Integrated Financial Reporting & Management Accounting An Opportunity for Strategic Leadership

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Abstract

Integrated financial reporting, promoted and supported by the International Integrated Reporting Council (IIRC), appears positioned to generate opportunities for management and management accountants to improve the decision making process. Taking into account the different sources of information available to management, the variety of forces influencing the competitive landscape, and stakeholder requirements provide both challenges and opportunities. Management accountants, whose information forms the basis for strategic planning, are uniquely well positioned to leverage advances in analytical technology and stakeholder demands to assist in implementing more effective and comprehensive strategic decisions. Specifically, the multiple types of capital embedded within the integrated reporting framework form a quantitative framework from which better insights can be derived. Supported by academic research, market conversations, and real world examples of organizations leveraging improved data, integrated reporting appears to offer a tangible opportunity for accountants to bridge the gap between data, strategy, and organizational leadership.

Keywords: Integrated reporting, accounting, finance, strategic leadership, management

Business in a post financial crisis world

In the wake of the financial crisis of 2008 the business environment continues to evolve and change in unpredictable and dynamic ways. In addition to the ramifications of faltering investor confidence, increased regulation, and increasing competition on a global scale, the scope of information required of organizations continues to both change and expand. As shareholders, creditors, regulators, and other non-financial groups require a broader scope of information, data, and reporting to assess the performance of the organization, it is imperative that organizations respond in material and sustainable ways. Management decision makers must be able to respond to and address a broad array of stakeholder issues and concerns related to the financial and operational performance of the organization. Accounting professionals, often embedded within functional groups or working closely alongside other areas of the organization, appear to be uniquely well positioned to assist in addressing these requirements.

Integrated financial reporting – an analysis

Integrated financial reporting (IR), which has been developed in coordination among the International Integrated Reporting Council (IIRC), regulatory groups, and organizations providing input and feedback, attempts to fill a need within the marketplace. Financial performance, realistically, only provides one perspective on how the organization is performing both versus the marketplace as well as compared to prior periods. Operational data and results are what drive the financial performance of the organization, and it appears to be increasingly important to stakeholders that organizations are both willing and able to report on operational metrics on a consistent basis. Understanding this relationship, among the accounting function, operations of the organization, and the financial information reported to stakeholders represents a critical underpinning of IR as well as the implications for accounting professionals.

Traditional financial reporting contains characteristics that simultaneously make it useful to shareholders and creditors and limit the usefulness of financial reporting for broader utilization. Exclusively oriented toward historical financial results, financial statements are prepared in a consistent format form period to period and consist of similar information across industry sub-groups.

This consistency, and orientation toward shareholders and creditors, only fulfills the needs a small subset of eventual end users, and a broader based approach is required in order to effectively address the needs and requirements of stakeholders. IR includes both historical information, including the financial data included within traditional reporting frameworks, as well as prospective and future oriented data. This, and the integration of other types of information related to operations and stakeholder relationships, provides a robust framework to be utilized by a more diverse and broad set of end-users. Outlined by Fried, Holtzman, and Mest (2014), one of the driving forces behind IR is the expansion of traditional approaches to capital and valuation to incorporate changing market requirements. Quantifying and expanding the ramifications of non-financial information on the value creation process and financial performance is a critical differentiating factor for IR and accounting professionals.

Drilling down specifically into characteristics included within an integrated report, the various types of information contained with the report include corporate governance information, sustainability data, and topics related to the risk management and strategic approach of the organization to trends within the marketplace. Put simply, IR focuses on both financial performance of the organization as well as on how the organization is performing in a more comprehensive way through the inclusion of non-financial data. This transition, however, is not exclusively the result of individual organizations seeking to disclose additional information to the stakeholder community. Converging forces, including but not limited to, increased regulation, competitive pressures, and increasingly demanding shareholder and stakeholder groups create an environment conducive to more inclusive and broad based reporting (Cohen, Holder-Webb & Zamora, 2015). That said, it is important when analyzing a new reporting framework, including an integrated financial reporting framework, that the financial foundation must remain included. IR accomplishes this feat, therefore ensuring appeal to both financial and non-financial stakeholder groups, by integrating a multiple capital model within the framework.

