

Dashboard reporting

A guide to improving management reporting in SMEs



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Background

This guide is the final in a series of three publications on improving business performance published by CPA Australia.

Improving business performance involves:

- Evaluating business performance to find areas where business performance could be improved. See CPA Australia's *Business evaluation guide* at **cpaaustralia.com.au/smallbusiness** for more information.
- Implementing actions in areas where the business determines that its performance should improve. See CPA Australia's *Improving business performance* at **cpaaustralia.com.au/smallbusiness** for more information.
- Monitoring and reporting actions taken to improve business performance. This guide will help business use dashboard reporting to better report on key business drivers, which in turn helps to improve decision making and implement a continual improvement process.

Reporting the key drivers and risks in dashboard reports provides decision makers with quick and easy-to-understand reports that will assist in improving business decision making.

Author

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Introduction

Every business owner and manager will benefit from implementing processes that provide information on business performance that can be easily evaluated to identify areas for improvement, risks and trends. One method of providing such information is dashboard reporting.

Like a car dashboard, the objective of dashboard reporting is to provide clear and concise information of the key drivers of business performance. Dashboard reporting should be a synopsis of business operations and provide information in a visual format that is easy to read, remembered and understood by key decision makers in a business. This should in turn improve decision making.

This guide has been developed to help businesses introduce dashboard reporting. A case study has been included to provide a practical example of dashboard reporting.

Why use dashboard reports?

For continual improvement of business performance, all business owners and managers should step back from the day-to-day activities of their business and review the bigger picture of business operations on a regular basis. To assist with this, business owners and managers should receive regular management reporting.

The objective of management reporting is to provide useful information on a regular basis to business owners and management that highlights key issues, risks and trends in the business. Key decision makers should use such reporting to inform their decision making.

Most financial software systems provide myriad reports to help meet compliance requirements and monitor the financial results of a business. Smaller businesses in particular are unlikely to generate these reports and, if they do, the business owner or management may not necessarily fully understand them or use them to inform their decision making.

Generally, this would be due to such reports being difficult to read and understand and most business owners and managers are time poor. Sifting through numerous and detailed management reports to find relevant information and identifying issues from such reports tends to be low on the list of priorities for many business owners and managers. Dashboard reporting is one method to improve management reporting and increase the likelihood of such reports being used. It does this by presenting critical information on key business drivers and risks in a visual format and in one or two pages at most, making dashboard reporting easy to read and interpret without detailed explanation.

As dashboard reports provide an overview of consolidated business information, usually in a visual format and focused on key metrics and risks, users of the reports are more likely to read them regularly and initiate actions or ask appropriate questions.

The information in a dashboard report should facilitate discussion or focus where deviations from benchmarks are noted and encourage management by exception. In essence, the report provides triggers for further action if required.

Business performance is not just about financial performance. Operational performance is also an important measure. Dashboard reports should also include operational measures to improve decision making.

It is important to note that dashboard reporting can be applied by any business in any industry as the report can and should be tailored for each business. Further, dashboard reporting can be prepared for different areas of a business.

Limitations of dashboard reporting

The value of dashboard reporting is its clear and concise presentation of key business drivers and risks. Such value is lost where it reports in great depth or on a wide variety of drivers. Details on problems highlighted in a dashboard report should be provided in separate, more detailed reporting.

It is important that business owners, managers and other users of the dashboard reports understand that the information given will only be effective where: the data that is used to generate the reports is kept up-to-date, the reports are reviewed regularly and the information contained in the reports is useful to decision makers (reporting that may have been useful three years ago may no longer be relevant).

Using spreadsheets to prepare dashboard reports can lead to some risk. Importing data directly from one system to another carries less risk than re-entering data into a report (data entry errors). However, spreadsheet reports may require manipulation of the data to present the information in a useful format. Regular review of any formulas and other formatting within the spreadsheet should be undertaken to ensure the validity of the information.

Creating dashboard reports

Planning the report

For dashboard reporting to become a tool that drives important business decisions, it is important to understand what key information needs to be included in the report. This requires planning.

The planning should outline:

- the information needs of the users of the report
- the other key areas that should be monitored
- information that is currently available
- information that will have to start being collected

It may take more than one person to find out what key drivers are to be reported on, the design and construction of the dashboard and the collation and the interpretation of information. It should be noted that information for a metric on a dashboard may come from different sources and systems.

