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This article looks at the emerging area of corporate reporting on the Internet by Irish listed and semi-state companies.

Organisations world-wide have successfully adopted the medium of the Internet for business communication, in particular for the purposes of marketing services and products (Lymer and Tallberg, 1997). The potential impact of the Internet on the future of financial reporting could be dramatic with traditional forms of financial information being replaced by financial and non financial databases, permitting the user as decision maker to access more relevant information.

Population and sample

This study is based on a sample of 93 public companies listed on the Irish Stock Exchange as recorded on the daily official list on the 9th, July 1998. A non-random sample of 15 commercial semi-state companies was also included in the sample.

Data collection

Survey of Web sites

An on-line search of the Web sites of the sample was conducted. The initial problem was to identify Web addresses of the relevant listed and semi-state companies. Most addresses could be established intuitively, using the address suffix of either ".ie" or ".com". For example, the Web site address of Elan was www.elan.ie. Where this approach proved unsuccessful, Web search engines such as Yahoo, Alta Vista etc. were used to locate Web addresses.

Where the preliminary survey did not identify a company's Web site, that company was contacted by telephone to verify that no corporate Web site existed. These telephone calls revealed several corporate Web sites which (a) possessed unusual Web addresses or (b) whose Web sites were hosted by their Internet service providers.

Content analysis

Corporate Web sites were subject to an in-depth content analysis of the quality and quantity of information available on site. A further content analysis was carried out to examine the extent of disclosure of financial information on Web sites.

RESULTS

Level of Internet usage by Irish companies

Table 1 shows that 49 (46%) of 106 companies in the sample had a Web site. There were 34 (37%) listed companies with Web sites and all semi-state companies had Web sites. In general, Irish companies have a lower level of corporate Web sites compared to their counterparts in the US (95% Deller et al., 1998) and in the UK (92%, Lymer, 1997). Web site addresses are shown in the appendix to this article.

Table 1: Level of Internet usage by Irish companies						
	Listed		Semi-state		Total	
	No.	%	No.	%	No.	%
Population	93	100	15	100	108	100
No response	(2)	(2)	(0)	(0)	(2)	(2)
Sample	<u>91</u>	<u>98</u>	<u>15</u>	<u>100</u>	<u>106</u>	<u>98</u>
Web site	34	37	15	100	49	46
No Web site	<u>57</u>	<u>63</u>	<u>0</u>	<u>0</u>	<u>57</u>	<u>54</u>
	<u>91</u>	<u>100</u>	<u>15</u>	<u>100</u>	<u>106</u>	<u>100</u>

Content analysis

Table 2 shows the types of information disclosed in Web sites. The two highest-ranking categories are company background and information on products / services. Approximately two thirds of the sites disclosed financial information. In all, 24 (71%) listed company Web sites contained some financial information. A higher proportion (8 - 53%) of semi-state companies incorporated some form of financial information.

Table 2: Type of information on Web sites						
	Listed		Semi-state		Total	
	No.	%	No.	%	No.	%
Company background	30	88	11	73	41	84
Service / product information	31	91	8	53	39	80
Financial information	24	71	8	53	32	65
Press releases	21	62	8	53	29	59
Information about directors	9	27	4	27	13	26
Employment data	8	23	1	7	9	18

Table 3 analyses financial information on Web sites and shows that 9 (8%) companies reproduced the financial statements (profit and loss account and / or balance sheet). Interestingly, the UK Society of Investor Relations has as its guideline for awards, that merely replicating the printed form of financial statements on the Internet will not go far in their competition.

Table 3: Analysis of financial information on Web site						
Nature of financial information	Listed		Semi-state		Total	
	No.	%	No.	%	No.	%
Financial statements only	8	33	1	12	9	28
Financial highlights only	5	21	5	63	10	31
Financial highlights and financial statements only	<u>11</u>	<u>46</u>	<u>2</u>	<u>25</u>	<u>13</u>	<u>41</u>
Sites with financial information	<u>24</u>	<u>100</u>	<u>8</u>	<u>100</u>	<u>32</u>	<u>100</u>

A detailed content analysis of the sites containing financial information is shown in table 4. The profit and loss statement and balance sheet ranked the highest at 21% overall.

