



# Tactical Automotive Solutions Inc.

## *Internal Reporting Process: A How-To Guide*

OR

## *How to Give Your Data Legs*

### Introduction

There is a big difference between having the information needed to manage your business, and making sure that valuable information is put to good use and isn't just gathering dust on a shelf – as is too often the case. This is particularly true in the case of information related to strategic business plans and their performance objectives.

The creation of a business plan is a key role of senior management, but implementing this plan involves establishing and communicating a set of standards and expectations for employees at various levels. This challenging task must be successfully performed, as employees are unlikely to embrace company goals if they don't understand what is expected of them, and how management prioritizes each aspect of their job responsibilities. Whether it be a single stand-alone business or a multi-store operation with significant span-of-control issues, a cohesive internal report system will provide two-way communications of expectations and results, facilitating employee development and process enhancement.

An integrated internal reporting system need not be overly complex or difficult to implement, but if done right will provide a competitive advantage by assuring all are in step with corporate strategy. This paper will describe how to create such a reporting system. We will not describe the particulars of any plan, as they necessarily involve proprietary competitive information, but will describe how to take management's vision and translate it into marching orders for employees, using a generic example.

### The Starting Point: What do you believe in?

It has been said that “what gets measured gets done” – it is human nature to pay attention to the scorecard and to set priorities according to how the boss is believed to have set his or hers. A reporting system that focuses on financial performance exclusively will lead employees to believe that the company is concerned about profits to the exclusion of all else. While profits are indeed important, such a focus will lead to a situation where more and more is extracted from fewer and fewer customers, with an inescapable conclusion. It is important that the reporting system be balanced and provide employees with a relevant set of guidelines and expectations that reflect management's strategic vision.

The strategic vision and core values of a company should be encapsulated in both the *Mission Statement* and the *Branding Statement*: this is the starting point. The Mission Statement is a set of guidelines that is endorsed by management, which are used as the

final reference in decision-making. A Mission Statement should be concise and brief, but provide concrete guidance for managers as well as rank-and-file employees who must make ethical, business, customer relations, and other decisions – it answers the question “why are we in business?”, particularly as these employees interact with other stakeholders.

*Example of Mission Statement criterion: ABC Motor Company strives to earn customer loyalty by providing high quality service.*

The Branding Statement is a simple explanation of the image that the company wants customers to envision when they hear the name of the company. The Branding Statement must set similar guidelines, but it is more of a marketing tool as it is designed to establish the public image, which should be consistent at all levels including logo usage, advertising message and design, stationery, outdoor display ads, and even employee uniforms. Both of these documents need to be taken seriously - they form the foundation on which employee development and performance standards are built.

### Guiding Lights: Standards for Performance

When employees are added to the payroll, it is with an expectation that their labors will contribute to the firm’s success in some manner. These expectations vary with position and responsibility level, and in some cases may be standardized (e.g.; technicians all perform pretty much the same basic function, thus they have similar expectations). In many cases employees are expected to provide revenue in excess of their compensation, and they should see how this objective is met. Criteria established in the Mission Statement are used as the basis for standards that employees are expected to meet, such as:

*Example of standard for service and parts personnel: ABC Motors will work to ensure that no more than 8% of service customers must return to the service department within 30 days.*

Non-financial contributions are equally important, although in some cases they are more difficult to measure, such as a display lot attendant – who will often provide prospective customers with the critical first impression. To effect change on behavior patterns these standards must be clear, concrete, and related to overall success. For example, meeting some level of CSI performance as measured by a factory program is an end-point, perhaps loosely linked to daily activities. The percentage of telephone calls answered by the third ring is a concrete measure, as is the percentage of phone messages returned within one hour – both have a definite impact on customer perception thus will have an effect on CSI.

Customers do not expect perfection – they expect you to try for perfection but to respond appropriately when service somehow falls short of that lofty goal - which will happen. Providing front-line employees with the tools to make a prompt recovery, and then holding them accountable for their usage according to guidelines, will be beneficial in this regard. This accountability can form the basis for a key measure of responsiveness.

