

# A Conceptual Framework of the Business Model Disclosure

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**A** The term business model (BM) is one of the topics that have recently been addressed in the area  
**B** of accounting literature and seeks to explore how to improve the information content of financial  
**S** statements. The present study is a qualitative research, in the first step in order to collect  
**T** qualitative data; a framework for semi-structured queries with experts was developed after  
**R** examining the scope of financial reporting literature and business model. Subsequently, 23 well-  
**A** known academic and executive experts in the field of financial reporting and business were  
**C** selected through purposeful sampling (snowball). The transcribed interviews were coded in the  
**T** second phase using inductive thematic analysis. In inductive theme analysis, patterns emerge  
during the analysis by placing open source or sub-themes together in one main theme. In  
summary, in the current study out of a total of 350 open source codes and 24 sub-themes, 6 main  
themes were identified as transparency and narrative, social accountability, users, key drivers,  
justice and fairness in reporting and presentation and disclosure. All of these are as components of  
financial reporting based on the concept of business model. Financial reporting and information  
disclosure are important management tools for effectively transferring information to  
stakeholders. Reliable and timely financial reporting enables individuals to accurately assess their  
future prospects. Therefore, by re- engineering the financial statements, six key components of  
financial reporting, inspired by the business model approach, can be a major step in re-  
engineering financial statements to improve the information content of financial statements.

**Keywords:** Financial Reporting, Information Disclosure, Business Model, Value Creation, Stakeholders' Management.

## 1. Introduction

Disclosing financial reports by companies is one of the important and valuable information resources for stakeholders, credit providers and other beneficiary groups in the process of conscious economic decision-making (Rahmani & Bashiri, 2014). Providing information helps the stakeholders to evaluate their advisory duty or auditing the managers' accounts about the resources available to them (Nasirzadeh et al., 2017). In case the quality of disclosing information increase, the presented information will be more reliable and decrease information asymmetry (Kordestani et al, 2014). Moreover, the framework of disclosing information for every industry is different in terms of laws, ground rules, guidelines and other environmental conditions dominating each industry; in other words, there should be consistency between the Business model of the commercial unit (BM) and its reporting form (EFRAG, 2013). The accounting as well as financial reporting should not only be reflective of preferences of the stakeholders, but also should be able to make a balance between various uses of accounting system. In addition, whenever it's not possible to identify the functional preferences of the society, selection of an accounting system, inevitably, turns into a political procedure (Demski, 1973).

Business Model (BM) for various subjects of accounting is a key concept for both financial reporting and financial statements (such as: balance sheet, profit and loss statement, and cash flow statements) as well as non-finance reports which address narrow dimension of financial report (such as: management notes or other voluntary reports) (Leisenring et al., 2012; International Integrated Reporting Council (IIRC)., 2013; Singleton-Green, 2014; Page, 2014). Some of the researchers, organizations, and professional and specialized associations such as the International Standards (like the International Accounting Standard Board (IASB), Financial Accounting Standard Board (FASB), the legislators of financial laws such as Financial Reporting Council (FRC), and the vocational organizations which are members of international associations such as the Institute of Chartered Accountants in England and Wales (ICAEW) have displayed their interest in use of the concept

Business model (BM) in their researches (Mechelli et al., 2017). The legislators of financial laws and the academy of accounting standards are trying to provide the grounds for disclosing Business model information in their notes on narrow fiscal financial reports.

## **2. Literature Review**

### **Relationships of the Stakeholders**

The relations of stakeholders should be sought for in two elements namely, the contribution of the stakeholders and the expectations or interests of them:

#### **Contribution of the Stakeholders**

Recently, there has been a great inclination towards the issue of engagement of stakeholders. This concept could be considered as an approach that the companies could make use of in dismantling their capability of strategic management in transaction level. The companies could deploy different strategies in terms of the amount of their cooperation. The classification of stakeholders is done on the basis of the importance of their level and its impact. Other than classification of the stakeholders in various levels of importance, there is a need to take their level of cooperation into account. The importance of the degree of attention to stakeholders as the center of decision-making in the process of management and tracing indicates the amount of ability of the stakeholder in controlling the result of decision-making (Vartiainen, 2003). Cooperation could also be regarded as an empirical method in the relationships with stakeholders (Simard & West, 2006) and a key in creating values.

#### **The Expectations or Interests of the Stakeholders**

Most of the researchers emphasize on making balance among the stakeholders and some others support a replacing relation; but what actually happens in practice most often is omission of one stakeholder to the benefit of another or ignoring the expectations of some stakeholders to fulfilling some others'. Finding a clue which could be in accordance with interests of all the stakeholders is not always easy and replacing one with another is almost the easiest way (Freeman, 1984). Of course, there are oppositions among the interests of the stakeholders but these oppositions should be eliminated so that the stakeholders do not leave the deals or in worse situations, do not make use of political processes for designating values to themselves or controlling the created values for others (Freeman et al., 2004).

#### **Business Model (BM)**

There have been various interpretations extracted from the words, business model. Interpretations such as Statement (Stewart & Zhao, 2000), Description (Applegate, 2000; Weill & Vitale, 2001), Display or Representation (Morris et al., 2005; Shafer et al., 2005; Timmers, 1998), Architecture (Dubosson-Torbay, M. et al., 2002; Osterwalder & Pigneur, 2010), Conceptual Tool or Model (Osterwalder et al., 2005; Teece, 2010), Structural Template (Amit & Zott, 2001), Method (Afuah & Tucci, 2003), framework (Afuah, 2004), Image or Pattern (Brousseau & Penard, 2006) and set (Seelos & Mair, 2007).

