

**An analysis of the effect that integrated reporting has had on the description
of the strategy and strategic planning process in the banking sector in South
Africa**

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ABSTRACT

The study was carried out in order to analyse the effect which the requirement for integrated reporting has had on the description of strategy and strategic planning processes of three South African Banks during the three-year period between 2012 and 2014. The study was conducted in three Johannesburg Stock Exchange listed Banks namely Barclays Bank, Capitec Bank and Standard Bank and focused on their integrated reports for 2012 to 2014. The objectives of the study were to analyse the change in the scope of the depth of reporting on strategy, analyse the evolution of the strategic planning process, compare and contrast the banks' nature, scope and depth of reporting and establish how the requirement for integrated reporting has impacted on the strategic planning processes in the banks. The study was carried out as a content analysis of the integrated reports of the three banks. The sample for the study consisted for the 9 integrated reports issued by the three banks in the period from 2012 to 2014. There was an increasing trend in the prominence of reporting on strategy by the C.E.Os and chairmen of the companies in the integrated reports. All the companies exhibited an increase in the depth of their reporting on strategy in their overall integrated reports. There is a general increase in the depth of reporting on value creation in the integrated reports. From discussing their business models to some extent in 2012 and 2013, all integrated reports reported on strategy to a large extent in 2014. The study concluded that the scope and depth of reporting on strategy was growing. The study also concluded that strategic planning processes had been transformed due to the requirement for integrated reporting. It was also concluded that Standard Bank had the greatest focus on strategy. Further studies may focus beyond strategy and explore the extent to which companies are implementing non-financial measures in their integrated reporting.

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LIST OF ABBREVIATIONS

C.E.O	-	Chief Executive Officer
IR	-	Integrated Report
IIRC	-	International Integrated Reporting Committee
JSE	-	Johannesburg Stock Exchange
A4S	-	Accounting For Sustainability
SIEEA	-	System of Integrated Economic and Environmental Accounting

1 CHAPTER ONE: INTRODUCTION

1.1 Introduction

This chapter will provide the background of the study, statement of the problem and the research objectives and questions. It also presents the significance of the study, scope and assumptions and limitations of the study. Finally, an outline of the dissertation is presented.

1.2 Background to the study

Over the years corporate reporting has extended from the primary focus on financial performance using just traditional financial statements to a broader inclusion of the social, environmental, strategy, prospects, risk management and corporate governance aspects of the company (Eccles and Krzus, 2010). The initial need for companies to create financial reports emerged out of the Great Depression in the early 1930s whereby the United States Securities Act 1933 required companies to provide potential investors with information that was sufficient for them to make informed investment decisions (King Committee on Corporate Governance and Institute of Directors, 2002; KPMG, 2009).

According to Tschopp and Huefner (2015) the evolution of financial reporting from just financial based reports to reports that include the impact of the company on the environment and society and the sustainability of the company has been as a result of the recognition of stakeholder needs. Criticism of corporate reporting has increased because corporate reporting based only on accounting standards allows companies to externalise environmental and social costs due to the fact that financial results are not placed within the context of the greater economy, society or the environment in which the firms operate (Cheng, Ioannou and Serafeim, 2014). Many stakeholders, due to the corporate collapses over the past decades, questioned the relevance and the reliability of the traditional annual financial reports as a basis for making informed decisions about organisations (Integrated Reporting Committee (IIRC) of South Africa, 2011; International Integrated Reporting Committee (IIRC), 2012). Integrated reporting developed as a result of a focus on making financial and non-financial reporting coherent and cohesive, focusing on the value creation ability of the organisation or

company (KPMG, 2011; Stubbs and Higgins, 2012; Stubbs, Higgins and Milne, 2013; Willis, 2007).

The incorporation of King III into the Johannesburg Stock Exchange Listing Requirements resulted in listed companies being required to report on the extent of their application of King III (International Integrated Reporting Committee (IIRC), 2011); Johannesburg Securities Exchange (JSE) (2011)). As a result, companies have to issue an Integrated Report for financial years that commence on/after 1 March 2010, on an apply or explain basis (International Integrated Reporting Committee (IIRC), (2011); Ernst and Young , (2009)). According to Eccles and Armbrester (2011) there is no one “exact definition of what it means to be doing Integrated Reporting” (2011 p.14) and what the report layout must be because it is a relatively new phenomenon and is constantly developing (KPMG, 2010). The International Integrated Reporting Council defines Integrated Reporting as a report that “brings together the material information about an organization’s strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates” (Integrated Reporting Committee (IRC) of South Africa, 2011, p. 3).

The aim of an integrated report is to inform the organization’s stakeholders about the organisation and its strategies and risks, linking its financial and sustainability performance, in a clear and concise way that provides stakeholders a holistic and comprehensive view of the organization and its future prospects (Druckman and Fries, 2010). Hopwood, Unerman and Fries (2010) state that the strategic goal, objectives, context, opportunities, risk, relationships, governance, remuneration structures and key resources should be reflected and explained in the integrated report.

The guiding principles that underpin the presentation of the integrated report are consistency and comparability, reliability and completeness, materiality, stakeholder relationships, connectivity of information and the strategic focus orientation (KPMG, 2011). The strategic focus orientation is about providing an insight into the organisation or the company’s strategy (communicate the future strategy path of the organisation or company), and how the six capitals (financial, manufactured, intellectual, human, natural and social and relationship) are affected in the short, medium and long term (KPMG, 2011).

There is much emphasis on the information which is expected to be included in the Integrated Report. The integrated report must enable an assessment to be made that is meaningful for the long-term viability on the business model and business strategy (KPMG, 2011). The description of the business model and the business strategy articulate how the six capitals in the Integrated Reporting framework will translate into value creation and how they can be measured using key performance indicators (Ernst and Young, 2010). KPMG (2010 p.11) states that “the key thought is that integrated reporting is not an afterthought, but a result of the business strategy” emphasising that the integrated report is a reflection of the economic value of a sustainable strategy.

According to Steiner (1979) strategy is the direction that the organisation is taking, that is, its vision, mission and objectives; the organisation’s pattern or plan that integrates the organisations policies, actions sequence and major goals (Mintzberg, Henry and Quinn, 1988). Strategic planning is the backbone support to strategic management which offers direction for an organisation (Ghemawat, 2002). Companies are required to provide a statement of its strategic objectives at different levels in the company (corporate and business level), targets and the competencies that are required to realise these objectives (South African Institute of Chartered Accountants (SAICA), 2011).

Company strategy at a corporate level is focused on and concerned with the composition boundaries and the strategies to accomplish the company’s mission. For the company mission to be accomplished different corporate level strategies can be adopted, namely, growth, co-operative, corporate restructuring, turnaround and divestitures or exit strategies (Louw and Venter, 2006). Business level strategy is mainly defined in terms of “variation in firm characteristics relevant to competitive success or failure within a given industry” (Beard and Dess, 1981).

According to Cheng (2010) research in the field of integrated reporting should be a high priority. The Integrated Reporting Committee (IRC) has done research on the level of research that has been undertaken in line with integrated reporting and a gap is still noted with regards to the effectiveness of its implementation (International Integrated Reporting Committee (IIRC), 2014). The major audit firms have embarked on the publishing of guidelines on

integrated reporting, but little is available by way of formal academic research on integrated reporting and this is evidenced by the call for submission of academic papers (Fowler, 2015).

With the heightened emphasis of the firm's strategy being an important component of the Integrated Report, it is important to establish if the process of the latter has accordingly had any significant impact on description of the strategy and the formulation and implementation thereof.

1.3 Statement of the problem

The King III code requires companies to provide an integrated report that provides a holistic and integrated representation of the company's performance. Chapter 9 of the Code stipulates that one of the requirements is that strategy should be included in the integrated reports of companies. Past studies including Brown and Dillard (2014) and Fowler (2015) questioned the effectiveness of integrated reporting in changing the way in which organisations operate. It is essential to establish whether integrated reporting in its current form has brought about real change. This study therefore assessed how integrated reporting has impacted on the description of strategy and strategic planning processes in the reports of South African banks over the period 2012 to 2014.

1.4 The research aim and objectives

The aim of the research was to determine the effect that Integrated Reporting has had on the description of the strategy and strategic planning process of the banks selected for the study. Specific objectives were to:

- a) Analyse the change in the scope and depth of reporting on the strategy over the period 2012 to 2014
- b) Analyse how the reporting of the strategic planning process has evolved over the period 2012 to 2014
- c) Compare and contrast the scope and depth of reporting among the chosen banks over the period 2012 to 2014

- d) Attempt to establish whether the requirement for Integrated Reporting can be seen to have any meaningful effect on the reporting of the firms' strategy and the strategic planning process over the period 2012 to 2014

1.5 Research questions

1. How has the scope and depth of reporting on strategy changed since the requirement for integrated reporting was introduced?
2. How has the reporting of the strategic planning process evolved?
3. How do the scope and depth of reporting on strategy differ among the different banks?
4. Has the requirement for integrated reporting impacted positively on the reporting of banks' strategy and strategy planning processes?

1.6 Significance of the study

The findings of the study are expected to have significant benefits to various stakeholders, namely:

Banks

The findings of the study may benefit the banks by assessing the attention which they are paying to strategy and enable them to chart the direction for future strategy.

Regulators

The findings of the study may assist banking regulators by illuminating the extent to which integrated reporting has been implemented and its influence on strategy.

Academic world

The study will add to the body of knowledge on how strategy is reported and acted upon in integrated reporting and serve as a basis for future studies.

1.7 Scope of the study

The study was conducted among three commercial banks in South Africa. The banks were selected in such a way to include an international bank, the largest local bank and a new bank which was actively trying to build up its market share. The study concentrated on the banks' annual reports to investigate their focus on strategy. The period between 2012 and 2014 was considered for the study.

1.8 Assumptions of the study

The study made the following assumptions:

1. All the banks were following the King III guidelines and producing integrated reports.
2. Strategy plays an important role in the operations of the banks.
3. The integrated reports for the banks were compiled with the same objectives and using the same formats and standards.

1.9 Definition of key terms

Scope of reporting on strategy – the extent of the coverage of strategy in the integrated report as indicated by the prominence it is given.

Depth of reporting on strategy – the intensity of the reporting on strategy as indicated by the inclusion of more aspects of strategy in the integrated report

Strategic planning process- the process of defining an organisation's strategy or direction and making decisions on allocating its resources to pursue this strategy.

1.10 Organisation of the study

Chapter one presented the introduction to the study while chapter two will review literature which is relevant for the study. Chapter three will present the research methodology and chapter four will present, analyse and discuss the study findings.

Finally, chapter five will give the summary, conclusions and recommendations for the study.

1.11 Chapter Summary

This chapter introduced the study and presented the background, statement of the problem and the objectives of the study. The significance of the study, its limitations and assumptions were also discussed. The next chapter is a review of the literature relevant to the study.

2 CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Annual reports have always been required of listed companies but traditionally they mainly focused on one area which was that of the financial aspect of the company. The business world is driven by competition and other external factors such as legal, economic, demographic and political factors to not only focus on the financial elements of organisations but on other factors such as the social and environmental aspects. The Global Reporting Initiative (GRI) promoted integrated reporting largely as a way of fostering the creation of organisations which can contribute to a global economy which is sustainable and this is achieved through ensuring sustainability of the individual organisations. According to a 2015 survey of C.E.Os and senior business executives, the business environment now focuses on the long term strategies as stakeholders are interested in knowing what type of organisation any organisation is and how it operates (La Rosa, 2015). The survey revealed that ninety-five percent of organizations that conduct long-range planning (five to fifteen years) are more likely to outperform organizations that don't plan ahead. In the words of Steve Prentice, Gartner's vice president, "Long-term strategic planning can lead to benefits... More than 50 percent of organizations that underperformed did not engage in very long-term planning, and those that did, looked out on average 16 years. In the case of the outperforming companies, over 80 percent carried out planning that was very long term, and they looked even further ahead – a mean of 22 years." (La Rosa, 2015)

It is therefore of crucial importance to establish whether companies are merely reporting on strategy as a formality or if the requirement for reporting on strategy has actually reshaped organisations' strategic planning processes. A study which was undertaken by Van Zyl (2013) found that while companies had adopted integrated reporting, the attention paid to non-financial aspects in their reports was still very low. It is important to firstly understand what the integrated report entails before dwelling much on the strategy. An understanding of the origins of the report, what it entails and how strategy and the strategic planning process link with the report is also crucial. The literature review will discuss the definition of integrated reporting and history of reporting. The six capitals of integrated reporting are also discussed together with their

roles. The components of integrated reporting are also presented and the differences between traditional and integrated reporting are outlined. The definition of strategy is given and strategic planning and strategic management are also discussed. Strategic planning is also discussed in terms of its relation to the business model. Integrated reporting is also discussed and its relationship with the business model and strategic planning reviewed.

