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Contemplating the usefulness of intellectual capital reporting

Reasons behind the demise of IC disclosures in Denmark

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Abstract

Purpose – Dumay and Garanina (2013) asserted that, even though intellectual capital (IC) researchers would like to continue developing new models, existing models seem to not be used in practice. Nielsen *et al.* (in press) discovered that almost all companies that were originally involved in the Danish project of guidelines for intellectual capital statements (ICS) have abandoned their work with ICS a few years after the project ended. The purpose of this paper is to inquire the underlying reasons and conditions that drove these organisations to stop using the acquired framework.

Design/methodology/approach – This study is based on both survey and in-depth interview data from key employees of 58 organisations. Qualitative content analysis employing thematic coding is used to crystallise aspects among the provided reasons, to categorise them, and to investigate possible relations. Results are interpreted through a conceptual framework containing elements diffusion theory, management fashion and fads theory and lifecycles as well as implementation failure of knowledge management (KM) techniques.

Findings – A multitude of reasons and conditions are discovered as having affected companies' decisions to interrupt their ICS practices. Underlying aspects principally refer to deliberately taken decisions but also to a substantial number of exogenous factors and conditions. Their common denominator is identified in the low perceived value of ICS, both internally from a KM perspective and externally in relation to the disclosure practice. This leads to the conclusion that ICS can be considered a hierarchically diffused management fashion whose implementation within these companies failed, and its lifecycle subsequently ended with rejection.

Research limitations/implications – This study is limited due to the particular composition of the selected research sample, which, together with the qualitative nature of the research, restricts the possibility of any generalisations of the results to the broader field of IC and extra-financial reporting.

Originality/value – It represents a large-scale attempt to directly investigate organisations' and managers' reluctances towards ICS measuring and reporting, its perceived value, and the failure of its persistent implementation.

Keywords Intellectual capital statements, Extra-financial reporting, Management fashion, Management fashion lifecycle, Diffusion theory, Knowledge management, Implementation failure

Paper type Research paper

1. Background

Towards the end of the twentieth century, the growing difference between market and book values of companies (Lev, 2001) led to the birth of the concept of intellectual capital (IC) (Stewart, 1997). In fact, during the last decades, the relative importance of physical elements declined drastically in relation to knowledge-based resources (Bukh *et al.*, 2005). Information asymmetries between management and external stakeholders arose, as traditional bookkeeping was unable to capture and measure the value of these knowledge resources and thus to faithfully represent companies' values (Lev and Zarowin, 1999; Lev, 2001; Aboody and Lev, 1998; Bukh and Johanson, 2003; Eccles and Mavrinac, 1995; Johanson, 2003). Further, regulation did not require firms to report these assets (Brennan and Connell, 2000).

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IC has been conceived as a major concept (e.g. Edvinsson, 2013) or container (see Andriessen, 2006) in which the intangible knowledge resources are building blocks (Edvinsson, 1997) or knowledge containers (Mouritsen and Roslender, 2009) that could be managed, measured, and reported (Mouritsen and Larsen, 2005) within a traditional annual report or in the form of a separate document (Rimmel *et al.*, 2009).

In the first years of flourishing IC research, numerous pioneering attempts have been made in order to define what IC actually is (e.g. Edvinsson, 1997; Bontis, 1998) and to create adequate reporting frameworks (Petty and Guthrie, 2000; Bontis, 2001; for overviews). On one side, many individualistic frameworks were developed (e.g. Edvinsson and Sullivan, 1996; Edvinsson and Malone, 1997; Edvinsson, 1997; Sveiby, 1997a, b), while on the other side, a series of larger projects engaged in this process often with regulation objectives (e.g. DATI, 2000; Meritum, 2002; Mouritsen *et al.*, 2003a). Especially as a result of the latter, intellectual capital statements (ICS) or reports were expected to enable both comparisons and the systematic analysis of companies' IC (i.e. to adequately explain the peculiarities of companies' value creation).

Probably the most ambitious and complex among these projects was launched in Denmark, organised as a collaboration with an impressive multitude of actors. The Danish project for guidelines for ICS (called the ICSG project in the following pages) was articulated in two separate phases during the years 1997-2002 (DATI, 2000; Mouritsen *et al.*, 2003a, b; Bukh *et al.*, 2001). The first project was initiated by the Danish Agency for Trade and Industry in collaboration with researchers and consultants as well as 17 companies. The involved companies were committed to constructing two sets of ICS each over a two-year period. This first project resulted in the first publication: *A Guideline for Intellectual Capital Statements – A Key to Knowledge Management* (DATI, 2000; Bukh *et al.*, 2001) proposing a first model for ICS. The second phase of the project began in 2001 with around 100 companies of different sizes, sectors, and ownerships. This time, companies were given the task of "testing" the principles of the framework proposed in the original guidelines. In this second phase, the project was organised by the Danish Ministry for Science, Technology, and Innovation in collaboration with researchers, consultants, industry organisations, consultants, and civil servants.

Some peculiarities of the Danish ICS compared to most of the other frameworks are that it requires extensive use of narratives for making sense of its numbers and figures (Alcaniz *et al.*, 2011) and that its use was dictated by national legislation attempts (see Mouritsen *et al.*, 2003a, p. 47; Roslender, 2009).

Although recent articles still prove the usefulness of Danish ICS from both a strategic and communication perspective, even when applied in other national settings (Whyte and Zyngier, 2014), Nielsen *et al.* (in press) discovered that the actual evolution of ICS in Denmark was not as successful as it might appear in the literature. Indeed, these authors found that most companies stopped using it early after the project terminated.

The present paper aims to analyse the underlying reasons that drove these companies to abandon the ICS practice. The following two sections will explain more in detail where this research idea derived from and outline a conceptual framework for leading the interpretation of the findings.

1.2 IC: towards critical research around a fashionable concept

IC research has been largely engaged with the definition of a series of models for measuring and reporting IC. This effort was primarily based on the growing evidence that IC played a major role in today's value creation processes (Alcaniz *et al.*, 2011;

Dumay and Garanina, 2013; Marr and Chatzkel, 2004; Riahi-Belkaoui, 2003). In addition, it is of particular interest to external stakeholders because it reduces information asymmetries and improves transparency (Eccles and Mavrinac, 1995; Johanson, 2003; Nielsen and Madsen, 2009).

However, it can be argued that these efforts towards IC reporting and management as well as the mainstream IC literature in general share a rather optimistic approach (see e.g. Alcaniz *et al.*, 2011). In fact, the concept of IC itself can generally be defined as an "optimistic agenda" (Mouritsen, 2006, p. 823; Mouritsen and Larsen, 2005). Consequently, a preponderance of attention towards its relevance and the benefits derived from the implementation of related measurement processes can be observed at least in the first and second stages (or waves) of IC research (Petty and Guthrie, 2000; Marr *et al.*, 2003; Mouritsen and Larsen, 2005; Abeysekera, 2006). Likewise, IC theory focuses chiefly on positive elements (i.e. assets) with no attention towards those elements that could be considered liabilities (Gowthorpe, 2009). Subsequently, its disclosures have been criticised for only representing positive events and elements and consequently lacking in validity and reliability.

The third stage of IC research introduced a critical approach to the debate, partially moving towards a more comprehensive view of the IC concept in practice (Guthrie *et al.*, 2012). In this stage, "rather than developing IC practices, [research] gets involved with the praxis of IC (actually implementing IC) inside organizations" (Dumay and Garanina, 2013, p. 20). Since IC is a concept that is grounded in practice (see Bukh *et al.*, 2001; Bontis, 1999; Swart, 2006), how it actually works and evolves in practice must be reconsidered.

The latter connects to Marr and Chatzkel's (2004) call that theories need to be empirically tested. In effect, recent literature reviews, such as Guthrie *et al.* (2012) illustrate how things have changed since 2004 with constant calls for the critical examination of how IC evolves in practice over time (Chatzkel, 2004; Mouritsen, 2006; Mouritsen and Roslender, 2009). The third stage of IC literature has produced interesting findings from practice, for instance Rimmel *et al.* (2012) found in their study that none of the IC statements that they have analysed fully comply with "The New Guideline ICS Model" (see Mouritsen *et al.*, 2003a). Companies' IC disclosures were instead inconsistent, characterised by yearly changes in the disclosure structure and the indicators they used and with substantial attention only towards their human resources i.e., human capital (cf. with results in Nielsen *et al.*, forthcoming; Thorbjørnsen and Mouritsen, 2003). Roslender and Stevenson (2009), in reference to the UK government's brief attention during 2003-2005 towards the Accounting for People initiative, identified "a worrying absence of any discernible attempt to engage with the IC concept and associated literatures during this period" (Mouritsen and Roslender, 2009, p. 803). This was mainly associated with a profound opposition towards these concepts within the accountancy profession[1] and thus highlighting the role of professional networks in relation to the diffusion of practices such as ICS.

Recently, Beattie and Smith (2012), while mentioning some of the disincentives of IC reporting in relation to Elliott and Jacobson (1994), very interestingly highlighted how the "[…] level and nature of IC disclosure for a company might be expected to be the product of a cost-benefit trade-off" (p. 472). In addition, Van der Meer-Kooistra and Zijlstra (2001), by interviewing three companies, have identified among other results interesting disadvantages of IC reporting, both from an internal and an external reporting perspectives. The increase of costs and audit complexity are included in the first category. From the external reporting perspective, the potential disclosure of information, which could be useful for competitors, thus negatively affects competitive advantage, increases cost, limits freedom in management decisions, and results in weak reliability of IC reports. These represent only a few of the disadvantages they have identified (see pp. 467-468 for more detail).

