

Is integrated reporting transformative? An exploratory study of non-financial reporting archetypes

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Is integrated reporting transformative? An exploratory study of non-financial reporting archetypes

Purpose – This paper aims to generate insights about the transformative potential of integrated reporting by exploring organisational adoption of non-financial reporting design archetypes available in the field.

Design/methodology/approach – Drawing on the concept of design archetype, this study conducts an exploratory interpretative based on qualitative semi-structured interviews and documentary analysis. The study is based on the Spanish integrated reporting field.

Findings – Our study reveals that IIRC framework lacks the transformative potential to become an environmental disturbance for corporate reporting practice. It explains how organisations, in their attempt to seek coherence with underlying interpretative schemes, change their structural arrangements (structure, processes and systems) to adopt sustainability and integrated reporting design archetypes available in the field. Though organisational differences are portrayed, the transition from a sustainability-reporting archetype to an integrated-reporting archetype does not seem to be easily achieved.

Research limitations/implications – Due to its exploratory nature, further investigation of the transformative potential of integrated reporting is needed to address intra-organisational factors such as internal stakeholder interests, organisational values, individual or collective agency to embed interpretative schemes into structural arrangements, and technical and managerial capabilities enabling action.

Practical implications – Findings inform practitioners and policymakers about the hindrances to integrated reporting implementation to be considered for prospective regulation and standardisation.

Social implications – The study reflects on the difficulties for both mainstreaming sustainability to influence decision-making and developing reporting archetypes coherent with integrated thinking.

Originality/value – By focusing on archetype design, the paper provides insights to assess the transformative potential of integrated reporting.

Keywords Sustainability and integrated reporting, design archetypes, interpretative schemes, structure, accounting and organisational change, qualitative research.

Article classification research paper

1. Introduction

Considering the controversy and complexity of integrated reporting, different studies (de Villiers *et al.*, 2014; Rinaldi *et al.*, 2018) have called for in-depth impartial-academic research to understand the changes effected by integrated reporting in organisations and corporate reporting.

Responding to these calls, our study aims to generate insights regarding the transformative potential of integrated reporting by conducting an explorative and interpretative analysis of the Spanish integrated reporting field, and focusing on the notion of design archetype as an enlightening concept to inspect the structures, processes and systems that embody organisational interpretative schemes and provide coherence to

the organisation (see Broadbent and Laughlin, 2005; Cooper *et al.*, 1996; Greenwood and Hinings, 1988; Laughlin, 1991).

Substantial to this inquiry is the consideration that design archetypes are institutionally embedded (Cooper *et al.*, 1996; Greenwood and Hinings, 1996) and that fields are spaces that produce cultural and material products including organisational archetypes (Wooten and Hoffman, 2016). More specifically, non-financial reporting archetypes driven either by the Global Reporting Initiative (GRI hereafter) sustainability reporting framework or the International Integrated Reporting Council (IIRC hereafter) framework.

The IIRC has arguably tried to make integrated reporting a new reporting norm (Humphrey *et al.*, 2017; Rinaldi *et al.*, 2018), in such a way that integrated reporting cannot be understood without the IIRC. The IIRC (2013, p. 7) defines an integrated report as “a concise communication about how an organisation’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value”; i.e. integrated reporting is about an information system leading to a concise and integrated external report. Eccles and Youmans (2015) remark that integrated reporting consists of combining the traditional, financially-oriented annual report with the material parts of a corporation’s sustainability report, showing the links between the different dimensions of performance. However, integrated reporting is not only about accountability and external reporting, but also about deploying the integrated thinking notion and transforming decision-making and actions within organisations (Guthrie *et al.*, 2017; Katsikas *et al.*, 2017; Maniora, 2017; Miller and Power, 2013).

Sustainability reporting is, arguably, an antecedent to integrated reporting (Deloitte, 2015). However, integrated reporting has moved from a sustainability focus to an investor focus (de Villiers *et al.*, 2014). This evolution of integrated reporting is associated with the direction of the IIRC and particularly its reporting framework (IIRC, 2013). Adams (2015) explains the differences between both types of reporting, arguing that sustainability reporting targets a wider stakeholder audience than integrated reporting, whose focus is primarily on providers of financial capital, and that sustainability reporting focuses on impacts on the environment, society and the economy, rather than on the effects of capital on value creation over time.

Concerns have also been raised about the role of IIRC as a trigger for organisational change. In this regard, Humphrey *et al.* (2017) note that the IIRC’s prospects for success in reconfiguring the corporate reporting field depend on its ability to reconfigure the mainstream investment field. Moreover, Conradie and de Jongh (2017) question its transformative potential, underlining that the most important constraint on the success of integrated reporting relies on the IIRC’s focus on the integrated report instead of the wider integrated reporting process.

Questions have also been posited about the extent to which integrated reporting could cause transformations in organisations by providing new information to decision-makers that create new “fields of visibility” (Thomson, 2015) or by creating a “source of dissonance” (Adams, 2015). Critics argue that IIRC proposals are “a masterpiece of obfuscation and avoidance of any recognition of the prior 40 years of research and experimentation” (Milne and Gray, 2013, p. 20; see also Brown and Dillard, 2014), “that the IIRC’s initiative will not result in firms publishing complete, correct and comparable information on their performance relating to sustainability and their impact on stakeholders, society and the environment” (Flower, 2015, p. 10) and will not “enable system level sustainability reforms” (Thomson, 2015, p. 21).

Previous studies have inquired into the interplay between social and environmental accounting and organisational change (Adams and McNicholas, 2007; Albelda *et al.*, 2007; Belal and Owen, 2007; Bouten and Hoozée, 2013; Gray *et al.*, 1995; Larrinaga and Bebbington, 2001; Larrinaga *et al.*, 2001; O'Dwyer and Unerman, 2007), finding in general limited organisational changes associated with sustainability accounting practices.

More contemporary studies (Contrafatto and Burns, 2013; Stubbs and Higgins, 2014), have investigated the role of integrated reporting in enabling new developments in organisations. To a certain extent, these contributions take integrated reporting for granted as an environmental disturbance that creates expectations about its transformative potential.

Particularly, Contrafatto and Burns (2013) studied the interplay between organisational dynamics and social and environmental accounting and reporting practices, understood as a cumulative practice that includes evolution towards an integrated report. They found that integrated reporting produced new rules and routines to gather and process sustainability information, but that such changes were not dramatic, limited to the reorganisation of existing routines according to existing rationales.

In a similar vein, Stubbs and Higgins (2014) studied the internal mechanisms used by firms to manage their integrated reporting process, with a focus on early adopters in Australia and a methodology based on semi-structured interviews. They identified cross-functional teams as important internal mechanisms to implement the new reporting framework, though their study did not reveal transformative change to reporting processes, but rather incremental changes to processes and structures that previously supported sustainability reporting.

Taking a slightly different approach and conceiving the sustainability challenges faced by the organisation as environmental disturbances, Narayanan and Adams (2017) investigated the interaction between organisational discourses, understood as interpretative schemes, and changes in reporting and other practices, viewed as design archetypes, to further understand the transformative change towards sustainability. Design archetypes would include calculative practices, reporting or performance measurement systems (Larrinaga *et al.*, 2001; Narayanan and Adams, 2017). Integrated reporting can also be conceived as a design archetype, something relevant, according to the importance attributed in theories of institutionalization and organizational change to design archetypes in the understanding of stability and change in organisations (Greenwood and Hinings, 1988). However, despite the pertinence of design archetypes, the literature on sustainability accounting and organisational change has generally paid scant attention to their role.

