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Towards A New Era In Corporate Reporting: The Need For Firms' Adoption Of The Integrated Reporting Approach In Nigeria

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***Abstract:** Changing business environment has induced the urgent need for a more robust reporting system in Corporate reporting. Globally, Integrated reporting is seen to have filled the reporting gap created by the other reporting systems. Therefore, the study investigated the need for firms in Nigeria to integrate into the global integrated reporting practice. Content analysis was used to analyze the 2014 and 2015 integrated reports of Coca cola Company, which based on current existing facts, is the only Company that has adopted integrated reporting practice in Nigeria since 2014. Findings revealed that there is an urgent need for the adoption of the practice in Nigeria giving the prevailing increase in corporate failures in addition to the need to produce a more detailed report and promote transparency in reporting. Based on these, it was recommended that integrated reporting practice be made mandatory for firms in Nigeria for better assessment of their performance and for improved managerial effectiveness.*

***Keywords:** Conventional; Sustainability; Integrated; Reporting*

I. INTRODUCTION

Organizations have come to realize that meeting stakeholder expectations is a necessary condition for sustainability as the need to achieve overall strategic business objectives (Ballou, Heitger & Landes, 2006). As the human society progresses leading to a more obvious interrelationship and interdependence between business and society, different interest groups have began to mount pressure on business organizations to assume more responsibilities for the society in which they operate, beyond their economic function (Inyang et al., 2011). Over the years, maximizing shareholders value was the overriding concern of most firms. However, it has been observed that If maximizing shareholder value continues to be an overriding concern, companies will not be able to meet other key stakeholder interests (Ballou, Heitger & Landes, 2006), because a network of relationships connects the company to a great number of interrelated individuals and constituencies, called stakeholders (Freeman, 1984; Donaldson and Preston, 1995; Post et al., 2002). Statutorily, financial statements are a major component of annual communications with stakeholders in making economic decisions as they provide largely historical financial information about the financial position, performance and changes in financial position of an enterprise to enable stakeholders make informed assessment about them.

Before the late 90s, Organizations adopted the conventional also known as the traditional reporting system for communicating to their stakeholders regarding their performances because most businesses as at that time, offer a narrow range of products or services and do not require custom designs. The system focused mainly on cost reporting and fixed-asset utilization to reflect the many essential traits of conventional businesses, such as incremental labor and machine usage. As changes in the business world occurred, it was observed that Modern businesses, however, have become less dependent on labor usage and don't keep their machines busy at all times to deliver better business results. Instead, a business may resort to technological innovation, as well as focusing on fast inventory turnover and high-quality customer

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service to boost business performance, while maintaining fixed usage in labor and machines. Such changes in business environment for instance, led to problems for traditional reporting practices because it lacked appropriate measures to effectively track a new business' performance. In addition, it was observed that traditional accounting practices may provide misleading performance measures for businesses no longer involved in mass production of a single product or offering undistinguished service. Due to the obvious inadequacies of the conventional reporting practice and in line with the changing business environment, there was need for the introduction of a broader and more encompassing reporting practice.

The late 90s saw the emergence of the TBL concept, as a new model for measuring ethical, environmental and social responsible behavior of organizations (Elkington, 1994). The TBL paradigm, by emphasizing and integrating three key dimensions of sustainable development, 'profits, planet and people', forced corporations to widen their circle of responsibility and focus, for the first time, not just on the economic value that they add, but also on the environmental and social value they add – or destroy (Elkington, 2004, cited in Miller et al., 2007). The TBL concept captures the essence of sustainability by measuring the impact of an organization's activities on the world, including both its profitability and shareholder values and its social, human and environmental capital (Savitz, 2006, cited in Slaper & Hall, 2011).

With the shift from economic emphasizes to societal focus toward environmental longevity, businesses are encouraged to look at the big picture and see their impact in the world around them. A fundamental philosophy propagated today is how imperative it is that businesses address all values in reporting in order to lessen the chance that their activities will cause harm to global resources, not only for today's population but for future generations (Jackson, Boswell and Davis, 2011). In the wave of heightened expectations of corporate transparency and accountability, greater requirement is been placed in the pursuit of accounting for the interrelationship between financial performance and business strategy.

