UNIVERSITY OF GOTHENBURG
SCHOOL OF BUSINESS, ECONOMICS AND LAW

Master Degree Project in Accounting

The development of Integrated Reporting as a Tool for External Communication

A case study of Volvo Group and SKF

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VOLVO SKF

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Thesis Certification

This thesis has been completed in accordance to the requirements for Master Degree Project in Accounting, in Graduate School at Gothenburg School of Business Economics and Law. It is the authors of this thesis own work, besides where a reference or acknowledgment exists.

Master Degree Project in Accounting

Title: The Development of Integrated Reporting as a Tool for External Communication – A Case Study of Volvo Group and SKF

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Abstract

Background: *Integrated Reporting* is the initiative to respond to the concerns about annual reports' relevance for long-term decision-making. This has influenced the discussions about integrating connectivity of ESG issues into information about the *Business Model*, in order to communicate towards investors and other stakeholders about a company's sustainable development.

Purpose: The purpose is to study the development of *Integrated Reporting* used as a tool for external communication resulting in an explanation of what possible reasons are behind the companies' motivations of the characteristics inherent in the development.

Method: Empirical findings were generated through an inductive content analysis of annual reports and interviews with Volvo Group and SKF.

Results and Conclusions: *Integrated Reporting* is used for communicating about companies' activities and value creation process through the *Business Model* in order to achieve transparency. Information is presented in a narrative way and reduces the information asymmetry for efficient decision making of investors and other stakeholders. Yet, *Integrated Reporting* has increased the amount of pages due to increased attention towards all stakeholders. Although, it was found that *Integrated Reporting* mainly takes the role of traditional corporate reporting and focus on the investors.

Integrated Reporting, External Communication, The Stakeholder Theory, The Signaling Theory.

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Abbreviations

A4S - The Prince's Accounting for Sustainability Project

BM - Business Model

ESG - Environmental, Social and Governance

GRI - The Global Reporting Initiative

IIRC - The International Integrated Reporting Council

KPI - Key Performance Indicator

TEC - Tool for External Communication

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1 Introduction

The introducing chapter covers the background of the research field, problem discussion and the purpose statement. Further, the research questions are presented that will be answered in order to achieve the purpose of the study. Moreover, the scope of the study and thesis contribution is presented. Lastly, the disposition of the thesis is outlined.

1.1 Background

Listed companies are required to produce a corporate report, which represents the financial situation of assets, and disclose how the company is governed (García-Sánchez et al., 2013). In addition, it has been common with voluntary disclosures that represent a company's impact on *Environmental, Social and Governance*[1] (ESG) aspects within the context of the society and their stakeholders[2] (Aldaz Odriozola et al., 2012 in García-Sánchez et al., 2013). An initiative to respond to further developments of corporate reporting came from the Institute of Chartered Accountants in England and Wales and (Yongvanich & Guthrie 2006) is one of the partners in the Prince's Accounting for Sustainability Project (A4S) (The Prince's Accounting for Sustainability Project, 2014b) that was initiated to ensure a sustainable economy (Prince's Accounting for Sustainability Project, 2014d). The A4S was what laid the ground for the development of *Integrated Reporting*. The A4S was founded in 2004 on the basis that at the point in time, the financial and accounting system was perceived to disregard economic success of society and environment by recognizing only short-term success of the company (Prince's Accounting for Sustainability Project, 2014d). A4S address problems with dissatisfaction from preparers and users point of view of corporate reporting incompleteness, too long and complex reports (Ibid; Adams & Simnett, 2011; Eccles & Saltzman, 2011).

Furthermore, the International Integrated Reporting Council (IIRC) was initiated the 17th December in 2009 on behalf of His Royal Highness the Prince of Wales' desire to drive the successful work of the A4S. IIRC is a foundation with the purpose to develop a framework for *Integrated Reporting.* In 2010, IIRC was established by the A4S, and the International Federation of Accountants (IFAC) and the Global Reporting Initiative (GRI) have a collaborative role. (Prince's Accounting for Sustainability Project, 2014a) IIRC is connected to representatives from various sections such as civil society, the

[1] ESG relates to corporate reporting directed to environmental, social and governance issues, which is a concept that falls under the term *Nonfinancial Reporting* in this thesis. Similar concept commonly known is *Corporate Social Responsibility* reporting (Eccles & Krzus, 2010, p. 97). Examples of environmental issues can be carbon emissions and usage of water and energy. Social issues can be sorted into diversity of workforce, turnover of employees, and the different practices of labor. Lastly governance issues can be the risk management approach and board independence (Eccles & Saltzman, 2011).
[2] Stakeholders are defined as an individual or group within or outside the organization that has an interest in the organization. Three main groups of stakeholders are divided into economic, social and political stakeholders. Examples of economic stakeholders are customers, suppliers, investors and shareholders. Examples of social stakeholders are staff and community. Lastly examples of political stakeholders are regulators and government. (Abeysekera, 2013)

corporate, accounting, securities, regulatory, nongovernmental organizations, intergovernmental organizations, and standard setters (IIRC, 2010, August). The development of *Integrated Reporting* was driven forth because of the environmental and social issues of climate change and overconsumption of resources, and for communicating the success in short, medium and long-term is it important for a company to understand the impact of these issues. *Integrated Reporting* is a report that should be 'concise, clear, consistent and comparable integrated reporting framework, reflecting the organization's strategic objectives, governance and business model (BM)[3], in order to integrate both financial and nonfinancial information' (IIRC, 2010, August). The global organization Association of Chartered Certified Accountants argue that *Integrated Reporting* has an ability to improve corporate reporting's accountability[4] and transparency[5] of business performance and progress (Owen, 2013). The concept is in addition to IIRC, undertaken by the International Reporting Council of South Africa. It became mandatory to implement *Integrated Reporting* for companies listed on the Johannesburg Stock Exchange in March 2010. (Abeysekera, 2013) In addition, FAR has been a strong advocate for the development of accounting standards both on national and international level (FAR, 2014b), is positive towards and involved in the development of *Integrated Reporting* (FAR, 2014a).

1.2 Problem Discussion

Today investors and other stakeholders demand a holistic view of the business through the corporate reporting (Frías-Aceituno et al., 2013a) and many world leading companies have already begun to provide an integrated report in order to provide this (Ibid; García-Sánchez et al., 2013), which is the new trend in corporate reporting (Benoít & Vickery-Niederman, 2010). The advantages of *Integrated Reporting* are in summary increased transparency; it communicates the future and the direction of the company's strategy is communicated to the investors and other stakeholders (Adams & Simnett, 2011). Furthermore, studies in countries where *Integrated Reporting* is produced voluntarily, it has shown that companies are concerned about their perceived needs for investors and other stakeholders (Eccles & Saltzman, 2011). This is in accordance to the study by Renneboog et al. (2008), which shows that investors today are more concerned about socially responsible investments and companies have begun to notice this. A study from 2007 about *Integrated Reporting* showed a that traditional corporate reporting begun already then to be replaced by a report with unification of stakeholder interests and financial information (Stiller & Daub, 2007) in multinational companies whose impact on

[3] The business model is defined by IIRC as 'an organization's business model is its system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfill the organization's strategic purposes and create value over the short, medium and long term' (IIRC, 2013a, p. 25).
[4] Accountability refers to responsibility by management in a company for the performance and efficiency of a business, although may also concern compliance with socially shared values (Busco et al., 2013, pp.193-194).
[5] Transparency is 'accessibility of information to stakeholders of institutions regarding matters that might affect their interests' (Tapscott & Ticoll, 2003 in Krzus, 2011).

environment and society is large (Ibid; Frias-Aceituno, et al., 2013a). Due to the increased transparency, Krzus (2011) argue that *Integrated Reporting* could be used as a tool for external communication (TEC), in order to reform the market after the throwback from the financial crisis of decreased public trust in the market.

Additionally, it has been recognized that corporate reporting today is too long and complex, which affect the investors and other stakeholders' ability to absorb relevant information for decision-making (Financial Reporting Council (FRC), 2010 in Abeysekera, 2013; Adams & Simnett, 2011; Eccles & Saltzman, 2011). Abeysekera (2013) further states that *Integrated Reporting* should in general be concise and directed towards all stakeholders of a company. However different groups of stakeholders pressure the companies in different ways, which makes it a challenge for companies to produce *Integrated Reporting* (Prado-Lorenzo & García-Sánchez, 2010). In addition, studies on best practice for *Integrated Reporting* do not exist yet (Frias-Aceituno et al, 2014; Krzus, 2011). Therefore it can be assumed that *Integrated Reporting* when developed by companies voluntarily, can be seen to fulfill the companies' need of presenting the information in the most suitable and innovative way, in order achieve to communicate a clearer picture of the company's sustainable development that enhance the decisions made by investors and other stakeholders (IIRC, 2011; Owen, 2013; Ioana-Maria & Adriana, 2012). Concluding, the discussion derives into the understanding that the implementation of *Integrated Reporting* is a unique journey for companies (Adams & Simnett, 2011), which is motivated when implemented voluntarily. The development today, Ioana-Maria and Adriana (2013) argues that corporate reporting is indeed on its way towards *Integrated Reporting*. Hence, the opportunity for research of *Integrated Reporting* is to study what are the possible reasons behind the companies' motivations of the characteristics in the annual reports when used as a TEC when *Integrated Reporting* is implemented voluntarily.

1.3 Purpose Statement

The problem from the discussion above has derived in a purpose of this study. The purpose serves as a guideline for this study and how it should be conducted.

The purpose of this study is to describe what possible reasons is the development of Integrated Reporting used as a tool for external communication, resulting in an explanation of what possible reasons are behind the companies' motivations of the characteristics inherent in the development, when Integrated Reporting is implemented voluntarily. This is done through two qualitative case studies, based on annual reports and interviews.

1.4 Research Question

The research question is constructed in order to achieve the purpose of the study. The research question is the following:

- *What possible reasons are behind the companies' motivations of the characteristics of Integrated Reporting as a tool for external communication?*

1.5 Scope of the Study

This is a case study of Volvo Group and SKF and these companies were chosen because they have implemented *Integrated Reporting* voluntarily. However, due to the length of the annual reports and this being a longitudinal study of three years of the companies, the scope of this study was to focus on one part. Specifically the section connected to the companies' BM. Busco et al. (2013, p. 50) conducted an analysis of the IIRC framework and recognized that this section is perceived to be the most important part of *Integrated Reporting*. Therefore, studying the BM section may indicate in most accurately the development of *Integrated Reporting* that is still in the beginning of the development.

1.6 Thesis Contribution

The literature review conducted for this study generated knowledge in the internal benefits of *Integrated Reporting*. However literatures covering the perspective when *Integrated Reportin*g is used as a TEC towards investors and other stakeholders was not found. By conducting a study with an interpretive approach it is believed to contribute to the theoretical knowledge about *Integrated Reporting* when used as a TEC.

1.7 Disposition

The disposition of the thesis is as follows. The first chapter is the *Methodology*, which presents how this study was conducted. The following chapter concerns the *Theoretical Framework* that is the support for the analysis of the empirical findings in the discussion. The chapter *Result from Empirical Study* presents the empirical findings. The subsequent chapter *Discussion* regards the analysis of the empirical findings supported by the theory. In the chapter *Conclusion*, are the main findings and reflections from the study outlined and cover also reflections on how study was conducted and suggestions for future research.

2 Methodology

The Methodology chapter presents the methodology and research approach, research strategy, methods for gathering and processing literature, methods for gathering and processing empirical data that have been used in order to achieve the purpose and answer the research questions in this thesis. In addition, this chapter covers a discussion about the generalizability, quality of the research in terms of reliability and validity, and lastly ethical considerations.

The purpose with the chapter *Methodology* is for the reader to understand how the result from the empirical study has been generated and the opportunity to repeat the research in an exact manner as possible (Nyberg 2000, s. 98). Additionally give the reader a chance to examine choices that may have affected the trustworthiness of the study (Ibid).

2.1 Methodology and Research Approach

In order to achieve the purpose of the study and answer the research question, an explanatory case study has been chosen (Ryan et al., 2002, p. 144). An explanatory case study was suitable for explaining reasons behind accounting practices that were observed (Ibid). Hence this study aims to explain what are the reasons behind the characteristics that are inherent in the development of *Integrated Reporting* and the companies' motivations behind the characteristics in the chosen companies (Collis & Hussey, 2009, p. 82). An interpretive study with qualitative research methods was chosen because interpretation and creativity in examining the gathered data reduces the risk of ignoring relevant findings due to a highly structured research design, which characterizes a positive research paradigm. (Collis & Hussey, 2009, pp. 56-57)

In addition, an interpretive approach of a case study provides a great and holistic understanding of the research phenomena (Ryan et al., 2002, pp. 145-146). Therefore the study was conducted through a qualitative research approach. The empirical data was generated through the chosen research methods. A research method concerns the collection and analysis of the empirical data (Saunders et al., 2009) and the chosen methods were content analysis and interviews with the companies. Content analysis is used for processing communication content such as the annual reports' textual material, visual images and illustrations by coding the messages into a classification scheme (Kondracki et al., 2002). More specifically, this study conducts an inductive content analysis for interpretation of the information in the annual reports and finds a suitable scheme by examining regularities in the data (Ibid). In order to answer the research question, interviews of the companies was chosen as an additional research method in line with the chosen qualitative approach. With respect to the chosen research approach and the methods for this research, it is very important to describe in detail to the readers how the research is conducted due to the fact that subjectivity may influence the result in a qualitative study (Ekengren & Hinnfors 2006, s. 76-77).

