Darling, we need to talk!
Communication by management reporting

If your management reporting does not supply the information you need to make decisions, then it is high time to talk.

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Where we come from

The keeping of cash journals goes as far back as Ancient Rome, where household income and expenses were recorded in the "codex accepti et expensi." This housekeeping book provided an overview of the assets and liabilities of any given household that was subsequently used for the calculation of taxes. The concept of reporting can also be traced back to that era, the word itself being derived from the Latin "reportare."

Up until the time of mercantilism, accounting was all about the deduction of taxes and charges. The concept of costs was only introduced in the 18th century. However, it was not until the Industrial Revolution in the mid-19th century that costs were no longer simply listed and recorded but also used as the basis for calculations. Efforts to tighten control over staff and material costs in the multi-stage production processes at textile factories led to the evolution of cost accounting.

In the late 1950s, a paradigm shift followed away from a simple consideration of costs toward the focus on relevant information for supporting management decisions.

Thus modern-day management reporting was born.

If you correctly use management reporting as a communication tool, you can exercise considerable influence over the management and success of your company.

Darling, we need to talk!

Communication by management reporting

You are now undoubtedly wondering what a relationship and management reporting have in common. Quite a lot, actually! Management reporting can be used in your company as a tool for communicating a message to a large number of recipients aimed at encouraging action. In communication through management reports, just as much can go wrong as in a conversation between partners – people talk at cross purposes, words are not followed by action, key topics are not addressed or people simply don’t formulate what they are trying to say in a comprehensible manner. If you correctly use management reporting as a communication tool, you can exercise considerable influence over the management and success of your company.

Reporting is a vital instrument for measuring the degree of target achievement and gives important indications about how your business strategy should be implemented. It is crucial that you use your reporting as a means of communication effectively and efficiently. However, if you have the impression that your management reporting is unable to meet the complex need for information in your company, then – like in a relationship – it is high time to talk.

Talk about it!

Management reporting is a powerful means of communication in your company – if you use it right.

Can we watch something other than football?

Reporting is more than just financials

Experience shows that reports are often little more than a collection of financial indicators. Although these are indispensable for the management of your company, is this not excessively one-sided? Do you not also need information about the non-monetary interrelations in order to get a comprehensive picture of the situation? Good management reporting additionally includes key figures relating to the market situation and competitors as well as internal company information about operational value drivers and the factors that generate potential for the enterprise.

A balanced mix of historical and forward-looking metrics is another requirement. While your reporting should give you a reliable picture of the past, indicators should also focus on possible future developments. Leading indicators help you anticipate changes in the market environment, for example. Likewise, the analysis of capital market expectations can give you further indications of whether your company needs to change course or not. Don’t be afraid to look forward!

The risks to which your company is exposed should also be made transparent in the reporting. Sensitivity analyses allow the effects of changes in key value drivers to be estimated, for example. This enables you to prepare for the future now!

There’s more!

There is more to management reporting than just financials. You must also integrate non-financial indicators relating to the market environment and your company’s internal value drivers.

Another pair of shoes?

The information provided must add value

All information from your management reporting should have some value for your company. Conversely, though, it also has a price. The price is calculated on the basis of the capital employed and the amount of work that goes into preparing the information. Also included are recurring and non-recurring expenses for data collection, the reporting system, report preparation, as well as data analysis and interpretation.

The value of the information, on the other hand, is determined by its relevance for the decisions being made. Information is valuable if it influences decisions and leads to the right actions being taken. The value of the information must be higher than its price. Flash-in-the-pan hot topics that have found a permanent place in the management reporting as well as excessive detail are classic examples of content that destroys value. You should therefore review the content of your reporting regularly and not include every new requirement in your reporting without critically reviewing it first. Make sure that you solely report information if its value justifies the price. This is the only way you can focus on what is essential and add value for your company.

Those ones are too expensive!

Make sure that every piece of information included in your management reporting adds value for your company by critically analyzing new and existing reporting requirements.

Why don’t you read the map?

Reporting content derived by corporate strategy enables precise navigation

The entirety of the reporting content is your company’s navigation system. Steering objects, key indicators and their interpretation give you a picture of where you stand and how you can best reach your goal – assuming you are measuring the right things! You should therefore check that your key indicators relate to the objects you actually wish to control.

Reports, report structures, and the indicators contained therein often have evolved over time. In many cases, you can use them to measure the success of your business model in the past, but they do not allow much to be said about your current strategy or the current business model – not to mention the fact that they do not supply the information you really need.

What is more, reports usually do not contain any key indicators oriented toward value drivers and are inadequately geared to the different target groups. You need to identify the main levers for corporate success and take possible dependencies into account. Concentrate on a small number of key indicators for management, which needs information for tracking the successful implementation of the business strategy. Employees, on the other hand, lack the details needed to be able to identify and adjust the operating levers. Let them look behind the curtain! You need the right content with the right level of detail for the target audience so that you can ultimately take actions and measures from your management reporting and manage your company correctly.