2.2 History of Reporting

The purpose of company reporting is to show how successful an organisation has been in creating value and the organisations performance so as to be able to assess the capability of the organisation to create and increase future value and returns (KPMG, 2011; Willis, 2007).

Company reporting was brought about due to a need of finding ways in which managers would account to shareholders for the way they used their capital invested in companies became a big issue (Previts, Walton, & Wolnizer, 2010). During the nineteenth century, *laissez faire* was the dominant philosophy in industrialised countries. In line with this philosophy, there was a preference by the authorities to regard the relationship between managers and owners as private and early attempts to regulate companies were not successful (Previts, Walton, & Wolnizer, 2010). Parker (1990) notes that after the Second World War businesses became more complicated and financial reporting has been subject to more and more regulation which came through company law, standards for financial reporting and the establishment of bodies to oversee reporting standards.

Despite the fact that financial reporting was not regulated, companies from the nineteenth century still realised the need for reporting and produced annual or semi-annual financial statements which reflected how shareholders' capital had been utilised and which formed a basis for calculating dividends (Bryer, 2000). However, before company reporting was regulated, companies which operated in sectors of economic significance such as banks and insurance companies were already subject to specific reporting requirements. In 2005, the International Accounting Standards Board was formed and charged with maintaining standards for accounting in companies (Previts, Walton, & Wolnizer, 2010).

The rise of integrated reporting comes from the need to have companies reporting both on financial and non-financial measures of their business performance (Stubbs and Higgins, 2012; Stubbs, Higgins and Milne, 2013). Non-financial reporting is concerned with a company's performance in terms of social, environmental and economic terms. Perrini (2006) observed that organisations' approach to non-financial reporting differ but it can be generalised as reporting which is based on other aspects such as information on the general performance of an organisation other than the financial aspect. The main objective of financial reporting according to Nandakumar, Ghobadian and O'Regan (2010) is to provide information that relates to the performance, financial position and any changes that arise in the financial position in an organisation, that is of use to the different users in making sound economic decisions which include being able to assess investment opportunities.

Nonfinancial reporting has evolved from different approaches which started with environmental or green accounting which mainly focused on accounting about the environment (Owen, Gray, and Bebbington, 1997). Environmental reporting portrays organisations as being more accountable for the social, economic and environmental effects of their operations by publicly disclosing information about their environmental performance (Chartered Institute Management Accountants, 2011). The development of environmental reporting can be traced as far back as the 1970s and the 1980s when the World Bank and other bodies were working hard to come up with ways of including the environment in the system of national accounts. From this effort, the result was the System of Integrated Economic and Environmental Accounting (SIEEA) which was launched in 1993 (World Conservation Union, 1995). Then there was a move to the triple bottom line and according to Adams (2015) it focused on the social, environmental and the financial aspect of the organisation or company.

Sustainability reporting focussed on the companies' information pertaining to the economy, environmental, social and governance performance (Unerman, Bebbington, and O'Dwyer, 2007). The history of sustainability dates back to the early 1980s when environmental reporting took root. Companies in the chemical industry were the first to produce environmental reports in the early 1980s as a way of dealing with image problems which they were facing. Companies which had developed their own advanced environmental management systems were also among the first to produce

environmental reports. Sustainability reporting and corporate social responsibility reporting has developed during the past 20 years with the result that many companies now produce sustainability reports (Eccles and Krzus, 2010). Sustainability reports are intended to enhance organisational accountability and transparency apart from improving internal processes, persuading investors and engaging other stakeholders (Bebbington, Unerman, and O'Dwyer, 2014).

Integrated reporting began to be considered seriously as early as 1999 when Price Waterhouse Coopers developed a corporate reporting framework which served to identify strategy and structure, market overview, managing for value, and performance. These were assessed through appropriate measures of performance as the common information among different industries and companies (Price Waterhouse Coopers, 2015). The first use of integrated reporting was by a Danish enzyme company Novozyme in 2002, the same year in which the South African Institute of Directors passed a requirement that companies should report on their commitments in environmental and social areas (Kneal, 2002).

2.3 Integrated Reporting: The beginning of a new era

According to the Global Reporting Initiative (2011a) integrated reporting emerged through the evolution of corporate reporting. The Global Reporting Initiative also goes on to state that it is based on a foundation of different aspects which include financial, governance and remuneration, management and sustainability reporting showing how they link and their interdependence with each other (GRI, 2011a). Table 2.1 gives a chronology of events surrounding the development of integrated reporting.

Table 2.1: Roadmap towards integrated reporting

Year	Development
1999	PricewaterhouseCoopers created the corporate reporting framework
2002	Novozymes produces first integrated report
2002	South African Institute of Directors requires companies to report on their social and environmental areas
2003	Release of the report by the Business Impact Review Group, "Indicators That Count", which includes findings of 20 companies in implementing a set of impact indicators covering workplace, community, environment and marketplace for external reporting purposes.
2004	SustAinability prepares a timescale for experimentation with integrated reporting and challenges and opportunities associated with integrated reports.
2005	Vancity reviews 12 organizations producing integrated reports and discusses definitions of integrated reporting based on exploratory research. Presents issues & challenges.
2007	The Prince's Accounting For Sustainability Project (A4S) which includes reporting on "core" environmental indicators such as waste, water, energy, carbon emissions.
2008	Corporate reader began awarding the first annual award for Best Integrated Report.
2009	The International Integrated Reporting Committee was discussed by those attending The Prince's Accounting for Sustainability Forum meeting on 17 December 2009
2009	South African governance code is set to take effect in March 2010 asking companies to provide an integrated report that provides a holistic and integrated representation of the company's performance.
2010	Official formation of the International Integrated Reporting Committee
2011	The first Integrated Reporting Pilot Programme conference was convened in Rotterdam
2011	The Discussion Paper Towards Integrated Reporting – Communicating Value in the 21st Century was launched Monday 12 September 2011 offering initial proposals for the development of an International Integrated Reporting Framework and outlining the next steps towards its creation and adoption.
2012	The Emerging Integrated Reporting Database brings together extracts of reports which illustrate emerging practices in the Guiding Principles and Content Elements.
2012	26 November 2012 the IIRC released a Prototype of the International IR Framework, a significant further step towards publication of The Framework in 2013.
2013	16 April 2013 the IIRC released the Consultation Draft of the International IR Framework.

Source: Ioana and Adriana (2013)

The global financial crisis that occurred in 2007 was a revelation to managers and directors according to Eccles and Krzus (2010). Blundell-Wignall Atkinson and Lee, (2008) contend that at the time of the crisis there was a gap in the linking of the risks and the opportunities of the business organisation and assessing the effects of the

organisations behaviour in relation to the external environment. After the banking crisis of 2007, the model of business reporting which looks only at short term financial factors to measure was discredited and interest developed in longer time periods and other types of such as social and relationship capital, and natural capital. According to Thomson (2015) in order to succeed, businesses need financial stability and resilience and integrated reporting enables the management to communicate these aspects to the investors.

Integrated reporting is centred on the realisation that the value of an organisation depends on numerous factors some of which are financial and easily reflected in financial statements, and others which are not easily accounted for like intellectual capital or goodwill (Deloitte, 2012). Integrated reporting has the capacity to reflect on the wider and long term results of the decisions which organisations make after considering various factors in a bid to create and sustain value. Through integrated reporting, organisations are able to clearly communicate the way in which they are managing all their relationships and resources so as to create and preserve value and thereby enable investors to allocate their resources in an efficient manner (Adams , 2015).

The establishment of the International Integrated Reporting Council came about following the success of The Prince's Accounting for Sustainability Project (A4S) and there was a high level meeting that had investors, companies, accounting bodies, UN representatives and combined with the Global Reporting Initiative (Owen, 2013). According to Hopwood, Unerman Fries (2010) the meeting focused on the integration of sustainability into the way in which the organization operated by promoting economic sustainability.

The International Integrated Reporting Council was a council that was created on behalf of the A4S (The Princes Accounting for Sustainability Project), The Global Reporting Initiative and the International Federation of Accountants and the main purpose of the council was to supervise the growth and development of an international connected and integrated approach to company reporting (Accounting for Sustainability, 2010).

2.4 Integrated Reporting Defined

According to Abeysekera (2013, p.239), “An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term.”

The King III Code of Governance Principles for South Africa makes a reference to integrated reporting when it states that “A key challenge for leadership is to make sustainability issues mainstream. Strategy, risk, performance and sustainability have become inseparable; hence the phrase ‘integrated reporting’ which is used throughout this Report” (King Committee on Corporate Governance and Institute of Directors, 2002, p. 59). King III then goes further and defines integrated reporting as “a holistic and integrated representation of the company’s performance in terms of both its finance and its sustainability” (King Committee on Corporate Governance and Institute of Directors, 2002, p. 59). The Global Reporting Initiative states that; “An integrated report presents information about an organization’s financial performance with information about its Environmental, Social and Governance (ESG) performance in an integrated way” (Global Reporting Initiative (GRI), 2011a).

There are different definitions as illustrated above but they all express the same principles. The main focus in the research shall be grounded on the definition by the International Integrated Reporting Council which defines Integrated Reporting as a report that “brings together the material information about an organization’s strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates” (International Integrated Reporting Committee (IIRC), 2011, p. 3).

The main key aims of integrated reporting are found within the definition itself but also it is to support and encourage integrated thinking in organisations and to make decisions that are sustainable and that enable stakeholders mainly investors to understand how the organisation is performing and to be able to compare organisations on the same basis (International Integrated Reporting Committee [IIRC], 2011a).

2.4.1 The six capitals of integrated reporting

Every organisation depends on different types of capitals for it to function and to maximise to its full potential and to reach its goal, objectives and vision. According to the IIRC the capitals are ways of storing value in different forms that become inputs to the organisations business model (International Integrated Reporting Committee [IIRC], 2010). These capitals that enter as input are transformed through value addition either by increasing or decreasing them through the varying activities and become outputs. Association of Chartered Certified Accountants (2012) pointed out that during the performance of an organisation's activities, their capitals are consumed, enhanced, modified or transformed in some way or the other. The capitals which an organisation possesses form the basis on which value is created. However, their interaction differs with organisations and is determined by the organisation's beliefs and their focus. In a study of board structure and process, Association of Chartered Certified Accountants (2012) also posited that the capitals do not act independently but always in interaction with one another. Many organisations depend on all these capitals to a certain degree, but some of the dependencies are such that they are very minor or insignificant to influence their reporting (Fowler, 2015). Figure 2.1 depicts the six capitals of integrated reporting.

