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Virtues of integrity and veracity in reporting, data alone is not enough. A case study approach

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ABSTRACT

One of the claims made in reporting is that firms should publish more information, both quantitative and qualitative. The annual reports of companies are thought precisely to fulfill this function: allowing the ones who have any type of interest in companies to be aware of the data, both quantitative and qualitative (in the form of annual reports). In this paper, we argue that data alone is not enough. We use the case of the company Fish&Fish, Inc. to show that the problem goes beyond the data itself. The most well calculated data and the most detailed reports could be insufficient to deter future ethical misbehaviors or to perform ethical behavior for the stakeholders. We argue that data must be complemented with several ethical virtues: integrity on the managerial part, veracity in the way reports are written. These two should also be complemented with justice, meaning that balancing several interests that parties have at the same time and managing the way integrity and veracity needs to be implemented in reporting decisions. Looking at Fish&Fish, Inc. we show that the main problems was the lack of veracity and integrity in the reporting that may mask present or future fraud.

KEYWORDS

Reporting, Management Control Systems, justice, fairness, virtues, integrity, veracity, accounting fraud.

1. Introduction

The quality of accounting information and Financial reporting is especially relevant because of the consequences that can be derived from low quality financial statements. Often, the only indicator that external agents have about the performance of a company are their financial statements. A high degree of quality in financial reports is highly valued by markets because it reduces information asymmetries, increase transparency and offer a better system for contractual objectives (Watts and Zimmerman 1986). This aspect is particularly relevant in listed companies, since low quality accounting information causes, for example, delays in the adjustment of stock prices (Callen et al. 2013).

Objectives of reporting are different. There are cases in that fraud comes evident, but reports try to hide it, and auditing procedures and practices are not designed to detect accounting fraud. Trying to incorporate more quantitative information can be seen as a partial solution, the same as the claim for adding more qualitative information but this is not the cause of problematic reporting to deter potential future fraud. Even the more detailed information and the fact of adding qualitative data is not solving the potential problem of fraud, as it can be seen in the case we present here.

Reports must be aligned with managerial integrity, which means that they should be promising future events and results that are seen as possible or not blatantly impossible to be achieved by the managers responsible of achieving them. There also two aspects of integrity, the positive part, meaning that promising possible future results, and the negative part, which means not promising what is not achievable.

Moreover, reports need to create veracity, which means have a content that is creating the right perceptions for the parties with interests at stake. Veracity also implies not promoting wrong perceptions. Both aspects of veracity are regarding the content and the decision of how to write when reporting.

Integrity and veracity are important so the lack of the two would mean companies are trying not to keep their promises and communicate it in a way that misleads the perceptions of the interested parties.

The most well calculated data and the most detailed reports could be insufficient to deter future ethical misbehaviors or to be ethical to the stakeholders. Data is not neutral, as it implies decisions and choices of which data to include and the way it should be included.

Managers should make decisions about which information to include, which to be set out, and how it must be written and included. Criteria to guide these decisions is crucial and we argue that should be guided by the ethical virtues of integrity and veracity. Therefore, data should be complemented with ethical virtues. These two, in reporting are considered relevant, as the information and the way it is presented create perceptions of the company in the eyes of the stakeholders. These perceptions are not neutral and may manipulate them to act in the future against their best interest, for instance not making a decision that may improve their own results or prevent them for a big loss (e.g. taking too much risk).

The idea of ethical virtues is not new for management control systems, in which reporting is embedded as a system contained in the full Management Control Systems (from now on MCS) set. Justice is a virtue that has been considered fundamental, both, in the management control formal system and in the way the system is used (Cugueró-Escofet and Rosanas 2013). Some research has shown that informal justice is even more important that the formal one. The main reason behind is that informal justice can create influence over formal justice, as a manager, if decides guided by justice can change the systems that are formally unjust and improves them to transform into more just ones (Cugueró-Escofet and Rosanas 2015b, Cugueró-Escofet and Rosanas 2015a). In reporting, it seems also relevant to consider that the informal justice, can guide also the formal justice of reporting, and can therefore improve other virtues that are also relevant, which are integrity and veracity.

