Integrated Corporate Reporting as An Innovative Business Reporting Model

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Abstract: The subject of the research is the genesis of integrated corporate reporting as an innovative Business Reporting model. The article deals with theoretical and methodic problems of forming integrated corporate reporting process at modern time. Conception of making and preparation of integrated corporate reporting based on information reflected full life cycle of company (creation, functioning, and perspective future) is introduced by authors. In the authors’ opinion this approach provides business model of business unit by cooperation of basic involved to business capitals (financial, production, human, intellectual social, natural) implementation. Drafted proposal can be used in process of analysis and valuing of valuables creating chain, business strategy, scenarios of development construction, valuing of economic value added creating prospect.

Index Terms: business model, capital, conception, integrated corporate model, non-financial reporting.

I. INTRODUCTION

Modern condition of the world economy, high-tech solution adoption, fierce competition, integration of Russian economy to world economic relations and many other factors lead to changes in information needs of key users [1]. Financial statements, saving its significance, to the contrary is not considered as the one source about business condition today. Many information queries of interested users grow out of performed in the financial statements financial indicators and relations. Due to it different approaches to forming of so called non-financial reporting assume a greater importance.

Integrated corporate reporting is presented as modern active used channel of information cooperation for serving the interests of wide range of related parties. It is the effective way for description of business units’ ability for stable functioning and potential of value creation supporting. Development of integrated corporate reporting conception is one of actual problems for business in Russia, because it contributes to growth of informative value and transparency of big entities activity by value added creating of capital needed for effective capital using, provides satisfaction of information needs by interested users for taking managerial decisions, is one of the most significant factors for stable business development, makes a great contribution to socio-economic development of regions and country as a whole, contributes to development of environmental and ecologic programs.

II. LITERATURE REVIEW

The reflection of business activity results is important part of business life, because this information helps to make efficient managerial decisions for management, attract investments and interact with external subjects [2]. Information about business activity is performed in corporate reports, nature, principles and content of which are improved permanent. If earlier most attention was paid to financial indicators, reflected in the Financial Statements [3], it is necessary to pay attention on non-financial information today also due to complexity and diversity of business dealing. Non-financial information helps to identify results of activity by different directions, in different divisions. To standardize requirements to forming of integrated reporting the International Integrated Reporting Council (IIRC), dealing with issues of generation, implementation and application of integrated reporting had the International Integrated Reporting Framework (IIRF), which is intended, to accelerate the adoption of integrated reporting across the world, according to IIRC suggestions. The IIRF considers the disclosure information about interaction of 6 types of capital: Financial, Manufactured, Intellectual, Human, Social, and Relationship, Natural, in the integrated reporting [4]. Of course not all companies need to form complex integrated corporate reporting. Small business units and medium sized entities with one simple direction of business activity can form integrated optionally because this activity type is complex, labour-intensive and expensive. But big companies should to generate integrated reporting to present positions in all components of business. Moreover, M.L. James considers that all listed companies should to publish integrated reporting, because it can lead to great benefits [5]. It should be noted that application of the principles of integrated reporting forming can play an important role in business activity, presenting actual...
position of business from different points of view in a part of availability and using of resources. In real life despite of advantages of integrated reporting using, this tool is hardly used in Russia. In 2015 K. Havlova researched an adoption of integrated reporting according the standard of IIRC in business units over the world in different industries (it was pilot program of IIRC, when some companies adopted integrated reporting inside). Results of the search presented increasing of degree of integrated reporting adoption during the search period (from 2010 to 2014). “The number of entities that adopted integrated reports fully is increasing from 16 in 2010 to 37 in 2014” [6] from 48 searched business units. It says about growth of importance of integrated reporting because it shows results of all business activity. Search about number and extent of reports says it also, because the most complex technology companies and companies in energy have the longest integrated reports [6]. The research touches extent of integrated reporting adoption by countries also but the performed trend of it can be incorrect because of small number of business units in the selection. Nevertheless according to the research Russian companies adopted integrated reports had one of the longest integrated reporting. Because of small selection results of research by countries cannot be interpreted at the one side. And at least two factors can lead to this situation:

• More tech companies were searched in one country than in the other.

• Size of companies and its structural units.

At the same time the longest integrated reporting in Russia can be the result of forming procedures based on financial report forming due to absence of methodological base for integrated reporting forming in Russia. As a result content of integrated reports in Russian companies is extensive what continues requirements of Russian law to information disclosure in details. At the end much value of information can be useless in practice. Despite of development of international standard by integrated reporting, in Russian practice “Methodology and technology of this reporting forming is on development stage” [7]. That is why there are not enough fundamental works about forming and preparation of integrated corporate reporting and full reliable research about its opportunities of analytical and informative potential.

