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TOWARDS INTEGRATED REPORTING: ANALYSIS OF INFORMATION PUBLISHED ON THE COMPANIES' WEBSITES THAT COULD BE PART OF THE INTEGRATED REPORTING

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Abstract

Integrated reporting is a new approach to corporate reporting which is rapidly gaining international recognition. Integrated reporting is based on integrated thinking, which include interconnectivity of strategy, performance, risk and incentives and helps to identify sources of value creation. In this paper are summarized the need for integrated reporting, companies' benefits of its implementation as well as content of the integrated report. The aim of the paper is to increase the awareness of the companies about integrated reporting especially in the Republic of Macedonia due to the absence of its implementation in Macedonian companies realized by pre-research phase about implementation of integrated reporting conducted on companies listed on Macedonian stock exchange. Furthermore, as a result of the negative results from the pre-research phase, it is made qualitative analysis about publication of information through the companies' websites that might be part of the integrated report if it commence to be prepared by the companies.

Key Words: *integrated reporting, integrated report, integrated reporting framework*
JEL: *M400, M410, M480, M490*

INTRODUCTION

Integrated reporting as an activity in the organizations and as a term in the business environment exist many years ago but in different forms and different meanings. Last years it gain big popularity and immense importance in the organizations and especially various stakeholders. Integrated reporting in its full meaning demonstrates how organizations really create value: it is a concise communication of an organization's strategy, governance and performance, it demonstrates the links between its financial performance and its wider social, environmental and economic context, and it shows how organizations create value over the short, medium and long term. As such it is practiced in not many organizations and in the most of them only on voluntary bases. The companies in the Republic Macedonia, although many of them are international, are far from integrated reporting in its full meaning and real implementation. What we can do now is to increase awareness of the companies about the importance and value creation of the integrated reporting for themselves and to map the current situation about its implementation. For the purpose of this paper, the mapping of the current situation of Macedonian companies about reporting nonfinancial, social and environmental information will be done through their websites. This would be preparation phase to integrated reporting because nonfinancial information are reported on the websites but they are not included in the annual report together with the financial information and performance. This practice is noticed in other countries too, where the amount of reported social and environmental information expand, organizations increasingly began to separate out social and environmental disclosures from annual reports and to disclose them on their websites (de Villiers & van Staden, 2011)

VERY FIRST ACTIVITIES FOR INTRODUCING INTEGRATED REPORTING ON GLOBAL LEVEL

It is well known that the accounting, beside other, is informative subsystem in the general information system. Accounting information that are result from accounting methodological procedure are from financial nature. However, it should be taken into consideration that strategic and operational management activities are driven by non-financial goals (Weisenberger & Angelkort, 2011). Recent years, accounting reporting is more and more subject to discussions how and where to disclose non-financial information related with the business. FASB within AAA as well as the Council by IFAC are the most authoritative bodies who devoted special attention to the issues related with the disclosure of non-financial measures in the frame of annual reports. Many academicians and practitioners stress out that reporting related with customer satisfaction, quality and other results from non-financial measures do not have big impact over investors in their decision making based on financial statements. However, researchers propose that companies should report both financial and non-financial information on voluntary bases (Maines, et al., 2002) regarding environmental, social and governance aspects of organizations' activities (Abeysekera, 2013) (Eccles, Krzus, & Serafeim, 2011). Few years ago FASB and IFAC's Council form International Integrated Reporting Council – IIRC[10] in which own representatives have the big corporations, accounting regulatory bodies etc. The Mission of the IIRC is to act in direction of including non-financial information and other information into annual reports which are not disclosed in the current financial statements set. Beside IIRC, the concept of integrated reporting is promoted by the King Report on Governance for South Africa (King III) (IRCSA, 2011).

If we all acknowledged that the phase of sustainability reporting lead up to integrated reporting, we have to acknowledge that there are significant differences between them. Besides the content and form of the information disclosed, there is a different target audience – while sustainability reporting aims at providing social, environmental and economic information to a wide range of stakeholders, integrated reporting seek to present information related to broad risk evaluation and potential future value growth thus be more attractive and necessary to capital providers and investors (de Villiers, Rinaldi, & Unerman, 2014). This means that the focus is changed from stakeholders to shareholders.

The idea for integrated reporting and its importance appear strongly after the global financial crises when market participants were focused more on short term results and performance rather than on long term value creation. Long term performance and long term value creation are the main postulates of the integrated reporting. This financial crises gave impetus to integrated reporting driven by a perceived need for an improved method of reporting that incorporates a range of financial and nonfinancial information necessary for effective decision making and risk management in the current environment (Wild & van Staden, 2013). Besides financial crises there are other factors account for the current sense of urgency of integrated reporting: increasing awareness of the effects of climate change and natural resources limitations, growing importance of human capital to value creation in developed economies and human rights in developing countries and recognition of the essential role of good corporate governance and risk management in order to prevent major corporate disasters (de Leo & Vollbracht, 2011) Integrated reporting 'integrates' financial, social and environmental information into a single report for stakeholders in a format that is concise, clearly expressed, consistent and comparable (Eccles & Krzus, 2010).