The definitions of business model, viewed in terms of central attention, could be classified considering three approaches namely: economic, operational, and strategic. The economic approach is concentrated on the profits of the companies and its main variables are income sources, expense structure and the expected profit. This approach has focused on profitability and preserving its existence. The operational approach is focused on domestic procedures of the company and the infrastructures that provide the opportunity for creating value for the company. Its main elements are the procedures of delivering goods and services, official procedures, streams of income, and managing knowledge. The aim of these relevant systems is to design competitive businesses for preserving the organization. In structural approach, the focus is on creating and developing opportunities which supports the quality of customers' choices as well as determining and distinguishing the value attached to them, creating desirability for the customers and determining the assigned duties inside the organization or outside of it. In addition, it emphasizes decision-making variables in identifying stakeholders, determining perspectives, values, networks, and the confederate of configuration of resources, and finally profit-making (Kujala et al., 2013).

#### **Applications of Business Model (BM)**

There are tools and numerical concepts for managers in order to understand the logic of organizational business, as well as to convey, design, analyze, and make changes. According to a great number of researchers in this field, the concept 'business model' can compensate for some of these losses and assist them in conditions of lack of trust (Osterwalder et al., 2005). The application and use of Business model could be divided into four important categories which are listed below:

### **Understanding and Sharing**

Business models play a role in understanding and sharing the rational of business of the organization. They assist in mental imaging and understanding, conveying, and sharing the logic of business by holding mental models which reside as abstract entities in the minds of individuals.

### **Analysis**

The meaning of Business model has a role in analyzing the rational of commercial works of the company. Measurement, observation, and comparison all improve the rational of business; that is, which spheres of the Business model needs supervision and which parts of it have undergone changes over time. In addition, it makes possible to compare the Business model with other competing models.

### **Management**

Improvement of the Business model of the organization causes development of procedures of designing, scheduling, changing, and performing the models of business. Moreover, by adopting the Business model it will be possible to react more rapidly to environmental changes. The concept, Business model, also improves strategic orientation, the organization of the business, and technology. In other words, it facilitates the coordination of these three by creating a kind of conceptual bridge.

### **Prophecy**

The concept, Business model, could contribute to creating innovations in the organization and increasing preparedness for future by means of Business model portfolios, that is, having a model of business in stock for the sake of responding to changes and simulation (Osterwalder et al., 2005). According to (Hamel, 2000), any organization has a particular model of business which simply demonstrates its process of activities. Whenever a new business starts to be established, it presents its model explicitly or implicitly and the architecture of business designs the mechanisms of distribution as well as creation of values. In fact, Business model is a methodology through which the broker presents the created value to customers particularly and to the stakeholders in general; and cajoles them into paying for such values in order to change them into profits. It is crucial for a company to have a clear understanding about its business model since it is considered as a source of competitive advantage for the companies (Osterwalder & Pigneur, 2010). Business model in commercial units is regarded as one of the key fatal factors in success (Success Critical Factor or SCF) and, in fact, without having a desirable business model, the competitive advantage and economic success, ultimately, will not be accomplished for the companies (Osterwalder & Pigneur, 2010; Amit & Zott, 2001; Teece, 2010).

### **The Importance and Status of the Concept Business Model in a Commercial Unit**

The companies, in order to preserve their created values in previous levels or exert effort to increase the level of the created value, decide to carry out innovation in their business model (Grabowska, 2015). Therefore, the most crucial issue in contemporary management is creating and architecting business model in a way that it would cause increase in value, make it possible for achieving stability in chaotic situations, and help in success in the market. Thus, a comprehensive, active, and innovative business model is about to being transformed into an important factor in creating value for the businesses. Evaluating business models could also play a key role in delineating the performance of the company (Zott et al., 2011).

Since the business model embarks on stablishing a Business Concept, a great number of people believe that success or failure of a business depends on the particular model of the business. That's why they consider business model as a single structure in explicating the competitive advantage and the performance of a company (Afuah & Tucci, 2003).

In another dimension, the business model of business units has close affinity with stakeholders' relations and it is crucial to pay serious attention to these relations in order to design a

desirable business model (Halsam et al., 2015). What is of great importance is that the business model of the business units cannot cause competition advantage for the units without considering all interested parties as well as understanding the relations among them (Halsam et al., 2015). In fact, the business model of the business unit is structured on the basis of the integrity of its constituent interest parties (Halsam et al., 2015). The primary relations of the business unit could be taken into consideration in two ways: contractual and marketable; the relations of secondary interest parties could be defined in an advisory or regulatory way despite the fact that they don't have enough cooperation in designing the business model of the business unit, their presence, policy-making, the way of their operation in the society and the relations they make with the business model, in a sense, can affect the activities of the project (Halsam et al., 2015).

In short, in order to design a desirable model of business in business units, care should be taken to all interest parties and their relations with the business unit. Cooperation of all interested parties and making utmost use of their potential capacities in designing and performing a business model and an effectual work requires accountability and providing useful information about the business unit. It is expected that the accounting department would accurately play its main role in this respect by financial reporting and providing financial statements as the most important source of information for reflecting the results of operation, financial status and cash flow of the business units.