A Multiple Capital Model

An integrated financial report attempts to report, disclose, and quantify the effects and ramifications of stakeholder information on financial performance. In order to accomplish this in a consistent manner over time, it is essential that organizations translate the effects of operations into financial information. The multiple capital model associated with IR includes the following types of capital: manufactured; intellectual; human; social and relational; natural; and financial. Benefits of associating non-financial information with financial measures and terminology such as capital are clear for end users of such a report. For example, framing information and conversations related to integrated reporting information in ways familiar to managerial decision makers assists in easing the transition from traditional reporting to an integrated report or other non-traditional reporting frameworks. Improving the strategic, among other business decision, planning processes represents an area where management accountants can add value while leveraging existing quantitative competencies. The importance of this effect is difficult to overstate, as resistance and hesitation will inevitably accompany attempts to adjust or otherwise change existing reporting information and templates. Establishing a direct, and familiar, linkage between operations, organizational reporting, and organizational performance is a straightforward way in which to obtain and sustain support for a integrated reporting framework.

Developing, implementing, and sustaining a new methodology for conveying information linked to both financial and non-financial information represent an application of stakeholder theory to quantitative decision making. Stakeholder marketing, the communication and promotion of organizations to both financial and non-financial stakeholders, requires a rethinking of the business decision making process (Hillebrand, Driessen & Koll, 2015). Presenting information for assessment and follow-up, clearly, must be introduced and conveyed in a consistent and comparable manner to increase effectiveness. These types of information, and the market requirements for them, form a strong connection among stakeholder theory, accounting professionals, and a multiple capital model. Including these various types of information, much of which is non-financial in nature, is a clear indication that business as usual, both in terms of competitive actions in the marketplace and information reported to external users, is insufficient. Increases in information often associated with the term big data or the internet of things result in both an opportunity and a challenge for organizations as well as for managerial decision makers. As information continues to aggregate, and influence, the results of the organization on a continuous basis, reporting and communication to users of organizational information must evolve alongside these changes. A multiple capital model, and its ramifications for accounting professionals, links directly to the process by which accounting delivers value to organizations.

As Figure 1 depicts, accounting professionals and the accounting function at large deliver value through a relatively straightforward conceptual process, transforming operational data into financial information.

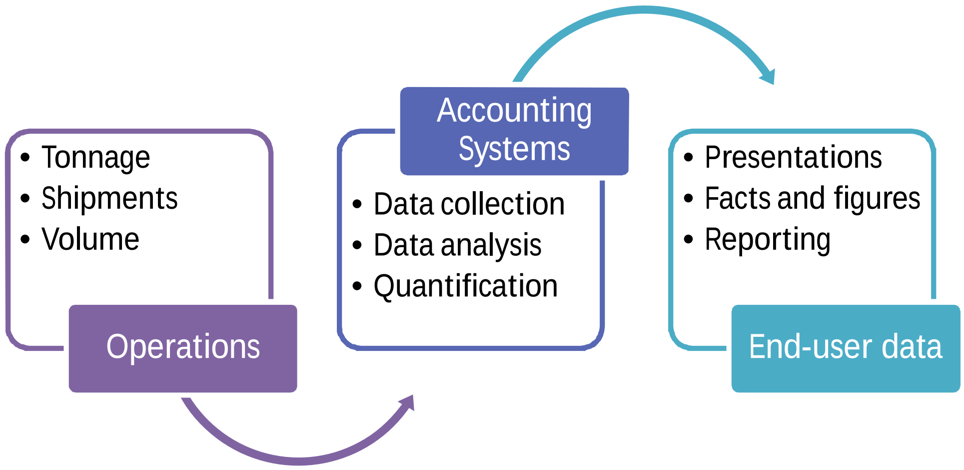

Figure 1: The Accounting Value Cycle

Implementing Integrated Reporting

Prior to the implementation of integrated reporting and a multiple capital model either from an individual practitioner perspective, an analysis of the benefits and opportunity costs of doing so must be assessed. Objectives of integrated reporting, as per the IIRC, include a transition from silo reporting, or reporting based specifically on financial information, to a more comprehensive and inclusive analysis of organizational performance. Additionally, and an extension of more comprehensive analysis, is an increased focus on the creation of value over the short, medium, and long-term from an organizational perspective. Often discussed in both academic publications and marketplace discussions is the overt focusing many organizations and leadership teams have on short-term financial results? Publicly traded corporations must fulfill quarterly reporting and disclosure requirements which makes this situation acute for said organizations.

