TRIDANT

Finance eGuide

7 key elements of effective reporting

Accelerating the Monthly Finance Cycle

On-time financial reporting is critical practice for every business. However, timeliness and a completed report is not enough.

Finance teams need to do more than oversee and report the financial health of their organisation. Increasingly, business stakeholders are looking to finance leaders to drive financial strategy and deliver valuable intelligence on revenue and growth opportunities, all while mitigating risks and costs.

Being able to deliver on these challenges well is grounded in having a firm grasp on the company's critical data – whether related to the product, customer, or general business operations – even if the data is scattered across multiple systems.

Business stakeholders need real-time, accurate, consolidated, and easy-to-digest reports to help leaders across the organisation to quickly identify, assess and respond to trends, threats and opportunities.

Meaningful Insights. Better Decisions. Better Business.

Business leaders need to extract meaningful insights quickly and easily from financial reports to make critical business decisions.

Strategic and productive finance teams create reports that add value and provide actionable insights, enabling business leaders to respond quicky, with confidence.

How can the finance function build effective reports that leaders across the business can depend on to support more informed decisions?

Value-add intelligence, now.

" **Our finance reports were difficult to understand, with low guidance on how the reported data was compiled or interpreted. Business unit leaders and board members needed to spend time sifting through detail to uncover interesting nuggets of information that we could, maybe, potentially, leverage to drive business performance and growth. Then, there was still a bunch of work and resources needed to explore the potential growth opportunities.** "

Group Finance Controller, leading national retailer

Improving your reporting will draw challenges.

Finance leaders have the choice to either leverage reports to serve emerging priorities and immediate economic objectives, or to merely use reports for simple compliance.

A single technical product or tool will not guarantee effective reporting. The reporting process framework is just as important, if not more important, than the technology used to generate reports.

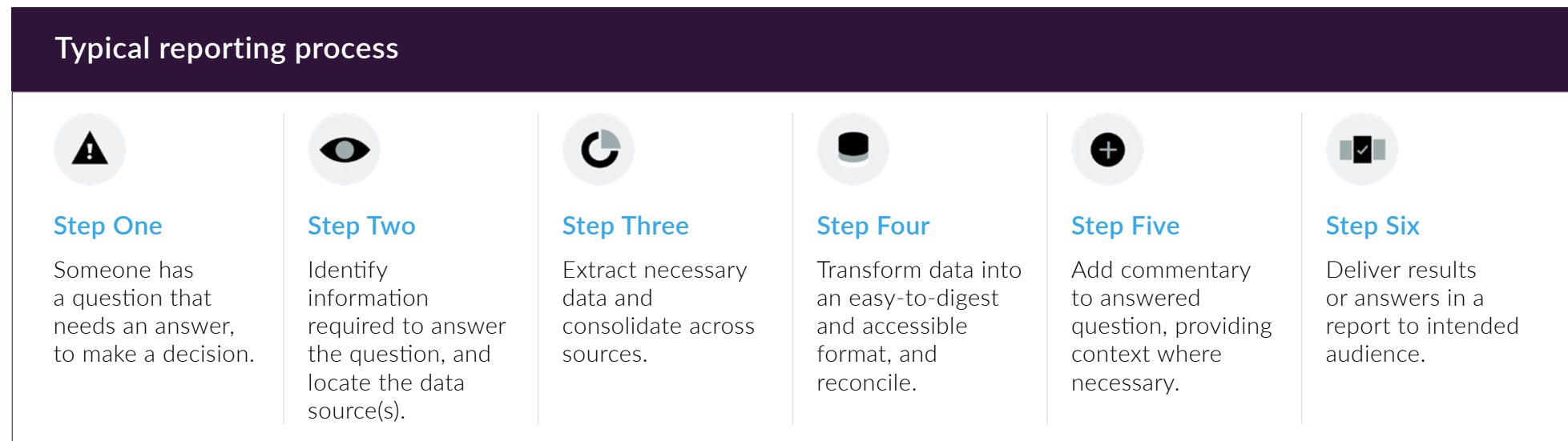**The key elements for driving effective reporting are:**

