# Why/How are Integrated Reporting Practices Adopted/Diffused? Evidence From Public Listed Companies in Sri Lanka

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## ABSTRACT

**Manuscript type**: Research paper
**Research aims**: This study explores the factors affecting and the internal mechanisms employed by companies to manage their integrated reporting practices.
**Design/Methodology/Approach**: The qualitative study is conducted through semi-structured interviews with 15 officers responsible for the integrated reporting practices of public listed companies in Sri Lanka.
**Research findings**: The study found that relative advantage, compatibility, complexity, trialability, and observability affect the adoption of integrated reporting practices. Under the internal mechanism, it was found that sustainability reporting helped the adoption, and companies used their own ways to collect and manage information. Despite the companies' duration of practice, the constellations of structures, cultures, and reporting practices with which integrated reporting is managed change within the companies. Furthermore, the study showed the success stories of integrated reporting.

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**Theoretical contribution/Originality**: The study is the first South Asian and emergent market study to identify the enablers of integrated reporting by employing the diffusion of innovation theory as the theoretical foundation and internal mechanism.
**Practitioner/Policy implication**: This study provides insight into the dynamic processes that operate within the framework of the organisational change that has taken place from this perspective and demonstrates how integrated reporting can be incorporated into the organisational change process. The experience of these organisations allows others that intend to embrace integrated reporting to choose the optimal way to implement it and use integrated reporting.
**Research limitations/Implications**: Although much effort was taken to ensure that the study comprised successful IR businesses that displayed best practices in IR, this research study was confined to a small number of 15 public listed companies who participated.

**Keywords**: Diffusion of innovation theory, Integrated reporting, Internal mechanism, Public listed companies
**JEL Classification**: M41

## 1. Introduction

Integrated reporting (IR) is an adaptive practice of voluntary corporate reporting in today's corporate world. This practice is proliferating as integrated reports require companies to provide a holistic view of their organisation in their reporting. The International Integrated Reporting Council (IIRC) hopes that organisations which practice IR will learn as they go and, as a result, will change their internal processes and practices (Higgins et al., 2019). The adoption/ diffusion of IR depends on the factors that affect IR practice and the internal mechanism employed by the organisations. Hence, understanding the external influences, internal mechanisms, and practical applications of IR thereby increases the possibility that IR approach will be adopted by the corporate organisations. This study, therefore, focuses on why and how IR adopts/diffuses in public listed companies (PLC) in Sri Lanka.

The existing literature pays little attention to grasping the way that the IR adoption process is stimulated by internal organisational change (Perego et al., 2016), and the internal mechanisms and approaches which the IR adapters employ are poorly understood (de Villiers et al., 2017ba; Gibassier et al., 2018; Guthrie et al., 2017; Hosoda, 2021; Stubbs & Higgins, 2014). Scholars have recently performed more qualitative studies on the drivers of IR (Hossain et al., 2023). Even though the adoption of IR practices of developing countries is slow, this increase is gradual compared to the developed economies (Bananuka et al., 2019). Nevertheless, more effort needs to be exerted in promoting IR among the listed companies (Lipunga, 2015). Sri Lankan companies have shown increasing adoption levels of IR (Cooray et al., 2021), although the adoption can be enhanced through the identification of motives and the internal mechanism of IR. Sri Lankan companies which have enacted IR within their organisations also need to explore their motives for the initial adoption and the process by which IR spreads and gets adopted by the firms. Hence, this study tackles this issue by providing an insight into the motives and internal mechanism of IR adoption/diffusion. It can be seen as an extension of the Gunarathne & Senaratne, (2017) study, which concentrated on the identification of antecedents of IR on the diffusion of innovation theory and explored more on the internal mechanisms of IR.

This study makes several contributions to the notion of IR practice. Firstly, in this study, we have used the diffusion of innovations theory to explore and illuminate the factors that drive the diffusion/adoption of IR practices within organisations. Our research makes a substantial theoretical contribution to the field of diffusion of innovation practices. By applying the principles and insights of this theory to a specific context, we have not only reinforced its robustness but also expanded its applicability. Moreover, the knowledge generated by these factors and internal processes will be useful in enhancing the complexity of existing theories and even in developing new theories. Secondly, research studies describing the internal mechanism of IR practices are limited, and hence, this study adds new knowledge to the academic debate on the internal mechanism of IR practice. Thirdly, besides the academic need, this research also has a significant practical contribution of identifying the reasons to adopt/diffuse IR practice will help determine the conditions that favour IR practice and help encourage its usage.

The findings of this research shed light on the compelling rationale behind the adoption of IR, offering organisations a roadmap to enhance their transparency and accountability. The experiential insights gleaned from the organisations under examination within this study provide valuable guidance for other entities contemplating the adoption of IR. This empirical knowledge assists in the discernment of optimal ways to implement IR practices. The motives, internal processes, structures, cultures, reporting process, and practitioners' experience with IR provide useful information for decision-makers, such as firms, professional accounting bodies, and regulatory bodies. Hence, by encouraging best practices for companies and supporting policymakers in regulatory decisions, this research fosters a culture of transparency, responsible governance, and stakeholder engagement, which, in turn, contributes to the collective pursuit of a more sustainable and accountable business landscape.

The rest of the paper is organised as follows: Section 2 provides the literature review, providing context on IR practice and its internal mechanism. The research methodology is described in Section 3, along with data collection methods. The next section presents the findings and discussions. The summary and conclusion are then drawn, followed by the implications, recommendations, and directions for future research in Section 5.

## 2. Literature Review

### *2.1. Moving Towards Integrated Reporting*

The significance of financial reporting and disclosure is growing in today's world since it provides a link between the firm and the stakeholders. Insufficient corporate disclosures are one of the causes of the global economic and financial crisis (Adhariani & de Villiers, 2019; Bernardi, 2020; Camilleri, 2019; Farvaque et al., 2011; Malafronte & Pereira, 2021; Zhuk, 2019). Organisations tend to disclose more financial and non-financial information to their investors and other stakeholders to reflect transparency and accountability (Camilleri, 2019). These disclosures may be numerical or qualitative, mandatory or voluntary (Gibbins et al., 1990). Due to the paramount prominence of voluntary disclosures, companies' stakeholders, regulatory bodies, and researchers pay continuous attention to voluntary disclosures. There has been an unprecedented tremendous increase in corporate disclosures over the last few decades, with corporate organisations moving towards voluntary disclosure practices. IR can be identified as the new corporate reporting paradigm amidst the other corporate reporting practices (Bernardi, 2020; Hossain et al., 2023; Oktorina et al., 2022; Omran et al., 2021; Vitolla et al., 2019b). IR is well suited for addressing public value creation, accountability pressures (Mauro et al., 2020; Perego et al., 2016) and corporate transparency (Ara, 2020; Oktorina et al., 2022; Perego et al., 2016).

