
Reporting your business model

Emerging practices
and future trends

November 2016



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Introduction

The world in which companies operate is increasingly complicated. The days of factories and simple supply chains have long disappeared. Today, companies are virtual, global, highly collaborative and complex.

The success of today's companies is determined by their interaction with, and their impact on, a growing number of stakeholders, who expect more from them. Add to this a rapidly changing business environment, driven by new technology, smaller and more agile competitors and environmental factors, such as climate change. The need for investors to better understand a company's business model has never been greater.

Companies need to clearly demonstrate how they create value, their resilience to change, and the quality and sustainability of the business and its performance.

In 2013, in our report *Business Models – Back to Basics*, we said that very few business models thriving in 2015 will be around in the same form in 2020. When considering how something as simple as booking a taxi has been transformed by the meteoric rise of Uber, our argument still stands true.

Responding to these dynamics, in 2013 regulators introduced a requirement for companies to report on their business model. Yet as companies grappled with how to respond they faced a unique challenge; unlike other key reporting elements, such as risk or strategy, no one individual in a company 'owns' the definition of the business model.

Three years after our report and the regulations coming into effect, we felt the time was right to revisit business model reporting, and to look again at how companies have responded to those challenges and what the future of reporting might hold.

“ It is the board's role to determine the purpose of the company and ensure that the company's values, strategy and business models are aligned to it... Key enablers for achieving strategic targets include the business model(s). ”

Corporate Culture and the Role of Boards,
Financial Reporting Council, July 2016.

Executive summary

The need for companies to clearly articulate their business model is undeniable. Yet, it is clear that in a dynamic world undergoing profound change many companies continue to struggle to articulate their purpose, how they generate benefits and deliver wealth to shareholders and other key stakeholders. If companies truly believe, as we do, that business models are important there is still quite some way to go.

Creating and reporting a business model that captures all aspects of a company will undoubtedly take time and effort to get right.

An increasing number of companies have risen to this challenge and are making great strides in creating business models that communicate clearly how they operate, what they rely upon, and the value they create.

Many, however, still leave much to be desired. A business model that makes it all but impossible to identify the sector in which a company operates, or what it does, serves no purpose whatsoever.

This report draws upon our analysis of the strategic reports of 70 FTSE 350 companies and our 2016 survey of investors and CEOs, *Redefining business success in a changing world: Global survey of investor and CEO views*. We also look back to our 2013 report *Business Models – Back to Basics*, when we first discussed business models.

The UK's recent decision to leave the EU serves to highlight the unpredictable and disruptive environment in which we operate. It illustrates the need for business models to be resilient and flexible to what is happening inside and outside an organisation and to help stakeholders better understand how a company will thrive or ride out dramatic change.

We find that the reporting of business models is **evolving** but remains **inconsistent**. They are also all too often quite **generic** and **static**, set at one point in time.

The Financial Reporting Council (FRC) in July 2016 in response to the UK EU referendum inferred the same view; 'We encourage clear disclosure of a company's business model as part of the strategic report, including a description of the main markets in which the company operates and its value chain. The disclosure should be sufficient to enable readers to make an assessment of the company's exposure arising from the outcome of the referendum'.

Larry Fink, Chief Executive of BlackRock, in his letter to CEOs of S&P 500 companies and large European corporations in early 2016 echoed similar concerns.

He said 'Companies operate in fluid environments and face a challenging mix of external dynamics. Given the right context, long-term shareholders will understand, and even expect, that you will need to pivot in response to the changing environments you are navigating. But one reason for investors' short-term horizons is that companies have not sufficiently educated them about the ecosystems they are operating in, what their competitive threats are and how technology and other innovations are impacting their businesses'.





Business models are undoubtedly becoming **broader** in definition – incorporating, for example, wider definitions of the business, its key resources and relationships, and how it sits within its wider ecosystem. But as they do so they are posing challenges to existing disclosures around strategy, risk and key performance indicators, all of which have the tendency to remain grounded in the traditional financial reporting model.

In response companies will have to explain how:

- Business models are flexing to respond to market trends;
- Strategy supports the key components of the business model and what drives value;
- Management consider the risks and opportunities across their business model;
- Money is made and value is generated and/or (re)distributed;
- KPIs reflect the key components of the business model; and
- The impact on key resources and relationships are measured.

PwC recommends

Our recommendations are simple and practical, represented in four building blocks for better business models:

- Value creation and competitive advantage.
- Resources and relationships.
- Integration of the business model.
- Tomorrow's business models.

These building blocks are discussed and developed throughout this report. Our building blocks should be underpinned by the following key points:

- Keep business models specific, focusing on what makes you distinctive.
- Provide an understandable overview of what the business does, how it is structured, and the market in which it operates.
- Identify the key resources and relationships that are necessary for the success of the business.
- Explain how value is created and who benefits.
- Do not be afraid to change the business model to reflect the dynamics of the business and an evolving business environment.
- Consider and explain how the business model links to strategic objectives, the risk to the success of the business model, how the performance of the business model will be measured, and how that will be reflected in the annual report.

Importance of the business model

The FRC defines a business model as ‘how an entity generates or preserves value over the longer term’. This is supplemented further in the FRC’s report *Guidance on the Strategic Report*, which provides greater detail on what a business model should include. Yet companies continue to find it challenging when articulating their business model.

Time and again, our discussions with companies show they continue to grapple with what their business model is, what information it should include, and how it aligns with other aspects of the business – for example, strategy, risks and KPIs.

This report will examine why that might be and looks at how companies are responding. But first, should companies be concerned if they struggle to articulate their business model?

The FRC’s Financial Reporting Lab recently published the results of their study of business model reporting, which focused on the challenges facing companies and on what investors would like to see. They reported that investors wish to see more detailed information on business models, particularly how value is created and what sets that company apart from its peers. Investors are also concerned by management who cannot clearly articulate their business model to the extent that some would choose not to invest in that company.

This echoes our own research. In our 2016 survey of investors and CEOs, *Redefining business success in a changing world: Global survey of investor and CEO views*, we asked how well a company’s business model is positioned to take advantage of opportunities to drive future growth.