Table 4: Content analysis of type of financial statements						
	Listed		Semi-state		Total	
	No.	%	No.	%	No.	%
Chairman's statement	14	15	4	27	18	16
Chief executive's review	11	12	5	33	16	14
Profit and loss account	21	23	3	20	24	21
Balance sheet	21	23	3	20	24	21
Cash flow statement	13	14	3	20	16	14
Notes To Accounts	9	10	3	20	12	10
Non-financial performance indicators	2	2	-	-	-	-
Financial ratios	1	1	2	13	3	2
Five / ten year summary	9	10	-	-	-	-
Multiple currency	1	1	-	-	-	-
Segmental analysis	11	12	-	-	-	-
Corporate governance	8	9	2	13	10	9
Directors' report	8	9	3	20	11	10
Directors' information	9	10	4	67	13	11

The following comments are relevant to the quality of financial information provided on the Internet by the Irish companies:

- The location of financial information was not always obvious to the user. In some cases, although the site included a financial section, the information was in the press releases area (see, for example Avonmore Waterford Group (www.awg.ie));
- Many sites did not hyper link pages. This facility would have been particularly helpful in moving from the balance sheet and profit and loss account to the associated notes;
- Few listed companies made use of graphics. It was not clear whether this was due to omission or a design decision to minimise time to download pages;
- The format and content of financial information was not adapted to the new medium. The majority of companies present information in 'page' rather than screen format. In some sites, the user was obliged to scroll back and forward through large volumes of data to assemble information;
- Where the user wished to make use of the 'pdf' format to download and view documents, files were large resulting in long download times (one to two hours for average modem speeds);
- Sites with incomplete financial information left the reader with little option but to request a hard copy of the accounts.

It is worth noting that the comprehensiveness of Smurfit's financial information has reduced the number of hard copies of the annual report despatched from 250,000 to 40,000 copies, through the efficient use of the Internet and CD-ROM technology (Interview with Colm Garvey of Smurfit Electronic Publishing, 1998).

SUMMARY AND CONCLUSIONS

Best practice is indicated in the London Stock Exchange and Investor Relations Society *'Best Internet Annual Report'* guidelines and briefing papers. This includes:

- Annual Report's ability to standalone but sensibly integrated into corporate Web site;
- Timeliness of information;
- Leverage use of electronic medium, do not merely replicate printed version;
- Think in terms of screens not pages;
- Intelligent use of pdf, dividing of report for easier downloading;
- Provision of clear sign posting and site maps;
- Good navigation with appropriate links to notes;
- Preserve history - facilitates transparency and allow user to put results in context;
- Feedback facilities;
- Integration with related areas e.g. Investor Relations;
- Add value to financial information by use of multiple currency and language options;
- Share price information - current and past trends;
- Intelligent links to related sites.

Initial Web site decisions by companies were previously treated as once-off information technology projects, with over-emphasis on the technical mechanics of the site and a low focus on supporting content. The first wave of Web sites were of a promotional nature, acting as electronic windows / brochures for companies. Of the companies surveyed, 68% of existing sites are planning a major re-launch of their site within next three months, containing a higher degree of interactivity and transactional elements.

The current approach recognises a wider strategic dimension with the Web site now being integrated into overall business strategy. The Web site is seen as an interface between target audiences and the company. Listed companies actively monitor their Web sites to provide a keener focus to the information provided.

Companies are now placing greater emphasis on creating internal Internet Web site teams and units. For instance Bank of Ireland has an 'Internet Business Unit'. The Diageo Web site is handled as part of its 'knowledge centre'. Tesco uses 'Infrastructure' and 'Content' teams. These teams act as internal consultants to the Tesco organisation (Interview: David George, Tesco, 1998). Ownership of the Web site is distributed amongst all relevant departments such as financial, marketing, business development etc.

