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Strategy and Business Model in Integrated Reporting[1]

Abstract

The International Integrated Reporting Framework suggests the inclusion of a description of an organization strategy and business model in public integrated reporting. An organization's strategy and business model, in fact, lie at the heart of its capacity to create and sustain value over time. However, reporting on these issues is far from a mature practice and companies lack previous experience as well as established models to guide them. This chapter examines the current practice of reporting on strategy and business models. We draw on the guidelines for strategy and business model reporting proposed by the International Integrated Reporting Council, as well as relevant literature on strategy and business models, to discuss four recent reports illustrative of the guiding principles.

1. Introduction

One of the primary purposes of integrated reporting (IR) is to explain to investors and other stakeholders how an organization creates and sustains value over time. According to the International IR Framework of the International Integrated Reporting Council (IIRC, 2013a, p. 7), 'an integrated report is a concise communication about how an organization's strategy, governance,

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performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term'.

Given the purpose of IR, it is fair to state that a description of an organization's strategy and business model is of paramount importance. Value creation lies at the very core of the concept of strategy. In fact, one of the possible definitions of strategy is how an organization intends to create value for its stakeholders. Strategy links environmental and internal variables to a set of objectives and identifies the main courses of action through which such objectives should be pursued. Therefore, a clear and exhaustive description of the strategy is necessary in any report aiming to inform on value creation perspectives.

A business model is a related but distinct concept. It can be described as the essential rationale of an organization's functioning and, although there is no general consensus on the point, it is often portrayed as a concept complementary to strategy, providing insight into the logic of strategy actuation. The account of a business model encompasses the identification of all the elements relevant to the business functioning and their interrelations. For instance, Osterwalder and Pigneur (2010), in what is arguably the most popular template for the description of a business model, identified nine 'building blocks': key partners, activities and resources, value proposition, customers, channels and customer relationships, cost structures, and revenue streams.

Despite the informative relevance of these concepts, their presence in public reporting has traditionally been limited. Eccles et al. (2015, pp. 191) analysed 124 companies' self-declared integrated reports prepared before the publication of the International IR Framework. Even in this plausibly very 'advanced' set of companies, the reporting quality on the strategy and business model was not entirely satisfactory: On the one hand, the two concepts were evaluated fairly well as reported by 78% of companies; on the other hand, serious concerns emerged. For instance, the authors were not able to find a single case in which the company explicitly defined the relations between its business model and value creation. Strategy was one of the most diffuse content elements, since it never appeared in a well-defined section but was typically covered in discussions about other issues.

The problem is that, although strategy and business model reporting is currently considered fundamental, it is far from a mature practice and companies lack previous experience as well as established models to guide their reports (Page, 2014). The International IR Framework aims to improve this situation by providing a reference for making strategy and business model reporting more consistent across organizations and connect more with other reporting elements.

This chapter aims to discuss the current practice of reporting on strategy and the business model in light of the International IR Framework and its first applications. We first briefly outline the guidelines for strategy and business model reporting proposed by the IIRC. We then discuss the relevant literature on strategy and business models. Finally we examine four reports selected by the IIRC Secretariat as illustrative of the guiding principles. Concluding remarks follow.

2. Strategy and business model reporting in the International IR Framework

2.1. Strategy, strategic objectives, and strategic focus in IR

Strategy is a recurring term in the International IR Framework, both as content to be included in the report (strategy) and as a principle guiding the preparation of the entire report (strategic focus). More specifically, strategy is first mentioned as content in the definition of an integrated report: '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' (IIRC, 2013a, p. 7).

Strategic focus, combined with future orientation, moreover, is the first of the guiding principles that should underpin the preparation and presentation of an integrated report: 'An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term and to its use of and effects on the capitals' (IIRC, 2013a, p. 16). The framework, opportunely, makes it clear that application of this principle is not limited to the part of the report specifically describing strategy but should also inform the selection and presentation of other content.

Finally, strategy is one of the eight content elements to be included in an integrated report: ‘An integrated report should answer the question: Where does the organization want to go and how does it intend to get there?’ (IIRC, 2013a, p. 27). To answer this question, the integrated report should identify the organization’s strategic objectives, the strategies it has in place or intends to implement to achieve such objectives, its resource allocation plans to implement the strategy, and how it will measure achievements and target outcomes.