Investors told us that there is considerable room for improvement in the way companies explain the value they create and the value of their business strategy. They also tell us they often talk about company purpose with a long-term perspective, highlighting the importance for companies to find ways to demonstrate short-term profitability *and* their ability to create long-term, sustainable value.

The importance of measurement and communication, particularly around strategies for long-term value creation, was emphasised earlier this year by Larry Fink, Chief Executive of BlackRock, in his letter to CEOs of S&P 500 companies and large European corporations.

That letter said, ‘Communications to shareholders are too often backwards-looking and don’t do enough to articulate management’s vision and plans for the future. This perspective on the future, however, is what investors and all stakeholders truly need, including, for example, how the company is navigating the competitive landscape, how it is innovating, how it is adapting to technological disruption or geopolitical events, where it is investing and how it is developing its talent’.





“Communications to shareholders are too often backwards-looking and don’t do enough to articulate management’s vision and plans for the future.”

Larry Fink, Chief Executive of BlackRock

Companies are also under pressure to explain their wider role in society. Investors, through our 2016 survey, told us that they see the purpose of a company to be more than creating value for shareholders. They will look to a company’s role in society, the contribution it makes to the economy and to the lives of its employees, customers and communities where it’s located. The needs of a wider body of stakeholders increasingly need to be addressed.

The FRC has examined the claims from companies that investors are not interested in their business model. It concludes that they are, yet will often use differing terminology. Look again at the findings of our survey and other views of investors/stakeholders and there are clear references to ‘value they create’, ‘purpose’, ‘adapting to technological or political change’, ‘developing talent’, and the ‘wider role in society’. Taken together or individually these are all critical elements of a resilient business model.

This suggests companies that can show a clearly defined and dynamic business model, that demonstrates how they respond to an increasingly disruptive environment, and engage with all stakeholders will be rewarded by investors.

Business model types

One of the primary aims of this report is to better understand how FTSE 350 companies are communicating business models in their annual report.

To help do that we have created four categories of business model types, each one building upon the other.

Our business model types draw upon our own research and sampling of 70 FTSE 350 businesses, FRC guidance and the International Integrated Reporting Council's (IIRC) definitions of a business model. The FRC and the IIRC both call for companies to demonstrate how they create value over the longer term.

- The FRC challenges companies to demonstrate 'how the entity generates or preserves value over the longer term'.
- The IIRC calls on companies to explain the 'chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term'.

While these definitions don't give much away, the FRC's *Guidance on the Strategic Report* does helpfully provide further direction on what should be included:

- Context for the strategic report and the annual report more broadly;
- How the business operates;
- The nature of the relationships, resources and other inputs;
- How value is generated; and
- How the business is differentiated from its competitors.



Extract from the FRC's *Guidance on the Strategic Report*

7.11 The strategic report should include a description of the entity's business model.

7.12 The description of the entity's business model should set out how it generates or preserves value over the longer term, and how it captures that value. It should describe what the entity does and why it does it. It should also make clear what makes it different from, or the basis on which it competes with, its peers.

7.13 The description of the business model should also provide shareholders with a high level understanding of how the entity is structured, the markets in which it operates, and how the entity engages with those markets (e.g. what part of the value chain it operates in, its main products, services, customers and its distribution methods).

7.14 An entity will often create value through its activities at several different parts of its business process. The description of the business model should focus on the parts of the business processes that are most important to the generation, preservation or capture of value.

7.15 The description of the business model should provide shareholders with a broad understanding of the nature of the relationships, resources and other inputs that are necessary for the success of the business.

7.16 The description of the business model should provide context for the strategic report and the annual report more broadly.

“To be comfortable investing, investors and creditors need companies to be specific in the information they provide, explaining how they differentiate themselves from their peers and how they create value for their investors.”

Natasha Landell-Mills,
Saracin & Partners LLP

PwC business model types

We have identified four broad business model types, that start from the basic 'Business Overview' and with each subsequent type adding further information. The 'Business Ecosystem' model being the most complete.

The definitions for our Business Activities and Business Ecosystem models are more aligned with the

FRC and IIRC guidance on communicating value creation, yet just over half (53%) of the companies we sampled fell within these categories. Whilst they should be applauded, it does mean that almost half of companies we sampled are failing to clearly articulate how they create value over the longer term and are not 'complying' with our interpretation of the FRC/IIRC guidance.

This becomes more prominent when looking at FTSE 250 companies, with just 40% communicating how they create long-term value (for example, those defined as Business Activities or Business Ecosystem), compared against 65% in the FTSE 100.

Coca-Cola HBC AG is an example of a business model that provides an overview of the business within its wider ecosystem.