Although integrated reporting is still in its developmental stage and mostly is not mandatory, a growing number of companies are producing integrated reports. Including those in IIRC's Pilot Programme there are 80 business and 25 investor organizations from more than 20 countries, and more over IIRC has published Emerging Examples Database which provides access to a comprehensive range of examples of current best practices in reporting (source: IIRC website).

INTEGRATED SYSTEM FOR ACCOUNTING INFORMATION FOR INTERNAL AND EXTERNAL REPORTING

Companies nowadays, inspired by latest financial crises and new investors' requirements and expectations, put accent on non-financial performance measurement. This impose the requirements and necessity of usage of nonfinancial measures and implementation of contemporary concepts in performance measurement area which require from organizations to adapt on the new rules and to introduce appropriate procedures which in turn will improve accounting information system. After well-known accountability failures (like Enron, WorldCom, Tyco), a new generation of nonfinancial reporting have moved from the extraordinary to the exceptional to the expected, and in the process establishes a new standard of transparency unimaginable even a decade or two ago (White, 2005).

In traditional accounting practice it is well known that the information from financial accounting are used for external reporting and the information from management accounting (controlling and budgeting) are used for internal reporting. Contemporary accounting practice start to do not have clear border between internal and external reporting because the process of decision making of investors and other stakeholders more and more has need of nonfinancial information and information regarding performance measurement concepts.

Financial reporting has institutional rightful as a result of numerous factors including standards for measurement, valuation, reporting and auditing; effective executive mechanisms such as court for reimbursement from fraud in financial statements, sophisticated internal controls and performance measurement systems, as well as information technologies which allow fast collection and processing of data. However, financial reporting has disadvantages related to its complexity and difficult understanding of information by the users of financial statements, except those who are accounting well educated. Because of this, information from financial statements become irrelevant, late and obsolete. This information are inadequate for minimizing risks undertaken from organizations in value creation for stakeholders. (Eccles & Saltzman, 2011). Also, it could not be surely stated that financial statements give real and objective report about the position of the organization because financial statements do not contain information about nonfinancial performance which can help in completing long-term financial picture of the organizations. Moreover, traditional reporting is assessed as lengthy, complex and strictly regulated that contribute to lack of responsiveness to new value drivers and changing business context (Adams & Simnett, 2011). For better informing of external users of financial statements, companies start on voluntary basis to disclose nonfinancial information. The first issue with which are faced in such practice is the absence of standards such as those for financial reporting. But, besides this, and besides subjectivity of nonfinancial information, the investors put pressure on companies for disclosure of nonfinancial information together with financial statements in order to have complete picture for the organization.

The organizations have two possibilities: first, the evidence used for financial accounting and reporting to be used for management accounting and performance measurement too, and second, usage of separate system for evidence, "other books", used by the management accounting. In the first case, implementation of integrated system for generating information for both financial and management accounting, additional advantage is the fact that the information from management accounting are generated by relatively low incremental costs, as well as the opportunity all stakeholders to receive the only one version of information, and "only one truth" for company's performance. The second case is related with additional costs for maintenance and governing of separate information system for generating data for management accounting, but the advantage is the great flexibility in decision making for using financial and other resources from case to case, separately on each situation (Weisenberger & Angelkort, 2011).

Management accounting systems are defined as those parts from formal information system which are used by the organizations to influence management behavior in direction of fulfilling goals (Horngren, Bhimani, Datar, & Foster, 2002). In developing management accounting system conceptually are possible two interrelated dimensions: how detail and how often the statements are generated. This approach is based on the fact that the managers from some organizations have more benefit from detailed and frequent accounting information, while in other organizations is trend to be aggregated, with less details and not often generated (Bouwens & Abernethy, 2000; Davila, 2000). Management accounting use financial information in the systems for budgeting and standard costs and nonfinancial information for the products' quality, customer satisfaction, operational efficiency etc. According to Gerdin (2005), management accounting information systems are classified in three groups: elementary (all types of accounting information are aggregated and are not often generated), systems of broader range (budgeting and operational information are detailed and often generated in a form of reports) and traditional (detailed reports for budgeting and products and/or services costs which are often generated). The first system compared with the remaining two is lowest, accounting information are not detailed and are rarely generated, and because of that is called elementary. The second and third systems have mutual denominator of sophisticated planned system who generate detailed and often information. But, regarding financial and nonfinancial information, these two systems are significantly different. Management accounting systems in the second group are characterized with often generating of detailed nonfinancial information, while the financial information are secondary information. Because of that, this group of systems has similarities with so called management accounting systems from broader range (Bouwens & Abernethy, 2000; Mia & Chenhall, 1994). The third group of management accounting systems has opposite profile from the previous group. That means that it has well developed system of financial information, but it is much less based on nonfinancial information. As such, this system has many similarities with traditional accounting systems because are limited on providing only financial information (Bouwens & Abernethy, 2000; Gul & Chia, 1994; Mia & Chenhall, 1994).