1. Acknowledging that reporting is a process, not a tool

2. Supporting financial metrics with non-financial metrics

3. Understanding 'what's next' is more important than 'why'

4. Explaining recommendations, risks, and assumptions

5. Eliminating bad habits

6. Coping with transparency, frequency, and detail

7. Building visualisations with substance.

1. Reporting is a process, not a tool

Finance and business stakeholders must not think of reporting as only a final product and instead, focus on the process required to achieve the report. Too often, business stakeholders request reports from Finance without fully understanding the input behind the report.

Even a simple pre-configured report must have several steps completed before it can be run.

Typical reporting process

Step One	Step Two	Step Three	Step Four	Step Five	Step Six
Someone has a question that needs an answer, to make a decision.	Identify information required to answer the question, and locate the data source(s).	Extract necessary data and consolidate across sources.	Transform data into an easy-to-digest and accessible format, and reconcile.	Add commentary to answered question, providing context where necessary.	Deliver results or answers in a report to intended audience.

Of course, having a centralised repository of data and a visualisation tool to display or communicate the results can help streamline many of the steps above, but every step in the process is required.

Consolidated financial statements require accurate data mappings, validation checks, regulatory adjustments, and various accounting standards to be applied based on geographical policies. Complexity will also vary between industries and different forms of governance.

2. Support financial metrics with non-financial metrics

The root cause behind why a financial metric, such as revenue or profit, may be higher or lower than expected is typically attributable to underlying operational assumptions and drivers that are used to calculate that metric during the planning process.

Extend non-financial data to uncover where variances begin

Analysing the variances in drivers provides the answer behind situations where a business may, for example, spend less yet produce more. However, these drivers are often absent in reports. Explainability then becomes a challenge for finance teams because financial ERP systems typically do not contain the non-financial data that reside in operational systems, to which finance teams often do not have access.

> In variance analysis for direct material cost, the material price variance is the difference between the standard cost and the actual cost for the actual quantity. Although the definition is simple, automating this analysis can be challenging due to requirements for blending financial with product data.

Example of calculation involving metrics sourced outside of ERP

$$
\text{Direct Materials Price Variance} = \left(\begin{array}{c} \text{Source: Operational System} \\ \textbf{Actual Quantity Used} \\ \textbf{x} \\ \textbf{Actual Price Paid} \\ \text{Source: Invoice} \end{array} \right) - \left(\begin{array}{c} \text{Source: Operational System} \\ \textbf{Actual Quantity Used} \\ \textbf{x} \\ \textbf{Standard Price} \\ \text{Source: Original Budget} \end{array} \right)
$$

Extend non-financial data with customer intelligence

To continuously attract and retain customers, the buying behaviour of your customer segments is critical insight that could drive business growth.

For example, if your customers value new technology capability over support accessibility, this may lead to investment in R&D rather than additional support representatives. Include operational data and market data to enrich the financial story and share the information with other business functions.

> **What does it cost to acquire a new customer in Segment A vs Segment B?**
>
> **What does it cost to serve a Tier 1 Customer vs a Tier 2 Customer?**

During complex economic conditions, having clear insights and the intelligence to adjust focus on certain customer segments or business units is critical for business resilience. Stakeholders are under pressure to make informed and impactful business decisions that maximise resources and increase pipeline, all while addressing and anticipating market changes.

As traditional financial reporting formats do not offer customer specific information, enacting a simple query on financial data coupled with a reporting tool will unfortunately not answer the above business-critical questions accurately.

Instead, focus on presenting data in a manner aligning to how your business operates. For example, align the data to the customer tier or segment.

3. 'What's next' is more important than 'why'

Financial strategies and finance applications must be progressively adapted for continuous and business-wide performance management. By including operational data, especially customer data, organisations are better equipped to fully understand not just why situations or results are occurring, but also how to respond.

