

Developing insightful management reporting

Challenges and opportunities
for CFOs

Foreward



Welcome to our report examining the opportunities and challenges CFOs and their teams face when developing insightful management reporting and analysis.

The responses to our survey are thought provoking. It is clear that many senior finance executives and their clients in the business share some dissatisfaction with the presentation, detail and effort required to create management reports.

Finance leaders may struggle to pinpoint the exact cause of this dissatisfaction however. This is unsurprising – great finance is not easy to achieve and the key enablers of information & systems, organization & people, and process & policy all play their part in its delivery. CFOs report that they experience poor data quality, ineffective technology and talent shortages as significant challenges in their pursuit of excellent management reporting. These constraints are fundamentally interlinked. Unravelling and prioritising them is challenging.

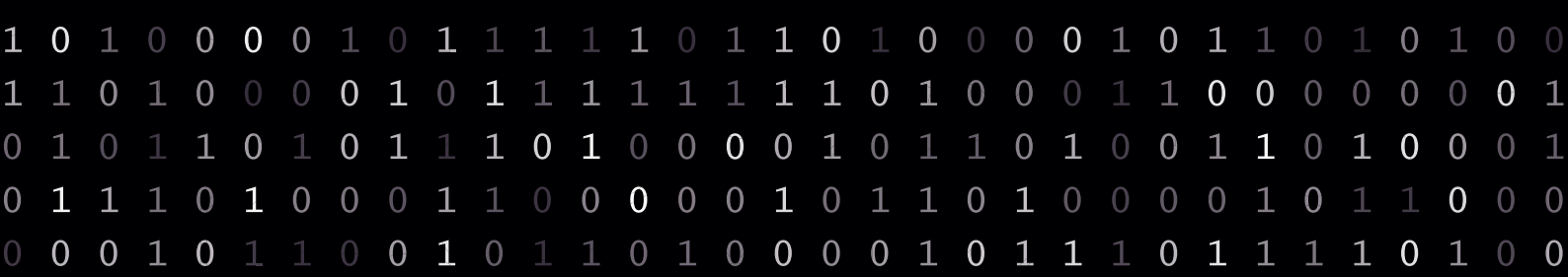
Survey responses suggest that data governance remains a challenge for many organisations. Poor data quality undermines confidence in finance outputs and saps energy which has to be sunk into remediation effort. A finance team battling with contradictory data can all too easily become bogged down in reconciliation, cross-check and validation and be left without time or energy to focus on the generation of data-driven insights which illuminate the road ahead for their business. Digitisation of Finance presents opportunities to mine and extract insights from ever larger datasets. However As the amount of data continues to expand, governance, more than ever, is the watchword.

Digital Finance presents other opportunities to improve reporting and analysis. Breakthroughs in data discovery, visualisation and in-memory tools equip finance to perform real-time scenario analyses, alert audiences and trigger interventions as soon as KPI exceptions are identified. Further advances are available through the automation or robotisation of processes for the production of standard reports. However the survey findings suggest the current experience for over a third of respondents is somewhat different and that their technology does not yet support effective performance management.

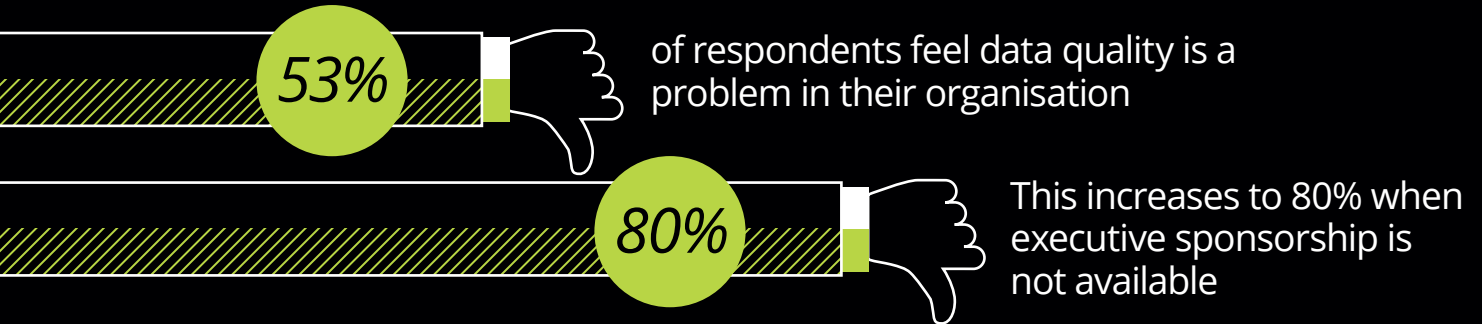
In the talent arena the challenge of how to make time available to build new skills and coach new behaviours among finance colleagues remains. Through the survey many CFOs tell Deloitte of their continuing struggles to find the right candidates for financial planning & analysis or business partnering roles. A picture emerges in which finance talent is consumed by the distractions of poor data quality and aging technology leaving the team with too little time to focus on the development of the analytical and relationship management skills needed for finance to evolve into trusted partners and co-pilots for their business.

We hope that you find the insights in our report thought provoking and useful and welcome your perspectives on the performance management debate.

