

The adoption of integrated reporting: a developing country perspective

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Abstract

Purpose – The purpose of this paper is to establish why firms in developing countries are slow to adopt integrated reporting (IR) and what needs to be done to ensure such firms embrace the practice of integrated reporting using evidence from Uganda.

Design/methodology/approach – This study uses a narrative cross sectional survey conducted using qualitative data collection techniques specifically the structured interviews. We conducted interviews on senior executive managers of Capital Markets Authority, Professional accountancy bodies, Uganda Securities Exchange (USE) and firms listed on Uganda Securities Exchange. The study also involved an analysis of annual reports of listed firms on USE from 2010 to 2016.

Findings – Results suggest that, firms are slow to adopt integrated reporting because of the scarce resources, culture and leadership, stakeholders demand, the regulatory requirement, the effect of globalization and the mindset, lack of awareness about IR and the nature of business and size. Results further suggest that integrated reporting be made mandatory for all firms, especially those that are publicly interested, such as financial institutions, and those that are listed on the stock exchange.

Originality/value – IR being an emerging phenomenon there are few empirical studies exploring IR practices in a developing economy perspective. To the best of the authors' knowledge this is the first paper that provides some insights into IR from a Ugandan perspective using the Diffusion of innovation theory.

Keywords Uganda, Integrated reporting, Sustainability reporting, Listed companies, Diffusion theory, Listed firms

Paper type Research paper

1. Introduction

The call by stakeholders of firms for enhanced reporting of corporate responsibility and other information that impact business performance has gained pace worldwide due to several impromptu corporate collapses and financial crises. The business environment has drastically changed and has become complex whereby information spreads through social media and internet networks as it happens. The spreading of such information has triggered investors, society and governments to demand for information about the entire organization operations (Abeysekera, 2013). The provision of such information can be done through integrated reporting (IR). IR is gaining *momentum* in both the developed and developing countries because of its potential to change the thinking of corporate actors; and thus, leading to further integration of sustainability considerations into corporate strategic planning and decision-making (Adams, 2015; Robertson and Samy, 2015; Gunarathne and



Senaratne, 2017). Studies on IR continue to emerge, but lament on scant literature on the topic and call for further studies in different national settings (Gunarathne and Senaratne, 2017; Robertson and Samy, 2015; Steyn, 2014; Lodhia, 2014; Haji and Hossain, 2016; Bommel, 2014). IR improves the quality of information available to providers of financial capital, promotes a more cohesive and efficient approach to corporate reporting that draws on different reporting aspects and communicates the full range of factors that materially affect the ability of an organization to create value over time, enhances accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship and natural) and promote the understanding of their interdependencies and supports integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term (IIRC, 2013; Singh, Wei and Kaur, 2012; PWC, 2013; Abeysekera, 2013; PKF, 2016; de Villiers *et al.*, 2014; Haji and Anifowose, 2016).

IR in some jurisdictions is not yet embraced by businesses, regulators and governments, especially in the developing countries, for example, in Uganda, few firms such as Barclays Bank and Kenya Commercial Bank have so far published their integrated reports beginning 2014. There is no legal requirement for both listed and none listed firms in Uganda to prepare integrated reports and this implies that integrated reports are still voluntary. In Kenya, the Institute of certified public accountants (ICPAK) urged companies to adopt IR beginning with the financial year 2013-2014. The Nairobi stock exchange is also emphasizing on IR for its listed firms. Elsewhere in the world, for example in South Africa, the Johannesburg securities exchange (JSE) made IR mandatory [South Africa was the first country in the world to regularize IR by requiring all companies listed on JSE to prepare integrated reports and this was in March 2010(UNEP, 2013)] while in the United kingdom (UK), USA, Europe and Asia, it has rapidly gained considerable prominence since the formation of an International Integrated Reporting Committee in 2010 (Setia *et al.*, 2015). In the UK, majority of the firms prepare integrated reports, for example, Novo Nordisk (UK) publishes one integrated report reflecting the company's financial, environmental, social and management review information.

Prior studies on IR in the African context are rare except for South Africa, where a number of empirical studies exist (Haji and Anifowose, 2016; Steyn, 2014; Atkins and Maroun, 2015; Setia, *et al.*, 2015; Haji and Hossain, 2016). Majority of empirical studies have used evidence from the UK, USA, Europe and Asia. Globally, there is still limited research on IR (Lodhia, 2014; Wild and Van Staden, 2013; Robertson and Samy, 2015; Atkins *et al.*, 2015). The current debate on IR is focused on the outcomes and benefits of IR (Stubbs and Higgins, 2014; Adams, 2015; Atkins and Maroun, 2015; Rowbottom and Locke, 2015), its core issues and challenges (Cheng *et al.*, 2014; Flower, 2015; Perego *et al.*, 2016; Rensburg and Botha, 2014) and the potential of reporting practices adopted by early adopters of IR (Brown and Dillard, 2014; Frias-Aceituno *et al.*, 2014; Higgins *et al.*, 2014; Stubbs and Higgins, 2014). Though these studies provide insights into the thinking, policy and practice of IR, still a gap in knowledge exists in as to how IR is diffused globally and particularly in an African developing country. To date, only Gunarathne and Senaratne (2017) have conducted a study on the diffusion of IR in an emerging economy using evidence from Sri Lanka focusing mainly on why and how IR as a managerial technology is diffused in Sri Lanka. Gunarathne and Senaratne (2017) found that ample availability of professional accountants, mounting stakeholder demands, the supportive accounting profession and related industries, intense competition among organizations and national culture are the factors affecting adoption of IR in Sri Lanka. The desire to understand why some firms are slow to adopt IR in emerging economies yet in the developed economies, integrated reports

are prepared by almost every firm motivated this study, and thus, in this paper, we aim to establish why firms in developing countries are slow to adopt IR and what needs to be done to ensure such firms embrace the practice of IR using evidence from Uganda. This aim is achieved through interviewing senior executive officers such as technical managers, supervision managers, chief finance officers and accountants of professional bodies, capital markets authority, Uganda securities exchange (USE) and firms listed on USE.