We proceed to look first into the concepts of integrity/lack of integrity and veracity/lack of veracity, as critical values in MCS and specifically in reporting. Afterwards we introduce the Fish&Fish case, first exposing the key aspects of the company and the reports and afterwards looking into them to see instances of lack of integrity and veracity in the reports and information that contained. We explain how reverting the situations of lack of veracity and integrity would be more important to deter fraud rather than incorporating more information, both qualitative and quantitative, and we incorporate a concept of informal justice as guiding reporting decisions. We finally draw some conclusions and propose future aspects that can be studied in the future.

2. Ethical virtues in reporting. The specific case of integrity and veracity.

Integrity and veracity are managerial virtues that need to be integrated as part of the decision-making processes in organizations. Both are also affecting the reports that a company write in order to communicate main data informing about actual company's performance and those plans that may also affect how the company is likely to perform in the future. Reporting is a way companies have to increase the awareness of how the organization is performing as well as the consequences of not achieving the results expected for the parties that have interests at stake. At the same time, reports may help to explain possible plans of the company and the expectations about these plans, and how likely are them to be successful.

We start with integrity and by looking at research in several areas of knowledge, it is clear that integrity is a very wide and multifaceted concept that has been studied from many perspectives, many of them related to ethics and virtues, from perspectives of normative and positive scientific approaches, coming from the fields of psychology, management, politics, law and sociology.

Some psychologists consider integrity from the perspective of how likely it is that it may help someone to overcome negative aspects of life, and how it could be possible to reinforce it as a positive personality trait that may offer a positive guidance of behavior (Killinger 2010). From Killinger's perspective, integrity would need to incorporate compassion, and it is necessary to include motivated behavior, meaning that doing the right thing but also for the right reason.

Integrity can also be studied from the government, politics or management perspective and then, it can be seen differently depending on the approach taken. Looking at integrity as a virtue, some researchers consider it close to other virtues like humility and accountability (Kaptein 2014). Following Kaptein, managers should become a role model to be followed by the rest of the organization, being integrity one of the main aspects that constitute managerial role (Kaptein 2014), that can be considered as managing by example, so creating a role that people follow and believe. Kaptein and Wempe extend the concept of integrity to the organization as a whole, and consider integrity a requirement to create a balanced corporation (Kaptein and Wempe 2002).

Going back to Aristotle, in the Nicomachean Ethics, integrity as a virtue is concerned with honor and it is represented with the concepts of proper pride and greatness of soul, also can be considered close to magnanimity. Depending on the translation, we can find different words to represent this virtue. Pride is found in the translation of David Ross, but in the comments of Lesley Brown, she considers that the appropriate translation for pride would be “proper pride”. Following this, “pride, then, seems to be a sort of crown of the virtues; for it makes them greater, and it is not found without them. Therefore it is hard to be truly proud; for it is impossible without nobility and goodness of character” (Aristotle 2009: Book IV, Chapter III). In another edition of the Nicomachean Ethics this virtue is translated as greatness of soul; a great-souled man “is an extreme in terms of greatness, but he is in the middle in terms of his acting as one ought, since he deems himself worthy of what accords with his worth, whereas the others exceed or are deficient” (Aristotle 2011: Book IV, Chapter III).

In management, integrity has been studied from several perspectives and in several fields. Some of them stress more the concept of ethics and others try to see integrity as a more positive concept more according to facts than to values.

In organizational behavior, integrity is a constituent of trustworthiness. In a seminal paper trustworthiness is considered a key concept that incorporates integrity as one of its constituents, jointly with ability and benevolence (Mayer et al. 1995). Mayer et al. consider that a manager is perceived as trustworthy from the perspective of the others managed by him or her if he or she shows ability, integrity and benevolence. Then the importance of integrity is because it generates trust, being trust one of the most important aspects that affect many other organizational variables in organizations that are also generating performance. Integrity from Mayer et al. perspective is a concept that concerns ethics, as it is the perception that the manager adheres to a set of principles that managed agree are worth. Therefore, managerial integrity from this point of view is concerned with the ethical background of the manager and his or her job.

