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Integrated Thinking and Reporting in SMEs: Piloting-Phase Results of an International Educational Project in Poland

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Abstract **Purpose.** *This paper elaborates on the potential of integrating thinking and the challenges of Integrated Reporting (IR) in SMEs. Based on the piloting-phase results of the INTEREST project, we present the lessons learned from participants' experiences.*
Design/methodology/approach. *The primary data for the research study was collected using a questionnaire. We use single-country evidence and apply the dialectical constructivist approach.*
Findings. *Integrated thinking is still in its infancy in SMEs; thus, IR is not a common reporting practice. Our evidence suggests that data collection and materiality assessment were the most challenging tasks in developing integrated reports. The data obtained in SMEs contains gaps due to simplified record-keeping and reporting, causing problems in accessing relevant information, especially that of a non-financial nature, needed in integrated reporting.*
Practical implications. *IR implementation often requires changes in ways of thinking around business. Dialectical constructivism highlights the contextual nature of knowledge construction and prepares the participants of the IR process to adjust their newly-acquired knowledge to fit the conditions of specific SMEs.*
Social implications. *Critical thinking and reflection led the project participants to question the underlying assumptions of IR materials and encouraged them to express their opinions about the piloting process. Addressing sustainability challenges through the adoption of IR by SMEs thus delivers shared value on both societal and environmental levels.*
Originality/value. *The study provides real-world, practice-based insights into the process of creating integrated reports in SMEs. We used the original educational materials, methods, and tools developed within the INTEREST project to train the participants.*

Keywords dialectical constructivist approach, integrated reporting, integrated thinking, Poland, SMEs.

INTRODUCTION

Integrated thinking is the foundational concept of integrated reporting (IR), as well as an outcome of IR adoption (La Torre et al., 2019). Setia et al. (2022) highlight how IR, by significantly improving the availability of sustainability disclosures, has contributed to the progress of sustainability initiatives. Sun (2023) stresses that IR cohesively facilitates sustainability disclosures by interconnecting diverse types of information. This is attributed to the concept of integrated thinking, which is critical in bridging financial and non-financial measures to present a complete and cross-setting view on both the outcomes generated by an organization and its impacts on the environment. Well-embedded and mature integrated thinking, strengthened by a connectivity principle, can enhance decision-making processes (La Torre et al., 2019). International Integrated Reporting Council (IIRC) (2021, p. 3) suggests that integrated thinking "*leads to better integration of the information systems that support internal and external reporting and communication, including preparation of the integrated report*".

An integrated report, which emerges from the IR process, aims to concisely and coherently illustrate how strategy, governance, performance, and the future outlook of organizations contribute to value creation for stakeholders over the short, medium, and long terms. For many years, larger businesses have reported on non-financial matters in their CSR, sustainability, and integrated reports, or in the management report that accompanies the annual report (IFAC, 2017). Recently, it has been argued that more should be done to support SMEs in this task, as European small businesses have been experimenting with IR, but so far, only on a minimal scale (Robertson et al., 2021). IR can support SMEs in expanding internationally and getting the assistance of diverse finance providers and other stakeholders. In this regard, opportunities for IR are perceived by

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some as a means for establishing credibility within international financial markets (Atkins & Maroun, 2015; Macias & Farfan-Lievano, 2017) and appealing to the growing pool of socially responsible investors (Robertson & Samy, 2020), especially for SMEs.

The focus of this study on SMEs is due to their lack of experience and solid practice with IR, which may be related to the complexity of the IR process (De Villiers et al., 2014; De Villiers et al., 2017) and the non-existing "*culture of non-financial information*" (Del Baldo, 2017, p. 519). Argento et al. (2019) remark that implementing IR may necessitate significant alterations in the organizational structure and processes and a shift in the overall business mindset. Thus, the adoption of IR is perceived as a daring and extensive endeavor (Gibassier et al., 2018), one that may require SME owners (or managers) to revisit their strategies, expand beyond self-interest, and respond to the collective interests, particularly when societal expectations and green pressures from stakeholders come to the fore.