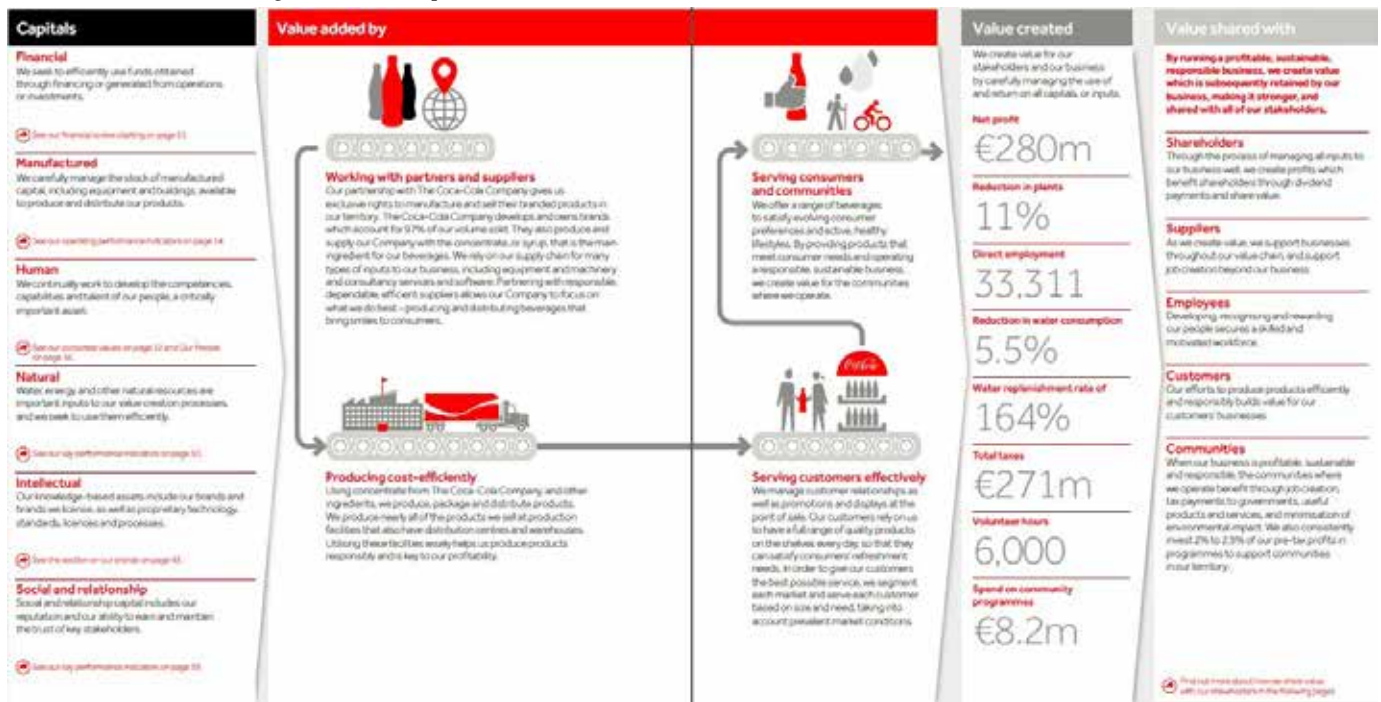


Business Ecosystem in practice: Coca-Cola HBC AG

Coca-Cola HBC AG's business model includes the following:

- Discussion of the relationships, resources and other inputs ('Capitals');
- Illustration of the business process shown as a flow chart, with further insight into how the capitals are managed ('Value added by');
- Demonstration of the value created for the key business stakeholders ('Value created' and 'Value shared with').

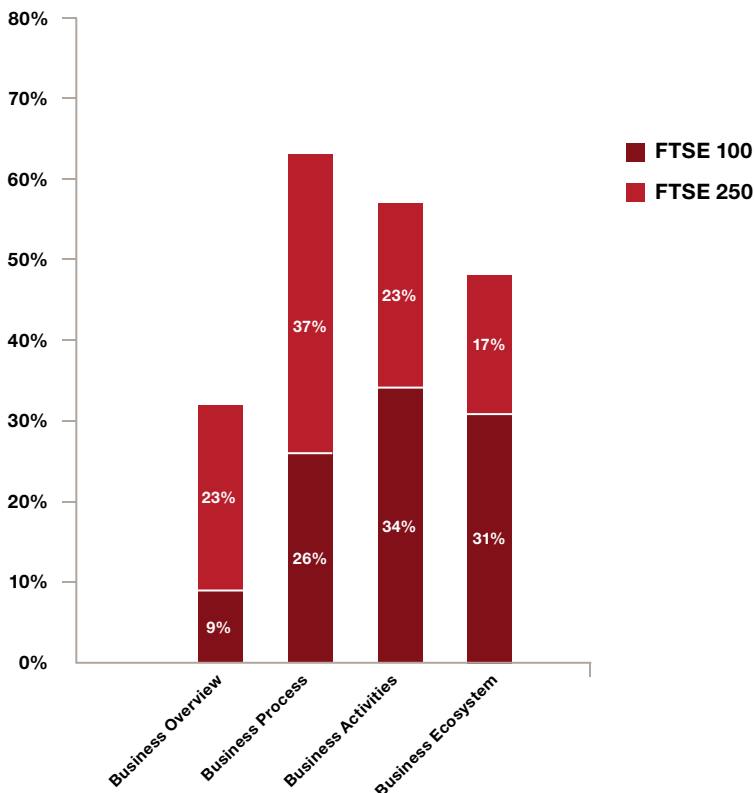
Coca-Cola HBC AG: 2015 Integrated Annual Report



We found that those companies falling within our definition of a Business Ecosystem business model (17 of the 70 sampled) generally provide a more complete view of the business, with more insight into the inputs, end-to-end business process, and outputs. Whereas the 20 companies that we have labelled with Business Activities models may highlight some of their critical resources (for example, people, technology, customers) but tend to be more insular. They don't, for example, identify the key external inputs in their operating model or explain the full end-to-end process – how its operations/assets fit within its wider ecosystem.



Comparison of business model types in the FTSE 100 and FTSE 250



Our sample highlights a mixed approach in the reporting of business models and considerable inconsistency. Our analysis shows that the majority of companies, particularly in the FTSE 250, opt for the simpler Business Process model that does little more than explain what the entity does, how it operates and why. This narrow definition of a business model may well leave investors frustrated, rather than better informed, providing a competitive advantage to those companies that provide a more fulsome picture. There is clearly more that companies should consider.

The building blocks for better business models

We recognise and understand the challenges companies face when articulating their business model. Companies and investors also recognise that in our rapidly changing world a static or generic business model is no longer sufficient.

We have identified four building blocks that will help create better business models.



Value creation and competitive advantage

Explain how value is created and who benefits, and identify what makes the entity distinctive.



Resources and relationships

Identify the key resources and relationships that are critical for the long-term success of the business.



Integration of the business model

Consider and explain how the business model links to other key elements of strategic reporting.



Tomorrow's business models

Demonstrate the resilience of the business model and its ability to create long-term and sustainable value.



Value creation and competitive advantage

In accordance with the FRC guidance, companies do refer to ‘value creation’ and ‘competitive advantage’. Yet our research has found that the substance behind these headings is often too high level or generic to really understand what makes their business model unique or what gives them an advantage, or indeed how they measure value creation and to whom.

In some cases, the business model is generic to the extent that it could apply to any competitor in the industry or, in the extreme, it is unclear what the company actually does or even what industry it is in!

The FRC’s guidance states that ‘during the development of the guidance, preparers and investors indicated that it is important that the description of the business model explains how the entity differs from its competitors’.

Only 19 of the 70 companies we reviewed included clear reference to competitive advantage or differentiating factors, yet even there the themes discussed were too broad or generic making it difficult to really understand what made that company’s business model unique.

