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**FACULTY OF COMMERCE**

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**RESEARCH TITLE:**

**EVALUATION OF THE EFFECTIVENESS OF INTEGRATED REPORTING ON FIRMS PERFORMANCE ON COMPANIES LISTED ON THE ZIMBABWE STOCK EXCHANAGE (ZSE).**

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# DECLARATION

I, B190052A, hereby declare that this research report is the result of my original work, except as noted in the acknowledgement, references, and by comments made in the report's body, and that it has not been submitted in whole or in part for another degree from another university.

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# ABSTRACT

Integrated reporting is a new approach to corporate reporting that has been widely adopted by companies worldwide to provide a more comprehensive view of their performance. The IIRC and IRCSA have played a key role in promoting integrated reporting globally, while in South Africa, it is mandatory for all listed firms on the Johannesburg Stock Exchange to produce an integrated report annually in line with the King IV Code of Corporate Governance. Although integrated reporting can be a time-consuming and expensive process, it is a communication framework that provides stakeholders with a more holistic view of an organization's performance, including financial, social, and environmental factors relevant to value creation. The purpose of this study was to investigate whether integrated reporting has any impact on the financial performance of businesses listed on the Zimbabwe Stock Exchange, based on the stakeholder concept. Integrated reporting can help companies identify and understand their stakeholders, consider their impact on decisions, and make better decisions that take into account all stakeholders' interests. The study, situated within a positivist paradigm, used a purposive sample of 30 participants from accounting and finance departments to determine the efficacy of integrated reporting in enhancing financial performance. The study concluded that integrated reporting significantly assists businesses.

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# CHAPTER 1

# INTRODUCTION

# Introduction

The integrated reporting organization and the Value Reporting Organization define an integrated report as a brief summary of how a company's governance, strategy, operations, and future prospects contribute to value creation over the long, medium, and short term. Integrated reporting (IR) involves presenting an organization's performance using both financial and other pertinent data.

# Background of the Study

#

Integrated reporting is a means by which companies can communicate their value creation strategies over time, by presenting a strategic and concise overview of their governance, performance, prospects, and strategy. Compared to traditional financial reporting, integrated reporting is more extensive, as it considers a broader range of factors that impact a company's capacity to generate value, making it a more valuable tool for investors, managers, and other stakeholders seeking to comprehend a company's performance and future prospects. Integrated reporting surpasses conventional financial reporting by offering a more comprehensive view of how an organization is generating value for all its stakeholders. In order to fix the problems with the current accounting systems, it was developed as a reporting tool. Businesses have been producing a number of disconnected reports that are lengthening and becoming more sophisticated, leading to issues with information overload (IIRC 2013a, Eccles and Krzus 2010). Accounting systems have been criticized for their focus on the past, the present, and for not taking into account intangible assets, which are often the main drivers of organizational performance. (De Villiers et al. 2014, EY 2016).

IR was born out of the necessity to solve sustainability-related challenges. Social media and other online platforms have increased the demand for reporting tools that could facilitate the shift to sustainable business models and also environmental challenges such as the depletion of natural resources and the degradation of ecosystems (IIRC 2010). IR (integrated reporting) aims to provide decision-makers with information that is both forward-looking and strategically focused. This information should be delivered in the context of a comprehensive understanding of corporate operations and performance.

IR promotes a long-term, forward-looking perspective among decision-makers. This perspective is important for supporting steady capital markets and sustainable communities (IIRC 2013a).

 Both corporate and governmental institutions can benefit from IR (Guthrie et al. 2017). While the creation of non-financial measurement methods and reporting frameworks is linked to the establishment of IR, De Villiers et al. (2014) highlights the importance of understanding the differences between sustainability reporting and IR.

Integrated reporting began as a voluntary initiative, but it has since become increasingly popular and is now being adopted by many companies around the world. The first integrated reports were created in 2002 and 2003, respectively, by Natura, a Brazilian cosmetics manufacturer, and Novozymes, a Danish biotech company (Eccles and Krzus 2010).
Sure, here is a paraphrase of that statement:

The initial integrated report was published by Novozymes in the year 2002, and it merged financial, social, and environmental information into a solitary document. This was a ground breaking move at the time, as most companies only reported on their financial performance. Novozymes' decision to integrate all three aspects of their business into one report was a reflection of their belief that sustainability is essential to long-term success. The report was designed to provide stakeholders with the information they believed was most important. This was done because business and sustainability are becoming increasingly intertwined, and many stakeholders are now looking for a more holistic view of an entity performance," Novozymes' CEO highlighted the decision to create an integrated report (Novozymes, 2002). According to Eccles and Krzus (2010) refer to IR as One Report which serves as a sign of an organization's commitment to sustainability as well as a tool. Integrated reporting can help to shift investors' mindsets away from a short-term focus and toward a long-term focus.

The King III Code of Corporate Governance Principles in South Africa has adopted the term "integrated reporting", which mandates companies in the country to provide a unified report that combines financial and non-financial information about their performance. This is in contrast to the traditional approach of issuing separate financial and non-financial reports. According to Haji and Anifowose (2016), integrating sustainability and financial data is a valuable tool for managers to communicate the company's performance to stakeholders and enhance decision-making. This is because sustainability data can provide insights into the company's long-term risks and opportunities, while financial data can provide insights into the company's current performance. The incorporation of King III, a set of corporate governance guidelines, into its listing criteria in March 2010 by the Johannesburg Stock Exchange (JSE) necessitated the creation of an integrated report, making South Africa the first and only country to impose such a requirement. In the same year, the IIRC was established by the Global Reporting Initiative and the Prince's Accounting for Sustainability Project. (Haji & Anifowose, 2016). Members of the civil society and business backgrounds make up the IIRC. Investors, companies, non-governmental organizations, regulators, standard-setters, the accounting sector, and investors are all represented (IIRC 2010). The aim assigned to IIRC was to develop an integrated accounting system that unifies data in a clear, succinct, uniform, and comparable manner that is accepted worldwide.

First IIRC discussion papers emphasized sustainability and accountability to stakeholders, but these changes were made in order to make integrated reporting a more effective tool for communicating with capital providers and other stakeholders about how organizations are creating sustainable value. The phrase "value creation" is frequently used and has diverse connotations for various stakeholder groups. Capital providers are interested in investing in companies that have the potential to generate future cash flows and financial gains. However, not all factors that contribute to value creation are directly measurable or observable. Therefore, it’s crucial to consider all of the factors that can indirectly have an impact financial returns when making investment decisions. The IRF, the first framework for creating an integrated report was released in December 2013 after a period of modification and discussion.

# Statement of Problem

The goal of integrated reporting is to change both financial reporting and financial performance (Busco, Frigo, Quattrone, & Riccaboni, 2013).Berndt, Bilolo, and Muller highlighted an integrated reporting structure has increased institutional support (Berndt, Bilolo, & Müller, 2014), and according to Laurenco, Callen, Branco and Curto 2014 companies seen as sustainable, with findings showing that businesses implementing sustainability initiatives are regarded more highly by the market. The unique problem of businesses investing in integrated reporting without any guarantee that it will improve their financial performance is a complex one. There are both potential benefits and risks associated with integrated reporting, and businesses need to carefully consider their own circumstances before deciding whether or not to implement it (Roth, 2014). The study and researcher intend evaluate whether integrated reporting is effective at enhancing the financial performance of businesses listed on the Zimbabwe Stock Exchange.

# 1.4 Research Objectives

# 1.4.1 Main Objective

1. The research’s purpose is to evaluate the effectiveness of integrated reporting in improving firms performance on companies listed on ZSE

# 1.4.2 Secondary Objectives

1. Examine the factors that are influencing the adoption of integrated reporting
2. To investigate the impacts of implementing integrated reporting to firm’s performance
3. To identify the challenges in implementing integrated reporting

# 1.5 Research Questions

1. What are the factors that are affecting the adoption of integrated reporting?
2. How are firms that have implemented integrated operating vs. those are still using the traditional reporting?
3. What are the challenges of implementing integrated reporting?

# 1.6 Significance of the study

**To The Researcher**

The research was completed in part to fulfil the criteria for the Bachelor of Accounting Honours Degree at Bindura University of Science Education. The researcher hopes that the study would provide him with knowledge about how to employ integrated reporting, a practice that has recently gained popularity.

**To Bindura University**

Future users may refer to the research as a starting point when working on similar projects.

**To Firms Listed on ZSE**

The recommendations from this report might be adopted by publicly traded firms.

# 1.7 Scope of the Study (Delimitations of the Study)

**Geographical Delimitation**

Due to access to data gathering by the researcher, the study will exclusively focus on the City of Harare Central Business Area.