Similarly, Alcaniz *et al.* (2011) principally identified two obstacles to IC disclosures in the current IC literature. Companies' reluctance to publish such information, unless they are required to by regulation, can be attributed to the risk that they would expose themselves to revealing too much about the assets at the base of their competitive advantage. On the other side, IC disclosures also have the potential to report companies' weaknesses, with obviously negative consequences for management (see Holland and Johanson, 2003 cited in Alcaniz *et al.*, 2011). Furthermore Striukova *et al.* (2008) discovered significant differences in both the nature and quantity of disclosed IC information in annual reports of companies from different sectors and of different sizes in the UK. Surprisingly, they found that these companies from knowledge intensive sectors were not those disclosing a higher quantity of IC-related information.

Notwithstanding the critical approach and the examples above, it can still be argued that little attention from both the practitioner and the academic side has been devoted to the cases where the implementation of IC-related practices failed or has been abandoned. In addition, the investigation of how IC works in practice (second and third stage IC research) would arguably be of great interest to inquire about what can go wrong (i.e. why IC did not work in practice).

2. Creating a conceptual framework for the fade of ICS in Denmark

Confirming Dumay and Garanina's (2013) hunches, Nielsen *et al.* (in press) identified a large gap between perception in the literature and reality, at least in relation to the fade of the Danish ICS. Further, the third stage IC research calls for analysis that is more critical. The latter conditions provide the basis for this paper's purpose.

While Nielsen *et al.* (in press) inquired about the evolution of the Danish ICS over the last decade, making use of elements of legitimacy theory to explain its fade, this paper further inquires about the underlying mechanisms. In doing so, it draws on primary data, directly provided by the involved actors.

While accounting research in general draws substantially on a large range of sociological theories, IC research is still characterised by a narrower focus, for example, using the following:

- legitimacy and stakeholder theory (Alcaniz *et al.*, 2011);
- human capital theory;
- resource-based view (Swart, 2006);
- social capital theory (Swart, 2006);
- actor network theory (Mouritsen *et al.*, 2001); or
- a combination of different theories, such as agency, stakeholder, legitimacy, or signalling theory (An *et al.*, 2011).

Nevertheless, as suggested by Nielsen *et al.* (in press) and already used in relation to IC accounting in the UK by Fincham and Roslender (2003, 2004), management fashion and fads theory (Abrahamson, 1991, 1996; Brickley *et al.*, 1997; Abrahamson and Fairchild, 1999) represents a suitable theoretical framework for the present purpose (see also Schaper, 2014, pp. 180-181). Further, as this research engages in understanding the reasons that have stopped ICS' diffusion, elements of diffusion theory (as used in Bjørnenak, 1997; Ax and Bjørnenak, 2005) are intended to further enrich the analysis. Combining these theoretical approaches makes particular sense in the light of Nielsen *et al.*'s (forthcoming) findings, that is, that companies did not approach ICS reporting or join the project due to particular institutional pressure. On the contrary, as stated by these authors, some sort of trend or fashion phenomenon must have played an important role in ICS' early diffusion.

Moreover, these theoretical concepts are all able to explain the sudden slowdown of diffusion after the initial peak, which happened with ICS in Denmark (Nielsen *et al.*, in press). The latter resembles Abrahamson's (1996) bell-shaped patterns or the visualisation of Abrahamson and Fairchild's (1999) bell-shaped and short-lived management fashion lifecycles.

Hägerstrand's (1967) four stages of diffusion (cited in Bjørnenak, 1997) can be enriched by Abrahamson's (1996) phases of management fashion dissemination. The above-mentioned situation of growing information asymmetries due to IC might have represented the trigger driving fashion setters towards a selection phase (Abrahamson, 1996). Consequently, IC and ICS have been created as new management techniques. From this conceptual perspective, academics and practitioners can be considered fashion setters, that is, leaders according to Hägerstrand (1967) and participants in the first round of the ICS project as early adopters. This conceptual framework can even be associated with the above-mentioned stages of IC's evolution in general because management fashions do not appear spontaneously; they are "cultural commodities deliberately produced" in order to create management culture (Abrahamson, 1996, p. 263). From this perspective, it can be argued that the Danish ICSG was "rhetorically pushed", meaning that variation (Abrahamson and Fairchild, 1999) was caused on the supply side (i.e. by those who created the ICS framework) and especially sponsored by governmental and industrial representatives' attentions.

Hence, companies (followers) might have established the collective thought that this project created some rational management technique at "the forefront of management progress" (p. 257). This group of followers can be of different sizes, and further, this belief can be of transitory nature, that is, these management fashion phenomena might vary in duration (Abrahamson, 1996).

Thus, a primary stage of diffusion followed, which was characterised by a few innovative researchers and practitioners in the role of fashion setters or leaders that processed these new techniques. Following, the dissemination of IC publications, with a particular optimistic rhetoric and the successful first round of the ICS project, culminated in the condensation stage. Herein, ICS became rapidly used by a larger number of adopters, which enabled its rapid diffusion (see phases in Abrahamson, 1996). Finally, in the saturation stage ICS' diffusion was characterised by a substantial slowdown (see Hägerstrand, 1967; Bjørnenak, 1997).

According to Bjørnenak (1997), the described diffusion of ICS would have been of an expansion type, wherein the number of adopters increases over time. Further, it can be considered of a hierarchical as well as a contagious nature since the innovative framework was provided to the participating companies from a top down position (i.e. from the larger project to the single companies) as well as by the example of those companies that had earlier participated in the first round of the project.

Nevertheless, as Nielsen *et al.* (in press) discovered, things did not simply slow down; they completely stopped. Management fashion lifecycles, ending with either a retention or rejection phase (Abrahamson and Fairchild, 1999), provide a suitable theoretical frame. Indeed, it could be assumed that in the case of the Danish ICS, companies have intrinsically rejected the emerging management technique. This rejection could have been caused by the fact that ICS' implementation failed or that, after the project, the sense of novelty faded quickly away among the participating companies (see Abrahamson and Rosenkopf, 1993).

While the so far created framework, through the dissemination/condensation/saturation phases ending with rejection, it provides theoretical understanding of ICS' demise in Denmark. Nevertheless, it does not yet provide guidance for a deeper understanding of its failed implementation. Since the latter is directly connected to knowledge management (KM) activities (see Mouritsen *et al.*, 2001; Mouritsen, 2004; Roos *et al.*, 1997), its implementation failure should be investigated at this KM level. For this purpose, input can be borrowed from the larger field of KM. Storey and Barnett (2000) had similar objectives as this paper, and their conclusions are particularly well suited to provide input to this study. They asserted that "knowledge management initiatives are prone to fail even when they are reasonably well resourced and there appears to be a certain commitment from top management" (Storey and Barnett, 2000, p. 153).

According to the literature, the Danish project for ICS related to its internal perspective can be considered as a case of a well-designed and well-resourced KM initiative, even supported at the beginning in many cases by the top management of the involved companies (not the least due to its fashionable rhetoric as described earlier). Storey and Barnett (2000) aimed to contribute to that portion of KM literature that deals especially with the failure of KM initiatives, a part that seems instead to be almost absent in the IC literature.

However, the four points that these authors cite from the (predominantly KM) literature appear to be an ideal way to connect reasons that companies have given for stopping ICS practice in this paper to its actual implementation:

(1) an insufficiently specific business objective: companies tend towards more general aspirations, such as "share best practice[2]", rather than launching KM initiatives;

(2) incomplete programme architecture that fails to build on the linked dynamics of organisational change and learning;

(3) an insufficient focus on one or two strategic business priorities; and

(4) top management sponsorship without active on-going involvement (Storey and Barnett, 2000, p. 154).

The first point can be associated with the bandwagon phenomenon (Abrahamson and Rosenkopf, 1993), meaning that companies tend to follow practices merely because these are perceived as being successful. Further, the last point appears again reflecting adopters' behaviour in a management fashion context (i.e. at first losing their interest in, then rejecting these practices).

On the other side, some other of these problems have recently been also identified in Chiucchi's (2013) multiple case studies about factors that have, positively or negatively, influenced the implementation of IC accounting. Among others, an interesting finding in her paper underlines the high complexity of IC measurement practices and management's consequent need for time to become familiar with them. Hence, she highlights the risk that IC will not be given the necessary importance, especially in those cases where its practices are not clearly integrated with companies' strategic goals (see Point 1 above). Instead, by mentioning Lönnqvist *et al.* (2009), who demonstrated that

IC could be implemented with success when linked to programs of change management, she addresses the second point. In addition, according to Nielsen *et al.* (forthcoming), even those companies that have continued working with ICS for a considerably longer period did not deeply link or embed this practice within other existing practices.