A need for revisiting strategies, approaches, and policies by decision-makers in various spheres will affect disclosure choices, resulting in disclosure of matters that reflect how long-term value is generated for stakeholders (Dyczkowska & Fijałkowska, 2022). All these changes may be problematic, even though SMEs often manifest a higher level of integrated thinking compared to larger entities. Their inherent flexibility and low organizational complexity allow them to adopt certain IR principles with greater ease (Del Baldo, 2017).

Our study delves into the pilot process of creating integrated reports for SMEs by participants of the INTEREST project. The importance of the IR for SMEs has been recognized by the European Commission, which funded an Erasmus+ INTEREST project that ran from 2019–2022 and included project partners from Germany, Hungary, Italy, Poland, Romania, and the UK. Part of that project included the application of IR education and training materials, methods, and tools developed by the project partners in the piloting phase. Data from Poland were used to illustrate issues and challenges that arose around the preparation of the first integrated reports for SMEs. Our paper documents the opinions of 270 participants engaged in the piloting phase, which lasted for about five months during the first half of 2022. We believe that the most valuable aspects of that process were real-world, hands-on experiences; the motivation and engagement of participants; and their critical thinking and reflection.

This paper contributes to policy, academic and practitioner discourse surrounding the diffusion of IR among SMEs. It does this by reporting findings from the project that helped develop education and training materials to improve and extend the practice of IR by SMEs. The structure of the article proceeds as follows. Section 2 explains the concept of integrated thinking in SMEs by indicating related opportunities and constraints. Section 3 presents IR from the perspective of SMEs by referring to the purpose and complexity of the IR implementation process. Section 4 introduces the theoretical underpinnings of the study, including its focus on the dialectical constructivist approach. Section 5 outlines the motivation of the study, its methodology, and design of the project piloting phase, as well as the results, which document the experience and critical views of participants. The last section concludes the paper with our study's contributions and limitations.

BACKGROUND

Integrated thinking in SMEs: opportunities and constraints

The idea of integrated thinking among SMEs remains in a nascent phase, meaning IR is not a common reporting practice in smaller business organizations. Much must be done to promote integrated thinking in SMEs, as this could profoundly advance reporting and quality. Adopting integrated thinking may create opportunities for SMEs and be a prerequisite for the effective voluntary implementation of sustainable reporting.

The IIRC (2021, p. 53) defined integrated thinking as "*the active consideration by an organisation of the relationships between its various operating and functional units and the capitals that the organisation uses or affects*." The problematic point is that although IIRC has defined the concept, there is not much evidence on how to incorporate integrated thinking smoothly and what may cause resistance to adopting it, particularly from SMEs.

Gerwanski (2020) remarks that SMEs are characterized by specific organizational peculiarities, including vigor, flexibility and less formality, and that these features may stimulate integrated thinking. The inability to embed integrated thinking in business organizations, on the other hand, could be attributed to the lack of explicit precedents in this regard within the reporting framework (Feng et al., 2017), and this exemplifies SMEs' situation. Churet and Eccles (2014) assert that integrated thinking and the ensuing integrated decision-making are a hidden part of the iceberg, and thus there is something invisible under the surface that must be explored. IR is at the apex of the iceberg, which suggests that it is the consequence of integrated thinking.

In this vein, Al-Htaybat and von Alberti-Alhtaybat (2018) indicate that an organization adopts integrated thinking first. On the other hand, there is evidence that IR may impact integrated thinking internally (Guthrie et al., 2017). According to the IIRC, IR and integrated thinking should be adopted simultaneously and iteratively (Busco et al., 2021).

It must be noted that integrated thinking can potentially spur a transition from a finance-centric and silo-based approach to a more inclusive model. This model promotes collaboration among the different divisions of an SME, resulting in enhanced decision-making processes and ultimately establishing a more sustainable basis for value generation and future growth (Carey et al., 2022).

