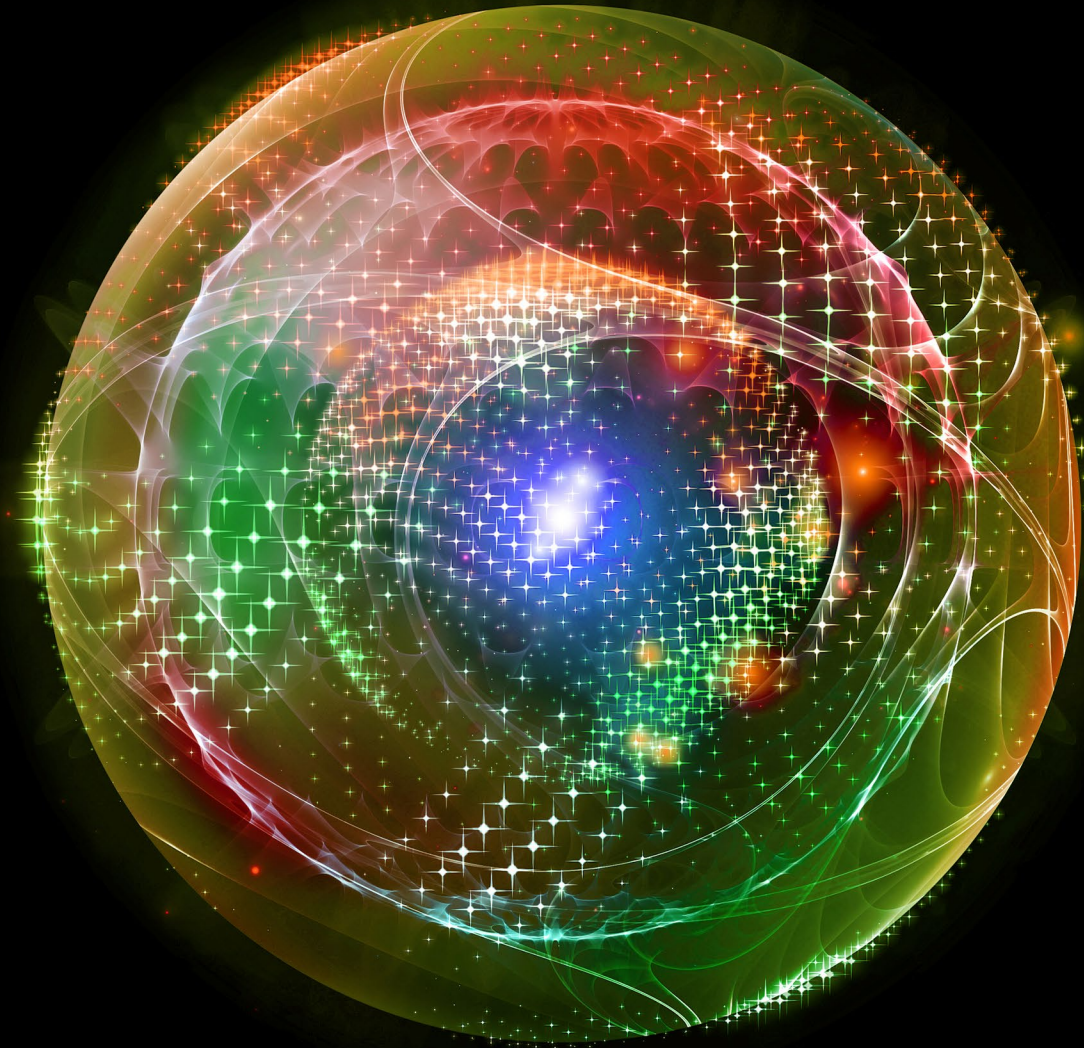# Deloitte.

Reporting strategy that drives the business forward

BestCo has it figured out. The executive team comes in every morning and reviews their key performance indicator (KPI) dashboards to assess company performance. If they have questions, they can reach out to their business unit leaders and managers, who can answer questions and develop corrective actions in partnership with their finance business partners. They can do this because their executive dashboard KPIs cascade to business unit leaders and down through the organization to operational dashboards where day-to-day activities are managed. Data is clean and governed, with clear data definitions that are understood across the enterprise. This wasn't always the case. It took a plan and enterprise-wide alignment and execution to achieve the desired level of business and financial insights.

