

Management Reporting Concepts

The effective manager should not be mired in detail, in order to monitor the progress towards achieving the desired outcome, as defined in the financial and business plan. The financial and inventory metrics need to be provided in a readily available and easy to understand format.

The primary management reports must be accurate and prepared on a timely basis. Anything less than first-class management reporting standards is simply unacceptable.

The key financial statements, consisting of the balance sheet, income statement and statement of cash flow must be available, on a demand basis, for interim reporting, and within a few days of the end of a period, on a fully reconciled basis. There is simply no valid excuse for settling for lesser reporting standards.

To augment the financial statements, a number of valuable financial reports, need also to be provided to management. These management reports include:

- Comparative financial statements to the financial forecast or budget
- Analysis of the major deviations or variances from the plan
- Month to month comparative financial statements, such as a rolling 12- month financial statement and comparisons to the previous year

The key financial metrics of the business should be summarized and compared to planned and past results and also to industry standards. This type of concise report to management provides a quick overview of the progress of the business and a guide for the improvements, which must be implemented.

The furniture retailing manager should also be studying those sales and inventory analysis reports, which provide the most complete summary of the key business components – major product category, vendor and salesperson. The fundamental information, provided by the key reports, should include sales, cost of sales, gross margin, GMROI, percentages of the total business, inventory valuation, best seller stock analysis and the aging of in-stock merchandise.

As with the financial metrics, the inventory metrics should also be compared to planned and past results, as well as to the retail furniture industry typical high profit store results.

Strong consideration should be given to the use of graphs and charts to provide management with the most informative analysis of the state and progress of the business.

Access to the information included in these various financial, merchandising and analytical reports must be provided, to allow the furniture retail manager to truly understand the business. The effective use of these key reports will enable the manager to make those key decisions, which will result in the achievement of the organization's objectives.