In sum, strategy is relevant to IR as follows:

- The integrated report should have a strategic focus and
- The integrated report should include a description of the organization’s strategy.

The IIRC (2013a, p. 5) defined strategic focus as providing ‘insight into the organization’s strategy’ and strategy as ‘strategic objectives together with the strategies to achieve them’ (IIRC, 2013a, p. 33). Therefore, it is possible to deduce that, according to the IIRC:

- Strategy is intended as a plan. To inform about strategy means informing about plans and tactics that the organization intends to use to achieve its aims (strategic objectives).
- Strategic objectives are very important objectives that must be accomplished on the way to reaching the ultimate objective, which is value creation.
- Strategic focus means that the report, in all its parts, should provide ‘strategically important’ information, that is, that is important to understanding the prospects of value creation.

2.2. The business model in IR

The International IR Framework places the business model at the core of an organization's value creation process. According to the framework, an organization's business model is 'the system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term' (IIRC, 2013a, p. 25). An integrated report, therefore, should describe the four components of the business model: inputs, business activities, outputs, and outcomes.

Inputs are the various capitals on which the organization depends or that provide a source of differentiation. The capitals are the resources and relationships used by the organization and increased, decreased, or transformed as a consequence of its activities and outputs. The framework identifies six categories of capital: financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital. Any organization uses many inputs but only those relevant to the ability to create value should be reported, whether or not they are owned by the organization. In fact, only some of the capitals that the organization uses and affects belong to the organization. Others may greatly influence the business model without being owned or even bearing a cost. As an example, consider the view and natural environment of a resort, advancements in processor technology for a high-tech company, or the availability of specific raw materials for an organization that relies on them. As long as the capitals are necessary or constitute a source of differentiation and are ultimately capable of influencing the value creation potential, they should be reported, to demonstrate the robustness and resilience of the business model.

The inputs are transformed into outputs by business activities. As for inputs, organizations perform many activities. The activities that contribute to the organization's differentiation and value creation should be included in the report. Depending on the business model's characteristics, relevant activities can include, for instance, research and development, innovation management, employees training and relationship management, as well as more ‘direct’ activities, such as manufacturing, marketing, and after-sales services.

Outputs are the organization’s key products and services and are typically the source of revenues. The framework is not explicit on this point but, to express the output’s relevance for the business model, a mere description of the organization’s offerings is probably insufficient. On the contrary, the report could highlight the customer segment the organization wants to serve and how the outputs respond to customers’ needs.

The organization’s activities and outputs lead to outcomes in terms of effects on its capitals. The outcomes can be internal (e.g. employee development, plant efficiency, product quality, revenues) or external (e.g. tax payments, job creation, knowledge spillover) and positive, if they result in a net increase in the capitals, or negative, if they diminish capital value. The explanation of an organization’s impacts on capitals allows the appreciation of the sustainability of its business model over time, since the change produced on capital stocks can influence their availability as inputs in the future.

The International IR Framework also suggests practical solutions for reporting on the business model (IIRC, 2013a p. 25). First, the key business model elements should be explicitly identified. This is to contrast the limitations that follow from using generic language and discuss business model elements without formally labelling them (IIRC, 2013b, p. 4). Moreover, the framework suggests including a simple diagram of the business model together with a clear explanation of the relevance of the elements to the organization. A narrative addressing important issues is also recommended. Finally, the framework recommends that the business model identify stakeholders and any external dependency and explicitly trace connections with information covered in other parts of the report, such as those dedicated to strategy and performance.

3. Strategy

Any book or manual on strategy and strategic management devotes a good number of its pages to defining what strategy is. An exhaustive examination of the different approaches and definitions is certainly beyond the scope of this chapter, but accounting for the complexity of the debate on strategy is useful, since one should be aware of what strategy is before facing the endeavour of describing it for the benefit of an external reader.

50 years ago, Chandler (1962) defined strategy as the determination of an enterprise's long-run objectives, the adoption of courses of action, and the allocation of the resources necessary to carry out these goals. The emphasis on the determination of goals and the allocation of the resources necessary to attain the goals marks the similarity of this definition with that provided by the International IR Framework (IIRC, 2013a; see also Section 2.1).