Today, companies are inundated with data and are looking for better ways to get to near-real-time reporting, data visualization, and valuable insights. This information can help facilitate decisions that will drive competitive advantage, growth, and profitability. Leading companies are taking the next step and using analytics to identify issues and trigger automated responses to improve their processes. There are numerous digital technologies available today that are being leveraged to achieve that objective. Many of these are listed here and were previously outlined in Deloitte's Reporting in a digital world report.

RPA

Robotic process automation (RPA) software shortens the time companies spend on data manipulation by automating routine tasks.

Chatbots

These dedicated virtual assistants enable users to interact directly with data using voice or text queries.

Visualization

These now-familiar tools allow people to display and play with data dynamically, so it's easier to understand and interact with.

Artificial intelligence

This collection of technologies includes natural language tools that can read and write, as well as machine learning.

Predictive analytics

This statistical technique uses algorithms to execute forward-looking analysis—especially routine financial forecasts.

Technologies are often implemented without yielding the results envisioned and become overly complex to maintain as new needs are built into an inflexible architecture. Why? Simply put, it's the lack of an overall reporting strategy to integrate, synchronize, govern, and flexibly match structure to objectives. What's more, while companies are inundated with data, much of that data is in disparate, nonintegrated systems.

> The data in existing ERPs is not captured or attributed in a common, standardized model, which then requires data mapping, reconciliation, and harmonization. In many cases, some data simply isn't captured at all.

Let's explore some of the common challenges and how a reporting strategy can help. Experience shows many reporting issues are driven by:

- **Poor data quality:** There's inconsistent data definitions and usage of GL accounts and/or cost centers.

- **No single source of truth:** Multiple data sources drive confusion around where to go for reports, create timing issues, and add to the skepticism around data accuracy.

- **Poor enterprise-wide visibility:** There's complex organizational structures, misaligned reporting requirements, and a proliferation of ad hoc reports.

- **Technical focus:** Too much focus is spent on achieving a technical reporting go-live, versus ensuring the reporting (and data) support an intended business outcome.

- **Misaligned chart of accounts:** One or more charts of accounts are not aligned with how the enterprise wants to view the business, limiting reporting and analytics capabilities.

- **Misaligned and ad hoc reporting hierarchies:** Lack of standardized reporting hierarchies results in reporting not being standardized across the enterprise.

- **Ineffective reporting governance:** The volume of reports grows exponentially because new reports are added and/ or individual managers request new reports without ever rationalizing and removing reports that are no longer relevant.

- **Data not captured for reporting:** If the data is not in a system, at the right level of granularity, or in the right hierarchal structure, it cannot be systematically pulled into reports easily.

Companies that don't address these issues may not have the information needed to run the business. Worse yet, information may be interpreted differently across the organization, resulting in confusion, mistrust, and missed opportunities.

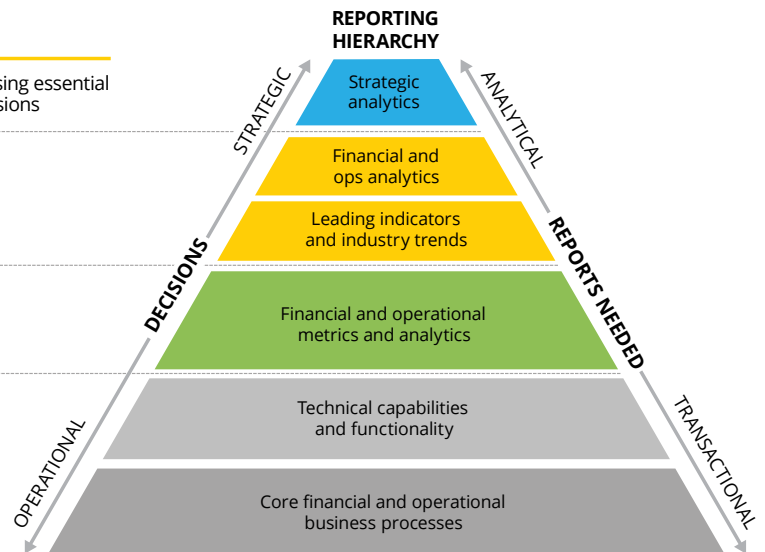Let's start by defining what it means to have a successful reporting strategy, one that:

- Delivers **accurate information** that satisfies the needs of business owners and internal customers in a timely manner;

- Moves **beyond financial analysis and into business analysis** and being able to understand how well the enterprise is executing against its strategy at all levels of the organization;

- Streamlines information delivery and integrating multiple systems and sources to provide **a single source of truth**;

- **Enables self-service reporting and analytics** to further shift the role of finance from data gathers to analytics drivers informing business decisions;

- Includes **reporting/analytics governance that ties the data model to analytics and KPIs** and includes operational support to ensure the validity of KPIs in a changing environment;

- Defines a **roadmap to "bring the insights to life,"** leveraging digital technologies to enable notifications and mitigation plans to address KPIs that are below a defined threshold;

- Is prepared to **adapt to how information is reported** in response to changes in customer needs, economic performance, state of competitors, business transaction activity, debt and leverage, etc.

To build a successful reporting strategy, companies must start by accounting for different stakeholders across the organization. Each has unique information needs:

- Executives direct the business across the enterprise

- Managers manage the business and its performance

- Finance partners with both executives and managers to deliver insights, plan the business, perform scenario modeling, report financial performance, and report externally to shareholders

- Operations runs the day-to-day business and needs to understand process performance and corresponding financial impacts

Each group needs a slightly different slice (or view) of the same or similar data at different levels of granularity. This data is used to serve very different purposes and can come from different sources and/or be generated in different parts of the organization.

REPORT CATEGORY	USER COMMUNITY	INFORMATION REQUIRED
Executive	Senior executives	Targeted reporting and analytics using essential information (EIM) to make key decisions
Management reporting	Executives and senior managers	Targeted reporting accessing information from multiple information models to support management of their business
Statutory and regulatory reporting	External auditors and third parties	Specific reports to satisfy auditors, government, and third parties
Operational reporting	Managers and employees within specific areas of each business function	Business area–specific reports providing performance information from specific information models

REPORTING HIERARCHY

STRATEGIC — ANALYTICAL — DECISIONS — REPORTS NEEDED — OPERATIONAL — TRANSACTIONAL

- Strategic analytics
- Financial and ops analytics
- Leading indicators and industry trends
- Financial and operational metrics and analytics
- Technical capabilities and functionality
- Core financial and operational business processes

Once you understand the needs of your stakeholders, you need to account for the four key elements of a successful reporting strategy:

1. Data design and KPIs

Start with defining an enterprise information model (EIM) that provides a common definition for data across the enterprise technology landscape and incorporates a standard chart of accounts and reporting hierarchies. The data design supports key performance indicators that cascade from top executives down to operational teams.

2. Systems and tools

Develop a system architecture that enables financial modeling, near-real-time self-service reporting, and visualization tools to allow enhanced reporting of any analytics.

3. People and organization

Enable reports that link metrics to goals and controllable data, and remove Finance as the intermediary for producing and distributing reports.

4. Reporting governance

Define clear roles and responsibilities for managing reporting and data access, which includes standard reporting, raw data, and ad hoc reports.