Narayanan and Adams (2017) did not find clear evidence of transformational change, but they insisted on the importance of examining different contexts. Responding to this call, Zinsou (2018) performed a longitudinal analysis in France, finding that the major hurdle for adoption of integrated reporting derives from the IIRC guiding principle of connectivity. Considering the importance of institutional fields for this study (see below) and the accessibility to the authors, the Spanish integrated reporting field was selected as the empirical focus of this paper. This choice does not imply a particular interest in Spain, but the specificities of this country that are important for the interpretation of the field study are explained throughout the paper. Further, this empirical focus is justified on the grounds of the number of participants in the Integrated Reporting pilot program and the prominent position of Spain in non-financial reporting adoption (KPMG, 2017).

In order to explore further the complexity of integrated reporting practice, the study relies on the notion of design archetype as an enlightening concept to gain insights about the transformative potential of integrated reporting. Our inquiry will uncover that non-financial reporting practice goes beyond selecting one or another reporting framework, instantiating the diversity of reporting modes available in the field.

The study makes three main contributions. Firstly, it contributes to organisational and accounting change literature by showing the importance of recognising the institutional embeddedness of design archetypes for sustainability and integrated reporting. Secondly, it contributes to sustainability and integrated reporting literatures by presenting both forms of reporting as defining different design archetypes, and showing that the transition from a sustainability reporting archetype to an integrated reporting archetype is not easily achieved. It also highlights organisational differences in the structural arrangements (structures, processes and systems) to implement integrated reporting. Thirdly, it presents fields as spaces that produce organisational archetypes (Wooten and Hoffman, 2016) and portrays how organisational diversity responds to current demands of non-financial information: either more clearly aligning its reporting to IIRC framework, or developing an integrated report maintaining the substantive elements of the GRI framework, captured by the notion of sedimentation (Cooper *et al.*, 1996), or maintaining both kinds of reports as coexisting design archetypes (Greenwood and Hinings, 1988) or labelling as integrated reporting what could be considered a proper sustainability report.

The rest of the paper is structured as follows. The second section presents the theoretical framework, discussing the notion of design archetypes. The third section explains the methodology design for this exploratory study. The fourth section presents the analysis, discussing the sources of disturbances, the existing interpretative schemes, and the corresponding changes in structures, processes and systems, revealing the diversity of structural arrangements and reporting forms. The last section concludes the paper and presents avenues for further research.

2. Theoretical framework

The theory of organisational change developed by Greenwood and Hinings (1988; 1993; 1996) and Laughlin (1991) has been visited by scholars interested in the interplay between social and environmental accounting and organisational change (Bouten and Hoozée, 2013; Contrafatto and Burns, 2013; Larrinaga *et al.*, 2001; Narayanan and Adams, 2017; Stubbs and Higgins, 2014). Considering that the designers of integrated reporting have conceived it as part of a broader intellectual and practical transformation of organisations, it is pertinent to revisit this perspective.

Greenwood and Hinings (1988) underscore the relevance of the concepts of design archetypes and tracks to understand stability and change in organisations. Considering, first, design archetypes and stability, the basic tenets of Greenwood and Hinings' theory can be summarised by indicating that organisations operate with structural arrangements that are given meaning and coherence by underlying interpretative schemes. Interpretative schemes consist of a set of beliefs and values that, by being embodied in structures and systems, play a crucial role in providing stability to organisations (Cooper *et al.*, 1996; Greenwood and Hinings, 1993). They determine what/how an organisation should be doing, and how it should be judged (Greenwood and Hinings, 1988; Starke *et*

al., 2011). For example, the social accounting literature has found that the creation of shareholder value plays this role in large corporations (Contrafatto and Burns, 2013; Stubbs and Higgins, 2014).

Design archetypes are defined as particular interpretative schemes coupled with associated structural arrangements. A design archetype is a specific set of ideas and beliefs that integrate interpretative schemes, combined with structures and processes that serve to implement and reinforce those ideas (Greenwood and Hinings, 1988, p. 295). In other words, a design archetype is a set of structures, processes and systems that embody the interpretative scheme (Greenwood and Hinings, 1993) and provide coherence and guidance to the organisation (Broadbent and Laughlin, 2005; Laughlin, 1991). Archetypal coherence exists when interpretative schemes are consistent with structures, processes and systems, leading to a balanced situation in which “‘inertia’ around this dominant perspective becomes the norm” (Laughlin, 1991, p. 213).

Design archetypes are deemed central in the theory of organisations put forward by Greenwood and Hinings (1988; 1993), as they constitute interpretative schemes (and vice-versa) (Cooper *et al.*, 1996) to produce (under normal circumstances) stability.

Second, change is analysed by Greenwood and Hinings (1988) with the assistance of the notion of organisational track. Tracks consist of the temporal relationship of an organisation with one or more design archetypes; more specifically, tracks “are maps of the extent to which organisations move from the constraining assumptions of a given archetype and assume the characteristics of an alternative archetype” (Greenwood and Hinings 1988, p. 294). Beyond the inertia-change dichotomy, these authors identify four prototypical tracks (inertia, aborted excursions, re-orientations and un-resolved excursions) according to the movements of organisations between different positions. These positions, based on the mutual influence of interpretative schemes and design archetypes, are archetype coherence, embryonic archetype coherence and schizoid incoherence. Firstly, in a position of archetype coherence, structures and processes reinforce interpretative schemes. Second, in a position of embryonic archetype coherence, structures and processes almost consistently reflect the ideas and values of an interpretative scheme, but significant design elements are discordant. As Greenwood and Hinings (1988, pp. 303-304) state, “in a situation of two available archetypes there would be two positions of embryonic archetype coherence”. Finally, in a position of schizoid incoherence, “structures and processes reflect the tension between two contradictory sets of ideas. In this position, organisations show the presence of both interpretive schemes and elements of both organisational forms” (p. 304). Laughlin (1991) contended that those contradictions leading to organisational change can only be understood by tracing the track a (usually external) disturbance takes through an organisation.

Focusing now on design archetypes, as particularly pertinent for the study of the role of accounting in organizational change, we emphasize that a design archetype is a set of structures, processes and systems that embody the interpretative scheme. Structures refer to “the differentiation of tasks and positions, the formulation of rules and procedures, and the prescription of authority” (Greenwood and Hinings, 1993, p. 1054). Processes and systems “connect and activate structural frameworks” (p. 1054). Information systems (Broadbent and Laughlin, 2005; Laughlin, 1991; Liguori *et al.*, 2018), in general, or sustainability/environmental accounting (Larrinaga and Bebbington, 2001; Narayanan and Adams, 2017), in particular, have been regarded as a set of processes and systems (i.e. design archetypes) that create particular visibilities or lenses to evaluate and make sense of organisational practices (Thomson, 2015). In this regard, sustainability reporting practices seem to be part of design archetypes with, according to the literature (Stubbs

and Higgins, 2014), limited transformative potential on interpretative schemes towards sustainability. In a similar vein, the interconnection of different capitals (IIRC, 2013) and the steps required by the integrated thinking notion proposed by The Prince's Accounting for Sustainability Project (A4S)¹ –which includes board/senior management commitment; integrating the key sustainability drivers into the organisation's strategy; or monitoring and reporting sustainability performance in an integrated way– also suggest that integrated reporting would represent a set of changes over previous sustainability reporting practices, corresponding to an apparent alternative design archetype whose conduciveness to *integrated* interpretative schemes still needs to be explored.

The inspection of design archetypes requires attention to the notion of organisational fields, as these are spaces that produce organisational archetypes (Wooten and Hoffman, 2016). The concept of an organisational field is a central issue in institutional theory (Scott, 1991) and, as Greenwood *et al.* (2002) underline, it represents an intermediate level between organisation and society, which is instrumental to processes whereby socially constructed expectations and practices become disseminated and reproduced (Scott, 1995; Scott and Meyer, 1994).

