity	**Attracting capital:** improved insight in risks, opportunities and long-term value creation potential, reduced information asymmetry and provide more decision-useful information to the providers of financial capital	**Corporate finance, accounting and investment management:** efficient market theory, prospect theory, shareholder primacy theory, and principle–agent contract
Strengths and weaknesses: improved understanding of material risks and opportunities	**Risk management:** finance and behavioural psychology, agency theory, stakeholder theory	**Stakeholder engagement:** enable external stakeholders to understand the organisation's value, tangible and intangible assets, demonstrate how the firm meets stakeholders' expectations	**Public relations:** stakeholder theory, legitimacy theory and social contract
Improved governance: integrated thinking and decision-making, employee motivation	**Governance and human resource management:** agency theory, stewardship theory and human relations	**Competitive advantage:** more informed assessment of key trends, economic, market and industry forces	**Strategy:** resilience, market or industry positioning
Improved communication: more efficient and cohesive internal and external communication	**Communications:** agenda setting, discourse	**Enhanced compliance, accountability and stewardship:** multiple and interdependent capitals	**Public and governmental relations:** institutional theory, legitimacy theory, stewardship theory and resource dependency

Source: Compiled by the authors based on International Integrated Reporting Council (IIRC), 2013, *<IR> Framework*, International Integrated Reporting Committee, London, revised 2021 version, viewed 24 February 2021, from https://integratedreporting.org/wp-content/uploads/2021/01/InternationalIntegratedReportingFramework.pdf; Global Reporting Initiative (GRI) and International Organisation of Employers (IOE), 2014, *Small business, big impact*, Global Reporting Initiative and International Organisation of Employers, Amsterdam and Geneva, viewed 24 February 2021, from https://www.ioe-emp.org/fileadmin/ioe_documents/publications/Policy%20Areas/sustainability/EN/20171113_Small_business__big_impact_-_publication_ENGLISH_version.pdf.

In the domain of contextual and open system theories, accounting researchers that explored corporate reporting have historically focused on the legitimacy, stakeholder and institutional theories (Deegan & Unerman 2011; Gray, Owen & Adams 1996; Hoque 2018). In combination, these theories offer an accountability perspective on IR (De Villiers, Hsiao & Maroun 2020). The argument is that a reporting organisation maintains its social licence to operate by securing the perceptions of society, stakeholders and industry peers that it meets specific reporting norms (Deegan 2018).

Accountability views on IR will be presented in the following two sections, followed by a discussion and critique on the IIRC's guidance and target audience. Thereafter, an overview of studies that adopted an economic outlook will be provided. Capital market efficiency is arguably at the heart of IR, as it seeks to bridge the gap between reporting on value creation and investors' assessment thereof (KPMG 2012). Numerous scholars likewise focused on the business case for IR, as reported in the overview of prior studies presented in the efficiency perspectives section.

Integrated reporting as a legitimising strategy

According to legitimacy theory, organisations seek to meet societal expectations and display conformity to a societal value system through reporting (Dowling & Pfeffer 1975). Organisations, and by implication their reports, may accordingly seek to achieve the accounting objectives of decision usefulness and accountability to build legitimacy from the viewpoint of specific stakeholders.

Considering the views of Weber (1968) on legitimacy and substantive rationality, legitimacy can be based on approval from a greater number of stakeholders (popular legitimacy) or on the convincing power of specific experts (expert legitimacy). This distinction resembles the differences between symbolic and substantive legitimacy and between outside-in (external societal pressure) and inside-out perspectives (management's response to external developments) (Burritt & Schaltegger 2010).

As managers can influence stakeholders' perceptions through communications, symbolic disclosure may be used to communicate changes in behaviour in an attempt to repair poor legitimacy (Suchman 1995). As such, depending on whether legitimisation techniques reflect a real change in corporate operations, the legitimation strategy of a company can be described as substantive or symbolic (Deegan & Unerman 2011). While few studies on non-financial reporting have applied this distinction (Chelli, Durocher & Fortin 2018), several authors referred to these legitimisation strategies when assessing IR (Ahmed Haji & Anifowose 2017; Setia et al. 2015).