Businesses may like to consider using their external accountant to assist in the planning and design of a dashboard report.

What to include in a dashboard report

Step 1 – determine what to include in a dashboard report to evaluate business performance and note areas critical to business performance and underperformance.

Step 2 – incorporate any key measures implemented to improve business performance as a result of the evaluation into the dashboard report.

Step 3 – identify the key strategic goals and other key goals of the business from the business plan and sub-plans, such as the marketing plan.

Step 4 – incorporate key risks into the report. For example, reporting on the likelihood of breaches of compliance requirements (such as bank covenants or accreditation).

Step 5 – incorporate opportunities into the report such as forecast information and trends.

Step 6 – consider who will be using the dashboard report. Considering who the audience is will ensure that the reports can be developed to meet their needs. While it may be relatively simple to identify the users of the report, a business evaluation may highlight other potential users of the report, such as those responsible for problem areas.

The audience can also be external stakeholders to the business, such as suppliers, lenders, shareholders and industry associates.

Step 7 – speak with your identified audience and ask them what their key information needs are.

Step 8 – speak with employees and your external accountant to identify the information they believe key decision makers should be aware of.

Step 9 – filter the information from the above steps to identify the key drivers and risks of the business. In filtering the information, the business should ask why this information is important.

Developing the information

Once the business has identified what to include in a dashboard report, the next step is to design how the information is to be presented in the report. To assist in this, the business should consider:

- why this information is important
- why the issue included in the dashboard report is happening
- the performance measures or key metrics of the business
- the acceptable levels of variance for the key metrics
- the impact that each issue reported on will have on future performance
- how often users need information

The next step will be to categorise the information. For example, dashboard reports could be presented in groups such as historical information, forecasts and trends, operational activity, compliance and strategy. The grouping should be developed specifically for whatever works best for the users of the information.

Developing key metrics

When developing key metrics, businesses may like to set critical success factors and then key performance indicators (KPI) for each of these factors. For example, ongoing profitability will be a critical success factor for all businesses. KPIs on profitability could include measurements of sales, margins and expenses.

Metrics should be easy to create, understand and explain. They should be aligned with any assumptions used in the business, only highlight the most important issues and provide information on trends (positive or negative).

It will be important to set only as many metrics as necessary for the dashboard report. Remember the report is to be used as a trigger for further analysis, not to include micro-level details of the business.

The dashboard report should also be flexible so that new metrics can be introduced and metrics that are no longer relevant can be omitted.

When developing the dashboard report, it is important to remember that dashboard reporting is most effective where the number of metrics reported on is limited to the key drivers and risks of the business.

Table 1 below provides examples of the types of information that should be considered including in dashboard reporting. This table is not intended to provide a complete list. Those developing the dashboard should keep front of mind that the report will be most useful where there is a “mix-’n’-match” of relevant information. Please remember, a business should concentrate on preparing metrics for the few key drivers and risks that are most relevant to decision makers.

Table 1: Examples of the types of information that could be included in a dashboard report

Business area	Information to include in dashboard report
Sales	<p>Sales information can be reported as an individual dashboard report or included in the overall business report. Examples of information that could be included are:</p> <ul style="list-style-type: none"> • sales for the period (weekly, monthly, quarterly, annually) • comparison of sales for same period previous year • comparison against budgeted sales • cumulative sales for the period • total discounts applied • total discounts as a percentage of sales • number of sales • average value of sales • percentage of sales that are: <ul style="list-style-type: none"> – cash – credit • sales by employee • sales by item • top selling items • sales growth rate • number of new customers
Work in progress	<p>Information that could be included under work in progress includes:</p> <ul style="list-style-type: none"> • number of orders taken • orders in progress • orders completed, not invoiced • outstanding deliveries • production issues
Gross profit	<p>Information that could be included under gross profit includes:</p> <ul style="list-style-type: none"> • stock purchases for the period • stock on hand • stock ageing • stock on order • gross profit value • gross profit margin • mark-up

