

Reporting Financials to Non-Financial Management and Business

John Corrigan

May 2009

Knowledge ▪ Experience ▪ Insight

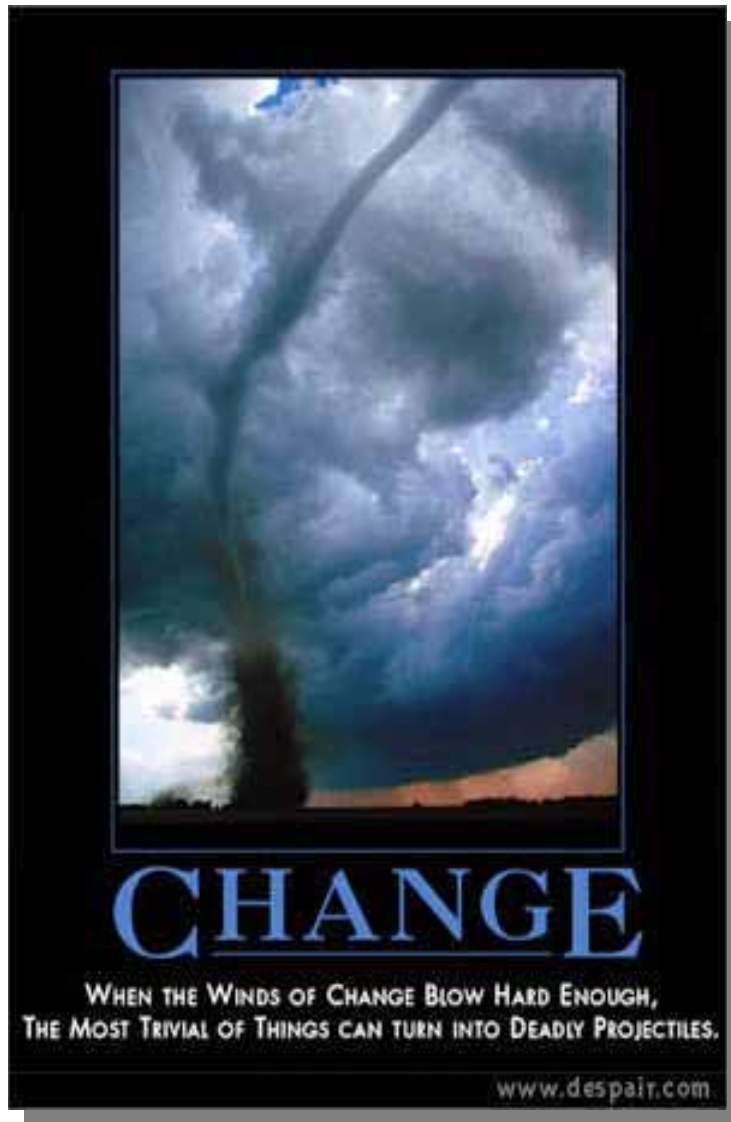
1. Reporting Pressures – State of Play
2. Identifying and Understanding Management Needs
3. Reporting Considerations and Communication
4. Effective Reporting Strategies
5. Concluding Comments

Where are we now?

©Cartoonbank.com



“Would you please elaborate on ‘then something bad happened’?”



Reporting Pressures – State of Play

State of play – the drivers

- Globalisation
- Technology
- Greater demand for information
- Speed / accuracy / relevance
- Challenge from change
- Professions / business models
- Focus on compliance
- Greater accountability
- Complexity of business
- Competitiveness
- Diversity of demand
- Knowledge base
- Information availability
- Greater accountability
- Information users at all levels
- Better educated

Financial relevance

- Accounting is about the collection, presentation and interpretation of data
 - History bias
 - Compliance focus
 - record keepers