The other left!

Your reporting content needs to be focused on your current strategy and the target audience if it is to be used for steering your company.

I don’t understand you!

Unambiguous content ensures a common understanding

Key indicators are metrics with which you measure the current status or degree of achievement of your company’s most important targets. A variety of analysis structures is generally used to specify these in more detail – by region, customer or product. To be able to interpret and discuss these indicators meaningfully, a uniform definition and a common understanding of the indicators and analysis structures must be ensured. Make sure you are speaking the same language!

Key indicators are frequently used in different business units, national companies, and functions. Generally speaking, these indicators are not used consistently; sometimes there are considerable differences in the definition, the calculation logic or the analysis structures used. If even the nuances of one of these aspects differ in multiple reports, a meaningful comparison of the data is not possible.

There is little worse than two indicators having the same name but containing different data. It leads to the accuracy of the figure being discussed instead of the content and measures. Put a stop to this! For each indicator and the analysis structures you need a precise, explicit, consistent definition that is centrally documented and accessible to everyone.

Use plain language!

You can only constructively discuss measures if your key indicators and analysis structures are based on uniform definitions.

You are a natural beauty!

Only reports with a clear layout can convey the key messages

Reports are communication tools that are required to convey clear messages independently without further explanation and ensure rapid, unequivocal understanding. The layout of the content and graphs in the report is extremely important as this has a significant influence on how the reader assimilates the information. Therefore, don't make random choices; set standardized principles that help create a common understanding throughout the company.

The content of the report should have a logical structure, taking the company specifications into account, and the layout should be the same each month. Simplicity and recognition are paramount! On individual pages of the report, you should aim to create a balance between tables, graphs, and commentaries so that the core messages are clearly identifiable for the reader. Less is often more!

To visualize the information in the report, use uniform terminology and notation as well as a consistent, pertinent, reduced palette of colors. Decoration is not desired; show the facts as they are!

Don't dress up so much!

Make sure the relevant information is presented with a clear layout that is easy to understand.

Can't we do something together for once?

An integrated data pool leverages synergies

All companies produce a large number of reports – and yours is unlikely to be an exception! In most cases, parallel reporting takes place in the different functions. Although some of the indicators used overlap with those from other functions, they generally come from different data sources, are reported on differently or may even be called something different. This is what makes integrating key indicators in a cross-functional report so very time-consuming or nearly impossible.

The same can be said for planned and actual figures. Meaningful variance analyses can only be performed if such figures are available at a glance. And if your external reporting and internal reporting do not tally, people will lose faith in your company.

Forget the idea that you could establish consistent reporting based on standalone solutions or even spreadsheets. For this purpose you need an integrated reporting system that feeds the front-end tools and is available to all functions. Through the integration of data sources, the harmonization and automation of different reporting streams across functions and group levels, you can link the isolated information, eliminate redundant information and gain new insights. Use this and leverage synergies!

Together we are strong!

Say goodbye to standalone solutions. Harmonize and integrate your reports and your reporting system.

You're never there when I need you!

Flexible and mobile reporting meets individual information requirements

Management reports should satisfy your company's individual information requirements and be presentable in a user-friendly, needs-oriented form. While one of the functions of reports is to present information in a clear layout and communicate it to the readers, reports are also used to analyze causes of issues that arise. This means, however, that they are needed not only for stationary use in the workplace but also in mobile form for recipients on the move.

Although the printed management report is still irreplaceable, mobile solutions are becoming increasingly important. A vast number of tools with different functions are available. Don't get bogged down! Focus on a small number of tools that best meet your analysis requirements. Always make sure that the ones you choose are based on your information needs, not the other way round!

Ensure that all reporting instruments are connected to the integrated data pool at all times and are used in a consistent, user-friendly manner. Through a direct link you achieve intuitive navigation and a natural flow of information with which you can jump from the management information to a detailed analysis through associated analysis reports.

Although access to the data should be flexible, you must ensure at all times that the data does not fall into the wrong hands. Otherwise you will be in hot water! A well thought-out security concept that is integrated into the system allows reports and data to be accessed by authorized personnel only.

I need you now!

Make sure that your reporting satisfies the recipients' individual information and analysis requirements and is based on an integrated data pool.

Housework is a breeze!

