

Pieces of the Jigsaw **(a parable of Management (mis)Information)**

Piece 1

Paul Hutchins is the Managing Director of Hutchins Engineering Ltd a medium sized manufacturing company supplying valves and control equipment to the food and drinks industry. Paul was quite happy with what he saw that morning. The large bulky sales report had thumped on his desk and he had started to flick through it, he got to the entry for Bainbridge, he knew that Bainbridge was one of their biggest customers and was keen to see how sales were going. There it was, in black and white, it was 5% up on the same month last year, and this was an important figure as the Bainbridge account was almost 20% of the total turnover of the company. Seeing this he resolved to take an early lunch and a quick round of golf to try and improve his handicap, but what Paul had seen was just the first piece in the jigsaw.

Piece 2

If Paul had cross referenced the Bainbridge entry in the sales report to the costings report, also on his desk, he would have seen that the costs involved in producing the inverse flow valve which was the main product supplied to Bainbridges were quite high and the profit margins were slim.

Piece 3

If Paul had double checked with Jill Liddle who was the account manager with the responsibility for the Bainbridge account he would have found that information contained in Jill's spreadsheets showed that Bainbridge had recently negotiated further discounts on the inverse flow valve. The thin margins in the standard costing were being further eroded; in fact they would be lucky if they were breaking even on the Bainbridge account.

Piece 4

If Paul had checked with the production yield figures he would have found that there were major problems with producing the inverse flow valve. It was complex to produce and the yield was low, there was considerable re-working of defects in the product and the waste was high. In fact the true cost of producing it was much higher than the standard costings suggested. This information was held in the department's Microsoft Access database.

Piece 5

If Paul had checked with the Quality Assurance department he would have found that there were also problems with the quality of the Inverse flow valve. Returns were running at almost 8% of shipped finished product and this was creating a backlog of paperwork for refunds. The QA information was very detailed but was all held on paper forms.

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Piece 6

If Paul had checked the latest aged debt report he would have seen a significant increase in debt for the Bainbridge account because they had been withholding payment until the refunds backlog was resolved. Paul was on the distribution list for the aged debt report but rarely looked at it because of its bulk and confusing format.

Piece 7

If Paul's sales report had been a bit more comprehensive it would have shown him that although the current month's sales figure were higher than the same month last year, in fact, the sales trend for the Bainbridge account had been falling every month for the last 6 months.

Piece 8

If Paul had seen the latest report from the logistics department he would have seen that many of the deliveries to Bainbridges were late, sometimes by weeks. Paul had asked for access to delivery information on a number of occasions but the IT staff hadn't got round to adding this option to his menu screen.

Piece 9

If Paul had checked the engineering trade press he would have found that his competitors Spears Engineering had opened a new modern production facility and were aggressively marketing to fill their new capacity.

Piece 10 (the final piece)

The phone rang, it was Jill Liddle, and she told Paul that they had just lost the Bainbridge account to Spears Engineering. Paul decided that he better postpone his round of golf.

Moral of the Tale

Business decisions have many dimensions. In order to make the best business decisions you need to see the full picture. Modern management reporting and analysis software can empower you to be an informed manager. Do it now before your competitors do.



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