A question arises of who should be accountable for instilling integrated thinking into an SME. In large organizations, this role is generally assigned to senior managers, but tangible effects in this regard can be reached when executive remuneration and strategic intent are linked to key performance sustainability indicators (Knauer and Serafeim, 2014; Vesty et al., 2015). Gerwanski (2020) points out that the intrinsic motivations of SME managers to be involved in voluntary reporting initiatives emerge from a culture that prioritizes ethics and accountability to stakeholders. At the same time, SMEs' specific features enable them to adopt integrated thinking more easily. SMEs are leaner and less complex, with more agile ownership and management than the executives in larger businesses; this helps with the uptake, adoption, and implementation of integrated thinking.

Purpose and complexity of IR through the lens of SMEs

The objective of IR is to assist businesses in effectively addressing the needs and interests of their key stakeholders (IIRC, 2014). It can also support management in decision-making, creating value for the business and stakeholders by applying a multi-capital management approach (Pigatto et al., 2023). This helps understand the factors influencing value creation in SMEs and allows them to consider stakeholders' needs, interests and expectations while creating new business opportunities (Chiappetta-Jabbour et al., 2020). Adopting IR can assist SMEs in better responding to the UN SDGs and delivering a more sustainable economy and society for all (Elalfy et al., 2021). The interrelationship between the economy, society, and environment constitutes critical facets of sustainable development that implicate the need for IR in SMEs (Robertson et al., 2021). However, each SME has its own set of circumstances, and recognizing the variation and diversity in this landscape is integral to the successful adoption of IR.

First, SMEs planning to adopt and implement IR must weigh the anticipated costs, alongside the potential benefits, of this undertaking. IR means much more than just producing a report. Integrating environmental, social, and governance issues in business processes can be a difficult and time-consuming task with significant costs. SMEs should also consider potential proprietary disclosure costs stemming from communicating competitive information. Existing competitors and potential entrants can use this information, to the detriment of the disclosing organization. Assessment of the overall benefits associated with IR implementation can also be challenging, as they may not be easy to determine and measure in the short term.

Second, IR implementation involves collecting and analyzing both structured and unstructured data. Accordingly, Brusati et al. (2021) emphasize the need for various organizational departments to work together in collecting and integrating information circulated among diverse business units, as well as the establishment of effective procedures for overseeing the data communicated to the public. Businesses that embark on the IR journey must make investments in developing information systems dedicated to processing sustainability data. This also implies a need for skilled experts who understand the sophisticated data and can incorporate it into IR.

Third, the implementation of IR runs in phases and should be perceived as a continual learning process. The first phase requires incurring set-up costs that predominantly affect the short term (Velte & Stawinoga, 2017). At this stage, issues related to internal inadequacies may emerge, such as the insufficiency of the organizational information system infrastructure for collecting data (Adhariani & de Villiers, 2019; Gerwansky, 2020; Steyn, 2014). This situation can foster concerns about disproportionately high costs in preparing for IR implementation. Implementing IR may also necessitate the reorganization of reporting systems (Velte & Stawinoga, 2017). Once IR is implemented, additional costs may emerge, pertaining` to establishing and maintaining mechanisms that bolster the credibility of reporting systems and the development of internal expertise necessary to underpin integrated thinking and reporting practices (Carey et al., 2022). Even though there are considerable costs related to IR implementation, they should decrease significantly in the long term through digitalizing business, automating processes, leveraging big data, utilizing data analytics, and fostering direct communication with stakeholders through social media channels (Shorn et al., 2021).

THEORETICAL UNDERPINNINGS OF THE STUDY

Constructivism is a suitable theoretical framework for educating individuals about sustainability (Howlett et al., 2016), and may be an appropriate basis for teaching about integrated thinking and reporting, as it recognizes that there is no single approach to comprehending issues (Armstrong, 2011). This means that "*knowledge is not fixed, cut up in pieces and handed over, but rather (co)created by transacting with prior tacit knowledge, the curriculum, and other learners*" (Jickling & Wals, 2008, p. 7). Such an approach may call for teaching and learning methods that cultivate specific qualities, such as critical reflection, creativity, and a forward-looking mindset (Howlett et al., 2016). Engaging in critical reflection facilitates the reconstruction of knowledge informed by personal experiences, resulting in the emergence of innovative ways of thinking and being (Sipos et al., 2008).