Markus Zorn
Finance Transformation



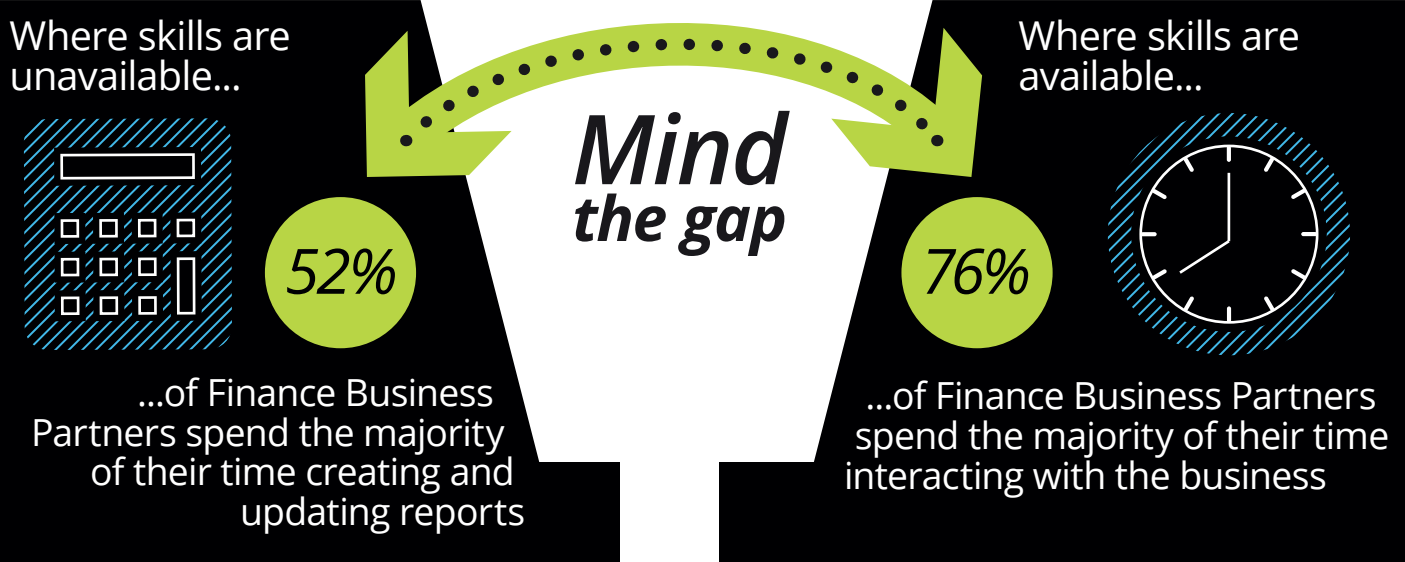
Good data quality is the foundation for insightful management reporting



Having *technology* that supports performance management means Finance Business Partners can focus on higher value activities...



In organisations where *skills are unavailable*, Finance Business Partners are more likely to spend their time on lower value activities...



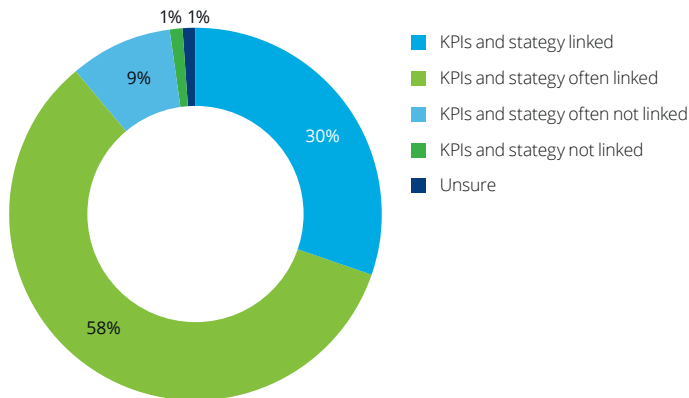
Monitor the right KPIs to understand business performance

Organisations that identify a direct link between Key Performance Indicators (KPIs) and their strategy typically have a better record of execution.

However, it is not just the link that makes this effective. It is the tracking and monitoring of underlying measures that make up the KPI that truly determines success. Ideally a number of measures are tracked and monitored at a granular level, which are combined to have a direct impact on the strategy level KPI.

Deloitte's view – Organisations should continuously review their KPIs against their business strategy and ensure that when a change in the strategy takes place, a KPI review also occurs. This allows finance to maintain a strong understanding of business strategy and to intervene as required.

Figure 1. Link between KPIs and business strategy, percentage of respondents

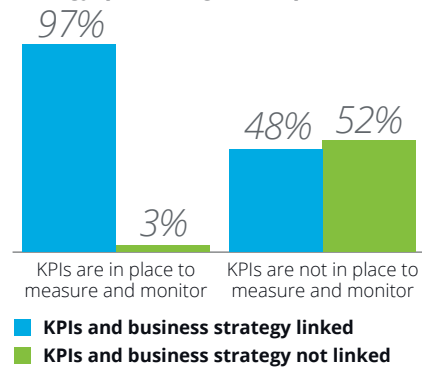


Source: Deloitte analysis

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Survey respondents overwhelmingly affirm that there is a clear link between KPIs they measure and the business strategy. However, where there is no link between KPIs and the business strategy, key management questions are more likely to remain unanswered.

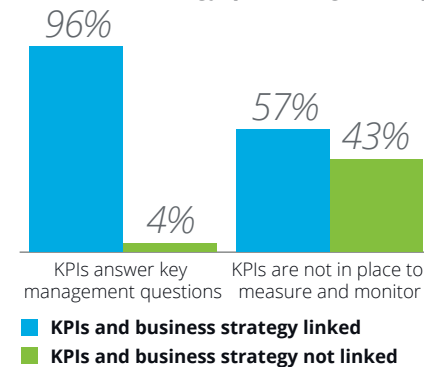
Figure 2. KPIs monitor and link to strategy, percentage of respondents



Source: Deloitte analysis

n = 600

Figure 3. KPIs answer key management questions and link to strategy, percentage of respondents



Source: Deloitte analysis

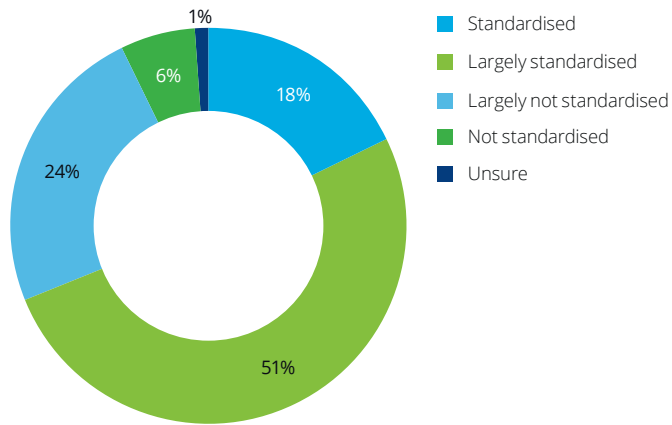
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Standardise management reporting to support strategy execution

Deloitte’s survey found that most respondents provide core management reports that are standardised across business units and management teams.