2.2 Literature Review for the Theoretical Framework

In order to gain knowledge about *Integrated Reporting*, relevant literature was searched for. The literature were developed into a theoretical framework, and presented in the chapter *Theoretical Framework*. The theoretical framework was used in this study to support the analysis of the empirical data in the chapter *Discussion*. A thorough literature search through the SuperSearch at the University of Gothenburg's library on the Internet as well as through the search engine Google was conducted. Favorably since *Integrated Reporting* is quite a recent phenomenon, the information found is produced within the last years. When searching for literature, keywords used in the search function were *Integrated Reporting*, *Corporate Reporting*, *Non-Financial Reporting*, *The Stakeholder Theory*, *The Signaling Theory*, *and Communication Tools*. The literatures found in other articles' reference list has been the most important source in the search for literature. Moreover, information credibility has been taken into consideration by using only sources from acknowledged publications from journals. The literature is presented in the chapter *Theoretical Framework*. The information in that chapter that is not considered as general knowledge or obvious to the reader has been referred to the source in accordance to the APA system. The reference list is for the reader to have the opportunity to find the original source of information (Språkrådet, 2008, s. 66). The references are outlined as the information from the source is mentioned and complete information where it can be found in the end of this thesis in the chapter *References*.

2.3 Methods for Collecting Empirical Data

This section presents how the empirical data was gathered. It was chosen to study only Swedish companies due to the fact that accounting is influenced by national law and accounting traditions among other national differences (Deegan & Unerman, 2006, pp. 86-87). A sample discussion follows in order to explain how the companies were chosen. Government owned Swedish companies are required to produce a sustainability report either by integrating sustainability issues into the annual report, or separated reports (Finansdepartementet, 2012). Companies on the stock exchange was chosen for the study due to the fact that it is assumed that the reports are then being prepared and presented in the most suitable way on the basis of the companies' own choices in order to achieve transparency and accountability, with respect to national regulations and additional requirements on the corporate reporting for listed companies needs to comply with. Government owned companies are therefore excluded in this study. The first criteria are therefore that the companies are Swedish, on the stock exchange and within the private sector.

The selection of companies within the private sector was found on the Swedish Large Cap list (Solidinfo, 2014). Further criteria in the sample discussion are based on the following discussion. By searching for ‘sustain’ to detect words as sustainability and sustainable that was mentioned more than twenty times in the annual report, and at this time the annual reports from 2012 were available and subject to this sample selection. Furthermore, the development of *Integrated Reporting* before IIRC were integrated reports produced by multinational companies whose business has a great impact on society and environment (Stiller & Daub, 2007), therefore companies chosen for this study are industrial companies by filtering industrial companies from all other Swedish companies on the Nasdaq OMX Nordic list (Nasdaq OMX Nordic, 2014). For enabling interviews of the companies in a more efficient manner, companies located around Gothenburg were chosen. Within these criteria, two companies were chosen, namely Volvo Group and SKF. The information regarding the patterns identified in the companies’ development of *Integrated Reporting* from the empirical study gathered from the content analysis and interviews are presented in the chapter *Result from Empirical Study*. Due to space limitation the information is presented in an integrated way with regards to the most relevant findings from the two sources of empirical data.

Analysis of Annual Reports

The inductive content analysis in this study is based on Volvo Group and SKF’s annual reports. The annual reports were downloaded from the companies’ websites on the Internet and later analyzed by using inductive content analysis. By using inductive content analysis of the empirical data, the researcher is enforced to interpret the data (Kondracki et al., 2002). As mentioned, the content in the annual reports were examined without a predetermined coding scheme (Ibid). The advantage of a qualitative research approach outweighs the fact that subjectivity may influence the result due to the avoidance of ignoring relevant findings. Furthermore, a longitudinal study of annual reports of chosen companies has been conducted in order to capture the pattern of the development of *Integrated Reporting*. Annual reports from 2011, 2012 and 2013 have been chosen since the development of the phenomena is recent. Three years of annual reports was chosen because it is perceived as an appropriate number of years to capture patterns in the reports in order to perceive the development of the research phenomena. Before 2012 Volvo Group and SKF was not involved in *Integrated Reporting*. However, 2011 will be included for studying the starting point of *Integrated Reporting*.

The empirical data is based on the information in the annual reports about how ESG issues are integrated into the BM is gained by analyzing the annual reports from 2012 and 2013, and compare with the annual report from 2011 in order to to see the development. Specifically, what the companies have chosen to keep considering the construction and presentation of the information and what has been added during the implementation of *Integrated Reporting*. The inductive content analysis was conducted through reading and observing the characteristics of the reports. The characteristics were summarized in each year for the companies' annual report from 2011, 2012 and 2013. The information gathered from the annual reports from was analyzed for patterns between the years in order to identify the development of *Integrated Reporting*. Therefore the patterns identified and presented as characteristics inherent in the development of *Integrated Reporting* follows from annual reports from 2011, 2012, and 2013 and not presented separately. The inductive content analysis did not compare patterns between the companies. However, in the chapter *Discussion* were the findings from both companies analyzed in order to answer the research question.

Interviews

Secondly, in order to answer the research question, interviews with the companies were conducted. A semi-structured interview was chosen and the questions served as guidance in order to secure that it was possible to answer the research question from the empirical study. Interviews are a suitable research method when gathering data about what participants think, and under the interpretive approach the questions are unstructured to gather thoughts of the interviewee (Collis & Hussey, 2009, p. 144). The structure was developed from the inductive content analysis and the patterns that were found. The interviews generated empirical data about the companies' motivations behind the characteristics inherent in *Integrated Reporting*. Probes were useful to develop the face-to-face interview in interesting directions or necessary to capture information required for answering the research question. The interview guide was approved by the supervisor before the interviews were conducted in order to reduce risk of a person outside the study would potentially misinterpret the questions. In total five interviews were conducted and were based on the need of gathering sufficient information from the companies.

Furthermore, after the first interview with each company was conducted, this choice for approaching additional respondents was made. The basis for this was to obtain a broad perspective of the research phenomena. Since this was a qualitative case study, it was appreciated to obtain a broad perspective and understanding. In Volvo Group, responsibilities were more dispersed and respondents responsible for financial reporting, investor relations and corporate social responsibility were chosen. The respondent from SKF corporate social responsibility had greater responsibility for financial reporting. Yet, a representative from financial reporting was approached but an interview was rejected. Therefore it was solely an additional interview conducted with a respondent from SKF's investor relation department. The table below presents the interviews and how they were conducted.

Table 1: Information about the Conducted Interviews.

Interview	*Company*	*How*	*Date and time*	*Interviewee*	*Documentation*
1	Volvo Group	Face-to-face at company's HQ in Gothenburg.	26 March, 2014 at 09.00-10.30.	Mikael Hagström, Senior Vice President and Head of Corporate Reporting.	Yes, approved by interviewee and recorded through mobile phone. Later transcribed.
2	Volvo Group	E-mail correspondence.	Answers received 26 March, 2014.	Malin Ripa, Senior Vice President Corporate Social Responsibility.	Saved E-mail correspondence. Not necessary to transcribe.
3	Volvo Group	E-mail correspondence.	Answers received 31 March, 2014.	Anders Christensson, Director, Investor Relations	Saved E-mail correspondence. Not necessary to transcribe.
4	SKF	Face-to-face at company's HQ in Gothenburg.	3 April, 2014 at 10.00-11.00.	Jonas André, Project Coordinator for Corporate Sustainability.	Yes, approved by interviewee and recorded through mobile phone. Later transcribed.
5	SKF	E-mail correspondence.	Answers received 17 April, 2014.	Helena Karlsson, Investor Relations.	Saved E-mail correspondence. Not necessary to transcribe.

2.4 Analysis of Empirical Data

The analysis of the empirical data was conducted through induction that is based on regularities in the data (Wallén, 1996, s. 48). Deduction is the alternative to induction, where conclusions are drawn through theory that characterizes a positivistic approach (Molander, 2003, s. 175). A model for the analysis of the empirical data has been constructed. The analysis model supports the inductive analysis of the empirical data that was obtained from content analysis of the annual reports of the companies and interviews with the companies. The result from the content analysis of the companies' annual reports and interviews were compiled into a suitable structure in the chapter *Result from empirical study*. Secondly, the research question answered by the analysis of the empirical data with support of the theoretical framework in the chapter *Discussion*. Lastly, the main findings and own reflections from the analysis are outlined in the chapter *Conclusion*.

2.5 Generalizability

This section brings forward arguments why this study will not make generalizations. This is mainly due to the fact that generalizations should be drawn in a cautious manner. Generalizability of this study is if the result can be applied from the setting of the companies that has been studied to similar settings (Collis & Hussey, 2009, p. 65). Accounting as such is socially embedded (Watts &

Zimmermann, 1990), and therefore the social context in companies being studied cannot be expected to be same or similar in another company, hence the result is not generalizable. Also, this study included only two companies that is a small sample of the total companies existing in Sweden and the chosen companies were at the time in the forefront of *Integrated Reporting* in Sweden and the result cannot be expected to predict the phenomena in other companies (Denscombe, 2000, s. 360). Because, even if the result is reliable, it may not be true in other situations and especially since accounting is socially embedded this can be expected. (Ekengren & Hinnfors 2006, s. 42-43) However, general laws about the phenomena within the specific environment that was studied can be drawn that can explain the possible reasons behind the characteristics and the companies' motivations behind them in the development of *Integrated Reporting* (Ryan et al., 2002, p. 147). This study incorporates this by presenting main findings and conclusions in the chapter *Conclusion.*

2.6 Quality Criteria: Reliability and Validity

This section will discuss the quality of the study for the reader to understand potential flaws in the result. Quality of the study is presented in form of reliability and validity. Reliability is achieved when the result has the same outcome in a repeated study and the result is independent of the researcher (Ryan et al., 2002, p. 155). This is difficult to achieve in a qualitative study. Therefore by a systematic study of literature has been emphasized, a structured content analysis and well-prepared interviews, and thoroughly conducted analysis was necessary as important for this study in order to ensure reliability (Collis & Hussey, 2009, p 64). Additionally, the interviews were recorded by approval of the companies in order for the ability to go back and confirm data and listen to the material unlimited times during the process so that nothing important was missed. In order to ensure reliability and the ability to go back to the material when necessary, all information and procedures have been documented (Ryan et al., 2002, p. 154). In addition, reliability of the study is considered when using the annual reports, which the companies themselves produce for their investors and other stakeholders. The interviews are conducted with the responsible person for corporate reporting and external communication in the company, and the information obtained from the interviews is considered reliable in the sense that this person should be the one who has the most accurate information about research phenomena.

Validity concerns the research ability to measure what was intended, meaning answer the research questions in a correct manner (Collis & Hussey, 2009, pp. 64-65). This study uses an interpretative approach to gain complete knowledge about what is being researched and the conclusions are drawn through induction (Ryan et al., 2002, p. 155). Subjectivity is therefore impossible to avoid due to the unsystematically analysis of information and interpretation for identifying patterns in the empirical data (Ibid). Validity implies objectivity and therefore it is essential to have a great understanding of the empirical data in order to draw accurate conclusions (Ibid). This is achieved by continuous availability of the information in the annual reports and material from the interviews, in order to gain the understanding of the data that is necessary. Validity has also been reflected by using the most common research method for analyzing annual reports; content analysis, which can therefore be seen as the most appropriate method for this study as well interviews with the companies to reveal the companies' motivations behind the characteristics that are inherent in the annual reports.

2.7 Ethical Considerations

In research, ethical considerations are important to consider since it usually incorporates the work of other researchers or professionals. This study is based on analysis of the annual reports that were obtained from the companies' Internet websites available for public use and accessed cost-free (Deegan & Unerman, 2006, p. 62), through downloading the report in PDF format. Furthermore, the literature used in this report, was referenced for the reader to know where the source of information comes from and full information is found in the reference list. Concluding, the interviewed companies were treated in accordance to research ethics that concern considerations of not damaging the company and reveal sensitive information (Wallén, 1996, s. 130).

3 Theoretical Framework

The chapter is divided into different sections. First section concern Corporate Reporting, and sub-categories of Mandatory Disclosures, Voluntary Disclosures and Communication through Corporate Reporting. Second section is called Integrated Reporting and sub-sections Configuration of the Report, Integrated Reporting as a Tool for External Communication, Opportunities, Challenges and IIRC Framework. Lastly the Stakeholder Theory and Signaling Theory are presented.

The theoretical framework presents theories relevant to the research question in order to support the analysis of the empirical study and enable the purpose of the study to be achieved (Jarrick & Josephson, 1996, s. 41-42). The theories are based on scientific conclusions and assumptions that were developed from prior research (Nyberg 2000, s. 28) and the sources of information are referred and are listed in the chapter *References* with information where the source can be found.

