

# **DIFFUSION OF INTEGRATED REPORTING IN AN EMERGING ECONOMY**

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## **Abstract**

**Purpose** – This paper investigates how integrated reporting (IR) as a managerial technology diffuses in an emerging economy taking Sri Lanka as the case. In this respect, the study specifically addresses the characteristics of early adopting Sri Lankan companies and the institutional forces that have influenced the rate of adoption of IR in these companies.

**Design/methodology/approach** – The study was based on two phases of analysis. In the first phase, the adopter groups of sustainability reporting (SR) and IR of the country's stock exchange were identified based on the latest annual reports published. In the second phase, the key personnel involved in the process of IR of early adopting companies were interviewed to identify the adopters' characteristics and drivers of adoption. Thereafter, a content analysis of these semi-structured interviews was carried out based on diffusion theory of innovations.

**Findings** –The study finds that the early adopting companies of IR in Sri Lanka have been engaged in SR in the past. These companies are characterized by their integrated business model, progressive work culture, and the supportive role extended by the top management on adoption of managerial innovations. The rate of diffusion of IR in these companies is driven mainly by the normative pressures stemming through the accounting profession of the country. The study finds a transitional approach to IR in these companies evolving through the incremental changes to systems and processes that are already established in them in relation to SR.

**Research limitations/implications** – The main limitations of the study are the small sample of organizations considered and the single country focus. Further, the study has focused only the personnel directly involved in the IR process in the

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organizations. The views of the supporting groups within these companies have not been taken into consideration.

**Practical implications** – This study contributes to shed light into the characteristics of early adopters of IR and the factors influencing the diffusion of IR in an emerging company.

**Social implications** – As IR is linked with the value creation process of corporate entities, the findings of the study will have wider social ramifications in terms of creating a dialogue on the need for IR in the context of an emerging economy.

**Originality/value** –As an emerging phenomenon, there is a dearth of studies as to the diffusion of IR in corporate entities in the context of emerging economies. Hence, this study provides some useful insights into IR in an emerging economy- Sri Lanka.

**Keywords:** Diffusion theory, Early adopters, Emerging economy, Integrated reporting, Managerial technology, Sustainability reporting