Some scholars have accordingly classified companies based on the nature of their reporting, as quality reporters (linked to substantive legitimacy) or window dressers (linked to symbolic legitimacy). A so-called quality reporter publishes more comprehensive and consistent information (Borgstedt et al. 2019), while the disclosure of misleading information is related to 'greenwashing' (Mahoney et al. 2013). Some legitimacy theorists suspect that companies with lower sustainability performance or a bad corporate reputation tend to disclose more information in an attempt to legitimise their actions (Buitendag, Fortuin & De Laan 2017; De Villiers & Van Staden 2011). Yet, an increase in the volume of disclosed information does not per se equate to higher company performance (Hassan & Guo 2017).

Selected South African chief executive and chief financial officers confirmed that legitimacy is an important consideration when publishing integrated reports in a market where IR is a listing requirement (Steyn 2014). Research on the mining and finance industries employed legitimacy perspectives to illustrate how mining companies and banks use IR to safeguard their licence to operate (Maroun 2018; Van Zijl, Wöstmann & Maroun 2017). Interviews with South African investors (Atkins & Maroun 2015) confirmed that 'good' corporate reports offer better quality information and advance credibility, thereby helping organisations to meet the expectations of priority stakeholder groups.

Based on an examination of award-winning South African integrated reporters, Ahmed Haji and Hossain (2016) concluded that their disclosures are often generic and lack substance. Setia et al. (2015) likewise referred to symbolic disclosures, as several listed companies appear to merely follow the IIRCs (2013) guidance to the letter. Other authors have also criticised South African companies' integrated reports for poor materiality (Marx & Mohammadali-Haji 2014), complex language usage that impaired the readability of reports and by implication the value that stakeholders can derive from them (Du Toit, Van Zyl & Schütte 2017). Legitimacy initiatives are hence often linked to specific stakeholder audiences.

Stakeholder and institutional perspectives on integrated reporting

Based on the stakeholder theory (Freeman 1984), it can be argued that corporate disclosures should account for the information needs of different stakeholder groups. Reflections on whether corporate disclosures are driven by economic motives or accountability points to two branches of the stakeholder theory, namely managerial and normative approaches. While the normative approach considers the intrinsic right of stakeholders to be treated fairly (Stoney & Winstanley 2001), the managerial view more pragmatically manages stakeholder audiences in terms of their relative power, legitimacy and urgency in posing demands (Mitchell, Agle & Wood 1997). The managerial perspective hence acknowledges that different stakeholders, and not only shareholders, have economic interests. As such, the managerial perspective is likely to result in more substantive disclosures (Brennan, Guillamon-Saorin & Pierce 2009).

Historically, the sustainability reporting movement has focused on the intrinsic rights of and engagement with stakeholders (Perego & Kolk 2012). It advanced a new approach to the objective of accountability, and 'stakeholder inclusiveness' was established as a core reporting principle of the GRI guidelines (Grushina 2017). The multistakeholder approach, including decisions on relevant content and assurance, was deemed critical in enhancing reporting legitimacy (Perego & Kolk 2012). However, an inclusive process can still produce different disclosure formats targeting select priority audiences.

While the managerial branch of stakeholder theory tends to be more positivist than normative in approach, non-financial reporting standards increasingly describe what information a firm 'should' disclose to select stakeholders including investors. The Sustainability Accounting Standards Board (SASB 2018) offered reporting guidance on an industry basis. Based on investor pressure, sector peers may voluntarily adopt reporting norms without clarity on whether these norms actually improve organisational efficiency. As such, institutional pressure towards isomorphism is strengthened (DiMaggio & Powell 1983).

Scholars have been raising concerns for decades that similar reporting formats might be used to conform to external expectations to reinforce legitimacy (DiMaggio & Powell 1983; Perego & Kolk 2012) despite being decoupled from actual corporate practices (Meyer & Rowan 1977). The potential disconnect between the actual corporate practices and the publicly pronounced practices is referred to as decoupling by institutional theorists (Haack & Schoeneborn 2015).

Institutional theory focuses on the institutional environment that moves organisations to apply professional guidelines (Meyer & Rowan 1977). These include industry norms and standard guidance such as IFRS, GRI and the IIRCs <IR> Framework. Cho et al. (2015) hence suggested that the stakeholder and institutional theories and the dimensions of substantive versus symbolic legitimacy should be incorporated when deliberating the merit of corporate reporting.