2.1 Framing the research agenda

As described above, this paper represents the third phase of a major research project of the evolution of the Danish project for ICS. In phase one, once involved in the original project, the overall commitment of companies towards IC reporting during the last decade has been investigated (Nielsen *et al.*, in press)[3]. Afterwards, the reasons for and the evolution of ICS reporting in seven companies identified as having worked with it for the longest duration have been further investigated (Nielsen *et al.*, forthcoming). The combined evidence from both of these articles highlights an almost total disappearance of the ICS framework. Further, Nielsen *et al.* (in press) documented in their survey study that companies did not only stop reporting IC externally but also only a few have continued working with it internally. This evidence might question the perceived usefulness, practicability, and value relevance of IC frameworks, in relation to their reporting and KM attributes. Further, as described, the literature recently started calling for increasingly critical investigations about how IC reporting develops in practice over time.

Since the participation in the Danish project was voluntary, it can be assumed that many companies joined because of their interest in managing and measuring their knowledge resources and have furthermore experienced some positive effects due to this work with ICS (see Nielsen *et al.*, in press). Hence, it is legitimate to wonder why nearly all of them have subsequently stopped using the ICS framework. The aim of this research paper is to discover which mechanisms occurred and/or what the underlying conditions were that drove companies towards the abandonment of the ICS practice.

What reasons are given by those companies that were once directly involved in the Danish project regarding their decision to stop working with ICS disclosures? This research focus encompasses a twofold perspective of analysis, consistent with the nature of ICS (see Mouritsen *et al.*, 2004, p. 53) itself:

(1) Internal (management) dimension: why have these companies not continued using ICS as a KM framework or technology?

(2) External (reporting and communication) dimension: why do companies no longer see the need for reporting their IC externally in order to reduce information asymmetries?

Both of these points address the question of whether companies' managements perceived the usefulness of IC reporting and ICS's internal potentials (see Sveiby, 1997a) or whether there was a lack of consistent attention or of a real involvement towards ICS in this practice (DTIDC, 1997; Storey and Barnett, 2000). Finally, a third, more strategic perspective of analysis, could be added. Was the ICS practice adequately linked to the firms' business objectives and integrated in its strategic goals (see Storey and Barnett, 2000; Chiucchi, 2013) or has it merely been imitative fashion behaviour, as described above? Additional sub-research questions are formulated, predominantly built on aspects that have been outlined in the previous sections as follows:

- What role did company size, ownership, and sector of activity play in relation to the decision to stop IC reporting? This question addresses the difficulties that could emerge in relation to particular groups of organisations[4] or, for instance, the higher attention towards extra-financial reporting of publicly listed companies compared to that of unlisted or smaller firms (see also Striukova *et al.*, 2008).

- Did respondents' professional affiliation/background influence the perception of ICS and if so, how? This question is tailored to inquire about the role of key actors and management's perception of IC reporting (see Sveiby, 1997a; Roslender and Stevenson, 2009), as well as the possible preconception that certain professional groups could have *vis-à-vis* this reporting practice and the potential of professional groups to be influenced by management fashions.
- Do stated reasons differ regarding whether the companies have pursued ICS practice for a longer duration compared to those that have stopped immediately after the conclusion of the project? This question is based on the assumption that a longer engagement with ICS will potentially provide management with a chance to become more familiar with it (Chiucchi, 2013).

Based on this purpose, through the conceptual framework above, this paper seeks to derive insight into the relation to IC reporting practices and in general in relation to the broader plethora of extra-financial reporting in its consolidated and emergent forms (e.g. integrated reporting, sustainability and corporate social responsibility (CSR) reporting, socio-environmental reporting, etc.).

3. Methodology

The following empirical sections of the paper are based on a qualitative research approach using multiple analytical methods. The next sections will describe in detail how the entire research has been designed.

3.1 Data collection

Beattie and Smith (2012) emphasised that survey analyses on larger scales, not yet frequently employed in IC research, are able to contribute new insight to the debate of determinants behind IC disclosures. Hence, such a research design (as used in this paper) would be promising in investigating the determinants behind the abandonment of IC disclosures.

This research is based on data that has been directly generated through semi-structured interviews[5] that have been conducted in the two following steps:

(1) survey interviews of a large sample directly addressing, among four main themes, the reasons why companies stopped using the ICS framework (Nielsen *et al.*, in press); and

(2) in-depth interviews of a sub-sample of companies that were using the ICS model for a considerably long period (Nielsen *et al.*, forthcoming).

Regarding the survey study of Nielsen *et al.* (in press), the 102 sampled organisations were all involved in the Danish project in either the first or the second round. In those cases where companies stated that they have stopped reporting IC or working with ICS, they were explicitly asked for underlying reasons. Afterwards, a second turn of interviews was carried out in seven companies that have been identified as having continued for the longest period (five or more years). Once again, underlying determinants for stopping this practice were requested in these companies.

All seven in-depth interviews were recorded and transcribed verbatim. Similarly, most of the survey interviews were both recorded and transcribed; however, in some early cases (pilot phase), only notes on respondents' statements were taken since less information was expected at the beginning of the project. In the end, all data have been aggregated, integrating new aspects from the in-depth interviews with the survey data. Hence, the given testimonials from each company were collected in a working sheet, together with their demographic data, forming the final database for this analysis.

Notwithstanding, it must be admitted that the data collection process presents a number of intrinsic limitations affecting the present research in terms of validity and reliability, among these are as follows:

- the difficulty in identifying the most appropriate interviewee for each case; and
- respondents' difficulty to clearly and accurately remember the course of events after a decade or more[6].

In relation to the first issue, several attempts have been made in order to identify the most appropriate interviewee available in each case (i.e. the actual person originally dealing with ICS during the project). Unfortunately, it was not possible to locate those originally involved employees in all cases. Regarding the second limitation, a number of measures have been established in order to prevent or at least reduce it as much as possible. Indeed, each respondent had at first been contacted via an e-mail through which the overall research purpose was briefly described. Only a few days later they were attending the actual interviews, which once again started at first with a brief background introduction. This process was thought to give respondents the opportunity to refresh their memories about what happened at that time.

In spite of the listed limitations, because of the exploratory and qualitative nature of this study, the author believes that the generated data still presents a satisfying degree of explanatory potential. In fact, the main attempt of the paper is to produce more insight from its findings, while any generalisations are left for further research.

3.2 Research sample: construction and composition

The research sample from which the data has been generated encompasses 102 companies and organisations[7] that were directly involved in the Danish ICS project. This research sample has been constructed through a complex mapping process aimed at identifying the current status of these companies and at possibly contacting those employees who were directly involved[8]. As described earlier, the investigation of the research question is particularly interesting because most of these companies have autonomously decided to take part in the project without being under particular pressure (see Nielsen *et al.*, forthcoming), which arguably stands for a strong interest in measuring, managing, and reporting their IC. However, almost all of these companies have forsaken this practice early after the end of the project and only a few have continued for some more years (see Nielsen *et al.*, in press).

Therefore, a certain incoherence clearly emerges, principally because these companies approached the ICS practice voluntarily (i.e. arguably because of a particular interest). It is particularly interesting to investigate the reasons behind their later abandonment. Especially in this regard, the conceptualisation through a management fashion framework appears particularly suited to investigate this.

Table I illustrates the composition and characteristics of the overall research sample and the coverage achieved through the 58 companies (response rate of 56.9 per cent) that are providing data for this paper. The table follows the latest Global Industry

Table I. Sample composition and interviews' coverage

Sector[a]	*Whole sample*	*Answering*	*Coverage (%)*	*Industry group*	*Whole sample*	*Answering*	*Coverage (%)*
Other (public organisations, associations, NGO, etc.)	33	18	54.5	Tertiary education	6	4	66.7
				Municipalities and functions	5	2	40.0
				Associations	3	3	100.0
				Ministerial and others	19	9	47.4
10 – Energy	0	0	0.0	1010 – Energy	0	0	0.0
15 – Materials	1	1	100.0	1510 – Materials	1	1	100.0
20 – Industrials	21	15	71.4	2010 – Capital goods	9	5	55.6
				2020 – Commercial and professional services	11	9	81.8
				2030 – Transportation	1	1	100.0
25 – Consumer discretionary	5	3	60.0	2520 – Consumer durables and apparel	1	0	0.0
				2530 – Consumer services	1	0	0.0
				2540 – Media	2	2	100.0
				2550 – Retailing	1	1	100.0
30 – Consumer staples	5	2	40.0	3010 – Food and staples retailing	4	2	50.0
				3020 – Food, beverage and tobacco	1	0	0.0
35 – Health care	7	5	71.4	3510 – Health care equipment and services	5	4	80.0
				3520 – Pharmaceuticals, biotechnology and life sciences	2	1	50.0
40 – Financials	2	0	0.0	4010 – Banks	1	0	0.0
				4030 – Insurance	1	0	0.0
45 – Information technology	18	10	55.6	4510 – Software and services	12	6	50.0
				4520 – Technology hardware and equipment	6	4	66.7
50 – Telecommunication services	2	1	50.0	5010 – Telecommunication services	2	1	50.0
55 – Utilities[b]	8	3	37.5	5510 – Utilities[b]	8	3	37.5

Ownership	*Whole sample (%)*	*Interviewees (%)*	*Size*[c]	*Whole sample (%)*	*Interviewees (%)*
Publicly owned	35	35	Small	19	20
Private	61	60	Medium	36	37
Other	4	5	Large	45	43

Notes: [a]Classification according to the GICS standard + additional sector "other"; [b]some of these are independent companies but publicly owned; [c]in relation to the number of employees (European Commission)

Source: Elaboration by the author based on the GICS® classification standard

Classification Standard (GICS®)[9] with a self-made addition of the first category (Other) to accommodate companies that operate in the public sector. Beside the "Other" group, it is interesting to observe a preponderance in the overall sample of the industrial and information technology (IT) sectors, which can be linked to the knowledge intense nature of these sectors (cf. Striukova *et al.*, 2008), further emphasised by the commercial and professional services and software and services groups.