3.1 Corporate Reporting

Traditionally financial information in corporate reporting is used as a tool for communicating towards investors for them to make efficient resource allocation decisions and valuation of companies (Adams & Simnett, 2011 Beatti & Smith, 2013; Erickson et al., 2011). An efficient resource allocation of capital throughout the world requires corporate reporting. Companies are required to provide information through mandatory disclosures and can decide to provide voluntary disclosures. An efficient resource allocation of capital is challenging due to information asymmetry, which can be explained by the 'lemon problem' introduced by Akerlof in 1970. Typically companies have better information than investors and other stakeholders of the business. This is typically referred to as information asymmetry, and affect the decision making process on behalf of investors and other stakeholders. Companies can have the incentive to restrict the information communicated, for instance negative information or when not willing to reveal too much information to competitors and potentially loose its competitive advantage. (Healy & Palepu, 2001) Mandatory disclosures consist of traditional corporate reporting with financial information and are determined by the countries national laws and regulations, known as the *Companies Act* that Swedish companies are required to comply with (Regeringen, 2014) and additionally the IFRS framework for listed companies (Krzus, 2011; Eccles & Saltzman, 2011). This information provided is for the sake of protecting investor's needs of financial information (Jensen & Berg, 2012).

However, traditional corporate reporting is argued not to capture the financial performance in a changed business context (Adams & Simnett, 2011). This is due to the fact that the traditional corporate reporting consists of historical financial information, and ignores to communicate necessary information about the future performance of a company for investors and other stakeholders' decision making (Healy & Palepu, 2001; Krzus, 2011; Eccles & Saltzman, 2011; Yongvanich & Guthrie, 2006). These shortcomings of the financial information were already evident after the accounting scandals in the beginning of the 21th century (Ibid). Companies often produce voluntary disclosures in order to provide investors and other stakeholders with information about future performance (Eccles & Saltzman, 2011; Healy & Palepu, 2001). Further discussion about the need for corporate reporting to change is stated by Eccles and Serafeim (2011), due to the consequences from the financial crisis. The ascending economic uncertainty of the private companies from the financial crisis resulted in higher level of investors' attention on viability and sustainability in the long-term (Ibid). Therefore investors demand new information requirements for decision-making and an increased need for nonfinancial information through voluntary disclosures (Ibid). Concluding, the corporate reporting is the TEC towards investors and other stakeholders, and is dependent on the managers' decisions of what information about future performance to disclose. However, managers generally make tradeoffs between the different accounting decisions and what information to disclose. (Healy & Palepu, 2001)

Mandatory Disclosures

Companies are required to produce a report on an annual basis with information about the financial performance that represents the mandatory disclosures for companies in corporate reporting (Eccles & Saltzman, 2011). However, the mandatory disclosure as it is today, Krzus (2011) and Eccles and Saltzman (2011) argue that this information solely increases confusion as well as resource waste for both companies and investors. Meaning, corporate reporting have resulted in being too long and complex for companies, investors and other stakeholders (Prince's Accounting for Sustainability Project, 2014a; Frías-Aceituno et al., 2013a; Adams & Simnett, 2011; Eccles & Saltzman, 2011). This can be explained by the increased complexity of businesses, and added reporting requirements from legislation, regulation, new standards, codes, guidelines and requirements for listed companies (Adams & Simnett, 2011; Daub, 2007 in Frías-Aceituno et al., 2013a). For multinational companies it is necessary to comply with the national regulations where the company operates, in order to continue the business there (Adams & Simnett, 2011). Hence the process for producing the mandatory disclosures for the corporate reporting can be costly (Ibid).

Voluntary Disclosures

Throughout the world it is experienced a great increase in reporting about ESG issues through voluntary disclosures, during the last decades (Bubna-Litic, 2008). The development of reporting about ESG issues through voluntary reporting usually referred to as *Nonfinancial Reporting*[6] begun with criticism towards multinational companies in 1990's concerning their large impact on the environment and society, and the changed business context (Kolk, 2003; Adams & Simnett, 2011; Becchetti & Trovato, 2011; Bowd et al., 2006). Companies then became obliged to provide information of how the business is governed through *Nonfinancial Reporting* (Frias-Aceituno et al, 2014) in order to increase business' transparency and accountability (Kolk, 2008). Nonfinancial information has traditionally been presented in a separate document, in addition to the traditional corporate reports of companies (Simnett et al. 2009 in Adams & Simnett, 2011). The increased societal concern about ESG issues pressure the companies to behave and disclose attentively about their business activities through voluntary disclosures, in addition to the financial information (Horrach & Socía-Salva, 2011; Azcarate et al., 2011; Aldaz Odriozola et al., 2012 in Ioana-Maria & Adriana, 2012). Voluntary disclosures implicitly explain that companies may consider having responsibilities towards stakeholders for ESG performance, not solely financial performance (Deegan & Unerman, 2006, p. 317).

The 'lemon problem' as discussed in the section *Corporate Reporting*, is an applicable theory for explaining the companies' motivations behind voluntary disclosures. Voluntary disclosures can be advantageous for efficient allocation of resources in the capital market. Studies concerning this have shown that voluntary disclosures and hence decreased information asymmetry of a company may influence shares becoming more easily traded on the market, positive effects on cost of capital and increased attention by financial analysts. (Healy & Palepu, 2001) First stage for deciding to report about ESG issues can be to develop the objectives and why a company wants to provide this information (Deegan & Unerman, 2006, p. 312). Secondly, to whom the information is directed towards (Ibid). Later for the company is required to decide what issues to address (Ibid). The final stage regards how this information is presented, which differ from traditional financial accounting through the nature of ESG issues yet reliability is equally important (Ibid, p. 313). However, *Nonfinancial Reporting* as it became necessary, due to the limitations of the financial reporting, has now started to be blamed for being simply a public relation tool (Adams & Larrinaga-Gonzalez 2007; Tilt, 2001 in Adams & Simnett, 2011) and companies providing an enormous amount of nonfinancial information is argued to not enhance the transparency of the business (Adams & Simnett, 2011). Additionally, voluntary disclosures are subject to be questioned for credibility (Marx & van Dyk, 2011). There are two ways to verify this information, in order to communicate its credibility. First, the information could be audited in order to get assurance of the quality by an independent third party.

[6] *Nonfinancial Reporting* can also be referred to Corporate Social Responsibility Reporting. This thesis mainly use the term Nonfinancial Reporting because this term has a broader meaning and can include more aspects than solely ESG issues, such as both regulated and voluntary nonfinancial disclosures, narrative contextual information, when referred to intangible assets and intellectual capital (Eccles & Krzus, 2010, p. 81).

Second, a possible way for stakeholders themselves to verify the information is if the company provides previous information about nonfinancial performance that can be verified through the current financial information in the corporate reporting. (Healy & Palepu, 2001)

3.2 Communication through Corporate Reporting

As discussed above, traditionally corporate reporting is used as a TEC of financial information (Erickson et al., 2011). The objectives of financial information are to provide investors and other capital providers with the necessary financial information for decision-making process (Jensen & Berg, 2012). However, the financial information is not solely what is supporting the analysis of investors and other capital providers. Nonfinancial information can have the ability to communicate a deeper meaning of the financial position of the company. (Erickson et al., 2011) For instance, through corporate reporting, the BM can be communicated to investors and other stakeholders in order to reduce information asymmetry. The BM through corporate reporting communicates the internal activities to the investors and others stakeholders, as well as communicate about the future performance since the BM determines the value creation process[7] (Beatti & Smith, 2013).

Furthermore, when a company expect or face a crisis, various decisions concerning their communication towards investors and other stakeholders can be made of how to repair the image and restore the reputation of the business. A company can try to reduce negative impacts on image and reputation by extending the information about the issue, and in what way the information is communicated towards investors and other stakeholders. (Erickson et al., 2011) However, research shows that managers are skeptical about if the targeted stakeholders are reading the information. Hence, the costs for voluntary reporting may affect the companies' effort in providing certain information. However, this in turn may lead to that the company do not develop the most accurate processes for gathering information, and instead focus on the information necessary for the mandatory disclosures. Consequently, if a company does not make an effort in providing voluntary disclosures there is a possibility that the environmental and corporate benefits may get lost. Therefore, innovation in corporate reporting could be unmotivated, and companies may thus disregard voluntary reporting about ESG issues for the purpose of achieving a strategic advantage. (Martin & Hadley, 2008)

The process of which the companies decide how to communicate ESG information, the sense making theory is applicable to discuss (Tewari & Dave, 2012). This theory applies to the actual interpretation

[7] Value creation is explained through a company's ability to convert resources and processes into economic value, and this value creation process is determined by the BM. The BM in turn represents the intentions of the management of the organization by describing internal activities and externally through the market. (Beatti & Smith, 2013)

and the processing of this information into narratives that makes sense for the individual (Weick, 1995; Lamertz, 2002 in Wright, 2005). Thus corporate reporting as a TEC requires a company to be cautious about how the information is presented since this affect the ability of the user to comprehend the information. Narrative technique is used for presenting information in combination of ways to present information, in order to make logic behind and the meaning of what is communicated. Information presented numerically is easier, because the numbers are only required to follow a logic order and communicate the meaning. However, the context behind numbers are not visible, for example to answer that the information concern why, where, to whom, and when. Pictures on the other hand, are a great subject to visual perceptions of the human brain. Moreover, the information in the picture allows for interpretations, and does not alone communicate in detail about the context. Concludingly, when using narrative technique, numerical information and pictures together the information communicated in the corporate reporting achieves the greatest impact since it can convey another meaning of the information. For presenting information in a corporate report that includes the nonfinancial dimensions of capitals, such as company intellectual capital and ESG, it requires less numerical information and more narratives and pictures. Narratives and pictures are suitable techniques for presenting information about these categories of capital since these do not always have a direct effect on financial performance. (Abeysekera, 2013)

3.3 Integrated Reporting

Until December 2013, the framework for *Integrated Reporting* was under development (IIRC, 2014b). Therefore the research that is presented below does not concern the framework *per se*, but the development of *Integrated Reporting*, as it proliferates throughout the world. *Integrated Reporting* developed from the criticisms with traditional *Nonfinancial Reporting*, since it was argued to be incomplete as responding to ESG issues. An integrated report presents the ESG issues affecting the value drivers[8] of the business and the interlinkages between them (Adams & Simnett, 2011; Jensen & Berg, 2012), which a separate report with nonfinancial information is blamed to ignore (Krzus, 2011). *Integrated Reporting* differs from *Nonfinancial Reporting* in that sense that nonfinancial information is connected to the BM and the strategic thinking of the organization (Prince's Accounting for Sustainability Project, 2014c). Specifically, communicating a business's true intention with the strategy, because the report provides information about future targets and risks (Eccles & Krzus, 2010; Vormedal & Ruud, 2009; Krzus, 2011). Hence companies through *Integrated Reporting* are able to

[8] Value drivers are the different sources of resources and processes that create value through the different elements of a business (Krzus, 2011).

communicate to investors and other stakeholders how a business creates and maintains value[9] (García-Sánchez et al., 2013; Krzus, 2011).

There are evidence on that investors today have become more concerned about socially responsible investments, therefore incorporate personal values[10] into their decision rather than focus on solely financial performance, and this kind of investments have increased throughout the world (Renneboog et al. 2008; Eccles & Saltzman, 2011). The integrated report communicates the companies' accountability of their usage of their financial, environmental and social resources (Abeysekera, 2013) and subsequently becomes transparent towards investors and other stakeholders (Jensen & Berg, 2012). A study by Becchetti and Trovato (2011) found that integrating sustainability is advantageous for a company in a sense that the costs connected to these responsibilities are offset by the benefits obtained from productive efficiency, and therefore the focus on the BM and production instead of the maximization of shareholders value communicate to the investors and stakeholders about the capability for future financial performance of a company. When a company can display a healthy environment and social performance, this communicates good quality of the management of the company and consequently financial performance, but also avoids disasters concerning the environmental and social crises in the society (Renneboog et al. 2008). Moreover, investors that are concerned about companies' activities impact on environment and society know what negative impacts can cost them through repercussions that need to be repaired and subconsequently affect companies' profits (Abeysekera, 2013).

Configuration of the Report

Integrated Reporting should in general be concise and directed towards all stakeholders of a company stated by Abeysekera (2013). Being concise is important to achieve, since too long reports affect stakeholders ability to absorb the essential information for them to use in decision making (Financial Reporting Council (FRC), 2010 in Abeysekera, 2013; Eccles & Saltzman, 2011). The company's progress of achieving its future targets and goals is intended to be visible in the integrated report (Abeysekera, 2013). Therefore, a company needs to find a suitable way to construct and present the information so that the demands and needs of information for investors and other stakeholders is communicated efficiently (Owen, 2013; Ioana-Maria & Adriana, 2012).

Decision making for investor and other stakeholders requires extensive information about the value drivers of a business for an understanding of the earnings and cash flow of a company (Krzus, 2011).

[9] The value creation over time, short, medium and long-term, is determined by the BM's connectivity with the company's internal and external factors (Busco et al., 2013, p. 9).
[10] Personal values represent individuals 'principles, beliefs, standards, and ideals that shape our feelings and emotions and help us decide how to act' (Busco et al., 2013, p. 5).