The International Integrated Reporting Council's guidance and target audience

There is a key difference between the IIRC and GRI in terms of their recommended target audiences. While the latter targets all stakeholders, the former prioritises financial capital providers (IIRC 2013). Companies are hence challenged in finding the 'right balance' between simplicity and complexity when disclosing information to diverse stakeholder groups. They need to consider which target audiences to prioritise for different forms of reporting.

Given that it is the market where IR is most established, South Africa has attracted considerable interest from researchers in analysing the determinants and consequences of IR. There is an important difference in guidance provided by the South African Integrated Reporting Committee (IRC) and its international counterpart on the suggested target audience. The South African IR framework reflected a multi-stakeholder approach (Eccles & Krzus 2014), while the IIRC (2013) declared that the providers of financial capital are the primary target audience.

Given critique that a key weakness of sustainability reporting is the attempt to 'impress' multiple stakeholders, the narrow target audience of the IIRC was arguably intended to improve reporting effectiveness (Clayton, Rogerson & Rampedi 2015; Eccles & Krzus 2014; IIRC 2018; IRC 2011). Based on the guidance offered in its <IR> Framework, the IIRC (2013) aimed to improve the decision usefulness of information available to investors and to enhance accountability for a broad base of capitals. A more holistic understanding of value creation, including enhanced accountability for interconnected, multiple capitals, was also promoted (Adams et al. 2016).

In the past, the IIRC (2011) described several expected benefits of IR that illustrate a combination of the interests of diverse stakeholders (Burke & Clark 2016). The IIRC's 2011 discussion document highlighted, amongst others, the interests of companies, their managers and employees in addition to investors. The prioritisation of different stakeholder groups is arguably related to divergent understandings of legitimacy in making the case for a specific reporting format.

Future deliberations on IR offer opportunities for transcending the shareholder-stakeholder divide, including the exploration of 'enlightened shareholder value' (Ho 2010). Substantive legitimacy is key in targeting a specific user group and to convincingly display the business case for managing resources with an integrated and long-term perspective. Such legitimacy can be deemed material as it transcends juxtaposing 'what is good for the organisation' (pragmatic-strategic legitimacy) with 'what is good for society' (moral-institutional legitimacy) (Dumay, Frost & Beck 2015).

Alongside accountability to different stakeholders stands the accounting objective of decision usefulness of the reported information. Decision usefulness is not well served by the approach of companies reporting separately on their financial performance in financial reports and on social and environmental performance in sustainability reports. This approach leaves investors with fragmented information published in several lengthy reports (De Villiers et al. 2017), a practice that does not address the interconnection between strategy, risks and the six capital resources as proposed by the IIRC (2013).

However, some scholars question whether IR truly represents a step forward compared with sustainability and financial reporting. Given the IIRC's (2013) focus on financial capital providers, Flower (2015, 2020) declared IR as a step backward. Yet if IR was targeting several stakeholders, its publication might become an ineffective symbolic practice (Rensburg & Botha 2014). Other scholars referred to the potential of IR to shift managerial thinking to better align the objective of profit maximisation with the well-being of society. Reference was also made to a more balanced integration of stakeholder concerns by reporting in an integrated manner (Adams 2015; Stacchezzini & Lai 2020).

Some scholars expressed the concern that the IIRC's framework is used as a disclosure checklist, with limited stakeholder engagement (McNally, Cerbone & Maroun 2017). The adoption of the IIRC's (2013) <IR> Framework thus seems to represent a double-edged sword. While the application thereof could enhance the comparability and consistency of IR across industries, the nature of the reports could become monotone (Ahmed Haji & Anifowose 2017).

Efficiency perspectives on corporate disclosure

Efficiency considerations should also be considered when reflecting on corporate information disclosure to stakeholders (Deegan & Unerman 2011; eds. Gray et al. 2010). Scholars should account for the theory of efficient capital markets and the value of IR to financial capital providers. Fama (1970) described an efficient market as one in which share prices always fully reflect all available information. Reference was made to three information subsets, namely historical data, publicly available information and private information, to which some well-connected investors and corporate insiders may have access (Fama 1970).

Investors rely not only on annual reports, earning announcements and other disclosures by companies but increasingly on diverse sources of information. These include intermediaries such as data providers and raters in the ESG 'financial ecosystem' (OECD 2020). As they are subject to more public scrutiny, larger companies tend to be associated with more diverse sources of information and analyst following, all of which benefit informed decision-making (Deegan & Unerman 2011).