Discussion

The primary motivation for this exploratory research was to conduct a quantitative and qualitative analysis of financial reporting practices of Irish listed companies on the Internet. As expected, Irish listed companies lag behind their US, UK and German corporate counterparts. The 'wait-and-see' approach being adopted during this period of rapid change could put Irish listed companies, and users of the financial information, at a comparative disadvantage.

Analysis of the success drivers of corporate Web sites indicates that companies must look at the deeper issues of corporate culture, dynamic content management, and commit resources to the Web site rather than considering the purely technical aspects. Success will only be achieved if it is comprehensibly integrated into the organisation and its business processes.

References

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Lymer, A. 1997. The use of the Internet for corporate reporting – a discussion of the issues and survey of current usage in the UK. Paper presented at the 1st Financial Reporting and Business Communications Conference, Cardiff, July.

Lymer, A. and Tallberg, A. 1998. “Corporate reporting and the Internet – a survey and commentary on the use of the WWW in corporate reporting in the UK and Finland”. Paper presented at the 20th Annual Congress of the European Accounting Association, Graz, April.

Appendix: Web site addresses	
1. Allied Irish Banks	www.aib.ie/
2. Anglo Irish Bank Corporation	www.angloirishbank.ie/
3. Arnotts	www.iol.ie/arnotts/
4. Avonmore Waterford Group	www.awg.ie/
5. Bank of Ireland	www.bankofireland.ie/
6. BCO Technologies Group	www.bco-technologies.com/
7. CRH	www.crh.ie/
8. DCC	www.dccplc.com/
9. Diageo	www.diageo.com/
10. Dragon Oil	www.dragonoil.com/
11. Elan Corporation	www.elan.ie/
12. Fitzwilton	www.fitzwilton.ie/
13. Fyffes	www.fyffes.com
14. Hibernian Group	www.hibernian-group.ie/
15. Icon CMT	www.icon-icr.com/
16. Independent Newspapers	www.indnews.com/
17. Iona Technologies	www.iona.ie/
18. Irish Continental Group	www.irish-ferries.ie/
19. Irish Life	www.irishlife.ie/
20. Irish Permanent	www.irishpermanent.ie/
21. ITG Group	www.itg.ie
22. Jurys Hotel Group	www.jurys.com/
23. Kingspan Group	www.kingspan.com/
24. Marlborough International	www.marlborough.ie
25. Norwich Union	www.norwich-union.ie/
26. Oglesby & Butler	www.kol.ie/oglesby
27. Ormonde Mining	www.info-mine.com/ormonde/
28. Powerscreen International	www.powerscreen.co.uk/
29. Rapid Technology Group	www.rt-interface.com
30. Ryan Hotels	www.ryan-hotels.com
31. Smurfit (Jefferson)	www.smurfit.ie
32. Tesco	www.tesco.co.uk
33. Ulster Television	www.utvlive.com/

34. Unidare	www.unidare.ie/
35. Viridian Group	www.viridiangroup.co.uk/
36. ACC Bank	www.accbank.ie/
37. Aer Lingus	www.aerlingus.ie/
38. Aer Rianta	www.aer-rianta.ie/
39. An Post	www.anpost.ie/
40. Bord Gais Eireann	www.bordgais.com/
41. Bord Na Mona	www.bnm.ie/
42. Coillte	www.coillte.ie/
43. Electricity Supply Board	www.esb.ie/
44. ICC Bank	www.icc.ie/
45. National Lottery	www.lotto.ie/
46. RTE	www.rte.ie/
47. Shannon Free Airport	www.shanon-dev.ie/
48. Telecom Eireann	www.telecom.ie/
49. TSB Bank	www.tsbbank.ie/
50. VHI	www.vhi.ie/

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