Translating Mission Statement and Branding Statement concepts into performance measures is an important step that should not be taken lightly. To the adage “what gets measured gets done” should be added “what gets paid for gets done first”. The creation, dissemination, and updating of standards does require some attention; this is a key function of the managerial process. Standards should be set in a fair and balanced manner, with some stretch but not to the point where they become impossible to attain. Standards, once determined, should be introduced and explained to employees, who should also understand the tools they have available to help reach stretch goals, and their accountability for the use of those tools. The standards should also be included in the reports themselves. Updating standards is a regular task for management, and it should be done methodically but not impulsively or in a punitive manner. Simply the fact that everybody met a particular standard during a month is not a good reason to raise the bar, however changes in the underlying basis for the standards need to be recognized and appropriate adjustments performed.

### Report Design : Too Much or Too Little

The design of an individual report, which includes the delivery timing, the level of detail; and the nature of summaries, groupings and comparisons varies according to the target audience and also the reporting phase (daily, weekly, monthly, quarterly, etc.).

#### *Report Timing*

Reports should be provided on a regular schedule, depending on the nature of the information included, such as:

- **Daily reports** – incident reports of specific transactions where immediate follow-up is advisable. In the case of opportunities for improving a customer’s experience the quicker the resolution the less costly it will be (in both time and expense); and celebrations are most effective when immediate.
- **Weekly reports.** Effecting a change in behavior patterns is best accomplished when time lapses are kept to a minimum; our experience shows that a weekly comparison with standard is effective, as employees will recall the conversation from the previous cycle. (Be careful to keep the process from becoming perceived as the “weekly beating”, which will make effective progress unlikely.)
- **Monthly reports,** particularly those with trend analysis, provide a ‘footprints-in-the-sand’ trail of results, much like standard financial reporting. Monthly reports also permit the analysis of larger datasets, thus improving the statistical reliability of resulting computations.
- **Long term reports** (quarterly or longer). Multi-month reports are generally used for top management purposes, such as economic decision-making. They are most useful when comparisons can be drawn with the same period but one, two, or three years earlier.

#### *Report Contents*

Now that standards have been developed and expectations set, what level of detail should be included in reports? In the design of reports, **Less Is More**. It is simple human

nature for all of us to pay more attention to things that we can comprehend quickly. A report that can be grasped in fifteen to thirty seconds will be read carefully while the fat stack of paper that contains all of the detail will be put aside ‘for later’. Exception reports are used to show the few examples that provide the greatest impact on results – if 95% of the transactions fall within standards it is superfluous to provide information on all of them. The 5% that fall outside of standards are those that should be reviewed and studied, therefore they should be the only ones included in the report provided to the employee.

Report Content – based on example

- **Service and Parts Personnel:** List of customers who have had to return to the service department within 30 days of initial visit, with computed percentage compared with 8% standard, together with selected details.
- **Shop Foreman:** Weekly comparison of all technicians by percentage of returned customers
- **Service Manager:** List of all technicians whose percentage of returned customers exceeds 8% standard during week, and monthly trend report for technicians and department.
- **Location manager:** single line on monthly summary report showing departmental percentage of returned customers compared to standard.
- **Management company:** Single column on monthly report listing all stores and providing departmental percentage of returned customers, with top and bottom performers flagged.

*Summaries, Groupings, and Comparisons*

It is generally not advisable to provide information allowing an individual to compare their performance with other individuals, however comparisons with groups of employees with similar job functions is important. Employees also need to see how their most recent results compare with earlier periods and to the standard.

At the management level information comparing individuals to each other, as well as comparing stores to each other, is appropriate. It is important that the comparisons be based on correctly interpreted data and also on a fair basis (for instance, don’t compare the Lexus store to the Dodge store – that would be apples and oranges).

*Report Design: the KISS Principle*

It is not necessary to provide reports that are works of art – the content is the important part. Experience has shown that a simple report, with a consistent format, is more effective than a decorated report where important information may be obscured by non-critical items. Graphs in particular need to be carefully designed: they are intended to give a very quick intuitive understanding of relationships, and not to be an exhibit of a cartographer’s decorative talent. It should be understood that a chart that can be easily misinterpreted will be perceived as designed to mislead rather than to inform.