Integrated reporting is a new concept that has evolved in recent times. It helps to complete Organization's financial and sustainability reports. It focuses on firms financial and non financial reporting. The aim of the integrated report is to clearly and concisely tell the story of the company, who it is and what it does and how it creates value, its strategy, opportunities and risks, its business model and governance, and the performance against its strategic objectives in a way that gives stakeholders a holistic view of the company and its future. Integrated reporting brings together organization's strategy, governance, performance and prospects in such a way that the commercial, social and environmental context of an Organization is reflected (IIRC, 2011).

With increase in corporate failures and the 21st century challenges of globalization, overconsumption of non-renewable natural resources, climate change, growing policy activity in response to financial and governance crisis, rise of global warming, and actual and prospective resource scarcity, requirement for clean water, food and improved living conditions for a global population increasing at a geometric rate and other environmental concerns, there seem not to be a better moment to challenge the corporate reporting responsibility (Jeyaretnam & Niblock-Siddie, 2010). Although Organizations have increased the pace of corporate disclosure, key information gaps remained. While Largest companies in Denmark are now obliged to report on non-financial information and South Africa has made significant progress in addressing the challenges of integrated reporting by mandating all listed entities to issue annual integrated reports in place of annual financial and sustainability reports, (Tijani, Ogundeji and Kayode 2013), Firms in Nigeria are yet to significantly key-in, into this reporting practice. It is on this premise that this study addressed the need for Nigeria to integrate into this reporting practice, given her current prevalent economic challenges.

II. REVIEW OF RELATED LITERATURE

The concept of integrated reporting has been of focus in present time. In its simplest form, integrated reporting can be understood as the convergence of the sustainability report and the financial report into a single narrative communication intended mainly for stakeholders in which top management provides its views on how sustainability issues and initiatives are expected to contribute to the long-term growth strategy of the business.

According to the International Integrated Reporting (IR) Framework, which is an articulation of the International Integrated Council Reporting (IIRC's) principles and methods, an integrated report is a concise communication about how an Organization's strategy, Governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term. The (IR) Framework recognizes the importance of looking at financial and sustainability performance in an integrated way—one that emphasizes the relationships between what it identifies as the "six capitals"—financial, manufactured, natural, human, intellectual, and social and relationship—and corporate performance over the three different time horizons (short, medium, and long term). The fundamental assumption of the Framework is that each of these types of capital—whether internal or external to the business, tangible or intangible—represents a potential source of value that must be managed for the long run in order to deliver sustainable value creation.

The reporting function is important because all stakeholders need to gain a deeper understanding of the interconnectedness between business results and the changing dynamics that characterize today's business environment. Since management teams are dealing with these factors on a daily basis, they are generally in the best position to explain the links and dependencies between new sources of risks and opportunities and to outline the measures they are taking to address them and sustain value creation.

The International Integrated Reporting (IR) Framework provides for the components of Integrated report to include:

- ✓ Organizational overview and the external environment under which it operates.

- ✓ Governance structure and how this supports its ability to create value.
- ✓ Business model.
- ✓ Strategy and resource allocation.
- ✓ Performance and achievement of strategic objectives for the period and outcomes.
- ✓ The basis of presentation needs to be determined, including what matters are to be included in the integrated report and how the elements are quantified or evaluated.
- ✓ Risks and opportunities and how they are dealing with them and how they affect the company's ability to create value.
- ✓ Outlook and challenges facing the company and their implications.

Integrated reporting framework does not require discrete sections to be compiled in the report, but there should be a high-level review to ensure that all relevant aspects are included. The linkage across the above content can create a key storyline and can determine the major elements of the report, such that the information relevant to each company would be different.

The IIRC advanced five guiding principles which reinforce the preparation of an IR report (IIRC, 2011). These include Strategic focus, Information connectivity, Future orientation, Responsiveness and stakeholder inclusiveness, Conciseness, reliability and materiality. An integrated report should provide insight into the nature and quality of the Organization's relationships with its key stakeholders, including how and to what extent the Organization understands, takes into account and responds to their needs and interests. Furthermore, the report should be consistent over time to enable comparison with other entities.

An integrated report may be prepared in response to existing compliance requirements; for example, a management commentary. Where that report is also prepared according to the framework or even beyond the framework, it can be considered an integrated report. An integrated report may be either a standalone report or be included as a distinguishable part of another report or communication. For example, it can be included in the company's financial statements.