The coverage in relation to the companies' sectors of activity reflects the original composition of the overall sample with some exceptions, especially in the case of Financials (0 per cent), and regarding consumer staples and utilities (less than 50 per cent). In any case, the overall coverage is satisfactory enough for the explorative purpose of this paper. Moreover, the table shows the distribution of companies' ownership and size. Likewise, in this case, the original distribution is well represented by the interviewed companies, although it is noteworthy that most of them are rather large and privately owned.

Regarding the respondents, 46 contacts (representing 79.3 per cent of all interviewees) were in the company at the time of the ICS project and most of them were involved in it. However, 27 (58.7 per cent) of them have left the company in later years or have, at least, changed their positions. In fact, the average period covered by the interviewees[10] within the relevant company is approximately seven years.

Figure 1 shows the distribution of respondents in relation to their positions or affiliations. Among the categories, it is quite simple to observe a predominance (26 per cent) of respondents from the Human Resources (HR) department, which can be associated with companies' focus on human capital (Thorbjørnsen and Mouritsen, 2003). Unfortunately, in six cases, it was not possible to determine the interviewees' exact positions or affiliations; one of these relates to one of the project's facilitating organisation that is also included in the sample.

The category "other positions" encompasses singularly occurring cases, such as sales director, team leader, senior manager, assistant director, CTO, R&D manager, HR manager, management assistant, senior vice president sustainability/people and culture, and a senior secretary. The remaining case, the head of the office of innovation and knowledge sharing is probably the closest to a knowledge manager position, which is almost absent among the categories. Not surprisingly, even though aggregated differently, Figure 1 still reflects the original distribution of people who were

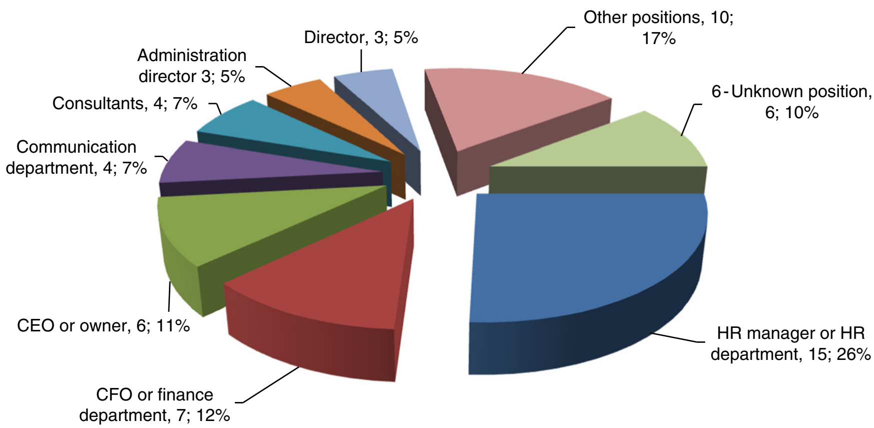


Figure 1.
Respondents' professional positions or affiliations

responsible for ICS during the project (see Mouritsen *et al.*, 2003a, p. 60), hence reinforcing the validity of the research sample.

Because of the relatively high number of interviewees that were originally involved in the ICS project and because most of them are in decision-making positions within their organisations, the rendered testimonials are very likely to have a high reliability. As mentioned above, among the 58 organisations investigated, the general opinion from one of the project's facilitators about the overall reasons why participating companies have given up ICS practice has also been included. Since this statement represents an objective observation and because it accurately reflects what other companies declared, it further reinforces the reliability of the collected data.

3.3 Data analysis

The data analysis has been conducted using elements of the "template approach", categorising interview data, such as text segments, with similar content, thus distilling major themes (Miles and Huberman, 1994; Silverman, 2001). Applying thematic coding methods in this manner allows counting recurrent answers and creating descriptive statistics concerning the main topics and issues that have been identified (Graneheim and Lundman, 2004; Krippendorff, 1980). In fact, alternative approaches of data analysis, such as content analysis, using word frequencies, or discourse analysis, have been considered inappropriate since all interviews were conducted in a foreign language from both the interviewer and interviewee perspectives. Moreover, as shown in a word frequency test, similar words could be related in different ways to themes (e.g. either positively or negatively in relation to certain aspects). Instead thematic content analysis, which is able to highlight the meaning of the given answers, was considered a much more suitable methodological approach to extrapolate the main arguments stated by the respondents.

Furthermore, data analysis is conducted in two independent phases. The first is carried out manually, while the second employed qualitative data analysis software[11], which some researchers suggest is able to add rigour to qualitative research (see Richards and Richards, 1994; Welsh, 2002). According to them, using software such as Nvivo, the researcher can easily and quickly run analytical processes, thus interpreting data in ways that would have been complex manually. Therefore, this provides a better overview of the data, enabling deeper analysis and improving the validity of the findings. Moreover, as in the design of this research, the combination of both manual and electronic data analysis aims to achieve the advantages of each in the integration and interpretation of the results (Welsh, 2002).

First, similar testimonials have been identified and, where possible, grouped in order to show recurrent reasons among the 58 companies. In this way, percentages regarding the most common reasons are constructed. It is noteworthy to underline how this process of analysis has certain limits due to the interpretation and categorisation of the statements by the researcher. In fact, testimonials' similarities are defined by crystallising the main aspect of each statement. However, since most statements are quite brief and clearly address the investigated issue, this subjective interpretation is held to a reasonable extent.

In the second phase of analysis, all aspects emerging in a single statement are identified and coded. This way it is possible to display the most common and recurrent aspects and draw relationships with the demographic data. Regarding the validity and reliability of data analysis, this double analysis will cross-check the single results, while the transparent explanation of the overall process of analysis is intended to enable the reader to easily understand how findings have been constructed (Creswell, 1998;

Miles and Huberman, 1994). Moreover, although the research design is aimed to produce the most exact and uniform data possible, because of its qualitative nature, some of the collected data may not have been as univocal as planned or expected.

4. Findings

The following sections describe and discuss in detail the findings for each of the two phases of analysis.

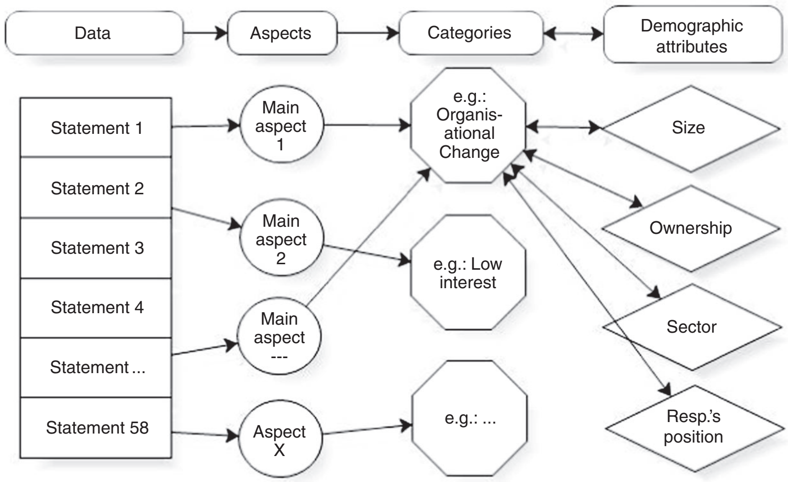
4.1 First phase: an overview of testimonials' most recurrent themes

As described in the previous section, 58 interviewees answered the main research question. Answers differ significantly in length and detail from a few words to detailed explanations. Through the identification of similar, recurrent themes, an absolute distribution has been drawn among the given reasons and/or conditions for stopping IC reporting (see process as described in Figure 2).

This process has been conducted manually through the identification of the predominant aspects in each statement, which have then been used as the criteria for categorisation. Thus, each statement was associated with a category, and these categories were subsequently examined in relation to the sample's demographic attributes (such as companies' sizes, ownerships, sectors of activity, and the respondent's position).

The following chart (Figure 3) illustrates the distribution of the categories and their respective percentages. Most of the collected testimonials have been grouped into eight categories, while only four (7 per cent) have been considered too particular and were grouped under the category "Others".

Table II provides an overview of the underlying empirics by summarising the content of these categories. When subcategories are taken into consideration, the main stand-alone category refers to those companies that have not seen any particular purpose or value in ICS (17 per cent). This can be considered a particularly meaningful first insight, especially in relation to what has been discussed in the literature section above.