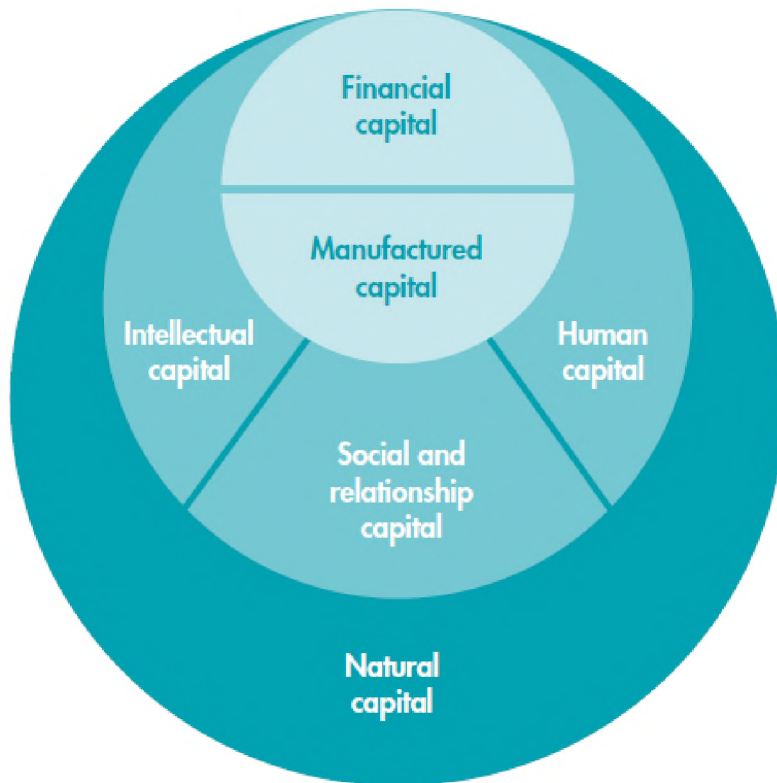


Figure 2.1 : The six capitals of integrated reporting

Source: Association of Chartered Certified Accountants (2012)

According to Association of Certified Chartered Accountants (2012) an analysis of company reports shows that the manufacturing capital and financial capital are the ones which feature most prominently in the majority of organisational reports. They came to this conclusion by scrutinising reports of various organisations to see which one of the six capitals featured more prominently in the majority of organisational reports. Integrated reporting spreads the focus by also considering social and relationship capital, human capital and intellectual capital on the basis that they are linked to all human activity. The concept of natural capital is also included in integrated reporting considering that natural capital provides the environment which makes it possible for the other capitals to exist and interact (Fowler, 2015). The different capitals are described below:

2.4.1.1 Financial Capital

Financial capital refers to funds that are gained through financing for example debt, equity, grants or the funds from investments or operations. These funds are available for the organisation to use in order to provide a service or to produce a product (Integrated Reporting Committee (IRC) of South Africa, 2011). According to Associated of Certified Chartered Accountants (2012), financial capital is actually a medium of exchange and as the business undertakes its activities, it is transformed into other forms of capital. Fowler (2015) noted that while it is not possible to buy some forms of capital the monetisation of variables which were not previously considered to be monetary has resulted in a broader definition of financial capital to include items which are based on other forms of capital.

2.4.1.2 Manufactured Capital

Manufactured capital includes resources that are available to an organisation to use either in the giving of a service or in the production of a product for example equipment, buildings and infrastructure for example roads, parts, bridges and water and waste treatment plants. The manufactured capital is usually created by other organisations but are included if the organisation that is reporting is using the capital for a service or for production. This is a tangible component to the organisation (International Integrated Reporting Council (IIRC), 2013a). Associated of Certified Chartered Accountants (2012) emphasised that manufacturing capital promotes the organisation's sustainable development through giving it flexibility in the process of accessing markets and responding to the needs of society. Manufactured capital also reduces the organisation's consumption of resources so that they can put more attention to human innovativeness and improve on their efficiency and sustainability (Comolli, 2006).

2.4.1.3 Intellectual Capital

Intellectual capital is an intangible component of the capitals and is based on the knowledge base of the organisations. Examples include intellectual property that is software, rights and licences, copyrights and patents; organisational capital that include tacit knowledge, procedures and protocol and systems; and those that are

linked with the brand and reputation of the organisation (International Integrated Reporting Committee [IIRC], 2011a). According to Bozzolan, Favotto, and Ricceri (2003) intellectual capital is one of the major determinants of future earnings and builds a strong link between research and development, innovation and human resources, which in turn determine the organisation's competitive advantage.

2.4.1.4 Human Capital

Human capital focuses on the people within and outside the organisation, their capabilities, experience, motivations and their creative abilities. Human capital involves the support from people in line with the organisation's governance framework, ethical issues and risk management approach. There is a need to understand, develop and implement the strategy of the organisation through loyalty and motivation for a better service or product quality in the organisation (International Integrated Reporting Committee (IIRC), 2011). Human capital is also "generally understood to consist of the individual's capabilities, and the knowledge, skills and experience of the company's employees and managers, as they are relevant to the task at hand, as well as the capacity to add to this reservoir of knowledge, skills, and experience through individual learning" (Dess and Picken, 2001).

2.4.1.5 Social and Relationship Capital

Social and relationship capital is about how the organisation relates with its different stakeholders, networking and how they have an impact on the organisation (Yli-Renko, Autio, and Sapienza, 2001). Paxton (2002) suggest that it is about sharing information that helps the individual and collective well-being internally and externally. Values, behaviours and shared norms amongst the people are essential. Most important is the stakeholder relationship encompassing trust, willingness and loyalty in the engagement with the organisation and vice versa trying to build and to protect all their stakeholders (Integrated Reporting Committee (IRC) of South Africa, 2011). According to Associated of Certified Chartered Accountants (2012) the aspects of social and relationship capital which are relevant for integrated reporting include relationships with suppliers and customers, acceptance by the community, relationships with government, and relationships with competitors and gaining loyalty of customers. An

organisation can only earn social legitimacy to operate by fostering these relationships (Fowler, 2015).

2.4.1.6 Natural Capital

Natural capital involves renewable and non-renewable resources that are used by the organisation either for providing a service or for creating a product. These include water, air, land, minerals, biodiversity, forests and the eco-system health (International Integrated Reporting Committee (IIRC), 2011). According to Ekins, et al., (2003), “Natural capital is a metaphor to indicate the importance of elements of nature (e.g., minerals, ecosystems and ecosystem processes) to human society. Natural ecosystems are defined by a number of environmental characteristics that in turn determine the ecosystems’ capacity to provide goods and services.” Voora (2008) emphasised the central role of natural capital, pointing out that societies of humans consume natural capital for their sustenance and depend on various services from the ecosystem, making natural capital the real source of wealth.

The study considers that the strategy of the organisation depends on how they manipulate the six capitals to achieve their organisational objectives. In assessing the scope and depth of integrated reporting the discussion of the manner in which the six capitals are managed within the organisation is used as an indicator.

2.4.2 Integrated Reporting Components

There are five main components of an integrated report according to Integrated Reporting Committee (IRC) of South Africa (2011). The components are how connected the information is, vision, how involved stakeholders are and how they respond, the strategic focus of the organisation and materiality conciseness and reliability. The five components are discussed in sections 2.4.2.1 to 2.4.2.5.

2.4.2.1 How connected is the information?

Connectedness of information shows how the different components of the organisation all connect together that is the business model, the external factors that have an effect on the organisation, and the other resources. Ernst and Young (2010) state that connectedness means that the information in the integrated report should have a

coherent storyline. Mainly it shows how the six capitals link with the business model in adding value to the organisation. It is important so as to show the changes that occur in the nature of decisions making and the link it has with the business activity and thinking (International Integrated Reporting Committee (IIRC), 2011).

2.4.2.2 Vision

The managers' vision of where the organisation is seen to be in a designated future through the managers' eyes and with other information that helps the stakeholders who use the financial information to make well informed decisions. For example, knowing the balance in the organisation between the organisation's short term and long term goals, the direction the organisation is going, what the barriers, challenges and enablers are along the way and how to overcome and seize opportunities (Integrated Reporting Committee (IRC) of South Africa, 2011).

2.4.2.3 How involved are the stakeholder and how do they respond?

Understanding stakeholder relationships as well as how and to what extent they interact is important for an organisation to move forward and to achieve its goal and missions. Stakeholders provide useful information on what is important to them and assist the organisation to notice key issues that are important, assist in developing and evaluating the strategy of the organisation and help in the management of the activities in the organisation and the accountability of material issues (International Integrated Reporting Committee (IIRC), 2011).

2.4.2.4 Materiality, conciseness and the reliability

Information must always be material, concise and reliable not only to the internal stakeholders but to every individual interested in the organisation so as to be able to make informed decisions (Integrated Reporting Committee (IRC) of South Africa, 2011).

2.4.2.5 The strategic focus of the organisation

The integrated Report shows an insight into what the organisations goals are strategically and how the goals are linked and aligned with creating and sustaining

value in the organisation over a period of time and what resources are needed and if they can easily be accessible and the challenges in line with obtaining the goals (International Integrated Reporting Committee (IIRC), 2011).

Of the five the last one is of great importance to the research so as to see if the strategies that they state in the integrated report are actually being implemented and if they are being focused on.

2.4.3 Differentiation of integrated reporting from previous reporting

Abeysekera (2013) suggest that integrated reporting was introduced as an improvement on the previous reporting that was in existence. The differences between integrated reporting and previous reporting are explained in sections 2.4.3.1 to 2.4.3.7.

2.4.3.1 Stewardship

Traditional reporting focused on one aspect of the capitals which was the financial capital aspect but now integrated reporting involves all six forms of capital and their interdependence and how they will be contributing factors to the success of the organisation in terms of stewardship. There is also need to look at the resources the risk and opportunities in the value chain of the organisation (International Integrated Reporting Committee [IIRC], 2011a). According to White (2010) stewardship is demonstrated in integrated reporting as it has a focus on preserving and growing the various forms of capital which contribute to the creation of value in the firm.

2.4.3.2 Focus

The focus for integrated reporting is based on the past, future, its strategy and how they are all connected together. Traditional reporting was focused on past financial performance and the financial risk in the organisation only and did not show the link between the two and other components in the organisation such as sustainability, strategy and governance so as to create value (International Integrated Reporting Committee [IIRC], 2011a). Integrated reporting extends its focus to issues which affect the sustainability of the organisation rather than its current financial state as in the case of traditional financial reporting.

2.4.3.3 Timeframe

The traditional method focused on the short term of the organisation but now with integrated reporting there is a focus in terms of timeframe on the short, medium and the long term obligations and objectives of the organisation (International Integrated Reporting Committee [IIRC], 2011a). According to Brown and Dillard (2014) an integrated report which is properly prepared informs stakeholders about the organisation's strategy and prospects in the short, medium and long term, enabling them to make better decisions.

2.4.3.4 Trust

With integrated reporting there is more disclosure being expressed increasing the transparency of organisation than in the traditional reporting where only the financial aspect of the organisation was disclosed and focused on a narrow base. Integrated reporting encourages organisation not to only report the positive aspects but to also report the negative aspects (International Integrated Reporting Committee [IIRC], 2011a). Krzus (2011) pointed out that transparent reporting contributes significantly towards the building public trust for the organisation.

2.4.3.5 Adaptive

Traditional reporting required all organisations to report according to a set of rules and regulations and had to follow them and was rule bound. Today's reporting system allows the organisation to exercise an appropriate amount of judgement in line with what to insert and what not to insert in its integrated report. A certain level of rules and regulations is set up so that there is consistency and to enable comparison. Apart from the financial component where rules are strict, an organisation is required to report to what speaks to its organisation making it clear, unique and understandable. Integrated reporting also brings about a principle-based approach which drives factors which are of material substance to the different departments or sectors within the organisation (International Integrated Reporting Committee [IIRC], 2011a).

2.4.3.6 Concise

Past reporting methods were long and complex and they were hard for organisations to adapt and for the stakeholders to understand when interpreting the financial statements. An apt example is the use of annual reports that focus on financial performance and separate CSR reports that focus on non-financial performance (Cohen, et al., 2012). It is acknowledged that this old method of reporting is advantageous in that it is audience-specific and meets each reader's information needs. In a world where companies are facing the demands of many stakeholders, it is essential that every stakeholder understands how its interests are related to those of others and to the factors that contribute to the level of performance that is being met (Ferrell and Fraedrich, 2015). Now the integrated reporting provides concise and material information that is valuable to the different stakeholders and can easily be understood by the different stakeholders that require information about the organisation (International Integrated Reporting Committee [IIRC], 2011a).

2.4.3.7 Technology enabled

Traditional method of reporting was paper based despite the fact that the internet had introduced elements of technological innovation. Integrated reporting now takes advantage of the new and ever changing emerging technology to link information and to facilitate access to external stakeholders and allowing insertions of further detail when it is needed (International Integrated Reporting Committee [IIRC], 2011a).

2.5 Strategy Defined

Strategy is a concept that was derived from the military environment after the Greek word *strategia* meaning to be able to win a war by the use of all resources available, and adapted into the business context (Mintzberg, 1988a).

There is no singular or universally accepted definition for the term strategy but different seminal works are aligned with strategy, strategic management and strategic planning and all have evolved over the years (Poister and Streib, 2005). According to Martinet (2010) and Mintzberg (1988b), the pioneer of strategy and strategic planning is Ansoff (1965) who discusses strategy as a concept which involves the related concepts

of strategic planning and strategic thinking. Steiner (1979) defines strategy in five different ways as shown in Table 2.2.

Table 2.2: Definitions of strategy

1. Strategy in terms of what the top management in an organisation do that is of great value and importance.
2. Strategy as a direction of the organisation that is the vision and mission.
3. Strategy as the action that is needed to be done in order to meet the direction of the organisation stated above.
4. Strategy as a way of answering what the organisation should be doing.
5. Strategy as a way of answering what is the end goal of the organisation is and how that end goal will be reached.

