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Development of a new management reporting tool for Company X

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Development of a new management reporting tool for Company X

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The aim of this bachelor's thesis was to find out problems with existing management reporting and to develop a new management reporting tool for Company X's Finnish branch. Company X is global group manufacturing renewable energy power plants around the world. The new tool was developed to support local management in Finland and act as guidance for decision-making.

The theoretical framework is presented with comprehensive view of management reporting and management accounting, and a brief overview of accounting. The purpose of the theoretical section is to give sufficient understanding on management reporting and its requirements.

This study is a qualitative research study and the case study method is used to collect the research data. The data was collected through six thematic interviews during autumn 2016. The interviewees consisted of representatives of middle-level management in the company's Finnish branch. Also company's existing management reports and reporting systems were considered in the research.

The research results show that the current management reporting is insufficient and is not guiding management's work and decision-making enough. The current reporting is seen as unclear and obscure, reports are often also received late or irregularly and data quality is seen as suspicious. Proper communication with the parent company is also missing. This is leading to a situation where management has no clear picture about the company's performance. The financial situation is also seen as unclear and existing finance reports hard to interpret.

Based on these results, a new management reporting tool was developed. The new tool simplifies the profit and loss account of the selected profit or cost center, making it easier to read and interpret. It also compares the actuals to the budget and displays the variation between them. The report can be modified according to the recipient's wishes, maximizing the relevant information. Data is exported from SAP and using a custom excel file formatted to the desired form. The report will be distributed in the monthly management meeting and can be done electronically or in paper form. The objective of the tool is to simply present the financial performance and result of every area and business unit.

The new tool is a slight help to the company's challenges with management reporting. The tool was introduced during the thesis project and received good feedback from the company's Commercial Manager. The company should still continue improving management reporting in order to get more guidance for local management. The writer feels that the primary development target is internal communication with the parent company. By improving it the Finnish branch would benefit from parent company's already existing reports and reporting resources. In this way, new reports would not be needed to be developed locally from scratch and they would be in line with the group.

Keywords: Management reporting, Management accounting, Reporting
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Uuden työkalun kehittäminen Yritys X:n johdon raportointiin

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Tämän työn tavoite oli selvittää mitä ongelmia nykyisessä johdon raportoinnissa on ja kehittää uusi johdon raportoinnin työkalu Yritys X:n Suomen sivuliikkeelle. Yritys X on kansainvälinen konserni joka valmistaa uusiutuvan energian voimalaitoksia ympäri maailmaa. Uusi työkalu kehitettiin tukemaan paikallista johtoa Suomessa ja ohjaamaan sen päätöksentekoa.

Teoreettinen viitekehys esitellään kattavalla katsauksella johdon raportointiin ja johdon laskentatoimeen. Laskentatoimi esitellään vain kursorisesti. Teoriaosuuden tarkoitus on antaa tarvittava ymmärrys johdon raportoinnista ja sen vaatimuksista.

Tämä tutkimus on laadullinen. Tutkimus toteutettiin tapaustutkimuksena. Tutkimustieto kerättiin kuudella teemahaastattelulla syksyn 2016 aikana. Haastatellut edustivat keskitason johtoa yrityksen Suomen sivuliikkeessä. Myös yrityksen olemassa olevia raportteja ja raportointijärjestelmiä tutkittiin.

Tutkimustulokset osoittavat, että nykyinen johdon raportointi on riittämätöntä ja ei ohjaa johdon työskentelyä tai päätöksentekoa tarpeeksi. Nykyinen raportointi nähdään epäselvänä ja epämääräisenä. Raportit vastaanotetaan usein myöhässä tai epäsäännöllisesti. Raporttien tietojen laatu koetaan myös epäilyttäviksi. Kunnollinen kommunikointi emoyhtiön kanssa puuttuu. Nämä seikat johtavat tilanteeseen, jossa johdolta puuttuu selkeä kuva yrityksen suorituksesta. Taloudellinen tilanne nähdään myös epäselvänä ja olemassa olevat talousraportit vaikeina tulkita.

Näiden tutkimustulosten perusteella kehitettiin uusi johdon raportoinnin työkalu. Uusi työkalu yksinkertaistaa valitun tulos- tai kustannuspaikan tuloslaskelman, tehden siitä helpommin luettavan ja tulkittavan. Raportti myös vertaa toteutuneita lukuja budjettiin ja esittää muutoksen niiden välillä. Raporttia voidaan muokata vastaanottajan toiveiden mukaisesti, maksimoiden relevantin tiedon. Raportin data tuodaan SAP-järjestelmästä ja muutetaan muokatun Excel tiedoston avulla haluttuun muotoon. Raportti jakelu tapahtuu kuukausittaisessa johdon kokouksessa. Se voidaan jakaa elektronisesti tai paperisessa muodossa. Työkalun tavoite on esittää yksinkertaisella tavalla jokaisen alueen ja liiketoimintayksikön taloudellinen suoritus.

Uusi työkalu on hienoinen apu yrityksen johdon raportoinnin haasteisiin. Se otettiin käyttöön opinnäytetyöprojektin aikana ja sai hyvää palautetta yrityksen kaupalliselta johtajalta. Yrityksen tulisi silti jatkaa johdon raportoinnin kehittämistä, jotta paikallinen johto saisi enemmän ohjausta. Työn laatijan mielestä ensisijainen kehittämiskohde on sisäinen viestintä emoyhtiön kanssa. Parantamalla sitä Suomen sivuliike voisi hyötyä emoyhtiön jo olemassa olevista johdon raporteista ja raportoinnin resursseista. Tällä tavoin uusia raportteja ei tarvitsisi kehittää paikallisesti alusta alkaen. Raportit olisivat myös linjassa konsernin raporttien kanssa.

Asiasanat: Johdon raportointi, Johdon laskentatoimi, Laskentatoimi

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1 Introduction

Management reporting is produced in order to support decision making, delivering relevant information to right people at the right time, when prepared well it serves as a good guidance for management, helping decision making greatly. Axson (2007, 132.) even states that without an effective management reporting process management is flying blind, forcing management to adapt to changing business conditions with only little time and relevant information. Despite the well-known importance of reporting, according to surveys fewer than 1 in 5 managers believe they have all the needed information to work effectively. Still organizations today are drowning in data and due to increasing digitalization of information flows the amount of data is only growing. Management reporting has been in the center of huge investments: information systems, data ware-houses and data marts have entered the business environment (Axson 2007, 132.). In this thesis management reporting is researched in the case company, with objective of improving it. Theoretical framework of Management reporting is also studied.

Accounting strives to communicate economic information to all stakeholders of an organization. These stakeholders can be for example government, managers, stakeholders, employees and creditors. All of these stakeholder groups has their own interests and need for information. For these different stakeholder groups there are different branches of accounting: financial accounting and management accounting.

Financial accounting concerns information to external stakeholders outside the organization with statutory requirements. Whether or not organizations management regards information as useful for the business it still needs to be prepared to meet with legal requirements. Financial accounting also presents the whole financial situation of the business and what has already happened in the past.

Management accounting is meant for organizations internal users, usually for the management and managers. Management accounting is produced to help management in decision making and making the business more effective and efficient. There are no statutory requirements for management accounting as it is addressed for internal use. Different reports can be adjusted to meet the organizations specific needs and the reports can focus on small parts of the organization and the business. Unlike financial accounting can management accounting focus on the future information together with past information. Management accounting also differs from financial accounting with its reporting frequency. Information produced by management accounting can be presented daily, weekly or monthly

This particular thesis topic was selected during my employment at the case company. For me it was suggested first by my line manager who is the commercial manager of the branch, in charge of management reporting. Company's Finnish branch was established in 2013 and after that it has grown rapidly. Still today the branch is missing proper local management reports. Aim of this thesis is to answer to this problem by creating new management reporting tool and identifying existing problems with the reporting.

