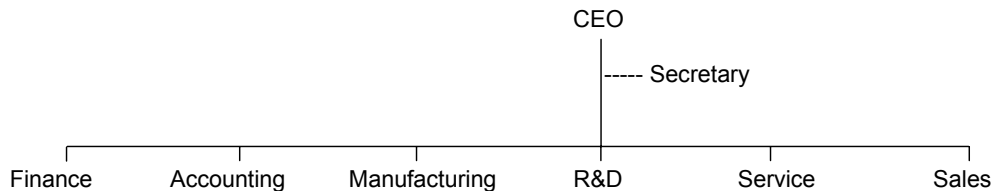


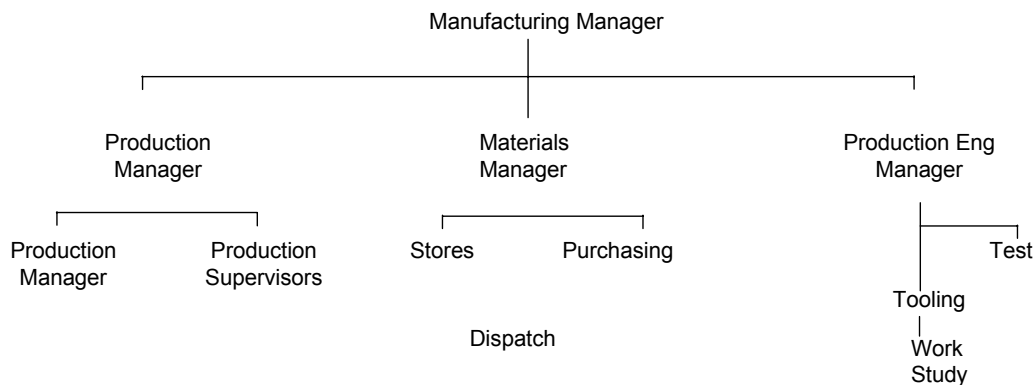
THE PRINCIPLE OF CONTRADICTION REPORTING©

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A Chief Executive or a senior manager in a business organisation usually has a wide span of control with a number of departments reporting directly to him. In a technology based manufacturing business for example the company structure under the CEO at the first level may be somewhat similar that shown below.



Considering one department, such as manufacturing, this may be further broken down -:



As the company structure expands in a tree like fashion from the CEO down through the subordinate staff to the shop floor the question must be asked; how can the CEO know exactly what is going on within the organisation? How can he know who are the good managers, and moreover, how can he be sure that what he is being told is accurate and not distorted by some aberration or failure of the reporting system. The CEO has the ultimate responsibility and it is unacceptable for him to use ignorance as an excuse. The CEO must know exactly what is happening at all times, and he must have the foresight to see trends which may turn to problems in good time to take corrective action.

For each staff manager the position is exactly the same. Information from subordinates which gives incorrect or distorted information is no excuse for failure and a method of reporting which highlights both good and bad managers and ensures accurate reporting must be in place for the business to prosper.

Before considering this principle however it is useful to first look at a business system which has either no reporting or an inaccurate system of reporting in place.

A good analogy is that of a ball rolling down a chute or tube. In this case as the ball rolls it bumps from side to side, and perhaps up and down, but with each movement off course it hits a side and is redirected back to the centre. Thus the motion could be seen as that of a corrected zig-zag down the tube. As the ball emerges from the tube it holds its course for a short distance and then begins to wander off the original line. It wanders slowly at first, and then as no correction or feedback is applied, the wandering increases until the trajectory of the ball bears no relationship at all to the original direction.

So it is with a business. It starts out with a direction or “mission” and reporting points are used to observe its trajectory. At some point when a manager may observe that a reporting point is at the limit of what is deemed acceptable corrective action is taken to redirect that area of the business to bring it back on course. Obviously, without accurate reporting and feedback the business direction would be quite arbitrary.

The importance of reporting is thus obvious. By using the principles outlined in this paper a structured reporting system can be developed which is both accurate and informative and also serves to keep managers alert at all times.

In short, the principle involves the very careful selection of perhaps five reporting parameters for each manager. The key to success is however, the choice of just what parameters to report as each parameter should be chosen so as to exclude or contradict the other parameters.

For example, consider the position of Production Manager in a manufacturing organisation, what report parameters would be selected?

The first parameter chosen should attempt to monitor the primary job function, which in this case is, how many goods were made?

Following the contradictory reporting principle other reporting parameters must now be selected which monitor factors which are a subset of the primary reporting parameter. The aim is to ensure that the production output goal is not achieved at the expense of some other highly important and potentially costly other goal.

The Production Manager may give excellent reports on output but he may be achieving these by use of extra headcount or by working excessive overtime. Perhaps then both overtime and headcount should also be reported. Similarly, high output level, even within headcount and overtime constraints may be achieved at the expense of quality, hence some measure of quality must be instituted. Finally, all of the above reporting points may be able to be achieved by excessive pressure on production workers such that output is good, overtime is low and quality is good but the turnover of staff or headcount is excessive indicating that people are unhappy working with the company.

Thus it can be seen that for the Production Manager the reporting points may be:

(a) Output

- (b) Headcount
- (c) Overtime
- (d) Quality
- (e) Staff turnover

For each of these reporting points goals should be set and timely reports presented to show performance against these goals. **By creating such a set of contradictory reporting points the manager is essentially forced to operate within a framework where all variables relate to all other variables.** Such a framework when used with difficult but achievable goals creates a stimulating working environment which guarantees accurate measurement of the managers overall performance.

When establishing the reporting parameters it is also valuable to have at least two of those parameters also reported within another department as an additional check.

In the case of the Production Manager for example, the Personnel Department would also be likely to have staff turnover as a reporting point and perhaps would also report direct wage costs; which of course monitors both overtime and headcount.

Another example of contradictory reporting may be with the Sales Department. In this case the primary job function would be the number or value of orders written and some appropriate subset reporting parameters may be:

- number of sales staff employed
- expenditure on advertising and promotion
- total discounts allowed
- number or value of bad debts

In the case of discounts allowed and number and value of bad debts, the Accounts Department could also be made to report on these points.

When implementing a system of management reporting it is essential that the presentation of reports is made extremely simple. So simple indeed that the information presented can be taken in at a glance and any excursions outside the performance boundary must be highlighted. If reports are allowed to become too complex in nature and presentation they soon become overlooked and the vital information they intend to provide is lost.

The keys to effective management reporting therefore embrace the following points:

- select a primary job function for each department
- select a subset of contradictory reports for each department
- cross monitor some reports with other department
- keep management report presentations simple
- for every report highlight any excursion outside the allowable performance window.

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