THE INFLUENCE OF BOARD DIVERSITY TOWARD INTEGRATED REPORTING

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ABSTRACT

Rizky Andhika: The Influence of Board Diversity toward Integrated Reporting
(Under the supervision from drs. Bettine Bergmans, MSc. and drs. Frank Gruben)

Board diversity has a significant influence toward the integrated reporting. The research aims to discover the influence of diversity aspect on the board of directors such as gender and career experience in the development of integrated reporting. The author wants to reveal the impact of such diversity aspect toward the integrated reporting. Moreover, the author uses the literature review from reliable journals as an evidence for the statement in order to elaborate the ideas of the issues in this research. Indeed, there is a positive relationship between board diversity aspects and integrated reporting. The findings from this research will help the accounting students, other researchers and multinational companies to further understand the issues in this research in order to obtain a better-integrated report.

Keywords: *integrated reporting; sustainability reporting; board of directors; board diversity; gender diversity; career experience.*

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I. INTRODUCTION

1.1. Problem Description

Nowadays, the trend of a new concept of information disclosure in a report has become the important aspect of the company's annual report and the concern of the board of directors as their strategy. The new concept of a report is called integrated reporting, which effectively helps the company and board of directors to connect the internal management of a business' value drivers to its financial and non-financial performance (PWC, 2015). The integrated reporting has developed in South Africa since 2010 and evolved rapidly after the International Integrated Reporting Council release the framework regarding the integrated reporting (Adams, 2014). Integrated reporting is a process of finding an integrated thinking with the purpose to issue a periodic integrated report about value creation by the organization or businesses (Hurgish, 2017). Moreover, an integrated reporting is a new trend of a report that describes the company's performance and value creation based on connectivity among financial and non-financial information, governance and remuneration, environmental and social matters as well as other relevant business factors (Roxana & Petru, 2017). Importantly, integrated reporting seeks to combine two traditional forms of corporate reporting which is financial and sustainability reporting in order to compensate for the identified inadequacies of previous corporate reporting procedures (Clayton et al., 2015).

In the last decade, integrated reporting become the important topic and new concept of sustainability reporting that has been implemented by the business worldwide (Buitendag et al., 2017). In an example, one of the companies that have been implementing the integrated reporting is Kumba Iron Ore. Kumba Iron Ore is a mining and supplier company of high-quality iron ore to the global steel industry. The business operates primarily in South Africa, with mining operations in the Northern Cape. Basically, this company is owned by Anglo-South Africa, nonetheless, Anglo-South Africa is a subsidiary of Anglo American. In fact, Kumba Iron is a listed company in the Johannesburg Stock Exchange since 2001 and has been implementing an integrated reporting since 2011. Furthermore, in accordance with the King III Code of corporate governance regulation, most of the listed companies in JSE has been implementing the integrated reporting and successfully increase the extent of disclosure of human, social and relational, as well as the natural and intellectual capital information (Joshi & Huynh, 2015). Thus, the management of Kumba Iron Ore provide a comprehensive integrated reporting, the management continuously improves the reporting quality to realize their vision and mission. The Kumba's integrated reporting demonstrate to their shareholders that Kumba has both the appropriate strategy and capacity to deliver its strategy which centers around creating and optimizing value for all the stakeholders (Kumba's IR, 2016).

Based on the example, it could be pointed that the organization or company should take into account the integrated reporting aspects. The aspects should be derived precisely in the annual report. The report is accompanied by some issues such as corporate social responsibility, corporate governance, and intellectual capital (Acetuino et al., 2012). The issues are intended to demonstrate to the society as a whole and stakeholders in the complex of information regarding the corporate behavior, economic, social and environmental aspects (Manetti, 2011). Therefore, the company or organization should provide an organized and cohesive form of integrated reporting that could be able to explain the realization of the vision and value of the organization, outline the governance and monitoring procedures which is used to ensure the visualization of their mission, and demonstrate the ability of organization to quantify their performance (Smith, 2014).

Blacksun (2014) pointed that there are several internal benefits of integrated reporting for the companies, which are obtaining the better understanding of the board regarding value creation, a new approach to the stakeholders' relations, connecting departments and broadening the perspectives, and improving management information and decision making. In fact, based on the findings, some organizations noted that the most important benefit they experienced was a change in conversations between the board and management (Blacksun, 2014). Accordingly, the party that has a responsibility to achieve those benefits is the board of directors. The board of directors is the essence of the top-level management in managing and ensuring the business operations (Roxana & Petru, 2017). Keep in mind that the board of directors becomes a firm's governing body which is responsible to safeguard the interests of the stakeholders, through the dissemination of information (Lim et al., 2007). The dissemination of information is important for the stakeholders because it can reduce the problems and prevent an opportunistic behavior (Richardson & Welker, 2001). Hence, by reflecting the corporate values, strategy, risk management structures, incentive programs, and disclosure practices to the integrated reporting, the board of directors can obtain the benefits of integrated reporting for their business (Devi, 2013).