The shortcomings of the efficient market hypothesis and market failure have been illustrated by events such as the global financial crisis of the late 2000s (Yen & Lee 2008). Investors often exhibit subjectivity and bounded rationality, which is particularly relevant amid information overload despite the information processing ability that digital technologies offer. Interest in behavioural finance has therefore grown, given heightened awareness of seemingly irrational investor behaviour (Koller, Goedhart & Wessels 2010).

Building on insights from human psychology, the prospect theory (Kahneman & Tversky 1979) highlights how investors employ relative reference points and have a greater aversion to losses than their drive for gains. This theory can be used to explain why weak sustainability performance tends to have a greater impact on investor assessment of reporting on corporate financial performance than strong sustainability performance (Van der Laan, Van Ees & Van Witteloostuijn 2008).

Positive accounting theory researchers tend to follow an opportunistic or efficient perspective (Deegan & Unerman 2011). Managers opportunistically follow reporting approaches that bring them greater financial rewards. The assumption is that managers display this behaviour as self-interested individuals who seek to maximise their wealth. In contrast, the efficiency perspective indicates how accounting methods can be used to offer stakeholders, including financial capital providers, a true representation of the company's performance (Deegan & Unerman 2011). Moreover, the agency theory highlights how managerial contracts and quality board supervision serve to reduce information asymmetry and agency costs (Vitolla, Raimo & Rubino 2020).

Legitimacy can be described as a consequence of IR, while financial and non-financial (ESG) performance can be viewed as determinants of IR (De Villiers et al. 2017). The widely studied business case for IR includes enhanced understanding of the user audience and more decision-useful information based on a more complete representation of operations (Burke & Clarke 2016). This includes a true representation of performance, weak and strong, and a material reflection on the dependence and impact on strategic resources or capitals.

Several authors have examined the association between IR quality and firm value, cost of capital and profitability, respectively, and reported mixed results (Barth et al. 2017; Horn, De Klerk & De Villiers 2018; Lee & Yeo 2016; Marcia, Maroun & Callaghan 2015; Mans-Kemp & Van der Lugt 2020; Zhou, Simnett & Green 2017). The general expectation seems to be that IR should increase transparency and lower information asymmetries, which will lead to beneficial capital market outcomes. However, the seeming lack of appreciation from equity investors can be indicative of confusion about the IR target audience and limitations in the degree to which reporting content is effectively integrated (Barth et al. 2020).

As they are the primary target audience of IR, investors are expected to exhibit special interest in whether IR is associated with better financial performance. It is hence expected that IR will enhance investors' understanding of the interrelations between financial and non-financial performance (Maniora 2017). As such, De Villiers et al. (2017) suggested that the link between IR adoption and corporate value should be assessed while controlling for ESG considerations. If the IR process enables a company to prioritise and focus on material matters, reporting could form part of a virtuous circle of mutually supportive performance aspects as proposed by Nelling and Webb (2009).

Khan, Serafeim and Yoon (2016) reported that companies that focus on material ESG issues significantly outperform the share market and notably outperform peer companies that concentrate their sustainability efforts on non-material issues. Although Churet and Eccles (2014) observed a positive relationship between effective management of ESG issues and IR, they did not find that good IR practices were related to financial performance. Melloni, Caglio and Perego (2017) found a link between weak financial and social performance and IR report length. They argued that companies with poor financial performance choose a communication strategy to enhance legitimacy. Evidently corporate assurance providers should caution against becoming instruments of their 'paymasters' by decoupling assurance practices from organisational processes (O'Dwyer & Owen 2007).

Deriving the aspirational efficiency view

Drawbacks of the discussed accountability and efficiency perspectives are listed in Table 2. Given critique against the usage of a single theoretical perspective, Cho et al. (2015) called for the development of a theory that cuts across accountability and efficiency perspectives. They described organised hypocrisy and organisational façades to deal with conflicting stakeholder demands. Such organisational behaviour signals ways in which companies consciously present an 'ideal image'. The façades presented may be rational (e.g., presenting cost–benefit analysis), progressive (such as applying new technologies and standards) or reputational (e.g. using the latest accounting jargon admired by critical stakeholders) (Cho et al. 2015).