According to loana and Adriana, (2013), the IR revolution began in 2010, and they identified three primary coordinates for IR; the international non-financial reporting initiatives (from 2001-2006), the sustainability era (which commenced in 2007), and the IR revolution (begun in 2010). The IR revolution can be viewed as one step forward, as it sought to overcome the weaknesses of sustainability reporting by being an extension of the current sustainability reporting framework (de Villiers et al., 2017bb; Mauro et al., 2020; Stubbs & Higgins, 2014) which moves towards Integrated Thinking (IT). Indeed, traditional sustainability reporting presents environmental, social, and governance disclosure separately from financial disclosures. Still, it fails to explain the interconnection between strategy, risks, and the different types of capitals and disclosures within the organisation (de Villiers et al., 2017aa) and that failure can be overcome through the practice of IR.

Consequently, the introduction of the international integrated reporting framework (IIRF) in 2013, subsequently amended in 2021, represents a notable advancement in the field of IR. This framework seeks to proliferate the principles and practices of IR on a global scale, and it significantly enhances the quality of information available to all stakeholders, effectively surmounting the limitations associated with conventional corporate reporting models (de Villiers et al., 2017ab; IIRC, 2013; Lodhia, 2015; Mawardani & Harymawan, 2021; Owen, 2013; Stubbs & Higgins, 2018). IIRF defines IR as 'a process founded on integrated thinking that results in a periodic integrated report by an organisation about value creation, preservation, or erosion over time and related communications regarding aspects of value creation, preservation, or erosion' (IIRC, 2021).

According to the IIRC (2013), IR is a more effective reporting approach than sustainability reporting since it focuses on creating value through the six capitals (financial, manufactured, intellectual, human, social and relationships, and natural) and including the eight content elements namely, organisational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocation, performance, outlook, and basis of presentation. Currently, 64 countries all over the world have practiced IR. South Africa and Japan are nations which have already included IR as a mainstream practice. Other major markets such as the USA and China are currently in the awareness creation phase when it comes to IR. There is impressive progress in other economies such as the UK, Malaysia, Brazil, and India (IIRC, 2017a). Moreover, 98 out of 287 public listed companies in Sri Lanka do publish integrated annual reports.

## 2.2 *Integrated Reporting Practices of Emerging Economies*

The implementation of IR adheres to the IIRF, enabling enterprises in developing countries to effortlessly integrate into the global business environment. It could be regarded as an important step in understanding how IR is moving forward in the context of developing countries, especially in Sri Lanka. Gunarathne & Senaratne, (2017) examined how the practice of IR is diffused in Sri Lanka and found many first-time IR adopters are likely to jump on the IR bandwagon. The efficient-choice perspective drove its early adoption in the primary stage. However, during the dissemination stage, most adopters are influenced by fashion, which is mostly due to active propagators on the supply side of IR diffusion. IR has primarily evolved as a result of incremental changes in sustainability reporting. However, many businesses have not embraced IR principles, putting IR at risk of becoming merely a reporting function. Furthermore, by drawing the Porter's Diamond Theory as the theoretical foundation, Gunarathne & Senaratne, (2018) conducted a study to explain the national competitive advantage obtained in Sri Lanka through the adoption of IR. More recently, Lakshan et al., (2022) carried out a qualitative study with the theoretical underpinning of institutional theory to determine the reasons for the adoption of IR practices, the difficulties associated with IR practices, the method of determining materiality, the type of management that addresses risks associated with future-oriented directions, and the anticipated benefits of IR for the public listed companies in Sri Lanka. According to Bananuka et al., (2019) emerging economies face challenges in adopting IR due to limited resources, cultural and leadership factors, stakeholder demands, regulatory requirements, the impact of globalisation, mindset, lack of awareness about IR, and the nature and size of businesses.

## 2.3. *Theoretical Foundation*

### *2.3.1. Diffusion of Innovations Theory (DOI)*

The diffusion of innovations theory (DOI), developed by Rogers in 1962, offers a robust framework for comprehensively discussing the factors affecting the adoption and diffusion of innovative practices such as IR in the corporate realm. Diffusion is the process by which an innovation is communicated through certain channels over time among the members of a social system (Rogers, 1983, p.5), and innovation is an idea, practice, or object perceived as new by an individual or other unit of adoption (Rogers, 1983, p.34). The DOI theory discusses five innovative characteristics: relative advantage, compatibility, complexity, trialability, and observability. The DOI theory suggests that more precise and advantageous innovations will be more easily pursued and implemented than previously employed approaches. Moreover, compatibility is the level at which an innovation matches existing values, experience, and potential users' needs. However, when the innovation is difficult to understand, complexity can occur. Furthermore, if the innovation is trailable and observable, it leads to more diffusion.

IR is a management innovation that promises to enrich corporate reporting practices (Gibassier et al., 2018). The adoption of IR practice is a paradigm shift that changes the conventional method of the corporate reporting process. While it may be difficult to accept any change or innovation in traditional corporate reporting practices, various factors play their role in the adoption process. The DOI theory is one of the most popular theories used to study management innovations. The innovation characteristics open a room to discuss the factors that motivate/impede the adoption/diffusion of IR practice (Abeywardana et al., 2021; Robertson & Samy, 2015). Therefore Oktorina et al. (2022) studied the relationship between country-level accounting competence and IR disclosure quality using DOI theory as a theoretical foundation. Apart from that, studies such as Gunarathne and Senaratne, (2017); Robertson and Samy, (2015) used DOI theory to determine why and how IR is diffused.

#### *2.3.2. Laughlin Model*

The Laughlin Model, as conceived by Laughlin in 1991, provides a valuable framework for understanding how organisations' structures, cultures and reporting process are changed after the adoption of IR practices. In response to the jolts from the external environment, the organisations may have first-order change (morphostatis) or second-order change (morphogenesis) (Laughlin, 1991). First-order change is a transition change that is a response to rebuttal and reorientation, and it does not cause a change in the central core of the business; it just changes the organisation's subsystems (Laughlin, 1991; Stubbs & Higgins, 2014). Second-order change is transformative, which can be caused by colonialisation or evolution. It affects all organisation components (Laughlin, 1991; Stubbs & Higgins, 2014) and causes a change in the central core of the business. The path of rebuttal may result in minor changes in design archetype because of an environmental jolt, but the organisation eventually rejects the change and returns to its original position. Reorientation is an environmental jolt which is internalised by an organisation and causes changes to the design archetype and its subsystems. Under colonialisation, changes occur first to the design archetype, subsystems, and interpretative schemes. Moreover, when all organisational participants agreed to reorientate, it causes major changes of design archetypes, subsystems and interpretative schemes.