Three constructivist perspectives — endogenous, exogenous, and dialectical — indicate the sources of knowledge creation. As Armstrong (2011) states, endogenous constructivism underscores internal cognitive processes while using previously developed mental structures to create a basis for new knowledge. Exogenous constructivism, by contrast accentuates the impact of external factors on the development of knowledge (Phillips, 1995). The third perspective reflects social learning based on interactions with others and understanding of social, cultural or historical contexts. Such an approach aligns with the sociocultural theory of psychologist Lev Vygotsky (Vygotsky, 1978).

According to dialectical constructivism, individuals are instrumental in creating their understanding, and learning is predominantly situated in social and cultural contexts rather than being confined to the individual alone (Schreiber & Valle, 2013). This approach highlights the contextual nature of knowledge construction, indicating that newly-acquired knowledge is dynamic and subject to continual change (Armstrong, 2011). Dialectical constructivism connects with stakeholder theory, as it posits that all aspects of reality are socially constructed and fundamentally rooted in stakeholder relationships. Interestingly, the contexts in which stakeholders operate are not inherently predetermined; instead, they are actively created through interactions. These may be categorized as explicit when they entail direct engagement between stakeholders or as implicit when they occur more indirectly (Pasquero, 1996). The normative branch of the stakeholder theory aims to articulate an ethical and philosophical foundation for addressing why organizations should regard stakeholders' interests; this perspective offers particularly significant insights into stakeholder relationship dynamics (Oruc and Sarikaya, 2011). Stakeholders possess diverse viewpoints and varying motivations, neither of which are static. To gain insight into their perspectives, an organization must establish relationships with stakeholders. The maturity of these relationships will ultimately affect the "competence" achieved by stakeholders in understanding the issues that are material to both the organization and the stakeholders and that should be included in the integrated reports.

The dialectical constructivist approach played an essential role in the piloting phase of this study's project. It was reflected in the active engagement of the participants with this process and the social interactions between them and SME employees. Barth et al. (2007) assert that competencies acquired through collaboration involve both knowledge and values that direct actions. This viewpoint is supported by an emphasis on action-relevant practice contexts, the recognition of individual and collaborative learning, and reflection on social constructions.

METHOD

Building on the above discussion and literature review, this part of the paper draws on primary data from the piloting phase of IR materials, methods and tools produced within the INTEREST project, funded by the Erasmus+ program. The qualitative data adds richness and depth to the study by offering real-world practice-based insight into the process of preparing integrated reports for SMEs.

So far, several IR studies concerning SMEs have focused on Italy (Del Baldo, 2017; Brusati et al., 2021) and the UK (Robertson & Samy, 2020; Robertson, 2021). The Polish SME sector, which is the lifeblood of the Polish economy, seems to be an intriguing setting for assessing SMEs' approach to IR. SMEs in Poland generate about 50% of the GDP and are essential to local communities (Instytut Finansów, 2023). In 2022, the SME sector accounted for 99.8% of all non-financial enterprises in Poland. This structure was dominated by micro-entities (97.2%), with small and medium companies accounting for only 2.6%. The SME sector is central to the job market in Poland, as it accounts for more than two-thirds of employment within the non-financial business sector and contributes to over half of total revenue generated (Statistics Poland, 2023). A single-country study is presented here, and Poland, for which we collected a broader set of data, is used as an exemplar for illustrative purposes.

Currently, SMEs in Poland are not well-positioned to adopt IR because they do not have a well-established practice. A lack of sufficient resources to create dedicated teams and a lack of knowledge on such types of reporting can hinder IR implementation. To our knowledge, no empirical evidence of IR practices in SMEs in Poland existed before the INTEREST project. Dyczkowska et al. (2021) documented little empirical evidence on social reporting regarding five Polish SMEs Although those SMEs did not possess experience in developing integrated reports, it is noteworthy that several of them utilized Global Reporting Initiative standards in their social reporting (Dyczkowska et al., 2021). The main novelty of the present study lies in presenting the hands-on experience of persons who attended the pilot project and collecting the first impressions of the process of integrated reporting for a given SME.

