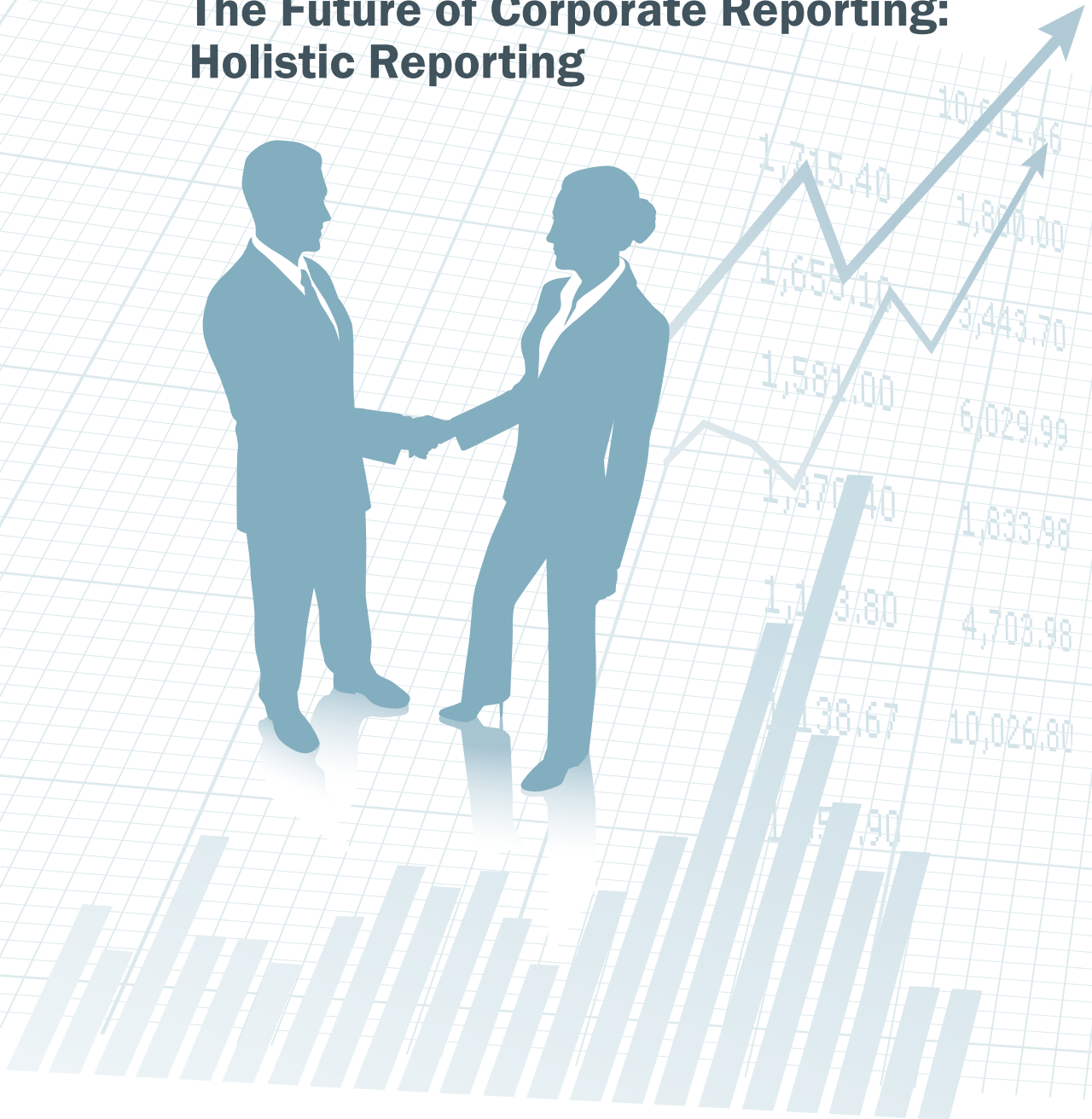




## The Future of Corporate Reporting: Holistic Reporting



This briefing is for those who want to learn more about a new direction in business information communication called “Holistic Reporting.” The briefing will introduce some background to Holistic Reporting and outline ten key characteristics. Any business interested in improving stakeholder communication should find this briefing useful.

## Introduction

Most businesses communicate with their stakeholders through annual reports and streams of event-driven press releases. Some companies produce a traditional annual report focused on financial performance and supplement this with a separate sustainability or corporate social responsibility report (CSR). But many businesses are starting to recognize that this piecemeal approach to corporate communication is unable to satisfy the demands of today's more educated and sophisticated information consumer.

That's why we are seeing more organizations moving towards producing a single annual report that combines both financial and non-financial data into a single document: the so-called "One Report" evangelized by Eccles and Krzus. Holistic Reporting leverages this momentum and takes it a significant leap forward.

## The Start Point

The debate about the future of corporate reporting has been going on for decades. What has turbo-charged the debate in the last few years is the response to global financial scandals which contributed to the global recession. It is also catalyzed by global recognition of the importance of corporate sustainability within the context of climate change, and our shared environmental responsibilities. This has also resulted in more emphasis on the need for corporations to provide better risk recognition and greater transparency.

