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Managing Challenges in the Adoption of Integrated Reporting: A Conceptual Exploration of the Malaysia Context

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Abstract
This concept paper explores the challenges and potential solutions in the adoption of Integrated Reporting (IR) within the context of Malaysia. IR is a comprehensive reporting approach that integrates financial, environmental, social, and governance information to provide a holistic view of a company's performance and value creation. The paper categorizes these challenges into four main areas: Organizational Characteristics and Capabilities, Technological Capability and Security, Governance and Stakeholder Readiness, and Regulatory Environment and Supportive Infrastructure. Within each category, specific challenges are identified, and evidence-based recommendations are provided to address these challenges. The paper emphasizes the importance of strategic alignment, capacity building, stakeholder engagement, and supportive regulatory frameworks in facilitating the successful adoption of IR. The recommendations are tailored to the Malaysian context, taking into account the unique characteristics of Malaysian firms and the regulatory environment. By addressing the challenges discussed and implementing the recommended solutions, Malaysian firms can enhance their readiness for IR adoption, leading to improved transparency, accountability, and long-term value creation. This concept paper serves as a foundation for further research and practical initiatives aimed at advancing the adoption of IR in Malaysia and similar contexts.
Keywords: Integrated Reporting, Malaysia, Organizational Characteristics, Technological Capability, Governance, Stakeholder Readiness, Regulatory Environment

Introduction

Businesses are increasingly required to adopt a comprehensive reporting strategy in the contemporary socio-commercial and environmental context. In response to this need, Integrated Reporting (IR) provides a unified platform for describing an organization's strategy, governance, performance, and prospects. This strategy encourages a comprehensive understanding of business operations and value creation. Adoption and effective implementation of IR has the potential to improve organisational performance in terms of transparency, accountability, and sustainability. Nevertheless, despite the growing recognition of IR's importance, its adoption by corporations worldwide remains inconsistent, posing a significant challenge for corporate governance and reporting.

The importance and relevance of studying IR in the Malaysian context cannot be overstated. Malaysia has been identified as a potential leader in promoting IR adoption and implementation in the Southeast Asian region. In 2017, the Malaysian Securities Commission (SC) launched a roadmap for the adoption of IR by Malaysian companies, highlighting the country's commitment to enhance transparency, accountability, and sustainability performance (Securities Commission Malaysia, 2017). Understanding the extent to which Malaysian companies have adopted and effectively implemented IR is crucial for assessing progress and identifying potential challenges in achieving widespread adoption.

The adoption of IR by publicly traded companies in Malaysia has shown gradual but promising growth. According to the 2020 Annual Report of the Securities Commission Malaysia (SC), approximately 14% of all Malaysian listed companies, or 91 companies, have adopted the practise of publishing integrated reports. Moreover, there has been a substantial increase in the number of companies disclosing sustainability information, indicating the growing recognition and significance of integrated reporting in the Malaysian business landscape. In terms of adopting non-financial reporting practises, Malaysian companies still have room for improvement compared to companies in Europe and Asia-Pacific (Burke & Clark, 2000).

Despite the favourable awareness and policy framework for IR in Malaysia, actual implementation appears to be more focused on meeting statutory requirements than on the genuine incorporation of the IR concept into reporting systems (The Star, 2014). Particularly in the Malaysian real estate sector, there has been limited adoption or noncompliance with IR practises (Jamal & Ghani, 2016). These findings highlight the central issue that this paper intends to investigate, namely the factors that influence corporate preferences for integrated reporting and the obstacles that impede its widespread adoption in Malaysia.

This study's primary objective is to identify the factors that influence corporate preferences for integrated reporting, with a particular emphasis on the obstacles impeding its widespread adoption. By gaining an understanding of these factors, we can investigate how IR can be optimised to enhance the quality of information available to providers of financial capital, thereby promoting more effective capital allocation. This research not only contributes to the development of a unified model for corporate reporting, but also encourages integrated thought and promotes a broader sense of responsibility for various forms of capital. Through this study, we intend to advance knowledge of IR's application and effects on corporate performance, thereby making a substantial contribution to the academic discourse on integrated reporting.

Problem Statement

The adoption of Integrated Reporting (IR) by corporations worldwide remains inconsistent and report quality is still a critical aspect of IR, posing a significant challenge for corporate governance and reporting (Vitolla et al., 2019). While awareness of the significance of international relations (IR) has increased, its widespread adoption confronts obstacles and varying levels of implementation, particularly in the Malaysian context. This circumstance necessitates a comprehensive examination of the underlying factors impeding the adoption of IR and the development of effective strategies to surmount these obstacles (La Torre et al., 2019). While the literature has established the importance of firm characteristics in influencing the effectiveness of IR implementation, there is a need to further investigate these relationships in the context of Malaysian companies. Malaysia has a unique business environment, with specific social, cultural, and economic factors that may affect the adoption and implementation of IR. For example, Malaysian companies may face challenges in collecting and reporting ESG information due to the lack of standardization and regulatory guidance in this area.

