Integrated reporting management: Optimising organisational performance

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Abstract This study examines the intricate interdependence of organisational management control systems (MCS), sustainability integration, and financial reporting. Empirical analysis highlights the need for a holistic and multi-faceted integration of internal systems, particularly across management accounting, financial reporting, and sustainability. The research outlines the challenges and benefits of embedding sustainability principles into management systems, demonstrating potential gains in efficiency, risk mitigation, and competitive advantage. One of the critical conclusions that emerged based on the conducted study is related to the perception of Managerial Discretion. Acknowledging the invariance of top management roles and behaviours is crucial when designing reporting systems. Tailoring the system to the specific environmental conditions the organisation faces is essential, striving for a balance between maximising opportunities and maintaining control. Comprehensive integration between management accounting, financial reporting, and sustainability systems addresses concerns about the disparity in sophistication between financial and sustainability performance indicators. A one-size-fits-all approach is impractical, necessitating a distinct project approach for each organisation when implementing the reporting management function. It is suggested that organisations should be diversified according to their size and maturity level in order to identify specific and concrete measures aimed at building an effective reporting system. The author enhanced the critical role of top management in defining, designing, and implementing a practical reporting governance framework. This framework should ensure alignment with the organisation's strategic objectives and needs. A successful organisational structure hinges on establishing and maintaining the "tone at the top". By promoting a positive "tone at the top," management fosters a sustainable and successful corporate culture, paving the way for future development and achieving strategic goals. These conclusions offer valuable insights for organisations seeking to establish robust and effective reporting systems that support informed decision-making, stakeholder engagement, and sustainable value creation.

Keywords: integrated reporting, organisation's management team, management control system, sustainable reporting

1. Introduction

Up until the 1970s, the consideration of gender was infrequently incorporated into global education and international In today's global economy, developing an effective reporting system and diversifying organisations, taking into account their size and maturity level, are identified as critical aspects. Challenges facing society in terms of transparency and social responsibility must be addressed proactively by organisations, without waiting for other market participants to achieve their goals or for regulators to impose harsh sanctions for failure to meet specific reporting requirements.

Financial accounting systems logically serve as a starting point for analysing the properties of information systems that are key to solving problems of interaction with shareholders, other stakeholders and management.

One of the key factors in an organisation's success is its size and structure. Size determines the number of employees, while structure determines how they interact. However, the size and structure of an organisation is only the basis for success, as its internal nature, i.e. its substance, is also important for success. People are the most important asset of any organisation, and effective recruitment and positioning of staff in areas where they can contribute most are key to success. Recruitment and assignment of responsibilities is not enough on its own - the ability to tailor these components to specific requirements is crucial.

In today's dynamic economic landscape, integrated reporting has emerged as a crucial tool for organizations to navigate the growing importance of intangible assets and stakeholder demands for sustainability. The basis for the research on the chosen subject were the works of leading scientists, specialists and scholars, in particular, the issues of formation and
A number of contemporary researchers consider the complex interdependence between management control systems, integration of sustainable development and financial reporting. In particular, Beusche et al. (2015) and Davydiuk (2012) emphasize that empirical analysis highlights the need for complex and multifactorial integration of internal management accounting and financial reporting systems in the concept of sustainable development. The study of Latysheva et al. (2020) identifies the benefits and risks of implementing the principles of sustainable development into a management paradigm. The results of the research of the cited authors emphasize the potential of innovative management approaches to increase efficiency, reduce risks, and obtain competitive advantages.

One of the most important questions at the heart of the current study is related to the recognition of the immutability of the roles and behavior of senior management, which is of crucial importance in the development of reporting systems. This problem is considered in the works of scientists (Doyle et al., 2007; Gond, 2012), who consider it necessary to adapt the system to the specific conditions of the environment in which the organization is located, striving for a balance between maximizing opportunities and maintaining control. According to Gond (2012), comprehensive integration between management accounting, financial reporting and sustainable development systems solves the problems associated with the difference in complexity between financial indicators and indicators of sustainable development.

