

Strategic Value in Corporate Reporting **2011 Awards**

Royal Over-Seas League, 14 April 2011



On 14 April 2011 the Strategic Planning Society will confer the fifth Strategic Value in Corporate Reporting Awards to FTSE100 and FTSE250 companies for the quality of strategy disclosure in the narrative of their corporate annual reporting. The Society is inviting sponsors to join it in recognising the very best practice in narrative reporting by FTSE350 companies. The purpose of this document is to secure the interest and commitment of sponsors by explaining the background to the awards, the specific awards to be made and the benefits that accrue through sponsoring an award.

Background

Why the Strategic Planning Society confers these awards

The effective use of narrative in corporate reporting, and particularly the part that strategy-related commentary plays in it, is a long overdue evolution of how the world judges and values companies. The reporting framework now driven by statutory requirements creates a suitable basis for comparability between companies. How a company puts its strategic thinking, planning and management into words offers a way to assess relatively each listed company's future potential and its worth.

The Strategic Planning Society (SPS) applauds this long overdue recognition that knowledge of business strategy and its usefulness are essential for all stakeholders to interpret the future success of a company. Reflecting this development, and in pursuance of the Society's long-established thought leadership role and charitable purpose, the SPS now makes annual awards to companies that demonstrate the highest standards of strategy disclosure and commentary in their annual reporting.

How words matter as much as the figures in 'Strategic value analysis'

Convergent best practice and statutory annual reporting requirements provide a basis to fulfil what accountants have long sought to achieve – a means of estimating the future value of a company on a comparable basis. As the average difference between book value and market value of listed companies has inexorably grown in the last fifty years from a typical ratio of 1.25 to 1 to more than 3 to 1, so the need to be able to account for this intangible value has become ever more pressing.

What makes up this growing pot of hidden value? A suitable and robust methodology has defied even the brightest accounting minds. In their quest they have grappled both with an industrial era tax system that encourages the treatment of value-creating assets as expenses rather than assets, and a system of accounting that has, in its basic form, remained unchanged since it was first invented by Lombardy merchants in the sixteenth century.

So, while numbers are important in recording past financial achievement through double-

entry bookkeeping, profit and loss accounts and balance sheets, they are less helpful as a basis to forecast future performance. When it comes to the future, words are more important than numbers – particularly when those words are expressed using the discipline of corporate strategy.

Accounting convention, statute and audit ensure that companies produce the numbers that capture past performance on a largely comparable basis. Similarly, best practice guidance backed up by statute now ensures that companies put together words to indicate expected future performance on a largely comparable basis. Just as companies file their accounts annually, so they must also file a narrative report as part of that same document. That narrative report should contain details of their objectives and strategy, operational performance and key performance indicators, principal risks and uncertainties, resources and strengths as well as commitment to social ethical and environmental matters.

What is the evidence underpinning the evaluation method?

The apparent correlation between the quantity of narrative disclosure in annual reporting and share price performance was first documented by academics in the US in the late 1990s. FutureValue and the SPS have taken this a stage further by comparing not the quantity of words but the quality of narrative in Annual Reports. They have established that the quality of strategic capability that a company puts into its narrative reporting provides an indicator of the potential to achieve high levels of performance and sustain growth. Each company uses the same regulation and has access to the same guidance to produce its narrative and so has the same opportunity to add the maximum value going forward.

About the 2011 awards

What are the awards to be made?

The Society will make eight awards based on corporate reporting for year-ends falling in the period between 1 October 2009 and 30 September 2010:

- Best Overall Strategic Value Added by a FTSE100 Company
- Best Overall Strategic Value Added by a FTSE250 Company
- Best Strategy and Objectives
- Best Sustainability in Annual Reporting
- Best Strengths and Resources
- Most Compelling Narrative
- Most Improved Narrative
- Best Online Annual Reporting by a FTSE100 Company
- Best Online Annual Reporting by a FTSE250 Company

How does the Society decide upon the awards?

The Society applies FutureValue's Strategic Value Analysis technique, with its individual comparative assessment of FTSE350 companies, as the rigorous, uncompromising standard for selecting the winners. The 2011 awards relate to content of Annual Reports for years ending between 1 October 2009 and 30 September 2010.

- Companies can only qualify for these awards by virtue of the quality of the narrative in their Annual Reports. Nomination for any of these Awards is neither possible or necessary.

When and where will the Society confer the awards?

