



Data Analytics Providing Insight for Finance – September 12, 2016



Data Analytics in Finance



The Finance Department is well positioned to use data analytics strategically. Consider the amount of

information that is collected regarding customers, vendors, supply chain to name a few within ERP systems. With increased information comes the need to capitalize on a well positioned analytics capability. Consider the amount of data that is captured by ERP systems that are not being fully utilized. The role of Finance goes beyond monthly reporting. With the use of technological tools organizations can gain a better insight into customer insight thus allowing for strategic planning.

The financial plan must be aligned with the organizational strategy. Without an established finance plan organizational operations could be at risk related to current and future organizational activity as it grows both in terms of customers served, and lines of operations.

Consider the how growth is to be projected and targets measured. Data Analytics can assist finance in preparing updated budgeting, and reforecasts that

consider changing factors external and internal to the organization. A strategic approach to the use of data analytics to better understand current, and revenue projections will allow for more informed decision making related to managed and sustained growth.

As each business unit has responsibilities towards the overall strategic goals of the organization, collaboration is key. Addressing concerns, and sharing strategic information internally will allow the organization to better compete. Organizational hierarchy structure may change depending on several factors such as nature of business, competitive environment, cyclical cycle, and regulatory compliance.

Financial Projections

Using data analytics organizations can develop plausible scenarios for investment, and possible divestiture for a competitive advantage. Combining traditional financial formulas with a data-analytics solution can provide solutions that take into account



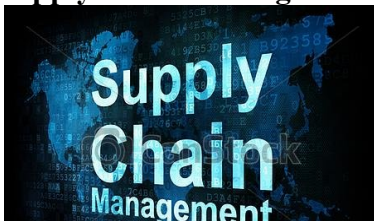
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For financial units of the use of net present value (NPV), internal rate of return (IRR), and other financial formulas is important for investment decision-making. If such formulas are combined with data-analytics to take into account, such information both internal and external to the organization the analytics produced would useful information.

Budget information including variable, step, and fixed costs can be more accurately reflected with the use of data-analytics. The use of what-if scenarios that take into account both the internal, and external operating environment can be better reflected. It is important that organizational units collaborate in order to achieve the overall organizational strategy.

Data analytics can assist with revenue projection including combining information related to customer preferences related to products they would most likely to purchase. It can be used to identify potential ongoing cost expenditures including unusual costs that could be expected with the use of predictive analytics.

Supply-Chain Management Efficiency



Improved supply-chain efficiency can be used to make real-time decisions and forecasts based on products that are expected have a higher turnover than others. With the ability to improve supply-chain efficiency organizations ensure customer needs are met. Organizations can loose customers if it is not able to properly predict customer patterns, ensure sufficient supplies are on hand when required. With the use of data-analytics organizations are able to proactively react to changes. Consider retailers that have expanded that

had supply-chain problems (to name one issue) and eventually closed.

Data analytics can allow for a real-time view of optimal supply-chain by collaborating analytics from the supply-chain division, sales and marketing, and finance. Collaboration is important in order to ensure the company is not over or understocked which could effect cash-flow management of the organization.

Analytics and the Finance Business Partner

The role of the Finance Business Partner is support internal clients of the organization, and indicate co-collaboration with other units in order to deliver strategically important information. As a result, they need to understand the nature of the units served in order to deliver strategic results. Finance cannot operate in silo from the organization.

The Finance Business Partner role has transformed into a strategic role that is one of value added beyond the P&L statements and Balance Sheet of an organization. The role involves assisting with cost efficiencies, and revenue optimization. In terms of financial results, it is critical that Finance play a key role in ensuring the reliability of information produced may require for internal purposes. As a result, The Finance Business Partner needs to understand the business unit to produce information, present, and collaborate in a strategic manner. Creating dashboards that is meaningful rather than simply producing spreadsheets of data can go a long way when explaining information to those outside of Finance.

Updating Reforecasts and Budgetary though Data Analytics

When budgets and forecasts are produced, it is a general best estimates as to what the organization expects to occur based on various internal, and



external factors. With data analytics an organization can produce rolling forecasts, and budgets that take into account environmental factors.

Using rolling forecasts, and budgets goals can be better managed, and departments are more likely to understand the value of a budget, and goals and targets that are in the control of the department can be more accurately measured.

With the use of data-analytics, Zero-Based Budgeting (ZBB) techniques can more closely reflect the strategic goals of the organization. The strategic importance of undertaking such analysis compared to traditional techniques cannot be ignored. In a competitive environment financial Cash Flow Management is important for the on going operations of an organization.

Operational Analytics

The use predictive analytics across the enterprise resource system used in the organization can act as an indication of what may potentially occur. It will allow organizations to proactively react in order to minimize financial impact and loss of customer goodwill. Various analytical models to identify patterns can be done through the use of data modeling software. This may require consolidating data from not only ERP systems, but also from external sources such as competitive analytics including industry trends. A centralised repository for information can allow for best-practices for decisions and allow decisions to be made more effectively.

Product Profitability Analytics

Data Analytics can provide insight into product profitability from a competitive perspective. Margins for products including related direct and indirect costs can be determined including allocated costs. As well at times a product maybe a lost leader that is necessary in order to increase business for other product lines. The use of analytics can be used

to determine the extent to which loss-leaders support profitable product lines.

In-depth analytics may include price and cost drivers and include foreign exchange rates. As various factors can effect product profitability, as noted the impact on lost leaders can more effectively be measured. Though the use of strategic planning and forecasting and data analytics an understanding of various competitive forces can be analyzed. The use of business intelligence can be used strategically from a financial prospective to determine financial considerations that are important for strategic decision making.

Cash Flow Management



Cash flow management activities including Accounts Receivable (A/R), and Accounts Payable (A/P) is an important factor. Integrating data analytics with other key areas such as supply-chain management, product analysis, operating analysis, and marketing insight is important for projecting cash flow management activities.

Integrating information from various sources for strategic financial analysis is important. The role of finance has evolved into a strategic nature to provide financial insight for the organization, as well as to be a key player in providing information to business units of the organization.

Marketing Analytics



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It is necessary to ensure that the various units collaborate in their activities as a decision in one division has an effect in another. Finance has a key role to play in sharing relevant information for decision making tailored to the business units' requirements. The coordination of information from various sources in order to present information that is strategic in nature will increasingly become important in a competitive environment.

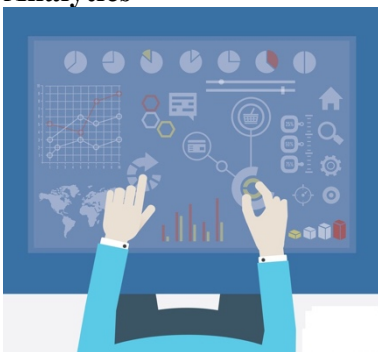
Marketing analytics needs to combine various touch points including supply-chain management, product profitability, and operational analytics. Data analytics can allow an organization to understand taste preferences by various customer segment that can be regionally, or industry based. Further analytics can be used to better understand customers through the use of predictive and prescriptive analytics. Combining such information from various sources can allow for a more effective marketing campaign. The financial role can include evaluating costs spent on a campaign

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The Finance Business Partner and Data Analytics



The role of the Finance Business Partner has evolved into that of a strategic nature. It is increasingly important to partner and collaborate with various business units within the organization to strategically share information to ensure that departmental goals are aligned. Consider the amount of information that is collected both in terms of a financial, and non-financial nature by organizations.