This thesis consists of 9 main chapters:

1. Introduction
2. Scope and objective of the work
3. Case company
4. Research questions
5. Research methodology
6. Accounting
7. Management reporting
8. Management reporting at the company's Finnish branch
9. Conclusions

Thesis is started by this introduction, giving brief outlines of the work. In second chapter the scope and objectives of the work are defined, creating clear aim for the thesis. Third chapter presents the case company, giving essential info about the company's business and industry. In fourth chapter the research questions are presented. The research methodology is presented in the fifth chapter, introducing and justifying the methods used. In sixth and seventh chapter the theoretical framework of the work is studied through literature. Eight chapter presents management reporting at the case company and also the new management reporting tool. Chapter nine consists of writers conclusions about the thesis project and forward suggestions to the case company.

2 Scope and objective of the work

This Bachelor's Thesis was written as assignment for of Company X, a global group working in renewable energy sector with branch in Finland, with objective of developing new Management Reporting tool. Aim of the tool is eventually help decision-making and act as guidance for the managers of the branch. This particular objective was selected after discussing with company's commercial manager about possible thesis topics and existing development needs in the company. Development of management reporting came up as a big development need. Local management felt like they had no real existing management reporting, especially in fi-

nance related matters. This thesis aims to solve problems practically on the case company regarding lack of information and reporting. Objective is to create a real, practical tool, which will help on everyday work and management. The new tool would be aimed for the company's middle level management within the Finnish branch and would be produced at least monthly to the commercial manager who would distribute it to the managers of different business units. Other key objective is to identify the problems with existing reporting.

Main topic of this thesis is management reporting. However, accounting, financial accounting and management accounting are also regarded, as management reporting relates to them deeply. On the literature research part these previously mentioned topics are studied through multiple literature sources. Research is started with outlook on basics of accounting, financial accounting and management accounting. However these topics are only studied cursorily as main focus is on management reporting. Management reporting is studied and viewed comprehensively in chapter 6. Literature study is done in order to create necessary knowledge on theoretical framework of the work, making development of management reporting tool possible.

In the case company this work was limited only to the Finnish branch, it does not discuss possible management reporting problems in other branches or business areas. The developed reporting is also limited only to reporting for the middle-level management of the branch. If reporting is mentioned in this study it refers to management reporting unless something else is stated.

This thesis was started in August 2016 with initial goal to finish it by end of the year, however the schedule of the thesis project ended up stretching until May 2017 when it was finished. The schedule of the study is presented in appendices. Research was conducted as qualitative research, with case study research strategy. Thematic interviews were used to collect the research data. All in all five interviews were conducted during autumn 2016 for middle level managers within the Finnish branch. Company's internal reporting systems were also studied.

3 Case company

Case company's name is not revealed in this study due to request of the company. In this study the case company is called Company X.

The Company X is a German listed company, manufacturing renewable energy power plants around the world. It is a group with subsidiaries and branches in Europe, North- and South-America, Africa, Asia and Australia. The whole group employs over 5000 employees around the world and had revenues of 3.4 billion euros in 2016. Company's Finnish branch started

business in 2013 and has grown to employ slightly under 100 employees. Company's core business is to manufacture power plants and offer maintenance contracts to them.

4 Research questions

After defining the scope of the work, research questions are set in order to clarify the goal of the study. Main research questions are:

1. How can management reporting be developed in order to support better decision-making?
2. What are the most significant problems with existing management reporting?

First research question aims to summarize the objective of the work. How can management reporting be developed in order to support decision-making more? The whole study aims to find answers to this question. Answers to this question is searched by studying literature framework of the topic, interviewing several employees and through researchers own thinking and perception. Only solutions that are practical and possible to implement with given resources are taken into account.

The second research question was set to support the original research question by identifying the most significant problems with existing reporting. When the problems have been identified it is easier to find answers to the first research question.

5 Research methodology

In this chapter research methods used in the study are presented and justified. This research was a qualitative research, using case study strategy and thematic interviews as main data collection method.

5.1 Research Methods

Research strategies can be categorized into three categories, qualitative research, experimental research and quantitative research. Qualitative research is also known as a case study and quantitative as a survey research. (Hirsjärvi & al. 2009, 134-135) In this study qualitative research method is used. Method was chosen in order to get deepest possible understanding of the issue. Hirsjärvi & Al. (2009, 161-162) state that qualitative research method should be used when the research aims to gather information extensively and unveil unexpected issues, using people as data collection instruments. Due to the nature of the study the quantitative research method was not considered as a suitable method.

5.2 Qualitative research

This research was a qualitative research. Basis for a qualitative research is to describe real life and research the subject as comprehensive as possible, with target of finding out or revealing unexpected facts instead of verifying already existing theories and hypothesis.

Hirsjärvi, Remes & Sarjavaara (1997, 155.) describe Research of qualitative research as comprehensive acquisition of information, in which the information is being gathered in real natural situations.

There are also some other typical features for qualitative research. In data collection people are favoured as data collection instruments, researcher trusting more to his own perceptions and discussion with the examinees rather than to data collected with measuring tools (e.g. pen-paper tests.)

Inductive analysis are used and materials reviewed complexly and in detail, in order to reveal unexpected factors. When data is acquired qualitative methods are used to preserve examinees true perspectives, method for this are e.g. thematic interview, group interviews, participating observations and discursive analysis of materials. Target group for qualitative research needs to be chosen appropriately, not using random samples.

Research plan typically changes and takes shape during progress of the research. It is crucial to consider each case unique and interpret data accordingly. (Hirsjärvi ym. 1997, 151-155.)

5.3 Case study

There are three traditional research strategies: experimental research, survey-research and case study. This research was carried out as a case study. Case study is typically detailed and intensive information about single event or small number of cases in relation to each other. Most commonly aim of case study is to describe phenomena using several data collection methods like interviews, observation and examining documents. Subject of case study can be individual, group or community with focus usually on processes. Research of single event is conducted in its real environment and in natural situations. (Hirsjärvi ym 1997, 125-126.)

5.4 Thematic interview

Hirsjärvi (1997, 193.) describes interview in that sense unique data collection method, that it is being in direct linguistic interaction with the examinee. This brings many benefits to the table, most significant being flexibility in data gathering. Interview in research context must

be understood as systematic data gathering method, with key aim of achieving as reliable information as possible. Research interviews are divided into three groups based on how structured they are. These three groups are structured interview, semi-structured interview and open interview.

Interview method used in this research is semi-structured interview method called thematic interview. In interview classification semi-structured interview is positioned between structured interview and open interview. In this classification Thematic interview is closer to open interview than structured one. It is typical for thematic interview that themes of the interview are already known, but e.g. the exact form and order of the questions are unknown. (Hirsjärvi ym. 1997, 193-197.) Thematic interview is also known as the focused interview.

Thematic interview was chosen as an interview method due to its flexibility. Flexibility of the method enables the interviewee to speak freely about the themes giving as much details as possible. The interviewer also had very little knowledge what the answers could possibly be, making thematic interview the most suitable used method.

6 Accounting

In a broad definition accounting can be said to be a service provided for those who need financial information of business. In accounting process economic transactions of business are identified, measured, recorded and communicated. Accounting system aims to provide following information to stakeholders of the business: what has happened to the money in the business over time and information on the financial performance and position.

Accounting has very long history and earliest records of recorded financial information date from the fourth millennium BC. The first recorded financial information come from Mesopotamia and Egypt and later more abundant records from Greek and Roman times. Through the times key purpose of accounting has remained the same: to communicate relevant financial information to interested parties. (Collis 2007, 4-5.)

Today accounting can be divided to two main branches of accounting: Financial accounting and management accounting. (Collis 2007, 7.)

6.1 Financial accounting

Financial accounting is one of the two key branches of accounting. It is concerned with the provision of information to external stakeholders of the business. Financial accounting aims to gather and summarize financial data in order to prepare statutory financial statements such as income statement and balance sheet. (Financial accounting, 2016.)

Financial Statement

In Finland financial statements are regulated by the Accounting Act and Limited Liabilities Companies Act. These acts has been amended several times in order them to comply with EU directives and International Financial Reporting Standards (IFRS). (Introduction to Financial statements in Finland 2012, 12.) Legislation defines how financial statements must be produced and makes sure that companies are maintaining accounting records in accordance with good accounting practice, giving a true view of company's assets, liabilities, financial position and profit or loss.