Business area	Information to include in dashboard report
Net profit	<p>Information that could be included under net profit includes:</p> <ul style="list-style-type: none"> • total amount of variable expenses • variable expenses against sales as a percentage • total amount of fixed expenses • fixed expenses against sales as a percentage • monitoring variations to individual expense items from previous periods by setting appropriate trigger points, such as an increase by 5% or by dollar value • net profit value • net profit margin • breakeven calculation
Business efficiency	<p>Information that could be included under business efficiency includes:</p> <ul style="list-style-type: none"> • debtors days • creditors days • inventory days • work in progress days • stock turnover • stock on hand to total assets • aged debtors report • aged creditors report
Cashflow/liquidity	<p>Information that could be included under cashflow/liquidity includes:</p> <ul style="list-style-type: none"> • cash balances, including investments • financing facilities, including amounts drawn, available term and interest charges • cashflow forecast • working capital available • current ratio • quick ratio • leverage ratio • debt to asset ratio
Balance sheet	<p>Information that could be included under balance sheet includes:</p> <ul style="list-style-type: none"> • total sales to total assets • return on assets • return on investments
Business planning	Key metrics developed to monitor business performance against business strategy.
Other key performance indicators	This is dependent on the nature of the business, the goals of the business, business drivers and risks.

Data collection

Although it is likely that developing the dashboard report will take some time and resources at first, it is important that once the reports have been designed and implemented, they be easy to populate and produce on a regular basis. Ideally, data collection should be relatively automated with little or no intervention required. Data collection should form part of routine business operations and be aligned with the existing systems of the business.

Format of the dashboard report

Once the metrics have been decided and the information sourced, then the next step is to format a meaningful dashboard report that is quick to populate, easy to understand and captures all the relevant information for users.

Although formats will vary according to business needs, typically the key strategic issues will be displayed at the top of the report with the lower level KPIs displayed below. Business owners and managers may consider producing a number of dashboard reports to cover different areas within the business.

It may also be useful to develop the report into groups such as historical, current and forecast. The grouping of information should be based on what works best for the business.

Finally, the presentation of the information will be critical to the success of dashboard reporting. Dashboard reporting should be visual and engaging. Visual presentation can include charts, colours, symbols (for example, up and down arrows, traffic lights) and any other method that is easy to read and understand. The report can also include numbers; however, these should be kept to a minimum – remembering that the objective of dashboard reports is to provide an overview of information that triggers further analysis if required.

If your financial software is unable to give you the visual presentations you seek, you could export the data to a spreadsheet, where various charts and tables can be developed.