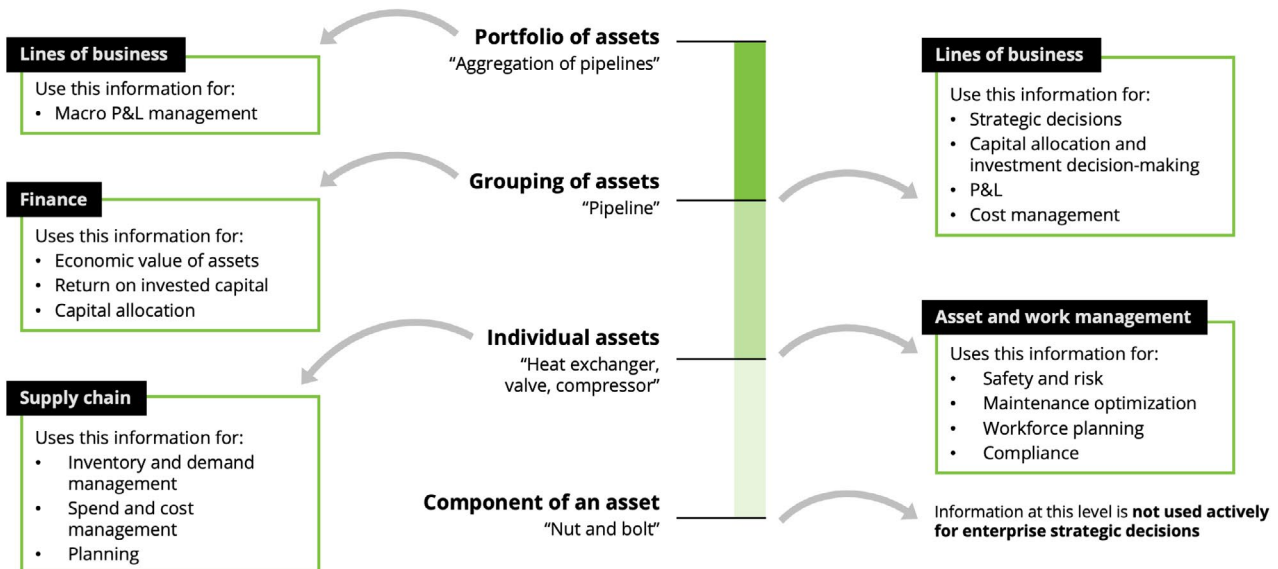**We dive into each of these in more details below.**

1. Data design and KPIs

It starts with the EIM, sometimes referred to as the common information model (CIM). An EIM is a framework for organizing the critical information required to run the business and drive insights. The EIM provides the foundation on which an organization's business processes and reporting will be built. An EIM can be made up of many domains (e.g., Finance, order management, supply chain, and operations), based on the structure of the business. Each domain has its own data models, but the key data elements that are required to run the business should be common across all domains. At minimum, organizations should have a common definition and an aligned understanding of how it affects reporting and performance metrics. The following is an example of what data domains and common elements look like for BestCo, which owns and maintains distribution assets:

Overview
The enterprise information model (EIM) is an inventory of information domains required to manage the business. It identifies the: • Users of the information (e.g., external and internal consumers such as investors or regulators); • Components of the information (e.g., vendors, revenue, contracts); and • Ways information is consumed (e.g., legal entity, geography, cost center).

EIM domains					
Finance	**Asset and work management**	**Supply chain**	**Projects**	**Other examples** *(list is not exhaustive)*	
• Accounting • Cash and treasury • Tax • Budget • Risk	• Capital allocation • Resource planning • Asset performance • Safety and integrity • Shutdown and outages strategy	• Sourcing • Procure-to-pay • Materials management • Contract management	• Project costs • Project execution • Work breakdown structure (WBS)	• Human resources • Strategic planning • Location • Products and services • Customers	• Land contracts • External party • Product specifications • Inspection reports

For BestCo, "asset" was one of a number of critical views needed to run the business and make decisions. However, a big issue for this company was that the term "asset" was defined differently across the asset management, supply chain, and finance functions. Not having a clear understanding of the different definitions and in what context they were to be used drove confusion and misunderstanding around performance metrics and the relationships between operational and financial performance. In this situation, having an EIM helped align the organization's domains (e.g., Finance, asset and work management, supply chain, projects, and others) on a common definition of "asset" so everyone was clear on what the word meant and how it was used within each functional domain. The following diagram is an example of what that common model looked like.

Lines of business
Use this information for:
• Macro P&L management

Finance
Uses this information for:
• Economic value of assets
• Return on invested capital
• Capital allocation

Supply chain
Uses this information for:
• Inventory and demand management
• Spend and cost management
• Planning

Portfolio of assets
"Aggregation of pipelines"

Grouping of assets
"Pipeline"

Individual assets
"Heat exchanger, valve, compressor"

Component of an asset
"Nut and bolt"

Lines of business
Use this information for:
• Strategic decisions
• Capital allocation and investment decision-making
• P&L
• Cost management

Asset and work management
Uses this information for:
• Safety and risk
• Maintenance optimization
• Workforce planning
• Compliance

Information at this level is **not used actively for enterprise strategic decisions**

Defining an EIM is just the first piece of the puzzle. It lays the overall foundation from which to build a reporting strategy, data strategy, and common chart of accounts. It enables an organization to align on what data and level of granularity is needed by what functions, by each leadership level, and for what purpose.

