



Managerial Auditing Journal

Diffusion of integrated reporting in an emerging South Asian (SAARC) nation
Nuwan Gunarathne, Samantha Senaratne,

Article information:

To cite this document:

Nuwan Gunarathne, Samantha Senaratne, (2017) "Diffusion of integrated reporting in an emerging South Asian (SAARC) nation", *Managerial Auditing Journal*, Vol. 32 Issue: 4/5, pp.524-548, doi: 10.1108/MAJ-01-2016-1309

Permanent link to this document:

<http://dx.doi.org/10.1108/MAJ-01-2016-1309>

Downloaded on: 15 May 2017, At: 20:36 (PT)

References: this document contains references to 81 other documents.

To copy this document: permissions@emeraldinsight.com

The fulltext of this document has been downloaded 115 times since 2017*

Users who downloaded this article also downloaded:

(2017), "Exploring integrated thinking in integrated reporting – an exploratory study in Australia", *Journal of Intellectual Capital*, Vol. 18 Iss 2 pp. 330-353 <http://dx.doi.org/10.1108/JIC-06-2016-0068>

(2014), "Integrated Reporting: Insights, gaps and an agenda for future research", *Accounting, Auditing & Accountability Journal*, Vol. 27 Iss 7 pp. 1042-1067 <http://dx.doi.org/10.1108/AAAJ-06-2014-1736>



Access to this document was granted through an Emerald subscription provided by emerald-srm:330691 []

For Authors

If you would like to write for this, or any other Emerald publication, then please use our Emerald for Authors service information about how to choose which publication to write for and submission guidelines are available for all. Please visit www.emeraldinsight.com/authors for more information.

About Emerald www.emeraldinsight.com

Emerald is a global publisher linking research and practice to the benefit of society. The company manages a portfolio of more than 290 journals and over 2,350 books and book series volumes, as well as providing an extensive range of online products and additional customer resources and services.

Emerald is both COUNTER 4 and TRANSFER compliant. The organization is a partner of the Committee on Publication Ethics (COPE) and also works with Portico and the LOCKSS initiative for digital archive preservation.

*Related content and download information correct at time of download.

Diffusion of integrated reporting in an emerging South Asian (SAARC) nation

Nuwan Gunarathne and Samantha Senaratne

*Faculty of Management Studies and Commerce,
University of Sri Jayawardenepura, Nugegoda, Sri Lanka*

Abstract

Purpose – This paper aims to examine how and why integrated reporting (IR) as a managerial technology is diffused in Sri Lanka, an emerging South Asian (South Asian Association for Regional Cooperation) nation, from an expansion diffusion perspective.

Design/methodology/approach – The study followed two analytical steps. First, the adopter groups of IR of the country's stock exchange were identified based on their annual reports. Second, the key stakeholders (both internal and external) in the process of IR diffusion in the country were interviewed. Thereafter, a content analysis of these semi-structured interviews was carried out based on the demand-pull and supply-push sides of the diffusion theory of innovation.

Findings – The temporal trend of IR suggests that the country is currently in the diffusion stage with many first time adopters are likely to join the bandwagon of IR. In the primary stage, its early adoption has been driven by the efficient-choice perspective. However, in the diffusion stage, most of the adopters are driven by fashion setting, which is mainly attributable to the active propagators in the supply side of IR diffusion. IR has been mainly a transition evolving through the incremental changes in sustainability reporting. Many firms have not internalized the IR principles with the danger of IR becoming a mere reporting mechanism.

Originality/value – The application of both demand-pull and supply-push sides of the diffusion theory of innovation is still limited, particularly in the case of new reporting mechanisms. The study provides new insights into how these two forces contribute to creating a “practice-reporting portrayal gap” in IR.

Keywords Sri Lanka, Integrated reporting, Sustainability reporting, Diffusion theory, Managerial technology, South Asian (SAARC) region

Paper type Research paper

1. Introduction

Globalization, technological developments and rapid population growth have resulted in changes in business dynamics, creating pressure on corporate reporting to address the information needs of business decision-makers (CIMA, 2014). In this context, integrated reporting (IR) is gaining momentum globally because of its potential to change the thinking of corporate actors, leading to the further integration of the sustainability of actions and impacts into corporate strategic planning and decision-making (Adams, 2015; Robertson and Samy, 2015). Illustrating this momentum, the International Integrated Reporting Council (IIRC) (2016) reports that IR is used by more than 1,000 businesses worldwide to communicate with their investors.

Though IR is a fairly new phenomenon, the relevance of this form of reporting has increased globally overtime (Elkington and Renault, 2010; Hespeneide, 2010; KPMG, 2015). Reflecting the global popularity of IR, there are now a growing number of studies on IR. These studies have mainly focused on the outcomes and benefits of IR (Stubbs and Higgins, 2014; Adams, 2015; Atkins and Maroun, 2015; Rowbottom and Locke, 2016), its core issues and challenges (Cheng *et al.*, 2014; Flower, 2015; Pereo *et al.*, 2016; Rensburg and Botha, 2014), and the potential of



reporting practices adopted by early adopters of IR (Brown and Dillard, 2014; Frias-Aceituno *et al.*, 2013; Higgins *et al.*, 2014; Stubbs and Higgins, 2014). Though these studies provide insights into the thinking, policy and practice of IR, still a gap in knowledge exists in as to how IR is diffused globally. In this respect, Robertson and Samy (2015) examine how perceptions of IR offer a relative advantage over existing practices, its compatibility with existing organizational values, past experiences and needs and its perceived complexity impacted on the adoption and diffusion of IR using the theory of diffusion of innovation (DOI). However, this study investigated the factors likely to impact on IR diffusion prior to the release of IIRC (2013) <IR> framework in, creating a gap in knowledge as to how IR is diffused as an innovative reporting practice in different countries. Hence, the current study examines this research gap in an emerging South Asian nation by focusing on IR as a managerial technology and its various stages of the diffusion process based on both demand-pull and supply-push perspectives.

The South Asian region (or South Asian Association for Regional Cooperation region) is a region of historical as well as ecological significance (UNEP, SAARC and DA, 2009). It has a population of 1.5 billion and is growing at the rate of 1.8 per cent per annum, but it covers only 4.8 per cent of the world's total land area. Over the past two decades, it has become one of the fastest growing regions in the world economy with its threefold increase in gross domestic product per capita (Mahbubul Haq Human Development Centre, 2015), which has contributed to many economic and social achievements while posing various challenges in terms of poverty and population increase, threats to water supply and agriculture and vulnerability to natural disasters (Bandyopadhyay, 2013). Thus, how businesses can move toward a sustainable future for themselves as well as for the nation is an important issue in South Asia. This is even manifested when the South Asian Federation of Accountants (SAFA)[1] gave prominence to IR in its agenda for 2016 (SAFA, 2014).

The South Asian country selected for the study, Sri Lanka, has a long history dating back to 543 BC (De Silva, 2014) and is a country that has recognized the importance of sustainable development from ancient times embracing integrated thinking and accountability (Weeramantry, 2002). For instance, its sophisticated irrigation systems constructed by the ancient kings of Sri Lanka were an embodiment of integrated thinking, sustainability and accountability in its society (Bailey and Tennent, as cited in De Silva, 2014). In the present context also, Sri Lankan companies have shown a keen interest in embracing sustainability reporting (SR) and IR on a voluntary basis though they have not yet been mandated in the country (World Bank, 2015). Some Sri Lankan companies had started to provide an Integrated Report even before the issue of IIRC <IR> Framework and the Sri Lankan company, which joined the pilot project of IIRC is featured in its website as an example of IR in action (IIRC, 2014). Further, Gunarathne and Senaratne (2017) find that the ample availability of professional accountants, mounting stakeholder demands, a supportive accounting profession and related industries and intense competition among organizations along with the national culture play a key role in facilitating the adoption of new accounting tools such as SR or IR in Sri Lanka. These factors show the significance of Sri Lanka as a case to study the diffusion of IR as a managerial technology.

This paper makes several contributions – both theoretical and practical – by focusing on the diffusion of IR. The study adds to the emerging body of literature on IR in three ways. Firstly, it addresses the research gap that exists as to how an innovative reporting practice such as IR is diffused at a societal level from both demand pull and supply push perspectives of DOI. Secondly, it extends the application of innovation literature, mostly focused on management accounting practices in developed countries (Ax and Bjørnenak, 2005; Bjørnenak, 1997; Cooper and Crowther, 2008; Malmi, 1999; Rikhardsson *et al.*, 2005) to

corporate reporting practices in emerging market contexts focusing IR as a managerial technology. Thirdly, the study highlights how a “practice-reporting portrayal gap” (Adams, 2004) could exist in new corporate reporting developments from a diffusion perspective. Furthermore these theoretical contributions can be extended from a practical perspective as well. At a time when IR becomes a popular corporate reporting practice, this study extends implications for policymakers, regulators, professional accounting bodies (PABs), adopters and assurance providers by discussing why and how it has diffused.

The rest of this chapter is organized as follows: Section 2 provides a review of the extant literature on IR, while Section 3 presents the DOI, which provides the theoretical basis for the study. Section 4 presents the method, and Section 5, the findings and results on the diffusion of IR in the Sri Lankan context. Section 8 presents the discussion and the last section the conclusions.

2. Literature review

In this section, the extant literature on IR is reviewed under two broad headings: moving toward the concept of IR and practice of IR around the world.

