

# Designing an effective reporting system that supports decision making

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Knowledge ▪ Experience ▪ Insight

## Session outline

1. Changing environment
2. Identifying management needs and expectations
3. Key success factors
4. Technology considerations
5. Aligning to organisational objectives
6. Value and impact
7. Concluding comments

## Reporting alert !!!



**Rule of thumb: 20% – 70% of your reporting is:**

- Unnecessary
- Ineffective
- Does not add value
- Does not improve decision making

**It can and should be eliminated**

## Story of Tom

- Technical rather than information focus
- Worked in a silo...not seen as part of the business
- Did not understand and sell his value

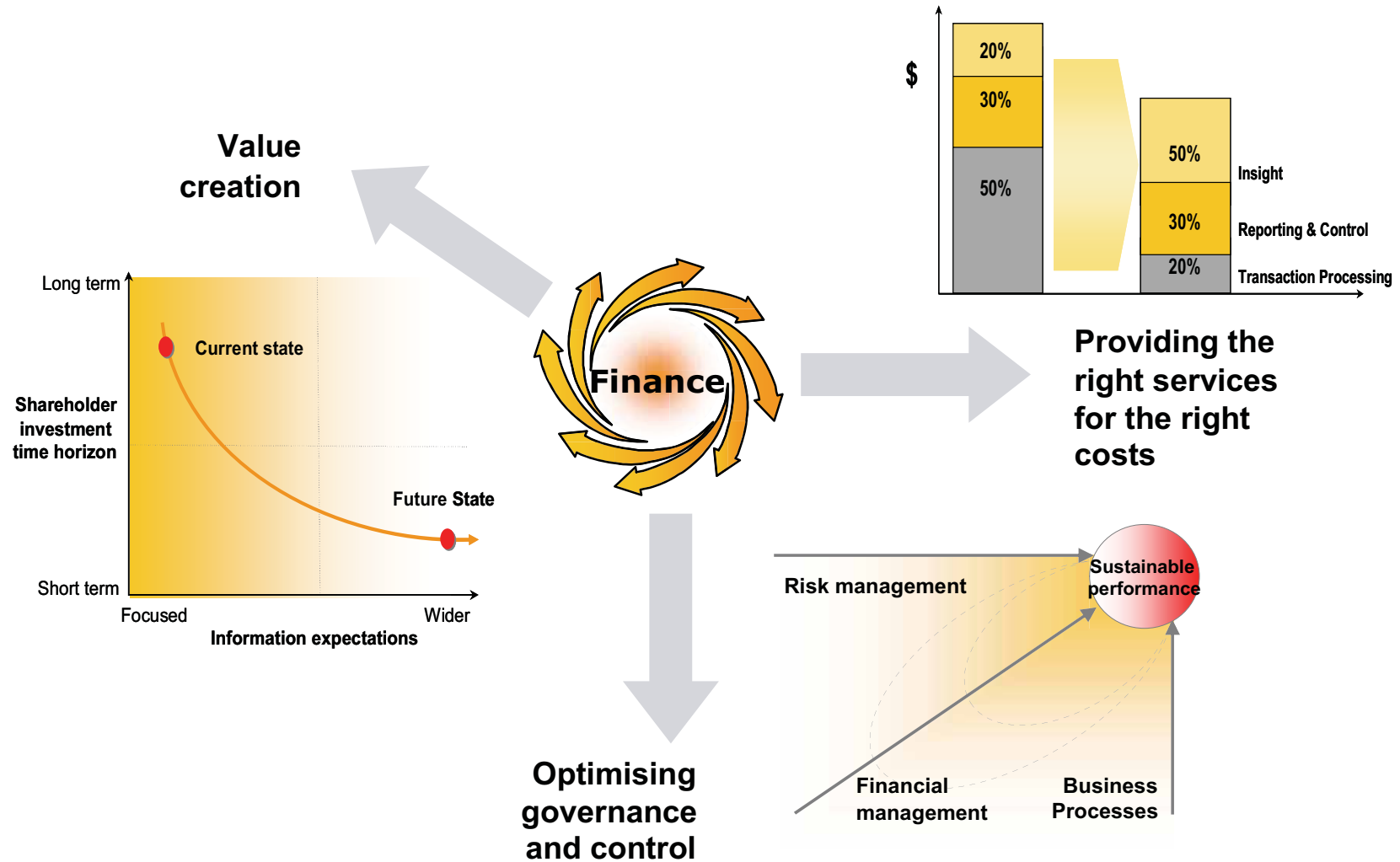


# Changing Environment

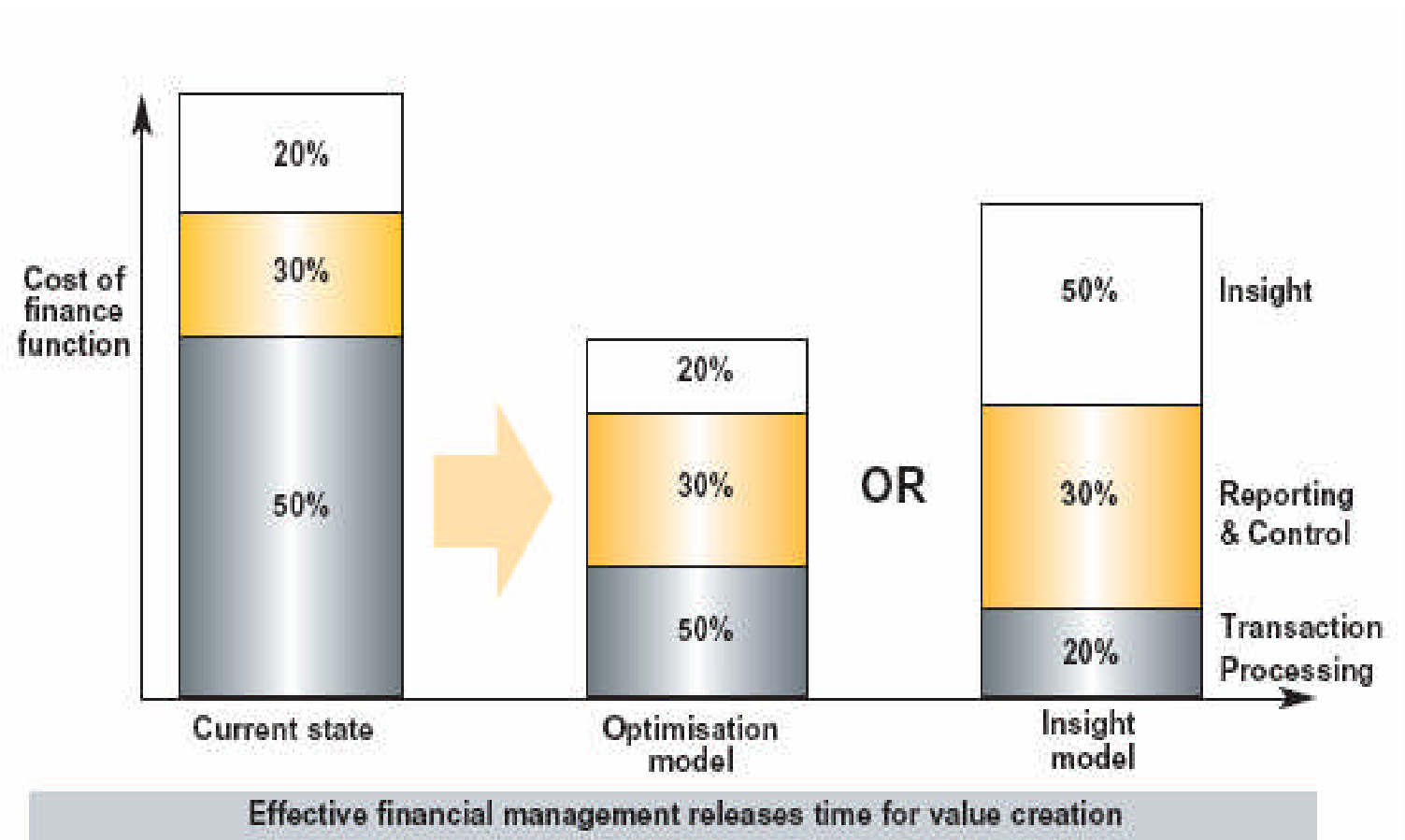
## Challenges

- Globalisation
- Technology
- Greater demand for information
- Speed / accuracy / relevance
- Constant change
- Professions / business models
- Focus on compliance
- Greater accountability
- Complexity of business
- Competitiveness
- Diversity of demand
- Knowledge base
- Information availability
- Information users at all levels

# Finance's primary objectives



## Direction of best practice





# Identifying Management Needs and Expectations

## Where are we now?

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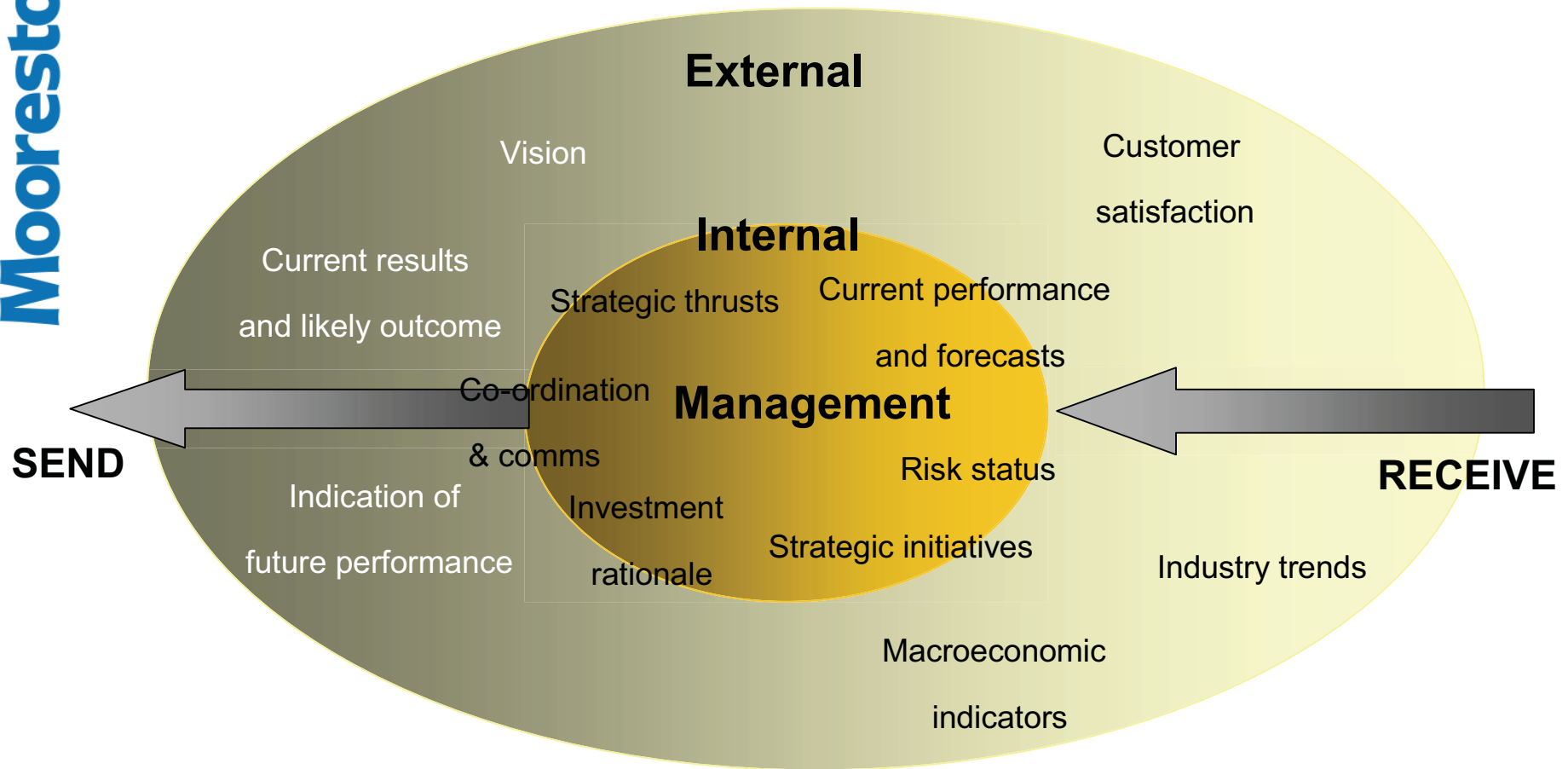
“Would you please elaborate on ‘then something bad happened’?”