Pivot from lagging to leading KPIs

Pivoting to leading KPIs, often operational in nature, benefits leadership teams by providing more time to make corrective decisions. If there is a consistent 'why', it is likely that there is also a leading variable that can control outcomes.

Leading vs. lagging KPIs

Lead

Lead indicator

Price
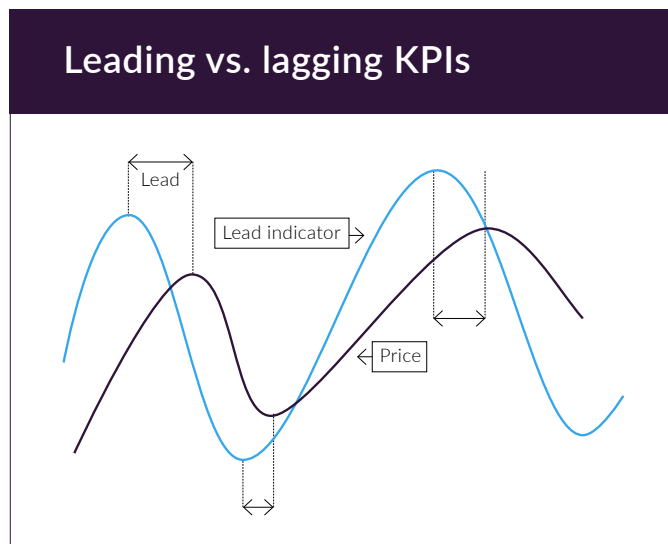
In a consulting firm, making resourcing decisions based on work-in-hand combined with new-business-signed is far more valuable than reviewing staff utilisation rates in the previous planning period. This insight enables the business to proactively balance resource capacity to meet demand. The data to support the resourcing decision would then come from the CRM, rather than finance systems.

Build scenario evidence around potential actions

Scenario analysis offers a forward-looking stance to determine possible impacts of a decision, highlighting opportunities, risks, and exposure. Use scenarios to simulate the execution of tactical actions to support informed decision-making by the leadership team.

Assessing the return on investment of capital, based on price and timing through simulations and scenarios, helps determine the most desirable outcome given a set of current circumstances. Evidence-based scenarios are then presented side by side in the context of cost, time, and risk, for the management team to recommend a decision to the Board. Recommendations are communicated in the form of narrative style reports, supported by data presented in the appropriate format and level of detail for its audience.

"What is the impact on our business if we switch from contract mining to owner mining? How can we model the future possible financial results of two different operating models?"

Group FP&A manager, mining company

4. Explain recommendations, risks & assumptions

Explainability is vital for decisive action as well as understanding the impact of executed tactical moves. When sharing reports with management and decision-makers, always keep in mind they may not always have the context of why an assumption was higher or lower than normal when interpreting performance.

Delivering data without insights forces your audience to make their own, possibly erroneous, assumptions about the reported data. Instead, help decision-makers interpret results accurately by including:

Non-data related information: Teams involved in business operations may have non-data related knowledge about local situations, competitor behaviour, or information that is generally not privy to non-team members.

Recommendations for future: Unless you have key recommendations or takeaways from a report, there is little benefit for the report to even exist.

Risks and negative metrics: Poor results are just as helpful as good results and may be more valuable. Instead of burying negative metrics, highlight and explain risks, and provide advice on how to mitigate the behaviour.

Benchmarks for reference: Some report recipients may be unaware how the results compare against benchmarks, so it is helpful to include this information for clarity. Benchmarks could include previous period comparisons, industry comparisons, or internal team comparisons.

If your report recipient does not fully understand an insight, its importance or how it could help their decision-making – the report is less valuable and may be overlooked.

5. Eliminate bad habits

Over time, even the best reporting teams run the risk of allowing bad habits to creep in. Work actively to monitor, diagnose and prevent the formation of poor habits with regular health checks. Some suggestions:

Let some reports RIP

Stop spending time on a recurring report because someone, somewhere, asked for it once. Management report packs often contain details that leaders gloss over. If you cannot answer "what value does this report provide?" or "who uses this report?" then let it Rest-In-Peace.

