

MITT ROMNEY AND FINANCIAL MODELLING:

What Can Mitt Romney Teach You About Financial Modelling and Reporting?



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As the US general election approaches fast, the smart money is now on Barack Obama successfully securing a second term as President of the United States of America.

That would make him the first modern day president to win re-election with an unemployment rate above 8%.

Does this say something about Barack Obama or does it indicate more about his opponent, Republican Mitt Romney instead?

Obama holds a small lead in the national polls and an increasing lead in several of the key battleground states (swing states) where the election will be decided.

So what has been the problem with Mitt Romney and what can his mistakes teach us about better financial modelling and reporting?

Be flexible so you can handle the unexpected.

Mitt: When Mitt is following his crafted campaign message (although he may sound robotic), he is mostly ok. The problem occurs as soon as he loosens up and departs from the script – he seems to end up saying something stupid.

To use an appropriate sporting analogy: when he is thrown a curve ball he usually swings and misses.

You: Avoid this with your financial models. Ensure that your models are designed with some flexibility in mind, able to function and provide data during unexpected scenarios.

Business priorities and conditions can change rapidly



and you need to be able to use your current models and reports to handle this change.

That includes being able to run what if analysis to plan for different outcomes.

Think about your audience

Mitt: Despite spending millions of dollars to portray him as just another regular guy, Mitt seems unable to connect with the average person on the street.

During a live televised republican primary debate he offered to settle a disagreement with an on-the-spot \$10,000 bet, thrusting his hand toward his opponent.

He was not thinking about his audience and it highlighted just how different he is – poor judgement considering the average annual household

income in the US is just \$45,000.

During an economic crisis with millions unemployed and under the water with their homes, it's just plain stupid.

You: Ensure your financial models are designed with your audience in mind. Don't make the language or calculations unnecessarily complex – where you need to, explain things as clearly as possible.

Ensure that navigation of the model or report is made easy with great use of formatting, such as colour-coded sections.

Explain all your assumptions so your reader is not left guessing. In other words, ensure you do everything to aid the operation, interpretation and understanding of your financial model or report.

