Enhancing Strategic Decision-Making: CEO Perspectives on Financial Reporting

Alfredo M. Ofrecio III[1], Dr. Jay A. Sario[2]
https://orcid.org/0009-0000-1638-895X[1], https://orcid.org/0000-0003-4755-3510[2]
alfred.ofrecio@gmail.com[1], docjayasario@gmail.com[2]
AMA University, Quezon City, Manila, Philippines[1-2]
Philippine Christian University, Manila, Philippines[2]

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Abstract

This study investigated the perspectives of chief executive officers (CEOs) regarding the usefulness of financial reporting as a strategic and operational tool that establishes a basis for enhancing the value of the financial reporting system, aligning it with the company's strategic goals and decision-making processes. By offering the unique perspectives of CEOs in terms of their experiences and perceptions, this study aimed to positively influence the current financial reporting system and contribute to its continued development. This study utilized a qualitative research methodology to gain insight into the perceptions and experiences of CEOs regarding financial reporting. The data obtained from the interviews were processed using thematic analysis, in which significant themes, patterns, and narratives that emerged from the CEOs' responses were identified. The study provided an insightful analysis of organizational strategy and CEOs' decision-making process. The study revealed several important themes, including the need for accurate and timely financial reporting for making projections and informed decisions, its function in improving client relationships and project management to enable planning and expectation management, and its relevance in guaranteeing credibility, supporting business ethics, and general compliance. The findings of this study have important implications for practice, highlighting the need for organizations to invest in reliable and user-friendly financial reporting systems that provide accurate and timely information to support decision-making at all levels and ensure that organizational strategic goals and objectives are aligned and attained.

Keywords: Finance, Financial Reporting, Strategic Decision-Making, Chief Executive Officers, Philippines

Introduction

Historically, financial reporting has been centered around delivering information that complies with regulatory standards and prioritizes the interests of external stakeholders like investors and lenders. This was mainly to ensure compliance as well as show how transparent the management is about the company's finances and financial position. However, as business organizations continuously become more complex as globalization takes place, there has come a realization about the inadequacies of conventional financial reporting systems. Business leaders have observed that just using financial statements cannot sufficiently illustrate everything their businesses can offer. Thus, they started looking for other ways of presenting their companies' performance; one such way is known as strategic reporting, which emerged from this demand to communicate their companies' strategic objectives, risks, and opportunities. It aimed to grant a broader depth of an organization's activities beyond just financial metrics (Rood, 2021).

Chief Executive Officers (CEOs), a major user of financial information and stakeholders, recognize that using relevant, reliable, comparable, and understandable financial information is essential in driving overall business success, leading strategies, managing operations, and making important decisions. Financial reporting is a critical component of this procedure. It is used to oversee their company's progress, keep pace with strategic goals and objectives, and provide them with insights into the condition and performance of their organizations. Financial reporting is highly crucial for the success of a business. More importantly, financial reports are used by the CEOs to optimize debt management, provide real-time insights, track business decisions, forecast business trends, and provide cash flow insights. This also aids CEOs to implement internal controls to prevent fraudulent activities and, at the same time, provide useful information to all stakeholders. Overall, relevant and reliable financial reports assist the CEOs in making informed decisions regarding the future of their organizations (Mondry, 2022).

CEOs acknowledged that stakeholders, including investors, employees, customers, and communities, needed more than just a number from financial statements to comprehend how much value could be generated by these organizations. In this way, strategic decision-making meant taking into account an array of non-financial considerations such as administration, interpersonal relations, ecology, innovation, customer relations, human and computer interaction, and corporate culture. CEOs began to emphasize the importance of reporting these non-financial metrics alongside financial results to specify a more thorough observation of the effectiveness of the business and its alignment with strategic goals.

Regulatory advancements and reporting structures have also had an impact on how CEO opinions on the reporting of finances have changed. Several groups have pushed for combined accounting and sustainable reporting, including the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) (Turzo et al., 2022). These platforms have reinforced the relevance of strategic financial reporting, which has given CEOs criteria and norms to use in their reporting procedures. Certainly, the system of financial reporting needs to generate relevant, accurate, and reliable information for a company's stakeholders for them to make an informed decision. However, the demand for more strategic financial reporting is continuously increasing to enable them to create more value and make strategic decisions, unlike with the traditional financial reports generated just for compliance (Rood, 2021). This shift in focus necessitates a deeper understanding of stakeholders' perspectives on financial reporting and their role in establishing the foundation for strategic reporting, thus aiding the strategic decision-making process.