### **3. Research Methodology**

The current research is developmental in terms of aiming since identifying financial reporting elements with a business model approach has exploratory characteristics; besides, it is a qualitative research in terms of the type of data. From among the various methods of collecting information in qualitative research (such as interview, focus group, Delphi technique, and other methods) interview was selected due to lack of possibility of making appointments with some of the experts in order to attend a same meeting coincidentally and lack of awareness of the researcher about the amount of knowledge and mentality of the domestic experts in relation to the issues such as financial reporting and business models. Due to the quality of semi-structured interview, in addition to analyzing the responses and in order to clarify the presented explanations put forward by the experts, some other questions were added. At the end of each interview, it was solicited from the individuals to declare their total opinions and inferences from the subject under discussion. All the interviews took place in a formal time and place (office) approved by the experts. The average interview time was an hour considering the obsession of the individuals with their occupations and the limitedness of their pre-scheduled programs. In the beginning of each interview, other than stating the aim of the research, it was emphasized that the interviews were held merely for the sake of conducting the research and the interviewee's identity will never be stated in research reports or articles. After getting the permission and agreement of the interviewees, the interviews were recorded and were drafted and coded in the same day.

The contributors in the present study were 23 people including 5 faculty members, 8 financial and executive managers of the state and private companies, 5 accounting managers and experts, and 5 experts of the stock market all of which enjoy adequate amount of knowledge and experience in the realm of financial reporting and business in business units. On account of this, the process of interviews with one of the faculty members of an accredited state university got started; meanwhile, there were other subjects introduced considering familiarity with other activists in this realm. Thus, the numbers of interviewees were gradually increasing and this process continued till the data reached a sufficient amount. Data collection was continued after 23 interviews and by reaching a saturation point, i.e. when there was no other new ideology created out of the new interviews, it ended. Finally, thematic analysis was used for analyzing the interviews.

### **Thematic Analysis**

Thematic analysis is a flexible, rather easy and fast way for identification, analysis, and stating the models existing in the data. This method compiles and organizes the data and describes them in precious details (Braun & Clarke, 2006). Every theme includes important things about the data relevant with the research question and indicates a level of response or meaningfulness of the model in the set of data (Braun & Clarke, 2006). In this research the six-phase inductive theme analysis of Clark and Brown has been used the procedures of which are as below: 1. Familiarity of the

researcher with the collected data 2. Creation of primary (first class) codes: in this phase 350 codes were collected from the interviews 3. Searching for the themes 4. Inspection of the themes: after putting all the themes of a relevant category in a bigger secondary theme, 24 secondary themes were identified 5. Definition and naming the themes: in this phase, finally, after manipulating the secondary themes, six main themes were identified 6. Reporting.

The data collected in this project were gathered using the following procedures:

Investigating texts: there were 25 texts chosen for analysis which are numbered from T01 to T25.

Interviews: the interviews were held in two phases. At first stage, there were three exploratory interviews taken place with three individuals who were well-known in terms of commenting on financial reporting and the field of business from the perspective of the researcher. The exploratory interviews which were all held by personal attendance of the interviewees and were recorded as for their texts were numbered from EI01 to EI03. In the second stage there were 20 main interviews held. The main interviews were numbered from MI01 to MI20, were held by personal attendance of the individuals, and their relevant texts were recorded.

#### 4. Results

##### **Analysis on the Basis of Methodology of Thematic Exploration**

The qualitative data extracted from reviewing the texts and interviews were coded and classified in order to find themes. Then the themes of the data were determined and named. Grouping the codes has eventually led to creation of six main themes. These six themes themselves include 24 secondary themes in which the main themes are introduced and analyzed in the framework of secondary themes. As for each of the themes, samples of the qualitative data as well as views and interpretations of some of the researchers (which is part of the qualitative research) will be presented.

##### **The First Main Theme: Transparency and Narrative**

This main theme is composed of six secondary themes namely: “complete disclosure of key resources of business models”, “complete disclosure of key activities of business models”, “complete disclosure of the consequences of business models”, “disclosure of value creation (the positive effect of using resources)”, “coherence of the information”, and “separation and classification”. Transparency and narrative are the central basis of modern financial reporting that helps users in making familiarity with the business unit. One of the most important factors in attractiveness of the company from the view-points of the stakeholders, particularly the investors, is transparency. Transparency in financial reporting can provide safe conditions and increase trust in the society especially in non- trustworthy attitudes towards accounting occupation.

##### **Complete Disclosure of Key Resources of Business Models**

In order to make economic decisions, there is a need for information with the help of which it could be possible to designate the existing and available resources in a desirable way. Recognition of the key resources in business models of the business units and their disclosure enjoys special importance. Therefore, when it was asked from the experts that what resources need to be disclosed in business models of the business units, the following statements were obtained:

In the present time, human, intellectual, natural, and social resources along with financial resources are the incentives of creating value and a source of replacement for static capitals. Most people believe that there should be made use of the reporting and voluntary disclosures (MI02016).

Another expert mentions some inconspicuous properties that are neglected in business units:

In my opinion, today, the companies don't solely make use of financial resources for performing their business models. In addition to financial and manufacturing resources, human, intellectual, natural, and social resources are the inconspicuous and key properties which play an important role in profiting and generating income (MI0464).

