

Stakeholders' Views on Integrated Reporting - Case Study in Vietnam

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Abstract

This study aims at exploring the stakeholders' views on integrated reporting (IR), thereby providing an indication of the readiness of Vietnamese businesses to adopt IR. This survey focuses on Vietnamese businesses involved in preparation of the integrated report and other stakeholders. Its findings show a low level of knowledge about IR in Vietnam, however, the majority of stakeholders are eager to learn more about it. Most businesses in Vietnam have not yet discovered its benefits as well as its implementation process. Therefore, it is necessary to equip knowledge and provide technical support through training, coaching, conferences, seminars, etc.

Study purpose:

This study aims at exploring the stakeholders' views on in Vietnam - an emerging economy in Southeast Asia.

Study motivation:

IR and its benefits have been widely accepted all over the world, however, in Vietnam, only a few businesses have adopted it. This study explores its causes, thereby proposing solutions to promote its adoption in Vietnam.

Study design, approach and method:

The study explores the stakeholders' views through a survey of 200 subjects including report makers and other stakeholders.

Key findings:

The findings show that knowledge about IR in Vietnam is low, however the majority of stakeholders are eager to learn more about it. The stakeholders are uncertain about the role of the current reporting system, but they think that IR will help improve the disclosure.

Practical significance:

The limited knowledge of IR may keep the Vietnamese business from adopting IR. Equipping IR knowledge and providing technical support is necessary to make IR more popular, thereby providing a transparent financial market, attracting the attention of various international investors.

Keywords: IR, stakeholders' views, Benefits and challenges of IR.

1. STUDY BACKGROUND

The historical collapse of companies along with the global financial crisis forced the stakeholders to question the ability of traditional financial reporting systems to inform decision making (Steyn and De Beer, 2011). Weybrecht (2010) argued that traditional reporting contained a "pitfall" of transparency. It mainly foster concerns about legitimacy, do not focus on disclosures to assess corporate value, nor clearer accountability (Cho et al., 2015). It has also been criticized that the traditional reporting lack adequate disclosure of risks, opportunities (Cabedo and Tirado, 2004; Serafeim, 2015) and also fail to satisfy the stakeholders' needs for different informational aspects in business activities (Hughen et al., 2014). Therefore, many companies have overcome the same by disclosing different types of information on their reports, such as corporate social responsibility reports, environmental reports, paying special attention to their sustainable development reports. Their challenge, however, is whether their sustainable development reports can meet the growing need for accountability (Adams, 2004; Milne and Gray, 2007). Jeyaretnam and Niblock-Siddle (2010) emphasized that in many cases the linkages between the parties are not clear, and sustainable development reports remain patchy. In addition, the degree of linkage of these reports remains questionable

for the stakeholders. Jensen and Berg (2012) questioned why financial statements and sustainable development reports are prepared independently, while their activities and organization do not occur independently. To overcome the same, certain businesses have begun to integrate their reports into a single one and present information linked to each other in all aspects of the business such as operations, environment, society and governance (Frias-Aceituno, 2013).

Eccles et al. (2010) defined integrated reporting (IR) as the process of integrating environmental, social and governance information into annual reports of the companies. Eccles and Krzus (2010) referred IR to as "a report" with the implication that the IR discloses the financial and non-financial performance in a single document, showing the relationship between financial and non-financial performance, and also discloses how corporate value is created or destroyed for the shareholders and other stakeholders. Consider IR as a global trend, Natura Brasil (2012) argues that IR is not only a combination of financial and non-financial disclosures but also reflects a business's operational strategy including all its aspects in management, opportunity and risk analysis. IR is also known for its role in building a sustainable society (Hoque, 2017). This is confirmed by the practice of applying IR in South Africa,

King III said that in addition to allowing stakeholders to make an assessment of a company's economic value information, IR also targets a larger social goal, helping South Africa move towards a society where social and environmental issues are incorporated into the company's operations.

The International Integrated Reporting Council (IIRC) was established in 2010. In 2013, the first International Integrated Reporting Framework (IIRF) was released; accordingly, IR means a report founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation. IR gathers important information about an organization's strategy, governance, performance and prospects within its commercial, social, and environmental contexts. It provides clear and concise information on how the organization has been carrying out its governing and creating its value currently and in the future. The IIRC also emphasizes that the IR process is built on an organization's integrated thinking about creating and maintaining value over time. This process will lead to more profound changes within the organization than simply creating a new report. Its main objective under the IIRC framework is to convey the organization's entire value creation story. Its conceptual basis is that value is not created by the organization itself but is influenced by the external environment, by relationships with stakeholders. In order to describe how the value is created within an organization, IIRC has introduced a new approach to non-financial capital in reporting. It has distinguished six types of capital to explain their impact on the external environment, and stakeholders (IIRC, 2013).