During the economic globalization, multinational companies are faced with similar issue about integrating information systems for the aim of financial reporting because the accounting regulation of the country where the parent company operate is different from the accounting regulation of countries where subsides operates. Recently, these differences are minimized because of convergence to International Financial Reporting Standards. However, certain fiscal differences or national characteristics still remain to be regulated with the national accounting regulation. Differences exist and because of implementation of non-up-to-date version of IFRS because of non-updating of translations.

In terms of integrated accounting system, performance measurement, budgeting and controlling will be based on financial accounting information prepared in accordance with IFRS, which eliminate the necessity of additional costs for developing and maintenance of separate base of data in "double accounting" or "third books". In this case financial performance measures, such as ROI or residual income are consistent with measures based on IFRS. What is very important, management accounting become less subjected to mistakes and errors and more reliable because the data it used from financial accounting are subject to rigorous laws and regulations (Wagenhofer, 2006). In endeavoring to develop integrated reporting contribute the new revised IFRS which should be adjust in order to be used in internal accounting and internal controls (Ewert & Wagenhofer, 2007).

10) IIRC е формиран во јули 2009 г. од страна на IFAC.

From all previously mentioned could be concluded that IFRS have established clear usage in financial reporting striving to be adjusted for developing integrated information system, as well as disclosure of financial and nonfinancial information in the annual set of financial statements. However, IFRS and Corporations Act largely take care of shareholders and investors with a direct monetary interest in the companies, even though there are stakeholders with direct or indirect equitable interest in the organization (Abeysekera, 2013). This situation rise the idea for integrated reporting, where financial statements are only one part of the integrated report, which is on its very beginning. In recent years, with establishing IIRC, are posed the basis for integrated reporting concepts, although South Africa pioneered in such practices and posed integrated reporting as listing requirement, what means that guidelines for integrated reporting were being developed before the formation of the IIRC (Cheng, 2014). Combining financial and nonfinancial reporting in one integrated report is going to have unintended side effects of making the reports longer and more difficult to read (Wild & van Staden, 2013).

THE NEED FOR INTEGRATED REPORTING

Contemporary approaches for performance measurement have in mind that financial information are not the only one indicator for real results of the companies, but equally important, even more than them, are nonfinancial information too which are reliable indicator for current and future companies' results. Investors as a key stakeholder have changed their needs and requirements from only financial returns to broad sustainable responsible performance meaning that it is increased awareness of taking care for society in order to avoid repairing damages caused from the short-term benefits of the companies (Abeysekera, 2013). For that reason, the key stakeholders continually send strong messages to the top management, accountants, employees in finance departments and board of directors that their nonfinancial information are of immense importance for them and insist these information to be disclosed and presented in the annual report set.

The term "integrated reporting"[11] understand inclusion of financial and nonfinancial statements into "one statement" (Eccles & Saltzman, 2011) with different level of integration. With such reporting the gap between information disclosed currently by the organizations and information required by the investors and other stakeholders for valuation the value of the companies on the capital markets is overcome. With integrated reporting can be gained information for both short and long term results. The main output of Integrated Reporting is an Integrated Report – a single report that the IIRC anticipates will become an organization's primary report, replacing rather than adding to existing requirements (IIRC, 2011).

The organizations that already start the implementation process of integrated reporting, from the very beginning of its implementation have noticed numerous improvements in their business processes, better communication with their shareholders and other stakeholders. Sought Africa is the only country where integrated reporting is mandatory. In recent time, many countries from Europe, such as Denmark, Norway, Sweden, France etc., start to include nonfinancial information in the annual reports what means that integrated reporting start with practical implementation in these countries. As examples of companies that have started the pilot-project for integrated reporting can be stated Southwest Airlines, American Electric Power and United Technologies Corporation in USA, Philips in Netherlands, BASF in Germany, Novo Nordisk in Denmark and Natura from Brazil. Organizations part of this pilot project are in different stages of integrated reporting implementation. Some of them already have prepared integrated reporting which are not published, but serve them for internal needs in order to test the system and the processes. Other organizations combine financial and nonfinancial information as a first step toward integrated reporting. However, there are organizations with incorporated concepts and principles of integrated reporting in their annual reports (according to IIRC).