##### **Complete Disclosure of Key Activities of business models**

Identifying unnecessary activities and void of any value add tax is the first step in the process of organization improvement. The activities void of value add is indicative of consumption of resources of the brokerage for performing activities for which the brokerage or customers do not provide value. Hence, one of the experts stated about the subject of disclosure of information related to the activities that are done in each of the business models:

To my mind, since the key activities is one of the major elements of business models and each business



model cause the various resources (financial, manufacturing, human or natural) change into accomplishments and positive results, i.e. generating values, via their own key activities, thus, presenting information with more details of this kind could provide useful information for the users (MI0636).

### **Complete Disclosure of the Consequences of Business Models**

In order to be able to well evaluate and analyze a business model, the consequences emanating from performing such analyses should be taken into consideration. Economic, social and environmental consequences are three main consequences that could be used in evaluating business models. In this respect, one of the experts declared that:

If we accept that the society is moving towards a path that the domain of its users will develop more and more; therefore, the accountants should reach the idea that they should provide a more complete flow of information at the disposal of groups of various types. The disclosure of environmental, social, or even moral information along with financial information related to each of the realms of profiting (the business models of business units), and more importantly the disclosure of the consequences resulted from performing them and the activities they do, will bring more interest to the society and will increase people's trust on accounting occupation (MI0919).

### **Value Creation**

In recent years, focus on the subject, value creation, has increased and has been expressed generally in the field of accounting and particularly in the field of reporting. This subject, according to what Holland and British Financial Reporting Council (FRC) acknowledge, is regarded as the kernel of voluntary disclosure of information. Hence, a good and fair fiscal report should include a single story if it is seeking to show how money is earned that money-making has been accomplished in an adequate and clear way without any agitation (Financial Reporting Council (FRC), 2010). The process of convincing the effectuality of business models should help the test of existing hypotheses in business models. In this respect, the viewpoints of one of the experts in emphasizing and necessitating the value Creating nature of business models, is presented below:

Nowadays, the success of businesses and their preservation and stability fulfills only by considering the desirable values of all interested parties. In fact, values in the process of accepting, durability, and institutionalization demand value generation. Value generation means creation of values emanating from human acts and management which pursues generation of wealth. In a sense, value generation and success in business have close inter-relations as well as an all-out interaction with each other. Businesses are conducted via business models. Hence, the existence of the property, value generation or lack of it in business models and ultimate evaluation of them is so important for interested parties (EI0308).

### **Coherence of the Information**

One of the principals considered in Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) in the proposed model of the year 2008 (in order to enhance the comparability of financial statements) which was finally sanctioned in 2010, is the coherence principal or illustrating a cohesive image of the business units. The coherence principal is, in fact, produced via an organized structure among the financial statements. Some of the experts have also emphasized this principal in their statements:

Accounting should not solely be based on numbers. Non-financial and validity reporting related to each of the business models are also important. There should be complete coherence among the disclosed information regarding each of the business models of the business unit in various sections of the financial statements. Presenting non- financial and validity accounts related to business models such as information related to applicability and effectuality of them in index notes is a complement to the information and could be helpful in solidarity and coherence of the information (MI0543).

### **Separation and Classification of the Information**

Another principal considered in Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) in the proposed model is separation and classification principal. The process of separation and classification of the information related to business models could play a key role in effectuality on the informational content of financial statements. For example, one of the experts stated that:

Cooperation of the interested parties will result in efficiency and effectiveness of the business models. In fact, cooperation will increase only when the interested parties get informed that what they share in

the business models of the business unit and how they could make profit by appropriately performing them. Therefore, separation and classification of the shares of each of the interested parties from the business models will enhance the quality of financial reporting (MI1315).

### **The Second Main Theme: Social Accountability**

This main theme is composed of four secondary themes namely: 'Corporate Social Responsibility (CSR)', 'Green accounting (environmental)', 'Corporate governance (Co Go)', and 'Sustainable development'. The difference between social accountability and social responsibility lies in the way of responding and the way of treating with general issues. In social accountability, the organizations are like partners accompanying community institutions and try to solve the problems of the society and ultimately to enhance people's welfare and their social lifestyle by observing fulfilment of the needs of all interested parties.

#### **Corporate Social Responsibility (CSR)**

Corporate Social Responsibility (CSR) is an essential element in building and maintaining the companies' reputation which is called 'competitive advantage' in strategic resources. Accordingly, one expert believed that:

Corporate Social Responsibility (CSR) and the relevant disclosures are essential factors that lead to corporate continuity because all companies are inter-related with their community; they affect it and are influenced by it. In fact, the society gets profited by activities and behaviors of the corporation. Identifying key activities, key resources, and key incentives in each of the business models and reporting them to business stakeholders can play a role in corporate social responsibility (CSR) (MI0150).

#### **Green (Environmental) Accounting**

The growing population of the world, on the one hand, and the scarcity of natural resources, on the other hand, has made environmental protection one of the most important challenges for human-beings today. Nowadays, many companies are facing bio-challenges and are looking for appropriate ways to report and disclose information to the general public. Therefore, reporting business models is a way that can be effective in achieving green accounting goals. In this regard, one of the experts stated that:

In my opinion, most companies nowadays work for their managers, and the activities performed in them are not productive. They care more about the form of the work than the content of the work. In other words, most companies do non-environmental-friendly reporting by presenting tricky reports. Presenting reports based on the implications of implementing business models can prevent such business and produce criteria of intrinsic credit worthiness (MI1867).