## Management reporting demands

- Issues
- Ad Hoc
- Regular / business reporting
- Inform
- Investment
- Compliance

**Each demand requires a different understanding and approach**

## Management receive a variety of information



Reporting must support each of these areas with the information available  
at the right times to support timely management decisions

## Understanding your audience

- Who are they?
- What their needs?
- What do they understand?
  - Financial knowledge vs. business understanding
  - Financial vs. non-financial measures
- What is the best medium to communicate with them?

# Reporting emphasis depends on culture

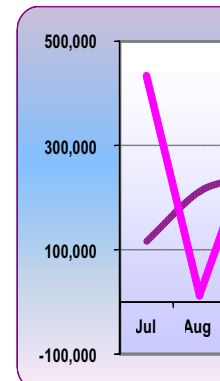
## Engineering Firm



## 'Arty Pharty' Firm

### Our Mission

market shareholder returns  
improving a global portfolio  
margin, knowledge-intensive,  
professional services businesses.



## High Tech 'Geek'



*"Cheers Mate"*

*There's a calculation  
error on page 1357*

*"Fabbo Darling"*

*Can we soften some of the  
colours*

*"Awesome Dude ... Like  
wicked"*

*But I cant download it on my  
Blackberry*

## Audience focus

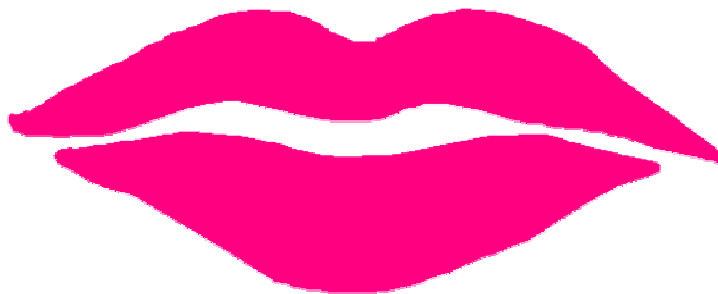
### **FOCUS on NEEDS** not WANTS

Too much time and effort is spent on meeting unnecessary wants and not the critical needs of the business

- Less is more – quality over quantity

## Terminology

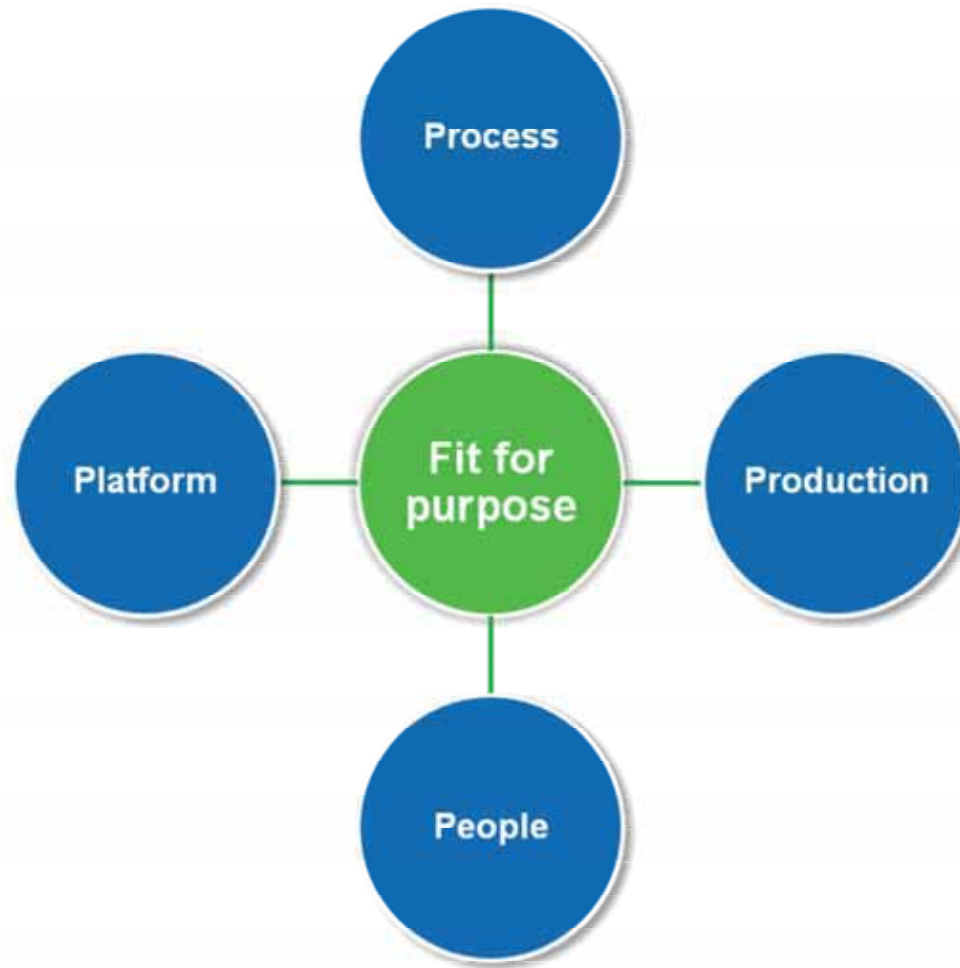
- Limit its use
- Do not assume knowledge and understanding
- Intimidates
- Complicates and confuses





# Key Success Factors

## 4 Ps of reporting



Where are your reporting issues ?