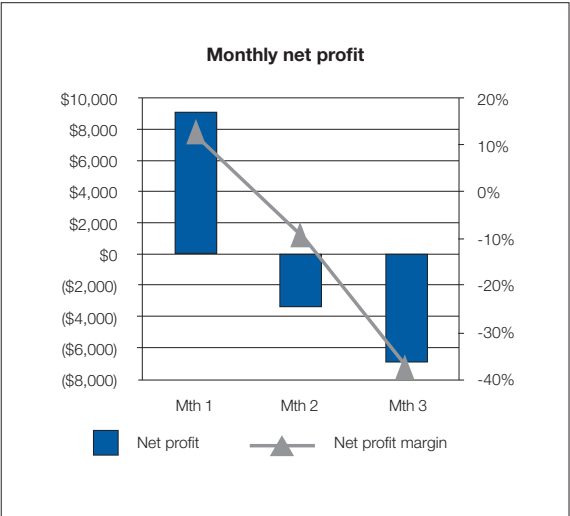
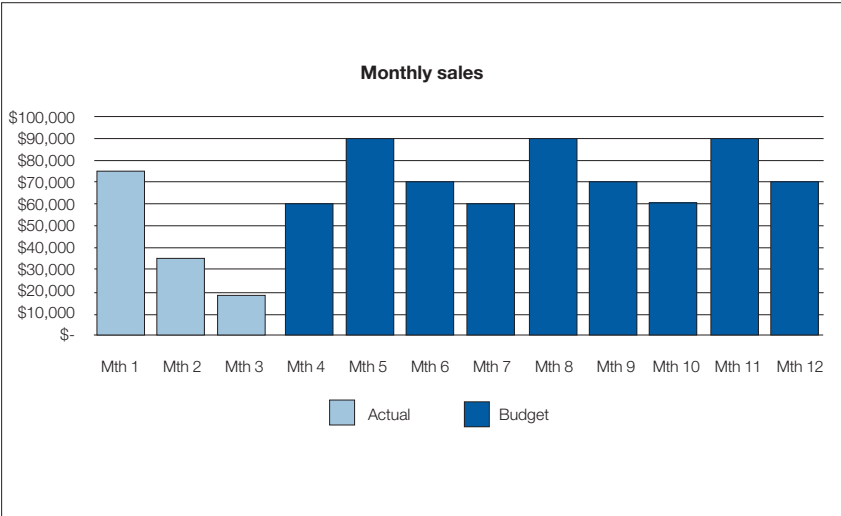
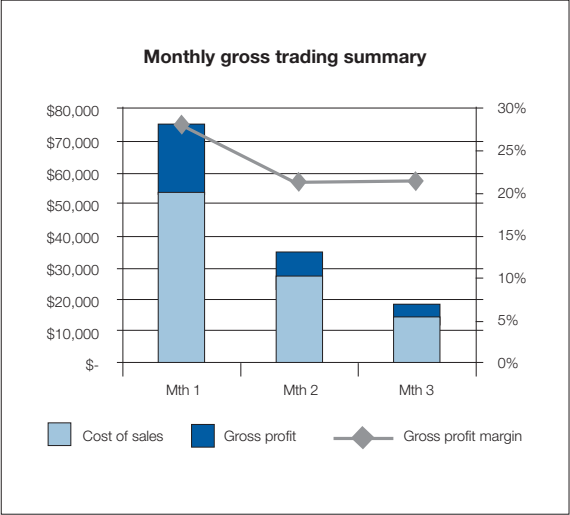
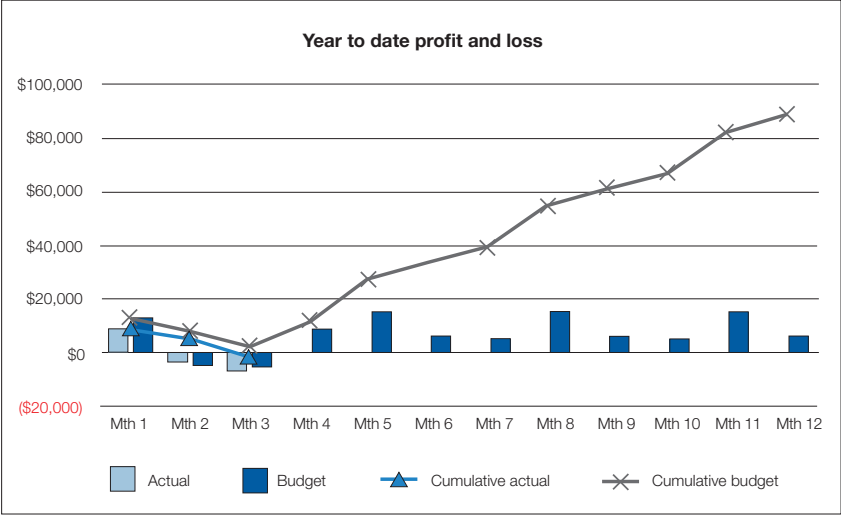
Two examples of dashboard reports are provided on the pages following.

Frequency

When deciding the frequency of reporting, it is essential to assess the resources available to generate and action results from the report as well as understanding the needs of the business and who the audience will be.