However, 30 per cent of finance functions do not provide standardised reports. Management reports are a combination of detail, commentary and exception reporting. They should clearly articulate the areas that teams should focus on by showing where the exceptions exist. The report should then allow sufficient ‘drill-down’ to help the business leaders understand the cause of the exception and enable the creation of a plan to address the issue. Standardisation allows for there to be one accepted ‘version of the truth’. However, in many cases management teams do not receive standardised management reports because ‘that is the way it is always done’ or because finance has not fully articulated the benefits of standardisation.

Figure 4. Management report standardisation across business units, percentage of respondents

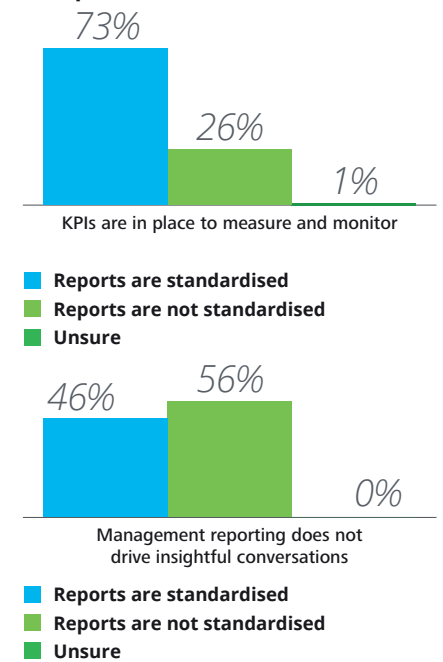


Source: Deloitte analysis

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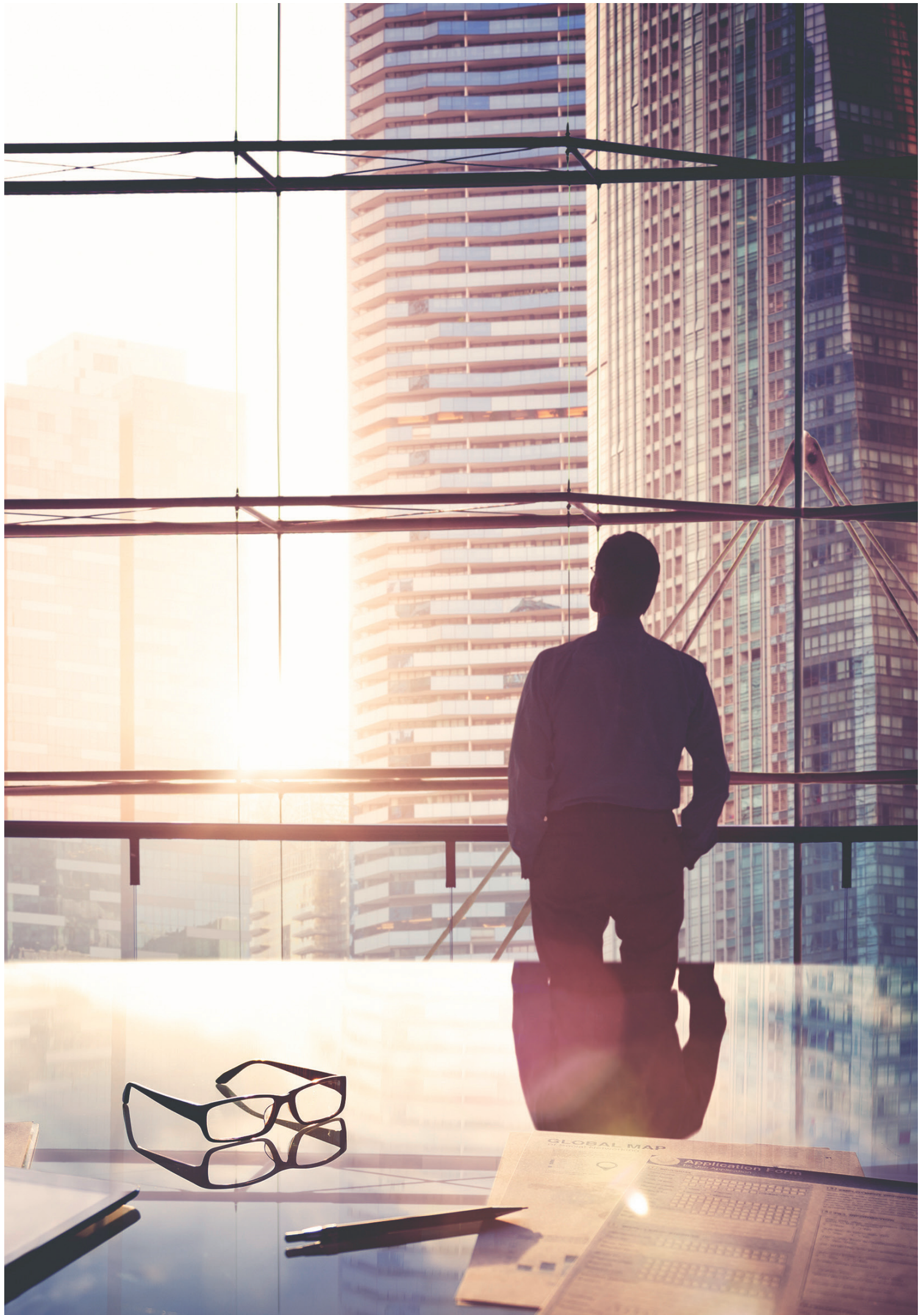
In organisations where core management reports are standardised it is significantly more likely that these reports will be used to drive focused and insightful conversations in leadership meetings. Seventy-three per cent of respondents indicate that the management reports provided by finance are standardised and do drive insightful conversations. However, 54 per cent of respondents indicated that reports are not standardised and that they do not support insightful conversations. There are still instances where standardisation does not drive focused discussions in leadership meetings. This is often because finance is seen as the source of trusted financial information but not a provider of judgement-based insights that challenges the assumptions of leadership.