This information can be presented financially, through Key Performance Indicators (KPI's)[11] or nonfinancial information about the opportunities and risks of a business, and its plans and strategy (Ibid). Companies needs to be careful of not providing too detailed sensitive information, for instance about the strategy and value drivers, which is also recognized under the framework *Integrated Reporting* on behalf of the competitive reasons (Adams & Simnett, 2011; IIRC, 2013a). Another restriction for companies implementing *Integrated Reporting,* in countries where it is not mandatory, is that it is required to comply with national regulations and requirements on the stock exchange. It is most suitable to separate the mandatory disclosure of financial statements and the integrated report with the voluntary disclosures (Abeysekera, 2013). Furthermore, the information about a company's performance in the integrated report should not be divided into financial and nonfinancial performance separately. The integration requires the performances to be brought together (Eccles & Saltzman, 2011).

Integrated Reporting as a Tool for External Communication

Furthermore, *Integrated Reporting* differs from the traditional corporate reporting by providing financial and nonfinancial information directed towards all types of stakeholders in the annual report rather than just focus on shareholders and capital providers (Eccles & Krzus, 2010). The *Integrated Reporting* is changing the corporate reporting as a tool for external communication (TEC), for the benefit of the investors and other stakeholders (Krzus, 2011). The first studied report that was constructed as an *Integrated Reporting*, the companies' motivation was the desire to integrate ESG issues into the strategy. This can be seen to be in line with the discussion above about perceived benefits of integrating ESG, and for companies' commitment for improving sustainability. *Integrated Reporting* has been perceived as the most suitable TEC for communicating about achievements towards becoming more sustainable. (Eccles & Saltzman, 2011) Abeysekera (2013, p. 233) argues that *Integrated Reporting* connects the various dimensions of a company, such as the financial capital, intellectual capital, and ESG capital. The different dimensions of a company's capital are displayed in the integrated report by how the company acquire and use them, and presented in accordance to the BM and the value creation process (Beatti & Smith, 2013; Krzus, 2011). Adams and Simnett (2011, p. 300) states that *Integrated Reporting* is the evolution of traditional corporate reporting by ensuring 'a more holistic, strategic, responsive, material and relevant across multiple time frames'.

Therefore *Integrated Reporting* is an appropriate TEC towards the interests of investors and other stakeholders, because it visualizes how a company is accountable for its financial and nonfinancial performance towards reaching the future targets and goals by the usage of their resources to the

[11] KPI's are defined by the World Intellectual Capital Initiative as 'numerical figures (metrics) related to critical factors of value creation, and they support the explanation of business strategy linking it to future financial or economic performance' (Eccles & Krzus., 2010, p. 252).

investors (Abeysekera, 2013; Jensen & Berg, 2012). Hence, investors need to transform the financial decision model into a BM to generate a future oriented view on the investment so the companies' better resource allocation is reflected in the financial performance, achieved by integrating nonfinancial measures and the integrated report should provide the necessary information for investment decisions (Eccles & Serafeim, 2011). For companies that strive for being sustainable and want to communicate this towards the investors and other stakeholders, *Integrated Reporting* is a suitable TEC because when financial and nonfinancial information are presented in separate corporate reports, this may imply that these aspects are independent of each other in the company (Jensen & Berg, 2012). *Integrated Reporting* thus enables that the allocation of capital flows into sustainable companies, which is advantageous for long-term investors and the economy as a whole (Eccles & Saltzman, 2011). In addition, presenting the corporate report in line with the BM and value creation process, companies can identify disclosures that are too detailed and consequently reduce the amount of unnecessary information (Beatti & Smith, 201). Concluding, *Integrated Reporting* enables to communicate a holistic view of the business and the value creation process to investors and other stakeholders (Ibid).

Opportunities

Integrated Reporting is common among multinational companies whose impact on environment and society is large (Frias-Aceituno, et al., 2013b). Moreover, an additional study found that large companies, when there is a great opportunity for growth of the business, prioritize transparency and subsequently produce corporate reports with higher level of integration (Frias-Aceituno, et al., 2013a; Frias-Aceituno et al., 2014; García-Sánchez et al., 2013). This could be explained by the fact that the necessary resources are available in those companies, as well as the need of a positive image (Frías-Aceituno et al. 2013a). *Integrated Reporting*, as its purpose is to disclose the most material and important elements of corporate reporting, has the ability to decrease length and complexity (Adams & Simnett, 2011).

Creating value for all stakeholders, rather than solely shareholder value maximization concern integrating ESG issues into the business ESG is included in the *Nonfinancial Reporting* phenomena and ESG is defined by Paul and Siegel (2006 in Becchetti & Trovato, 2011) as altering the goals of a company towards stakeholders' interests rather than shareholders value, by responding to ESG issues through the practices of a company. A study by Brammer et al. (2006) found that ESG issues generally destruct shareholder value. On the contrary, Becchetti and Trovato (2011) found that ESG activities could be in line with profit maximization by researching the benefits from productive efficiency, instead of the maximization of the shareholders value. Productive efficiency through ESG issues means an increase of the output sold per worker (Ibid). Examples of productive efficiency can be more motivated workers, decreased stakeholders' transaction costs and increased support by consumers concerned with the ESG issues (Ibid), which may consequently offset the costs connected to ESG (Ibid). *Integrated Reporting* displays how the companies have the ability to create value for all stakeholders, rather than solely shareholder value maximization (González Esteban, 2007 in García-Sánchez et al., 2013). In addition, integrating ESG issues can be used for reducing the effects of stakeholder dissatisfaction and the possibility of consumers initiating legal actions diminishes, hence this could generate that future performance improves due to the lower corporate risk and may improve the reputation of the company (Becchetti & Trovato, 2011).

In addition, it is perceived that corporate reporting when providing information about ESG issues enhances the accountability of companies (Bubna-Litic, 2008). Moreover, another motivation for corporate reporting when used as a TEC can be the possibility to improve transparency, and consequently the credibility of the company improves (Ibid). Another possible motivation could be that a company strive for being sustainable and want to communicate this towards the investors and other stakeholders. For companies with the motivation to improve sustainability performance, integrating sustainability issues into the strategy, has found to have a large impact on the business' sustainability development (Adams & McNicholas, 2007). Moreover, Eccles and Serafeim (2011) discuss the possibilities of *Integrated Reporting* being used for as more than just a document of corporate reporting. It can be used to leverage the opportunities on the Internet, through their website as well as other social media network (Ibid). Through the Internet, companies can provide more detailed information. It is evident that companies that produce integrated reports more often use of their websites and social media networks in an innovative way (van Wensen et al., 2011, p. 89), which enables providing investors and other stakeholders an increased level of accessible information (Eccles & Krzus, 2010, p. 190).

Challenges

Integrated Reporting is a great challenge for companies for gathering the information necessary and the examples of integrated reports that are available are dispersed, since these companies have developed their reports in accordance to their perceived needs of investors and other stakeholders (Eccles & Saltzman, 2011). Frías-Aceituno et al. (2013b) discuss research conducted about corporate reporting that found that the importance and quality differs significantly concerning the information (Daub, 2007; Clarkson et al., 2008; Prado & García, 2010; Skouloudis et al., 2010 in Frías-Aceituno et al. 2013a) and levels of how the information is integrated differ between companies' reporting (Stiller & Daub, 2007; Lozano & Huisingh, 2011 in Frías-Aceituno et al. 2013a). Yet studies show that large companies in general produce high quality disclosures (Vormedal & Ruud, 2009; Dong & Stettler, 2011) and those who operate across country boarders, provide more transparent disclosures (Dong &

Stettler, 2011). Moreover, dispersed level of integration and quality concerning the integrated reports can be explained by incorporating sustainability into the business and strategy is not easy for companies and often can result in dissatisfaction among certain stakeholder groups, such as the shareholders when the activities towards sustainability can reap short-term profits (Krzus, 2011). The issue for the company is to find the optimal balance of information requests of the sometimes conflicting interests and demands (Kolk, 2008).

Accountability and transparency of a business requires that an independent assurance have been conducted, in order for the information to be considered as relevant and credible (Marx & van Dyk, 2011). Relevant and credible information is vital for investors and stakeholders to make efficient economic decisions (Dellaportas & Davenport, 2008). In addition, assurance of the integrated reports can be seen as essential for public interests and the well being of people (Ibid). Moreover, make assurance on the information through verifying that the nonfinancial information generated an effect on the financial performance in the future as discussed in the section *Voluntary Disclosures* (Healy & Palepu, 2001). As for the development towards *Integrated Reporting*, it is important that the nonfinancial information is audited for the information in the report to be seen as relevant and credible for the investors and other stakeholders (Ibid; Dellaportas & Davenport, 2008). Yet, an assurance by an independent third-party, does not necessarily mean that all information in the report has been subject to the actual audit, hence it does not have to mean that the information in the report is reliable to a fully extent (Kolk, 2004).

3.4 IIRC Framework

Throughout the years, corporate reporting has been represented annual reporting, sustainability reporting and *Integrated Reporting* (Busco et al., 2013, p. 52). Furthermore, the recent development of *Integrated Reporting* derives from annual reporting and sustainability reporting (Ibid). Further, *Integrated Reporting* is seen as having the ability to overcome shortcomings of the annual reporting, specifically blamed for being complex, short-term oriented, lack of nonfinancial information, and shortcomings of the sustainability reporting, specifically investors lack of trust and argued low reliability, and absence of connection to financial performance (Ibid). *Integrated Reporting* is argued of taking the role of annual reporting, not sustainability reporting, due to its clear intention to provide investors and capital providers with information necessary for their decision making (Ibid). Yet the difference concern the orientation of time, whereas annual reporting is being blamed for its short-term orientation, and *Integrated Reporting* spans over short, medium and long-term (Ibid). This on the other hand implies a challenge for successful implementation (Ibid). However, the long-term is clearly the main focus in *Integrated Reporting* (Ibid). *Integrated Reporting* is defined as 'a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects by value creation' (IIRC, 2014a).

Furthermore, discussions about difference between *Integrated Reporting* and sustainability reporting concern the flexibility of the IIRC framework that is based on principles and produces less comparable information, while sustainability reporting is often conducted through a framework with guidelines that consist of a fixed structure of material aspects to go into the report. Moreover, the sustainability reporting is highly targeted at the stakeholder, and in contrast the IIRC framework focuses on the different capitals[12]. Hence the focus is on capitals rather than stakeholders, IIRC achieve an objective approach rather than subjective, which is in line with the traditional financial accounting and argued to be more relevant for the company. In line with sustainability reporting, *Integrated Reporting* discloses information about outcomes rather than output. (Busco et al., 2013, p. 54) Outcomes are defined as the 'internal and external consequences (positive and negative) on the capitals as a result of an organization's business activities and outputs' (IIRC, 2013b).

Different elements of content should be included in the *Integrated Reporting*, not necessary mutually exclusive. The different elements are: *Organizational overview and external environment, governance, BM, risks and opportunities, strategy and resource allocation, performance, outlook, basis of preparation and presentation and in doing so, taking account of general reporting guidance.* The value creation is communicated through the different elements in the context of the external environment in short, medium and long term in regards to the aspects of an organization's strategy, governance and performance and prospects. A combination of quantitative and qualitative information is preferable to display the value creation, and should not present value at a point in time through quantification or in monetary terms but over a period and the capitals that has been used or the effects. (IIRC, 2013a)

Moreover, reporting on different BM requires a balance in what is disclosed, in order to reduce complexity, although, information significant to the investors and other stakeholders cannot be excluded (IIRC, 2013a). IIRC recognizes that this have the ability to enhance readability and effectiveness of the information concerning the BM. (Ibid) Moreover, a great difference between annual reporting and *Integrated Reporting* is the concern about the interpretation of materiality of the information disclosed (Busco et al., 2013, p. 53). IIRC recognize that value cannot be created in the long-term, when it is at the expense of other groups of stakeholders, and which annual reporting does not discuss (Ibid). Further, the focus is not necessarily on socially responsible investors, but also

[12] The different capitals are characterized by IIRC as being 'financial, manufactured, intellectual, human, social and relationship, and natural' (IIRC, 2013a, p. 4).

nonsocial responsible. IIRC states that investors and capital providers, rather than the stakeholders of a company are the focus in an integrated report, which differs from traditional sustainability reporting (Busco et al., 2013, p. 48). Busco et al. (2013, p. 53) therefore states that certain targets of the reporting may be dissatisfied or even perceive it as useless, since some investors request timely information of financial performances in order to analyze the short-term performances.

Different guiding principles of the framework that support the preparation and presentation are: *Strategic focus and future orientation, connectivity of information, stakeholder relationships, materiality, conciseness, reliability and completeness and consistency and comparability.* These guiding principles concern the preparation and presentation of the report, inform the report's content and presentation of information. *Integrated Reporting* consists of financial information and nonfinancial information, since both kinds of information is relevant for explaining the value creation over time for the benefit of all capital providers and other stakeholders. The framework is principle-based since different organizations have different circumstances, yet principles are enough to enable comparability at a sufficient level to meet the needs of relevant information for global stakeholders. Therefore the framework does not provide specific KPI's, methods for measurement or disclosures. Hence managers own judgment need to determine what issues are characterized of materiality and how to disclose the information. (IIRC, 2013a)

Beyond *Integrated Reporting* there is a national accounting regulation that the company needs to comply with, and therefore the report is still seen as an integrated report if it does not obscure the information required by the framework. More detailed information in addition to the report can be communicated through for instance a web-based report. An integrated report needs to apply all requirements in the framework, unless reliable information is not available or prohibited by law, or could cause harm of the business from a competitive view. An integrated report requires an acknowledgment of ensuring the integrity of the report, that the preparation and presentation is conducted through a collective mind and the opinion or conclusion of how the report is constructed in accordance to the framework. (IIRC, 2013a) The framework for *Integrated Reporting* is the current proposition to 'transform the current practice of corporate reporting by supporting the development of more comprehensive and comprehensible information about an organization's total performance, prospective as well as retrospective, to meet the needs of the emerging more sustainable global economy' (IIRC, 2010, December).