The direction of financial reporting in organizations is influenced, altered, and determined by the actions of CEOs. They set the tone at the top and create an atmosphere of transparency and accountability. They base their decisions on the data and information found in the financial reports that they received. Therefore, they need to know precisely the value of financial reporting. This means that there should be a shift from seeing financial reporting just as a mere compliance with regulatory requirements to understanding it as a powerful tool that promotes growth and creates value. It is known to the CEOs as well as the business managers that if their financial reporting system does not provide transparent and accountable information, it will have numerous implications, such as disrupting operations and tarnishing the company's image and reputation. Financial statements must be designed to reveal rather than hide information for CEOs and stakeholders to use in financial reports.

In the realm of financial reporting, it is vital to be aware that no standard format provides all the needs of the different types of companies and stakeholders. The organization continuously aims to grow and develop, giving rise to the need for its financial statements to adapt to such changes. Although the purpose of financial statements will remain unchanged, which is to provide business owners with their needed information, being adaptable and flexible is necessary to cater to the continuous evolution of the business (Biehl et al., 2024). The findings of the study are expected to provide significant information on CEOs' perspectives on financial reporting and its strategic implications. The insights that the study generated can aid the regulators, standard-setting bodies, and accounting professionals in improving current reporting frameworks and creating new reporting practices to adapt to the evolving needs of modern enterprises. Furthermore, the study can help CEOs understand the significant benefits, the value, and the drawbacks of strategic financial reporting, enabling them to make more informed decisions about financial reporting techniques.

The research aimed to show CEO perspectives on financial reporting and how they use it as a strategic tool to improve the financial performance and position of the company and enhance their strategic decision-making. It also aimed to provide the foundation for achieving better financial reporting mechanisms that fit within the contexts of their organizations' varied strategic goals and decision-making by analyzing factors that affect CEOs' views as well as evaluating their perspective on strategic financial reporting.

Objectives of the Study

The general objective of the study "Enhancing Strategic Decision-Making: CEO Perspectives on Financial Reporting" is to gain insights into CEO perspectives on financial reporting practices with a view to ascertaining their experiences and perceptions on the role and significance of financial reporting in strategic reporting and decision-making. By examining CEO perspectives, the study attempts to lay a framework for improving the alignment between financial reporting methods and strategic reporting and decision-making that will lead to the alignment and attainment of corporate strategic goals and objectives.

Specific Objectives:

1. To investigate CEOs' perspectives on the effectiveness and relevance of current financial reporting practices of their organizations.
2. To investigate the factors influencing CEOs' preferences for specific financial reporting practices.
3. To investigate CEOs' understanding of the role and importance of financial reporting in achieving their organizations' goals and objectives.
4. To identify any gaps or challenges between CEO perspectives on financial reporting and existing practices within their organizations.

These objectives seek to delve into specific aspects of CEO perspectives on financial reporting and contribute to a better understanding of how CEOs perceive and engage with financial reporting practices within their organizations.

Methodology

Research Design. This study employed a qualitative research approach to explore CEO perspectives on financial reporting and strategic decision-making. The specific qualitative research techniques employed in this study's methodology are in-depth interviews and thematic analysis. This study intends to thoroughly understand CEOs' viewpoints, experiences, and insights linked to financial reporting and strategic decision-making.

*Population, Sample Size, and Sampling Technique***.** Participants in this study consisted of ten CEOs of both manufacturing and merchandising business organizations. These business organizations were classified as small-sized business organizations, with assets of at least P3 million, and are in Metro Manila, CALABARZON, and MIMAROPA, Philippines. The sample size for this study included ten CEOs, selected through purposive sampling.

Research Instrument. The research instrument for this study was a self-made and adapted semi-structured interview guide. The interview guide consisted of a set of open-ended questions designed to gather in-depth information and insights from the CEOs regarding their perspectives on financial reporting, including their experiences and perceptions.

Data Gathering Procedure. The data-gathering procedure involved detailed note-taking, audio and video recording, and careful transcription of relevant information. To ensure the data is valid, the researchers used techniques like member checking or peer debriefing. The researchers also used data management methods to keep and organize the data effectively. Data collection continues until data saturation is achieved, meaning no new information or themes emerge. Transcription and translation services were also used. The data collected was also securely stored and maintained to serve as a reference. The integrity and quality of the data were ensured by employing a systematic data-gathering procedure. This led to meaningful analysis and interpretation.