Figure 5. Standardisation and the use of management reports to drive insightful leadership conversations, percentage of respondents



Source: Deloitte analysis

n = 599

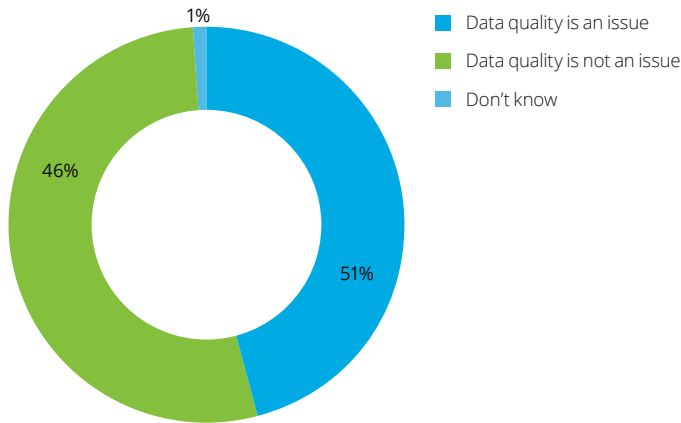


Improve data quality to build the foundations of insightful management reporting

Fifty-three per cent of survey respondents indicated that data quality is recognised as a problem in their organisations.

In 78 per cent of those organisations the issue is also recognised by senior leadership. High performing finance functions recognise when data quality is a problem within their organisation, and have the appropriate executive sponsorship to put in place the necessary processes and governance structures that help identify and resolve the issues.

Figure 6. Data quality assessment, percentage of respondents



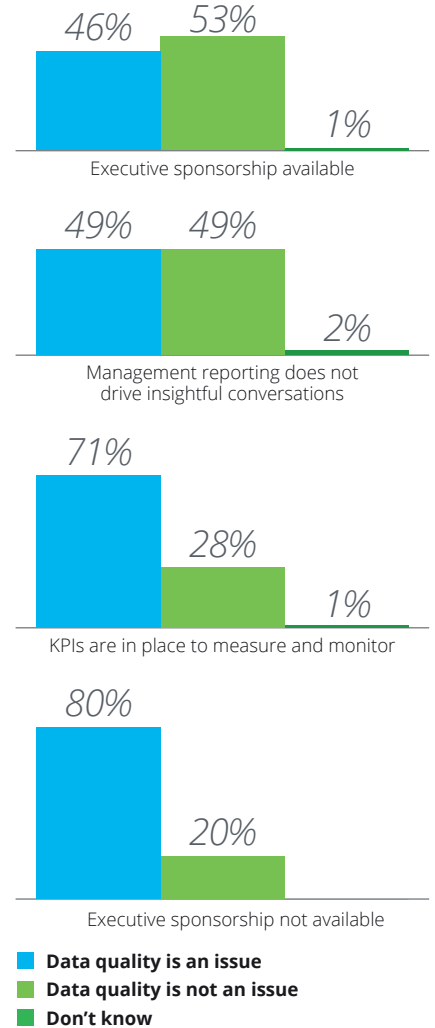
Source: Deloitte analysis

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Survey respondents indicated that where executive sponsorship is not available it is much more likely that poor data quality impacts management reporting and analysis as well as other finance activities. Even where executive sponsorship is available data quality remains a significant problem that often requires a multi-functional and multi-dimensional solution that changes staff culture, technology toolsets and processes.

Deloitte's view – If an organisation has an issue with data quality, this should be made visible at the highest level. With the amount of data available for analysis growing, it is important that executives ensure that data quality is continuously monitored and assessed.

Figure 7. Data quality assessment by availability of executive sponsorship, percentage of respondents



Source: Deloitte analysis

n = 586

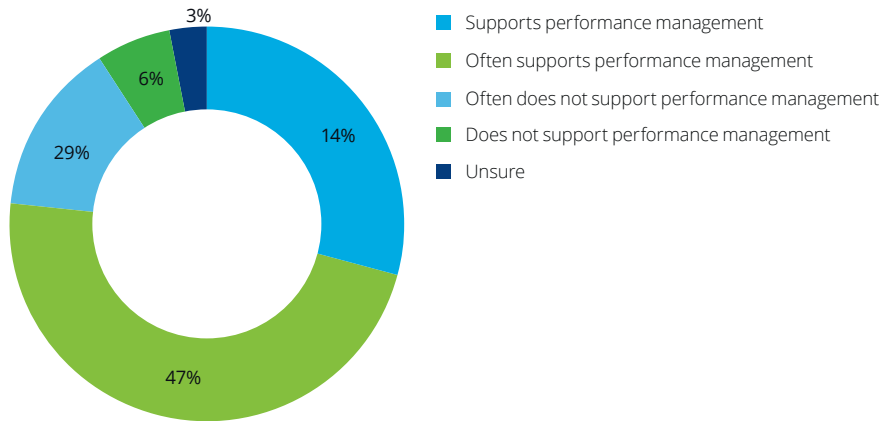
Utilise technology to build the foundations of insightful management reporting

Technology is often used as a key enabler to improve the effectiveness and efficiency of the finance function.

Collecting, aggregating and analysing data via the ubiquitous spreadsheet continues to constrain the management reporting activities of many organisations. However, data visualisation tools and other analytical software offer an opportunity to communicate insights more effectively and improve decision-making in the business.

Performance management tools can be integrated to allow for powerful and effective reporting and analysis. Many tools are flexible enough to adapt to business changes quickly. Sixty-two per cent of respondents believe that the finance technology in their organisations supports efficient and effective performance management.