> ☑ Spend time only on reports that provide value to the business.

Stop comparing data that is not comparable

There are many conditions that cause previously like-for-like data to no longer be comparable. For example, there may have been an acquisition, a restructure, or a global pandemic. When major events happen, there is often prep work involved to achieve like-for-like results.

> ☑ If you are not able to address the changed environment and reflect the changes, the report will not provide real insights.
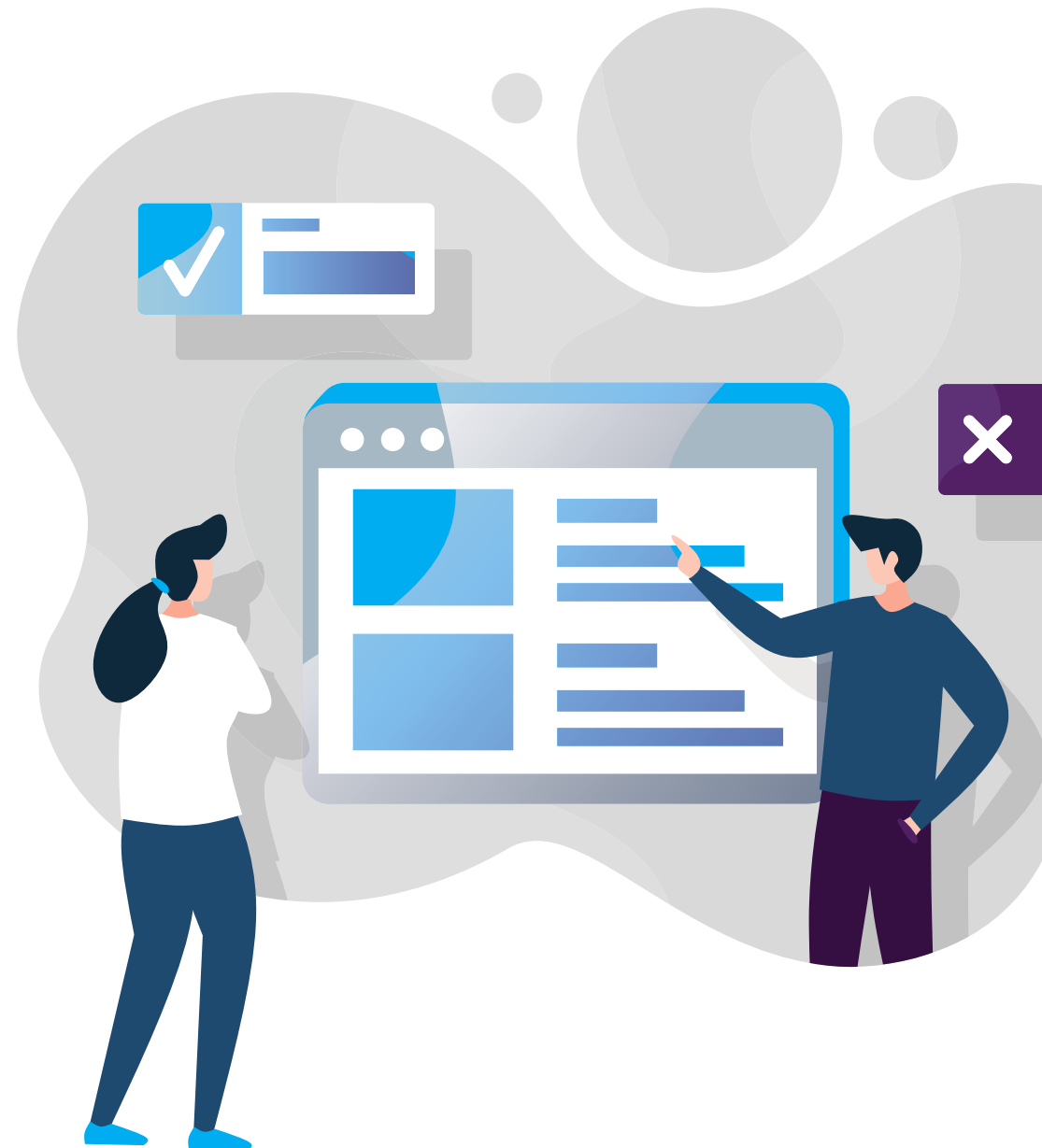
Get to the point

Including too much low-level detail in a report or dashboard may be overwhelming to the viewer or even distract them from the big picture analysis and recommendation.