### *2.4. Why Integrated Reporting Practices are Adopted/Diffused*

The adoption and diffusion of IR practices in contemporary business environments can be linked to various aspects that highlight the growing importance and pertinence of this innovative approach to corporate reporting. Hence, scholars' attempts to determine why IR practices are adopted/diffused are made at country level, and also individual firm level. Priorly documented studies that gauge the level or extent of the IR practices are closely associated with country-specific determinants such as the laws of the respective countries (Frias-Aceituno et al., 2013a; Jensen & Berg, 2012), market orientation, private expenditure on tertiary education, trade union density, environmental and social development (Jensen & Berg, 2012), cultural systems (García-Sánchez et al., 2013; Vaz et al., 2016), region (Vaz et al., 2016), political factors (Dragu & Tiron-Tudor, 2013), economic factors (Burcă et al., 2018; Dragu & Tiron-Tudor, 2013), cultural factors (Dragu & Tiron-Tudor, 2013; Gunarathne & Senaratne, 2017).

Moreover, studies have found that the IR practices are affected by determinants specific to individual firms such as company size (Frias-Aceituno et al., 2014, 2013b; Kurniawan & Wahyuni, 2018), stakeholder pressure (Bananuka et al., 2019; Kurniawan & Wahyuni, 2018; Macias & Farfan-Lievano, 2017), corporate governance (Frias-Aceituno et al., 2013b), profitability (Frias-Aceituno et al., 2014), application of GRI, CG and DJSI principles (Frias-Aceituno et al., 2014; Macias & Farfan-Lievano, 2017), level of product/market/industry competition (Frias-Aceituno et al., 2014; Oktorina et al., 2022), industry sector (Frias-Aceituno et al., 2014), isomorphic influence (Bananuka et al., 2019; Gunarathne & Senaratne, 2017; Jayasiri, 2020; Lakshan et al., 2021), perceived benefits (Adhariani & de Villiers, 2019; Bananuka et al., 2019; Gunarathne & Senaratne, 2017; Macias & Farfan-Lievano, 2017; Robertson & Samy, 2015), integrated thinking (Al-Htaybat & von Alberti-Alhtaybat, 2018; Feng et al., 2017; Macias & Farfan-Lievano, 2017). The aforementioned factors that motivate the adoption/diffusion of IR practices are inextricably linked to the organisational mechanisms by which IR is embraced. Hence, understanding the rationale behind the adoption/diffusion of IR is crucial for comprehending the mechanism employed by organisations during this process.

## 2.5. *How are Integrated Reporting Practices Adopted/Diffused?*

IR has rapidly emerged as a new accounting practice that allows companies to understand how they add value to their stakeholders and communicate this effectively by showing their accountability and transparency. Research assessing IR in organisational practices and how IR practices are adopted/diffused is diverse and encompasses more than just internal antecedents of IR practices (Ara & Harani, 2020; Feng et al., 2017; Lakshan et al., 2021). Studies have examined how IR effects improve reporting practices (Mauro et al., 2020; Mcnally & Maroun, 2018), drive organisational change (Higgins et al., 2019; Ito & Iijima, 2017; Mcnally & Maroun, 2018), and explore the transformative potential of IR (Rodríguez-Gutiérrez et al., 2019). Additionally, research has focused on understanding the process of adopting IR practices (Gibassier et al., 2018). Based on those directions, the discussion will revolve around the adoption and diffusion of IR practices, specifically focusing on the internal mechanisms of the IR process. This will be divided into three key sections: the internal process, changes in structures, cultures, and reporting processes, and lessons learned from practical experiences.

### *2.5.1. Internal Process of Integrated Reporting Practices*

Stubbs and Higgins (2014) conducted a study to identify the internal mechanism engaged by the early adopters of IR in Australia to manage their reporting process. They have identified IR as the next phase of sustainability reporting. Guthrie et al. (2017) further substantiated this finding through their study, which aimed to determine the precise internal mechanism employed to promote IR and integrated thinking in Italian firms. They have concluded that the IR reflects the incremental phase of sustainability reporting rather than the groundbreaking transformation of the existing corporate reporting system. Kohler and Hoffmann, (2016) highlighted the triggers for implementing IR in 13 international companies. They identified the chief executive officer, individual departments, management's awareness, sustainability, and corporate responsibility that evolve in the business environment, and the stakeholders' expectation of the transparent information as the main triggers to implement IR.

Moreover, Favato et al., (2021) pointed out that the internal actors of the organisation are involved with the IR process with the identity of their role in the IR process. Furthermore, they collectively established their IR process. Sabelfeld et al., (2023) extends previous knowledge on the complexity of the adaptation process. Their research on the rationalization of IR in Japan highlights the vital role played by local players in reconciling the global concept of IR with local requirements, hence facilitating the worldwide spread of IR. These findings demonstrate that regulators are not the sole crucial facilitators in disseminating accounting advances. Various parties with varying degrees of influence contribute to the development and implementation of IR at a local level. However, adopting the interpretive perspective of institutionalization enhances our comprehension of how motives and power might influence the adjustment of global innovations.

### *2.5.2. Changes in Structures, cultures, and reporting process*

Higgins et al. (2019) found that the adoption of IR causes substantive and holistic organisational change (Favato et al., 2021b). They classified organisational changes into three phases, namely, structural, cultural, and reporting practices. According to their identification, structural changes are those that concern the changes in organisations' processes, forms, and structures (Miles et al., 1978; Stubbs & Cocklin, 2008), cultural differences are those that concern the changes of values, norms, attitudes, and behaviours (Miles et al., 1978; Stubbs & Cocklin, 2008), reporting practices changes are those which concern the changes of measuring and reporting performance (Higgins et al., 2019). Moreover, Stubbs and Higgins (2014) identified that the adoption of IR changed the processes and structures of the organisations. Nevertheless, it does not stimulate innovations in disclosure positions. They have also identified IR as the next phase of sustainability reporting, and they have not found any revolutionary transformation of the existing reporting approaches and structures, and there was only a 'transition' from the current reporting process. The study further identified the push/pull approach, cross-functional teams, stakeholders' engagement, sustainability committees, ownership of integrated reports, materiality analysis, and integrated measures as some specific mechanisms employed by the early adopters of IR to diffuse IR amongst the organisations.

