



**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

collected regarding customers, vendors, supply chain within ERP systems not fully utilised. With increased information comes the need to capitalise on a well-positioned analytics capability. With the use of technological tools, organisations can gain a better insight into customer insight thus allowing for strategic planning.

The financial plan must align with the organisational strategy. Without a financial plan that is not linked directly to organisational operations, the overall strategy could be at risk.

Data Analytics can assist finance with their responsibility in preparing budgets, and forecasts that are more reflective of changes in internal, and external factors that affect the organisation. Strategically making financial forecasts can allow organisations to predict revenue projections better, allow for increased collaboration, respond to changes in the business environment and update

projections as necessary. As well it will not only increase accountability within the business units' units but also to a more informed decision-making process for managed and sustained growth for the organisation. Each business unit has its own, as well as shared responsibilities towards the overall strategic goal of the organisation. Collaboration between the various groups both revenue and cost centres are the important part organisational strategy. Sharing information, concerns including bottlenecks in projection can allow organisations to adjust, and respond to customer demand accordingly to better compete.

As business units need to collaborate the organisational hierarchy may need to be adjusted taking into account the nature of the business, the competitive environment, regulatory factors, and product cyclical. An internal evaluation can determine what changes to the structure if any need to be undertaken to maintain a strategic advantage.

**Financial Projections**

Data analytics allow organisations to develop plausible scenarios related to financial investment, divestitures, what-if alternatives that take into account different markets for the product which can provide possible operational options.



**HANIF SHAMJI, MBA, CPA, CGA**  
*CHARTERED PROFESSIONAL ACCOUNTANT*  
*FINANCE BUSINESS PARTNER -*  
*OPERATIONS AND STRATEGY PROFESSIONAL*

Traditionally the use of net present value (NPV), internal rate of return (IRR), and other financial measurements were used to measure financial investment decisions. If such financial information were combined with data analytics to take into account information both internal and external to the organisation, it could provide a further degree of useful information for organisational decision making.

The complexity of budgeting can increase with the use mixed use of variable, step, and fixed costs related to production, and business operations. As noted the use of data analytics can assist with the utilisation of the use of what-if scenarios which can be reflective of information from business units are included through cross-collaboration to ensure goal congruence.

Revenue projections should be reflective of changes in customer preferences rather than an arbitrary 5% increase or decrease. Combining income, and expenditure analytics can be useful to identify product margins, and potentially identify areas for further discussion to improve efficiencies. Data analytics can assist with revenue projection including combining information related to customer preferences related to products they would be most likely to purchase. It can be used to identify potential ongoing cost expenditures including unexpected costs with the use of predictive analytics.

**Supply-Chain Management Information**



Improved supply chain information can be used to make real-time decisions with forecasts, and product costs. Improved supply-chain efficiency can also ensure better cash flow in that an organisation can provide the optimal production level is maintained. Without giving sufficient product levels, an organisation can lose customers.

Analyzing and predicting customer demand patterns can be complex. However, a group should start by understanding information related to why consumers undertook individual decisions. In the long-run, the use of data analytics through the use of predictive, and prescriptive analytics can allow organisations to react to changes in the business environment proactively.

Organizations can use data analytics to view optimal supply-chain levels in real time and adjust accordingly. As well it can actively collaborate to ensure that individual decisions are obtainable. Collaboration is essential to ensure the company is not over or understocked which could affect the cash-flow management of the organisation.

**Analytics and the Finance Business Partner**

The Finance Business Partner supports the internal clients of the organisation and coordinates financial, and operational information to various organisational units to deliver strategically important information. As a result, the Finance Business Partner should be able to coordinate information with other groups to ensure decision making does not occur in silos.

The role of the Finance Business Partner has transformed into a strategic position thus providing value-added information beyond the P&L Statements, and Balance Sheet. The role involves assisting with evaluating cost efficiencies, and revenue optimisation. Regarding delivering financial results, it is critical that the Finance Department plays a vital role in ensuring the reliability, and timeliness of financial information.