Study Area



Fig 1(Source: Google Scholar)

**Content Delimitation**

The research will be focussing on the evaluation of the effectiveness of integrated Reporting in improving the performance of companies listed on the Zimbabwe Stock Exchange

**Population Delimitation**

The responders who were specifically sought for included business owners, corporate executives, business analysts, members of accounting boards, and accounting professionals.

# 1.8 Assumptions

For the research's objectives, certain assumptions were made.

1. Respondents will be honest in their responses.
2. All pertinent details that are consistent with the research must be made public.
3. The population will be accurately represented by the sample group.

# 1.9 Limitations of the Study

**Accessibility of Data**

The IIRC's call for feedback is very thorough, and it would be impossible to address every issue in a single paper.

Yet, the researcher believed that the query would elicit a wide range of viewpoints and knowledge.

**Financial Constraints**

The research entailed considerable charges for shipping, accessing the internet, stationery, typing, and printing.

To cover some of the expenses, the researcher dug deep into his wallet and even requested help from family members and friends.

**Lack of Experience**

The researcher lacked expertise because, as an undergraduate, he had never conducted a research like this. Therefore to minimize this restriction, the researcher also carefully coordinated with the university supervisor for guidance, teaching, and training on how to execute the research.

# 1.10 Definition of Terms

**Integrated Reporting**

Integrated reporting (IR) is a procedure that produces an annual report, which outlines how an organization generates value over time. The IIRC defines an integrated report as a brief communication that describes how an organization's strategy, governance, performance, and prospects, in the context of its external environment, contribute to the creation of value over the short, medium, and long terms.

**Value Creation**

Value creation is the act of giving something valuable in exchange for something more valuable to you. Organizations derive value from a lot of activities, internally and externally. By understanding the different ways in which value is created, organizations can better position themselves to succeed. These activities occur in the organization's operational and dependent commercial, regulatory, sociological, and natural environmental contexts. The interactions occur between the business and its customers, employees, stakeholders, regulators, suppliers, and other participants in the environment in which a business operates.

**Integrated Thinking**

The discipline of integrative thinking was established in 1986 by Graham Douglas. He described it as using all of your cognitive abilities to come up with creative and effective mitigations to problems. It includes being able to see the big picture, to think critically, and to come up with new ideas.

Integrated thinking is a management philosophy that balances the need for competitiveness and sustainable growth with the need to create inclusive business models. This philosophy helps companies take advantage of market opportunities and overcome market challenges.



Fig 2(Source: Research gate)

Figure 1 shows how two components combine to create integrated thinking. Secondly, it establishes a link between governance, future performance, and the interrelationship between these factors (Dumay and Dai, 2017). The management and understanding of a company's aims, vision, and goals—both short- and long-term—as well as the possibilities and risks influencing its multiple capitals—are made possible by this relationship (Churet and Eccles, 2014). To put it another way, it means making integrated decisions and following processes that take time to generate value into account.

Dumay and Dai (2017) also described integrated thinking as an entity’s approach that motivates entities to consider interconnectedness of their various activities and processes. This approach can help organizations to better understand how their decisions and actions affect different stakeholders, both inside and outside the organization. Teams that engage in integrated thinking are aware of how their actions affect the company, its stakeholders, and other internal units. They understand that their decisions have a ripple effect, and they take steps to ensure that their actions are beneficial to all involved. Therefore this will foster more collaboration across various departments and help businesses undergo behavioural transformation. Departments will collaborate to meet the company vision and goals rather than working in isolation. According to Churet and Eccles (2014), successful integrated reporting comes from integrated thinking.

# 1.11 Organisation of the Research

The five chapters that make up this study endeavour were organized. The evaluation of the efficiency of integrated reporting in enhancing business performance is introduced in Chapter One. Among other things, it discusses the background of the study, the statement's problem, the research objectives, and the importance of the research study. A review of related literature from various sources is presented in chapter two. It provides insight into what academics and authors believe about integrated reporting by combining their thoughts and viewpoints. It then moves on to chapter 3, which provides the methodology used and proof that ethical considerations were taken into account. Findings of the research were presented in Chapter four, along with the interpretation of those results. The chapter includes tables, charts, and graphs that summarize and analyse the collected data. Chapter 5 summarizes the key conclusions, recommendations, and areas for additional research. The references and appendices that were used in the study are also provided at the end of the chapter.

# 1.12 Chapter Summary

This chapter introduces the researcher's purpose, the study's limitations, its significance, and its goals. The following chapter will review the literature on the topic to see what other academics and researchers have said about it.

# CHAPTER TWO

# LITERATURE REVIEW

# 2.1 Introduction

# The researcher intends to examine the works of other authors published on IR to identify the primary themes and discoveries in the literature. The research will concentrate on providing an overview of integrated reporting, determining the effects of integrated reporting on value creation, and identifying the factors that influence the adoption of integrated reporting.

# 2.2 Theoretical Literature

# 2.2.1 Agency Theory

Integrated reporting is a way of disclosing corporate information that can help to reduce information asymmetry. According to Adhariani and de Villiers (2019) argue that IR can be seen as a way of increasing the decision usefulness of corporate information for shareholders and potential investors. They also argue that integrated reporting can help to increase accountability, which is another important aspect of agency theory. In summary, agency theory provides a framework for understanding the relationship between business owners and their agents. Integrated reporting can be seen as a way of addressing some of the problems that can arise in this relationship, such as information asymmetry.

According to Bushman and Smith (2009), Governance accounting research is important because it can help to increase the quality of corporate governance and protect the interests of investors. By understanding how accounting information can be used to reduce agency problems, researchers can help to design better accounting systems and reporting practices. This can lead to more efficient and productive markets, which benefits everyone. In this research the researcher investigated whether integrated representation, a still-young representation technique, is linked to lower agency costs. Several studies by Babukards and Rimmel; Barth et al (2021) Zhu et al 2019: Bernardi and Stark (2018) have looked at how integrated reporting affects the capital markets. Huang and Zhang (2021) show, however, that a rise in disclosure might raise the value of a shareholder through pathways unrelated to agencies. We can provide data on how integrated reporting helps to monitor and align incentives by directly considering agency costs.

Integrated reporting is a means by which companies can communicate their performance to stakeholders by presenting a comprehensive overview of their financial, social, and environmental factors. This approach can aid in reducing information asymmetry between shareholders and managers, thus mitigating agency costs (Berle and Means; Jensen & Meckling).

A method to lessen information asymmetry has been identified as corporate disclosure through IR. Adhariani and de Villiers (2019) argue that integrated reporting can be seen as a way to reduce information asymmetry, increase decision usefulness, and improve accountability. This can benefit shareholders and potential investors by making it easier for them to assess the company's performance and make informed investment decisions.

The agency theory (Jensen & Meckling, 1976; Eisenhardt, 1989) highlights the possibility of conflicts of interest between a company's management and shareholders when these positions are separated, and it can be used to establish the theoretical approach to corporate governance (Tariq & Abbas, 2013). Additionally, the stakeholder agency theory has been developed to encompass all stakeholder organizations (Hill & Jones, 1992), including suppliers, the community, and customers, who have a vested interest in the company operating in their best interests. The Agency Theory advises the implementation of a structure with both internal and external control mechanisms to guide and oversee the corporation (Tariq & Abbas, 2013). The board of directors of a company is responsible for ensuring that management's interests align with those of the shareholders.

Managers may make decisions that benefit themselves or their own career, even if those decisions are not in the entity and shareholder’s interests. Jensen and Meckling talk about how it's important to put in place controls that will prevent managers from acting in their own self-interest and improve the alignment of incentives between them and outside investors. These corporate control mechanisms consist of a variety of networking and contracting operations carried out within the agency relationship, but they are not restricted to them.

This study is relevant to the agency theory because it aims to standardize and regulate financial endeavours across the entire value chain. For instance, the final retailer or agent would be impacted in the short term if Econet Wireless were to unfairly increase the price of its scratch cards or offer a lower commission to the final sales agent on the street. So, advanced sales approaches with a system that permits the flow of information from all levels of the company would significantly help in the coordination of efforts and ultimate customer satisfaction while simultaneously allowing them to optimize their own interests.