## Information components

- ✓ Material
- ✓ Relevant
- ✓ Reliable & Credible
- ✓ Comparable
- ✓ Understandable



*Source: Adapted from CIMA Performance reporting to Boards – A Guide To Good Practice*

**Focus should be on Quality not Quantity**

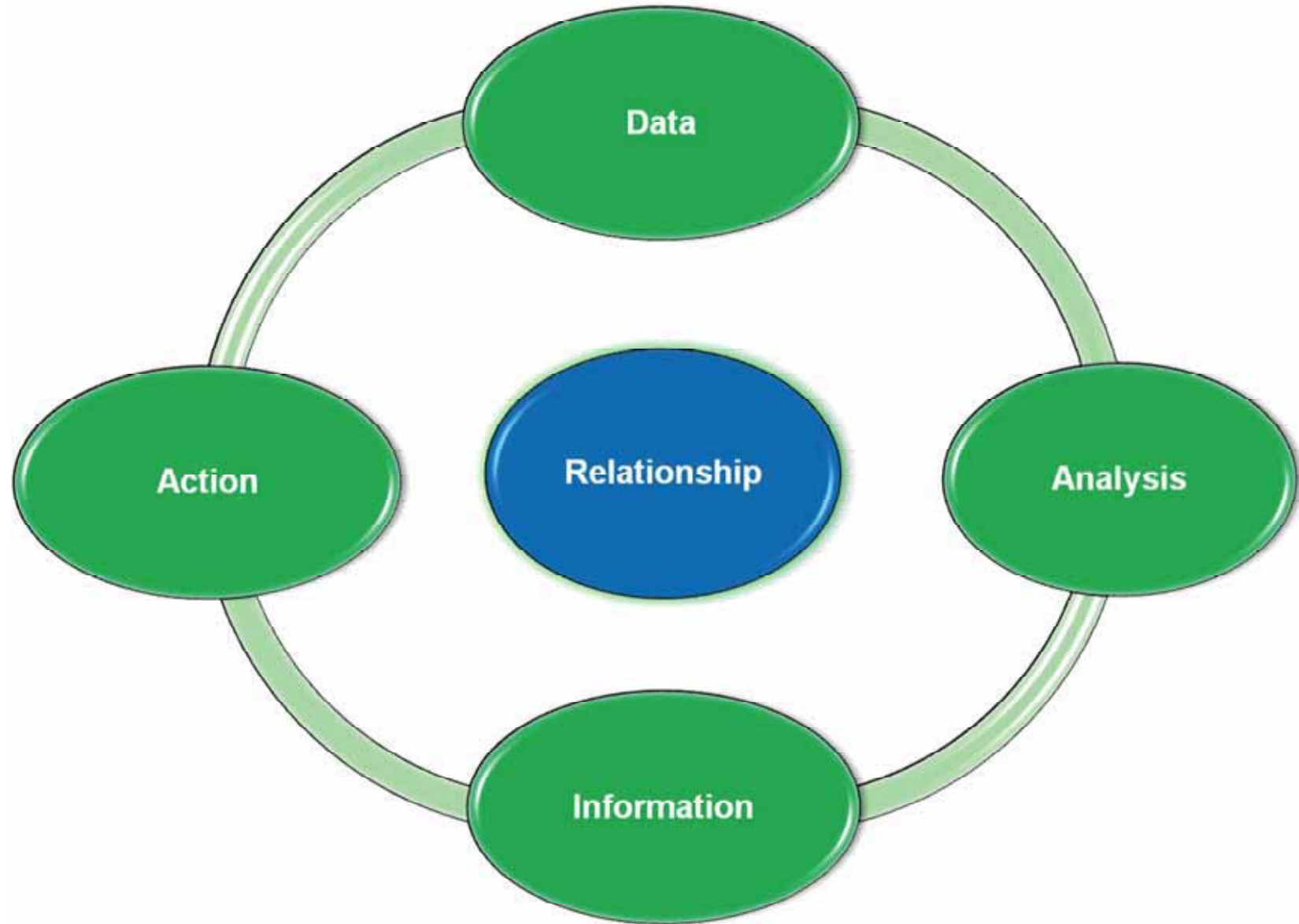
## Data /Information confusion

- What do you mean by:
  - » data
  - » information
- How do you use them?