IR can be seen as an outstanding tool for the business organizations (Wadee, 2011; Churet and Eccles, 2014; Havlová, 2015). It integrates all kinds of reporting features into a report (Morros, 2016). That is why IR is just not about reporting, but in reality, is an element of better business reporting with higher benefits (Steyn, 2014).

IR gets increasingly supported by increasing number of research institutes, governments, organizations, companies (KPMG, PWC, GRI, etc.) and has been adopted in 64 countries (IIRC's annual report, 2018). The companies has adopted it for various reasons, including legislative pressure (such as in South Africa, where IR is mandatory), or their awareness of its benefits, including internal and external benefits such as: (i) Easier access to international capital markets (Black Sun's & IIRC, 2014; Dumitru et al., 2015); (ii) Making financial statements more transparent, accessible and understandable to investors (Steyn, 2014; PwC, 2014; KPMG, 2016; Vitolla and Raimo, 2018); (iii) Promoting integrated thinking, break single thinking in the businesses (Dumay et al., 2018), (iv) Contributing to promoting international convergence (Eccles et al., 2010; Vitolla and Raimo, 2018); (v) Contributing to improving national reputation in compliance with international standards (James, 2013; Vitolla and Raimo, 2018); (vi) Easy comparison with

global businesses in the same industry (Jensen and Berg, 2012). The application of IR, whether voluntarily or mandatorily, also brings various advantages to organizations which aim at sustainable development.

Despite responses by the countries, the IR has not been widely adopted in Southeast Asia (Desi Adhariani and Charl de Villiers, 2018) and also in Asia (Dumay et al., 2017). Vietnam is one of the fourth largest economy in Southeast Asia. In Vietnam, the businesses have not been required adoption of the IR yet. The businesses in Vietnam prepare their financial statements according to the Vietnamese accounting standards issued in 2000 – 2005 on the basis of international accounting standards (IAS). With strong development of the market economy, the current financial reporting system reveals various limitations: the disclosures of the financial statements are non-systematic, incomplete, simple and discrete (Nguyen Thi Thu Hang, 2019), especially, those statements only disclose financial information. This reduces the investors' benefits, making it difficult for the state agencies' monitoring. To improve the same, the Ministry of Finance issued Circular No. 155/2015/TT-BTC guiding disclosure of information on the securities market. After that, in 2020, the Circular 96/2020/TT-BTC was introduced to replace the Circular 155/2015/TT-BTC, effective from January 1, 2021, mainly expanding the subjects of information disclosure. Accordingly, the Vietnamese businesses are required to disclose more information about their environment, society and sustainable development goals in their annual reports. However, because there is no standard governing such disclosure, the extent and quality of environmental and social disclosures vary from company to company, leading to inaccurate judgments by the stakeholders. On the other hand, non-financial information is presented separately, making it difficult for the users to link financial and non-financial information. In addition, it can be seen that the majority of annual reports of Vietnamese businesses neither focus on disclosing information about business performance, risks or opportunities, nor show how they have created their value over time, resulting in failure to show their sustainability. This matter plays a very important role in decision making by the stakeholders, especially in the context of Vietnam's deeper international integration, which requires the Vietnamese businesses to step by step standardize their preparation of annual reports in the direction of publicity, transparency, towards the needs for complete and multi-dimensional information by the investors and partners who want to approach them. This issue will be solved when they adopt IR. In addition, the businesses can, by adopting IR, change their way of thinking of their strategies and operation plans, in order to build trust for the investors and stakeholders, and improve their future performance. By adopting the IR, the information disclosed by the Vietnamese businesses will meet international standards, and therefore, enhancing their comparability with their international counterparts. This is the ticket to access capital in the world market and international integration. The concept of the IR has been introduced by the State

Securities Commission, the International Finance Corporation (IFC) and the Association of Chartered Certified Accountants (ACCA), targeting businesses listed on two stock exchanges in Vietnam. However, in Vietnam, Baoviet Group is the single pioneer that voluntarily prepares an integrated annual report.

In such context, the study on the stakeholders' views on the IR was carried out, thereby providing an indication of the readiness of Vietnamese businesses to adopt the IR. Also provide certain recommendations to promote adoption of IR in Vietnam. This is especially important not only for Vietnam but also for ASEAN as the union is expected to increase the international capital flows to the region. For IIRC, this also makes a lot of sense as it believes that the IR will become the norm in Asia in the next decade (Colvert, 2016).

The study was conducted to answer three questions:

Question 1: What is the current level of knowledge about the IR in Vietnam?