The distinctions between input, throughput and output legitimacy (Richardson & Eberlein 2011) and consequential legitimacy (Suchman 1995) are furthermore important when developing a cross-cutting theory to reflect on future corporate reporting endeavour and outcomes. While input and throughput legitimacy highlights the expertise involved and the inclusiveness of the process, output legitimacy moves the focus to results and outcomes. For example, an accounting standard with high-output legitimacy is recognised for resolving a technical problem and furthering the common good (De Luca & Prather-Kinsey 2018). It is this consideration of reported results and the related

TABLE 2: Perceived weaknesses of accountability and efficiency perspectives.

Accountability views	Efficiency views
Bias in assessing motivation: assuming manipulative business intention, opportunism, perception management, market and social goals are non-reconcilable.	**Inconsistency vs. relativism:** no market is perfectly efficient; there is only marginal efficiency.
Measurability: capturing legitimacy, including its scope and attempts to assess cause-effect relations over the short and long term.	**Bounded rationality and herd morality:** all information is not available to all investors, reflecting boundaries of the information set; investors make cognitive errors.
Causal validity: fail to explain why both 'good' and 'bad' performers disclose more information if high legitimacy results from reporting.	**Transaction costs:** unequal access to and cost of processing information.
Relativism: track volume of information disclosed, but not per se the quality of the disclosed information.	**Externalities:** non-priced impacts and dependencies, regulatory context, misguided growth expectations.
External (outside-in) focus: ignore inside-out dynamics, agency, diverse stakeholders in internal decision-making (non-unitary actor).	**Short-termism:** focus on short-term events; longer-term reflection is likely to show different trends (excess volatility, cycles).

outcomes that supports the case for a broader understanding of efficiency and the development of a cross-cutting theoretical perspective by integrating relevant elements of the discussed theories.

The proposed aspirational efficiency view attempts to bridge the gap between accountability and efficiency perspectives on IR. Providing a cross-cutting theoretical lens, it can be applied by future scholars to shed more light on why organisations disclose higher quality information in certain reporting formats. The derived cross-cutting view can ideally also contribute to bridge the differences between various reporting frameworks to offer more material information to prioritised stakeholders.

Corporate actors need to realise that it is in their enlightened self-interest to collaborate, and that in the longer term, their wealth is dependent on the wealth of others. The aspirational view hence acknowledges that diverse stakeholders with material interests are involved in markets that are not fully efficient. Furthermore, legitimacy in the context of reporting needs to be considered substantively in terms of outcomes, including the efficiency of the reporting organisation and its ability to accomplish shared value-based goals.

When applying the proposed theoretical lens, the reporting organisation cannot be seen as a unitary actor. The legitimacy implications of addressing the competing claims of diverse stakeholders, including internal stakeholders, should thus be acknowledged. By considering the roles of internal and external stakeholders, scholars can address the dearth of research on the 'real effects' of IR (Barth et al. 2020). In line with the managerial stakeholder view, the economic interests of different primary stakeholders, such as employees, customers and suppliers, in addition to shareholders, should be acknowledged. These primary stakeholders can have substantial contractual and transactional relations with a company (Clarkson 1995).

As such, different façades that are associated with organisational units may be presented simultaneously in reporting, in line with Cho et al.'s (2015) suggestion. Organisations' finance departments may present a 'rational façade' through communication in their annual reports, while the sustainability departments may present a 'reputational façade' in sustainability reports (Cho et al. 2015). Due consideration should hence be provided to the implications of divergent organisational façades when reflecting on corporate reporting. Companies should ensure that the content of different reporting formats that they publish is aligned, and investor relations need to consider the particular positioning of IR in delivering a synthesis or umbrella report.

Both open system theories and capital market theories predominantly focus on the perceptions of external players in encouraging companies to report information in certain ways. An assessment of the motives behind reporting should also take into account internal appreciation of the substantive legitimacy of accounting and reporting systems. This view highlights managerial consideration of the role of internal reporting systems in improving organisational performance. The role of accounting in supporting more efficient resource use warrants specific attention (Barney 1991). The need for more integrated management accounting systems is evident in this context (Alrazi, De Villiers & Van Staden 2015).