# 2.2.2 Stakeholder Theory

Stakeholder theory, developed by Freeman (2004), suggests that corporations should consider not only shareholders but also other stakeholders in their decision-making processes. This has led organizations to focus on building relationships with their stakeholders (Pushpakumara et al., 2018), as managing stakeholder relationships is crucial for business success. Integrated reporting provides stakeholders with more information than traditional financial statements, which supports the stakeholder theory's argument that businesses should aim to maximize the wealth of all stakeholders. Additionally, the stakeholder theory emphasizes the importance of value creation, enabling managers to understand the value they create and the contributions of their major stakeholders (Freeman et al., 2004). By implementing integrated reporting, companies can gain a better understanding of the stakeholders that affect their decision-making processes and become more adept at managing risks and opportunities. In summary, the adoption of IR can facilitate the implementation of stakeholder theory principles and help organizations build stronger relationships with their stakeholders.

IIRC is a worldwide standard that companies can use to report on how they create value over time. At its core, the IIRC emphasizes that organizations should aim to create value for all stakeholders, including the business, its employees, customers, suppliers, and communities where it operates (IIRC, 2013).The company's integrated report also explains how well it understands the relationships between its many stakeholders, their legal requirements and interests.

According to Garca-Sánchez et al. (2013) and Planken (n.d.), the cultural system of a country plays a role in shaping stakeholders' expectations regarding an organization's behavior. Companies operating in similar cultural systems tend to have similar patterns in their integrated reporting practices, as noted by Garca-Sánchez et al. (2013). This can contribute to greater corporate transparency, as highlighted by Velte and Stawinoga (2017).The national culture in which an organization operates can have a significant impact on the way that organization reports on its performance. Organizations in countries with cultures that value stakeholder engagement are more likely to adopt broader information disclosure practices, which can help them to better manage their relationships with their stakeholders and build trust. Larger organizations also have more incentive to disclose information in a way that is relevant to all of their stakeholders, as they have more stakeholders to satisfy (Dagiliene&Nedzinskiene, 2018).

IR is a type of financial reporting that emphasizes the relationships between an organization's stakeholders, how they promote value to the firm, the model of business, and how crucial stakeholders are to the enterprise. Stakeholder theory is a business management theory that states that an organization should take the best possible care of its stakeholders and manage their interests. This is because stakeholders are essential to the success of an organization. By taking care of its stakeholders and managing their interests, an organization can improve its firm performance (Donaldson & Preston, 1995; Freeman et al., 2004). In addition to providing more value, integrated reporting is also intended to make corporate reporting more convenient for stakeholders (Fernando et al., 2018).

Farneti et al. (2019) applied stakeholder theory to demonstrate how integrated reporting has transformed businesses' perspectives on meeting the information and social requirements of their stakeholders. Additionally, Rivera Arrubla and Zorio-Grima (2016) argue that social media's emerging opportunities, when viewed from the context of stakeholder theory, have the potential to benefit integrated reporting goals by promoting greater transparency and stakeholder participation.

Companies may choose to adopt integrated reporting for various reasons, such as meeting stakeholder information needs, complying with regulatory requirements. The approach reflects a normative stakeholder approach, which is reinforced by the increasing global recognition of integrated reporting and the development of best practices for its implementation by professional organizations such as the IIRC. (Adams et al., 2016; IIRC, 2013).

 These efforts might persuade some people that investing in integrated reporting is the correct thing to do for stakeholder holders. This strategy would be advantageous to less powerful stakeholder groups, such as employees. A normative approach towards stakeholders can be beneficial, especially as employee information needs may primarily focus on social concerns.

# 2.2.3 Shareholder Theory

The basic idea of the shareholder theory is that a company's shareholders are its proprietors and hold the authority to appoint its management and determine its funding source. Therefore, the company must operate in a manner that promotes the welfare of its shareholders, making it essential to prioritize their interests. It is founded on the idea that because organizations have holy and impenetrable responsibilities to their shareholders, any action or omission on their part must take those interests into account. This is done via maximizing financial returns (Freeman & Reed, 1983).

The global integrated reporting system's basic principle is to generate value for both the organization itself, in terms of financial returns to its capital providers, as well as other stakeholders. This aligns with the shareholder theory's emphasis on prioritizing the interests of shareholders, who are primarily concerned with the value that the company generates for them. The integrated report outlines the relationships, interactions, and activities that are vital to the company's ability to create value for its shareholders (IIRC, 2013).

# 2.2.4 Diffusion of innovation Theory

According to Rogers (1983, p.5), diffusion is the process by which an innovation is communicated through particular channels over time among members of a social system, with innovation being defined as an idea, practice, or object perceived as new by an individual or other adopter. Rogers (1983) proposes that innovation can manifest in different ways, such as the decision to adopt or the initial persuasion of an idea, behavior, or previously unknown object. This theory offers a suitable conceptual framework for examining the factors that facilitate or hinder the adoption of integrated reporting within an organization (Robertson & Samy, 2015).

Researchers investigating the diffusion of integrated reporting have concentrated on the influence of contextual factors and innovation characteristics such as relative advantage, compatibility, complexity, trialability, and observability (Robertson & Samy, 2015; Rogers, 1983). Gunarathne and Senaratne (2017) and Robertson and Samy (2015) have explored these factors to investigate the diffusion of integrated reporting.

The following traits, which were also mentioned by Robertson and Samy (2015), determine the rate of adoption:

**a) Relative Benefit**

Relative advantage refers to the extent to which an innovation is considered superior to the idea or product it replaces. It measures the level of benefit that a new product or service offers compared to others that are already available in the market.

**b) Comparison**

The concept of alignment refers to the extent to which an invention is perceived to be consistent with the current values, knowledge, and needs of potential users. For innovations to be compared, they must share characteristics with other innovations.

**c) Complexity**

The complexity of an innovation is related to how difficult it is to use and understand. A system or model is said to behave in a complex way if its components interact in different ways and follow local regulations, meaning that no single overarching rule that can specify all of the possible interactions

**d) Trialability**

Trialability refers to the degree to which a new idea or innovation can be tested or experimented with. It measures the degree an innovation can be tried out or put to use before a decision is made about its adoption. In other words, it refers to the ease with which an innovation can be tested, either on a small scale or in a limited capacity, before it is fully implemented.

**e) Observability**

It relates to how clearly people can see the innovation's consequences. The degree to which a system's internal states may be deduced from knowledge of its exterior outputs is known as observability.

Robertson and Samy (2015) suggest that the perceived relative advantage of integrated reporting compared to other reporting practices, its compatibility with existing corporate values, prior experience and needs, the complexity of implementing integrated reporting, and its observability are all factors that can influence its adoption. Despite the clear benefits of integrated reporting, corporations often face obstacles in adopting new ideas (Rogers, 1983). Therefore, the theory can help identify the factors that reduce the likelihood of businesses switching to integrated reporting, including innovation characteristics and other contextual factors (Robertson & Samy, 2015).

# 2.3 Empirical review

In their study, Eccles and Serafeim (2014) examined a sample of 124 integrated reports produced by companies that participated in the IIRC's pilot program or are listed on the JSE. The researchers observed that, on the whole, there was a low level of disclosure of information related to capitals in these reports. According to Eccles and Serafeim (2014), the two capitals for which the least amount of information was released were produced and intellectual capital. Eccles and Serafeim (2014 pointed out that in the past, manufactured assets were a major driver of corporate performance. However, in recent years, the knowledge-based economy has led to a decline in the importance of manufactured assets. This is because knowledge and intangible assets, such as brands and reputations, have become increasingly important sources of competitive advantage. Financial capital has been extensively reported on due to long-standing regulations that mandate companies to disclose their financial information. In contrast, natural capital has not been as well-reported because there are no regulations that require companies to disclose their environmental impact. Nevertheless, there is mounting pressure on companies to reveal their environmental performance, leading to improved reporting of natural capital. Despite this, Eccles and Serafeim's (2014) study found that several companies considered leaders in integrated reporting still provide limited information about their capital usage. This information is crucial for investors and other stakeholders to assess a company's financial performance and sustainability.

Setia et al. (2015) conducted a study on 25 companies listed on the JSE by combining their annual capital disclosures from 2009-10 with those from 2011-12. In 2010, a change in regulations made integrated reporting a prerequisite for listing on the JSE, where companies are now required to present integrated reports in compliance with the "comply or explain" principle. The study focused on human capital, natural capital, intellectual capital, social capital, and relational capital. The study also suggests that integrated reporting may either be empty rhetoric or have actually contributed to improved corporate behavior.

Companies that had previously been less transparent about their operations were the ones that showed the most improvement after new regulations were put in place, according to Setia et al. (2015). Setia et al. (2015) found that the regulation requiring entities to disclose additional non-financial information had reduced the variability in the amount of disclosure. This demonstrates that the rule was effective in encouraging companies to reveal more information. Policymakers who are considering the implementation of IR, which merges financial and non-financial information, may find this finding relevant.