Results and Discussion

1. Financial Reporting Experience

As shown in Figure 1, CEOs' experiences determine how the financial reports are not only interpreted but also used in running other business areas as strategic and management tools. In planning and budgeting operations, financial reporting becomes a management tool where experienced CEOs will draw from their past experience to align resources with goals effectively. This factor is important for checking the performance of the business, where CEOs are monitoring metrics and, in time, adjusting the use of financial data to ensure the business remains on track.

Financial reports offer a quality source of information, a requirement emphasized by experienced CEOs whose demand goes beyond needing reliable reports to having accurate reports. They are aware that decisions hinge on information that ought to project the actual status of the company with regard to its finances. Reports, therefore, that offer an accurate depiction of the condition of the business are required, as they help CEOs respond strategically to all opportunities and challenges, rather than on assumptions or prior conditions.

Another area of focus influenced by CEO experience is the positioning of financial reports as a tool that supports evidence-based strategic decisions. This is where strategic decisions related to investment and growth are made based on accurate data. It is because financial numbers aid the CEO in assessing risks and opportunities. Whether it is a new investment or the planning of growth, the experienced CEOs depend on the reports leading them to make decisions under long-run business strategies. The integration of these three factors, that is, management, information quality, and strategic decision-making, brings about CEO experiences as being central to making the conversion of financial reporting a strategic source of value.

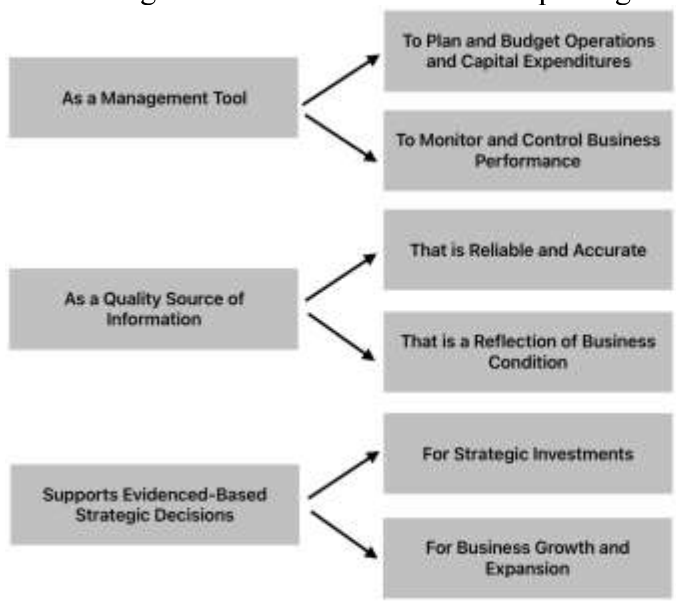

Figure 1. Financial Reporting Experience of CEOs

Moreover, CEOs compared financial reports to school report cards, which show pictures of a company's performance and areas of improvement. Accuracy and reliability were pointed out as the vital criteria for decision-making, and CEOs emphasized the need for accurate financial reports to be able to take corrective actions when needed. Financial reporting was found to be the mirror of the business condition; through it, the executives visualized a path to business growth and strategic selections.

On the other hand, CEOs inserted some examples of the efficient utilization of this data asset for preparing and controlling the financial expenditure. They also referred to the application of financial reports for preparing yearly plans, controlling expenditures, and monitoring the process of a strategic investment. In addition, studies have suggested that the accuracy and reliability of financial reports are the catalysts for developing a clear path for a business strategy and aiding business outcomes in the corporate world (Orlov & Zakharov, 2023). Financially, information is reliable, and stakeholders are involved in the risk assessments, which are represented by the high level of transparency and by the fact that the risks are assessed comprehensively; hence, the decisions made are of the highest quality (Hyblova et al., 2022). With the collaborative approach of an effective accounting system and implementing internal audits, which ensures the correct data is accurately recorded, the authenticity of financial statements has been doubly assured as a result of the decision-making improvement and the flawless business performance achieved.

Nevertheless, the falsification of financial statements possibly carries substantial risks, as it might tamper with the evaluation of a company's financial status and thus mislead the reserve owners, who thus put the risk on their decisions (Yepifanova & Pashkova, 2022). Accordingly, the reasoning behind maintaining truthfulness and accuracy in this financial context is to build up trust and ensure that better strategic management is practiced.