Question 2: What are the benefits and challenges of the IR for report preparers and recipients?

Question 3: If the IR is accepted in Vietnam, what kind of adoption should be carried out and what is needed to support such adoption?

Although similar studies have been conducted in Malaysia and Indonesia, their findings cannot be automatically extended to Vietnam due to significant differences in terms of establishment and use of business information

In Malaysia, the IR is seen as the way forward to effective financial disclosure in the Corporate Governance Blueprint (Mahzan, 2017). The IR was also suggested as one of the exemplary practices in the Public Consultation Paper of the Malaysian Code on Corporate Governance 2016 (MCCG) and was then included in the MCCG.

In Indonesia, the Indonesian Institute of Accountants and the National Center for Sustainability Reporting have taken action to promote the IR, although there is no official support yet. Its implementation in Indonesia remains low. However, according to the study carried out by Desi Adhariani and Charl de Villiers (2018), although the IR is not required, the formats and content of Indonesian annual reports start to its framework informally.

With the significant difference in the adoption characteristics of corporate reporting, this study was carried out, especially in the context that Vietnam there have no similar studies available in Vietnam so far.

2. THEORETICAL FRAMEWORK

2.1. Study report selection motivation and user perception

Desi Adhariani and Charl de Villiers (2018) had proposed the following theories: legitimacy theory, agency theory, stakeholder theory, and institutional theory to explain the motivation for IR adoption. Accordingly, we also use these theories as the theoretical basis to expound the research objectives of this study. We explain this choice as follows:

The legitimacy theory has become one of the most cited theories in the field of social and environmental accounting (Tilling, 2004). Burlea and Popa (2013) argued that the legitimacy theory is a mechanism that supports the businesses in implementing and developing voluntary social and environmental disclosures in order to fulfil their "social contracts" between an organization and the society in which it operates. The companies always make their efforts to legitimize their actions by participating in social responsibility reports for social approval. With a set of legal standards, the International IR Framework (IIRF) officially launched in 2013 is considered as a legal reference in corporate reporting.

With the pioneering work by Jensen & Meckling (1976) as a starting point, many researchers have described the information disclosure strategy based on agency theory. Healy & Palepu (2001) argued that managers can provide additional (optional) information to minimize costs to shareholders. Especially given the context that corporate reporting regulations only supply investors with a minimal amount of information that cannot allow them to make a decision. That creates a conflict between the interests of shareholders and those of managers. In the new vision of business issues, the executive board should focus on striking a balance between fulfilling the shareholders' interests (Shankman, 1999) and being accountable to them (Solomon & Maroon, 2012). The application of the agency theory to IR is seen as a form of control to harmonize the interests of managers and shareholders (Solomon & Maroun, 2012). Information on the integrated reports will play a similar role to the relationship between managers, namely the Board of Directors, the Executive Board, and stakeholders (Garcia et al., 2017; Girella et al., 2019); to achieve comprehensive accountability through the IR.

Companies depend on their stakeholders to get necessary resources for their survival and growth (Charles Fontaine et al., 2006). General speaking, the stakeholders are defined in a very broad sense, including all parties affected by a company's activities (Jeswald Salacuse, 2004). The growing awareness of non-financial information from stakeholders has encouraged the companies to expand their sustainability programs (Hossain and Helmi, 2009; Lodhia and Hess, 2014; Coluccia et al., 2017). The IR is rooted in sustainability information as a result of financial and non-financial performance at all levels. This trend is supported by IIRC as the IIRF is globally accepted with three specific goals of providing external incentives; explaining resources; organization's interaction with the external environment and capital sources to create value in the short, medium and long term. The adoption of the IR in the developing countries is still in its early stages. The success of the organizations in the IIRC's IR pilot program has motivated other companies to disclose information, well address the information needs of their stakeholders. On the other hand, the pressure put by the stakeholders can also force the organizations to adopt the IR. The stakeholder theory is used by various studies, including those of Frias-Aceituno et al. (2013), Kurniawan et al

(2018,) Stubbs and Higgins (2018), to identify the stakeholders' role in the IR practices.

With the increasing influence of the institutional theory on studies on management in general, there is increasing interest in the institutional theory in providing arguments to support the codes of practice of transparency. (Matten and Moon, 2008; Brammer et al., 2012). According to the institutional theory, the companies are economic units that operate in a context where the institutions influence their behavior and impose expectations on them (Roe, 1991, 1994; Campbell, 2007). Campbell (2006) argues that the companies that are most likely to act responsibly and report their behavior are those that operate in institutional contexts where there are coercive and normative pressures, i.e. where an important, well-developed legal system exists to protect stakeholders. In identifying the potential determinants of the IR, the institutional theory is quite widely adopted to see if a correlation can be found between adoption of the IR and the political, cultural and economic factors, including Jensen et al. (2011), Berg and Jensen (2012), Ioana- Maria Dragu et al (2013), Frías-Aceituno et al (2013), Garcia – Sanchez et al (2013).