With integrated reporting is improved corporate reporting in a whole. It is support to the business activities of the organizations and help to investors in their decision making. Disclosure of relevant financial and nonfinan-

11) The first document for practicing integrated reporting is published on January 25, 2011 on press-conference held on Stock Exchange in Johannesburg, what is assessed as a kind of precedent because only few of the 30 best stock exchanges gives some directions and ask from the organizations to publish nonfinancial information in their annual statements.

cial information help investors and other stakeholders to better understand the decisions made by the management related with the long-term development of the organizations. Insufficiently disclosure of relevant information for risk factors and other strategic information in annual reports contribute information to investors to be doubtful. More precisely, there is certain gap in information disclosed by organizations and information required by investors and other stakeholders. Such example are information related for how organizations react on fast-growing environmental changes or balancing short and long term management interests.

Integrated reporting understand incorporating material and non-material values of the organizations, which are fully included in financial statements and have influence over the financial results of the organizations. In integrated reporting are included economic contribution from nonfinancial factors such as environmental costs, social costs, products and services benefits, reputation, market positioning, talents, skills and improvements of employees.

Within integrated reporting frame are included directions for interrelation of information that should be disclosed. Integrated reporting allow to be done more extensive analysis about organizations activities than traditional reporting. Integrated reporting informs how the employed capital influence over the current and forecast performance measures as well as future opportunities of the organizations that are base for defining future strategic goals. Integrated reporting integrate in one report capital resources, financial and nonfinancial information, risks, strategies and performance measures, information for management and board directors working and incentives, environments in which operate the management, opportunities and risks for the organizations as well as past, current and future activities and performance of the organizations (www.theiirc.org, 2012). With including such information, integrated reporting contribute for relating organizational performance with all important internal and external factors contributing for long term organizational development.

BENEFITS OF INTEGRATED REPORTING

The final result of the integrated reporting for the organizations is the report in which are included financial and nonfinancial information. Integrated reporting summarize the information for financial and nonfinancial results as well as the relation between financial and nonfinancial performance measures.

In the literature dedicated to the integrated reporting are differentiated numerous benefits grouped in three groups: internal benefits, benefits related with external markets and managing regulatory risk (Eccles & Saltzman, 2011). The internal benefit is related with improvement of internal resources allocation, higher commitments to shareholder and other stakeholders and allowing lower reputation risk. The benefit from external markets understand satisfaction the needs of the main investors who require nonfinancial information through disclosure of sustainability indexes and assurance that nonfinancial information are correctly reported. The benefit of successfully managing with regulatory risk is related with the requirements from the stock exchanges etc.

However, the companies who have implemented integrated reporting, the main goal and benefit relate with the opportunity given with this kind of reporting for making relevant decisions by stakeholders. Even more, companies with mandatory sustainability reporting as a part of integrated reporting evidenced positive effects in the three pillars of corporate social responsibility – society (employees training becomes a higher priority for companies), governance (corporate boards supervise management more effectively) and environment (prioritization of sustainable development) as well as noticed increased implementation of the ethical practices and decreased bribery and corruption (Ioannou & Serafeim, 2011).

At the end, having in mind the long term orientation of the integrated reporting, its effects will need number of years to materialize, making them more difficult to be detected and measured.

CONTENT OF THE INTEGRATED REPORT

It is well known that most of the countries use IFRS/IAS for financial reporting or at least combine them with national accounting standards. According to this, financial reporting of organizations relating to financial performance is mandated by accounting standards and is legal requirement in many countries to inform and safeguard investors, shareholders and creditors (Abeysekera, 2013). For now, reporting for nonfinancial information is posed only on voluntary basis in organizations interested to present more useful and reliable information to stakeholders. Usually this voluntary reporting relating to intellectual, social and environmental performance is reported in an ad-hoc fashion (Abeysekera, 2013) which diminishes the fundamental reporting qualities of relevance and understandability of different report's users.

In order to avoid the low quality of nonfinancial information disclosed by organizations and to increase credibility and comparability of the integrated reports, the Institute of Social and Ethical Accountability and the Global Reporting Initiative (GRI) were among the membership organizations that took part in developing the most enduring and widely adopted reporting and assurance standards for social and environmental reporting (Buhr, Gray, & Milne, 2014).

The content of the integrated report is mostly define within integrated reporting framework published by IIRC in late 2013 in order to bring together financial, environmental, social and governance information in a clear, concise, consistent and comparable format. IIRC has developed pilot programme with aim to provide members of the programme with "the opportunity to discuss and challenge developing technical material, test its application and share learning and experience" (IIRC, 2014).

Even White (2005) who stated that integrated reporting is a process, not event emphasizes six core elements of an integrated reporting which are discernible: leadership (dedication of the CEO and top management), benchmarking (comparisons within the same industry through identified best practices), execution (implementation and continual improvement of the reporting require cross-functional involvement, engagement of non-financial stakeholders, monitoring and assurance (infrastructure of professional standards and protocols applied to financial reporting). With developing and publishing Integrated Reporting Framework (in late 2013) the content and structure of the integrated report become well-structured and defined. The two main postulates of this framework are Guiding Principles and Content Elements, described below in tables according to the explanations and definitions launched by IIRC.