Greenwood and Hinings propose that different archetypes “exist in institutional arenas and (...) actual organisational arrangements approximate those archetypes to a greater or lesser degree” (Greenwood and Hinings, 1993, p. 1058) (see also Broadbent and Laughlin, 2005). This allows for the theorisation of integrated and sustainability reporting as consistent with alternative institutionally prescribed design archetypes to which organisations can approximate.

In one institutional sphere, generally, only a limited number of archetypes are legitimated and the more a sector is institutionalised, the fewer the number of legitimated archetypes. Particularly, recognising that sustainability reporting has attained some degree of institutionalisation (Levy *et al.*, 2010) and, bearing in mind the difficulty of deinstitutionalising archetypes, the question that arises is to what extent integrated reporting has the potential to replace sustainability reporting, as “movement between archetypes is highly unusual” (Greenwood and Hinings, 1993, p. 1058).

For this purpose, and aiming to examine the transformative potential of integrated reporting, we will draw on the concept of design archetype to explore Spanish integrated reporters' adoption of sustainability and integrated reporting archetypes available in the field to develop their non-financial reporting practices; inspecting the potential alternative rationales that may shift their interpretative schemes and the corresponding archetypal changes operated in processes, structures and systems.

3. Methodology

Exploratory field study: justification and limitations

Humphrey *et al.* (2017) call for further research focused on the results of experimentation with integrated reporting, underlining the critical importance of processes that lead

¹ <https://www.accountingsustainability.org/integrated-thinking/10-main-elements-to-embed-sustainability> (accessed July 2016).

organisations to engage in this practice as well as its understanding and significance. Responding to such a call, this study conducts an exploratory interpretative analysis of the Spanish integrated reporting field to explore the transformative potential of integrated reporting. This aim demands a constructionist qualitative approach (Silverman, 2013) that allows us to question corporate discourses about the effect produced by integrated reporting and how organisations manage sustainability issues. In seeking a balance between depth and breath, a field study has been designed (Lillis and Mundy, 2005), including nineteen organisations out of the 44 Spanish companies that were identified as engaging in some form of integrated reporting. The study is mainly based on qualitative semi-structured interviews in nineteen organisations, supplemented by documentary analysis of corporate information (chair letters, integrated and/or sustainability reports and websites).

The suitability of a field study has some theoretical grounding in the conceptualization of integrated reporting as a design archetype that did not develop in specific organisations, but in institutional fields (Hoffman, 1999; Humphrey *et al.*, 2017). As fields produce organisational archetypes (Greenwood and Hinings, 1996), addressing the Spanish integrated reporting field may lead to a better understanding of integrated reporting practice.

Moreover, Lillis and Mundy (2005) contend that cross-sectional field study is an underexploited research method that is apposite to address specific knowledge gaps and theoretical refinement, where disagreements subsists around the nature of some constructs (see also Lillis, 2008). As explained by Lillis and Mundy (2005, p. 131), this approach facilitates "... capturing complex phenomena within a confined domain". Consistently, and similarly to Larrinaga *et al.* (2001) and Stubbs and Higgins (2014), this tack enables the study of organisations with varying approaches to integrated reporting.

Additionally, exploratory field studies are valuable when there is not enough understanding of phenomena, which seems to be the case here. We concur with Malmi and Ikäheimo (2003, p. 241) that evidence from this type of field study provides only limited exposure to each organisation and should thus be considered preliminary. We also agree with Granlund and Malmi (2002) that such field studies may not be especially strong in providing results that are generalisable across organisations. On the contrary, it may be considered a first step to explore the transformative potential of integrated reporting and define the sort of impacts integrated reporting might have; in so doing, it may contribute to analytical generalisation (Parker and Northcott, 2016), providing insights about where to focus on surveys, case studies and analytical work (Granlund and Malmi, 2002, p. 302).

Field study

The field study was designed to focus to fit in one relevant institutional field, being the Spanish integrated reporting field the one that was accessible to the authors. Organisations were identified among those that had headquarters in Spain (including Spanish subsidiaries of foreign companies) and had published by 2015 a report that was self-declared as integrated: 44 in total. Initially, 8 companies identified as being involved in the IIRC Pilot programme were contacted; subsequently, 36 additional companies were identified by alternative sources including the IIRC database (4), the GRI Sustainability

Disclosure Database² (22), and Internet browser searches (10). We approached all 44 organisations, and 19 finally agreed to participate in the study; we scheduled at least one interview with members of these organisations. Organisations include one business association and companies spanning seven industrial sectors: consultancy services, consumer products and services, financial services, electricity/power supply, technology and telecommunications, transport and infrastructures. Companies also differ in size—including FT Global 500 multi-national companies (MNC hereafter), large companies and SMEs. Appendix 1 provides a succinct description of the 19 companies. As we granted interviewees with anonymity, a precise quantitative distribution of the firms in the different categories is not provided.

We acknowledge that some of the limitations of this investigation may relate to the composition of the group of companies analysed, as not all the actors in the field are targeted. However, the companies interviewed are a representative cohort of organisations involved in integrated reporting in Spain, including a consultancy firm and a proactive business association in terms of fostering sustainability and integrated reporting.

Methods for data collection

A qualitative strategy of inquiry is adopted, mainly based on semi-structured interviews (Alvesson, 2010; Crabtree and Miller, 1999; Wengraf, 2001) with key knowledgeable members in each organisation to explore integrated reporting implementation. Reports issued by organisations were used for the preparation of interviews to gain a perspective about each organisation's approach to integrated reporting and/or sustainability reporting and get the most from each interview (Yin, 2014).

To obtain representativeness and quality in the interview responses (Alvesson, 2010), and considering the objectives of the investigation, we identified the corporate roles that were more likely to be engaged in integrated reporting implementation: CSR, finance and accounting, sustainability and communications. Once key members of the organisation were interviewed, they were asked to introduce us to further members of the organisation who were knowledgeable about integrated reporting. This proved to be a difficult task, since our interviewees were generally reluctant to facilitate further interviews.

Interviews were conducted from February 2016 until March 2017, after the companies had some experience with integrated reporting, since the publication of the IIRC framework in 2013 (Eccles and Youmans, 2015). In total we carried out 30 interviews with a total of 32 individuals: seven organisations only facilitated one interview with one member; three organisations facilitated one interview with two or more members of the organisation (often one from the sustainability team and one from the department of finance), and nine organisations facilitated two interviews with members of different departments. Those that allowed us to access to more interviewees were larger companies, probably reflecting the number of members involved in integrated and sustainability reporting. 24 interviews were carried out in person and six interviews by phone. Details of the interviewees' profile, organisations and reports are offered in table 1.

² (www.globalreporting.org; accessed October 2015); finally, four more firms were mentioned in the IIRC database as engaging in some form of integrated reporting (http://examples.integratedreporting.org/all_reporters; accessed October, 2015)

[Table 1: to be inserted about here]

A first round of interviews was conducted from February to May 2016. The three initial interviews in this period were used as pilot interviews to refine the initial interview script. A second round of interviews was carried out to explore concerns that emerged in previous interviews (Berg and Lune, 2012), held between January and March 2017.

The first draft of the interview script was developed drawing on previous relevant literature on organisational and accounting change and design archetypes (Greenwood and Hinings, 1988; 1993; 1996; Greenwood *et al.*, 2002; Larrinaga *et al.*, 2001; Laughlin, 1991; Stubbs and Higgins, 2014) as well as concerns raised in the literature about integrated reporting understanding and implementation (sustainability versus investor focus, transition from sustainability to integrated reporting, the controversial role of IIRC, the transformative potential of integrated reporting).