Source : Steiner (1979)

According to Mintzberg (2003) “strategy is the pattern or plan that integrates an organisations major goals, policies, and action sequence into cohesive whole.” (1988 p.3) A well organised strategy would lead to effective allocation of resources in an organisation.

Mintzberg (1994a) can be seen to have developed Steiner’s definition and defined strategy in terms of the Five Ps which are defined as a plan (how to get to a required objective or goal), a pattern (what is does over time repeatedly for example marketing), a position (shows the decision that has been reached), ploy (how to win against competitors) and a perspective (the vision or direction of the organisation). Mintzberg (1994b) highlighted that strategy emerges over a period of time when there is a collision between what the objectives or vision was and the changing times.

Porter (1994) on the other hand argued that strategy is based on competitive strategy which is the creation of a different unique position and of great value involving a different set of activities. To Porter (1994), strategy is about having a competitive position and about being different in the eyes of the stakeholders mainly the customers.

2.6 Integrated reporting in South Africa

The Johannesburg Stock Exchange made conformity with the King II principles one of its requirements for companies to be listed, starting from 2010 (Serafeim and Ioannou, 2014). The King III principles recommend that integrated reporting should be used, and therefore listed companies on the JSE are required to use integrated reporting (Serafeim and Ioannou, 2014). Research carried out among South African companies by Blacksun (2013) concluded that there was a strong positive correlation between the resilience of a company and the production of integrated reports. According to Hoffman (2011), companies in South Africa found integrated reporting to have significant benefits to their companies once they had mastered the objectives and principles behind it. Hoffman (2011) also found that in the process of implementing integrated reporting, companies had discovered underlying weaknesses in the underlying processes such as risk management as well as strategic objectives and plans. Integrated reporting therefore gave them the opportunity to identify and rectify weaknesses especially in their non-financial performance indicators. Challenges have however been experienced due to the fact that a team which comprises individuals from different disciplines is required for integrated reporting and coordinating their efforts is not easy (Hoffman, 2011). One particular challenge cited by Global Accounting Alliance (2014) comes from reconciling the accounting concept of materiality of information with the need for a report which also adequately covers non-financial factors.

2.7 Strategic Management

There are many different definitions that arise so as to explain what strategic management is. According to Bracker (1980) strategic management was derived from business policy and a new model that focused on strategic management as an operationalization tool. Poister (2010) asserts that strategic management should not be viewed only as an operational element or merely as a basis for strategic planning. He points out that strategy is also a process of arranging or organising which involves formulation and implementation of strategies, making them all important elements of strategic management.

Sanchez and Heene (1997) define strategic management as a way that tries to understand both in theory and in practice how an organisation can improve its performance and how it relates with other organisations.

Strategic management offers direction for an organisation involving the organization's objectives, how to develop policies and plans and means to achieve the organisations set objectives and distributing resources to execute the plans that have been set (Ghemawat, 2002).

Strategic Management according to Hambrick (2004) features are very vague in its definition as it interlinks with many advanced fields such as economics, marketing, finance and others. Strategic management contains the designing and application of the objectives and actions taken by an organisation's leaders on behalf of and in the best interest of all stakeholders. Strategic Management is grounded on the availability of the resources and a valuation or calculation of the environment to which the organization is subjected both internally and externally (Nag, Hambrick and Chen, 2007).

Strategic Management is dynamic and broad, including content and process, planning and action. It also includes reflections and limitations that are created from both internally and externally in an organisation, allowing integrative thinking through value creation for all the different stakeholders involved with the organisation (Andrew 2010).

There are two concepts that are related to strategic management which form the basis of it which are strategic thinking and strategic planning (Namin and Ebrahimpour, 2015).

2.7.1 Strategic thinking

Kapferer (2012) defined strategic thinking as “a process that defines the manner in which people think about, assess, view, and create the future for themselves and others.” They also contend that strategic thinking is a very valuable and effective tool for organisations. Larson and Hansen (2005) posit that strategic thinking can only be applied in making decisions related to one's personal or work life. The biggest and most successful organisations are characterised by employing strategic thinking in

some way during the establishment and management of their enterprises (Casadesus-Masanell and Ricart, 2010). For the future of a business to be successful and sustainable Zahra and Nambisan (2012) also emphasise that strategic thinking is a major requirement.

2.7.2 Strategic Planning

Strategic planning is the backbone support to strategic management. It is intertwined with the entire framework of management and is a major part of management (Steiner, 1979).

Strategic planning according to Mintzberg (1996) has many definitions that surround it that is it is a means of managing the creation and application of strategy; it starts with the formation of the strategy then follows the execution of that strategy making it a process (Sminia, 2009). It is logical and refers to certain formal actions with the end goal of producing information and analysing that data for strategic thinking and strategic planning. Furthermore, it is also in line with the control mechanisms used to device the strategy once it is agreed upon. Therefore, strategic planning happens through the strategy formation process in the organisation (Mintzberg, 1994c).

The term strategy in the years has evolved to the extent of being defined as a “contingent plan of action as to what business model to use” (Casadesus-Masanell and Ricart 2010, p.204) and through it a link with the business model has been introduced. The extent is such that it puts an emphasis on how the strategy leads to the designing of business model and reengineering it as events occur so that the organisation can reach its vision, mission and objectives.

According to Hill and Jones there are five processes that are involved in the strategic planning process which are the ones that are affected by any change in an organisation from any area in the environment because it affects the main objective and goals for an organisation (Hill and Jones, 2012).

The main objective of strategic planning research is to be able to understand the effects of strategy on firm performance (Zott and Amit, 2008). The performance of an organisation is measured through the integrated reporting system of the organisation

that looks on not only the financial aspect but also the environmental and social aspects (Weybrecht, 2010).

2.7.3 Business Model and Strategic Planning

Many people have used business model and strategy interchangeably and yet they are not the same thing. A business model details the conceptual plan which is followed in order to achieve the goals and plans of the business whilst a strategy that is competitive will illustrate how the business can outperform its rivals (Magretta, 2002).

Strategic management cannot be defined without looking at its link with the business model (Tikkanen *et al.*, 2005). Venkatraman and Henderson (1998) express how the business model is a synchronised plan that has the main aim of creating a strategy that examines the stakeholder involvement and interaction, the use of resources that are attainable and how they are attending to the scarce resources that are needed and utilising and maximising the resources to their best and most useful capabilities in the organisation.

According to Zott and Amit (2008), the business model and the organisations' business strategy are interdependent in such a way that competitive advantage is achieved through the relation. They go on to say that a business strategy is the basis of what model is to be adopted in order for the organisation to achieve its objectives.

Tikkanen, *et.al.* (2005) expresses how the main purpose of the strategy in a business model is to give some form of direction to the organisation of where it is headed making it a basis to then create your vision, goals and objectives. A change in the strategy affects the business model as the business model is the basic building block of the mission, meaning that its objectives and main key elements are expressed and clearly defined in the business model of the organisation.

2.8 Integrated Reporting and the Business Model

The business model is a crucial component of integrated reporting and this is the subject of the discussion in section 2.8.1.

2.8.1 Business Models

The definition of a business model has evolved over the past years. Chesbrough and Rosenbloom (2002) state how the business model takes the technological characteristic by converting inputs into outputs that have economic value and it involves:

- creating value for the stakeholders,
- identifying and targeting a certain market,
- identifying and being specific about how revenue will be generated
- being able to define and understand the value chain, supply chain and any other functions that are needed to support the organisation.
- ability to estimate cost structures and profit structures and linking it to the value chain and supply chain
- being able to describe the organisation's position and contribution to the value chain and formulating a competitive strategy.

Shafer, Smith and Linder (2005) express the power that the business model has in terms of competitiveness and in line with how the organisation functions. They talk about how there are business horizons that a company can be access just by having a steady focused business model that is true to the organisation and that reflects the organisation's current position.

According to Teece (2010) a business model expresses the logic and gives data and other information that shows how a business creates and delivers value to the stakeholders and also shows how revenue, expenses and profits achieve creating value.

According to the Chartered Institute Management Accountants' (2011) paper on the Business Model it illustrates how a business model is at the centre of the organisation. It continues to illustrate how the previous reporting system was inconsistent. The Business Model is therefore defined as "the chosen system of inputs, business

activities, outputs and outcomes that aims to create value over the short, medium and long term” (Chartered Institute Management Accountants, 2011). The international integrated Reporting Council has noted that there is no definition of business models and its often concluded as a process by which the organisations intends to create value and to sustain value (International Integrated Reporting Committee [IIRC], 2013b).

In line with Integrated reporting the business model is noted as a fundamental concept and is central which makes it key to the reporting of the organisations and there is need to know and understand its position on the broader narrative (Chartered Institute of Management Accountants, 2013). The importance and consideration of the inputs, outputs and outcomes is to clarify within the organisation the positive and negative impacts that they have on the six capitals.

Integrated reporting has seen that value creation is not only attributed to the internal environment but is heavily influenced by other factors such as the relationships with stakeholders including employees, partners, suppliers, customers; the external environment such as economic conditions, societal issues and the ever changing technology and how it is dependent on different the quality, accessibility and how the resources cost (International Integrated Reporting Committee [IIRC], 2010). Figure 2.2 illustrates the phase at which value is created in the organisation through the interaction with the external environment.

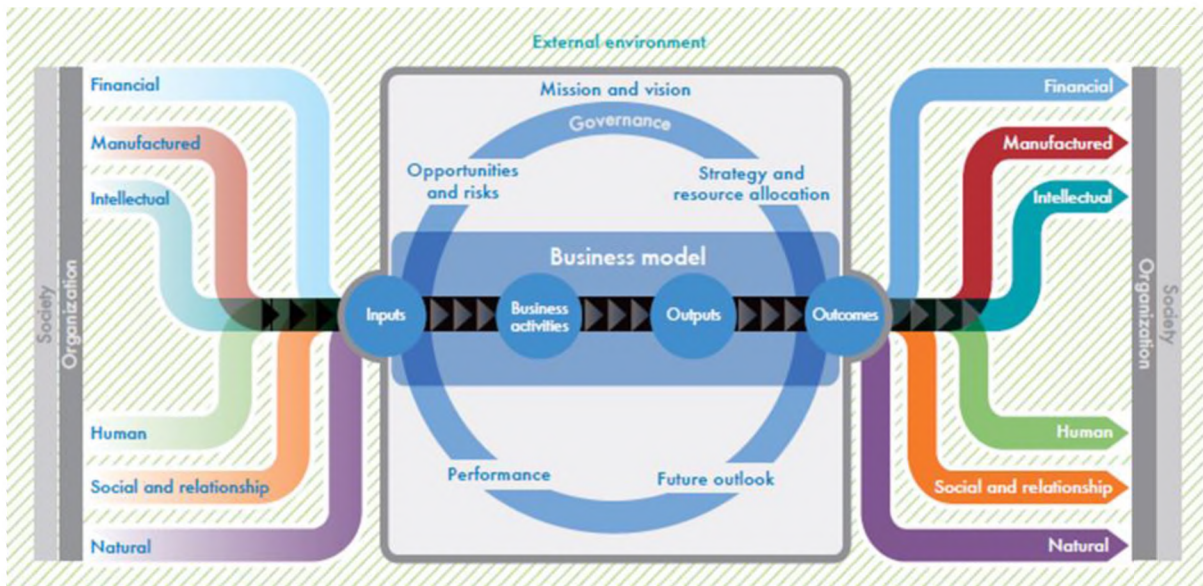


Figure 2.2: Value creation phases

Source : Dragu and Tirono-Tudor (2013)

The business model encompasses different factors that are:

2.8.1.1 Inputs

The inputs relate to the six capitals which the organisation requires to function and that provide a competitive advantage to the organisation. The inputs link and are based on the risks and the opportunities, strategy and the financial performance. The funding model of the organisation is expressed and there is an understanding of the different uses of the financial capital (International Integrated Reporting Committee [IIRC], 2011a).

2.8.1.2 Business Activities

This is the core of the business model and it focuses on the conversion of the inputs into outputs and also how it differentiates itself from other organisation activities such as planning, control, design and the manufacturing of products. And the business model will reflect the quality, cost competitiveness and the technological advantage of the organisation (International Integrated Reporting Committee [IIRC], 2011a).

