

**Automate Your Financial Narrative:**

# Tell the Story Behind the Numbers



 **insight**software

# Contents

What Is Narrative Performance Reporting?	3
Why Narrative Performance Reporting Is Complex	4
Why Narrative Matters: Putting Data in Context	5
Finance Leaders POV	7
Barriers to Reporting Success	8
Automation Meets the Challenge	9
Case Study: Automation in Action	10
The Certent Disclosure Management Platform	11

# What Is Narrative Performance Reporting?

Public and private companies typically produce a variety of different financial reports every quarter, and even more at year-end. In some cases, these reports take the form of relatively routine financial statements, with information about revenues and expenses, assets and liabilities, or sources and uses of cash. More often, though, financial reports require additional context. They call for an explanation of what happened and why, so that stakeholders understand the deeper meaning behind the numbers. This is called narrative performance reporting.

Narrative reports serve a wide array of stakeholders, including executive management, investors, analysts, regulators, and employees. They must typically be presented in multiple formats – from elaborate annual reports to slide deck presentations, spreadsheets, and HTML web pages.

As an organization grows in complexity, narrative reporting becomes decidedly more difficult and time-consuming to manage. The process of preparing narrative financial reports typically requires input from a range of different people, with multiple review and revision cycles. That makes version and quality control especially challenging.





## Why Narrative Performance Reporting Is Complex

**Several unique characteristics of narrative performance analysis can render the financial reporting process especially time-consuming and error-prone. These include:**



› **Diverse inputs:** Financial reporting narratives originate from multiple sources such as disclosure statements, management discussion and analysis (MD&A), footnotes, variance analysis, or anything else that adds important details, context, or explanations. The process of consolidating these narratives is made even more complex because it often requires input from the financial leaders at subsidiaries or divisions.



› **Diverse outputs:** Narrative performance reports are consumed by a variety of different audiences, who want or need reports in various output formats. Internal stakeholders might prefer reports in Microsoft Office formats such as Excel spreadsheets, PowerPoint slides, or Word documents. For external users, it may be more appropriate to offer graphically rich financial reports created with a tool such as Adobe InDesign. Regulators, investors, and employees typically expect to see HTML-formatted financials posted on the corporate website, an Investor Relations page, or internally via the company intranet.



› **Manual processes:** Many companies still rely on manual processes to manage their reporting cycles. That can make it difficult to ensure consistency and accuracy, especially with respect to narrative performance reporting. Manual processes also tend to be extraordinarily time-consuming and fragmented.

# Why Narrative Matters: Putting Data in Context

## Insight, Context, Analysis and Perspective

Financial and other types of reporting documents must provide the background and contextual information that management teams, investors, analysts, and regulators need to make decisions and take action. Audiences don't just need raw data; they also need to know what the data means.

Financial statements should inform and enlighten the reader. The numbers alone are rarely sufficient to tell the whole story. Narrative analysis helps to ensure proper interpretation of data anomalies, for example. One-time variances, especially those affected by events or factors outside the normal scope of business, require objective explanation to ensure clarity and transparency.

**Narrative adds critical context to a company's financial reports.**

### How Narrative Improves the Effectiveness of Reports

#### For Internal Audiences

- › Brings focus to important details
- › Highlights priorities
- › Increases confidence

#### For External Audiences

- › Explains extraordinary numbers
- › Provides context
- › Aids decision making
- › Supports reporting and compliance
- › Ensures transparency



# CFOs Must Drive Actionable Insight, Not Just Meet Deadlines

“Seems that we’ve created a bureaucratic machine. Reports are produced in 2-3 days, and the management accounts for a business unit can be 90 pages long per month. This is a remarkable achievement.

However, the balance between standardized reporting requirements and interpretation of said results has become skewed.

Finance has lost the time to be able to distill key risks/opportunities from the reports, prioritize actions, and deliver change.”