# 2.4 Effects of Integrated Reporting on Firms performance

Martinez (2016) carried out a research to determine the relationship between integrated reporting (IR) and firm value. The research analysed a sample of international companies that had voluntarily adopted integrated reporting. The findings indicated a positive correlation between market value and expected future cash flows, as well as a negative correlation between capital costs and integrated reporting.

In contrast to Martinez (2016), Zhou et al. (2017) discovered data regarding the relationship with cost of capital that were the exact opposite. Their research focused on cost of capital, prediction accuracy, and IR for analysts. Before and after the introduction of IR, it was done on JSE listed corporations. The main objective was to ascertain whether analysts could make financial forecasts using the data in an IR. According to the study integrated reports can help companies attract investors and lower their cost of capital. Integrated reports can provide analysts with valuable information regarding a company's strategy, business plans, and other forward-looking data that can assist them in making more precise forecasts. Investors tend to prefer investing in companies with lower risk, and integrated reports that are well-presented can help to reduce a company's perceived risk. As a result, this can lower a company's cost of capital.

Cosma, Soana, and Venturelli (2018) and Zhou et al. (2017) found that the market responded favourably to the announcement of the recognition for excellent integrated reporting. This led to an increase in share prices and the companies being acknowledged as leading practitioners and trustworthy disclosers. In other words, companies that produce high-quality integrated reports are seen as more trustworthy and reliable by investors. This can lead to higher share prices and increased investment.

Studies by Martinez (2016), Zhou et al. (2017), and Cosma et al. (2018) have found that integrated reporting can lead to improved financial performance for businesses, increases their transparency and accountability, and boost their investor relations. Based on these findings, the authors of the current study argue that managers and businesses should invest in improving the quality of disclosure in their integrated reports. The results of the current study may be influenced by the use of a different methodology and a smaller sample size, but the study will focus on the same geographic location (Zimbabwe). The researchers aim to contribute to the understanding of how IR can affect an entity’s financial performance through their findings.

The study also discovered that companies that actively manage the opportunities and risks associated with social and environmental challenges integrate these issues into their communications. This suggests that integrated reporting is a reflection of integrated thinking, and that ESG (Environmental, Social, and Governance) issues are being effectively managed. In essence, this means that businesses are able to better understand how their value drivers and strategic goals are interconnected. Overall, the study by Churet and Eccles (2014) provides strong evidence that IR can be a valuable tool for organizations that want to improve their financial performance and manage ESG issues more effectively.

Churet and Eccles (2014) discovered that there was no evident correlation between integrated reporting (IR) and financial performance. They found that companies that did not practice IR did not perform significantly worse than companies that did practice IR. However, they recommended more findings, which gave this study impetus. In their study, the researchers used a single metric, return on invested capital (ROIC), to measure entity’s performance. A clearer picture of the relationship could be obtained by using more accounting and market-based measures. This study uses a wider range of financial metrics to measure company performance, including accounting-based metrics such as ROA and market-based metrics such as EVA, to determine the effect of integrated reporting on financial performance. In other words, Churet and Eccles' study was limited in its scope and did not use a comprehensive set of metrics to measure financial performance. By employing a broader range of metrics to assess financial performance, this study addresses the shortcomings of earlier research. The study's results demonstrate a favourable association between integrated reporting and financial performance.

A study by Appiagyei, Djajadikerta, and Xiang (2016) was conducted to determine the quality of IR and its association with firm performance in Australia and South Africa. They found that there was a positive correlation between integrated reporting and profitability, and that this correlation was even stronger in Zimbabwe, where integrated reporting is mandatory for all listed companies. The authors argue that these findings suggest that integrated reporting can be a valuable tool for improving firm performance, and that Australian policymakers should consider regulating integrated reporting in order to encourage its adoption by more companies.

 In contrast to other affluent nations, Zimbabwe lacks sufficient data to demonstrate how integrated reporting affects financial performance. Despite being one of the pioneers in integrated reporting and following the guidelines of King III and King IV, South Africa's present status has remained unaltered.

When analysing the effects of IR , it is important to consider the time horizon over which benefits are expected to materialize. Integrated reporting is a long-term investment, and the benefits may not be immediately apparent. With the passage of time, integrated reporting has the potential to bring about positive outcomes such as better financial performance, heightened stakeholder engagement, and an improved reputation.

# 2.5 Factors influencing adoption of Integrated Reporting

# 2.5.1 Regulations

Starting from 2010, entities listed on the JSE in South Africa have been mandated to implement integrated reporting. However, little progress has been achieved in other nations in institutionalizing integrated reporting. But this does not imply that these other nations oppose the idea of adopting consolidated reporting. Instead, their requests for non-financial information disclosure and progress toward institutionalizing such disclosure will probably result in integrated reporting. There are already several regulations for non-financial information disclosure, although most of them require for such disclosure to be made voluntarily. According to the IIRC, it is not necessary appropriate to develop integrated reporting into an institutionalized system and that each country should decide for itself in accordance with its own conditions.

The IIRC's early ambition to promote integrated reporting was criticized by academics for its lack of regulation. According to Flower (2015), the proposals put forward by the IIRC may not have a significant impact on corporate reporting practices as they lack regulatory enforcement. Thomson (2015) echoed this sentiment, stating that it is unclear how unregulated integrated reporting initiatives can bring about system-level sustainability reforms. Consequently, the IIRC's aspirations appear to be constrained in the absence of regulatory measures. Research conducted in Australia by Stubbs and Higgins (2015) also supports Flower's initial objections. The authors found that voluntary approaches to international reporting may be supported by report preparers, but they are unlikely to drive substantial change without regulatory backing.

In conclusion, the IIRC's ambitions are likely to be limited in the absence of regulation. Voluntary approaches may be supported by report preparers, but they are unlikely to be effective in driving significant change.

# 2.5.2 Political factors and legislation

Jensen and Berg (2012) suggest that political factors, including investment and employment protection laws, ownership structures, market affluence, national corporate responsibility index, share of private spending for tertiary education, and trade union density, influence the decision to adopt integrated accounting.

* Investment and employment protection laws: Companies located in nations with robust investor and employment protection regulations are more inclined to embrace IR. This is because these laws provide greater certainty and protection for investors and employees, which can make companies more willing to invest in long-term projects.
* Ownership structures: Integrated reporting is more likely to be adopted in companies with dispersed ownership structures. This is because dispersed ownership makes it more difficult for any one shareholder to exert control over the company, which can lead to a greater focus on long-term sustainability.
* Market affluence: Companies operating in countries with greater market prosperity are more inclined to issue IR. This is because there is greater demand for information about a company's sustainability performance in these countries.
* National corporate responsibility index: The national corporate responsibility index is a measure of a country's commitment to corporate responsibility. Countries with higher scores on this index are more likely to have companies that adopt integrated reporting.
* Share of private spending for tertiary education: The share of private spending for tertiary education is a measure of a country's investment in education. Countries with higher levels of investment in education are more likely to have companies that adopt integrated reporting.
* Trade union density: Trade union density is a measure of the percentage of workers who are members of a trade union. Countries with higher levels of trade union density are more likely to have companies that adopt integrated reporting.

Overall, Jensen and Berg (2012) found that the above political factors can have a significant impact on the decision to adopt integrated reporting

The public sector in Zimbabwe places a special emphasis on accountability and openness, along with the requirement to meet stakeholder expectations. The Public Finance Management Act, the Rural District Councils Act, and the Urban Councils Act all outline the fundamental financial reporting obligations but make no mention of sustainability reporting or reporting on value creation. But in order to accomplish downward accountability, such more information is required.

# 2.5.3 Cultural System

Girella et al. (2019) discovered that firms located in countries with higher levels of collectivism and feminism tend to adopt integrated reporting more frequently. On the other hand, Vitolla, Raimo, Rubino, et al. (2019) found that the quality of integrated reporting is positively associated with uncertainty avoidance and negatively associated with power distance, individualism, masculinity, and indulgence. In general, these studies suggest that integrated reporting is more likely to be adopted in countries with certain cultural characteristics, such as collectivism, feminism, uncertainty avoidance, and secular-rational values. These cultural characteristics may create a more favourable environment for integrated reporting, as they emphasize the importance of social responsibility, transparency, and accountability.

According to García-Sánchez et al. (2013), the adoption of integrated reporting is more probable in countries with strong collectivist and feminist values that prioritize the common good. Similarly, Vaz et al. (2016) found that companies in collectivist nations are more inclined to publish integrated reports than those in individualistic nations. It is important to note that these studies are correlational, and they cannot prove that cultural factors cause companies to adopt integrated reporting. However, the findings of these studies suggest that cultural factors may play a role in the decision to adopt integrated reporting.