The Objective of the Study

The purpose of this study is to investigate the obstacles to the widespread adoption of Integrated Reporting (IR) in the Malaysian corporate sector and to propose evidence-based solutions. In particular, the study seeks to:

1. Consider internal dynamics, such as firm size, industry, and age, and external influences, such as stakeholder preparedness and the regulatory environment, when identifying the factors influencing the adoption of IR within Malaysian organisations.
2. Analyse the obstacles that Malaysian companies face when employing IR, including technological capabilities, security concerns, digital literacy, governance practises, stakeholder engagement, and the supporting infrastructure.
3. Develop comprehensive recommendations and strategies to surmount these obstacles and facilitate the successful adoption of IR in Malaysia, considering the unique corporate environment in Malaysia.
4. Contribute to the academic discourse on integrated reporting by shedding light on the barriers and enablers of IR adoption, particularly in the Malaysian context, and by highlighting the potential benefits of a comprehensive IR implementation.
5. Provide organisations, policymakers, and other stakeholders with actionable steps to increase transparency, accountability, and value creation through the adoption of IR.

By addressing these objectives, this study aims to contribute to the existing body of knowledge on IR adoption and provide valuable insights and recommendations for promoting the widespread adoption of IR within the Malaysian corporate sector. A study in Malaysia can provide important insights into the specific challenges and opportunities that Malaysian companies face in adopting and effectively implementing IR, and can inform the development of effective policies and support mechanisms to promote sustainable and responsible business practices.

Literature Review

The Existing Level of IR adoption

Numerous studies have investigated the factors that affect the adoption and implementation of IR. According to Eccles and Serafeim (2013), firms may adopt IR in response to external pressures and expectations, such as stakeholder demands, regulatory requirements, and industry standards. In addition, they suggest that larger companies and those in industries with a high social and environmental impact may be more likely to adopt IR as a means of communicating their sustainability practises to stakeholders. Similarly, Samaha and Dahawy (2016) discovered that corporations with greater corporate social responsibility (CSR) disclosure are more likely to adopt IR. In Malaysia for example, Jamal and Erlane (2016) conducted a content analysis of 189 annual reports from 63 real property companies listed on Bursa Malaysia. The analysis showed that the level of integrated reporting practices among these companies is suboptimal, with compliance levels ranging from non-compliance to moderate compliance. Further, it is argued as in the Malaysian market, IR adoption is still voluntary, and only a handful of companies have adopted IR techniques. Qaderi et al (2021) analyse data from 267 company-year observations between 2017 and 2019 found that the number of Malaysian companies preparing IR in accordance with the IIRF is on the rise with significant differences between large and minor companies' IR practises. Qaderi et al (2021) also argue that the recommendation of the Malaysian code of corporate governance in 2017 has affected the implementation of IR.

Nonetheless, the quality of IR adoption and implementation varies significantly between companies, with many focusing on compliance rather than providing a more comprehensive view of their performance and value creation. According to Serafeim and Grewal (2016), firms may use IR to signal their commitment to sustainability without making substantial changes to their actual practises. Additionally, Branco and Rodrigues (2019) discovered that many organisations may use IR for reputation management rather than as a tool for strategic decision-making and value creation.

Several studies have examined the potential advantages and disadvantages of IR adoption for businesses. Effective implementation of IR can enhance a company's reputation, increase stakeholder engagement, and assist in risk management, according to (De Villiers and Van Staden, 2018). However, they also discovered that companies may face obstacles when implementing IR, such as the need to develop new processes and systems to collect and report ESG information and to engage with stakeholders in a more comprehensive and transparent manner. Similarly, Branco and Rodrigues (2018) identified the potential benefits of IR adoption, such as improved communication and transparency, enhanced reputation and trustworthiness, and the ability to attract socially responsible investors. However, they also identified obstacles such as the absence of standard guidelines and frameworks for IR, the need for significant resources and organisational culture changes, and the possibility of greenwashing or misleading reporting.

Challenges in Adopting Integrated Reporting

This section examines the obstacles organisations face when employing Integrated Reporting (IR). Despite the fact that IR provides a comprehensive approach to reporting that incorporates financial, environmental, social, and governance dimensions, its adoption is not without obstacles. Organisations seeking to maximise the benefits of IR and improve their reporting practises must comprehend and address these challenges. In this section, we explore the implications of the key challenges organisations confront when adopting IR within the corporate landscape. By investigating these obstacles, we hope to shed light on the complexities and roadblocks that organisations must overcome in order to successfully implement IR.

Organizational Characteristics and Capabilities

Firm Size

Larger organisations are typically among the earliest adopters of IR. De Villiers et al (2014) discovered that larger corporations are better equipped to manage the complexity of integrated reporting due to their abundant resources and capabilities. These companies typically have the financial resources to invest in the requisite IR systems and procedures. In addition, their substantial human resources enable them to interpret and effectively apply the principles of integrated reporting. Larger corporations frequently have a diverse group of interested parties, including shareholders, employees, customers, and the larger community. The large number of stakeholders necessitates exhaustive reporting, which IR satisfies by providing an all-encompassing account of an organization's performance. Moreover, IR's emphasis on long-term sustainability is consistent with the strategic considerations of large corporations, which look beyond short-term profitability to sustainable value creation (Simnett & Huggins, 2015).