Based on the current condition, the issue that appear in many companies is the inability of the Board of Directors to give cohesive information in their report because of some factors, such as ESG (Environmental, Social, and Governance) issue, board diversity, shareholder engagement, and peer performance (Posner. 2017). Moreover, the factor that may have a significant influence on the making of integrated reporting is the board diversity. The diversity of the board members might influence the performance of the board, because from the diversity of the members it may reveal various ideas or perspectives toward the decision making (Adams et al., 2015) and perhaps could contribute a better-quality disclosure (Firozi et al., 2016). According to Higgs Report (2003), the diversity on boards could enhance the effectiveness of board performance, and the diversity of a team incline to be more effective and have a better performance (Erhardt et al., 2003). In fact, one of the hot topics in board diversity that is currently debated among researchers is gender diversity, because gender diversity is important at the employee level and the managerial level (Şener & Karaye, 2014). Nadeem et al., (2017) stated that the matter of gender diversity on the board of directors has attracted an interest from academics, researchers, business leaders, policymakers and investors to consider the matter over the last decade. Indeed, gender diversity on the board of directors is an important dimension of corporate governance, because male and female directors are traditionally, culturally and socially different (Liao et al., 2015). However, most of the recent researches are discuss on the aspects regarding the gender diversity on boards that might distinguish between male and female directors such as personality, communication style, educational background, career experience (Liao et al., 2015) and leadership style (Bear et al., 2010). From those aspects, perhaps the diversity of the board members may signal the understanding of the business environments (Triana et al., 2013) and also give the benefits for company from the individuals who can provide some various resources such as legitimacy, prestige, knowledge, and financing (Terjesen et al., 2009).

Because of that statements, the author wants to reveal and further analyze the topic regarding the board diversity and integrated reporting, which is the influence of diversity aspects on the board of directors in the development of the integrated reporting. Moreover, the diversity aspects will be further discussed in this research, such aspects are the characteristic of the board that might not differentiate between each board member but it could make more diverse in term of ideas and perspective. Generally, there are circumstances that might distinguish among the directors in the boardroom, which essentially should not be perceived differently, it circumstances leads to different priorities between male and female directors in the decision-making process thus it will be affecting the outcomes (Adams & Funk, 2012). The aspects are gender and career experience. Therefore, perhaps those aspects could affect the decision-making of the board and the quality of integrated reporting. Since the board diversity becomes hot issues in the finance and accounting professions, and also have a significant effect on the development of integrated reporting, thus, the board diversity aspects become the variables in this research. Hopefully, the information from this research could be an evidence for another researcher to further research on this topic and help the finance and accounting students to deeply understand regarding the integrated reporting.

1.2. Research Question

The author would like to conduct several questions as the objectives of the research, which mention as follow:

1.2.1. Main question:

What is the influence of the board diversity on the board of directors toward the integrated reporting?

1.2.2. Sub questions:

1. What is the influence of gender diversity on the board of directors toward the integrated reporting?
2. What is the influence of the board's career experience toward the integrated reporting?

1.3. Methodology

1.3.1. Type of research, databases, journals, and selection criteria

The type of this research is qualitative research. The author uses literature review to collect data for this research. The literature review is very important for this topic because it provides an evidence and comprehensive information to elaborate the ideas of the research. Moreover, the literature review helps the author to get relevant information from previous and recent research. The literature review includes several journals and case studies from reliable databases. In this research, the author takes the journals and case studies from Emerald, EBSCO, ProQuest, and another database. The period of the journal should be up to date and relevant with the current situation. The object for this research is accounting and finance student around the world based on several case studies in different countries. There are several criteria for article selections:

1. The content of the journals should be relevant with the main idea of this research which are integrated reporting and the board of directors.
2. The content of the journals should imply the effect of gender diversity in the board of directors on implementing and developing the integrated reporting.

1.3.2. Keywords

The author also uses several keywords to find the right journals for literature review. There are the keywords of this research:

- Integrated Reporting
- Board of Directors
- Corporate Governance
- Sustainable Reporting
- Financial Reporting
- Annual Report
- Board Diversity
- Gender Diversity
- Female Directors
- Career Experiences
- Decision Making

1.4. Objective

The research aims to examine the influence of board diversity on the board of directors in the development of integrated reporting. In the sense of gender diversity, the researcher believes that there are circumstances that might distinguish between male and female directors which essentially should not be perceived differently. Thus, the gender diversity will focus on the aspects that might differ from male and male directors such as educational background, career experience, and leadership style. The author would like to analyze from each of aspect whether or not that those aspects could influence the development of integrated reporting, perhaps those aspects could improve the decision-making of the board and the quality of integrated reporting. The result would give the cohesive information to the Board of Director in any companies about this topic. Moreover, it also helps the other researcher to obtain more information and sufficient data about the gender diversity in the implementation and the developing of integrated reporting as well as giving a comprehensive knowledge about this topic to the finance and accounting students. Bear in mind that this is an important knowledge for the finance and accounting students which is they should have the ability to analyze and solve the issue that has mentioned in the problem description.

1.5. Thesis Structure

The author uses systematic writing system to conduct the research, which mentioned as follows:

I. Introduction

This chapter contains things and issue that will be discussed in the thesis. This chapter contains the background, problem formulation, research objectives, benefits of research, and systematic writing.

II. Theoretical Framework

The theoretical basis of this research is the foundation of the theory, which will underlie the formation of hypotheses and basic research discussion.

III. Conclusion

This chapter outlines the conclusions that can be drawn based on the results of the data processing and suggestions related to similar studies in the future.

IV. Policy and Limitation

The author gives recommendation and reveals the limitation from the research.

V. References

This chapter contains the list of literature review from another researcher.