It is also important to recognize the reality that the conversation and debate surrounding integrated financial reporting is not merely an academic exercise. Publicly traded corporations, both in the United States and internationally, have begun to adopt and implement integrated financial reporting to at least some extent. Some market examples include companies such as Clorox, Southwest Airlines, Pfizer, AXA, HSBC, Eni, and Tata Steel. Encompassing such a broad swath of different fields and industries demonstrates two significant factors about integrated reporting and business management. First, management professionals and stakeholders in a variety of industries see and appreciate the benefits of reporting on a more comprehensive view of information. Second, and perhaps most important, is that the increased availability of operational data provides more opportunities for accounting professionals to play a more decisive role in the strategy and decision-making process of the organization.

Linking together the specific goals and objectives of integrated financial reporting within the context of management accounting professionals is the next applicable step in implementation. That said, there exist significant challenges to the successful implementation of an integrated reporting framework. Organizations can ill afford to allocate capital on unproductive endeavors. A critical step toward successful implementation is the creation of an integrated decision making framework to support the information presented to stakeholders. Attempting to create and report information in a IR framework without qualitative support can lead to organizational frustration and an unsuccessful attempt at IR development (Bouten & Hoozee, 2015).

Management accountants, within this framework, hold dual responsibility to both develop applicable quantitative metrics and foster an organizational environment that facilitates integrated thinking and planning. Management accounting professionals already play an existing role related to preparing and disseminating financial information, as analyzing operational data and coordinating with other functional groups are associated existing competencies.

Framed in that light, an IR framework is merely amplifying competencies and skills already in existence rather than developing entirely new areas of expertise. Capitalizing on this fact, and realizing the importance of existing accounting competencies to the new and continuously evolving marketplace, the next important step, from a management accounting function, is to ask questions and fully understand the needs of both the organization and the management decision makers tasked with guiding the organization forward.

Stakeholder Engagement

Engaging with both internal and external stakeholders is an important step is implementing and sustaining a multiple capital model. Specifically, the three following questions are particularly important when assessing the relevance and viability of a multiple capital The importance of data analytics, and understanding the role of accounting in an increasingly data driven business environment (Schnedier, Jun, Janvrin, Ajayi & Raschke, 2015). Understanding the opportunities and challenges that such an environment creates is an essential step for successfully developing and sustaining multiple capitals. Asking appropriate questions is essential, specifically as they pertain to relatively new concepts such as IR and multiple capitals, and the questions must be aligned an integrated strategy.

First, what information goes to what specific stakeholders, i.e., what data is most important to the stakeholder groups relevant to the organization? Second, how often is the information distributed? Specifically, one area of increasing importance to customers, a critically important stakeholder group, is how exactly the organization is quantifying and reporting sustainability information to the marketplace (Jianu, 2015). While publicly traded organizations must comply with SEC reporting requirements, privately held organizations have a variety of needs and requirements that must be fulfilled via information disseminated to external users. Third, and of importance to the integration of an IR model within the organization, is the embedded non-financial information, including regulatory decision making, on organizational performance. Subsequent to assessing both the answers to the above questions and the ramifications these answers have for the organization, management accountants have an opportunity to leverage these responses into actionable insights.

The importance of stakeholder engagement concerning IR and the implementation of a multiple capital model is critical. Decision makers, regardless of specific industry or organization, want to spend less time creating and editing reports, and increased amounts of time analyzing the implication of information within the report. Potentially overwhelmed by the quantity of information available, senior level decision makers must be able to access and use information, and this requires that reporting and analytics become increasingly streamlined and user friendly. Linking back to the importance of integrated thinking and decision making, the connection between strategic planning and influential stakeholder requirements is imperative (Bundy, Shropshire & Buchholtz, 2013). Specifically, focusing on which stakeholders can potentially affect decisions to the greatest degree establishes a business connection between accounting, strategy, and stakeholder requirements. Coordinating with various functional groups within the organization, particularly information technology (IT) and communications professionals, asking the above questions, provides both organizations and accounting professionals the necessary insights and information to construct appropriate frameworks and templates to provide information necessary to users of such information. The construction of reporting frameworks and templates represents an opportunity for management accountants to quantifiably add value within organizations, while simultaneously integrating existing competencies into a framework applicable in a stakeholder environment.