Uganda is a landlocked country found in East Africa. Uganda has been selected for this study because of its long history. Uganda was colonized by the British and got independence in 1962 (Rohner *et al.*, 2012). Uganda's education system is similar to that of the UK. Uganda has been characterized by civil wars and political unrest up to 1986 (Rohner *et al.*, 2012). In the early 1970s, Asians were chased from Uganda and these people had large business enterprises including schools and hospitals, which they left behind to poor managers and these later collapsed (Mamdani, 1993) and this saw Uganda's economy dwindle until 1990s when there were serious economic reforms and peace stability. Uganda's population is 34.6 million in 2014 with an average annual growth rate of 3 per cent (UBOS, 2016). It has a total area of 241,551 Km², of which the land area covers 200,523 Km² and the rest is covered by water bodies. The high population growth rate has an impact on the environment with a large population, cutting down trees and businesses being established in wetlands and pollution being experienced everywhere, for example, the wetland area of three business districts of Kampala, Mukono and Wakiso reduced by 14 per cent between 1995 and 2010 and this implies that in the next 100 years, there will be no wetland in Uganda (Government of Uganda, 2016). Further to note is that the country's existing laws such as the National Environmental Act of 1995 and the governance systems have not done enough to curb down environmental degradation (Government of Uganda, 2016), and thus, accountability on the sustainability of the natural resources remains lacking. While Bananuka *et al.* (2018) argue that accountability can be in the form of financial reports, physical output and record keeping that is only for financial accountability. There is a need to account to the various stakeholders on the non-financial activities of the organization through an integrated report.

The reason for conducting a study on IR using evidence from Uganda is that Uganda is unique from other developing countries, for example, only 4.3 per cent of Uganda's population has attained tertiary education (UBOS, 2016) and this means that the majority of Uganda's population are unable to understand a large volume scale type of reporting. To improve the education sector and develop the human resources who are ready to embrace new innovations, Government of Uganda through the Ministry of Education has introduced computer lessons in secondary schools, but computers are not used as there is no electricity in some parts of the country while in other cases, there are no computer technicians and this, therefore, means that adopting to a new technology such as IR will take much more time in Uganda as compared to other developing countries. However, given the low levels of education in Uganda and the high costs of adopting to new technologies, some firms embarked on the journey to prepare an integrated report with the first firms preparing sustainability reports by 2011 (ICPAU, 2017), but until 2016, only five firms had prepared reports that qualify to be integrated reports. This study documents that resources such as finance and human resources, culture and leadership, low stakeholders demand, regulatory requirement, globalization issues and the mindset, lack of awareness about IR and nature of business and size are the reasons why firms are slow at adopting IR in Uganda.

This paper makes several contributions. The study adds to the emerging body of literature on IR by addressing the research gap that exists as to how an innovative reporting practice such as IR is diffused at a societal level in a developing country. The study provides

an initial empirical evidence on why firms in Uganda are slow at adopting IR such as those of Gunarathne and Senaratne (2017) and Robertson and Samy (2015). The study also extends previous studies conducted outside Africa and compares the results. The study further provides more insights on the innovation literature in the field of accounting using diffusion of innovation (DOI) theory. The research results are useful for policy formulation, especially the regulators of listed firms and the government, for example, the USE and other stock markets authorities may use these results to enrich their listing requirements.

The rest of the paper is organized as follows: Section 2 presents the literature review. In this section, the theory of diffusion of innovation is explored to inform our study, the relationship between IR and sustainability reporting is explained and literature relating to adoption of IR in the world is deliberated upon in forming the research question. This section is then followed by methodology in Section 3. Sections 4 and 5 presents the results and discussion of findings; and finally, summary and conclusion drawn from the research are presented in Section 6.

2. Literature review

2.1 Theoretical foundation

This study uses the theory of DOI in establishing why firms in developing countries are slow to adopt IR. The DOI theory asserts that innovation diffusion is a general process not bound by the type of innovation studied, by whom the adopters are or by place or culture (Rogers, 2003). Rogers (1995, p. 5) defined diffusion as the process by which an innovation is communicated through various channels over time among the members of a social system. The theory of DOI has four important elements and these are, namely, innovation, communication channels, time and social system. An innovation is an idea, practice or project that is perceived as new by an individual or other unit of adoption (Rogers, 2003, p. 12). An innovation may have been invented a long time, but if individuals perceive them as new, then the innovation is new (Sahin, 2006), for example, the concept of IR is uncommon in many firms, especially in developing countries. Communication channels is the second element of DOI and Rogers (2003) defined communication channels as a process in which participants create and share information with one another to reach a mutual understanding. The next element is time. The timing of IR is proper for Uganda, given the stiff competition among existing firms and the recent corporate collapses such as Crane Bank and National Bank of Commerce. Finally, the social system is defined as a set of interrelated units engaged in joint problem-solving to accomplish a common goal (Rogers, 2003, p. 24). In this paper, we consider the social systems to include the various stakeholders of listed firms such as shareholders, management, regulatory bodies, professional accountancy bodies, government and society.

In the context of accounting, diffusion refers to the spreading of new accounting procedures to and within organizations where they had not previously been present (Mellett *et al.*, 2009, p. 747). The DOI theory is the most appropriate in investigating the diffusion of IR among listed firms as IR is still new in the accounting arena, especially in developing countries. DOI majorly focuses on physical technologies and managerial and/or accounting technologies (Gunarathne and Senaratne, 2017). Managerial technologies include those tools, devices and knowledge that mediate between inputs and outputs (Gunarathne and Senaratne, 2017; Abrahamson, 1991). Thus, in this study, IR is viewed as a form of managerial technology. Previously, in the Gunarathne and Senaratne (2017) study, IR was considered as a form of managerial technologies. Like any other technology, IR goes through a cycle, but its process involves the relocation diffusion (this focuses on how ideas enter an area without necessarily increasing the number of adopters) and the expansion diffusion (this focuses on how the total number of adopters grow gradually). In this study, the use of

expansion diffusion is a more relevant type of diffusion process in explaining why firms in developing countries are slow at adopting IR. [Sahin \(2006\)](#) suggests that for one to adopt an innovation, he or she will have the knowledge of what should be adopted, *persuaded* to adopt an innovation and a decision to adopt an innovation will be taken. Further, [Rogers \(2003\)](#) argues that for an innovation to be adopted, there must be change agents (individuals in responsible positions capable of taking decisions to influence others). [Rogers \(2003\)](#) further argues that uncertainty curtails the speed of adopting innovation, but suggests that the adopters of a given innovation should be alerted on the benefits and dangers of such an innovation. For firms in Uganda to understand and share information regarding IR, seminars and conferences need to be organized by various bodies such as USE, Institute of Certified Public Accountants of Uganda (ICPAU), CMA or Association of Chartered Certified Accountants (ACCA).