Continuing with the story of BestCo, mapping its EIM to its different reporting needs gave it a clear path for defining what data to source and where to source it from (see the following graphic). That mapping was a significant input to its ERP design, which leads to the next pieces of the puzzle: data strategy and chart of accounts design.
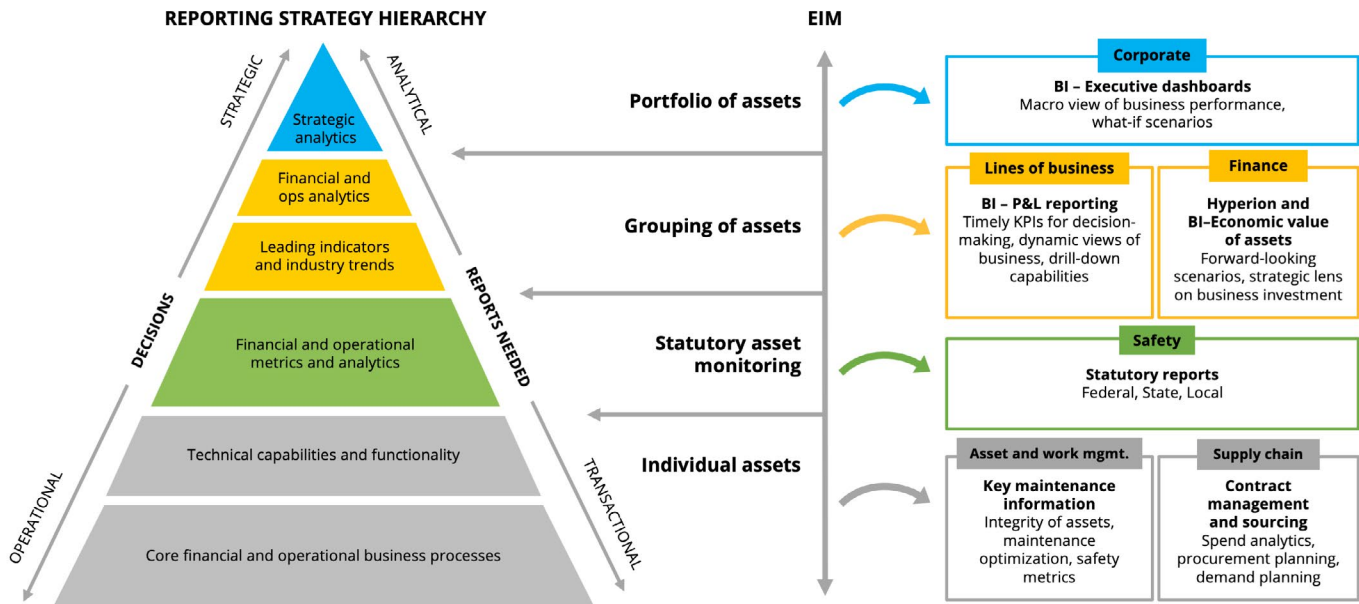
Once a common language and data needs are understood, the next step is to define a data strategy. What are your data sources, where do you want to report, and what tools do you want to use? Does the information you need have to be in the general ledger, or can it be sourced or reported on elsewhere (e.g., subledgers, a data hub, or a data warehouse)? The answer to these questions will influence where the data is captured and how to design the chart of accounts. The following graphic is an example of how it could all come together:
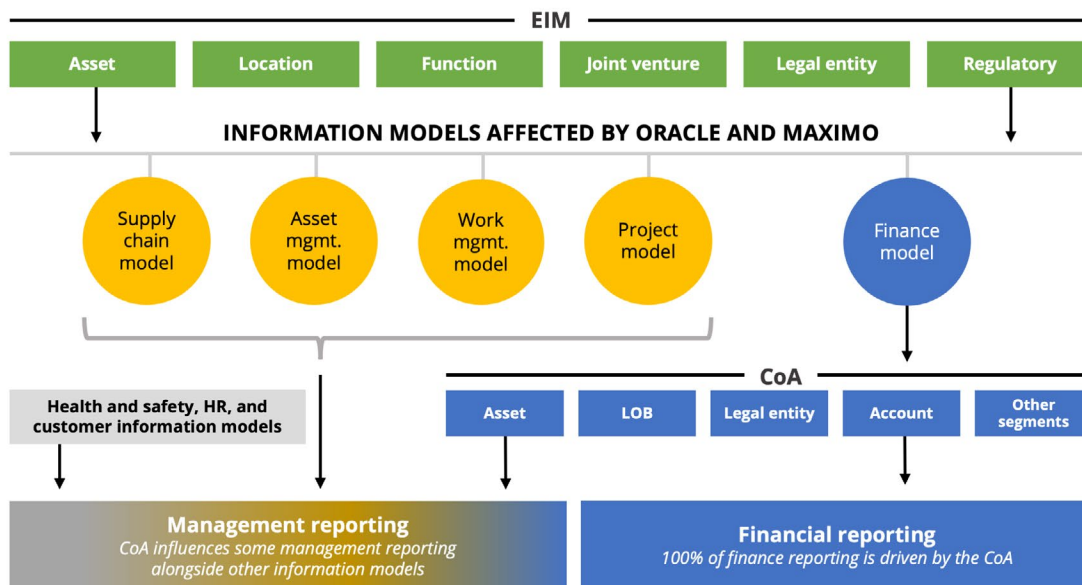
Note: The lists of information models above are not exhaustive.

