



UNITED NATIONS
DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS
STATISTICS DIVISION

IG/13
24 June 2008

Seminar

Addressing Information Gaps in Business and Macro-Economic Accounts to Better Explain Economic Performance

New York, 23 – 24 June 2008
United Nations, Conference room C

Providing better information to capital markets to improve valuation decisions
Bob Laux

Providing Better Information to Capital Markets to Improve Valuation Decisions

**United Nations Seminar
Addressing Information Gaps in Business and
Macro-Economic Accounts to Better Explain
Economic Performance**

June 24, 2008

Bob Laux
Microsoft Corporation

Enhanced Business Reporting (EBR) Mission

To establish a consortium of investors, creditors, regulators, management, & other stakeholders to improve the quality & transparency of information used for decision-making

EBR Consortium

- EBR Consortium established in 2005
- EBR Consortium currently governed and funded by 4 Charter Members:
 - AICPA
 - Grant Thornton
 - Microsoft Corporation
 - PricewaterhouseCoopers

Framework Development

- **EBRC has developed a high-level framework that includes:**
 - Relevant contextual factors (business landscape, strategy, and resources and processes)
 - A broader definition of performance:
 - GAAP/IFRS-based financial performance
 - Key Performance Indicators (KPIs)
 - Other relevant performance measures

EBR Framework Version 2.1*

Enhanced Business Reporting Framework			
Business Landscape	Strategy	Resources & Processes	Performance
Business Landscape Summary	Corporate Strategy Summary	Resources & Processes Summary	Performance Summary
Economic	Vision & Mission	Resource Form	GAAP-Based
Industry Analysis	Strengths	<ul style="list-style-type: none"> - Monetary Capital - Physical Capital - Relationship (Social) Capital - Organizational (Structural) Capital - Human Capital 	GAAP-Derived
Technological Trends	Weaknesses		Industry-Based
Political	Opportunities		Company-Specific
Legal	Threats	Key Processes	Capital Market-Based
Environmental	Goals & Objectives	<ul style="list-style-type: none"> - Develop Vision & Strategy - Manage Internal Resources - Manage Products & Services - Manage External Relationships - Manage Governance and Risks 	
Social	Corporate Strategy		
	Business Unit Strategy		
	Business Portfolio		

(* An XBRL taxonomy has been developed)

SEC Advisory Committee on Improvements to Financial Reporting (CIFiR)

- Recommendation

- The SEC should encourage private sector initiatives targeted at best practice development of company use of Key Performance Indicators (KPIs) in their business reports
 - Encourage private sector dialogue, involving preparers, investors, and other interested industry participants, such as consortia that have long supported KPI-like concepts
 - Understandable, consistent, relevant and comparable KPIs on relevant activity and industry-specific basis

SEC Advisory Committee on Improvements to Financial Reporting (CIFiR)

- Recommendation

- Acknowledge the useful work of those consortia that endeavor to go beyond the limited scope of CIFiR's recommendations to provide an overall structure which provide a linking of financial information and KPI indicators into a seamless whole

EBRC-Gartner Initiative

- **Market-driven collaboration to establish industry standards for KPIs, led by:**
 - Business executives
 - Financial analysts
 - Investors
- **Objective is to identify KPIs that are leading indicators of business performance for 3 of the following industry sectors:**
 - Insurance
 - Financial Services
 - Pharmaceutical
 - Technology
 - Retail/consumer

Engaging International Participation: World Intellectual Capital Initiative (WICI)

- WICI is a diverse group of international organizations collaborating to promote better corporate reporting in terms of content and format
- Founded by EBRC, European Federation of Financial Analyst Societies, Japan Ministry of Economy, Trade and Industry, Organization for Economic Cooperation and Development, Society for Knowledge Economics (Australia), University of Ferrara (Italy) and Waseda University (Japan)