Having considered the theory of DOI in explaining the adoption of IR, it is now suitable to gain an understanding of what other researchers have found in the area of IR and how the existing literature has led to the development of the research question to guide this current study.

2.3 Integrated reporting and sustainability reporting

The International Integrated Reporting Council ([IIRC, 2013](#)) defines IR as a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation. Value creation means the gross value created by an entity's activities ([Morley, 1978; Shaoul, 1996](#)). Value creation includes the total returns attributable to employees, financial capital providers and the state and society ([Haller and Staden, 2014](#)). The value created by an organization over time exhibits itself in increases, decreases or transformations of the capitals caused by the organization's business activities and outputs ([IIRC, 2013](#), p. 10). Value creation benefits the organization itself by enabling financial returns to the providers of finance and also benefits other stakeholders and the entire society. Under the [International Integrated Reporting Framework \(IIRF\) \(2013\)](#), value creation is a process and this process comprises of the following: the external environment (this includes economic conditions, technological changes, societal issues, environmental challenges and the context in which the firm operates); governance issues that support the organization to create value; the business model, which draws on various capitals; business activities (these include planning, design and manufacture of products; outcomes as a result of the effects of the various capitals; identification of risks and uncertainties; setting the organization's strategy to mitigate risks and exploit opportunities; information regarding performance of the organization to enable decision-making; and finally, the organization's outlook in terms of disclosure requirements ([Figure 1](#)).

The [IIRF \(2013\)](#) specifies the contents of an integrated report and these are; organizational overview and external environment, governance issues, business model, risks and opportunities, organizational strategy and resource allocation, performance, challenges and uncertainties the organization is likely to encounter in its operations (outlook) and how the organization determines and measures matters to include in the integrated report (basis of presentation). Prior to the development of [International Integrated Reporting Framework \(2013\)](#), the King III Code on Governance (2009) defined an integrated report as "a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability." King III urged organizations to commit to the principles of integrated thinking by promoting the concept of strategy, governance and sustainability. He also suggested that organizations should integrate their reporting

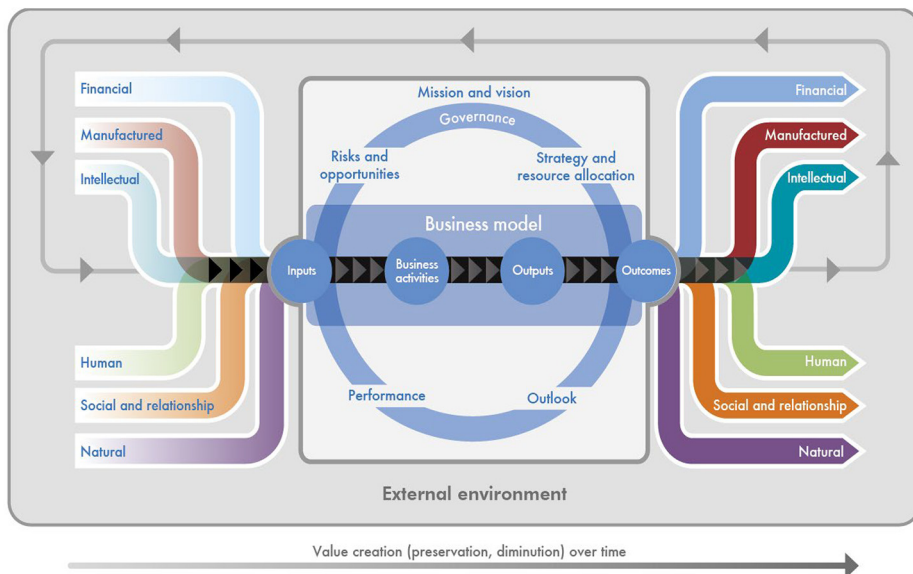


Figure 1.
Value creation according to IIRC (2013, p. 13)

approaches and practices on risks and opportunities through financial and sustainability considerations as this has enabled stakeholders to make a more informed assessment of the economic value of a company. It is, thus, recommended that financial, environmental, social and governance reports be produced by companies and made available in an integrated fashion rather than being developed separately (King III, 2009; de Villiers *et al.*, 2014). Therefore, Sustainability reporting is a disclosure that provides information to stakeholders about an organization’s attempts to balance its economic, social and environmental goals (de Villiers *et al.*, 2014), and thus, sustainability reporting is part of an integrated report.

2.4 Why integrated reporting was adopted in other jurisdictions?

IR has rapidly gained sizable status since the formation of the International IR Committee in 2010, and subsequently, renamed the International IR Council (de Villiers *et al.*, 2014). Various stock exchange entities have it as a requirement for firms to prepare integrated reports such as the JSE, New York securities exchange and Nairobi stock exchange among others. The ICPAK also emphasizes all firms to prepare integrated reports. In South Africa, mandatory compliance with IR was the primary driver for IR and this means that mandating IR would aid its diffusion (Robertson and Samy, 2015). In other Jurisdictions, like Uganda, there is no law or any form of requirement for an integrated report. The USE listing rules of 2003 only requires a listed firm or a firm seeking to be listed to present audited financial statements. Given that IR is voluntary in Uganda, it is expected that there are low levels of diffusion of IR. Previous studies such as Ullah and Rahman (2015) argue that without regulation, voluntary reporting is unlikely to result in either the high-quality of reporting or sufficient level of reporting.

In their study, Gunarathne and Senaratne (2017) found that ample availability of professional accountants, mounting stakeholder demands, the supportive accounting profession and related industries, intense competition among organizations and national culture are the factors affecting adoption of IR in Sri Lanka. In another study conducted in

the UK, [Robertson and Samy \(2015\)](#) found that the lack of incorporation of IR requirements in both the national and international standards could be an explanation for low levels of adoption of IR in the UK and note that companies will copy each other's practice. [Robertson and Samy \(2015\)](#) found that organizations in the UK still had a rigid mindset and suggests that organizations will need to change existing practices through greater cross-functional communication to facilitate diffusion of IR and the author goes ahead to argue that, if there is willingness to innovate through a *consensus* mindset, to view stakeholders as one and deliver the message in the locality, IR will be adopted by a number of UK firms.