Table 1: Guiding Principles of Integrated Reporting

1 Strategic focus and future orientation	Insight into the organization's **strategy** and how it relates to the organization's ability to **create value** in the short, medium and long term and to its **use of and effects on the capitals.**
2 Connectivity of information	Holistic picture of the **combination, interrelatedness and dependences between the factors** that affect the organization's ability to create value over time.
3 Stakeholder relationships	Insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extend the organization understands, takes into account and responds to their legitimate needs and interests.
4 Materiality	Disclosure of information about matters that substantively affect the organization's ability to create value over the short, medium and long term.
5 Conciseness	Concise.
6 Reliability and completeness	Include all material matters, both positive and negative, in a balanced way and without material error.
7 Consistency and comparability	Consistent presentation of the information and presentation of the information in a way that enables comparisons with other organizations to the extend it is material to the organization's own ability to create value over time.

Source: IIRC

Besides Guiding Principles that should be followed in the process of Integrated Reporting and developing integrated report, there are content elements that should be part of integrated report: organizational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, basis of preparation and presentation and in doing so, takes account of General reporting guidance, presented in the table below:

Table 2: Content Elements of the Integrated Reporting

1 Organizational overview and external environment	What does the organization do and what are the circumstances under which it operates?
2 Governance	How does the organization's governance structure support its ability to create value in the short, medium and long term?
3 Business model	What is the organization's business model?
4 Risks and opportunities	What are the specific risks and opportunities that affect the organization's ability to create value over short, medium and long term, and how is the organization dealing with them?
5 Strategy and resource allocation	Where does the organization want to go and how does it intend to get there?
6 Performance	To what extend has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capital?
7 Outlook	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?
8 Basis of preparation and presentation	How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

Source: IIRC

In the process of preparation of integrated reports the general reporting guidance should be taken into account. The following general reporting matters are relevant to various Content Elements: disclosure of material matters, disclosures about the capitals, time frames for short, medium and long term and aggregation and disaggregation. Special attention deserve the types of capital should be disclosed in the integrated report. According to Integrated Reporting Framework, all organizations depend on various forms of capital for their success, although organization preparing an integrated report are not required to adopt this categorization. Integrated Reporting presents a progressive accounting framework which articulates and respects the management of and interplay between all forms of capital, not just financial capital, that are significant to an organization and necessary for the creation of lasting prosperity. These forms of capital include:

- financial capital – the pool of funds that is available to an organization for use in the production of goods or provision of services obtained through financing, such as debt, equity or grants, or generated through operations or investments;
- manufactured capital – manufactured physical objects (as distinct from natural physical objects) that are available to an organization for use in the production of goods or the provision of services including buildings, equipment and infrastructure;
- intellectual capital – organizational knowledge based intangibles, including intellectual property (patents, copyrights, software, rights and licences) and "organizational capital" (tacit knowledge, systems, procedures and protocols);
- human capital – people's competencies, capabilities and experience and their motivation to innovate, including their alignment with and support for an organization's governance framework, risk manage-

ment approach, and ethical values, ability to understand, develop and implement an organization's strategy, loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate social and relationship and natural;

- social and relationship capital – the institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being. Social and relationship capital includes: shared norms, and common values and behaviours, key stakeholder relationships, and the trust and willingness to engage that an organization has developed and strives to build and protect with external stakeholders, intangibles associated with the brand and reputation that an organization has developed, an organization's social licence to operate;
- natural capital – all renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organization including air, water, land, minerals and forests and biodiversity and eco-system health.

REQUISITES NECESSARY FOR SUCCESSFUL DEVELOPMENT OF INTEGRATED REPORTING

The process of integrated reporting is fundamental change of traditional information presented into financial statements where accountants will have the crucial role on 'measurers' and 'assurers' of financial and non-financial information. Accountants all around world are preoccupied with updating performance measurement systems which will include both financial and nonfinancial measures. They find the simplest solutions into developing integrated reports which will true and reliable present the business performance.

In the evolution of the integrated reporting the big issue is definition of financial and nonfinancial measures and their concise relationship in the integrated report (Watson & Monterio, 2011). Disclosing corporate performance with the accent only on financial performance in isolation of the social and environmental performance would fail to fulfil its aim. For example, the absence of clear relation between nonfinancial and financial information and performance is fundamental disadvantage of integrated reporting. This disadvantage become even more important on global level for development of integrated reporting. Accountants have special role in education of all stakeholders about the importance of interrelation between financial and nonfinancial information. The accounting profession appears in many roles, as developers and as auditors of integrated reporting, as well as, as internal or external councilors for hot to use financial and nonfinancial performance information in the process of decision making.

