Integrated reporting and accountability in practice:
Case insight from the insurance sector

Alessandro Lai

University of Verona (Italy)

Gaia Melloni

University of East Anglia (UK)

Riccardo Stacchezzini

University of Verona (Italy)

1

Research positioning and aim of the study (1/2)

- The International Integrated Reporting Council (IIRC) claims that Integrated Reporting (IR) can enhance corporate accountability (IIRC, 2013). **[→ toward stakeholders accountability?]**

- Yet critical and interpretative studies have challenged this outcome (Brown and Dillard, 2014; de Villier et al., 2014; Flower, 2015; Thomson, 2015; etc.). **[→ investors accountability only?]**

- Insufficient empirical research details how **IR preparers** deal with accountability when producing IR.

- To fill this gap, the current study analyses the accountability views expressed by preparers involved in IR construction.

Research positioning and aim of the study (2/2)

- In particular, the study examines the **discourses of IR preparers** about IR implementation to understand how they come to select a corporate accountability content, through reasoning about the subjects disclosed in the IR (i.e., *what*) and the language used (i.e., *how*).

- The study aims to detect what accountability view (stakeholders vs investors) is predominant in the process of IR construction and the role of **contextual conditions** in this process.

- The IR pioneer *Assicurazioni Generali S.p.A.* (hereafter, *Generali*) serves as case study.

The case study company and its IR

- *Generali* is the one of the world's top ten insurance companies.

- *Generali* embraced the IIRC project in 2011, joined the IIRC pilot program in 2012, actively participates to two IIRC business networks (insurance and national network of Italian IR adopters), and already has published three annual IRs (2013, 2014, and 2015).

- Its IR, prepared at the group level, is incorporated in its financial report. As part of the financial report, it is formally published by the Board of Directors.

- The team in charge of its preparation forms is the "Group integrated reporting and CFO hub" (hereafter, IR hub). Four persons work in the IR hub: the head of the office, the "Head of Group Integrated Reporting Framework," and two other persons (one who also is involved in CSR activities).

- The Group Chief Financial Officer, recently appointed General Manager, periodically participates to help define the IR content. Various offices, such as investor relations, sustainability, and communication, provide specific information to the IR hub.

Theoretical frame (1/2)

- The *content* of accountability (i.e. accounts that accountors provides to addressees) is typically investigated by critical/interpretative accounting scholars who seek to understand the experience and practical engagement of actors involved in accountability relationships (Messner, 2008).

- For corporate external reporting, this content relates to how the message of corporate reports gets constructed and entails reasoning about *what* and *how*.

- Emerging literature that have tried to open the "black box" of the reporting process, urges us to assess the relationship between the "text" and the "context" of corporate communication (Tregidga et al., 2012).

Theoretical frame (2/2)

- Exploring the relationship between text and context can help highlight preparers' choices of subjects (*what*) and language (*how*) when they produce messages.

- According to the Teun van Dijk's socio-linguistic studies on discourse and context (2006, 2008, 2009), texts are influenced by how preparers define and give relevance to the context:
    - *"It is not the social situation that influences (or is influenced by) discourse, but the way the participants define such a situation"* (van Djik, 2008, p. X).

- Organizational context in which the reports are produced and the (wider) reporting context in which they are mobilised are contexts that preparers likely consider in deciding what to write or not, and how to write it (Tregidga et al., 2012).

Methodology

- **"Data collection"**: in-depth semi-structured interviews with Generali actors directly or indirectly involved in the IR implementation [see Tables 1 and 2], and documentation that traces the company's shift toward IR and its organizational and reporting contexts.

- **"Data analysis"**: The interview transcripts were coded to detect the accountability discourses on the *subjects* (*what*) and the *language* (*how*) of IR [see Examples].
  In line with Van Djik's theoretical interpretation of the relationship between text and context, we next explored the discourses in terms of how IR preparers decide *subjects* and *language* of IR, in relation to their definition of the context(s) in which the IR is produced.

Table 1 – Informants' role and duration of the interviews.

Informant	Duration (minutes)
• IR Manager (Head of the "Group IR and CFO hub")	80
• IR Manager – second interview	60
• IR Manager – third interview	70
• IR Middle-Manager (Head of the Group IR framework)	40
• IR Middle-Manager – second interview	40
• IR Staff 1	75
• IR Staff 2	65
• General Manager and Group CFO	90
• Foreign subsidiary CFO	50
• Investor relator	40
• Corporate Governance Manager	35
• Communication Manager	40

Table 2 – Main topics discussed during the interviews

Motivations for IR adoption

- How long have you been working in Generali and what is your position within the company?