The Society will confer the awards on the evening of Thursday 14 April 2011. This will be a drinks reception at the Royal Over-Seas League in Park Place, London, W1, at which it will announce the winning companies and present them with their awards. The Society will shortly announce an authoritative figure who will make a keynote speech at the event and co-present the awards with the respective sponsors.

When will the Society announce the short-listed companies?

The Society will announce the short-listed companies for the awards in March 2011.



Sponsorship opportunity

The purpose of inviting sponsorship

The Strategic Planning Society invites other organisations equally supportive of this development in corporate reporting to join it in recognising listed companies that exhibit the very best practice. This concerted effort will help make others more aware of the importance and value of this evolution. It will also help to raise the standard of future-oriented reporting among all UK-listed companies.

The Strategic Planning Society is a charity whose purpose is education in strategy. It can only allocate limited resource to communication and promotion of the awards, so it encourages sponsorship of an award for a modest sum. Sponsorship also offers an organisation identifying with SPS's purpose an opportunity to create value for itself while helping to promote the cause – see the benefits below.

The benefits of award sponsorship

Organisations choosing to support the Strategic Planning Society and sponsor the award of their choice will enjoy the following benefits:

- Name on the award – corporate name linked to the award, e.g. The SPS Sponsor Company Award for Best Overall Strategic Value Added.
- Presenting the award – the sponsor will be invited to co-present the award at the awards ceremony
- Attending the event – the sponsor will receive invitations for up to four people to attend the awards ceremony.
- Inclusion in press releases – the sponsor's name will be included in the list of award sponsors communicated to the media in at least two releases – one announcing the short-list of companies, one informing awards winners.
- Credit in the Society's online newsletter – the sponsor will receive accreditation in two issues of the Society's newsletter (which goes out to more than 4,000 members and subscribers), plus a link to the sponsor's own website.
- A full-page advert in Strategy Magazine – the sponsor will receive a full page advert in the March preview and June 2011 review issue of Strategy Magazine, house magazine of the Strategic Planning Society.
- 100 copies of the June 2011 issue of Strategy Magazine.



Headline sponsor

The Society offers the opportunity for a leading organisation in corporate reporting or audit to become the Event Headline Sponsor. The headline sponsor will enjoy exclusive branding for all coverage of the event as a whole, in addition to the opportunity to showcase a project of particular interest on the day, and the use of our media platforms (online, print and newsletter) as above to provide a quality and effective presence in support of this renowned work.

The cost of sponsorship

The investment required to sponsor an award is £1,200 plus VAT, (£1,600+VAT including the preview issue). This modest sum will guarantee all of the benefits above. To put the value into context, a page of advertising in Strategy Magazine normally costs £750.

- Programme sponsorship: £2,500 + VAT
- Hospitality sponsorship: £2,500 + VAT
- Headline sponsorship costs just £7,650 + VAT and represents a one-off opportunity to align your organisation with the growing interest in the initiative.

For further information on sponsorship

For more information about these awards or to inquire about sponsorship opportunities still available, please call Strategic Planning Society Account Director Ian Carter on 0844 858 4852 or email him at ianc@media-shed.co.uk

Appendices

About the Strategic Planning Society

Founded in 1967, the Strategic Planning Society (SPS) fosters and promotes research and best practice in strategic thought and action. The SPS undertakes to create a link between the academic and practitioner worlds of strategy by keeping strategists up-to-date with developments in strategy-related research and practice. The SPS is a registered charity whose charitable purpose is education in strategy. The Society's approximate membership profile is:

- Academia: 17%
- Public Sector: 19%
- Sole practitioners/self employed: 2%
- MLE (Larger corporates): 28%
- SME (smaller businesses): 34%

About strategic value analysis

Strategic value analysis provides the basis for the Society to be able to make these awards. FutureValue benchmarks corporate reporting narrative content to a rigorous and consistent standard for comparability between companies and sectors. It uses as the framework for its research the best practice and regulatory guidance with which these companies are required to comply [ASB's Reporting Statement 1 and Companies Act 2006].

FutureValue's researchers critique in depth and score across seven factors each company's Annual Report narrative for the quality of strategic value added. FutureValue is a specialist research-based consulting firm that provides the outputs from its Strategic Value Analysis technique to a wide and growing range of users.

The 2010 awards event as reported by Strategy Magazine

Below is an example of coverage of the 2010 awards from the June 2010 issue of Strategy Magazine.