In addition, we used signaling theory to explain the motivation for applying IR of stakeholders. The signaling theory refers to information asymmetry between managers and stakeholders, in which the source of information asymmetry is mainly related to quality of the disclosures (de Villiers, 1999; Stiglitz, 2000). The signaling theory describes the behavior when two parties have different access to information, the signal sender will seek the way to send his/her information and the receiver will have to choose how to interpret such disclosure. The information asymmetries can lead to adverse selection for the investors. Thus, the companies send signals to the investors that differentiate one's performance from another (Verrecchia, 1983). The recent studies show that the companies adopting the IR reduce information asymmetry between them and their stakeholders (King, 2012). The company's integrated report is disclosed primary on voluntary basis, going beyond the legal requirements applicable to it. The adoption of the IR can be a good signal in disclosing information to the stakeholders, especially in the emerging economies.

The IR adoption is not only to prepare a new report but also to change the business in an integrated thinking, requiring close connection between departments in providing information, in which the accountants' role in report preparation has also changed accordingly. The study carried out by Joshi et al (2018) suggests that for the businesses that adopt IR for the first time, their costs will increase significantly, however, in the end, those costs are all paid off with potential benefits brought about IR. Being aware of this, the adoption of IR can be made. That's why we learned about the stakeholders' views on benefits and costs in making decision on whether or not the IR should be adopted.

In addition to learning about the views of the report makers, this study also learns about views of the report users. It mainly focuses on the shareholders and the

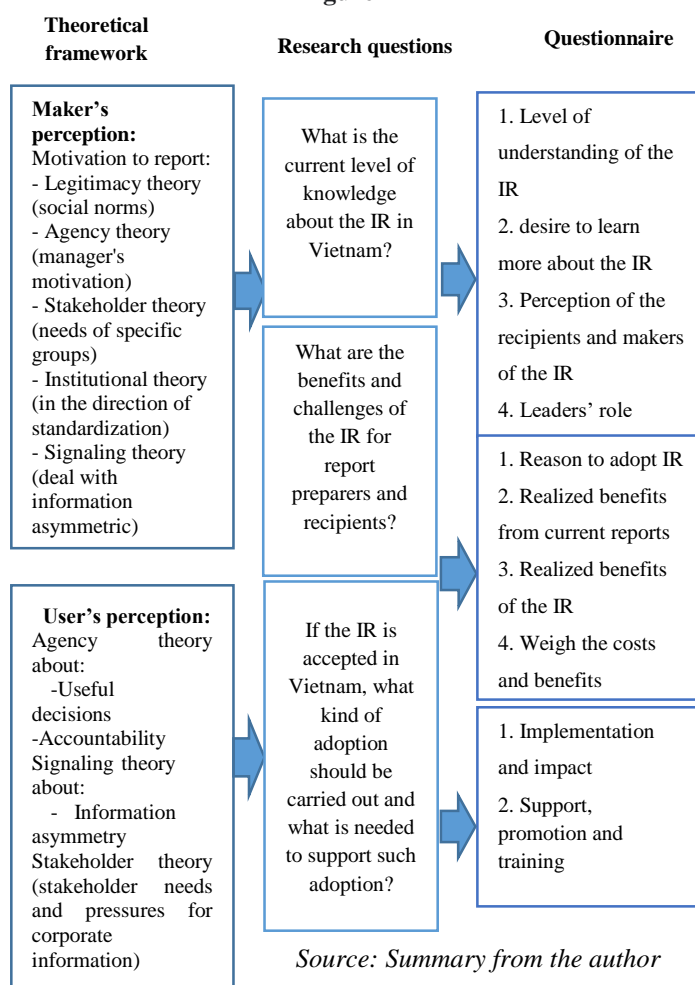
information needs of potential investors. The study explains this group's information needs from agency theory perspective, with the concepts of usefulness decisions, accountability, and from signaling theory perspective about information asymmetry.

The study also learns about the views of other stakeholders as the forms of accountability may vary depending on the stakeholders. Therefore, the information needs can also be viewed from the perspective of the stakeholder theories.

2.2. Study concept

With the inheritance of the conceptual framework of Desi Adhariani and Charl de Villiers (2018), and the use of signaling theory at the same time to explain the motivation for report selection by stakeholders, the concept of this study is presented in Figure 1.