Reflections of Framework on Business Model

Integrated Reporting recognizes the BM[13] as the central element in the business for value creation (Busco et al., 2013, p. 50). Capitals are the input in the BM, and fundamental for the operations, which in turn can increase, decrease or transform the existing capitals (Busco et al., 2013, p. 49). The BM and the four key elements, *inputs, business activities, outputs and outcomes*, should in the reporting be strictly connected to each other, as well as communicate the dynamic system of the BM and connections to governance, external environment and the opportunities and risks of the business (Busco et al., 2013, p. 114). The inputs should include all relevant capitals that the company is dependent upon in the value creation process. Potential trade-offs of capital could also be included. The business activities should be described regarding the differentiation of the business compared to competitors, issues concerning revenue generation, innovation needs and ability to adapt to a potential change in the market. Moreover information about improvements in the internal processes, relationships management and training of employees should be presented towards investors and other stakeholders in order to communicate about a company's possibilities of long-term success. Outputs should describe the key services and products of a company, and possibly waste and other by-products that the business generates if significant information for the investors and other stakeholders. Further, outcomes should state both internal[14] and external[15] outcomes of the business. IIRC framework requires that outcomes can be both negative and positive effects on the company's capital. The framework emphasize that external outcomes require more disclosures on the effects on the capital, for instance the products manufactured by the companies later released carbon emissions. Lastly, when an organization has several BM, for instance different markets segments may require an effective explanation of these different BMs in the *Integrated Reporting*, as well as describing the potential connectivity between them, such as synergy effects. Moreover, reporting on different BM requires a balance in what is disclosed, in order to reduce complexity, although, information significant to the investors and other stakeholders cannot be excluded. (IIRC, 2013a)

Furthermore, IIRC recognizes that this have the ability to enhance readability and effectiveness of the information concerning the BM (IIRC, 2013a). The definition allow for disclosure harmonization between reporting about the BM (Busco et al., 2013, p. 114). Moreover, Busco et al. (2013, p. 114) states that the four key elements and their relationships, characteristics, and changes over time are required to be communicated in the reporting. The strategy of a business is reflected to a high extent in

[13] The business model is defined by IIRC as 'an organization's business model is its system of transforming inputs, through its business activities, into outputs and outcomes that aims to fulfill the organization's strategic purposes and create value over the short, medium and long term' (IIRC, 2013a, p. 25).
[14] Examples of internal outcome can be morale of employees, reputation of organization, cash flow and revenues (IIRC, 2013a).
[15] Examples of external outcomes can be satisfaction of customers, tax expenses, loyalty towards the brand, and impact on society and environment (IIRC, 2013a).

the BM, and both concerns the business' decisions, activities and plans that are decided upon for the creation of value in short, medium and long term (Busco et al., 2013, p. 118). Busco et al. (2013, p. 119) presents a recommendation for producing an integrated report and the BM chapter. Firstly, the concept of strategy and BM in the organization is outlined, subsequently the main relationships and components are identified and their connection with the external environment, and lastly these elements are arranged together in the report, in combination with KPI's and future changes, performance of the business and recommendations are given, respectively (Ibid). Busco et al. (2013, p. 131) continues the discussion about KPI's and states that the elements if provided separated and disconnected, the analysis of the strategic issues would become complex and the critical interdependencies failed to be displayed. However, through diagrams, these key elements and their relevance in the value creation process should be communicated in a clear way. Presenting the information logically in a narrative flow, as well as the connection to the elements of content that should be included in the *Integrated Reporting* presented above. Lastly, the identification of important stakeholders, other resource dependencies, and factors within the company that affect the external environment should be presented. (IIRC, 2013a) In addition, the integrated report must concern the capitals and their impact on historical and future performances (Busco et al., 2013, pp. 131-132). Strategic issues can be issues related with governance, strategy of the company, risks, performance on financial and nonfinancial, and process of value creation in the value chain of the company (Busco et al., 2013, p. 131). Busco et al. (2013, p.136) recognize that it does not exists a framework for performance measurement in *Integrated Reporting*, and thus propose a framework with factors, both internal and external, that provides investors and other stakeholders a holistic view of the companies' performance for assessment of the management and business' ability for value creation. The proposed factors of a business value creation are the value chain that consists of 'the value chain as a whole, customers and suppliers', furthermore the internal processes, innovation and knowledge, and lastly the competitors and best practice (Busco et al., 2013, p. 136).

Concluding, the BM part in the *Integrated Reporting* becomes the tool for communication towards investors and other stakeholders about the value creating factors and how the company exploits these in the value creation process (Busco et al., 2013, p. 173). Busco et al. (Ibid) emphasizes that companies therefore need to stakeholders social and other interests that have an influence on the value creation processes for successful a reporting. In addition, the integrated report becomes the tool for clarifying its strategy, however is required to restrict information that can harm the competitive advantage (Ibid). Different motivations behind *Integrated Reporting* can be to provide necessary information investors about value creation in medium and long-term thus enable an assessment of the financial performance and the intended strategy, moreover communicate to other stakeholders the companies' impact on the external environment and its activities to improve the environment (Ibid).

Successful communication towards investors and other stakeholders through *Integrated Reporting* thus may positively affect the company position in the market (Busco et al., 2013, p. 174). However, for multinational companies that has operations in various locations, identifying its ability of value creation, identification of stakeholders, define its strategy concept, and gathering information about the different stakeholders and their interests, becomes extremely relevant yet complex (Ibid).

3.5 The Stakeholder Theory

Within the *Stakeholder Theory*, policies about disclosures that are provided by a company are seen to have the ability to influence the stakeholders in concern (Deegan & Unerman, 2006, p. 268). The focus within this theory is the interface between a company and its stakeholders (Ibid, p. 285). It is recognized that a company is part of a social system, consisting of the constituents in a society (Ibid, p. 285). Furthermore, since different groups have different interests, then, there is not one social contract with the society as a whole, but are different for the stakeholders in concern of the company (Ibid). The social contract is explained as being implicit and explicit expectations from a stakeholder regarding how the company should operate in accordance to their interests (Ibid, p. 271). There are two perspectives of the *Stakeholder Theory*, the ethical/ normative and the positive (Deegan & Unerman, 2006, p. 284). The ethical/ normative concern the right of stakeholders to be treated fairly by a company, and identifies that a company have responsibilities towards all stakeholders for the benefits for them yet recognizes that some interests may conflict and require balance between them, rather than solely increase value for its shareholders (Ibid, p. 286). The positive perspective considers the stakeholders and their distinctive influence on strategy of a company, and how this knowledge affects how stakeholders' interests company responds to or is considered in order to survive the business (Deegan & Unerman, 2006, p. 284). Hence stakeholder power is an issue of concern within the theory (Ibid, p. 285).

3.6 The Signaling Theory

Information asymmetry affects an individual's decision-making process, as previously discussed. The information investors and other stakeholders base their decisions on, is the information provided through corporate reporting that is publicly available for free without cost (Deegan & Unerman, 2006, p. 62). However, some information that the companies inhere is kept private, and this information may have the possibility for the decision maker to make a better decision. In the situation of information asymmetry between a company and its investors and other stakeholders, this briefly means that the investors and stakeholders do not have complete information because some information is kept private within the company. However, the company has the opportunity to disclose information in addition to the mandatory disclosures, for the benefit of investors and other stakeholders to make better decisions. In the signaling theory, the better decisions that can be made through the information, the better the quality of the information will be. The signaling theory explains this process by defining the giver of the information as a signaler, and this usually is the insider of the company. The information produced by the signaler is called signal. The information conveyed in the signal can be either positive or negative concerning the underlying quality of the business, and may be useful for outsiders' decision-making process. The insider needs to decide upon whether to communicate certain signals and how towards the outsiders. (Connelly et al., 2011)

On the other hand, a signal is not automatically useful for outsiders. Firstly, the outsider needs to be able to observe the signal and convey it into useful information. Secondly, signaling costs can be explained by conveying misleading information about the quality of a company. For instance, a low-quality company may make an effort to be awarded a certain certification, in order to signal quality. Hence the costs associated with attaining the certification, are outweighed by the benefits of signaling false positive information about the company. Consequently, the low-quality company is encouraged to provide false signals, for the outsiders to perceive it as a high-quality company and thus influence the decision making process in a misleading way. The outsider is defined as the receiver of the signal, and who experience information asymmetry. The information conveyed through the signal influence the receiver to make a decision, and usually favor the signaler. The signal therefore has a benefit for the signaler. Moreover, the signaling theory can explain situations where the insider has positive information about the company, and through the signals, this information can be conveyed towards the outsiders for its decision-making. For instance, a customer potentially can gain from consuming products that are offered by a high-quality company, which would benefit both signaler and receiver of the signal. The signaling theory thus can explain situations where companies have positive information for instance concerning ESG activities, which are communicated towards investors and other stakeholders for their benefit, as well as would benefit the company. (Connelly et al., 2011)

4 Result from Empirical Study

This chapter presents the findings from the empirical study, and is divided into two sections for separation per company. The first section presents the empirical study of Volvo Group, and next coming section presents the empirical findings of SKF.

The empirical study regards two Swedish industrial companies. The companies are Volvo Group and SKF. The information is based on a summary from the inductive content analysis of the annual reports and interviews with the companies. The study focus on the BM section and the table below illustrates how large part this section is constituted in the annual reports of Volvo Group and SKF and also shows the total amount of pages of the annual reports.

Table 2: Amount of Pages in the Volvo Group's and SKF's Annual Report and BM Section, and percentage of BM section of Annual Report.

Company	*Volvo Group*			*SKF*		
	2011	*2012*	*2013*	*2011*	*2012*	*2013*
Annual Report	166	190	198	172	206	210
BM Section	8 (5%)	16 (8%)	22 (11%)	40 (23%)	64 (31%)	61 (29%)

4.1 Volvo Group

Volvo Group is a world leading manufacturer of trucks, buses, construction equipment, marine and industrial engines, and finance and service solutions. Volvo Group employs around 115,000 individuals and present in over 190 countries throughout the world. (Volvo Group, 2014b) In the annual report of 2011, Volvo Group communicated their strategy of securing a strong and stable financial position of the company in order to achieve a long-term competitive market position. In line with this is the objective of creating long-term value for shareholders and show financial stability towards creditors. The 2012 report stated the strategy as being 'responsible governance and long-term sustainability in order to create new business opportunities that offer long-term growth and improved profitability' (Volvo Group, annual report 2012, p. 8). By doing so, the objective is to create value for many stakeholders. The annual report from 2013 states a revised strategy, which is to 'assume economic, environmental and social responsibility for the operation, products and services in the areas where the Group has the potential to influence'. This will enable Volvo Group to strengthen its 'brands and relations with business partners and thus create new business opportunities that offer long-term growth and improved profitability' (Volvo Group, annual report 2013, p. 12). The objective is also revised, and Volvo Group states that they will 'act responsibly, take into account the opinions of various stakeholders and create value for our shareholders and society' (Volvo Group, annual report 2013, p. 10). In annual report from 2011, the strategy and objectives is presented in page 68 .The information is in annual reports from 2012 and 2013 presented before the BM section, the annual report from 2012 in page 8, and in the annual report from 2013 in the pages 10-13. The BM section presents information how ESG issues are integrated into the value creation process for communication how strategy and objectives are incorporated in the BM.

Volvo Group has before *Integrated Reporting* provided a separate sustainability report for approximately 20 years, and the information has to some extent also been presented in the annual report. Providing information about some ESG issues is for Volvo Group mandatory in accordance to the *Companies Act* (Regeringen, 2014). Volvo Group emphasizes that the focus in the annual report is information for the interests of investors. Nonfinancial information is presented in the annual report, in order to communicate a clearer picture of the company concerning Volvo Group's values, strategy and value creation process. The nonfinancial information that is provided in the annual report provides examples of how Volvo Group creates value for many stakeholders throughout the value chain. Volvo Group provides information about ESG issues in the annual report in order to communicate that the company treat these issues equally important as other issues that is presented. Volvo Group recognizes that financial analysts and capital market nowadays also require information about ESG issues. Volvo Group perceives this to be important for the company's reputation and ability to create value in the long-term. Moreover, assurance on the nonfinancial information is not conducted. However Volvo Group revealed a discussion together with UN that is held regarding regulating nonfinancial information that will take time to develop due to definitions is difficult to decide upon because of national differences. In the future Volvo Group will provide integrated information through Internet different portals that stakeholders with different interests can search for more detailed information.