# 2.5.4 Education and freedom of citizens

Jensen and Berg (2012) discovered that businesses in countries with greater levels of spending on tertiary education are more inclined to adopt integrated reporting. This is because these countries have a greater pool of skilled workers who are able to understand and implement new management practices. Additionally, these countries have a strong research culture, which leads to the development of new knowledge about integrated reporting. Busco et al. (2019) found that the degree of integration between financial and non-financial information is positively impacted by citizens' freedom. This is because citizens who have more freedom are more likely to demand transparency from businesses. Additionally, these citizens are more likely to be aware of the importance of sustainability and social responsibility.

In summary, both studies suggest that integrated reporting is more likely to be adopted in countries that have a strong education system, a research culture, and a focus on sustainability and social responsibility.

# 2.5.5 Monetary and Market system.

Jensen and Berg (2012) found that companies operating in countries with robust market-based economies are more likely to implement integrated reporting. They attribute this to the fact that these countries tend to have lower levels of ownership concentration, which gives stakeholders more influence over the company's reporting practices. Busco et al. (2019) found that country-level market success significantly influences the level of information integration in integrated reports. This suggests that companies in countries with strong economies are more likely to see the value in providing a comprehensive and integrated view of their performance.

Therefore both studies suggest that the institutional environment in which a company operates can have a significant impact on its decision to implement integrated reporting. Companies in countries with robust market-based economies and strong economies are more likely to see the value in this approach and are therefore more likely to adopt it.

# 2.6 Challenges in implementing Integrated Reporting

# 2.6.1 Costly

Implementing integrated reporting is difficult since it requires both adaptation and implementation. The management will need to make a sizable expenditure in order to ensure its considerations while taking into account the accountability, materiality, and conciseness of infrastructure. Therefore, if they begin to adopt and execute the integrated reporting, the cost will climb. The hurdles in adopting and implementing integrated reporting will also include a lack of knowledge on integrated reporting and the availability of information. . Ruiz-Lozano & Tirado-Valencia (2016) argue that the management's ability to effectively implement integrated reporting may be hindered by a lack of knowledge about it. Furthermore, management must assess whether all the pertinent information is available for the integrated report and whether it is relevant to their research. These findings are in line with those of Hoque (2017) and Villiers et al. (2014), who also highlighted the challenges associated with implementing integrated reporting.2.6.2 Question for Accountability

Adopting and implementing integrated reporting in the organization presents minimal difficulties. The level of accountability is the first consideration while putting together a corporate report. The management will be held more accountable and more cognizant of the corporate report issued for the stakeholders. The management is more concerned about whether adopting and implementing integrated reporting in their report will make it more or less accountable for them because traditional reporting is accountable. Therefore, while making a decision to adopt and execute integrated reporting, management will take this into account.

# 2.6.3 Reconciling the needs of different stakeholders when determining materiality

Flower (2015) hypothesized that different stakeholder groups had varied perspectives on internal reporting (IR), with investors focusing more on profits than on societal benefits. Getting IR to be embraced by everyone from the political will to the strategic level management, to the operational personnel, and by the whole supply chain is necessary for organizations that want to hop on the IR bandwagon and stand out. According to Ahmed Haji and Anifowose (2016), managers' participation legitimizes the potential in compiling an integrated report. In particular, one issue could be more significant to one stakeholder than another.

# 2.6.4 Describing company’s business model in relation to the framework is difficulty

The complexity of assurance in integrated reports and potential ambiguities related to capital evaluation and meaning should be taken into consideration, according to Cheng et al. (2014), because the connectivity difficulty is partly a result of how the approach has evolved over time. Connectivity is more than just producing reports and establishing connections; it's how one develops that understanding at each level of organization. The hazards and restrictions associated with the concept of integrated printing are highlighted by Alexander and Blum (2016). The authors Stacchezzini, Melloni, and Lai (2016) caution against using integrated representation to change how the public perceives corporate behavior. The authors highlight how businesses only provide limited forward-looking and quantitative information about their sustainability actions from this standpoint.

# 2.7 Chapter Summary

Initial research on definitions of integrated reporting and corporate performance was done in this chapter. Theoretical analysis of integrated reporting was also discussed, and an overview of current studies on the effects of integrated representation on corporate performance was conducted as part of an empirical literature review. The factors affecting the adoption of integrated reporting as well as its difficulties and obstacles were examined. The study's findings on the effects of integrated reporting on financial performance were conflicting. The methodology used for the research will be explained in more detail in the following chapter.

# CHAPTER THREE

# RESEARCH METHODOLOGY

# 3.1 Introduction

This chapter outlines the research techniques used to gather data regarding how well Integrated Reporting works to improve the performance of companies listed on the Zimbabwe Stock Exchange. Additionally, it explains the rationale behind the researcher's use of a number of approaches as well as how they were used to complement one another's findings.

# 3.2 Research design

The usefulness of IR in enhancing the performance of companies listed on the ZSE was thoroughly and accurately described by the researcher using a descriptive research approach. Using questionnaires, personal interviews, mail surveys, and telephone interviews, data for descriptive study was acquired. Although descriptive research is quite accurate, it does not collect information regarding the underlying factors that contribute to a particular situation (Berman, Jones, and the National Longitudinal Study of Adolescent Health, 2000). This method may have drawbacks in terms of confidentiality and objectivity (Creswell, 1994). During interviews, participants may decide not to respond to questions they find too personal, confusing, or challenging. Descriptive research's findings may change over time. Cause and effect relationships cannot be established by descriptive investigations. The authenticity of responses to survey questions may be compromised if respondents provide socially desirable answers or are not entirely truthful. Additionally, the selection and phrasing of questions in a questionnaire can influence the descriptive findings.

# 3.3 Population and Sample

# 3.3.1 Population

The study's target audience included the management, auditors, shareholders, and accountants of companies listed on the Zimbabwe Stock Exchange. As shown in the table below, the total population of these targeted departments amounted to 135 individuals.

|  |  |  |  |
| --- | --- | --- | --- |
| Sector ofOrganisation | TargetedPopulation | Accessible Population | Sample Taken |
| Accountants | 40 | 20 | 11 |
| Auditors | 25 | 15 | 9 |
| Management | 45 | 25 | 13 |
| Shareholders | 25 | 10 | 6 |
| Total | 135 | 70 | 39 |

# 3.3.2 Sample

The researchers were able to easily find a sample of accountants, auditors, and stockholders because they were a readily available population. Maxwell (1996) defines a readily available population as a group of people who are easy to reach and who are willing to participate in research. In this case, the researchers were able to find accountants, auditors, and stockholders by contacting local businesses and organizations.

A sample size of 35% was created by selecting 35 respondents out of a total of 100 accessible participants.

# 3.4 Sampling Techniques

In this investigation, non-probability sampling was employed. According to your own subjective opinion, non-probability sampling offers a number of strategies for picking a sample (Saunders, 2019). The researcher used judgmental sampling to choose a sample of interviewees who were likely to have knowledge of integrated reporting. This approach enables the researcher to exercise their own discretion in choosing the most appropriate participants for the study. In this case, the researcher wanted to maximize the quality of the information gathered, so he selected respondents who he believed would be able to provide the most insightful and knowledgeable responses. He then distributed questionnaires to accountants, auditors, and stakeholders because they were most likely to have this knowledge and be involved in the reporting system.

# 3.5 Sources of Data

There are numerous methods for gathering data, including observations, surveys, and interviews. These techniques may be used singly or in tandem in a particular research topic.

# 3.5.1 Primary Data

Wegner (2014) defined primary data as raw data that is stored at the point of generation. When gathering primary data for the first time, it is important to have a clear objective in mind. This will help to ensure that the questions that are asked are relevant to the research topic and that the data that is collected is accurate. This makes it a valuable source of information for research studies, as it can provide insights that would not be possible to obtain from secondary. However, using primary data falls short because of the cost and effort involved in its collection. Websites of companies listed on stock exchanges and annual consolidated reports served as the primary sources of data for this study.

# 3.5.2 Secondary Data

According to Best and Khan (1995), secondary data is readily available and has already been collected, as opposed to primary data which needs to be gathered by the researcher. The use of secondary data ensures that the original information is not manipulated by individual interests. Researchers may opt for secondary data to increase the effectiveness and efficiency of their studies, as it allows for a larger sample size. Additionally, utilizing existing resources is a quicker and more efficient way to collect data. The use of secondary data is especially helpful in large research projects that involve multiple research groups working together. This allows the primary researcher to focus on niche areas of interest or original research, leading to faster scientific discovery through the separation of labour.