Some scientists (Zhang, 2019; Latysheva et al., 2020) consider a universal approach inappropriate, prioritizing separate project approaches for each organization when implementing the reporting management function. Scholars are encouraged to diversify organizations according to their size and maturity level in order to identify specific measures aimed at building an effective reporting system.

Bezverkhyyi (2014) and Vitolla at al. (2019) emphasize the critical role of top management in defining, developing and implementing a practical reporting management system. Scientists emphasize that this system should ensure compliance with the strategic goals and needs of organizations that seek to create reliable and effective reporting systems that contribute to informed decision-making, the involvement of stakeholders and the formation of a sustainable value system.

The article is aimed at conducting a critical analysis of the issue of integration of sustainable development into the organization’s management system. The paper considers the issues of defining and calculating quantitative indicators of sustainable development and determining the relationship between subjective key indicators of sustainable development and financial performance of organisations.

In addition, there is a question of the sustainability of the relationship between corporate governance and the financial reporting management function, given the multifactorial dimension of the environment in which the organisation operates. In this regard, the role of the management team in the definition, development and implementation of the reporting system needs to be studied in terms of its importance and the criticality of the relevant management functions.

Drucker (1986) emphasizes the importance of comprehensive understanding and integrated action for effective management. While he doesn’t directly address the specific term “integrated reporting” in his works he lays out principles that significantly impact how management approaches organizational reporting. This translates to reporting that goes beyond mere financial figures, encompassing diverse aspects like social, environmental, and human capital impacts. Effective management, according to Drucker, requires an integrated and comprehensive approach to information and data, with a focus on transparency, relevance, and decision-making, all of which are crucial principles for modern integrated reporting practices.

Roberts et al. (2009) in their book "International Corporate Reporting: A Comparative Approach," tackle the intricate problem of aligning reporting functions with the diverse needs of stakeholders. They emphasize the heterogeneity of stakeholders, highlighting differing information needs across investors, creditors, employees, communities, and regulators. This multifaceted perspective challenges the “one-size-fits-all” approach to reporting and advocates for tailoring information disclosure based on stakeholder group interests. Roberts with colleagues advocate for a materiality principle, arguing that disclosures should prioritize information relevant to stakeholder decision-making. This requires organizations to understand the information needs of each stakeholder group and prioritize disclosure accordingly. This study proposes an integrated reporting framework that goes beyond financial data to encompass social, environmental, and governance (ESG) aspects. This holistic approach addresses the growing demand for information beyond pure financial performance, reflecting the concerns of various stakeholders.

The need for a holistic approach to accountability that transcends traditional financial metrics, incorporating a broader spectrum of stakeholders’ interests and environmental, social, and governance (ESG) factors emphasizes Quatrone et al. (2013). Through their examination of integrated reporting practices, the authors shed light on the tensions between economic imperatives and societal expectations, underscoring the importance of aligning organizational values with value creation strategies to foster sustainable business practices and stakeholder trust.

Cooper & Morgan (2013) claim, that current corporate accounting practices prioritize the needs of capital providers, neglecting crucial social and environmental impacts. They propose expanding the scope of accounting to encompass these
broader concerns. Current research on corporate social responsibility reporting yields mixed results. This study argues for a shift in corporate accounting’s focus, encompassing social and environmental impacts alongside financial concerns. A broader framework proposed involving diverse stakeholders and funding mechanisms.

The bibliometric analysis conducted by Bosi et al. (2022) provides a comprehensive and insightful examination of the research trajectory pertaining to ESG-integrated sustainability reporting. Their study elucidates the increasing significance accorded to social dimensions in conjunction with environmental considerations within the domain of sustainability reporting. Moreover, Bosi et al. identify emergent directions for future research endeavours, thereby illuminating promising paths for scholarly inquiry and theoretical advancement in this pivotal field.