According to Porter (1996), competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value. Porter's definition focuses on deliberate choices, differentiation, and, especially, the activities performed. Choosing to perform activities differently from rivals enables the acquisition of a competitive advantage and prevents imitation. The emphasis on activities as a source of sustainable advantage recalls the role attributed to activities in some definitions of the business model, including that provided by the IIRC (2013a).

Mintzberg (1987) described five ways of looking at strategy: as plan, ploy, pattern, position, and perspective. If the term *plan* recalls Chandler's definition and ploy and position are elements of Porter's definition, the other two terms provide new perspectives. Strategies are a 'pattern' in a stream of actions, since they do not always follow a deliberately chosen and logical plan but can emerge. Strategy is therefore a consistent behaviour, whether intended or not. In addition, according to Mintzberg, strategy is also a perspective, an ingrained way of perceiving the world. The choices an organization makes about its strategy rely heavily on its culture. Just as patterns of behaviour can emerge as strategy, patterns of thinking will shape an organization's perspective and actions.

Finally, Johnson et al. (2013) defined strategy as an organization's long-term direction. This concise definition can include both deliberate strategy and emergent patterns of behaviour. Moreover, it suits both strategies that strive to outperform rivals and more cooperative strategies.

4. Business model

The business model has emerged as a central concept in recent management debate. Many scholars have provided definitions of the business model (for a review, see Zott et al., 2011) and discussed its relationship with strategy (Zott and Amit, 2008; Teece, 2010). Despite the considerable variation in business model definitions, the development of the debate can be summarized along three dimensions:

- What is a business model? What is its function?
- What are the business model's components?
- How does a business model relate with strategy?

4.1. What is a business model? What is its function?

According to Teece (2010), a business model embodies the organizational and financial architecture of a business. Similarly, Casadesus and Ricart (2010) defined a business model as the logic of a firm, the way it operates, and how it creates value for its stakeholders. Other definitions include 'stories that explain how enterprises work' (Magretta, 2002), 'heuristic logic that connects technical potential with the realization of economic value' (Chesbrough and Rosenbloom, 2002), and 'a system of interdependent activities' (Zott and Amit 2010).

As observed by Morris et al. (2005), one main difference among definitions lies in the terms used to refer to the concept of the business model: architecture, logic, story, and system. Another element of differentiation is the emphasis placed on value creation and success and, more generally, on the final outcome identified. While some definitions more or less explicitly refer to the aim of 'making money', others refer to more general objectives. However, whatever the term used to express the business model's function and the expected results, the definitions converge in stating that a business model explains the functioning of the organization and how it facilitates the attainment of the selected objectives.

4.2. What are the business model's components?

A good degree of variation also exists in the list of a business model's components. Johnson et al. (2008) held that business models consist of four interlocking elements: customer value proposition, profit formula, key resources, and key processes. Osterwalder and Pigneur (2010) identified nine building blocks: key partners, activities and resources, value proposition, customers, channels and customer relationships, cost structures and revenue streams.

Chesbrough and Rosenbloom (2002) suggested that a business model fulfils seven distinct functions, including 1) articulating the value proposition, 2) identifying a market segment, 3) defining the structure of the value chain required to create and distribute the offering, 4) detailing the revenue mechanism(s) by which the firm will be paid for the offering, 5) estimating the cost structure and profit potential, 6) describing the position of the firm within the value network linking suppliers and customers, and 7) formulating the competitive strategy by which the firm will gain and hold an advantage over rivals.

Morris et al. (2005) suggested that a business model is characterized by six components: How do we create value? Who do we create value for? What is our source of competence? How do we competitively position ourselves? How do we make money? What are our time, scope, and size ambitions?

4.3. How a business model relates with strategy?

As mentioned, according to Chesbrough and Rosenbloom (2002), competitive strategy is a component of the business model. In addition, the scheme proposed by Morris at al. (2005) includes variables that are commonly related to strategy. Other scholars disagreed on the issue, considering strategy a distinct but related concept. On this point, Casadesus-Masanell and Ricart (2010) provided one of the most straightforward discussions on the relationship between strategy and the business model:

- The business model refers to the logic of the firm, the way it operates, and how it creates value for its stakeholders.
- Strategy refers to the choice of business model through which the firm will compete in the marketplace.