2.1 *Moving toward the concept of integrated reporting*

Corporate reporting has undergone a dramatic transformation over time with a substantial increase in the disclosure of non-financial information such as governance, risk management and sustainability in addition to financial performance (Eccles and Serafeim, 2011; Gray *et al.*, 2001; KPMG, 2008; Owen, 2006; de Klerk and de Villiers, 2012) to meet the expectations of a diverse group of stakeholders. However, non-integrated, “silo” treatment of the non-financial information in corporate reports failed to provide stakeholders the necessary linkages to effectively evaluate performance, strategy and future value creation of a business (Raemaekers *et al.*, 2015; Robertson and Samy, 2015). These factors provided the impetus for the emergence of IR as a new corporate reporting model, which could combine different strands of corporate reporting, namely, financial, governance and sustainability, into a coherent whole to explain an organization’s ability to create and sustain value (Eccles and Krzus, 2010; Mammatt, 2009; Atkins and Maroun, 2015; Ahmed and Anifowose, 2016). Thus, IR combines two traditions of corporate reporting, financial reporting and SR, where the former views a firm as a “nexus of contracts” among boards, managers, employees, suppliers and other actors, whose core purpose is to maximize returns to investors (Jensen and Meckling, 1976) and the latter conversely provides a broader concept of a firm as a community of interdependent stakeholders who come together to create value as a collectivity (Sison, 2010).

The IR approach within a company requires “integrated thinking” (The Prince’s Accountability for Sustainability Project (A4S), 2013; Churet and Eccles, 2014; IIRC, 2013; Oliver *et al.*, 2016) to identify the connectivity between different facets of a company that contribute to creating value and complexity in its value-creation process. Hence, the IIRC (2013) <IR> Framework identifies that an integrated report (the end product of the process) provides concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment lead to the creation of value over the short-, medium- and long-term.

Even though attempts at IR were in force from 2002, it rapidly gained prominence globally with the formation of IIRC in 2010[2] to create a globally accepted framework on IR bringing together financial and environmental, social and governance (ESG) information of organizations into a clear, concise, consistent and comparable format (IIRC, 2013). Since the publication of the International <IR> Framework of IIRC (2013), the first complete globally

accepted framework on IR, over 100 organizations have become a part of the IIRC (2014) pilot program.

The accounting profession considers that the movement toward IR potentially represents the most significant change to corporate reporting seen in years (Deloitte, 2012), which creates both internal benefits and external market benefits (Eccles and Krzus, 2010; de Klerk and de Villiers, 2012). The former refers to better allocation of internal resources, greater engagement with stakeholders and lower reputational risk, while the latter refers to meeting the needs of investors who require ESG information and ensuring that data vendors report accurate non-financial information of a company. Eccles and Armbruster (2011) extend these benefits to include a third class of benefits termed “managing regulatory risk”, covering the preparation for global regulations on IR and responding to local stock exchange requirements to report on IR. In light of these potential benefits, the next section reviews how IR is practiced in different countries.

2.2 Practice of integrated reporting around the world

Companies are at varying stages in their path toward integration of different facets of reporting in moving toward IR, as revealed in the survey of ACCA and Net Balance Foundation (2011) in ASX 50 companies. Wild and van Staden (2013) observe that early integrated reports in general are lengthy rather than concise and fail to adhere to all Guiding Principles of the IIRC Framework based on their examination of content and structure of the corporate integrated reports published as at January on the IIRC (2013 “Emerging Examples” database). However, over the years, IR has gained momentum as a reporting model. Solomon and Maroun (2012) find that the introduction of IR has resulted in an increase in the quantity of social, environmental and ethical information provided in the annual reports of companies listed on the Johannesburg Stock Exchange (JSE). Solomon and Maroun (2014) find that South African institutional investors, the primary users of integrated reports, welcome the introduction of IR despite the obstacles associated with its implementation in complement to their 2012 findings. In a more recent study, Setia *et al.* (2015) find that after the introduction of IR, the extent of disclosure of human, social and relational, natural and intellectual capital disclosures of JSE-listed companies has increased in general. Further, in Japan, IR adopters in 2014 have increased considerably by 38 per cent compared to 2013 (KPMG, 2015). Moreover, 26 per cent of these companies have made explicit reference to the IIRC Framework with 42 per cent of them presenting their business models and 41 per cent making reference to the various categories of capital identified in the IIRC Framework (KPMG, 2015). However, the level of IR adoption varies among countries based on factors such as investor and employment protection laws, intensity of market coordination and ownership concentration, the level of economic, environmental and social development, the degree of national corporate responsibility and the value system of the country of origin (Jensen and Berg, 2012). Further, in spite of IR being regulatory driven in South Africa (Solomon and Maroun, 2012), Setia *et al.* (2015) find that companies adopt symbolic management as a legitimation strategy, as they attempt to merely follow the letter of the King III Code in preparing an integrated report. Hence, Ahmed and Anifowose (2016) conclude that current IR practice in South Africa is largely ceremonial in nature to gain organizational legitimacy though there is an increase in the extent and quality of IR reporting overtime.

On the other hand, several studies have addressed the potential of reporting practices employed by the early adopters of IR to promote the transition to sustainable business practices. Stubbs and Higgins (2014) find that early adopting firms of IR in Australia have either changed their processes and structures or claim to have changed those without

necessarily stimulating new innovations in disclosure mechanisms. Hence, they suggest that currently IR represents rather a transition from SR than an innovation driving transformation in organizations. Higgins *et al.* (2014), who examined the business organizations in Australia that were the first to adopt IR, is of the view that institutionalization of IR is unfolding and isomorphism is likely to follow. However, this study also shares the view that this process is unlikely to bring about a fundamental change in organizational operations. Further, Brown and Dillard (2014) provide a critical discussion of the value of IR as a change initiative that will broaden the dialog on how accounting and reporting standards assist or hinder efforts to foster sustainable business practices drawing on natural science and technology research. Hence, IR can be perceived as an evolutionary process (Solomon and Maroun, 2012) and its widespread diffusion as a reporting model as being impacted by its relative advantage, compatibility, complexity, trialability and observability (Robertson and Samy, 2015).

Since IR is still an evolving concept, there are many unanswered issues (de Villiers *et al.*, 2014). Among these, one issue is how IR has been diffused in different countries as an innovative reporting practice. In this respect, Robertson and Samy (2015) have investigated senior manager perceptions of IR in the UK using DOI as a theoretical lens. This study establishes, by using characteristics of DOI theory, how perceptions of IR offer a relative advantage over existing practices, its compatibility with organizational values, its past experiences and needs and its perceived complexity, which could affect the adoption and diffusion of IR in a country. However, this study was done prior to the launch of the IIRC <IR> Framework. Hence, there was little knowledge as to adoption of IR as a practice. The current study focuses on the adoption and diffusion of IR as a managerial technology in an emerging economy in South Asia over the period 2010 to 2014 covering the periods both prior to and after the introduction of the IIRC <IR> Framework. In this respect, both demand-pull and supply-push sides of DOI are discussed. The theoretical framework of the study developed based on these perspectives of DOI is dealt in detail in the next section.

3. Theoretical framework of the study

According to Rogers (1995, p. 5), diffusion is “the process by which an innovation is communicated through certain channels over time among the members of a social system”. In the context of accounting diffusion, it is “the spreading of new accounting procedures to, and within, organizations where they had not previously been present” (Mellett *et al.*, 2009, p. 747). Understanding innovative behavior in organizations remains relatively undeveloped despite the abundance of literature (Wolfe, 1994). Wolfe (1994), therefore, suggests three research approaches in the DOI theories. They are DOI, organizational innovativeness and process theory of diffusion.

The DOI literature, in addition to focusing on physical technologies, has focused on managerial and/or accounting technologies such as activity-based costing (Bjørnenak, 1997; Malmi, 1999), balanced scorecard (Ax and Bjørnenak, 2005), environmental management accounting (Rikhardsson *et al.*, 2005), value-based management (Cooper and Crowther, 2008) and public sector accounting (Jackson, and Lapsley, 2003; Lapsley and Wright, 2004; Mellett *et al.*, 2009). Tushman and Anderson, cited by Abrahamson (1991, p. 588), define managerial (administrative) technologies as “those tools, devices and knowledge that mediate between inputs and outputs”. As IR transforms different types of capital toward more sustainable outcomes Eccles and Krzus, 2010) by supporting integrated thinking (Atkins and Maroun, 2015; Oliver *et al.*, 2016), decision-making and action by combining knowledge, methodology and practice of corporate reporting (Busco *et al.*, 2013; Eccles and Krzus, 2010; IIRC, 2013), we view IR as a form of managerial technology. Despite the widespread attention given to

studying accounting practices, there is little attention as to why and how accounting changes such as a corporate reporting practices occur (Bjørnenak, 1997) with the exception Robertson and Samy's (2015) study that uses the characteristics of DOI theory.

3.1 Diffusion process

As with any technology, IR also experiences an innovation diffusion cycle, i.e. there is a diffusion process that takes place over time (Wolfe, 1994). There are two types of diffusion processes that can be applied to (accounting) innovations: relocation diffusion and expansion diffusion (Bjørnenak, 1997). Relocation diffusion focuses on how ideas enter an area without necessarily increasing the number of adopters, while expansion diffusion focuses on how an innovation is adopted by more and more agents and how the total number of adopters grows gradually overtime. The study focuses on how IR is adopted by agents (firms) over time in Sri Lanka by focusing on the companies. Thus, in this study, we see the diffusion process mainly from an expansion diffusion perspective.

Expansion diffusion can be taken as contagious (spatial)[3] or hierarchy forms (Agnew, Brown and Herr, cited in Apperson and Wikstrom, 1997; Bjørnenak, 1997). The contagious form highlights a geographical pattern in the diffusion process (Apperson and Wikstrom, 1997) and the close physical proximity affects the possibility of adoption (Bjørnenak, 1997). Factors such as contact with earlier adopters and the quality of communication channels are important in this contagious diffusion (Bjørnenak, 1997). The hierarchical form suggests that the initial innovators are the large-scale players who are then followed by the intermediate and smaller firms (Bjørnenak, 1997). There is a ripple effect in the contagious form (Apperson and Wikstrom, 1997) and a trickle-down effect in the hierarchical form (Bjørnenak, 1997). Where the temporal trend of diffusion is concerned, the cumulative adoption path of an innovation is an "S-shaped" curve (Rogers, 1995; Bjørnenak, 1997; Cooper and Crowther, 2008). Further exploring the temporal trend of adoption, Rogers (1995) suggests various stages within the innovation diffusion process. In the *primary stage*, innovations are first adopted by "leaders". In the second stage, known as the *diffusion stage*, the number of adopters increases drastically. In the primary stage, adoption can be explained by using the efficient choice perspective, while the diffusion stage is largely influenced by fashion-setting organizations (i.e. the fashion perspective) (Malmi, 1999). In the third stage, known as the *condensing stage*, the number of adopters slows down. In the final stage, the *saturation stage*, the diffusion process ceases. Initially, the agents are risk-averse and uncertainty-avoiding. However, when the bandwagon effect of acceptance is reached, the pace of diffusion is accelerated (Abrahamson and Rosenkopf, 1993). This diffusion process could take place because of demand-pull or supply-push reasons, and these two sides of diffusion theory are discussed next.