- Technical rather than informational providers

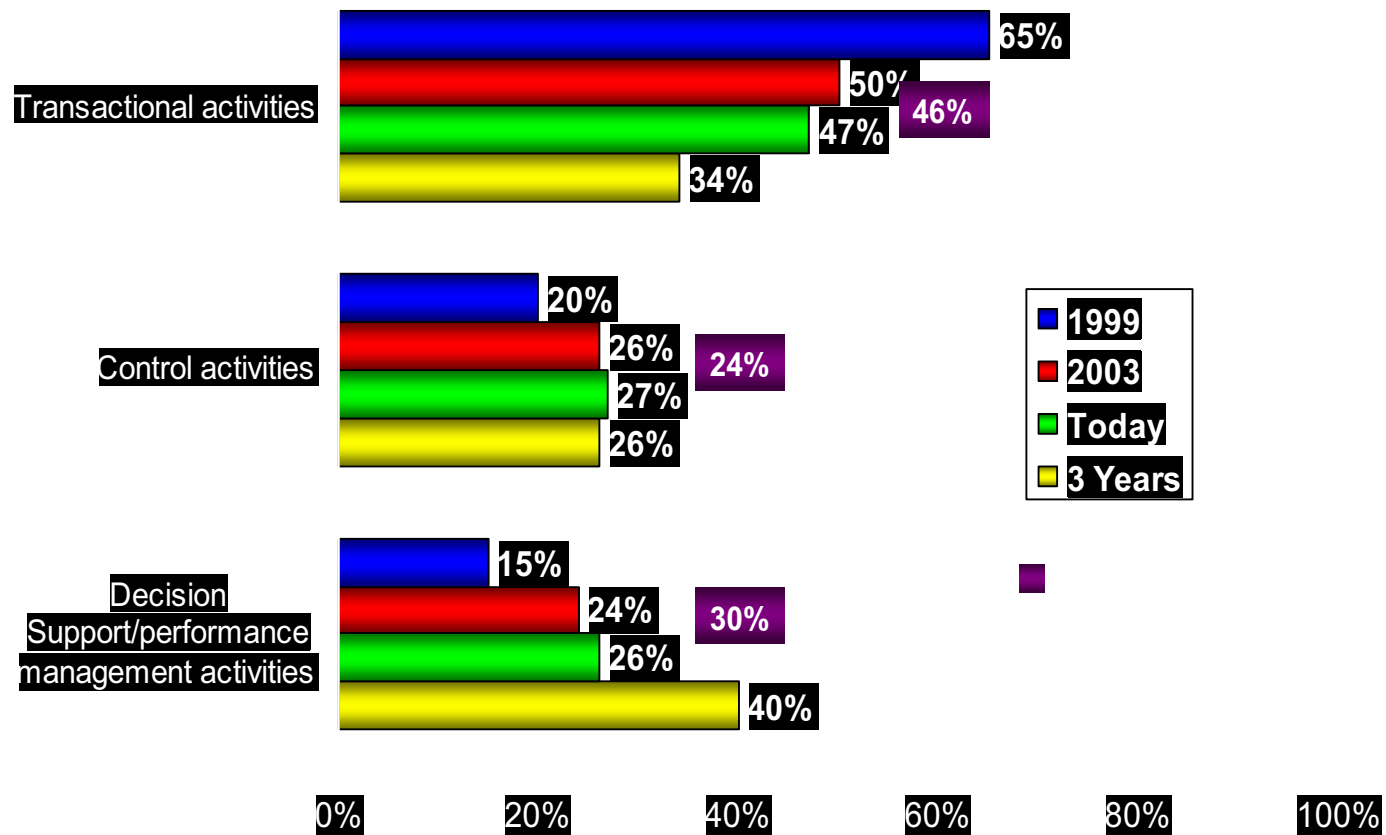
- A Key financial measure is the Balance Sheet – A Static Measure