Studied from the perspective of agency theory, integrity is seen as a requirement or sufficient condition to create performance (Werner et al. 2010). Werner, Jensen and Zaffron consider that the main trouble with agency theory is that people does not understand integrity and they cheat.

They consider that integrity exists in a positive realm and that it is not necessary to consider integrity as good or bad, or right or wrong, this precisely makes integrity less workable and not useful to understand the scientific role that it has over performance. They consider that the main problem is the "lack of scientific understanding of the impact of integrity on performance and the absence of research quantifying it as a product of the "veil of invisibility" that obscures the relationship between integrity and performance. This veil of invisibility results in what we call the Integrity-Performance Paradox: People and organizations, while committed to performance, systematically sacrifices integrity in the name of increasing performance and thereby, *reduce* performance" (Werner et al. 2010: p.78).

Werner et al. consider that the reason of cheating is because people think that integrity does not pay off in terms of performance, so that, being considered an ethical concept, managers think that behaving with integrity may cost money to them, and therefore this would made them worse performers. This meaning that, "in summary, when the name of the game is performance, and integrity is seen as a virtue rather than a necessary condition for performance, people and organizations will thus paradoxically be willing to sacrifice integrity in the name of performance" (Werner et al. 2010: p.79). They define several factors that according to them constitute the veil of invisibility, the first one being the one we have already commented: seen integrity as a virtue. They define integrity as keeping one's word and they consider that "without integrity nothing works" (Werner et al. 2010: p.87), and that this sentence is an heuristic that ensures the opportunity for maximum performance, as integrity generates workability that in turn generates performance. They define this in negative terms, meaning that a lack of integrity creates some degree of non-workability for the whole organization or the party involved, even if from the point of view of this party he or she receives some reward for this behavior. Therefore, the costs (or degrees of non-workability) are somehow hidden in organizations and affect the long term.

This model of integrity poses a very interesting aspect that ethicists have already exposed. The problem is not that integrity is seen as a virtue, and therefore, the mainstream economics suggest it would be bad in case we aim at performing better; the problem is that there is a difference between the short and the long term. In many cases, companies are unethical and make the wrong decisions, because in the short term these imply good consequences and benefit some parties, even if at a high cost in the long term for the same parties or the rest of the stakeholders. Examples of unethical behavior that can have consequences in the long term are many. Take the case of some incentive systems that pair performance and incentives, and create unethical behaviors in the short term. Why? Because people pursue short term results, which are generating bad consequences in the long term in terms of future results, but also because they put the whole company at stake by entering in a spiral of additional unethical behaviors that have bad consequences in terms of long term results as well (Cugueró-Escofet and Rosanas 2016).

In our case we try to examine integrity in reporting. We are interested in looking at the lack of integrity or broken integrity, defined in terms of the word that in the studied case we find evident that is not possible to be kept. Also, integrity as hiding the impossibility of keeping the word, on purpose (which would be also related to veracity, that is examined next). We think that undermining integrity is the reason behind the fraud in the case, and the worsening of the company performance, amongst other consequences.

The second aspect or condition we are interested to examine is veracity. Veracity means giving the necessary information to generate the appropriate perceptions on the other parties and not inducing error that can allow the other parties to make mistakes and make decision that go against them (Pérez López 2014). Veracity is close to the concepts of being accurate, truthful and honest. Following the definition from the Cambridge Dictionary, veracity is the "quality of being true, honest, or accurate". Other definitions consider veracity close to the concept of 'facts', which would also mean being accurate and close to the real situation.