In addition, of the 70 business models we reviewed from the FTSE 350, 25 failed to explain how value was created at all. A further eight inferred that the act of disclosure itself explained how value is created, yet upon closer examination simply provided non-specific content and/or were unclear how the business actually created value.

PwC recommends

Our sample shows that companies are not clearly articulating their competitive advantage or how they create value, if at all. It is unclear whether this is a transparency issue or, of greater concern, whether companies really do not understand what their differentiating factors are.

We recommend that companies:

- Be specific. Avoid high level or broad generic statements about what makes a business model unique;
- Explain clearly how value creation is measured and who benefits;
- Firmly plant the business model in the industries in which the company operates; and
- Avoid industry jargon.

33/70

Failed to explain how they create value

19/70

Referred to competitive advantage but provided little insight to explain how

“The litmus test of a successful strategy is that it creates value, and you can’t properly value a company without a thoughtful assessment of its competitive position.”

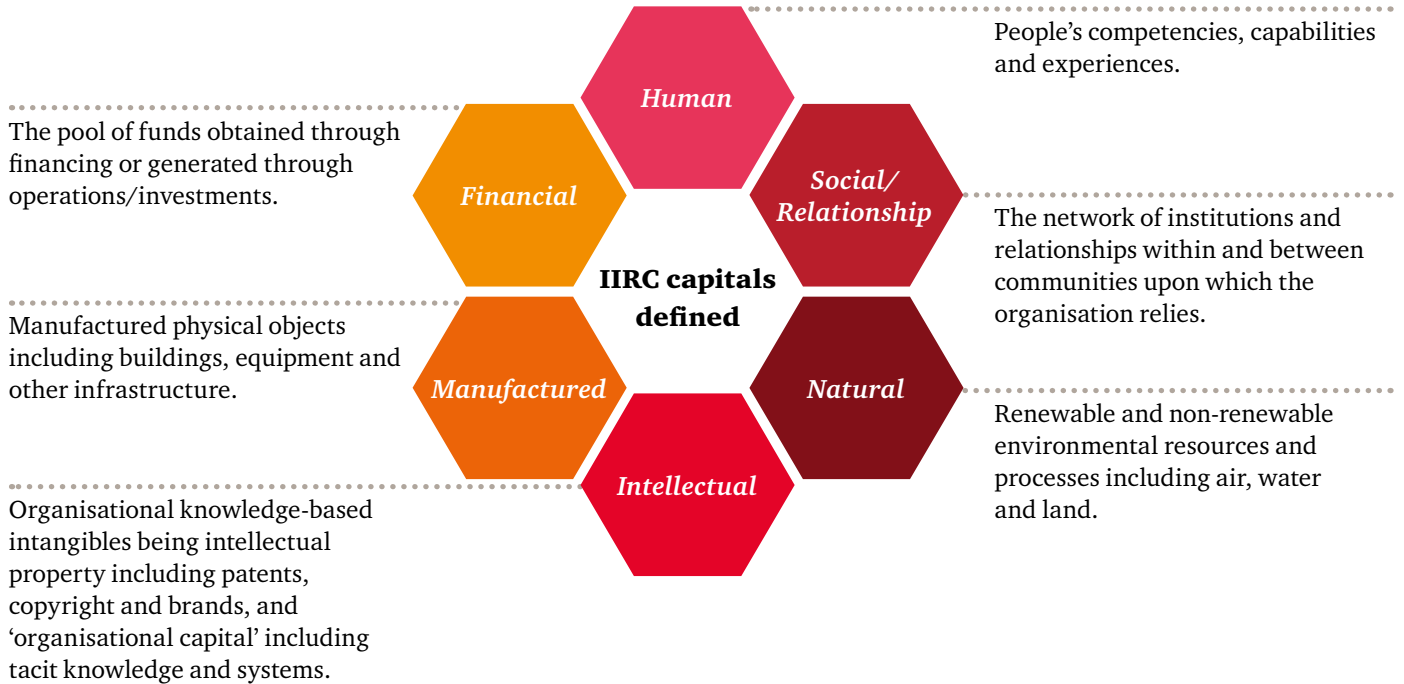
Thirty Years – Reflection on the Ten Attributes of Great Investors – Credit Suisse



Resources and relationships

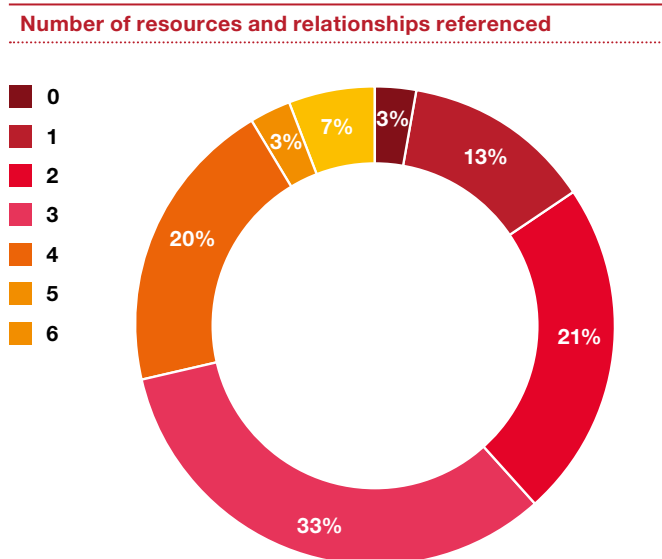
The description of a business model should provide shareholders with a broad understanding of the nature of the relationships, resources and other inputs that are necessary for the success of the business.

Companies will refer to these operational aspects in different ways, but to help review and contrast the extent to which companies include key resources and relationships in their business models we have adopted the standard IIRC definitions for these ‘capitals’, or resources and relationships.



