

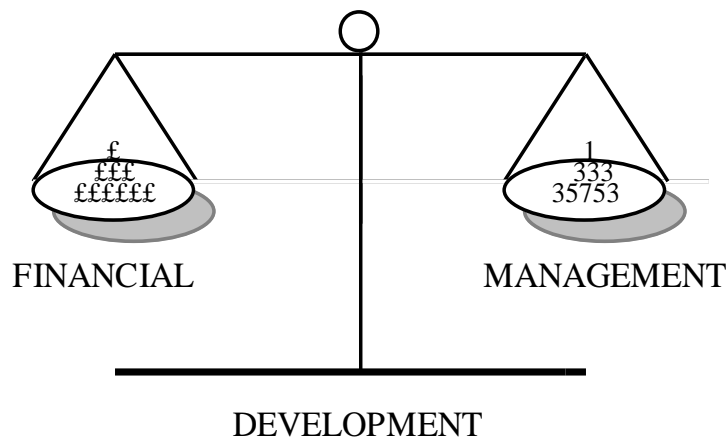
FINANCIAL MANAGEMENT DEVELOPMENT

Management Reporting

Performance Reporting

NO 221

PERFORMANCE REVIEW REPORTS



ONE OF A SERIES OF GUIDES FOR
FINANCIAL MANAGEMENT DEVELOPMENT

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This is one of a series of documents produced by David A Palmer as a guide for managers on specific financial topics to assist informed discussion. Readers should take appropriate advice before acting upon any of the issues raised.

PERFORMANCE REVIEW REPORTS

The exact form and content of a performance review report should reflect the wishes of the person for whom it is written. The key issue is to decide what the objective of the report is and what decisions will be taken based upon it. There are few, if any, reference books which give clear instructions on the issue. Often the best approach is for the organisation to take time out to decide the following:-

What is the overall objective?

Is the objective of the report to show that a review has been carried out i.e. it is a document of historical record? Is the objective to enable the writer to bring problems to the attention of the recipient? Is the objective to enable the reviewer to ensure the writer is doing his job? Is it to be used or merely filed?

Who benefits from the report?

The recipient should receive information which he otherwise would not have, either because the report adds additional information, it summarises a longer more detailed document or it draws attention to particular issues. The beneficiary may be a superior who gains an overview, a colleague who is alerted to a particular issue, a subordinate who is then targeted to take a particular action or a non expert who has technical issues explained in a simple fashion. The writer may also benefit from the discipline of producing the report.

Why do they want it?

The users of a report may have different needs and the needs of individual users change over time. Therefore each report may be different in emphasis. In particular it is useful if there is some process whereby the recipient is able to communicate to the writer changes in needs in advance of the report being written. In many cases the uses to which reports are put have changed but the report continues as before.

What decisions are made using it?

Under this heading the decision to do nothing must not be forgotten. Being made aware that there is no problem is as important a piece of information as being told there is a problem, as it enables time to be devoted to the essential needs. In order to assist the process of identifying the decisions to be made, consideration should be given to the decisions which could not be made if no report existed.

What feedback is required?

The nature of the reporting document may be such that the only feedback is "report received". However, even that statement would indicate that the contents were acceptable and the reviewer considers that no action is required by the writer. In some cases the report forms the basis of a meeting. If so then decisions taken and actions agreed should form part of the report in order that subsequent reports can refer to the progress.

EACH OF THE ABOVE ITEMS WILL HELP DECIDE:-

1) What is in the report?

Does the report need detailed data attached? In too many cases the cart goes before the horse. "This is the financial data - now what can we write about it?" rather than "Explain the month's results making reference to figures as appropriate".

2) What the format is?

Most reports are standard to help the reviewer and the writer. Some reporting formats change depending on a specific rolling cycle. Some reviewers want only exception reporting and a nil return is a perfectly acceptable report. In many cases system need or administration arrangements mean that the format is dictated by other influences. However, the impact of links between Personal Computers and Word Processor has made it more feasible for tailor made reports to be created rather than relying on standard output to meet different, potentially conflicting needs.

