

Performance focus

Actionable principles to position the FP&A function at the center of business performance optimization – summarized one page at a time.

What are the fundamentals of management reporting?

Foundational Management Reporting



Introduction

It's not uncommon for finance and accounting professionals to conflate the purpose of financial and management reporting. Where financial reporting is centered around external communication of historical results, management reporting is intended to optimize the efficacy of decision-making among internal business managers. Although there are many ways to implement effective management reporting, we believe there are fundamental elements that should not be overlooked – both in terms of the types of reports to be included in the overall reporting package as well as the components of each individual management report.

Financial Reporting

- ✓ External audience orientation
- ✓ Structured with accounting standards
- ✓ Absolute historical performance



Management Reporting

- ✓ Internal audience orientation
- ✓ Structured to reflect business economics
- ✓ Relative historical and future performance

Components of Individual Management Reports

Management Reporting Package

What's Included		P&L Performance	P&L Full-Year Outlook	P&L Monthly Outlook	Financial Standing	Cash Flow Performance
Financial Scorecard	Relative performance variances with stoplight or heatmap color-coding	<ul style="list-style-type: none"> ✓ Actual vs. forecast for month ✓ actual vs. plan YTD 	<ul style="list-style-type: none"> ✓ Current forecast vs. prior forecast ✓ Current forecast vs. plan 	<ul style="list-style-type: none"> ✓ Actual & current forecast performance by month 	<ul style="list-style-type: none"> ✓ Current month vs. prior month (YTD) ✓ Current forecast vs. plan (Year-End) 	<ul style="list-style-type: none"> ✓ Current month vs. prior month (MTD) ✓ Current forecast vs. plan (Full-Year)
Key Performance Indicators	Relevant KPI's aligned and supporting report information	<ul style="list-style-type: none"> ✓ Growth & profitability 	<ul style="list-style-type: none"> ✓ Growth & profitability 	<ul style="list-style-type: none"> ✓ Growth & profitability 	<ul style="list-style-type: none"> ✓ Working capital efficiency ✓ Liquidity & solvency 	<ul style="list-style-type: none"> ✓ Operating, investment, financing, & free cash flow (dollars & yields)
Visual Snapshot Analytics	Supporting charts and/or graphs	<ul style="list-style-type: none"> ✓ Variance driver & profit attribution bridges (R-V) 	<ul style="list-style-type: none"> ✓ Variance driver & profit attribution bridges (R-V) ✓ Forecast variance driver attribution 	<ul style="list-style-type: none"> ✓ Growth & profitability trends, forecasts, and Y/Y comparisons 	<ul style="list-style-type: none"> ✓ Liquidity & solvency trends and forecasts 	<ul style="list-style-type: none"> ✓ Cash and/or borrowing availability trends and forecasts
Insights	Distilled and thorough explanations of performance	<ul style="list-style-type: none"> ✓ Growth & profitability performance variance drivers 	<ul style="list-style-type: none"> ✓ Growth & profitability performance variance drivers 	<ul style="list-style-type: none"> ✓ Timing related growth & profitability performance drivers 	<ul style="list-style-type: none"> ✓ Drivers of changes to financial standing 	<ul style="list-style-type: none"> ✓ Drivers of cash flow performance
Recommendations	Clear and actionable next steps for decision-makers	<ul style="list-style-type: none"> ✓ Growth & profitability levers 	<ul style="list-style-type: none"> ✓ Growth & profitability levers 	<ul style="list-style-type: none"> ✓ Timing related growth & profitability levers 	<ul style="list-style-type: none"> ✓ Working capital, liquidity, & solvency levers 	<ul style="list-style-type: none"> ✓ Cash flow performance levers