Designing an effective reporting system that supports decision making

John Corrigan

November 2009
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
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

- Providing the right services for the right costs
- Optimising governance and control
- Value creation

<table>
<thead>
<tr>
<th>Insight</th>
<th>Reporting &amp; Control</th>
<th>Transaction Processing</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>50%</td>
<td>30%</td>
</tr>
</tbody>
</table>

- Current state
- Future State
- Shareholder investment time horizon
- Information expectations
- Long term
- Short term
- Focused
- Wider

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Direction of best practice

Effective financial management releases time for value creation
Identifying Management Needs and Expectations
Where are we now?

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

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Management reporting demands

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

Each demand requires a different understanding and approach
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Management receive a variety of information

**External**
- Vision
- Industry trends
- Customer satisfaction
- Macroeconomic indicators

**Internal**
- Current performance and forecasts
- Risk status
- Strategic initiatives
- Investment rationale
- Strategic thrusts
- Co-ordination & comms
- Indication of future performance
- Current results and likely outcome

**SEND**

**RECEIVE**

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 are 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?
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Reporting emphasis depends on culture

**Engineering Firm**

“Cheers Mate”
There’s a calculation error on page 1357

**‘Arty Pharty’ Firm**

Our Mission
Market shareholder returns improving a global portfolio margin, knowledge-intensive, professional services businesses.

“Fabbo Darling”
Can we soften some of the colours

**High Tech ‘Geek’**

“Awesome Dude … Like wicked”
But I can’t download it on my Blackberry
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

Focus should be on Quality not Quantity

Source: Adapted from CIMA Performance reporting to Boards – A Guide To Good Practice
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
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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
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
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### Variance analysis / exception

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

<table>
<thead>
<tr>
<th>Cost Centre Division</th>
<th>Account</th>
<th>Jun</th>
<th>Jun</th>
<th>Jun</th>
<th>Jun YTD</th>
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</thead>
<tbody>
<tr>
<td>101 Executive</td>
<td>1015 1% Handling Fee Prepaid</td>
<td>$10.00</td>
<td>$14,107.40</td>
<td>$14,107.40</td>
<td>$227,659.02</td>
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<tr>
<td>903 Internal Audit</td>
<td>3010 Wages</td>
<td>$0.00</td>
<td>$6,672.30</td>
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<tr>
<td>991 NZ Permanent Trustees 3720 Miscellaneous Expenses</td>
<td>$0.00</td>
<td>-$4,262.50</td>
<td>-$4,262.50</td>
<td>-$3,367.00</td>
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<tr>
<td>909 Human Resources 8105 Accounts Payable</td>
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<td>-$4,420.00</td>
<td>-$4,420.00</td>
<td>$0.00</td>
<td></td>
</tr>
<tr>
<td>900 Human Resources 9000 Transition</td>
<td>$0.00</td>
<td>-$5,981.50</td>
<td>-$5,981.50</td>
<td>-$5,206.98</td>
<td></td>
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**Comments**: Last months cost was late, this months accrual hasn’t been reversed.

### Financial Results For 081 Whangarei

For the Period Ended 31 October 2004

#### PLAN FOR LIFE PRODUCTS

<table>
<thead>
<tr>
<th>Plan</th>
<th>Full Year</th>
<th>This Year</th>
<th>To Date</th>
<th>Revised</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>100 - Total Wills</td>
<td>18,000</td>
<td>1,400</td>
<td>1,700</td>
<td>5,000</td>
<td>7,727</td>
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</table>

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</tr>
</thead>
<tbody>
<tr>
<td>110 - Total EPA</td>
<td>17,777</td>
<td>711</td>
<td>400</td>
<td>2,000</td>
<td>2,000 (400)</td>
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</tbody>
</table>

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<th>To Date</th>
<th>Revised</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>110 - Total EPA</td>
<td>12,124</td>
<td>1,111</td>
<td>962</td>
<td>4,450</td>
<td>5,291</td>
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### Designing an effective reporting system that supports decision making

- **Print**
- **Email Report**
- **Toggle O’s**
Sales competition (retail race)
Technology
Considerations
Shifting focus: decision platform

- Scorecarding & Dashboarding
- Reporting & Analysis
- High-frequency Planning

Single Platform for Decision Making
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

“My Analysis” Link for build your own interactive analytics

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

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
Success

- 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
Impact

- 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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