Pérez López focus on motivations and considers that the aim a manager has when making any decision is important. This can apply to information and communication decisions. Following his argument, managers need to be aware that communicating has effects so that the content and the way this communication is done generates right perceptions, which may lead to right consequences or misleading perceptions that would generate wrong consequences. Therefore, managers should create veracity to promote the right perceptions and consequences and to avoid as much as possible the wrong counterparts. Veracity goes beyond truth, as it implies selecting how to communicate the truth and which information is relevant regarding this truth. So it means being true, close to facts as much as possible, by incorporating accurate information and being honest when disclosing the information. How this applies to reporting? In reporting is crucial incorporating veracity as a criteria. There is too much information to communicate in a real organization, therefore selecting the right one is basic not to overwhelm people with too much information that may distract them from understanding how the company really performs. But on the other side, if the report lacks of relevant information would also lead to wrong perceptions of how the company actually performs. The right equilibrium between being true, selecting the necessary information, and also choosing how to communicate it and use it, which includes being honest, is what constitutes the veracity criterion.

3. Case of the Company Fish&Fish, Inc.

One of the critical issues in accounting research and practice is the capability of generate relevant and reliable information in respect to a certain problem. However, for the research to be relevant, no matter the method used, it must have a better understanding of reality as the main objective (Power and Gendron 2015). We are choosing a case study approach because it is important to see specific cases that allow us to understand how our two criteria (integrity and veracity) is shown in real reports, and see whether our hypotheses that the problem is lack of veracity and integrity fit in the data collected in this case. Case study approach has been claimed as having a great potential in accounting to generate additional insights from the real practice; a general advice of incorporating this method has been made recently in accounting literature.

Apart from the general claim of using cases, there is an additional reason to choose this specific case. This particular case would allow us to study the qualitative data included in the annual report in a case in which it is known that earnings manipulations has occurred and try to go back and see if our hypothesized causes are possible there.

We also think that studying this particular case would help to set a model that in the future can be used in other cases, and finally constitute a possible theory to be studied and examined empirically using other methods, challenging our arguments here and presenting other possibilities that would enhance our knowledge of fraud and how to increase fraud deterrence.

3.1. Background of the case of Fish&Fish, Inc.

The company selected is an international company totally integrated vertically in the fishery industry. Fish&Fish was accused of accounting fraud in 2013, because of data released in the 2012 annual report. The company was initially a family owned company that went public in 1970, but the founding family was still one of the major shareholders at the time the fraud was discovered.

The forensic report found out that the company had overstated its revenues as well as understated its debt. The fraud detected was committed through other companies outside the consolidation perimeter but controlled by the fraudster company. The fraud basically consisted in selling fictitious inventories and increasing debt through these controlled non-consolidated companies. The forensic auditors stated that they had analyzed the financial statements until two years before the fraud was discovered even if they suspected that the company had been manipulating its accounts far before.

3.2. Data collection

All data has been obtained from public sources, as the annual report is generally available at the CNMV, like the corporate governance reports and the forensic audit report.

Non-financial measures available from public sources have been proved to be effective when assessing fraud risk (Brazel et al. 2009). Sometimes analysts and investors do not pay much attention to the quantitative and qualitative information implicitly included in the financial report. Such information, as can be the case of capacity, is usually correlated with financial measures such as revenues growth, that can be inflicted from the information provided and tested for consistency.

In the example analyzed, Fish&Fish has two primarily sources of raw material (which is fish in this case): fishing and aquaculture. If we consider the first source, we might think that a good measure of the capacity of the company could be the number of vessels they owned. The balance sheet of the company included non- current assets held for sale that they explained they were some vessels they wanted to sell and substitute by others more specialized. So, if this happened to be true, we could expect the number of vessels should remain stable or increase according to the sales growth. With the information of the balance sheet regarding non-current assets held for sale, the information included in the management report regarding capacity, and the sales reported in the Consolidated income statement of the company we could extract the following information:

Table 1. Capacity estimation of the company (number of vessels)

