

Business Reporting
Recommendations from Key Leaders



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High-quality financial reports lie at the heart of strong capital markets and sustainable economic growth. All those involved in the financial reporting supply chain play a critical role in the quality and reliability of economic information.

In response to the report, [Financial Reporting Supply Chain: Current Perspectives and Directions](#) (March 2008), IFAC established a project groupⁱ to study progress in the areas of governance, financial reporting, and auditing aimed at meeting investor needs. Its first output, [Developments in the Financial Reporting Supply Chain—Results from a Global Study among IFAC Member Bodies](#), was issued in February 2009. This study indicated that, although some progress had been made, several significant issues remain unresolved. In the final phase of this project, the project group has interviewed 25 key leaders from around the globe on what should be done to improve these areas.

The interviewees agreed that the fallout from the financial crisis and the uncertain path to recovery require organizations to evaluate what went wrong and to take measures to prevent it from happening again. In doing so, directors have to realize that stakeholders' primary interest is the *performance* of an organization.

The interviewees also emphasized that organizations are of ever-growing significance, of course to their owners, but critically to their clients, employees, suppliers, neighbors, governments, regulators, financial markets, and societies as a whole. To accommodate these different and at times conflicting perspectives, organizations must adopt a wider stakeholder view. This wider view should include consideration of social, environmental, and economic factors. These factors need to be taken into account when organizations determine their *sustainable* performance objectives.

Governance and the sustainability of the organization are key elements in achieving long-term social, environmental, and economic performance, and in enhancing investor and other stakeholder confidence. These elements must be better integrated into the strategy, operations, and stakeholder communications of organizations.

The interviewees also recommended drastic change in the format of financial reporting. They believed that current reports are becoming less relevant due to their complexity and narrow focus, and suggested that they be replaced with integrated, connected, and holistic business reporting, which focuses on the social, environmental, and economic fundamentals of an organization. The interviewees agreed that this will require all stakeholders to deal in a coordinated way with the challenges that may inhibit change, such as litigation risks and stifling box-ticking regulation.

Over the next months the interviews will be available on the [IFAC website](#), grouped in the following themes:

- Good governance and sustainability fundamental to improved business reporting
- Business reporting: beyond the crisis
- Business reporting through the lens of the investor
- A global language for business reporting
- Towards a broader view of business reporting

IFAC will also develop a series of articles with these titles, which will be posted on the IFAC website together with the interview transcripts, Readers will be encouraged to respond to the recommendations by completing a brief survey found at the conclusion of each interview transcript. Subsequently, the project group will develop an action plan, based on the recommendations of the interviewees and taking into account reader responses.

The recommendations and reader feedback will also provide input for the development of principles-based International Good Practice Guidance titled *Evaluating and Improving Business Reporting in Organizations*.

Highlights

The interviewees agreed on the following:

- **The primary responsibility of directors is performance; not compliance.**
- **Organizations should expand their view from a shareholder perspective to a stakeholder perspective.**
- **Organizations should take economic as well as social and environmental performance factors into account.**
- **Organizations should better integrate governance and sustainability into the strategy, operations, and stakeholder communications.**
- **Organizations should further improve their stakeholder communications.**

¹ The steering group for this project consists of Charles Tilley (Chief Executive Officer of CIMA and Project Chair), Graham Ward (Senior Partner at PricewaterhouseCoopers and former IFAC President), Norman Lyle (retired Group Finance Director of Jardine Matheson Holdings Limited and Chair of IFAC's previous Financial Reporting Supply Chain Project), and Al Anderson (Managing Principal—Accounting and Assurance Services of Larson Allen and Chair of the Assurance Services Executive Committee of the AICPA). The steering group is assisted by Stathis Gould and Vincent Tophoff (IFAC), and Amy Pawlicki (AICPA).