2.8.1.3 Outputs

The key outcomes in terms of products and services are shown and also other issues such as by products, waste and emissions (International Integrated Reporting Committee [IIRC], 2011a).

2.8.1.4 Outcomes

These are the positive or negatives, internal and external consequences of the six capitals. For example, internally the employees' moral and the reputation of the organisation; externally the products or the services being provided. There is also the need to note and state the effects of the capitals such as emissions and waste (International Integrated Reporting Committee [IIRC], 2011a).

2.9 Integrated Reporting and Strategic Management

In the basic building blocks of the Integrated Report the Accounting for Sustainability [A4S] (2010) illustrated that there is need to be a clear link to the organisations strategy so as to show the way and illustrate the vision, objectives and goals that are to be achieved and are to be disclosed in the report.

The integrated report known as One Report by Eccles and Krzus (2010) is as a result of the integrated report that can only occur if aspects such as sustainability are embedded in the organisations strategy. The strategy is essential so as to show the effective way that internal integration and other factors ensure that integration is present. The strategy of an organisation is illustrated in the mission, objectives, goals and vision.

According to Hopwood, Unerman and Fries (2010) the strategic goal, objectives, context, opportunities, risk, relationships, governance, remuneration structures and key resources should be shown and explained in the integrated report. According to the integrated think which is brought about by integrated reporting “permeates the entire organization and its supply chains, fostering a collaborative, strategic management approach to operating the business” (Thomson, 2015a).

2.10 Conclusion

The integrated report shows every aspect that's concerned with the organisation that is the inputs and outputs which involve the six capitals, the business model which is aligned with different aspects and includes the addition of value in the organisation and the outcomes of the six capitals showing the emissions or waste from the organisation. It not only shows the positive outcomes but also focuses on the negative outcomes. It is illustrated by the International Integrated Reporting Council that the business model is an essential part focusing mainly on the strategy of the organisation (Integrated Reporting Committee (IRC) of South Africa, 2011). As key authors in the literature above have reviewed what strategy is and what it means in line with the business organisation there is need to research if organisations are reporting on their strategy and if they are actually following through the strategy in the years that follow in the integrated reporting. There is need to research and see the extent to which the strategy is being incorporated in the integrated reporting of organisations.

3 CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter presents the methodology which was applied in conducting the study, the justification for its selection and measures which were taken to ensure validity and reliability of the findings. The research paradigm, research approach and research design were explained and their selection motivated. Methods of collecting data and the analysis which was carried out to come out with the research findings are also described. Analysis of data was based on text analysis which was done using NVIVO 11 statistical software for qualitative analysis.

3.2 Research Paradigm

Paradigms are fundamental models or frameworks that are used in order to organise observations and reasoning (Babbie, 2013). The paradigm in which the research is based on is that of the post positivism. According to Guba and Lincoln (1994) the post positivism paradigm acknowledges that information is accessible and is external to the researcher as and when needed but the researcher must critically examine and build onto the known and assumed reality. The ontology of the research is realism (Guba and Lincoln, 1994) and an objective epistemology (Guba and Lincoln, 1994).

3.3 Research Design

The researcher adopted a qualitative approach which is compatible with the post positivism paradigm in terms of methodology. The qualitative approach helps to recognise the importance of discovering the “underlying meanings and patterns of relationships” in the examination and interpretation of the discovered observations (Babbie, 2013 p.403). Under the qualitative approach, document analysis was adopted by the researcher. According to Bowen (2009 p.28) document analysis “is a systematic procedure for reviewing or evaluating documents- both printed and electronic material”. Gray (2013) goes on to say that document analysis is the most frequently used unobtrusive measure. According to Holmes and Gordon (2012), if a document analysis is carried out correctly, “not only will you be aware of the seminal and key work in your area but you will also be confident that your ideas are novel and will

contribute to your area of interest.” Integrated reports for the period were analysed to assess the prominence which is given to discussion of strategy, the specific issues which are focussed on and compare the space allocated to discussing strategy with other key areas. The study ultimately sought to come up with an in-depth analysis of the way strategy is reported on in each report and identify themes and trends. The study also sought to answer questions about “how, why and when” which made the case study a suitable design for the study (Yin, 2003).

3.3.1 Case study research

The case study was conducted following the embedded case study design from Yin (2012) which is depicted in Figure 3.1. The selection of the case study design enabled comparisons to be made among the different companies in their reporting on strategy in their integrated annual reports and to come up with generalisations and conclusions based on the findings.

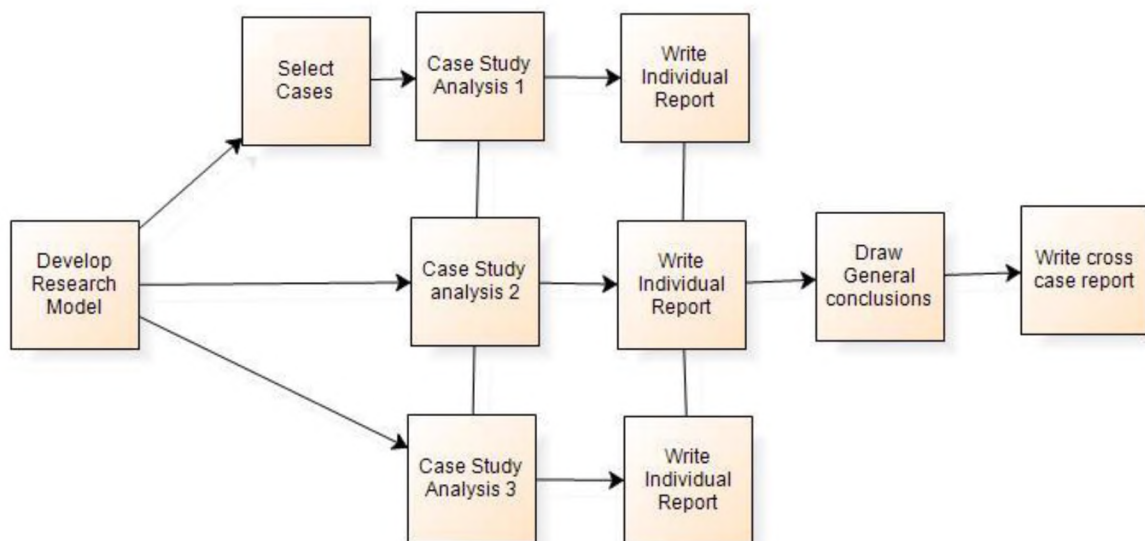


Figure 3.1: Case study research design

Source: Yin (2012)

3.4 Unit of analysis

To carry out the study it is important for an appropriate unit of analysis to be chosen. Companies which are listed on the stock exchange are complex entities and so is their

reporting process. This study was concerned with the way in which companies reported on strategy. The unit of analysis for the study was the integrated annual report for a particular financial year for each of the selected companies. The population that the researcher has selected for the research study consists of companies that are listed on the Johannesburg Stock Exchange. The years analysed are from 2012 to 2014. Of the companies that are listed on the Johannesburg Stock Exchange, the banking sector was chosen by the researcher. This was chosen due to its strategic significance to the economy and the fact that it is a highly competitive industry, so the expectation is that there should be a rich description of their respective strategies and business models. 18 banks were listed on the Johannesburg Stock Exchange and they formed the target population for the study. Of the companies in the banking sector, three companies were selected, namely Standard Bank, Barclays Africa and Capitec Bank. Standard Bank and Barclays Africa were in the top 10 of the 2014 Ernst and Young's Excellence in Integrated Reporting Awards and Capitec bank has a different business model compared to other banks (Ernst and Young, 2015). Capital Bank is unique in that its services were targeted at the mass market and low income sector. According to King, *et al.*, (2004) the strength of causal conclusions and generalisation of findings improves when more than one setting or case is studied.

3.5 Sample

Integrated reports for the years 2012-2014 for the three banks were selected for the study. Thus a sample of 9 integrated reports was analysed for the study. The selected integrated reports were from the period in which integrated reporting was already mandatory for companies listed on the Johannesburg Stock Exchange.

3.6 Data Collection methods

3.6.1 Document content analysis method

Document content analysis is defined by Cohen, Manion and Morrison (2007, p.145) as a method which summarises and reports on written data in order to get its main content and message. In this study data content analysis was used in order to assess the messages which banks gave in their integrated reports regarding their strategies. According to Krippendorp (2000, p.114) content analysis enables a researcher to

make inferences which are valid and can be replicated. Content analysis on integrated annual reports therefore obtained secondary data which enabled the banks' reporting on strategy to be analysed. Each of the nine integrated records which were the subject of the study were analysed according to the documentary analysis guide.

3.6.2 Advantages of document content analysis

Creswell (2009, p.179) points out that document analysis can be done at the researcher's convenience since it does not involve the owners of the data or anyone else in the process. The information obtained is also in written form taking away the necessity of transcribing it.

3.6.3 Disadvantages of the document content analysis method

The disadvantage of documentary analysis according to Creswell (2009, p.179) is that documents which contain the required information may not be physically accessible to the researcher for various reasons and that the owners of the information may regard it as confidential. Documentary analysis may also be compromised whereby inauthentic, incomplete or inaccurate documents are used. In this study the researcher countered these disadvantages by making use audited integrated reports which are publicly available. The use of audited reports ensured authenticity and accuracy of the data.

3.7 Research Instruments

3.7.1 Document Content Analysis Guide

A document content analysis guide was used to obtain information relevant to the study. This instrument was used in order to keep the researcher focused on the area of study. It was important to use the content analysis guide because it ensured that the knowledge of the phenomenon under study was obtained to inform the study. Each individual report was subjected to the same analysis due to the use of the guide, making it easier to make valid comparisons and generalisations. The guide is presented in Appendix 1.

3.8 Data analysis

Under document analysis content analysis and thematic analysis were both used. Content analysis is “the process of organising information into categories related to the central questions of the research” (Bowen, 2009, p.32). An evaluation matrix was developed based on the literature and similar studies (Deloitte, 2012; Marx and van Dyk, 2011; Van Zyl, 2013). A Likert scale was used to rate the reporting on strategy in the integrated reports. The Likert scale had 5 points which were described as follows.

1-Not at all

2-To a lesser extent (Mentioned briefly but not much substance in the discussion)

3-To some extent (Discussed and a target which is measurable was given)

4-To a large extent (Current year discussed against target and mitigation to improve the performance given)

5 Significant (Current year discussed against target, mitigation to improve performance given and link with financial performance clear)

Table 3.1 presents the evaluation matrix which was used to evaluate the integrated reports.

Table 3.1: Evaluation Matrix

Scope of reporting on strategy	Results				
	5	4	3	2	1
Chairman’s discussion of strategy					
C.E.O’s discussion of strategy					
Elaboration of organisation’s business model					
Elaboration of the relationship between financial performance and strategy					
Coverage of the strategic planning process in the bank					
Criteria for selecting which strategic issues to include in the report given					

Elaboration of strategy presented in such a way that stakeholders can understand it					
Comparison with past performance, set targets or trends in the banking sector					
Verifiability of information by a third party					
Coverage of both the positive and the negative performance					
Coverage of the six capitals					
Evidence of integrated thinking					

The C.E.O's report was targeted for analysis because Zhang and Wiersema, (2009) suggested that they have a signalling role whereby the contents of their presentation serves to inform the market of the direction of the company's strategy. The chairman's report on the other hand was selected as it is in a way a measure of the extent to which management engages the board on matters of strategy. Following Buyl *et al.* (2011) that a business' strategy comes out most clearly in its business model the reports were also analysed for their presentation of their business model. Since a business' strategy matters only in as far as it is going to improve business performance and create value (Yunlu, 2012), the discussion of the relationship between strategy and financial performance in the integrated report was also analysed. Content analysis enabled the researcher to analyse the change in the reporting of the scope and depth of the strategy and strategic planning process. To analyse the content, the text analysis function in NVIVO 11 software was used (Stanford University, 2011). NVIVO was also used to produce word trees which depicted the pattern of appearance for the words of interest. A platform for the researcher to compare and contrast the nature, scope and depth of reporting between the chosen banks was thus established.

3.9 Transferability, trustworthiness, rigour and quality with suitable reference.

External validity is replaced by the concept of transferability when it comes to qualitative research. Transferability is the ability of research results to be transferred to situations with similar parameter, populations and characteristics (Maxwell, 1992). Transferability of the findings was ensured by strictly adhering to the set criteria for the content analysis. A basis can be created from this research for further research. Reliability was ensured by taking care to ensure that the document analysis guide

captured the issues presented in the integrated reporting requirements and other reviewed literature. The document analysis guide was reviewed by other scholars and pretested to ensure it represented the research objectives and conformed to the literature.