	2007	2008	2009	2010	2011
Non current assets held for sale (Number of vessels)	5	12	8	6	5
Total fleet of the company	130	125	119	Not disclosed	Not disclosed
Amount assets held for sale	33,459	41,600	38,000	32,000	28,000
Fishing Tones disclosed in the management report	More than 120.000	More than 120.000	More than 120.000	More than 100.000	More than 100.000
Total fleet disclosed in the management report	Not disclosed	Not disclosed	More than 100	Around 100	Not disclosed
Sales (in milions)	1,293	1,343	1,473	1,565	1,671
Increase in sales		+3.8%	+9.7%	+6.2%	+6.7%
Decrease in fleet		-3.8%	-4.8%	-15.9%	n/a

Source: Authors' own work based on publicly available information

Table 1. Capacity estimation of the company (number of vessels)

3.3. Evidence of lack of veracity and integrity

3.3.1. Information about vessels

The first measure of capacity we could consider is the number of vessels. We can see that the number of vessels was decreasing until 2009. From 2010 and the following years they did not disclose this type of information anymore, even if but there were still non-current assets held for sale, where they stated the number of vessels included to be sold, but not the total fleet. To further explain this, in 2009, they say the non-current assets held for sale were 8 out of the 119 vessels of the company; in 2010 they just say the non-current assets held for sale were 6. In the same direction, in the management report, after disclosing this information for two years, they stop doing it from 2011 and the following years.

So, it can be observed in reports that they change the way they report the vessels to create the wrong perceptions of the real situation. They change the way they disclose the information of total vessels, so distracting the interested parties from the real amount of vessels sold in a specific year, and also they did not report the total amount of vessels owned in a specific year. So they would stop the interested parties in knowing that the company is selling too many vessels or own the insufficient ones to operate in the terms they need to do to generate the results they say the generate. Both aspects go against the promises of performance (they are not following integrity criteria), and they also not follow veracity, as they are aiming at creating the wrong perceptions.

3.3.2. Information about fish catch

A second measure of capacity would be the number of tones of fish catch. In this case we observe that the company always uses the words "more than" to disclose this information giving the sensation of growth, when it's not the case as we see that in 2010 the tones were at least 20.000 Tn less than the previous year.

Now, considering the second source of fish for the company, aquaculture, we could consider the number of tones produced as a major indicator of capacity.

	2007	2008	2009	2010	2011
Total Inventories	426.634	501.920	499.213	578.608	676.805
Work in process	74.748	104.637	141.501	219.160	268.938
Biological Assets included in work in process	73.154	93.870	113.986	182.596	259.708
Aquaculture Production	65.000 Tn	65.000 Tn	67.000 Tn	65.000 Tn	Not disclosed

Source: Authors' own work based on publicly available information

Table 2. Capacity estimation of the company (number of vessels)

The increase in work in process inventories, during these years corresponds almost entirely to biological assets. In these five years analyzed, these have gone from 73,154 thousand euros to 259,708 thousand. The biological assets correspond to three types of species, mainly turbot (in Spain and Portugal), salmon (in Chile), and shrimp (in Central America and tilapia in Brazil). The turbot has a long production cycle, which is between 600 and 800 days (20-26 months), from birth until it is considered suitable for commercialization, when it reaches a weight between 700 gr. and 2 Kg., although there may be specimens that reach 4 kg intended especially for restoration; salmon is also of long life cycle; shrimp and tilapia are short life cycle, between 3 and 5 months the first and between 6 and 9 the second. It is to be expected, then, that the biological assets are composed mainly of the species with the longest life cycle, namely turbot and salmon. In June 2009 a new plant of a long life cycle species breeding and fattening was set up. We should expect a considerable increase in biological assets starting this year, 2009, but not before, when the company reported that production in aquaculture had remained stable at 65,000 Tn.