Industry

The industry in which a company operates has a substantial impact on its adoption of IR. Wild and van Staden (2013) found that industries that are highly visible to the public or that are subject to substantial environmental and social scrutiny are more likely to employ IR. These industries include mining, energy, and manufacturing, which have particularly pronounced effects on society and the environment. Companies in these sectors can demonstrate their commitment to sustainable practises and awareness of their broader societal impact through IR.

It is consistent with the findings of Dumay et al (2016), who suggest that companies in industries with higher environmental risks or those with a strong public interface are more likely to implement IR in order to mitigate potential reputation risks and demonstrate transparency in their operations. In addition, they contend that stakeholders in such industries require more information about non-financial aspects of performance, such as environmental, social, and governance (ESG) factors, which IR provides.

Nonetheless, a number of studies suggest that industry-specific factors may also pose obstacles to IR adoption. For instance, Hahn and Kühnen (2013) argue that firms in highly competitive industries may be hesitant to disclose strategic information that could be used by competitors, a requirement that IR frequently imposes.\

Age

The age of a firm can significantly impact its inclination to adopt Integrated Reporting (IR). Stubbs and Higgins (2018) propose that newer firms, unburdened by ingrained traditional reporting customs, may be more receptive to IR. They argue that these firms could incorporate IR principles from the onset, capitalizing on their relative agility and openness to innovative practices.

Conversely, established firms could also leverage IR as a strategic tool to enhance their transparency and public image. Hummel and Schlick (2016) posit that older firms might adopt IR as a strategic initiative to present a cohesive picture of their business that reflects both their financial and non-financial performance. This enables them to effectively engage their diverse stakeholder base. However, the transition to IR might pose a more significant challenge for older firms, given the need for a shift in mindset, changes in reporting processes, and potentially substantial investment in resources.

Cost benefit analysis

The implementation of Integrated Reporting (IR) has been recognised as a significant instrument for enhancing corporate transparency, aligning strategy with sustainability issues, and connecting various aspects of business performance (Busco et al., 2013). Performing a comprehensive cost-benefit analysis (CBA) is, however, one of the most significant obstacles encountered by organisations on their path to IR adoption. The complexity of quantifying both the costs and benefits associated with the adoption of IR makes it difficult to conduct an effective CBA (Eccles & Serafeim, 2014). In addition to monetary implications, the costs of implementing IR include the time and resources required for training, the development of new systems for data collection and analysis, and an increase in the complexity of reporting procedures (Churet & Eccles, 2014).

Additionally, the intangible and frequently long-term nature of the benefits associated with IR adoption increases the difficulty of conducting a reliable CBA. Benefits such as improved stakeholder relationships, enhanced decision-making, and potential market advantages are difficult to quantify and are frequently realised only over time (Stubbs & Higgins, 2018). In the context of Malaysia, where IR is still in its infancy, this difficulty is even greater. Firms may lack the necessary knowledge and direction to conduct an effective CBA, thereby impeding their incorporation of IR (Jamil & Mohamed, 2011). De Villiers et al (2014) propose the need for increased guidance on conducting a CBA for IR, including methodologies for quantifying intangible benefits and costs, in order to overcome these obstacles. In addition, institutions and regulators in Malaysia could play a pivotal role by providing firms with the resources and assistance necessary to conduct effective CBAs for IR.

Technological Capability, Security, and Digital Literacy

Digitalisation Security

Digitalization plays a crucial function in the context of Integrated Reporting (IR). Companies are progressively utilising digital platforms for efficient data aggregation, analysis, and reporting, enabling a more streamlined and robust presentation of their financial and non-financial performance (Cheng, Green, & Ko, 2014). Despite the numerous advantages of digitalisation, data security concerns pose a significant barrier to the adoption and implementation of IR. Digitalisation security is the protection of a company's digital platforms against cyber threats such as data breaches and cyberattacks. Companies may be reluctant to completely adopt IR out of concern for the potential exposure of sensitive corporate data. These concerns are especially pertinent in industries that manage highly sensitive data, where a data breach can have far-reaching and catastrophic consequences.

Cybersecurity has become a top priority in the Malaysian context, as companies become more digitally oriented in response to the national digitalisation drive. This concern extends to the area of investor relations, as companies contend with the possibility of exposing sensitive financial and non-financial data on digital platforms. As Malaysia progresses towards the adoption of IR, in part due to the 2011 Corporate Governance blueprint, the issue of digital security becomes more urgent. Companies in Malaysia, as well as regulators, must ensure the integrity of their digital systems in order to engender confidence in their stakeholders and facilitate the adoption of internal reporting (IR).

The interaction between digitalisation and data security in IR demonstrates the need for stringent digital security measures. It emphasises the significance of companies investing in secure and dependable digital infrastructure to safeguard sensitive data while reaping the benefits of digitalisation in their reporting practises.

Education

According to Eccles and Krzus (2010), the adoption of IR can be considerably influenced by the level of awareness about its benefits, the available expertise in integrated thinking and reporting, and the organization's resources. Companies may fail to recognise the potential benefits of IR, such as enhanced stakeholder engagement and enhanced decision-making, due to a lack of awareness. A lack of expertise in integrating the various aspects of a company's performance into a single report can also hinder the implementation of IR. Given the comprehensive character of IR and the resources it requires, resource limitations can also be problematic.