Studies by both [Gunarathne and Senaratne \(2017\)](#) and [Robertson and Samy \(2015\)](#) directly investigated the factors that affect the diffusion of IR using evidence from firms that have adopted IR. [Gunarathne and Senaratne \(2017\)](#) studied the diffusion of IR in an emerging South Asian nation, which is one of those countries that have recognized the importance of sustainable development from ancient times by embracing integrated thinking and accountability for example, Sri Lankan sophisticated irrigation systems were constructed by their ancient kings, and thus, an evidence of integrated thinking and sustainability. A total of 32 firms in Sri Lanka had already adopted IR by 2014 and the country was noted as one of the fastest growing nations in the world ([Gunarathne and Senaratne, 2017](#)). A study by [Robertson and Samy \(2015\)](#) was conducted in the UK capturing issues on factors affecting the diffusion of IR in a UK perspective and the UK is one of the developed countries well-versed with the highest level of technology. Studies by both [Gunarathne and Senaratne \(2017\)](#) and [Robertson and Samy \(2015\)](#) call for further studies with the former calling for similar studies in other national settings without specifying the methodology to be used and the later calling for future studies after the release of the International Integrated Reporting Framework. The current study, thus, responds to such calls to compare results reported by previous studies and also provide initial empirical evidence on why firms in Uganda are slow at adopting IR and possibly suggests what could be done to improve IR adoption in Uganda. The present study differs from previous studies as it *elicits* responses from both the adopters and non-adopters of IR in an African developing country – Uganda.

[de Villiers et al. \(2017\)](#) developed a conceptual model of influences around IR, new insights and directions for future research using a narrative/discursive style of methodology. [de Villiers et al. \(2017\)](#) proposed a model where the determinants of IR could be both organizational features and external factors. The organizational factors identified include size, profitability, growth potential, leverage, financial performance and position, ownership structure, managerial attitude and motivations, organizational culture, corporate governance and non-financial performance disclosure costs. The external factors identified are institutional pressure, stakeholder pressure, regulators, media, industrial sector, geographical location and cultural dimensions. [de Villiers et al. \(2017\)](#) call for empirical studies on the identified determinants of IR. In another study by [García-Sánchez et al. \(2013\)](#), it was found that culture is positively associated with IR adoption and their study excluded financial and insurance sectors, as well as Asian and African countries. Specifically, [García-Sánchez et al. \(2013\)](#) found that companies located in societies with stronger collectivist and feminist values are at the forefront of information integration. Further, [Steyn \(2014\)](#), while investigating organizational benefits and implementation challenges of mandatory IR and focusing on the perceptions of senior executives at the South African listed firms using a questionnaire survey, noted that corporate reputation, stakeholders' needs and investor needs are at the forefront for preparation of integrated reports, in addition to mandatory IR (the primary reason for preparing IR). [Setia et al. \(2015\)](#), whose study provided an initial evidence of IR adoption in South Africa not only reports that the primary driver of IR is

requiring its adoption by the regulators but also notes that maintaining the legitimacy of the organization is core in the adoption of IR.

In accounting, a number of reporting innovations have been introduced, for example, segmental and sustainability reporting. Several factors are behind the adoption of the new innovations, for example, [Kobbi-Fakhfakh et al. \(2018\)](#) note that the quality of segmental reporting is affected by the size of the firm and auditor type while debt leverage negatively affects segmental reporting and profitability has no relationship with segmental reporting among the European Union listed companies. The social and environmental disclosures within annual reports are largely motivated by organizational or managerial desires to meet the perceived information requirements of the stakeholders, who hold the most economic power in relation to a reporting organization given the emergence of social media and other forms of communication where information moves as it happens ([de Villiers et al., 2014](#); [Neu et al., 1998](#); [Deegan, 2002](#)). In [Haji and Anifowose's \(2016\)](#) study, it was found that audit committees have a positive association with IR practice in South Africa. [de Villiers et al. \(2014\)](#) undertook a study on insights from accounting and accountability research into the rapidly emerging field of IR and found that the rapid development of IR policy and early developments of practice, present academic and experimental challenges because of the different ways in which IR is understood and enacted within private and government entities, and this provides a basis for the current state of IR practice.

Based on the foregoing discussion, the issue of IR cannot be underscored, for example, in their guest editorial, [Hussainey and Hassanein \(2017 p. 266\)](#) argue that “the disclosure requirements and practices are growing and the types of information that firms provide to the investors are being changed.” [Hussainey and Hassanein \(2017\)](#) further state that companies need to provide more detailed information to accommodate investors’ needs than simply providing only financial information. Therefore, the desire to understand why firms, especially in developing countries are slow at preparing integrated reports motivated this study. The debate on the diffusion of IR in Uganda can best be resolved by answering the following research question:

RQ1. Why are firms in developing countries slow to adopt IR?

3. Methodology

3.1 Research design

This study uses a narrative cross-sectional survey conducted using qualitative data collection techniques, specifically the semi-structured interviews (see [Appendix 2 and 3](#)). The interviews were used in this study primarily to gain an in-depth understanding of the subject matter under the study and have been used in previous studies ([Robertson and Samy, 2015](#); [Gunaratne and Senaratne, 2017](#)). We further analyze annual reports of companies listed on USE from 2010 to 2016 to ascertain the extent of IR practices in Uganda.

3.2 Selecting the respondent and respondent profile

The study was informed by 28 respondents. The respondents include; technical manager of the regulator of accountants in Uganda (ICPAU), the senior market supervision officer and head market supervision of stock markets (CMA) and USE. For firms listed on USE, chief finance officers, finance managers, heads of sustainability reporting and heads of corporate social responsibility officers were interviewed. The respondents were selected by contacting the firms to identify the key personnel involved in preparing integrated reports and where integrated reports were not being prepared, then we would obtain details of those key

personnel involved in preparing annual reports. The key personnel involved in preparing integrated reports or annual reports were subsequently interviewed on prior appointment. The interviews lasted for between 30 and 70 minutes. In Uganda, there are only 16 firms listed on USE (USE, 2017). These listed companies are categorized into five. The first category is comprised of eight firms (financial services) representing 50 per cent, followed by four firms (consumer services) representing 25 per cent. The third category are those firms providing consumer goods (two of them) representing 13 per cent. Other firms listed are those categorized as industrial (one) and utilities (one), which account for 6 per cent respectively. For the respondent profiles; one senior officer was from the professional accountancy bodies while two were senior officers of the capital markets authority (regulator of listed firms in Uganda), and one senior officer was from USE and 23 respondents were from listed firms. Of the 23 respondents, 10 senior officers interviewed were from those firms that had already adopted IR while 13 were from firms that have not yet adopted IR. (See [Appendix 1](#) for why each interviewee was selected). For anonymity purposes, only the main person interviewed position and the industry in which the firm resides were reported in this study. We promised the key contact persons that we would not fully disclose their identities as this was their request.