> For BestCo, the EIM aligned critical data elements needed to understand the business (assets, locations, etc.) across the functional data models (supply chain model, finance model, etc.).

This alignment drove a consistent definition of data elements and a clear understanding of both how those elements affected performance measures and how operational performance linked to financial performance. The EIM and functional data models influenced the chart of accounts design and data strategy that enabled both management and financial reporting. This allowed for more effective decision-making. All were key components of BestCo's ERP strategy and design.

2. Systems and tools

Once the data design is complete, the next step is to assess the global system and reporting tool architecture. This includes assessing the current technology landscape (e.g., ERPs, sales tools) and identifying ways to maximize those tools based on clear data definitions and process discipline. Afterward, Finance can identify the gaps based on desired capabilities (near-real-time data availability, financial modeling, analytics, data visualization, data science, etc.). In looking to activate new capabilities, consider the enablers for all the reporting use cases (operational reporting, management reporting, strategic analysis and insights, external and statutory reporting, etc.) needed as part of an ERP-driven finance transformation.

3. People and organization

As with all successful transformations, the desired outcome changes the way activities are performed to generate better results. Reporting is no different. Enabling new reporting capabilities means less time is spent reconciling data and performing shadow finance activities. Therefore, it is important to assess the impact on your people and finance organization.

Finance team members will be asked to generate insights and no longer just keep score based on historical performance. As the role shifts, it often results in new efficiencies and a need for new skills. Finance organizations are being challenged to retool their teams and to help them shift from transactional and operational reporting activities to strategic insight generation and scenario modeling that informs key business decisions.

> As the organization adopts new reporting capabilities, it will need to shift to a continuous improvement mindset.

The organization will also need a scalable reporting capability to evolve with the business. There should be an emphasis on self-service, and Finance should take on an elevated role beyond being a distributor of reporting. Instead, the focus should be on ensuring reporting capabilities are aligned to the business strategy and reflect a current view of the organization.

4. Reporting governance

No matter how well your EIM is defined, or how advanced your reporting and visualization tools are, they will only be effective and sustainable if the proper governance and controls are in place. Effective governance includes clearly defined roles and responsibilities, strict adherence to data and hierarchy governance, and a scalable security model to manage user access to reports and data. The governance model includes finance data in ERP systems, as well as upstream reporting systems across the enterprise.