3.10 Ethical considerations

Approval for the study was obtained from the Rhodes Business School Ethics Committee. The ethical considerations relating to the research revolve around the interpretation of the data by the researcher making sure that the data was analysed in a manner that avoided misstatements, misinterpretations, or fraudulent analysis. The researcher ensured that the data analysis was undertaken in an impartial manner to obtain unbiased results.

3.11 Limitations

Limitations of the research were due to the insufficient detail that was within the documents because they were produced for some purpose other than research. The researcher had to go through each document thoroughly to obtain as much relevant information as possible. The focus on one sector and the relatively short duration that the study covered implies that the extent of transferability to other sectors must be interpreted with caution. The study made an in-depth analysis to improve the reliability and transferability of the findings. It was also made clear that the study was carried out in the banking sector and that the sector has characteristics which do not apply to other sectors of the economy.

3.12 Conclusion

This chapter presented the methodology which was used to carry out the study. The research approach was qualitative and implemented as a case study of three banks which were listed on the JSE. The rationale for the selection of cases, data collection and analysis procedures were also outlined. The next chapter will present, analyse and discuss the findings of the study.

4 CHAPTER FOUR: PRESENTATION AND ANALYSIS OF RESULTS

4.1 Introduction

This chapter presents the findings of the study. NVivo version 11 software was the main tool for the analysis of the integrated reports for three South African Banks during the period 2012 to 2012. The analysis was designed to explore the way the banks have been reporting on strategy during this period. The first part of the chapter looks at the integrated reports individually and explores issues of strategy as they are presented then the second part will compare the different trends among the different companies and over the three-year period. Firstly, the scope and depth of reporting on strategy in banks is explored through an analysis of strategy in the integrated reports. The evolution of the reporting on the strategic planning process is then analysed by assessing strategy in the CEO's reports which are in the integrated reports. The last section then compares reporting on strategy among the different banks over the study period. The presentation and analysis of the results is done according to the research objectives.

4.2 Scope and depth of reporting on strategy in the banks

Table 4.1 presents the results of the text analysis of the integrated reports for the 3 banks covering the period 2012 to 2014. The analysis was intended to answer the following questions about the treatment of strategy in each report. The questions were derived in line with Braun and Clarke (2006) who suggested that you can deduce the importance of a theme from the frequency of its mention in a speech or written document.

1. On which page of the report is the first mention of strategy?
2. How many times is strategy mentioned in the integrated report?
3. Is strategy mentioned in the chairman's report?
4. Is strategy mentioned in the C.E.O's report?
5. Does the report have a section which is dedicated to strategy?
6. How many pages are dedicated to strategy in the report?
7. What is the overall number of pages in the report?

Table 4.1: Scope and depth of strategy in the integrated reports

	Barclays Africa			Capitec Bank			Standard Bank		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Page of first mention of strategy	2	2	3	6	3	3	1	2	2
Number of times strategy is mentioned in report	101	82	94	20	29	38	58	231	165
Mention of strategy in chairman's report	Yes	Yes	Yes	No	No	No	No	Yes	Yes
Mention of strategy in C.E.O's report	Yes	Yes	Yes	N/A	N/A	No	Yes	Yes	Yes
Presence of a section dedicated to strategy in integrated report	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
Number of pages dedicated to section on strategy	N/A	6	6	N/A	3	9	N/A	10	6
Overall length of integrated report	120	168	110	90	182	181	256	192	200

There are a number of themes which emerged as a result of the analysis of strategy which is presented in Table 4.1.

Theme 1: Lack of focus on strategy by C.E.O and Chairman of Capitec Bank

Capitec Bank did not have a C.E.O's report for the years 2012 and 2013. In 2014 they still did not have a C.E.O's report but had a combined report from the C.E.O and chairman. The other two banks had both a chairman's report and a C.E.O's report and a chairman's report in their integrated reports for the reporting periods which were considered in the study. The combined report from the chairman's report for Capitec Bank in 2014 still did not mention strategy. Capitec Bank had a new C.E.O from 2014 (Capitec Bank, 2015) and their focus on strategy might be expected to change. For a start from not having any report at all from the C.E.O in 2012 and 2013, the C.E.O produced a report in collaboration with the chairman in 2014.

Theme 2: Increasing focus on strategy in all banks

Whilst in 2012 none of the banks had dedicated a section of their report to strategy, in 2013 and 2014 they all had a section which was dedicated to strategy. Capitec bank increased the length of the section on strategy from 3 pages in 2013 to 9 pages indicating an increased focus. Barclays kept their section on strategy to 6 pages in both 2013 and 2014 while Standard Bank reduced theirs from 10 pages to 6 pages. However, in 2014 Standard Bank also had sections dedicated to strategy in both the C.E.O and chairman's reports.

4.3 Evolution of reporting on strategic planning process

According to Beinhocker and Kaplan (2002) the C.E.O is the key driver of an organisation's strategic planning process and is ultimately accountable for it. The study analysed the focus on strategy in the chief executive officer's reports for the banks as an indicator of the evolution in the bank's reporting on strategic planning processes. Table 4.2 shows the trends in the mentions of strategy in the C.E.O's reports.

Table 4.2: Scope of strategy in C.E.O's reports

Report	Frequency of mentions of strategy	Dedicated section for strategy
Barclays Africa 2012	6	No
Barclays Africa 2013	5	No
Barclays Africa 2014	8	No
Capitec 2012	No C.E.O's report	N/A
Capitec 2013	No C.E.O's report	N/A
Capitec 2014	0	No
Standard 2012	8	Yes
Standard 2013	9	Yes
Standard 2014	17	Yes

Wordtrees which were generated using NVIVO 11 software were used to analyse the context in which strategy was mentioned in the integrated reports. The wordtree depicts the word sequences which included the word 'strategy' so as to trace the context in which it was mentioned.

4.3.1 Barclays Africa

4.3.1.1 Barclays Africa C.E.O's report 2012



Figure 4.1: Wordtree of strategy in Barclays Africa C.E.O's report 2012

The word strategy was mentioned 6 times in the C.E.O's report for Barclays Africa in 2012. The C.E.O's report did not contain a dedicated section for strategy as indicated in Table 4.2. The word tree in Figure 4.1 shows that strategy was mentioned in association with the group's 'One Africa' Strategy and their transition to a broader

“One Africa” strategy. It also shows that the C.E.O mentioned the strategy which the organisation was pursuing in the report. In the discussion about strategy, the C.E.O also mentioned about positioning and the capabilities which they had been allowed to pursue due to their strategy. The report by the C.E.O did not however contain a section which was dedicated to strategy.

4.3.1.2 Barclays Africa C.E.O’s Report 2013



Figure 4.2: Wordtree of strategy in Barclays Africa C.E.O's report 2013

The C.E.O mentioned strategy 5 times in the report of 2013 which was a decrease by 1 word from the previous year. Strategy was mentioned with a focus to the organisation’s growth strategy, people strategy and the need to have the right strategy. Once again the C.E.O mentioned the ‘One Africa Strategy’ and a strategy of diversifying into Africa. The C.E.O also mentioned the measures which had been put in place to help in driving the implementation of the organisation’s strategy. They also emphasised on their attempts to ensure that they had the right strategy, and the involvement of other stakeholders in implementing the bank’s strategy. The report by the C.E.O did not have a section dedicated to strategy.

4.3.1.3 Barclays Africa C.E.O's report 2014

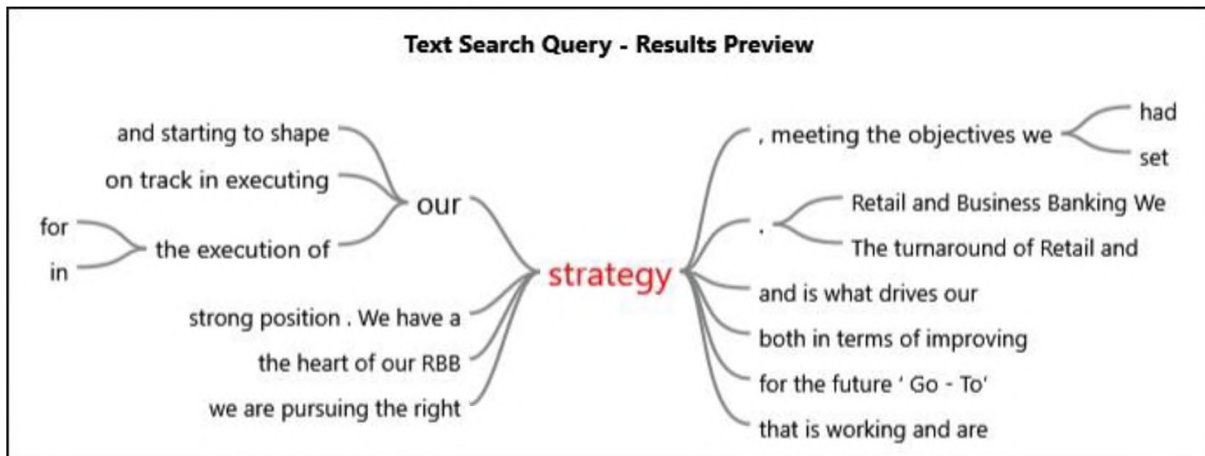


Figure 4.3: Wordtree of strategy Barclays Africa C.E.O's report 2014

The C.E.O mentioned strategy 8 times which was an increase from the previous period. Strategy in this period was mentioned along the lines of pursuing the right strategy, execution of strategy and has a clear focus on the future .The C.E.O spoke about pursuing the right strategy, improving the organisation's strategy and drivers of their strategy. A strategy to turnaround the organisation's retail and business banking was also mentioned. The report did not have a section which was dedicated to a discussion of strategy. Barclays' reporting on strategic planning processes has been increasing during the period.

4.3.2 Capitec Bank

There was no C.E.O's report at Capitec Bank in the financial years 2012 and 2012 which means there was no reporting on their strategic planning process from the C.E.O. In 2014 one report was produced which was jointly attributed to the C.E.O and the chairman. This report which was produced in 2014 did not mention strategy at all.

4.3.3 Standard Bank

4.3.3.1 Standard Bank C.E.O's report 2012



Figure 4.4: Word tree of strategy in Standard Bank C.E.O's report 2012

The C.E.O mentioned strategy 8 times in the report of 2012. As the word tree in Figure 4.4 shows, there were mentions in line with outlining the company's strategy, growth opportunities offered by the strategy and the responsiveness of the strategy. The C.E.O reported on the bank's African expansion strategy, their growth strategy, and their strategy as a strong domestic bank. They also reported on their strategy for exploiting the macro prudential limit and exploiting the bank's capacities fully. The report contains a section which is dedicated to strategy. Standard Bank's C.E.O emerges as the only one to include a section to specifically discuss strategy in their report.

