



## Value of Management Information

Strong Management Information should add substantial value to your business. Equally, inappropriate or insufficient Management Information could significantly detract from business value.

Management Information needs to be seen not only as a management tool but as a strategic tool. It should encompass data that is financial and non-financial, historical and forecast.

### What Makes Strong Management Information?

The Management Information you have within your business should assist with formulating your business strategy. Your business strategy will consist of a number of core strategies. It is critical to be able to identify and measure the key drivers (commonly known as Key Performance Indicators or KPIs) and ensure they are aligned to the core strategies of your business. The success of your business' core strategies can only be assessed if an appropriate metric / KPI is being measured. It is also vital to be able to analyse and act upon these KPIs.

In addition, the trend in KPIs should help determine any changes to your business strategy, which should be regularly reassessed. As your business evolves and develops, it is vital that your Management Information changes with it, as the core strategies and key drivers will change.

Strong and appropriate Management Information should also help your business to react to market and economic changes in a timely and appropriate manner. Failure to do so is highly likely to have a significant adverse effect on profitability and, therefore, business value.

### Management Information During a Sales Process

When you come to sell your business, part of the buyer's appraisal of the strength of your management team – which can have a strong correlation to the value of your business – will be an assessment of what Management Information you have been measuring, what analysis you have concluded from this Management Information and what actions have been taken as a result.



In addition, a trend of strong, appropriate Management Information should facilitate the due diligence process undertaken upon sale. This should significantly weaken the buyer's ability to chip away at the perceived value of your business.

### **How Strong Management Information Can Add Business Value**

In summary, strong Management Information should significantly add to the value of your business by providing:

- ~ strong, yet flexible, strategic direction (and, ultimately, increased profitability);
- ~ increased ability and speed to react to market and economic changes;
- ~ increased reputation of management;
- ~ facilitation of the due diligence process during a sale.

Consequently, Management Information is *not* something that should be seen as a 'nice to have' in your business – it is a necessity.