

Magic Workbooks
Business Survival Manual

MIS

Management Information System

Or

*Beacons for the
Bosses*

So, what actually is a Management Information System?

In the simplest and most obvious terms, it is a

SYSTEM of
INFORMATION for the
MANAGEMENT of a company

Or, to flesh out the bare bones of those words, it is a compilation of all the relevant information for governing a company/organization presented at regular intervals to the management. And the best way to illustrate what this entails is giving a few basic examples of the structure of management information systems.

Let's start with the **Mother of all MIS**. It looks like this:

Period: Jan - Mar 2014	
Revenue	500.000
Costs	-350.000
Profit	150.000

Simple, true, but that is really how it all starts. You might even say that's what it is all about: company key figures for one period as a management guide line.

And now we progress to the next step. Information needs context. Every figure cries out for comparisons.

Period: Jan - Mar 2013		Period: Jan - Mar 2014		Notes and Explanations For the variances to last year's figures
Revenue	500.000	Revenue	400.000	
Costs	-350.000	Costs	-300.000	
Profit	150.000	Profit	100.000	

This is the next step: putting this year's result into historical context. But of course, last year is dead and gone, the future is what counts. And that takes you one step further:

Period: Jan - Mar 2014 ACTUAL		Period: Jan - Mar 2014 BUDGET		Notes and Explanations
Revenue	500.000	Revenue	550.000	
Costs	-350.000	Costs	-300.000	
Profit	150.000	Profit	250.000	
				on variances between actual und budget figures
				Year-End projections

With the introduction of the budget, the element of projection into the future enters into the MIS and completes the structural possibilities and necessities of “inbound” MIS. From these basic structures all MIS are developed.

Depending on the business in question, both REVENUE and COSTS may be broken down into any number of segments; historic comparisons may include not just one but more years and projections might range several years into the future as well. Additional information may be added: available liquid assets, inventories, pending investments etc. up to a complete interim balance sheet. And a number of key figures may also be represented in common business or balance sheet ratios e.g. the profit rate or the inventory turnover rate.

Supplementary information from outside the company might also need to be included – again depending on the business in question. A life insurance company might include regularly updated life expectancy statistics as a basis for projections in its MIS; a fashion company would find these utterly useless.

The next step in MIS is what we want to call “outbound” because with this step we move outside of the company we are concerned with. Another term for “outbound” MIS which most people are familiar with is **BENCHMARKING**.

				Notes and Explanations
Period: Jan - Mar 2013 OUR COMPANY		Period: Jan - Mar 2013 COMPETITORS		
Profit Rate	30,0%	Profit Rate	29,7%	
Market Share	10,2%	Market Share	10,0%	

Again, we are dealing with comparisons, only now the company results are not measured against its own performances in the past or its projected performance in the future but against the performance of its competitors during the same period.

The type of benchmarking figures or information used depends on the type of business. Market share and profit rate are among the most common figures which apply to all types of business but very specific benchmarking figures such as the percentage of room occupation in the hotel business or the percentage of food cost in the restaurant business also tend to form an integral part of the MIS of those business enterprises.

Benchmarking figures are probably the most important part of any MIS because they give a fairly good indication of the company's place in the market place, of its ability to hold its own against or even surpass

its competitors – or of its failure to do so. And that is something that a company's figures by themselves, no matter how detailed and accurate, can never truly measure.

So, in summary, a management information system should integrate four structural elements:

ACTUAL	- this year's results
HISTORY	- results from previous periods
FUTURE	- projected results
BENCHMARKING	- competitors' results

To these four structural elements, you might have to add a fifth category, which only forms part of MIS when the need arises:

EVENT	- unusual occurrences which impact upon the company
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for example, the impact of September 11, 2001 on the travel industry. True to its nature and the many forms this category can take, it does not come with a generally accepted format for presentation which means that in many cases you will have to rely on a concise textual presentation of the problem or the windfall (as the case may be) and an outline of possible consequences or solutions and the costs or profits they entail.