3.2 Demand side of diffusion theory

The demand side of diffusion can be discussed in light of the information value of the accounting technologies (Bjørnenak, 1997). In the case of IR, the first sets of adopters are the firms for whom IR information has the highest value. The different research approaches in DOI assume that innovations benefit adopters, as does their diffusion (Abrahamson, 1991). This dominant perspective in the DOI literature, therefore, contains pro-innovation biases. However, a skeptical view of this perspective has emerged because it provides limited help in addressing why technically inefficient innovations are diffused or efficient innovations are rejected. To address this limitation, Abrahamson (1991), by advancing the innovation diffusion literature, suggests four theoretical perspectives to explain the diffusion and rejection of managerial technologies. They are as follows: efficient-choice, forced-selection, fashion and fad (refer Table I). These perspectives are explained in the following sections:

- *Efficient-choice perspective*: This perspective assumes that organizations independently and rationally adopt the innovation that will allow them to most efficiently produce the outputs that are useful for attaining their goals (Abrahamson, 1991) or adoption is done according to the improvements in corporate performance resulting from efficiency gains (Rikhardsson *et al.*, 2005). The changes are based on rational economic motivations and consistent with expectations from both economic theory and the perceived superiority and appropriateness of the new techniques (Cooper and Crowther, 2008). As Stubbs and Higgins (2014) highlight, an efficient choice perspective can also be seen in IR, as the focus of IR is on value creation to reinforce an organization’s profit-maximization rationale.
- *Forced-selection perspective*: This perspective assumes that organizations with sufficient power such that government or labor unions can dictate which innovations to adopt (Abrahamson, 1991). While further assuming low uncertainty similar to that of efficient choice, this perspective leaves the adopting organizations with no option but to adopt owing to the regulative and coercive process of institutionalization (Cooper and Crowther, 2008; DiMaggio and Powell, 1983; Malmi, 1999; Scott, 1995). The mandatory adoption of IR in countries such as South Africa is a prime example of the forced selection perspective of IR. Moreover, the pressure from the parent (group) to follow the IR mechanism is another instance where this perspective is applicable.
- *Fashion perspective*: The fashion perspective assumes that under conditions of uncertainty (such as environmental forces, goals and technical efficiency claims) organizations in a group imitate innovations promoted by “fashion-setters”. These fashion-setters are outside the group and do not have the cohesion to force organizations to imitate them. In the case of accounting innovations, these fashion-setters include consulting firms, management gurus, business schools or business mass media, whose missions involve the creation or dissemination of such models (Abrahamson, 1991, 1996). These fashion-setters should sense the emergent collective preferences of managers, develop rhetoric for managerial innovations as the forefront of management progress and disseminate this rhetoric among stakeholders before other fashion-setters do (Abrahamson, 1996). In the case of IR, organizations such as IIRC, PABs, powerful accounting journals such as the *Accounting, Auditing and Accountability Journal* (AAA)[4] and consulting firms can be considered as fashion-setters.

Table I
Theoretical perspectives explaining the diffusion and rejection of managerial technologies

		Imitation focus[4] dimension	
		Imitation processes do not impel the diffusion or rejection	Imitation processes impel the diffusion or rejection
Outside influence[5] dimension	Organizations within the Group[6] determine the diffusion and rejection within this group	Efficient choice perspective	Fad perspective
	Organizations outside the Group[7] determine the diffusion and rejection within this group	Forced selection perspective	Fashion perspective

Source: Abrahamson (1991, p. 591)

- *Fad perspective*: The fad perspective also assumes uncertainty about both the goals of adopters and the efficiency of innovations (Abrahamson, 1991). However, this perspective differs from the fashion perspective because the diffusion occurs when organizations within a group imitate other organizations that have previously followed the adoption. Abrahamson (1991) provides three explanations for the fad perspective: communication of knowledge, social interactions and economic interests. Communication of knowledge occurs when an organization imitates an adopter by obtaining knowledge that reduces ambiguity about the innovation. Social interactions occur when an organization imitates an adopter to appear legitimate by conforming to emergent norms. Economic interests occur when an organization imitates competitors' innovations to avoid the risk that these competitors could gain a competitive advantage by using this innovation. In the context of IR, the fad perspective is applicable when firms imitate successful IR adopting firms such as IIRC Pilot Project companies or companies that win awards for IR.

3.3 Supply side of diffusion theory

Despite the wide availability of literature on the diffusion process, most of it focuses on the demand side of the diffusion, ignoring its supply side (Bjørnenak, 1997; Brown, 1981; Malmi, 1999). By emphasizing the supply side of innovations in the diffusion process, Bjørnenak (1997) suggests that most adopters need persuasion to accept an innovation in terms of awareness, demonstration and trail. The innovators such as the first adopters or consultants could take an active and purposeful role as propagators in the diffusion process (Abrahamson, 1996; Bjørnenak, 1997). In this context, the propagators are the proponents whose aim was to maximize the pace and spread of the acceptance of innovation (Bjørnenak, 1997). The other factors such as infrastructure and communication channels that include media, books, articles or meetings will all play an important role in the diffusion of accounting innovations. In the present study, we analyze the application of both demand-pull and supply-push DOI to provide a comprehensive analysis of the IR diffusion.

4. Research method

Three data collection methods were used in this study. We first analyzed the published annual reports from 2010 to 2014 to determine the temporal adoption of IR. We then conducted interviews to gather data from both the demand and supply sides of DOI. We also tracked the published material on IR and adopters (articles, guidelines, evaluation reports of IR award competitions, etc.) as secondary sources of data.

4.1 Annual report analysis to determine the temporal adoption of integrated reporting

The purpose of the annual report analysis was to identify the diffusion of IR in Sri Lanka over passage of time. Diffusion was identified from an expansion perspective (Bjørnenak, 1997; Wolfe, 1994) by referring to the number of IR adopting companies in Sri Lanka over time. As the final outcome of the IR process is an integrated report (IIRC, 2013), the companies that prepare an integrated annual report were identified as the IR adopters. We selected the annual reports published by the listed companies in the Colombo Stock Exchange from 2010 [5] to 2014. We first checked the annual reports of all listed companies in different industry sectors as of August 2014. This was done by checking the 292 annual reports individually. We identified 32 adopters for the year 2014[6]. Later, we doubled checked the results in two ways:

- (1) against an independent analysis done by an annual report preparing company; and
- (2) against the submission list of an IR awards competition conducted by a PAB.

These two additional checks enabled us to obtain an independent assurance of the accuracy of our results. As the purpose of this exercise was to identify the temporal diffusion of IR, annual reports from 2010 to 2013 were also checked. This exercise also enabled us to identify the companies (and sometimes the persons) to conduct the interviews subsequently.

4.2 Interviews with adopters and other groups to identify the demand and supply sides of integrated reporting adoption

The purpose of these interviews was to identify how the demand and supply sides of the DOI theory are applied in diffusing IR as a managerial technology. This part of data collection was conducted from September 2014 to March 2015 and in April 2016. We first contacted these companies to identify the key personnel involved in preparing the integrated reports; they were subsequently interviewed face to face by prior appointment. All participants were in middle and senior management positions with “Manager” or “Head” as their job title with the exception of a few cases where the respondents were Vice President (Finance) and Finance Director. As the integrated report preparation process involved a team of professionals, the main contact person, most of the time, had invited these team members when the interviews were conducted. If not, we interviewed them separately. As [Stubbs and Higgins \(2014\)](#) did, these interviews, therefore, directly engaged “insiders” involved in IR to examine the phenomenon in the context in which it occurred. This method enabled us to obtain a comprehensive and balanced view while improving the credibility of the information received by means of respondent triangulation. All the interviews lasted between 20 minutes and 2 hours (refer [Appendix 1](#) for more details on respondents) and we had a list of themes to be covered based on a perusal of the literature relevant to IR and the theory of DOI (refer [Appendix 2](#) for summarized themes covered). After soliciting views from 13 IR-adopting entities, we were convinced that the point of saturation had been reached in collecting data when the same answers were received from the different individuals for the same questions ([Marginson, 2004](#)). To get some outsider views, we interviewed the chairperson of the IR committee of the country’s main PAB, the chairman of one of the UK-based PAB’s SR committees and two judges of the IR awards competitions. These respondents had an overall understanding of the IR adoption process in the country because of their various engagements as to preparation of integrated reports. In addition, we interviewed a senior manager of an assurance provider and a key person in one annual report preparing company (refer [Appendix 3](#) for more details). The purpose was to identify the process(es) of preparing the integrated reports.

4.3 Secondary materials as supplementary evidence

The secondary sources of data included evaluation reports of the IR award competitions, newspaper articles regarding IR awards winners, IR guidelines, etc. In an IR competition organized by a PAB in the country, the 32 integrated reports (identified for the year 2014) had been evaluated based on a mark sheet developed (refer [Appendix 4](#) for more details on the evaluation criteria) and an evaluation report has been published. This evaluation report was a useful reference material, as it contained valuable information on the quality of IR for different entities, limitations observed by the panelists in analyzing the integrated reports, recommendations/guidelines for improvements, etc. Some newspaper articles were also useful in identifying the motivations of the adopters and actions taken by the PAB to propagate IR.

