BI – How much does the Boss need to know ?

July 2009

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Introduction

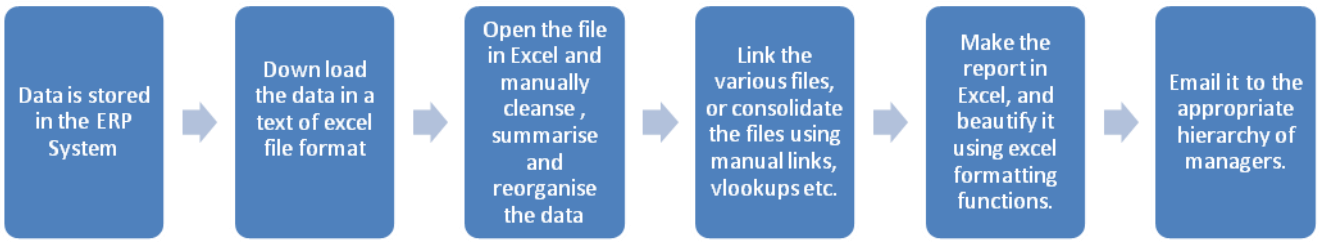
When people start climbing the corporate ladder, they start getting protected by what I call a corporate shield. The secretaries control their appointments. You cannot make a call directly to the boss without letting the secretary know. And if you are rude to the secretary, then forget about meeting the boss. Suboardinates decide what should be reported and in how much detail etc. . I am sure that all this is done with good intentions.

The intentions of the boss's subordinates are to prevent any distractions so that work is done in the most effective manner. Many a times the subordinates decide what level of detail to show to the boss. They make an executive summary to give to the boss. Their intentions are good, but herein lurks one of the biggest dangers of modern times.

How does anyone determine what the boss needs to know ? It can be extremely dangerous if the subordinate decides what the boss needs to know. What if he decides that the boss need not know something, and what he does not report becomes the boss's nemesis ?

Traditional MIS

Traditionally the MIS gets generated like this.



There are people dedicated for this process in each company. At the month closing such people work in an automated-robot like manner in generating the desired reports. They burn the midnight oil for this. The reports which get generated in this manner are not interactive. The end users cannot summarize or drill down. He can see only what has been shown to him. If they want any other details, they have either to refer to a plethora of supporting reports, or ask their assistants for digging out the details for him.

This task is so tedious that no one has the energy to do this once the monthly reporting is over. The bosses sometimes don't dare to stress their subordinates further with the genuine feeling that the subordinate will crack under pressure and leave the company.

And so decisions may be made with insufficient evidence.

Let me give you an example in the domain of Accounts Receivable. In one of my client companies there used to be a lot of cases of 'unadjusted credits'. This is basically money received from the customers but not applied to invoices. This would generally happen at month end when there would be huge collections and very little time to apply it to invoices. So everyone would dump these receipts into the customer's account and promise to link them to the invoices soon afterwards. That time never came and such unadjusted credits kept increasing. In order to hide this fact, the person generating the receivables report used a novel method of apportioning such unadjusted credits on a FIFO basis to the oldest outstanding was done. This was done, not in the ERP, but in the Excel based report. After that, the report looked neat and clean and there were no major unadjusted credits. Everyone was happy. The boss had hundreds of tasks on his hand, and he did not really have the time to look into each report in detail.

Then one day, that person left.

Enter new age BI Reporting

We were called in to automate the process. We studied the requirements, the data sources and also the current reports being manually generated. After our solution was in place, we generated the AR reports and send them to the Boss. We had generated a previous period report for the purpose of a parallel run. The boss compared with the reports which were manually generated. While the overall numbers were correct, the reports were showing an incorrect picture.

He called us and told us that our reporting calculations of aging of dues were incorrect and was not matching with the previously generated report. We checked and cross checked our work, and found no errors and called for a meeting with him. He showed us the old report and the newly generated report, and there was a substantial difference in each aging bucket.

We were stumped.

The boss then pointed out to us a column in the new report which we had titled 'Unadjusted Credits' . He said that there seems to be a problem in that column as according to him such credits are not at all that big. And to prove his point he showed us the old report. We then sat with the person who had actually made the report and discovered his way of apportioning the unadjusted credits to the old outstanding. His justification was that obviously the debtor would pay the first invoices first. Very logical, but not necessarily true.

We had a meeting with the boss and explained to him the cause of difference. He was quite amazed to see the huge amounts of unadjusted credits and put his whole department to work to clear the same before the next reporting cycle. The method of apportioning of unadjusted credits had a lot of flaws. Genuine disputed items were not being highlighted in the report. The customer was refusing to pay such items, but there was no management focus on clearing them, because they were not being highlighted as such.

The Problem ?