## Rolling Up: Who Needs to See What?

Employees are all busy, and managers are often busier yet. Each level of report user has their own set of needs, and their own time constraints. Reports that are optimized to one level are much less useful to users at another level – the intent is to support decision-making and to guide behavior, at each level. A simple guideline is “as much as is needed, but nothing more than is needed”.

In a multi-store environment top level grouping needs to take into account differing product and market characteristics: a composite of luxury make stores provides no guidance to popular brand store operators, despite common ownership at the top level.

### **Roll-Up Diagram**

#### **Individual Employee: Results, Exceptions, and Standards**

*Specifics: What went right, and what went wrong? How did my weekly performance compare to standards on key measures? What are my weak points and my strong points?*

- Weekly multi-page report comparing individual to composite, and to standards, with detailed exception listing

#### **Supervisors: Standards and Trends**

*How do the individuals that I supervise contribute to the team's results, and where were the discrepancies?*

- Weekly single page report comparing each individual to key standards, including outlier exceptions and composite results of similar teams

#### **Front-Line Managers: Trends and Comparisons**

*How is the department functioning, and where are the opportunities for either celebration or enhancement?*

- Weekly exception report compared to standards
- Monthly trend report on departmental performance

#### **Location Managers: Trend Exceptions**

*How does each department compare to operational standards, and where are the celebrations and the opportunities*

- Monthly trend report showing each department's performance compared to standards

#### **Management Company Managers: Location Trends**

*Which stores are contributing the best ROI, and which ones offer the best opportunities for improvement? What 'best practices' exist that can be developed in other stores? Which of my key players may be ready for bigger responsibilities?*

- Monthly report comparing all stores to standards, summarized by store grouping
- Comparison and trend information to support the economic decision-making process

Detail and drill-down reports should be made available at each level, however it is expected that their use is on an as-needed basis, such as for dispute resolution or other forms of research. The critical matter is that each level of reports be based on the same

data, aggregated to the level of the report user. The knowledge presented at each level is commensurate with that user's level of accountability and corporate expectations. In this manner, each user's primary goal becomes to improve over their own historical performance and achievement, as well as beating company standards.

### Process Automation

The methods outlined in this paper all look fine, some will say, but then ask "who's going to do all this each day". Obviously, in a busy dealership environment with perpetual shortages of time on everybody's part, if this is to be done manually it won't get done at all. While the design of an automated system is beyond the scope of this paper, these methods are intended to be automated and computerized. The design and implementation of an integrated reporting system can be performed by a specialist firm and supported externally, or it can be constructed in-house by a consultant hired for the task; either method can be successful. Expecting anything more than the simple distribution and review of reports to be performed on a regular basis by dealership personnel is unrealistic. Additionally, reports prepared in an automated environment are usually recognized as being more credible, as they are less likely to be perceived as subject to tampering.

### The Balanced Scorecard

This concept, introduced by Kaplan and Norton (*Harvard Business Review*, January 1992), reduces the essence of financial, customer and process development, and other aspects of the business identified by management as critical to metrics presented in a single at-a-glance view. This approach allows a quick understanding of current performance so that out-of-line conditions can be quickly recognized and addressed. The reporting process described above will provide a strong operational backbone for a Balanced Scorecard approach.

The Balanced Scorecard is of particular value when used for stock value determination in a closely held private-capital organization, as it facilitates long-term analysis of key drivers of company valuation. Shareholders are provided a means of tracking ROI, operational effectiveness, progress towards important goals, and other measures of value, and can access this information remotely. Management can optionally provide this information or portions of it to selected stakeholders.

### Conclusion

Reports often "take on a life of their own", but with an integrated approach that will be a good thing as there will be no secrets. Employees who perform at substandard levels will not be surprised when action must be taken, and those who perform in a superlative manner will know that their good work is recognized by management. When

economic decisions are made based on scarce resources, the foundation will have been established to make these decisions effectively.

The key to 'giving your data legs' is to make it accessible to all, and to insist on accountability at all levels for working to achieve corporate objectives. The process outlined above will make each employee responsible for their part of these objectives, by giving them the knowledge of what is expected of them, how well they are performing compared to these expectations, and the understanding that colleagues above and below are part of the chain of responsibility for the same expectations.