Finnish KHT-yhdistys (2012, 18.) lists the components of a complete set of financial statement: “

- the Board of directors report (not mandatory for small companies);
- the profit and loss statement;
- the balance sheet;
- the cash flow statement (not mandatory for small companies); and
- the note to the annual accounts (with certain reliefs for small companies).”

(Introduction to Financial statements in Finland 2012, 18.)

Profit and loss statement is also known as the income statement. It is a statement that measures a company's performance over a period of time. Profit and loss statement presents company's revenues and expenses in order to calculate if the company made profit or loss. In the most basic form income statement can be presented as follows:

Revenues

-Expenses

=Net income (loss)

Different types of businesses modify the basic format in order to answer their specific needs, based on their drivers of operations. For example business selling services operates differently than business manufacturing physical products. In these cases the format is modified to improve statements understandability. (Temte 2005, 14.)

The balance sheet summarizes company's financial position on given time. It shows company's assets, liabilities and owner's equity, providing information on what it owns and owes. Balance sheet represents only a certain point in time making it possible to account totals differ from the day before and the day following. It is also important to understand that when analysed individually the balance sheet presents only asset and liability totals of the business, it does not tell if a business is meeting its goals. Balance sheet should be analysed together with other financial statements. (Temte 2005, 37 & Robinson 2012, 194.) Balance sheet is divided into two parts: Assets and liabilities, these two sides must equal together. In the most basic form balance sheet can be presented as equation:

Assets = Liabilities + Equity.

Assets are the resources company owns, with expectation of future economic benefit. Liabilities are company's debts, with expectation of future outflow of economic benefits. Equity is what is left after deducting liabilities from assets, representing the owner's claims to the company. (Robinson 2012, 195.)

6.2 Management Accounting

Management accounting aims to provide information to organization's internal users, usually managers helping them to make better decisions. Key role of management accounting is also to make organization's business more efficient and improve the effectiveness of operations. Unlike financial accounting, management accounting also looks forward by making forecasts about the future.

Information produced by management accounting is entirely optional and has no statutory requirements. Therefore management accounting should be produced only if it brings more benefits than costs of collecting it. Management accounting should provide periodic reports to managers in suitable analysed form in order to support decision making and planning. (Drury 2012, 4-20.)

Key function of Management Accounting is to provide relevant information for managers whenever it is required. Management Accounting gathers information from different sources and chooses the most pertinent facts and figures in order to present only the most relevant information to managers. It also attempts to study cause and effect between different variables in business, this is done in order to forecast possible changes in business. (Madegowda 2006, 4-6.)

Although management accounting can be seen as different branch of accounting than financial accounting, it still needs a suitable system of financial accounting in order to function. Financial accounting system is required for collecting and recording financial information for management accounting use. (Madegowda 2006, 13).

In recent year's management accounting has been made easier and routine work decreased by development of information technology. For management accounting especially enterprise resource planning systems (ERPS) have had significant impact, substantially reducing processing and gathering of information. ERPS aims gather all information flows within a company under one system, making it easy to access and making information quick to analyse. (Drury 2012, 12.)

Management accounting has relatively short history in accounting and it is still suffering from some limitations. While doing management reports it is impossible to be completely objective and reports are always influenced by personal judgements. Management accounting is also impacted by flaws and inaccuracies in financial accounting. Management accounting also provides information for management and can only perform the service function, it cannot substitute or replace management. (Madegowda 2006, 16).

6.2.1 Budgeting

Budget can be understood differently in different organizations and contexts, but usually in business it is understood as a target calculation. It is more than just a forecast of future incomes and expenses but also a financial description of planned actions. (Ikäheimo 2016, 145.) Neilimo and Uusi-Rauva (2001, 207.) define budget as a statement drawn up for the company's or its department's operations, containing the most profitable result and a monetary presented operating plan. It is a useful tool for the management, providing targets, direction and a financial plan to control future operations and results. Budgeting can be seen as a one target calculation, but by budgeting is meant much more: planning and drawing up the budgets; using budgets in business control; monitoring differences in actuals, analysing the differences; and planning and implementing corrective actions. (Neilimo & Uusi-Rauva 2001, 208.) Budgets can vary from short-term (one year or less, these are most common budgets) to intermediate (two to three years) and to long-term (three years or more). Budgets are drawn up by management together with the organization to the use of management, board of directors and funding parties. (Ikäheimo etc. 2016, 146.)

Budget system of an organization consists of budgets in use and presents how these different budgets link together. Budget consisting of two main budgets is usually drawn up for one year at a time. The two main budgets are: profit and loss budget and financing budget, in addition

to these budget usually contains sales-, purchasing-, production-, project-, storage-, cost- and investment budgets. These sub budgets link to main budgets. (Neilimo etc. 2001, 212.) Budget and budgeting has different tasks, varying between and even within organizations. Key tasks of budgeting are: forecasting, planning, coordinating, monitoring and control, motivating and performance evaluation.

Budgeting Process

In the figure below different events of budgeting process has been connected to the time span of the company's annual planning.

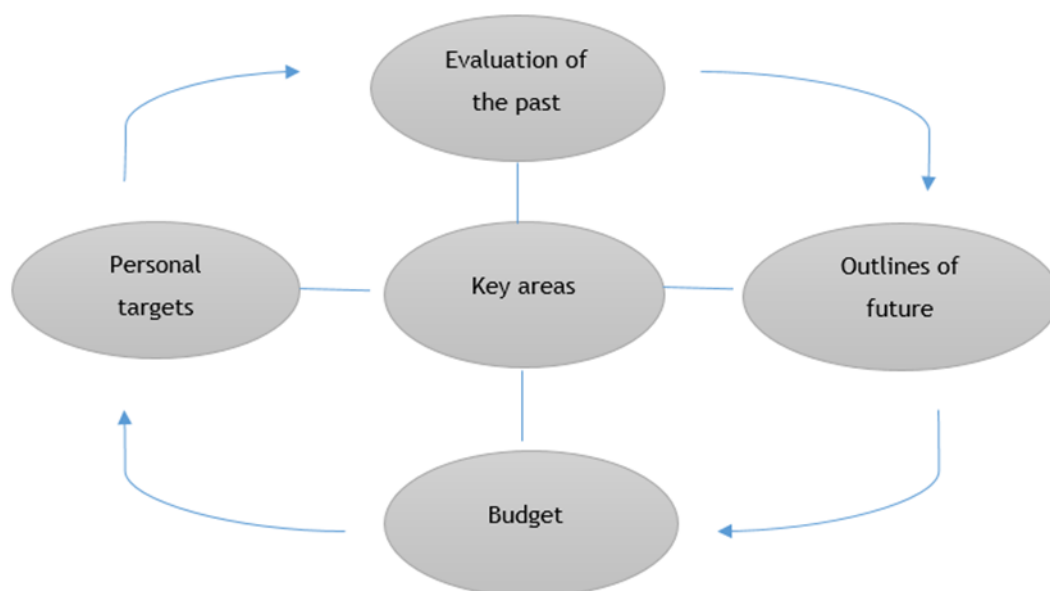


Figure 1: Tasks of the company's budgeting process (Neilimo & Uusi-Rauva 2005, 234.)

Essential part of this process is evaluation of the past, which can be performed when actuals of the previous year's budget are already known. This is usually in February or March and with this evaluation the budgeting of next year can started. After the evaluation of the past, next step in the process is drawing the outlines of the future. With these outlines the development of the operating environment and company's own business plans are being drafted and outlined. This is usually done during spring and summer. Next in line in the process is the actual planning and drawing of the budget for the company and its units. Often this is done in late autumn or close to the year end. After the budget for the company is prepared are main budget targets focused also as a personal targets for the related persons. (Neilimo & Uusi-Rauva 2005, 234.)