Velte (2022) underscores the potential of integrated reporting to enhance firm value by drawing on both internal governance and external stakeholder engagement. Addressing challenges like greenwashing and information overload will be crucial for further realizing its benefits. Study proves, that board composition and stakeholder pressure positively influence performance measurement systems, the significant role senior management plays in organizational sustainability management, the less fragmentation and isolation of specialists involved in this process. In this case, it contributes to higher total performance measures, indicating positive effects on firm value.

In the context of the reporting function, top management teams (TMTs) exert influence through their oversight of information flow, performance monitoring, and accountability mechanisms. The reporting function serves as a vital link between strategic initiatives and organizational performance, providing TMTs with essential data and insights to inform decision-making and evaluate outcomes. Finkelstein et al. (2009) suggest valuable insights into how management characteristics, dynamics, and leadership styles can indirectly influence an organization’s approach to reporting. This core concept suggests that TMTs’ perspectives and decisions are shaped by their individual experiences, values, and cognitive lenses.

2. Methods

Employing a methodological framework combining inductive and deductive reasoning, this study engages in a multi-pronged approach. Thus, research employs a general scientific research methodology, primarily utilizing systematic and comparative analysis alongside logical generalization and systematic analysis. The study leverages the insights of various scholars. Analysis of their works provides a comprehensive understanding of the challenges and benefits associated with integrating sustainability into management systems, the significant role senior management plays in organizational performance, and the key considerations for designing effective reporting systems.

Furthermore, the study incorporates the dialectical method of cognition to shed light on the intricate relationships between management control systems, sustainability integration, financial reporting, and organizational performance. This method facilitates the exploration of potential challenges regarding strategy coherence and sustainable development, offering valuable insights for further research and practical application.

This combined approach fosters a robust understanding of the relationships between these concepts and their practical implications for organizational management.

3. Results and Discussion

According to the results of research conducted by Gond et al. (2012), existing approaches to the process of integrating the conceptual foundations of sustainable development often do not take into account the specifics of the basic infrastructure, which forms the measurability of the phenomenon of sustainable progress, determining its manageability. The results of the analysis represent the insufficient nature of strategically important monitoring and controlling on the part of top managers. Integrating sustainability into the management system is one of the key elements of a sustainability strategy and is a prerequisite for strengthening the sustainability strategy. It ensures that sustainability principles and goals are embedded in all aspects of an organization’s activities and not just isolated initiatives.

Thus, according to research conducted by Beusch et al. (2015) management control systems (MCS) and sustainability control systems (SCS) of organisation are characterised by technical integration but face challenges in terms of their organisational and cognitive integration. However, technical integration partially compensates for the lack of integration in the other two dimensions. In the work of Gond et al. (2012) defined three dimensions of integration between management control systems and sustainability control systems: technical, organisational and cognitive. The first dimension operates with the approaches used in the field of data and information processing and aggregation, the second determines the nature and type of interrelationships of both units and personnel. Accordingly, the higher the level of organisational integration in terms of sustainability management, the less fragmentation and isolation of specialists involved in this process. In this case, it concerns the issue of efficient use of resources to achieve the set goals. The third dimension of integration describes the level of coherence and mutual understanding of common goals between finance and control specialists and those employees who focus on sustainable development.

The achievement of a high degree of technical integration should lead to the fact that the organisation will carry out the reporting process in terms of both financial and sustainable development indicators using the same management performance measurement system. At the same time, there are a number of methodological problems with the measurement of certain
sustainability indicators, difficulties in determining the link between subjective key sustainability indicators and financial indicators, as well as relatively infrequent measurement of some key indicators, especially in the field of human resources, such as employee welfare and well-being.