Figure 8. Technology support for efficient and effective performance management, percentage of respondents



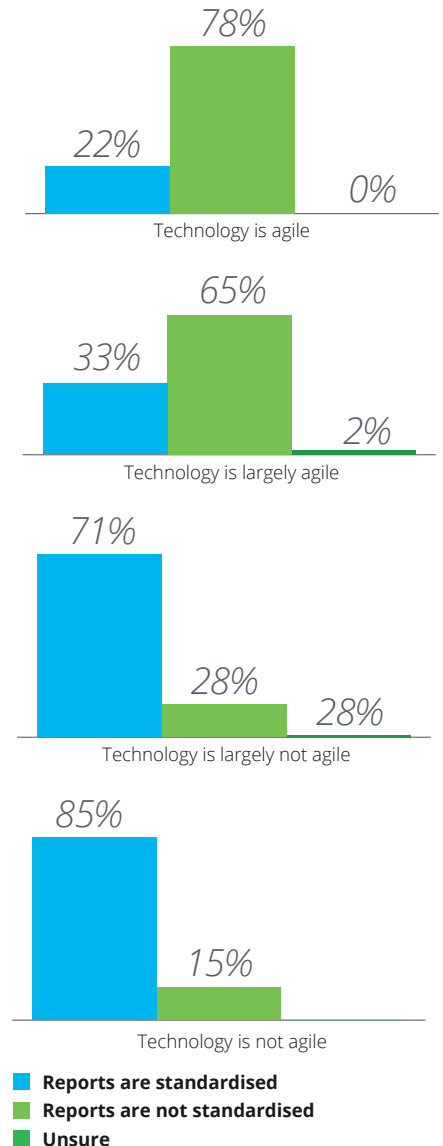
Source: Deloitte analysis

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The ability to exploit technology is closely linked with the issue of data quality. The effective use of technology and high standards of data quality are the basis for impactful management reporting. They are inextricably linked. It is difficult to get the most out of technology without good data and it is often difficult to achieve high standards of data quality without help from technology.

Where an organisation's technology is not perceived to be agile it is more likely that data quality is also a recognised issue. Similarly, in organisations where data quality is not an issue technology is much more likely to support effective performance management.

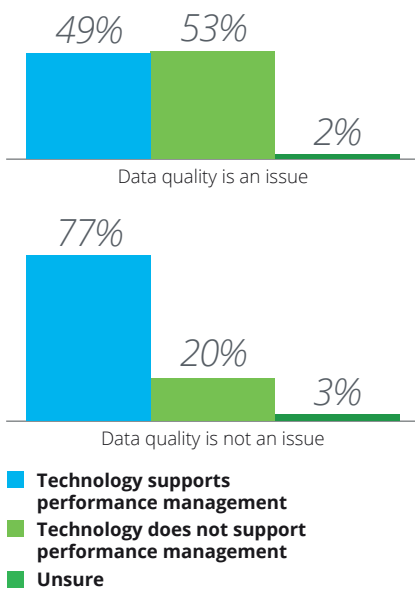
Figure 9. Data quality and agility of technology to adapt to organisational changes, percentage of respondents



Source: Deloitte analysis

n = 599

Figure 10. Data quality and technology support for efficient and effective performance management, percentage of respondents

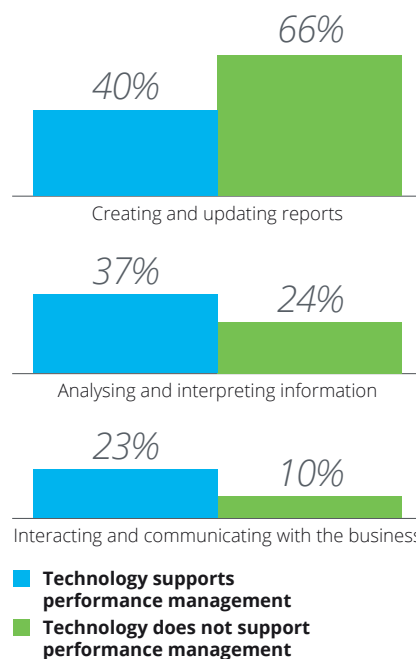


Source: Deloitte analysis

n = 605

In organisations where Finance Business Partners spend the majority of their time interacting with business stakeholders it is much more likely that the technology suite available to finance supports performance management. Technology, especially analytical and visualisation technologies, can remove the need to manipulate data manually. This frees Finance Business Partners to spend more time articulating their findings rather than repurposing data analysis using spreadsheets.

Figure 11. Technology support for efficient and effective performance management by time spent, percentage of respondents



Source: Deloitte analysis

n = 604

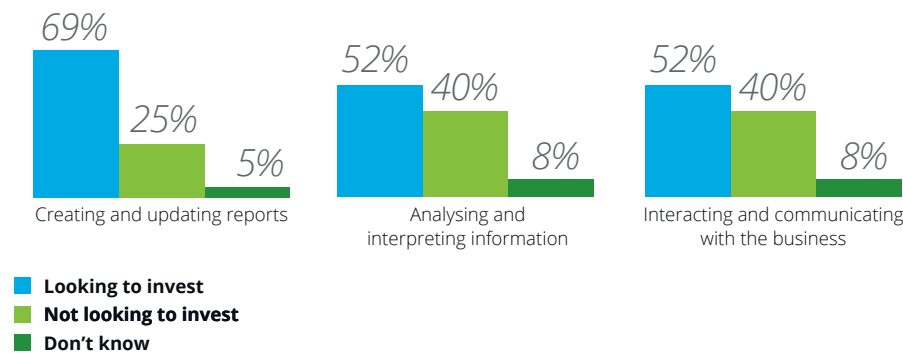
Deloitte's view – Finance's ability to provide insights to the business is dependent on its ability to 'do the basics'. Inadequate technology and poor data can inhibit this. The issue is that it is not always clear what the root cause is – is it the technology or the quality of the underlying data? In our experience, poor data quality and ineffective data management are often the key contributing factors in these situations. Many organisations are using reporting tools and data visualisation dashboards. However, if the issues with the underlying data are not resolved there is a risk that the inadequacies previously found in spreadsheets are replicated in the newly implemented technology. As such, data quality should be a priority during technology investment conversations.

Future investment in technology to support management reporting

Organisations tend to review their toolset regularly and are aware of the latest developments in the marketplace.

Many finance functions have invested or are planning to invest in integrated reporting tools that allow for multi-dimensional analytical views and 'drill-down' functionalities that enable the lowest level of detail to be assessed. In addition, new data discovery and visualisation capabilities allow end-users (not just finance professionals) to explore, analyse and visualise information. A majority of all organisations are looking to invest in new analytical and visualisation technologies. Those organisations where their Finance Business Partners spend the majority of their time creating and updating reports are more likely to invest.