Source: International Integrated Reporting Council <IR> Framework

How companies refer to resources and relationships in their reporting



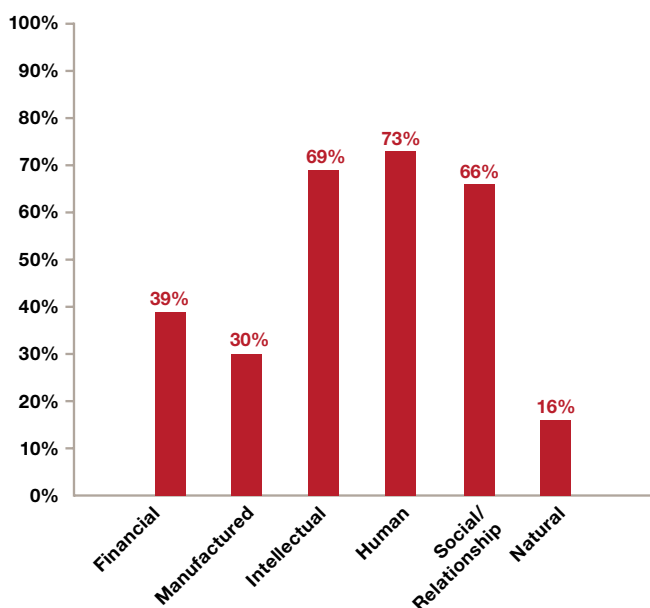
Of the 70 FTSE 350 companies reviewed, just four made reference to all six resources and relationships capitals. Two did not mention any at all, with the majority split evenly between giving consideration to either two, three or four.

There is not necessarily a right or wrong approach. The important thing is that companies apply a materiality filter to their reporting – identifying only those resources and relationships that are most relevant and providing a clear explanation of why they are important to the business.

Too often we found reference to a resource or relationship where its relevance to the business model or strategy was not readily apparent.

With the traditional reporting model historically grounded in financial and manufacturing capitals, we would expect to see those more frequently quoted as key elements to the business model. Our research suggests that this is not the case, showing intellectual, human and social/relationships being more widely included in business model reporting.

Proportion of companies referencing each capital



This may, of course, be because financial and manufacturing capitals are familiar or more readily available, and as a result unconsciously overlooked by companies as they develop their business model disclosures. But what our research does show is how business model disclosures are applying a different lens to reporting, looking beyond the traditional model to take into account a broader stakeholder perspective on what matters most to a resilient business.

While the number of companies within our sample from each industry was small, our observations suggest that some industries – such as banking and capital markets, and mining and real estate – are broadly more consistent with the type of resources and relationships discussed compared to industrial, oil and gas, technology and telecommunications. This may be expected in a dynamic business environment, such as technology and telecommunications, but where there is more stability, such as the oil and gas sector, it is difficult to understand that variation and poses more questions than it answers for readers of their accounts.

Looking in more detail at the individual resources and relationships we found:

- **Intellectual** – The number reporting the importance of intellectual capital is perhaps surprising when considering the results of our investor survey, where investors call for more information about innovation. However, this tends to be limited to the number of companies in our sample referring to the importance of technology and R&D investment rather than the impact of technology and investment on products and sales.
- **Human** – Every CEO thanks their employees, so it is perhaps not surprising this was discussed by the highest proportion of companies. Reporting of employees does, however, tend to be high level, generally covering employee numbers, diversity and training, rather than focusing on what is most relevant or meaningful to the operating environment or business model of the company concerned.
- **Social/Relationship** – Most companies have a supply chain, others that they rely on, and have customers who generate revenue, so the proportion of companies discussing social/relationship capitals is not unexpected. There is, however, more focus on customer relationships than on the supply side.
- **Financial and Manufactured** – It is interesting to see a smaller number of companies talking about financial and manufactured resources given these underpin the traditional financial reporting model. This might be because in a low interest, cash rich environment these are not seen as a key strategic resource. Including these resources may, however, provide alignment with the financial statements.
- **Natural** – In our sample there were very few natural resource companies, but a number that clearly rely on raw materials in their supply chain. It was, therefore, surprising to see relatively few refer to natural resources given the reliance many place on, or impact they have on, the environment around them.

ARM Holdings PLC is an example that identifies resources and relationships specific to their business model, explaining why they are required, and a sense of how, and to whom, value is created in the short and long-term.

As our findings show, disclosures are increasingly looking beyond the traditional model and presenting an outward-facing perspective. This trend will undoubtedly pose a challenge for many companies in how they bring to life the risks to the business model, the strategies used to optimise the business model, and how progress is measured (KPIs), which still often remain grounded in the traditional reporting model. We explore this in more detail in the next section.

PwC recommends

Companies should consider the key inputs of their business model and how these resources and relationships are being managed for the success of the business. In doing so:

- Determine which resources and relationships are material to the business;
- Explain and be transparent in the processes followed when determining those resources and relationships and what their material issues/concerns are;
- Make the descriptions specific to your company; and
- Consider what impact broadening the business model has on the expectation for additional information on each of the resources and relationships.



Identifying the key resources and relationships: ARM Holdings PLC

ARM provides a clear overview in its 2015 strategic report of its key resources and relationships including:

- A focus on the most material and relevant capitals;
- Descriptions specific to the company;

- Quantified data to support the size and relevance of the capital;
- Explanation of value created for key stakeholders;
- Recognition of short and longer-term value creation; and
- Quantification of the value created.

ARM Holdings PLC – Strategic Report 2015







Integration of the business model

As we have already seen, business models are becoming more broadly defined and moving further outside of the traditional reporting model. But what impact does this have on the alignment of the business model with other components of the annual report, and what other information and insights might users expect to see?

As reported in its paper *Guidance on the Strategic Report*, the FRC said: 'Identifying relationships between the business model and other content elements could provide linkage with other relevant information in the strategic report. For instance, it could highlight the principal risks that affect, or strategy that relates to, a specific part of the business model'.

Strategy, objectives and business models are interrelated concepts, and it may therefore be expected that the linkage between strategy and the business model be more prevalent.