Considering the multidimensional interrelationships between various internal systems, it can be reasonably assumed that integrating sustainability into the management system provides the following benefits:

- **Improved efficiency and productivity.** Decision-making based on sustainability principles can lead to improved efficiency and productivity of an organisation. For example, using resources more rationally and efficiently can lead to lower costs and improved financial performance.
- **Reduction and improvement of risk management.** Integrating sustainability into the management system can help an organisation reduce risks associated with the environment, social issues and economic instability.
- **Increased competitiveness.** Integrating sustainability into the management system can help an organisation to increase its competitiveness. For example, it is argued that consumers are increasingly choosing products and services from organisations that adhere to the principles of sustainable development.

As a result, a comprehensive and multidimensional integration between different internal systems, in particular in the areas of management accounting, financial reporting and sustainability, is an adequate response to certain concerns that exist within organisations. Management personnel have expressed concerns regarding the use of financial indicators to assess organisational performance, which are more developed and formalised than those used for sustainability. Additionally, there is a related issue of the reliability of sustainability indicators, as they are largely based on soft metrics rather than financial indicators based on monetary units.

In this context, there is a question of assessing the complexity of data and the environment that forms the multidimensional existence of sustainable development. As Latysheva et al. (2020) pointed out, there is an objective difficulty in collecting, summarising and analysing reliable information when assessing the parameters of sustainable development components and the limits of the competitive space for sustainable development of enterprises in a particular industry or sector of the economy.

According to research of Beusch et al. (2015), an organization can implement an integrated sustainability strategy successfully without fully integrating its management control and sustainability control systems. However, they do not specify whether there is an optimal level of integration. The integration of management and sustainability control systems can be hindered by excessive regulation through complex control systems. It is crucial to establish a balance between the benefits and costs of introducing controls over sustainability reporting.

It is important to ensure that the implementation of control systems and measures does not result in a decrease in the overall efficiency of the system and organization. Control should not be implemented solely for the sake of control. When choosing the degree of rigour in formalising assessment criteria and introducing control elements, it is important to consider the fuzzy nature of measuring performance indicators and the constant development of the sustainable development universe as a new type of global phenomenon. The issue may stem from a failure to consider that sustainability indicators and goals may not align with financial indicators based on traditional business logic for evaluating investment effectiveness. In line with the comprehensive concept of sustainability, which extends beyond typical business practices, it is important to ensure that all relevant factors are taken into account.

Transparency in corporate governance, operations, and activities is crucial in environments with high levels of legal protection of shareholder rights. This discipline management to act in the best interests of shareholders. Limited transparency of an organization’s activities to external users can increase the need for governance systems to mitigate moral hazard problems. Moral hazard problems arise when one party takes risks without being fully responsible for their actions or decisions. This is often due to an information gap between management and shareholders. Moral hazards can arise in various contexts, and the solution often involves establishing responsible incentives and controls to prevent a party, such as management, from abusing the risk-taking power it has been granted.

According to the results of the study conducted by Bushman et al. (2004) on monitoring technology, the limitations inherent in the information systems of companies in generating the information necessary for monitoring managerial behaviour affect the formation of the governance structure, influencing the balance between costs and benefits that underlies the configuration of the governance mechanism. Based on the analysis of 784 Fortune 1000 companies, the study confirmed the assumption that there is strong support for the predicted negative relationship between the "strength" of corporate governance systems and earnings timeliness (measured by the ability to explain changes in shareholder value in a timely manner), after considering other factors such as growth opportunities, profitability volatility, company size, number of years the company has been public, tenure of the CEO, whether the CEO or chairman of the board is a member of the board, and whether the company is a publicly traded company.

At the same time, it was noted that financial accounting systems are a logical starting point for researching the properties of information systems that are important for addressing moral hazard.
Risk factors, such as the size of the organisation, age, financial condition, etc., can serve as a basis for developing individual risk management strategies for different types of organisations. According to the research conducted by Doyle (2007), which focused on determining the factors that influence the existence and occurrence of material weaknesses in internal control over financial reporting, such deficiencies are more likely to occur in smaller, younger, financially weaker, more complex, rapidly growing and/or restructuring companies. In particular, a set of 970 unique organisations that reported at least one material weakness between August 2002 and 2005 was studied. The conclusion is that companies with the above characteristics are characterised by problems in developing and maintaining an effective internal control system.