### Beware

**‘Data Swamp’** - Technology drowns you in data / measures

**If it does not lead to decision making – you should be questioning why is it being collected and its use**

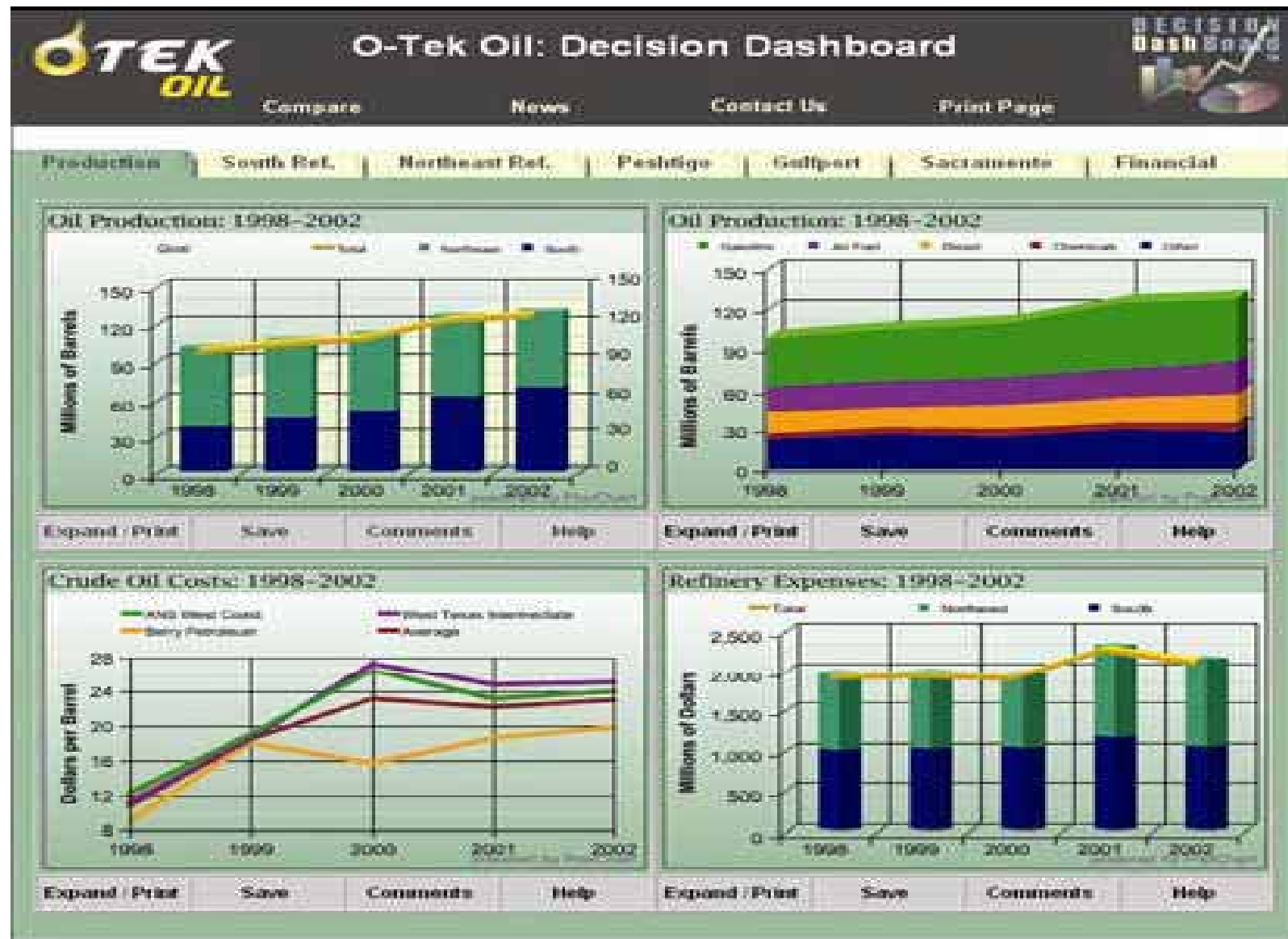


## Strategies - 1

1. Match your reporting format to the level of understanding
2. Mix and Match reporting styles (graphical/numeric/analysis etc.)
3. Combine both financial and non-financials, strategic and operational
4. Self service capability– be available on demand
5. Layer reports
6. Structure flexibility

## Strategies - 2

7. Implement a process for new report development
8. Develop a report DNA database
9. Focus on exceptions not the norm
10. Give analysis & recommendations – not description
11. Focus on forward trends/projections than past
12. Educate your audience on how to use your reports





## Operational Performance Scorecard

Status	Trend	Metrics	Target	This Month	Last Month	%Δ From LM	This Month LY	%Δ From TM LY
🔴	▲	Revenue	\$ 1,387,434	\$1,296,887	\$957,865	35%	\$1,445,118	-10%
🟢	▲	Profit	\$245,777	\$312,378	\$231,740	35%	\$352,001	-11%
🔴	▲	Margin	25.05%	24.09%	24.19%	0.4%	24.36%	-1.1%
🔴	▲	Units Sold	34,371	32,122	22,800	41%	34,047	-5%
🟢	▲	Order Count	17,779	21,420	13,020	65%	17,000	26%
🟢	▼	Avg Revenue Per Order	50	\$61	\$74	-18%	\$85	-29%
🔴	▲	Customer Count	10,700	10,000	8,091	24%	9,380	7%
🟢	▲	Avg Revenue Per Customer	108	\$130	\$118	10%	\$154	-18%

This Month: Dec 04

Trend & From Prior Month:

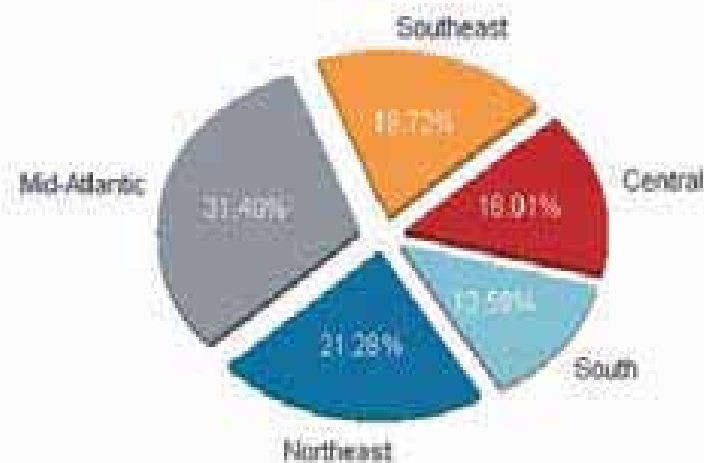
▲ More than 10%

▲ Between -5% and 10%

▼ Less than -5%

Abbreviations: LM = Last Month, LY = Last Year

Revenue By Region in 2004



Monthly Revenue And Profit Trends in 2004





# Variance analysis / exception

Month: Jun  
Year: 2003/04  
Cost Centre Division: CEO

Back to Main Menu

Put to XL

Select a PT Division button below to view corresponding Cost Centres and comments:

CEO

GM Sales & Marketing

GM Operations

GM Corporate Services

Select Individual Cost Centre:

Select Cost Centre

View Summary Report of all Divisions:

Summary Report

Sort By Cost Centre

Sort By Account

Sort By Variance ↓

Sort By Variance ↑

PT Cost Centre	Account	Jun Budget - Original	Jun Actual	Jun Variance	Jun YTD Variance	Comments
901 Executive	1015 1% Handling Fee Pre-paid	\$0.00	\$14,107.40	\$14,107.40	\$221,668.02	CRT salary budgeted for but taken to IAH cost centre.
903 Internal Audit	3010 Wages	\$0.00	\$9,672.39	\$9,672.39	\$29,906.59	Last months cost was late, this months accrual hasn't been reversed.
991 NZ Permanent Trustees	3720 Miscellaneous Expenses	\$0.00	-\$4,282.50	-\$4,282.50	-\$2,867.20	I presume this reflects the above change.
909 Human Resources	8105 Accounts Payable	\$0.00	-\$4,420.00	-\$4,420.00	\$0.00	Unexpected cost
909 Human Resources	9200 Transition	\$0.00	-\$8,681.50	-\$8,681.50	-\$6,295.98	Reversal in accrual

CC: 001 Whangarei  
Email: gre  
Month: Oct  
Year: 2004/05  
Return Via: reporting@publictrust.co.nz

Print

Email Report

Toggle O's

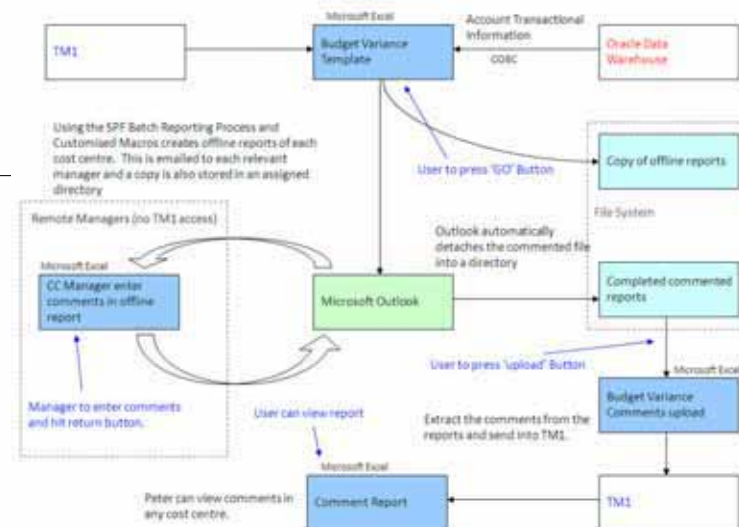
☒ Send Via Email

Double click the blue column to view the transactions.

Guidelines

Financial Results For 001 Whangarei  
For the Period Ended 31 October 2004

	Full Year		This Month		Year To Date			Revised	Comments
	Budget	Budget	Actual	Variance	Budget	Actual	Variance	Forecast	
PLAN FOR LIFE PRODUCTS									
100 - Total Wills									
101	New (PT Executor)	15,800	1,400	1,700	-300	5,600	7,727	2,127	17927
102	Redraft (Including Codicils)	29,500	2,600	3,000	-400	10,200	13,900	3,700	33200
103	PT Not Executor	0	0	0	0	0	133	133	133
104	Plan For Life	0	0	0	0	0	0	0	0
100 - Total Wills		45,300	4,000	4,700	700	15,800	21,760	5,960	51260
110 - Total EPA									
111	PT First Attorney	0	0	133	-133	0	1,631	1,631	1631
112	EPA Other	7,777	711	462	249	2,844	2,364	(480)	7297
113	Personal Care & Welfare	4,347	400	276	124	1,654	738	(916)	3431
114	PT Second Attorney	0	0	71	-71	0	1,138	1,138	1138
110 - Total EPA		12,124	1,111	942	-169	4,498	5,871	1,373	13497
120 - Total Inter-vivos Trusts									
Family Trusts									
116	Family - PT Trustee	0	0	0	0	0	0	0	0
117	Family - PT Not Trustee	0	0	800	-800	0	5,012	5,012	5012
118	Family - Deeds of Gift	1,440	0	0	0	1,080	400	(680)	760
119	Family - Misc	0	0	0	0	0	0	0	0
121	ACC/SW Trusts	0	0	0	0	0	0	0	0
123	Family	45,600	3,800	767	3,033	15,200	10,416	(4,784)	40816
123a	Existing - Family	26,522	2,210	0	2,210	8,841	0	(8,841)	17681