All the interviews were electronically logged with the consent of the interviewees and transcribed immediately after the interviews. We then organized the contents under broad themes mostly being in line with the interview questions. After the interviews, we did an in-depth analysis of the secondary materials to identify the motivations and the propagation of IR for which the interviewees provide explanations. With the use of the secondary

materials and the prior literature, we reclassified the interview content while redefining/adding additional codes (Atkins and Maroun, 2015; Dumay *et al.*, 2015). This finally resulted in demand and supply sides of DOI theory for IR. These findings and results are explained in the next section of this paper.

5. Findings and results

This section first looks at the temporal trend of IR diffusion to find out how it is spreading in Sri Lanka. Based on this trend, we then divide the IR diffusion process into different stages while explaining the demand side of the adoption using Abrahamson's (1991) four different perspectives and the role of the supply side of the IR adoption process.

5.1 Temporal diffusion of integrated reporting in Sri Lanka

As shown in Figure 1, in 2011, only two companies had first started to prepare integrated reports. In the next year, the number of IR adopters increased to 6 and then to 17 in 2013. The year 2014 witnessed a big jump to 32 IR adopting companies.

The sectoral analysis, based on the industries listed on the stock exchange, reveals that the first IR adopters in 2011 were from the diversified and motor sectors (refer Table II). In 2012, another company from the diversified sector, one from the hotels sector and two companies from banking, finance and insurance had joined, increasing the number to six. In 2013, a quite notable feature was the addition of six more companies from the banking, finance and insurance sector, making it the sector with the most number of IR adopters. Also, in 2014, a similar trend was observed. However, in that year, an increase in the number of adopters was also witnessed in other sectors such as diversified, hotels, health, power and energy, plantations and manufacturing. The analysis reveals that of the 292 companies listed on the stock market in 2014, it is only 32 companies (11 per cent of the total) that prepared integrated reports. An analysis of past company annual reports and interviews revealed that the companies that had followed IR had previously prepared sustainability reports. It also revealed that companies in only 11 of the 20 sectors had moved toward IR. The study identifies that many early adopters of IR (Rogers, 1995) are from the diversified, banking, finance and insurance, and plantation sectors.

Based on our temporal analysis, we identify the period from 2010 to 2012 as the *primary stage*, during which the innovations are first adopted by "leaders" (Rogers, 1995). The primary lasted from 2010 to 2012, and during this period, only eight organizations that can be regarded as the early adopters had started following IR. It should also be noted that IIRC had not issued its full guidelines in this period. From 2013 up to now is the *diffusion stage* during which the number of adopters increases

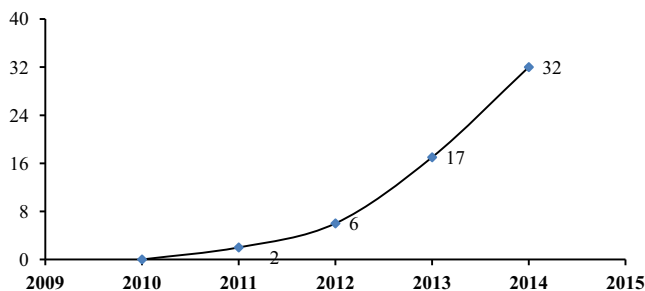


Figure 1.
Temporal diffusion of
IR in Sri Lanka

Table II.
Sectoral analysis of IR
adopters

Industry sector	2011	2012	2013	2014	
	No.	No.	No.	Total registered companies	Adopter (%) ^a
Diversified holding	1	2	3	4	21
Hotels		1	1	3	8
Chemical			1	1	10
Construction			1	1	25
Health				2	33
Banking, finance and insurance		2	8	13	21
Telecommunication			1	1	50
Power and energy				1	13
Plantations			1	4	21
Motor	1	1	1	1	17
Manufacturing				1	3
Other[11]				0	–
Total	2	6	17	32[12]	11

Note: ^aPercentage out of total registered number of companies

significantly from 6 to 17 to 32. A notable feature of this period is the enthusiasm displayed by the banking, finance and insurance sector firms in adopting IR. However, we are still uncertain about when the diffusion stage will be over and the *condensing stage* begins. Hence, we analyze the adopters based only on primary and diffusion stages.

The next subsections describe the interplay of demand and supply sides of diffusion for each of these stages.

5.2 Demand-pull adoption of integrated reporting

The demand-pull adoption of IR is discussed for the two stages identified above, i.e. primary stage and diffusion stage.

5.2.1 Primary stage. Our findings revealed different motivations for the early adopters to follow IR, all of which are suggestive of the efficient choice perspective (Abrahamson, 1991). The early adopter groups had already integrated (mainly sustainability) business models when IR was becoming popular. Hence, they saw IR as a vehicle for reporting their business model. As Stubbs and Higgins (2014) put it, IR has enabled the organizations to better tell the company story about how a company creates value. The Head of Sustainability of a diversified sector organization stated:

We decided that we wanted to report on financial and non-financial performance to our stakeholders. Then the requirement to provide information in one holistic document to meet our stakeholder requirements was a given and [...] IR matched our requirement.

He further stated:

We thought IR would enable us to see well how we are doing in our business.

For them, IR was a coherent reporting model which combined different strands of corporate reporting such as financial, governance, and sustainability (Eccles and Krzus, 2010; Mammatt, 2009).

The Finance Director of one of the early adopters of IR from the motor sector held a similar view:

We felt a gap or something missing in our existing reporting practices though we had been following SR for a long period [...] We then attempted IR as a trial. Our view is that we need a report that not only provides information on financial, sustainability or corporate governance but on how these are linked along with strategy to drive our performance.

In addition to these internal benefits, some of these companies started following IR to derive external market benefits such as better investor (or stakeholder) relationships and market success by becoming a responsible corporate entity (Eccles and Krzus, 2010). One Finance Manager of a diversified sector organization confirmed this:

We have quite a lot of foreign investors and buyers and they are very careful about our sustainability and governance aspects when making their decisions. We had to therefore follow practices in line with their expectations.

As these companies had high public visibility because of their industry leadership, they face many stakeholder pressures stemming from investors, customers, regulators and the public. As Atkins and Maroun (2015) identified in South Africa, IR was an important part of organizations' credibility and legitimacy. With the adoption of IR, these early adopters were trying to derive both internal and external market benefits (Eccles and Krzus, 2010).

One notable feature of the early adopters of IR is that they had been following SR for a period of time and had been regarded as the sustainability leaders in their respective industries, both in terms of practice and reporting. They found it easier to adopt IR for several reasons. The main reason was the availability of an information capturing system for environmental and social aspects of the business. The Vice President (Finance) of a large banking institution said:

We already had templates to gather information for SR. One of the biggest challenges in IR is the vast amount of information you need. So we had a mechanism to capture information needed for IR to a greater extent.

The availability of SR also meant that these companies had already seen the importance of sustainability in their core business models. Therefore, the concepts of IR were not alien to them. Also, these companies have dedicated staff to prepare the integrated reports. For example, one large conglomerate has a separate Sustainability and Planning Unit, while another diversified organization has a separate Sustainability and Business Development Unit. In these organizations, SR/IR has been embedded into the job descriptions of those who are these units. The Head of Sustainability of another diversified organization expressed a view in support of this:

We have established sustainability champions in each sector, who have been given the responsibility of heading the sustainability matters [...]. They pioneered IR in their divisions.

As highlighted by Rogers (1995), the perceived compatibility of the new innovation (i.e. IR) to the existing systems (i.e. SR) has favorably influenced the adoption of IR. This reflects a situation as described by Adams (2002) and recently by Stubbs and Higgins (2014), who suggest that organizations have some form of sustainability committees in place when following SR or IR.

It is also revealed that the progressive organizational culture coupled with the top management support was another internally driving force (or even a facilitator) in the preparation of IR. There has been a top manager who is personally involved in or

dedicated to sustainability aspects and, hence, keen on developing corporate reporting. In this regard, the Sustainability Head of a diversified organization had this to say:

The best that can happen to a company that is going to follow IR or SR is the top management support. Right from the beginning we had that blessing for SR. This time also for IR, the drive came from the top [...] and it is always needed to successfully adopt something new. Anyone or division that does not fall in line will start doing it then.

The Finance Director of a motor sector company affirmed:

We have been quite passionate about sustainability and we have done a lot and done some reporting [regarding sustainability]. It actually made a lot of business sense to reduce water leakages, reduce waste and control injuries. But, still we wanted to get our story right. So we thought IR would let us do it.

Similar to the views of these managers, Adams (2002) identified the chairperson's influence as a contextual factor influencing SR in Germany.

5.2.2 *Diffusion stage (after 2012 to date)*. During this stage, the influence of some mimetic pressures (DiMaggio and Powell, 1983) is suggestive of the fad perspective (Abrahamson, 1991; Cooper and Crowther, 2008) that compels the adoption of IR among the Sri Lankan listed companies. The actions of the leading successful competitors have prompted them to emulate these practices. It was noticed that companies in different industries that have been competing for various awards (e.g. for the sustainability report) are simply adopting IR owing to mimetic pressures. In support of this, the Finance Manager of a banking, finance and insurance sector organization said:

We want to be the leader in the banking sector always. Therefore we attempt to follow what the leaders in other industries do before any bank starts doing those.

The influence of the fad perspective in Sri Lanka is contrary to what Jensen and Berg (2012) observed in Germany. Jensen and Berg (2012) are of the view that IR is too new and the number of organizations having adopted it too few to cause such a bandwagon effect. This different observation in Sri Lanka can sometimes be attributed to the time gap between the two studies.