Linkage is something we commonly identify in reports as an area for improvement, and this is again supported by our analysis of FTSE 350 annual reports. Points that are often left unaddressed include:

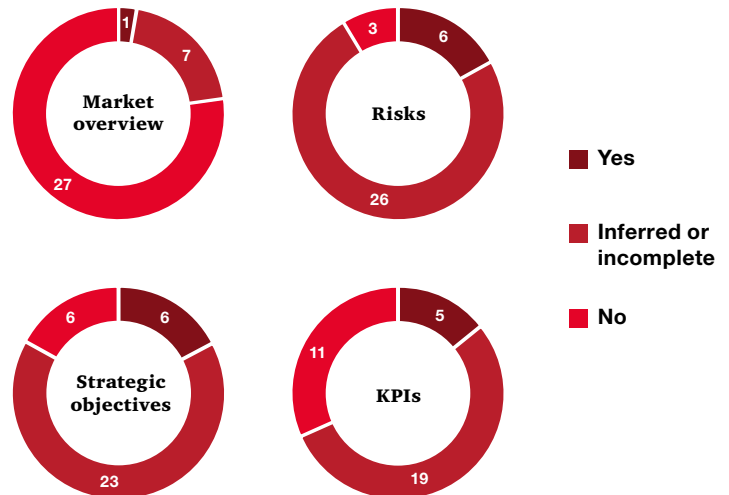
- Identifying market drivers and how the business model is designed to respond to them;
- What the strategy is to maintain and monitor skills or raw materials critical to the business model;
- Articulating the key risks and opportunities to the continued access to the inputs or distribution model; and
- Which KPIs measure the critical elements of the business model.

With this in mind, we explored 35 of our sampled companies to ascertain how well they link their business model with the other key elements of the strategic report, particularly strategic objectives, market overview, KPIs, and risks. As well as looking for linkage through explicit referencing, we also considered whether there was any inferred linkage and if so, how complete that linkage was.

This lack of linkage might purely be a reporting issue, but it might also indicate a problem that runs more deeply in a business. For example, does it suggest that strategy and the business model are not truly aligned? Or perhaps that companies are failing to identify the true risks to their business model, or whether they have appropriate KPIs to measure the outcomes from the business model?

Barratt Developments PLC is an example that demonstrates how the business model can be aligned to the risks faced.

Number of companies linking the business model to other key elements of the strategic report (sample size 35)



Only six of the 35 companies sampled provided an explicit link between the business model and strategic objectives. Some linkage was evident in a further 23 companies, albeit a linkage that had to be formed by the reader or that was incomplete. The linkage of risks and KPIs to the business model generally followed when a linkage between strategy and the business model had been made. This is largely because there was a link between the strategic objectives and the risks and KPIs, and not directly to the business model.

Given how disruptive the markets are to business models, the lack of alignment between market insights and business models is surprising, with just eight companies having some link to the business model. Our observations suggest that companies could give more consideration to explaining how their business model is resilient in light of current market dynamics and how it might evolve in light of future market trends.

PwC recommends

We have identified only a small number of companies that are taking steps to integrate and link the business model with the other elements in the strategic report. As companies become more expansive in the description of their business models this linkage will become more challenging unless changes are made, both internally and externally, as to how strategies are framed, risks are considered and performance measured.

We recommend:

- Cross-referencing the business model to other elements of the report;
- Using consistent terminology throughout the annual report;
- Considering the use of sections to explain each component of the business model; and
- Performing a gap analysis of existing content by building a matrix of the key components of your business model, strategy, risks and KPIs reporting and drawing connections and/or identifying where gaps exist either in content or terminology.



Linking the business model to risks in practice: Barratt Developments PLC

Barratt Developments PLC provide a clear overview of what the group does, what makes it distinctive, and what resources and relationships are 'critical' to the business model. It then distinguishes between the value it creates for shareholders and the value created for customers and society more broadly. A clear link is made between the business model and associated risks with cross-referencing used to indicate where more information may be found.

Barratt Developments PLC: Annual Report and Accounts 2015







Tomorrow's business models

Today's companies operate in a challenging world characterised by uncertainty, complexity and increasing scrutiny. Business models, now more than ever, need to flex and evolve if they are to remain resilient. But to what extent is, or should, this be reflected in reporting?

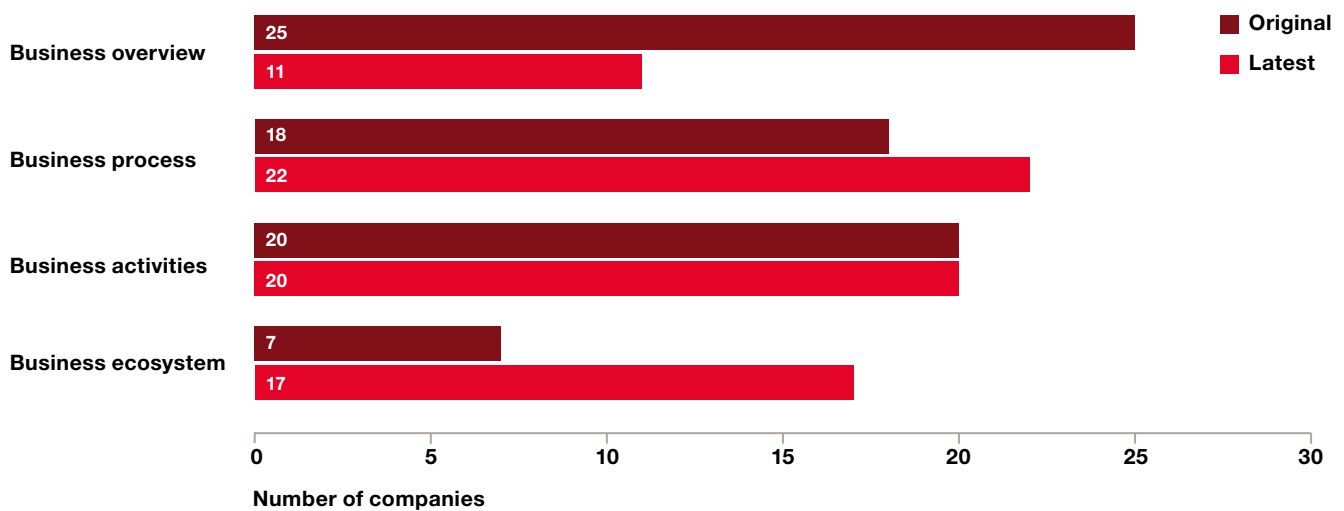
Alongside our review of current business model reporting, we have looked back to when the strategic reporting requirements were first introduced in 2013 to see how business models have evolved.

First impressions suggest that the way companies present their business model – both design and content – continues to evolve as expectations shift and market practices develop. Our research supports that this evolution has seen a general shift in the design and content of business models towards a more complete view but that practices remain mixed.