Volvo Group acknowledges that nonfinancial information should address ESG issues that are important for the business in both short and long term. The annual report should be seen as a whole. For instance where BM section provides certain information and the financial statements provide the necessary financial information. Integrating ESG issues in the BM section is communicating how Volvo Group provides value to many stakeholders through the different capitals of the company. The integration of ESG issues is perceived by Volvo Group to enhance the annual report. Volvo Group present information concerning ESG issues integrated into the BM in a narrative way. Prioritization of what ESG issues to communicate regards issues that are perceived as relevant to Volvo Group and its stakeholders, and an analysis of what is material for the company. Additionally, what is included should reflect Volvo Group's interests in ESG issues and is close to the core values of quality and safety for the interests of the society perspective. Volvo Group considers themselves not part of the problem but part of the solution and creating shared value towards the investors and stakeholders. The nonfinancial information in the annual reports is presented in combination of ways for communication. Words are often connected to pictures, tables and graphs, KPI's, and different highlights.

The annual report from 2013 the BM section addresses more ESG issues compared to the annual reports from 2011 and 2012. Volvo Group came up with new ways to integrate and present information about ESG issues in the annual report. The important parts of BM are presented in same way as previous years. A main difference in the annual reports of 2012 and 2013 compared to 2011, is that before the BM section it is presented an informative illustration of how the BM is connected to the strategy of the company and serves as an introduction to the BM, and how the capitals presented in the BM and the value creation is divided among the stakeholders. In the annual report from 2013, it has been important for Volvo Group to try different ways of communicating the information in order to find out what is a suitable way to communicate externally through the annual report. Volvo Group perceives that the IIRC framework contradicts due to the fact the report should be short and concise, and although present the different elements very detailed. Integrating ESG issues into the annual report in compliance to the IIRC framework has not been possible for Volvo Group due to the main reason that the framework was not launched until December, 2013 and the at that point in time the annual report was already decided upon what to include and how it should look like.

What is problematic with *Integrated Reporting* is the long-term view of the information. The information provided in the annual reports from 2011 to 2013 is static. Volvo Group's product cycles are around 20 years long and this affect what information is disclosed about the company's BM. Furthermore, providing stakeholders with a single report are the difficulty with balancing different stakeholders' interests. The focus is on investor, yet all other stakeholders also should get their information needs. Moreover, to communicate everything Volvo Group wants to achieve is not considered as a good communication strategy because if something is stated in the annual report is also necessary to be followed up in future. Yet, the internal strategy of Volvo Group became public through the annual report from 2012. This was the choice of the current CEO that wanted to be more transparent about how Volvo Group is being managed. Additionally, Volvo Group recognizes that an implied problem of openness may be providing extensive information is not good for company out of a competitive reason.

4.2 SKF

SKF is a world leading company that provides technology products, specifically bearings and units, seals, mechatronics, services and lubrication systems. Throughout the world are 46,039 individuals employed and the SKF is present in over 130 countries. (SKF, 2014) The SKF changed strategy in 2012, and continued to be communicated in annual report from 2013. *Sustainable profitable growth* is stated as the current strategy of SKF. Compared to annual report from 2011 that communicated the strategy *long-term profitable growth*, the strategy has changed direction towards inclusiveness of other stakeholders as well, in addition to the investor focus. With the change of strategy, also the objective changed from creating value for shareholders towards adding that the company has the objective of creating value for shareholder, although in accordance to their recognized financial, environmental and social considerations. In annual report from 2011, the strategy and objectives is presented in page 50. The information is in annual reports from 2012 and 2013 presented before the BM section, in 2012 in page 21, and in 2013 page 22. In the BM section is information presented how ESG issues are integrated into the value creation process for communication how strategy and objectives are incorporated in the BM.

The nonfinancial reporting is divided into four sections under SKF Care, namely Business Care, Environmental Care, Employee Care and Community Care. The section Business Care is identified as the section representing the BM. SKF introduced in 2012, an overview where ESG issues where addressed in the value creation process. The actions and initiatives connected to the important aspects of SKF are communicated through the Business Care section, yet certain aspects that can be better explained in the other sections is found in the respective section. SKF emphasize that the four parts of SKF Care are interconnected. The nonfinancial information is presented in the Business Care and includes information about ESG issues and concerns the nonfinancial performance in the company, and integrated with financial performance. The idea behind integrating ESG issues is to communicate that SKF generate decent profit for the shareholders in a decent way. Furthermore, the Business Care section consists of nonfinancial information that communicates about SKF's markets, explanation of customers businesses and acquisition of other companies in order to communicate how SKF provide solutions to the market in a value chain perspective. Therefore, financial performance and environmental performance is connected in SKF's annual reports. The information to represent this is both financial and nonfinancial. These issues are presented in the annual report through the four SKF Care sections and in short, medium and long-term targets and development. SKF's stakeholders demand a holistic picture of the company communicated through the annual report. The prioritization of what stakeholder groups to focus on in the annual report regards the groups interested in the issues that SKF perceive as most material to address. SKF emphasize the stakeholder group of socially responsible investors are important to focus on. Additionally, there is also displayed SKF's Business Ethics on page 112 in the section Community Care in the annual report from 2013 that present what is central in the Business Care. The Business Ethics present in more detail how SKF provide a decent profit.

Aspects important for SKF are environmental, health and safety that is something that the company has been working with the past 20-30 years. Since 2011, the construction of the report incorporates integration of ESG issues and structured through the four different SKF Care sections. The aspects are presented through examples. These issues are also subject to national legislation. SKF does not have a clear plan or strategy for implementing ESG issues into the BM because what the company report about are already implemented or in the progress of being implemented. The sustainability performance is determined by the expectations from the stakeholders. The issues that are being addressed within the company, the result is communicated and then followed up later. There exists a structure on how to manage ESG issues. However, some aspects are more integrated than others that will take more time. SKF develop a good practice for integrating ESG issues and then communicate this in the annual report. There are not many changes in what SKF communicate in the latest annual report compared to previous years. Continuously there is a search for where there is a gap between what is done and stakeholder expectations.

SKF recognizes the annual report for presenting the financial performance, but also nonfinancial information directed to other stakeholder groups than investors. Nonfinancial information is provided because financial information communicates the business to some extent. Nonfinancial information presents the business operations in a fairer and clearer way. Additionally, SKF recognizes that it is possible to identify duplication of information that was the case before when a separate sustainability report has been provided and some information still has been presented in the annual report. The nonfinancial information in the annual reports is presented in combination of ways for communication. The information presented in the Business Care section is mainly words, additionally through tables, bullet lists, highlights of certain information, graphs, KPI's, and pictures. SKF is still experimenting regarding the structure of the annual report. SKF consistently reference to pages where to find more information about ESG issues in the annual report from 2013. The main obstacle that SKF recognize is how to communicate the BM and value creation process in a simple way. Another obstacle that is recognized is that it is difficult to know how to present the information due to the fact that most readers do not read from beginning to end. Specifically, present the important information to the right stakeholder in an easy way. Moreover, the information in the annual report is updated, yet due to the long-term orientation much information is static. Nevertheless, SKF use the Internet and their website in order to provide investors and stakeholders with extensive information. Furthermore, the nonfinancial information is externally audited in order to communicate that this information explains the company of equal importance as the financial information. The information addresses different stakeholders and is voluntary, the information should be assured so that the readers know it is credible. Additionally, assurance is achieved through verification of nonfinancial performance.

5 Discussion

This chapter discusses the result from the empirical study. The discussion presents the companies' motivations behind the different characteristics of the development of Integrated Reporting as a tool for external communication; Nonfinancial Information, External Communication, Communication of ESG Issues and Obstacles in Communicating ESG Issues. The possible reason behind the motivation is analyzed with support from the theoretical framework.

The analysis of the empirical data is presented through a discussion below and the findings are argued for increased understandability (Ekengren & Hinnfors 2006, s. 94-95). Moreover, the discussion of the empirical study of Volvo Group and SKF is summarized in the tables below each subsection. The information regards similarities between Volvo Group and SKF. The theoretical framework supports the possible reason behind the motivation. The structure of the tables is as follows. The first column presents the characteristic, and the two latter present the motivation and possible reason respectively.

5.1 Analysis of the Empirical Data

The empirical study shows that *Integrated Reporting* can be seen as the development of annual reporting and sustainability reporting (Busco et al., 2013, p. 52). Traditionally, an annual report is produced in order to present the financial performance of the business and providing information ESG issues through a sustainability report. *Integrated Reporting* of Volvo Group and SKF incorporate both financial performance and present information integrates ESG issues are integrated into the BM and value creation process. Specifically, a development of *Integrated Reporting* by Volvo Group and SKF is the focus on the different capitals inherent in the business and the focus on the value creation process in accordance to the IIRC framework (Busco et al., 2013, p. 54; IIRC, 2013a).

Nonfinancial Information

The information provided by Volvo Group and SKF is presented through financial and nonfinancial information. Volvo Group and SKF provide the financial statement in accordance to national law and legislations in a separate section in *Integrated Reporting*, which the IIRC framework allows (IIRC, 2013a). In accordance to Busco et al. (2013, p. 52), *Integrated Reporting* of Volvo Group and SKF mainly takes the role of annual reporting rather than sustainability reporting due to the intention of providing investors with information through a TEC for efficient decision making. Possible reason behind could be the traditional focus of annual reporting is to provide the information needs for investors (Jensen & Berg, 2012). Although Volvo Group and SKF have recognized that investors require more nonfinancial information than financial performance can provide in a changed business context and therefore have implemented *Integrated Reporting* (Adams & Simnett, 2011). Volvo Group and SKF construct *Integrated Reporting* to a large extent in a different way. This can in accordance to the IIRC framework is the information provided based on the judgment of the managers in the companies' about what is material to disclose and how (IIRC, 2013a). Additionally, it can be explained by the fact that investors and other stakeholders demand and need different information in the reports (Owen, 2013; Ioana-Maria & Adriana, 2012).

Integrated Reporting implemented by Volvo Group and SKF incorporates to a large extent of nonfinancial information. Nonfinancial information is perceived to present the business operations in a more clear way. Both companies have produced a sustainability report for a long time before implementation of *Integrated Reporting*. Yet the integration of ESG issues into the BM and value creation process is a recent development of the corporate reporting of Volvo Group and SKF. The companies' motivation for presenting BM in nonfinancial information since BM communicate the value creation process, is in accordance to Beatti & Smith (2013) because it has a future orientation in communicating about the performance of the business. However, nonfinancial information in itself is argued not to enhance transparency of a business (Adams & Simnett, 2011), yet the empirical study shows that Volvo Group and SKF value nonfinancial information to be provided in the annual report. Hence, the possible reason behind this can be that large companies aim for transparency and produce integrated annual reports (Frias-Aceituno, et al., 2013a; Frias-Aceituno et al., 2014; García-Sánchez et al., 2013). Volvo and SKF present issues in *Integrated Reporting* closely connected to the future financial performance and motivation behind this is in line with the focus on investors in the information that is communicated.

Further motivation behind the aim of transparency through annual reports can be the fact that Volvo Group and SKF operate its business throughout the world (Dong & Stettler, 2011). As well as, investors and other stakeholders demand and need different information that generates extensive nonfinancial information provided in *Integrated Reporting* through the BM section. The companies thus perceive *Integrated Reporting* as an efficient TEC motivated by providing the necessary information for investors and other stakeholders for reduction of the 'lemon problem' and the issue with information asymmetry (Healy & Palepu, 2001). In addition to the development of *Integrated Reporting*, Volvo Group and SKF have developed new ideas of providing information for fulfilling needs for investors and other stakeholders' decision making through Internet. Internet is a recognized channel for providing more detailed information (Eccles & Serafeim, 2011; Eccles & Krzus, 2010, p. 190). This could be seen to enhance efficient decision making since it allow the companies to update the information in a timely manner and furthermore present integrated financial and nonfinancial information on the companies' websites and social media networks in an innovative way (van Wensen et al., 2011, p. 89).

Solely by SKF the nonfinancial information is provided in the annual reports is subject to assurance. SKF conduct assurance through an external audit and provide the future estimates and the reader can compare with the actual outcome (Healy & Palepu, 2001). Assurance indicate that the information is credible and this is the motivation that SKF for having assurance of the nonfinancial information in line with the discussion by Marx and van Dyk (2011). However Volvo Group does not conduct assurance that is argued to achieve credibility of the information. The possible reason behind the motivation for assurance is not strong may be because skepticism exists about the targeted stakeholder groups read the information (Martin & Hadley, 2008). The development of *Integrated Reporting* requires that the nonfinancial information to be audited for the information in the report to be seen as relevant and credible for the investors and other stakeholders (Dellaportas & Davenport, 2008). However, Volvo Group revealed that they participate with in current discussions by the UN of implementing regulations regarding nonfinancial information in the annual reports. The involvement in this may indicate that Volvo Group values the information to be seen as relevant and credible, although presently they do not conduct assurance voluntarily. Characteristics, motivation and possible reason behind are not presented in the table below concerning assurance because there is existed no similarity between Volvo Group and SKF. Yet it was discussed due to interesting findings from the empirical study.