In addition, Mcnally and Maroun, (2018) examined the internal mechanism employed by a South African medium-sized organisation to adopt an IIRF at individual and organisational levels. They identified that the reporting system changes are influenced by the level of understanding and application of IR principles of individual preparation and financial consideration also paramount to adopt IR, and adoption of IR practices will cause to expand the existing accounting systems. Furthermore, Guthrie et al., (2017) identified push/pull strategies, engagement with the reporting process, and institutionalised integrated thinking as the specific internal mechanism to adopt the IR process. Moreover, the study found that some Italian public sector organisations can change the reporting process due to the integrated thinking from practicing IR. Furthermore, according to their conclusions, the adoption of the IR process is based on the work of sustainability committees of the organisations.

#### *2.5.3. Lessons from Practice*

As the best practices and success factors of IR practitioners guide companies that intend to make IR practices successful, researchers focus on the in-depth experience of IR practitioners. Akbas et al., (2021) concluded suggestions and recommendations to the firms who have the intention to switch IR practice. As per their suggestion, the organisations should absorb IR, IT, IIRF, business models, and information on value creation. Kohler and Hoffmann, (2016) identified a dialogue-oriented corporation between various departments and the critical role of sustainability and finance on data management, communication, and integrated report preparation as the main success factors in the success of IR. Vesty et al., (2018) carried out a study to determine the insight experiences of IR pilot organisations on IR practices. According to their experiences, the contribution of investors and stakeholders to the IR practice, practicing integrated thinking, and senior management commitment would cause more rigorous IR. According to Burke and Clark, (2016), pushing for integrated thinking, utilising available guidance, obtaining high-quality data, understanding the audience of IR reports, and signalling credibility through assurance are the main factors that need to be considered when implementing IR and preparing integrated reports.

## 3. Methodology

The main questions of this study are why and how IR practice adopt/diffuse, which focus on exploring the motivators and internal mechanism of the IR process through the experiences of practitioners, which will lead to the adoption of qualitative analysis. By employing a qualitative methodology, this study examines the factors that impact IR practice using the diffusion of innovation theory. Additionally, it delves into the internal mechanisms of IR practice, providing a comprehensive understanding that aligns with the intricate nature of these phenomena. Qualitative research, known for its thorough investigation and comprehensive understanding, is ideal for revealing the complex dynamics inherent in organisational practices (Denzin & Lincoln, 2018). By employing this methodology, the research can explore the intricate facets of how relative advantage, compatibility, complexity, trialability and observability connected with the IR adoption. Furthermore, employing a qualitative methodology enables researchers to effectively capture the perspectives and personal experiences of individuals within an organisation. According to Patton (2005), qualitative research is highly skilled at revealing the detailed complexities of a situation that quantitative methods could miss. This makes it a valuable tool for researching complex phenomena like IR in organisational settings.

### *3.1. Data collection*

Based on the idea that much insight can be gained by focusing on companies that already have high-quality reporting (Adams, 2002), this research focuses on 'generally accepted' companies for their exemplary IR. Hence, to select the companies for the study, two criteria were specified. The first criterion was whether a company had practiced IR over the past three years. The second criterion was whether a company had applied for the CMA Excellence in IR award and/or integrated reports award over the past three years organised by the Certified Management Accountants of Sri Lanka and Institute of Chartered Accountants of Sri Lanka, respectively. Therefore, companies were purposively chosen to ensure that they exemplify the issues they are concerned about in the study. Finally, the study consists of 15 companies from eight industries (Table 1). Despite the fact that 98 public listed companies in Sri Lanka have embraced the IR approach, this study only chose 15 companies because the qualitative study can deal with a smaller sample than the quantitative analysis (Hennink & Kaiser, 2022). In addition, Johnson & Christensen (2016) stated that interviews with 6-12 people would be sufficient for a qualitative research.

**Table 1: Selected companies for the study**

| Company | Industry | Interviewee | Code | Experience |
|---|---|---|---|---|
| A | Motoring | Accountant | INR1 | 10 years |
| B | Construction and Engineering | Chief Financial Officer | INR2 | 6 years |
| C | Banking and Finance | Assistant Manager – IR and sustainability | INR3 | 8 years |
| D | Manufacturing | Chief Financial Officer | INR4 | 5 years |
| E | Banking and Finance | Senior Manager, Corporate Strategy | INR5 | 9 years |
| F | Manufacturing | Finance Manager | INR6 | 8 years |
| G | Manufacturing | Finance Manager | INR7 | 7 years |
| H | Banking and Finance | Manager - Finance | INR8 | 7 years |
| I | Diversified Holdings | Chief Financial Officer | INR9 | 6 years |
| J | Manufacturing | Finance Manager | INR10 | 6 years |
| K | Beverage, Foods, and Tobacco | Accountant | INR11 | 6 years |
| L | Diversified Holding | Assistant Manager Finance | INR12 | 7 years |
| M | Banking and Finance | Manager Finance | INR13 | 6 years |
| N | Healthcare | Senior Accountant | INR14 | 5 years |
| O | Hotels and Travels | Chief Financial Officer | INR15 | 4 years |

The responsible officers of those companies were contacted through telephone calls and LinkedIn to schedule the interviews with them. All participants in the interviews were officers with extensive knowledge of IR gained through their active participation in the IR process. The names of the companies are given in alphabetical order as the confidentiality of the participating companies is guaranteed. All interviews were carried out on the virtual platform and were recorded. The interviews lasted between 35 minutes to 85 minutes. Interviews are semi-structured, and the themes were identified from prior studies. Major themes were then developed to guide the data collection process based on the literature. Table 2 provides the summary of each theme used in the interviews.