- Profit is an opinion, rather than an established fact
 - Accrual vs. Cash

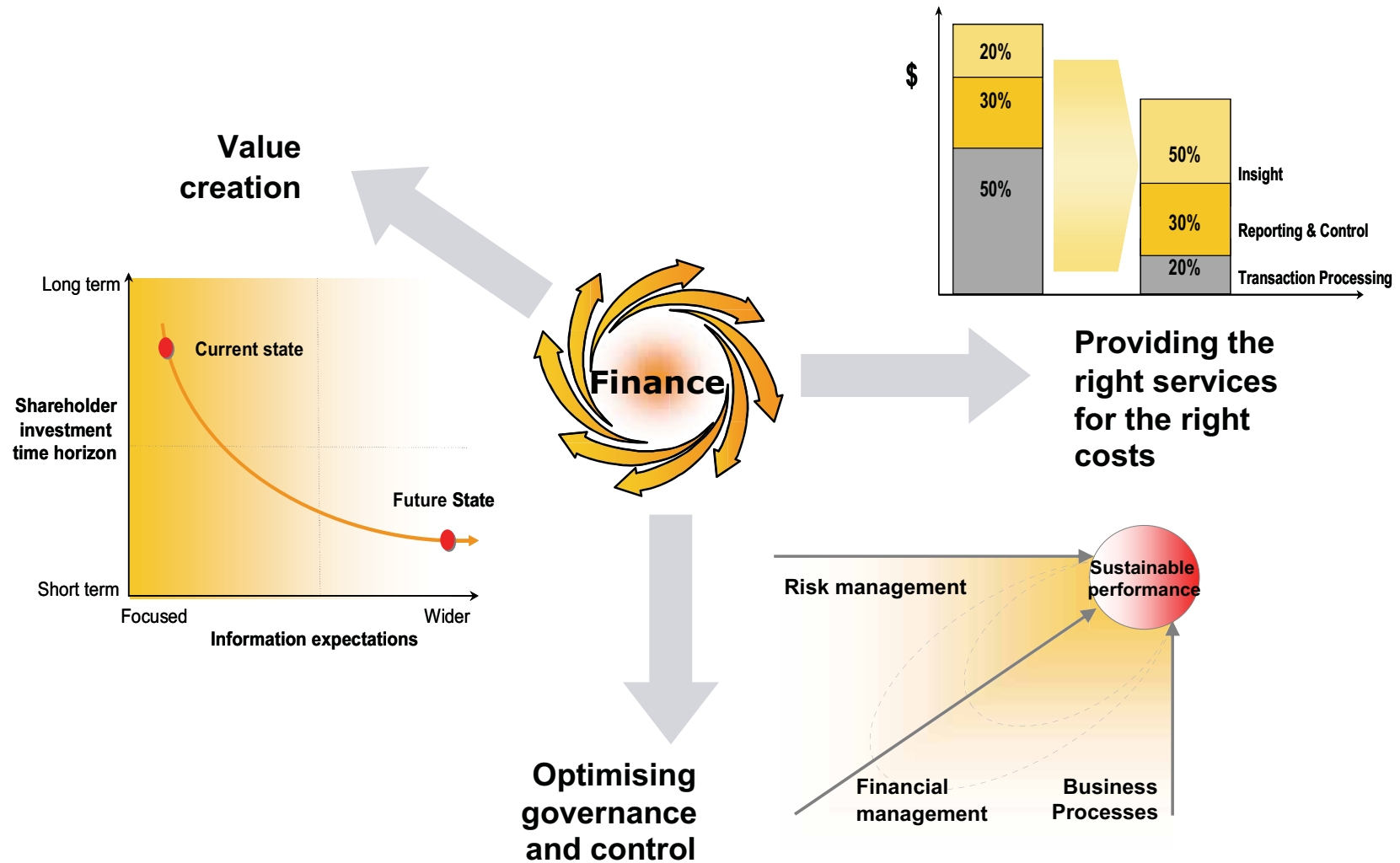
- Is it the language in the business?



