

Management Information System

Introduction

A manager is not only responsible for leading a team but also for planning, organizing, cheerleading, problem-solving and decision making. Managers should have a fair knowledge of the associates' work but need not be good at all the work they do. The manager should know how to manage the associates well rather than being able to do their work well. Managers cannot however haphazardly discharge their function. Good managers ultimately bring out the best potential of their associates.

MIS or Management Information System is a tool for effective and efficient communication between different departments of an organization and if used judiciously provides tremendous benefits to an organization. It aids in saving time and improving efficiency. It provides data to managers who are in search of information. MIS converts raw data of the organization into a form that easily reflects the organization's activities.

An Aid to Decision Making

MIS is an important tool for decision making. MIS involves collection and collating of data in a desired manner. The information thus compiled should be useful to the managers for whom it has been prepared. However for an MIS to be effective and efficient, the organizational and management objectives should be clear. When information is inadequate, managerial objectives are unclear it becomes difficult to determine what data could be useful. This is typical of a company during its growth phase. It is sometimes difficult to design MIS at this stage.

To design an effective MIS the following information should be available in a sequential manner:

- Clarity on managerial objectives
- Time line for information flow to managers
- Type of data required
- Source of data
- Earliest dates for obtaining accurate and reliable data

MIS designed should not be complicated but easy to understand. Only relevant data should be captured. The manager should be able to understand the relevance of such data and be willing to use the same. A well designed MIS, not understood by managers or not implemented by them has no meaning.

Relevant and well designed MIS help managers to reduce costs, improve efficiency and profits.

Designing MIS

Before designing a MIS there should be clarity on the purpose and timing of the MIS.

Doing business in India today is so different from what it used to be 2-3 decades ago. Today transactions have become complex and there are several statues to adhere to. With this change we see a paradigm shift from the manual or semi-manual system to an automated system. When small businesses start today it is difficult to find accounts being maintained manually. We have affordable accounting packages which if used effectively can generate enough of meaningful data and reports.

In any organization, data is used differently by different functions. For instance timing of customer collections has a different use to a Marketing Manager as against a Finance Manager. Marketing Managers have their collection targets to meet and are happy to report a collection once a cheque / draft is received. Finance Managers on the other hand have a more conservative approach. They would prefer to report the collection only when the company bank account is credited with the amount. Further the Marketing Manager may be interested in a more detailed report such as the geographical distribution of sales collections while such data may not be relevant to a Finance Manager.

Looking at this example, the customer collection MIS would have to be designed differently for the Marketing Manager and differently for the Finance Manager.

A well designed MIS should ensure:

- Reduction/minimization of routine operations
- A basis to analyse warning signals originating from internal and external factors
- Assist in managerial decision making
- Provide information for non-routine decisions

When to introduce MIS?

MIS may be introduced for different functions in a staggered manner. For a company at the growth phase with minimal transactions, the managers are able to scrutinize and monitor each transaction. However as volumes increase and transactions become complex, detailing in all areas may not be possible for a manager. Managers may decide to monitor with MIS reports for certain areas and delve deeper in others. This

becomes possible as and when they have reliable subordinates for delegation of responsibilities. The manager can then act on exception reports only for the areas managed by their subordinates. This helps the manager to utilize available time in a productive manner, thereby improving the efficiency levels.

In certain cases MIS may become necessary from the beginning. Before revenues start, expenditure needs to be planned and monitored. Only when the expenditure is known is it possible to estimate the fund requirement. To have a hold on such issues, it may become essential to introduce a cash budget at the start.

MIS on customer outstanding can be designed and introduced after there is clarity on the customers and their contract terms. However, sales are an important function for any business and have to be closely monitored and the main focus of entrepreneurs during the growth phase. Several entrepreneurs may not find the need for a sales MIS for a long time as they would prefer to monitor the function more closely for a considerable amount of time.

Conclusion

MIS is a tool for effective and efficient communication between different departments of an organization. However to make it effective, the management objectives should be clear. MIS can be introduced in a phased manner depending on the requirement for each function. It becomes useful to a manager when the function is suitably delegated.

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