Budgeting Methods

Budgeting can be organized in many different ways, this is always up to the company to decide in which way the process is handled. From budgeting literature usually three different methods can be recognized: build-up-, break down and co-operation-method. In build-up method process is started from the bottom, different business units draw their own budgets and role left for senior management is first to create mutual frames and targets and after the budgeting fit the budgets from different units together. In break down method budgeting is performed by the company's management. This method leaves personnel of different units only piecing their own budgets together according to the managements authoritarian guiding. Co-operation method is a combination of previously mentioned methods, with benefits from both of them. Corporate management together with management of different business units define the targets of the budgeting and available resources. The actual budgeting is left for business units and functions. Disadvantage of this method is the possible slowness and bureaucracy of it. (Neilimo 2005, 239.)

6.2.2 Key performance indicators (KPI)

Key performance indicators or KPI's are measurements that communicate to management how the company is performing in their actually critical success factors. With proper use of KPI's company can increase its performance a lot. Company may have many indicators but not all of them are KPI's. KPI's are the ones that focus only on most relevant aspects of company's performance, current and future, indicating the key drivers that are the most essential for the success of a company. There are some characteristics for KPIs, they can be non-financial, they are measured often and they have significant impact clearly indicating what actions are required. (Parmenter 2015, 1-6.)

7 Management reporting

If management is not given effective reporting process it is flying blind, adapting to changing business conditions with too little time and relevant information. When reporting process is done effectively it delivers the right information to the right people at the right time. (Axson 2010, 141-145.) Reporting systems are very useful for management in effective planning and control. Regular reporting systems are considered as a good guidance for prompt decision-making, making it necessary for business to have a working management reporting system. (Periasamy 2009, 675.)

In business many types of information are reported to management in order to support decision-making. The information reported can be for example performance measures, analysis, events, news and others. This kind of reporting is called Management reporting and it comprises all activities related to the reporting. Management reporting is not limited but usually contains reports of; current and prior period results and forecasts of future periods; comparison of results to plans or other relevant measures; calculation and reporting of relevant performance measurements including financial and nonfinancial; variance analysis; consolidation; and fulfilment of ad hoc reporting requirements. (Axson 2010, 26.)

Management reports can be presented either in oral or written form. Written reports can be separated into different classes: according to objects, period or function. These types of reporting are shown in detailed figure below. (Periasamy, 2009, 678.)

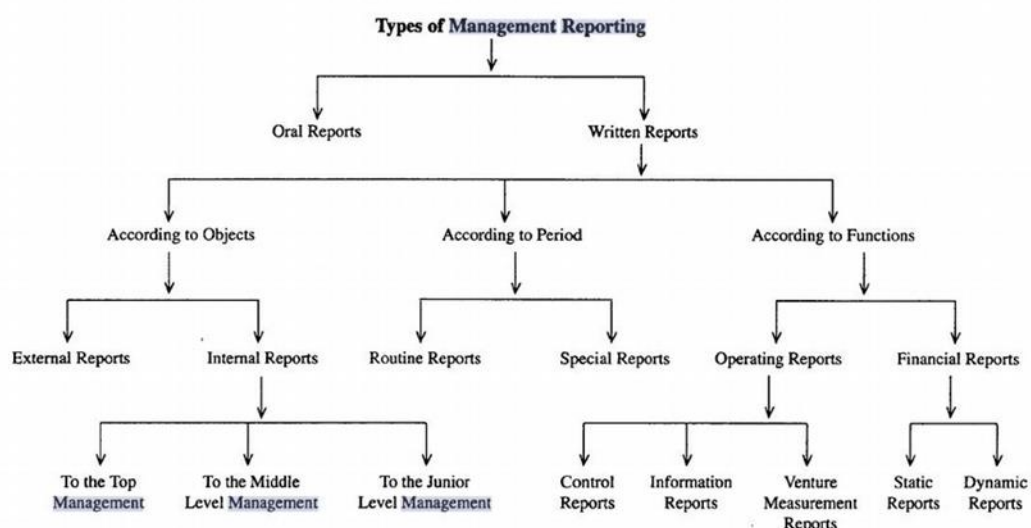


Figure 2: Types of management reporting (Periasamy 2009, 678.)

7.1 Objectives of Management reporting

Although Management reporting has no statutory requirements Periasamy (2009, 675-676.) lists key objectives for Management reporting: “

1. To obtain the required information relating to the business to discharge its managerial functions of planning, organizing, controlling, directing and decision making etc. efficiently and effectively.
2. To ensure the operational efficiency of the concern.
3. To facilitate the maximum utilization of resources.

4. To secure industrial understanding among people who are engaged in various aspects of work enterprise
5. To enable to motivating improving discipline and morale.
6. To help the management for effective decision-making. “

7.2 Collecting data for Management reporting

Management reporting is time consuming and demands lots of labour. Big part of the information is only available monthly and many measures reported only quarterly or annually. Organization needs to know what kind of information they need to collect and from where this information can be collected. For this organizations need information systems.

Information needed for Management reporting is gathered from many different systems and from other manual sources. (Axson 2010, 143.) Management reporting uses internal financial information as main source of information, but other types of information can be also used. The main data sources are ERP-system modules and other operative systems.

Information from different systems and sources is used as it is or combined. Information is gathered from base systems and other sources. Information from base systems comprises inventory-, purchase-, production-, human resources-, sales- and finance transactions. Information from other sources can comprise information from external sources e.g. customer revenues, comparative data about competitors, information about markets and customer credit ratings. (Alhola & Lauslahti 2002, 323. & Lahti ym. 2009, 182.) In bigger organizations information is gathered from many different systems and external sources and stored into data warehouses.

Major challenge for management reporting process is the processing of huge amount of different data, synthesizing and structuring it into relevant and usable information. After synthesizing and structuring the data it also needs to be delivered to the right person at the right time. This is a complex process which requires a usage of three different types of information: measures of performance, reporting of events and provision of context or analysis. Development of technology and tool sets has allowed organizations to integrate these three types of information into performance management systems. (Axson 2007, 132.)

Axson (2007, 132-133.) describes the five major steps involved in translating data into useful management information:

1. Collect
2. Structure
3. Store
4. Transform
5. Use

The first step is data collection. In this phase data is collected from many different sources, internal and external. These internal transaction processing systems can be e.g. sales, order processing, distribution, inventory management, production, finance and customer service. External sources can be e.g. customer and supplier systems, third-party information sources and marketplaces. The second step is structuring the data into logical groups. The classification can be made e.g. by product, time period, customer or geography. After structuring the data into logical groups it needs to be checked for validity by ensuring consistency, accuracy and integrity of it. Third step is storing the data into suitable place such as general ledger or data warehouse. The data must be stored in a way to make it easily accessible for different reporting usage. The fourth step is transformation of the data into information, this is done by selecting and sorting of the relevant data. From the relevant data necessary calculations and manipulations are made; and required reports created. The fifth and last step is also the most important: use. By use it is ensured that information is distributed properly and users can access it. It is also crucial to ensure that users have necessary skills, training and tools to use the information effectively. (Axson 2007, 132-133.)

7.3 Reporting levels of Organization

Management reports in organizations are addressed to different levels of management and personnel. Each of these levels has their own information need defined by their position and tasks in the organization and Management reports should always aim to answer the information need of the particular user of the report. For different levels of management there are different types of reports. Levels of management can be categorized into three different organizational levels: Strategic level, business management level and operational level. (Alhola & Lauslahti 2002, 319-320.)

Strategic level consists of organization's top management, including CEO, executive board and board of directors. The purpose management reports appointed for this level is to create a picture of organization's development trend in the long term. Reports to this level contains e.g. the profit and loss statement and balance sheet; key performance indicators and score-cards like balanced scorecard; finance reports and market analysis together with change in trends. These reports are important also for other organizational levels.

Business level consists of for example managers of business units, operations, profit centres, departments, marketing and procurements. Target of reporting on this level is to produce information on economy and efficiency of area of responsibility or financial state of operations. Reports also need to issue reactive and predictive information on possibly needed corrective actions. Reports on this level are for example: Income statement and cost analyses, employee reports, relevant indicators and financial ratios, area sales breakdowns and reports regarding specific operations.