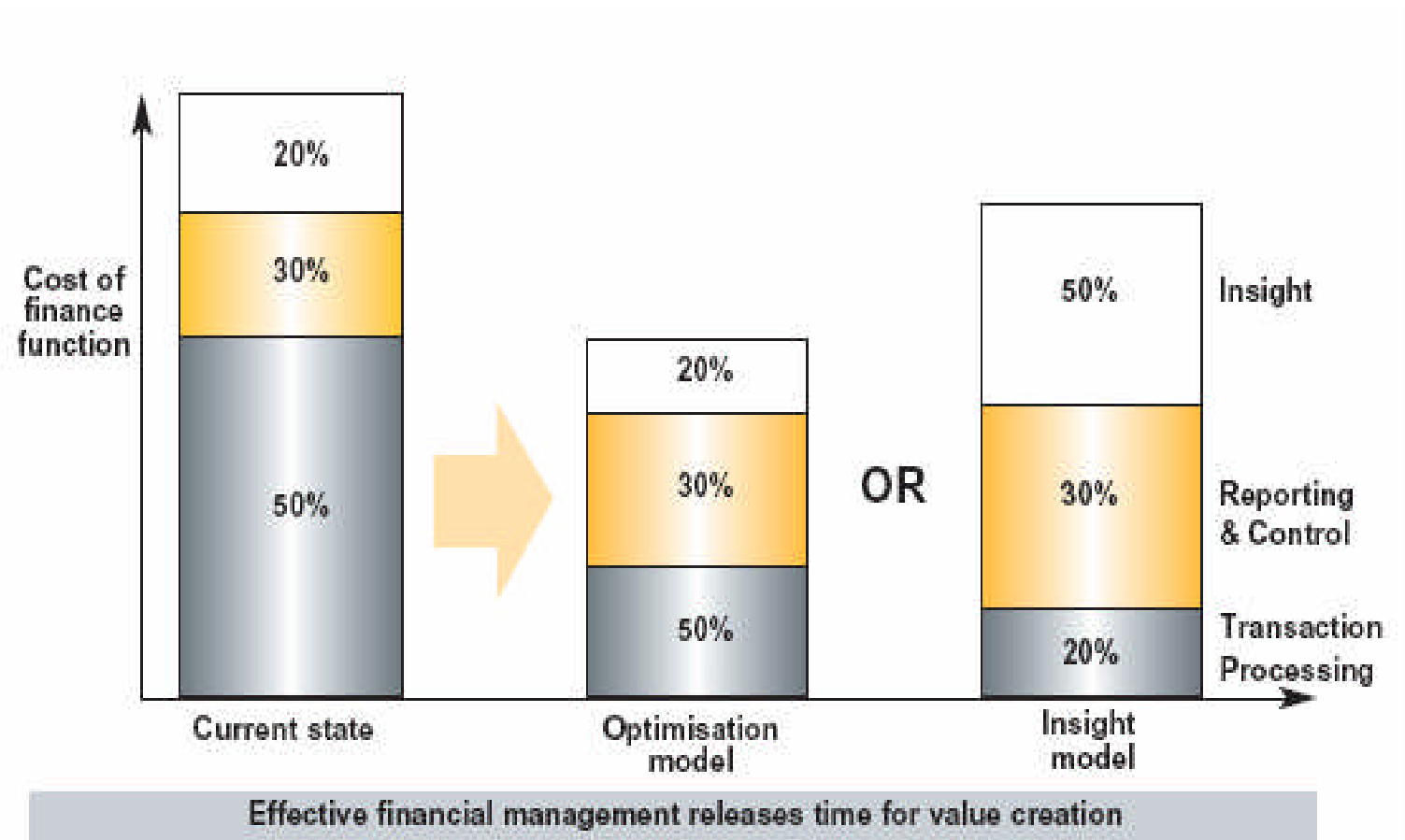
Shifting focus



Finance's primary objectives



Direction of best practice





Identifying and Understanding Management Information needs

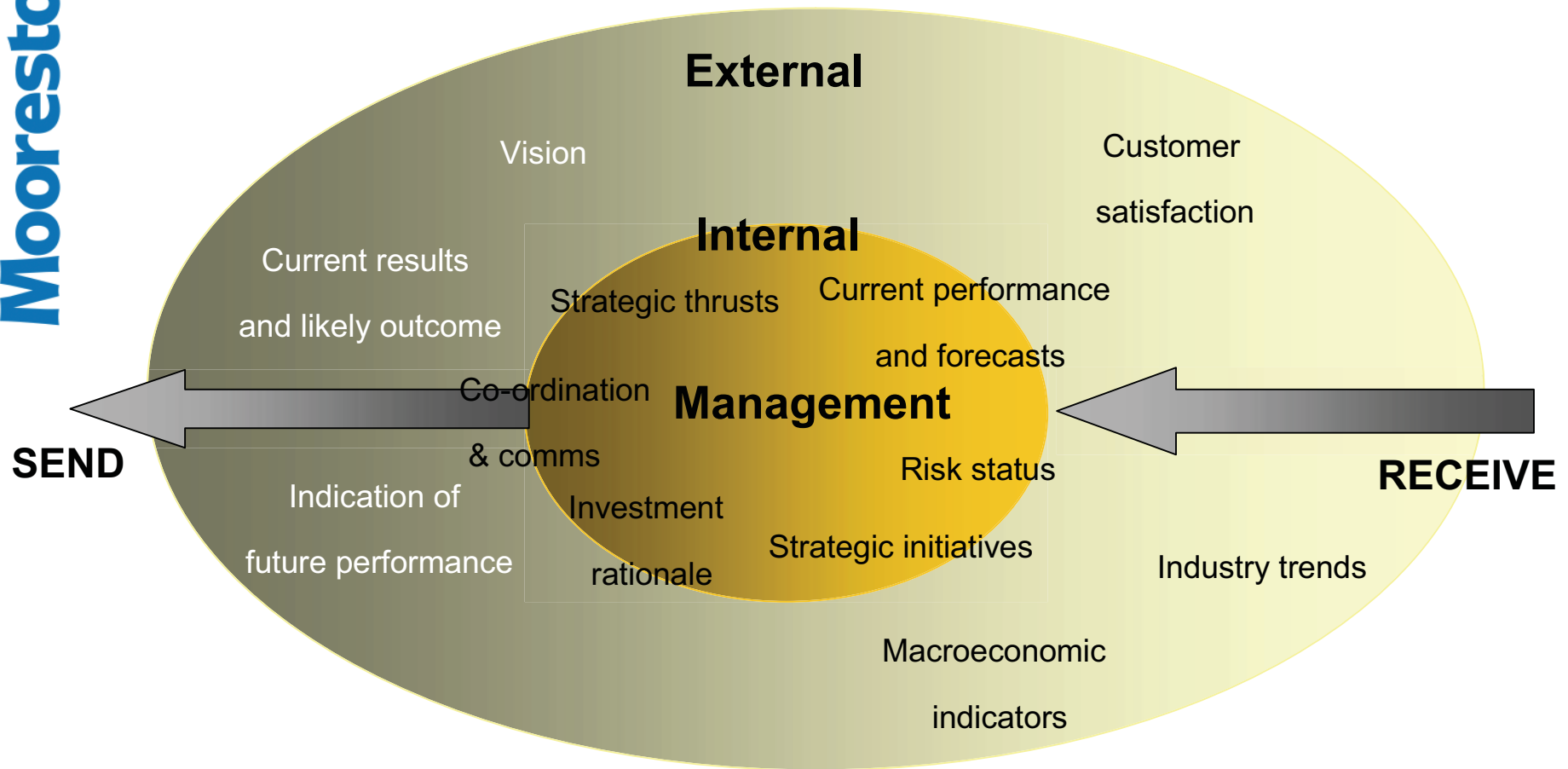
Reporting - rule of thumb

The range of 30% – 70% of your reporting is:

- unnecessary
- ineffective
- does not add value
- does not improve decision making

It can and should be eliminated

Management receive a variety of information



Reporting must support each of these areas, and that data is available
at the right times to support timely management decisions

Management reporting demands

- Issues
- Ad Hoc
- Regular / business reporting
- Inform
- Investment
- Compliance

Each demand requires a different understanding and approach

Reporting focus

- Are we doing the right things
 - (strategy)
- Are we doing things right
 - (process)

Identifying your audience

- Who are they?
- What their needs are (differentiate from wants)?
- What they don't need?
- What do they understand?
- What is the best medium to communicate with them?

