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Revolutionising reporting in the digital age

When you hear the word "reporting," binders full of spreadsheets, charts, and footnotes might come to mind. Or maybe conference rooms with executives grinding through slide presentations. And behind it all, there's an army of finance people who've been working for weeks to pull it together—a ritual that repeats month after month after month

In the best of all worlds, this ritual would deliver reports aligned with the changing needs of the business. But that rarely seems to happen.

Instead, when Deloitte surveyed 600 global finance leaders on management reporting, we uncovered this fact: Companies surveyed spent 48% of their time creating and updating reports versus 18% spent on communicating the results to the business (see Figure 1).[1] The survey also showed that companies knew they had room for improvement. Three-quarters of those interviewed said they were using standardisation as a way to gain efficiency and get insights more quickly. In one company, the commitment to standardise led to replacing 1,000 unique reports with just 50 dashboards.

If standardisation alone can enhance performance so dramatically, what would happen if you added digital tools, such as automation, advanced analytics, and machine learning, to the mix? In this issue of CFO Insights, we will take a look at how companies are using digital tools to upgrade their reporting processes to get better information distributed faster—and what that means for the future of reporting itself.

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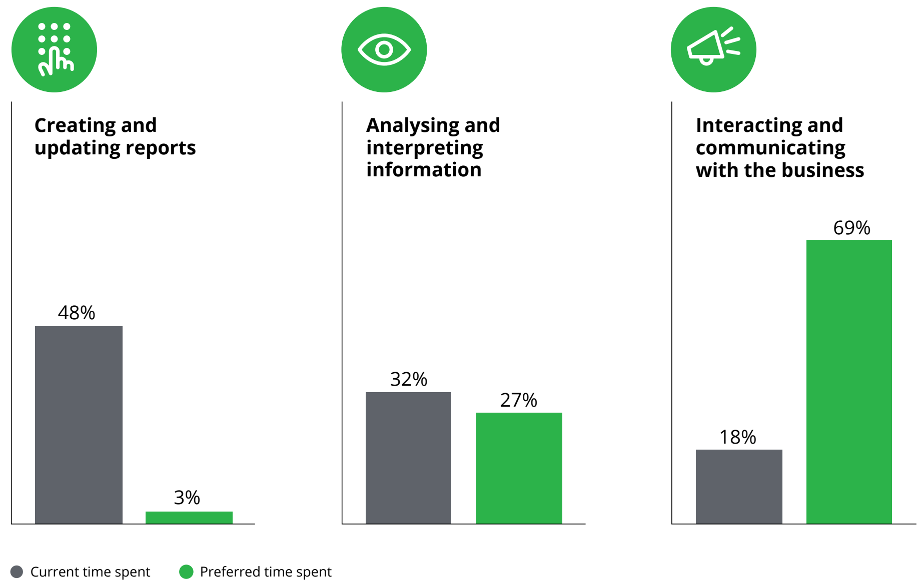
Toward an end-to-end process

Plenty of progress is already happening. Companies today are applying point solutions to traditional reporting processes to help improve specific capabilities. For example, some are programming chatbots so that smart devices and assistants can answer common performance questions. Others are using artificial intelligence (i.e., natural language generation) to write the first draft of narratives about basic financial data—without human intervention. Still other companies are moving to a continuous close and eliminating latency.

The challenge though—the thing that hasn't happened yet—is to combine different technologies across the entire end-to-end reporting process. To date, we have not seen any major company that has cracked the code when it comes to reimagining reporting in a way that is fully automated and dynamic, with real-time insights.

Figure 1: How finance teams spend their time



Source: "Developing insightful management reporting: Opportunities and challenges for CFOs," Deloitte UK, 2016.

The drumbeat for change is getting louder, however. Consider cost, for example. The savings companies can achieve as reporting evolves will be real and sustainable. Many companies will be reducing human labour significantly—and delivering reports vastly more efficiently. The potential for **value creation** from improved reporting is even more promising. Finance is supposed to help the business uncover insights. That can't happen when people are bogged down with spreadsheet farming, reconciling data between systems, or assembling massive binders. Finally, **customer demand** will drive a reporting overhaul. And that demand will be influenced by self-service persona-based reporting via custom dashboards that generate the most pertinent and accurate information in the shortest amount of time.

What also cannot be denied is that a handful of digital technologies are converging to help reshape how companies can report. Consider, for example, that robotic process automation software can shorten the time companies spend on data manipulation by automating routine tasks. Chatbots enable users to interact directly with data using voice or text queries. Now familiar visualisation tools allow people to display and play with data dynamically, so it's easier to interact with and understand. Artificial intelligence, including natural language tools and machine learning, promises to replace low-value repetitive tasks, such as data entry, verifications, and referrals. What's more, predictive analytics uses algorithms to execute forward-looking analysis—especially routine financial forecasts.

The new characteristics of reporting

Given these drivers and available tools, what will financial reporting look like in five years? One thing for sure is that the nature of the work involved in reporting will change. The laborious grind of management and financial reporting today likely won't exist in the future. People will be insight generators, not report builders. The talent pool in finance will expand to include business people with finance backgrounds, data scientists, and storytellers—all collectively enhancing finance's ability to support the strategy of the company.

In addition, we see three key characteristics transforming how reporting will likely get done in the future:

1. **Reporting will be intelligent** Artificial intelligence, including machine learning, chatbots, and natural language tools, will be a big factor in the future of reporting. Some of these technologies will improve the user experience by getting to know what users want. Others will take over some of the reporting grunt work. The writing of reports—at least the first drafts—will happen without people involved. In addition, intelligent reporting will be more prescriptive. The same tools that are reshaping the future of forecasting—predictive analytics and algorithms—will enhance the quality and value of reports.