II. THEORETICAL FRAMEWORK

2.1. Introduction

Because of the modern globalization and the post-Global Financial Crisis, there are immense demands on companies to change their governing structure, in which the companies should be more transparent as well as responsible for their business (Nadeem et al., 2017). According to Ben-Amar et al. (2015), the demand to change the board composition happened globally and was driven by several factors, such as diversity issues, media pressure, publication ranking, and the changes of legal and regulatory. Indeed, those factors are essential for the development of good governance practices and obtain a better quality of reporting (Ben-Amar et al., 2015). Therefore, this part will further discuss and analyze the diversity issues which is the influence of board diversity towards integrated reporting. The analysis is based on the statement in the journals and literature reviews, which was obtained from other researchers.

2.2. Theoretical Context of Board Diversity

2.2.1. Agency theory.

According to Daily et al. (2003), the most influential theory in corporate governance is agency theory. Agency theory is an economic theory propounded by Alchian and Demsetz in 1972, and this theory has further been developed by Jensen and Meckling in 1976 (Madhani, 2017). This theory has been commonly used as the theoretical framework to examine the relation between board characteristic and firm value, by many researchers (Carter et al., 2003). The agency theory explains an agency relationship between the principal (owners or shareholders) and the management (board of directors or manager). In which management must perform accordingly on behalf of the principals (Carter et al., 2010). In line with that statement, Bear et al. (2010) argued that the agency theory provides the rationale understanding regarding the boards' critical function which is to monitor management on behalf of the shareholders. In essence, the board of directors is a crucial monitoring device to minimize the problems and issues that appear within the relationship between the shareholders and management (Madhani, 2017). Moreover, in order to realize its monitoring function, the board of directors needs the mix of experiences and capabilities to assess the business strategies and evaluate management (Hilman & Dalziel, 2003).

The agency theory suggests that the more diverse board may obtain a better monitoring control of managers because the diversity can lead to an increase in efficiency and eventually leading to better performance with more intense decision-making process (Álvarez, 2010). The basic idea is that the greater the board composition, the more effective the board becomes. This is due to the board are able to monitor managers better (Cohen et al., 2012). In accordance with that statement, Carter et al. (2010) also argued that the greater the diversity and the more acting directors there are, the better the potential it would have to obtain a better controlling and decision-making process. Indeed, every board member represents the accomplished individual with extensive experiences and network (Pechersky, 2016). Those reason makes the possibility to enhance the decision-making process of management and obtains a richer idea to disclose every information (Minichilli et al., 2009). Accordingly, the board diversity or board composition influences the corporate governance, monitoring mechanism as well as the decision-making process (Madhani, 2017). Hence, the agency theory provides a variety of aspect to linkage and hypothesize about the impact of board diversity aspects on the board of directors toward the integrated report (Voß, 2015).

2.2.2. Resource dependence theory.

Another theory that supports the impact of board diversity on firm performance is resource dependence theory (Voß, 2015). The resource dependence theory focuses on the role of the board of directors in engaging the relationship with external parties or the business environment, in order to access various critical resources (Madhani, 2017). The purpose of the theory is to emphasize the firm as an open form system, which should have an interdependent relationship between management and external entities. The success of a business depends on the linkages of the resources and its continuity in such an interdependent relationship (Daily et al., 2003). According to Pechersky (2016), the resource dependence theory presents the most convincing theory in regards to board diversity. This theory also views the board of directors not only as a supervising body but also as an interconnecting body with the external business environment. Indeed, there are four types of benefit that comes from the board's external linkages. First, the board of directors can obtain valuable information and provide expertise. Secondly, having certain communication channels with the external elements is important for the firm. The board could also get some support commitments from other organizations or group for the company, and the board could create a legitimacy for the company and the environment as well (Pfeffer & Salancik, 1978).

Resource dependence theory views the board diversity as one of the instrument that management may use as a facilitation to access greater resources, the more resources that are obtained by management the greater the possibility of management to achieve firm's success because those resources are essential as a critical factor (Álvarez, 2010). In fact, every business and organization need to create a relationship with the external business environment to gather valuable resources. The board of directors can achieve those valuable resources by diversifying the representation of board members because the diverse representation of the board will provide a variety of connections with the external business environment (Pecersky, 2016). Carter et al, (2010) argued that those resources should not only be provided by the board of directors personally yet, with increasing the diversity of board composition and broadening the relationship with the external environment such resources will increase as well. In addition, as each board member will represent their own expertise in regards to their genders and backgrounds within the board of directors, it will provide various unique skills, perspective and innovative problem solution on the decision-making process (Pecersky, 2016). Therefore, resources dependence theory is an appropriate theoretical framework to analyze the influence of board diversity on the firm performance as a whole (Voß, 2015), perhaps this theory also provides a comprehensive understanding to linkage and to hypothesize about the impact of board diversity aspects on the board of directors towards integrated reporting.

2.3. General Perspective of Board Diversity

According to Kang et al. (2007), there are two forms of diversity on the board of directors which are observable diversity and less visible diversity. Observable diversity is focused on the nationality, ethnic background, gender, and age of each member of the board. On the other hand, less visible diversity is looking at another side such as industry experience, education, functional and occupational backgrounds, and organizational membership. Based on the less visible diversity aspects, most of the recent research discusses on the aspect in the difference of male and female directors (Kang et al., 2007). For instance, the extant literature approved that women differ from men in terms of personality, communication style, educational background, and career experience and expertise (Liao et al., 2015). In which the less visible diversity could diversify the board (Bear et al., 2010; Kang et al., 2007). Based on the literature, there is a relationship between the professional background or career experience of the board members with their corporate reputation. The literature shows that most of the firms had boards with a diverse representation of insiders such as business experts, support specialists, and community influential (Bear et al., 2010).