3) When is it required? (elapsed time)

An excellent summary received too late is a waste of time. Financial accounting systems in particular are often criticised for being precisely right but issued too late for action to be taken. Management reports are often completed before information is fully known but that should not delay the process to the point where no useful purpose can be served by the report. The idea of completing reports in retrospect to fill in gaps is futile. The objective is to help management manage for the future not improve the documentation of the past. The nature of the decisions to be made will often dictate the timescale. Too early (before the facts are fully known) is sometimes as dangerous as too late. Practical considerations may overrule the ideal. In some cases the reporting date is brought forward and the cost is that some figures are then estimated. This is a perfectly acceptable approach in some circumstances but it should be made clear to all concerned what has been done and they should agree the course of action if estimates prove to be materially different from reality.

4) **How often is it required?**

Too frequently; and the important messages are lost in a sea of noise. Too rarely; and important information may not be to hand when decisions are made. A practical approach is best and the cost of time to produce a report must be balanced against the benefit.

All information has a cost - including both the production and the reviewing time. The benefit yielded by the information needs to outweigh the cost.

5) **Who produces it?**

Not the figures, that is a computer's task, but who has the role of reviewing and reporting on the data is a vital question often overlooked in setting up systems. Reports that help win battles come from both the front line and the sides, and the radar system!

6) **Where it goes?**

On a regular basis and on an exception basis. A doctor checks for breathing when he finds someone unconscious. He monitors other things when faced with a healthy patient. Is the report diagnostic, early warning or what?

The above help answers the question -

7) **Why do we have that report**

If there is no reason then stop it!

Rev. DAVID A. PALMER BA (Financial Control) FCA CTA MCIPD

David is an experienced financial professional who has devoted his skills to management training in practical understanding and utilisation of financial information. A Graduate, Chartered Accountant, and Associate of the Institute of Taxation, he is also a Member of the Chartered Institute of Personnel and Development and has been an Ordained as a Deacon in the Catholic Church.

He has worked as a Financial Controller and Company Secretary in the Finance industry and as a Director of Finance and Administration in the Computer Services industry. Since 1990 he has conducted management development programmes for over forty major organisations including Arla Foods, Blue Circle, BP, CSC Computer Sciences, Conoco, Ernst & Young, Lloyds Bowmaker, Royal Mail, Unilever and Zeneca. He also runs programmes for the Leadership Foundation and the management teams at a number of Universities. International training experience includes work in Belgium and Holland for CSC, in Denmark, Kenya and the Czech Republic for Unilever, in Holland and the US for Zeneca, in Dubai for Al Atheer, in Bahrain and Saudi Arabia for Cable & Wireless.

He specialises in programmes in financial management for both tactical and strategic decision making. In addition he has run courses in acquisition evaluation (The Economist, Eversheds, Blue Circle and Hays Chemicals) and in post-acquisition management (Unilever). All training is specifically tailored to the needs of the organisation with the emphasis on practical applications to enhance profitability and cashflow. He has developed material for delivery by in-house personnel (Royal Mail, Lloyds Bowmaker and Conoco), computer based training packages (The Post Office, Unilever and BP), and post course reinforcement self-study workbooks (CSC and Zeneca). He has also produced a training video on Cashflow Management.

He is a prolific writer of case studies, role plays and course material. He has also published articles on the financial justification of training, financial evaluation of IT investment proposals, the use of Activity Based Costing and Customer Profitability statements, commercial considerations for consultants, the need for taxation awareness training for general managers, evangelisation and Christian business ethics.

Many of his generic documents are freely available on his website:

FinancialManagementDevelopment.com including papers on Charity Management.

In addition to his Diaconal work in the Church, he has held a number of voluntary positions including University, College and School Governor, Hospice Treasurer and Trustee of various charitable institutions. He continues to provide ad hoc commercial advice to several other charitable organisations. He has been married for over 35 years and has one daughter and three granddaughters.

This series of papers is designed to help managers by providing a basic understanding of key financial concepts to assist them in their work. It is provided at no cost since this knowledge is a Gift from God and thus to be shared (Matthew 10:8).