Interviews were designed to gather information about the history of sustainability and integrated reporting in the organisation, triggers of corporate reporting, the meaning attached to these practices (underlying interpretative schemes), the drivers and challenges of integrated reporting, the implementation of integrated reporting and how reporting approach has changed (if so) from the previous sustainability reporting practices (structures, processes and systems). The interview script was structured into three main parts: (i) an introduction, which included questions about the organisation, the role of the interviewee in the organisation, organisational mission, vision and values, perceived environmental disturbances, and general understanding of sustainability and integrated reporting; (ii) a section focusing on organisational changes associated with integrated reporting; and (iii) a section focusing on materiality and links between sustainability and integrated reporting. One additional question was added to inquire about the prospects for the development of integrated reporting in their organisations. This interview script was customised for each interview, considering relevant information from websites and company reports.

Two members of the research team participated in the interviews. Interviews were tape-recorded and transcribed. In addition, notes were also taken during interview process (Hammersley and Atkinson, 2007) aiming to capture the tone of voice and the gestures of the interviewee, as well as their emotions to elucidate their understanding of what they are doing, what they are producing and what they are trying to achieve (Thompson, 1990, p. 305). Documentary analysis was used to contextualise interview answers (Bowen, 2009) and to feature organisations and reports according to different levels of integration following Paternostro's taxonomy (2013): no integration, weak aggregation, strong aggregation and narrow integration (see table 2). This classification will provide further arguments to evaluate the transformative potential of Integrated reporting from a design archetype perspective.

Coding and interpretative analysis process

In accordance with Cornish *et al.* (2014), we conduct a collaborative analysis adopting a perspectivist approach, as a way to bring different perspectives to the analysis and to enable critical reflection. While other approaches to collaborative analysis either aim to use a second researcher as an auditor (Akkerman *et al.*, 2008) or strive for representativeness, our approach privileges transparency, bringing a diversity of perspectives to interpretations; interpretations are supported by providing sufficiently

long excerpts to grant the reader the possibility to assess the plausibility of these interpretations (see Cornish *et al.*, 2014, p. 4). Interviews and the whole analysis were performed in Spanish, with relevant interview excerpts translated into English by the authors, with the assistance of a professional editor.

In the first stage of analysis, each interview was read several times in an interpretative and reflexive manner and codified in an open way. Thus, information was coded independently by two members of the research team to grasp arguments (i.e. triggers for corporate reporting practice, mission, beliefs, value creation, integrated thinking, materiality process, information systems, senior management and board commitment). The second stage of analysis pursues data reduction by synthesising previous codes into more general categories according to the theoretical constructs and gathering the perspectives of the different coders. In this way, codes about triggers and perceived challenges provided insights regarding environmental disturbances for corporate reporting; codes about mission, beliefs, understanding of sustainability, or integrated thinking afforded an understanding of the interpretative schemes of the organisation; and strategic changes, board/senior management commitment, information systems and performance measurement provided insights regarding the design archetypes for corporate reporting practice and the associated structural changes. Relevant documents produced by each organisation were analysed in this stage to triangulate information (Alvesson, 2010; Yin, 2014) from the interviews and produce a summary of each organisation.

The third stage consisted of writing a first draft of the analysis, based on the previous summaries. In the fourth stage, the members of the research team discussed this draft extensively, reflecting on previous literature to generate a second set of more theoretically-driven codes. Accordingly, a narrative was produced to discuss environmental disturbances to corporate reporting practice development, underlying interpretative schemes and different embryonic design archetypes in the field. This narrative was the grounding for a final summarised explanation of the Spanish integrated reporting field, portraying the presence of three underlying interpretative schemes (shareholder value maximisation, sustainability and integrated thinking) as well as the coexistence of two embryonic design archetypes (sustainability and integrated reporting). The final description is the result of an iterative process of discussion among the authors to refine the analysis and the interpretations.

Correspondingly, the analysis in the next section will discuss the transformative potential of integrated reporting.

4. Analysing the transformative potential of integrated reporting

In an attempt to enquire the transformative potential of integrated reporting, this section analyses the field study in the following sequence. Firstly, it discusses whether and how environmental disturbances unfold new rationales in the organisation, triggering a change process in search of organisational coherence with existing interpretative schemes. Secondly, the analysis will focus on identifying interpretative schemes underlying corporate reporting practice and emerging design archetypes developed to provide coherence. Finally, it will further discuss the transformative potential of integrated reporting, explaining the diversity in integration approaches and arguing that Spanish integrated reporting organisations are not in a position of full archetype coherence but

rather in positions of schizoid incoherence, where structures and processes reflect conflicting interpretative schemes and design archetypes.

Jolts and environmental disturbances to corporate reporting practice

The conceptualisation of disturbance is critical to understand the transformative potential of integrated reporting. According to the literature (Greenwood *et al.*, 2002; Laughlin, 1991), a disturbance is an *exceptional* disruption that should affect the balance of the dominant lines of the organisation.

Previous literature (Contrafatto and Burns, 2013; Stubbs and Higgins, 2014) hypothesises that integrated reporting is a disturbance that could destabilise organisations and produce some changes. However, as depicted in the following quotes, integrated reporting appears to lack the traction required to be considered a disturbance:

“We haven’t refused to produce an integrated report but maybe (...) without specifically referring to the IIRC framework” (Listed MNC, CFO).

“They [IIRC] advances a little bit slowly (...); they [IIRC] should put a lot more enthusiasm (...), for example, placing a value on Spanish best practices” (Unlisted non-profit business association, Managing Director).

Intriguingly, several interviewees from listed MNC explained the abandonment of the IIRC and IIRC working groups while continuing their experimentation with sustainability and integrated reporting; those companies are the most critical ones of the IIRC, considering that the IIRC has already fulfilled its mission:

“Well, budget constraints have helped us quite a lot, that is, they were asking for a (...) subscription and, well, then ... you’re cutting and there comes a time when you say, it has fulfilled its mission, we are out” (Listed MNC, Head of Sustainability and CSR).

Although the exploration of the Spanish integrated reporting field does not reveal IIRC framework as a source of disturbance, there are other pressures that could better fit with this notion of exceptional disruptions, arising from regulatory and competitive, if not revolutionary (Greenwood *et al.*, 2002), developments.

First, non-financial reporting regulation is singled out in some interviews as one significant disturbance, referring particularly to Directive 2014/95/EU on non-financial reporting³ (Johansen, 2016), although there is a great deal of confusion concerning its real significance. Some interviewees feel that companies need to be ready (C1, C3, F1, F4, T3 and TR1):

“Is this new directive what is going to speed things up? Is this recognition that non-financial information should go with the financial?” (Unlisted non-profit organisation, Managing Director).

Additionally, the 2015 reform of the Spanish Criminal Code (introducing criminal liability for corporations) seems to have the potential to affect the prevailing balance, by creating awareness about the non-financial implication of corporate decisions. In one large services company (CP1), the CFO explained that despite the CEO’s aim to discontinue the implementation of integrated reporting it was the board that decided to

³ Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014.

carry on with it, motivated by the “*external pressure arising from the new regulation of directors’ liability in limited corporations*”.

The second source of disturbance originates in capital markets, through the activity of institutional investors and the endorsement of corporate governance initiatives:

“*For a few years to this part, (...) there is concern on the part of the investors...*” (Listed MNC, Head of Sustainability).