Beside the less visible diversity, many of researchers were also focused on the observable diversity which is gender diversity (Kang et al., 2007). Gender diversity refers to the consideration of the different skills and potentials of women and men as equal resources (Prihatiningtias, 2012). In the context of the working environment, the gender diversity refers to the proportion of men and women in the workplace that may affect the way of people to communicate and work with each other (Herring 2009). In addition, gender diversity in the context of the boardroom refers to the presence of women as board members (Dutta & Bose 2006). Gender diversity also refers to the several characteristics, such as the number of independent directors and the percentage of female and male directors or it is called as board composition (Al-Shaer & Zaman, 2016; Voß, 2015).

2.4. The Influence of Gender Diversity toward Integrated Reporting

2.4.1. Gender diversity in the board of directors.

According to Daily and Dalton (2003), increasing the gender diversity in the boardroom may lead to a wider variety of ideas and perspectives of issues, it could enhance the decision-making and broaden the range of outcomes assessed. Indeed, the diverse opinions and ideas can lead to productive discussions for addressing some key issues facing the organization. Diversity can create an atmosphere that prompts a diverse thinking then implicitly guide the reasoning and can lead others to exchange and expand the criteria used to evaluate strategic alternative (Benardi et al., 2005). Furthermore, Post et al. (2011) argued that the gender diversity among the board of directors could elevate the different knowledge domains, it may result on the wider perspectives and ideas from each board member that will be considered in the decision-making process. Adams et al. (2015) also stated that the gender diversity of the boards may affect the decision-making because of the various perspectives. In addition, the effect of gender diversity is believed to improve the monitoring capacity of the board because it employs the directors from different backgrounds, thus it will add some aspect of diversity to different surveillance lenses or perspectives (Yi, 2011). The improvement in the monitoring capability of the boards can reveal a good understanding regarding the business and its environment (Triana et al., 2013). Hence, the gender diversity in the board of directors becomes the factor that can promote a better problem-solving, increases leadership effectiveness and effectively elevate the facilitation to gain good global relationships (Firoozi et al., 2016). In other words, it may help the companies to obtain some benefits for their business from the individual expertise that can provide a variety of sources including legitimacy, prestige, knowledge, and financing (Terjesen et al., 2009).

In accordance with the agency theory, the gender diversity will increase the independent of the board, the more diverse of the board incline to obtain a better monitoring capability of the managers (Carter et al., 2007). Furthermore, gender diversity can generate multiple perspectives and ideas on a problem, this can increase the curiosity of each board member, which is more innovative and different from a conventional perspective. (Álvarez et al., 2010). As mentioned previously, the core discussion among researchers is the presence of female directors. The presence of female directors within the board member is believed have a significant influence on the board's performance (Nadeem et al., 2017). Indeed, the presence of women in the board of directors can make a significant contribution to the board (Liao et al., 2015). In addition, the other effect of female directors on board is that can increase the credibility of corporate reports and strengthen the stakeholder engagement (Manetti & Toccafondi, 2012). Adams and Ferreira (2009) argued that the female directors are likely to have a stakeholder-oriented and being an independent person, they also inclined to take actions patiently to reduce risks and have a high sense of responsibility. Female directors also tend to build the more trust-building relationship, reducing the asymmetry information among stakeholder and thus they taking more focus on improving the engagement with stakeholder (Gul et al., 2013).

There is another point of view of gender diversity through resource dependence theory (Álvarez, 2010). A gender diversity within the board and especially the presence of female directors can bring the different valuable sources to the performance of the board (Voß, 2015). Chapple & Humprhey (2013) stated that the gender diversity should be encompassed the equal presence of male and female directors in the boardroom. In which the equal presence of gender in the board is projecting the equality, compliance, and fairness of the company, then it can bring the new perspective of sources and provides an equal path for the female directors to share their ideas. Moreover, according to Terjensen et al., (2015), a gender diversity will increase the creativity and innovation within the board, an addition of female directors within the board gives a new variety of ideas in the problem-solving process. The female directors also have an ability to create linkages between different parties that is valuable for the income of information and the relationship of business (Hilman et al., 2007). Hence, it could be stated that the more diverse representation on the board will reflect the diversity sources from the stakeholder and business environment because it will provide multiple benefits for the business (Cabo, 2012).

2.4.2. Influences of gender diversity in the reporting performance.

There is possibility influence of the gender diversity to the certain topics that basically related with integrated reporting such as financial reporting, sustainable reporting quality, corporate social responsibility reporting, ESG (Environmental, Social, Governance) disclosure (Al-Shaer & Zaman, 2016; Firoozi et al., 2016; Liao et al., 2015). In fact, the type of report such as sustainability reporting might be influenced by the characteristics of the company's board, especially gender, board size, and the composition (Hurgish, 2017). Moreover, Low et al. (2015) stated that increasing the numbers of female directors on the board gives a positive impact on the firm performance which can also impact the reporting quality. The diversity of the board is likely to present better sustainability practices, the diversity could reveal various ideas and perspectives to settle with both financial and non-financial issues in the business. Thus, there is an association between gender diversity and the high levels of performance (Nadeem et al., 2017). In addition, the gender diversity within the board of directors also balances out between the firm financial and non-financial goals (Liao et al., 2015). Therefore, by balancing the financial and non-financial performance, hopes the sustainability reporting can be addressed precisely by the board of directors and the management (Buitendag et al., 2017).