The spring semester of 2022 saw 270 participants attend the piloting phase of the INTEREST project in Poland. They were full-time and part-time Master's students in their final semester at the accounting and management control program at Wroclaw University of Economics and Business. Among the participants, 42.6% declared that they worked in SMEs during the project's duration, while 34.8% confirmed they were employed by large companies. The remaining respondents (22.6%) did not disclose any information about their employment (See Table 1).

The students had access to e-learning materials developed within INTEREST project, attended face-to-face (F2F) sessions, and practiced work-based learning (WBL).

E-learning materials introduced the concepts of integrated thinking and reporting, emphasizing their growing importance in SMEs. Participants were acquainted with the definitions, along with examples of six capitals and measures of inputs, outputs, and outcomes, so that they could discover the interrelations between the capitals and recognise how one capital affects others, creating potential trade-offs. E-learning materials explained the concept of value creation while focused on guiding principles and content elements to shed light on SME-integrated reports, which were designed to be more connected, future-oriented, balanced, reliable, and relevant to stakeholders.

The pilot phase also covered F2F sessions, where participants were acquainted with some practical case studies and exercises to help them learn and analyze the data needed to compile an integrated report. During the F2F sessions, the target group practiced identifying capitals and measured them by selecting financial and non-financial indicators. They learned about critical aspects of the value creation process and were instructed on practical methods for making an integrated report.

WBL offered a range of supportive, hands-on materials, including the IR Framework for SMEs to acquaint with the fundamental concepts; the IR Guide for SMEs for effective IR implementation; WBL Templates for capturing the outputs of the different steps; and the IR Online Tool, which easily and effectively underpins the preparation process of an integrated report.

Table 1. The structure of the sample (n = 270)

Origins of participants (company size)	**Number**	**Gender**	
		Female	*Male*
SME	115 (42.6%)	100	15
Large enterprise	94 (34.8%)	73	21
Not disclosed	61 (22.6%)	41	20
Total	**270 (100.0%)**	**214**	**56**
Origins of participants (business activity)	**Number**	**Gender**	
		Female	*Male*
Construction	6 (2.2%)	5	1
Farming and food	11 (4.1%)	11	0
Finance and insurance	89 (33.0%)	73	16
Information and communications technology	9 (3.3%)	8	1
Industrial production	21 (7.8%)	15	6
Services	36 (13.3%)	30	6
Trade & logistics	14 (5.2%)	10	4
Other	23 (8.5%)	21	2
Not disclosed	61 (22.6%)	41	20
Total	**270 (100.0%)**	**214**	**56**

Source: Authors, based on preliminary questionnaire data

The participants, equipped with these tools, were ready to start the enterprise's in-house processes related to the organization of IR. These processes required an exploring the organizational environment; creating an action plan; identifying potential barriers to the IR process; developing a draft version of an integrated report; and agreement on the report's purpose and final version.
The first technical step in the piloting phase was establishing the composition of the working groups that would develop integrated reports for SMEs. This led to the creation of 52 teams of somewhere between four and six persons. In many cases, the group leader was the one who worked in an SME or had unobstructed access to data.
The primary purpose of the piloting phase was to build participants' capacity for critical and reflective thinking. The integrated reports were only the final output of this process, as they were prepared for SMEs' internal management needs.