2. Factors Affecting CEOs

The researchers analyzed the CEO responses that underline key factors that affect their thinking about the financial practice, namely, education, experience, state and legal compliance, preparation and awareness, and competition. CEOs place the most stress on education and experience, especially within family businesses, as the guiding factors in their accounting information standards approach. According to them, compliance with accounting principles, laws, and state requirements is the main way companies can remain trustworthy, fair, and in line with the rules and regulators. CEOs also give preference to the primary production of financial reports and vigilance over the alternatives, which become the vehicle for financial success by managing money influx and outflow properly. Different market strategies and competitor analysis are also among the factors that mold the CEOs' viewpoints, and thus, they can make the best decisions to reach their goals.

In addition, the various studies published in this area support this assertion, as adherence to the financial accounting standards is anchored with the decision-making processes and, thus, the overall performance of companies. The study led by Abdulhussein et al. (2023), for example, pointed out that accounting information cannot be underestimated, as it is instrumental for factors that could either make or break the start-ups, like proper management of the market and other routes of purchasing products. Financial accounting data that is clear with no errors and that is obtained promptly is needed for the accounting period to be the most accurate and useful information in allowing knowledgeable decision-making (Dcunha, 2024).

Moreover, the future development of the business and better control can be achieved, as accurate data can only be used in an integrated information system, which facilitates management decisions and security for the business too (Ezzat, 2023). Nonetheless, the integrity and trust of financial data can face serious challenges like regulatory changes, lack of technological infrastructure, and human mistakes. Tackling these issues involves constant education, technological progress, and strict following of data control regulations, which play a significant role in the firms' endeavors to raise decision-making and performance. Such a holistic way of dealing with the issue is the main reason for continuing high-level accounting in different businesses to the satisfaction of all the stakeholders in a transition market environment (Ezzat, 2023).

This study provides a comprehensive perspective on how top-level managers, particularly chief executive officers, could consider a number of factors that, in turn, provide a broader basis for CEOs' engagement with financial reporting systems, which plays a very important role in strategic decisions. It posits the interplay of such factors as CEOs' experiences and education, awareness toward the need for legal and regulatory compliance, and the extent to which they feel threatened by the competitive environment in which they operate. These are strong factors that will influence the CEOs' interaction with these provided systems. This dynamic interplay possibly does not only affect financial reporting systems but also their application in guiding and informing organizational strategy.

3. Importance of Financial Reporting to CEOs

At the core of the study lies the importance of the financial reporting system itself, as it is a major tool for CEOs in a number of critical areas: strategic planning, performance monitoring, ensuring the accuracy and reliability of financial data, and investment and growth decision-making. The capability of this system to produce high-quality information is a necessary condition for evidence-based decision-making. Such information helps the CEOs synchronize business strategies in light of organizational goals and objectives, thus promoting and enhancing competitive advantages that ensure sustainable growth.

The four perceived key areas, critically linked to the importance of financial reporting for the CEOs, are attainment of organizational goals and objectives, compliance and assurance of stakeholder confidence, project and client relationship management, and financing opportunities.

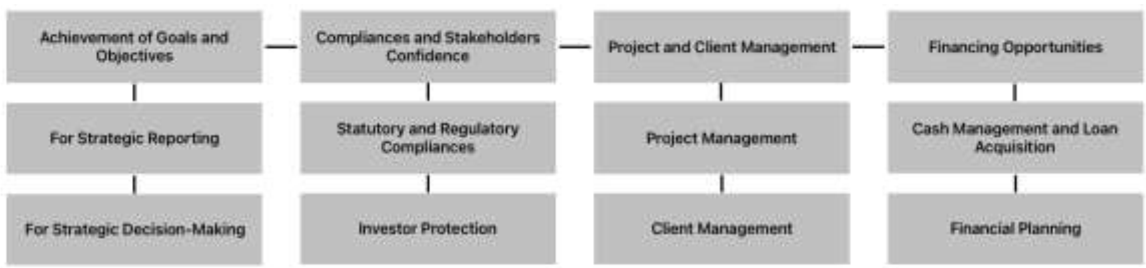

Figure 2. Importance of Financial Reporting to CEOs

The established goals and objectives of an organization are the foundation of strategic decision-making. Financial reporting provides essential data that CEOs use to make decisions aligned with the strategic vision of the company. Equipped with accurate and timely financial information, CEOs are able to formulate clear and attainable goals, monitor progress, and make adjustments necessary to keep the company on track. This direct linkage ties financial reporting and the achievement of goals, which shows why CEOs consider these systems very critical to their strategic success. Financial reporting becomes important in areas such as compliance and stakeholder confidence. First, the purpose of adherence to the legal and regulatory requirements is not only avoiding legal repercussions but also retaining the confidence of investors and other stakeholders. This confident financial reporting is that the organization is able to fulfill its legal responsibilities, and in turn, this ensures trust of the investors and sustains the reputation of the firm. For CEOs, this trust must be kept, as this basically underpins the long-term stability and growth of the business.