In term of a financial performance aspect, the gender diversity within the board of directors can affect the financial performance of the business (Bear et al., 2010). In line with that finding, Enhardt et al, (2003) found the positive relationship between gender diversity on the board with the financial performance. The results supported the hypothesis stating that executive board of director diversity was positively associated with both returns on investment and return on assets, in which the diversity of the board could increase the performance of both returns on investment and returns on assets.

Thus, the gender diversity can improve the financial performance of the business (Enhardt et al., 2003). Moreover, Carter et al. (2007) also found that the gender diversity has a positive relationship and direct impact on the financial performance, mainly through the audit function of the board. The analysis of gender diversity on board committees reveals that the effect of board diversity on financial performance is subtle and complex. It has considered the percentage of women directors on the board. In addition, the diversity of board helps the management to be more critical to address the financial aspects of the business, and it thus the business can create values for shareholders and elevate the financial performance (Carter et al., 2007).

Based on non-financial performance aspect, Liao et al. (2015) analyzed that the gender diversity especially the presence of female directors within the board is strongly correlated with the Environmental, Social, and Governance issues, because the diversity of the board may lead to the better environmental and social disclosure. The analyses suggest that a firm's corporate climate policy may be determined not only by an objective assessment of the severity of the agency problem and asymmetric information within the firm but also may be influenced by the interactions among the firm's board, individual board members, and stakeholder constituents. Thus, a board with divergent members is more representative of a wide range of interest groups and more likely to act as a mediating body to deal with the real and inseparable tensions between financial and climate-change demands (Liao et al., 2015). Furthermore, Harjoto et al. (2015) found the positive impact between gender diversity and the corporate social and responsibility reporting, which is the more diverse of the boards are the more effective in the monitoring and controlling the social responsibility performance. The analysis suggests that diverse boards increase CSR performance by increasing CSR strengths and reducing CSR concerns for firms with consumer-oriented products and those operating in the more competitive market. In addition, Ahmeed et al. (2017) also found that the gender diversity on the board of directors has a significant influence on all types of disclosure such as environmental, social, and governance. The results show that the presence of women on the board increases the frequency and improves the volume of all types of continuous disclosure, in which it is inclined to focus on the environment and social disclosure. The results also confirm that gender-diverse boards are active monitors and likely to curb the opportunistic behavior of managers by enhancing the overall information of environment (Ahmeed et al., 2017).

It is increasingly accepted that women can make a significant contribution to the board, and thus the importance of gender diversity has been raised in recent proposals for governance reform (FRC, 2012). The participation of women in management may positively impact an organization's socially responsible behavior (Barako & Brown, 2008). Indeed, female directors are not mere tokens but are different from their male counterparts and have different priorities (Adams & Ferreira, 2009; Adams & Funk, 2012). Srinidhi et al. (2011) argued that the female directors can bring different viewpoints to the board-room and facilitate more informed decisions, they present a different perspective of information compared to the male directors, and thus increasing the information disclosure in the reporting. Since women play a different role from men in society, this could influence the preferences of female directors and motivate them to play a different role on a company board with regard to environmental issues (Liao et al., 2015). Hence, in such different role, the gender diverse board may affect sustainability reporting quality (Al-Shaer & Zaman, 2016).

The prior studies show that female directors promote good ideas in term of environmental and CSR in the reporting (Aceituno et al., 2012). In addition, female directors are more sensitive to social and ethical issues (Bear et al., 2010; Hafsi & Turgut, 2013). It is thus likely that due to the females' higher concerns for social responsibility issues and greater stakeholder orientation, a gender diverse board may affect sustainability reporting quality (Liao et al., 2015). In such situation, Al-Shaer and Zaman (2016) found that there is a significant influence of gender diversity and the presence of female directors toward sustainability reporting quality, in which the number of female directors in the board has a positive association with the sustainability reporting quality. More importantly, Buitendag et al, (2017) analyzed the influence of gender diversity towards integrated reporting, they found that the more diverse of the board in terms of gender or composition tends to provide a better-integrated reporting. Bear in mind that sustainability reporting is an intrinsic element of integrated reporting, which combines the financial and non-financial reporting (Clayton et al., 2015; Hurghiş, 2017). Therefore, by considering the impact of gender diversity on the sustainability reporting, perhaps the gender diversity could directly impact the integrated reporting.

In contrast, only a few of researchers found the different results about the influence of gender diversity in a certain topic. Voß (2015) found the negative relationship between the gender diversity and firm performance, there is no supporting evidence that the gender diversity on the board of directors will increase the firm performance. In accordance with those ideas, Firoozi et al. (2016) stated that the gender diversity or especially the number of female directors on the board does not affect the financial reporting quality. In other words, the gender diversity does not have a significant effect on the corporate performance, the companies with the higher levels of gender diversity does not necessarily obtain a better performance (Álvarez, 2010).

2.5. The Influence of Career Experience toward Integrated Reporting

Based on resource dependence theory, Hillman and Dalziel (2003) initially introduce the concept of board capital as the sum of directors' human and social capital, they suggest that board capital can reduce uncertainty and aid in the formulation of strategy or other important firm decisions. The board capital shapes how directors govern and offer advice to the management that affects the directors' ideas and resources (Dalziel et al., 2011). The board's human capital resources are based on the collective experience and expertise of board members (Bear et al., 2010). This expertise includes the directors with knowledge of company strategy and operations, corporate strategy, legal and regulatory affairs, and relationships with external stakeholders including the government and local communities (Hillman et al., 2000). Accordingly, the board it self-needs a human capital, defined as knowledge and skills obtained through work experience, and social capital. In other words, it could be defined as the resources accessible through networks of relationships to make the best decisions for their performance (Tian et al., 2011).