Operational level is the level closest to actual business and it consists of supervisors, team leaders, project managers, products managers and employees. Objective of reporting on this level is to provide essential information regarding execution and completion of the work. Most common reports on this level are for instance: reports to managers about responsible area including cost, KPI's and employee reports; sales reports; product profitability; and indicators for employees to which they can have impact with their work. (Alhola & Lauslahti 2002, 319-320.)

7.4 Reporting reliability

Management reporting needs to be reliable and continuous. Without these features reporting does not bring any advantages to the business and may even be harmful.

Reports are based on the data gathered from financial accounting and any flaws and inaccuracies in it affect the quality and reliability of the reports. (Madegowda 2006, 16). Information validity and the determination of data collection affect the reliability of the reporting greatly; also flaws and inaccuracies in parameters can create reporting problems. In more rare cases can technical problems and black outs leave reports unfinished. (Alhola & Lauslahti 2002, 327.)

Big factor in reporting reliability is the way information is being gathered and combined. The information used in the reports must be defined correctly and calculation reviews performed in order to ensure validity of the report contents. While gathering data for the reports even a small fault can cause a big error in the report leaving it completely incorrect and misleading, this is only avoided by performing calculation reviews and cross checks. Combining data between different base systems can also create errors, this is also avoided by calculation reviews.

Information for management reporting is gathered from many different sources and quality of this information can create problems especially in bigger organizations. Changes in organizations like merger and new monitoring practice can also create problems, in these cases information must be made comparable and align with previous periods. (Alhola & Lauslahti 2002, 327.)

7.5 Distribution and timing

Management reports can be distributed in oral or written form. Reports in written form can be distributed either on paper or electronically. Reporting methods chosen are dependent on organization's information systems and their user's skills to make use of them. Needs and demands from report users can be very different, making it wisest to choose reporting method that suits most of the persons using them.

Information systems used by organizations have developed a lot and thereby reports in paper forms are disappearing, especially in case of extensive and long reports. Reporting in electronic form makes it possible to edit and make own analyses on them. In electronic form users can drill down to the more profound information. Electronic reports can be distributed e.g. in organizations intranet, by e-mail or to wireless terminals and devices.

Before distribution it is important to test first report versions on some users belonging to the user group. It is hard to get a clear picture of users reporting needs, making test reports good way to get feedback on report's content, layout, timing and distribution. (Alhola & Lauslahti 2002, 326.)

Timing of reports is influenced by the use of the report. Different reports with different timing needs are e.g. Planning reports, routine reports, alarming reports and Ad hoc reports. Planning reports are needed with strategic plans and budgets, timing for these reports is in the beginning of the planning process. Routine reports are prepared usually quarterly or even annually and they usually concern only certain period of time, making it optimal to prepare them quickly after the period. Alarming reports print to terminal after numbers exceed the pre-defined limits. Adhoc reports are produced in decision making situations or to get more information on organizations actions and business. (Alhola & Lauslahti 2002, 325-326.)

7.6 Development of reporting systems

Development of financial management systems has been significant during the last years, especially for reporting solutions. Few major development trends can be identified in reporting

solutions. During last years reporting solutions have developed to more comprehensive direction. In the past it has been common that e.g. for budgeting, planning & forecasting, group reporting and cash flow reporting there has been separate applications. Today with one reporting solution multiple reporting needs can be answered, integrating different reporting areas to one solution. (Lahti & Salminen 2009, 183-184.)

Management reporting systems usually demand huge amounts of data in order to produce comprehensive reports. In the past this data (also known as “big data”) has been stored into external data warehouses. Development in reporting systems has introduced new reporting systems with ability to store, process and structure huge amounts of data. This makes external data warehouses redundant. (Lahti & Salminen 2009, 183-184.)

One development trend during last years has been overall improvement of user experience and change of reporting systems to more user-friendly direction. Reporting systems today are easier to use, more intuitive and they produce more visual reports. With this trend presentation and graphic features have developed significantly, this makes reports more user-friendly and easier to interpret. In practice this means presenting figures and information with graphic indicators and different graphs. With these graphs e.g. trends in development of figures and differences in planned versus actual can be displayed in understandable form. Reports can also highlight deviations from previous periods or forecasts, this frees the user to focus on the areas in need of actions. (Lahti & Salminen 2009, 183-184.)

Development of reporting systems has also made it possible to collect all essential information for specific employee role and display it in one view, easily accessible. In good situations reports and data can also be accessed in addition to PC from other devices also e.g. smartphone. (Lahti & Salminen 2009, 183-184.)

7.7 Report contents

Axson (2007, 145) determines four questions management report should answer in order to fulfil its purpose: What happened? What was the impact? Why did it happen? What can we do about it?

When management reports are distributed they also need to answer needs of specific users in order to create value and support the decision-making. When reporting is practiced best it is not implemented by “a one-size-fits-all approach” but as delivery of information with personalized reports. When report contents of these personalized reports are determined, needs and preferences of the groups and individuals are taken in to account. (Axson 2007, 139.)

Axson (2007, 139.) states that management reporting with its content should provide a complete picture of key business measures across three primary dimensions. These dimensions are:

1. Operational/financial
2. Internal/external
3. Leading/lagging

Operational information includes measures of cycle times, productivity, quality, volumes and resource utilization. It describes activity levels inside the organization. Financial information is operational measures translated into financial results such as sales, expenses and profit. Internal information concerns all activities within an organization, unlike external information that covers measures related to customers, competitors, suppliers, economy, regulation and politics.

Leading, also known as predictive information is future measures in form of estimates or forecasts comprising operational, financial, internal and external measures. Lagging information is historic information reporting results about prior period or the current one. In companies that practice best management reporting it is understood that better balance across these dimensions is needed, still today big part of the management information available to organization is opposite of what the most managers value: internal, financial and lagging. (Axson 2007, 139.)

7.8 Design

Design is a critical part of management reports. If design is neglected and reports presented with poor design can it lead to critical business information being ignored and misinterpreted. Poor design of the reports can also inhibit understanding and slow down decision making. Yet still, design of the management information presented is often being neglected. Major problem with design of the management reports is finding balance with content and format. Even if a report is well designed can the data be inaccurate and questionable. Same time the actually relevant and important data can be presented in unreadable format, in reports consisting of numerous pages of narrowly spaced numbers. When report is well designed it performs in making complex information easy to understand and use. And that leads to improved decision making. User's attention is guided to the actually important info which is made easily to interpret and understand, eventually leading to a faster decision making. (Axson 2007, 156.)

8 Management reporting at the Company's Finnish branch

In this chapter the findings of the study are presented and discussed. Empirical findings are also compared to the theoretical framework, which is presented through multiple different literature sources. The chapter eventually aims to answer to the research question: "How can management reporting be developed to support better decision-making?" This chapter first presents the company's need for management reporting. Why is it important and what are the possible benefits? After this the current situation of management reporting is presented and answers of the thematic interviews considered. After presenting current situation and research findings, is the new management reporting tool presented and proposals about further development made for the case company. Thematic interviews were held for multiple persons from all the main business units within the company in order to get realistic and comprehensive picture about the current situation.

8.1 Need for Management reporting

Company X's Finnish branch was established in 2013 and after that it has grown rapidly. The whole group of Company X is also a big employer on its industry and employs thousands around the world. Still Interviewee B felt that Finnish branch is missing processes and resources. Also clear picture about the business situation is missing due to unclear management reporting directed to the management of Finnish branch. According to Axson (2010, 141-45.) without effective reporting process management is left with too little time and relevant information in order to react to changing business conditions, Periasamy (2009, 675.) also emphasizes the necessity of regular reporting systems, as they are important guidance for decision making.

The need for management reporting was already known before starting this thesis and it was even suggested as preferable thesis topic by the Commercial Manager in form of a "Development of a new management reporting tool for Company X", when discussing about the possibility of doing thesis as an assignment for the case company.