— **Head of Financial Reporting, PLC**

**FSN**<sup>®</sup>

The Modern Finance Forum

# Finance Leaders POV

At a recent conference, we asked a group of CFOs and senior finance leaders for the challenges their teams faced in incorporating effective narrative into their financial reporting. Here are some of the responses that highlight issues reporting teams face across industries.

**“Too high-level with a very poor level of insight that actually provides value to business decision making.”**

**“The monthly deck we put together is so large that the risk we run is making sure everything is updated automatically and/or manually.”**

**“Using mostly non-dynamic data, which makes the whole process a lot like storytelling and not really captivating. Too much focus on past events and not enough on actions and anticipated outcomes.”**

**“Too many numbers and not enough thoughtful narrative because people are too focused on the tables and tables of numbers.”**

**“Proactively reaching out to the various business groups for details on specific variances.”**

**“Multiple requirements from various sources resulting in duplicative effort...”**

**“Currently our management reporting is not real-time. This means every time new sales data comes in the entire process has to largely be redone manually.”**





## Barriers to Reporting Success

**Maintaining quality narrative analysis in financial reports can be tremendously challenging. Key barriers to success include:**



› **Combining Data and Narrative:** Accounting and financial software systems provide the important quantitative components of financial reports, but narrative is typically incorporated manually, after the fact. This is time-consuming and can lead to variations in the narrative content across different formats.



› **Multiple Data Sources:** Ingesting data from multiple systems or sources increases the chance of an error in carryover to the final document. When formats vary among those data sources, it renders the problem even more challenging.



› **Secure Collaboration:** Multiple users from diverse parts of the business must be able to work simultaneously and collaboratively, with transparency and accountability of actions ensured through a rigorous change management control process.



› **Multiple Outputs:** Different stakeholder audiences typically call for different reporting formats and document types. This can range from a collection of spreadsheets to a printed glossy report, a PowerPoint presentation, or a corporate webpage. Maintaining consistency in data and narrative across all of those outputs is a challenge.



› **Frequent Revisions:** Financial reporting cycles are typically compressed. As deadlines loom, review and revision often occurs at a rapid pace. Each revision multiplies the probability that underlying data may be changed, adding to the risk associated with manual updates to the reports. Even a small last-minute change to the underlying data can require dozens of manual narrative alterations to final documents, increasing the chance of missed deadlines, additional production costs, and penalties.



# Automation Meets the Challenge

Automated report production management helps organizations streamline and enhance virtually all aspects of the report production process to reduce risks and cost.

One report can contain hundreds of data points. Automation reduces the risk of conflicting or out-of-date data.

## Benefits of Narrative Reporting Automation

Purpose-built disclosure management software brings uniformity and efficiency to financial reporting, including narrative performance reporting. Here's how:

### Accurate Data

A single system of record provides the foundation for all of your recurring, multi-author financial reports, including narrative content, ensuring that there are no conflicting numbers anywhere in any reports linked to the source data. Changes to the source numbers or narrative will automatically cascade through all of your reports. The result is a "a single version of the truth," presented consistently and accurately across all of your reports and presentations, for all audiences.

### Detailed Audit Trails

Each time someone accesses or changes a report, that activity is tracked and documented. Users can easily compare any two versions of the report to see what was changed, who changed it, and when.

## Optimized Task Management

A workflow process tracks the status of each section of a report, providing due dates and responsibility assignments. Linking the workflow to automated notifications keeps the team in sync and allows for a faster, less stressful closing process. An administrator can easily see the status of each section of the report, which sections are overdue, and who is responsible for each section.

## Flexible Output

Automation simplifies the generation of diverse output formats, including Microsoft Word, Microsoft PowerPoint, Adobe PDF, HTML, and Adobe InDesign.



## Case Study:

# Automation in Action



## LV= Tightens Controls Across Internal and External Reporting

### The Situation

Faced with rapid growth, the Group Finance department at LV= wanted to stay ahead of the changing regulatory environment, but disclosure management was a challenge. The transfer of data between sources was complex, significant manual effort was required to guarantee accuracy, there was scarcely any audit trail available, and amendments to accounting policies frequently led to inconsistencies.