In addition, Churet and Eccles (2014) highlight the lack of uniformity in the interpretation of the International Integrated Reporting Framework, which can contribute to diverse IR practises and potential confusion. Consistency in framework application is essential for the successful adoption and implementation of IR.

Governance, Management Practices, and Stakeholder Readiness

Corporate Governance

The structure and robustness of a firm's corporate governance mechanisms significantly influence the adoption and practice of IR. Hummel and Schlick (2016) find a positive correlation between strong corporate governance and the adoption of IR. They attribute this to the broader role of governance mechanisms in promoting transparency, accountability, and stakeholder engagement. The board of directors, audit committees, and other governance structures play a critical role in overseeing the preparation and presentation of integrated reports, ensuring their accuracy and completeness.

Neu et al (2017) discovered that companies with greater levels of board independence, CEO duality, and audit committee expertise are more likely to implement IR effectively. This indicates that effective corporate governance and oversight may be crucial for ensuring the quality and accuracy of IR reporting. However, the study examined only a small sample of businesses, limiting the generalizability of its findings.

Dumay et al (2016) argue that corporate governance plays an essential role in IR quality. They assert that strong corporate governance is linked with higher quality integrated reports. The firm's leadership can influence IR adoption by endorsing its principles and ensuring their integration into the firm's reporting systems. Such involvement signals to internal and external stakeholders the firm's commitment to holistic, transparent, and future-oriented reporting, thereby reinforcing its credibility and trustworthiness.

Stakeholders Readiness

Eccles & Serafeim (2014) have identified stakeholder preparedness as a crucial factor for the successful implementation of Integrated Reporting (IR). The preparedness of stakeholders includes not only their cognizance and comprehension of IR, but also their ability to effectively utilise the information provided. Several factors may influence the readiness of Malaysian stakeholders to implement IR. Du Toit (2017) examines the legibility of integrated reports from all Johannesburg Stock Exchange-listed companies for 2015 and 2016 and finds that the IR disclose use of complex language in these integrated reports hinders readability and diminishes the information's value for stakeholders. More surprisingly, a correlation analysis between the Ernst & Young Excellence in Integrated Reporting Awards and the use of complex language in integrated reports suggests that they are perceived as being of higher quality. Even if stakeholders are aware of IR, their capacity to interpret and apply the information may be limited. This problem may be the result of a lack of financial literacy and training, as well as the complexity and integrated character of the information provided in an integrated report (De Villiers et al., 2014). It is especially relevant in Malaysia, where financial literacy rates are comparatively low in comparison to other nations (Lai & Chong, 2016).

The lack of IR awareness among stakeholders is a significant obstacle (Hummel & Schlick, 2016). Given that IR is a comparatively new concept in Malaysia, numerous stakeholders may not fully comprehend what IR is and how it differs from conventional financial reporting. In addition, the benefits of investor relations, such as increased transparency and a better comprehension of the firm's value creation process, may not be fully recognised (Jamil & Mohamed, 2011). Moreover, cultural factors may also influence the preparedness of stakeholders. In Malaysia, where business relationships are frequently based on personal relationships and trust, stakeholders may place less emphasis on formal reports and more emphasis on personal communication and relationships (Yeoh, 2014). Consequently, the transition to a more formal, comprehensive reporting method such as IR may be met with resistance from stakeholders accustomed to more conventional modes of communication.

Lastly, the regulatory environment may also influence the preparedness of stakeholders. In Malaysia, where the Securities Commission has encouraged but not mandated the adoption of IR, there may be little incentive for stakeholders to familiarise themselves with IR (Securities Commission Malaysia, 2014).

Regulatory Environment, External Influence, and Supportive Infrastructure
Regulatory Environment

According to de Villiers et al (2014), the regulatory environment has a substantial impact on the adoption of Integrated Reporting (IR) by corporations. According to their research, countries with mandatory or encouraged non-financial reporting regulations tend to have a higher rate of IR adoption. In contrast, adoption of IR is frequently delayed in jurisdictions with permissive regulations or optional non-financial reporting requirements.

Examining the Malaysian context yields important insights into the relationship between regulation and IR adoption. With its emphasis on "Disclosures and Transparency," the Securities Commission of Malaysia's 2011 Corporate Governance blueprint indicates a regulatory drive towards the adoption of IR in the country. This regulatory framework intends to promote the effective disclosure of non-financial information, highlighting the significance of comprehensive reporting that goes beyond financial metrics.

The challenge, however, rests in ensuring that the adoption of IR by Malaysian businesses goes beyond mere regulatory compliance. Companies must integrate IR into their reporting practises and recognise its capacity to improve transparency, accountability, and value creation. Regulatory initiatives can be a catalyst for change, but organisations must view IR as a strategic instrument for communicating their broader social and environmental impacts. To completely integrate IR into reporting practises, regulatory bodies in Malaysia may wish to provide clearer implementation guidelines and standards. This includes defining the scope of non-financial information to be disclosed, specifying reporting frameworks, and providing companies with the necessary support and resources to implement IR effectively. In addition, raising awareness and conducting educational programmes about IR can assist businesses in gaining a deeper understanding of its benefits and facilitating its implementation.