Strategy builds on the perceived opportunities and risks arising from the environment and on the perceived qualities of the internal structure to determine appropriate objectives and suitable courses of action (e.g. products and services). The business model's role, then, is to deliver this strategy and consequently accomplish the desired objectives. Evaluating the current business model against the strategy could suggest that changes to the business model are necessary to implement the chosen strategy. At the same time, the current business model influences what Mintzberg (1987) called perspective and therefore influences organization members' perception of the environment and the organization, thus contributing to the shaping of strategy.

5. Examples

The IIRC promoted a database of examples of integrated reports.[2] The database allows for the selection of available reports using several criteria, including the year of publication, the region and sector of the organization, and the strengths of the report as evaluated by the IIRC Secretariat. The strengths are evaluated focusing on the alignment of the report with the content elements, fundamental concepts, and guiding principles included in the International IR Framework.

[2] The database is accessible at http://examples.integratedreporting.org.

Therefore, it is possible to select the reports that, according to the IIRC, best comply with the International IR Framework.

To identify the reports to be reviewed, the following criteria were used:[3]

- The report was from the year 2014,
- The report was selected by the IIRC to illustrate the guiding principle of 'strategic focus and future orientation', and
- The report was selected by the IIRC to illustrate the content elements of 'strategy and resource allocation' or the 'business model'.

Application of these criteria led to the identification of four reports, one for the content element of strategy and resource allocation and three for the business model.

5.1. British American Tobacco

British American Tobacco (BAT) was selected as illustrative of the IR content element strategy and resource allocation. The report is composed of 222 pages, including 14 dedicated to strategic management. Another nine pages are dedicated to the business environment and are therefore relevant to the strategy discussion.

The strategic management section states the company vision, mission, and guiding principles. Four mains areas of strategic focus are then identified: growth, productivity, a winning organization,[4] and sustainability. For each area, the report provides an explanatory narrative and a set of key performance indicators (KPIs). The narrative is mainly dedicated to describing the results achieved but also includes occasional parts explaining the area's strategic relevance, describing actual practices, or identifying objectives for the future. The strategic management section also includes two pages dedicated to describing the business model. Interestingly, these two pages were not included in the extract selected by IIRC. The business model is defined as the way the company

[3] The reports were selected and downloaded on 10 July 2015.
[4] Covering leadership, recruiting policies, and work environment.

uses its strengths, resources, and relationships to deliver value to shareholders and stakeholders following the strategy. The business model is described by means of a diagram that places customers at the centre and the main processes (sourcing, production, and distribution) around them. For each of these four issues (sourcing, production, distribution, and the customers), the report briefly explains its strategic relevance and a summary of current endeavours.

As mentioned, the report also includes a section on the business environment. It is dedicated to delineating current trends in tobacco consumption and expectations for the future, including implications from litigation, regulations, and trafficking. A discussion of the group's main risks is also provided.

The BAT's 2014 annual report does not, overall, seem particularly influenced by the International IR Framework. There is no reference to the six capitals as either inputs or outcomes. Information on the strategic relevance of some input factors is provided (e.g. the tobacco leaves' quality, human resources) but they are dispersed throughout the strategic management section. The same is true for the effects on capitals. A section is dedicated to sustainability, providing information on the actions in place to moderate risks for customers, prevent youth smoking, promote sustainable agriculture, and reduce emissions and energy consumption. However, the reporting style does not resemble that suggested by the International IR Framework and some divergence can be noted for the content as well. One notable difference relates to future orientation. Objectives are expressed in general terms and thus there is neither a clear identification of the strategies in place to achieve them nor an identification of resource allocation plans.

Discussing the report in light of the literature on strategy is a difficult task, since the letter was certainly not written with external reporting in mind. However, it is fair to say that the BAT report is capable of providing some understanding of the group's strategy according to both the plan and pattern perspectives. In fact, it provides a brief description of future plans (e.g. continue to provide tobacco to consumers, including the next-generation of nicotine-based products) as well as an account of the actions in place and the results achieved that provides the reader a view of the realized strategy (at least a rationalized version).

In conclusion, while the BAT report is certainly rich in information on actual activities, past performance, and risks and mitigation activities, it is hard to see how it could be seen as a reference to illustrate reporting on strategy and resource allocation under the IIRC framework.