✓ Only include necessary detail and consider breaking up reports for easier consumption.

Avoid change for the sake of change

While continuous improvement is encouraged, change when unnecessary can be a draining disruption. Manage suggestions for sudden or major change by practicing regular prioritisation of enhancements to processes and systems. Consider value-add and amount of required effort to help keep things on track without detracting focus from the main goals.

✓ Do not simply implement every change, be selective and prioritise.

Stop assuming that self-service is suitable for everyone

While self-service ability in technology has grown significantly in the past decade, this type of user experience may not be the right fit for all roles.

✓ Assess if self-service is feasible for all users.

✓ Many executives prefer to be presented to, or make use of an Executive Dashboard that addresses the information they require, without having to build it themselves.

6. Address transparency, frequency and detail

With today's technology capabilities, ensuring the right people have access to the right data is top priority for many reporting and data teams.

There are arguments for and against providing open access to all business data and information.

Advantages

- If data enables leadership to make informed decisions for better business, it can empower all levels of stakeholders to make better decisions.

- Underperformance and root causes of issues are less likely to remain hidden.

- Sharing data and information powers collaboration and understanding.

- Trusted employees demonstrate greater loyalty.

Disadvantages

- If context is excluded from communicated results/plans, data could be misinterpreted and lead to misguided decisions.

- With open visibility and full access to data, some team members may feel less secure in their roles.

- Sharing many perspectives can slow processes and decision-making.

- Identifying sources of leaked trade secrets or competitive information could be more difficult.
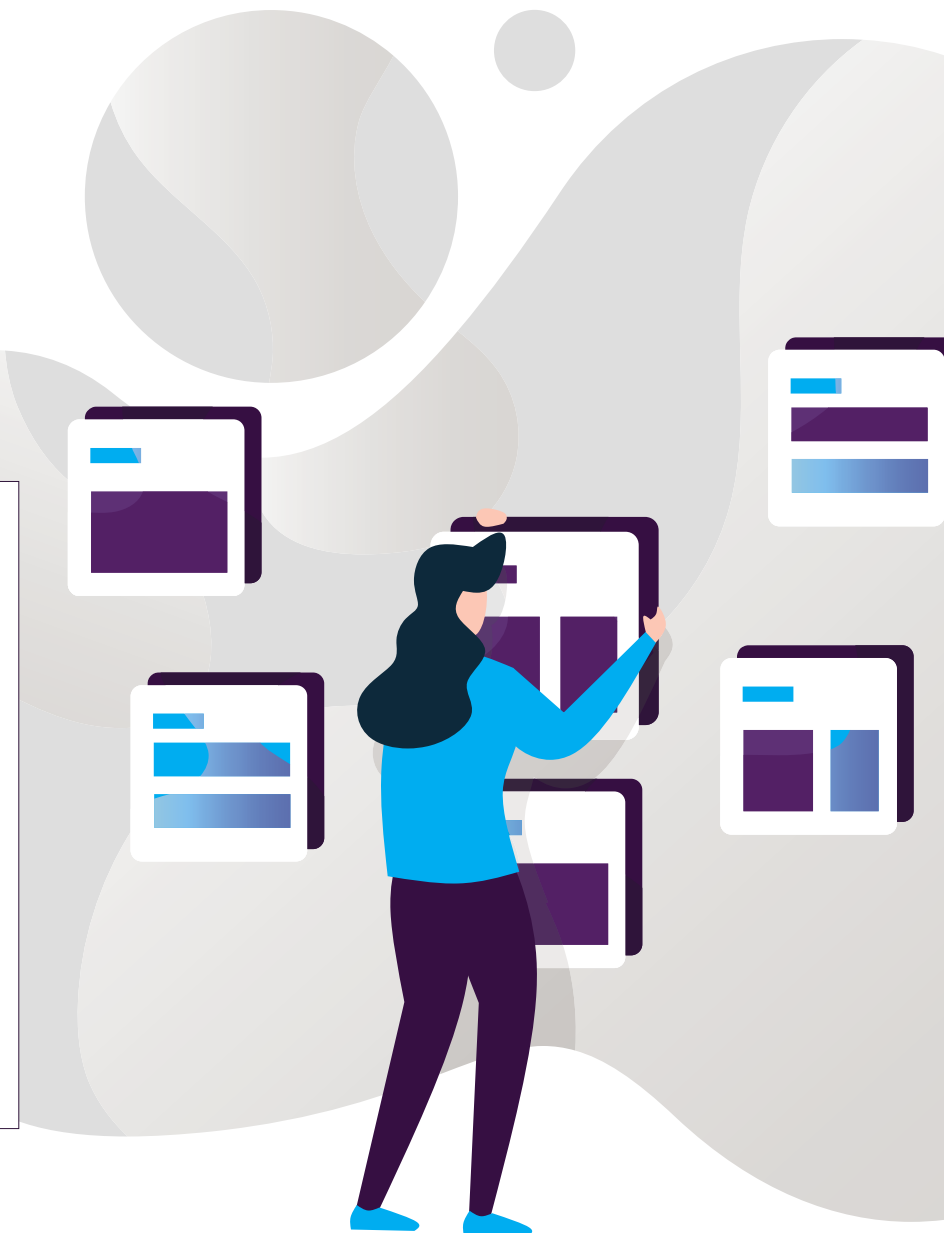
Teams who administer access to data and information need to be conscious of the appropriate frequency and detail of the data provided. Too much information can overwhelm and distract from the big picture. Too little information may render some reporting without any value.