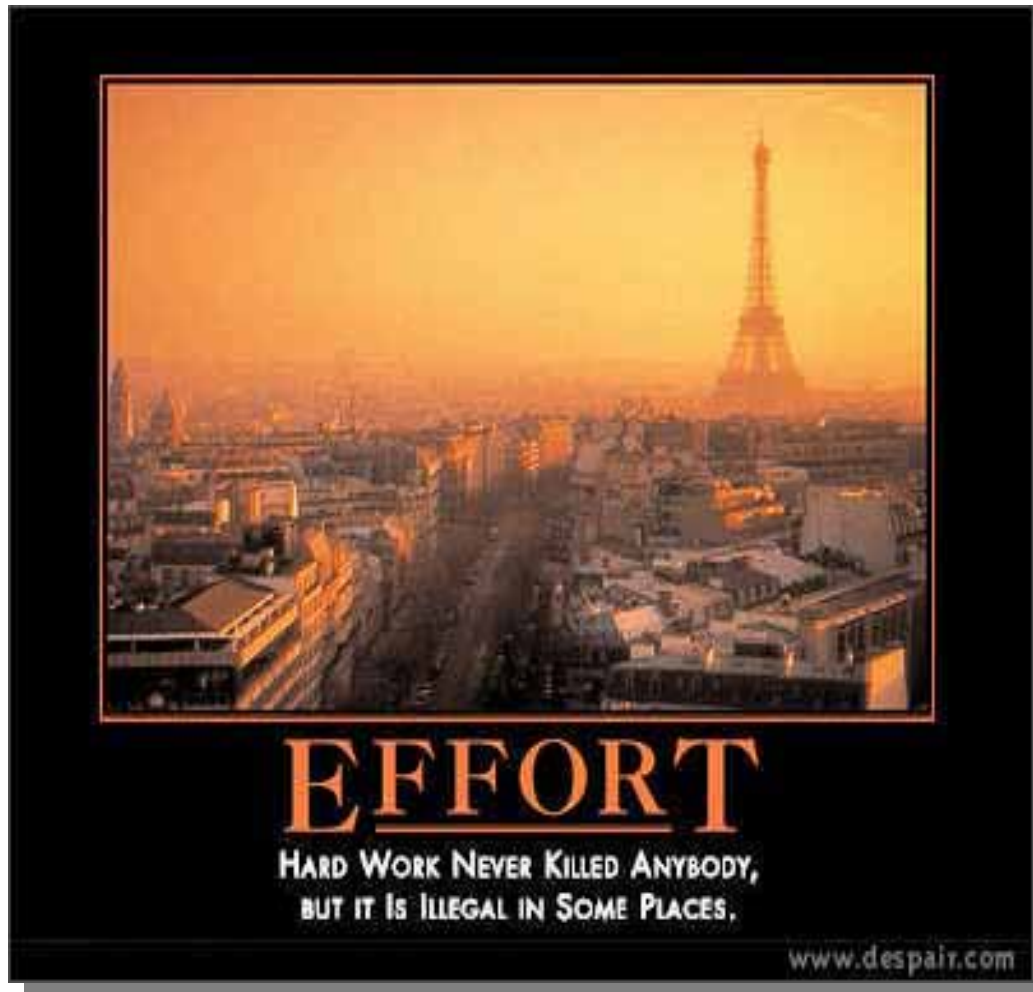
FOCUS on NEEDS not WANTS

Too much time and effort is spent on meeting unnecessary wants and not the critical needs of the business