**Justification of Secondary Data**

* As a result of fewer information gathering-related movements, the financial resource constraint will be lessened.
* The data will give the researcher the opportunity to promote the broadening of the scope of the data analysis, which will improve its quality.
* Time will be saved because making an appointment attempt won't have any negative effects.

**Challenges of Secondary Data**

* The data will only be available for the term of the investigation, making history difficult to gather.
* Data collecting time will be lengthy, especially when seeking for relevant facts.

# 3.6 Research instruments

The researcher used questionnaires and interviews to collect data. Both tools were employed by the researcher to collect data because they were practical and could be used together. During interviews, respondents were systematically questioned, either individually or in groups. Since the research was being conducted during a time when the researcher had other commitments, such as Exam preparation, the majority of the interviews were conducted online using WhatsApp and Zoom. Because they fostered greater trust between the interviewee and the interviewer, the researcher was able to have in-depth discussions with several of the listed company leaders through interviews.

# 3.6.1 Questionnaires

Wegner (2014) defines a questionnaire as a data collection tool that contains questions for respondents to answer. These questionnaires can be administered through various methods such as participant-administered surveys, face-to-face interviews, or telephone interviews. Research using questionnaires can be either descriptive or explanatory, as stated by Saunders et al. (2003). However, there are limitations to using questionnaires as a surveying method, such as low response rates. According to Leedy and Ormrod (2001), mailed surveys, for example, typically have a response rate of 50% or less. It's possible that the responders who give them back won't be an accurate representation of the study's initial sample. When employing a questionnaire, the interviewer has little opportunity to delve deeper or obtain additional information, therefore the questions must be carefully constructed.

# 3.6.2 Interviews

To augment questionnaires that lacked space for clarification on specific concerns, structured interviews were used. In order to gain a deeper knowledge of how Integrated Reporting is implemented, the difficulties associated with doing so, and whether organizations realize the benefits they set out to, interviews were used as a supplement to questionnaires. In order to verify that the information acquired was objective, the researcher employed an interview guide, according to Montoya (2016). According to Robson (2018), interviews record additional forms of communication like facial expressions and hand gestures that verify the truth of what is said in response to study questions. The researcher was able to assess the veracity of the responses obtained through the use of interviews in order to decide if the information obtained was trustworthy or not in basing conclusion.

# 3.7 Data Collection Procedure

 The researcher spent time locating the businesses that were traded on the Zimbabwe Stock Exchange. He then tried to get in touch with the companies that were reachable. The researcher asked the University for Permission to distribute the questionnaire via emails and WhatsApp and to conduct an online study using the questionnaire and an interview. The University consented, and the researcher needed to request permission from the available companies to conduct a study on their employees. In order to conduct a pretext study, the researcher gave questionnaires to some of the Accounting department supervisor before giving them to the intended sample. It aided in determining the usefulness of the research tool and if the questions were understood as intended when determining how well integrated reporting affected the companies' financial performance (Bell and Waters, 2014). After making the necessary corrections, standardized questionnaires were created and given to the targeted sample along with an interview guide so the researcher could focus on the topic at hand rather than asking unrelated questions. The respondents were then informed of the deadline for returning the questionnaire and the time and date of the interview.

# 3.8 Data Analysis and Presentation

As the author mobilized all the significant findings on the effectiveness of integrated reporting on improving organizational performance for drawing insightful recommendations and conclusions, the data collected through interviews and questionnaires was screened for completeness. To make sure that the conclusion was comprised of all the information obtained, analysis was completed by looking at the responses provided for each question. As it simplifies the data and makes it easier for the researcher to evaluate and handle the data, the analysed data was provided in the form of percentages, mean, narratives, and tables (Cooper and Schindlers, 2018).Other previously collected information was used to allow comparison and draw valid conclusions.

# 3.9 Validity Reliability

Respondents are hesitant to acknowledge to engaging in any unlawful or socially unaccepting behavior. As a result of numerous company executives' reluctance to provide their financial details, this presented a significant challenge for the researcher. With the support of advisors who provided direction to improve the instruments' behavior in order to ensure the validity of the data gathered, the researcher prepared questionnaires and interview questions (Dane, & Twycross, 2015). The researcher assured all participants that she was not carrying out the study on behalf of any other bank and that all feedback and details would be kept private. The respondents were far more motivated to cooperate as a result.

Masarirambi (2017) argues that the methodology of a study has a greater bearing on its reliability than any other factor. This is because the methodology determines how the data is collected and analysed, and these factors can have a significant impact on the results. The researcher in this study made sure to adhere to the predetermined theories of research methodology in order to ensure the validity of the study outcomes. This means that they used a systematic and rigorous approach to collecting and analysing the data, and that they took steps to minimize bias.

The accuracy of the research was ensured by using scientific methods throughout the process, including sampling, data collection, analysis, and presentation of the results (Cohen, Manion, & Morrison, 2017). A pilot study was conducted prior to the main investigation, which allowed the researcher to gain experience with the instruments and identify any inconsistencies or weaknesses in the questions. Based on the feedback from the pilot study respondents, the questionnaires were evaluated and improved. Additions, omissions, and modifications were made to the questions as needed.

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# 3.9 Ethical Considerations

I concur that ethical considerations are crucial when conducting research or analysing data related to individuals. However, in this particular case, the study does not involve any experimentation on human subjects, and the secondary data used in the research is publicly accessible. Therefore, there are no ethical concerns related to data collection since the information will be obtained from available sources. Moreover, ethical considerations that arise from human involvement are not applicable to this study, as it is quantitative and does not involve any human interaction.

The researcher also thought about requesting permission from the institution and the companies he planned to do the research with.

# 3.10 Chapter Summary

This chapter provided a comprehensive overview of the research methodology utilized in the study, which included interviews, questionnaires, and pre-existing data. Additionally, it outlined the appropriate methods for presenting and analysing data, setting the stage for the subsequent chapter.

# CHAPTER 4

# DATA PRESENTATION AND ANALYSIS

# 4.1 Introduction

This chapter's primary objective was to present and analyse the data collected through various data collection instruments utilized in the research, such as questionnaires, interviews, and integrated reporting materials provided by management to evaluate financial performance. As described by Katherine et al. (2011), data analysis is the process of organizing and interpreting data from primary and secondary sources. The data collected in this study was analysed through data triangulation, which involved categorizing it into different themes to gain insights into integrated reporting's impact on firm performance, particularly among listed companies on ZSE. Additionally, the analysis strategy was tailored to address the research objectives and questions.

# 4.2 Response rate on Questionnaires

|  |  |  |
| --- | --- | --- |
| Questionnaires distributed | Questionnaires returned | Response rate |
| 30 | 26 | 87% |

Table 4.1 provides information on the 30 questionnaires that were sent out to organization members, including accountants, auditors, management, and shareholders of a few chosen listed companies; Out of the total number of questionnaires distributed, 26 were returned, resulting in a response rate of 87%. This high response rate was attributed to several factors, including persistent follow-up with all participating employees. According to Creswell (2014), data analysis calls for a response rate of at least 70%. Therefore, the 87% response rate was deemed suitable.

# 4.3 Sex

Regardless of gender, the questionnaires were delivered to companies on ZSE's financial departments. When prompted to specify their sex, respondents were requested to complete a questionnaire. Of the 26 responses received, 16 were male and 10 were female. In Fig. 4, for example.38% (10/26) of the female respondents to the questionnaires and 62% (16/26) of the male respondents did so overall. According to a ratio of 8:5, either more men than women participated in the research or more men than women worked in the finance departments.

However, it was expected that the findings would hold true despite the above-mentioned noted skewed gender relation because the research problem could not in any way be altered by gender.

# 4.4 Academic or Professional Qualifications

The majority of financial employees in financial companies hold academic degrees. The researcher selected respondents who were believed to possess academic qualifications and could provide reliable input, as they were knowledgeable about integrated reporting reports and financial accounts.

# 4.5 Employees’ qualification in the finance department

The finance department comprises individuals with diverse academic backgrounds occupying different positions. However, they are all required to be members of a professional board of accountants. Most senior accountants, management accountants, and finance directors have master's degrees in addition to professional programs. 26 employees have qualifications; of those, 8 have degrees, 6 have masters, 4 have diplomas, and 8 have professional certificates like ACCA, CTA, and CIMA. The qualifications of the respondents provided the researcher with reassurance that the intended sample was pertinent because they were all knowledgeable and able to appropriately respond to and interpret the questions.