3.3 Validity and reliability

To ensure reliability and validity, our data were subjected to triangulation. In research, triangulation helps address the limitations of a given methodology by complementing its weaknesses with the strength of other methods ([Brewer and Hunter, 1989](#)). [Denzin \(1984\)](#) identified four forms of triangulation and these are; data source triangulation (retrieve data from a number of different sources to form one body of data), investigator triangulation (using multiple observers instead of a single observer in the form of gathering and interpreting data), theoretical triangulation (using more than one theoretical position in interpreting data) and methodological triangulation (using more than one research method or data collection technique). This study used data source triangulation to ensure accuracy, credibility and validity of the data. The views from respondents in listed firms were triangulated/validated by views from the regulators that is to say, ICPAU and CMA, as well as USE. Further, to ensure validity, interviews were read through and even played back to the respondents to ensure that what has been captured is exactly what respondents have actually said.

3.4 Data management and analysis

Annual reports of firms under study were obtained from the respective entity's website, downloaded and saved on the computer in a specified file. In some cases, hard copy annual reports were obtained from responsible officers in the different firms understudy, especially, where full annual reports were not found on the entity's website. Annual reports were analyzed following the content elements of the [International Integrated Reporting Framework \(2013\)](#). The annual reports analyzed span a period of seven years, that is, to say from 2010 to 2016. Annual reports were analyzed to identify firms that are already preparing IR and also to trace the trend of IR adoption. The year 2010 was selected as a base year as the first Financial Reporting (FiRe) awards organized by ICPAU were organized in 2011. Further, by 2010 some firms listed on the USE had prepared sustainability reports. While analyzing annual reports, firms that had prepared integrated reports were identified and this enabled us to identify those firms that had not prepared integrated reports or those that were under way to IR. After analyzing annual reports, interviews were then conducted to ascertain why some firms are slow to adopt IR. Interviews were recorded first through means of audio-recording

and manual writing of the responses in a notebook, so that in the event that the audio is corrupted or destroyed, a manual recording would be available and even then, for consistence purposes. The responses were then transcribed to obtain emerging themes through a methodology suggested by [Miles and Huberman \(1994\)](#), that is, qualitative data analysis contains three linked sub-processes, namely, data reduction, data display and drawing conclusions. First, we wrote stories from interviews. The post-interview analysis of the transcripts involved a detailed search for underlying themes in the evidence collected. Second, following the initial transcripts studied, a comprehensive coding system was developed intuitively so as to facilitate the identification of issues and themes emerging from the transcript analysis (“open coding”), as outlined by [Parker and Roffey \(1997\)](#). Third, in line with [Miles and Huberman \(1994\)](#), matrices and templates summarizing the themes identified were developed to display the core issues emerging from the coding process that aided in identifying cross-case patterns in the data, with predominant ones becoming evident partially by mapping the relative incidence of different codes. Detailed examination of these matrices, therefore, enabled us to recognize regular patterns and explanations in the evidence collected. Finally, detailed field notes, memos, interview summaries and post-interview analyses were studied and analyzed together with the matrices and templates outlined above. Doing this enabled us to formulate descriptions of the interview findings written in the form of a narrative, thereby plotting the thought processes of the respondents interviewed.

4. Results

This study’s research question is “why are firms in developing countries slow to adopt IR?” To answer this question, we first analyze 112 annual reports of listed firms on USE to find out how many companies are already preparing integrated reports or having information that qualifies into an integrated report, and also, ascertains the IR trend among Uganda’s listed firms. We further conduct interviews of various members of management of regulators of listed firms and accountants and of listed firms. Results indicate that, of the 16 listed firms on USE, five (about 31 per cent) are already preparing integrated reports though only two firms have expressly indicated the title of the report as an integrated report. Of the five firms that had already prepared integrated reports, four firms were from the financial services sector while one firm is from the utilities sector. The adoption of IR in Uganda has been slow. Immediately, after the release of the King III report in 2009 in South Africa, which gave birth to IR, ICPAU organized the first FiRe awards and on the award categories, there was a special award for the best firm in preparing sustainability reports. The first FiRe awards were organized in 2011 and a firm from the financial services sector took the award ([ICPAU, 2017](#)). Given that previous scholars such as [Gunaratne and Senaratne \(2017\)](#) have documented that, those firms that prepared sustainability reports before were found to have adopted IR. It can then be expected that for a period of seven years, more firms could have embraced IR, but this was not the case for Uganda. However, all those firms that are already preparing integrated reports or including information in their annual reports that qualify or is closer to an integrated report have previously prepared sustainability reports. Results further indicate that two firms prepared an integrated report after the release of the [IIRF \(2013\)](#), and by 2016, an additional three firms had prepared an integrated report. The firms that had prepared integrated reports had to a larger extent followed the international IR framework though not using exact words. On analysis of the annual and integrated reports of listed firms, the following questions as enshrined in the [IIRF \(2013\)](#) had been answered:

- Q1. What does the organization do and what are the circumstances under which it operates?
- Q2. How does the organization's governance structure support its ability to create value in the short, medium and long term?
- Q3. What is the organization's business model?
- Q4. What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term and how is the organization dealing with them?
- Q5. Where does the organization want to go and how does it intend to get there?
- Q6. To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of the capitals?
- Q7. What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
- Q8. How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

From the interviews, a number of reasons as to why firms are slow at preparing integrated reports in developing countries, especially in an African country – Uganda were identified and these include the following:

The resources in terms of human resources, time resources and financial resources. A number of companies are aware of the benefits of integrated reports, but do not have the necessary expertise in terms of human resources to prepare integrated reports. One head of sustainability reporting had this to say:

[...] the biggest challenge I see is the issue of resources both in terms of time, skilled manpower and the finances. You need the skilled manpower, the money resource to disseminate the reports to the public but most important is the manpower. The same team that prepares financial statements may not be the same team to handle the regulatory and sustainability reports.