Figure 12. Future technology investment and where Finance Business Partners currently spend the majority of their time, percentage of respondents

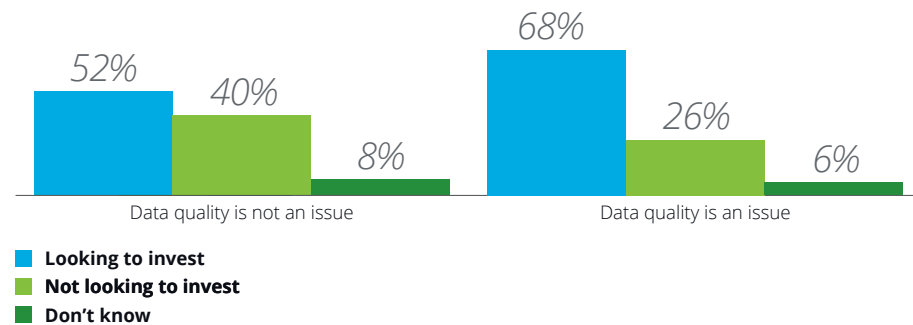


Source: Deloitte analysis

n = 604

Similarly, respondents indicated that they are more likely to invest in new analytical and visualisation technologies when data quality is a recognised issue. However, technology should not be viewed as a panacea. Data quality issues will remain if underlying cultural, organisational and process issues are not addressed.

Figure 13. Future technology investment and data quality, percentage of respondents



Source: Deloitte analysis

n = 605

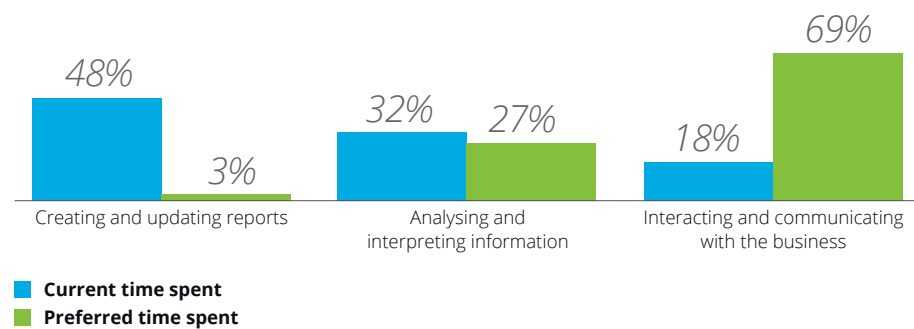
Build the right management reporting capabilities

Effective Finance Business Partners spend time interacting and communicating with the business, providing insight and successfully contributing to organisational performance.

This can include activities such as strategy formulation, commercial decision-making and negotiation, and leading on in-depth business analysis.

In almost half of organisations, Finance Business Partners spend the majority of their time creating and updating reports. Less than 20 per cent of respondents indicate that their Finance Business Partners currently spend the majority of their time interacting with stakeholders in the business. However, finance leaders would prefer for this time distribution to be reversed with Finance Business Partners spending considerably less time creating reports and significantly more time on business-facing activities.

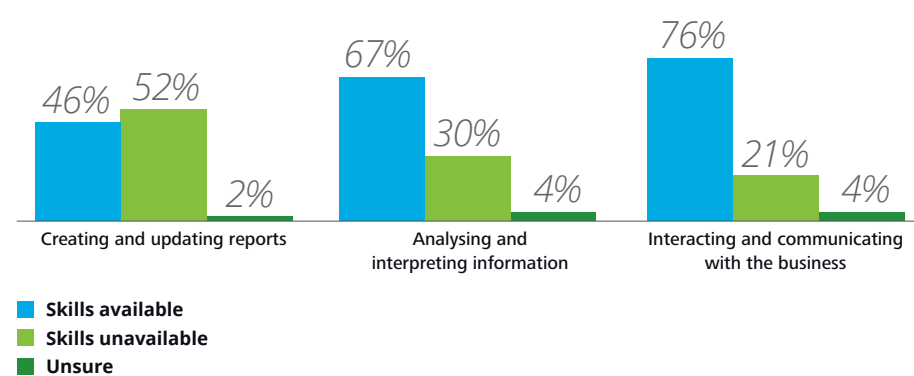
Figure 14. Current and future time spent of Finance Business Partners, percentage of respondents



Source: Deloitte analysis

n = 613

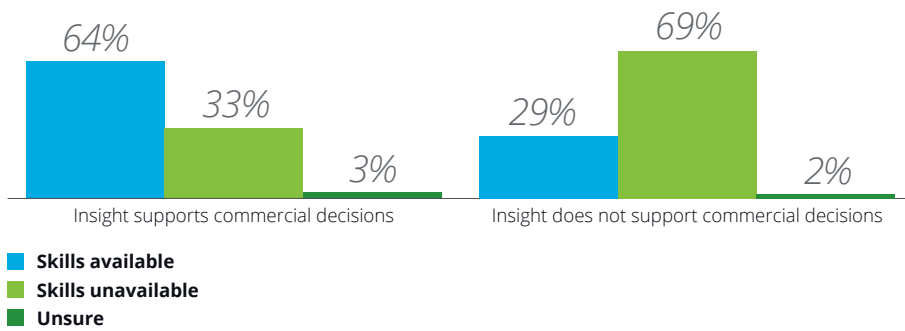
Figure 15. Availability of analytical skills and where Finance Business Partners spend the majority of their time, percentage of respondents



Source: Deloitte analysis

n = 604

Figure 16. Availability of analytical skills and finance's ability to produce insights, percentage of respondents