The above incident made me think. This sort of incorrect report may be happening in all domain areas. For example in an Expense control scenario, it may happen that at a division level the expenditure seems to be under control, but when one drills down to the cost centers then it is found that some managers have spent beyond their means, and some have not.

If the expense controller is just shown a high level summary, the expense will not get controlled at all, and he will be in trouble at year end.

So the real question is : how much detail should we show to the boss ? Giving too much detail is bad, because senior people do not have sufficient time, and giving too little detail is even worse as it can lead to incorrect decisions.

We are between a rock and a hard place.

The Solution

The solution to this imbroglio lies in three steps :

Step A : Use the new BI technology for MIS reporting

Using the new BI technology enables the boss to get the summary which is needed, as well as easy access to all the details which may be required at the click of a mouse. There is no need for a separate report for the 'boss' and a separate one for the subordinate. The boss can decide what level of details is required by him. No one else needs to decide that for him.

Let me show you some real life examples of an Accounts Receivable module which we have developed for one of our clients. The MD of a company can see the overall SBU level Accounts Receivable aging as follows (Figure 1):

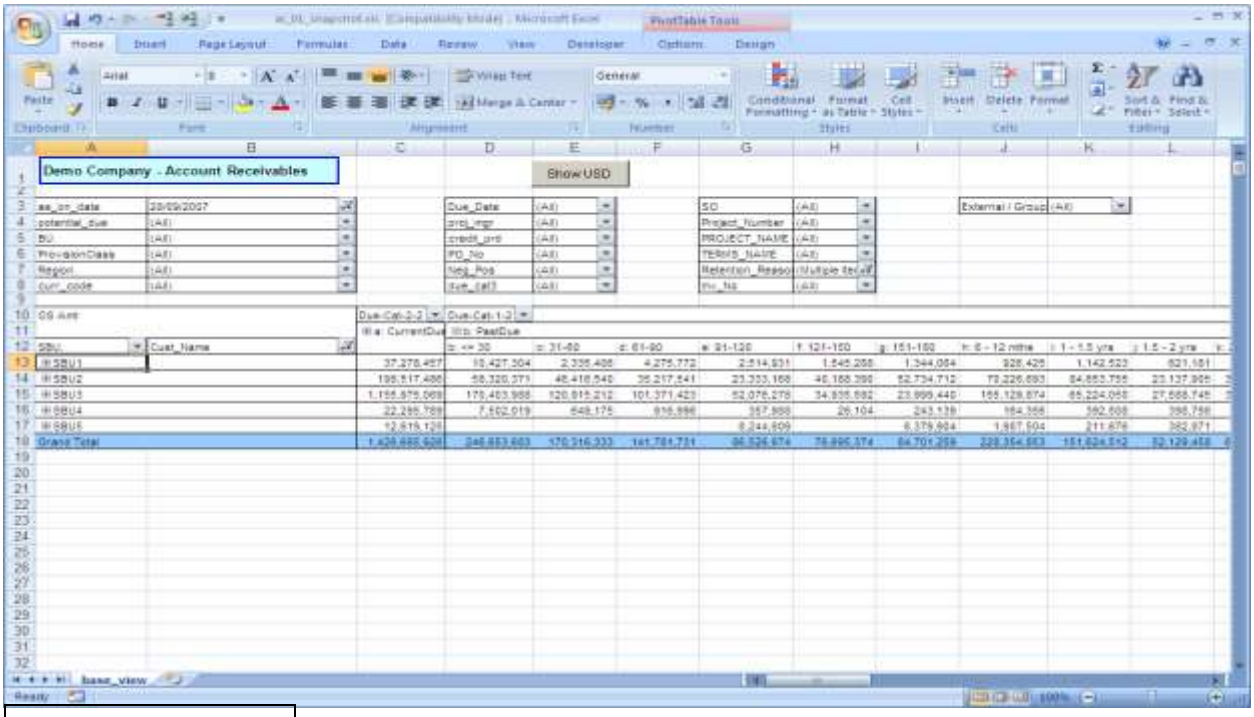


Figure 1

However, if the MD wants to review the top 10 customers of any SBU, all that has to be done is to double click on the SBU and the report shows the customers within the selected SBU (Figure 2) :