At the same time, for organisations that are larger, older (more mature) and more financially stable than those that report systemic weaknesses at the company-wide level, the weaknesses are more specific and relate to individual operations or elements. Such companies, among other things, have more complex and diversified businesses and activities and are growing at a relatively fast pace. The complexity of their operating landscape, coupled with the dynamic changes experienced in M&A transactions and the significant growth in revenue and operations, appears to prevent these companies from maintaining sufficient internal controls over specific transactions or areas of responsibility. Instead, a general lack of resources or expertise to maintain comprehensive control systems is common among companies that suffer from control system problems at the organisation-wide level.

Therefore, it is suggested that organisations should be diversified according to their size and maturity level in order to identify specific and concrete measures aimed at building an effective reporting system.

Figure 1 shows a breakdown of organisations according to their size and maturity level.

**Figure 1** Diversification of organisations by size and maturity level.  
*Source: Velte (2022); Vitolla et al. (2019)*

Consideration of the size and maturity of the organisation when designing a reporting system allows it to be tailored to the specific needs and capabilities of the organisation, contributing to more effective management of financial functions. Obviously, it is impossible to create a versatile mechanism for developing a reporting system that would meet the needs of all potential users. That is why it is necessary to consider each type of organisation as a separate specific project, but it should be taken into account that the elements and characteristics of different projects and organisations may have common features (Kussainov et al., 2023).

As can be seen, the biggest challenges are identified at the level of large organisations with a high level of maturity. This is largely due to the impact of such organisations on both individual stakeholder groups and society as a whole. For such organisations, regulators develop and implement complex, specific and detailed reporting requirements.

The following aspects can be identified as key challenges for such large organisations:

1. **Social responsibility:**
   - Large organisations have a significant impact on society and have to address ethical issues and rely on corporate social responsibility (CSR) standards.
   - Consumers, employees and other stakeholders demand that companies report on their social and environmental initiatives.

2. **Cybersecurity:**
   - Highly sophisticated organisations, particularly in the digital age, are at increased risk of cyber-attacks.
   - Regulators set strict requirements for the protection of confidential information and personal data.

3. **Compliance with regulatory requirements:**
   - Large companies must comply with a variety of laws and regulations in the different countries in which they operate.
• Regulators impose detailed reporting requirements, and violations can result in heavy fines and penalties.

4. Risk management:
• Organisations must take care to effectively manage a variety of risks, such as financial, reputational, technological and other risks.

5. Innovation and change:
• Ensuring sustainable development and competitiveness requires constant innovation and readiness for change.

6. Reporting:
• Regulators impose detailed requirements for financial and non-financial reporting, including information on sustainability and social performance.

7. Supply chain:
• Globalisation requires the management of complex supply chains, taking into account ethical and environmental aspects.

Meeting these challenges requires not only appropriate governance systems, but also a culture of internal accountability and flexibility to adapt to changes in the regulatory environment.

In view of the identified challenges, in particular in the area of reporting, both financial and non-financial, the role and tasks of top management in building a reporting management system are identified as follows:

Table 1: The role and tasks of senior management in building a reporting management system.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Role</th>
<th>Objectives</th>
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<tbody>
<tr>
<td>Setting strategic goals</td>
<td>Top management defines the strategic goals and objectives that the reporting system should address</td>
<td>Formulating clear strategic directions that define the necessity and scope of information for effective management</td>
</tr>
<tr>
<td>Creating a culture of accountability</td>
<td>Ensure an internal culture that supports the value and use of reports for decision-making</td>
<td>Raising awareness of the importance of reporting, establishing incentives for responsible reporting</td>
</tr>
<tr>
<td>Selecting the right tools and technologies</td>
<td>Making decisions on the selection of appropriate information and technology solutions for building a reporting system</td>
<td>Evaluation of the variety of tools, analysis of their relevance to the needs and capabilities of the organisation</td>
</tr>
<tr>
<td>Ensuring integration and integrity</td>
<td>Ensure interaction between different parts of the organisation and their systems to ensure a unified reporting system.</td>
<td>Resolving data integration issues, harmonising standards and procedures between different departments</td>
</tr>
<tr>
<td>Ensuring compliance and security</td>
<td>Ensuring that the reporting system complies with legal requirements, security standards and ethical standards</td>
<td>Developing and implementing security policies and ensuring compliance with regulatory requirements</td>
</tr>
<tr>
<td>Ensure monitoring and evaluation</td>
<td>Introduce a system for monitoring and evaluating the effectiveness of the reporting system</td>
<td>Developing key performance indicators, evaluation systems and regularly updating control mechanisms</td>
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Source: Beusch et al. (2015); Zhang (2019)

Top management and the management team play a key role in defining, designing and implementing an effective reporting governance framework, ensuring alignment with the organisation's strategic objectives and needs.

According to Druker (1986) “While management is a discipline-that is, an organized body of knowledge and as such applicable everywhere-it is also a “culture”.

Top management of an organisation plays a key role in defining, developing and implementing the reporting system. The influence of the management team can be decisive in determining how effectively and clearly an organisation communicates its performance to stakeholders, regulators and the public.

In his work "General and Industrial Management", Henri Fayol, a French industrialist and engineer who is considered one of the founders of the classical school of management, proposed the division of management activities into five main elements: planning, organisation, coordination, command and control (Fayol, 1954).

The Fayolian division of labour is the foundation of modern management. These five elements (functions) are the main components of management activities, and they are essential for the effective operation of any organisation. This division of activities has been the subject of many studies. Some studies confirm that these five functions are essential for effective management. Other studies show that these functions can be combined or broken down into smaller functions.

Fayol divides the organisational function into material and human and focuses on the latter. He lists management responsibilities related to the organisation, such as:

• Ensure that the plan is developed in a reasonable manner and that it is implemented accurately.
• Matching resources to the plan.
• Leadership ("one competent, energetic governing body", "team unity", control, supervision).
• Harmonisation and coordination of activities.
• Decision-making.
• Analysis and design of workplaces and staff selection.
• Empowerment (encouraging "initiative and responsibility").
• Performance management - fair and appropriate remuneration; maintaining discipline and sanctions for mistakes and deficiencies; subordination of individual interests to the common interest.
• Fighting excessive regulation, bureaucracy and paperwork.

Fayol emphasises the importance of placing the right people with the right skills in the right positions and spends a lot of time discussing the qualities that managers and employees should have and the types of education, training and development programmes that foster these qualities. Analysing Fayor's work, it is possible to conclude that the emphasis on personal qualities and development is quite organic and natural (Zayed et al., 2022).

Therefore, in addition to the size and shape of the organisation, its substance is more important: to create an organisation, it is not enough to group people and assign responsibilities; you need to know how to adapt such a set of elements to the requirements, how to find the necessary staff and assign each one to the place where they can bring the most value; in general, numerous traits and values are required.

Issues related to the organisation of the management team play an important role in the decision-making process of the staff regarding financial reporting, with the increasing role of individual managerial characteristics. According to research conducted by Bushman et al. (2004), firms with top management who have longer combined experience and similar backgrounds are more likely to make misstatements in financial statements and to recognise revenue more aggressively when faced with mechanisms and incentives that increase their profitability (Zhang, 2019). Applying a single approach across the organisation to assess the role of the executive management team is problematic. The functioning of top management in different environments and organisations results in different effects in terms of results and approaches to their work.