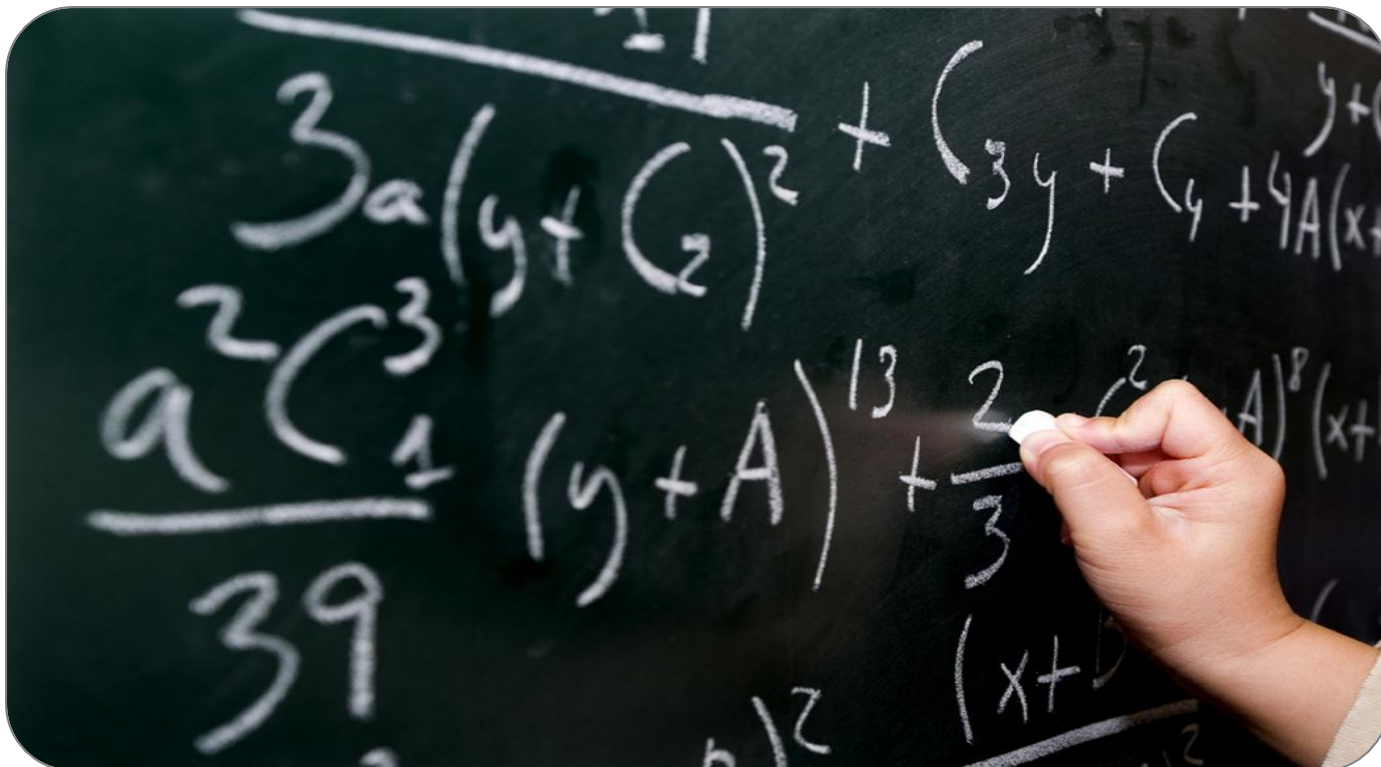
Be transparent

Mitt: There is a feeling that you're not really seeing the real Mitt Romney on the campaign trail.

As he has flip-flopped on a number of key issues, there is a sense that he just says what he needs to at any given moment.

He has refused to release tax returns for any year before 2010 (despite his father setting the precedent of 12 years of tax returns when he ran for the presidency).

It's clear he pays a lower tax rate than the average American family (money not only helps you make money, it helps you keep it too), but the question remains: what else is he hiding?



You: Ensure you provide the evidence for what you are saying when reporting business data. Make it clear why you are saying what you're saying.

Again, don't leave assumptions buried within formulas so no one can see the facts.

You must make your process, calculations and assumptions transparent.

Make your message clear

Mitt: Romney has struggled to articulate a clear and compelling message about how exactly he would make a better president.

He has spent too much time disparaging his opponent and not enough time convincing the public he is ready to lead the country forward.

It's this failure to provide voters with a clear alternative to Obama that has been his problem.

You: Ensure your financial models and reports are as clear as possible. What are you trying to communicate?

Make sure this message is front and centre and completely unambiguous. If you need to include source data, then do so in a separate section or even hide that tab completely.

Don't make it Complicated!

Mitt: Earlier in the campaign, Romney's economic plan was a mere 59 points! Of course, when running the world's biggest economy you'd like to see as much detail as possible.

But when trying to communicate a message to

voters, he was too late to recognise that this was too complicated for the average voter (how many voters even read such policy documents?).

He has now simplified this to a simple five-step plan.

You: When using financial reports and models to argue a case for a particular decision or course of action, make sure you focus on the things that matter and that your message is simple.

Include an executive summary that breaks down all complexity and detail into one short and sweet statement.

Get your facts straight

Mitt: Secretly recorded at a private fundraising event, Mitt made the mistake of claiming that 47% of Americans do not pay income tax so will always



support Obama and that Mitt will “never convince them they should take personal responsibility and care for their lives”.

Besides the gift this was to the Obama campaign, it’s not accurate.

Yes, 47% of Americans do not pay income tax, but most of these people do pay payroll and other state taxes (those that pay neither are mostly the elderly or making very low incomes).

You: Ensure that your financial models are accurate and that your assertions and statements are clearly backed up by the data.

This means that you need to both eliminate bias from your reporting, but also ensure trained individuals are effectively auditing your data

(either in your organisation, or by engaging external experts like Access Analytic).

So in summary, keep things clear, simple, transparent and accurate and don’t follow the Mitt Romney way when it comes to financial modelling and reporting.

Engage Access Analytic to help you build financial models and management reports that work for your organisation.

We make your models clear, simple, transparent and effective in helping you make decisions with confidence.

To know you’re making decisions with confidence, call us on +61 8 6210 8500, or email us at info@accessanalytic.com.au today!