While an increase in stocks of biological assets may make sense with the company's strategy at the time they were planning to increase the proportion of aquaculture income relative to extractive fishing, the company did not offer any explanation for the excessive increase in these stocks, nor the detail of its composition by species or by geographical area. Although this aspect is not indicative of any irregular practice, it does represent a sign of alarm and more when, especially when it is not accompanied by an increase in production in aquaculture as detailed in the consolidated management report, which should at least be mentioned.

However, it does seem appropriate to compare the stocks of biological assets with other similar companies in the sector, Marine Harvest and Cermaq, both with interests in salmonid aquaculture in Chile.

Both companies have a very similar evolution in terms of biological assets, with a very significant drop in these in 2009. In Fish&Fish, however, from 2009 the amount of their biological assets skyrockets to almost triple. In 2008, there was an infection by the ISA virus in fish farms throughout the Atlantic area of Chile. The annual report of Cermaq, one of the companies that we have used as benchmarking in the business structure, opened the 2008 financial report with a letter from the CEO entitled "A painful year". The company explained that the main cause was that an infectious disease (Infectious Salmon Anaemia, ISA) that causes immense mortality and reduces the growth of salmon had affected all the aquaculture regions of Chile. As a consequence of the loss of growing salmon, the losses of its Chilean subsidiary amounted to 332 million Norwegian crowns (35 million euros), compared to a profit of 552 million two years ago. The company Marine Harvest reported in the annual report of the same year 2008 that due to losses that come from the ISA virus in Chile they have proceeded to endow an impairment for the entire goodwill value of the Chilean subsidiary, being the amount reported, 1,5 billion Swedish crowns (158 million euros), which in part had caused the group as a whole to have losses of SEK 2,852 million. Fish&Fish, in the corresponding report for the same fiscal year 2008, in the section on biological assets (note 12 of the report) said: "No profit or loss has been generated for the initial recognition of biological assets, as well as for Changes in fair value less estimated costs at the point of sale ".

According to a news item published in Mercopress, on November 18, 2008, the virus was detected in one of the salmon farms belonging to Pesca Chile, one of Fish&Fish's subsidiaries in Chile. According to this news, the company, although the tests had been positive but the fish showed no signs of the disease, had agreed to slaughter 300,000 baby salmon.

We can conclude that there was a disproportionate increase in current product inventories due to the increase in biological assets mainly. For the life cycle of the biological assets available to the company, these should be mainly turbot and salmon. In both cases, there were exceptional situations that were not reported in the company's report and that they would like to generate wrong perceptions from the parties with interests at stake; therefore, the veracity principle did not hold, as the accuracy in which the reports transmit the information lack of it. Additionally the reports are also creating suspects of future “non-integrity” as it is difficult to keep the promises made with the actual situation that the reports hide.

4. Justice to inform objectives and control for their achievement. Informal justice to guide and enhance integrity and veracity.

As we mention in previous part, two of the main virtues that need to be include as guidance in reporting are integrity and veracity. But to arrive to a good balance of the two, and in general balancing other virtues, management has considered that objectives must be guided by another virtue that in governing organizations is crucial, which is justice.

MCS are used to achieve certain levels of goal congruence between the different parties that have interests at stake. Some research has studied the role of justice in achieving the greater possible goal congruence between parties, in the research the systems explained are incentive systems, but this can be extended to other MCS ; justice needs to be a requirement of the formal system and the informal use of it (Cugueró-Escofet and Rosanas 2013).

Justice has several facets, and these are labeled differently depending on the area of research. For instance in MCS justice of the system is called formal justice and justice from the point of view of the managerial use is labeled informal justice (Cugueró-Escofet and Rosanas 2013). In Organizational Justice there are four justice factors that explain the four aspects important to generate justice perceptions (Colquitt 2001). Distributive justice (concerning the output of the process and how to be seen as just the way it is shared amongst parties affected), procedural justice (the formal requirements of procedures to consider them leading to just outcomes), justice regarding the information displayed (informational justice) and the way the information is delivered to parties (interpersonal justice). Regarding reporting, one crucial aspect is the information included in the reports and the way this information is delivered, therefore informational justice needs to be a requirement of the process and the decisions involved as well as the informal justice regarding the use of the mechanisms and reports.