Building Multiple Capitals

Asking appropriate questions, and building bridges with appropriate questions and proactive engagements with other functional groups and senior management, is an important step toward a multiple capital model. While significant, this is an incomplete step toward the integration of a multiple capital model, and quantifying the information received in non-financial terms into financial information is an important step for management accountants. While acknowledging that every organization and every individual is different, there are relatively straightforward steps and metrics that can, and should be, implemented for the integration of a multiple capital framework into organizations. Management accountants, embedded within organizations and familiar with management and accounting, offer a specific perspective on non-financial information that can assist both existing functional groups and management decision makers determine the most appropriate course of action for the organization. One other implication of multiple capitals, specifically in terms of how management accountants can better implement strategy, is the evaluation of projects within a multiple capital business landscape.

Particularly with early stage projects, it is realistic that a scenario with multiple investors leveraging different types of information will appear, and that management must be able to effectively allocate these resources to projects (Wu, 2015). Put simply, accountants can assist management in evaluating capital, projects, and the linking together of different capital to different opportunities. Such decisions form the cornerstone of strategy, strategic thinking, and better business decision making.

Measuring various types of capital, and quantifying the non-financial data influencing the organization, is a key facet of the accounting function that can and should be leveraged in order to most effectively leverage a multiple accounting model. Drilling specifically into the types of capital embedded within the multiple capital model, it is important to remember that new financial metrics and reporting guidelines must be introduced and analyzed within parameters familiar to decision makers. Specifying the ways in which organizations can quantify and report non-financial capital is imperative to the decision making process, and metrics are a critical step toward transitioning from concept to reality.

The Six Capitals – An In-Depth Review

Manufactured capital

Manufactured capital, in essence, represents how organizations deliver products and services to clients, customers, and other recipients of goods and services. Depending on the organization in question, specifically the differentiation between products and services, certain measures may be more applicable to some organizations rather than others. That said, measuring deprecation on operational assets versus the investment in operational assets is a financially quantifiable way to begin assessing the impact of such capital on an organization. Additionally, competitive pressures as well as cash flow implications must be embedded within any decision making process and must be captured within the framework of manufactured capital. Put simply, organizations must be able to effectively deliver goods and services to end consumers, and reasonable organizations can easily assess the value of such information.

Measurement and reporting opportunities related to manufactured capital, some of which are specified above, are not revolutionary or especially innovative in their approach toward data analysis and reporting. That said, and therein lies an opportunity for organizations and accounting professionals, is the application of such information to the decision making process. While capital investments, cash flow considerations, and other competitive pressures are examined by virtually every organization, the linking together of seemingly disparate information creates and opportunity to answer the following critical question: Are we able to effectively deliver our goods and services to the required end users?

Human capital

Human capital, an amorphous concept often associated with human resources, is a critical concept for organizations and management accountants working within organizations. Employee turnover and retraining represents a quantifiable costs to organizations that is already measured by every organization, as hiring and training new employees to replace employees who have left the organization represent a significant cost. The ability to effectively and consistently retain employees provides a benefit to employees and the organization at large. Key questions to ask, and to measure over time, are as follows. First, what attracts potential employees to the organization in question, i.e., what draws individuals to the organization? Second, and potentially more important to the organization from a managerial perspective, are the factors that retain employees at the organization. Specifically, accounting professionals must have the ability to establish a link between human capital and financial performance

Several specific measures and areas of importance for organizations, both to assess human capital and link this class of capital to financial results, are currently employed by market actors. Google is perhaps the best in class at analyzing, assessing, and quantifying the various effects that employee capabilities, feedback, and information based on performance reviews have on workplace performance. Expanding this and recognizing budgetary constraints, there are a number of ways in which managerial thinking and strategic planning can include a human capital component. Included within this are the straightforward ideas of considering the ramifications of a multi-generational workforce, the increase in collaborative work practices, and the diverse set of skills that such a diverse employee base bring to the workplace. Analytics the potential to enhance employee productivity, and organizations should take note.