According to some interviewees from large listed companies, the role of institutional investors and their growing interest in “*non-financial issues*” is a source of pressure for companies with a free float (CP1, F3 and F4). Similarly, several interviewees (CP1, E1, F1, T2 and TR1) referred particularly to the UNFCCC’s COP-21 Paris agreement and the concerns of institutional investors about climate change:

“*COP-21 Paris ... we received no fewer than ten questions about our climate change strategy from investment funds and institutional investors*” (Listed MNC, Head of Financial Reporting).

Growing investor interest is coupled with the inclusion of some form of integrated reporting or non-financial information requirements in corporate governance guidance issued by stock markets. It is the 2015 Spanish Corporate Governance Code (CNMV, 2015), issued by the Spanish Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*), which specifically concerns our interviewees.

Despite recognising growing investor interest in non-financial issues, interviewees from large listed companies were also sceptical about the real influence of investors in CSR initiatives and integrated reporting. The interviewees contended that their interest remain residual and imprecise: “*a nice conversation to have with the company,*” but not yet decisive (CP1), not sufficient to affect decisions (E2 and T1). Instead, “*something will only happen when institutional investors disinvest in a particular company*” (Subsidiary of a MNC, Head of Sustainability Planning). The pressure from institutional investors is still to come (CP1 and E2) as “*currently, there is not any kind of pressure*” (Listed MNC, Head of CSR).

Regardless of the importance generally attributed to the IIRC in public discourse (Humphrey *et al.*, 2017), according to our investigation, IIRC prescriptions do not seem to be perceived as a source of disturbance for corporate reporting practice, in contrast with institutional investors and non-financial reporting regulation. Our study reveals differences concerning the role companies attribute to the IIRC in integrated reporting development. On the one hand, in some cases, including one listed MNC, no reference is made to the IIRC throughout the whole interview despite prompting interviewees to inquire about pressures, triggers or challenges for integrated reporting. On the other hand, the organisations surveyed exhibit a wide range of positions in terms of developing reporting models closer to the GRI or the IIRC, or a varying combination of both, consequently assigning the IIRC different roles. But this will be discussed later in the design archetype section, after examining the interpretative schemes that define organisational design archetypes.

Interpretative schemes

The starting point for identifying and classifying design archetypes is the identification of the interpretative scheme and how they relate to structural attributes and processes (Greenwood and Hinings, 1988). As mentioned in section two, the creation of shareholder value is the underlying interpretative scheme of corporate reporting practice. However, concerns about transparency and sustainable development may foster the emergence of imbalances that challenge prevailing interpretative schemes. Alternative sustainability interpretative schemes would imply the emergence of new ideas, beliefs and values of equilibrium, co-operation and care in organisations, along the lines of Jones and Welford's (1997) arguments. Those would confer a different rationality to new structures and systems. Some have pointed out the potential of integrated reporting to change the thinking of corporate actors to broaden their perspective about what the creation of value entails "to better align notions of profit maximisation with the wellbeing of society and the environment" (Adams, 2015, p. 25). Integrated thinking may emerge as a new way of connecting sustainability corporate planning and decision-making.

In order to identify the interpretative schemes existing in the Spanish integrated reporting field, the analysis has focused on arguments about mission, beliefs, organisational culture, and managers' understanding of sustainability and integrated reporting.

The discourses reveal that, although the creation of shareholder value is central for the rationalisation of organisations, arguments based on sustainability and responsibility as well as integrated thinking and shared value creation make their way into managerial discourses. And they cannot be overridden even though framing the "long-term shareholder value" case for sustainability has the ultimate effect of reinforcing the existing interpretative scheme.

Sometimes, sustainability is underlined by interviewees as something that is culturally accepted, entailing awareness with regard to reutilisation, recycling, energy efficiency, and everybody in the organisation collaborating to that end (Unlisted non-profit business association, Managing Director). In other cases, sustainability is outlined in terms of maintaining the legacy for future generations:

"The [board] was concerned about sustainability, transcendence and maintaining the legacy; they wanted the company to last for many years whilst contributing to society" (Large family business, Compliance officer).

In some other instances, sustainability is connected to local business contribution to social and economic development:

"...water is an important issue, included in the SDG (...) waste management, that is, circular economy... this is something we really take into account" (Listed MNC, Head of Communication).

Similarly, another organisation (CP1) acknowledges in its mission that its responsibility goes beyond creating shareholder value, aiming to generate value for society and make a positive contribution to its progress. Its discourse around sustainability is also reflected in public corporate information, including codes of conduct where the organisation underlines its commitment to the UN Human Rights Declaration, the responsible use of language and images as well as the employees' professionalism in verifying information disseminated through media. They explained how the idea of respect to the public, of outward responsibility, has been instrumental in defining corporate identity, and how success and survival are also linked to responsibility and accountability to society:

“We have an environmental impact...an intellectual... we can pollute with our ideas. Then, we realised we had a responsibility that goes beyond business, a responsibility in creating types of opinion...” (MNC, CSR Manager).

We have also found discourses that associate sustainability with the on-going reputational crisis in an attempt to recover customer trust and employees’ sense of pride in the company:

“...sustainability has to be part of our business DNA. It has to be a fundamental part of the public information provided by the company... Firms are aware that they should be much more transparent because, ultimately, it is the only way to create a bond of trust with shareholders, employees and the rest of our stakeholders” (Listed MNC, Head of stakeholder engagement and corporate reporting).

In other instances, the sustainability-value creation link is more clearly articulated:

“We help to improve quality of life with our products and services (...) We create wealth for suppliers, for companies working with us. In short, we create value for people (we quantify it), we create value for organisations and we create value for the public sector...Sustainability issues add value or are aligned to business strategy...” (Subsidiary of a listed MNC, CSR and sustainability manager).

Additionally, some interviewees point to integrated thinking emphasising the idea of learning by doing or the role integrated thinking may have in removing information silos between areas. As expressed by one interviewee in a statement that was representative of several interviews:

“We don’t want to produce an integrated report because we want to demonstrate that we have an holistic strategic vision; it is the other way around: as we incorporate this vision into our business model, our strategy and so on, we will be able to produce an integrated report...”(MNC, CSR manager).

In several cases, in line with Narayanan and Adams (2017), sustainability and integrated thinking are linked, pointing to integrated reporting as a way to mainstreaming sustainability:

“What an integrated reporting suggests is that sustainability is 100% integrated in day-to-day operations. It [sustainability] is in your risk and opportunities, it is in your strategic plan, it is everywhere...” (MNC, CSR manager).

“Now, when you read the management report, (...) you will see it refers to the strategic plan...And this is along the same lines as the integrated report. (...) this is a very relevant milestone in our company” (Large non-profit company, CFO).

Throughout the interviews, most of the interviewees acknowledge that the creation of shareholder value is embedded in the core values of their organisations. However, most of them also think that their companies are to align their activities with sustainability concerns and the creation of social value and are to manage sustainability in an integrated way to secure organisational survival. The subsequent analysis will show that the emergence of these narratives, despite being mostly subordinate to the creation of shareholder value, effects some transformation in structural arrangements that result in the adoption of sustainability and integrated reporting design archetypes.

Design archetypes

As already mentioned, a design archetype is the combination of a specific interpretative scheme with structures, processes and systems that serve to implement and reinforce the set ideas and values that integrate the interpretative scheme. This section describes the variation in organisational structures, management processes and information systems that embody the design archetypes available in the field and the association of those design archetypes with interpretative schemes.