Figure 1



Source: Summary from the author

3. RESEARCH METHODOLOGY

This study was carried out based on the questionnaire used by the Malaysian Institute of Accountants (MIA) and the Association of Chartered Certified Accountants (ACCA) in 2016 in surveying the Malaysian stakeholders' perspectives on the IR. Three additional items from the point of view of Desi Adhariani and Charl de Villiers (2018), specifically: (i) company's motivation to prepare

integrated reports; (ii) assess the understanding of stakeholders in forming an opinion on the difference between sustainability reporting and IR; (iii) What is the role of leadership in IR? were also added.

Given the low acceptance of IR in Malaysia and Indonesia, this approach is appropriate, allowing cross-country comparisons. Like those two countries, Vietnam is in its early stage of IR development, it is appropriate to learn about the understanding level, awareness of benefits and challenges of IR, feasibility of its adoption.

The questionnaire was translated into Vietnamese, sent to 8 experts for consultation. The number of qualitative study samples depends on the study purpose, methods, advantages, disadvantages and resources, so there is no specific rule. The experts' consultation was then analyzed by descriptive statistical method, the opinions with high consensus by experts (over 25%) would be considered and put into practice.

The first group of experts consisted of representatives of companies who were CFO (01 person), chief accountants (02), considered to have a great role in the adoption of IR at the business; the second group of experts were representatives of stakeholders, specifically lecturers specializing in Accounting - Auditing at universities (03) - who were expected to have in-depth knowledge of IR; In addition, there were investors (02) – representing the report users.

Results of expert consultation: 100% of experts believed that the questionnaire was suitable for the study purpose and Vietnamese context. In addition, a number of recommendations were made, specifically: (i) 75% of experts said that some specialized terms should be better explained; (ii) 12.5% said that the questionnaire on audit assurance for IR seemed to be overlapping.

The adjusted questionnaire was sent to 200 survey subjects by convenient sampling method in the period from May 15, 2021 to August 1, 2021. Survey subjects in this study include business representatives such as CFOs, Chief Accountants, Accountants at listed and unlisted enterprises in Vietnam and other stakeholders such as financial consultants; university lecturers; auditors and investors.

The study findings were analyzed through SPSS software, including mean statistics, frequency statistics, Independent-Samples T-Test to make general assessment and test the difference in opinion among the study subjects.

4. FINDINGS

4.1. Respondents

A total of 200 questionnaires were sent, but only 191 responses were obtained. All answers were valid. Because the questionnaire was different in some content in the two groups of subjects surveyed, 191 respondents were then divided into 2 groups. Group 1 had 116 respondents (accounting for 60.7%), consisting of those whose jobs were related to preparation of financial statements, specifically CFOs, chief accountants and accountants of the listed and unlisted businesses. Group 2 had 75 respondents (accounting for 39.3%), consisting of those

working in finance and accounting but did not directly involve in preparing financial statements at the business such as lecturers, financial investment consultants, accountants, auditors and investors.

4.2. KNOWLEDGE OF IR AND DESIRE TO LEARN MORE

When being asked to self-rate their own knowledge by one (no knowledge) to five (intensive knowledge), for group 1, only 32% of the respondents rated themselves in two lowest grades; 44.8% of them rated themselves as having good knowledge of the IR, while the remaining 23.2% said they had a good knowledge of the IR. For the same question above, for group 2, the results showed that the level of knowledge was quite low, 62.5% of the respondents are rated themselves in two low categories, 28.2% rated themselves as medium, 9.3 % rated themselves as quite good.

To see if there is a difference in the knowledge of IR in these two groups, we performed the Independent-Samples T-Test on the SPSS software. The findings, shown in table 1, showed no significant difference in the level of knowledge between them.

Table 1: Independent-Samples T-Test results on the level of understanding between groups 1 and 2.

		Levene's Test for Equality of Variances		t-test for Equality of Means				
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference
KNOWLEDGE ABOUT IR	Equal variances assumed	.241	.624	-3.844	189	.000	-.570	.148
	Equal variances not assumed			-3.886	163.811	.000	-.570	.147

The level of understanding presented above was made statistical based on self-assessment by the stakeholders. In order to test the understanding, we asked respondents to continue answering the question: What is the main difference between the IR and Sustainability Reporting? For group 1, two misconceptions were found in the responses. Firstly, 36.2% of them believed that the sustainability reporting was a sub-set of the IR. Secondly, 6.9% of them believed that the sustainability reporting was a perfect alternative to the IR. These two notions indicated a low level of understanding among many respondents, who did not understand that the IR and sustainability reporting overlapped, but were not the same. Only 19.8% of respondents said correctly. The rest had no comments.

The findings were similar in group 2(48%; 6.7%; 8%; 37.3%).