Summary of Nonfinancial Information

The table below summarizes Volvo Group's and SKF's motivations behind the different characteristics of the development of *Integrated Reporting* as a TEC. Reflections on the aspect of nonfinancial information in *Integrated Reporting* based on the similarities between the companies presented in the table below is that the history has affected the development. Focus on investors and transparency has traditionally influenced the corporate reporting of companies. Thus *Integrated Reporting* can be seen as not changing corporate reporting. Nevertheless increasing the relevance of the information communicated through providing a larger extent of nonfinancial information that is argued in literature to be future oriented (Eccles & Saltzman, 2011; Healy & Palepu, 2001) that is in line with the guiding principle *future orientation* in the IIRC framework (IIRC, 2013a). Therefore it can be concluded that through the increase in nonfinancial information and future orientation of the annual reports as two of the inherent characteristics of the development of *Integrated Reporting* of Volvo Group and SKF can be seen to increase the relevance of corporate reporting. The companies' motivation behind the characteristics can be seen to enhance the corporate reporting as a TEC by providing inventors with more nonfinancial information for increased efficient decision making.

Consequently, possible reason behind the increase of nonfinancial information through *Integrated Reporting* when used as TEC is to provide the necessary information for investors in a changed business context and achieve transparency.

Table 3: Summary of Nonfinancial Information In *Integrated Reporting*.

Characteristic	Motivation	Possible Reason
Increased amount of nonfinancial information in the BM section	Focus on investors	Traditional focus on investors and changed business context resulted in new information needs
Future orientation of the information	Reduce information asymmetry for efficient decision making for investors and other stakeholders	Transparency

External Communication

Integrated Reporting when used as a TEC has significantly increased the amount of pages provided by Volvo Group and SKF. Even though, annual reporting is today criticized for being too long (Prince's Accounting for Sustainability Project, 2014a; Frías-Aceituno et al., 2013a; Adams & Simnett, 2011; Eccles & Saltzman, 2011). The increase in amount of pages of BM section constitutes almost the whole amount of increase of total pages in the annual reports from 2012 and 2013 compared to 2011. Additionally, the many changes in the annual reports from 2013 by Volvo Group and SKF compared to the annual reports from 2012 may indicate that the development of *Integrated Reporting* is highly prioritized within the companies. This may indicate that the development towards *Integrated Reporting* by Volvo Group and SKF recognizes the importance of providing investors and other stakeholders with information concerning the BM in accordance to the discussion by Busco et al. (2013). Furthermore, integration of ESG issues into the BM is presented in an overview with connection to the value creation process that can be seen as an introduction to the BM section. This is motivated by Volvo Group and SKF have recognized that nonfinancial information with regards to future performance is required for an efficient decision-making (Healy & Palepu, 2001; Krzus, 2011; Eccles & Saltzman, 2011; Yongvanich & Guthrie, 2006). However, financial performance is still provided separately in the financial statement in the annual report due to national laws and regulations (Regeringen, 2014). Hence the implementation of *Integrated Reporting*, it is not possible to integrate ESG issues throughout the whole annual report.

On the other hand, Beatti and Smith (2013) argue that *Integrated Reporting* and presenting information through BM and value creation process would help a company to identify disclosures that are too detailed and reduce amount of unnecessary information, which can be perceived as being not the situation for Volvo Group and SKF. Due to the great increase of amount of pages of the annual reports could be perceived that Volvo Group and SKF have not identified too detailed and reduced amount of unnecessary information. Hence this may affect readability of the information (Financial Reporting Council (FRC), 2010 in Abeysekera, 2013; Eccles & Saltzman, 2011) and the ability to communicate a holistic view of the business operation and value creation process (Beatti & Smith, 2013). *Integrated Reporting* in line with the objectives of IIRC should decrease the amount of pages of annual reports (Busco et al., 2013, p. 52). The possible reason behind why *Integrated Reporting* has resulted in increased amount of pages of the annual reports could be that providing mandatory disclosures, nonfinancial reporting to some extent is necessary to be provided by Volvo Group and SKF due to the fact that industrial companies are subject to national laws and regulations concerning environmental and societal issues. Moreover Volvo Group's and SKF's development of *Integrated Reporting* have been influenced by many ideas behind the construction of the reports that these consequently get longer. Due to the fact that Volvo Group and SKF as the information needs of all stakeholders are addressed in the implementation as it is intended in *Integrated Reporting* in accordance to Abeysekera (2013) may be a possible reason why the annual reports have increased in amount of pages.

Furthermore, the study by Renneboog et al. (2008) about investors today is more concerned about socially responsible investments. Volvo Group and SKF confirmed that they perceive that investors today have increased interest and attention towards socially responsible investments. As well as, companies within an industry with large impact on the environment and society, and operating throughout the world commonly has implemented *Integrated Reporting*, as with the situation for Volvo Group and SKF (Frias-Aceituno, et al., 2013b). Studies in countries where *Integrated Reporting* is not mandatory and companies produce them voluntarily, these companies are concerned about their perceived needs for investors and other stakeholders (Eccles & Saltzman, 2011), Therefore this can be seen as a possible reason for why *Integrated Reporting* has been implemented by Volvo Group and SKF and continuously working on improving the annual report. Another possible reason behind this could be that resources exist in large companies for generating necessary information (Frías-Aceituno et al. 2013a).

The motivation behind implementation of *Integrated Reporting* is Volvo Group's and SKF's intention to integrate ESG issues into strategy (Eccles & Saltzman, 2011), whereof evidently can be seen in the changed strategy and objectives of the companies towards sustainability orientation in the annual reports from 2012 and 2013 compared to previously profitability-focus in the annual reports from 2011. Hence, implementation of *Integrated Reporting* by Volvo Group and SKF do not solely regard integrating ESG issues into the BM and value creation process. For Volvo Group and SKF with the motivation to improve sustainability performance and the possible reason behind is that the companies have recognized the impact on the sustainability development integrating sustainability issues into the strategy (Adams & McNicholas, 2007). Moreover, the positive perspective of the Stakeholder Theory may also explain this by Volvo Group and SKF pursue the respond to stakeholders in a new way through integrating relevant ESG issues in the strategy and objectives. The possible reason behind *Integrated Reporting* result in integrating sustainability issues into the strategy is because Volvo Group and SKF are concerned about the influence and power stakeholders have on the business (Deegan & Unerman, 2006, pp. 284-205). Volvo Group and SKF present the information regarding the strategy and objectives in annual reports from 2012 and in 2013 significantly earlier pages compared to the annual report from 2011. Volvo Group's and SKF's motivation behind is communicate a sustainability orientation of the company's activities and the importance of this development.

Even tough, the financial information is argued to not capture the financial performance in today's businesses (Adams & Simnett, 2011), Volvo Group and SKF do not neglect the importance of the financial information and rather emphasize that the annual report should be seen in its completeness. For instance, SKF has constructed the annual report in a way that the different parts are interconnected. SKF has implemented referencing throughout the report to where more detailed information can be found regarding relevant ESG issues. This is motivated by the difficulty of deciding how the report should be constructed in order for all stakeholders to find all relevant information. In accordance to IIRC, the BM section requires a balance and in line with SKF's referencing significant information towards investors and other stakeholders are not excluded (IIRC, 2013a), but presented in more detail in other parts for interested groups, which can be seen to improve the readability and effectiveness of communicating relevant information to the right stakeholder. Because information requests of investors and other stakeholders often conflict (Kolk, 2008), providing referencing in the report can be argued as a construction of the report for efficient readability. Volvo Group has also recognized the obstacle in balancing conflicting stakeholder needs, although has not provided a construction for improving effective readability of the report.

Summary of External Communication

The table below summarizes Volvo Group's and SKF's motivations behind the different characteristics of the development of *Integrated Reporting* as a TEC. Reflections on the aspect of external communication in *Integrated Reporting* based on the similarities between the companies presented in the table below is that *Integrated Reporting* has affected the corporate reporting in various ways. The main underlying motivation under the aspect external communication in *Integrated Reporting* is perceived to be that the report is directed towards all stakeholders even if the companies revealed to focus on investors. It can be suggested that *Integrated Reporting* has affected and influenced the reporting. Characteristics identified under the aspect external communication is that the reports are longer, the reports requires to be continuously improved, it was necessary to revise the strategy and objectives, and lastly important matters in the implementation is the construction of the report and readability. Therefore it can be insinuated that the implementation *Integrated Reporting* is a challenge. The characteristics behind the external communication is motivated by providing necessary information towards all stakeholders for efficient decision making, respond to information demands and needs, communicate the importance of sustainable development and the report should be seen in its completeness and structured for efficient readability. The possible reasons behind the motivations can explain why the companies strive with the implementation. The companies strive to increased attention towards all stakeholders, concerns about investors and other stakeholders information needs and the resources exist to generate it, power and influence of stakeholders on the business and integrating sustainability in strategy and objectives have on the sustainability development and all relevant stakeholders should easily find the relevant information is the possible reasons behind the motivations.

Table 4: Summary of External Communication in *Integrated Reporting.*

Characteristic	Motivation	Possible Reason
Integrated Reporting result in longer annual reports	Provide the necessary information for all stakeholders for efficient decision making.	Increased attention towards all stakeholders is sought for
Continuously working on improvements of *Integrated Reporting*	Voluntarily implemented to respond to information demands and needs	Concerns about information needs and the resources exists for generating necessary information
Revised strategy and objectives with integration with sustainability orientation	Communicate about the importance of a sustainable development of the company	Power and influence of stakeholders on the business and impact of integrating sustainability in strategy and objectives has on the sustainability development
Construction of the report is essential and aim to be constructed in a way for all stakeholders to find all relevant information	Should be seen in its completeness and structured for efficient readability	All relevant stakeholders should have an easy access to relevant information in the report

Communication of ESG Issues

ESG issues are possibly integrated due to recognized advantages of stakeholder satisfaction connected to future financial performance (Becchetti & Trovato, 2011). The development of *Integrated Reporting* by Volvo Group and SKF indicates an increased attention towards other stakeholders than solely investors. Yet, Volvo Group and SKF revealed that financial performance still is the main focus, yet the environmental performance is interrelated. Volvo Group use *Integrated Reporting* as a TEC how their business contribute to society and creates shared value for their investors and other stakeholders. SKF use *Integrated Reporting* as a TEC to inform about how the company generates a decent profit, in a decent way for the society. This can be explained by the companies' strive towards improving sustainability and the intention to communicate this (Adams & McNicholas, 2007). The possible reason behind integrating ESG is in line with Volvo Group and SKF in the annual report is to enhance accountability and increased transparency, which consequently improves credibility of the business in accordance to Bubna-Litic (2008).

Integrated Reporting has been constructed differently between Volvo Group and SKF. The reports are developed with regard to integration and structure influenced by the demands and needs of information by investors and other stakeholders. The motivation behind this is because Volvo Group and SKF construct the reports in accordance to how the perceived investors and other stakeholders most efficiently will read the report. The possible reason is that the demands and needs of information naturally differ between Volvo Group and SKF even though both companies are large industrial companies and in many aspects influence the business context and affect corporate reporting (Kolk, 2008; Eccles & Saltzman, 2011). Furthermore, *Integrated Reporting* by Volvo Group and SKF is implemented in accordance to the preliminary framework by IIRC that is principle-based (IIRC, 2013a), which allow for interpretation and influence that the companies construct the reports differently. Volvo Group and SKF have recognized the difficulty of presenting information with a long-term view in accordance to *Integrated Reporting* (Busco et al., 2013, p. 52), since the information is somewhat static from year to year. Nevertheless, as *Integrated Reporting* should not communicate separately financial and nonfinancial performance, Volvo Group and SKF achieve integration in the BM section in accordance to Eccles and Saltzman (2011). Thus integration of financial and nonfinancial performance can be perceived as a solution for otherwise difficulty of balancing conflicting interests and demands by investors and other stakeholders (Kolk, 2008). Moreover, much of the information presented in *Integrated Reporting* regards examples of how ESG issues are integrated into the BM and value creation process.

Moreover the motivation behind integration for Volvo Group and SKF can be explained by the Stakeholder Theory and in accordance to the ethical/normative concern regarding the fact that the companies have recognized responsibilities towards all stakeholders, rather than solely increase value for its shareholders (Deegan & Unerman, 2006, p. 284). Therefore the *Integrated Reporting* as Volvo Group and SKF have developed it is directed towards all types of stakeholders by providing financial and nonfinancial information (Eccles & Krzus, 2010). The possible reason behind this could be communicating that Volvo Group and SKF intends to improve sustainability of their businesses (Eccles & Saltzman, 2011) and *Integrated Reporting* is used as a TEC (Eccles & Krzus, 2010) due to the limitations with traditional corporate reporting (Adams & Simnett, 2011). Furthermore, Volvo Group and SKF present information through KPI's and value creation process connected to strategy in the BM section. This can be for providing investors and other stakeholders about the value drivers of the business in accordance to the findings by Krzus (2011) about *Integrated Reporting* used as a TEC.

The nonfinancial information in the annual reports of Volvo Group and SKF is presented in combination of ways. Presenting information in a combination of techniques, namely words, numerical information, and pictures the meaning in the information is communicated in most efficient way (Abeysekera, 2013). Volvo Group reveals that the motivation behind this is for presenting integration of ESG issues into the BM section and presenting the information in a narrative way. It can be perceived that SKF also have the motivation to provide the information in a narrative way, due to the fact that the company has increased the usage of techniques for presenting nonfinancial information. This is an efficient way of communicating integration of ESG issues into the BM section, since Volvo Group and SKF in accordance to *Integrated Reporting* present the different capitals of the company (Ibid). Narrative technique is used for presenting information and pictures in order to communicate the capitals impact on future financial performance of the business (Ibid). Therefore, the possible reason for communicating the information with a narrative technique could be to construct *Integrated Reporting* in order to be an efficient TEC, which is in accordance to the sense making theory (Tewari & Dave, 2012).