- Why has Generali adopted the IR and what are the most important benefits related to such adoption?

- What are the main challenges arising from IR adoption?

- Who are the intended addressees of your IR? Investors? Others?

- How do you address users' specific information needs? Do you collect feedback from them?

Actors/Offices involved in IR implementation

- Who are the main proponents of IR adoption within the company?

- Who are the actors/offices directly involved in the preparation of the report?

- How do these actors/offices interact with other offices in order to collect information?

- What is the role of governance bodies and top management in defining the topics and the language of the report?

Table 2 – Main topics discussed during the interviews (cont'd)

Subjects and language of IR

- How are the topics of IR selected? Have these topics changes over time?

- Are there any topics that were excluded from or marginalized within the IR? Why?

- To what extent Generali follows the IIRC framework?

- Which are the main sources (e.g. sustainability report; governance report; internal documentations, etc.) for drafting the report?

- How is the language of the report chosen?

- Have IR content elements and language changed over time? Why?

Findings (1/5)

- **The accountability discourses:**

Subjects (*what*)
• **Value creation story**
- Insurance business model
- Strategy
• **Unintegrated sustainability**
Language (*how*)
• **Complexity (to be reduced)**
• **Attractiveness (to be increased)**

Findings (2/5)

- **The accountability discourses and the preparers' interpretation of the context**

	Organizational context	Reporting context
Subjects (*what*)		
• **Value creation story**	• **Shifts in corporate governance** with the appointment of a new CEO and new top managers.	• **Investors, analysts and rating agencies** increasingly appreciate information about the value creation process.

Findings (3/5)

	Organizational context	Reporting context
Subjects (*what*)		
– **Insurance business model**	• **Need to share knowledge about the insurance business model <u>inside</u> the Company**.	• **Lack of knowledge about the insurance business model <u>outside</u> the Company**. • The **IIRC Framework** requires business model disclosure • The **IIRC "Insurance network"** (the Company belongs to this network) gives great relevance to specific insurance sector disclosure.
– **Strategy**	• The **new top management** wants to communicate the strategy and its cascade both inside and outside the Company.	• **Need of investors (and other stakeholders) to know the strategy implementation process**, especially after the governance shift.

Findings (4/5)

	Organizational context	Reporting context
Subjects (*what*)		
• **Unintegrated sustainability**	• **Incomplete integration** between **the IR hub** and **the sustainability office**.	• **Environment** is not considered to be particularly relevant in the insurance sector. • Investors are interested in **sustainability** only for its **impacts on financial performances**.

Findings (5/5)

	Organizational context	Reporting context
Language (*how*)		
• **Complexity (to be reduced)**	• Perceived need to **share information** about the Company's value creation process among **non-accounting departments**.	• **Investors' difficulty to understand the insurers' financial reports**. • **"Storytelling"** is increasingly appreciated in various contexts. • **Users are expected to avoid ceremonial and boring documents** like traditional financial reports.
• **Attractiveness (to be increased)**	• Preparing corporate reports is **not just a matter of compliance** with laws and regulations.	• **Investors** are expected to pose **greater attention to "appealing" reports.**

15

Discussion (1/3)

- IR implementation entails thorny reasoning about the *content* of accountability to be provided (Abeysekera, 2013).

  ↳ Some optimism in respect of the idea that IR *"is more likely to reinforce rather than encourage critical reflection on 'business as usual' practices"* (Brown and Dillard, 2014, p. 1120).

- Discussions about the **subjects** of IR revolve around discourses of "value creation story" and "unintegrated sustainability".

  ↳ Some optimism in respect of the critics about the viability and usefulness of business model disclosure in external reporting (e.g. Page, 2014; Singleton-Green, 2014; Melloni et al., 2016).

  ↳ The findings support the idea that IR has little to say about sustainability (Milne and Gray, 2013, p. 14; Flower, 2015; Thomson, 2015).

Discussion (2/3)

- Discourses on the *language* of IR revolve around discourses of "complexity" and "attractiveness" of corporate reporting.

  The IR preparers' discourses are in line with the recent "narrative turn" in accounting (Beattie, 2015) and the increasing adoption of "less technical language" within corporate reporting (Lueg et al., 2016).

- The decisions about the subjects and the language of IR reflect the preparers' concurrent consideration of two key "contextual situations": the redefinition of the corporate governance within the organizational context, and the investors' increasing information needs within the wider reporting context.