Note: For simplifying the visualisation, the figure shows only the relationships between the first category and the attributes

Figure 2.
First phase of the process of analysis

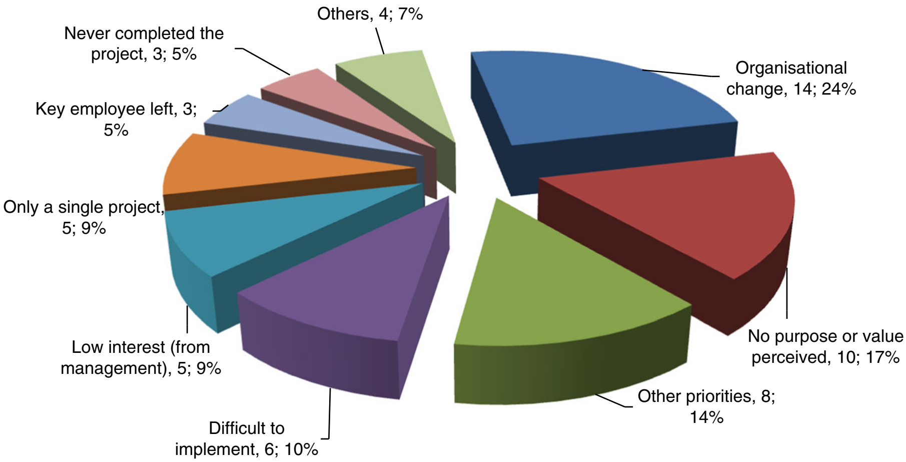


Figure 3.
Broad categories for the reasons for the abandonment of ICS

The considerable presence of organisational change as a reason for abandoning the use of ICS is in contrast to Mouritsen's (2006) call for a deeper understanding of the way IC works and could be developed, especially in these cases (as cited in Dumay, 2009, p. 194) as well as those further demonstrated by Lönnqvist *et al.* (2009). Instead, it appears that ICS practices hardly survive in these or other turbulent situations, such as financial distress, etc.

The latter can be partly attributed to the fact that companies were not using ICS internally in the way the framework was conceived (i.e. as a KM tool). Instead, companies seemed to care more about the outside effect, but it soon became clear it was not meaningful enough to continue with this practice. Consequently, top management's interest and support towards ICS reporting decreased, further accelerating its disappearance. These behaviours provide clear evidence for ICS being perceived as a fashion, whose lifecycle ended with rejection due to declining interest from management, whose support was essential.

Concluding this section, any particular relevance in relation to the respondent's position or professional affiliation has been observed in any of the broader categories. However, a pattern that can be recognised from the data, aggregating the following categories: "other priorities", "no value perceived", "no interest (from management)", "only a single project", and "never completed the project" shows at least 54 per cent[12] have deliberately stopped working with ICS for endogenous reasons. However, summing "organisational change" and "linked to key employee", 33 per cent of reasons can be attributed to exogenous conditions, further compounded by a poor implementation of ICS within the organisation (i.e. it can be argued that these company companies did not deliberately choose to stop working with ICS).

The first group of statements provides some indication that ICS was merely a management fashion. Companies joined the project primarily because of their curiosity, but when it came down to a cost/benefit calculation, companies might not have been interested in ICS reporting afterwards. It "became less popular" as stated by the HR manager of the last category. As ICS lost its novelty, it was rejected, in some cases also due to its substantial costs (see Abrahamson and Fairchild, 1999).

Aspects	Empirics/quotes	Considerations
No purpose or value perceived (10, 17%)	The former director of a medium public organisation perceived ICS merely as one of the many "up-competing accounting practices of the last 10-15 years", but not particular useful for his institution; Management assistant of a large private software company: "I think that we don't make money from printing annual reports and I guess we just try to do this as cheaply and efficiently as possible"	Companies have approached ICS reporting due to certain requirements, but they did not see any value in continuing; In the other cases that refer to this category, ICSs have simply not been perceived as valuable enough in relation to the costs (see Van der Meer-Kooistra and Zijlstra, 2001; Beattie and Smith, 2012); A preponderance of publicly owned companies (six out of the 10 firms are large (more regulation) and only one is small; Contradicting with the fact that in large companies, because of pre-existing administrative systems, it would be easier to connect or integrate an IC reporting practice (see Striukova *et al.*, 2008; DTIDC, 1997)
Organisational change (14, 24%)	Five statements refer to *internally* driven changes, such as organisational resizing or restructuring: "ICS probably got simply lost"	The involved employees were moved to other tasks or other departments or organisations, which resulted in the abandonment of the ICS practice; Four out of the five organisations are publicly owned and at least of medium size
	Five statements refer to *externally* driven changes, such as acquisitions or (de-) mergers; Change was mainly originated from a situation of financial distress (crisis)	All small or medium private companies; These statements underline that, in a situation of financial distress or instability, companies' focuses tend towards other priorities than ICS; Likewise, as in the case above, a project like ICS scarcely survives in such a turbulent organisational environments
	Three related to changes especially in top management or in the board of directors One is related to the implementation of a new administrative system	Caused a shift towards other priorities
Other priorities (8, 14%)	Five refer to a condition where limited resources were available and the consequent decision to cut ICS reporting	Private companies of different sizes and an NGO; Similarly to the previous category, a crisis with a consequent lack of resources to invest drove those companies to focus on other priorities, probably in the attempt of ensuring efficiency

(*continued*)

Table II.
Overview of empirics in relation to main thematic categories

Aspects	Empirics/quotes	Considerations
	Three are due to the decision to focus on other, similar practices instead of ICS	Includes the general opinion of one of the project's facilitator organisations; Four out of five of these companies were using ICS primarily for external disclosure purposes instead of internal purposes, perhaps an indication that they did not understand ICS's internal potential (e.g. Mouritsen, 2004; Storey and Barnett, 2000)
Difficult to implement (6, 10%)	At least two cases refer to the problem of gathering the data, e.g., as described by the CTO of a large public organisation: "One of the main reasons was because it was very difficult to get the right data […] we didn't get the data automatically and it was quite difficult to change the system"	No particular relationships with companies' size have been observed, nor in relation to the sector of activity; Instead, in relation to the ownership, it is noteworthy that five of the six companies are privately owned, which can be argued as not being of particular relevance since it seems more related with the intrinsic willingness of implementing ICS practices
Only a single project (5, 9%)	ICS has been handled or managed merely as a project, and later stopped again	Interrelated with the first category; Four of the five companies of this category are privately owned, while they are very different both in size and in relation to their sectors of activity
Low interest (from the management) (5, 9%)	Two examples showed a particular hostile position of the management towards IC reporting: 1- Highlights the potential of ICS to disclose information that is not desired to be revealed; 2- Emerges the risk of being misunderstood or the potential due to ICS to highlight lacks and weaknesses, which are not desired to emerge in an organisation	Underlines the importance of top management's involvement in the implementation of ICS, which has already been found in other cases and mentioned in the literature section as well; Even though the examples are particular, they probably depend much on the management culture; Companies from different sectors and ownership, an interesting fact is that four are medium companies and the fifth is large; Intrinsic risk occurs in letting their competitors know too much (see Holland and Johanson, 2003)
Key employee left (3, 5%)	Instead of a decision, this category refers more to a condition behind the reason for abandoning the ICS practice	Highlights the link between the ICS practice and the person that is mainly responsible for it within the organisation;

(*continued*)

Table II.

Aspects	Empirics/quotes	Considerations
		Underlines the fact that it has probably been only weakly embedded within the organisation
Never completed the project (3, 5%)	Companies have not even finished the first ICS report during the project, nor resumed the work later	In this case, emerged the problem of limited resources available and the subsequent decision to invest them into other practices (see also the cost-benefit trade-off in Beattie and Smith, 2012)
Others (4, 7%)	1- A medium-sized, private, materials manufacturing company, which, as stated by its CEO, stopped halfway through because the project group they were a part of was comprised of very different companies, none of them similar to his firm. Therefore, he did not feel "like [he] got anything out of the project" 2- In a large multinational private company, one of the former HR business partners explained the problem in the following terms: "Because (our company) was and is part of a big global company. And it was decided, I think before the guideline process to not have a ´proper annual report´, but to report according to the minimal legal requirements, actually a few numbers. So the whole idea of introducing this kind of new accounting into the annual report really stopped there because there was no annual report there" 3- A government-owned company, the current administration director and direct successor of the employee that originally introduced ICS in the organisation, explained that the decision to stop ICS reporting was because it became in a certain way "auto piloted" (i.e. was not actively used anymore for strategic purposes or to allocate resources) 4- In a large public organisation, the current HR manager explains, "It stopped when these big engineer companies stopped, we stopped because we didn't have anything to compare with, and that was some of the reasons, you know for some time something is very popular and after some years it's less popular"	

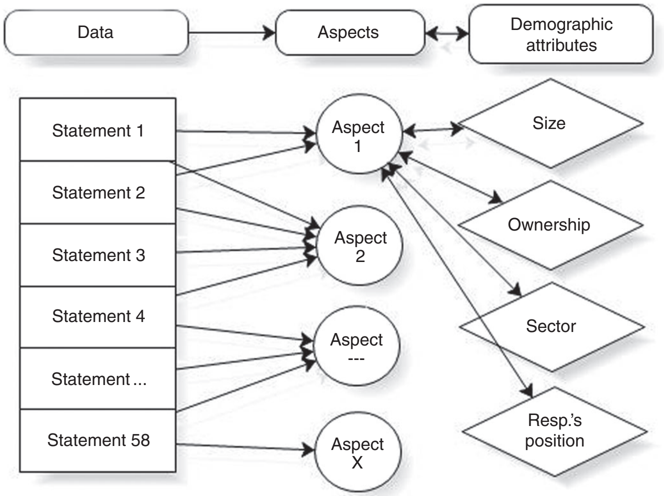
Table II.