Generally, only 16.2% of the respondents provided correct answer to the question testing the understanding about the IR. Thus, it can be seen that the knowledge of

the IR is quite low in Vietnam, close to the findings in the context of Malaysia (12.4%), Indonesia (11.7%).

Despite the low level of knowledge found in this study, 89.7% of the corporate report makers and 80% of other stakeholders said they were eager to learn more about the IR.

At the company level, 64.7% of the respondents said that IR was discussed at their Board level and as many as 50% of companies considered its adoption.

Adoption or not, support or not may also be due to limited knowledge of the IR; or due to the companies' and stakeholders' different perceptions of the benefits and challenges of its adoption.

4.3. Potential benefits of IR

The motivations for adopting the IR are inseparable from the perceived weaknesses of the current reporting system.

The current reporting system assessment showed that only 35.3% of the report makers reported that the current reporting fully communicated the company's value and potential value to the investors and other stakeholders; 12.1% were not satisfied with the completeness of the current report; up to 52.6% said they were not sure about that.

As for the report users, only 24% reported that they could get full information about a company's value and potential value through the current corporate reporting; 12% said they couldn't; remaining 64% said they were not sure about that.

Despite a quite high rate of uncertainty in recognizing the role of the current reporting system, the stakeholders strongly believed in the role of the IR. 70.7% of report makers responded that the IR would help improve the existing reporting, while only 1% said no, the rest was uncertain. This was also confirmed by report users (50.7%; 1.3%; 48%).

To ensure that low understanding of IR do not negatively affects the above statement, we filtered out 111 respondents with knowledge scores between 3 and 5, 90% of them confirmed that the IR would improve the current reporting system, some added that the IR did not only increase the value of the business, but also increase its credibility and reputation.

These findings are not comparable to those in the Malaysian and Indonesian contexts. In Malaysia, the stakeholders did not trust the current reporting system, they showed a higher and clearer need for information that should be satisfied by the companies. While in Indonesia, the report makers and users are generally satisfied with the information that has been disclosed. However, all believed that adoption of the IR could increase the report quality.

Regarding potential interests, stakeholders specifically expect improved transparency in information disclosure, as well as improved communication with external stakeholders. Many also think that the IR promotes integrated thinking through breaking down corporate internal gaps. The results are relatively similar to studies in Malaysia and Indonesia, which shows a strong

consensus on the potential advantages gained from this application.

The benefits associated with capital markets are less important. 24.1% of respondents thought that the IR increased the stock price, while 23% thought that the cost of capital would be lower. Very interestingly, most financial advisors, financial investors believed that the IR increased the stock prices while the ordinary investors did not care about this issue. Even so, the stakeholders believed that the current and potential investors should be the main recipients of integrated reports (over 70%). It was expected that the IR would increase the business value through the investors' perception. This finding is consistent with many studies such as those of Lee and Yeo (2015), Barth et al (2016), Martinez, C (2016), El Deeb, M. S (2019).

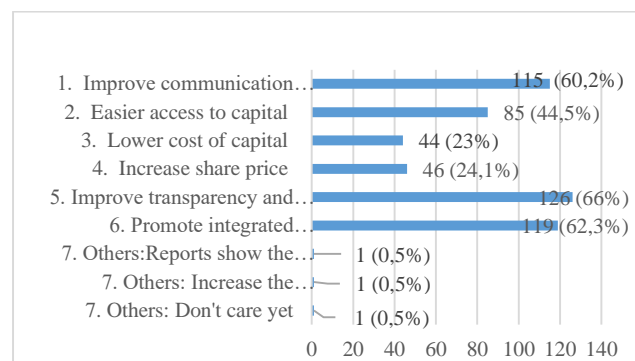


Diagram 01: Perceived benefits from stakeholders

Also regarding the benefits of the IR, more than 49% of respondents said that if the IR is widely used in Vietnam, they believe it will make Vietnam more attractive to do business and more attractive to investors. It seems that the respondents were very optimistic about the benefits that the IR could bring to the business environment.

4.4. Weighing benefits and challenges

The first perceptible challenge from the stakeholders is cost. The participants were required to score the costs and benefits of the IR with a baseline of 50 points for each aspect; for example, if they believed that its benefits would increase by 10% over the current reporting, then they would score the benefit at 55, the findings were shown in Diagrams 01 and 02.