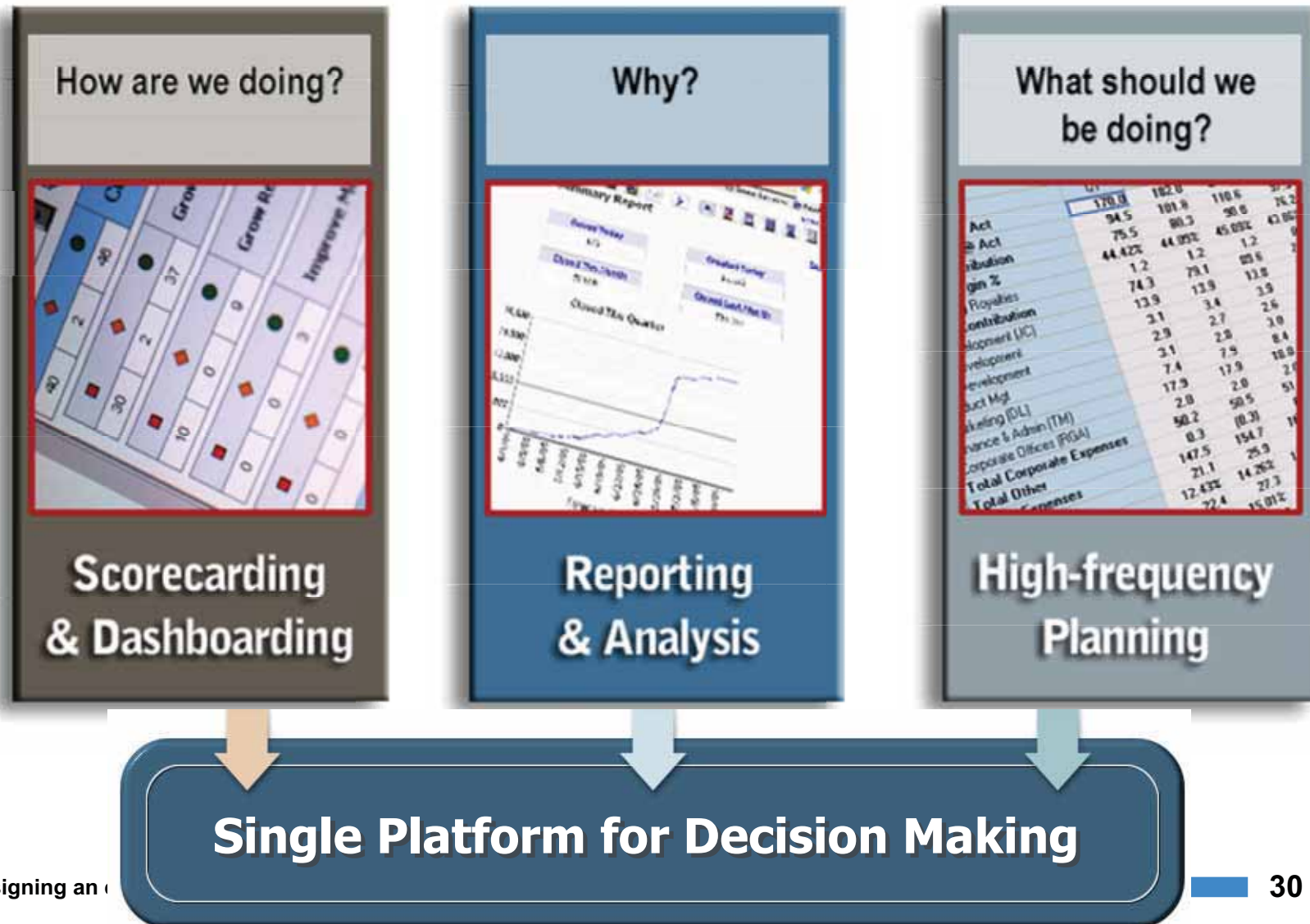


# Sales competition (retail race)



# Technology Considerations

# Shifting focus: decision platform



## Technology

- Current technology systems will primarily determine the shape and efficiency of your reporting system
- Critical as an enabler but is not the solution - If you do not address the fundamentals correctly, technology will not solve it
- Your reporting should not be a slave to it
- Systems need to be integrated as much as possible
- Minimise reliance on Excel – if you are a heavier user for your reporting you should look at more analytical software to deliver it
- Develop ‘one source of the truth’

## Caution - dashboards





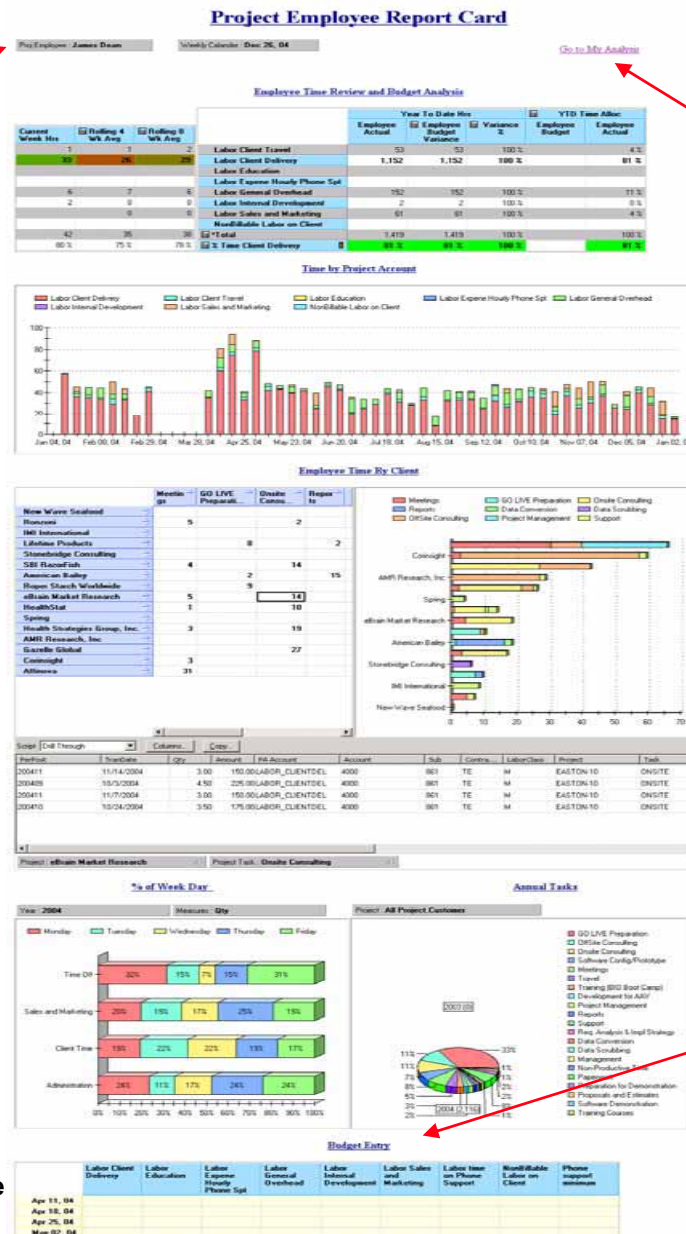
# Drill down capability

2 Clicks to select an employee and the whole report card refreshes

Still Fully Interactive within each section, Slice and Dice, Drill Through, Nest Dimensions, Drag and Drop, Graph, Create calculations