Many famous scientists in Russia try to solve this problem active disclosed assignment, nature and content, principles and specifications to information disclosure. M.A. Vakhрушина considers that “integrated reporting should to reveal character of management action of six capital types (financial, production, human, intellectual, natural, social)” [8]. Further information of integrated reporting should to content the analysis of “quality of organization with related parties” accounting their legitimate interests and expectations [9]. For composition analysis of integrated reporting V.K.Kogdenko and M.V.Melnik compare traditional and integrated reporting, detailing directions of “its transforming to data system, aggregated key indicators for taking management decisions” [10]. N.V. Malinovskaya, basing on “integrated mind”, defines as a part of integrated corporate reporting “relation between financial and management statements, reports about corporative management and rewards, reports connected with stable developments” [11].

Maximum discussion has questions about information content connected with integration of current accounting types data and mechanism of new accounting type creation. This is “business accounting” which should be “motivation element of accuracy of taken by financial capital providers’ decisions about resources allocation and reflecting of results about value creation in integrated reporting acceptance” [12]. While “integration process should be based on basic rules such as any economic process” [13], what shows necessity of perfection for methodological support of creation and preparation of integrated corporate reporting. One else valid reason for improvement of integrated corporate reporting based on cooperation of financial and non-financial information is increasingly larger role of innovative activity and creation of innovations. Innovative activity has pronounced features connected with difficulties of financial results from commercialization of innovations determining and competent valuation of innovative assets in not only long-term period but in medium-term period also. That is why innovation activity and its results should be reflected in relationship with other types of non-financial information, what should be performed in the integrated corporate reporting.

III. METHODOLOGY

Under the research analysis of world and domestic experience about integrated corporate reporting was implemented. Standard regulations, works of world and domestic scientists, international documents about problems of valuing of business efficiency in current and prospective periods were studied. System analysis for objective appraisal of company ability for added value creating, empirical study, principles of formal logic, analysis and synthesis of theoretical and practical materials were used as research tools.

IV. PROPOSAL, PRACTICAL SIGNIFICANCE, RESULTS AND DISCUSSION

In modern conditions research of principles, concepts, components, ways of annual integrated corporate reporting forming are faced with many theoretical and practical questions. Main questions are:

• What should be included in integrated reporting?

• What key types of resources and equity are used in organization and what is their influence?

• For what unit is organization affiliated and which are information queries of users?

• What are business abilities in range of measuring, management and union in the common information space of public and social cooperation with the environment?

• Is it possible to cover and perform issues of stable development and growth in reporting?

Responses to the questions concern and excite enormous number of interested managers, responsible executives, consultants, scientists, controllers and owners all over the world permanent. Within this framework particular significance has understanding of conceptual content of system accounting integration processes and reporting preparation with a
glance to modern trends in doing business area, and encouragement of social responsibility. As noted by I.E. Kalabikhina, D.A. Voloshin, V.S. Dosikov, “new model of integrated reporting is considered as ability for reflecting of more complete picture of activities studied in company, which performs risks and opportunities, connecting Environmental, Social and Governance (ESG) factors and financial results of company more logical” [13]. It is the authors’ opinion that one of the key distinctive elements of integrated corporate reporting is information about different types of capitals and resources involved in business activity for stable increasing providing actively. Identification plurality and ambiguousness of used capitals and resources says about needs in full all-round disclosure about them and needs in using of adequate ways of accounting and reflecting in the reporting. For example, intellectual equity category disclosure “means description of any information about existence and moving in business activity of intangible assets in the annual and other reports of company” [15]. The same relates to financial, production, human, cultural and other capitals. We had formed authors’ concept based on information reflected full life cycle of company (creation, functioning and prospects in the future) within framework of theoretical base of methodological support of integrated corporate reporting preparing development. According to inner content processes of preparing and presentation of integrated corporate reporting should be considered as set of procedures formed information about strategic activity of organization, about value added creating for a time and reflects vision of stable growth provision of business, The vision is presented on the Fig.1.

Fig. 1: Authors’ concept about preparing integrated corporate reporting

Stage of company creating in integrated reporting should be disclosed in according to next principles:

- Individuality of business model.
- Direction of strategy of business unit development.
- Classification of external and internal factors, had impact on value creating with a glance to company mission on Russian market and interests
of different stakeholders. Disclosure of operational activity is the most informative part of reporting because this information should to characterize earned added value by operational activity, results of set goal achievement due to reflection of financial, social, public and ecologic positions by integration of financial and non-financial indicators. Stage of future prospects in integrated reporting should be disclosed in a part of forecast stable business development taken into account risks and opportunities of company in medium-term and long-term periods.

V. SUMMARY AND CONCLUSION

The formulized in the article authors’ concept of creating and preparing of integrated corporate reporting is based on information reflected full life cycle of company (creation, functioning, and prospects in the future) and built on principle of integration. Due to the principle of integration current business model of business unit by integrated cooperation of main involved in business capitals (financial, production, human, intellectual, social, natural) is realized for economic added value creating and stable business providing. Implementation of the concept secures developing of methodological approaches to process of information integration, defining of principles for analysis and synthesis, creating of additional characters and features of integrated system.

REFERENCES