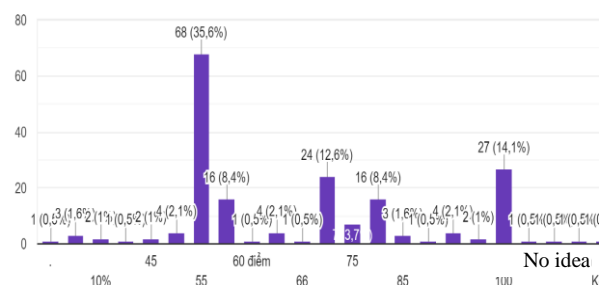


Diagram 02: Perceived Cost Score from Stakeholders

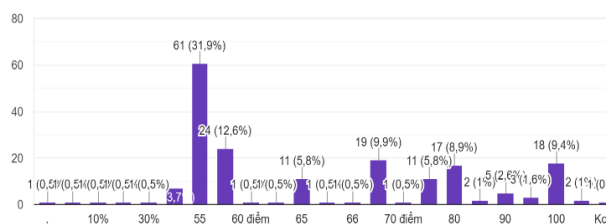


Diagram 03: Perceived Benefit Score from Stakeholders

The average cost score was 66.4, while the average benefit score was 63.9. the stakeholders believed that the benefits they received were lower than the costs they spent, but the gap between the costs and the benefits was not large in their perception. These findings are consistent with the findings in Malaysia, while in Indonesia, this view is only valid for those who are not the report makers; by contrast, the report makers found that the benefits of the IR outweighed the costs.

Further challenges: The first, lack of connectivity and integration process within organization to enable adoption of the IR; The second, lack of information systems and The third, fear of divulging market and/or price sensitive information are the top three challenges perceived by stakeholders. Although they thought that the costs outweighed the benefits, for them, the cost of preparation was not the top challenge. Unlike the study in Indonesia, those who prepared the report found that the benefits of the IR would outweigh the costs, but the cost of preparation was the biggest barrier for them. The fear that the disclosure would affect the competitive position of the businesses was also found in the context of Malaysia and other studies such as Frias-Aceituno et al. (2012), McNally et al (2017). In fact, the IIRC's guideline framework allows for only brief, non-detailed disclosure of sensitive information affecting the competitive advantage of the business (IIRC, 2013).

The lack of guidance on how to prepare an integrated report was also a major challenge (32.5%). This finding highlighted the need to equip the stakeholders with the knowledge about the IR.

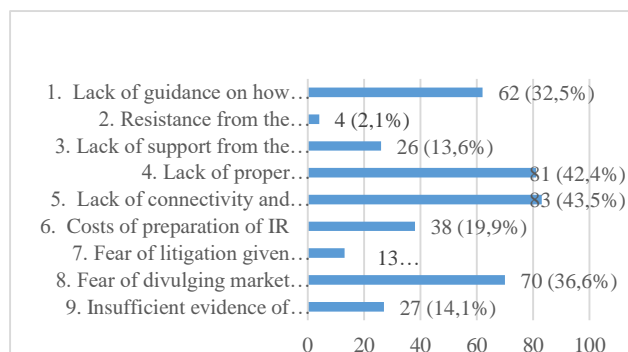


Diagram 04: Perceived challenges from stakeholders

5. HOW SHOULD THE IR BE IMPLEMENTED IN VIETNAM – WHAT ARE SUPPORT SOLUTIONS?

When being asked how the IR should be adopted in Vietnam? 51.8% of the respondents said it should be adjusted according to the regulations - adopt or explain, which means businesses have to adopt IR, in case they can't do that, they have to explain it; 24.1% said it should be market-oriented and regulatory-driven – mandatory. These findings are similar to those in Malaysia but different from those in Indonesia where 48% of the respondents expressed their belief that the IR should be regulatory driven - mandatory, 37% believed that it should be regulatory driven - adopt or explain and 15% believed that it should be market oriented, i.e. optional. This view was further reinforced when the businesses believed that the motivation for them to prepare the integrated report is that in addition to satisfying shareholders and other stakeholders, they were also bound by accounting regulations. Besides, they believed that, by voluntary adoption, the role of the Board of Management would be extremely large, deciding whether to adopt or not.

In fact, its adoption in South Africa is regulatory driven - adopt or explain. However, this is different from IIRC's view that the governments should not regulate but should do it in a market-oriented manner (IIRC, 2013).

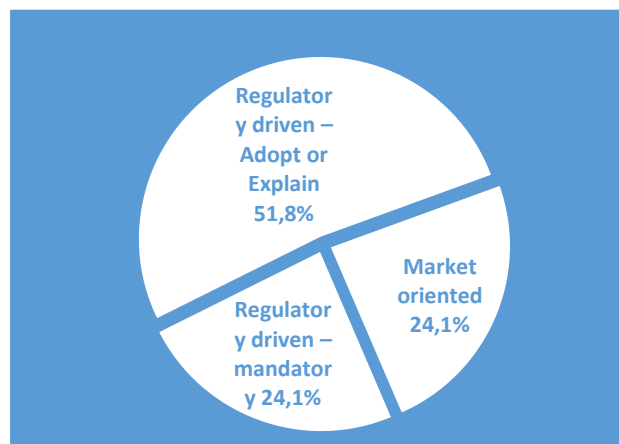


Diagram 05: Perceptions of stakeholders about the regulations on adoption of the IR

In order to enhance reliability of the IR, the respondents believed that like other reports, it was necessary to have the overall assurance of the auditors and the responsibility of the Board of Directors for the disclosure.