5.2. Eni

Eni was selected by the IIRC Secretariat as illustrative of the business model content element of IR. The 107-page report encompasses two pages describing the business model, two pages illustrating strategic objectives (target and performance drivers), and two pages dedicated to strategy. Moreover, two pages are dedicated to the competitive environment and four to performance indicators. Overall, 12 pages are relevant to this chapter's analysis.

The competitive environment section includes a brief narrative highlighting major environmental trends relevant to Eni and, accordingly, identifies four main challenges (the oversupply of oil, geopolitical risks, transformation of the energy market in Europe, and raising the awareness of risks related to climate change) and the main actions and plans for facing them. The strategy section links to the aforementioned challenges (particularly to low oil prices) and derives the main strategic objective (cash generation) and the main action plans (well-designed industrial actions, capital discipline, a focus on upstream activities, and a large disposal plan). Then, the implications for Eni's segments are made explicit. These implications are stated as objectives and business policies through bullet point lists and often resemble a detailed version of the actions and plans listed in the competitive environment section.

Moving to the business model section, here again we find – this time under the label of strategic guidelines – some of the issues mentioned in the competitive environment section (as action and plans) and in the strategy section (as action plans). However, while there is certainly overall coherence, the usage of different wording muddles the message a bit. The strategic guidelines, together with list of distinctive assets and principles, are used to graphically represent Eni's business model and the use of capitals in delivering sustainable value. The six capitals are labelled according to the International IR Framework and appear also in a table that, for each capital, identifies the resources relevant for Eni, the actions in place or planned (again coherent with but not identical to those previously mentioned), and the expected results for Eni and its stakeholders.

The targets and performance drivers section identifies four main strategic objectives: 1) increasing the value of explorative resources and growth in upstream cash generation, 2) returning to structural profitability in the gas and power business, 3) a turnaround in the 'refining and marketing' and in the 'chemical' business, and 4) a focus on efficiency. For each objective, the implications for the management of the six capitals are derived as actions taken or planned. Finally, the aforementioned four strategic objectives are used to title the panels of performance indicators. Thus, for each of Eni's four main strategic objectives, a set of indicators is presented showing the last three years' performance for each of the six capitals.

The Eni 2014 report demonstrates clear effort in adopting the International IR Framework. Reference to the six capitals is pervasive and a section is dedicated to each content element. There are also signs of an attempt to connect the different parts of the report but usage of a variety of terms hampers the overall readability. Moreover, the connections are not made explicit (i.e. there are no cross-references) and are left to the reader to determine. The effectiveness of the report would have probably been improved by the preparation of an overall picture connecting the different parts and explicitly showing their relationships.

As for the business model description, for which Eni was selected as an illustrative case, it formally follows quite closely the International IR Framework. However the report is not particularly effective at accomplishing the main function of a business model according to the literature, namely, to express the rationale of the organization's functioning and to show how it will contribute to the attainment of strategic objectives. An example will help clarify this point. Six different issues are mentioned to describe human capital, including experience, engagement, diversity, and skills. Eni's actions toward human capital are described by eight items, including workplace safety, recruiting education and training, welfare, and knowledge management. Value creation for Eni is then described through eight rather general concepts, such as performance, efficiency, innovation, and reputation. This combination, on the one hand, provides a great deal of detail but, on the other hand, is not particularly informative about the role of human capital within the business model or the attainment of strategic goals and probably applies to almost any organization. A more concise presentation of the business model, possibly based on a standard set of components and accompanied by a coherent narrative, would have probably been more effective in convincing the reader that the business model adopted was the best possible one for pursuing the selected strategic objectives.

5.3. Iberdrola

Iberdrola is a Spanish producer of electricity active in several countries in the Atlantic area. The report was selected by the IIRC Secretariat as demonstrative of business model reporting. It includes a 15-page chapter titled 'Business Model and Strategy', with seven sections.

The first one, titled 'The Future of Energy', provides an outlook on long-term trends in the energy sector and depicts a future of increased electricity demand. This prediction is supported by third-party studies and by interpreting general trends, such us the transition to a low-carbon economy and increasing access to electricity. The section effectively depicts a future of growing opportunities for the Iberdrola group.