According to Johnson et al. (2013), human capital is the skills and experiences that directors bring to the decision-making process, the skills are such a knowledge of an industry and a specific event such as investing internationally. Indeed, such experiences affect the focus of the directors on how they frame the decisions. Specifically, international experience and industry-specific experience enables the directors to develop knowledge of opportunities for expansion into new international markets and knowledge of how to manage the relationships and operations in the new environment (Chen et al., 2017). Further, via international experiences, the directors could develop a global mindset that increases their confidence and ability to estimate the risk and returns associated with internationalization accurately (Nielsen and Nielsen 2011). In fact, an international experiences of the board can give a bunch of advantages to them self, such as allows the directors to become familiar with the environment quickly; get a better understanding about government policy; easy to recognize the multinationals' foreign competitors and customers; able to build the relationships among worldwide operations and capabilities; able to accumulate knowledge of business practices to manage diverse national and product settings; and able to develop a new solutions that more innovative as issues arise (Chen et al., 2017). Hence, Chen at al. (2017) believes that the internationally experienced directors are more capable of addressing the challenges, difficulties, and complexities associated with internationalization, as a result, the board of directors is being more aggressive in committing resources in international operations and focus on the disclosure of information.

The diversity of experience is a valuable asset, the studies of management teams have shown that functional diversity can elevate the innovation of a team through the generation of alternative solutions and innovation (Joshi and Roh, 2009). Indeed, the greater the diversity of board resources is the greater the potential for understanding and problem solving that can enable the board of directors to effectively address the business environment and encourage positive ratings for corporate, social and responsibility practice (Bear et al., 2010). Moreover, the diversity of the board and their experiences help the management to generate valuable social capital that can be beneficial for international firms by facilitating access to critical information and valued resources (Ortiz-de-Mandojana et al., 2012). In addition, the diversity of experience in the board of directors enables the directors to build connectivity with other directors and executives (Hillman & Dalziel 2003), facilitating the communication, accumulating the relevant resources, and provide high-quality information and knowledge (Tian et al. 2011). Thus, the board needs the right skills, experience, expertise and knowledge to effectively monitor management and improve the performance (Hillman & Dalziel, 2003).

On boards, women are inclined to hold a doctoral degree than men (Hillman et al., 2002). Moreover, female directors gain board experience with smaller firms and are less likely to have prior CEO or COO experience, they need a wide of experiences to gather a complex knowledge. Hilmat et al. (2002) stated that women on boards are more likely to support the specialists and influential community rether than their male counterparts. The female directors also bring a very different international profile to the boardroom (Singh et al., 2008). Indeed, compared to male directors, the female directors also likely to have expert backgrounds outside of business and bring the different perspectives to the board (Hilman et al., 2002). In addition, female directors contribute the benefits of their higher levels of international diversity, public sector, governing board and major management consulting firm experience (Signh et al., 2008). Therefore, having more female directors in the boardroom will provide the potential for a more diverse set of human capital experiences, and provide perspectives that can be helpful in addressing the issues of environmental, social, and governance (Bear et al., 2010; Signh et al., 20018).

The high of functional background diversity in the board of directors gives more diverse perspectives and rich resources, it forms conducive vibes to learning between the team, and helping the team make effective decisions, so as to enhance enterprise performance (Shuying et al., 2011). Beckman (2006) found that the team with the high of functional background diversity tends to be innovation-oriented development strategy, and the homogeneity of the team is more inclined to improve the existing processes that enhance the efficiency-oriented development strategy. The diverse experience enables directors to build wider connectivity with other executives, gathering of relevant resources, obtain high-quality and timely information and knowledge (Tian et al. 2011).

Indeed, by possessing knowledge and expertise about the industries of the firms, it enhances the directors' ability to perform their monitoring function and provides a complete information in order to avoid misreporting. The industry experience and complex experiences enable the board of directors to better understand and evaluate the financial performance, thus the quality of firms' financial reporting improves (Wang et al., 2015). Moreover, the diversity of board resources or career experience also obtain the greater understanding and problem-solving to address the business environment and social responsibility practices (Bear et al., 2010). In fact, such benefits have already covered the integrated reporting aspects, in which the integrated reporting should encompass the financial and non-financial aspect (Hurgish, 2017). Hence, since many of literature that indirectly discusses the impact of career experience toward integrated reporting and by considering the impact of career experience of the board of directors on the financial and non-financial aspects, it could be conclude that the career experience could directly impact the integrated reporting.

III. CONCLUSION

The research reported in this paper was conducted to determine the influence of diversity aspects on the board of directors such as gender and career experience towards integrated reporting. The investigation has shown that integrated reporting has become the important topic and new concept of sustainability reporting that has been implemented by the business. It becomes the concern of the board of directors to develop information disclosure of all aspects within the business (Buitendag et al., 2017) because the integrated reporting describes the company's performance and value creation based on connectivity among financial and non-financial information (Roxana & Petru, 2017). Indeed, integrated reporting effectively helps the company and board of directors to connect the internal management of a business' value drivers to its financial and non-financial performance by improving the management information and decision making (Blacksun, 2014; PWC, 2015). In addition, our research has shown that board diversity has a significant influence on the making of integrated reporting. The diversity of the board members might influence the performance of the board because the diversity of the members may reveal various ideas or perspectives toward the decision making (Adams et al., 2015) and provide different quality disclosure (Firozi et al., 2016).