4.6 The decision relevance of the Integrated Reporting effect on companies’ performanceusing the accounting based measurement

# 4.6.1 Integrated reporting has an effect in increasing shareholder value using EPS

The researcher was able to determine from the information collected that 58% of the respondents agreed on the assurance of integrated reporting on the decisions made by the stakeholder holders because the majority of information is derived from the financial statements and annual financial reports to see organizational performance and growing concern.4% of respondents disagreed, noting that the majority of decisions made by stockholders are made in accordance with their interests and not those of the companies they own stock in or represent. The huge majority of the 8% who strongly disagreed with this truth supported them as well. 23% of respondents agreed with the statement that financial instruments are important.12 % of the responses were mute because they were unable to defend the assertion. Using integrated representation to communicate information to meet the needs of the many stakeholder groups may result in enhanced EPS, operating profit margins, and earnings growth.

# 4.6.2 Integrated reporting reduces agent cost thereby increasing profit margin

 According to the graph below, 19% of respondents supported the idea that IR lowers agent costs. They said that it aims to standardize and regulate financial endeavours across the whole value chain. A majority response of 53.8% of respondents, who strongly agreed with this fact, supported this. However, a total of 7.6% of respondents strongly disagreed with the statement because they learned that an increase in exposure can increase shareholder value through channels that are unrelated to agencies. These respondents were also supported by 7.6% of respondents who disagreed with the statement in general, and another 12% of respondents were undecided. They also discovered that by attempting to lessen information asymmetry, costs may rise since competition as a result of information asymmetry will need to be fought.

# 4.6.3 What effect has integrated reporting on Return on assets (ROA)?

ROA assesses the efficacy and efficiency of how businesses run their operations and utilize their resources to generate profits. Therefore, a higher ROA indicates that management has been effective and efficient in using resources to maximize stakeholder investments (Wang and Sarkis, 2017).

The impact of judgments made on assurances based on IR reports is shown in the figure below. Of the respondents, 53.8% strongly agreed that IR boosts ROA. However, 11.5% of respondents disagreed with this case in the sense that they always think about the firm's current standing rather than the historical claims made. 7.6% of people agreed with the problem, 7.6% objected strongly, and 7.6% were neutral.

The high rate of agreement was probably caused by the fact that ROA, an accounting-based measure, is supported by thorough evidence demonstrating the interdependence between accounting and economic returns. Through IR, there can be observed a positive relationship and impact on ROA. The critique of ROA as a historical measure that is unable to predict future probability and corporate risk may be to blame for the rate of disagreement (Magara et al., 2015).

# 4.7 The impacts of implementing integrated reporting to firm’s performance

# 4.7.1 Integrated reporting affect cost of capital

Cost of The term "capital" typically refers to the inferred market discount rate, which produces the present share price when applied to anticipated cash returns (Reverte, 2012).It is affected by the risk and level of information disclosure (Botson, 2006).

From the research, a significant portion of respondents of 19.2% agreed that IR affects the cost of capital, and 50% of respondents also strongly agreed. 7.7% of respondents disagreed with this statement, which was supported by 11.5% of those who strongly disagreed and 11.5% of those who were neutral.

IR provides analysts with information about corporate strategy, business models, and other information that may boost market liquidity, hence a higher percentage of respondents believed that it has an influence on raising capital costs. They were supported by this fact, and it is clear that IR has a significant impact on a company's cost of capital, thus it must be handled correctly and efficiently. The cost of capital is influenced by general economic conditions, the marketability of a company's security, operational and finance standards, as well as the financing required for new investment, and IR provides investors with the necessary information. Using a sample of 105 individuals and the CAPM and Gordon Dividend Valuation Models, Moyo Mache (2018) discovered a noteworthy negative correlation between integrated reporting (IR) and the cost of equity. The study concluded that well-presented IR reports lead to a reduction in the cost of capital, and investors are more inclined to invest in companies that offer lower-risk returns.

The percentage in disagreement based their argument on the controlling factors of capital cost, namely company size, market beta, and leverage. Utilizing the example proxy CAPM, which is Rf + (Rm-Rf).However, this brings up the issue of information asymmetry since investors must have access to all of the information regarding the variables through IR.

The neutral population may be a result of the fact that capital costs are based on assumptions and allow for potential future adjustments.

(Zhu el at 2017) obtained a statistically significant result between IR and capital cost, which is consistent with the researcher's findings that eliminating information asymmetry in the market will lower capital cost and vice versa.

# 4.7.2 Integrated reporting has an effect on Economic Value Added (EVA)

Economic value added (EVA) is a crucial tool for gauging financial performance since it combines information on the economy, accounting, and market. It is a solid performance indicator that can be used to its fullest potential to boost stockholders' wealth.

According to field research and questionnaires, 15.4% of respondents disagreed with this statement, and 7.7% strongly disagreed. The study also showed that companies, on average, are generating value from the investments made in them. This finding is consistent with a study conducted by Pamburai, Chamisa, Abdulla, and Smith (2019).

11.5% of respondents expressed no opinion on this matter. 38.5 % of respondents strongly agreed with the statement that EVA is related to ROA because they reasoned that most businesses increase their value by increasing their pr0fitability. 26.9% of respondents agreed with this statement.

By adopting a multi-capital method of thinking, IR boards and management. This helps to recognize the variety of resources and connections the company uses, which have an impact on its intrinsic worth. Doing so guarantees that the long-term goal of value creation is at the forefront of thought, boosting EVA.

Despite the favourable relationship between EVA and ROA, IR has no effect on financial performance as measured by market-based metrics. When a company offers a holistic approach to the company through IR, there is no added value to the company. Because EVA employs historical market values, its inherent limitations may be the reason why it doesn't improve financial performance.

# 4.8 Factors influencing the adoption of integrated Reporting

# 4.8.1 Regulations

First, 38.5% of the respondents strongly agreed with the statement that regulatory pressure has forced them to adapt to IR or the reason they are planning to adopt IR in the organization, as was evident from the chart below. 26% of respondents agreed with this statement while condemning the fact that regulators aim to raise taxes by requiring businesses to follow IR, so they won't be persuaded to do so. 15.4% of respondents also disagreed with this because regulators would be bringing the organization up to date on new information and aligning it with it.11.5 people were silent, and 7.7% strongly disagreed.

It is notable that regulations and legislation influence the adoption of IR. Most businesses adhere to strict standards for account preparation and presentation since they were standardized and made mandatory. If the IIRC has made it a regulation to present accounting information using IR every company would have adopted it. It is evident that businesses are implementing IR in South Africa, where it has been made mandatory for all companies listed on the JSE.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | strongly disagree | 2 | 7.7 | 7.7 | 7.7 |
| disagree | 4 | 15.4 | 15.4 | 23.1 |
| neutral | 3 | 11.5 | 11.5 | 34.6 |
| Agree | 7 | 26.9 | 26.9 | 61.5 |
| strongly agree | 10 | 38.5 | 38.5  | 100.0 |
| Total | 26 | 100.0 | 100.0 |  |

# 4.8.2 Political factors and legislation

First, 26.9% of the respondents strongly agreed with the statement that political factors and legislation has forced them to adapt to IR or the reason they are planning to adopt IR in the organization, as was evident from the chart above. 38.5% of respondents agreed with this statement while condemning the fact that legislation aim to raise taxes by requiring businesses to follow IR, so they won't be persuaded to do so. 11.5% of respondents also disagreed with this because political factors and legislation would be bringing the organization up to date on new information and aligning it with it.15.4% people were silent, and 7.7% strongly disagreed.