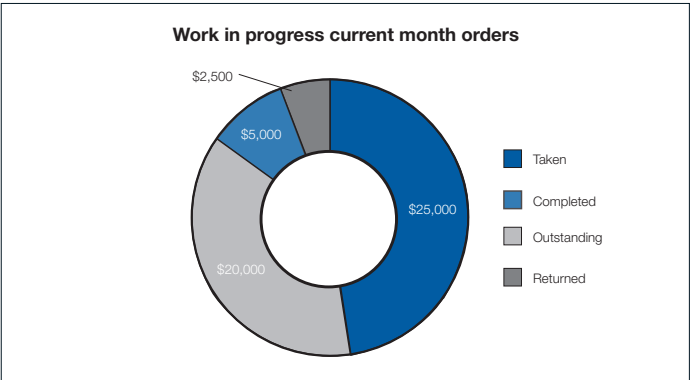
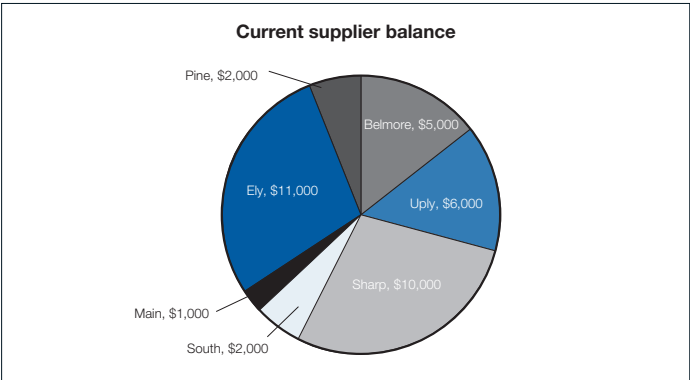
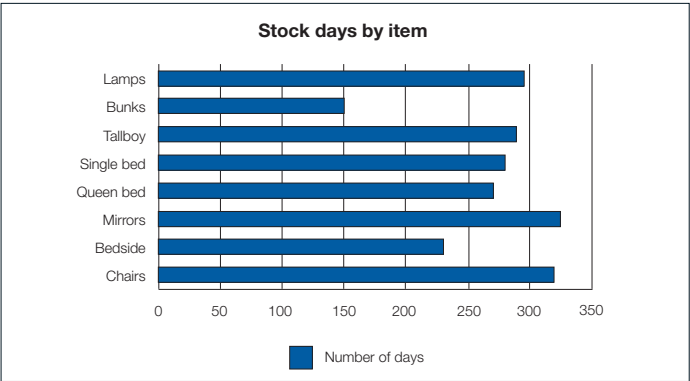
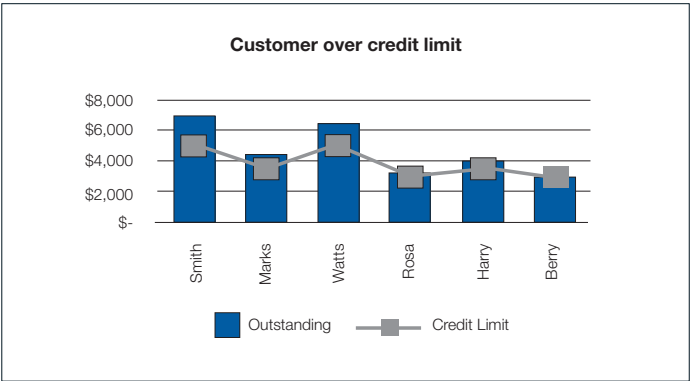
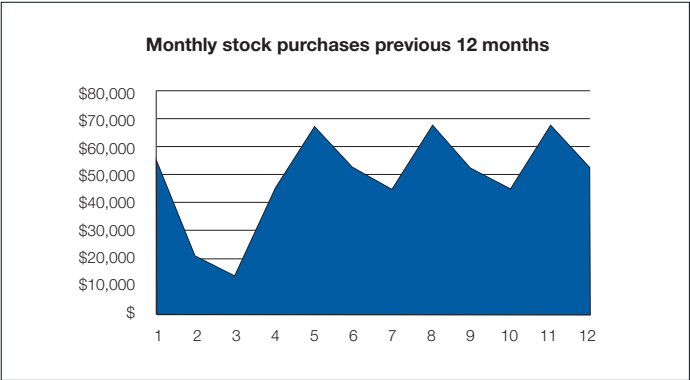
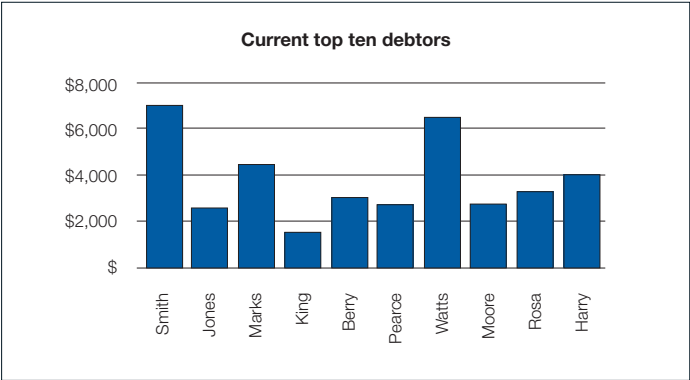
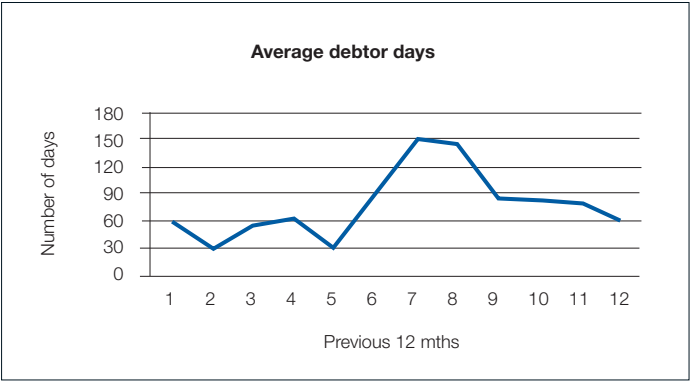
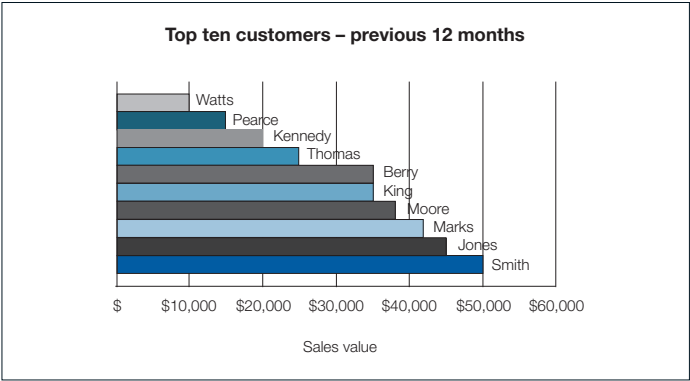
Generally, all businesses should generate monthly reports; however for some businesses weekly dashboard reporting may also assist. For example, for a business that has high weekly sales or where there is a large amount of work or orders in progress, weekly reporting can provide key information such as stock balances, staff productivity, sales information including number of customers, average sales value, production outputs and delays in processes.