In fact, many experts believed that the financial reporting style of business models that emphasize environmental impacts would be an important factor in achieving green accounting or environmental accounting goals.

#### **Corporate Governance (Co Go)**

Corporate governance is a set of rules and procedures that define the relationship between shareholders, management, and board members and impact how they affect the company. At the elementary level, corporate governance faces issues arising from the separation of ownership and management of the company, but this concept goes beyond just establishing a transparent relationship between managers and shareholders. Most interviewees acknowledged that special attention should be paid to how these business models are effectively implemented. For example:

Relationships between company management, board of directors, shareholders, and other interested parties are highly effective when the business unit provides quality information to each of them. Stakeholder engagement, support, cohesion and collaboration will come about only when they know how much they are contributing to the implementation of the business model of the business unit and understand how efficient or effective they are in the business models (MI2059).

#### **Sustainable Development**

Sustainable development means integrating economic, social, and environmental goals to maximize the wellbeing of the current human being without damaging the ability of future generations to meet their needs. Particular attention should also be paid to how sustainable business models are implemented in the business unit. Most experts believed, facing the question that what relation there should be between sustainable development and business unit patterns that the

implementation of any business model is not fair at all costs and that company should consider all aspects of the business, both internal and external, or short and long term. Examples of expert opinions are as follows:

Implementing business models should not compromise the interests and resources of future generations (MI0843).

Sometimes a company may cause environmental and social damage by implementing a particular type of business model that is incompatible with social and environmental issues. This incompatibility will cause the business unit not to be able to continue operating. Companies should consider these points (MI0922).

### **The third Main Theme: Users (Stakeholders)**

This core group itself consists of three sub-themes: "Managing and Analyzing Key Stakeholders", "Stakeholder Interests or Expectations" and "Stakeholder Engagement". One of the most important issues in the conceptual framework of financial reporting that has long been discussed and still debated by professional bodies is the purpose and uses of financial reporting (Zeff, 1999). In the context of the concept of financial reporting based on the concept of business model, the operators or users should be considered as one of the main components.

### **Management and Stakeholder Analysis (Key Partners)**

Ignoring the people who are influential as well as impressionable on the environment can lead to reduced performance and even failure of programs (Hill & Jones, 1992). The goal is to achieve results that provide the best balance of benefits and costs for all stakeholders, but the goal cannot be achieved unless by identifying and engaging all key stakeholders who stay in contact with each other in one system (Stavros & Sprangel, 2008).

One of the questions asked by experts in the interview was: Who are the main users who get benefitted by financial reports? Do you respect stakeholder management and stakeholder analysis issues? Almost all experts supported the theory of stakeholders and expansion of the circle of operators and users of current financial reporting. For instance, one of the experts stated that:

In my opinion, the beneficiaries are those who are directly or indirectly affected by the activities of the organization. Their scope is broad. In the future, the range of users of financial reporting will expand. In fact, we are passing. The world of cyberspace has expanded, access to it has increased, and the cost of access to it has decreased. Hence, this very fact will cause need for training and seeking for answer. In the meantime, stakeholder management will become more and more important than ever before (MI0857).

### **Stakeholder Interests and Expectations**

There is no doubt that there is a conflict between the interests of stakeholders, customers, suppliers, employees, and associations and other stakeholders of an organization. But just as there is a conflict between some stakeholder expectations and interests, they may have some common expectations and interests as well. If managers understand the needs, interests, and expectations of the corporate stakeholders, then they can develop a more informed corporate strategy. An expert said on stakeholder interests that:

From the perspective of economists, there is always a substitutionary stakeholder relationship, but we cannot keep them all satisfied due to the limited resources we have. Obviously, in the meantime, some will benefit more than others, but what is of importance is the art of making balance among the stakeholders through stakeholder management and taking their interests into consideration. Otherwise, management may never be able to find the critical points that represent the common interests of all key stakeholders (MI1561).

### **Stakeholder Engagement**

Given the intensified competitive environment of activity and the empowerment of stakeholder groups on corporate orientation, today the goal of maximizing profits has given way to a satisfying profit which will be achieved in the light of the interaction and participation of the forces governing the organization's activities such as the stakeholders and investors, employees, customers, suppliers of raw materials, etc. and the company will be able to create continuous and dynamic interaction in an organic relationship with its environment. This feature will increase the



competitiveness of companies to achieve important goals such as greater market share and higher flexibility. Several experts, in their interviews, emphasized stakeholder engagement and its importance in advancing the affairs of the organization. For example, one of the experts believed that:

In future, partnering with stakeholders and building loyal relationships with customers, employees, shareholders, and other interested parties will be one of the determinants of business success and economic benefit for companies. Increasing shareholder value is best achieved by supporting all the groups that are affected (MI1233).

### **The Fourth Main Theme: Key Incentives**

This core group consists of 4 sub-themes: "asset, debt, and stakeholder equity earnings stimulus", "incentives and costs structure", "income incentives and flows" and "value proposition (financial, non-financial)". Every organization consumes resources and accomplishes activities (for example: production, sales, marketing) in order to achieve its goals and fulfil its organizational mission; in total, these consumed resources bring about accomplishments as a result of its activities. One of the most important issues is how these consumed resources are allocated. Resources (financial, productive, intellectual, and social) must be distributed and allocated through a rational mechanism. One of the ways to optimize the allocation is incentives.