After interviewing several persons within the company's Finnish branch the need for management reporting became more obvious. At the moment the persons interviewed felt like they are lacking relevant and useful reports and they do not receive enough important information about the business. Especially important financial information was felt missing, interviewed managers from different business units did not have a clear picture of current situation from financial point of view. For example Interviewee C had no idea about the budget of the area he is responsible for and therefore now clue about the money left for running the actual busi-

ness on his area of responsibility. Although the interviewed persons were from different business units all of them felt like they are missing relevant financial information reported to them. Multiple interviewed persons also stated that the current reporting is very irregular and lagging, reports can be received over 2 months late (Interviewee A) and in very irregular fashion (Interviewee C), this is worrying as if reports are distributed too late to the relevant persons all planned actions cannot be performed (Alhola & Lauslahti 2002,325.).

All the interviewed persons represented business- or operational levels. Alhola & Lauslahti (2002,319-320.) state that in these levels reporting should produce information on economy, area efficiency, financial state of operations and other essential information regarding execution and completion of the works. From the interviews can be deduced that most of this information is currently not distributed to managers of the Finnish branch.

8.2 Current state of Management reporting

In the interviews current state of management reporting was studied from the middle level management point of view. Managers from different business units gave their opinions on existing reporting and problems regarding it, their suggestions to improve reporting were also asked. All interviewees told that they are regularly receiving health, safety and environment reports (HSE). That was the only report that is being distributed to every manager within organization. All other reports are more dependent on manager's business unit and tasks. Table 1 that can be found below presents the reports every interviewed manager is currently receiving.

Reports received				
A	B	C	D	E
P&L account	P&L account	P&L account*	Project reporting	Project reporting
HSE Summary	HSE Summary	HSE Summary	HSE Summary	HSE Summary
Business unit report *	Technical performance report (not using)	Technical performance report	Project management tool	Project management tool
		Business unit report *		

** Report received irregularly or late*

Table 1: Reports received

Profit and loss account is distributed for interviewee A and B monthly, while C is receiving it very irregularly. Interviewees D and E are receiving more Project related reporting as they

are part of Project management business unit. Interviewees B and C are also receiving reporting about technical performance, although B is not using the report at all. Interviewee C on the other hand feels like this reporting is very useful and important.

Most of these reports are prepared and distributed by group centralized departments in the parent company, only minor reports are prepared on local level in Finland. These reports are then presented to the management in Finland through video calls, meetings and even only by sending the report via email. Most of the data and information to these reports is obtained from company's Enterprise resource planning (ERP) system SAP. Company uses different SAP modules for management of most of the business activities in the company, including accounting. Also other smaller individual systems are used for some reports, like technical performance and HSE.

Although reports are currently distributed and presented, managers of the Finnish branch were not satisfied with it. Almost all interviewees felt like that there is not enough reporting that is really guiding their decision making and working. The existing reporting was described as unclear, lagging and even nonexistent. The problems and challenges with current reporting are described in the next chapter. In the interviews with interviewee D and E it was found out that Project management unit is introducing new reporting tool for projects. The tool is massive excel file providing information about project performance and results. After founding this out it was agreed that projects are excluded from this research and focus is on other business units, Project Management overhead cost center is still included.

8.3 Reporting problems and challenges

Main goal of this study was to create a new local management reporting tool for the company's Finnish branch. In order to do this the problems with current reporting had to be identified. In order to identify those, interviews with five managers were conducted. Interviews gave good results about the existing problems and shortcomings, they also showed some differences between business units.

Interviewee A, who is an Area Service Manager in Nordic area stated that biggest problems with the reporting are obscurity, too many different reporting channels, late distribution and unreliability of the reports. He is now receiving profit and loss account monthly, but is unable to take advantage of it as it is presented with no background information solely based on figures. If there is variations comparing actuals to budget he has to come up with explanations himself, even without any real knowledge about them. Interviewee A also told that he is receiving report about his own area often with delay of approx. two months, making the reports

a bit useless. He was also concerned about the reliability and data quality of the reports, as there has been conflicts and errors in old reports.

Interviewee B is a Commercial manager in Nordic area in charge of financial matters within the Finnish branch. Part of her tasks is to monitor financial situation and present it monthly on management meetings. In the interview she stated that Finnish branch is now missing processes and resources for useful management reporting, also communication with the parent company is not working. Important and useful management reports are prepared in group level, but they are not distributed to Finnish branch, this leaves Finland without clear picture of financial and business performance. According to her main reasons for this are strict control from the group, lack of trainings, resources and processes due to still short history of business in Finland. She was also concerned about the poor data quality, which leads to unreliable reporting. She also found it concerning that budgeting process is top down and not communicated to the Finnish branch, making profit and loss account reports almost useless.

Interviewee C is a Local Operations Manager in area X and in charge of service operations on his respective area. In the interview he stated that he is not receiving any reports from the Finnish branch and actually very few at all. He feels that the current reporting is hardly guiding his decision making at all. The existing reporting is irregular and unclear, the profit and loss account report he is irregularly receiving is hard to interpret due to the fact that he does not have much financial experience and is not involved in the budgeting process. When he is not part of the budgeting process he can only read the profit and loss account and note what has happened, but not really interpret the figures. He was also stating that the costs he sees on P&L reports are unclear and hard to know how they have been allocated. Major problem he also has with current reporting is that he is not even sure what reports he should be receiving, if he should be receiving them at all. He was also unsure about what management reporting should mean.

Interviewees D and E are Project Managers and part of the Project Management department. They stated that they would want more future orientated reporting and not only reports about the past. They were also worried about the data quality and cost allocation, doubting the reliability of current reporting. In the interviews with D and E it was found out that PM department was currently introducing new reporting tool for projects, due to this emphasis was more on interviewees A, B and C.

Interview results confirmed the assumption that the current management reporting is not guiding management's decision making well enough. Many problems were identified and few of them occurred with almost every interviewee. Distribution of the reports was felt very ir-

regular, reports are received late or maybe not received at all. Reports and the whole reporting process was described as obscure and unclear. Managers might not be able to interpret existing reports due to lack of financial knowledge and training, they also do not know the financial performance and situation of own area well enough. Budgets are not presented to them and they are not participating to the budgeting process, making it hard to monitor costs. All the interviewees were also concerned with the data quality and reliability of the reports. Major problem was also the poor communication with the group and parent company, reports and information are available but they never reach the Finnish branch. This leaves management in Finland in uncertainty, although needed reports and information would be possible to distribute to Finland as well.

8.4 New tool and suggestions

The main goal of this study was to eventually create a new management reporting tool to support work of middle level management in company's Finnish branch. With existing resources new tool was created to answer the original goal of this work. Based on the interviews, writers own perceptions and cooperation with company's Commercial manager new monthly prepared report was created.

After conducting the interviews it came clear that middle level management is missing basic financial information about their own respective area and the whole Finnish branch. It was also learned by studying company's ERP-system SAP that this information is available, but is not used due to unclear layout, poor SAP skills of concerned persons and lack of financial understanding. To solve this problem simplified Profit and loss-account was created to give better understanding of financial performance of the company.

The simplified profit and loss-statement is based on data which is extracted from SAP and modified with Excel into more understandable form. The same profit and loss statement is created for the whole branch and every profit- and cost center, every month after month closing. Report in branch and profit center level gives comprehensive picture about branches performance and result, when report in cost center level gives chance to every respective manager to see the costs of own area or business unit. Report also compares the budget to the actual figures, making it possible to see if business is in compliance with the budget.

The tool is now in use in the company and is being prepared monthly after previous month is closed. Local finance department is preparing the reports and distributing them to managers in Finland. Company's Commercial Manager is presenting summary report about all profit centers in monthly management meeting, there company's monthly performance and situation is reviewed. Cost center reports are distributed directly to the manager of the respective cost center. Face-to-face report overview meetings are setup on individual request.

In this chapter the tool is presented with sample pictures and instructions for use. All names and numbers on the sample pictures are changed to fictitious or blurred in order to keep case company anonymous. In sample pictures only one report of sample cost center is presented.