The finance manager of the same company had this to say:

[...] firms are still struggling with preparing financial statements that comply with International Financial Reporting Standards. IFRSs are revised every time and again and some of our employees are not up to date. It takes an extra cost to train existing staff in the newly developed standard. Now, preparing integrated reports is another burden altogether.

Culture and leadership, in that some firms in Uganda do not like disclosing a lot of information. There are tribes in Uganda who prefer to keep their information secret. The leadership and management of a number of organizations is not mindful of full disclosure of information. This is evidenced in a number of financial statements that did not disclose the basic information about the company, for example, the company products, the number of branches among others. Some annual reports had been written using two languages, that is, English and in some other cases, other languages the researchers could not easily interpret.

The technical manager ICPAU also made the statement below:

[...] we organized FiRe (Financial Reporting) awards beginning the year 2011 but a number of members believed that disclosing so much would increase competition.

Stakeholders demand various information from companies, especially investors. Firms with a number of stakeholders especially banks and those of public utilities such as UMEME (electricity distribution to households company). Those with less stakeholders have no motivation to prepare integrated reports. The chief finance officer of one company had this to say:

[. . .] we are forced to prepare integrated reports because of the sophistication of investors who demand a lot of information regarding environmental reports, management structure and qualifications of members of management and the board composition. Otherwise, we would not be preparing these reports.

The chief finance officer of another company had this to mention below:

[. . .] some companies are not preparing IRs because they are not publicly listed and so they have a few shareholders who may define what they want. The more the stakeholders, the more information needed.

The regulatory requirement is non-existent, that is to say, there is no law that requires firms to prepare integrated reports though some regulators such as Bank of Uganda demand for a lot of information while other regulators are silent. Companies prepare financial statements because it is a legal requirement under the Uganda companies Act 2012.

The effect of globalization and mindset has an effect on the progress of Integrated reports preparation. Local firms have been slow at preparing integrated reports unlike the multinational companies. Companies that have their parent companies elsewhere that prepare integrated reports are also forced to do so as their parent firms do so. This is further confirmed by the excerpt below:

[. . .] the issue of globalization is critical. Once companies expand, there is need to disclose more information. If you compare annual reports of most local firms, there is less information being disclosed as compared with those of multinational companies.

Lack of awareness on the importance of integrated reports. Some organizations in Uganda are not aware of the concept of IR, and thus, cannot see the importance of preparing integrated reports. In one organization, the chief finance officer did not know any information regarding IR, but only remembers colleagues debating about it in one of the seminars organized by one of the accountancy bodies. He had this to say:

[. . .] Integrated reporting is completely a new concept but what I know is preparing financial statements that comply with IFRS. It's not a concept that has widely been publicized and taught. However, listed firms in Uganda are supposed to disclose their governance structure, sustainability reports and risks and expectations. When you disclose a lot, there are issues with competition, government will also get closer to you and you know the implications.

The nature of the businesses and the size of the stock market. Some respondents argued that the size of the stock markets also determines whether a company should prepare integrated reports. In some countries, the stock markets are big and firms are under pressure to disclose as much information as possible to be able to fit in such a community. The implication of such finding is that USE may opt to revise its listing requirements and market itself so that it can expand and have more members. Once USE is big, then it will create competition among listed firms. However, in the meantime, USE may revise its listing requirements to include an integrated report.

During the interviews, it was also discovered that those firms that have already prepare integrated reports have the support of management while others are forced by their parent companies. Some firms prepared integrated reports because they aspire to suit the standards

of a global entity. The competitions that were introduced by ICPAU have also encouraged firms to prepare annual reports with a lot of information being disclosed. The demand by various stakeholders, especially the shareholders and the regulators make prepare one single report that answers all the questions from such stakeholders. One finance manager had something to say:

[...] the organization does not survive in an island. The so many stakeholders demanding for more information make us prepare one single report that answers all our stakeholders. We also aspire to suit the standards as a global entity. The issue of globalization is important. We want to meet the requirements for say the Global Reporting Initiatives. We want to be competitive globally. The ICPAU requires us to prepare not only the financial statements but also the aspects of environment and corporate social responsibility.

Finally, suggestions were made on how IR can be improved in developing countries. Interviewees suggested that there is need for governments to make integrated reports mandatory for all firms, especially those that are publicly interested. The international standard setting bodies may also make IR mandatory. Creation of awareness on the importance of IR also needs immediate attention. Universities and professional accountancy bodies need to include in their curriculum, IR. While ACCA– UK is already sensitizing its members on IR using various means, it is important that it strengthens its efforts. The head, sustainability reporting of one of the best companies in IR in Uganda had this to say:

[...] ACCA was among the first professional accountancy bodies to adopt integrated reporting. ACCA gives a real life experience and identifies the following key issues like value creation, connectivity, performance measurement, materiality, conciseness, reliability among others. Africa is still in a transition period unlike in other countries. Countries elsewhere especially in those industrialized nations are already ahead in integrated reporting. Our local accountancy bodies like ICPAU must do a lot to train their members in the area of integrated reporting. ICPAU has encouraged firms to disclose more information about their operations by organizing FiRe awards and companies are awarded for best annual reports especially those reports that focus on value creation and to be specific, the reports that clearly bring out sustainability issues, corporate governance and communication.

Given that in this study we used a methodology that was suggested by [Miles and Huberman \(1994\)](#), our results are presented in two tables. [Table I](#) is transcript analysis of interview responses while, [Table II](#) is frequencies of the major patterns and trends.