4.3.3.2 Standard Bank C.E.O's report 2013

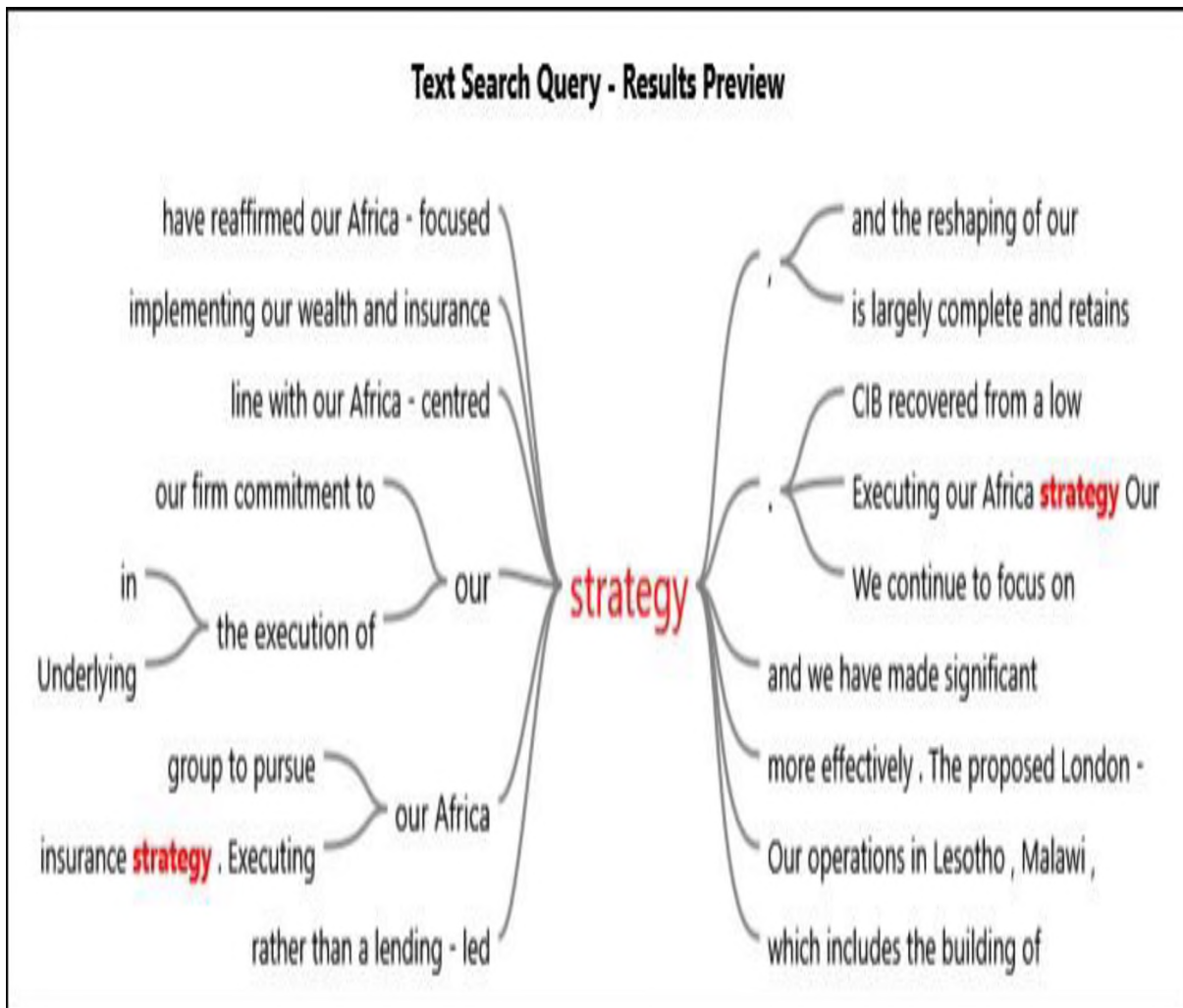


Figure 4.5: Word tree of strategy in Standard Bank C.E.O's report 2013

The C.E.O mentions strategy 9 times in this report. As shown in the word tree above, the C.E.O discusses the bank's Africa-focussed strategy, insurance strategy, and the bank's commitment to its strategy and the execution of strategy. The discussion of strategy included the organisation's desire not to follow a lending-led strategy, the bank's wealth and insurance strategy, and strategy for their operations in Lesotho, Malawi and Zimbabwe. The C.E.O's report has a section dedicated to strategy.

4.3.3.3 Standard Bank C.E.O's report 2014



Figure 4.6: Word tree of strategy in Standard bank C.E.O's report 2014

The C.E.O's report showed a marked increase in the focus on strategy in the C.E.O's report with 17 mentions, an increase of 8 from the previous reporting period. Strategy is mentioned in the contexts previously mentioned in the last two years but a new focus on IT strategy, customer acquisition strategy and growth strategy has been added in the current report. The C.E.O's report also discusses the bank's IT strategy and their strategy to target profile customers, and decentralisation of strategy to business unit level. The report also contains a dedicated section on strategy. The bank's emphasis on reporting on their strategic planning has been increasing with each report and their focus also appears to exceed that of the other banks.

4.4 Comparison of scope and depth of reporting on strategy among the banks

The banks' scope and depth of reporting on strategy have already been compared in Table 4.1 and Table 4.2. A number of differences have been observed in the banks' scope and depth of reporting on strategy.

Capitec Bank has the least focus of reporting on strategy in their integrated reporting among the three Banks. Strategy is not mentioned in their chairman's report in the entire period and for two of the periods they did not even have a C.E.O's report. When they did have a C.E.O's report there was no mention of strategy in the report. However this may not necessarily imply that the bank did not have a strategy in place. In fact according to Petzer and De Meyer (2013) Capitec Bank was still considered a good buy during this period. In part this may mean that the market may not pay too much attention to the strategy in the integrated report. On the other hand it is important to note that of the banks in the study, Capitec Bank had a simple and clear business model of targeting the lower end of the market, which may have made it less important to address strategy in the report.

All the banks did not have sections dedicated to strategy in their integrated reports in 2012 but in 2013 and 2014, they all had a dedicated section. However, Standard Bank devoted more space than the other Banks to the section on strategy. Standard Bank was the largest bank in South Africa and nominated for a couple of banking awards in the period 2012 to 2014 (Africa Top Success, 2014). Van Zyl (2013) found that Standard Bank were among the first South African companies to adopt integrated banking it plausible that they may have developed their reporting more than the other two banks.

Standard Bank is the only Bank where the C.E.O dedicated a section of their report to a discussion of strategy. This singles the bank as having more focus on reporting about their strategic planning process than the others. The bank was going through an expansion drive and would therefore have been keen for investors to know the direction it was taking. Eccles and Saltzman (2011) suggested that the discretionary nature of integrated reporting whereby you decide how much attention to devote to non-financial reporting means company will give emphasis to areas which are of strategic importance.

The depth of reporting in the banks was compared using an evaluation matrix. The reporting was compared after rating the performance of each bank according to the following scale:

1-Not at all

2-To a lesser extent (Mentioned briefly but not much substance in the discussion)

3-To some extent (Discussed and a target which is measurable was given)

4-To a large extent (Current year discussed against target and mitigation to improve the performance given)

5 Significant (Current year discussed against target, mitigation to improve performance given and link with financial performance clear)

The financial reports which were analysed in the study were rated according to the scale and scores allocated for each aspect in the evaluation matrix. The scores on each aspect were then used to come up with comparisons for the strategic planning processes in the three banks under integrated reporting. Figure 4.3 presents the ratings for the three banks over the period from 2012 to 2014.

Table 4.3: Ratings of depth of reporting on strategy

	Barclays Africa			Capitec Bank			Standard Bank		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Chairman's discussion of strategy	2	3	3	1	1	1	1	3	4
C.E.O's discussion of strategy	2	3	4	2	3	3	2	3	3
Elaboration of organisation's business model	3	3	4	2	3	3	2	3	3
Elaboration of the relationship between financial performance and strategy	1	2	2	1	1	2	1	4	4
Coverage of the strategic planning process in the bank	3	3	4	3	3	4	3	3	4
Criteria for selecting which strategic issues to include in the report given	3	3	3	2	2	2	3	3	3
Elaboration of strategy presented in such a way that stakeholders can understand it	3	3	3	3	3	3	3	3	3
Comparison with past performance ,set targets or trends in the banking sector	3	3	3	3	3	3	3	3	3
Verifiability of information by a third party	3	3	3	3	3	3	3	3	3
Coverage of both the positive and the negative performance	3	3	3	3	3	3	3	3	3
Coverage of the six capitals	2	3	3	1	1	3	3	3	3
Coverage of value creation	3	3	3	3	3	3	3	3	3
Evidence of integrated thinking	3	3	4	3	3	4	3	4	4

The depth of reporting on strategy shows an increasing trend in all the aspects of strategy. However, most aspects exhibited reporting on strategy to an extent, while there were no instances whereby strategy was reported significantly.

The following themes emerged in the analysis of the depth of reporting on strategy among the banks.

Lack of attention to reporting on strategy by chairman and C.E.O of Capitec Bank

The chairman and C.E.O did not address the issue of strategy at all in their reports for the period under study. This shows the effect of discretionary reporting whereby companies tend to focus on those areas which will give them advantage by highlighting. Capitec Bank however did not totally neglect strategy as their report contained a section "Our strategy and leadership" which presented the bank's short term, medium term and long term strategy. Barclays Bank and Standard Bank however still had more coverage of strategy than Capitec Bank elsewhere in their reports in addition to their C.E.O and chairman's reports.

Increasing depth of discussion on strategy for Barclays and Standard Bank's chairmen

While the Barclays chairman had discussed strategy to a lesser extent in 2012, the discussion for 2013 and 2014 included a target which was measurable. Standard Bank had greater depth and their integrated reports discussed strategy to a large extent. Van Zyl (2013) also noted an imbalance in reporting on non-financial items by different entities since the weights they give to such items differ among companies.

Increasing depth of the discussion of strategy in overall report

All the companies exhibited an increase in the depth of their reporting on strategy in their overall integrated reports. Wild and van Staden (2013) also found that since the advent of integrated reporting, companies are incrementally deepening their reporting on non-financial aspects.

Increased discussion of value creation

In 2012 none of the companies reported on value creation in their integrated reports. However, in 2013 only Capitec Bank did not report on value creation while the Barclays did so to some extent. Standard Bank had the best depth of reporting on value creation since it reported to a large extent on value creation in 2013 and 2014. The general trend has been an improvement in the depth of reporting on value creation in the banks. Vargo, Maglio and Akaka (2008) emphasised that company strategy has the key objective of creating value for the shareholders. The increasing focus on value creation would therefore be expected to result in improved performance.

Increasing discussion of business model

From discussing their business models to some extent in 2012 and 2013, all three banks reported on strategy to a large extent in 2014. The depth of reporting on strategy is therefore on an increasing trend. The business model gives a detailed outline of how the business intends to create value and generate profits for shareholders (Osterwalder and Pigneur, 2010). An increased discussion of business models would therefore be expected to give confidence to bankers and customers alike.

4.5 Impact of integrated reporting on the reporting of the firms' strategy and the strategic planning process

The impact of integrated reporting on the reporting of the banks' strategy and strategic planning process has been discussed in the preceding sections. The findings show that there has been discernible change in the banks' reporting on the banks's strategy and reporting on strategic planning processes.

4.6 Conclusion

This chapter presented the findings of the study. The findings were generated by analysing the contents integrated reports of three banks over a three-year period. Text analysis was performed using Nvivo software to analyse the coverage of strategy and strategic planning processes. Conclusions are drawn and the findings are discussed with respect to existing literature on the subject. The next chapter will present the summary, recommendations and conclusions of the study.

5 CHAPTER 5: DISCUSSION

5.1 Introduction

This chapter presents the discussion of the study findings. The discussion is based on a comparison of the findings to literature which was reviewed for the study.

5.2 Scope and depth of reporting on strategy

The findings suggest that the scope and depth of reporting on strategy has changed in the period from 2012 to 2014. There is an increasing focus on strategy in the integrated reports as the years have passed. This has been demonstrated by the increasing mentions of strategy and the amount of space allocated to the discussion of strategy in the integrated reports. Integrated reports have also demonstrated increased coverage of strategy in the chairmen and C.E.Os' reports for two of the companies in the study Barclays and Standard while Capitec Bank lags behind in that aspect. These overall trends are similar to those found by Ioana and Adriana, (2013) who found that since adopting integrated strategy companies were stepping up their coverage of all the non-financial measures. The companies in the study have all complied with Global Reporting Initiative (GRI), (2011d) guidelines which require them to report on strategy in their annual reports. The trends show that since integrated reporting is a relatively new phenomenon, companies are increasing the depth of their coverage of strategy each year. Abeysekera (2013) had also made similar observation indicating that the depth of integrated was set to increase as companies understand it more .

The study also noted that coverage of the strategic planning processes in the annual integrated reports for all the three banks was discussed and measurable targets given in all the banks. In 2014 all banks had stepped up coverage of strategic planning processes to include comparison with targets and measures to improve on the performance. According to Bryson (2011) the strategic planning process is the key to effective organisational strategy. The integrated reports for Capitec Bank mentioned criteria for selecting strategic issues to report on in brief but without much substance, while on the other hand Barclays and Standard Banks have provided a discussion which includes setting a measurable target. For the entire period in all the banks

strategy is presented in such a manner that stakeholders can understand it. During the entire period, the integrated reports for all three banks include discussion of how they manage and apply the six capitals and provide clear links with performance and comparisons with targets and suggestions for improving performance. This is in line with the Gleeson-White (2014) who suggested that discussion of the six capitals should form part of any strategic planning process for it to be effective. Evidence of integrated thinking is present in all the reports as they demonstrate the linkages between the financial measures and the non-financial measures in determining organisational performance. Adams and Simnett (2011) also found that integrated reports produced by Australian companies demonstrated integrated thinking. Companies demonstrated a commitment to reporting on value creation since this featured prominently in all the banks' integrated reports for the period. Reporting on value creation gave measurable targets and demonstrated their link to the company's performance in the future.