In order to have successful implementation of integrated reporting, there are various ways to promoting it either with passive regulator and emerging of integrated reporting as a result of the market forces such as voluntary adoption by companies because they see the benefits in doing so, pressure from large institutional investors and customers (de Leo & Vollbracht, 2011) or through active regulator who supplement market forces (a) through regulation dedicating mandatory reporting by companies, (b) by providing incentives for companies to report, (c) governmental endorsement of the GRI Guidelines, (d) by recommending or proposing voluntary guidelines with or without reference to international standards or (e) by transferring the regulatory power to self-regulating authorities like a stock exchange (Ioannou & Serafeim, 2011). From an accounting point of view, very important for integrated reporting is the willingness of accountants to be part of it. Accountants occur in multiple roles as heads of finance, controllers, auditors or accountants only. It is necessary in the process of introducing integrated reporting accountants to deepen their knowledge of operational activities in their organizations and environment in order to gain deeper knowledge about nonfinancial information that should be disclosed in the integrated reports (Watson & Monterio, 2011).

CONDITIONS FOR IMPLEMENTATION OF INTEGRATED REPORTING IN THE REPUBLIC OF MACEDONIA BASED ON THE INFORMATION PUBLISHED ON THE COMPANIES' WEBSITES

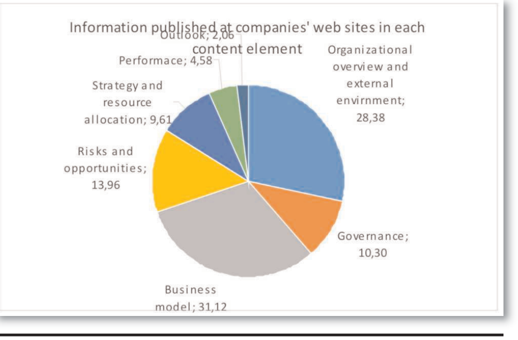
In conditions when the Macedonian economy is still feeling the effects of perennial global economic and financial crisis and when the implementation of the performance measurement systems can be found only in organizations dominated by foreign capital, it is still early to talk about integrated reporting, which is ongoing project worldwide. Although within the conducted pre-research 56% of organizations answer that their annual reports include information from the performance measurement system, that information are mainly concerning the results of basic financial measures calculated from the financial statements which are mandatory for publishing. Furthermore, most organizations (65%) said they do not disclose information about their control activities pertaining to variations from the plans, goals, undertaken corrective or preventive actions, etc. Even if part of the financial statements disclose information regarding the management incentives, which is mandatory requirement under the Companies Law (Article 384, paragraph 7), only 39 % said that disclose such information. This part of the report does not include information on setting up and implementing incentive system.

Having in mind that lot of information required to be disclosed in the integrated report are already known and in the most of the cases published "somewhere" on the companies' website without intention for integrated reporting, the further research and analysis are focused on examining information published on the companies' websites with potential to be included in the integrated report. As a sample were taken all companies listed on the official market on Macedonian Stock Exchange, 113 companies, but only 42 of them were analyzed. The rest of 71 companies either do not have valid website, or they do not publish any single information that could be included in the integrated report.

The research was conducted through checklist on almost all components of the Integrated Reporting Framework except the last one regarding basis for presentation since there is no integrated report presented. Also, according to the IR Framework, there are analyzed not only the general content elements, but detailed questions and parts incorporated in each content element. The questions and information analyzed are presented in Table 3 together with percentage of the companies publishing particular information on their websites. Published information summarized into all content elements are presented at Chart 1. Most of the published information were found in the section for general information for the companies, audited financial statements and annual reports.

Chart 1.

Percentage of the information published on companies' web sites that could be part of integrated report.

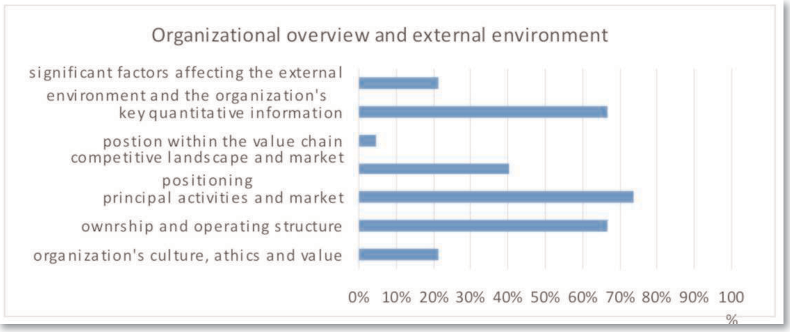


Regarding the first content element – organizational overview and external environment (Chart 2), it could be noticed that the most published information are those about ownership and operating structure, principle activities and markets as well as key quantitative information, most usually published under section for general information and profile of the companies. Although almost each company has its internal code of ethics, as well as information for company's culture and value, these data are not public. Only 21,43% of the analyzed companies have published such data as separate statement(s). The same percentage of companies publishes information about external environment, especially information about macro and micro economic conditions and environmental challenges. The other aspects of the external environment, such as societal and political issues, are not covered. Ownership and operating structure are published in high percentage of the firms due to the mandatory requirement about discloser of the company's ownership. Companies also very often publish their operating structure, management, departments etc. Very often published information are those under key quantitative information section including number of employees, profit, markets etc. The information about principal activities and markets usually are published under separate tab on the websites. Within these content element should be noted that the information about position within the value chain are almost not published.

