Practicing Integrated Thinking and Reporting

State of the art & challenges ahead

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Agenda

• Why Integrated Thinking and Reporting?
• What are the building blocks of the IIRC Framework?
• Reflection on what is IR eventually?
• Today session – first part
Integrated Thinking and Reporting

Why <IR>?
Why <IR>?

... are two fundamental goals that contemporary organizations (and societies) are urged to achieve in the short, medium and long term.
Why <IR>?

**SITUATION**

There is an increasing sense among key stakeholders — investors, customers, citizens, and the community — that existing accounting and reporting practices, which are designed around Compliance/Stewardship requirements, characterized by a strong focus on past financial performance, short of information about holistic processes of value creation, are becoming increasingly less fit for the purpose.

**COMPLICATION**

**QUESTION**

**ANSWER**
Why <IR>?

SITUATION

COMPLICATION

QUESTION

ANSWER

− Are we on the verge of (what seems a much needed) “paradigm shift” in accounting and reporting?

− Are we ready to challenge a number of orthodoxies to re-design accounting and reporting practices that might eventually engage readers in generating “valuable questions” rather than offering “arguable true and fair answers”? 
**Why <IR>?**

**SITUATION**

**COMPLICATION**

**QUESTION**

**ANSWER**

**Integrated Thinking and Reporting**

aims to offer a possible novel **SOLUTION**

(‘loosely framed’ by the principles and contents of the IIRC framework)

- Concise but holistic communication (to investors and other stakeholders) of **processes of (sustainable) value creation** over time;
- The purpose is Illustrate how sustainability initiatives are fully ingrained into the **business model** and strategic decision-making for competitiveness;
- Promote connectivity of information among **capitals** across the value chain
Integrated Thinking and Reporting

What are the building blocks of the IIRC Framework?
Who is the IIRC?

The **International Integrated Reporting Council (IIRC)** is a global coalition that shares the view that communication about value creation should be the next step in the evolution of corporate reporting (International <IR> Framework).
Integrated thinking is about ensuring the long-term sustainability of organizations through the sustained creation of value for stakeholders (competitiveness).

Integrated thinking leads to integrated decision-making & actions.

Integrated thinking focuses around the connectivity and interdependencies between a range of factors (concepts and contents) that affect an organization’s ability to create value over time.
Integrated Thinking and Reporting

Process of VALUE CREATION (consumption) over time
“Suggested” CAPITALS that the organization uses and affects, and the critical interdependencies, including tradeoffs, between them
Integrated Annual Report 2014

18 Targets and performance drivers
“Suggested” CONTENTS of an Integrated Report
IIRC Integrated Reporting framework

[Diagram showing the Integrated Reporting framework with various components and processes such as Mission and vision, Governance, Strategy and resource allocation, Risks and opportunities, Business model, Inputs, Business activities, Outputs, Outcomes, and External environment. The diagram also highlights the value creation (preservation, diminution) over time.]
IIRC Integrated Reporting framework

Fundamental Concepts → Content Elements → Guiding Principles

method
Underpins preparation
Informs contents
IIRC Integrated Reporting framework

**Fundamental Concepts**

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness
- Consistency and comparability
Few important features

It is open to interpretation and flexible...

It is not about standards... but principles and suggested contents

It calls for interpretation and appropriation...

It is about holistic processes of value creation...
Integrated Thinking and Reporting

What is IR eventually?
What is IR eventually?

Collective journey (process) where concepts and contents categories such as

Business Model
Risk/Opportunities
Capital(s)

are presented and leveraged in the attempt to define and communicate how sustainable value is created and, eventually, distributed...
INTEGRATED THINKING and REPORTING ... entails a change of paradigm

*From the Orthodoxy*

of “true and fair” views

supposedly offered by standards...

*... to Orthopraxis*

journey

of pragmatic discovery and enquiry

(led by a principle based framework)

which attempts to constantly define and redefine sustainable value

by raising *relevant questions* rather than simply providing the expected answers
The innovativeness of Integrated Reporting is not only related to the contents it conveys...

(... integrated financial & non-financial measures, forward looking report; multiple capitals; focus on the business models; connectivity of information, etc.)

rather is related to the PROCESS and the “SPACE” of engagement it generates – is this “space for thinking” that deserve great attention and further understanding...

How is it possible for corporate leaders to “design” and “orchestrate” this thinking?

How is it possible for internal and external stakeholders to engage and define the contents (competitiveness, sustainability, etc.) in this space
Many issues to be discussed... and now we will try to address some of these...

**Practicing Integrated Thinking and Reporting**

*Massimo Romano*, Generali Group, Head of Group Integrated Reporting & CFO Hub
“The journey of Generali Group towards Integrated Thinking and Reporting”

**The potential role of Management Accountants**

*Nick Topazio*, CIMA, Head of Corporate Reporting Policy: “Integrated Thinking and Reporting: the role of Management Accountants”