In below picture you can see the example cost center report. On top left corner the respective cost center and reporting period is stated. The report summarizes the whole Profit and loss account, displaying only the most relevant cost accounts giving the reader a chance to focus on the relevant information. The report also displays the plan and the variation between plan and actuals. In the last column the plan for the whole year is displayed, in order to give picture on future as well. The report can be modified to display the costs that are relevant for the particular cost center. The report can be distributed in paper form, as pdf file or as excel file. In the excel version it is possible to open the summarized cost lines and reveal the actual accounts where the costs have been booked. In the picture the cost line “other costs” is opened to clarify what kind of costs it contains.

PROFIT & LOSS ACCOUNT
Cost Center 1: Company X Finland
Reporting period 1.1.-31.1.2017

	PLAN JAN'17	ACTUAL JAN'17	VARIATION (€)	VARIATION (%)	PLAN 2017
Revenue					
Total material costs	0	0	0	#DIV/0!	0
GROSS PROFIT	0	0	0	#DIV/0!	0
Staff costs	-100,000	-60,000	40,000	-40.0%	-1,200,000
Availability penalties					
Bad debts					
Travel costs	-25,000	-9,000	16,000	-64.0%	-222,000
Subcontractor costs (hours)					
Postage and Telephone	-1,083	-2,819	-1,735	160.2%	-15,000
Interim/temp. staff					
Recruiting costs					
IT costs	-3,000	-6,000	-3,000	100.0%	-36,000
Office expenses	-458	-738	-280	61.0%	-6,000
Rent/leasing vehicles	-300	0	300	-100.0%	-3,600
Rent/leasing office equipment					
Maintenance/repairs building/tools					
Maintenance/repairs vehicles					
Personal protection equipment					
Training	-833	-110	723	-86.8%	-10,000
Legal and consulting	-1,000	-3,000	-2,000	200.0%	
Other operating expenditures					
Other costs	-1,000	-8,000	-7,000	700.0%	-12,000
Other income					
Costs/income from aff. companies					
Further tax	-100	-710	-610	610.3%	-1,200
Not Allocated					
Depreciation	-434	-486	-52	11.9%	-5,209
EBIT	-133,209	-90,863	42,346	-31.8%	-1,511,009
Interests					
Secondary costs					
TOTAL	-133,209	-90,863	42,346	-31.8%	-1,511,009

Figure 3: Example cost center report

The report template was designed to be easy and quick to use, making preparation of the report effortless as possible. It was agreed to avoid manual entering of the data as much as possible. This way it was possible to keep the preparation quick and the data reliable. In this manual it is presented how the reports can be created using data exported from SAP and excel file formatted to match the SAP data.

Process it started by choosing the right SAP transaction, there is own transactions for cost centers and profit centers. In the example picture there is cost center transaction. To the selection values right fiscal year and reporting period is entered. After this Finland is entered as cost center group and correct layout chosen.

Cost Centers: Actual/Plan/Variance: Selection

Data Source... i

Selection values

Controlling Area	
Fiscal Year	2017
From Period	1
To Period	12
Plan Version	0

Selection groups

Cost Center Group	Finland			
Or value(s)		to		+
Cost Element Group	Layout_1			
Or value(s)		to		+

Figure 4: SAP values

After choosing the right values and executing the report, SAP displays the report in its own layout. The layout is then changed to excel integration and needed columns copy pasted to the report excel file, in new sheet. After pasting the data into new sheet the report template is set to refer to the data. After this check for error is conducted and possible errors deleted. In the next pictures you can see how does the exported data look like in excel and example functions used to format the data in the reporting template. Actual figures are replaced with zero.

1SIP		Cost Centers: Actual/Plan/Variance			
Date:	24.04.2017				
Requested by:	User 1				
Controlling Area	XXXXX				
Fiscal Year	2017				
From Period	1				
To Period	1				
Plan Version	11				
Cost Center Group	Finland				
Cost Element Group	SERV_NEW	Service Reporting Structure			
Cost Elements		Act. Costs	Plan Costs	Var.(Abs.)	Var.(%)
61241 HSE		0.00	0.00	0.00	0
61246 insp. & take o		0.00	0.00	0.00	0
* Other subcontracted c		0.00	0.00	0.00	0
** Subcontractor costs		0.00	0.00	0.00	0
*** Total material costs		0.00	0.00	0.00	0
**** Gross Profit		0.00	0.00	0.00	0
63000 salary		0.00	0.00	0.00	0
*** Salary		0.00	0.00	0.00	0
64000 social exp. (s		0.00	0.00	0.00	0
*** Social security		0.00	0.00	0.00	0
63210 remuneration i		0.00	0.00	0.00	0
*** Staff costs others		0.00	0.00	0.00	0
**** Staff costs		0.00	0.00	0.00	0
68510 travel exp. Ho		0.00	0.00	0.00	0
68511 travel exp. Me		0.00	0.00	0.00	0
68512 per diem rate		0.00	0.00	0.00	0
68520 travel exp.air		0.00	0.00	0.00	0

Figure 5: Example of raw data

+ 21	Revenue				
+ 118	Total material costs			0	
119	GROSS PROFIT			0	
+ 131	Staff costs				
+ 135	[REDACTED]				
+ 138	Bad debts				
+ 146	Travel costs				
+ 149	Subcontractor costs (hours)				
+ 152	Postage and Telephone				
+ 154	Interim/temp. staff				

IFNA(-	-4
VLOOKUP(
\$B\$131,PM!	
\$A\$12:	-
\$E\$221,3,	
FALSE,"")	-

Figure 6: Example excel function in report

Plan for the whole year needs to be added manually, by running the report to period 12 and exporting the plan from that period. If report needs to be prepared more quickly, this can be left out. After these steps the report should be ready to use. Now it can be printed or formatted to pdf file, it is set up to print on one A4-paper. Next picture presents what the report looks like in excel. Cost accounts are summarized into cost elements that can be drilled down, if closer picture is wanted.

	PLAN JAN'17	ACTUAL JAN'17	VARIATION (I)	VIATION (%)	PLAN 2017
21 Revenue					
118 Total material costs	0	0	0	#DIV/0!	0
119 GROSS PROFIT	0	0	0	#DIV/0!	0
131 Staff costs	-100,000	-60,000	40,000	-40.0%	-1,200,000
135 Availability penalties					
138 Bad debts					
146 Travel costs	-25,000	-9,000	16,000	-64.0%	-222,000
149 Subcontractor costs (hours)					
152 Postage and Telephone	-1,083	-2,819	-1,735	160.2%	-15,000
154 Interim/temp. staff					
156 Recruiting costs					
159 IT costs	-3,000	-6,000	-3,000	100.0%	-36,000
162 Office expenses	-458	-738	-280	61.0%	-6,000
166 Rent/leasing vehicles	-300	0	300	-100.0%	-3,600
170 Rent/leasing office equipment					
178 Maintenance/repairs building/tool					
181 Maintenance/repairs vehicles					
183 Personal protection equipment					
185 Training	-833	-110	723	-86.8%	-10,000
187 Legal and consulting	-1,000	-3,000	-2,000	200.0%	
216 Other operating expenditures					
217 Other costs	-1,000	-8,000	-7,000	700.0%	-12,000
226 Other income					
232 Costs/income from aff. companies					
236 Further tax	-100	-710	-610	610.3%	-1,200
242 Not Allocated					
248 Depreciation	-434	-486	-52	11.9%	-5,209
249 EBIT	-133,209	-90,863	42,346	-31.8%	-1,511,009
254 Interests					
264 Secondary costs					
265 TOTAL	-133,209	-90,863	42,346	-31.8%	-1,511,009

Figure 7: Example report in Excel view

Intention of this tool is to give a clearer picture about the financial situation of their own area and the whole Finnish branch. It aims to present data already found from SAP in more presentable and understandable form. Reports can be also modified for every manager according to their wishes and needs.