Finally, in relation to those seven companies that continued working with ICS for a longer period on average compared to others, it has not been possible to identify any significant differences in their reasons compared to those given by others. Hence, it does not seem that more available time for management to become familiar with a complex practice such as ICS (see Chiucchi, 2013) has had any particular effect on the reasons these companies have stopped working with ICS.

4.2 Second phase: emergent aspects and relationships to demographic data

Due to the occasionally overlapping nature of the categories that have been identified so far, this section will further emphasise the simultaneous occurrence of aspects in each single statement. This intent is pursued by means of qualitative analysis software[13]. Instead of identifying similar reasons, the goal is to highlight different aspects (themes) that emerge across the data (Figure 4). Hence, each testimonial is inquired for all aspects that it contains. Later, these aspects are inquired in relation to the demographic attributes. The main difference in relation to demographic attributes in the previous analysis lies within the possibility to inquire about the software systematically for these relationships, despite the larger number of variables.

Thirty different recurring aspects have been identified across the 58 testimonials. Aggregated, these aspects occur in the data set 101 times. Likewise, as in phase one,



Note: In order to simplify it, in this figure, the relationships between aspects and attributes are indicated only for the first case

Figure 4. Second phase of the process of analysis

statements provided by the seven companies working with ICS for a longer period were inquired for meaningful differences in the emerging aspects.

The fact that CSR reporting has instead been mandatorily introduced for certain types of companies or that after the financial crisis, it has not been difficult to attract employees were reasons mentioned only by these companies. Nevertheless, while the latter could be associated to a temporal coincidence of events instead of companies' behaviours/decisions, as Table III shows[14] aspects were mentioned sporadically by each company. Hence, this analysis has again not discovered any particular patterns in the data in relation to the time companies worked with ICS.

4.2.1 Correlations to respondents' positions. According to the sub-research ambitions, data have further been interpreted in relation to respondents' and companies' demographic attributes[15] in order to identify eventual patterns among stated aspects. This analysis promises to provide precious insight especially in relation to companies' sizes and sectors of activity, since these variables have often been criticised as obstacles to the adoption of a unified reporting framework (see Mouritsen *et al.*, 2003a). In contrast, the perception among different professional groups could have been biased or influenced by the techniques in vogue at that time.

Regarding the first objective, respondents' positions from Section 3.2 have been grouped into six major categories to facilitate overview and interpretation. The following data matrix (Table IV) shows the distribution of all 30 aspects in terms of occurrence in relation to respondents' attributes[16]. Aspects such as "other reporting priorities", "never finished the project", and "no results, no value perceived, no purpose" often emerged, especially in those statements given by HR and other directors or managers. Further, it is interesting that other often-mentioned aspects by the HR group refer to "passive conditions" (e.g. "merger").

Things become even more fascinating when aspects are hierarchically aggregated in relation to the previously defined major categories[17]. From this point of view, the HR

Table III.
Occurrence of aspects mentioned by companies working with ICS for a longer period

Aspects	Total N° of References	Company						
		1	2	3	4	5	6	7
1 : Complicated	2	0	0	0	0	0	0	0
2 : Difficult to get the data	2	0	0	0	0	1	0	0
3 : High turnover	1	0	0	0	0	0	0	0
4 : Financial crisis	4	1	0	0	0	0	0	0
5 : Few resources, efficient use	2	0	0	0	0	0	0	0
6 : Not difficult anymore to attract employees	1	0	1	0	0	0	0	0
7 : Developed own framework	2	0	0	0	0	0	0	0
8 : Employee related	5	0	0	0	0	0	0	0
9 : Low interest or support from the management	2	0	0	0	0	0	0	0
10 : Management decision	4	0	0	0	1	0	0	0
11 : Against this kind of practice	2	0	0	0	0	0	0	0
12 : Other priorities (in general terms)	5	0	0	0	0	0	0	0
13 : Other reporting priorities	9	0	0	0	0	0	0	0
14 : Because of CSR by law	1	0	0	0	0	0	1	0
15 : Too expensive in relation to its benefits	4	0	1	0	0	2	0	0
16 : Never finished the project	9	0	0	0	0	0	0	0
17 : No active use anymore, only status	1	0	0	1	0	0	0	0
18 : No external interest in such a report	2	0	0	0	0	1	0	0
19 : No results, no value perceived, no purpose	12	0	0	0	0	0	0	1
20 : Not comfortable in the project group	1	0	0	0	0	0	0	0
21 : Not required by law	2	0	0	0	0	0	0	0
22 : Nothing to compare with	1	0	0	0	0	0	0	0
23 : Only a project	5	0	0	0	0	0	0	0
24 : No interest after the project	1	0	0	0	0	0	0	0
25 : Organisational Change	5	0	0	0	1	0	0	0
26 : Employees moved due to org. change	3	0	0	0	0	0	0	0
27 : Exogenous Change, (e.g. company was sold)	4	0	0	0	0	0	0	0
28 : Merger	4	0	0	0	0	0	0	0
29 : New management with other focus	4	0	0	0	0	0	0	0
30 : Problems with group reporting	1	0	0	0	0	0	0	0

Source: Elaboration by the author using QSR Nvivo 10 software

group most frequently mentioned aspects such as "management decisions" and "organisational change". Further, respondents from both the "director and manager" and "accounting and finance" categories often referred to "management decision" as well. The latter could be interpreted as some evidence for the assumption that top management and people with accounting backgrounds could have been reluctant towards ICS and did not perceive its potential value (see Sveiby, 1997a; Roslender and Stevenson, 2009). According to Guthrie and Petty (2000), in relation to their inquiry on Australian annual reporting practices, "managers commonly signal what is important through the reporting process" (p. 244). Thus, this category of professionals did not see a particular importance in IC reporting, while management support is an essential prerequisite for the survival of KM initiatives (see Storey and Barnett, 2000). In contrast, this assumption would further strengthen the assumption that ICS became particularly fashionable among HR practitioners, while the other groups remained reluctant towards this new practice. In the end, the complicated nature of ICS has been mentioned in private companies of all sizes and by all professional categories except for that of HR affiliated and consultants.

Aspects	Total N° of References	Respondents' position						
		HR	Dir/Man	CEO/Own	Acc/Fin	Comm.	Consul.	Unknown
1 : Complicated	2	0	0	1	1	0	0	0
2 : Difficult to get the data	2	0	1	0	0	1	0	0
3 : High turnover	1	0	0	1	0	0	0	0
4 : Financial Crisis	4	2	1	0	0	1	0	0
5 : Few resources, efficient use	2	2	0	0	0	0	0	0
6 : Not difficult anymore to get employees	1	0	0	0	1	0	0	0
7 : Developed own framework	2	1	1	0	0	0	0	0
8 : Employee related	5	1	1	0	1	1	0	1
9 : Low interest or support from the management	2	0	1	0	1	0	0	0
10 : Management decision	4	2	1	0	1	0	0	0
11 : Against this kind of practice	2	1	1	0	0	0	0	0
12 : Other priorities (in general terms)	5	1	1	1	1	0	0	1
13 : Other reporting priorities	9	4	0	1	2	0	1	0
14 : Because of CSR by law	1	0	0	0	0	1	0	0
15 : Too expensive in relation to its benefits	4	0	1	0	1	2	0	0
16 : Never finished the project	9	3	1	1	1	0	2	0
17 : No active use anymore, only status	1	0	1	0	0	0	0	0
18 : No external interest in such a report	2	0	1	0	0	1	0	0
19 : No results, no value perceived, no purpose	12	2	4	2	1	1	2	0
20 : Not comfortable in the project group	1	0	0	1	0	0	0	0
21 : Not required by law	2	0	1	0	0	0	1	0
22 : Nothing to compare with	1	1	0	0	0	0	0	0
23 : Only a project	5	1	1	0	1	0	0	2
24 : No interest after the project	1	1	0	0	0	0	0	0
25 : Organisational Change	5	3	2	0	0	0	0	0
26 : Employees moved due to org. change	3	3	0	0	0	0	0	0
27 : Exogenous Change, (e.g. company was sold)	4	0	0	1	1	0	0	2
28 : Merger	4	4	0	0	0	0	0	0
29 : New management with other focus	4	2	1	0	0	0	0	1
30 : Problems with group reporting	1	1	0	0	0	0	0	0

Source: Elaboration by the author using QSR Nvivo 10 software

Table IV. Occurrence of aspects in relation to respondents' positions

4.2.2 Correlations to companies' demographic attributes. Not surprisingly, considering companies' attributes unveils a similar concentration of aspects as in the previous section with the addition of "financial crisis[18]" (Table V). Particularly, low perceived value emerged in most statements, especially from large private companies, some of which operate in the public sector. Similarly, these companies often referred to "other reporting priorities" and that they did not actually finish the ICSG project.