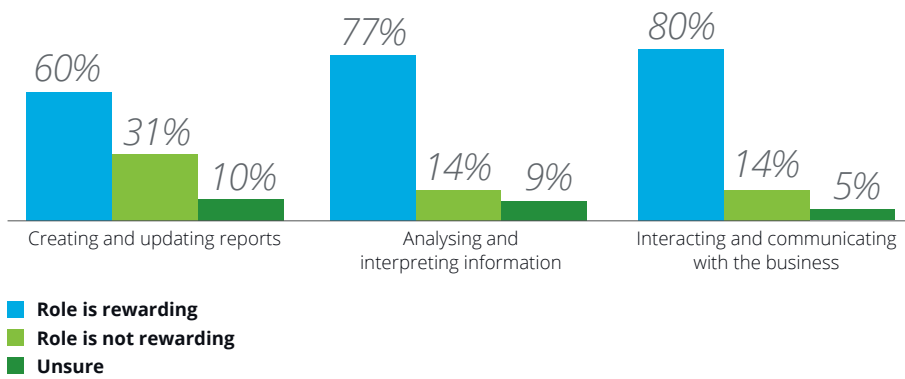
Source: Deloitte analysis

n = 594

Deloitte's view – Organisations often struggle to find the right talent. Developing a rewarding and structured career path for your most effective Finance Business Partners should be a top priority.

Deloitte's survey found that Finance Business Partners experience greater job satisfaction when they interact with the business. They are much more likely to find their role unrewarding if they spend the majority of their time focused on the 'basics' such as creating and updating reports.

Figure 17. Finance staff satisfaction and where Finance Business Partners spend the majority of their time, percentage of respondents



Source: Deloitte analysis

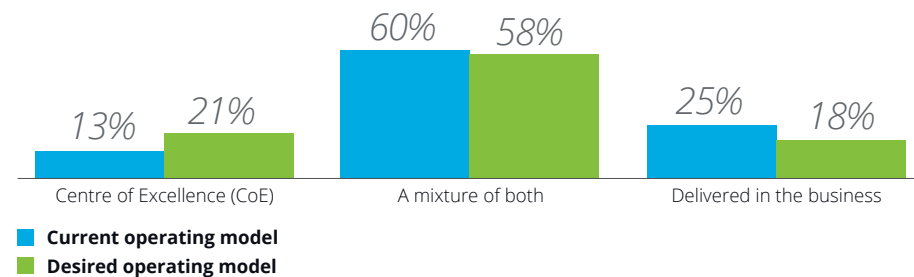
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Find the right operating model to meet reporting needs

Currently 60 per cent of survey respondents indicated that their finance functions deliver management reporting and analysis through a mixture of Centres of Excellence (CoEs) and decentralised in the business units.

Currently 60 per cent of survey respondents indicated that their finance functions deliver management reporting and analysis through a mixture of Centres of Excellence (CoEs) and decentralised in the business units. A quarter of respondents indicated that management reporting and analysis is fully decentralised while 13 per cent deliver these capabilities solely through a CoE. Forty-nine per cent of organisations plan to change their operating model in the next 18 months. Deloitte's analysis suggests a small trend towards centralisation of delivery.

Figure 18. Operating models for delivering management reporting and analysis, percentage of respondents

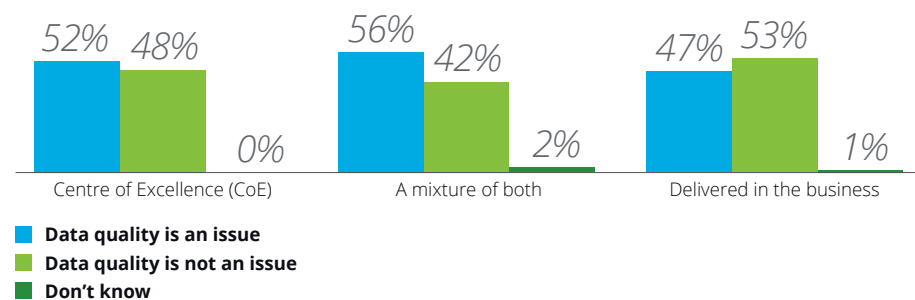


Source: Deloitte analysis

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There is little variance in data quality issues across the different operating models typically used to deliver management reporting and analysis. Where management reporting is delivered through a mixture of CoE and in the business data quality is marginally more of an issue.

Figure 20. Data quality and delivery models, percentage of respondents



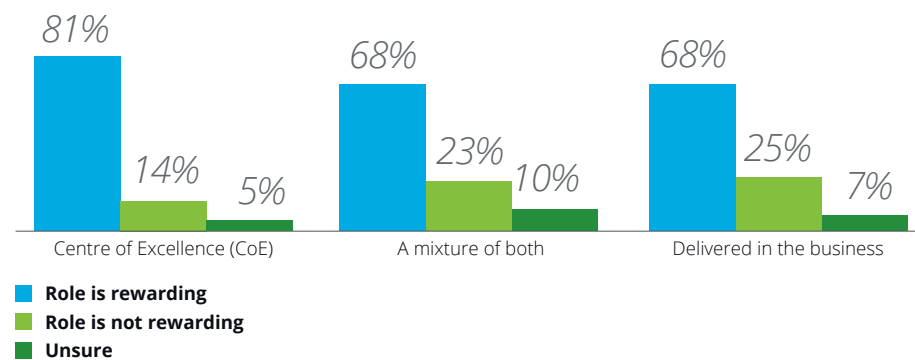
Source: Deloitte analysis

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Deloitte's view – CoEs are important in driving efficiency gains through more effective reporting. They free up Finance Business Partners' time so they can focus on more value-adding activities. However, by employing a full CoE model organisations risk losing the insight into local markets, products and services that can only be gained by being close to the business. It can become difficult to provide variance analysis, insight and commentary. When designing an operating model for management reporting, it is important to consider the advantages and disadvantages of each relevant option and further the role of the Finance Business Partner.

Where a CoE is used to deliver management reporting and analysis, 81 per cent of respondents indicated that the finance professionals in their organisations find their roles rewarding. This is a higher proportion than for those organisations using decentralised delivery models. Where management reporting is delivered entirely in business units 25 per cent of respondents believed that staff do not find their roles rewarding.