Legislation regarding investor and employment protection also has a big impact. Particularly, businesses are more likely to embrace integrated reporting in nations with robust investor and employment protection legislation. Jensen and Berg (2012) make the initial financial point that scattered ownership structures promote the use of integrated reporting.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | strongly disagree | 2 | 7.7 | 7.7 | 7.7 |
| disagree | 3 | 11.5 | 11.5 | 19.2 |
| neutral | 4 | 15.4 | 15.4 | 34.6 |
| Agree | 10 | 38.5 | 38.5 | 73.1 |
| strongly agree | 7 | 26.9 | 26.9 | 100.0 |
| Total | 26 | 100.0 | 100.0 |  |

# 4.8.3 Cultural Systems

Table below present the data collected on respondents about adopting IR through cultural systems.30.8% 0f the resp0ndents agreed t0 this matter as enterprises based in nations with higher degrees of collectivism and feminism are more likely to use integrated reporting. Th0ugh 26.9% 0f the respondents strongly disagreed and were supported by 11.5 % who also disagreed. This could be justified with the fact that adoption of integrated reporting among businesses, according to Garca-Sánchez et al. (2013), only takes place in nations with strong collectivist and feminist ideals oriented on the common good.7.7% were neutral.23.1% strongly agreed.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | strongly disagree | 7 | 26.9 | 26.9 | 26.9 |
| disagree | 3 | 115 | 11.5 | 38.4 |
| neutral | 2 | 7.7 | 7.7 | 46.1 |
| Agree | 8 | 30.8 | 30.8 | 76.9 |
| strongly agree | 6 | 23.1 | 23.1 | 100.0 |
| Total | 26 | 100.0 | 100.0 |  |

# 4.8.4 Monetary and Market System

As shown in the table below it indicate that 34.6% of the respondents strongly agree that monetary and market system influence adoption of integrated reporting. Those who agree follow (30%) and lastly 19 % of the respondents were silent about the matter. As per table below 7.7% of the respondents disagreed and the majority strongly disagreed.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | strongly disagree | 2 | 7.7 | 7.7 | 7.7 |
| disagree | 2 | 7.7 | 7.7 | 15.4 |
| neutral | 5 | 19.2 | 19.2 | 34.6 |
| Agree | 8 | 30.8 | 30.8 | 65.4 |
| strongly agree | 9 | 34.6 | 34.6 | 100.0 |
| Total | 26 | 100.0 | 100.0 |  |

# Chapter Summary

In a summary, this chapter concentrated on the field trip outcomes and also summarized the data to make it useful for decision-making. The findings focused on the key metrics for assessing Integrated reporting's efficacy in enhancing the performance of companies that are traded on stock exchanges, while also exploring the factors that affect the adoption of integrated reporting and the difficulties in putting IR into practice. These objectives were dispersed over the questionnaire's questions, and each objective was given credit for their success. Each respondent's data was gathered and evaluated. The conclusions of these results and the recommended actions will be discussed in the following chapter.

# CHAPTER FIVE

# SUMMARY, CONCLUSION AND RECOMMENDATION

# 5.1 Introduction

Empirical results based on the examined samples were reported in the previous chapter. The study's major conclusions, suggestions, and supporting evidence are discussed in this chapter. Following a discussion of the study, suggestions for additional research are made, and the study is wrapped up with a conclusion.

# 5.2 Summary of the Research

Since the introduction of integrated reporting, several studies have been conducted, with a majority of them (Marx and Mohammedili-Haji (2014), Mako and Van Rensburg (2017), and Haque (2017)) focusing primarily on the quality and non-financial aspects of integrated reporting. The primary goal of this study was to evaluate the impact of integrated reporting on the financial performance of companies listed on the stock exchange. Additionally, the researcher explored factors influencing the adoption of integrated reporting and the challenges involved in its implementation to define the primary objective of the study.

A study was conducted using a sample population made up of accountants, auditors, and some stockholders in ZSE-listed companies. The researcher selected a sample of 35 respondents from the 100 people that were available. Purposive sampling was used to guarantee effective allocation of time and resources on those who are familiar with integrated reporting. Tables, graphs, charts, and narrations were used to collect, display, and analyse the data.

The study also examined that regulations and political factors and legislation, Cultural system, and monetary and market system are the main drivers of IR. The study's findings show that there is no relationship between IR and accounting-based measures.

# 5.3 Conclusions

This chapter addressed the research questions and presented the corresponding research findings. Despite some of the presented hypotheses not being supported by the statistical tests conducted in this study, a broader perspective suggests that there are indications pointing towards the need for additional and extended research.

Companies who are adaptable and prepared to adopt integrated thinking can take advantage of opportunities that continue to add value to their businesses thanks to integrated reporting's distinctive blend of capital reporting and traditional reporting. Integrated reporting is essentially a response by businesses to address the evolving demands of a growing number of stakeholders. The adoption of this reporting approach and the increased availability of data will provide insights into whether the current integrated reporting framework meets the stakeholders' needs. However, based on the findings of this study, it can be concluded that while integrated reporting requires a significant investment of time, money, and effort, there seems to be limited financial benefits for businesses that have implemented it.

# 5.4 Recommendations

This study only focused on the 60 companies listed on the Zimbabwe Stock Exchange and was unable to cover all of these companies. More thorough academic work should be conducted using a larger sample of companies that may have better ESG scores than the previous studies. The study cannot be seen as totally conclusive because there are still certain gaps that need to be filled.

Many people still lack a complete grasp of IR; as a result, it ought to be introduced as a field of study in higher education so that when they enter the workforce after graduation, they will be well-versed in it, appreciate it, and possibly take it to new heights. Seminars to teach more about IR should be held in working environments.

# 5.5 Areas of Future Research

The study noted that unlisted companies may not always produce integrated reports. Therefore, future research could be beneficial by conducting a cost-benefit analysis of the adoption of integrated reporting in such companies. Additionally, alternative measurement techniques could be explored for the variables investigated in this study, such as using the ZSE Responsible Index as a proxy for the quality of integrated reporting and other accounting and market-based metrics.

The study focused on three metrics: Return on Assets (ROA), Economic Value Added (EVA), and Tobin's Q. These metrics were chosen based on the strong empirical evidence supporting their use, as demonstrated by previous research (Tshipa, 2017; Stewart III, 1994). The interrelatedness of accounting and economic returns (Tshipa, 2017), the significance of incorporating economic, accounting, and market-related facts when measuring financial performance (Stewart III, 1994), and the popularity of Tobin's Q as a measure of firm performance (Tshipa, 2017) were also considered in the selection of these variables.

# APPENDIX 1

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# APPENDIX II

**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**

******

Dear Responded

My name is B190052A, a final year student at BINDURA UNIVERSITY OF SCIENCE EDUCATION undertaking a Bachelor Accountancy Honours Degree. I am carrying a research on Evaluation of the Effectiveness of Integrated reporting on Firms performance on companies listed on the Zimbabwe Stock Exchange(ZSE).I sincerely ask that you help me out by responding to this questionnaire. Your information will only be used for academic purposes and will be handled with the utmost professionalism and secrecy. I would really appreciate your help.

Contact Details

Cell: 0773883091

Email: frankmakarati@gmail.com

**Instructions**

* **Please do not write your name on the questionnaire**
* **Please respond to the statement marked by ticking where appropriate except where instructions state otherwise.**

**SECTION A**

**Social demographic model**

**1**. Kindly indicate your gender

|  |  |
| --- | --- |
| Male |  |
| Female |  |

**2**. Department you work in

|  |  |
| --- | --- |
| ACCOUNTING |  |
| AUDITOR’S OFFICE |  |
| MANAGEMENT |  |
| DIRECTOR |  |

**3. Work Experience …………………………………….**

**4. Qualifications………………………………………….**

**SECTION B**

**5. What is the level of implementation of integrated reporting within your organization?**

|  |  |
| --- | --- |
| Full implementation |  |
| To be tried in the future  |  |
| Under pilot study |  |

**6. For how long have you been using Integrated Reporting?**

|  |  |
| --- | --- |
| 1-3 years |  |
| 3-6 years |  |
| 7-10 years  |  |
| Over 11 years |  |

**SECTION C**

The creation and adoption of integrated reporting offers numerous chances for study utilizing different research methodologies. Little is known about how an Integrated Report would impact stakeholders or the companies producing them due to the newness of this type of reporting.

**KEY**

|  |  |
| --- | --- |
| **S A** | **Strongly agree** |
| **A** | **Agree**  |
| **N** | **Neutral** |
| **D** | **Disagree** |
| **S D** | **Strongly Disagree** |

**7. The decision relevance of the Integrated Reporting effect on companies’ performance using the accounting based measurement**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Strongly Agree | Agree | Neutral | Disagree | StronglyDisagree |
| Integrated Reporting has an effect in increasing shareholders value using EPS. |  |  |  |  |  |
| IR reduces agent cost thereby increasing profit margin |  |  |  |  |  |
| Integrated reporting assist in increasing ROA |  |  |  |  |  |

**8. The impacts of implementing integrated reporting to firm’s performance**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
| Integrated Reporting affect cost of capital |  |  |  |  |  |
| Integrated Reporting has an effect on EVA |  |  |  |  |  |
| Integrated Reporting lead to success in performance evaluation using ROIC |  |  |  |  |  |

**9. Factors influencing the adoption of integrated Reporting**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Strongly Agree | Agree | Neutral | Disagree | Strongly Disagree |
| Regulations |  |  |  |  |  |
| Political factors and Legislation |  |  |  |  |  |
| Cultural system |  |  |  |  |  |
| Monetary and market system |  |  |  |  |  |

**THANK YOU**

## APPENDIX III

## SIMILARITY REPORT

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