Example one: profit / cashflow dashboard



Cashflow												
	Mth 1	Mth 2	Mth 3	Mth 4	Mth 5	Mth 6	Mth 7	Mth 8	Mth 9	Mth 10	Mth 10	Mth 12
	Actual			Forecast								
Open bank	\$16,000	\$15,225	\$37,217	\$60,817	\$71,134	\$69,784	\$77,381	\$32,698	\$31,348	\$38,945	\$24,262	\$22,912
Cashflow in	\$67,200	\$68,400	\$73,200	\$67,200	\$79,600	\$73,200	\$67,200	\$79,600	\$73,200	\$67,200	\$79,600	\$73,200
Cashflow out	\$67,975	\$46,408	\$49,600	\$56,883	\$80,950	\$65,603	\$111,883	\$80,950	\$65,603	\$81,883	\$80,950	\$65,603
Close bank	\$15,225	\$37,217	\$60,817	\$71,134	\$69,784	\$77,381	\$32,698	\$31,348	\$38,945	\$24,262	\$22,912	\$30,509

Example two: working capital dashboard



Conclusion

The use of dashboard reporting will assist business owners and managers in improving their decision making process and hence business performance. When used in conjunction with business evaluation, the key metrics can be set to monitor all important business drivers and risks. This should encourage regular review and action where required.

The dashboard report should align with the business strategy and be easy to create, understand and explain. The dashboard report also needs to be flexible to introduce new, more relevant metrics to support the continual improvement of the business.

Dashboard reporting should be developed with due consideration to the needs of users.

Where the business has a number of employees, processes, various divisions, locations or projects then a dashboard report for each of those areas may be advantageous.

Significant advantages to the business will be achieved when the reports are prepared frequently and in a format that the user can easily read. The use of visual aids is the most common form of dashboard reporting, as this provides a quick and concise presentation of key information.