"My Analysis" Link for build your own interactive analytics

Data Entry and write back capabilities from within Report Card



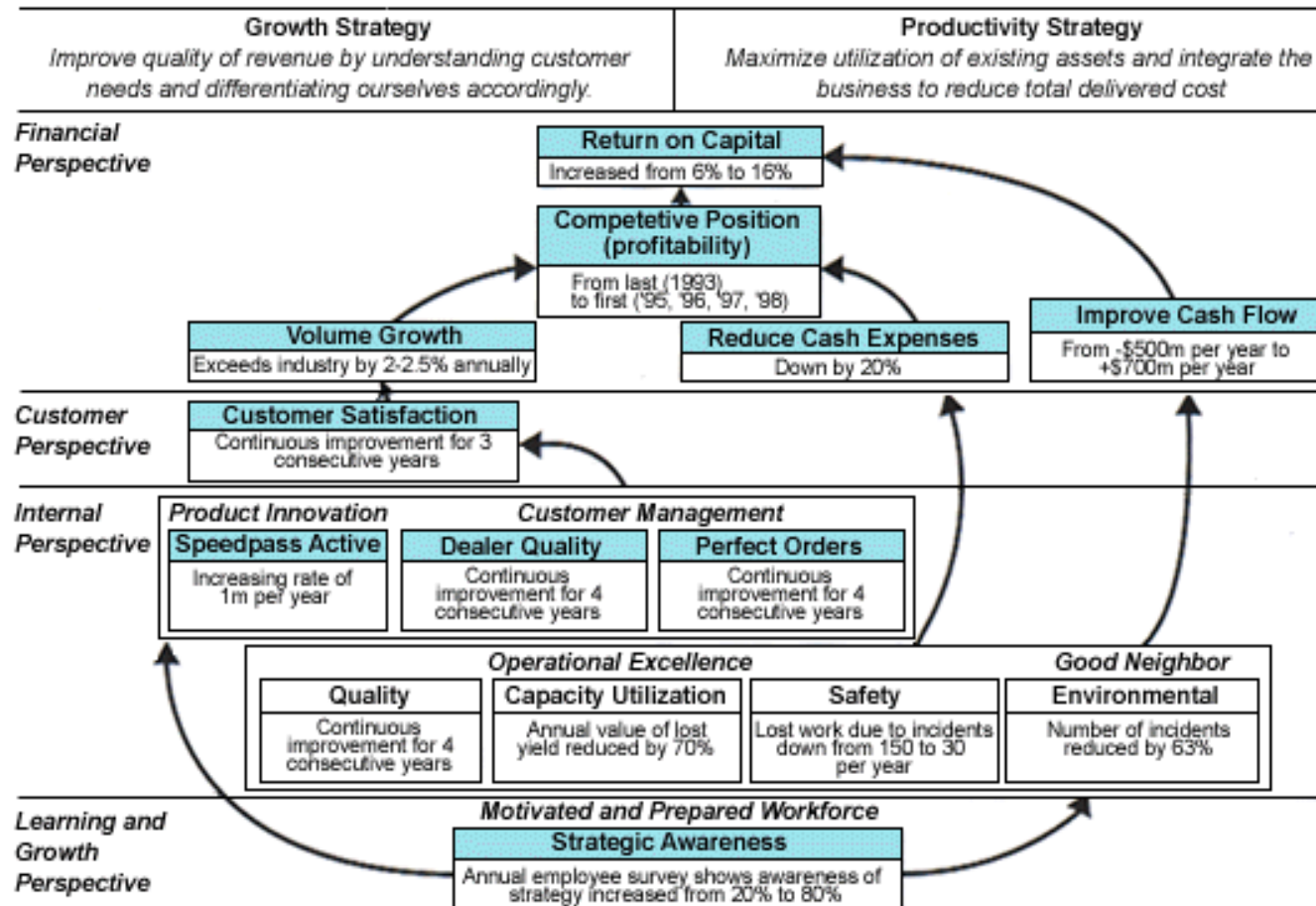
# Aligning to Organisational Objectives

## Process

- Understand what are the objectives
- Identify the information that best measures those objectives
  - Identify the data sources to provide the basis for that information
- Assess how each report meets /supports those objectives
  - Eliminate or change where necessary

- Establish a high level summary report that clearly links objectives to critical measures / KPIs
- All other critical reports should compliment/support that summary report
- All key reports should have a focus/link (specific reference) to the key objective(s) that it is supporting or reporting on

# KPI's and strategy map



# Value and Impact

## Feedback

- Ask our audience for feedback and input
- Carry out a reporting audit
  - Quantification
  - Effectiveness
  - Efficiency
- Determine how management see / use your reports
  - Frequency that they act on the reports
- What do they need in the reports to help them
- How do they respond to your reports

## Need to review

- Ensure consistency of information
- Improve decision making capability
- Improve discipline of your reporting process
- Increase understanding and knowledge
- Reduce build-up of unnecessary reports
- To reflect changes occurring in the business



- Increased reliability of information
- Improved reporting timelines
- Increased business understanding
- Improved controls
- Reduced costs
- Increased partnering opportunities

**An improved reporting system will lead to more effective decision making process for your business**

# Concluding Comments

## Remember Tom?

Has not changed

**But what will you do differently... now?**

## Concluding comments

- Focus on what you users need to know vis-a-vis want to know
  - Continually reassess if your reporting is satisfying your audience needs
- Educate your audience
- Monitor and control your reporting process
- Keep reporting simple but effective
- Focus on quality not quantity
- Be innovative and adaptable, always looking to improve
- Continually reassess your value to the business

**Never, Never, Never, ... assume understanding!**

# THANK YOU

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