In addition to the fad perspective, we observed the influence of fashion-setters (Abrahamson, 1991) during this phase of IR adoption. During this diffusion stage, we noted that PABs and business schools were playing an active and more engaging role compared to the initial phase. (Their active role is discussed in detail in the next section under the supply-push of IR diffusion.) The jump in the number of adopters suggests that the bandwagon effect of acceptance has been reached in accelerating the adoption (Abrahamson and Rosenkopf, 1993). However, many parties are skeptical of this phenomenon. A judge in the IR competition, in support of this view, opined:

I do not think many of these companies have a clear understanding of what IR or integrated thinking is. They just prepare their reports [annual reports] to win awards [...]. There are only a handful of companies that prepare real integrated reports.

The analysis of the evaluation reports of the IR awards competition too revealed a similar view. The report indicates that many of the adopters, except the early adopters had not even followed the guiding principles nor content elements of the IIRC (2013) guidelines. The judges report of the IR competition revealed some supportive evidence of this (refer Table III). In addition to these deficiencies, another issue that has been highlighted by the judges is conciseness. One judge stated:

There were approximately ten integrated reports that exceeded 250 pages. Many of them, who had prepared concise reports, have failed to identify the basic principles or present the content elements of the IIRC Guidelines.

Echoing a similar vein, excessive details that lead to lack of consciences have been highlighted by many scholars (Atkins and Maroun, 2015; Raemaekers *et al.*, 2015; Solomon and Maroun, 2012).

The lack of understanding on IR was further cemented when one of the Chief Accountants of an IR adopter (a hotel sector organization) replied as follows when asked about the process and the system they had in place to collect information for preparing integrated reports:

In fact, I do not know much about IR. Our sustainability team simply fills the information sheets provided by the annual reporting company. Then they prepare the reports [integrated reports] for us.

The above-mentioned statement suggests that sustainability (or IR) is quarantined and the IR discourse has not penetrated into the financial functions of this organization (Stubbs and Higgins, 2014). Also, an employee of an annual report preparing company too had a similar view:

Many of our clients simply ask us to prepare an integrated report. They need promotion and want to win awards. I do not think they have a sound understanding of what this really is.

Above statements confirm that IR concepts have not yet been internalized by many of these companies (Atkins and Maroun, 2015).

Another insight we got during our analysis is that many companies have failed to address the guiding principles, fundamentals concepts or content elements of the IIRC (2013) Guidelines even though they have integrated business models or integrated business practices. This is similar to what was envisaged by IIRC (2013) and A4S (2013). A judge at annual report competitions in support of this remarked:

I do not know why some of the very successful companies have produced poor quality reports. It is not simply because they lack integrated thinking, but either they are not willing to report their business model or not aware of how to do it.

As per Table II, the banking, finance and insurance sector displays the highest level of adoption during this period. We identified several notable characteristics of this sector, which could propel the firms to adopt IR. They include but are not limited to their critical role played within the financial system in Sri Lanka (e.g. banks alone have accounted for 58 per cent of the total assets of the financial system by 2014) (Central Bank of Sri Lanka [CBSL], 2015), a tightly governed institutional environment (under the CBSL, Securities and Exchange Commission and Insurance Board in addition to the Companies Act), availability of many finance professionals employed in the firms and high public visibility.

In addition, we noticed that most of the first time adopters in this period are still in a period of transition from SR to IR and hence do not enjoy the favorable conditions that we observed in the early adopters. For example, an accountant of a plantation company stated the lack of top management support as follows:

	Presenting the business model	Addressing value creation and capital formation	Narrating various capitals
No. of companies	14	19	21
(%)	44	59	66

Table III. Followers of guiding principles and content elements of the IIRC guidelines

Source: Judges report of IR competition for 2014

We just do this [i.e. preparation of integrated reports] as an initiative within the finance team. But the top management does not understand what we do. Their support is really limited.

Supporting this view, a Finance Manager of a Banking sector organization mentioned the absence of information systems as follows:

You can't simply get the required information to prepare an integrated report within a few weeks. You need to establish systems to capture, monitor and assure the information throughout the year, not when you need information to prepare the report

Hence the lack of board/top management support (Adams, 2002; Atkins and Maroun, 2015) is a major restraining factor in these organizations.

5.3 Supply-push diffusion of integrated reporting

The supply-push diffusion of IR is also discussed for the two stages identified above, i.e. primary stage and diffusion stage.

5.3.1 Primary stage. During this period, we did not notice a very active supply-push role in propagating IR (Abrahamson, 1996; Bjørnenak, 1997) among either the first adopters, consultants, PABs or business schools.

In this stage, the role of PABs, which are the main propagators of IR in the subsequent period, merits special mention. The three local and two international PABs of UK origin [7] promoted SR during this period or even earlier, especially by organizing some award schemes (such as ACCA SR Competition), seminars and workshops. During this period, they were not keen to promote IR in the way that they promoted SR, perhaps because of its novelty. Even the business schools of the country were not very interested in teaching IR other than simply incorporating some aspects of SR or IR into their curricula. This situation led to a lack of infrastructure and communication channels such as media, books, articles or meetings that will all play an important role in the diffusion of IR (Bjørnenak, 1997). A Sustainability Head of a diversified sector organization said:

We did not receive much support initially from either accounting bodies or others to follow IR, but we had some support to adopt SR.

The PABs also had little guidance and motivation to promote IR since the first IIRC (2013) Guidelines document came out in 2013. During this period, these fashion-setters were therefore sensing the emergent IR practice before developing any rhetoric (Abrahamson, 1996).

5.3.2 Diffusion stage. During the diffusion period, as mentioned already, we noted the very active role of the fashion-setters in promoting IR. Among them, the role of PABs and business schools is important as propagators. The supply-push side of IR is discussed in the following sections.

These PABs had taken many initiatives during this period to project IR as a viable reporting practice (Gunaratne and Senaratne, 2017). They included the following:

- Organizing conferences, seminars and forums (CMA, Conference on Business Resilience through IR, CASL Roundtable Discussion on IR, CASL CFO Forum on IR);
- Provision of guidelines (CASL's "Preparer's Guide to Integrated Corporate Reporting");
- Holding competitions/award schemes on IR, which have become very effective in the speedy diffusion of IR in the Sri Lankan context. For instance, CMASL Excellence in Integrated Reporting Awards Competition and CASL Integrated Reporting Award presented at the Annual Reports Competition; and

- Setting an example by preparing their annual reports as integrated reports. Almost all the PABs, both foreign and local, have prepared their latest annual reports as integrated reports.

With these initiatives, the PABs promote awareness, identify issues and provide guidelines and training opportunities for the adopters of IR. With these initiatives and resources, the preparers of integrated reports have access to a rich pool of resources to support high-quality reports (World Bank, 2015).

In addition to PABs, we note that some business schools[8] in universities in the country are very active in promoting IR. They have introduced IR into the degree curricula in different subjects and organized guest lectures on IR. Moreover, targeting the business community, academics and policymakers, these business schools have organized seminars, conferences and forums to promote SR and IR. Furthermore, in Sri Lanka, there are many consulting firms that specialize in sustainability, providers of sustainability assurance and companies that prepare annual reports who actively promote IR.

We noted that among these many initiatives, the awarding schemes have become very influential in encouraging firms to adopt IR. The Finance Director of a Motor company made the following statement that affirms the contribution of PABs in promoting IR:

The IR award is a motivating factor for us. It gives some sense of achievement for the staff who work for IR. When we win an award there is motivation for the staff to follow it vigorously the next time also.

Another Finance Manager of a first time adopter of IR held a similar view:

We just want to target XX [name is not disclosed because of confidentiality] competition. So we are planning to put out (i.e. publish) our report in December (i.e. just before the closing date for applications for the IR competition).

The active role of the PABs observed in Sri Lanka is contrary to what Jensen and Berg (2012) observed in Germany. Jensen and Berg (2012) are of the view that because of the newness of the concept, still business schools had not yet adopted IR in the German curricula exerting very negligible pressure on the profession. As Sri Lanka had become a hub of accountants (Senaratne and Gunarathne, 2016), we note that the accounting profession of the country (i.e. business schools, PABs and other related firms) is very active in this respect.

Despite these initiatives, another manager (Head of Sustainability, Risk Management and Sourcing of a construction sector organization) interviewed had a different view regarding the institutional support and award competitions:

The support of the Institute [professional accounting body] is encouraging, but we need more guidance. Still we do not know exactly what integrated thinking and IR are.

Based on these findings and results, we present our discussion in the next section.

6. Discussion

Sri Lanka is presently in the diffusion stage of the IR adoption process. In the case of IR, we believe that the bandwagon effect of acceptance has been reached, which has accelerated the pace of diffusion (Abrahamson and Rosenkopf, 1993). In this hierarchical form of diffusion of IR in Sri Lanka, we witness a trickle-down effect (Bjørnenak, 1997). The initial innovators, the large-scale players who are supposed to be industry leaders (Malmi, 1999), have started to follow IR and the practice is now followed by intermediate and smaller firms (Bjørnenak, 1997). Echoing a similar trend as observed by Malmi (1999) in the diffusion of ABC in Finland, in the primary stage, adopters were driven by the efficient choice perspective to

derive the internal and external market benefits of IR, while in the diffusion stage, they are mainly influenced by fashion-setting organizations such as PABs and business schools (i.e. fashion perspective) (Malmi, 1999). Hence, this study provides further evidence for assuming that in the case of managerial technologies, the primary stage of diffusion can be explained by efficient choice, while the diffusion stage can be explained by the fashion perspective, irrespective of the location of its application (i.e. whether it is a developed or a developing country).

We also observed that the efficient choice perspective of IR at the primary stage has been facilitated by the already established SR mechanism. As Stubbs and Higgins (2014) observed, we also identified the availability of SR with an already established information capturing system and familiarity with sustainability thinking coupled with separate units, staff and cross-functional teams to support sustainability (such as a sustainability and planning unit, a sustainability and business development unit and sustainability champions) and a progressive organizational culture and top management support and drive for these organizations to adopt IR. However, Stubbs and Higgins (2014), critical of extending SR models to IR, suggest that many organizations do not uncover second order, transformative change, but rather first order incremental changes to processes and structures that previously supported SR. In the Sri Lankan context also, it was the absence of a “second-order transformative change that was identified rather than incremental changes to processes and structures that previously supported SR (first-order change)” (Stubbs and Higgins, 2014, p. 1085). Hence, we also witnessed a similar a “transition” rather than a “transformation” (Laughlin, 1991, p. 218) in the case of the adoption of IR in Sri Lanka. This is with the possible danger of reducing IR to a compliance-based approach (Raemaekers *et al.*, 2015).