One of the hot topics in observable diversity that is currently debated among researchers is gender diversity (Şener and Karaye, 2014). Specifically, gender diversity in the context of the boardroom is referred to the presence of women as board members (Dutta & Bose 2006). Indeed, the type of reports such as sustainability reporting and integrated reporting can be influenced by the characteristics of the company's board, especially gender (Hurgish, 2017). Al-Shaer and Zaman (2016) also found that there is a significant influence of gender diversity in the board of directors toward sustainability reporting quality, in which the number of female directors in the board has a positive association with the sustainability reporting quality. In fact, Chapple & Humprhey (2013) stated that female directors can bring the new perspective of sources and provides various ideas to the board. Female directors also have a stakeholder-oriented, tend to take actions patiently to reduce risks, and higher concerns for social responsibility issues, so they have a high responsible behavior (Adams & Ferreira, 2009; Liao et al., 2015). Moreover, the result from another research shows that the presence of women on the board increases the frequency and improves the volume of all types of continuous disclosure, it confirms that gender-diverse and the present of female directors enhance the overall information of environment and social aspect (Ahmeed et al., 2017). In addition, the gender diversity within the board of directors also affects the financial performance of the business (Bear et al., 2010). The gender diversity can increase the performance of both returns on investment and returns on assets, thus that increase can create values for the shareholders and thus can elevate the financial performance (Carter et al., 2007; Enhardt et al., 2003). Therefore, accordance with the Buitendag et al, (2017) findings, it can be concluded that the more diverse of the board in terms of gender or especially the presence of female directors in the boardroom will provide a better-integrated reporting, in which it could balances out between the firm financial and non-financial goals (Liao et al., 2015).

More importantly, there is an aspect of diversity that might distinguish between male and female directors which is career experience (Liao et al., 2015). The diversity of experience is an important asset, the studies of management teams have shown that functional diversity can elevate the innovation of a team through the generation of alternative solutions and ideas (Joshi & Roh, 2009). The diversity of the boards' experience helps to generate valuable social capital that can access the critical information and valued resources (Ortiz-de-Mandojana et al., 2012). It also enables directors to build wider connectivity with other executives, gathering of relevant resources, obtain high-quality and timely information and knowledge (Tian et al. 2011). In fact, Wang et al., (2015) stated that the industry experience and expert background enable the board of directors to improve the financial performance as well as the financial reporting. Bear et al., (2010) also found that the diversity of boards' career experience obtains the greater understanding and problem-solving to address the business environment and social responsibility practices. In such benefits, female directors can bring a different profile to the boardroom (Singh et al., 2008), they likely to have expert backgrounds outside of business and bring the different perspectives to the board (Hilman et al., 2002), thus it can bring the benefits for the board and business (Signh et al., 2008). Therefore, accordance with the findings, it can be concluded that the diversity of career experience of the boards can influence the integrated reporting quality. In addition, by having more diverse of directors' career experience in the boardroom, it will provide the potential for a more diverse set of human capital experiences and provide various perspectives that can be helpful in addressing the financial and non-financial issues (Bear et al., 2010).

To sum up, the company or organization should further consider the board diversity aspects in order to provide a cohesive form of integrated reporting, then it could be able to realize the vision and value of the organization (Smith, 2014). Therefore, by having more female directors and directors of color in term of career experience will give various of ideas and perspectives regarding financial and non-financial perspective, and thus the company can obtain a better quality of integrated reporting (Bear et al., 2010; Buitendag et al., 2017).

IV. POLICY AND LIMITATION

In this part, the author would like to give some advises and practical solutions for the government, companies around the world, and especially the board of directors regarding this topic that based on the findings in the research. The author integrates the practical solutions with the current situation or issues of the topic and its implementation. In addition, the author analyzes several limitations of this research. The limitation helps the future researcher to improve the content of their research that covers board diversity and integrated reporting. Here are the advises and practical solutions:

4.1. Create Equal Composition in the Boardroom by Increasing the Female Directors' Quotas.

Recent studies suggest that the lack of gender diversity in the boardroom is troublesome, it raises an ethical and performance implications as well as general stakeholder management issues (Grosvold, 2011). In fact, the lack of female directors on board is happened mostly in Asia countries, which female only hold one in eight seats on the boards of Asia's largest public companies. Further, in the Asia-Pacific female hold 30 percent of board seats at the top 500 companies, and North America, where just over a fifth of board members at the 500 largest public companies are female directors, according to the research. Meanwhile, in Africa, women only hold 14.4 percent of board seats at the 300 largest listed companies (Gordon & Inagaki, 2017). In the U.S. the response of companies towards the female's quotas in the boardroom is overwhelmingly negative. Increasing the board gender diversity is not even on the agenda for many directors. In such situation, it becomes the lack of board diversity in that country which is part of a general lack of rigor in succession planning (Wiersema & Mors, 2016). However, in the European countries, the European Commission set proposals to increase the number of female directors on the company boards due to the slow progress of gender equality in the senior ranks of publicly listed business (Boffey, 2017). There is a good reason for European countries to consider the gender quotas. Beyond the equality issue, there is a plenty of research shows the positive effects of board diversity, in which the companies are more likely to have strong financial performance and fewer instances of bribery, corruption, shareholder battles, and fraud (Zillman, 2017).

Klettner et al. (2016) stated that the regulatory mechanisms in term of equal participation of female directors in the boardroom should be assessed and well formed in order to support a process of company's improvement. Indeed, Successful regulation must encompass promotion of a fundamental ethical discussion among stakeholders of the nature of the injustice, accepting mutual responsibility for constructive responses, and a common determination to resolve the injustice. Therefore, based on the analysis and findings, the author advices the companies around the world to increase the quotas for the female director in order to create the equal composition of board members because the equal presence of gender in the board is projecting the equality, compliance, and fairness of the company (Chapple & Humprhey, 2013).