In the aspect of project and client management, financial reporting aids in building and maintaining connections with clients. Effective project management is founded on financial data that is accurate for tracing budgets, resource allocation, and progress measurements. Strong relationships with clients are, in turn, based on transparency and reliability; accurate financial reporting supports these. CEOs depend on these systems to manage internal projects and external client expectations. Moreover, financial reporting holds immense function in securing financing alone. The organization requires accurate and comprehensive financial reports for proper management of organizations' finances, notably its cash flow, acquisition of loans, and financial planning, among others. These reports present secure financing information that will guarantee the health of the organization. These factors, ranging from financing down to the management of projects, compliance, and strategic goal attainment, are so highly related that the significance of financial reporting to CEOs is very evident.

Financial stability and opportunities, and cash management are the elements that CEOs most often mentioned when it comes to financial reporting. CEOs read the papers to note the situation the company is in financially, and money management is efficiently demonstrated through balancing payables and receivables. This focus on financial health and sustainability ensures the organization's long-term success. Additionally, orientation and the necessary steps in developing strategic activity are highly dependent on proper financial reporting. CEOs use these reports to get loans by providing evidence of the company's financial strength and by putting forward the company's future development. These reports convey necessary information on company performance, which in turn helps CEOs to isolate losses, gauge market opportunities, and make well-educated choices to augment competitiveness and profitability.

Figure 2 shows how CEOs perceived financial reporting as a valuable tool in enhancing strategic decision-making and driving positive business performance. Indeed, compliance with reporting requirements protects investors and instills confidence in stakeholders. Financial stability assessment and cash management are the necessary elements, and strategic planning without accurate financial reports will slow down business development.

The literature consistently underlines the importance of financial reporting as a tool for strategic planning and organizational development through the provision of critical data necessary for the strategic decision-making processes. The data revealed in the reports provide the shareholders with enough information from which to evaluate the company's profit or loss, its liquidity, and the standing of its vis-a-vis its competition (Zatravina & Nezametdinova, 2022). Businesses use financial reports as a basis for strategic decision-making that is aimed at reducing their operational costs, bringing their profit to the desired level, and improving the effectiveness of the company as a whole (Houston, 2024). Furthermore, the financial statements make companies equal in their opinions with the most important properties the organization holds, and they reveal what needs to be improved and what opportunities it has for growth (The Importance of Financial Statements in Business, 2024). Therefore, appropriate and in-depth financial reporting is the very foundation of strategic initiatives that drive long-term sustenance in a competitive business environment.

4. Challenges and Opportunities

Figure 3. Challenges and Opportunities

According to Figure 3, CEOs encounter significant challenges with financial reports in the areas of working capital management, with events such as overstocking of goods and liquidity management affecting financial condition. While overstocking can result in serious problems by tying up capital, which otherwise could be effectively utilized elsewhere, liquidity problems could put the financial stability of the firm in jeopardy. Thus, effective financial reporting is important in being able to provide data for informed decisions.

Understanding and interpreting content also adds to the challenge, as CEOs pointed out the problem in interpreting standardized reports. Surprises and hidden information add to the complexity, with undesired surprises and hidden information complicating the ability to analyze financial reports. Decision-making and planning problems are areas that include project evaluation and categorizing revenues, as one of the CEOs emphasized the importance of having a competent team in the role of decision-making for financial reporting.

The issues regarding the financial reporting go beyond the accuracy of data to the critical aspects of report preparation, content, and format. Though the data in a report might be accurate, the way it is presented sometimes leads to confusion or misinterpretation. When the structure of the reports is not outlined clearly with clear and relevant content, they become overwhelming or misleading for the CEOs. This can result in executives being unable to extract what is relevant for strategic decision-making. There are also many occasions where important information has been obscured in the report because of the nature of the data or the way it has been formatted. This can make it hard for CEOs to identify and focus on the most vital aspects of the financial information, hence making unsound decisions. Because of this, the effectiveness of financial reports is greatly reduced if the content and format do not aid clear interpretation and speedy decision-making.