Now let's proceed to see some typical MIS in action, keeping in mind that Theory can be studied but only Practice makes perfect:

MIS in Action

On November 24, the Esposito Enterprises (Drugs, Extortion, Prostitution & related products) hold their annual management conference.

Lando Mariposa presents his management information report by stating that revenue exceeded six billion dollars, which was not bad although seven billion had been expected, because of some little trouble with the US coast guard which he was working on and though times were getting harder he was sure things would pick up soon. For the following 30 minutes Lando tells interesting and amusing little stories about the company, the people killed, maimed or tortured, and the deals that went through without a hitch.

Benvenuto Esposito sen. grunts and mutters something under his breath. Mariposa sits down again and mops his brow.

Next, Juan Arroyo gets up for his presentation. He turns on the overhead projector and places a chart on it, which shows that in the course of the last five years revenue has climbed slowly but continuously to the present six billion dollars. It also shows that costs have risen steeply over the same period reducing what was a sixty percent margin five years ago to a profit rate of merely ten percent.

Arroyo then puts on a chart which details the expenses incurred drawing special attention to the fact that five yachts and nearly 1.000 kilograms of cocaine and heroin have been destroyed by the US coast guard. He states that the obvious risks have also had an adverse effect on staff and recruitment expenses and will continue to do so in the foreseeable future.

He concludes by saying that in its present structure the company needs either a 1-2 billion increase in revenue or a similar decrease in expenses to stay in business. To this end, he says while putting on a third chart, he has looked at different ways of transporting or rerouting the goods to reduce the risk – presently 40% - of seizure by the US coast guard.

His chart outlines five alternatives, including the lease of a Russian submarine, with pros and cons for each alternative. He concludes by saying that he considers a solution to this problem as the crucial issue to be discussed today but that he is prepared to answer any other question the management might have.

Benvenuto Esposito sen. grunts and mutters something under his breath. Arroyo sits down again and pours himself a cup of coffee.

So, to get back to safe theoretical ground: which one of the two management reports is closer to the requirements of a management information system, and why?

Again, that's easy, isn't it? Lando just tried to gloss over all the problems, a few figures, a few hints and lots of leave-it-me-confidence projected at his audience.

(By the way, this sort of presentation is typical for people who are afraid they will get the blame if they tell it like it is! Strangely enough, they will eventually get the blame because they did NOT tell it like it is.)

Juan's presentation fulfills the essential requirements of MIS: give the management the information they need to lead the company. Present the problems, outline possible solutions and the consequences of both in as far as they are evident at the time of reporting.

On the night of November 24, of course, both Mariposa and Arroyo get shot by the Esposito clan: Mariposa because of his incompetence and Arroyo because he forgot to burn his charts in the ashtray after his report thus leaving written evidence of company matters which is something the Esposito Board of Directors does not hold with.

This interesting, if somewhat tragic incident leads us to another important discovery on our way to understanding MIS:

A management information system not only needs to be tailored to the company's business concerns, it also needs to be presented in the form most readily acceptable to the management of that company.

Self-evident, you might think. But it actually isn't. Management reports with loads of spreadsheets in tiny print that primarily cater to the self-image of the person who prepared them still abound.

And here is our unorthodox but sincere advice:

Whenever you have to present a management information report, imagine this setting: the regional golf club at hole thirteen with gusty winds and drizzling rain and the boss in not too good a temper.

Make your selection of presentation materials with that setting firmly in mind!

So, go easy on the tiny print and the long columns of figures – or if you can't do without then put a summary page on top - use graphs wherever possible and don't forget that while you spent hours on your material, the management will need to grasp the essentials at a glance!

In contrast to most other professions, impatience in management is considered a virtue and most managers aspire to sainthood in this respect!

If you think that is ridiculous, kindly cast your mind back to all those times when you felt you had lost your audience while discussing your second or third spreadsheet or how furious you were because the discussion seemed to get off on tangents all the time and how, inspite of all those interminable meetings, you never really succeeded in getting all the salient facts across!

For further information on this subject you might want to check out the manual "Reporting".

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Turning Data into Information

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