In many organizations, the driving force has been the commitment of the key personnel. Their absence would lead to reduced or lack of interest in IR. This is suggestive of a relocation form of diffusion (Bjørnenak, 1997). Thus, we are doubtful about the effective continuity of these systems and IR in the absence of these key individuals unless they become internalized and a part of daily decision-making, as Gunarathne and Lee (2015) suggest in the case of environmental accounting.

Owing to the novelty of the concept, potential users of IR are still uncertain about the goals of adoption and the efficiency of IR. In the current diffusion stage, the role of fashion-setters (Abrahamson, 1991, 1996) has been quite notable in inspiring many Sri Lankan firms to trust their choice of IR and to imitate them by actively developing awareness and a taste for IR (Abrahamson, 1991). With the conferences, forums and award schemes, these fashion setters have been able develop rhetoric for IR as the future of corporate reporting. The competition to disseminate this rhetoric (Abrahamson, 1996) of IR to the Sri Lankan companies before other PABs to gain market leadership (Gunarathne and Senaratne, 2017) has driven many companies to follow IR.

In this context, we also noticed some evidence of the fad perspective also, in which new adopters of IR imitate the successful IR adopters, particularly the IR or SR award winners. Among the three explanations for the fad perspective of Abrahamson (1991), we noticed social interactions mostly when organizations emulate a successful early adopter to appear legitimate by conforming to emergent norms and economic interests to a certain extent to avoid the risk of losing competitive advantage. As most of these new adopters who joined the IR trend do not have sufficient systems, integrated thinking and separate units, staff and cross-functional teams (Stubbs and Higgins, 2014), they still fall short of obtaining the benefits of efficient choice. Our analysis reveals that there will be many new adopters, as Sri Lanka is in the diffusion stage. The PABs and business schools will have to continue to maintain the momentum toward IR while providing the first time adopters with more practical guidance on and awareness of the real benefits of IR.

Despite the various measures taken to create awareness of and provide guidance for IR, we doubt whether the requisite knowledge has been shared and transmitted to potential users. This view has also been raised by [Brown and Dillard \(2014\)](#) previously. When serving as the judges at IR competitions, we clearly noted the gaps, anomalies and mismatches in the integrated reports prepared by many firms. At the same time, we noticed that many firms with successful business models adopt the integrated thinking and business model but are not willing to report or have produced poor reports, which results in a “practice-reporting portrayal gap”, as suggested by [Adams \(2004\)](#). This gap can be a “lag”, when organizations’ IR does not reflect their integrated thinking and performance for various reasons. On the other hand, the gap can be a “lead” when companies attempt to report more than what they really possess, particularly because of the fashion and fad perspectives.

Finally, our findings did not suggest any concrete evidence of the application of the forced selection perspective ([Abrahamson, 1991](#); [Cooper and Crowther, 2008](#); [DiMaggio and Powell, 1983](#); [Malmi, 1999](#); [Scott, 1995](#)). The firms still do not believe that in the future IR will be made mandatory, and hence, they do not think preparing IR now itself would help them to mitigate future pressure, contrary to the finding of [Krzus \(2011\)](#) but in conformity with [Jensen and Berg \(2012\)](#). Owing to the newness of IR, the impact of related rules, norms or laws is extraordinarily low ([Jensen and Berg, 2012](#)) in Sri Lanka, and hence, the impact of forced-selection from a regulatory perspective of IR is not yet important. But forced-selection could stem from pressure from the parent company.

7. Conclusions

This study examined the diffusion of IR as a managerial technology in Sri Lanka, an emerging economy in the South Asian region. Sri Lanka is now experiencing a diffusion stage in which many first adopters of IR will join the bandwagon. It is revealed that that early adopting companies have been practicing SR in the past and have many supportive attributes that enabled them to secure efficient transaction. While early adoption can be explained by using efficient choice, many companies which started adopting IR during the diffusion stage are mainly enticed by the fashion setters, particularly the PABs, through their various interventions. Owing to the active involvement of these propagators, the supply-push diffusion of IR is more applicable than that of demand-pull diffusion. Most of these firms follow IR more for rhetoric purposes and they have not realized the meaning of IR other than to view it as another reporting mechanism. This has resulted in a “practice-reporting portrayal gap”, which could be a lag or a lead. Hence, there is a possibility of IR is reduced to a compliance based reporting mechanism rather than leading to integrated thinking.

Our findings, while confirming the findings of [Stubbs and Higgins \(2014\)](#), suggest that IR displays a “transition” ([Laughlin, 1991](#)) from SR rather than a transformation. The new innovative initiative, that is, driving “transformation”, poses an interesting question for future researchers to explore whether IR has changed the way organizations are doing business. If IR is perceived as a transition, the companies will need more guidance in the process to achieve integrated thinking that leads to integrated practices and performance. It will also be interesting to identify the factors causing the “practice-reporting portrayal lag” and the evolution of integrated business models and thinking that facilitate (or hinder) IR in different geographical regions and industries. Yet, the validity of our findings is limited owing to several inherent limitations. The limited number of cases in this study poses the main challenge, which calls for more respondent companies in the adopting as well as non-adopting categories. Further, the time period we selected (i.e. from 2010 to 2014) is a unique time period after the global financial crisis, in which, Sri Lanka witnessed rapid economic growth after the end of the 30-year civil war, the large influx of foreign direct investments and mounting stakeholder pressures for better social,

environmental and governance performance that was powerful enough to even bring about a regime change in the country (Bandarage, 2015). In this study, we did not look at the impact of the culture of Sri Lanka in facilitating or hindering the diffusion process of IR in the country though Gunarathne and Senaratne (2017) suggest that the national culture could have a significant impact on new managerial technologies such as IR or SR. As the South Asian region is a diverse area with multiple cultures, understanding the cultural impact of new managerial technologies will offer avenues for further research. Hence, further research will be welcome from different regions of the world to improve our understanding of the global picture of accounting.

Notes

1. SAFA is the forum of PABs to promote and develop the accountancy profession in South Asian Association for Regional Cooperation region. It represents over 300,000 accountants having membership of the national chartered accountancy and cost and management accountancy institutions in the South Asian countries.
2. The formation of IIRC took place in 2010 with the initiation of Prince's Accounting for Sustainability Project (A4s) and Global Reporting Initiative. It was initially called the International Integrated Reporting Committee and its name was changed to the International Integrated Reporting Council in 2012.
3. Apperson and Wikstrom (1997) refer this as spatial, while Bjørnenak (1997) calls it as contagious.
4. "Outside-Influence" reflects the locus of control of an organization and the extent to which it is able to act autonomously (Rikhardsson *et al.*, 2005)
5. "Imitation-Focus" reflects the extent to which the organization is likely to be influenced by others in deciding on whether or not to adopt a new technology, rather than to reach its own decision independently (Rikhardsson *et al.*, 2005).
6. "Organizations within the group" refers to those firms with the potential to adopt the innovation (in this study, this is IR) (Malmi, 1999).
7. "Organizations outside the group" refers to consulting companies, business-schools, etc., i.e. those organizations that promote innovations but do not necessarily adopt innovations by themselves (Malmi, 1999).
8. AAAJ recently had a Special Issue on IR (2014, Issue 7), and its 2017 Special Issue (Volume 30, Issue 7) also focuses on case studies on IR.
9. We selected 2010 as the starting year, as the first integrated report in Sri Lanka has been prepared in 2010 (IIRC, 2012).
10. The majority of the integrated reports were explicitly stated to be integrated reports and we considered those companies as adopters of IR. As the IR guidelines are principle-based than rule-based (IIRC, 2013; Stent and Dowler, 2015), we used "contents elements", "fundamental concepts" and "guiding principles" of the IIRC (2013) framework in deciding the non-labeled annual reports as integrated reports.
11. This includes footwear, information technology, beverage and food, trading, oil farms, land and property, investment trusts, store supplies and services sectors.
12. In addition to these firms, there were some other integrated reports prepared by PABs and regulators such as the Securities and Exchange Commission.
13. Sri Lanka is home to three local PABs (CASL – Institute of Chartered Accountants of Sri Lanka, CMASL – Institute of Certified Management Accountants of Sri Lanka and AAT – Association of Accounting Technicians of Sri Lanka) and two international PABs of UK origin (CIMA – Chartered Institute of Management Accountants UK and ACCA – Association of Chartered Certified Accountant UK) (World Bank, 2015).
14. In Sri Lanka, the national universities have not yet set their business schools and still operate as faculties. However, for the purpose of this study, we refer to them as business schools.