**Table 2: Study Themes with the Interview Questions**

| Theme | Reference | Questions |
|---|---|---|
| Factors affecting IR practice | Adhariani & de Villiers (2019); Robertson & Samy (2015) | 1. Why does your organisation decide to practice IR?<br>2. What are the perceived benefits adopting IR? |
| Internal Process | Adhariani & de Villiers (2019); Guthrie et al. (2017); Higgins et al. (2014) | 1. Which department primary take the responsibility on preparing integrated report?<br>2. Could you please explain the data collection process for IR practice?<br>3. What are the methods used to aggregate and analyse the collected data? |
| Changes in structures, cultures, and reporting process | Higgins et al. (2019); Stubbs & Higgins (2014) | 1. Does the implementation of IR reshape or change your organisation's structures? How?<br>2. Does the implementation of IR reshape or change your organisation's culture? How?<br>3. Does the implementation of IR reshape or change your reporting process? How? |
| Lessons from practice | Bernardi (2020); Vesty et al. (2018) | 1. What lessons can other organisations learn from your experience in IR?<br>2. What should be the future of IR? |

A preliminary analysis was performed after each interview, which included an immediate review of the handwritten notes and transcripts of the recorded interviews. Content analysis is considered a widely used qualitative analysis technique (Hsieh & Shannon, 2005). There are three approaches to content analysis, namely, conventional content analysis, where the coding categories are directly derived from text data; directed content analysis, where the initial coding is guided by the theory or relevant research findings and summative content analysis, which involves counting and comparisons (Hsieh & Shannon, 2005). Since the qualitative analysis of this study is based on prior literature, the study used directed content analysis. Directed content analysis is also known as deductive content analysis (Keough, 2014). Hence, the analysis of this study begins with the predetermined codes. Any data that does not fall under the predetermined codes are analysed later to identify new codes or subsections of existing codes.

# 4. Analysis and Discussion

## *4.1. Factors affecting first adoption and diffusion*

### *4.1.1. Relative advantage of IR*

Consistent with the diffusion of innovation theory, some firms strategically embrace IR practices due to the profound impact on corporate reputation. They believe that the adoption of IR will improve their reputation. As INR10 stated, "*we believe that the adoption of IR will enhance our reputation*". Therefore, the disclosures through IR practice will enhance corporate reputation (Ara, 2020; Hoque, 2017; Steyn, 2014), and corporate image (Carmo et al., 2023; Navarrete-Oyarce et al., 2022), and become a marketing tool for businesses. "*The company wanted to capitalise on the brand and marketing aspect of following IR and benefitted by doing it*" – INR3. They also believe that the adoption of IR will enhance their transparency and accountability (Ara & Harani, 2020; Sciulli & Adhariani, 2021). As INR8 highlighted, "*this is the best way that we can show our corporate transparency and accountability*" – INR8.

By adopting IR, firms signal a commitment to providing accurate, relevant, and timely information, thereby reinforcing their dedication to transparency and accountability in their operations. Sri Lankan companies also believe that IR is an extension of sustainability reporting (de Villiers et al., 2017ab; Mauro et al., 2020; Stubbs & Higgins, 2014) and they believe SR as the early stage of IR. "*Actually, at the beginning we started IR believing as an extension to SR* – INR13, *we had experience on practicing SR, hence it encourages us to move to IR*"– INR9. Therefore, organisations moved to IR with the intention to move to next corporate reporting from SR. "*After practiced SR more than five years, we wanted to go for IR as our next reporting practice*" – INR15. Hence, the organisations tend to adopt IR practices with the idea to supersede current corporate reporting practices (Robertson & Samy, 2015). Some interviewees pointed that the impact of compatibility to the adoption. "*We believed the need of a reporting system which can be integrated with organisation's life and …. hence, we select IR*" – INR10. Hence, the relative advantage of IR, in terms of its capacity to provide a more comprehensive and coherent view of an organisation's performance and its impact on various stakeholders, can be a pivotal driver for its adoption.

#### *4.1.2. Compatibility*

According to the respondents' overall opinion, their current adoption of sustainability reporting is driving them in the direction of IR. This is because they strategically recognise the need for a more thorough and integrated approach to disclosure that extends beyond the conventional boundaries of sustainability metrics. "*We already adopted sustainability reporting. So, it was an encouragement us to adopt to IR*"– INR11. The responsible officers have positive attitudes towards the adoption of IR. "*Board of directors fully endorsed the concept of IR and gave full support for the initiative*"-INR4. As per INR11 – "*We agreed with the CFO when the adoption of IR was coming out from his mouth. We all believed that this new corporate reporting model is compatible with our existing structure*". Hence, adopting IR practice accelerated if the employees believed that the IR practice was compatible with their existing values and needs. "*Top management who embrace IR and push its implementation have tremendous opportunities to influence our companies through a multi-capital lens, deepen awareness of its value drivers, and incorporate this into business-wide processes*"–INR3.

Moreover, if the adopter believes that the adoption requires changing their existing routings, it will impede the adoption. The respondents further highlighted how the IIRF assists them in adopting IR. "*After introducing IIRF in 2013, we were encouraged to adopt IR*"– INR9. Hence, meeting IIRF requirements suggests that their needs and past experiences align with the IR requirements (Robertson & Samy, 2015). Hence, the adoption and diffusion of IR may be influenced by the extent to which it aligns with established organisational systems, procedures, and goals. Additionally, its compliance with current corporate cultures and regulatory frameworks can also impact its implementation.

#### *4.1.3. Complexity*

Even though the complexity creates a negative effect on the adoption, the experience of reporting causes to mitigates this negative effect. "*Since we already adopted sustainability reporting, it was not difficult for us to adopt IR*"– INR14. Previous experience in sustainability reporting can be adapted to support an integrated report compared to organisations that have not previously reported sustainability information (Massingham et al., 2019). While the IIRF, developed by the IIRC, aims to provide a comprehensive structure for organisations to communicate value creation beyond financial metrics, its intricate nature poses challenges for widespread implementation. Hence, some respondents mentioned the complexity of IIRF as one of the main impediments to adopting IR. "*Company face implementation barriers of the integrated reporting framework since the information flowing process makes it less possible to adopt the framework as intended due to the complexity of the IR framework*"– INR3. Hence, some companies perceive the adoption of IR as brutal due to the complexity of the IIRF (Carmo et al., 2023; Robertson & Samy, 2015).

#### *4.1.4. Trialability*

Trialability refers to the degree to which organisations are able to conduct preliminary demonstrations of IR prior to committing to it on a large scale, enabling them to assess its advantages and viability. However, interviewees pointed out the importance of the voluntary nature of IR practice, and at the beginning, adopters freely tried the adoption with the belief of continuing or discontinuing as their preference. "*We were not afraid to adopt IR the first time because it is voluntary and we decided to stop the adoption, if it is difficult*" – INR 11. Hence, firms have the opportunity to identify the benefits and drawbacks of adoption and make their decisions freely. "*We saw that our peers got more recognition in the field from the adoption of IR*"- INR14. It highlighted that the decision on the adoption is influenced by the outcomes received for prior adaptors.