With the right approach, disadvantages could be mitigated or avoided completely. Best practice includes:

- Provide vetted data on a platform, together with context to avoid misinterpretation.

- Assign a data owner to address questions.

- Select measures that relate to business goals and targets.

- Balance big picture information and details, and frame data in a way that presents a compelling narrative for users.

- Construct job accountabilities and responsibilities around value-add activities, noting essential information and nice-to-have information for each.

- Adhere to process and decision-making governance procedures. Be agile and update procedures when necessary.

- Set security profiles appropriately.

Policy decisions around transparency and disclosure need to be championed from the top. Data should be shared in a way that empowers stakeholders to move the business closer to shared goals and objectives, faster.

7. Build visualisations with substance

Presentation is paramount. Data visualisation tools are a great help to improve the aesthetics of your report, to drive compelling storytelling.

From a UX visual design perspective, address the following during your design process:

- Consider personal bias or recency bias that may influence creative brief requirements

    > Always challenge requirements or suggestions that may lead to design solutions that do not suit all users fairly.

- Evaluate previous design solutions used for similar data

    > Consider visual cues, colour palettes and design elements that can be re-purposed in new ways to fast-track user recognition, even on new interfaces.

- Address accessibility to enable users with a range of abilities to perceive, understand, navigate, interact with, and contribute effectively

    > For example, colour-blindness is an important factor when using colours in comparison visuals.

- Address team culture and participate in-context to understand cultural nuances

    > These may explain built-in preferences or, could be leveraged to influence design styles and colour palettes.

- Evaluate ways to meet capability or usability needs for both individuals and groups

    > Ensure solutions are suitable for all users.