5. Conclusions and managerial implications

Several conclusions can be drawn out of our case study. In reporting, some people has stressed the importance of incorporate more quantitative data in the reports (more “hard” information). Additionally, other researchers and practitioners have considered that the solution would be to incorporate qualitative aspects that go beyond the quantitative data.

Both recommendations are partially true. It may happen that the problem actually is lack of data, both quantitative and qualitative, but the reason for not including those data is not because they are not available but because managers are choosing not to include it, even if this means going against the veracity and integrity criteria. Therefore, asking for more data would not modify that managers could “cheat” on purpose. In contrast, we claim that there is a need to propose other aspects to be included that affect more the behavior of managers, and that would be making companies aware of the necessity to include veracity and integrity in managerial reporting. In fact, and this is true for other virtues, lack of virtue cannot be corrected adding more formalities or requirements in terms of data or new procedures alone. Lack of virtue can be corrected adding reasons for virtue inclusion, convincing companies that these virtues should be incorporated, and ways to do it so.

Looking at the Fish&Fish case we can easily arrive to the conclusion that the data are there, so we can easily reach the conclusion that is not the lack of data that originates the problem. In this respect, and reading the reports available, we can conclude that an important part of the problems is that reports may "mislead" the readers by conducing them to form the wrong perceptions of what is happening- Therefore reports may lack veracity and furthermore honesty, as managers avoid to inform of some important aspects on purpose. Apart from trying to generate equivocal perceptions, managers also omit to qualify the information presented. Thus, information about the firm's plans and how likely it is that they are going to be achieved as planned is not presented.

We can conclude with this case that quantitative and qualitative data are important; but this may be a necessary condition to report correctly, but not sufficient. The most well calculated data and the most well and thoroughly explained reports need to incorporate two criteria: veracity and integrity. Both aspects rely on managerial decisions regarding which information to include in reports and how this information should be written, so how to qualify it.

Virtues in reporting are unavoidable. From agency theory perspective some authors have reached the conclusion that integrity is more a positive requirement that leads to performance but that the problem is that managers have considered it as a virtue, and therefore they choose not to be a person of integrity because they would be virtuous but not good performers. Hence, this approach considers that integrity as a virtue is problematic, but this is not the real problem. It is clear ethics and performance are not totally aligned, as in the short run one can be unethical and still have some (even big) level of performance. But the relevant aspect is to convince people that being a person of integrity may lead likely to a higher level of performance in the long term. This meaning that being ethical pays off because it is the right thing to do, and in the end, the most likely way to survive in the long term (so achieving an enough level of performance that may lead to sustainable and balanced (so fair or just) outcomes to all parties affected. In reporting using integrity means keeping promises, but also trying to compensate for those promises that have not been achieved but they should have been achieved.

Veracity is also necessary as "truth" is an important value in companies. But not naked truth, but a truth that should be communicated and comprehended in an adequate manner. And it is the quality of explaining the truth that is important and that consists of an ethical virtue that managers need to perform when reporting. This veracity does not mean adding more "true" data (in terms of adding numbers or explanations of them). Instead, veracity requires being honest, so, conforming to the true facts as much as possible but with the intention of accuracy, so generating the right perceptions and interpretations to those parties affected by the data. Then, reporting needs to calculate well, explain the data with the minimum necessary length, and also not missing any relevant information, and having the willingness to make people understand what is relevant and important for them.

Second, the objectives of reporting, as is the case in general for any aspect of MCS, need to include justice. In the formal aspects (red lines agreed), but also in the informal parts, as it is the case of the decisions made when reporting and also after reading the reports. And finally, we want to stress the informal aspect of reporting, therefore the "use" of the reports as crucial and unavoidable, which implies deciding and being virtuous in doing so, using justice as a criterion in reporting and using reports and the data involved.

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