#### *4.1.5. Observability*

Interviews mentioned their moving toward IR cause the reason that the users can perceive the results of the adoption of IR. "*We believed that IR adds new perspective to financial reporting, and we wanted our shareholders to show an evolving organisation with commitment towards innovation and adaptation*"- INR4. "*Primary reason to adopt IR is to provide information to stockholders about the value creation mechanism that company adopted*"- INR6. The users tend to adopt the IR based on the observable expectations that can be achieved through the adoption and the degree of IR practice visible to stakeholders. Furthermore, the respondents of companies emphasised that their adoption of IR practices has been influenced by other firms' adoption of IR practices. "*We observed that some other firms of our industry also applied the IR practice, and it was one of the main influencing factors to move towards the adoption*"- INR15. Hence, as early adopters of IR experience success and share their achievements, it can have a ripple effect, encouraging other organisations to follow suit, thereby contributing to the diffusion process.

### *4.2. Internal Mechanism of Integrated Reporting*

#### *4.2.1. Internal Process*

Consistent with the prior studies, Sri Lankan companies also believe that IR is an extension of sustainability reporting (de Villiers et al., 2017bb; Mauro et al., 2020; Stubbs & Higgins, 2014) and SR as the early stage of IR. "*Actually, at the beginning, we started IR believing as an extension to SR*" – INR13; "*we had experience in practicing SR; hence it encouraged us to move to IR*"- INR9. Therefore, the previous experienced with sustainability reporting is facilitated to transition to the IR (Carmo et al., 2023).

The IR is led by the finance or treasury departments of Sri Lankan public listed companies. "*Finance Department is mainly involved in the process of compiling the report. The Assistant Management Accountant was involved with the non-financial section and coordination part of the report*" – INR6; "*the finance department was the key stakeholder in this exercise, along with brand and communication playing a lead role in report finalisation*" – INR4, "*Treasury department led to IR with the support of finance, risk, and compliance departments*" – INR3. Hence, it is confirmed in the international settings, where the IR is led by finance and strategy personnel (Mcnally & Maroun, 2018) or the accounting department (Favato et al., 2021a). However, all other departments, including sustainability, HR, legal, procurement, operations, marketing, risk, and compliance, are involved in the entire IR process. "*Sustainability team, stakeholder interaction department, legal department, marketing, HR department, and all other departments involved with IR*" – INR1, "*The sustainability department, HR department, procurement department, engineering department are the different departments involved with the IR process*" – INR2, "*IR includes the participation of numerous functions and departments, including finance, policy, sustainability, investor relations, operations, and human resources, within an enterprise*" – INR3. Therefore, the IR process is a collective effort of different departments (Hosoda, 2021; Stubbs & Higgins, 2014), and heads or representatives from each department are involved in preparing the annual report. Hence, the internal actors collectively establish the IR process (Favato et al., 2021a), emphasising the interconnectedness of various business functions in value creation and sustainability.

In producing an excellent integrated report, the essential step is the meticulous collection of relevant data from various departments to accurately reflect the comprehensive financial, environmental, social, and governance performance of the company (Burke & Clark, 2016). The organisations used workflows, ERP systems, and data warehouses to store the relevant data. "*We have a workflow, and each business unit uploads their information and issues to that" – INR1; "We include all information to the ERP system*" – INR 2; "*We use Data Warehouse to collect most of the centralised data*" – INR5. Hence, most companies use new technologies to collect and store the relevant data, which causes them to increase their efficiency and reduces the human resources requirement.

Subsequently, it became apparent that many departments must assume their respective duties in gathering the necessary and essential information required for the preparation of a integrated report. As INR4 stated, "*Each department is allocated different tasks, and the overall coordination rests on the corporate communication department…. The initial discussion was held with each individual responsible for different areas, and a clear way forward was agreed upon with the third-party service provider to complete the report*". INR6 also supported the above conclusion; "*Initially, the information required from each department is communicated to respective department heads by the finance department. The finance team attends to any clarification needed by departments with the help of the Annual report consultant…. We prepare a list of required information for each section of the report with the help of an AR consultant. Then, the list is shared with the respective department heads with the necessary clarification and timeline for providing the data*". Hence, the report owners (finance department, treasury department, or sustainability team) gather the information needed from the data owners (Stubbs & Higgins, 2014) from different departments. Nevertheless, ongoing deliberations are taking place among the many departments and the financial department to ensure the delivery of a precise and comprehensive integrated report. Several interviewees pointed out that they used their checklist to scrutinise the gathered data. After that, the data aggregation is done by the finance department or sustainability committee. "*We use a checklist for important disclosures and their sources*" – INR1; "*We are using an internally develop checklist, which is attached with the company annual report*" – INR3. One company mentioned that their data aggregation is done through the stakeholder interaction department and external consultants to accumulate information relevant to preparing the integrated reports. "*The stakeholder interaction department analyses that information, and the sustainability committee looks at the information and makes the decisions on that information*" – INR1, "*an external service provider, controls the process and their tools and techniques for aggregating and analysing data*" – INR4.

Hence, the internal process of IR involves a comprehensive approach that builds upon the foundation of sustainability reporting. It begins with cultivating a culture of sustainability across departments, leveraging the experience gained from previous sustainability reporting practices. Departments collaborate closely, contributing their respective insights and data to ensure an accurate integrated report. The collected data is aggregated systematically to ensure that the integrated report provides a comprehensive and precise representation of the organisation's sustainable practices, fostering transparency and accountability.

### *4.2.2. Change of structures, cultures, and reporting practices*

Implementing IR practices can significantly impact organisational changes, exerting influence on structures, processes, and decision-making. This study analyses the changes as structural, cultural, and reporting practices to understand the nature of the organisational change.

#### 4.2.2.1. Change of Structures

The adoption of IR practices causes structural changes through the changes in processes, forms, and structures (Miles et al., 1978; Stubbs & Cocklin, 2008). The formulation of a sustainability committee is one of the main changes in their businesses. In this study, the interviewees stated that, "*Certain governance practices change such as sustainability committee and stakeholder interaction unit are formulated*" – INR1; "*We never had a sustainability team, but we formulated a sustainability team after introducing IR to the company*" – INR2; "*We never had a sustainability team, but we formulate a sustainability team after introducing IR to the company*" – INR2; "*We had a sustainability committee before the introduction of IR, but after introduced IR, the workload of the sustainability committee is enhanced*" – INR10. The sustainability committee can be identified as the one mechanism commonly used to manage (Adams, 2002) IR practice. Several firms formed sustainability committees after they decided to use IR practices. While certain organisations already had a sustainability committee in place, the implementation of IR significantly expanded the duties and obligations of the preexisting sustainability committees.

