

CGMA® BRIEFING

# THE <IR> LANDSCAPE

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Executive perceptions of  
integrated reporting

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# INTRODUCTION

Reporting is critical in explaining how a business creates value. Being able to excel in telling your value creation story will be an increasing source of competitive advantage. <IR> is far more than just a reporting framework, as it helps a company create value as well as tell the story of how value is created more effectively in order to win trust and secure reputation.

So, what do senior executives currently think about corporate reporting? What are the current perceptions of Integrated Reporting (<IR>) as a desirable reporting framework?

In July 2014, members of the Chartered Institute of Management Accountants (CIMA) and the American Institute of CPAs (AICPA) took part in a brief survey designed to further advance and aid developments in corporate reporting and the communication of value creation.

More than 350 executives responded comprising of CEOs, CFOs and COOs located in North America, Africa, Asia Pacific and Europe.

The results of the survey provide valuable insights for both the authors and audiences of corporate reports.

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# PERCEPTIONS OF REPORTING AND ITS VALUE

## The importance of explaining value creation

A vast majority of executives feel that it is important to effectively explain value creation through their corporate reporting. 94% feel that it is at least somewhat important that value creation is effectively explained through their corporate reporting, while two-thirds believe it is extremely important.

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of executives say it is important to effectively **explain value creation** through their corporate reporting

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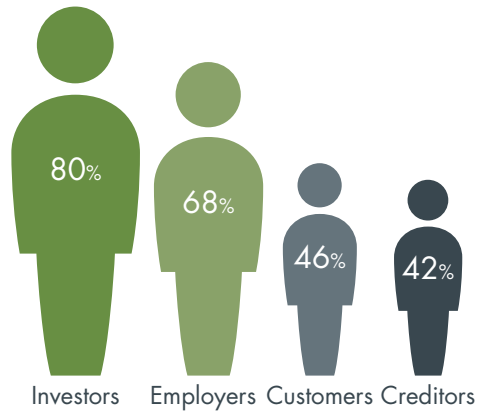
Executives consider that investors and employees will find the value creation discussion most useful. Customers and creditors are also seen as beneficiaries.

In order to actually create value, 95% of executives believe that it is important to focus on meeting the expectations and needs of their customers. They feel it is also important to provide a healthy ROI for their investors and creditors and to inspire and engage their employees.

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## WHO BENEFITS FROM THE VALUE CREATION DISCUSSION?



Executives also recognise the importance of wider issues for the success of their business. 57% of executives feel that it will be extremely important in the future to behave transparently and in a way that encourages public trust, while 82% feel that it will be at least somewhat important in the future to consider their role in environmental and social stewardship.

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Currently have a strategic planning horizon of 4 or more years



Would ideally like a strategic planning horizon of 4 or more years

### Playing the long game – executives want to look further ahead

The general view from executives is that their current focus for strategic planning is too short. The majority of executives (50%) are using a strategic planning horizon of two to three years. However, most executives (65%) would prefer to adopt a more long-term view of how their business operates through using planning horizons of four to five years and over.

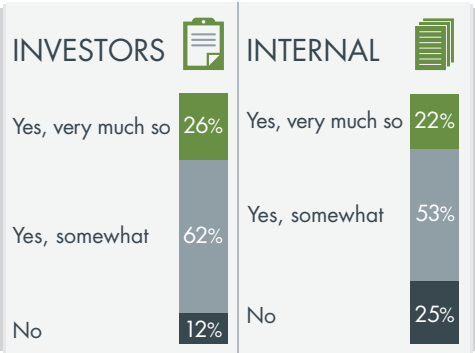
Despite their enthusiasm for being able to adopt a longer term focus in their reports, executives believe that investors and creditors are more likely to focus on short-term performance when making investment decisions. In particular, executives feel that these stakeholders are most likely to focus on past performance or a horizon of no longer than a year.

### There is room for improvement in current reporting

Although only a minority of executives agree that their current reporting fails to meet both their internal decision-making needs (25%) and external stakeholder information needs (12%), well over half believe that there is room for improvement.

When considering the type of information being reported, executives believe that it is more important to communicate information relating to factors that impact upon their business rather than information relating to the impact their business has. For instance, CEOs, CFOs and COOs all agree that it is more important to communicate information about the business context in which they operate rather than the impact their operations have.

Do you feel your current reporting meets the information needs of your stakeholders?



# PERCEPTIONS OF <IR>



## There are benefits in integrating financial and other performance metrics

Executives are very positive about the potential benefits of integrating financial and non-financial information, with very few feeling that there are no benefits (8%).

Executives identified being able to present a more forward-looking, long-term view of company performance and being able to more effectively identify and manage risks as the largest individual benefits of bringing together financial and non-financial information.

## <IR> is new, has the potential to deliver business success and provides an opportunity for early adopters

Awareness of <IR> in the business world is still developing, with 63% of executives acknowledging that they had heard of <IR>. Although awareness is still moderate, the majority of executives (80%) see the potential of <IR> to deliver success for their business.

However, the majority (56%) have not made any concrete plans to adopt <IR> within a given period of time. Of those who are planning to adopt <IR>, the majority intend to do so in the next 2-3 years. This represents an opportunity for those businesses that are willing to implement <IR> in the short term to gain a competitive advantage.

## THE KEY BENEFITS:

present a more forward-looking, long-term view of company performance

more effectively identify and manage risks

drive improvements in business decision making



80% of executives see the potential of <IR> to deliver success for their business



Only 44% have plans to move towards adopting <IR> in the near future

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# GAIN A COMPETITIVE ADVANTAGE – INTRODUCE <IR> TO YOUR BUSINESS



Read the **CGMA briefing on Integrated Thinking** to find out how integrated reporting can help your organisation make better decisions, available at: [cgma.org/integratedthinking](https://cgma.org/integratedthinking)



Download the **guide and toolkit** for CEOs, CFOs and chairmen to help facilitate and lead a discussion on how integrated reporting can help their business, available at: [cimaglobal.com/ir](https://cimaglobal.com/ir)

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# ACKNOWLEDGEMENTS

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tomorrow's  
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In association with:

INTEGRATED REPORTING <IR>

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