Figure 21. Finance staff satisfaction and current operating model, percentage of respondents

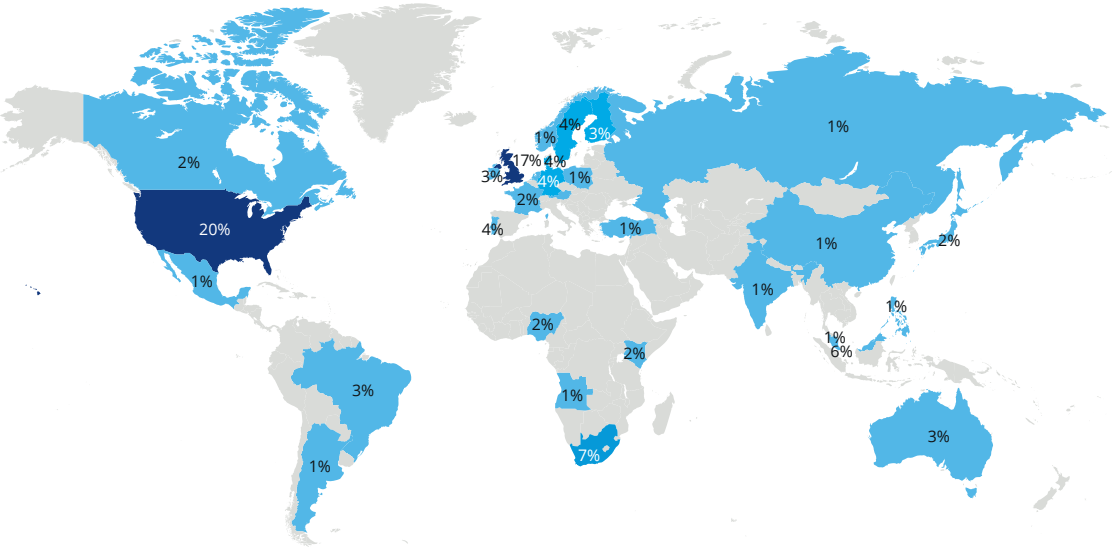


Source: Deloitte analysis

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Survey demographics

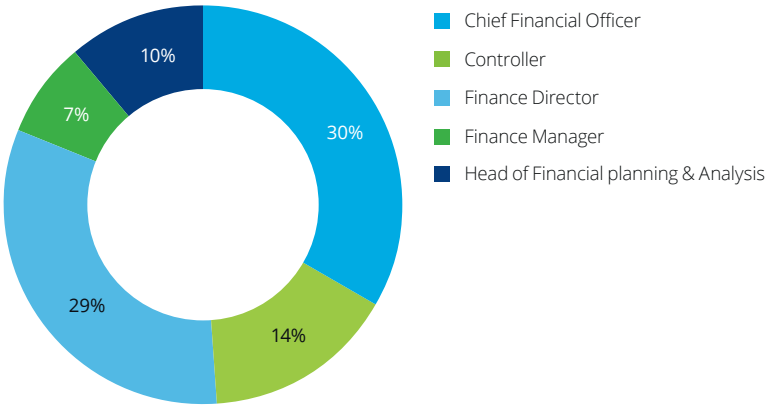
Figure 22. Participants by location, percentage of respondents



Source: Deloitte analysis

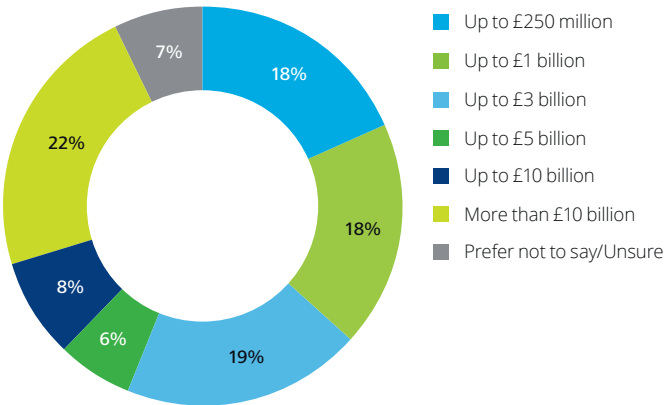
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Figure 23. Participants by role, percentage of respondents



Source: Deloitte analysis

Figure 24. Participants by revenue, percentage of respondents



Source: Deloitte analysis

n = 614



Contacts



Jon Bailey
Senior Manager
Finance Transformation
+41 79 150 77 71
jonlbailey@deloitte.ch

Jon is a Senior Manager in our Finance Transformation practice based in Zurich and leads our Performance Management service offering. Jon focuses on the impact of digitisation on finance and the delivery of major finance change programmes including performance management improvement, target operating model design, technology implementations, regulatory change programmes and post-merger integration. Prior to joining Deloitte Jon had over 15 years' experience in the UK financial services industry including business partnering and financial reporting roles. He is an experienced project manager skilled in business case construction and benefits measurement.



Tamas Weber
Senior Manager
Finance Transformation
+41 78 922 45 67
tamweber@deloitte.ch

Tamas is a Senior Manager in our Finance Transformation practice based in Zürich. He is a proven professional in financial management and financial reporting focused on delivering sustainable solutions and increased business performance. He is specialized in financial and management reporting, enterprise performance management, financial and reporting process engineering and financial system implementation. He has more than 15 years' of professional experience in financial project management and financial reporting. Prior to Deloitte, Tamas worked in the financial services and medical devices industries gaining experience in a range of financial management roles.

Author



Richard Horton
Head of Finance Research
020 7007 7274
rhorton@deloitte.co.uk



Markus Zorn
Finance Transformation
Strategy & Operations
+41 79 572 09 73
mzorn@deloitte.ch

Markus is a Director at Deloitte Consulting AG in Zürich and leads the Finance Transformation practice. He is a proven professional with leadership skills, diligent work ethic and proficient in Finance and Insurance.

In more than 15 years of experience in Management Consulting with a focus on Finance in the Financial Services industry, Markus supported numerous multi-national and regional clients to improve their finance function by accelerating close processes, increase efficiency and data quality, reduce costs and ensure compliance with external finance reporting requirements like Solvency II, IFRS4 etc. His project experience include full life cycle ERP implementations as well as business case analysis and setup of multi-national Finance Transformations.

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