One interpretative scheme can be “embryonically” coherent with more than one design archetype, available in institutional arenas. According to this theoretical possibility, sustainability reporting could, on the one hand, be consistent with a design archetype that, by referring to some radical elements of the sustainability agenda (Thomson, 2015) could create some sources of dissonance in organisations. On the other hand, integrated reporting could seek to mainstream sustainability concerns by aligning them with shareholder value to confront the radical potential of sustainability reporting. Greenwood and Hinings (1993) hypothesise that organisations will tend to suppress any archetype that might question existing interpretative schemes. In spite of concerns about the transformative potential of sustainability reporting (Boiral, 2013; Gray, 2010), integrated reporting could be a prophylactic measure, a cordon sanitaire.

This analysis will refer to strategic changes, board/senior management commitment, information systems, performance measurement systems and materiality determination process to gain insights about design archetypes. The rest of this section will, firstly, discuss the sense-making role of integrated reporting; secondly, it will consider the changes effected in structures, processes and systems alongside integrated reporting; thirdly, changes in the management process will be analysed; and, finally, the transformative potential of integrated reporting will be explored.

Design archetypes: the sense-making role of integrated reporting

When seeking coherence with interpretative schemes, organisations approach integrated reporting in very different ways. Some interviewees recognised the sense-making role of integrated reporting (C2, CP1, CP3 and E2), helping to understand organisational vision and organisational complexity, as captured in the following excerpt:

“[The integrated report] has helped us to better understand our company, that is ... uh ... (...) in a large company, today, with multiple divisions and multiple branches, and then international is a further complexity, there really are very few people and few departments (...) in which they have an accurate, complete vision of the company, (...) Then, it gives a very good overview, ... an essential vision of what is really important” (Large listed company, Head of CSR).

In some instances, interviewees refer to the IIRC as an initial source of inspiration, but not as a real trigger for implementation of integrated reporting practice (C2, E1, T1 and TR1), or as something they had in mind when the framework was issued, and then they decided to join it (T1). Other interviewees underline a limited IIRC influence, appealing to some of its principles:

“We do not have an integrated reporting as such, we do not follow the IIRC framework...as I told you before, I have followed some integrated reporting principles, (...). Because I think the company doesn't really like to publish its strategy ...” (MNC, CSR manager).

In other cases, interviewees underlined that, initially, integrated reporting was perceived as a framework that offered possibilities to explain to stakeholders why they do things, going beyond GRI. However, interviewees show their scepticism about the IIRC as a real trigger for integrated reporting:

“My view is that they have delivered this document [IIRC framework], and they hadn't done much more; (...) in two years we haven't seen any specific outcomes.... (...) They will probably be waiting for companies to report and take the next step based on their experience” (Unlisted large services firm, CSR Manager).

A substantial number of cases point to business experimentation as the most important aspect to advance integrated reporting practice (Subsidiary of a listed MNC, CSR and sustainability manager).

Although we have found many arguments referring to the supportive role of GRI throughout the interviews, this seems not to be the case with the IIRC framework, which, in some cases, is portrayed as unhelpful or insufficient. In this regard, the CFO of a listed MNC argued that the IIRC is not instrumental in providing a useful methodology and indicators (E1); and the Head of Communication of a MNC subsidiary explains its limitations:

“...I would say that it fell short against our expectations. That is why we needed to broaden it and prepare an impact report and a social report” (Subsidiary MNC, Head of communication).

Still, some interviewees suggest an influential role of the IIRC. Particularly, in one listed MNC, a consultancy service provider, they underline that integrated reporting is both an internal and external opportunity to sell business solutions that include the integrated thinking notion (T3). Additionally, the sustainability specialist from another MNC points to IIRC influence in disclosing non-financial indicators:

“In 2011 we got onto the IIRC pilot programme... and this had an effect on our reporting since, from this year on, we started to include a set of non-financial indicators in our annual report”.

Design archetypes: changes in structures

The main structural change observed by the interviewees concerns the greater commitment of the board of directors and the better position of the sustainability/CSR department within the organisational hierarchy.

Concerning the role of the board of directors, in the largest companies (CP1, E2, F4, I1, O1, T2, T3 and TR1), rather than passively approving the CSR strategy, the board of directors seems now to play a more active role in the discussion of sustainability, with CSR issues included in the agenda of meetings and, in some cases, directors being held accountable for sustainability issues. Some topics are referred for discussion to the steering committee, which becomes the driving force behind sustainability initiatives.

“Completely different. Interaction with the board today is completely different to the way it was five years ago; then, we used to prepare our report, we gave it to the CEO, we explained it to him ... and that's it.” (Large non-profit company, CFO).

The board now approves the sustainability report in a substantial number of companies (C2, CP1, CP3, E2, F4, I1 and T3), but we could not find a clear association between this development and integrated reporting. The 2013 Spanish Corporate Governance Code

(CNMV) seems to be playing a more significant role in bringing sustainability issues onto the board agenda. Or, rather, we can conjecture that the actual driving factor is a more general movement driven by the investor community, being both the IIRC and the CNMV just ancillary instruments.

Consistent with sustainability concerns, the position of the sustainability/CSR department is escalating in the hierarchy of some of the largest listed MNC, with only one public sector organisation moving down in the opposite direction, and with no movement in the rest.

There is also a change in the general perception of corporate social responsibility within large organisations:

“(...) little by little this is changing, right now, when suddenly Morgan Stanley calls, and tells [the investor relations department] “hey I'm interested in this”, and things start to change (...) From being considered hippies to having formal relations with investor relations” (Listed MNC, Head of Sustainability and CSR).

This excerpt is indicative of the perceived influence of institutional investors in producing structural effects, leading to sustainability mainstreaming. This, in turn, provides further evidence about how integrated reporting ideas could be reinforcing the prevailing interpretative scheme, i.e. creation of shareholder value. Sustainability is important, but only as far as shareholders are concerned. Additionally, interviewees from large listed companies (F1, T1 and T3) argue that members of the sustainability department now participate, together with members of the finance department, in roadshows with investors.

Design archetypes: changes in management process

The study also reveals changes in management processes that concern sustainability/integrated reporting. The integrated report is still compiled in the CSR/Sustainability/Communications department, but two essential alterations are described by the interviewees. Firstly, most of them feel that their job is better acknowledged at all the levels of the organisation (CP1, T1 and T2). Some of them think that the sustainability/integrated report is now considered strategic in their organisations. Secondly, probably the most remarkable change is the growing level of attention and participation in sustainability/integrated reporting by members of the different functions within organisations.

As in Stubbs and Higgins (2014), we found that integrated reporting seems to have been instrumental for the creation of management committees and cross-functional teams. Several interviewees describe how their companies (E2, F1, F4 and I1) have created specific executive committees (some of which include the CEO) to deal with specific sustainability issues, which in their view is helping to mainstream CSR in their business. Along the same lines, different cross-sectional teams, mainly between the CSR and finance functions, have been created to implement integrated reporting (F1, O1, T1 and T3). In one company, one person from the department of finance was integrated into the sustainability department to share experiences. The interviewees have a good opinion of these teams, as they perceive they help to drive new projects, generate new ideas and create networks across different functions (CP1, CP3, F1 and T2).

We have also found evidence of more advanced changes in management processes to facilitate integrated thinking and reporting:

“...Concerning the integrated report, the financial department was the owner, we (Responsible business department) were co-responsible for the report. And, this is the first year we are working with them in the preparation of the report at the same level; (...) we have been involved in the process from beginning to end” (MNC, head of CSR).

Additionally, most companies explain that their arrangements for materiality determination processes, designed according to the GRI, are also being used for integrated reporting.

Although some companies consider some integrated reporting concepts interesting, they look to the GRI-G4 for the preparation of reports, underlining that it suits their purposes because structuring the report according to capitals is unrealistic:

“We like integrated reporting, but the reporting structure ... integrated reporting is according to capitals and structurally, from an organisational point of view, we are not in capitals ... We are in the creation of shared value management and we structure it according to impacts (...) we are reporting according to GRI-G4” (Large family business, Compliance officer).