- Less is more – quality over quantity

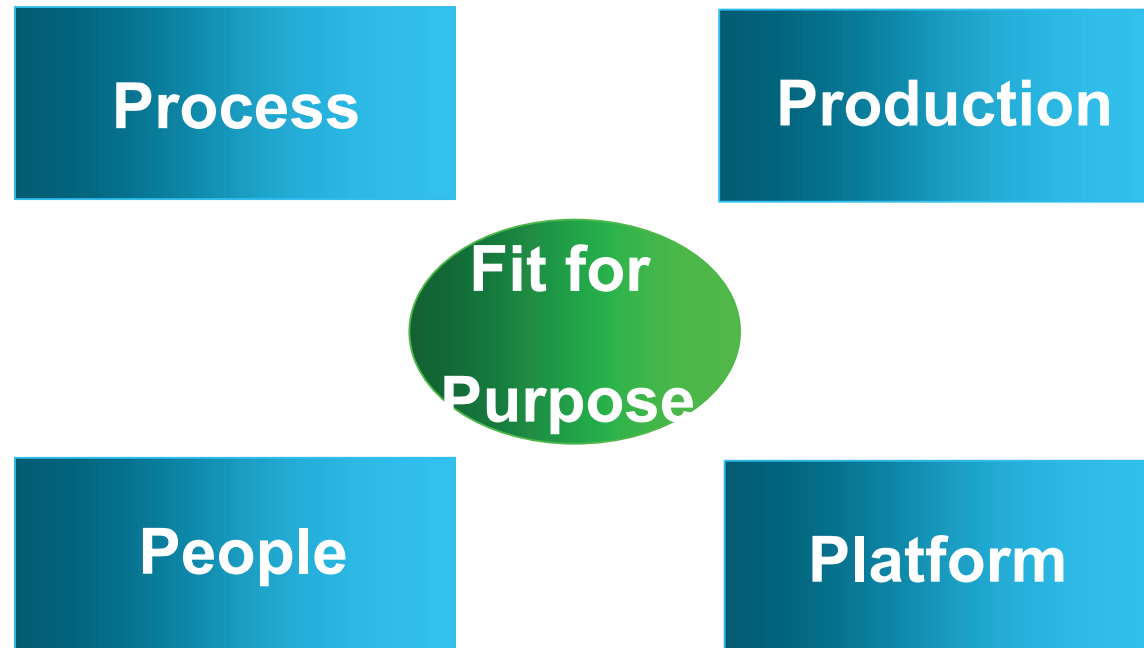
Level of understanding

- Financial knowledge vs. business understanding
- Financial vs. non-financial measures
- Communication mechanism



Reporting Considerations and Communication

4 P's of reporting



Decision making

Information must be:

- ✓ Material
- ✓ Relevant
- ✓ Reliable & Credible
- ✓ Comparable
- ✓ Understandable



Adapted from CIMA Performance reporting to Boards – A Guide To Good Practice

Data vs. Information

- What do we mean by data?
- How do you use it?
- What do we mean by information?
- How do you use it?

Beware!

‘Data Swamp’ - Technology drowns you in data / measures

Need for effective communication

“Every report should be constructed around the premise – how can I best get the message across”

- What are the salient points
- Where can this report add value to the readers understanding
- How can I deliver this report on a better practice timeframe

Key considerations

- ✓ Style
- ✓ Format
- ✓ Language
- ✓ Clarity
- ✓ Quantity
 - ✓ level of detail
- ✓ Quality
 - ✓ analysis vs. information vs. data
- ✓ Timing

Issues

- Purpose
- Skill level of information providers
- Where is the expertise located
 - Centralised or embedded
- Frequency
- Level of understanding
- No of Messages – does it have a message
- Level of integration of systems
- Speed vs. Accuracy
- Qualitative vs. Quantitative – less than more
- Empowerment vs. Control
- Ratios – Linkages & Understanding
- Graphics / Illustrations vs. Numeric's
- Language / terminology

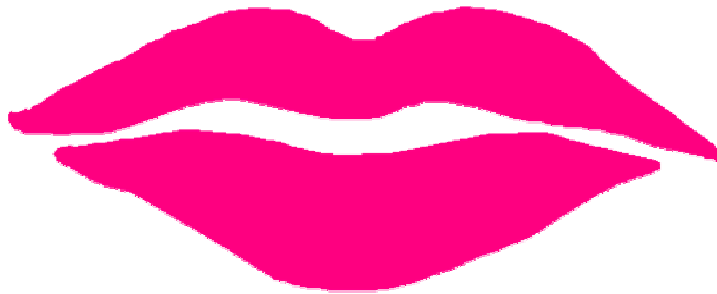
Implications

- Speed vs. Accuracy
- Measure Focus : lead vs. lag
- Qualitative vs. Quantitative
- Empowerment vs. Control
- Ratios – Linkages & Understanding
- Graphics / Illustrations vs. Numeric's
- Language / terminology



Terminology

- Too much used
- Knowledge and understanding assumed – far too much!
- Intimidates
- Complicates and confuses

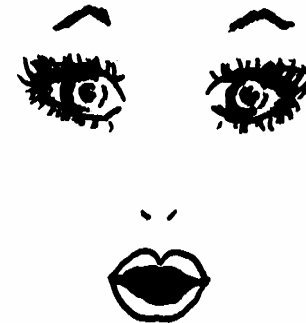
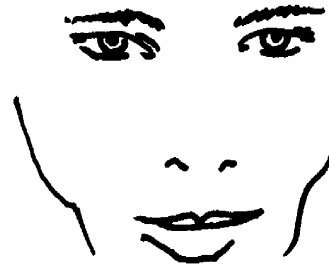