Reporting governance also means the organization defines standard reports for key business reviews and eliminates both legacy reports and oversized reporting packages that have grown over the years. Standard reporting packages are essential to the successful implementation of a reporting strategy, as they typically help drive standardization across the enterprise that increases efficiency and aligns business reviews with KPIs linked to the overall business strategy.
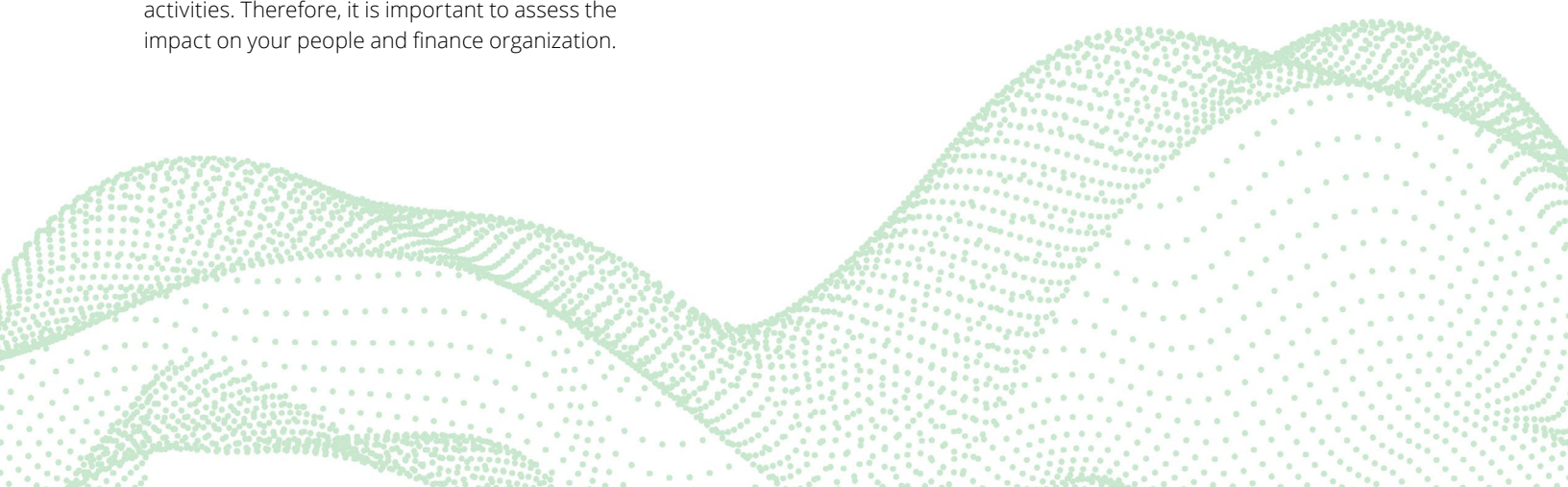
Reporting strategy guiding principles

As companies define their reporting strategy, there are a few guiding principles to consider:

One version of the truth

Integrate data from multiple sources into a single data platform to enable true performance measurement across a common set of data elements. Common data platform enables multiple roll-ups (alternate hierarchies) of the same data for analysis to provide factual understanding and confidence in all downstream reporting applications.

Dynamic reporting

Reporting tools should have the flexibility to perform dynamic queries and generate reports to address the majority of operational, management, and analytical information needs. This will avoid manual creation and consolidation of global management reports and improve timeliness of information, freeing up more time for analysis.

Information consistency and governance

Leverage data and reporting governance processes, standards, and policies to establish a consistent baseline and ongoing measurement of data quality and reporting packages. Avoid complicated metric-accumulation procedures in order to create more timely and reliable performance metrics.

Rationalized toolsets

Limited toolsets reduce up-front training effort, promote transferability, and improve the ability to maintain and reduce support costs.

Common data architecture and defined access

Access to common data elements should be restricted by security roles to ensure users have the appropriate view of enterprise information. Access to ad hoc querying tools should be limited to those with a business need. Additionally, the ability to publish reports should be controlled and governed by a central group.

Global architecture

The reporting platform and related tools should be enabled by an architecture that will support diverse (global) users within the finance organization with unique reporting requirements. This will allow for the creation of global and enterprisewide reporting and technology standards across multiple business units, countries, and locations (especially for finance data and reporting) in order to avoid conflicting interpretations.

Your next move

As mentioned, thinking through chart of accounts design is a key part of reporting and ERP strategy. Read more about the guiding principles for building a comprehensive CoA in our report on optimizing ERP through your chart of accounts design.

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