Within the second content element relating to the companies' governance, the most published information is about company's leadership structure including skills and diversity of those charged with governance following the regulatory requirements about the governance design. On the other hand, information about remuneration and incentives although legally

Chart 2.

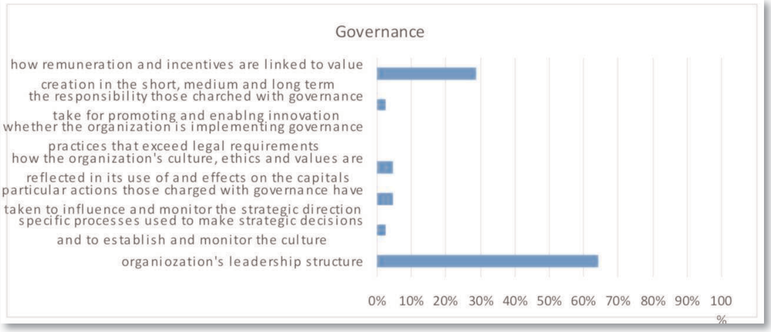
Published information regarding organizational overview and external environment



required to be disclosed, only 28,57% of analyzed companies publish such information. The other information regarding governance are published only in few companies or are not published at all.

Chart 3.

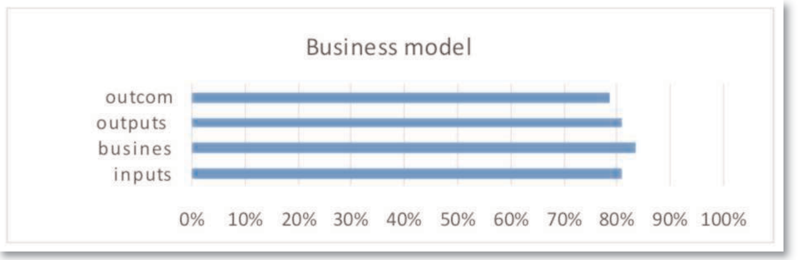
Published information regarding governance



It is very important to be noted that the information about business model (Chart 4), although not required by law, are published in high percentages (inputs and outputs 80,95%, business activities 83,33% and outcomes 78,57%) and these are the only information highly published on the companies' websites and are not required by law. This can be explained with the basic purpose of the website to serve as a mean for informing stakeholders about the main business activities, outputs and outcomes.

Chart 4.

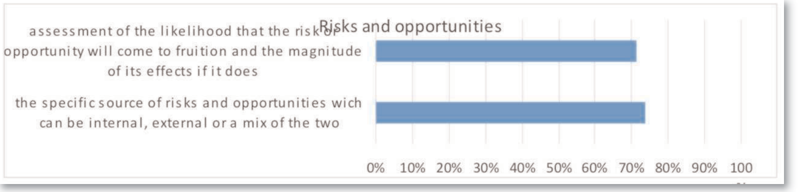
Business model



The next content element about risks and opportunities((Chart 5) is also highly published especially in the audited financial statements due to the regulatory requirement of risk disclosure.

Chart 5.

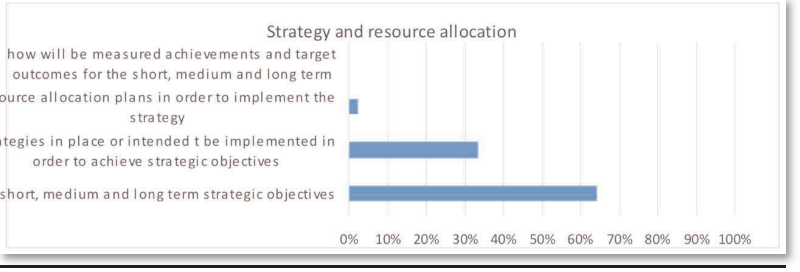
Published information regarding risks and opportunities



Regarding the strategy and resource allocation (Chart 6), the information about strategic objectives are published in 64,29% although not often divided into short, medium and long term, but in the same time significantly lower disclosure has the information about strategies in place or intended to be implemented in order to be achieved specified strategic objectives (only 33%). More worryingly is the companies do not publish information about resource allocation plans in order to implement the strategy.

Chart 6.