The findings of this study suggest a strong interest in the IR in Vietnam, but the respondents emphasized the need for more support from the government, agencies and associations of the industries in its adoption. When being asked to select two supports from the government and associations to make the IR more popular, the stakeholders said that recognition of its role was required (67%), which indicated uncertainty from stakeholders about its benefits, they needed confirmation in this regard. The second choice, advice on technique and preparation

(53.5%), indicated the need for counseling and training. Financial incentives for adoption was not widely selected.

Referring to the solutions to improve knowledge and promote adoption of the IR, the respondents said that it was necessary to create effective communication channels to provide timely and relevant information from IIRC and equivalent organizations; create a platform for those who accept the integrated report to share their best practices and address challenges in their adoption; carry out studies on the benefits and costs of using the integrated reports. Once again, the picture of the benefits and costs of adopting the IR is the need for stakeholders' support.

It can be seen that majority of the stakeholders in Vietnam have not discovered the potential benefits and processes of the IR yet. Therefore, support from government, industry associations, and related organizations on IR knowledge is needed. An internationally recognized training curriculum on the IR is valuable to stakeholders (63.3%).

6. CONCLUSION

This study explored and examined the views on integrated corporate reporting of the Vietnamese businesses, specifically the report makers and stakeholders. These views were concretized by answering 03 study questions: (i) Figure out the stakeholders' level of understanding about the IR; (ii) Stakeholder's perceived interests and challenges; (iii) Implementation and support.

Its findings show that despite low knowledge in Vietnam, interestingly, most of them expected to learn more about the IR. In fact, the issue of IR was discussed at the Board level of companies and up to 50% of companies considered its adoption. This also explained why only a small number of study subjects believed that the current report did not fully communicate the value and potentials of a company's benefits to the investors and other stakeholders. Most of them believed that the IR could help them solve this issue. This is really meaningful in the context of Vietnam in the current period.

However, the implementation and adoption of IR has encountered the following main barriers: These are the top three challenges facing the businesses. Measures to help them overcome these barriers will promote the popularity of IR in Vietnam. It is necessary to equip knowledge and provide technical support through training, coaching, conferences, seminars, etc. In fact, the businesses need to eliminate the fear of disclosing their information. According to IIRF, the businesses only need to provide brief, non-detailed disclosure of sensitive information and those that are believed to affect their competitive advantages (IIRC, 2013). Unlike the study in Indonesia, IR is expected to quickly become more popular in Vietnam as the cost is not the biggest barrier.

Also interestingly, this study shows that on a voluntary basis, the Board of Management of the Vietnamese businesses takes the role of deciding whether or not to adopt IR, but the stakeholders are the biggest motivation for their implementation. The stakeholders can play their

part in promoting IR adoption in Vietnam in many ways, for example, they can raise this issue in the Annual General Meeting, General Meeting of Shareholders, etc.; the financial institutions may favor the businesses that provide clear information about their value and potential for value creation; even consumers can express their requirements through the businesses' supply chain. Stakeholder pressure forces the Board of Directors to act in response because the benefits of both parties. In addition, other intermediaries such as Associations of Accountants and Auditors and similar organizations can set standards of measurement as well as develop methodologies to provide assurance to IR. This is quite relevant when the stakeholders in this study claim that the IR needs to be as comprehensive as the other reports. On the other hand, the stakeholders argue that IR should be regulated - adopted or interpreted.

The study findings, especially regarding the low level of knowledge about IR, lead to important and meaningful recommendations for practice in Vietnam. First, the businesses should learn and understand about IR through training, conferences, seminars, thematic reports, etc. It's time for universities to consider to include IR in their curriculum to serve the current and future needs of the businesses. On the government side, the policy makers should consider adjusting the regulations to gradually shift to IR adoption and have appropriate policies to encourage it. This study is also of great significant for IIRC in its efforts to promote the adoption of IR. Limited knowledge of IR and requests for recognition of IR role from the stakeholders should be supported by IIRC and the international practice of IR adoption. Effective and popular communication channels for timely updates from IIRC and equivalent organizations or an internationally recognized training curriculum on the IR are of great value to the stakeholders.

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