Implementing dashboard reporting into the business will ensure that the important metrics for business success are continually monitored and actioned upon.

Appendix A: Dashboard reporting – a case study

To assist in developing a dashboard report, the following case study is provided as a guide. This case study should only be used as reference in developing your own business dashboard report. This case study also includes an example of a dashboard report

Bundalong retail plant nursery

Bundalong retail plant nursery is situated in a rural town which has a population of approximately 38,000 residents. The nursery has been operating for 15 years and in the past few years, has been recording operational losses. The business evaluation was undertaken in July of the current year.

The business evaluation for this case study involved a review of the financial information against the benchmark information together with a review of documentation provided and physical procedures noted during site visits.

Financial statements

Profit and loss statement for year ended July

	Current year (\$)		Previous year (\$)	
Sales	438,707.15		345,314.93	
Cost of goods sold				
Opening stock	119,979.00		71,573.65	
Purchases	224,938.00		214,050.11	
	344,917.00		285,623.76	
Closing stock	96,490.49		119,979.00	
Total cost of goods sold	248,426.51	56.64%	165,644.76	47.97%
Gross profit	190,280.64	43.36%	179,670.17	52.03%
Operating expenses				
Salaries	233,294.80	53.18%	200,236.01	57.99%
Overheads	85,903.42	19.58%	96,691.18	28.00%
Total operating expenses	(319,198.22)	72.76%	(296,927.19)	85.99%
Net loss	128,917.58		117,257.02	
Average stock held for each year	\$ 108,234.75		\$ 95,776.33	

Breakdown of operating expenses

Operating expenses	Current year		Previous year	
	\$	% of expense	\$	% of expense
Cleaning contract	1,740.00	2.03	1,160.00	1.20
Repairs and maintenance				
Buildings	794.26	0.92	656.39	0.68
Equipment	978.22	1.14	859.64	0.89
Furniture and fittings	1,702.80	1.98	1,626.81	1.68
Grounds	4,656.30	5.42	9,646.20	9.98
Electricity	2,821.48	3.28	2,729.10	2.82
Vehicles				
Fuel	3,220.07	3.75	2,578.55	2.67
Registration	355.00	0.41	352.20	0.36
Insurance	1,250.00	1.46	1,200.00	1.24
Repairs and maintenance	1,712.51	1.99	1,872.71	1.94
Transport – contract	—	—	460.04	0.48
Depreciation				
Equipment	5,152.84	6.00	5,421.84	5.61
Furniture and fittings	4,324.41	5.03	4,961.39	5.13
Motor vehicles	6,392.29	7.44	6,577.53	6.80
Advertising	14,515.12	16.90	15,954.60	16.50
Uniform costs	277.89	0.32	451.54	0.47
Printing and stationery	1,017.50	1.18	892.62	0.92
Telephone	2,655.50	3.09	2,960.61	3.06
Staff provisions	1,431.55	1.67	1,665.49	1.72
Rent	22,455.00	26.14	19,525.00	20.19
Equipment	620.00	0.72	1,222.22	1.26
Staff training	310.09	0.36	438.18	0.45
Travelling	191.07	0.22	76.63	0.08
Materials and supplies	529.48	0.62	581.65	0.60
Bank charges	3,013.19	3.51	2,809.30	2.91
Memberships and subscriptions	579.32	0.67	520.00	0.54
Health and safety	259.30	0.30	117.79	0.12
Postage	364.70	0.42	369.44	0.38
Computers	—	—	4,504.14	4.66
Sundry administration costs	2,583.53	3.01	1,681.39	1.74
Consultancy fees	—	—	2,818.18	2.91
Total operating expenses	85,903.42		96,691.18	