#### **Asset, Debt, and Stakeholder Equity Earnings Incentives**

If firms use different business models, in which multiple activities take place, in order to generate revenue and profit, allocation of costs related to assets, debts, and proprietary rights to each of these business models will provide transparency in the financial statements. Accordingly, a clear definition of the incentives intended to allocate assets, liabilities, and proprietary rights should be provided. Below are some expert opinions:

The value of the assets, liabilities, and rights of the owners of each business model must be explicitly stated (MI0136).

The assets are capitals that are shared by two or more business models. In this case, the method of allocating items to business models depends on factors such as the nature of the items, activities performed in accordance with business models, and relative independence (MI1038).

#### **Incentives and Cost Structure**

Cost structure describes all the costs associated with implementing a business model. This component describes the most significant costs incurred during the implementation of a particular business model. Creating and delivering value, maintaining customer relationships, and generating revenue all have their own costs. After defining the key resources, activities, and partners such costs can be easily calculated. One of the experts on cost structure in implementing business models stated that:

In any business model, obviously, costs should be reduced as much as possible. But cutting costs for some businesses is much more important than others. Thus, it is useful to distinguish between two categories of cost structures in business models: cost-based and value-based (MI0938).

Another expert stated on how to allocate costs in business models that:

Identifying the costs incurred in each of the business models and separating and allocating them accurately will make the reports more effective. These separations and allocations of cost are possible through incentives and there must be meticulous and special care taken in defining them (MI1257).

#### **Income Incentives and Flows**

If business models are the heart of the organization and customers are the heart of business models, revenue streams form its arteries. The company has to ask itself, what segment of business models does each customer really want to pay for? In the interview, experts were asked what components should be taken into consideration if a company wants to design and execute a business model for itself, and which component was more important? In this regard, all experts acknowledged monetization and revenue streams as one of the most important components of business models. Here are some experts' opinions:

Implementing different business models will also have different revenue streams. The produced income must be reported separately (MI0869).

In order to comply with the principle of reconciliation of revenues to expenses in accounting,

it is necessary to identify precisely the earnings of each business model on the basis of the activities performed and match the costs incurred in the same business model (MI1145).

### **Value Proposition (Financial, Non-Financial)**

If the business model of the business unit is properly designed and implemented, it will eventually lead to formation of the proposed (financial, non-financial) value which is the firm's preference factor by stakeholders. One of the components of a business model (BM) is the value proposition that represents the products and services that create value for particular stakeholders or interested parties (Osterwalder & Pigneur, 2010). Examples of financially proposed value include the ratio of price to sustainable income, stable liquidity, stable repayable debt and sustainable profit margin (Halsam et al., 2015). Examples of non-financial value proposition include the quality of the products and their after-sales services. One expert suggested, on the value proposition of business models, that:

Another component of the business model is proposed values. It is worth noting that a proposed value is a distinct combination of elements that meet the needs of a part of the customers and thereby create value. If a company wants to differentiate itself from others, it must focus on the proposed values (MI1333).

### **The Fifth Main Theme: Justice and Fairness in Reporting**

This main body consists of three sub-themes: "attention to economically interested parties", "attention to socially interested parties", "attention to politically interested parties". One type of justice is called 'distributive justice'. The distributive justice that Aristotle speaks of means that justice must be in a way that public welfare could be available to the people of the community on an equal basis from day one. This definition focuses on the point that everyone must first be provided with equal facilities and social opportunities. Some people may be sluggish to take advantage of these facilities and opportunities or neglect to get well benefitted, but at the beginning, the division of good should be public. In accounting, there should as well be the dominance of the distributive justice either in giving reports or presenting information to the people.

#### **Attention to Economically Interested Parties**

'Interested parties' refer to a group of people who have common interests and do not have political goals. In fact, economically interested parties are those who pursue purely economic goals. They follow economic indicators such as GDP, EPS, and inflation rate and so on. In stakeholder theory, the emphasis is on homogeneous distribution of resources among stakeholders. If stakeholder relationships are based on equitable resource allocation, the company's wealth potential will increase. In this respect, an expert in the interview said that:

Stakeholders and creditors are economically interested groups who are largely unaware of social and environmental issues. These are the people who pursue their monetary interests. Providing disaggregated information on economic indicators such as P to E ratio, EPS and other financial ratios in each of the business models will enhance transparency in reporting and improve reporting quality (MI1531).

#### **Attention to Socially Interested Parties**

Some authors, in a large subdivision, divide stakeholders into promotion and support groups. The first groups are those who seek to propagate and promote a particular idea. If this goal is specific, the propagating group may have a temporary presence. The goals that these groups typically strive to achieve are more concerned with general or immaterial good of the society or parts of it. Environmentalists are a prominent example of this group of stakeholders. Most of the experts in the interviews mentioned of paying particular attention to this group of people. For example:

Countries and organizations have no choice but to disclose the information about the costs of their environmental business models and incorporating them into their accounts and decisions in order to reduce their environmental costs (MI01225).