The building blocks of the aspirational efficiency view

As shown in Figure 1, the proposed aspirational efficiency view attempts to connect accountability and efficiency perspectives. Complementary components of both can be identified to serve as building blocks for a more integrated perspective. The related building blocks include substantive legitimacy that displays alignment between internal and external reporting. The managerial stakeholder approach emphasises that the interests of different stakeholders should be duly acknowledged. Furthermore, professional and industry norms and standards linked to the institutional theory should be accounted for in ensuring consistency between different disclosures and reporting formats. Contracting mechanisms proposed by the agency theory should also be considered, mindful of the accountability of corporate leaders towards shareholders and a broader range of stakeholders. The efficiency perspective pursued in positive accounting theory, and the related emphasis on investor and lender interest should be balanced by recognising the subjectivity and bounded rationality of individuals, as described by behavioural finance theorists.

Firstly, the proposed cross-cutting aspirational efficiency theoretical lens can be applied to IR from an accountability angle. In this case, focus is placed on the substantive (vs. mere symbolic) provision of material information in internal and external reporting. The accountability perspective emphasises that scholars should account for how corporate entities prioritise and acknowledge the different interests of their stakeholders.

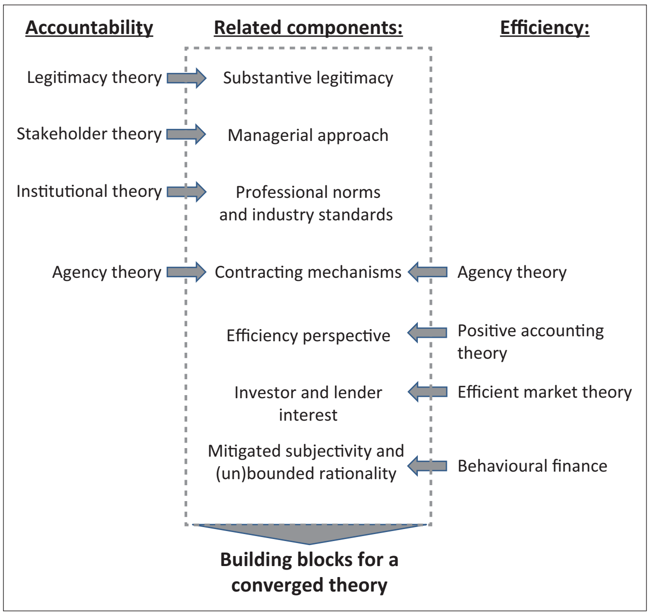

FIGURE 1: Building blocks of the proposed aspirational efficiency view.

This view includes aligning new understandings of value creation and communicating to economically motivated stakeholders with a more holistic economic rationale.

Given the relevance of diverse capitals, IR seeks to improve the ability of corporate reporting to facilitate accountability and stewardship. The realities of market failure underline the need for improving analysis of ESG factors that are generally treated as externalities in conventional financial accounting. Improved managerial decision-making assures capital providers of managerial accountability for responsible resource use. Such assurance should be supported by properly functioning and strategic management accounting systems.

Furthermore, industry considerations and benchmarking should be considered when defining and disclosing the material content. Related to the agency theory, contracting mechanisms that link financial and sustainability performance need to be identified. Managerial and shareowner interests will arguably be better aligned by focusing on shared value creation. When applying the proposed theoretical view, users should recognise that a range of primary stakeholders can benefit from mutual value creation endeavours over the long run.

Critical stakeholders question the gap between idiomatic corporate 'talk' (reporting) and 'walk' (practices). With reference to organisational façades and enhanced efficiency, different functional corporate units can join forces when conducting integrated planning, executing plans and reporting on outcomes. Cho et al. (2015) thus argued that 'organisational talk' should be aspirational to affect change. Their view is reflected by the aspirational component of the proposed theoretical lens.

Secondly, from an efficiency angle, the importance of disclosing material information to enhance market efficiency should be acknowledged. Report preparers should reflect on how they can expand the provision of multi-capital performance information with a long-term sustainable value creation perspective. Rather than offering fragmented financial and non-financial information, the interrelations and the connectivity between different capital sources should be addressed.