Future research could delve deeper into the unique challenges and opportunities within the Malaysian regulatory environment, examining the efficacy of current regulatory measures and identifying potential improvement areas. In addition, comparative studies across jurisdictions could provide valuable insights into the role of regulation in promoting IR adoption and its effect on corporate reporting practises and stakeholder engagement.

In general, the regulatory environment in Malaysia is conducive to the implementation of IR. However, regulators and companies must collaborate to ensure that IR is not merely viewed as a compliance requirement, but rather as a strategic approach to improve transparency, accountability, and value creation.

External Influence

The decision to implement IR is frequently influenced by external factors. These include market conditions, regulatory pressures, and stakeholder expectations, but are not limited to them. Market conditions influence the perceived necessity and urgency of IR adoption. Recognising the value of the exhaustive non-financial information contained in IR, investors and other financial stakeholders exert considerable influence on firms. According to Eccles and Krzus (2010), investor pressure is a significant motivator for firms to engage in investor relations (IR) because it fosters a culture of enhanced transparency and a holistic understanding of business performance.

Maroun and Tarhini (2019) discovered that companies with higher CSR performance are more likely to implement IR effectively. This may be due to the alignment between the values and practises of companies with a strong CSR focus and the objectives of IR to provide a more holistic view of a company's performance and value creation. However, the study also revealed that companies with greater financial performance are less likely to implement IR effectively. This may be due to the fact that these businesses may prioritise financial performance over sustainability and social responsibility, and therefore may not fully integrate ESG data into their reporting.

Regulatory pressures also play a significant role in influencing the adoption of IR. Notably, de Villiers et al (2014) cite the mandate on non-financial reporting in South Africa as a significant factor in the country's adoption of IR. This contrasts with countries such as Malaysia, where non-financial reporting regulations are not as stringent or explicitly prescribed (Jamil & Mohamed, 2011).

Supportive Infrastructure

In addition to external factors, the transition towards IR also depends on the firm's internal infrastructure. This focuses predominantly on the company's technological and human resources. Infrastructure technological is essential to the successful implementation of IR. The data-intensive nature of investor relations necessitates robust, capable, and secure information systems that can effectively aggregate, analyse, and communicate a vast array of financial and non-financial data (Cheng et al., 2014). Companies with obsolete or inadequate systems may find the transition to IR particularly difficult.

Human resources, particularly the knowledge, abilities, and competencies of employees, are also essential. Adams et al. (2016) emphasised the need for a "integrated mindset" and a combination of knowledge that transcends the traditional boundaries of accounting and finance. This requires substantial investments in training and development, which may be difficult for some businesses to implement. In essence, the adoption of IR is influenced by a variety of external and internal factors. The regulatory environment, market pressures, and stakeholder expectations interact with an organization's extant infrastructure to influence the path to IR adoption.

The Recommendations

As businesses navigate the transition to Integrated Reporting (IR), they confront a multitude of complex and multifaceted obstacles. Internal Dynamics and Capabilities and External Support and Environment. This section intends to provide an in-depth discussion of these categories and evidence-based recommendations for overcoming these challenges, with a focus on the Malaysian business context.

The Internal Dynamics and Capabilities category includes the firm's size, industry, age, and digital literacy. These factors have a substantial impact on the firm's capability and willingness to implement IR. The complexity and multidimensionality of IR necessitate a certain level of organisational capacity, which can be influenced by these internal dynamics. The External Support and Environment category, on the other hand, concentrates on elements beyond the firm's immediate control. This includes the regulatory environment, the preparedness of stakeholders, the infrastructure that is available, and the cost-benefit implications of adopting IR. These external factors can facilitate or impede the effective adoption of IR, highlighting the significance of external conditions that are conducive to IR implementation.

The Internal Dynamics and Capabilities

Organisational Characteristics and Capabilities

Addressing the challenges associated with Integrated Reporting (IR) adoption in the context of Organisational Characteristics and Capabilities, particularly in terms of firm size, industry, and age, requires solutions that consider the particular circumstances of Malaysian businesses. First, firm size has a significant impact on the capability to implement IR. Larger Malaysian companies, which typically have greater resources, should take the lead in implementing IR, demonstrating the process and its benefits to smaller companies. Smaller businesses may be able to surmount resource limitations if they have a supportive infrastructure that facilitates shared resources, such as pooling technological resources or collective training (Eccles & Krzus, 2010). This strategy may be especially pertinent in Malaysia, where Small and Medium-Sized Businesses (SMEs) play a significant role in the economy.

The industry context can also influence the urgency of IR adoption. Given their significant environmental and social impacts, industries confronting high environmental and social scrutiny, such as the manufacturing and extractive industries, should prioritise IR (Wild & van Staden, 2013). By devising industry-specific guidelines, regulatory bodies in Malaysia can ensure that the particulars of each industry are considered in the IR process. For industries that are under less imminent pressure to adopt IR, awareness campaigns emphasising the business case for IR adoption may be advantageous.

Lastly, the age of the company influences IR adoption. For younger Malaysian companies, adopting IR from the outset could provide a competitive advantage by demonstrating their dedication to transparency and long-term value creation (Stubbs & Higgins, 2018). Inertia may be more difficult to overcome for established businesses rooted in conventional practises. They may need to implement organisational change management strategies that emphasise leadership buy-in, employee training, and a phased approach to integrating IR principles into their extant reporting practises.