Or another expert believed that:

Managing environmental and social costs has enormous benefits to society and to the success of the business unit. In fact, an understanding of these costs in the business process can improve product costing and pricing (MI0344).

#### **Attention to Politically Interested Parties**

Having a political relationship with the government, not only does affect the financial position of business units, it can also influence the motivation and ability of executives in preparing financial statements and make a significant difference in the quality of financial reporting (Rezazadeh & Mohammadi, 2019). A number of experts believed that it is not possible to present a desirable account of standards and financial reporting without attention to political stakeholders.

Political economic theory is a social, political, and economic framework in which politics and economy are not separate, and economic issues cannot be dealt with separately from social and political considerations. In this theory, reports of business models chosen by the company are viewed as social, political, and economic evidence (MI1951).

### **The Sixth Main Theme: Presentation and Disclosure**

This core theme consists of 4 sub-themes "financial statements reengineering", "business analytics (SWOT) method for analyzing business patterns", "use of statistics and comparative information on business patterns" and "use of canvas in business model". Obviously, the decision on how to disclose information and when to publish it is important since the method and timing of information disclosure can affect usefulness of this information.

#### **Financial Statements Reengineering**

Financial statements are the primary and central product of financial reporting. A research conducted by Alex and Suresh (2004) indicated that current financial statements have lost their value due to a shift from the traditional capital-based economy to a high- tech and service-based economy. These findings are based on life-cycle theory, high- speed technology, and rapid changes in the business environment (Alex & Suresh, 2004). In this regard, one of the experts commented that:

In my opinion, the current financial statements are not sufficient enough. We need to have not only modernization but reengineering in the area of financial reporting so that the financial statements can tell exactly what business units are operating, how their revenue streams are, and how to design financial statements in general in order to meet the information needs of all stakeholders (MI1457).

#### **SWOT Strategic Analyzing Method for Business Model Analysis**

Organizations and institutions that inevitably compete and strive for survival in highly turbulent, unstable, and changing environments, in order to deal with such environmental factors and events impacting their activities, adopt a strategic analysis method named SWOT (Strength, Weaknesses, Opportunities, Threats) for identifying and compiling optimal strategies, which consist of four types: strengths-opportunities, weaknesses- opportunities, strengths-threats, and weaknesses-threats. In this regard, the British Financial Reporting Council (FRC) has acknowledged in its evaluation and researches that:

Some investors have also suggested that SWOT analysis will improve the quality of business model disclosure. They have found that a balanced SWOT analysis by the company for each business model can provide additional information to analyses that is often performed by sales analysts. (T1248).

#### **Use of Comparative Statistics and Information on Business Models**

Today, in the field of data collection, storage and retrieval, the topic of "making sense of data" and facilitating the "decision-making" process are at the center of attention of accounting, management, and business experts. The work is done. One of the most effective tools for making optimal decisions in organizations is business intelligence. Business intelligence is the analysis of statistical data related to business situation and the environment around the organization. The UK Financial Reporting Council (FRC) acknowledged in its evaluation and researches that:

All investors are of the opinion that using statistics to disclose a business model can lead to a more effective and useful improvement of the interactional value of the disclosure. Statistics can more effectively explain the size, importance, or concept of the elements of a business model. Companies do this in a variety of ways, including:

Using statistics along with relevant information and

Providing a summary of the relevant statistics in the form of tables and charts (T1248).

#### **Use of Business Model Canvas**

Business Model Canvas (BMC) is a strategic and entrepreneurial management tool that

allows you to describe, design and invent your own business model or challenge and change it. The Business Model Canvas is a simple yet powerful visualization tool that describes the nine components of the business model. These components include customer segment(s), proposed value(s), distribution channel(s), customer relationship, revenue stream, core activities, main resources, key business partners, and cost structure (Osterwalder & Pigneur, 2010). According to some experts in interviews:

The business model canvas is a common language for describing, visualizing, evaluating and changing business models. This canvas describes the logic of how to create, deliver, and capture the value of an organization. Therefore, presenting it as supplemental information, if not beneficial to some, will not result in their loss or mislead (MI1478).

Some experts also disagreed:

I think this information will confuse the reader of financial reports. Canvas business model analysis requires expertise that not everyone has (MI2053).

## 5. Conclusion

The present study has achieved a framework for financial reporting by identifying the components of financial reporting using the Business Model (BM) approach with a qualitative paradigm. One of the advantages of this research is the interdisciplinary view in the two areas of accounting and management. An interdisciplinary field is the "integration of knowledge, methods and experiences of two or more scientific and specialized fields to identify and solve a complex problem or a multifaceted social problem". In the first section, after an in-depth review of the financial reporting literature and business models of business unit and studying the views of foreign experts on the relationship between financial reporting and business models, special programming took place in order to ask direct questions and conduct semi-structured interviews with Iranian experts. After transcribing the interviews in Section II, the collected qualitative data were coded and categorized by inductive thematic analysis. Research findings show that financial reporting based on the concept of business model is determinable on the basis of six main themes namely: "transparency and narrative", "social accountability", "users (stakeholders)", "key incentives", "justice and fairness in the distribution of reports", and "the way of presentation and disclosure".