- Remember to ask for and collect user feedback

    > Your users' experiences and feedback will provide solid insights on assumptions, for improvement.
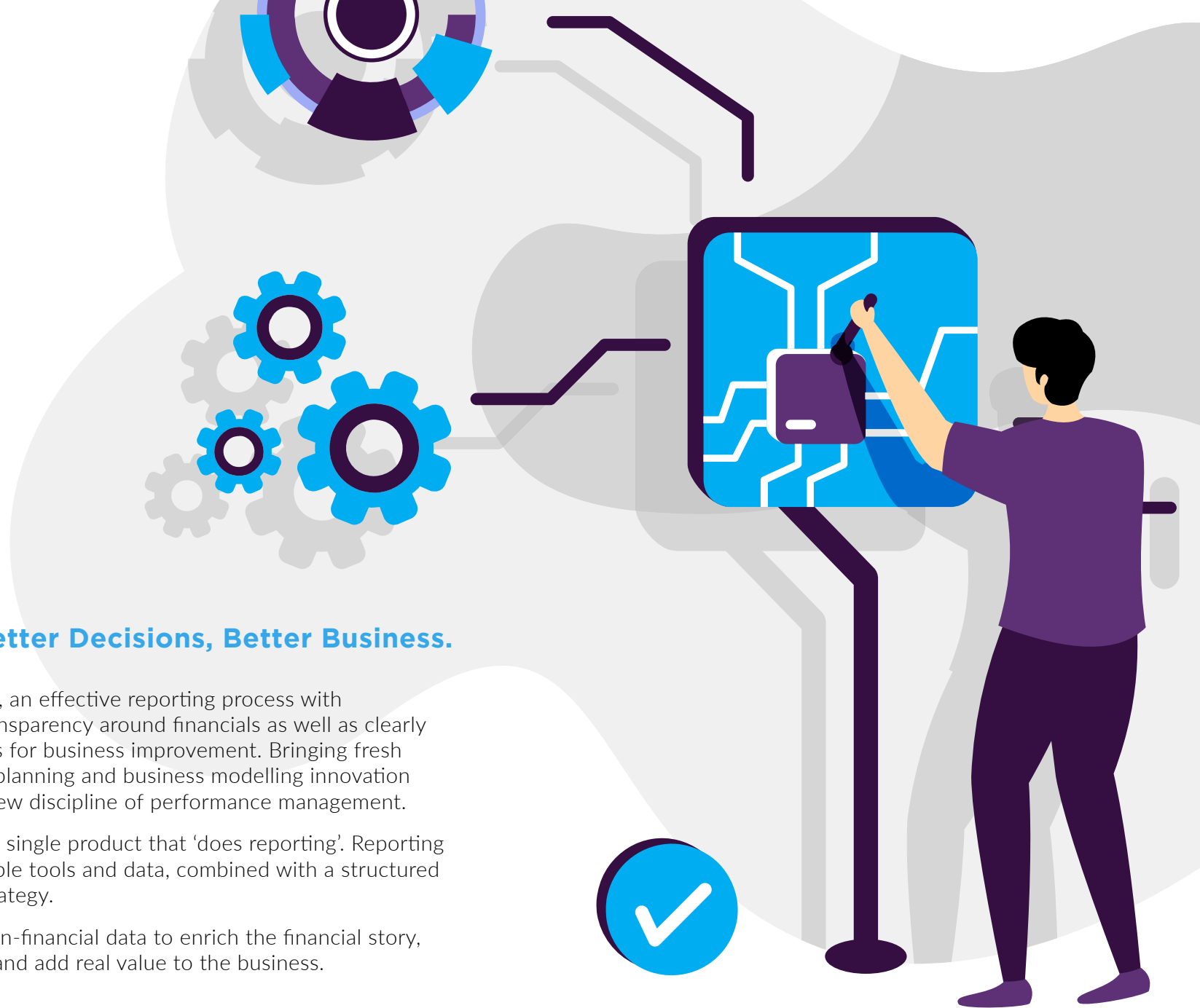
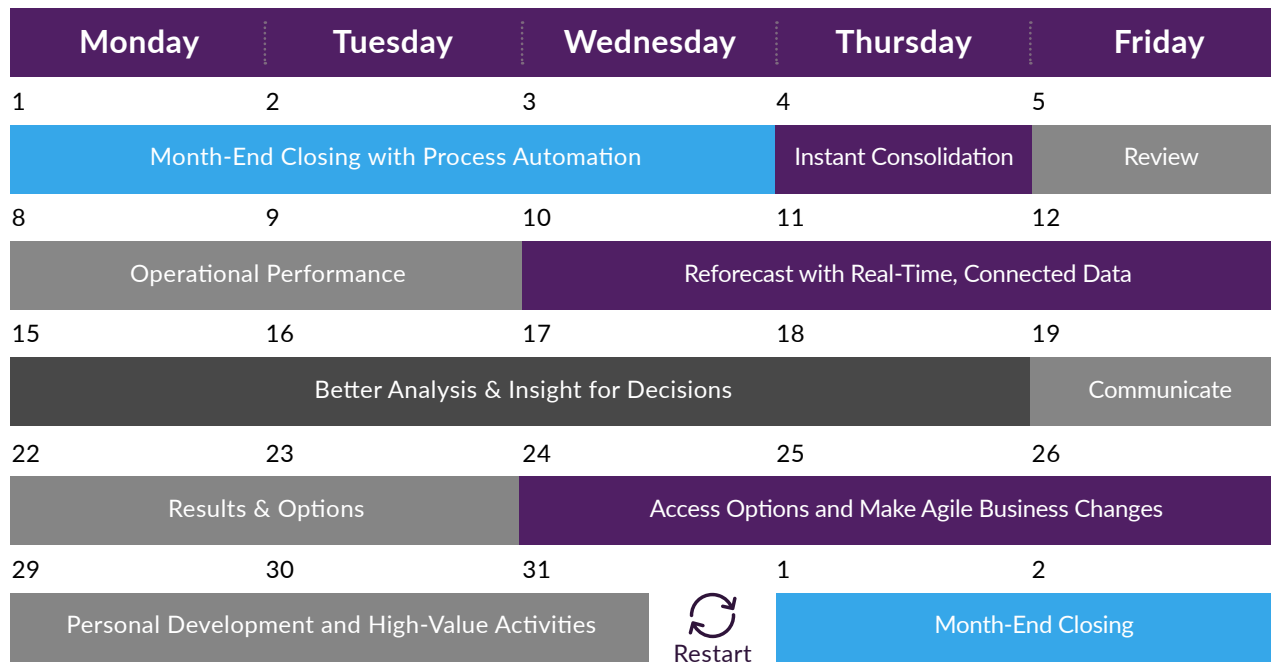## Meaningful Insights, Better Decisions, Better Business.