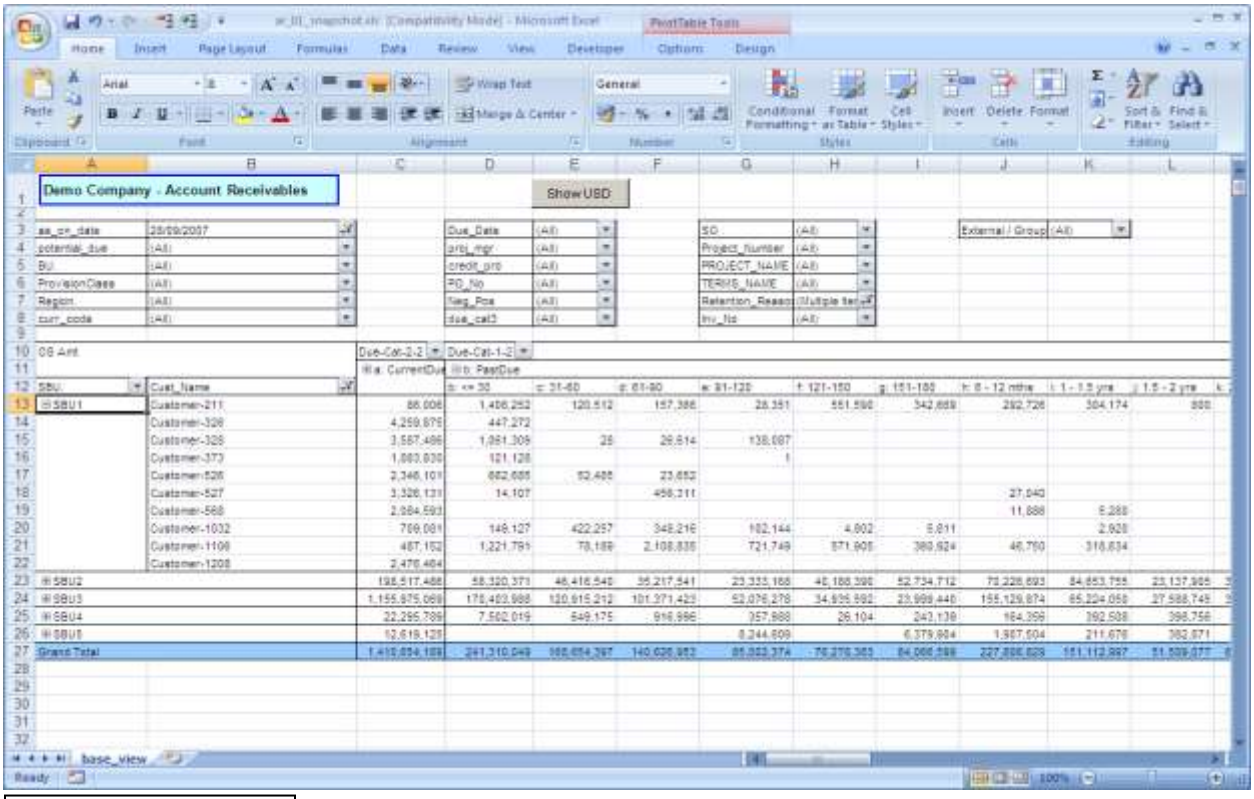


Figure 2

Further more one can drill down lower and lower right up to the outstanding invoice. So in effect what the report has achieved is to give him the summary which is needed, but also the power to do any Adhoc analysis which is required, without any further assistance from his subordinates. I think this is the most amazing aspect of the new BI technology.

And as you would have noticed the above reports are in Excel. Excel itself has got very strong BI capabilities, especially when it is connected to a database. Being in Excel, the report is extremely easy to use and there is no resistance from users as they are very familiar to Excel. And of course the overall cost of the solution is low, as you have already invested in Excel for your other general work as well.

Step B : Design the BI reports well

While designing , it is essential for the BI designers to bring out 'intelligent' dimensions in the report so that the report brings out the undesirable situations easily and the boss does not have to do deep digging each time. I have dealt with this topic in my other articles.

However I would like to specifically mention one important point. It is important to design reports so that senior managers can first see a summary or a 'big picture' as it is called. But what is the meaning of a summary ? Does it mean 5 lines or 50 lines or 100 lines ? What is summary for the boss, could be a detailed report for his boss.

I suggest we borrow the principle of span of control from management theory. This principle refers to the number of people an executive can effectively manage. Studies done way back in 1922 in UK by Sir Hamilton by showed that no more than 3 to 6 people can be effectively controlled. Let's adapt this to assume that the human mind can effectively control about 6 items at a time. This means that a BI report should not have more than 6 to 7 rows or 6 to 7 columns at any point. Beyond this the report becomes too detailed for the human mind to grasp understand. From a common sense perspective also this makes a lot of sense.

So when a report is being designed, define roll up groups in such a way that at any point in time the user is able to see just about 7 rows. If the user wants to see more details, one can drill down any row, which will again show again about 7 further rows of detail. Of course this is a generalization, and may not apply to each dimension. But this is a very useful rule of the thumb while designing 'summary reports'.