While further patterns emerge from this representation, things slightly change when aspects are hierarchically aggregated. Again, "management decision", "organisational change", and "no results, low perceived value, no purpose" are the most uniformly distributed aspects among all types of companies and across all sectors. The recurrent aspect, management decision, was clearly most frequently mentioned by large and medium private companies from the industrial and IT sectors. The latter finding is surprising since the IT sector is characterised as being particularly knowledge intensive and based on intangible resources. Nevertheless, similar results have also been identified in other research (e.g. Striukova *et al.*, 2008) and need to be integrated here by the fact that also a considerable number of public companies stated this aspect. Further, "financial crisis" emerged again with particular dominance as well. Hence, management's decision to stop IC reporting could, at least to a certain extent, have been driven by conditions of financial distress caused by exogenous situations.

Confirming the results of the first section, if aggregated with "merger" and "new management with other focus", "organisational change" occurred in nearly all types

Table V. Occurrence of aspects in relation to companies' attributes

	Ownership			Size			Sector of activity *(GICS codes + Other)*								
Aspects	Priv	Pub	NGO	S	M	L	Other	15	20	25	30	35	45	50	55
1 : Complicated	2	0	0	1	1	0	1	0	0	0	1	0	0	0	0
2 : Difficult to get the data	1	1	0	0	0	2	1	0	0	0	0	0	1	0	0
3 : High turnover	1	0	0	1	0	0	0	0	0	0	1	0	0	0	0
4 : Financial Crisis	4	0	0	1	1	2	0	0	2	1	0	0	1	0	0
5 : Few resources, efficient use	2	0	0	0	2	0	0	0	2	0	0	0	0	0	0
6 : Not difficult anymore to get employees	0	1	0	0	0	1	0	0	0	0	0	0	0	0	1
7 : Developed own framework	1	1	0	0	1	1	1	0	1	0	0	0	0	0	0
8 : Employee related	3	1	1	0	2	2	3	0	0	0	0	1	1	0	0
9 : Low interest or support from the management	1	1	0	0	2	0	1	0	1	0	0	0	0	0	0
10 : Management decision	3	1	0	0	1	3	1	0	1	1	0	1	0	0	0
11 : Against this kind of practice	2	0	0	0	1	1	0	0	1	0	0	1	0	0	0
12 : Other priorities (in general terms)	3	1	0	2	1	0	1	0	1	0	1	0	2	0	0
13 : Other reporting priorities	5	2	1	1	3	4	4	0	1	1	0	1	2	0	0
14 : Because of CSR by law	0	1	0	0	1	0	0	0	0	0	0	0	0	0	1
15 : Too expensive in relation to its benefits	2	2	0	0	1	3	1	0	0	0	0	0	2	0	1
16 : Never finished the project	5	2	1	1	2	3	3	0	3	0	0	2	1	0	0
17 : No active use anymore, only status	0	1	0	0	1	0	0	0	1	0	0	0	0	0	0
18 : No external interest in such a report	2	0	0	0	0	2	0	0	0	0	0	0	2	0	0
19 : No results, no value perceived, no purpose	7	4	0	2	2	7	4	1	2	1	1	1	2	0	0
20 : Not comfortable in the project group	1	0	0	0	1	0	0	1	0	0	0	0	0	0	0
21 : Not required by law	1	1	0	0	1	1	1	0	0	0	0	1	0	0	0
22 : Nothing to compare with	0	1	0	0	0	1	1	0	0	0	0	0	0	0	0
23 : Only a project	3	2	0	0	2	2	2	0	1	0	0	1	1	0	0
24 : No interest after the project	0	1	0	0	1	0	1	0	0	0	0	0	0	0	0
25 : Organisational Change	2	3	0	1	2	1	3	0	0	0	0	0	2	0	0
26 : Employees moved due to org. change	0	3	0	0	1	1	3	0	0	0	0	0	0	0	0
27 : Exogenous Change, (e.g. company was sold)	3	0	0	3	1	0	0	0	2	1	0	0	0	0	1
28 : Merger	1	1	2	0	0	3	3	0	0	0	0	0	1	0	0
29 : New management with other focus	3	0	1	1	1	2	1	0	2	0	0	0	0	1	0
30 : Problems with group reporting	1	0	0	0	1	0	0	0	0	0	0	0	1	0	0

Source: elaboration by the author using QSR Nvivo 10 software

of organisations in relation to their ownership and size as well as in the public sector. In relation to "other reporting priorities", it is interesting to observe how these were mentioned mainly by HR managers of large private companies[19]. Finally, for the same category of companies, the large number of statements that the project has never been finished can be observed. The latter might confirm the bandwagon phenomenon (Abrahamson and Rosenkopf, 1993) i.e., companies were attracted by joining the project as a fashionable thing to do, which was however not enough to continue.

5. Discussion and concluding remarks

The undertaken analysis in this paper has crystallised into the following two types of reasons that drove companies to abandon ICS:

1. endogenous or active conditions, that is, deliberately taken decisions mainly from companies' top management (the largest number of statements, with at least 54 per cent); and
2. exogenous or passive conditions, such as organisational changes and/or situations of financial distress.

The first category encompasses insight that can be connected to early 1997 when Sveiby, one of the pioneers in the field of IC, argued that managers perceive reports about intangible assets as "pointless" and that they are not aware of their internal use and are afraid to give away too much information (p. 94-95). Sveiby's assertion emphasises the role of actors (e.g. firm management) in the persistence in ICS. Perceiving these reports as threats to their sense of security, these actors can be resistant towards change in existing routines caused by the adoption of new practices (see Powell, 1991 cited in Sharma *et al.*, 2010, p. 256). It is arguable that such a resistance can either lead to a process of decoupling (see Nielsen *et al.*, forthcoming) or even to the failure or abandonment of the newly acquired practice (as in the present paper). Indeed, the successful implementation of ICS, in connection with other management tools, "[…] must enjoy the attention from senior management" (DTIDC, 1997, p. 28). However, this paper found that the decline of the latter was causing the disappearance of ICS among companies.

In fact, even though in many cases management promoted or at least supported ICS, it emerged that their interest towards this still newly introduced practice during the implementation of ICS and later, partly due to external negative conditions, was not enough for a consistent cultural shift. Therefore, many preferred turning back to their "traditional" practices or other priorities. This evidence can be interpreted when considering ICS as a management fashion (Abrahamson, 1996; Fincham and Roslender, 2003, 2004), which "[…] is nice to have rather than a mission-critical activity" (Storey and Barnett, 2000, p. 154), especially in periods of financial distress and change. Another interesting perspective is provided by Van der Meer-Kooistra and Zijlstra (2001) who, amid the disadvantages of external IC reporting, have identified the limitation of management's individual freedom, which provides another suitable explanation for the management-driven decision to discontinue ICS (see also Alcaniz *et al.*, 2011; Holland and Johanson, 2003).

According to the management fashion lifecycle perspective (Abrahamson and Fairchild, 1999), based on this study, ICS can be confirmed as currently being in its "rejection" phase in Denmark. It can be concluded that once the fashionable period of the ICS project was over, companies' managements quickly lost interest and started questioning the framework's value. Unfortunately, ICS was not fully implemented nor integrated with other existing practices and was therefore unable to be demonstrated as being worthy enough to be continued (cf. Beattie and Smith, 2012).

Abrahamson (1996) argued that the trigger of these management fashions could be both endogenous and exogenous. Although in the case of the ICS project, some companies joined spontaneously by "jumping on the bandwagon" (Abrahamson and Rosenkopf, 1993), others were rather "pulled" by those organising the project or "pushed" by legislative regulation attempts, where the latter conditions have probably not contributed to reinforcing the persistence of their interest.

After the variation and selection phase have been triggered, it is more likely that a rejection phase would follow, while variation, selection, and retention are rather an exception (Zucker, 1977; Tolbert and Zucker, 1999 as cited in Abrahamson and Fairchild, 1999). This can be associated with the missing institutionalisation or legitimisation of the emerging technique (see Nielsen *et al.*, in press, forthcoming).

Beside ICS' questionable value, other reporting priorities and sometimes a hostile position towards ICS characterised the testimonials of non HR-affiliated respondents. This might provide some evidence that top management and people with an accounting and finance background did not perceive ICS' value due to some professional prejudice. The latter caused the lack of involvement and support from these professional categories (cf. Roslender and Stevenson, 2009; Storey and Barnett, 2000). Further, the preponderance of HR-affiliated respondents leads to the consideration that the ICS fashion was circumscribed to or lasted longer among HR professionals. Instead, among the others, ICS was soon considered too complicated (i.e. costly) and of low value when compared to its benefits. Hence, in some of these cases ICS' massive abandonment may be related to the cost-benefit trade-off mentioned by Beattie and Smith (2012).

The second point above is particularly interesting since it is at odds with the literature, which argued instead that ICS, when proactively and strategically implemented, provides a creative platform supporting change management (see Lönnqvist *et al.*, 2009). It is important to emphasise that in many cases it was organisational change or restructuring that led to the abandonment of the ICS practice, which was still in an embryonic and emergent phase at that time. Further, the substantial role of the global financial crisis can be associated with Abrahamson's (1996, p. 273) Proposition 7, in which management fashion proliferation is particularly influenced by macroeconomic fluctuations. Hence, it can be concluded that forces, such as organisational changes and financial distress, "shape management fashion demand" (p. 275), that is, as emerged in this case, it reduced companies' priorities in working with ICS.