IR enhanced their existing data collection process (Rodríguez-Gutiérrez et al., 2019), information systems (Higgins et al., 2019; Rodríguez-Gutiérrez et al., 2019), and financial reporting process.

In this study, interviewees stated, "*Data collection efficiency and information systems are enhanced*" – INR5; "*ownership of the FR process has been enhanced due to the involvement of the other internal stakeholders*" – INR5. The corporation and interrelationship between departments are essential for the IR process (Guthrie et al., 2017). The responsibilities of business units and departments on the corporate disclosures are enhanced interrelationships also improved due to the adoption of IR. The interviewees provide evidence on it: "*Business units' responsibilities on disclosures improved*" – INR1; "*We believed that the communication, collaboration, and even commitment between departments on the publish the quality report is improved*"- INR12; "*It is not an isolated process of the finance department*"- INR7. Hence, even though the IR function is coordinated by mainly the company's chief financial officer or finance manager, other departments and business units contribute to the production of quality reports. Furthermore, the adoption of IR also helped break down the silos which form between the organisation's departments (Dumay & Dai, 2017; Higgins et al., 2019; IIRC, 2017b; Lodhia, 2015; Vesty et al., 2015). "*Adoption of IR breaks down the departmental silos*" – INR8.

In addition, the organisations set up an internal management structure to produce a quality report. "*We conduct many discussions before preparing integrated reports, and once we finish a report, we immediately start discussions on our next report*"- INR12. Hence, companies try to maintain a focal point for the purpose IR in each department/business unit, and they share their experiences/ideas and information to produce an integrated report. These insights show the structural changes that occur over time through the adoption of IR and how those changes are gradually established in the organisation.

#### 4.2.2.2. Changes in Culture

Interviewees pointed out how their mindset changed toward the aspects of IR, among others, "*We understand the need for momentum and have formed a group of strategic thought leaders to drive change*" – INR 3. This was evidenced that the organisational actors' prominent role in the cultural changes and the organisational changes and their actions affect the pathway of change and the speed of change (Higgins et al., 2019). Hence, they guided the selection of design archetypes and showed the path to be taken through the organisation.

In addition to that, the interviewees mentioned that the adoption of IR practices also changed their existing culture. These changes may occur through the changes in norms, values, attitudes, and behaviours (Miles et al., 1978; Stubbs & Cocklin, 2008). "*To prepare an integrated report, we distribute different aspects to different departments; hence a group of people works on that and this culture we have not previously*" – INR2; "*Though it was a new concept due to the long history of the organisation, some of the elements were embedded into the culture of the organisation*" – INR4; "*certain aspects, such as managing human capital and social capital, will change according to IR implementation others needed slight adjustments*" – INR4. Through internalization and outsourcing processes, IR may cause behaviour change (Dumay & Dai, 2017) within the organisation (Paternostro, 2020).

Employees' attitudes toward IR were changed after taking the initial steps on the IR adoption. "*We were able to change employees' attitudes towards adopting IR*" – INR7. Some of the interviewees evidenced that leaders play a vital role in this. "*Our CFO has a very keen knowledge of the IR; hence he always tries to communicate issues on IR with his subordinates and his interest in the IR*" – INR12. Hence, by showing the leader's positive perception of IR, he assists his subordinates in acting toward the IR practice. Interviewees mostly agreed that IR adoption cause embedding the of integrated thinking into the organisation (Al-Htaybat & von Alberti-Alhtaybat, 2018; Favato et al., 2021a; Higgins et al., 2019; Rodríguez-Gutiérrez et al., 2019) which is considered as the cultural control (Dumay & Dai, 2017). "*We are aware of the concept of integrated thinking, and we believe that integrated thinking is embedded in the organisation via the adoption of IR*"– INR10

Therefore, the implementation of IR practices initiates a significant change in the culture of an organisation, surpassing conventional reporting structures and promoting a comprehensive and sustainable mindset. This shift instigates a culture transformation within the firm, highlighting the interdependence of different business operations and the significance of generating value over the long term. The collaborative nature of IR encourages cross-functional engagement, breaking down silos and fostering a culture of transparency and accountability.

#### 4.2.2.3. Changes in the reporting process

The study found that the adoption of IR changed the existing reporting practices of the organisations. The study found it challenging to leap from traditional financial reporting to IR (PwC, 2015). "*Moving from traditional financial reporting to IR was challenging to us*" – INR8. This adoption assists to disclose the holistic view of the organisation through the annual report and provides the organisation's integrated story. "*IR provides an opportunity to share a simple, succinct, integrated story that describes how value is generated within these organisations and how we deliver the value to the stakeholders*" – INR3. Hence, it triggers the change of the existing reporting practices to more coherent, simple, material, and value-relevant information to stakeholders (Higgins et al., 2019).

The interviewees highlighted that reporting value creation mechanisms to stakeholders is one of the significant changes in the disclosures after adopting IR. "*The primary reason to adopt IR is to provide information to stockholders about the value creation mechanism that the company adopted*" – INR6; "*Now, we show the holistic view of our organisation through IR*" – INR8. Furthermore, the adoption of IR causes recognises the importance of key performance indicators (KPIs) (Higgins et al., 2019) and more disclosures. "*We provide more KPIs in our integrated report*" – INR1; "*We tend to think and disclose more concretely about the KPIs*" – INR13.

These findings did not identify a radical or transformational change in the reporting process but only revealed some changes in the structures, cultures, and reporting practices. The findings are consistent with the conclusions made by Iacuzzi et al., (2020); Rodríguez-Gutiérrez et al., (2019); Stubbs and Higgins, (2014) and IR caused to occur few internal organisational changes Higgins et al., (2019). Although firms make some changes in response to IR practice, the level of internalization of IR practice is low, and as a result, these changes have no significant impact on their core. Hence, the adoption of IR practices caused reorientation change under morphostatic change as per the Laughlin model.