Technological Capability, Security and Digital Literacy

In pursuing the adoption of Integrated Reporting (IR), organisations encounter a number of technology-related obstacles, such as technological capability, security concerns, and digital literacy. In the context of Malaysia, a swiftly developing nation on its way to becoming a global hub of knowledge and innovation, these issues are particularly pertinent. Successful IR implementation requires the cultivation of robust technological capabilities.

Companies are required to collect, analyse, and report vast and varied types of data, necessitating a sophisticated IT infrastructure and data analysis skills. In the Malaysian context, it is essential for companies to invest in enhancing their technological prowess and data management skills (Cheng et al., 2014). This could be accomplished through capital investment, strategic partnerships with technology companies, or the recruitment of tech-savvy personnel. In addition, government agencies and industry associations could play a pivotal role by providing subsidies, training, and consultation services to facilitate this technological advancement. In the digital age, security concerns, particularly regarding data protection, have increased exponentially. Due to the data-heavy requirements of IR, businesses are cautious about the potential exposure of sensitive corporate information. To counteract this, Malaysian businesses should prioritise implementing robust cybersecurity measures, which may include third-party audits and certifications to ensure robust data protection (Cheng et al., 2014). At the regulatory level, stringent data protection laws should be enforced to reassure businesses about the safety of their data, thereby increasing their willingness to completely engage with IR.

Digital literacy, or the capacity to comprehend and effectively utilise digital platforms, is another crucial factor influencing the implementation of IR. Companies should take proactive measures to promote digital literacy among their staff. This could consist of regular training sessions, seminars, and even e-learning modules (Gibassier et al., 2018). Universities and educational institutions can play a crucial role in Malaysia. By incorporating digital literacy and international relations (IR) principles into their curriculum, they can help equip future professionals with the necessary skills for the digital age.

In conclusion, addressing these technological challenges is not an easy undertaking, but the benefits are substantial. Malaysian firms can accelerate their adoption of IR by bolstering their technological capabilities, ensuring data security, and increasing digital literacy, resulting in more comprehensive, transparent, and insightful reporting. In accordance with Malaysia's national vision, these measures can also contribute to the broader objectives of digital transformation and innovation.

The External Support and Environment

Governance, Management Practice and Stakeholders readiness

Addressing the challenges encompassed by Governance, Management Practises, and Stakeholder Readiness necessitates a holistic strategy that considers the intricate dynamics of these factors. We can propose evidence-based solutions to surmount these challenges in the Malaysian context by drawing on the existing literature.

Effective governance and management practises are essential to the successful deployment of Integrated Reporting (IR). Establishing governance structures that promote transparency, accountability, and stakeholder engagement should be a top priority for businesses. This requires board members, audit committees, and other governance mechanisms to actively supervise and support IR practises (Hummel & Schlick, 2016). Companies can improve their preparedness for IR by fostering a governance culture that emphasises the significance of non-financial reporting. Furthermore, stakeholder readiness is essential for the effective implementation of IR. Communication and engagement strategies should be utilised to raise stakeholders' awareness and comprehension of IR. This includes communicating the benefits of IR and how it correlates with the firm's long-term value creation (Eccles & Serafeim, 2014). Regular communication with stakeholders, including investors, customers, and employees, can cultivate a shared understanding of IR's value and encourage their participation.

To ensure the successful adoption of IR, the Malaysian regulatory framework must evolve to include explicit reporting guidelines and standards. Consider incorporating IR requirements into existing reporting frameworks and encourage businesses to adopt IR principles voluntarily (de Villiers et al., 2014). Such regulatory support can motivate companies to align their reporting practises with IR standards. Additionally, initiatives aimed at enhancing the capabilities of internal stakeholders, particularly board members, managers, and accounting professionals, should be implemented. Training programmes that emphasise integrated thinking and non-financial reporting can equip these stakeholders with the skills and knowledge required to implement IR effectively (Stubbs & Higgins, 2014).

In conclusion, addressing the challenges in the Governance, Management Practises, and Stakeholder Readiness category necessitates a comprehensive strategy that includes strong governance structures, stakeholder engagement, regulatory support, and capacity development. By implementing these recommendations, Malaysian companies can improve their preparedness for IR adoption, thereby fostering greater transparency, accountability, and long-term value creation.

Regulatory Environment, External Influence, and Supportive Infrastructure

In order to address the challenges encompassed within the category of Regulatory Environment, External Influence, and Supportive Infrastructure, a comprehensive comprehension of the external factors that influence the adoption of Integrated Reporting (IR) in the Malaysian context is necessary. By synthesising existing literature, we can propose solutions to these challenges that are supported by evidence.

The regulatory environment has a significant impact on IR adoption. Malaysian regulatory bodies should promote and facilitate the adoption of integrated reporting by providing explicit reporting guidelines and standards (de Villiers et al., 2014). This includes incorporating IR requirements into existing reporting frameworks and encouraging businesses to adopt IR principles voluntarily. By establishing a supportive regulatory framework, Malaysia can facilitate the adoption of IRs. The adoption of IR is also influenced by external factors, such as investors, consumers, and regulators. Companies should communicate the benefits of IR in terms of increased transparency, accountability, and long-term value creation to these stakeholders (Eccles & Serafeim, 2014). By addressing the concerns of stakeholders and demonstrating the worth of IR, businesses can obtain their support and commitment to the adoption process.