### The Solution

LV= set out to find an automation solution that would improve controls and create a single version of the truth, cutting out many stages of its manual processes. The company chose Certent Disclosure Management.

### Certent Disclosure Management:

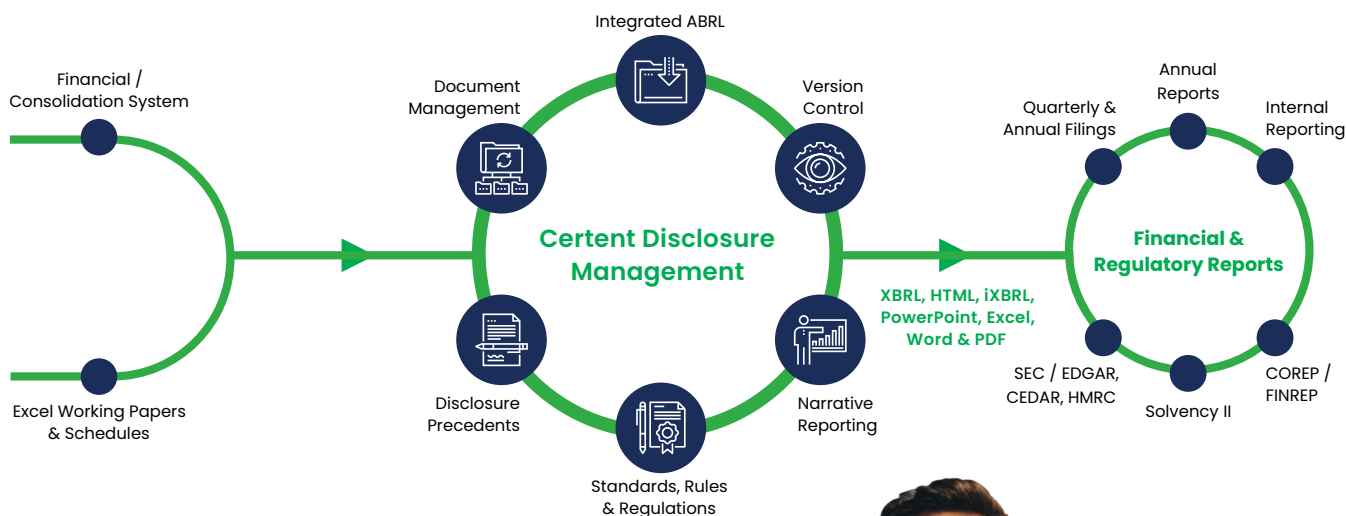
- › Significantly reduced the time required to produce recurring internal and external reports
- › Increased process controls
- › Improved auditor confidence
- › Reduced overall risk

[Read more about LV='s story.](#)

# The Certent Disclosure Management Platform

**Certent Disclosure Management is a secure, collaborative, enterprise-scalable report automation platform for generating recurring multi-author reports and presentations.**

Certent Disclosure Management centralizes enterprise data from multiple sources into a single system of record, dynamically integrating numerical data with narrative analysis in a controlled and fully auditable environment. Reports update automatically when the source data changes across all tabular, graphical, and narrative portions of the report.



**With Certent's dynamic narrative performance reporting platform, your report narrative automatically updates as the numbers fluctuate, ensuring that you're always telling the most accurate story around business results.**





## About insightsoftware

insightsoftware is a leading provider of reporting, analytics, and performance management solutions. Over 30,000 organizations worldwide rely on us to support business needs in the areas of accounting, finance, operations, supply chain, tax, budgeting, planning, HR, and disclosure management. We enable the Office of the CFO to connect to and make sense of their data in real time so they can proactively drive greater financial intelligence across their organization. Our best-in-class solutions provide customers with increased productivity, visibility, accuracy, and compliance.

Learn more at [insightsoftware.com](https://insightsoftware.com).



insightsoftware

US +1 919 872 7800  
UK +44 (0) 845 467 4448  
AUS +61 2 8968 9303  
[insightsoftware.com](https://insightsoftware.com)