5. Discussion of results

This study's present results suggest that IR is still at a low level of development in Uganda with a number of listed firms, especially the local firms not even closer to providing information that may qualify to an integrated report. However, there are other firms who are getting closer towards a full integrated project while others are struggling. Some firms do not use the exact words as in [IIRF \(2013\)](#), but the information contained in their annual reports depict an integrated report. While the study confirms 31 per cent of the firms already preparing almost an integrated report, another 35 per cent is getting closer to preparing an integrated report. This finding is so encouraging and it can be expected that in the next six years, the majority of the firms listed on USE will prepare integrated reports. From an analysis of annual reports, it was discovered that within a period of three years (2013-2016), five firms had prepared annual reports depicting an integrated report. The results further suggest that the resources, culture and leadership, stakeholders demand, the regulatory requirement, the effect of globalization and the mindset, lack of awareness about IR and the nature of the business and size are possible reasons as to why firms are slow at preparing

| Sample quotes from respondents | Emerging themes |
|---|--|
| <p>... The issue of experts is critical in the process of preparing an integrated report. As we become global and Africa getting exposed, there is need to prepare an integrated report. Our investors are now keen on environment management. The reports over time have had more information being disclosed. There are no legal requirements for any company to prepare integrated reports in Uganda. ... the biggest challenge I see is the issue of resources both in terms of time, skilled manpower and the finances. You need the skilled manpower, the money resource to disseminate the reports to the public but most important is the manpower. The same team that prepares financial statements may not be the same team to handle the regulatory and sustainability reports”</p> | <p>The resources in terms of time, finances, structural and human resources No legal requirements</p> |
| <p>“... firms are still struggling with preparing financial statements that comply with International Financial Reporting Standards. IFRSs are revised every time and again and some of our employees are not up to date. It takes an extra cost to train existing staff in the newly developed standard. Now, preparing integrated reports is another burden altogether”</p> | <p>The resources in terms of time, finances and human Lack of awareness</p> |
| <p>... I have seen companies like Centenary Bank, National Social Security Fund and UMEME preparing big reports with a lot information. ... we are forced to prepare integrated reports because of the sophistication of investors who demand a lot of information regarding environmental reports, management structure and qualifications of members of management and the board composition. Otherwise, we would not be preparing these reports. ... In fact, there is much support from ICPAU in terms of training accountants. We are given the ICPAU magazine called the Today's Accountant and it normally has information on integrated reporting. ICPAU also organizes competition for firms in financial reporting called FiRe awards</p> | <p>Stakeholder demands/pressures</p> |
| <p>... some companies are not preparing integrated reports (IRs) because they are not publicly listed and so they have a few shareholders who may define what they want. The more the stakeholders, the more information needed”</p> <p>... the issue of globalization is critical. Once companies expand, there is need to disclose more information. If you compare annual reports of most local firms, there is less information being disclosed as compared with those of multinational companies. “... the organization does not survive in an island. The so many stakeholders demanding for more information make us prepare one single report that answers all our stakeholders. We also aspire to suit the standards as a global entity. The issue of globalization is important. We want to meet the requirements for say the Global Reporting Initiatives. We want to be competitive globally. The ICPAU requires us</p> | <p>The nature and size of the business Stakeholder demands</p> <p>Globalization effects Culture and leadership</p> |

(continued)

Table I.
Transcript analysis of interview responses

| Sample quotes from respondents | Emerging themes |
|---|--|
| <p>to prepare not only the financial statements but also the aspects of environment and corporate social responsibility. Some managers do not want to reveal what they do and even when employees are ready to adopt the new reporting framework, they may have negative attitude</p> <p>... Integrated reporting is completely a new concept but what I know is preparing financial statements that comply with IFRS. It's not a concept that has widely been publicized and taught. However, listed firms in Uganda are supposed to disclose their governance structure, sustainability reports and risks and expectations. When you disclose a lot, there are issues with competition, government will also get closer to you and you know the implications"</p> <p>... ACCA was among the first professional accountancy bodies to adopt integrated reporting. ACCA gives a real life experience and identifies the following key issues like value creation, connectivity, performance measurement, materiality, conciseness, reliability among others. Africa is still in a transition period unlike in other countries. Countries elsewhere especially in those industrialized nations are already ahead in integrated reporting. Our local accountancy bodies like ICPAU must do a lot to train their members in the area of integrated reporting. ICPAU has encouraged firms to disclose more information about their operations by organizing FiRe awards and companies are awarded for best annual reports especially those reports that focus on value creation and to be specific, the reports that clearly bring out sustainability issues, corporate governance and communication"</p> | <p>Lack of awareness Culture</p> <p>Stakeholder demands/pressure</p> |

Table I.

| Emerging themes | Frequency |
|--|-----------|
| Resources | 22 |
| Culture and leadership | 25 |
| Stakeholders demand/pressures | 27 |
| The regulatory requirement | 25 |
| The effect of globalization and mindset | 15 |
| Lack of awareness about integrated reporting | 13 |
| The nature of the business and size | 10 |

Table II.
Frequencies of the major patterns and trends

integrated reports in Uganda and these results tie together within the dimensions of the expanded perspective of the DOI theory. The DOI theory suggests that for any innovation to be successful among members of a societal system, there is a need for change agents. This study identifies regulators and top management as change agents in the adoption of IR. The resources are very important given that the economic environment is tricky where there are

high interest rates, fluctuating foreign exchanges rates and inflation especially in Uganda. The decision to allocate the scarce resources lies with those charged with governance as DOI suggests. Companies are downsizing while others are closing down some branches and other closing down completely to be able to cope with the situation, and yet, there is a need to hire more accountants to prepare integrated reports.

Prior studies acknowledge that the process of preparing an integrated report is lengthy and requires commitment and a skilled labor force (Chatelain-Ponroy and Morin-Delern, 2016) and this is consistent with the present study findings. Further, [Gunarathne and Senaratne \(2017\)](#) found that ample availability of professional accountants in an organization to come up with an integrated report is a critical aspect that cannot be neglected and this is in consistence with our findings. In terms of regulation, there is no law in Uganda that requires companies to prepare an integrated report and like in many other developing countries, integrated reports are optional and this means that unless there is a demand for an integrated report, then nobody may prepare one. This finding is consistent with previous studies such as [Ullah and Rahman \(2015\)](#), who found that voluntary reporting such as IR may not be of high-quality of reporting or may not have sufficient level of reporting given that it is optional. As can be evidenced from the works of [Gunarathne and Senaratne \(2017\)](#), the firms that have prepared integrated reports fully are those listed on stock exchanges such as the JSE in South Africa where it is a requirement to prepare integrated reports. The present study results are consistent with the previous studies especially on the findings such as resources, culture and leadership, stakeholders demand, the regulatory requirement, the effect of globalization and the mindset, lack of awareness about IR and the nature of the business and size. The cultural system was found to be associated with IR ([García-Sánchez et al., 2013](#)) while the availability of professional accountants (in this study human resources), stakeholder demands, supportive professional bodies and culture were found to be behind adoption of IR by [Gunarathne and Senaratne \(2017\)](#). However, factors such as globalization effects and the nature of business were identical to this study. It should be noted that the majority of the firms that had prepared an integrated report were multinational and only one firm was local.