Social and Relational Capital

In a broader marketplace dominated by headlines and new stories related to social media organizations such as Facebook, Twitter, Instagram, and Snapchat, it is important to recognize the reality that social and relational capital convey a much broader concept. The idea of social capital and relational capital is an amorphous concept that is still developing within the literature and the broader marketplace, but three broad areas of focus appear to be applicable to the broadest array of organizations. As relationships and connections between organizations, end users, and partner organizations become increasingly important, the quantification of capital related to these areas supports a more comprehensive definition of what capital means to organizations (Wunder, 2015). Three subsets of social capital that appear to be most widespread and relevant to management decision making are structural, relational, and cognitive capital. However, in order to best quantify, report, and explain the ramifications of these ideas to management, a deeper understanding of these terms is required.

The structural subset pertains to the network effect and network forces that influence the organization. While the network effect is most often associated with technology organizations such as Microsoft, Google, and Facebook under the guise of switching costs, this idea can be applied elsewhere. Wal-Mart and Toyota, for example, achieve scale, competitive advantage, and profitability in excess of industry norms due to positions at the nexus of supply and distribution networks. Second, the relational subset links directly to how the organization is perceived within the marketplace, and management teams of quick service restaurant chains and organizations involved in environmentally sensitive areas such as oil, gas, and other extractive industries fully understand the ramifications of a negative perception on financial performance. Last, and arguably most interesting, is the connection between common work patterns and frameworks and organizational performance, within the social capital subset of cognitive information. Firms such as McKinsey are globally renowned for such systems and processes and developing and sustaining such systems elsewhere clearly may provide advantages.

Intellectual Capital

Intellectual capital, clearly, is not a realistic concept without intellectual property, and in a business environment increasingly buffeted by stories of data breaches and hacking events, the importance of data and intellectual capital security is difficult to overstate. Key questions to be asked, and followed up by management teams in every organization are as follows. First, is the intellectual capital and data of the organization secure from both internal and external breaches? Second, is the organization effectively leveraging existing intellectual property through licensing deals, which can vary in structure, and other arrangements that provide organizational flexibility and entrée into additional markets? Third, and if applicable to the organization in question, are the research and development spend rates and areas of focus appear to be in alignment with other market actors? If this is the case, should the organization be exploring joint ventures with other organizations to perhaps expand into areas not as competitive?

Intellectual capital, in addition to driving internal process improvement and possible market opportunities, also provides tangible financial value to organizations able to successfully leverage IP. Put simply, organizations that effectively and transparently disclose intellectual property rights and strategies, can achieve a lower cost of capital from comparable organizations without such an effective strategy (Mangena, Li &Tauringana, 2016). Clearly, the benefits of a proactive and integrated intellectual capital strategy and campaign to an organization are evidenced both in academic research and market results. Market evidence includes organizations such as Disney, Apple and Coca-Cola,that have built and sustained market advantages due in large part to effective management of intellectual capital.

Beginning with a review of existing data security and validation processes, constructing a quantitative framework to assess and project the implications of intellectual capital on the financial performance of the organization is straightforward. Financial information linked to data security, both costs and benefits, is well known and currently utilized by management teams when assessing upgrades, installations, and technology functionality. Expanding this framework, via coordination and communication with financial colleagues, business development, and the technology team, provides an opportunity for meaningful data creation. Leveraging existing information within various functional groups, accounting professionals can and should assist in the development and refinement of ratios, metrics, and reports that make the idea and decisions make around intellectual clearer and more relevant.

Natural Capital

Natural capital, on the surface, appears to be a straightforward, albeit limited, subset of capital for organizational decision making. Organizations operating within extractive industries and environmentally sensitive industries clearly have significant experience with dealing with regulatory, market, and competitive forces linked to sustainability and natural capital. That said, it is critical to realize that, in a market growing increasingly competitive both domestically and internationally, competitive advantages should be developed in a variety of areas. Perhaps the clearest example of such a shift from a market perspective is technology and service organizations. Large scale service providers, ranging from Google to Amazon, increasingly rely on cloud computing services for both internal operations and product offerings to the marketplace.