Another significant concern lies in the cost of maintaining and updating financial reporting systems. Software costs may escalate significantly because of licensing and maintenance fees. In addition, costs in terms of both time and resources can also be high to ensure migration from one system to another. These challenges underscore the need for financial reporting systems that are not only accurate and reliable but also user-friendly and cost-effective for the CEOs who rely on them. CEOs highlighted their concerns about software and migration costs, as well as the difficulty of tracking expenses accurately. Timeliness and delayed information are also vital. CEOs cited the negative effect of "delayed reports" on decision-making.

Studies have also indicated that CEOs often encounter difficulties when it comes to understanding and interpreting the more intricate content of financial reports, while, at the same time, these reports are essential for making strategic decisions and achieving corporate goals. Accordingly, CEOs with educational backgrounds in business are more likely to produce easier-to-read and easier-to-understand financial report content. The improved readability of these reports potentially increases their role as monitors of the financial reporting process (Dalwai et al., 2021; Luo et al., 2018; Rjiba et al., 2021). Additionally, experiences in early life, such as exposure to natural disasters or exposure to serious crimes, can influence a CEO's perception of risk and thereby influence the integrity of financial reporting (Chen et al., 2021).

The relationship between informational complexity, transparency of information, and stewardship of the financial reports greatly influences the decision-making process. It highlights the role of transparent, clear communication and the prompt dissemination of financial information for effective decision-making (Yu & Zhao, 2024). Furthermore, behavioral biases, such as overconfidence, can influence judgment-based decision-making processes, which can lead to the misuse of controllability to manipulate the financial reporting process (Ogbodo, 2023).

This study points out the difficulties CEOs face in trying to use the financial reporting systems. Major challenges relate to working capital management and understanding the content and format of financial reports, among others, and the costs for maintaining and upgrading the system. Among others, problems specific to inventory management, liquidity, hidden data, and the financial costs of migrating software or systems have been pinpointed as problematic areas that CEOs try to overcome. The best possible use of experience and strategic insight should be made to optimize the usage of financial reporting systems and minimize potential disruptions.

The study also extends an analysis of how financial reporting systems contribute to broader strategic areas in compliance, project management, financing, and client management. Integrating all of these components in the framework highlights how financial reporting systems can become essential drivers of operational efficiency and long-term strategic success when aligned with the insights of CEOs and organizational requirements.

Conclusion

Enhancing the role of financial reporting means that CEOs do not take financial information passively but actively interact with it to translate raw figures into actions. All this interaction is very crucial from the standpoint of aligning the financial reporting with the other broader strategic goals of the organization, ensuring that information provided to the management is not only accurate but also strategically relevant.

There should be active involvement of the CEOs in the process of financial reporting. Their direct involvement ensures that the financial reporting is being developed to suit the needs of the organization. The CEOs truly understand the vision and objectives of their companies, thereby being able to identify financial metrics that are most relevant for attaining their goals. It is through this junction of financial reporting with strategic planning that there comes a high significance is attached to the CEO's input in the process of designing and using financial reporting systems. When financial reporting triggers the CEO’s ideas and insights, it transcends its use as a compliance tool and becomes part of strategic management. CEOs use experience to identify patterns and trends in financial data that might not be immediately obvious. In using context to frame financial information, they are able to make decisions that drive the organization forward. Therefore, financial reporting and strategic decisions deal with information itself, but more with the way it will be interpreted and applied by the top executives.

In essence, the effectiveness of financial reporting in supporting strategic decision-making lies in its ability to provide CEOs with all necessary insights that would help in guiding an organization toward success in the long-term perspective. To ensure that financial reporting systems are aligned with strategic objectives, a CEO may find the financial information to be a very powerful tool in navigating the complexities of the business environment toward driving sustainable growth. It brings out a very important point: financial reporting promotes strategic decision-making and organizational success with the proper involvement of CEOs.

Recommendations

This study has provided insights regarding the views and experiences from financial reporting practices of CEOs, which aid them in their decision-making process and organizational strategies. But then, several avenues for future research emerged from this study. The recommendations for future studies are outlined below:

1. Examine the variation of the perceptions and experiences regarding practices of financial reporting in other industries.
2. Investigate the mechanisms of corporate governance, such as board composition, executive compensation structures, and audit committee oversight, that might affect the attitude of CEOs towards financial reporting practices.
3. Examine the long-term performance implications of financial reporting practices that have been adopted by CEOs in achieving their organizations' vision and mission.
4. Assess the impact of challenges brought by technological advancement on financial reporting practices with the adoption of technologies such as artificial intelligence, machine learning, and blockchain.

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