Balance sheet

	Current year (\$)	Prior year (\$)
Assets		
Current assets		
Cash/bank	16,320.00	65,777.82
Debtors	14,280.00	32,000.00
Stock	96,490.00	119,979.00
Other	4,210.00	5,500.00
Total current assets	131,300.00	223,256.82
Non-current assets		
Delivery vehicle	75,000.00	75,000.00
Less accumulated depreciation	(19,547.35)	(12,969.82)
Total	55,452.65	62,030.18
Nursery fit out	115,000.00	115,000.00
Less accumulated depreciation	(66,955.45)	(61,994.06)
Total	48,044.55	53,005.94
Equipment	50,000.00	50,000.00
Less accumulated depreciation	(41,021.20)	(35,599.36)
Total	8,978.80	14,400.64
Total non-current assets	112,476.00	129,436.76
Total assets	243,776.00	352,693.52
Liabilities		
Current liabilities		
Creditors	65,000.00	48,000.00
Credit card	15,000.00	12,000.00
Total current liabilities	80,000.00	60,000.00
Non-current liabilities		
Bank loan	20,000.00	20,000.00
Total liabilities	100,000.00	80,000.00
Equity		
Shareholders' funds (including retained earnings, losses)	272,693.58	389,950.60
Less current year accumulated losses	(128,917.58)	(117,257.02)
Total net worth	143,776.00	272,693.58

Operational activities

Staffing	
Full-time equivalent	5.30
Owner/manager	1.30
Apprentice	1.00
Six part-time	3.00
Part-time duties	
General sales, orders, quotes	0.80
General sales, admin (0.1)	0.60
General sales, buying	0.60
General sales	0.60
Two staff general sales (2 x0.20)	0.40

Trading hours 59.50 hours per week

8.30 am to 5.00 pm every day except Christmas Day, Good Friday, Easter Sunday and in the morning of Anzac Day.

Documentation reviewed

Mark-up policy: The standard mark-up policy is 110 per cent

Buying policy: No formal buying policy held

Job descriptions: No formal job descriptions held

Discount/VIP policy: The discount policy noted the following:

Total liabilities	Total liabilities
2.5%	Non-VIP members
10%	VIP members
	Schools
	Businesses
	Garden design customers
15%	Landscapers value to \$200
20%	Landscapers value \$201 to \$500
	TAFE and other colleges
25%	Landscapers value over \$500
	Nursery staff

Analysis of Bundalong retail nursery financial information comparison of benchmark to current and previous year

	Industry benchmark	Current year	Variance of current year to benchmark	Variance of current to previous year	Previous year	Variance of previous year to benchmark
Total income	\$446,556.00	\$438,707.15	(\$7,848.85)	\$93,392.22	\$345,314.93	(\$101,241.07)
Cost of goods sold	48.99%	56.63%	7.64%	8.66%	47.97%	(1.02%)
Gross margin	51.01%	43.37%	(7.64%)	(8.66%)	52.03%	1.02%
Selected overheads as a percentage of income						
Advertising and promotion	2.26%	16.90%	14.64%	0.40%	16.50%	14.00%
Salaries including staff on costs	13.77%	53.18%	39.41%	(4.81%)	57.99%	44.22%
Vehicle operating costs	3.74%	7.61%	3.87%	1.40%	6.21%	2.47%
Rent	3.32%	26.14%	22.82%	5.95%	20.19%	16.87%
Bank charges	1.53%	3.51%	1.98%	0.60%	2.91%	1.38%
Total overheads	37.25%	72.76%	35.75%	(13.23%)	85.99%	48.75%
Net profit margin	13.76%	(29.39%)	(43.15%)	4.57%	(33.96%)	(47.72%)
Personnel numbers (FTE)						
Working owners	1.52	1.30	(0.22)	0	1.30	(0.22)
Sales staff and nurserymen	2.36	4.00	1.64	0.50	3.50	1.14
Any other staff	0.49	0	(0.49)	0	0	(0.49)
Total personnel	4.37	5.30	0.93	0.50	4.80	0.43
Other benchmark information						
Stock turn rate	3.50	2.30	(1.20)	0.57	1.73	(1.77)
Plants grown in house as a percentage of total sales	20.00%	22.00%	2.00%	2.00%	20.00%	0%
Trading hours per week	54.00	59.50	5.50	0	59.50	5.50
Percentage of sales made to account customers	25.00%	58.00%	33.00%	3.00%	55.00%	30.00%

For further detailed commentary on the analysis, refer to the CPA Australia publication *Evaluating business performance* and *Improving business performance* at cpaaustralia.com.au/smallbusiness

Example of Bundalong retail nursery dashboards