The technological and human infrastructure is essential for the successful implementation of IR. To effectively manage the complexities of IR, Malaysian businesses should invest in enhancing their information systems and data analysis capabilities (Cheng et al., 2014). This includes the incorporation of digital platforms and analytics tools that facilitate data collection, analysis, and reporting. The importance of human resources in constructing a supportive infrastructure is equal. Companies should invest in enhancing the skills and knowledge of their employees in order to effectively implement IR (Gibassier et al., 2018). Training programmes, seminars, and knowledge-sharing platforms can help improve the digital literacy and integrated thinking required for IR adoption. Human resource development initiatives can be enhanced through collaboration with universities and professional bodies.

In conclusion, a multifaceted approach is required to resolve the challenges within the categories of Regulatory Environment, External Influence, and Supportive Infrastructure. Malaysia should establish a supportive regulatory framework, effectively engage stakeholders, and invest in the required technological and human resources to facilitate the adoption of IR. By implementing these recommendations, Malaysian companies will be able to navigate external influences and construct a robust infrastructure to support the successful implementation of IR.

Actionable steps to increase transparency, accountability, and value creation through the adoption of IR

Adopting Integrated Reporting (IR) affords organisations, policymakers, and other stakeholders the chance to improve corporate sector transparency, accountability, and value creation. This research intends to provide actionable measures that can assist these stakeholders in implementing IR effectively and realising its potential benefits. Priority number one for organisations should be the incorporation of IR principles into their reporting structures. This requires aligning the reporting structure with the International Integrated Reporting Framework and assuring the inclusion of all relevant financial, environmental, social, and governance factors. Organisations should establish dedicated IR teams or appoint accountable individuals to oversee the implementation process, assuring the availability of the required resources and expertise.

Transparency and accountability cannot exist without effective stakeholder participation. Organisations should establish communication strategies to inform stakeholders about the implementation of IR, its objectives, and its value. Regular dialogue with stakeholders, such as investors, consumers, employees, and community representatives, can provide insight into their expectations and concerns, enabling organisations to include pertinent data in their IR reports. In addition, organisations should solicit feedback from stakeholders regarding the adequacy and clarity of their IR reports in order to facilitate continuous improvement.

Collaboration between organisations and policymakers is essential for fostering an IR-friendly regulatory environment. Policymakers should consider instituting regulations or incentives that encourage the adoption of IR, such as mandating IR reporting for certain sectors or providing financial support for initiatives aimed at enhancing organisational capacity. Additionally, close collaboration can facilitate the creation of standardised reporting frameworks and guidelines that are adapted to the local context.

Further, enhancing an organization's technical capabilities is essential for effective IR implementation. Investing in information systems, data management tools, and analytics platforms capable of handling the complexities of integrated reporting is required. Prioritise the training and upskilling of personnel to ensure digital literacy and proficiency with the use of these technological tools. Partnerships with technology providers, research institutions, and industry associations can facilitate the exchange of knowledge and assist organisations in leveraging technology for IR. Moreover, organisations should embrace integrated thinking as a fundamental IR principle. This involves cultivating a culture that encourages departmental and functional collaboration and information sharing. Integrated thinking enables organisations to recognise and assess the interdependence of their activities, risks, and opportunities, thereby enhancing decision-making and value creation.

In conclusion, organisations, policymakers, and other stakeholders can take a number of actionable measures to improve transparency, accountability, and value creation by adopting IR. Organisations can unleash the full potential of IR and contribute to a more sustainable and responsible business environment by aligning reporting frameworks, engaging stakeholders, collaborating with policymakers, enhancing technical capabilities, and nurturing integrated thinking.

The Framework

The diagram illustrates four key categories of challenges and corresponding recommendations for enhancing IR adoption in Malaysia:

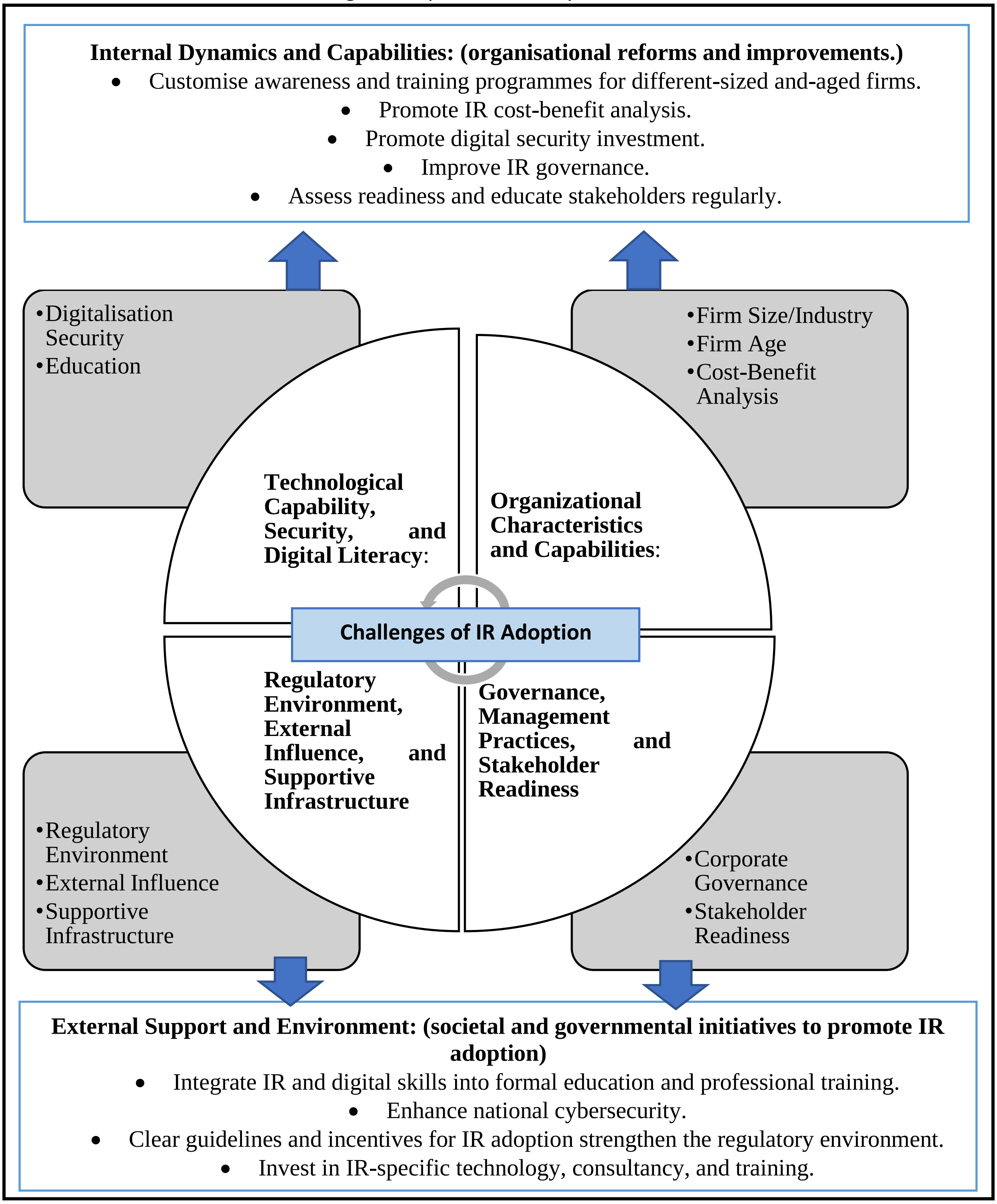

Diagram 1: The framework of IR adoption challenges and recommendations.

Conclusion

Adopting Integrated Reporting (IR) is a significant undertaking for organisations, policymakers, and other stakeholders aiming to increase corporate sector transparency, accountability, and value creation. Through a comprehensive examination of the challenges and potential solutions discussed in this study, it is clear that addressing these issues requires a multifaceted strategy that incorporates organisational dynamics, technological capabilities, stakeholder engagement, supportive infrastructure, and regulatory frameworks.

By recognising the internal dynamics and capabilities of organisations, such as firm size, industry, and age, stakeholders can gain a deeper comprehension of the factors that influence their preparedness and capacity to adopt IR. Additionally, it is essential to recognise the impact of the regulatory environment, external support, and the overall infrastructure when fostering an environment conducive to successful implementation of IR.

These recommendations provide organisations, policymakers, and other stakeholders with actionable steps to facilitate the adoption of IR and maximise its potential benefits. Organisations can pave the way for increased transparency, accountability, and value creation by aligning reporting frameworks, engaging stakeholders, enhancing technical capabilities, cultivating integrated thought, and collaborating with policymakers.

Future Studies

Despite the fact that this study provides valuable insights and recommendations, there are numerous avenues for future research to advance the comprehension and application of IR. First, empirical studies can be conducted to evaluate the efficacy and impact of IR adoption on the performance of organisations, stakeholder relationships, and overall value creation. Longitudinal studies can provide valuable insight into the long-term advantages and challenges of IR adoption. In addition, future research can investigate the function of education and capacity-building initiatives in promoting international relations (IR). Examining the efficacy of training programmes, educational campaigns, and knowledge-sharing platforms can cast light on how to improve the understanding and expertise of stakeholders in IR.

In addition, comparative studies across countries and regions can shed light on the contextual factors that influence the adoption and implementation of IR. Understanding the differences in adoption rates, obstacles encountered, and successful strategies employed in various contexts can aid in the development of tailored approaches for IR implementation. Lastly, the ever-changing landscape of reporting and sustainability frameworks requires ongoing research to evaluate the integration of IR with other reporting frameworks, such as Sustainable Development Goals (SDGs) and Environmental, Social, and Governance (ESG) standards. Exploring the synergies and potential conflicts between these frameworks can contribute to the creation of reporting practises that address multiple dimensions of organisational performance and impact.

Future research should examine the influence of IR on organisational performance, the efficacy of educational initiatives, cross-country comparisons, and the integration of IR with other reporting frameworks. Continuing research in these areas will advance the field of integrated reporting and facilitate the transition to more responsible and sustainable business practises.

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