III. RESEARCH METHODOLOGY

Content analysis was used to analyze the extent of disclosures made in Coca cola Company's integrated report for 2014 and 2015 respectively. Based on available information, only the Company has adopted the integrated reporting practice in Nigeria as at the above period. Content analysis was adopted for the study because it is a research technique used to make replicable and valid inferences by interpreting and coding textual material (Duriau, Reger & Pfarrer 2007). This study measures the extent of disclosure in the integrated report in terms of Contents reported and performance highlights presented in the reports.

IV. ANALYSIS OF DATA AND DISCUSSION OF FINDINGS

STRATEGIC REPORT	CORPORATE GOVERNANCE	FINANCIAL STATEMENTS	SUPPLEMENTARY INFORMATION	SWISS STATUTORY REPORTING
✓ 2014 & 2015 Highlights ✓ 2.Chairman's Statement ✓ Coca-Cola HBC at a glance ✓ Our business model ✓ It's good to share ✓ Chief Executive Officer's review ✓ Our strategy and KPIs ✓ Managing our material issues ✓ Our People ✓ 10.Community Trust ✓ 11.Consumer Relevance ✓ 12.Customer Preference ✓ 13. Cost Leadership ✓ 14Performance Summary ✓ 15. Risks and opportunities ✓ 16. Financial review ✓ 17. Market overview ✓ 18.Established Markets ✓ 19.Developing Markets ✓ 64.Emerging markets	✓ Board of Directors ✓ 2.Corporate governance report ✓ Remuneration ✓ Statement of Directors' Responsibilities	✓ Independent Auditor's report ✓ 2.Financial statements ✓ Notes to the Financial statements	✓ CSR assurance statement ✓ GRI index and communication on progress ✓ United Nations Global Compact (UNGC) communication on progress ✓ 4.Shareholder information	✓ Report of the statutory auditor on Coca-Cola ✓ HBC AG's consolidated financial statements ✓ Report of the statutory auditor on Coca-Cola HBC AG's financial statements ✓ Coca-Cola HBC AG's financial statements ✓ Report of the statutory auditor on the Statutory Remuneration Report ✓ 6.Statutory Remuneration Report ✓ Special E&Y audit opinion on conditional capital increase

Source: Extract from 2014 and 2015 Coca Cola Integrated Report

Table 4.1: Contents Reported

YEAR	CAPITALS	VALUE CREATED	VALUE SHARED WITH
2014	✓ **Financial** Shareholders' equity, debt ✓ **Manufactured** Plants, warehouses, distribution centres ✓ **Human** Employees, partners ✓ **Natural** Water, energy, eco-system services, biodiversity ✓ **Intellectual** Brands, standards, processes, corporate reputation ✓ **Social** Communities, customers, suppliers, diverse groups of stakeholders, NGOs, IGOs, industry coalitions ✓ **Partnering** With the Coca-Cola	✓ **Unit Cases of beverages:** 2billion ✓ **Customers served:** 2.1 million ✓ **Consumers served:** 589 million ✓ **Direct Employment:** 36,362 ✓ **Spend on Community Programmes:** €8.7million ✓ **Volunteer hours:** 31,296 hours ✓ **Water foot print reduced to:** 18.4billion litres ✓ **Carbon foot print reduced to:** ✓ 718,766 tonnes ✓ **Packaging recovery:** 73% ✓ **Recycled waste from operations:** 91% ✓ **Net profit:** €295 million	✓ **Employees** Rewarding our people Secures a skilled and motivated workforce ✓ **The Coca-Cola Company** Investing in our business and executing flawlessly Ensures a fruitful partnership for years to come ✓ **Communities and environment** Enriching the lives of communities, contributing to the public good and safeguarding the environment Makes us local and earns us the trust of our communities. ✓ **Customers** Helping customers increase sales Provides us with channel diversity. ✓ **Consumers** Meeting consumer needs by offering them choice and quality. Generates revenue, contributing to the sustainability of the business. ✓ **Shareholders** Delivering strong sustainable earnings and dividends Establishes a supportive shareholder base.
2015	✓ **Financials**	✓ **Net profit:** €280	✓ **Shareholders**