One marked and positive change is the growing trend for businesses to move towards our Business Ecosystem model, as companies take steps to more clearly explain how they create value.

One example of a company that has changed the reporting of its business model considerably is Mondi Group which is illustrated on the following pages.

Comparison of the original and latest business model presentation

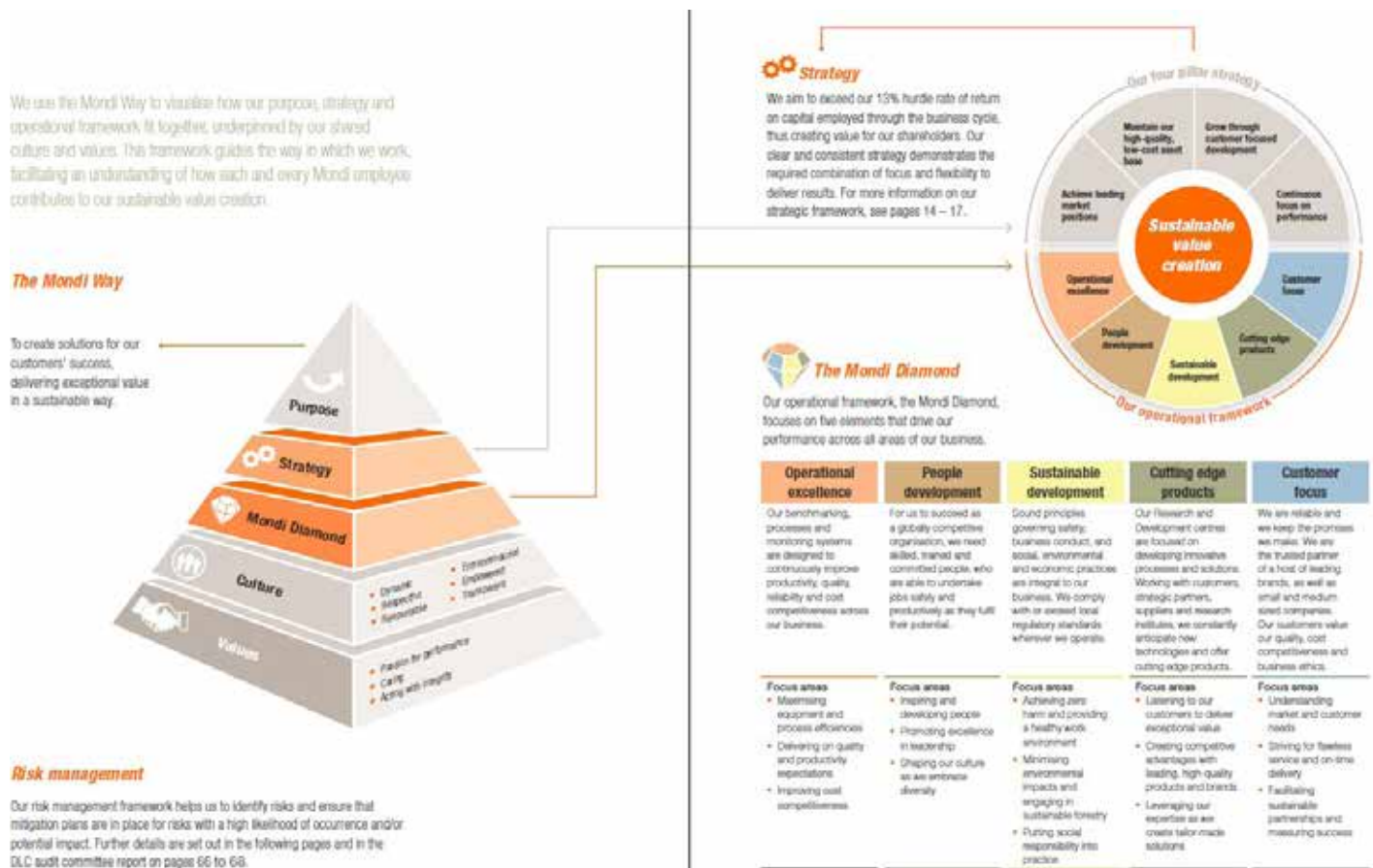




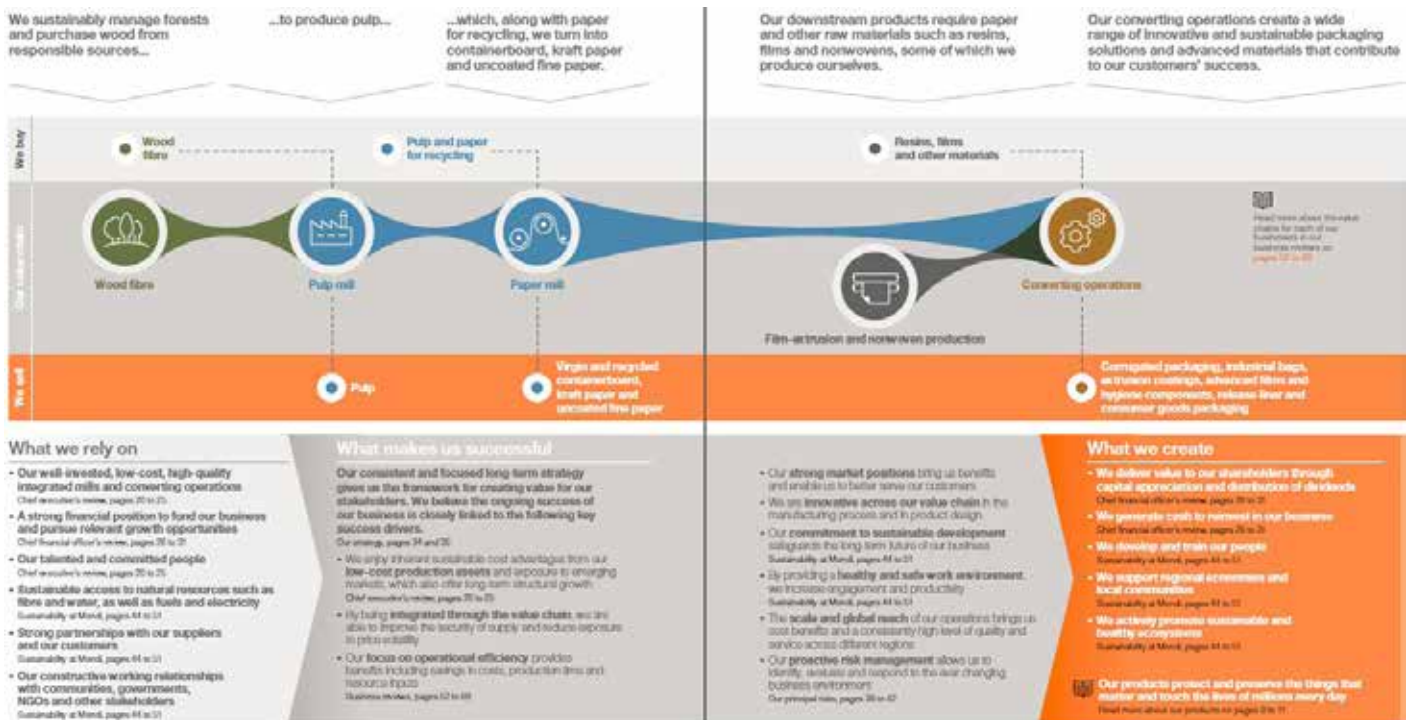
Evolving your business model reporting in practice: *Mondi Group*