The next section is dedicated to the business model. It provides a general overview of the group's rationale of value creation and includes several links to more comprehensive analysis within and outside the chapter. More specifically, it briefly describes the group's long-term objectives and values, distinguishing factors, capitals used, and the main components of the value chain. Each of these content elements is accompanied by an explanatory piece. The business model section therefore provides a concise albeit extensive overview of the business model, also acting as a guide for other content in the report.

The next sections provide a more comprehensive explanation of the group's distinguishing factors, its approach in managing the six capitals, and the main phases of the value chain. The first two sections point to other, even more detailed parts of the document, while the third section presents figures useful in better understanding the group's operations.

The next section is dedicated to strategy and plans for the future. The discussion moves from the implications of the scenario drafted in the first section and thus derives the challenges and opportunities for the group. The planned investments are then briefly mentioned, followed by a presentation of the 'strategic pillars': a balanced risk profile, operating efficiency, and financial strength. Each of these items is accompanied by a brief description of the implementation actions planned and a number of quantitative targets. The section is very effective at showing what actions are planned, why they are sensible given the environmental conditions, and what the expected results are.

Iberdrola's approach in managing the six capitals is further explained in a separate section that provides an ample presentation of the relevant resources, past actions, and an outlook of the future. Moreover, a number of key figures are provided for each capital. The presentation in a separate section of the greater part of the information about the six capitals is particularly rewarding in terms of clarity. Moreover, general consistency in the terminology and frequent cross-references allow for easy and informative reading.

5.4. Sage

The 2014 report of the software vendor Sage is composed of three main sections: the strategic report, the governance report, and the financial statement. The strategic report is about 60 pages long and includes a four-page part dedicated to the business model and 12-page dedicated to strategy. The remaining part provides information about the organization’s products and markets, its customers, performance, and corporate responsibility.

The document explicitly links the strategy to the business model, placing strategy ‘at the heart’ of the business model and as a guide in helping the organization respond to the changes taking place in the markets served.

The strategy paragraph amply discusses the technological and economic motivations of the main strategic objective, which is to move the business from selling perpetual license software to selling subscription-based products and services. Moreover, the chapter provides figures about progress made toward the transition and informs about the impact of the strategy on the main processes and on investment policies.

The business model paragraph is dedicated to explaining how the strategy is being implemented. The key elements of the business model are to attract, activate, grow and retain (customers), and describe a path that relies on important resources (such as a trusted brand, a strong partner network, product localized to account for different legislative environments, and first-class support) to transform occasional purchasers into returning customers and subscribers who use a wide range of Sage products and services for life. The business model description is complemented by KPIs.

The report does not resemble in any part the model proposed by the International IR Framework but nonetheless effectively delivers a clear picture of the organization’s strategic objectives and its business functioning rationale. Moreover, the document fulfils important IR framework recommendations, such as describing future orientation and providing connections between concepts.

6. Conclusions

Strategy and business model reporting is becoming more common, as a consequence of both the influence of the IR movement and reforms in national legislation, such as the reform of narrative reporting in the U.K. Corporate Governance Code. However, such reporting is far from an established and mature practice and many organizations are still facing difficulty in preparing their reports.

This chapter focused on the strategy and business model concepts and examined the guidelines for their reporting provided by the International IR Framework. Moreover, it discussed the strategy and business model sections of four reports selected by the IIRC Secretariat as representative of the topics in question.

The analysis of the four cases allows for a couple of concluding remarks. First, it showed that wide variations exist in reporting styles and content, certainly well beyond the flexibility that the IIRC explicitly leaves to organizations. Some of the cases reviewed did not follow the International IR Framework at all. This is somewhat surprising, given the inclusion criteria. It certainly does not constitute a problem per se, but it reveals that harmonization in corporate reporting is still a distant goal. Second, it points out that reporting on business models and especially strategy is incomplete in comparison to the description of the concepts provided in the literature. In fact, strategy is generally reported just as a plan and the business model description is only partial. Of course, this can be explained by the competitive sensitivity of such information. It would probably be unrealistic to expect companies to disclose, for example, emergent strategies, unintended consequences of actions, or their distinctive perspectives in perceiving events. However, since the relevance of these issues is well established in the literature, some caution is necessary when considering the ability of integrated reports to communicate the full range of factors affecting the creation of value over the short, medium, and long term.

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