Mapped against the strategic plan, an effective reporting process with meaningful data demonstrates transparency around financials as well as clearly identifies trends and opportunities for business improvement. Bringing fresh insight and discipline to strategic planning and business modelling innovation enables organisations to drive a new discipline of performance management.

Organisations should not expect a single product that 'does reporting'. Reporting is the process of integrating multiple tools and data, combined with a structured framework aligned to business strategy.

Adopt extended reporting with non-financial data to enrich the financial story, support decisions with evidence, and add real value to the business.

The Optimised Monthly Finance Cycle

Monday	Tuesday	Wednesday	Thursday	Friday
1	2	3	4	5
Month-End Closing with Process Automation			Instant Consolidation	Review
8	9	10	11	12
Operational Performance		Reforecast with Real-Time, Connected Data		
15	16	17	18	19
Better Analysis & Insight for Decisions				Communicate
22	23	24	25	26
Results & Options		Access Options and Make Agile Business Changes		
29	30	31	1	2
Personal Development and High-Value Activities		↻ Restart	Month-End Closing	

At Tridant, we specialise in helping finance stakeholders optimise their organisation's monthly financial cycle, enabling the strategic CFO to report sooner, and plan more frequently.

Our Corporate Performance Management practice empowers finance teams across mid-size and large enterprises to drive strategic, financial and operational excellence with analytics-enabled planning, processes and platforms to optimise the routine financial monthly processes for improved business performance.

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