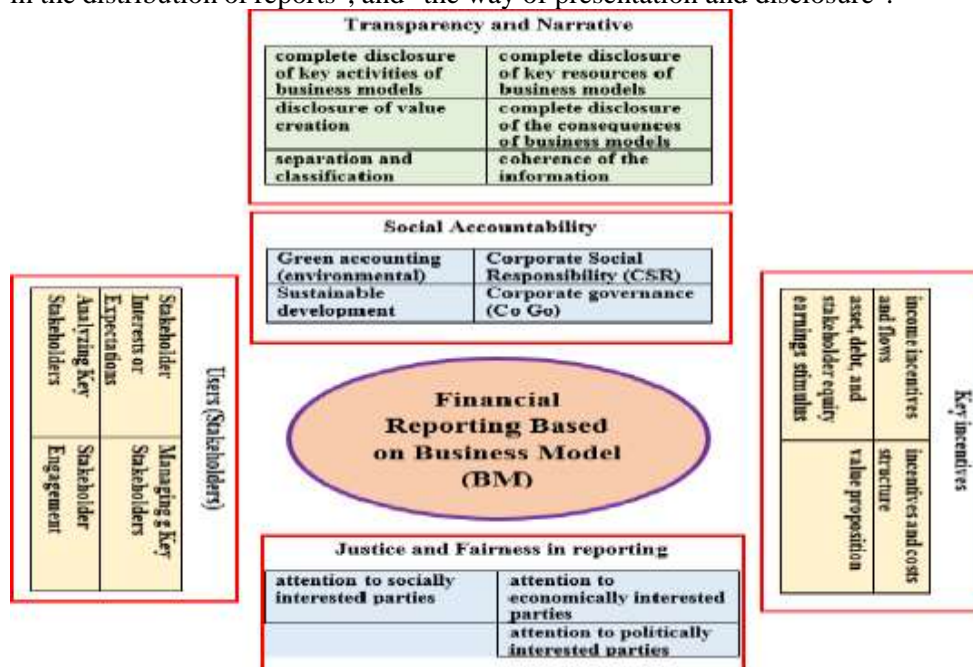


Figure 1. Financial Reporting Based on Business Model (BM)

Transparency and narrative, as the first core components, are central to modern financial reporting which helps users understand the business unit. Transparency in financial reporting can create trustworthy conditions and increase public confidence, especially in uncertainty conditions regarding accounting profession. In order to increase transparency and narrative in financial reporting based on the concept of business model, components such as: "full disclosure of key sources of



business models", "full disclosure of business model consequences", "full disclosure of key business activities", "information coherence", "information segregation and classification", and "disclosure of value creation (positive effects of using resources)" should be taken into consideration.

The second major component, namely social accountability, consists of "Corporate Social Responsibility (CSR)", "Green Accounting (Eco)", "Corporate Governing (Co Go)", and "Sustainable Development". In the last decade, the accountability of organizations to citizens has become a sensitive issue, and organizations are trying to be more efficient and social due to public pressures. Organizations must feel the responsibility that community problems are part of their own problems and must work towards resolving them and allocate part of their financial and human resources for this purpose. Corporate Social Responsibility (CSR) is an essential element in building and maintaining a corporate reputation, which in strategic resources is referred to as the competitive advantage of a company.

The third main component, namely users (stakeholders), includes: "management and analysis of interested parties (key stakeholders)", "interests and expectations of stakeholders", and "stakeholder engagement". Since stakeholder relationships need to be considered in the effective and influential implementation of business models of business entities, stakeholder theory has been adopted as the dominant theory in this approach. The goal is to achieve results that provide the best balance of benefits and costs to all interested parties, but the goal cannot be achieved unless by identifying and engaging all key stakeholders in contact with each other in one system (Stavros & Sprangel, 2008).

The key incentives as the fourth key component are the rational distribution and allocation of various resources between business models on the one hand and the key activities of the business models on the other. Some of these components also play a role in evaluating the performance of the business unit. Business units can allocate and distribute these resources through incentives such as "cost structure incentives", "revenue flow incentives", "value propositions (financial and non-financial)", and "use of asset, debt and equity capital incentives".

In the fifth principal component, an important issue, namely justice and equity in reporting, has been raised. Distributive justice means that justice must be in a way that public good be made available to the individuals on an equal basis from day one. Economic, social and political stakeholders should be given full attention when it comes to distributing financial reporting with a business model approach.

And finally, in how to report and disclose information related to business models of the business unit, as the sixth main element, the components "financial statement reengineering", "SWOT strategic analysis for analyzing business models", "use of statistics and comparative information on business models" and "use of business model canvas" should be considered. Research by Alex and Suresh (2004) indicated that current financial statements have lost their value due to a shift from the traditional capital-based economy to high-tech and service-based economy (Alex & Suresh, 2004). Accordingly, it is necessary to re-engineer the financial statements using the business model approach. Analyzing business models using SWOT strategic approach has a significant impact on organizational success. Business Model Canvas (BMC) is a strategic management and entrepreneurship tool that allows you to describe, design and invent a business model or challenge or change it.

In sum, the findings of the present study show that an interdisciplinary approach in the two areas of accounting and management and the business model approach could be utilized in order to mitigate the weaknesses in current financial reporting. The main concern in Accounting Narratives (reporting) is that there is currently a problem with the duplication of unnecessary information that usually expresses general features and uses non-special language. Therefore, there has been strong criticism against the disclosure of duplicate and unnecessary information, which is why some believe that describing a business model (BM) is a different perspective that will improve financial reporting.

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