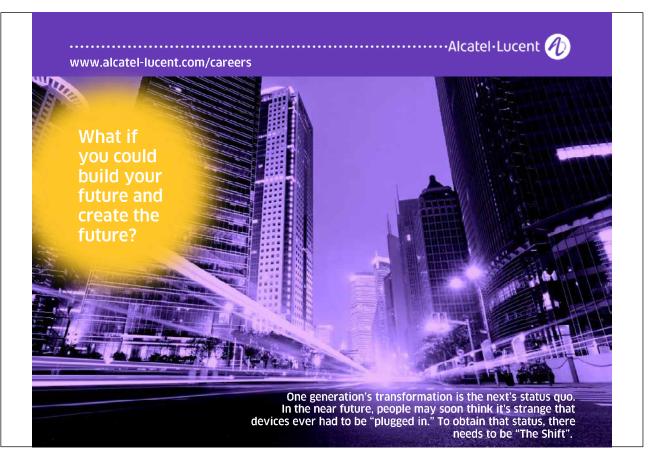# 5   Leveraging the Power of Modern Information Systems

In this chapter you have seen how various reporting methods can be employed to facilitate managerial decision making. Before departing, you should consider that the same internal data can often be generated and displayed in many ways. There is not a single correct method for "slicing and dicing" a company's overall results into unitized information sets. And, there is no reason to think that a manager should be forced to make decisions based upon a single display of data. Modern information systems empower managers to look at the same data from multiple perspectives, and good managers will avail themselves of these tools as they consider data and make decisions based thereon.

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5.1   Line Item VS. Object of Expenditure

Factory	$16,247,500
Sales	3,772,000
General	1,515,000
Administrative	3,285,000
	$24,819,500

For instance, consider the data set at left. It reveals that $24,819,500 was spent on compensation. Of that amount, $16,247,500 was spent on factory labor, and so forth. Each line item corresponds to an employee grouping, and those lines roughly relate to the individual categories that would be compiled in developing an overall income statement. Suppose you were the manager for this business, and charged with reducing total compensation costs to $24,000,000. What category would you consider cutting? Would it be wise to cut each category in equal proportion to "spread the pain?" Is there a better way? Indeed, it is difficult to say by reviewing the data from a single perspective. Consider the same data, rearranged in a different fashion below. Here, you can see the same total cost of $24,819,500, this time distributed to match the object of expenditure:

Salaries and wages	$15,000,000
Health insurance	1,500,000
Unemployment taxes	359,000
FICA taxes	858,000
Retirement contributions	975,000
401K matching contributions	562,000
Workers' compensation insurance	1,542,000
Bonuses and stock-based compensation	2,150,000
Vacation accruals	1,125,000
Sick leave accruals	629,500
Reimbursed employee tuition/training	119,000
	$24,819,500

Perhaps the revised display provides added insight into cost control opportunities. Some specific expenditure category might be targeted for reduction if it is viewed as discretionary or not critical to the productive mission of the entity.

The data might be further arranged into an even more detailed matrix format for an even closer inspection:

	Factory	Sales	General	Administrative	Total
Salaries and wages	$10,500,000	$ 2,300,000	$ 1,000,000	$ 1,200,000	$15,000,000
Health insurance	1,050,000	230,000	100,000	120,000	1,500,000
Unemployment taxes	315,000	23,000	15,000	6,000	359,000
FICA taxes	735,000	69,000	30,000	24,000	858,000
Retirement contributions	525,000	230,000	100,000	120,000	975,000
401K matching contributions	210,000	92,000	80,000	180,000	562,000
Workers' compensation insurance	1,470,000	46,000	20,000	6,000	1,542,000
Bonuses and stock-based compensation	25,000	575,000	50,000	1,500,000	2,150,000
Vacation accruals	787,500	172,500	75,000	90,000	1,125,000
Sick leave accruals	577,500	23,000	20,000	9,000	629,500
Reimbursed employee tuition/training	52,500	11,500	25,000	30,000	119,000
	$16,247,500	$ 3,772,000	$ 1,515,000	$ 3,285,000	$24,819,500

The column totals correspond to the information in the first report, and the row totals correspond to the information in the second report. The individual cells within the matrix bring to light a number of areas where added cost control might be effectively implemented. For instance, workers' compensation insurance for factory labor is $1,470,000. Perhaps a different insurance carrier might provide a better rate for this policy, contributing a significant amount of the targeted overall cost reduction. Or, maybe the bonus plan for administrative staff ($1,500,000) should be targeted; perhaps this category is in "runaway mode" since it exceeds the base amount for administrative salaries. Examine the data yourself and you will likely see other areas that peek your interest for potential cost reduction.

The key point is that managers should be prepared to consider alternative or expanded data sets as they contemplate difficult decisions. Viewing data only by line item or only by object of expenditure can greatly limit insight into business operations. Modern accounting systems enable organizing and rearranging data sets with relative ease. These modern systems are usually costly to design and implement, but they can pay great returns when managers take advantage of the robust information they are capable of producing. As a business manager, it is well worth your time to study and understand the full range of capabilities of the business information system you have at your disposal!

5.2   Business Dashboard

A rapidly growing trend is for business managers to utilize "dashboards" to monitor business information on a real time basis. These packages present corporate information on personal computers. The information is constantly updated to reflect the latest developments, much like a car's dashboard reflects current speed, water temperature, oil pressure, and so forth. On the next page is a screenshot of a sample dashboard. This particular illustration is from a business using NetSuite, a leading provider of Web-based accounting and customer relationship management software which helped pioneer the use of dashboard technology.

Dashboards are easily customized by each manager. You will note that the sample dashboard is contemplated for an executive. But, personalized dashboards can easily be set up that are specifically tailored to the information needs of a sales manager, CFO, or other decision maker. Typically, specific line items on a dashboard can be "clicked" to open windows of additional data in support of the key metrics displayed. An important feature of a business dashboard is secure internet access so that an on-the-go executive always has critical information readily available.