Uganda's accountancy professional body, ICPAU has encouraged firms to prepare elaborate reports and has consistently organized seminars and workshops on IR and others on sustainability reporting. The ICPAU has further examined students on IR so that every newly qualified accountant is aware of an integrated report and can ably prepare one. The ICPAU has consistently published information on IR in the *Today's Accountant* magazine (a quarterly magazine published by ICPAU and distributed to universities, public offices and members of ICPAU) and various concept papers have been presented at different workshops. The ICPAU has further gone ahead to arrange competitions for all firms to compete for the best FiRe award. The technical manager ICPAU had this to say:

The international integrated reporting framework was issued in 2013 and we had engagements with the integrated reporting council in South Africa. We immediately picked interest. The integrated reporting council in South Africa said that there is need to create awareness and we immediately started awareness programmes on IR and we started developing articles on IR. Our biggest contribution has been through the FiRe awards. We have shared our awareness campaigns with our members and also our magazine (*Today's Accountant*) has information about IR.

He further stated that:

The CPAs (Certified Public Accountants) and students are given papers say conference papers, discussion papers and framework papers to try to enrich their knowledge on IR.

In the presence of the efforts made by the ICPAU, there is need for further effort in spreading the concept of IR. Given that there are some companies in Uganda that are not aware of IR, there is a need for regulatory bodies to make it a mandatory requirement for all firms registered under the Companies Act of 2012. [Robertson and Samy \(2015\)](#) found that it is important to make IR compulsory in the UK so that there is a standard format. The Companies Act may be amended to pave way for compulsory IR. Also, the USE and the CMA need to encourage firms or even make it mandatory for members to prepare integrated reports.

6. Summary and conclusion

The main purpose of this paper was to find out why companies are slow at adopting IR and what needs to be done to ensure IR is embraced by all firms in developing countries, especially those on the African scene. Our purpose was achieved through an interview of senior officers of the professional accountancy bodies and regulators and various officers responsible for the preparation of integrated reports in listed firms in Uganda. Results suggest that firms are slow to adopt IR because of the scarce and minimal resources, culture and leadership, stakeholders demand, the regulatory requirement, the effect of globalization and the mindset, lack of awareness about IR and the nature of business and size.

This study provides further insights and gaps into IR and adds to the existing knowledge on how IR is being dispersed among firms in developing countries. The study provides initial empirical evidence on why firms in Uganda are slow at adopting IR such as those of [Gunaratne and Senaratne \(2017\)](#) and [Robertson and Samy \(2015\)](#). The study also extends previous studies conducted outside Africa and compares the results. The study further provides more insights on the innovation literature in the field of accounting using DOI theory. The standard setters and other regulators can now use this study's findings to influence the various stakeholders to speed up the process of making IR mandatory, so that all companies can provide elaborate information that encourage integrated thinking. Mandating IR was a finding in [Robertson and Samy \(2015\)](#) and this is consistent with the current study results. Policymakers such as government through their process of developing laws may come up with a law that requires all firms, especially those that are publicly interested (listed firms, financial institutions and government entities) to prepare integrated reports. Through IR, society and the entire world gets aware on what companies are doing for people and the planet. There is no more time for companies to exploit the environment given the current situation of global warming. In the meantime, regulators may encourage firms under their authority to prepare integrated reports. The accountancy bodies may also encourage their members to prepare integrated reports and this may be achieved through accountancy bodies disseminating information on the benefits of integrated reports and how to prepare them. It is now time for universities as well, to also include in their curriculum aspects of IR.

Results of this study may be interpreted with caution. While we interviewed a good number of managers, these managers were selected from a small stock exchange market. The USE has only 16 firms listed and is the only stock exchange in Uganda. However, these results are still useful to countries that are still developing. Further research could be carried out in other national settings and also in non-listed firms. Also, there is a need for research in what are the determinants of IR using a quantitative approach, for example, future studies may examine the effect of corporate governance actors on adoption of IR and also test whether intellectual capital, organizational culture, firm-specific characteristics and isomorphic forces have a hand in IR adoption or even quality. Future research may also use a mixed methods design in examining the determinants of IR adoption and or quality.

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Further reading

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Appendix 1

Table A1
Purpose of the
interviewee selected

| Main person interviewed | Sector | Purpose |
|--------------------------------|------------------------------------|--|
| Chief finance officer | Financial services | Has vast knowledge and experience in the area. He participates in the strategic decision-making |
| Finance manager | Financial services | Has vast knowledge and experience in the area. He participates in the strategic decision-making |
| Head, sustainability reporting | Utilities | Is responsible for ensuring sustainability reports are prepared on time. Is knowledgeable in the subject area especially in environmental management and corporate social responsibility |
| Technical manager | Regulator and/or professional body | Is responsible to ensure that professional accountants remain updated and the professional accountants are informed of the current issues in the accounting fraternity |
| Head, market supervision | Regulator | Supervises the stock markets and ensures that the various stock markets operations are in accordance with the law. Participates in strategic decision-making |
| Senior supervision Officer | Regulator | Is always in the field to check whether the stock market authorities are complying with the requirements of the capital markets authority |
| Accountants | Consumer services | Is the in charge for preparation of sustainability reports and management accounts |

Appendix 2. Interview guide for listed firms

RQ. Why are firms in developing countries reluctant to adopt IR?

- (1) The concept of integrated reporting is becoming popular across the world, do you have any knowledge about it? If yes, how do you understand it?
- (2) Are you aware of any firms preparing IRs in Uganda? If yes, which are these? If few, why are they reluctant to prepare IRs?
- (3) What internally drives you to adopt IR?
- (4) What externally drives you to adopt IR?
- (5) What kind of support do you receive from top management in respect to the preparation of IRs?
- (6) What kind of support do you receive from ICPAU regarding preparing IRs?
- (7) What challenges do you face in preparing IRs?
- (8) In your opinion, what needs to be done to ensure Ugandan firms adopt IR?

Thank you so much for your time.

Appendix 3. Interview guide for regulators and professional accountancy bodies

RQ. Why are firms in developing countries reluctant to adopt IR?

- (1) Are you aware of any firms preparing IRs in Uganda? If yes, which are these? If few, why are they reluctant to prepare IRs?
- (2) What have you done to ensure that firms prepare IRs?
- (3) What is your impression of the current trend of IR in the country?
- (4) What factors motivate companies to prepare IRs?

Thank you so much for your time.

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