Regarding the other sub-research questions, it is surprising that no clear evidence has been found in relation to the differences in what the companies applying ICS for a longer time have stated about their abandonment of these practices. This is, to a certain extent, in contrast to the assumption that working for a longer period with ICS should have at least ensured that these managers had more time at their disposal to familiarise themselves with its complexity (see Chiucchi, 2013; Storey and Barnett, 2000). However, the testimonials from this particular group offer further evidence that the ICS framework had not been completely adopted or used and consequently was unable to fully manifest its potential benefits. Likewise, regarding potential differences in relation to companies' demographic attributes, the overall categories of abandonment reasons (i.e. "management decision", "organisational change", and "perceived limited value") were uniformly distributed across all sectors. In fact, in relation to company ownership and size, the reason organisational change occurred in nearly all types of entities, further confirming the insight about ICS' difficulty to survive under turbulent organisational conditions.

IC can be defined as an "[…] all-encompassing fashion with the risk that in time the identity of the object will become unclear" (Petty and Guthrie, 2000, p. 158). Hence, it can also be supposed that people did not clearly understand ICS probably due to this complex nature. Based on this paper it can be argued that while the large potential of ICS in various areas, was probably responsible for its rapid diffusion; however, it also brought the risk of remaining unclear in use and of being poorly understood by its potential users. This applies especially in relation to people with different backgrounds (see Marr and Chatzkel, 2004; Guthrie *et al.*, 2001) and further, probably because anyone has been trained in analysing ICS as it happens instead for traditional financial statements (Mouritsen, 2004). These issues might have been underestimated by ICS fashion setters, leaving the companies on their own after the project ended. Knowledge entrepreneurs, such as academics, involved in the formation, retention, and dissolution (Abrahamson and Fairchild, 1999) of ICS were perhaps not interested enough in its persistent implementation within these organisations, while dedicating their focus perhaps already on other, newer emerging reporting frameworks. Indeed, the introduction of additional reporting requirements, such as CSR and sustainability and environmental reports, some of them mandatory, admittedly has also left less "space" for company's voluntary ICS practices. However, if these other practices are put under the same management fashion lens as well, a vicious cycle emerges: Once fashions become diffused enough, it is time for fashion setters to create new fashions in order to maintain the status of being trendsetting (Abrahamson, 1996).

This might explain the proliferation of reporting frameworks that differ much in rhetoric and less in content (e.g. CSR, integrated reporting, etc.) mining at the same time the diffusion of the previous ones. Hence, fashion setters, such as academics, by pushing constantly new models *de facto* create the obstacles for their existing models' survival, something that appears as being intrinsically part of the proliferation of management fashions and their lifecycles.

In conclusion, the integrative focus on the implementation failure of ICS reveals a fascinating dynamic course, characterised by the cause-effect relationship between fashion/implementation failure/abandonment (cf. Schaper, 2014). Endogenous factors, such as ICS being a fashion phenomenon, led to low attention from company decision makers. This was due to a natural management fashion lifecycle, partly reinforced by the consequences of exogenous factors. Indeed, ICS has not been able to manifest its value, at least partly because it was loosely coupled within the organisations (Nielsen *et al.*, forthcoming) and because it did not become a means for facing turbulent situations, such as organisational changes. On the contrary, the latter contributed to and accelerated its disappearance. Hence, while management's interest already decreased, its failed implementation contributed to manager's perceptions that ICS was not valuable enough to keep on working with it. Hence, it can be argued in this case, that ICS was pushed by fashion setters and not embedded in organisations, causing the inability to demonstrate its value, especially in cases of turbulent change, resulting in loss of interest.

Thus, ICS' successful implementation, that is, mutating from a fashionable reporting tool to a real KM practice as well, might have been a necessary condition to persist within organisations. However, as the testimonials related to the exogenous conditions show, such complex practices as ICS probably need a more constant organisational environment (at least at the beginning) in order to become truly embedded. Therefore, rather than directly involving the whole organisation, a gradual implementation could represent a valid starting point to overcome this problem and reduce ICS' complexity without simplifying the ICS model itself.

In conclusion, this paper has accomplished its purpose by contributing to the existing, rather optimistic IC literature with a structured analysis of reasons that can make the diffusion of IC reporting practices fail. Despite what can be observed in theory, this analysis found that ICS has not proven itself as valuable as expected when applied in practice and thus it disappeared quickly among pioneering Danish companies. By doing so, it provided valuable insight for policy makers, regulators, practitioners, fashion setters, and, through its practice-based evidence, for the future development of IC theory in general. Similar to Dumay's (2009) conclusions, it has shown that "pushing" a general model for measuring IC might not provide expected results in the involved organisations, nor does it help to really understand their value creation processes. Instead, listening to the perceptions of managers who work with IC-related practices might provide useful understandings to further develop IC theory.

However, as already mentioned in the methodology section, the sample composition, the respondent's selection, and the subjectivity of the analysis are some of the main limitations of the paper. In particular, the reliability of the findings is affected from its beginning due to respondents' difficulty in accurately remembering what happened more than a decade ago.

Finally, the paper, with its aim to stimulate reflections upon the low persistence of ICS within organisational practices, provides several inputs for further research. Comparing its results with similar studies related to other forms of extra-financial reporting aims to provide interesting insight from the fashion perspective. Extending the adopted research design to different samples of companies would enable a further expansion of the explorative knowledge regarding these issues. Further, it could be particular productive to overcome some of this research's limitations by selecting companies that were working with IC disclosures in more recent years or by drawing on other theoretical contributions. Furthermore, examining the role of professional networks within the companies in affecting the acceptance and proliferation of IC practices in organisations is another option to investigate their diffusion. Hence, perhaps deeper investigations into these mechanisms through longitudinal case studies (e.g. Chiucchi, 2013) would provide more detailed insight about why organisations abandon IC or similar reporting practices. In the end, the evidence that has emerged about external stakeholder's low attention to ICS in particular and IC reporting in general could lead to the necessity to reconsider and further question the validity and value relevance of these disclosures.

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Notes
1. For example, Petty and Guthrie (2000, p. 156) argued that their worldview might have been substantially influenced, shaped, and biased in favour of quantitative frameworks due to their initial training as accountants.
2. Or, as in this case, share of management fashion, as emerged in Nielsen *et al.* (in press, forthcoming; see also Fincham and Roslender, 2003, 2004; Abrahamson, 1996).
3. An earlier version of the Nielsen *et al.* (in press) article has been presented at the 10th EIASM Interdisciplinary Workshop on Intangibles, Intellectual Capital and Extra-Financial Information in Ferrara, 18-19 of September 2014.
4. For example, see appendix 3 in Mouritsen *et al.* (2003a, p. 67) for reflections about an industry-specific guideline.
5. These interviews covered a larger range of topics concerning the Danish project; however, this study focuses on the parts related with the inquiry in this paper.
6. Considering that most of the companies already stopped after one or two ICS, around 2000 or 2003/2004.

7. The sample also included two of the consulting organisations involved in the project, of which one has produced an ICS as well. Both have provided data to this research: one with a general opinion about companies' abandonment of the ICS practice and the other with an explanation as to why they have stopped using ICS.
8. This process is described more in detail in Nielsen *et al.* (in press).
9. Available at: www.msci.com/products/indices/sector/gics/gics_structure.html (accessed in 2013).
10. Calculated considering respondent's period of employment in the company in relation to the guideline project: number of years until the interview (2012) since 1998 for the first group and since 2001 for the second group.
11. Nvivo 10 (registered trademark of QSR International Pty Ltd Australia) www.qsrinternational.com
12. This percentage rises easily up to 60 per cent when adding some statements from the "Others" category.
13. The following tables are manually adapted outputs generated by this programme.
14. Table cells have been automatically coloured in relation to the intensity (number of references) with which aspects occur. The darker cells visualise those intersections and are of major relevance. By looking at the table, it can be quickly observed who most frequently mentioned certain aspects (darkest cells). In Table III, Company 5 mentioned an aspect twice, at the beginning and at the end of the statement.
15. In those cases where attributes were known.
16. At this point, it must be considered that references have not been weighted in relation to their occurrences. This decision is because the use of frequencies would not have augmented the potential of representation due to the overall limited number of occurrences.
17. That is, summing occurrences of some aspects to other which do more directly reflect the major categories.
18. Clearly a prevailing condition in the industrials sector, in private companies, independently to their size.
19. It is again likely that in these cases other emerging reporting requirements played an important role, where especially these groups of employees were involved.

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About the author

Dr Stefan Schaper obtained his PhD in Management and Business Administration with the additional certification *Doctor Europaeus* in March 2014 from the "G. d'Annunzio" University Chieti-Pescara in Italy. During his PhD he spend eight months, between 2012 and 2013 at the former Center for Research Excellence in Business modelS (CREBS), now Business Model Design Center, Department of Business and Management at the Aalborg University, Denmark, under the supervision of Professor Christian Nielsen who introduced him to Professor Robin Roslender as well. This represented the beginning of a flourishing collaboration leading at date to the production of two joint articles.

Once finished with his PhD, he moved back to Germany, where he is now working as a Business Consultant at BearingPoint GmbH based in Munich. Dr Stefan Schaper can be contacted at: schaper.ste@gmail.com

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