4.2. Diversify the Board of Directors in term of Career Experiences.

Based on findigs, the diversity of the boards' experience helps to generate valuable social capital that can access the critical information and valued resources (Ortiz-de-Mandojana et al., 2012). Bear et al., (2010) also found that the diversity of boards' career experience obtains the greater understanding and problem-solving to address the business environment and social responsibility practices. In addition, the industry experience and complex experiences enable the board of directors to better understand and evaluate the financial performance, thus the quality of firms' financial reporting improves (Wang et al., 2015). Therefore, the author advice to the company especially the board of directors to diversify the career background of the members because the career and functional diversity can elevate the innovation of a team through the generation of alternative solutions and ideas (Joshi & Roh, 2009). The company can invite the other board candidates that have a different career experience through recruitment and selection process.

4.3. Eliminate the Career and Gender Stereotype through the Use of Positive Action.

According to Barth et al. (2015), the occupation or career stereotypes emerged because of the beliefs about whether male and female typically have the necessary skills or the personality characteristic to succeed in the workforce and is due to the base rates of male and female who hold a title in an occupation. Further, there is an issue on behind that condition, in which some research found and proves that female was more likely to have experienced sex discrimination and gender bias in their careers compared to their male colleagues (Manfredi, 2017). In such condition, it becomes a negative stereotype for the female to get a higher position in the work field or it could be seen as a gender-based barrier. In addition, there are another fact that becomes the challenges for female to be a corporate leader, in which there is a fear of male in losing their competitiveness and become powerlessness when they compete with female counterparts; female often advocate change from the status quo, unwelcomed by the male colleagues; the different leadership style between male and female; and the wear of tokenism which means that female are less dominant than male or hierarchy culture (Bear et al., 2010; Oakley, 2000). Therefore, based on the analysis and findings, there are some recommendation of specific actions that is reliable and visible to be implemented by the companies which are:

- The Recruitment and promotion process should be objective. First, the process should uphold the equality as sameness, in which the individual or groups should be given the opportunities to participate in various aspects especially in the work. Second, both male and female should be perceived as equal value. This is applied to men and women who were doing the same or broadly similar work and experience (Manfredi, 2017).
- Create gender equality training program within the board members. The program is mainly to increase the gender awareness. Perhaps by increasing the gender awareness, it will remove the barriers and other issues between male and female director when they work together and create an equal environment of work.

The action should involve setting aspirational targets to increase the gender diversity in senior roles across an institution, especially in the boardroom. It also involves the adoption of positive action in the development of institutional capacity to unpack the gender stereotypes and assess equal merit. In other words, the gender awareness must be at the core of the decision-making process to tackle the stereotypes and structural bias (Manfredi, 2017).

4.4. Apply and Support Consistently the Gender Diversity Regulation for Sustainability Practices.

Many of literature emphasizes the invitations to the world to promote equal employment opportunities and empower women in the boardroom. (Vafaei et al., 2015). most of European Union (EU) countries such as Norway, Sweden, Spain, France, and Italy have applied the regulation to promote an equal participation, the regulation pointed on women participation within the board members (Rao and Tilt, 2015). The regulation is continuously supported by the government and European Commission, in which the company should increase 40 percent of the quotas for female directors (Boffey, 2017). Meanwhile, in Australia, The Australian Stock Exchange (ASX) formed a regulation that companies in the S&P/ASX 300 Index should have at least 30 percent of female representation on their boards, it is based on the current regulation (Burgess, 2018). Further, many of companies in the Asian region also recognize the issue of gender diversity within the board of directors, such as China, India (Handa and Singh, 2015) Turkey, Nigeria (Şener and Karaye, 2014), South Korea, Malaysia, and Singapore (Low et al., 2015). However, there is no strong regulation in most of the Asian countries from the government and company regarding gender diversity in the boardroom (Gordon & Inagaki, 2017).

Keep in mind that increasing the numbers of female directors on the board have a positive impact on the sustainability and integrated reporting or even the firm performance as a whole (Low et al., 2015; Buitendag et al., 2017). Therefore, the regulation from the government and its institution should be applied and supported consistently by the company or business in every country, it aims to obtain the long-term benefits for the business. Indeed, such action should be reflected in the strategic planning of sustainable corporations which as a sustainability agenda, this is in order to support the implementation of sustainability practices which is concerned with the impact of present actions on the ecosystems, societies, and environment of the future (Ameer & Othman, 2012). It also helps the company to cope with the increased business complexities coupled with the significant global transformation that impact the business and economic realms such as technology, generation, and human needs (Amran et al., 2014).

Nonetheless, the author realizes some limitations of this research. First, there is a small number of the scientific journal that directly discusses the impact of board diversity towards integrated reporting. However, the author could obtain the information and analyze the issues based on the journals that discuss the board diversity and the aspect of integrated reporting which are the financial and non-financial aspect. Second, the scope of this research is only cover the board diversity and integrated reporting from other researchers' findings and opinions. Indeed, there is another board diversity aspect such as leadership style, education, cultural background, and others that might influence the development of integrated reporting, in which it is should be considered by the future researcher. Therefore, the future researcher needs to improve the scope of board diversity in detail which more specific on a certain issue, they also need to review these topics that should be based on the current situation and the finding from recent literature sources.

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