RESULTS

Following dialectical constructivism, we assumed that the new knowledge created should improve what was conceptualized before social interaction. When the process of developing the integrated reports for SMEs came to an end, the participants were requested to specify the biggest challenges in the process of creating an integrated report and comment on them (Table 2).
The primary data for the research study were collected via a questionnaire survey. While participation in the survey was not mandatory, participants were encouraged to take part and give feedback on how the pilot project was going. We collected all responses between 11 May 2022 and 15 June 2022 through Google Forms. The response rate was 35.5% (n = 96).
Critical thinking and reflection challenged the project participants to question the underlying assumptions of IR materials and encouraged them to express their opinions and feelings about the process. Participants' feedback revealed that the most significant challenge encountered during report development was the acquisition of data and information from SMEs; this issue was recognized by more than half of the respondents across the most numerous groups by activity type (except for industrial processing). This aligns with the observations made by Del Baldo (2017, p. 519), who notes that a major obstacle in the early stages of IR frequently stems from the inadequacy of the "*culture of non-financial information*". This problem is often attributed to the lack of clarity about data collection or difficulties in ensuring data comparability between various organizational silos.
The report preparers in our project complained that the data-collection process in SMEs was time-consuming because of limited access to information and data gaps; lack of commitment or cooperation from employees who could potentially contribute to data sharing; and lack of detailed data in SMEs.
"*In the case of SMEs, it is difficult to obtain data for the report because the records of these entities are very simplified*." (Person no. 28, medium enterprise)
Another problem reported by the participants was materiality assessment (43.8% of indications), which was evidenced as a challenging task in the IR process by more than half of respondents preparing reports for micro- and small enterprises and providing professional, scientific and technical activities.
The report preparers emphasized they had access to a large number of data, but they pointed out that these data may have many gaps or simplifications. They raised issues with selecting correct, reliable and relevant information.
"*Having a large database and taking into account the different opinions of the project group members, it is sometimes difficult to agree which issues are worthy of deeper analysis and presentation in the report*." (Person no. 22, medium enterprise)

Table 2. The most challenging parts of the IR process, according to participants' indications and enterprise size

Statements	Number of respondents (n = 96)
Gathering the data and information	57 (59.4%)
Materiality assessment	42 (43.8%)
Measurement of capitals	23 (24.0%)
Managing in-house meetings about sustainability and IR with colleagues	23 (24.0%)
Identification of relevant capitals	22 (22.9%)
Business modelling	20 (20.8%)
Stakeholder analysis	12 (12.5%)
Cooperation and communication between the company's departments	9 (9.4%)

Source: Authors, based on questionnaire data

"*The hardest thing for me has always been to choose the most relevant data for a given process. I just could not put my finger on a few specific ones and would love to include them all*." (Person no. 63, small enterprise)
"C*ompanies belonging to the SME sector have many simplifications, so a lot of information is omitted, not very accessible or hidden. Therefore, more time is needed to analyse the problem/issue*." (Person no. 45, small enterprise)
"*The difficulty was in identifying relevant facts and assessing their reliability. The acquisition of information and data was hampered by a number of procedures that prolonged the information acquisition process*." (Person no. 61, small enterprise)
Measurement of capitals and managing in-house meetings about sustainability and IR with the team members were recognised as problems by 24% of respondents. The participants remarked that the process of measuring the capitals was time-consuming or even impossible for some types of capital due to lack of data.
"*In micro and small companies, for such important distinctive capitals as natural capital, it is not necessarily easy to find a way to measure them, as much data is not only not available but also measured by smaller companies*." (Person no. 77, small enterprise)
Managing in-house meetings was difficult due to different work modes during the pandemic. The respondents complained about problems with scheduling meetings. One participant pointed out the "*difficulty of finding dates convenient for all*" (Person no. 23, small enterprise). Despite these problems, participation in common initiatives is one of the primary components of education focused on sustainability (Commonwealth of Australia, 2009) and it may become the foundation of education for integrated thinking and reporting. Participation in common projects must transcend mere consultation by actively involving individuals in collaborative analysis, planning, and control. It should also empower participants with decision-making authority, fostering a stronger sense of ownership of outcomes. (Commonwealth of Australia, 2009).
Identification of relevant capitals was mentioned as a challenging task by 22.9% of respondents. They found difficulties in understanding and assessing which capitals are most important to the company or impactful on a given situation. Collecting such data requires expanding and developing the existing information systems, which may be difficult (McNally et al., 2017) and burdened with significant expenditures.
Business modelling accounted for challenging assignments for 20.8% of respondents. One participant emphasized that:
"*The business model is, in my opinion, at the heart of understanding the report, so this element should be perfectly aligned with the entity being presented so that the audience reads the information in the report in the right way*." (Person no. 16, medium enterprise)
Business modelling in SMEs can be strengthened by building relationships with stakeholders that account for their respective roles, rights, and needs (Sciulli & Adhariani, 2023). Some stakeholders can be prioritized, bearing in mind the business strategy and business model. This can be conducted through stakeholder mapping and allocation of the resources available (Beske et al., 2020). Stakeholder analysis was named as a strenuous task by 12.5% of respondents participating in the pilot phase.
"*The stakeholder analysis is extensive, and in this case, there was a problem regarding which information was relevant to report correctly and fairly*." (Person no. 42, medium enterprise)
Another participant remarked that because "*SMEs do not interact strongly with society, stakeholder analysis can be more difficult than for large corporations*." (Person no. 49, micro-enterprise).
Stakeholders exert different pressures and have demands that SMEs should consider, at least to some extent. Joining networks and building new business relationships can allow SMEs to become better-positioned and efficiently use their already-limited resources.
The smallest number of respondents complained about cooperation and communication between the companies' departments (9.4%), indicating that those departments were unwilling to provide the necessary information. This situation is often observed in SMEs because they are typically marked by ineffective management control mechanisms and a weak culture of accountability (Del Baldo, 2017)
The participants of the pilot project phase were asked whether they would agree with the following statements:

- “It was clear to me that engaging in IR is about creating value for my business despite the complexity of the work.”
- “The IR can be valuable, but because of its complexity and time-consuming, an SME may not have enough capacity or may not be motivated to deal with it.”
- “The approach is too complex for an SME, and I do not see the point in making the effort to get involved.”
- “The IR pilot training experience did not bring added value to my business / personally for myself.”

For 37.5% of respondents, IR tells a story about how the value for a business is created —which, as we purport, is the effect of the face-to-face (F2F) sessions carried out within the project. In practice, however, respondents experienced gaps in non-financial information from SMEs, making it difficult to notice how and for whom the value was created. Only by understanding the dynamic interrelationship and interdependent nature of the six capitals via integrated thinking can an SME verbalize the value creation process. IR, with its symbiotic relationship with integrated thinking, can help communicate salient points and issues that have a material effect on value creation in SMEs (Saraswati, 2021).

Two-thirds of respondents (66.7%) remarked that IR can be valuable, but due to a lack of capacity or motivation, SMEs may not be prepared to take on this challenge. When both motivation and capacity are lacking, such entities typically exhibit indifference and a lack of responsiveness (Endenich et al., 2023). Large companies may perceive a demand for increased disclosures within IR and use them to gain legitimacy from society, or as a means to reduce information asymmetry between themselves and their stakeholders (Sun et al., 2022). SMEs must take a more prudent approach and assess potential benefits and the costs at the management and reporting levels.

For 9.4% of the participants, IR was too complex for an SME; they did not see the purpose in making the effort to get involved. In this context, it must be emphasized that the IR framework's voluntary principles-based approach allows for greater flexibility in revealing critical issues that affect value creation for organizations (Pigatto et al., 2023). This represents a departure from the concept promoting a "one size fits all" approach and indicates that some simplification in reporting can be applied to smaller entities.

A small number of participants (5.2%) found that pilot project experience did not bring about value, either for their business or for them personally. Critical or skeptical attitudes may stem from the yet-unrecognized benefits that implementing IR and integrated thinking can bring to SME business practice. Endenich et al. (2023) remarked that the vagueness associated with the benefits of IR was a pivotal reason for some organizations to pursue a “wait-and-see” mentality. This is in line with Ansari et al. (2010), who highlighted that when new reporting practices are not sufficiently diffused within companies, the rational evaluations of the trade-offs between costs and benefits become strenuous. Temporarily postponing a decision to adopt IR seems to be a better solution, while still monitoring the development of IR diffusion and related benefits in other organizations.