Given the IIRC's (2013) focus on financial capital providers, companies can strategically attempt to advance communication on relevant information to economically motivated stakeholders in a specific reporting format. Yet, corporate communications should not exclude other stakeholders. Reporters should seek to provide tailored information packages to different target audiences, implying different albeit aligned reporting formats. Given the bounded rationality and subjectivity of investors, the proposed aspirational efficiency lens would consider the use of mechanisms such as accounting principles, rankings and ratings, standards and taxonomies in collecting, analysing and presenting relevant information in formats that progressively inform investors more efficiently and effectively.

If it is a given that markets are not fully efficient, investors can achieve a relative gain by thoroughly analysing multi-capital performance and ESG information sets. While the legitimacy theory postulates that more information does not necessarily equal higher performance, the quality and relevance of an information set can be determined by assessing the perspectives of priority stakeholder groups. These include scientific and industry views on what information is most relevant and material to value creation with a longer term, dynamic perspective.

In contrast to classical economics that typically views the reporting entity as a unitary actor, driven by rational self-interest and wealth maximisation, companies need to re-examine the roles of internal stakeholders as well. The proposed aspirational efficiency theoretical lens recognises that the IR process can involve more inclusive, multi-departmental teams and advance integrated thinking. Reporters are also challenged to display enlightened self-interest. The emphasis of the IIRC (2013) <IR> Framework on multi-capital resources (own, shared and public), enhances awareness of the interrelations between the wealth of primary corporate actors and the wealth of other stakeholders.

The authors argue that a stakeholder-inclusive process can run parallel with producing a strategic report that speaks to a specific target audience. While IR focuses on one primary stakeholder group as a user audience, other disclosure formats such as sustainability reporting can target the information needs of other stakeholders. A reporting entity should ensure consistency between different disclosure formats by applying relevant industry standards. By offering a concise overview of connected performance indicators, IR might bridge the divide between 'corporate walk and talk', including 'talk' through different disclosure channels.

Conclusion and recommendations

Several scholars have questioned why companies tend to report specific, and detailed, information in certain reporting formats. Accountability and efficiency analyses provided diverse perspectives on how stakeholder groups process information sets, including siloed, combined, and integrated financial and sustainability disclosures. The arrival of IR signalled an attempt to connect different information sets through an integrated format to enhance accountability and decision-making.

Prior authors used accountability or efficiency lenses when examining corporate reporting. A seeming lack of appreciation of the diverse information needs of stakeholders, including internal management, was noted. Limited analyses on the impact of IR were furthermore mostly quantitative and produced divergent results on the links between the IR quality and financial or non-financial performance. The need was thus identified to derive a cross-cutting theoretical view that integrates accountability and efficiency perspectives based on a critical literature review. The proposed aspirational efficiency lens can be applied in future investigations of what companies should report on, for what purpose and for which stakeholders. This cross-cutting view can also be used to assess the quality and impact of corporate disclosures.

The proposed theoretical lens is aspirational in that it acknowledges the shortcomings of the efficient market hypothesis, as well as the subjectivity and bounded rationality of investors. The relevance of accounting for the needs of prioritised stakeholders, inside and outside of a firm, is acknowledged. Selected stakeholders can be prioritised in specific reporting formats. The proposed theoretical view is furthermore based on a multi-dimensional understanding of efficiency. In this context, the efficiency of organisational reporting, the (in)efficiency of the market and informational efficiency in advancing societal goals should be considered, thereby accounting for consequential legitimacy. The roles of different reporting formats, including IR, sustainability reporting and financial reporting, as well as the degree of (mis)alignment between what is communicated to different stakeholders in different reports warrant specific investigation.

Future research can further refine the suggested building blocks of the aspirational efficiency theoretical lens. Researchers can determine and compare the applicability thereof in different economies and sectors. Scholars can define ways to improve informational efficiency whilst acknowledging the complex information needs of diverse stakeholder decision-makers.

While IR studies are mostly conducted by accounting scholars, more research is required on the merit of IR by scholars from different accounting subdisciplines and other disciplines, including strategic management, corporate governance, corporate finance and communications. Furthermore, advanced qualitative and quantitative analyses applying the aspirational efficiency view can be conducted to account for the stewardship and decision-usefulness considerations of report preparers and users.

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The authors declare that no competing interest exists.

Author's contributions

C.T.v.d.L. and N.M-K. conceptualised, wrote and finalised the article.

Ethical considerations

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