One of the key aspects of the success of any large organisation is to define and adhere to a "tone at the top". This concept indicates that the ethics and values at the top of the corporate hierarchy shape the character and culture of the entire organisation. "Tone at the top" is used to define the leadership of an organisation's operational management and board of directors and their commitment to being honest and ethical. After a series of corporate financial scandals such as Enron, WorldCom, Adelphia, etc., the Sarbanes-Oxley Act (SOX) of 2002 popularised the term "tone at the top", an element that was not present in the aforementioned scandals (Akimov et al., 2021; Bondarenko et al., 2022).

Organisational structure is an integral part of successful corporate resource management. However, the dynamics of the structure are determined not only by formal policies and procedures, but also by the non-formalised rules and values adopted at the top level of management. The "tone of the top" is determined not only by proclamations and declarations, but also by the practical actions of the top management. First and foremost, the sense of responsibility to the organisation and its stakeholders lies on the shoulders of top management. They act not only as strategic leaders, but also as role models for the entire corporate community. Their decisions, such as those related to environmental responsibility or corporate social behaviour, shape the attitudes of their subordinates and provide direction for the organisation's development (Bayev et al., 2022).

Organisational culture is a set of values, beliefs and practices that characterise a community of employees. Eldridge and Crombie (1974) believe that organisational culture is a unique set of norms, values, beliefs that determine the way groups and individuals are brought together in an organisation to achieve its objectives. According to the approach of Schein (1999), organisational culture is a set of basic assumptions invented, discovered or developed by a group to learn how to cope with the problems of external adaptation and internal integration, which has been in place long enough to prove its validity and is passed on to new members of the organisation as the only correct one. Shaping corporate culture is a dynamic interaction between external and internal factors, each of which contributes to the organisation's overall identity, values and behaviour. Successful management considers and aligns these factors to create a coherent and adaptive corporate culture (Bondarenko et al., 2021).

In the context of organisational culture, there is a unique psychological phenomenon called "a little bit of the top", which indicates that even the slightest nuance in the top management can have a major impact on the culture of the entire organisation. For example, if the top management is separated from its own principles and values, this can lead to conflicts and disagreements within the organisation.

Failure to define and implement a "tone at the top" can lead to disorganisation and loss of effectiveness in the long run. The relationship between top management and employees should be based on mutual understanding, trust and respect.

To create a positive and effective "tone at the top", it is necessary to set clear values and ethical standards that top management wants everyone in the organisation to adhere to. It is also important to actively involve subordinates in the process of shaping these values so that they feel a sense of ownership of the shared goal-setting.

It can be concluded that a successful organisational structure is based on defining and maintaining the "tone of the top". In this context, the top management should not only act as a strategic driver, but also shape the culture and values that
determine the effectiveness of the organisation. By actively promoting and cultivating a positive “tone at the top”, management ensures the sustainable and successful functioning of the corporate culture, thereby setting the stage for further development and achievement of the organisation's strategic goals.

Sidney Finkelstein, a well-known guru in the field of management practices research, argues that the actions or inaction of a relatively small number of key individuals at the highest level of an organisation (top management) can dramatically affect the performance of the entire organisation (Finkelstein et al., 2009). In order to understand why organisations do what they do or operate the way they do, it is necessary to have a deep understanding of the people at the top - their experience, abilities, values, social connections, aspirations and other human traits.

To a large extent, the success of an organisation depends on the strategic decisions made by its leaders. And these decisions are made by leaders based on their own experience, values and motivation. Therefore, organisations are essentially a reflection of their top managers.

In particular, if a top manager believes that it is more important to focus on short-term profits and goals than on long-term development, the organisation is likely to make decisions that will promote short-term success, even if this may negatively impact the long-term. Conversely, if a top manager believes that it is more important to invest in long-term development than in short-term results, the organisation is more likely to make decisions that will contribute to long-term success, even if this may negatively impact the short-term. An organisation’s performance is directly related to its strategic decisions, and these decisions are made by people acting on their own circumstances and motivations (Mamchur et al., 2023).