#### *4.2.3. Lessons from Practitioners*

The interviewees shared valuable insights that they can impart to other organisations based on their experiences gained from implementing IR. The insights were derived from their first-hand experiences with IR, including strategies for successfully introducing IR inside their respective organisations. "*When we decide to adopt IR, we first look at the integrated reports of the best practitioners, then improve the quality of our reports over time*" – INR8. Hence, they suggest to companies to follow the best practices initially. However, employees may not fully accept the new culture, which prevents them from achieving a sense of balance. However, top management support, audit firms, and consultants assist in overcoming the initial resistance to change. "*Our audit firm provides a lot of support to IR adoption, in order to do away with resistance to that change*" – INR7.

"*As the CFO, I always try to convey the benefits of practicing IR to our employees*" – INR15. The role of top management is crucial in driving change by clearly expressing a compelling vision for IR and effectively explaining its strategic importance to the organisation's success. Moreover, the participation of audit companies enhances the legitimacy and certainty of the new reporting method, effectively resolving issues regarding the precision and dependability of the information. Consultants provide important experience, leading the business through the implementation process and helping staff comprehend the advantages of IR.

In addition to that, they readily shared their success stories on IR. As per their suggestions, the integrated reports should be prepared in a manner that is comprehensible to others. "*Our influence parties are company stakeholders, so we need to translate everything into something that stakeholders can understand; and they do not understand finance; they know numbers. They do not understand carbon dioxide data, and they do not always understand how ESG factors add value to the company. Then we must transform the information to help understand the company position*" – INR3. Indeed, organisations should recognise that IR is not a one-time event but rather a continuous process of evolution, and INR9 highlights it; "*We do not wait until next year when we publish the annual report of the current year, the next day, we again start the process of preparing the annual report*". *Hence, organisations must incorporate the ideas of IR into their daily operations, making sure that the gathering and analysing of pertinent data become essential elements of business procedures. Continuous updates and improvements to the reporting approach are essential in order to offer stakeholders up-to-date and significant insights into the organisation's process of value creation*."

The critical point is that the company should interact with its stakeholders (Vesty et al., 2018) to identify the material issues and know where the value creation is needed and what should be disclosed (PwC, 2015). "*We have a separate department for stakeholder interaction to manage stakeholder issues, and we take action to any issue that comes from the stakeholders and then manage them and report them, which goes ultimately to the capital management, and we believe that this process is one of the main factors to have successfully integrated report in our company*" – INR1. Therefore, a crucial aspect of effective IR is the active involvement of corporations in engaging with their stakeholders to identify significant matters, ascertain the importance of value creation, and decide on the disclosure of relevant information.

Top management involvement (Vesty et al., 2018), teamwork, good data collection, data analysis mechanism (Kohler & Hoffmann, 2016), and practicing integrated thinking are essential (Abeywardana et al., 2022; Feng et al., 2017; Guthrie et al., 2017). Furthermore, they also identified that working with professional bodies is one of the reasons for their success. The INR1 highlights these lessons. "*Without the top management involvement and practice of integrated thinking, we cannot publish an excellent integrated report….we have the support of all employees to collect and analyse the data, and their volunteer contribution is high…Teamwork is a must….Should have good data collection and data analysis mechanism - Organisations should have a sound ERP system to collect and manage data...we have a good data collection and data analysis mechanism; hence, if there is any deviation, we know the reason for that*".

The role of top management in establishing the tone for IR is vital, since they champion its significance and incorporate it into the company's strategic direction. Collaboration among departments is crucial for teamwork, as it helps to eliminate barriers and promotes a shared knowledge of how different parts of the organisation are interconnected. A rigorous data gathering method, together with sophisticated analysis techniques, serves as the basis for delivering significant insights for IR. Furthermore, promoting the adoption of integrated thinking as a fundamental organisational practice fosters a comprehensive approach to decision-making and the generation of value.

## 5. Summary and Conclusion

This study explores why and how the practice of IR is adopted or diffused by organisations. This objective is achieved through the qualitative study conducted through semi-structured interviews. This study unveiled that the adoption of IR practice is affected by relative advantages, compatibility, complexity, trialability, and observability. Under the IR process, it was found that the finance department or treasury department leads the process with the support of other departments, the way that they collect, aggregate, and analyse data to prepare the integrated annual report. Furthermore, it was found that the adoption of IR practice changes the internal processes, structures, culture, and reporting process. In addition to that, it was found that the success of IR practice comes through the simple report, continuous process, top management involvement, teamwork, good data collection and data analysis mechanism, practicing of integrated thinking, and work with professional bodies. The stories on IR practices of organisations evidenced that IR is not uniformly implicated in organisational activities, but it causes new internal processes and changes to existing organisational structure, culture, and reporting process.

The examination of motives influencing IR practice through the lens of the diffusion of innovation theory holds significant academic implications. In applying this theory to IR, the study contributes to the broader literature by identifying of key factors, such as the relative advantage of IR, the comparability, tribality, observability complexity of the practice, offers a nuanced understanding of the adoption dynamics. This study provides an insight into the factors affecting the IR practice, the internal process of IR, changes in structures, cultures, and reporting process and experiences of practitioners.

This study also shows some conditions required to transition from existing corporate reporting models to IR. Moreover, accumulating insights from IR practitioners will guide the development of the IR field and its successful implementation in more organisations. Knowing the factors which affect IR practice, and the internal mechanism of IR will benefit organisations which have yet to implement IR practices or want to enhance their current IR practices. Such knowledge will tailor their processes, infrastructures, structures, and culture to initiate IR practice and provide guidance on practicing IR. Hence, this study serves as a valuable resource for practitioners and decision-makers in tailoring their strategies to align with the unique context of their organisations, thereby facilitating the successful adoption and implementation of IR practices. This study offers recommendations on how IR may be further expanded in the future. The study recommended that professional accounting bodies and regulatory bodies conduct more training sessions, roundtable discussions, and awareness programs on IR to improve the awareness of the interested parties. The adoption of IR may change the internal processes, structures, and culture. Hence, management teams should understand the changes and be ready to manage those changes. The finance department and sustainability team should play a prominent role in understanding and practicing IR within their organisations.

This research study was limited to 15 public listed companies that participated, although the considerable effort was made to ensure that the sample included successful IR companies that demonstrated best practices in IR. Hence, future studies could expand this study by investigating the IR practice of more public listed companies in Sri Lanka and other countries, and comparing the results with the present study. Furthermore, our study advances the theoretical understanding of IR diffusion/adoption and lays the foundation for future research to build upon and refine the diffusion of innovation theory, contributing to a richer and more nuanced comprehension of how IR spreads and takes root in diverse settings.

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