References

- Abrahamson, E. (1991), "Managerial fads and fashions: the diffusion and rejection of innovations", *The Academy of Management Review*, Vol. 16 No. 3, pp. 586-612.
- Abrahamson, E. (1996), "Management fashion", *Academy of Management Review*, Vol. 21 No. 1, pp. 254-285.
- Abrahamson, E. and Rosenkopf, L. (1993), "Institutional and competitive bandwagons: using mathematical modeling as a tool to explore innovation diffusion", *Academy of Management Review*, Vol. 18 No. 3, pp. 487-517.
- ACCA and Net Balance Foundation (2011), "Adoption of integrated reporting by the ASX 50", available at: www.accaglobal.com/content/dam/acca/global/PDF-technical/sustainability-reporting/tech-tp-air2.pdf (accessed 17 August 2014).
- Adams, C.A. (2002), "Internal organisational factors influencing corporate social and ethical reporting: beyond current theorising", *Accounting, Auditing and Accountability Journal*, Vol. 15 No. 2, pp. 223-250.
- Adams, C.A. (2004), "The ethical, social and environmental reporting performance portrayal gap", *Accounting, Auditing and Accountability Journal*, Vol. 17 No. 5, pp. 731-757.
- Adams, C.A. (2015), "The international integrated reporting council: a call to action", *Critical Perspectives on Accounting*, Vol. 27, pp. 23-28.
- Ahmed, H.A. and Anifowose, M. (2016), "The trend of integrated reporting practice in South Africa: ceremonial or substantive?", *Sustainability Accounting, Management and Policy Journal*, Vol. 7 No. 3, pp. 190-224.
- Apperson, B. and Wikstrom, N. (1997), "The professionalization of Virginia County government: an application of diffusion theory", *Public Administration Quarterly*, Vol. 21 No. 1, pp. 28-53.
- Atkins, J. and Maroun, W. (2015), "Integrated reporting in South Africa in 2012: perspectives from South African institutional investors", *Meditari Accountancy Research*, Vol. 23 No. 2, pp. 197-221.
- Ax, C. and Bjørnenak, T. (2005), "Bundling and diffusion of management accounting innovations – the case of the balanced scorecard in Sweden", *Management Accounting Research*, Vol. 16 No. 1, pp. 1-20.
- Bandarage, A. (2015), "Good governance in Sri Lanka", *The World Post*, available at: www.huffingtonpost.com/asoka-bandarage/good-governance-in-sri-lanka_b_7087768.html (accessed 22 November 2015).
- Bandyopadhyay, R. (2013), "Role of accountancy in sustainable development in SAARC region", available at www.iodonline.com/Articles/SustainableDevelopment,SAARC_Region.pdf (accessed 18 January 2016).
- Bjørnenak, T. (1997), "Diffusion and accounting: the case of ABC in Norway", *Management Accounting Research*, Vol. 8 No. 1, pp. 3-17.
- Brown, L. (1981), *Innovation Diffusion*, Methuen, London.
- Brown, J. and Dillard, J. (2014), "Integrated reporting: on the need for broadening out and opening up", *Accounting, Auditing and Accountability Journal*, Vol. 27 No. 7, pp. 1120-1156.
- Busco, C., Frigo, M.L., Quattrone, P. and Riccaboni, A. (2013), "Towards integrated reporting: concepts, elements and principles", in Busco, C., Frigo, M.L., Quattrone, P. and Riccaboni, A. (Eds), *Integrated Reporting, Concepts and Cases that Redefine Corporate Accountability*, Springer, Rotterdam, pp. 3-20.
- Central Bank of Sri Lanka (CBSL). (2015), "Financial system stability", available at: www.cbsl.gov.lk/htm/english/05_fss/f_1.html (accessed 10 January 2016).
- Cheng, M., Green, W., Conradie, P., Konishi, N. and Romi, A. (2014), "The international integrated reporting framework: key issues and future research opportunities", *Journal of International Financial Management and Accounting*, Vol. 25 No. 1, pp. 90-119.

- Churet, C. and Eccles, R.G. (2014), "Integrated reporting, quality of management, and financial performance", *Journal of Applied Corporate Finance*, Vol. 26 No. 1, pp. 56-64.
- CIMA (2014), "Integrated thinking, the next step in integrated reporting", *CGMA Briefing*, The World Congress of Accountants, Rome.
- Cooper, S. and Crowther, D. (2008), "The adoption of value-based management in large UK companies", *Journal of Applied Accounting Research*, Vol. 9 No. 3, pp. 148-167.
- de Klerk, M. and de Villiers, C. (2012), "The value relevance of corporate responsibility reporting", *Meditari Accountancy Research*, Vol. 20 No. 1, pp. 21-38.
- De Silva, K.M. (2014), *A History of Sri Lanka*, Vijitha Yapa, Colombo.
- de Villiers, C., Rinaldi, L. and Unerman, J. (2014), "Integrated reporting: insights, gaps and an agenda for future research", *Accounting, Auditing & Accountability Journal*, Vol. 27 No. 7, pp. 1042-1067.
- Deloitte (2012), "Integrated reporting, navigating your way to a truly integrated report", 2nd ed., February, available at: www.iasplus.com/en/publications/south.../integrated-reporting-issue-3 (accessed 23 January 2015).
- DiMaggio, P.J. and Powell, W.W. (1983), "The Iron Cage revisited: institutional isomorphism and collective rationality in organizational fields", *American Sociological Review*, Vol. 20 No. 1, pp. 122-136.
- Dumay, J., Frost, G. and Beck, C. (2015), "Material legitimacy", *Journal of Accounting & Organizational Change*, Vol. 11 No. 1, pp. 2-23.
- Eccles, R.G. and Armbrester, K. (2011), "Two disruptive ideas combined: integrated reporting in the cloud", *IESE Insight*, No. 8, First Quarter-, pp. 13-20.
- Eccles, R.G. and Krzus, M.P. (2010), *One Report: Integrated Reporting for a Sustainable Strategy*, Hoboken, Wiley, NJ.
- Eccles, R.G. and Serafeim, G. (2011), "Accelerating the adoption of integrated reporting", in de Leo, F. and Vollbracht, M. (Eds), *CSR Index*, Innovation Publishing, Zurich, pp. 70-92.
- Elkington, J. and Renaut, J.P. (2010), "Holy Grail of integrated reporting", available at: [www.sustainability.com/\[...\]/the-holy-grail-of-integrated](http://www.sustainability.com/[...]/the-holy-grail-of-integrated) (accessed 17 August 2014).
- Flower, J. (2015), "The international integrated reporting council: a story of failure", *Critical Perspectives on Accounting*, Vol. 27, pp. 1-17.
- Frías-Aceituno, J.V., Rodríguez-Ariza, L. and García-Sánchez, I.M. (2013), "Is integrated reporting determined by a country's legal system? An exploratory study", *Journal of Cleaner Production*, Vol. 44, pp. 45-55.
- Gray, R., Javard, M., Power, D.M. and Sinclair, D.C. (2001), "Social and environmental disclosure and corporate characteristics: a research note and extension", *Journal of Business Finance and Accounting*, Vol. 28 Nos 3/4, pp. 327-356.
- Gunarathne, N. and Lee, K. (2015), "Environmental management accounting (EMA) for environmental management and organizational change", *Journal of Accounting and Organizational Change*, Vol. 11 No. 3, pp. 362-383.
- Gunarathne, N. and Senarathne, S. (2017), "Country readiness in adopting integrated reporting: a diamond theory approach from an Asian Pacific economy", in Lee, K. and Schaltegger, S. (Eds), *Sustainability Accounting in the Asia Pacific Region*, Springer, Rotterdam.
- Hespenheide, E. (2010), "Integrating your financial and non-financial performance into a single report", available at: [http://globalblogs.deloitte.com/\[...\]/2010/\[...\]/integrating-your-financial-an\[...\]](http://globalblogs.deloitte.com/[...]/2010/[...]/integrating-your-financial-an[...]), *Deloitte Perspectives* (accessed 19 November 2014).
- Higgins, C. Stubbs, W. and Love, T. (2014), "Walking the talk(s): organisational narratives of integrated reporting", *Accounting, Auditing and Accountability Journal*, Vol. 27 No. 7, pp. 1090-1119.

- IIRC (2013), "The international framework", available at: <http://integratedreporting.org/wp-content/uploads/2013/12/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf> (accessed 10 September 2014).
- IIRC (2014), "Pilot programme investor network", IIRC, available at: <http://integratedreporting.org/wp-content/uploads/2014/03/IIRC-Pilot-Programme-Investor-Network-backgrounder-March-2014.pdf> (accessed 23 December 2014).
- IIRC (2016), "When? Advocate for global adoption", available at: <http://integratedreporting.org/when-advocate-for-global-adoption/> (accessed 24 January 2016).
- Jackson, A. and Lapsley, I. (2003), "The diffusion of accounting practices in the new 'managerial' public sector", *The International Journal of Public Sector Management*, Vol. 16 Nos 4/5, pp. 359-372.
- Jensen, J.C. and Berg, N. (2012), "Determinants of traditional sustainability reporting versus integrated reporting, an institutionalist approach", *Business Strategy and the Environment*, Vol. 21 No. 5, pp. 299-316.
- Jensen, M. and Meckling, W. (1976), "Theory of the firm: managerial behaviour agency cost and ownership structure", *Journal of Financial Economics*, Vol. 3 No. 4, pp. 305-360.
- KPMG (2008), "International survey of corporate responsibility reporting", available at: www.kpmg.com/EU/en/Documents/KPMG_International_survey_Corporate_responsibility_Survey_Reporting_2008.pdf (accessed 20 December 2014).
- KPMG (2015), "Survey of integrated reports in Japan 2014", available at: www.kpmg.com/jp/ja/knowledge/article/integrated-reporting-article/documents/integrated-reporting-20150628e.pdf (accessed 22 November 2015).
- Krzus, M.P. (2011), "Integrated reporting: if not now, when?", *IRZ, Heft*, Vol. 6, pp. 271-276.
- Lapsley, I. and Wright, E. (2004), "The diffusion of management accounting innovations in the public sector: a research agenda", *Management Accounting Research*, Vol. 15 No. 4, pp. 355-374.
- Laughlin, R.C. (1991), "Environmental disturbances and organizational transitions and transformations: some alternative models", *Organization Studies*, Vol. 12 No. 2, pp. 209-232.
- Mahbub ul Haq Human Development Centre (2015), *Human Development in South Asia, The Economy and the People*, Mahbub ul Haq Human Development Centre, Lahore University of Management Sciences, Lahore.
- Malmi, T. (1999), "Activity-based costing diffusion across organizations: an exploratory empirical analysis of Finnish firms", *Accounting, Organizations and Society*, Vol. 24 No. 8, pp. 649-672.
- Mammatt, J. (2009), "Integrated sustainability reporting and assurance", paper presented at CIS Corporate Governance Conference, *Johannesburg*, pp. 10-11, available at: www.ciscorp.gov.co.za/present/CIS%20WEBSITE/Mammatt_Integrated%20Sustainability%20Reporting%20and%20Assurance.pdf (accessed 15 December 2014).
- Marginson, D.E.W. (2004), "The case study, the interview and the issues: a personal reflection: the real life guide to accounting research", in Humphrey, C. and Lee, B. (Eds), *The Real Life Guide to Accounting Research*, Oxford Press, Oxford, pp. 328-338.
- Mellett, H., Marriott, N. and Macniven, L. (2009), "Diffusion of an accounting innovation: fixed asset accounting in the NHS in wales", *European Accounting Review*, Vol. 18 No. 4, pp. 745-764.
- Oliver, J., Vesty, G. and Brooks, A. (2016), "Conceptualising integrated thinking in practice", *Managerial Auditing Journal*, Vol. 31 No. 2, pp. 228-252.
- Owen, D. (2006), "Emerging issues in sustainability reporting", *Business Strategy and the Environment*, Vol. 15 No. 4, pp. 217-218.
- Perego, P., Kennedy, S. and Whiteman, G. (2016), "A lot of icing but little cake? Taking integrated reporting forward", *Journal of Cleaner Production*, available at SSRN: <http://ssrn.com/abstract=2744822>
- Raemaekers, K., Maroun, W. and Padia, N. (2015), "Risk disclosures by South African listed companies post-King III", *South African Journal of Accounting Research*, Vol. 30 No. 1, pp. 41-60.