Cloud computing, it is important to remember, requires that large amounts of computing power in the form of servers, networking hardware, and support systems are centrally located in one location. Such facilities requires both large amounts of electricity to function appropriately as well as equally large amounts of electricity to operate and remain at appropriate temperatures to operate without long-term damage to said equipment. Natural capital accounting, and the concept of natural capital, is not a new phenomenon and is undergoing a reexamination in light of increased market scrutiny of sustainability, specifically in emerging areas of global growth (Sturgill, 2014). Such a connection, directly between the familiar concept of sustainability and the relatively new concept of natural capital, provides a venue to develop new metrics, reporting frameworks, and quantitative data to be analyzed and disseminated to end users. It is important to remember, however, that in light of increased scrutiny related to sustainability and environmental issues, it is particularly important for organizations to issue and report meaningful information linked to the idea of natural capital. Management accounting professionals are well positioned to provide the necessary rigor, quantitative analysis, and competencies to assist upper management with the creation of such metrics and information to stakeholders. Connecting the existing themes related to sustainability, however, provides a critical platform from which natural capital can evolve.

Financial Capital

Financial capital and the information associated with traditional reporting and business decision making may appear to represent a familiar return to existing information, but based upon the data contained within an integrated report, the idea of financial capital must evolve alongside the organization. Concepts related to financial capital clearly have a quantitative basis in traditional metrics such as net income, earnings per share, return on investment, and cash flow from operations, but these metrics merely represent manifestations and feedback on several underlying questions. First, is it possible for the organization to reasonably justify the current capital allocation strategy to a stakeholder marketplace? Mentioned previously, a common theme among organizations and capital markets is a concern regarding the overt focus on quarterly earnings results and short-termism. Importantly, and linking directly to the second important question on financial capital in a stakeholder environment, is whether or not the management team is managing the organization from a business perspective or merely for financial markets?

Embracing an increasingly stakeholder focused environment requires the analysis, information, and decision making process driven by financial capital to shift alongside the marketplace. Benefiting from the increased information and data available to organizations, it is relatively straightforward to apply such information to financial information. Linking back to the idea of a multiple capital model itself, the concept is simply a reflection of the changing nature and landscape, which is a result of earlier trends and management practices that focused specifically on short-term financial performance or quarterly earnings results for specific organizations. An essential step toward fully developing, implementing, and sustaining a multiple capital model is a direct, quantitative, and sustainable connection between such a model and the financial performance of the organization. Put simply, senior management and decision making personnel are tasked with the long-term stewardship of organizational resources and capital.

This very idea, the concept of capital at large, appears to be positioned for an evolution, which in turn assists with the conversation related to a multiple capital model as well as integrated financial reporting at large.

Capital in a Stakeholder Environment

Capital itself, the focus of a multiple capital model, integrated financial reporting at large, and a stakeholder environment, provide a foundation on which business decision making and management are based.

Viewed through the current, and traditional, lens of financial reporting and business management, capital represents strictly the financial information and data decision makers can and should leverage to make business decisions. Analyzed in the context of a multiple capital model, however, a broader, more inclusive, and increasingly applicable definition of capital emerges. Capital, in the context of stakeholder, market, and organizational pressures, can and should be presented in the following manner. Organizational capital represents the resources from which the organization can draw upon to initiative successful execute the goals and objectives as outlined in the strategic plan. Fulfilling this need, and coordinating the requirements of stakeholders with those of shareholders, it is imperative the accounting professionals embrace a more comprehensive concept of capital.

From an organizational perspective, the true value of an integrated report and a multiple capital model is the increased avenues for better decision making that this framework creates. The linkage between corporate strategy and quantitative information has always existed – management must have access to reliable and timely data to make business decisions. The expanding view of organizational information, including those related to integrate financial reporting and a multiple capital model, only reinforces the importance of accounting-based data to strategic planning. Management accounting professionals willing to embrace a more comprehensive view of accounting, information systems, and the implications that this information has for strategic planning are well positioned to assume a more decisive leadership role. Strategy is dependent on high quality organizational data, and accounting professionals have the tools and competencies to lead change moving forward.

Circling back to the concept of integrated financial reporting at large, a multiple capital model provides the quantitative framework from which business leaders can make informed decisions. Equipped with such evidence and support, the implementation of a new financial reporting framework is relatively straightforward. Large amounts of information, from a wide variety of sources, are already produced and used by many organizations, and an integrated reporting framework provides a vehicle to organize, quantify, and standardize this information to make better business choices. Put simply, an IR framework is built upon a multiple capital model, and the very idea of multiple capitals originates from the market evidence that clearly demonstrates that the number of external factors effecting organizations continues to grow and change.