# HANIF SHAMJI, MBA, CPA, CGA

CHARTERED PROFESSIONAL ACCOUNTANT  
FINANCE BUSINESS PARTNER -  
OPERATIONS AND STRATEGY PROFESSIONAL

As well information should provide relevant information to the various stakeholders.

Creating Dashboards that are meaningful rather than just building spreadsheets of data can go a long way when explaining the significance of financial, and non-financial information especially for those outside of Finance. Such dashboards can allow performance to be measured, and action to be taken if necessary without focusing on micro-level information.

## Updating forecasts and Budgetary through Data Analytics

Budgets and forecasts are produced based on based estimates of what an organisation expects to occur. At times, it may be necessary to adjust forecasts and budgets that reflect changes in the business environment both internal and external. Data Analytics can allow organisations to improve their financial projections with an increased degree of certainty.

The use of rolling forecasts and budget adjustments can allow for better cost management, ensure a better understanding of budget, and goals and targets that are controllable by the department, and organisation can be more accurately measured.

The use of data analytics, can provide some of the necessary information required to produce zero-based budgets (ZBB) that are more reflective of the business environment, and ensure a closer tie to the overall strategic goals of the organisation. The vital importance of providing cash-flow projections is an important part of the ongoing operations of an organisation.

## Predictive Analytics

Predictive analytics can assist the organisation to identify what may potentially occur. It can allow an organisation to react to minimise financial impact from an economic perspective proactively. Various predictive analytical models can be done to identify

patterns in data modelling to consolidate data not only from ERP systems, but other information systems including competitive analytics, and industry trends. As the integrity of information is critical for such analysis, the use of a centralised repository system can allow for best-practices for decision making to ensure that decisions build on the same set of information.

## Product Profitability Analytics

Product profitability can be challenging especially from a competitive perspective. Margins for products can be determined more efficiently. As well the impact of a product loss leader on other business lines can be determined including the extent to which it supports profitable product lines.

As various factors can affect product profitability, it is important to use analytics that considers multiple data-points for strategic planning and forecasting. The use of business intelligence software can strategically assist an organisation to evaluate data efficiently.

## Cash Flow Management



Integrating cash-flow management activities with the principal areas such as supply-chain management, product analysis, operating analysis, and marketing analysis can prove effective from a financial perspective.

## Marketing Analytics



**HANIF SHAMJI, MBA, CPA, CGA**  
*CHARTERED PROFESSIONAL ACCOUNTANT*  
*FINANCE BUSINESS PARTNER -*  
*OPERATIONS AND STRATEGY PROFESSIONAL*

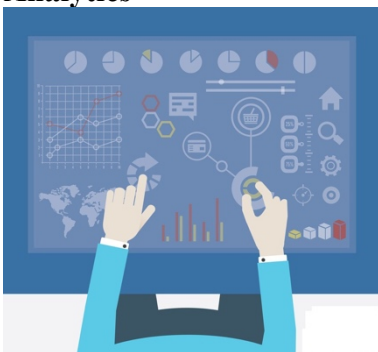
Business Partner to coordinate the appropriate distribution of financial reporting.

As data one unit can be of strategic importance to another, it is important that business units collaborate in an efficient manner. Finance has a key role to play ensuring that information distributed to various business units is tailored to their specific needs to provide relevant information in decision making.



Marketing analytics should combine various information touch points including supply-chain management, product profitability, and operational analytics. The further use of data analytics can allow an organisation to understand preferences by customer segment that may be regional, or industry based. Further analytics can be developed through the use of predictive and prescriptive analytics once a foundation in descriptive analytics. The Finance Business Partner can assist in evaluating undertaking a cost-benefit analysis for various marketing decisions.

**The Finance Business Partner and Data Analytics**



***About the author:***

*Hanif Shamji, MBA, CPA, CGA* is a Finance Business Partner / Sr. Financial Analyst with an information technology background, experienced in several industries.

Contact: [info@hanifshamji.ca](mailto:info@hanifshamji.ca)  
<http://www.hanifshamji.ca/>

The role of the Finance Business Partner has evolved into a strategic role. It is increasingly important to partner and ensures collaboration with various business units within the organisation to share information of vital importance that can provide a competitive advantage. As such information collected by the different departments has a financial impact, it is important for the Finance