- Rensburg, R. and Botha, E. (2014), "Is integrated reporting the silver bullet of financial communication? A stakeholder perspective from South Africa", *Public Relations Review*, Vol. 40 No. 2, pp. 144-152.
- Rikhardsson, P.M., Bennett, M., Bouma, J.J. and Schaltegger, S. (2005), "Environmental management accounting: innovation or managerial fad?", in Rikhardsson, P.M., Bennett, M., Bouma, J.J. and Schaltegger, S. (Eds), *Implementing Environmental Management Accounting: Status and Challenges*, Springer, Rotterdam, pp. 1-16.
- Robertson, F.A. and Samy, M. (2015), "Factors affecting the diffusion of integrated reporting – a UK FTSE 100 perspective", *Sustainability Accounting, Management and Policy Journal*, Vol. 6 No. 2, pp. 190-223.
- Rogers, E.M. (1995), *Diffusion of Innovations*, 4th ed., Free Press, New York, NY.
- Rowbottom, N. and Locke, J. (2016), "The emergence of", *Accounting and Business Research*, Vol. 46 No. 1, pp. 83-115.
- Scott, W.R. (1995), *Institutions and Organizations*, Sage, Thousands Oaks, CA.
- Senaratne, S. and Gunarathne, N. (2016), "Excellence in management education: perspectives from a global hub of accountants in Asia", in Baporikar, N. (Ed.), *Management Education for Global Leadership*, IGI Global, Hershey, PA, pp. 158-180.
- Setia, N., Abhayawansa, S., Joshi, M. and Huynh, A.V. (2015), "Integrated reporting in South Africa: some initial evidence", *Sustainability Accounting, Management and Policy Journal*, Vol. 6 No. 3, pp. 397-424.
- Sison, A.J.G. (2010), *Corporate Governance and Ethics: An Aristotelian Perspective*, Edward Elgar Publishing, Cheltenham.
- Solomon, J. and Maroun, W. (2012), *Integrated Reporting: the Influence of King III on Social, Ethical and Environmental Reporting*, The Association of Chartered Certified Accountants, London.
- Solomon, J. and Maroun, W. (2014), *South African Institutional Investors' Perceptions of Integrated Reporting*, The Association of Chartered Certified Accountants, London.
- South Asian Federation of Accountants (SAFA) (2014), "Annual activity report", available at: www.esafa.org/?page_id=41 (accessed 8 January 2016).
- Stent, W. and Dowler, T. (2015), "Early assessments of the gap between integrated reporting and current corporate reporting", *Meditari Accountancy Research*, Vol. 23 No. 1, pp. 92-117.
- Stubbs, W. and Higgins, C. (2014), "Integrated reporting and internal mechanisms of change", *Accounting, Auditing and Accountability Journal*, Vol. 27 No. 7, pp. 1068-1090.
- The Prince's Accountability for Sustainability Project (A4S) (2013), "Integrated thinking: embedding sustainability into decision making and strategy", available at: www.accountingforsustainability.org/integrated-thinking (accessed 22 November 2015).
- United Nations Environment Programme (UNEP), South Asian Association for Regional Cooperation (SAARC) and Development Alternatives (DA) (2009), "South Asia Environment Outlook", UNEP.
- Weeramantry, C.G. (2002), "Sustainable development: an ancient concept recently revived", Global Judges Symposium on Sustainable Development and the Role of Law, Johannesburg, available at: www.unep.org/delc/Portals/119/publications/Speeches/Weeramantry.pdf (accessed 8 December 2015).
- Wild, S. and van Staden, C. (2013), "Integrated reporting: an initial analysis of early reporters", paper presented at 3rd Sustainability Accounting Research Symposium, University of Canterbury, 30 August.
- Wolfe, R.A. (1994), "Organizational innovation: review, critique and suggested research directions", *Journal of Management Studies*, Vol. 31 No. 3, pp. 405-431.
- World Bank (2015), *Report on the Observance of Standards and Codes, Accounting and Auditing-Sri Lanka*, World Bank, Washington.

Further reading

Eccles, R.G. and Saltzman, D. (2011), "Achieving sustainability through integrated reporting", *Stanford Social Innovation Review*, Vol. 9 No. 3, pp. 56-61.

Simnett, R. and Huggins, A.L. (2015), "Integrated reporting and assurance: where can research add value?", *Sustainability Accounting, Management and Policy Journal*, Vol. 6 No. 1, pp. 29-53.

Appendix 1

Main person interviewed	Industry sector	Duration (minutes)
Head of Sustainability	Diversified	40
Finance Director	Motor	60
Finance Director	Manufacturing (apparel)	30
Vice President-Finance	Banking, Finance and Insurance	60
Head of Sustainability and Business Development	Diversified	45
Head of Sustainability	Hotel	45
Finance Manager	Banking, Finance and Insurance	45
Chief Accountant	Hotel	20
Finance Controller	Banking, Finance and Insurance	40
Finance Controller	Plantations	30
Head of Sustainability, Risk Management and Sourcing	Construction	40
Accountant	Plantations	25
Finance Controller (cum former Head of Sustainability)	Banking, Finance and Insurance	30

Table AI.
Details of the interviews conducted to get "insider views"

Appendix 2. Summarized interview questions

With insiders

- What are the internal /drivers for you to adopt IR?
- What are the external driving forces for you to adopt IR?
- What really made it easier for you to adopt IR?
- How is your sustainability/IR function organized?
- What sort of support do you get from the top management when following IR?
- What sort of a support did/do you receive from the PABs when preparing integrated reports? [at different time periods]
- What are the processes and systems in-house to prepare integrated reports?
- What challenges do you face in preparing integrated reports?

With outsiders

- What sort of a to prepare integrated reports during different periods?
- What is your impression of the current trend of IR in the country?
- What factors really motivate the companies to follow IR?
- What are the weaknesses you have identified in the integrated reports?

Appendix 3. Details of the interviews conducted to get “outsider views”

- Chairperson of the IR committee of the country’s main PAB-60 Minutes;
- Chairman of one of the UK-based PAB’s SR committees-50 Minutes;
- Two judges of the IR awards competitions-30-40 Minutes;
- Senior manager of an assurance provider-20 Minutes; and
- Manager of an annual report preparing company-40 Minutes.

Appendix 4. Evaluation criteria used in the IR award competition

The mark plan was based on the guiding principles, content elements and fundamental concepts that appear in the IIRC (2013) Framework:

- Equal weightage given in the awarding of marks for application of each of the *guiding principles* which are:
 - strategic focus and future orientation;
 - connectivity of information;
 - stakeholder relationships;
 - materiality;
 - conciseness;
 - reliability and completeness; and
 - consistency and comparability.
- Equal weightage of marks awarded for the application of each of the *content elements* which are as follows:
 - organizational overview and external environment;
 - Governance;
 - Business Model;
 - strategy and resource allocation;
 - risks and opportunities;
 - performance;
 - outlook; and
 - basis of preparation and presentation.
- Equal weightage awarded for the extent to which the Framework’s *fundamental concepts*
 - explanation of the value creation process
 - capitals have been incorporated into the integrated report.

About the authors

Nuwan Gunarathne is a Senior Lecturer at the Department of Accounting, University of Sri Jayewardenepura and a PhD candidate at the Griffith Business School, Australia. Nuwan is a committee member of the Environmental and Sustainability Management Accounting Network (EMAN) Asia Pacific (AP) and country representative of the Sri Lanka Chapter of EMAN-AP. Nuwan Gunarathne is the corresponding author and can be contacted at: nuwan@sjp.ac.lk

Samanthi Senaratne is a Professor in Accounting of University of Sri Jayewardenepura, Sri Lanka. She holds a Bachelors Degree in Accounting, an MBA and a PhD specializing in finance. She has published papers in corporate governance, corporate sustainability accounting and integrated reporting, and accounting education.

For instructions on how to order reprints of this article, please visit our website:

www.emeraldgroupublishing.com/licensing/reprints.htm

Or contact us for further details: permissions@emeraldinsight.com

This article has been cited by:

1. Dellaportas Steven Steven Dellaportas steven.dellaportas@rmit.edu.au Joshi Mahesh Mahesh Joshi mahesh.joshi@rmit.edu.au School of Accounting, RMIT University, Melbourne, Australia . 2017. Accounting, auditing and governance in the SAARC group of nations. *Managerial Auditing Journal* 32:4/5, 326-331. [[Citation](#)] [[Full Text](#)] [[PDF](#)]