Specifically, the response to calls for greater transparency have included the definition of sustainability indicators, notably those of the Global Reporting Initiative (GRI), an interest in *integrated* and *connected* reporting, and renewed focus on the idea of the *triple bottom line* (people, planet, profit). These responses are all synergistic with the idea of Holistic Reporting – consider the GRI's vision and mission statements for example:

**Vision** - *The GRI's vision is that disclosure on economic, environmental, and social performance becomes as commonplace and comparable as financial reporting, and as important to organizational success.*

**Mission** - *GRI's mission is to create conditions for the transparent and reliable exchange of sustainability information through the development and continuous improvement of the GRI Sustainability Reporting Framework.*

Source: <http://www.globalreporting.org/AboutGRI>

The GRI's sustainability-focused indicator sets are not the only ones available, but they do have significant and growing global market support and momentum. The concepts of integrated and connected reporting are also fully embraced by Holistic Reporting:

*Integrated reporting begins with a single document, One Report, combining an organization's financial and nonfinancial (environmental, social and governance) performance and illuminating the relationship between the two. But it also extends beyond a paper document, utilizing the Internet to facilitate the integration of performance reporting, as well as provide detailed information of particular interest to different stakeholders.*

Source: <http://integratedreporting.org>

**Holistic reporting embraces integrated, connected and triple bottom line reporting for a complete view of business performance and behaviour.**

*A connected report should be focused on the needs of long-term investors and executive management. Reported information should identify and explain the connection between the organization's strategic objectives, the industry, market and social context within which the business operates, the associated risks and opportunities it faces, the key resources and relationships on which it depends, and the governance, reward and remuneration structures in place. Further, it should explain the connection between delivery of the business's strategy and its financial and non-financial performance.*

Source: <http://www.accountingforsustainability.org/output/page186.asp>

Holistic reporting is not an addition to, or replacement for, any of the above. Rather, as its name suggests, it is an idea that embraces all of these approaches to deliver on their promises in a practical way. In fact, supporters of these approaches are set to collaborate on defining some kind of new global reporting framework for adoption by businesses worldwide through the newly convened International Integrated Reporting Committee (IIRC). But Holistic Reporting is less about the definition of frameworks and more about communicating information as effectively and transparently as possible.

### Defining Holistic Reporting

Holistic Reporting can be concisely defined as intentional transparency. Many commentators agree that transparency engenders trust so in this context, intentional transparency is a proactive decision by an organization to communicate with its stakeholders in an authentic, trustworthy way.

Holistic Reporting reflects an intention to tell it like it is.

Holistic implies a concern with wholes or complete systems. Obvious analogies are holistic medicine's concern with the whole person rather than a specific illness, or James Lovelock's Gaia perspective of the earth as a self-regulating holistic system.

Holistic Reporting embraces information parts in the context of information wholes.

Holistic also implies interdependency of parts within a whole. Separating or siloing information may serve to devalue it and introduces the possibility of opacity.

Holistic Reporting reveals information interdependencies.

However, a holistic approach to reporting undoubtedly introduces some difficulties. Complex organizations generate a lot of data with a web of interconnections. In order to understand this complexity, it can be helpful to organize data into smaller chunks and analyze them in isolation. In business intelligence jargon this is similar to the debate around the use of an enterprise-wide data warehouse versus line-of-business datamarts. However, this difficulty is essentially a scoping issue. Holistic reports don't have to cover everything, only what matters to the organization's stakeholders.

**Holistic reporting supports 'intentional transparency' – a proactive decision by an organization to communicate with all stakeholders in an authentic, trustworthy way.**

## Ten Characteristics of Holistic Reporting

### 1. Holistic Reporting is Comprehensive

Holistic Reporting intends to reflect the whole of your organization. So it integrates both financial and non-financial data, and it shines light on how this data is connected and how it is linked to corporate behavior.

Holistic Reporting intends to service the whole of your information stakeholder community – not just the investor relations stakeholders, important though they are. Before you even start to think about implementing Holistic Reporting it is important to ask this question: Who are my stakeholders and what information does each stakeholder group need from my organization?

Holistic Reporting intends to engage the whole of your business, not just the management team. The primary beneficiaries of holistic reporting are external stakeholders, but equally valuable beneficiaries are those internal employees who by their involvement with the holistic reporting process (i.e., as operational data providers) become more engaged with the execution of the vision and values of the organization.

### 2. Holistic Reporting is an Approach, Not a Framework

The aim of Holistic Reporting is not to create an all-encompassing framework for corporate reporting to which businesses must adhere. Organizations can leverage whatever framework they choose to deliver Holistic Reporting; the point is to deliver Holistic Reports that provide tangible value to both internal and external stakeholders.

For example, delivering a GRI sustainability report based on their indicator framework is commendable. But this is not a Holistic Report if the results are not integrated and connected with other organizational information. So the journey towards holistic reporting comprises at least three steps:

- Step 1: use a recognized framework (e.g., the GRI).
- Step 2: report verifiable data based on that framework (e.g., a GRI indicator).
- Step 3: integrate and connect that data holistically.