In 2013 Mondi Group outlined their operational framework which provides some insight into the key resources and relationships. By 2015 it had introduced a simple end-to-end business process that clearly articulates what is relied upon, what makes the business successful and what it creates. Mondi integrates the various elements of its business model into other parts of the annual report, and illustrates where each segment operates along the value chain.

Mondi Group: Integrated report and financial statements 2013



Mondi Group: Integrated report and financial statements 2015



What we rely on

- Our well-invested, low-cost, high-quality integrated mills and converting operations
Chief executive's review, pages 20 to 23
- A strong financial position to fund our business and pursue relevant growth opportunities
Chief financial officer's review, pages 36 to 39
- Our talented and committed people
Chief executive's review, pages 26 to 28
- Sustainable access to natural resources such as fibre and water, as well as fuels and electricity
Sustainability at Mondi, pages 44 to 51
- Strong partnerships with our suppliers and our customers
Sustainability at Mondi, pages 44 to 51
- Our constructive working relationships with communities, governments, NGOs and other stakeholders
Sustainability at Mondi, pages 44 to 51

What makes us successful

- Our consistent and focused long-term strategy gives us the framework for creating value for our stakeholders. We believe the ongoing success of our business is closely linked to the following key success drivers:
- We enjoy a strong sustainable cost advantage from our low-cost production assets and exposure to emerging markets, which also offer long-term structural growth.
Chief executive's review, pages 22 to 25
 - By being integrated through the value chain, we are able to improve the security of supply and reduce exposure to price volatility.
 - Our focus on operational efficiency provides benefits including savings in costs, production time and resource usage.
Business Model, pages 52 to 60

What we create

- We deliver value to our shareholders through capital appreciation and distribution of dividends
Chief financial officer's review, pages 36 to 39
 - We generate cash to reinvest in our business
Chief financial officer's review, pages 26 to 28
 - We develop and train our people
Sustainability at Mondi, pages 44 to 51
 - We support regional economies and local communities
Sustainability at Mondi, pages 44 to 51
 - We actively promote sustainable and healthy ecosystems
Sustainability at Mondi, pages 44 to 51
- Our products protect and preserve the things that matter and touch the lives of millions every day.
Find more about our products on page 59 to 61

Looking to the future

The evolution of the content of business models is encouraging, yet there is more that should be done.

Our fast paced business environment, driven by many dynamics but most notable, technology and at a pace unknown a few years ago, raises the question of how companies are positioning their business model to evolve with changes on the horizon, and whether they should be giving a sense of how they might respond.

We have found that most companies present their business model at a fixed point in time, rather than illustrating how the business model needs to respond and evolve to external factors. While we have not identified an example that illustrates a future business model, Enterprise Inns PLC report on what they expect their operating model to look like in future.



Tomorrow's business model in practice: Enterprise Inns PLC

In its 2015 annual report, Enterprise Inns PLC presents a picture of its current operating models and what they might look like in five years time. With this picture it explains how 'extending the range of operating models available to the Group gives optionality and serves to increase the ability of the Group to respond more quickly to changing markets, consumer needs and regulation'.

This is a positive and encouraging example of how companies are thinking about how they respond to external matters.

Enterprise Inns PLC: Annual Report and Accounts 2015



PwC recommends

There are many positive signs that the reporting of business models continues to evolve and move in the right direction, yet it is also clear that the presentation of business models remains static. Many companies continue to struggle with reporting how the business model is, or is expected to, evolve over time and create value in the longer term. This does raise questions over whether this is simply reflective of the quality of external reporting, or points to something more concerning, such as the confidence management have in their future direction.

To future proof the business model we recommend companies:

- Link the business model to market drivers;
- Use a dynamic narrative;
- Explain how the business model will evolve;
- Focus on the particular capitals that may be more material now and/or in the future; and
- Present a picture of how the business model might evolve in the future.

Further information

For further information on any of the themes discussed within this report, please contact us using the details below.

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Further reading

Being distinctive, strategic and relevant: The ongoing challenges in corporate reporting

<http://www.pwc.co.uk/services/audit-assurance/insights/ftse-350-reporting-trends.html>



Redefining business success in a changing world: Global survey of investor and CEO views PwC's 2016 survey of CEOs and investors

<http://www.pwc.com/gx/en/ceo-agenda/ceosurvey/2016/investor-survey.html>



It's not just about the financials: The widening variety of factors used in investment decision making

<http://www.pwc.com/gx/en/services/audit-assurance/corporate-reporting/investor-view/iirc-investor-study.html>



Tackling the viability statement, practical suggestions, positive thinking – An update

<http://www.pwc.co.uk/services/audit-assurance/insights/practical-suggestions-positive-thinking-an-update.html>



Tackling risk reporting, practical suggestions, positive thinking

<http://www.pwc.co.uk/services/audit-assurance/insights/tackling-risk-reporting.html>



Upcoming publications

A foot in the past and an eye to the future – The importance of forward looking information in company reporting







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