The study of the role of top management in organisations is an important and constantly relevant area of research in management. For example, some researchers and practitioners argue that top management plays a crucial role in organisational performance, while others argue the opposite, i.e. their relative irrelevance. In this debate, there is a third perspective that seeks to bridge this gap – the idea of discretion or managerial discretion. This concept is used to define the different relevance of the role of top management in profit-oriented organisations depending on the range of possibilities for their actions.

Those who argue that senior management plays a key role in achieving organisational performance often make the following arguments:

- Senior management is responsible for setting the organisation's strategy and making important decisions that can have a significant impact on its performance.
- Senior management is responsible for creating and maintaining an organisation's culture, which can play an important role in employee motivation and productivity.
- Senior management is responsible for representing the organisation to the outside world and building its reputation.

In contrast, those who argue that senior management is irrelevant to organisational performance claim that senior management is often disconnected from the actual workings of the organisation and lacks an understanding of how it actually works. In addition, it is argued that senior management often makes decisions that benefit themselves rather than the organisation and is often an obstacle to innovation and change.

The concept of discretion or managerial discretion is used to define the different relevance of the role of senior management in organisations depending on the range of discretion they have. A higher range of discretion means that senior management has more ability to influence the performance of the organisation, while a lower range of discretion means that senior management has less ability to influence.

For example, top management in organisations operating in high uncertainty and competition has a higher margin of discretion because they must make quick and important decisions in an uncertain environment. Conversely, top management in organisations that operate in low uncertainty and competition has a lower discretionary range because they can follow more standardised procedures (Aranchiy et al., 2022).

This role invariance of top management behaviour should be taken into account when designing an organisation's reporting system. In the author's opinion, the current conditions and environment in which the organisation operates should be considered. Finding an optimal balance between maximising opportunities and maintaining control over the management process is crucial. The concept of managerial discretion appears attractive as it allows for variability in the environment. This is because it provides flexibility in decision-making.

On the other hand, it is essential to stress that the top management is an important part of the organisation, but there are other leaders who also play an impactful management role. Senior and/or middle managers make a significant part of the decisions that affect the organisation's performance. Their decisions are more related to the day-to-day operations and have a greater impact on the details of the process, even though they affect the organisation's performance.

4. Conclusions

As a result of the study, the following conclusions can be derived:
• when designing a reporting system in an organisation, the invariance of roles and behaviour of top management should be taken into account. In the author's opinion, the current conditions and environment in which the organisation operates should be taken into account. It is crucial to find an optimal balance between maximising opportunities and losing control over the management process. In this context, the concept of managerial discretion looks the most attractive, as it allows to take into account the degree of variability of the environment
• comprehensive and multidimensional integration between different internal systems, in particular in the areas of management accounting, financial reporting and sustainability, is an adequate response to some concerns that exist within organisations about the fact that financial indicators used to assess the performance of organisations are much more sophisticated than those used in areas related to sustainability. The fuzzy essence of performance measurement and the continuous development of the sustainability landscape as a new type of global phenomenon should be taken into account in determining the degree of rigour in formalising the assessment criteria and introducing controls;
• taking into account the size and maturity of the organisation when designing the reporting system allows it to be tailored to the specific needs and capabilities of the organisation, contributing to more efficient management of financial functions. It is not practically possible to create a versatile mechanism for organising a reporting system that would be able to meet the needs of all potential users. That is why, when implementing the reporting management function, it is necessary to consider each type of organisation as a distinct specific project;
• top management plays a key role in defining, designing and implementing an effective reporting governance framework, ensuring alignment with the organisation's strategic objectives and needs;
• a successful organisational structure is based on defining and maintaining the "tone of the top". In this context, senior management should not only act as a strategic driver, but also shape the culture and values that guide the organisation's performance. By actively promoting and cultivating a positive "tone at the top", management ensures the sustainable and successful functioning of the corporate culture, thereby setting the basis for further development and achievement of the organisation's strategic goals.

Ethical considerations
Not applicable.

Conflict of Interest
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