### 3. Holistic Reporting is Continuous

Transparency is not an annual event. You can't deliver transparency via a single report published annually. True transparency demands continuous access to what the organization is doing: that may be day-by-day, week-by-week, month-by-month or quarter-by-quarter.

To succeed, Holistic Reporting depends on a stream of data and is analogous to a pilot's heads-up display rather than a driver's rear-view mirror. Holistic Reporting is really a variant of situational awareness that prepares an organization for better future decision making.

### 4. Holistic Reporting is Consistent and Comparable

A Holistic Report has minimal value if its reported data is not consistent and comparable. Information consumers want to compare and contrast data so they can gauge progress towards objectives and assess risk and levels of governance. This is difficult if not impossible to do if the report does not leverage globally accepted content and data standards.

Holistic reporting is really a variant of organizational situational awareness that prepares it for better future decision making.



A content standard is a way of defining what data means at content concept level. A data standard is a way of defining what the data means at the data storage level. US-GAAP, UK-GAAP, IFRS and the GRI indicators are all content concept standards. The respective eXtensible Business Reporting Language (XBRL) taxonomies for all these content standards are data standards. The data standard does not have to use XBRL but there has to be one in order for holistic data to be reliably compared across organizations.

### 5. A Holistic Report is Interactive

A Holistic Report is not a paper document nor is it an online PDF – it is an online view into the data that is fully interactive:

- You can drill down, through and around the data
- Numbers are connected to additional, relevant evidential rich content
- Data can be viewed from different perspectives (i.e., not just spreadsheet format – rows and columns)
- Data is accessible not just to humans, but also machine-readable via application programming interfaces (APIs and web services)
- Data can be subscribed to (e.g., via an RSS feed) for automated dissemination

### 6. A Holistic Report is Cybernetic

Transparency is a two-way street. One aim of opening up is to get more stakeholder feedback, some of which will be constructive or valuable. But whether feedback is positive or negative matters less than the fact that a conversation has been established with your stakeholders. All constructive feedback is cybernetic in effect (cf. Norbert Wiener) and tends to facilitate organizational improvement.

Since the primary channel for publishing a Holistic report is online, there is no reason why every continuous report should not provide an opportunity to also gain continuous feedback. In fact, that should be regarded as a valuable payoff from transparency to help justify the effort of delivering this higher quality information.

### 7. A Holistic Reporting is Not ERP-Centric

The primary source of transactional data for most organizational financial reporting is the transactional ERP system (or the summary business intelligence database built on top of ERP). However, Holistic Reporting is unlikely to find all the data it needs from the ERP system alone.

Many organizations already include customer relationship management (CRM) systems in their reporting data supply chain. But to properly support Holistic Reporting, new systems will have to be added to the reporting supply chain, including governance, risk and compliance (GRC) systems and environmental management systems (EMS).

### 8. A Holistic Report is Not Just About Performance

Traditional corporate reporting is focused on financial performance – even though this has been changing as more companies adopt variants of Kaplan and Norton's Balanced Scorecard to

**Holistic reports must be connected not just to quantitative numeric data but also to qualitative behavioural data.**



manage and monitor a wider range of key performance indicators (KPIs). In addition to financial performance, Holistic Reporting is equally concerned with operational behavior and new reporting formats and methodologies.

For example, reporting operational behavior on the ground is much more likely to reveal issues relating to sustainability than purely financial reporting. So Holistic income statements and balance sheets must be connected not just to quantitative numeric data but also to qualitative behavioral data. Reporting this qualitative data requires new kinds of reporting formats such as footprint or impact reporting and the use of new methodologies such as supply chain audits and product lifecycle assessments.

### 9. Holistic Reports are Multi-Format and Multi-Platform

Holistic reports don't have to be presented in traditional spreadsheet row-column format. In many cases, presenting the data in this way only hinders the communication of information. Holistic reports can be presented as:

- Timelines
- Journeys
- Organization charts
- Labels
- Location-based Augmented Reality (AR) layers
- Mobile websites reached by snapping QR Codes

Holistic reports are delivered online but not just to PCs and iPad tablets. For example, Augmented Reality layers are delivered to mobile phones based on the phone's location. What better way to reach out and communicate location-based holistic information to anyone who wants it?

### 10. Holistic Reporting is a Step-Change

Holistic Reporting is not simply about combining financial and non-financial data in the same report, nor is it simply about putting reports online rather than on paper. Holistic reporting starts from a different place: intentional transparency. This requires a different attitude to corporate reporting, the use of new tools and systems, and new ways of publishing and presenting information and managing the dialog with your organization's stakeholders.

Holistic Reporting is the future of corporate reporting.

**Holistic reporting requires a different attitude to corporate reporting, the use of new tools and systems, and new ways of publishing and presenting information and managing the dialog with your organizational stakeholders.**

## Next Steps

Organizations that believe in intentional transparency are already delivering sustainability reports and other information above and beyond what is required by business-as-usual financial reporting. The next step is to investigate what holistic really means to them and their stakeholders and how to provide a more holistic view of the organization's activities. Engagement with this process is also an ideal way to re-evaluate corporate vision, mission and values-based criteria that is relevant to all your stakeholders.

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