

## Crystallizing strategy through the annual report process

Annual reporting for December year-end companies will soon become a priority. I understand how the process is often met with equal parts dread, for what is typically a time and resource consuming initiative, skepticism as we question for which audience we are producing the report, and anxiety for surpassing last year's expectations.

But it does not have to be all about dread, skepticism and anxiety! As partners to you in the process of developing the annual report, I'd like to synthesize why and how the annual report is an integral part of your strategic planning process. They are parallel paths and support one another.

The CEO and senior management can leverage the annual report process to crystallize strategy, create alignment between departments, identify milestones in stakeholder relations and finally, position the past, present and future of the company.

There are 8 ingredients to get there:

### 1. The annual report and your business strategy: 100% aligned

The annual report should be a key component of the annual strategic planning process. Both activities should be aligned - with the strat plan informing the annual report and vice versa. Therefore, allocate time during your strategic plan to discuss the annual report. Throughout the process, decisions will be made on what the objectives are of the company and the plan going forward; ensure the annual report coordinator has access to senior management to ensure a proper feedback mechanism is in place.

We've all heard the adage "you don't know where you're going if you don't know where you've been." Similarly, we will never reach the destination if we don't know where we are. Helping the reader understand your industry, and then understand your position within that industry is critical, as is providing context on structural changes (economic environmental, industry trends, productivity and revenue/ cost changes etc.) and operational changes (performance indicators, changes in market segmentation or process, etc.). These are all relevant issues for the annual strategic planning session.

*DO include annual report discussions as part of the strategic planning process.*



### 2. Involve the CEO

The CEO is the ultimate owner of corporate strategy. Clearly, others involved in both the strat plan and the annual report will inform the CEO's decision making but the key messages in the annual report should come from the CEO. Often, the choice of words used by the CEO in meetings about the annual report will ultimately guide the important, high level messages or quotes in the report, and they certainly will go a long way to determining focus and direction.

*DO ensure the CEO letter is written with the true intent of the CEO in mind. It is their letter and the voice of the letter can and should change from the rest of the report.*

### 3. Ensure operating managers share their views

It is best to allow time at the beginning of the process to bring senior managers and executives together so that each can contribute their views on what needs to be communicated in their respective operations.

*DO seek out the key points and key statistics that should be highlighted by operating segment or department.*

### 4. Reflect the company's enduring values for each annual report

Showing progress in all the company's initiatives is much better presented in context of what the company values. Change is a constant, but the values on which the company was built is what guides the behaviour of all employees.

*DO ensure the annual report is built on a solid foundation. Always incorporate the company's vision and values into the concept and language of the report.*



**5. Look deep and wide: engage all stakeholders**

One of the most rewarding parts of the annual report is the opportunity to reflect on the company and the relationships with all its stakeholders. The annual report is the best way for the company to demonstrate and discuss how its relationships with all stakeholders adds value to the company's bottom line. Consider how your company works with the following stakeholders and visibly talk about and show how these relationships make a difference to creating long term value:

Employees - Customers - Shareholders - Government - Community groups and not-for-profits - Other NGOs

*DO explore their stories and their relationship with your business. A critical success factor for a public company is the degree to which it is has integrated its objectives with those of its stakeholders.*

*DO use testimonials and quotes to add credibility to your activities.*

**6. Ensure absolute consistency between the scorecard, the MD&A and internal operating objectives**

By nature of the task, the annual report is generally developed by compartmentalizing the deliverables: the letter might be one piece, to which the CEO is the owner, the project overview or operating highlights is the purview of another, and the MD&A falls as the responsibility of the CFO.

Equally important is ensuring that there is no discrepancy between what is said at the front of the report - sometimes in big bold letters - and what is said in fine print in the MD&A or notes.

Having been involved in editing and developing the content for all sections of an annual report, I know that at times key issues, statistics and facts are highlighted in one section, but fail to appear in others. Inconsistencies, no matter how unintentional, will negatively impact your credibility.

*DO cross-reference the financial section of the annual report to ensure it is clearly aligned with the front part of the report, the narrative.*

**7. Photography: spend the money and honour your team**

In addition to acknowledging the importance of all your stakeholders in the annual report, the report process offers another unique advantage for your company: the opportunity to photograph your employees at their place of work. Not only does this bestow a tremendous amount of pride on the person being profiled, but you have complete leeway to bring out the personality and culture of your company.

*DO budget for professional photography and plan shoots well ahead of time to ensure a diversity of people and activities*

*DO state names and titles in the captions.*

**8. Hire some extra help**

Having an experienced, flexible and creative partner at your side to see you through the annual report and AGM process will help you maximize the opportunities just listed, as well ease the process.

\* There are many nuts and bolts to producing an annual report. Hire someone to be in the middle.

\* Ensure that the report is consistent throughout, and get advice on both the front end and the financials. We are qualified to do this.

\* Interacting with the designers, typesetters and printers is more than you need to worry about. Let someone else take care of that for you.

\* We can give you advice on Best Practices and trends from other industry groups. Fully leverage our support and expertise.

\* The annual report is about telling a story - not creating one! We will help you develop a report that is true to your company, without being over-promotional or over-designed.

*We love being an extension of your team and will work with the highest level of integrity with your employees across Canada - and across the world - to bring it all together, without worry.*

**Future Bulletins:**

***IR tactics and strategies in turbulent times / SWFs / Communicating Strategy to Financial Analysts / 3 concepts, 5 words, my business lessons for life from MBA school***

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