DISCUSSION

The process of preparing the integrated reports for SMEs turned out to be a challenging task. Our evidence shows that SMEs are neither prepared or sufficiently open to entering this process, which has implications for this practice. Though the feelings of participation in such a process foster self-reliance and empower report preparers to initiate changes, sometimes they can encounter human resistance or limitations related to inefficient information systems.

Despite these temporary difficulties, social interactions and the social milieu of learning may still become central to the IR journey in SMEs. In line with social constructivism, the project participants, as learners, can refine the meaning of their roles (Applefield et al., 2001); the long-term perspective should be considered, however, in the context of SMEs. Moreover, participants could also assist others employees in SMEs, augmenting their understanding of IR concepts and enabling them to find meaning in IR processes.

Social constructivism assumes that learning is fundamentally rooted in a social and cultural environment, rather than being confined to the individual (Schreiber and Valle, 2013). Knowledge is socially produced and co-created, and thus needs a community of people who share a language and culture (Saleem et al., 2021). Therefore, working in dyads or small groups, like in the case of INTEREST project, is as vital as real-life experience; most meaningful is collaborative learning, with people involved in dialogue and knowledge-sharing (Barak & Green, 2021).

CONCLUSIONS

The process of social learning through creating integrated reports in SMEs is the distinctive feature of our study and provides real-world business practice-based insights. We used the original IR materials, methods, and tools developed within the INTEREST project to train pilot-phase participants, and the material we provided proved to be adequate for this purpose.

Our paper makes a twofold contribution to the literature. First, we underline that the integrated thinking concept, which in SMEs is still in its infancy, should be better promoted in small businesses, since it may have far-reaching and positive implications for the quality of integrated or sustainability-related reporting. The effects may also be seen in the organizational or managerial sphere. An enterprise can become more inclusive due to transitioning from a finance-centric and silo-based approach into an integrative one. One practical future implication of this is that it may lead to more informed, and potentially better, decision-making. Integrated thinking has practical implications in that it helps SMEs find new, innovative solutions and create a more sustainable foundation for value creation and future growth from the perspective of key stakeholders, not just financial capital providers.

Second, our study allows us to draw some conclusions that, to some extent, align with previous research findings on IR practice in SMEs (Del Baldo, 2017). Although IR implementation is expected to be all-encompassing and comprehensive, our evidence from the pilot phase of INTEREST project in Poland indicated that this process was fragmented and encountered many obstacles. In particular, the data collection and selection were strenuous and time-consuming because of gaps in data or limited access. This might be associated with the lack of information systems that could process such types of information. Informed decision-making calls on SMEs to make use of the appropriate information systems, with the practical implication that all stakeholders would benefit. Information and knowledge must be effectively shared and communicated for good decision-making to overcome information asymmetry among stakeholders (Cortesi and Vena, 2019).

Another constraining factor was a lack of commitment or cooperation among employees from various departments during the implementation process of the first integrated report. Information-sharing between various business units and the lack of coordination between them are potential problems with practical implications, and may call for data-control procedures that thus far have not been sufficiently developed in SMEs. Identifying and measuring capitals and business modelling were also challenging tasks, since the Polish SMEs studied here had never identified or disclosed non-financial (e.g. natural, social, or intellectual) capitals so far; consequently, they did not embed them in the business models.

This study has certain limitations. First, it was based on single-country evidence from Poland. Second, its empirical analysis was only explorative, but we argue that the qualitative data adds richness and depth to the study by offering real-world practice-based insights into the process of preparing integrated reports for SMEs. Third, the pilot phase of the project was time-constrained. The participants had about five months to develop and complete the integrated reports. Pandemic restrictions also impacted the number of teamwork meetings or onsite activities to some extent. For micro or small enterprises, the established time frame was suitable. However, medium-sized or larger entities face a more intricate reporting process, necessitating additional time for integrated reports.

Our evidence enriches former studies on IR diffusion among SMEs in a domain that has not been thoroughly explored thus far. We believe that future research, involving experiences from other countries, could further refine comprehension of the potential of integrated thinking and help resolve problems with implementing IR in SMEs. Addressing societal and environmental challenges through embracing IR in SMEs may in turn produce positive outcomes for sustainable development.

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