To continue with the above example in Accounts receivable, the company had a large number of business units. Trying to read even the summarized data of each business unit was a difficult task. So the business units were rolled up into SBU's. This made the information viewing more structured. You saw above the summary at the SBU level. The MD can drag the BU dimension and expand it to see the BU's within each SBU, as you can see below (Figure 3):

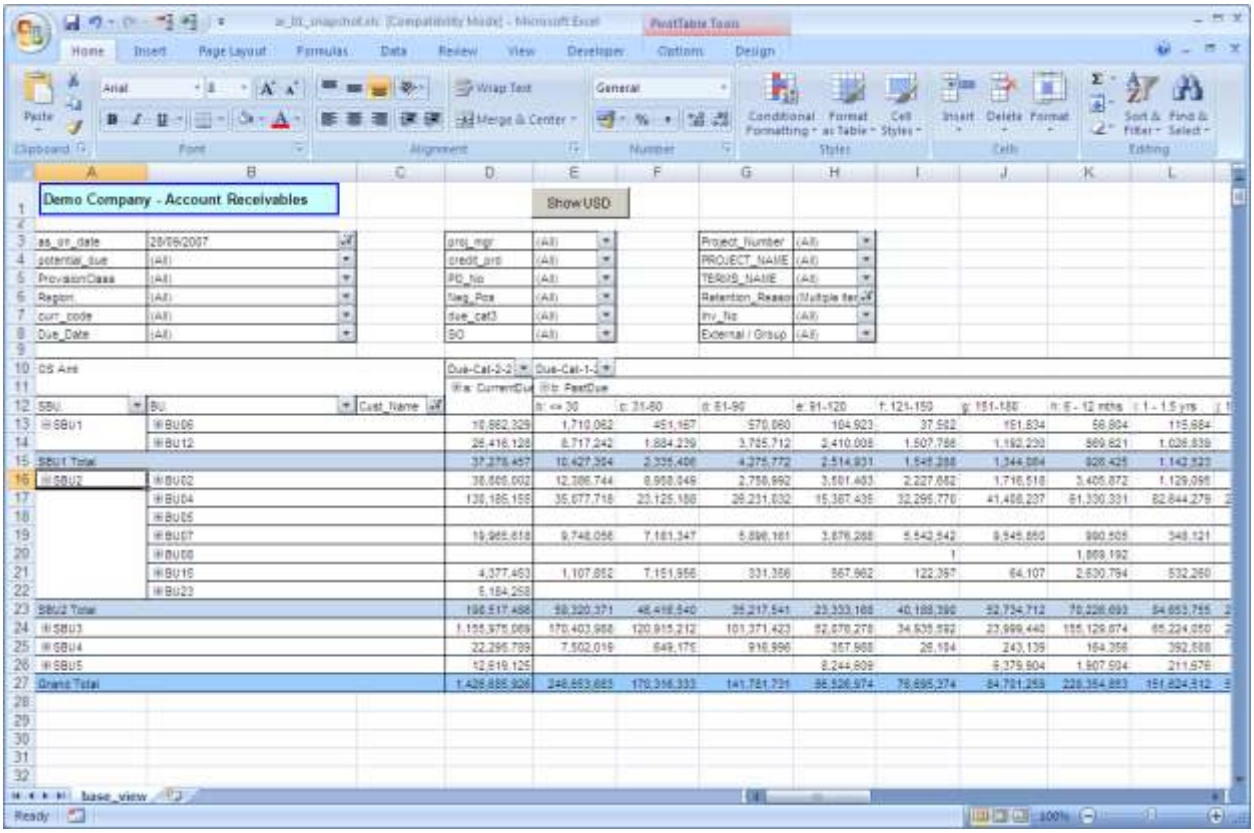


Figure 3

I am sure you would agree that this step-down approach is a much easier way of reading reports.

Step C : Create the buy-in throughout the company to use these reports only and nothing else.

Even after spending money on the BI solution, there is still a lot of inertia in starting to use this new reporting method. Sometimes we have found political reasons why the new system is not being used. People who were handling the old method are peeved. They find their role cut short, and they put the proverbial spoke in the wheel to short circuit the new process. Here the management must step in decisively - nothing but the new system. Only this type of a hard headed and stubborn approach will create the necessary thrust to push the new system in usage.

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Conclusion :

BI technology has considerably changed the way MIS reports can be generated. It is important for management to realize the shortcomings of the traditional technologies and start investing in new technologies of generating information. Unlike other IT products, in my opinion BI is not something

which can be purchased off the shelf. You can buy a BI product off the shelf. But the BI solution has to grow organically in your company. You need to find a good BI design partner who will understand your needs and design an effective solution. The key to success of BI is to a very large extent the design of reports.

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About the Author:

Sanjay Shah (B.Com, CA) is the CEO of Prosys Infotech Private Limited, a Pune; India based company specializing in developing BI solutions on the Microsoft BI Platform. Prosys has developed BI solutions for various companies like Honeywell Automation India Ltd., Alfa Laval India Limited, Kirloskar Group Corporate Office, Kansai Nerolac Paints Limited etc. He can be contacted at sanjay@prosysinfotech.com.