2. **Reporting will be interactive.** One big transformation in the future of reporting involves how business people will interact with reported information. Instead of having static data on paper, finance customers will use tablets and phones to navigate information at their own pace and in any way they want. Reporting tools themselves will become interactive, too. If someone needs the latest information on SKU performance in China, she can get it herself by asking a personal digital assistant. If someone wants to see customer churn for South America, he can get that information with a couple of clicks. Chatbots querying databases to get information on demand are the ultimate self-service experience. While all this is happening, much of the infrastructure in place for traditional reporting will become obsolete. No more photocopying, no more binders. Users will have their own interactive dashboards.

3. **Reporting will be real time.** Real-time reporting will arrive when all aspects of the reporting process become automated and streamlined. The big barriers today are data quality and latency. Fortunately, the future of reporting holds real promise for companies that want to take advantage of it. Automation helps simplify and streamline data management because data used in reporting is no longer prepared for analysis manually. Software does that work. And more often than not, it will happen automatically as transactions occur, freeing analysts to focus on what's hidden—or buried—in the data. In addition, almost no time will need to be spent on reconciliation. By providing the entire organisation with a single, cloud-based source of data, all business functions will operate from the same reliable starting point.

How CFOs can jumpstart the revolution

Finance chiefs looking to apply digital technologies to financial reporting should consider several leading practices that can help make the most of the technologies available:

Organise your data. Finance data management and enterprise data management involve designing data platforms that can evolve to support structured and unstructured data. Without your data house in order, some of the reporting opportunities outlined won't be possible.

Focus on customers, especially the user experience. Early in your journey, explore "what-if" questions with key audiences. Ask them how they might use information differently if their reports were more intuitive, more visual, and more proactive. Build in formal and informal mechanisms for generating feedback. Create user personas. Watch what people actually do.

Take small steps. Focus on applying solutions to specific segments or functions before implementing more broadly. Look for high-impact use cases to build a base of advocates. For many companies, flash sales reports are a good place to start. Also, make sure you pilot with a range of potential users. Span the full range of sophistication among those who will eventually use the technology.

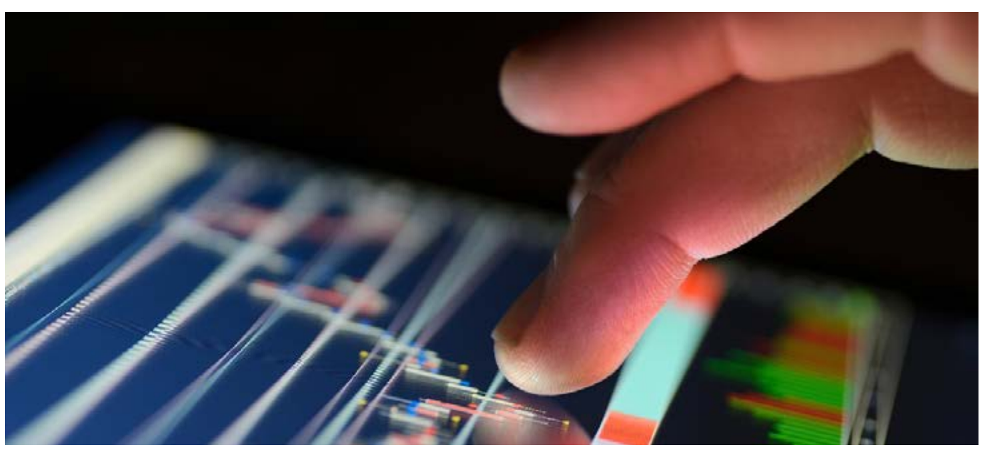
Reassure your people. Be aware that workforce disruption is top of mind for many employees adopting automation or digital tools. While some more repeatable finance tasks may be obsolete when new technologies take hold, talent needs to be assured that new ones will be created. Work with employees to make the most of their human skills, empowering them in new roles that rely on high-level analysis, relationship-building, and creativity.

Gain buy-in from the C-suite. It's imperative for the CFO to bring these ideas to the entire C - suite. If the CEO and other leaders champion major technological innovation in finance, it can help the business as a whole adopt the technologies and make the most of their capabilities—without unsettling employees or jeopardising further progress.

Reimagine your people too

For the most part, CFOs are well aware of the coming changes in financial reporting. In the Q3 2018 CFO Signals report, 63% of CFOs projected that the time allocation of the finance workforce in three years will likely shift toward analysis, prediction, and decision support.[2] Moreover, 66% of respondents agreed that technology will enable significant productivity gains in accounting, reporting, and compliance processes.[3]

Still, reporting isn't and never has been about technology; it's about understanding and leveraging information companywide. New tools may take some of the tedious and repetitive work out of reporting processes, but there remains an indispensable role for human intelligence. In a digital world, humans get to do more interesting things (think bringing insights to the business or creating effective narratives with the information). This transformation may require CFOs to retool their talent mix (See "Bridging the gap between the finance team you have—and the one you need," CFO Insights, January 2019). But more than that, it will require those same CFOs to rethink how they deploy their talent strategically to incorporate data and analytics into decision-making overall.



Endnotes

1. "Developing insightful management reporting: Opportunities and challenges for CFOs," Deloitte UK, 2016; https://www2.deloitte.com/uk/en/pages/finance/articles/delivering-insightful-management-information.html.
2. *CFO Signals,* Q3 2018, Deloitte CFO Program, Deloitte LLP, 2018; https://www2.deloitte.com/us/en/pages/finance/articles/cfo-signals-fading-optimism-trade-tariffs-talent-concerns.html.
3. Ibid.

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