Standardized reporting processes enable a reliable supply of information

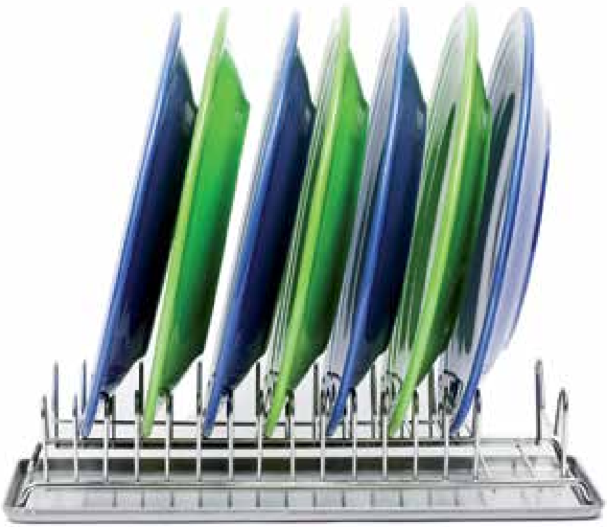
If everyone is in charge of everything, no one is in charge of anything. If everyone is held accountable for everything, no one is accountable for anything. To avoid such situations, your reporting process should be based on clear responsibilities, unambiguous process steps, and deadlines for the submission of data. Particularly in companies with a large number of business units, group levels, and integrated functional areas, extensive standardization and automation are required so that the information to be included in the report can be supplied early on and in a timely manner as well as in the desired quality. The reporting lines in your company also need to be clearly defined. Who reports to whom? Who ultimately has management accountability for the reporting results and the formulation of measures?

You must also be able to make changes and adjustments to your reporting content quickly and permanently. This requires a standardized, clearly defined process. In some cases, both reporting processes and the reporting content need to be adjusted in increasingly shortening cycles. You will need to be flexible and resolute in such cases.

You also need to think about how management reporting is anchored in your organization. Anchoring the management reporting as a central, cross-functional unit of your company will generate efficiency and effectiveness gains, for instance.

Your turn to wash the dishes!

Set up a functioning reporting process with clearly defined process steps, responsibilities, and deadlines for the submission of data, but also ensure that you can react quickly to changes in requirements.



Do it properly!

A holistic quality process ensures high-quality information

Are you aware that you spend a lot of your time validating data instead of analyzing its content because the data is not available at the right time and in the right quality? To avoid this, a holistic and continuous quality process is crucial for your reporting. A quality process of this kind not only increases the efficiency of your reporting; it also prevents the wrong decisions being made on the basis of poor data.

The timeliness, completeness, and plausibility of the information supplied are generally validated as part of the regular data submission process. This is extremely important! If discrepancies arise, they will raise your stress level shortly before the submission of the report. A more precise analysis of the information and the causes of any implausibilities is often impossible due to the tight schedule prior to the report's publication.

However, this is not enough if you want high-quality information. Be proactive! You must consciously make time to carry out a detailed analysis of the data supplied and identify the causes of delayed, incorrect or inconsistent data – in many cases inadequate definitions, uncoordinated processes or a lack of system support. Draw up a plan for eliminating these problems and implement it successively. This is the only way you will ensure high-quality information on a long-term basis.

And now for the most important thing: Get the units supplying the data involved by continuously evaluating the data they provide and linking target achievement to personal targets. Then the units will take responsibility and you can achieve significant improvements fast.

No pain, no gain!

Do not underestimate the importance of high-quality information. A holistic quality process ensures complete, timely, reliable data.

Do you think we can make it work?

We are happy to help you take the next steps

In principle, four levers are used to improve management reporting: content, organization, processes, and systems. However, these four levers must not be considered independently of one another because there are many dependencies between them. As a result, the causes of any problems that arise are not always easy to identify. You should therefore start your analysis with the symptoms and trace these back to the causes, taking all of the levers into account. We are happy to help you do this!

Naturally it is only logical to call the existing management reporting into question when glaring problems are evident. Still, you should also think about optimization potential when you are looking to introduce a new planning and reporting system or intend to restructure your organization. In such situations, do not cement the status quo. You can only make significant improvements if you give all levers equal consideration and optimize them together.

Every company is different. This is why we offer you customized support. If you are not sure where the problems in your reporting lie, we will perform an initial analysis of the status quo and potential. It goes without saying that we will also offer you comprehensive support throughout the optimization of the management reporting across all levers and beyond. Talk to us! We are there to support your ambitions!

The 10 rules of successful management reporting

1. Management reporting is a powerful means of communication in your company – if you use it right.

2. There is more to management reporting than just financials. You must also integrate non-financial indicators relating to the market environment and your company's internal value drivers.

3. Make sure that every piece of information included in your management reporting adds value for your company by critically analyzing new and existing reporting requirements.

4. Your reporting content needs to be focused on your current strategy and the target audience if it is to be used for steering your company.

5. You can only constructively discuss measures if your key indicators and analysis structures are based on uniform definitions.

6. Make sure the relevant information is presented with a clear layout that is easy to understand.

7. Say goodbye to standalone solutions. Harmonize and integrate your reports and your reporting system.

8. Make sure that your reporting satisfies the recipients' individual information and analysis requirements and is based on an integrated data pool.

9. Set up a functioning reporting process with clearly defined process steps, responsibilities, and deadlines for the submission of data, but also ensure that you can react quickly to changes in requirements.

10. Do not underestimate the importance of high-quality information. A holistic quality process ensures complete, timely, reliable data.

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