Published information regarding strategy and resource allocation



The only information published about performance (Chart 7) are quantitative indicators calculated from the company's financial statements, but not always is explained their significance. The qualitative information about performance are not published. If it is known that quantitative indicators reflect past activities and performance, the companies are not focused on future activities and plans. It can be also realized in the next content element relating outlook where only 7,14% of the analyzed companies have published information about expectations and future challenges. These information about outlook, the companies that publish them, do it in separate statement about future plans and expectations.

From the above it can be concluded that companies in the Republic of Macedonia barely meet statutory requirements for financial reporting. On the other hand, regarding integrated reporting according to IIRC, it is not implemented in the country as it is defined but many companies disclose and publicly publish information through their websites that could be part of the integrated report. The overall result from the analysis show that the significant amount of information are published in each content element, but not all aspects of each content element are covered. Most of the

Chart 7.

Published information regarding performance

information publicly disclosed are those required by law in the statements that are also mandatory. However, the companies also publish information that are not legally required, like a business model or performance, and are usually resulted from the internal management accounting. Having in mind that the companies already have ready significant amount of information that could be part of the integrated report and publish them through their websites, it is required relatively small effort to animate the companies about the benefits of integrated reporting in order to start to collect and to publish all of these information into single report and with time to increase the information disclosed that will contribute to increasing the completeness of the integrated report.

Considering the importance of integrated reporting and inclusion of both financial and nonfinancial information in it, the focus of organizations in the future should be given on producing integrated annual report, from which , in the end, however, most will benefit the organizations due indirect benefits that would be received by all stakeholders as a result of their complete and relevant information.

I	Organizational overview and external environment	
1	organization's culture, ethics and value	21,43%
2	ownership and operating structure	66,67%
3	principal activities and market	73,81%
4	competitive landscape and market positioning	40,48%
5	position within the value chain	4,76%
6	key quantitative information	66,67%
7	significant factors affecting the external environment and the organization's response	21,43%
II	**Governance**	
1	organization's leadership structure, including the skills and diversity	64,29%
2	specific processes used to make strategic decisions and to establish and monitor the culture, including its attitude to risk and mechanisms for addressing integrity and ethical issues	2,38%
3	particular actions those charged with governance have taken to influence and monitor the strategic direction of the organization and its approach to risk management	4,76%
4	how the organization's culture, ethics and values are reflected in its use of and effects on the capitals, including its relationships with key stakeholders	4,76%
5	whether the organization is implementing governance practices that exceed legal requirements	0,00%
6	responsibility those charged with governance take for promoting and enabling innovation	2,38%
7	how remuneration and incentives are linked to value creation in the short, medium and long term	28,57%
III	**Business model**	
1	inputs	80,95%
2	business activities	83,33%
3	outputs	80,95%
4	outcomes	78,57%

IV		**Risks and opportunities**	
	1	the specific source of risks and opportunities which can be internal,external or a mix of both	73,81%
	2	assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effects if it does	71,43%
V		**Strategy and resource allocation**	
	1	short, medium and long term strategic objectives	64,29%
	2	strategies in place or intended to be implemented in order to achieve strategic objectives	33,33%
	3	resource allocation plans in order to implement the strategy	2,38%
	4	how will be measured achievements and target outcomes for the short, medium and long term	0,00%
VI		**Performance**	
	1	quantitative indicators with respect to targets and risks and opportunities, explaining their significance, their implications and the methods and assumptions used in compiling them	45,24%
	2	the organization's effects (both positive and negative) on the capitals, including material effects on capitals up and down the value chain	0,00%
	3	the state of key stakeholder relationships and how the organization has responded to key stakeholders' legitimate needs and interests	0,00%
	4	the linkages between past and current performance, and between current performance and the organization's outlook	**2,38%**
VII		**Outlook**	
	1	the expectations about the external environment the organization is likely to face in the short, medium and long term	7,14%
	2	how that will affect the organization	7,14%
	3	how the organization is currently equipped to respond to the critical challenges and uncertainties that are likely to arise	7,14%
VIII		**Basis for presentation**	**N/A**

CONCLUSION

The last decade the idea of integrated reporting is on the front pages in scientific and professional journals in the field of accounting. The accounting profession actualize the need for establishing a globally acceptable framework for integrated reporting which is done in the late 2013. The whole concept of integrated reporting is very embryonic, and applied on a voluntary basis in voluntary organizations involved in the project to develop integrated reporting. Increasing the awareness of the companies about the importance of the integrated reported and awareness that they already publish some of the information separately on their websites could derive to increased implementation of integrated reporting and putting that information together into single report. Surely it can be argued that the integrated reporting has aspirations to become a compulsory concept for the organizations listed on the stock exchanges. The essence of integrated reporting is to involve nonfinancial information, in addition to financial, as a part of the annual report. The integrated reporting system is a overall reporting of the financial and operational activities in the organizations. Thus enabling stakeholders to be fully informed and enabled to make relevant decisions based on relevant information.

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