  Different "contextual situations" were not believed to create "tensions" (Higgins et al., 2014), yet IR preparers considered them as two converging conditions of the same "social situation".

Discussion (3/3)

- Preparers consider investors the key users of IR, and perceive their increasing information needs in terms of both supplementation and simplification of the reporting message.

  - The investors focus brings into question the possibility for stakeholders accountability (Brown and Dillard, 2014; Haller and Van Staden, 2014; Stubbs and Higgins, 2014).

  - However, the content of accountability provided is more holistic (Rodrigue, 2014) and less complex (Gray et al., 1998; Gray, 2006) than the one usually provided to investors.

Conclusions

- The IR implementation entailed a thorny reasoning process about the content of accountability to be provided, and organizational and reporting context situations experienced by preparers played an intertwined role in this process.

- Although increasing consideration for various stakeholders' information needs is emerging, investors are deemed the key users of IR.

- This evidence suggests pessimist conclusions on the possibility that IR may favour stakeholders accountability.

- However, the perception of investors' increasing information needs unveils IR potentials as a carrier for a more holistic and usable accountability.

[→ toward a redefinition of investors accountability?]

Thank you
for your kind attention!

Appendix

- Examples of accountability discourses on **subjects (*what*)**

*The IR project […] was able to give a new turn to renewed need of information about our **strategy** and our **business model** (General Manager).*

*Be[ing] in tune with the **strategy** […] remains our principal story to be told, otherwise it is not material to deal about **sustainability**. Then we have to assure a clear connectivity of these not financial information with the other part of our IR and with our main purpose. […] We can implement new figures in our IR if they have an impact on **strategy** (IR Manager).*

***Sustainability** has to be integrated. It's really a great job to do […]. In Generali, IR advancement came before a progress in sustainability themes and procedures (Foreign subsidiary CFO).*

… … …

- Examples of accountability discourses on **language (*how*)**

We printed many hundreds copies of our Financial Report to be presented to the Annual General Assembly and we realized that—after this event—the main part of these copies **remained in our repository** … [so] we became convinced that our financial report didn't give any representation that really could interest its potential reader (General Manager).

We had been having the need to improve our annual Financial Report for a long while. [We] decided to change the **format**, the **pictures**, the **images** we used in the documents. We put in the Financial Report also the faces of the people of different internal staff to make the reader understand that our Company is made by people (IR Middle-Manager).

This work is an important part to get the target of having a **readable and interesting document** and it happened that we were obliged to change our communication provider when we realized that the main discourses we want to provide to the reader weren't in tune with the suggested framework of the draft tentative document (IR Staff 1).

… … …

Findings (1/4)

- **The accountability discourses and the preparers' interpretation of the context**

	Organizational context	Reporting context
Subjects (*what*)		
- **Value creation story**	- **Shifts in corporate governance** with the appointment of a new CEO and new top managers.	- **Investors, analysts and rating agencies** increasingly appreciate information about the value creation process.

Findings (2/4)

	Organizational context	Reporting context
Subjects (*what*)		
– **Insurance business model**	• **Need to share knowledge about the insurance business model <u>inside</u> the Company.**	• **Lack of knowledge about the insurance business model <u>outside</u> the Company.** • The **IIRC Framework** requires business model disclosure • The **IIRC "Insurance network"** (the Company belongs to this network) gives great relevance to specific insurance sector disclosure.
– **Strategy**	• The **new top management** wants to communicate the strategy and its cascade both inside and outside the Company.	• **Need of investors (and other stakeholders) to know the strategy implementation process**, especially after the governance shift.

Findings (3/4)

	Organizational context	Reporting context
Subjects (*what*)		
• **Unintegrated sustainability**	• **Lack of integration** between **the IR hub** and **the sustainability office**.	• **Environment** is not considered to be particularly relevant in the insurance sector. • Investors are interested in **sustainability** only for its **impacts on financial performances**.

Findings (4/4)

	Organizational context	Reporting context
Language (*how***)**		
• **Complexity (to be reduced)**	• Perceived need to **share information** about the Company's value creation process among **non-accounting departments**.	• **Investors' difficulty to understand the insurers' financial reports**. • **"Storytelling"** is increasingly appreciated in various contexts. • **Users are expected to avoid ceremonial and boring documents** like traditional financial reports.
• **Attractiveness (to be increased)**	• Preparing corporate reports is **not just a matter of compliance** with laws and regulations.	• **Investors** are expected to pose **greater attention to "appealing" reports.**