However, this interviewee also argued that the company is immersed in an adaptation process, underlining “the strategic approach” as an interesting contribution from integrated reporting:

“What can we find in integrated reporting that is not in GRI? It is strategy toward the future and how to achieve it.... So, we are taking steps to provide value to our stakeholders...Ideally, we will have an integrated report by 2020...” (Large family business, Compliance officer).

Design archetypes: change in information systems

Information systems have a recursive relationship with what is deemed important in organisations and, therefore, are essential to provide coherence. The question explored in this study is whether integrated reporting implies internal changes in information systems, endangering the basic coherence of the organization by the new visibilities it might arguably create. The general understanding in the Spanish field is that integrated reporting “*is not strong enough to generate changes in management*” (Subsidiary of a listed MNC, local Head of Responsibility). Similarly, another interviewee argued:

“Integrated reporting is suitable for communicating our performance in such a way that stakeholders can get access to that information... It is not useful for making decisions, but for disclosing information (...). Integrated reporting is just the global picture of what we have done” (Large family business, Compliance officer).

Accordingly, our interviewees articulate integrated reporting as something desired, something they are working on (C3, I1 and T3), they need to update to meet the financial reporting deadlines (CP2 and E2), but difficult to achieve:

“By creating the area of non-financial reporting we have succeeded in (...) the preparation of the report but... What has to be achieved from the non-financial reporting departments is to succeed in implementing organisational routines that, similarly to financial reporting departments, result in 6 or 8 indicators to be provided (...), that you know the data are trustworthy, that it is audited, (...). This is what we have to achieve...that is why non-financial reporting departments are created, to develop a system similar to financial reporting” (Large family business, Compliance officer).

Mostly, the arguments focus on data collection, with seldom any reference to the use of this information other than for the integrated/sustainability report. Information systems dilemmas are vividly described by one interviewee from a MNC:

“Information systems? ... Well, it is very complicated. This company has no single information system, it has a project to create a single information system (...) which is ten years old, it never ends, it’s Sisyphean, when you get up there, there are new problems and you need to start again (...) I send an Excel and they fill it in, then I spend one day gathering numbers, you know?... this all the time” (Listed MNC, Head of Sustainability and CSR).

This description is also representative of other organisations, where information systems architecture and lack of human resources were underlined as important barriers to develop integrated reporting:

“For integrated reporting the important thing is the information system architecture of the organisation; you should have architecture able to generate connectivity of information. That is, able to remove management silos.” (Listed MNC, Head of sustainability).

“The big challenge we have is to widen the scope ... we still have countries that are sensitive from the perspective of social responsibility, sustainability and ethics, like South East Asia, (...). For these countries our organisation does not have enough resources (human resources) to collaborate for them to submit the information required.” (Listed MNC, Investor relations manager).

Generally, integrated reporting does not seem to change information systems. For most companies, data collection continues to be an *ad hoc* exercise for the preparation of the sustainability/integrated report. The “information system” is not systematically providing information on key sustainability performance indicators for systematic decision-making.

Evaluating the transformative potential of integrated reporting: archetype coherence versus schizoid incoherence

This paper is an attempt to evaluate the transformative potential of integrated reporting without taking for granted that particular institutional developments, such as the IIRC framework, constitute a disturbance. On the contrary, we have explored the Spanish integrated reporting field to identify the actual disturbances to change corporate reporting practice, and to uncover the extent to which new narratives are endangering interpretative schemes based on the creation of shareholder value and whether those imbalances are coupled with the adoption of design archetypes available in the field, in the form of GRI sustainability reporting or IIRC framework.

As evidenced in the next quote, integrated thinking seems to have produced some structural arrangements to integrate social responsibility into daily business in organisations and to report on strategy toward the future. However, prevailing interpretative schemes, for example in the form of secretive values, appear to be safe and sound:

“Concerning the integrated report, I am starting to add a few touches, (...). I take from integrated reporting, things like explaining strategy towards the future, explaining risk and opportunities... We are integrating these kind of issues...but what I see is that you

cannot provide confidential information in your public reports, (...) You can report as far as you can report” (MNC, CSR manager).

Furthermore, the need for time to effectively internalise changes is recursively noted, together with the pressing demand of information according to different reporting frameworks:

“...CSR as something voluntary... it is voluntary, quote unquote, ok? Because there is too much pressure ... I only ask for a little more time to breathe and adapt the company... I haven't recovered from G4 (GRI) and then I get the integrated report, the new SDG, and the CDP requiring more and more...” (MNC, CSR manager).

The former analysis of interpretative schemes and design archetypes indicates that sustainability/integrated reporting is not innocuous in the examined field and, therefore, organisations cannot be described as being in a position of archetype coherence where structures and processes reinforce corresponding interpretative schemes. In contrast, the described situation could conform to the definition of a position of schizoid incoherence, where structures and processes reflect the tension between contradictory sets of ideas and values, exhibiting different interpretative schemes and different organisational forms (Greenwood and Hinings, 1988). Transition from sustainability to integrated reporting is not easily achieved, and although all the companies identify their reports as integrated, labelling is varying, and different patterns of reporting integration are evident as well.

The analysis of corporate reports following Paternostro (2013), presented in table 2, reveals that GRI continues to be a central reference for the integrated/sustainability report. In a substantial number of cases, integrated reporting ideas are only used to complement the GRI, particularly on strategy discussions and risks and opportunities analysis. In a few cases, the previous sustainability report is transformed according to a structure based on capitals (e.g. C2, CP1, E2 and F4). However, the content of the sustainability reports does not change substantially: *“we always follow the same methodology”* (Unlisted large services firm, Head of CSR). One organisation (TR1) even claims that the GRI index had to be recovered after some experimentation without it, because of external pressure.

[Table 2: to be inserted around here]

In most of the companies analysed, the management report, the financial statements and the sustainability report have been aggregated rather than integrated and are now submitted, as a bundle, by the board of directors for approval at the AGM. Although it does not receive this name, a sustainability report prepared in accordance with GRI guidelines is a substantial part of the aggregated report.

In the bottom half of table 2, two organisations combine disconnected reports without a comprehensive synthesis (strong aggregation), while two further organisations provide a fully autonomous integrated report (integration in a narrow sense), while continuing to produce a stand-alone sustainability report.

The level of integration of two listed MNC converged around a similar strong aggregation approach after some experimentation with weak aggregation in one case and narrow integration in the other; but not all the MNC are converging to this approach.

There are two conflicting narratives that explain the diversity in integration approaches: a more unsophisticated vision of integrated reporting that revolves around the

simplification of the corporate reporting ecosystem and a more elaborate narrative of the functions of integrated reporting. Consistent with the original IIRC emphasis in bringing together, within a concise report, all the information about how the organisation creates value, for some interviewees (CP3, O1 and TR1), integrated reporting is about efficiency and simplifying the corporate reporting “ecosystem”, as *“both [the annual report and the sustainability report] are about the same thing (...) and are addressed to the same stakeholders”* (Large non-profit company, CFO). Interviewees pragmatically reminded us that reporting costs are substantial and that organisations must keep them under control. For some of our interviewees *“the sustainability report is dead and buried”* (Large unlisted Company, Head of Compliance). This leads to two important insights: firstly, the narrative of the concise and efficient integrated report that replaces the sustainability report is present in small and medium sized and unlisted organisations. Secondly, the alleged efficiency of integrated reporting does not seem to materialise in the reduction of corporate reporting in the very same organisations that are constructing this narrative (see table 2). This generates frustration: *“Integrated reporting looks good, we like it, but if it is an integrated report, why do I have to produce more reports?”* (Large family business, Head of Compliance).