	We seek to efficiently use funds obtained through financing or generated from operations or investments. ✓ **Manufactured** We carefully manage the stock of manufactured capital, including equipment and buildings, available to produce and distribute our products. ✓ **Human** We continually work to develop the competencies, capabilities and talent of our people, a critically important asset. ✓ **Natural** Water, energy and other natural resources are important inputs to our value creation processes, and we seek to use them efficiently. ✓ **Intellectual** Our knowledge-based assets include our brands and brands we license, as well as proprietary technology, standards, licenses and processes. ✓ **Social and relationship** Social and relationship capital includes our reputation and our ability to earn and maintain the trust of key stakeholders.	million ✓ **Reduction in plants:** 11% ✓ **Direct Employment:** 33,311 ✓ **Reduction in water consumption:** 5.5% ✓ **Water replenishment rate of** 164% ✓ **Total taxes:** €271million ✓ **Volunteer hours:** 6,000 ✓ **Spend on Community programmes:** €8.2million.	Through the process of managing all inputs to our business well, we create profits which benefit shareholders through dividend payments and share value. ✓ **Suppliers** As we create value, we support businesses throughout our value chain and support job creation beyond our business. ✓ **Employees** Developing, recognizing and rewarding our people secures a skilled and motivated workforce. ✓ **Customers** Our efforts to produce products efficiently and responsibly builds value for our customers businesses. ✓ **Communities** When our business is profitable, sustainable and responsible, the communities where we operate benefit through job creation, tax payments to governments, useful products and services and minimization of environmental impact. we also consistently invest 2% to 2.5% of our pre-tax profits in programmes to support communities in our territory.

Source: Extract from 2014 and 2015 Coca Cola Integrated Report

Table 4.2: Contents reported under Integrated Reporting Framework

PARTICULARS	2015	2014	%CHANGE
Volume (Million units cases)	1055	1029	2.5%
Net sales revenue (€Million)	2769	3007	-7.9%
Comparable EBIT (€Million)	176	220	-20.1%
Total taxes (€Million)	109	117	-7%
Population (€Million)	426	422	1%
GDP per capita (US $)	5,143	7,643	28%
Bottling Plants (Number)	36	41	-12%
Employees (Number)	21,354	23,875	-11%
Water foot prints (Billion litres)	10.8	10.8	1%
Carbon emissions (tonnes)	400,647	432,251	-7%
Safety rate (Lost time accidents > 1 day per 100 employees)	0.19	0.23	17%

Source: Extract from 2014 and 2015 Coca Cola Integrated Report

Table 4.3: Comparisons of Performance Highlights

V. DISCUSSION OF FINDINGS

From table 4.1, it would be observed that more details were reported under integrated reporting practice unlike as practiced in other systems of reporting. This helps to improve transparency in firms' disclosures in addition to helping stakeholders make a better assessment of firms' operations.

Table 4.2 provided an insight into the firms Capitals, value created and value shared. From the table, it was observed that the firm's capital were classified into various categories. However, they generally sought to manage inputs into the business with a focus on preserving the resources available to them. They created value for stakeholders and the business by managing the use and return on all capitals and inputs. These values created, were retained in the business, making it stronger, and shared with all the stakeholders who also builds value for the business over time.

Table 4.3 provided highlights on the comparison of performance between Coca cola integrated report of 2014 and 2015 respectively. Based on the information in this table, it would be observed that an insight as regards the %changes between some key performance indicators of the Company was revealed.

VI. CONCLUSION

Integrated reporting results in managing the business in a way to meet near-term priorities while also achieving a company's long-term vision and goals. The reporting practice are critical to maintaining long-term competitiveness and business resilience in a changing environment.

Using Coca cola Company integrated report, we examined trends in integrated reporting during the past two years of the company's adoption of the practice. It was generally observed that the implementation of integrated reporting practice greatly improves managerial quality and effectiveness.

The study portrays the urgent need for firms in Nigeria to integrate into the global integrated reporting practice. It revealed that transparency in reporting firms operations is greatly improved because more details are disclosed by the implementation of the reporting practice. This would end up providing the catalyst for more integrated thinking, thereby giving rise to a virtuous cycle of corporate reporting and decision-making, which will not only enable stakeholders to make a more informed assessment of an organization and its prospects but will also impact positively on stakeholders trust and confidence on the Organization.

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