Integrated Reporting, Management Accounting, and Implementation

It is clear from both academic and market oriented research and activity that the broader business environment has changed and continues to evolve on a continual basis. Business management teams must make decisions with a broad base of end users that include, but are not exclusively, financial shareholders and creditors. Recognizing the reality of the situation, many organizations have begun issuing sustainability and other regulatory information to the marketplace. Examples such as Coca-Cola's Water Stewardship Report, the adoption of Life Cycle Accounting practices by PUMA, and the creation of the Ecomagination business line at General Electric represent a small sample of some higher profile examples of such actions.

Driving these changes, and the increased need for information from the marketplace, is a convergence of several factors. First, the volume of information available to organizational decision makers through point of sales systems, smart sensors, and the integration of technology throughout business operations. Second, and of particular importance to financial professionals and financial decision making, are the ramifications of the financial crisis on business leadership and decision making. Information and events that may have not, at first, appeared to have financial ramifications, clearly can drive the financial performance of an organization. In late 2015, Volkswagen provided a near ideal example of such a scenario. Non-compliance with environmental testing and reporting damaged consumers, the environment, employees, and the organization from both a reputational and financial perspective. In addition to these activities it is important to also keep in mind that growing competition that organizations face. Traditional industry and operational boundaries continue to blur in the face of organizations such as Uber, AirBnb, and Amazon, and financial information reporting must evolve along with these changes to remain relevant to end users.

Coupling together the increasing utilization of analytics, non-financial information for decision making purposes, and the increased frequency with which end users require information represents an opportunity for management accounting professionals. By building stakeholder support among other functional groups, using existing organizational data, and leveraging existing competencies and skills, it is possible for management accountants to simultaneously improve financial reporting and elevate the value of the accounting function in the eyes of management decision makers.

Market Evidence and Future Directions

IR, a multiple capital model, and the organizational changes necessary to facilitate the creation of such metrics, templates, and comparative information are not exclusively the domain of academic analysis and debate. Information on the IIRC website provides a sample of the types of organizations currently utilizing an integrated financial report. Whether in academic and market based conversation and research, the trends toward a more comprehensive reporting structure are evident. Compiled and maintained by the IIRC, the list of organizations using IR continues to grow and evolve, demonstrating that this idea clearly is not a fad or short-term idea without market support. The true test and validation of a conceptual framework is whether or not the marketplace perceives value in the idea and that the results achieved deliver value to end users. The variety of industries and geographic localities of organizations that have adopted integrated financial reporting illustrates the broad-based appeal of the framework in a quantifiable and market-driven manner. Linking together the promise and potential embedded within integrated reporting with strategic imperatives and obligations of organizations illustrates the true potential of IR within the finance and accounting profession.

Accounting professionals and the accounting function at large have long been relegated to a reporting and attestation role within the literature and broader marketplace, but IR and the external forces driving this reporting framework provide an opportunity to change this perception. Data, increasingly, is the language of business, and accounting professionals possess the necessary quantitative skills to transition from simply reporting information to providing insights and analytics based on organizational data (Pickard & Cokins, 2015). While other professionals and professional groups are emerging as competitors for such a role, the familiarity with operations as well as necessary disclosure and reporting guidelines provides management accountants with strengths to leverage in this emerging area.

Integrated financial reporting plays to existing management accounting strengths in addition to fulfilling a clear and growing need within the market. Quantifying and reporting information to end user groups, communicating such information to internal and external functional groups, and leveraging technology to improve efficiency in information analysis represent trends situated to become increasingly important for organizations and individuals. Management accounting professionals, in addition to being situated squarely within these emerging areas of growth, also have the opportunity to address broader strategic needs of business decision making through an IR template and a multiple capital model. Financial information and reporting continues to evolve. Management accounting professionals willing to embrace new ideas, concepts, and opportunities appear to be well positioned for future success in a rapidly shifting and dynamic marketplace. When data is measured, it is managed. Improved management allows decision makers to make better results, and IR provides accounting professionals a platform to advocate and effectuate strategic change within organizations and the profession at large.

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