Summary of Communication of ESG Issues

The table below summarizes Volvo Group's and SKF's motivations behind the different characteristics of the development of *Integrated Reporting* as a TEC. Reflections on the aspect of communication of ESG issues in *Integrated Reporting* based on the similarities between the companies presented in the table below is that the implementation has increased the communication of ESG issues, the integration of ESG issues into the BM section is influenced by the demands and needs by investors and other stakeholders, the presentation of integration of ESG issues has increased by the implementation, and the information is presented through a combination of techniques. These characteristics are motivated by the companies increased attention towards all stakeholders, perception of how investors and other stakeholders most efficiently read the information, influenced by a recognized responsibility towards all stakeholders and the reports are constructed through communicating information through a narrative technique. Thus, communication of ESG issues is subject to decisions to be made about how the integration is communicated and should be presented.

Since *Integrated Reporting* has increased communication of ESG issues as well as presenting increased integration of ESG issues, the production of the reports can be seen to increase in complexity. Moreover, the possible reasons behind the motivations of the characteristics inherent in the development of *Integrated Reporting* can explain why. Advantages of stakeholder satisfaction connected to future financial performance have stimulated the increase in communication of ESG issues. Communication in *Integrated Reporting* differ because the demands and needs of information differs between the investors and stakeholders, and the integration of ESG issues that are communicated could be for the purpose of improving sustainability development which could be seen to require external communication in order to be successful since it could regard cooperation with external stakeholders. The increase of presenting ESG issues through many different ways of techniques for implementing *Integrated Reporting* as an efficient TEC is the last possible reason behind the communication of ESG issues. The common denominator for the four possible reasons could be striving towards producing a report for efficient decision making for investors and other stakeholders. Concluding, decision making should be efficient for all the stakeholder it is directed towards is the emphasis in *Integrated Reporting* when used as a TEC.

Table 5: Summary of Communication of ESG Issues in *Integrated Reporting*.

Characteristic	Motivation	Possible Reason
Increased communication of ESG issues	Increased attention towards all stakeholders	Recognized advantages of stakeholder satisfaction connected to future financial performance
Integration of ESG issues is influenced by the demands and needs of information by investors and other stakeholders	Reports constructed in accordance to the perceived idea behind how investors and other stakeholders most efficiently read the information	The demands and needs of information naturally differs between Volvo Group and SKF even tough both companies are large industrial companies
Presenting increased integration of ESG issues	Recognized responsibilities towards all stakeholders	Communicating integration of ESG issues to improve sustainability development
ESG issues are presented through a combination of techniques	Communication of ESG issues with a narrative technique	*Integrated Reporting* as an efficient TEC

Obstacles Concerning Communication of ESG Issues

A motivation why the *Integrated Reporting* produced by Volvo Group and SKF is constrained concerning full transparency of the companies' activities, is the recognition of having disclosed what the company intends to do, this requires the company to conduct and follow up. Therefore Volvo Group and SKF revealed that the companies are to some extent careful when communicating about the company's strategy and future activities. The increased attention towards multinational companies and changed business context has driven forth the development of *Integrated Reporting* (Kolk, 2003; Adams & Simnett, 2011; Becchetti & Trovato, 2011; Bowd et al., 2006). Yet it is evident that the trade-offs are being made with full disclosure of company's activities due to constrains of the companies' communication strategy (Healy & Palepu, 2001). Although, the discussion above concerning the possible reason behind *Integrated Reporting* can be seen as a tool for reducing information asymmetry, on the contrary, the discussion regarding constrains in full transparency can indicate that it may affect the quality of the information and consequently an efficient decision making in accordance to the Signaling Theory (Connelly et al., 2011).

Concluding, it is evident that the development of *Integrated Reporting* has been subject to obstacles that have affected the implementation of *Integrated Reporting* as an efficient TEC. Due to this, Volvo Group and SKF do not claim compliance to the IIRC framework of their annual reports. Volvo Group has recognized the openness that *Integrated Reporting* in accordance to the IIRC framework may be disadvantageous for competitive reasons that is in line with discussions about why a company may constrain communicating about the business activities completely (Healy & Palepu, 2001; Adams & Simnett, 2011; IIRC, 2013a). However, the IIRC framework recognizes exceptions in compliance to all requirements concerning situation when reliable information is not available or prohibited by law, or could cause harm of the business from a competitive view (IIRC, 2013a).

Summary of Obstacles Concerning Communication of ESG Issues

The table below summarizes Volvo Group's and SKF's motivations behind the different characteristics of the development of *Integrated Reporting* as a TEC. Reflections on the aspect of obstacles concerning communication of ESG issues in *Integrated Reporting* based on the similarities between the companies presented in the table below is that a large part of the development is affected by constrains in full transparency of future activities. As discussed above, many motivations by the companies drive *Integrated Reporting* forth. Yet, it is important to remember the consequences of communication of future activities since it then also lead to expectations from investors and other stakeholders for the company to fulfill. Therefore, possible reason behind constrains in full transparency and carefulness in communication of ESG issues, the development of *Integrated Reporting* as a TEC is influenced by trade-offs in the companies' communication strategy. Lastly, what can be understood is that regardless of motivations for the characteristics inherent in the development of *Integrated Reporting* and the possible reasons behind, as a TEC is it essential for companies to have a well- developed communication strategy. It is perceived that Volvo Group and SKF have a well-defined communication strategy and have a clear idea that a communication strategy is important for corporate reporting.

Table 6: Summary of Obstacles Concerning Communication of ESG Issues In *Integrated Reporting*.

Characteristic	Motivation	Possible Reason
Constrains full transparency of future activities	Disclosed what the company intends to do, requires be to be conducted and followed up and consequently carefulness exists of what to disclose	Trade-offs influence the development of *Integrated Reporting* due to constrains in communication strategy

6 Conclusion

This chapter connects the different chapters of the thesis and the conclusions that can be drawn in this study are outlined. The first section presents the main findings and conclusions in order to answer the research question and achieve the purpose of the study. Lastly, will the reflections on the study are discussed and suggestions for future research are presented.

The purpose was to study the development of *Integrated Reporting* as a TEC. The main findings and conclusions outline the possible reasons that are behind the companies' motivations of the characteristics inherent in the development, when *Integrated Reporting* is implemented voluntarily. During the study, four important aspects of the development of *Integrated Reporting* have been identified. Firstly, the important part of the report regarding the BM section is nonfinancial information. Moreover, the external communication and how ESG issues are communicated. Lastly the development of *Integrated Reporting* concerns obstacles in communicating about ESG issues. Notably, it was found that the BM section is perceived as the most important section as well as the section in *Integrated Reporting* to put emphasis on the development of the investors' and other stakeholders' demands and needs for information.

6.1 Main Findings and Conclusions

The development of *Integrated Reporting* encompasses providing information about financial performance and integration of nonfinancial information. Nonfinancial information has been provided for the sake of investors and other stakeholders, yet has previously been presented in a separate report or section in the annual report. *Integrated Reporting* is used as a TEC in order to reduce the information asymmetry for all stakeholders of the business. Therefore, the BM section presents nonfinancial information regarding integrated ESG issues with financial performance. Although, it was found that *Integrated Reporting* mainly takes the role of annual reporting and focus on the investors. Nevertheless, a main finding is that the development of *Integrated Reporting* is highly prioritized. Another main finding was that *Integrated Reporting* should be seen in its completeness. Therefore, the construction of the report for efficient communication of ESG issues is of great importance. However the implementation of *Integrated Reporting* has increased amount of pages of the annual reports. A possible reason behind could be the report try to address attention towards the information demands and needs for all stakeholders. One main finding from this study were the emphasis of providing more detailed information through Internet is important for the companies in the development of *Integrated Reporting*. Furthermore, one main finding is the companies' emphasis of the development of *Integrated Reporting* regards how information should be presented. The information is presented in a narrative way and the possible reason behind is to develop *Integrated Reporting* as an efficient TEC. Nevertheless, companies aim transparency yet obstacles are identified in communicating about company's strategy and future activities to a full extent. The companies' motivation behind is because when disclosing something, this requires the company to follow up and therefore constraining openness and full transparency. Hence a possible reason why this constrains the development of *Integrated Reporting* used as a TEC among companies when implemented voluntarily for efficient decision making for investors and other stakeholders.

Moreover, the development of *Integrated Reporting* incorporates integration of financial performance and ESG issues and the motivation for the companies to integrate ESG issues into strategy. The possible reason behind is the recognized impact this has on the sustainable development of the business. One main finding is the changed strategy and objectives towards sustainability orientation. The information regarding this is presented earlier in the annual reports from 2012 and 2013 compared to 2011. The possible reason behind this is to communicate the sustainability orientation of the company's activities and importance of the sustainability development. Hence, enhance accountability of the business, and through *Integrated Reporting* used as a TEC achieve transparency improve credibility of the business. The motivation behind this is further explained by the companies have recognized increased interest and attention for socially responsible investments and large industrial companies great impact on the environment and society. Other possible reasons can be the companies' concern for perceived needs for investors and other stakeholders and the resources exist for generating the information that investors and other stakeholders need. Concluding, one main finding from the empirical study is that Volvo Group's and SKF's motivations behind the characteristics are aligned.

Presentation of conclusions that was possible to be drawn in this study, however not with support from the theoretical framework is the following. Volvo Group and SKF have a rooted culture of integrating ESG issues into the value creation process in order to be prepared to future challenges and the interest of the society. Sustainability orientation through integrating ESG issues has been done by the companies in approximately the last two to three decades. *Integrated Reporting* can therefore be seen as an innovative way of presenting the information. As it was found, the information from integrated ESG issues into the BM section in the annual reports is relatively static due to its long-term nature. Consequently, *Integrated Reporting* through the IIRC framework solely guides the companies to present the information in a new way. Volvo Group and SKF does not to a full extent comply with the IIRC framework today and does not claim their corporate reporting of being *Integrated Reporting*, but revealed that this is because the framework was not launched when the report from 2013 were constructed. This therefore can explain why the development of *Integrated Reporting* is still in its infancy.

Further reflections are as follows. It can be understood that *Integrated Reporting* does not significantly change corporate reporting due to its focus on investors. It can be understood as the reports are constructed through increased nonfinancial information and integration of ESG issues be seen as increasing the relevance of the information provided for investors and other stakeholders' demands and needs for efficient decision making. It could be perceived to be a challenge to implement *Integrated Reporting* when used as a TEC. The reflection is motivated by the characteristics identified under the aspect external communication is that the reports are longer, the reports requires to be continuously improved, it was necessary to revise the strategy and objectives, and lastly important matters in the implementation is the construction of the report and readability. Moreover, *Integrated Reporting* has increased communication of ESG issues as well as presenting increased integration of ESG issues. Therefore the production of the reports can be seen to increase in complexity. Concluding, there is a great emphasis *Integrated Reporting* when used as a TEC for decision making should be efficient for all the stakeholders it is directed towards. In addition, what can be understood is that regardless of motivations for the characteristics inherent in the development of *Integrated Reporting* and the possible reasons behind, as a TEC is it essential for companies to have a well-developed communication strategy.

Lastly, regarding the main findings and conclusions that have been drawn from the empirical study, the result from this could not have been expected. Due to the nature of the study for being a case study of solely two companies, the conclusions can be interpreted as general laws meaning that the result can be applied from the setting of the companies been studied to similar settings. In spite of this limitation of the theoretical contribution, it is believed that the knowledge gained from this study contributes to the existing theory about the phenomena *Integrated Reporting* from the perspective when used as a TEC. However, important to remember that *Integrated Reporting* is still in its infancy and is expected to continue its development as the new way of producing corporate reporting mature and is implemented by more companies.

6.2 Reflections on the Study and Suggestions for Future Research

Reflections on the research methods for critically examine the limitations with them that have had consequences on the result. For instance that this was an interpretive approach towards the content analysis and interviews with the companies, therefore the results are likely to be influenced by subjectivity. Yet quantitative study would not allow this study to answer the research question. The research phenomenon is still in development and previously not researched about in the perspective when used as a TEC. Hence an interpretive approach and explanatory case study was argued to be the most suitable towards this study. Therefore, the limitation regarding subjectivity was accepted, which is further discussed in the chapter *Methodology*.

This explanatory case study may well serve a good basis for what can be studied in the future due to its nature of the result being gaining deeper understanding of the phenomena of *Integrated Reporting* (Collis & Hussey, 2009). In this study, the following suggestions have derived during the study about *Integrated Reporting* that was not possible to answer, and therefore serve as suggestions for future research. This thesis incorporated several perspectives on the development of *Integrated Reporting*, hence it would have been interesting to conduct a deeper interview with persons from different departments within the companies and compare the different perspectives. Moreover, the findings from the study revealed that the companies provide integrated information through the Internet that is something that the companies will elaborate on in the future. Therefore, another suggestion would be to conduct a similar study and study how this information is communicated towards investors and other stakeholders for instance through the companies' websites and other social media portals. A last suggestion could be to conduct a similar study and compare the findings from this study with industrial companies with companies from another industry to test the theoretical contribution of the findings from this study of industrial companies.

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