Suggestions

Although new reporting tool was created the struggle with management reporting still continues. Biggest problem surprisingly might not be lack of the reports or information, but problem with group's internal communication. The group already has big centralized controlling and reporting departments, with several existing reports also for Finnish branch, still these reports and information are not distributed properly to Finland. It is not effective or even possible to create proper management reporting internally from the scratch within the Finnish branch. Resources are too low and finance department has too big workload already. The writer suggests that Finnish branch would try to improve communication with the group and

through that get more involved on already existing management reporting. This way the Finnish branch would not need to develop completely new reports and could use the already existing ones, which are in line with the group.

The writer is also suggesting that managers of the Finnish branch would receive additional finance and SAP trainings. By getting more financial knowledge the managers would be able to interpret better figures about their own area or cost center. Currently some of the managers have very little finance knowledge, making it hard to read even simple financial reports. With basic SAP training the managers could also check some reports and figures themselves. Now basically without any SAP training the system seems as complex and difficult to use. The writer believes that even with short trainings the managers could multiply the value they are currently getting from SAP.

Another suggestion is to develop more visual reporting and increase the amount of relevant KPI's. More visual reports would be easier to interpret and would guide management's decision making more. The reports would be faster to read and more time would be left for actual work. Use of relevant KPI's would also make reporting more useful, managers would receive the KPI's that really guide their decision making and help in their daily work. The KPI's would need to be customized for each manager with an eye to their tasks.

9 Conclusion

Management reporting has risen to an extremely important position in today's business. Especially for big companies where the information flows are tremendous, working tools that change data into usable information are vital. Without working reporting management is like blind, unable to respond to changing situations. When reporting is executed well it delivers the right information to the right people at the right time, helping management greatly with decision making. In recent years reporting solutions and information technology have developed a lot, making it possible to prepare always more versatile and useful reports, which meet today's high requirements.

This thesis was commissioned from the case company X, Finnish branch of a big global group working in the renewable energy industry. Due to still relatively young age of the Finnish branch proper management reporting processes are still missing, making managements work more challenging. State of management reporting was described as unclear and obscure, some reports are prepared and distributed but they are not really guiding managements work and decision making. Uncertainty about the business performance and state has prevailed, to solve this problem new management reporting tool was decided to develop.

To find out the current state and problems with management reporting, five managers from the Finnish branch were interviewed. In the interviews the interviewees were asked to describe existing management reporting and problems with it. Their wishes regarding reporting were also asked. Interviews gave comprehensive picture about the state of reporting and problems with it. This information was used as a base in development of the new tool.

When the tool was started to develop, research results were considered together with view on existing resources and what is really possible to be prepared. It was decided to use company's ERP system SAP together with Excel to create a simplified profit and loss report. From the SAP data is exported to the excel template which will then semi-automatically create the report. This new report was selected as it is relatively easy and quick to produce and provides important financial information in clear form. Report can be prepared for all cost- and profit centers. It displays the profit and loss account in simplified form, presenting only the most relevant income and cost elements, still with option to drill down if needed. Report presents also the plan version and variation between plan and actuals. All this is fitted to print on one page, so all relevant information would be visible at glance. Report can be distributed electronically or in paper form. Company's Commercial Manager will distribute the report to other managers monthly.

During the spring 2017 the new reporting tool was introduced to use and distributed within Finnish branch. It was also presented in management meeting. Commercial manager was satisfied with the tool and its features. According to her the report is a good and quick overview on the financial situation of the branch and its different units. The whole profit and loss account can be viewed at glance, with possibility to dig down deeper to the report if needed. She thinks that it is very wise to only show the relevant income and cost elements so that reader's attention is not distracted to unimportant things. Displaying the plan and variations compared to it is also very useful, giving good picture about budget compliance. She also feels that the excel template is easy and quick to use, making the report pleasant to prepare, eventually leading to more frequent use.

With this new tool the management reporting in company's Finnish branch gets a necessary and waited tool, which can be prepared locally with small resources. It is developed to give a comprehensive picture about monthly financial performance in order to help management's daily work. Report also gives possibility to compare today's situation with the budget, telling if compliance with is met. The tool is practical and easy to use making it possible to generate reports with local resources.

For me this thesis was a great learning experience, it was surprisingly demanding but led to even more rewarding results. Before starting this study I was aware that the topic is not the

easiest one and would require a lot of work, I had only little experience with management reporting before this but still chose the topic as it was very interesting for me. I also felt that this thesis would act as a great asset in future for me, proving my competence with management reporting. During this project I studied theory about management reporting very comprehensively and was involved with practical development of new tool and use of management reports. I am happy with the result as the tool was right away introduced to use and provided real value to the company. This was important for me as I wanted a topic and result which would really support case company's work and not just something that would be forgotten right away. Based on my own opinion and feedback from the company this target was met. It is still clear that this tool does not solve all problems with company's management reporting, but act as a good aid to it.

I would suggest further research on improvement of company's internal communication. This way some of the problems with management reporting could be easily solved. Research would search ways to utilize groups existing reporting resources for benefit of the Finnish branch.

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Appendix 1: Interview structure

Semi-Structured interview structure

Company X – Development of new Management reporting tool

- What is your position at Company X?
- Which (management) reports you receive currently?
- Current state of reporting and problems

How reporting is presented at the moment?

From which systems reports are generated?

What problems occur with reports at the moment?

- How would you improve reporting?
- Which would be the best Key performance indicators to support your work / guide your decision-making?



Appendix 2: Example report

PROFIT & LOSS ACCOUNT**Cost Center 1: Company X Finland****Reporting period 1.1.-31.1.2017**

	PLAN JAN'17	ACTUAL JAN'17	VARIATION (€)	VARIATION (%)	PLAN 2017
Revenue					
Total material costs	0	0	0	#DIV/0!	0
GROSS PROFIT	0	0	0	#DIV/0!	0
Staff costs	-100,000	-60,000	40,000	-40.0%	-1,200,000
Availability penalties					
Bad debts					
Travel costs	-25,000	-9,000	16,000	-64.0%	-222,000
Subcontractor costs (hours)					
Postage and Telephone	-1,083	-2,819	-1,735	160.2%	-15,000
Interim/temp. staff					
Recruiting costs					
IT costs	-3,000	-6,000	-3,000	100.0%	-36,000
Office expenses	-458	-738	-280	61.0%	-6,000
Rent/leasing vehicles	-300	0	300	-100.0%	-3,600
Rent/leasing office equipment					
Maintenance/repairs building/tools					
Maintenance/repairs vehicles					
Personal protection equipment					
Training	-833	-110	723	-86.8%	-10,000
Legal and consulting	-1,000	-3,000	-2,000	200.0%	
Other operating expenditures					
Other costs	-1,000	-8,000	-7,000	700.0%	-12,000
Other income					
Costs/income from aff. companies					
Further tax	-100	-710	-610	610.3%	-1,200
Not Allocated					
Depreciation	-434	-486	-52	11.9%	-5,209
EBIT	-133,209	-90,863	42,346	-31.8%	-1,511,009
Interests					
Secondary costs					
TOTAL	-133,209	-90,863	42,346	-31.8%	-1,511,009

Appendix 3: Thesis timeline

Year	Month	Topic
2016	August	-Start of the project -Theory study -Mapping of the subject at work place
	September	-Writing theory part -Deciding the interview frame & questions -Interview A
	October	-Writing theory part: accounting -Sending e-mails to selected persons about interviews -Interview B
	November	-Writing theory part : management accounting -Interview C -Interview D
	December	-Writing theory part: management reporting -Interview E
2017	January	-Analyzing the interviews -Writing Theory part: management reporting
	February	-Analyzing the interviews -Empirical part -Development of new tool
	March	-Development of new tool -Empirical part -Management reporting at the case company
	April	-Conclusions -Writing the theory part: Research
	May	-Finalizing the thesis -Returning it

A

Appendix 4: Interview details

Details of thematic interviews			
Interviewee	Title	Date & Location	Duration
A	Area Service Manager Nordics	Helsinki 19.9.2016	45 min
B	Commercial Manager Nordics	Helsinki 20.10.2016	57 min
C	Local Operations Manager North Finland	Helsinki 25.10.2016	50 min
D	Project Manager	Helsinki 3.11.2016	42 min
E	Project Manager	Helsinki 12.12.2016	46 min