

TECH Practices

By Brad J. Monterio and Stephanie Farewell

Connect Complex Data Sets to Meaningful Reporting

Corporate reporting and disclosure is becoming increasingly complex and challenging for management accountants and finance professionals. Not only is the data reported complex, but so is how it's used internally and externally. The IMA® Technology Solutions and Practices Committee is focusing on “connecting complex data sets to meaningful reporting” as a central theme guiding its development of relevant tools and resources for IMA members. Some of the influencing factors that fall under this theme include the greater demand for nonfinancial information, increased use of data to drive decisions, and the need to communicate future value.

Nonfinancial Information as an Indicator of Value

Demand is increasing from investors, analysts, and regulators for nonfinancial data (e.g., data about environmental, social, and governance (ESG) practices) in addition to traditional financial statements. When taken together with financial data, ESG information gives a more comprehensive view of a company's current performance and enhanced insight

into its future prospects for growth and value creation.

Integrated Reporting (IR), an emerging trend, seeks to link current performance, ESG, and the external environment in a single clear, concise report. Yet nonfinancial information introduces greater complexity: The information is contained in myriad, disparate systems outside the enterprise resource planning (ERP) system; data is often found in narrative form rather than numeric; data periods vary widely, with some produced on an ongoing basis and others produced on a quarterly, semi-annual, annual, or irregular basis; and, finally, much of the information may not be obtained or contained within an environment with strong internal controls, so it lacks the higher credibility of financial information. To realize its full impact, nonfinancial information must be clearly linked to financial or economic value. CFOs are increasingly leading the charge to connect nonfinancial information to their value-creation story. Investors want this information, but the interdependencies and connections must be identified. Technologies like eXtensible Business Reporting Language (XBRL) make this possible today.

Data-Driven Decision Making and Advanced Analytics

Data is created in unfathomable volumes every day. But just because it exists doesn't mean it's *all* meaningful or useful for business decisions. The key is to identify and include objective, complete, relevant data for the decision at hand. This growing mountain of “big data” for enhanced decision making contains both structured and unstructured numeric and narrative information that must be filtered and then analyzed using sophisticated technologies to identify patterns, predict outcomes, and prescribe actions in a more meaningful, accurate way. Data-driven decisions aren't just nice to have—they are a must-have in today's global economy. Thanks to technological advancements, moving from a realm of historical assessments to figure out “what happened” to making informed predictions of future opportunities and prospects is the direction in which our profession is moving. This sometimes comes at the expense of more costly, more complex tools and processes to crunch the data properly. But the ability to make timely,



better informed decisions increases your competitive advantage in today's business environment and likely trumps the downside risks.

Focus on Future Value

With the trend toward Integrated Reporting taking hold globally, a key concept in IR is how a company plans to generate value over the short, medium, and long term. Investors are buyers of risk—they look for the future potential of companies to grow and build value over time. They invest for growth but risk the downside potential as well. The more comprehensive and reliable the information for analysis, including nonfinancial information, the better the investor can assess that company's future risks. Given the inherent complexities of nonfinancial information (e.g., disparate systems, multiple formats, lack of adequate controls), companies are already handicapped in communicating this information to investors in a meaningful way. These challenges are magnified when companies look *forward* in time to discuss their *future* plans and prospects for economic growth and value. Management accountants must bring all their skills to the table to meet these challenges head-on. They must show the linkages, interdependencies, and connections between historical and future-oriented financial and nonfinancial information. They must ultimately be master value storytellers—and all good stories have a beginning

(the historical look back on performance), a middle (how things are doing today), and an end (how they will live happily ever after in the future and create more value over time).

Overcoming the Challenges

Technology plays a pivotal role in enabling more meaningful reporting and tackling these challenges of information complexity. The intersection of technology and corporate reporting sits squarely in the domain of management accountants and finance professionals. For example, management accountants are the right experts to evaluate the sufficiency of internal controls, or the lack thereof, around nonfinancial data sets used in business decision making. In the coming months, IMA's TS&P Committee intends to explore this intersection more fully in its work around this theme. It will also focus on topics such as the emergence of Integrated Reporting as the next stage in the evolution of corporate reporting. Many complex financial and nonfinancial data sets converge in integrated reports to tell a more comprehensive company-value story. Technology is necessary for preparing and communicating integrated reports to investors, analysts, regulators, community groups, nongovernmental organizations (NGOs), the media, and others. In addition, the Committee will study expert systems, internal controls, enterprise risk management, and interac-

tive data technologies (such as XBRL) as part of its effort to keep IMA members informed about issues impacting their professional roles.

The complexity of information is a double-edged sword for corporate reporting today. On the one hand, it brings new capabilities to the company to make more informed, real-time decisions and meaningful reports. On the other, it requires newer, sophisticated tools and technologies (e.g., JavaScript Object Notation, Apache Hadoop), new skills training (think "data scientist" or "data steward"), and often larger budgets (although cloud-based solutions are quickly changing this requirement). The Committee will keep you informed so that you can evolve into new roles rather than risk becoming irrelevant. **SF**

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