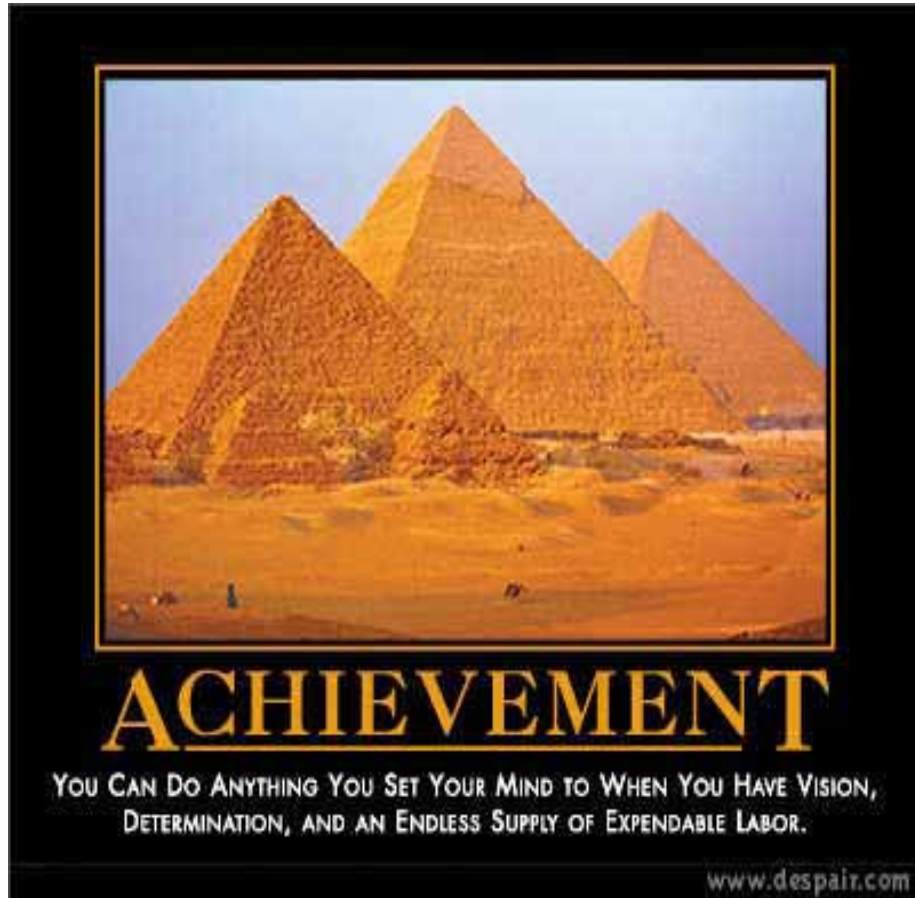
Level of understanding

What assumptions do you make?

- Purpose of the report
- Financial knowledge vs. business understanding
- Use of terminology
- Financial vs. non-financial measures
- Their communication mechanism

A Picture Tells a 1,000 Numbers





Effective Reporting Strategies

Strategies - 1

1. Identify your audience

- Discuss and understand their needs (vs. wants)
- Get their input & feedback

2. Match your reporting format to the level of understanding

- Limit the use of terminology
- Do not assume level of knowledge / understanding
- Use the language that is right for the audience & culture

Strategies - 2

3. Mix and Match reporting styles (graphical/numeric/analysis etc.)
 - Be consistent – format / timing
 - Be error free
 - Be concise
 - Do not compromise integrity of the data
4. Combine both financial and non-financials, strategic and operational
5. Limit size of reports
6. Do not delay for detail
 - Limit frequency
 - Less is more

Strategies - 3

7. Eliminate duplicate reports
 - Consolidate where possible
 - Regularly review the need for reports to remain in use
8. Implement a process for new report development
9. Develop a report DNA database
10. Focus on action taking place, on a timely basis, in the right direction
11. Focus on exceptions not the norm
12. If using estimates, articulate clearly

Strategies - 4

- 13. Information not data
- 14. Give analysis & recommendations – not description
- 15. Focus on forward trends/projections than past
- 16. Educate your audience on how to use your reports

Reporting review

Regularly assess/review:

- How effective does management consider your reports and reporting mechanisms
- Frequency that they act on the reports
- What do they need in the reports to help them
- Reporting Impact
- Communication effectiveness – language that should be used
- Identify how best your audience will respond
- Ask for feedback



Concluding Comments

Concluding comments

- Focus on what you users need to know vis-a-vis want to know
 - Continually reassess if your reporting is satisfying your audience needs
- Monitor and control your reporting process
- Keep reporting simple but effective
- Focus on quality not quantity
- Be innovative and adaptable, always looking to improve

Never assume understanding

THANK YOU

John Corrigan

0416 209 997

jcorrigan@moorestone.com.au