5.3 Evolution of strategic planning process

According to Beinhocker and Kaplan (2002) the C.E.Os are the leaders of their organisations' strategic planning processes. The reports by the C.E.Os show an increasing attention to strategic planning processes for two of the banks Barclays and Standard. Capitec did not produce any reports from the C.E.O for 2012 and 2013 but produced a combined chairman and C.E.O's report in 2014 which did not mention strategy at all. The reports for Barclays Africa showed an increased emphasis on strategy in the C.E.Os reports over the three reporting periods but the report did not have a section dedicated to strategy. Standard bank shows an increased focus on strategy from the C.E.O's report from 2012 to 2014 with a marked increase in 2014. Standard is the only bank in the study whereby the C.E.O has dedicated a section to strategy. Overall there is an increased focus on strategic planning processes in the organisations' integrated reports. The discussion of strategy has been broadened to include growth strategies, IT strategies, diversification strategies and strategies to make the best use of stakeholder relationships. The findings of the study concur with (Eccles and Krzus, 2010) who argues that integrated reporting is important for firms to come up with strategies that are sustainable. Companies which practise integrated reporting are bound to take the time to discuss their strategy and this ultimately helps

them to come up with more viable strategies (Adams and Simnett, 2011). The findings are also similar to Ball (2006) who found differences in the way in which companies implement integrated reporting. There was a difference among the three banks in the study in terms of the way they reported on strategy. This can be attributed to the fact that the requirement for integrated reporting is not prescriptive and leaves some room for the companies to decide how they are going to implement it. However, considering that this study found one bank almost ignoring strategy at some point it may be necessary to have directives as to the extent each element of integrated reporting needs to be covered.

The banks all increased their coverage of their strategic planning processes during the period under study. The coverage of the six capitals and their role in the banks' strategic planning process was also outlined clearly in all three reports for Barclays Bank and Standard Bank. Capitec Bank only included coverage of the six capitals and their role in their strategic planning process in their report for 2014. Overall the strategic planning process for all the banks is increasing the use of the six capitals as a platform for strategy. Ulgiati, *et al.* (2010) suggests that the success of a business' strategic planning process hinges on the way the six capitals interact in the business. There was evidence of the use of verifiable information in the strategic planning process.

5.4 Comparison of nature, scope and depth of reporting among banks

The extent to which companies reported on strategy differed among the three banks. Capitec Bank reported on their strategic planning processes to an overall lower depth than than the other two Banks. In particular it was found not to have a chairman or C.E.O's report for the years 2012 and 2013 while the other banks had both reports. The case of Capital Bank might in part be explained due to the change of C.E.O which may have resulted in a lack of continuity. Standard Bank had the most scope and depth of integrated reporting. Their chairman's reports and C.E.O's reports had greater focus on integrated reporting than the other two banks and their overall report also dominated in terms of the amount of space dedicated to strategy. These findings are consistent with Ball (2006) who concluded that the way companies practised integrated reporting reflected difference in focus when it came to nonfinancial reporting.

They also reflect Krzus's (2011) argument that requirements for integrated reporting are susceptible to different interpretations and hence may not be implemented to the same extent by companies. Considering that integrated reporting framework leaves it up to the companies to decide how they report on nonfinancial issues, there are bound to be differences. Eccles and Saltzman (2011) considers that there are significant benefits to be gained from integrated reporting. Since integrated reporting has benefits, the companies which are lagging behind would be expected to correct this by stepping up their efforts in order to reap the same benefits.

The depth of reporting on the role of the six capitals in the strategic planning process differed among the the banks with only Standard Bank and Barclays Bank consistently covering the six capitals in the three-year period under study. Capitec Bank had no coverage of the six capitals in 2012 and 2013 but introduced the coverage in the report for 2014. All three banks showed linkages between non-financial measures and financial measures, thereby demonstrating a high level of integrated thinking in their approach to reporting. For the entire period, the banks all prepared their integrated reports in simple nontechnical language, such that they were capable of being understood by all their stakeholders. Grosser and Moon (2008) considered that understandability is a key measure of the quality of company reports. The depth of the coverage of value creation did not differ in depth among the companies over the period. Value creation was covered and measurable targets given in each of the three years for the banks in the study. The study's findings are similar to Abeysekera (2013) who found that companies tend to pay more emphasis to value creation in their reporting since this is one of their stakeholders' main interests.

5.4.1 Effect of requirement for integrated reporting on bank's strategy and strategic planning process

The requirement for integrated reporting has resulted in an inclusion of the topic of value creation in the reports. Vargo, Maglio, and Akaka (2008) explain that focussing on value creation makes the strategic planning process of an company closer to fulfilling the requirements of shareholders. Adams and Simnett (2011) consider that informing stakeholders about value creation is one of the most important objectives of integrated reporting. The companies have also shown improvement in the ways in

which they articulate their value creation strategies from one report to the next implying an improvement in their strategic planning processes. Lepak, Smith, and Taylor (2007) closer analysis of value creation usually leads to new perspectives and changes in the process of carrying out strategic planning.

The need for integrated reporting has also resulted in significant changes in the way decision-making is practised in organisations (Adams and Simnett, 2011). The strategic planning processes in the banks are bound to have changed substantially during the implementation of integrated reporting. Integrated reporting needs a different approach to relations with stakeholders which requires companies to inform stakeholders about their strategy and strategic planning processes. When this is done with an interest in ensuring transparency, the process will therefore not be done in the usual way but transform in line with the new requirements. The increasing depth in the reporting on strategy in the integrated reports during the period which was considered also reflects a significant shift in the strategic planning processes of the banks as a result of the requirement for integrated reporting. The study also found an increasing attention paid to the six capitals in the integrated reports, and this also is reminiscent of a change in the strategic planning process which now has greater emphasis on the six capitals than before. Ball (2006) considered that a good integrated report is prepared in such a manner that it can be easily understood by all the stakeholders. The strategic planning process in the banks is therefore different from the way it was before the requirement for integrated banking since it is now done with all stakeholders in mind.

5.5 Conclusion

This chapter presented a discussion of the study's findings. The next chapter will present the conclusions of the study.

6 CHAPTER SIX SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 Introduction

The study was undertaken to explore the effect which the requirement for integrated reporting has had on the description of strategic planning and strategic planning processes of three banks in South Africa during the period 2012 to 2014. The study was carried out mainly by way of documentary analysis, with the companies' integrated reports under focus.

6.2 Summary of findings

Strategy was mentioned very early in all of the integrated reports, and in the first 6 pages in all the integrated reports. In 2012, the coverage of strategy in the reports was not very pronounced, with no dedicated section for strategy in any of the companies' reports. This changed in 2013 and 2014 where all the companies had introduced sections on strategy. The length of the sections on strategy in the reports increased from 2013 to 2014. Strategy was mentioned the least times in Capitec Bank's reports with a maximum of 38 mentions in 2014 while Barclays Africa had the maximum mentions being 101 in 2012 and Standard Bank had 231 in 2013.

The word strategy was mentioned 6 times in the C.E.O's report for Barclays Africa in 2012. The C.E.O's report did not contain a dedicated section for strategy. Strategy was mentioned in association with the group's 'One Africa' Strategy and their transition to a broader "One Africa" strategy. The C.E.O also mentioned the strategy which the organisation was pursuing. The report by the C.E.O did not however contain a section which was dedicated to strategy. The Barclays Africa C.E.O mentioned strategy 5 times in the report of 2013 which was a decrease by 1 word from the previous year. Strategy was mentioned with a focus to the organisation's growth strategy, people strategy and the need to have the right strategy. The report by the C.E.O did not have a section dedicated to strategy. The Barclays Africa C.E.O mentioned strategy 8 times in the report for 2014 which was an increase from the previous period. Strategy in this period was mentioned along the lines of pursuing the right strategy, execution of strategy and has a clear focus on the future (Barclays Africa, 2015). The report did not have a section which was dedicated to a discussion of strategy. Barclays' reporting

on strategic planning processes has been increasing during the period. There was no C.E.O's report at Capitec Bank in the financial years 2012 and 2012 which means there was no reporting on their strategic planning process from the C.E.O. In 2014 the Capitec Bank C.E.O gave a joint report with the chairman which again did not mention strategy at all. The Standard Bank C.E.O mentioned strategy 8 times in the report of 2012. As the word tree in Figure 4.4 shows, there were mentions in line with outlining the company's strategy, opportunities offered by the strategy and the responsiveness of the strategy. The report contains a section which is dedicated to strategy. The Standard Bank C.E.O mentions strategy 9 times in the 2013 report. As shown in the word tree above, the C.E.O discusses the bank's Africa-focussed strategy, insurance strategy, and the bank's commitment to its strategy and the execution of strategy. The C.E.O's report has a section dedicated to strategy. The Standard Bank C.E.O's 2014 report showed a marked increase in the focus on strategy in the C.E.O's report with 17 mentions, an increase of 8 from the previous reporting period. Strategy is mentioned in the contexts previously mentioned in the last two years but a new focus on IT strategy, customer acquisition strategy and growth strategy has been added in the current report. The report also contains a dedicated section on strategy. Standard bank's emphasis on reporting on their strategic planning has been increasing with each report and their focus also appears to exceed that of the other banks.

The banks all had an increase in their focus in reporting about strategy. Capitec Bank had the least focus on strategy in their integrated reporting among the three Banks. Strategy was not mentioned in their chairman's report in the entire period and for two of the periods they did not even have a C.E.O's report. When they did have a C.E.O's report there was no mention of strategy in the report. All the banks did not have sections dedicated to strategy in their integrated reports in 2012 but in 2013 and 2014, they all had a dedicated section. However, Standard Bank devoted more space than the other Banks to the section on strategy. Standard Bank was the only Bank whereby the C.E.O dedicated a section of their report to a discussion of strategy. This singled out the bank as having more focus on reporting about their strategic planning process than the others.

6.3 Conclusions

6.3.1 Scope and depth of reporting on the strategy

The scope and depth of reporting on strategy was on an increasing trend from 2012 to 2014. Considering that integrated reporting only became compulsory from 2010, it is evident that the organisations have not yet completed the process of implementing it but are seeking continuous improvement. However, the integrated reported may face the same criticism faced by the Global reporting initiative whereby it focuses on reporting but without paying any attention to usability or quality of the reports. The study concluded that the scope and depth of reporting on strategy was growing.

6.3.2 Evolution of reporting on the strategic planning process

Standard Bank and Barclays Africa had been increasing their focus on strategic planning processes in their integrated reports. Capitec Bank had not increased their focus on strategic planning processes despite adopting integrated banking. The leadership transition at Capitec Bank may have derailed them somehow although they are now moving in the right direction. The study also concluded that strategic planning processes had been transformed due to the requirement for integrated reporting.

6.3.3 Comparison of nature, scope and depth of reporting between the chosen banks

Standard bank had the most pronounced focus on reporting on strategy, followed by Barclays and lastly Capitec Bank. Standard Bank and Barclays Bank were ranked in the top ten in Ernst and Young's Excellence in Integrated Reporting awards while Capitec Bank was not so one would expect their quality of reporting to be better. It was also concluded that Standard Bank had the greatest focus on strategy. The study concluded that.

6.4 Suggestions for further studies

Further findings may focus on more than just strategy to determine whether public companies are taking all aspects of integrated banking seriously enough. Further studies could also explore options for ensuring that companies practise integrated

reporting and pay attention to all its requirements all the time. Further studies could also be carried out to determine whether increasing the scope of reporting on strategy has an impact on their financial performance and share prices.

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APPENDICES

Appendix 1: Document analysis guide

1. On which page of the report is the first mention of strategy?
2. How many times is strategy mentioned in the integrated report?
3. Is strategy mentioned in the chairman's report?
4. Is strategy mentioned in the C.E.O's report?
5. How many times is strategy mentioned in the C.E.O's report?
6. Does the C.E.O's report have a section which is dedicated to strategy?
7. Does the report have a section which is dedicated to strategy?
8. How many pages are dedicated to strategy in the report?
9. What is the overall number of pages in the report?