



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

Financial Importance of Strategic Collaboration

– April 10, 2017



Cross-Divisional Collaboration

Strategic organisational collaboration is required to enhance financial information from a strategic standpoint. Financial indicators provide invaluable insight of the operations from a financial perspective. As well as focusing on operational indicators only, does not provide all the information to undertake strategic decision making.

Organizations that undertake a collaborative approach can be proactive with decisions in a competitive environment. In fostering such collaboration concerns, risks, and identify opportunities while focusing on the organisational strategy.

Value Added Analytics for Finance

Undertaking value added analytics in finance is important for a variety of reasons. Financial Statements provide an overall snapshot as to how an organisation is doing. Depending on the needs of a business financial statements might be sufficient. The use of data analytics from various sources can provide information that fits the needs of business

owners. Traditional financial ratios can provide useful information such as benchmarking to industry standards, and the organisation as a whole. Dashboards need to be tailored to the needs of a specific business unit to allow business units to be accountable for events that affect their unit.

Use of The Balance Scorecard and Key Performance Indicators (KPI)

The use of a Balanced Scorecard can complement traditional financial measures and should consider financial, internal, customer, and learning and growth as noted by Michael Porter's theory. Each of the areas should be included to stay focused on the strategic goals of the organisation.

Key Performance Indicators (KPI) combining financial and non-financial information can provide valuable information. Customer Relations Management (CRM) software can enhance information through the use of data analytics and statistical analysis. For KPI to be useful, it must be understood by stakeholders, involve them in the

Financial Importance of Strategic Collaboration

© 2015 Hanif Shamji, MBA, CPA, CGA

Finance Business Partner, Operations, and Strategy Professional visit

<http://www.hanifshamji.ca/>



development of the dashboards, and focus on best practices within the industry. Consider the following questions regarding operations.

1. Sales within a specific divisional unit are down compared to the previous year. However other units have seen an increase. Although the organisation has not lost their customers it could be because these clients saw a decrease in their own business as such they are not using the services of the organisation
2. The Effects of value added services such as tailored customer service may not be seen directly in the financial statements. However, it may be necessary to retain clients in a competitive environment. Marketing analytics can provide insight related to understanding regional specific customer preferences.
3. The costs are supporting customer segments, margins, direct, and indirect costs related to supporting customers both at departmental, and organisational levels.
4. Undertaking what-if-analysis on decisions such expanding product offerings, devastating in business units, and the possible effect it may have on the organisations other business units.

Analyzing operations focusing on only traditional financial statements is not sufficient for organisations to retain a competitive advantage. Organizations will need to integrate information from a variety of sources strategically.

Data Driven Analytics to Supplement Financial Information

Data-Analytics can provide robust analysis to supplement financial information for internal purposes. Collaborating with business units to fully

understand the impacts can identify facts that may not directly appear on analytic analysis or financial analysis to determine the overall implications of a decision.

A wide variety of software tools can combine financial, and non-financial information to provide insight into business operations. These tools alone cannot provide complete answers, as such, it necessary to engage in cross-functional team dialogue. Relying on strictly on dashboard tools may not provide the full picture of the why, and what, that is why are sales down? Perhaps it might be related to changes in the exchange rate or foreign policies.

Need for Organizational Collaboration

Data Analytics is a tool to engage in dialogue for decision making. Collaboration is necessary to ensure that the right indicators are focused on, the rationale behind, and potential roadblocks that may not be apparent on dashboards. It will also ensure that the appropriate indicators are used, and understood rather than just be used for presentation purposes. The Finance Business Partner using these tools combined with constructive dialogue with internal business units can assist with strategic decisions.

The understanding of changes in client behaviour cannot be expressed through the use of indicators alone, but through strategic collaboration within the organisation. This approach can allow organisations to be proactive rather than reactive in decision-making. For example, only focusing on financial, metrics compared to industry standards may reveal higher costs by five percent. However, that information alone does not explain the entire situation. Consider costs might be partly higher due to greener standards, or concerns for social issues, or a higher quality product. As a result, cross-departmental collaboration can go a step further to explain variances in benchmarking dashboards that



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

might not be apparent, such as customer satisfaction, as well as the need to distinguish the product from its competitors especially in a mature, or tight margin environment. For the analytics to be useful organisations will be challenged to continually cross-collaborate between various organisational departments in effect blurring the lines between organisational units.

A few of the elements from a financial standpoint that is essential for strategic collaboration:

Financial Information

The use of what-if scenarios can from a financial standpoint indicate steps to take to increase revenue or reduce costs. It, however, may not include or consider factors such as the competitive nature of the industry or how to reduce A/R days outstanding. Financial information alone cannot provide the entire picture necessary to make strategic decisions but is a valuable tool.

CRM Software Solution

The software can provide valuable analytics into areas that may need further attention. Adopting a CRM software solutions should not be mean ignoring organisational strategy. Technology can be used to pinpoint, for example, areas that may need further attention to understand a salutation. It can also be used to ensure efficient and streamlined communication with those who interact with the client to ensure consistent quality service.

Cross-Divisional Collaboration – Strategy

Providing financial information is not just month-end Profit & Loss statements. It involves providing strategic information that allows for cross-divisional collaboration while focusing on the overall strategy of the organisation. Combine information from key

areas of the organisation such as sales, marketing, operations, supply-chain, information technology, and finance is necessary as part of the overall strategy of the organisation.

Physical Workspace Structure to Foster Collaboration

At times organisations have considered various workplace structures to achieve collaboration within a department or to foster cross-divisional collaboration. Such structures include the bullpen, the different arrangements of the cubical, free structure modelling to promote creativity, collaboration, and synergy. Some organisations have tried various structures with varying degrees of success.

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

<http://www.hanifshamji.ca/>

Financial Importance of Strategic Collaboration

© 2015 Hanif Shamji, MBA, CPA, CGA