



EFAA - INTEgrated Reporting

[About EFAA](#)  
[Policy areas](#)  
[DCMM](#)  
[GUIDANCE for SMPs](#)  
[INTEgrated Reporting](#)  
[Publications](#)  
[Events](#)  
[News](#)

## INTEgrated REporting for SMEs Training

### Erasmus+ Project

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### Institutional framework and financier of the project/research

European Commission – ERASMUS+ Strategic Partnership - Financed directly by the TEMPUS Public Foundation

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### International consortium

*University partners:*

- Budapesti Business School, Budapest (Hungary) - coordinator
- Leeds Beckett University, Leeds (United Kingdom)
- Hochschule Rhein-Waal, Kleve (Germany)
- University of Udine, Udine (Italy)
- Wroclaw University of Economics, Wroclaw (Poland)
- Babes-Bolyai University, Cluj Napoca (Romania)

*Non-university partners:*

- MAC-Team aisbl, Brussels(Belgium)
- EFAA – European Federation of Accountants and Auditors for SMEs, Brussels (Belgium)
- Business Hungary, Budapest (Hungary)

### Objectives, rationale of the project/research

Economic development in the eastern European countries arrived to a point, what happened earlier in the old EU states, where SMEs need to work together with large, multinational companies, need investments from different finance providers and other stakeholders and need to internationalise themselves. To comply with these challenges they must build understanding of and trust in their business. To do that they have to communicate a clear, concise story of their value creation process overarching their wholesale business activities. Here comes the story to the holistic corporate reporting approach, which is called Integrated Reporting (IR), a product of integrated thinking on all key elements of the business.

Corporate reporting is not the strong point of SMEs but the above-mentioned needs impose rapid evolution. To display the whole value creation process of the SME, much beyond a financial report, is indispensable for

building investors', finance providers' and other stakeholders' confidence.

IR is of common use in the world of large national or multinational companies. The original idea of this proposal is to try to derive from this experience the more adaptable elements possible to SMEs and transform them to guidance and training materials for SMEs on IR practical issues. However, preliminary research pointed out that international organisations have been trying and will keep trying to pursue research for elaborating IR frameworks for SMEs. So the members of our partnership got into contact with such organisations: (International Integrated Reporting Council (IIRC), Global Reporting Initiative (GRI), International Federation of Accountants (IFAC), European Federation of Accountants and Auditors for SMEs (EFAA) etc. in order to get access to their results. The members also studied the EU Directive on "Disclosure of non-financing reporting" containing mandatory rules requiring disclosure of non-financial information by large companies.

It was pointed out by the members of our consortium that very different, sometimes conflicting IR frameworks are being proliferated in the world constituting a major impediment to a converging evolution of IR on businesses.

In order to avoid any replications and overlaps with the above-mentioned researches our partnership will not conduct research per se but it will make use of the results produced and to be produced by the mentioned researches. Therefore, our consortium has set out the following major objectives of the proposal:

- To collate results on the different IR frameworks and derive from this a model framework all SMEs can have easy access to. Since all IR frameworks operate on pre-defined financial and non-financial capitals – in most cases 6 capitals (Financial capital, Manufactured capital, Intellectual capital, Human capital, Social and relationship capital and Natural capital) but frequently same names cover different contents in different frameworks – to select and define unambiguously the capitals to use them in the model framework for SME-IR.
- To compose a Guide for the SMEs defining the financial and non-financial capitals, quantitative and qualitative (narrative) key performance indicators (KPIs) on the whole value creation process. The Guide will give practical instructions for SMEs how to edit their IR according to the new model framework.
- On the basis of the Guide to develop gamified curricula for SMEs' senior managers on one side and for students (future SME CEOs, accountants, mentors etc.) on the other. These are the two major target groups of the project. A delicate balance of face-to-face workshops, e-learning sequences and work based learning elements will ensure the less charge possible on the entrepreneurs.

### **Main results and outputs of the project/research**

In order to make the results of this project the more perspicuous possible, the important tangible results are compiled in three Intellectual Outputs.

- IO1: Preparatory desktop analysis pointed out that large organisations, multinational networks have conducted and intend to start research projects in the field of Integrated Reporting of SMEs. It is the starting point of this project to get acquainted with and collate the results of these not always converging research outcomes, and of course, with the experiences of the partners as well. Using the mentioned 6 capitals approach, after having consolidated it, the partnership set out the objective to devise a model framework of SME Integrated Reporting. This will be simplified enough to offer easy access for SME, in order to avoid overburdening their management. The 6 capitals methodology allows to extend the analysis from Financial Reporting (FR) to Non-Financial Reporting (NFR), sustainable reporting included. This IR framework will embody the first IO of the project.
- IO2: On the basis of IO1 results a practical handbook, a Guide will be elaborated for SMEs' direct use in general and for the curriculum development phase of the project in particular.
- IO3: The Guide (IO2) may be complicated for certain SMEs for using it by themselves, a good reason for including a b-learning course development into the project, the result of which will be IO3. Here can be found an innovative educational result of the project: a mixture of interactive workshops, on line contents and work based learning units will make the training more attractive and easily accessible for the project's target groups.

Another long-term objective of the project is to introduce integrated thinking in the SME population of the countries. This makes the dissemination work package of outstanding importance. The partners' and also the associated partners' disseminating capabilities are a token of the success of this long term objective, a result in itself of the project.

The project will start a VET-qualification procedure for IR for SMEs. This procedure will certainly not be finished during the project's life but to have certified comparability among SMEs' performances in the long term in Europe is a mayor post project goal and it is necessary to start it within the project's lifespan.

Website of the project:

<https://www.interest-project.eu>

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