In contrast, the listed MNC, with more experience in integrated reporting, develop a subtle narrative according to which integrated reporting is at odds with producing a single report. The detailed regulatory requirements concerning financial and corporate governance reporting, as well as the demands of auditing, restrict the scope of integrated reporting to voluntary information. One of our interviewees recalls a meeting organised in Madrid by one of the Big Four accounting firms, gathering together the IIRC and some of the largest Spanish companies where *“the solution they had all seen was that this integrated report, voluntary as it was, could only be used to replace another voluntary report that was the CSR report”* (Large family business, Head of Compliance). But, on the other hand, even the sustainability report is hard to get rid of. Despite the advice received from the IIRC and this accounting firm, the narrative in these MNC suggests that sustainability reporting is resilient.

“The integrated report does not replace the sustainability report (...), by unifying we would sacrifice too much, a lot of sustainability information (...) expectations of very specific stakeholders who actually see in the sustainability report data they really need.” (Listed MNC, Head of CSR).

Integrated reporting is not about producing a single report, but about mainstreaming sustainability (CP1, E2, F1, F4, I1, O1, T2, T3 and TR1), because it provides an *“opportunity for CSR to no longer be considered collateral damage in the form of philanthropic actions”* (Listed MNC, Member of the CSR and Sustainability department). Integrated reporting is an opportunity to participate in decision-making (Large public Company, Head of CSR and Communications) and to reach the board of directors, together with the financial report (T3):

“For the first time, this year the board of directors will explicitly approve the sustainability report, so we are happy” (MNC, Head of Sustainability and CSR).

The explanation of the different approaches to integration provides further support that Spanish integrated reporting organisations are not in a position of full archetype coherence. From our understanding, organisations adopt diverse elements from design archetypes available in the field, in the form of GRI sustainability reporting or IIRC framework, adopting different integration approaches, and consequently, putting themselves in a position of schizoid incoherence. Schizoid incoherence positions, where

structures and processes reflect conflicting interpretative schemes and design archetypes, reveal the difficulty in moving from sustainability reporting design archetypes to integrated reporting design archetypes and the limited transformative potential of integrated reporting.

Conclusions and final remarks

This study has sought to respond to the call by de Villiers *et al.* (2014) and Rinaldi *et al.* (2018) for in-depth investigations of integrated reporting in organisations, shedding some light on the controversy about integrated reporting (Adams, 2015; Conradie and de Jongh, 2017; Flower, 2015; Humphrey *et al.*, 2017; Thomson, 2015); particularly, in relation to the transformative potential of integrated reporting (Contrafatto and Burns, 2013; Narayanan and Adams, 2017; Stubbs and Higgins, 2014). In order to gain insights into this issue and drawing on the concept of design archetype (Greenwood and Hinings, 1988; 1993), an exploratory interpretative analysis of the Spanish integrated reporting field was conducted.

In contrast with previous literature addressing the dynamics of integrated reporting (Contrafatto and Burns, 2013; Stubbs and Higgins, 2014), our investigation has revealed that IIRC prescriptions do not seem to be perceived as a source of disturbance for corporate reporting practice, but rather this function is performed by institutional investors and non-financial reporting regulation. However, differences are portrayed in terms of the role companies attribute to the IIRC in integrated reporting development.

The study has also confirmed, with Contrafatto and Burns (2013) and Stubbs and Higgins (2014), that the creation of shareholder value is the prevalent interpretative scheme, with sustainability and integrated thinking as emerging narratives subordinated to shareholder value creation. It has explained how organisations, in their search for coherence with underlying interpretative schemes, have changed some structural arrangements to adopt sustainability and integrated reporting design archetypes. The study presents sustainability reporting and integrated reporting as design archetypes available in the field, underscoring the GRI framework as an enabling mechanism as opposed to the IIRC framework, and showing that the transition from a sustainability reporting archetype to an integrated reporting archetype is not easily achieved. Rather, our study portrays organisational structures, process and systems required to implement integrated reporting.

The interpretation of the interviews suggest that integrated reporting practices and ideas are associated with some shifts in structures, processes and systems. Concerning structures and driven by investors' and regulatory interest in non-financial issues, sustainability is now discussed by the board of directors, the sustainability department has escalated in the hierarchy of some organisations, and sustainability has a better perception, in general, within the organisation. However, the same degree of change is not visible in processes and systems. The integrated reports usually lacks substance, confirming previous studies. It generally consists of a cosmetic transformation of the sustainability report and, only in a few cases, of low integrated or strong aggregated reports.

It was suggested above that different positions of archetype coherence exist when different design archetypes are available in institutional arenas; organisations approximate those design archetypes in different degrees (positions of embryonic coherence). However, such framing is based on the understanding of design archetypes

as “ideals” between which organisations move in a rather mechanistic way. Yet, the previous findings suggest more muddled design archetypes: the idea of integrated reporting is generally supported; integrated report is an ideal, but the institutional reality is that the different reports are unavoidable; the integrated report is a complicated endeavour; and, despite these difficulties, both the sustainability and the integrated report have some functionality within the organisations surveyed.

The analysis portrays the complexity of corporate reporting transformations, unveiling the schizoid positions of organisations that make up the Spanish reporting field. All in all, structures and processes reflect the tension between sets of ideas and values, exhibiting several interpretative schemes and different design archetypes. The transformative potential of integrated reporting is, at the moment, limited; the transition from a sustainability reporting design archetype to an integrated reporting design archetype is not easily achieved, as the diversity of integration approaches reflects.

Although integrated reporting could be conceived as the “natural evolution” of sustainability reporting (Large listed company, Head of CSR and Unlisted non-profit business association, Managing Director), concurring with academic (Stubbs and Higgins, 2014) and practitioner (Deloitte, 2015) arguments in this regard, the complexity of transformations required to move from sustainability reporting to integrated reporting is evident. The metaphor of sedimentation (suggested by Cooper *et al.*, 1996) could assist in making sense of design archetypes evolution, with some structures and systems changing and some values, ideas and practices persisting. This metaphor would suggest that integrated reporting is deposited as sediments over previous sustainability and financial reporting layers; the final reporting system is the result of disruptions, erosions and the strength of the design archetype, “causing several archetypes to be simultaneously present on the surface of organizational life” (p. 635).

Our findings are consistent with some critical observations about the limited transformative potential of integrated reporting. However, this investigation cannot be conclusive about substantive organisational changes related to integrated reporting, for the method of analysis does not allow for a more longitudinal examination of organisational dynamics. In addition, future studies might consider extending this study to provide further evidence confirming or questioning our findings. For example, contrasting (non)adopters of integrated reporting would help to validate the explanations provided in the study.

Although we acknowledge that our study is exploratory in nature, we can provide an initial point of reflection to further investigate the transformative potential of integrated reporting from a longitudinal perspective, exploring non-linear tracks conceptualised as unresolved excursions (see Greenwood and Hinings, 1988; Starke *et al.*, 2011). Further studies could also explore the archetype model of change developed by Greenwood and Hinings (1996) focusing on intra-organisational factors such as internal stakeholder interests, organisational values, the agency of certain individuals or groups to translate values and interpretative schemes into structural arrangements, and the technical and managerial capabilities enabling action.

We concur with Adams (2015) that researchers should work on the development of accountings to facilitate the accountability of organisations (see also Adams and Larrinaga, 2007). However, the results of this study question the opportunity of working on the development of techniques for the development of a reporting model (IIRC) that is being questioned so soon.

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