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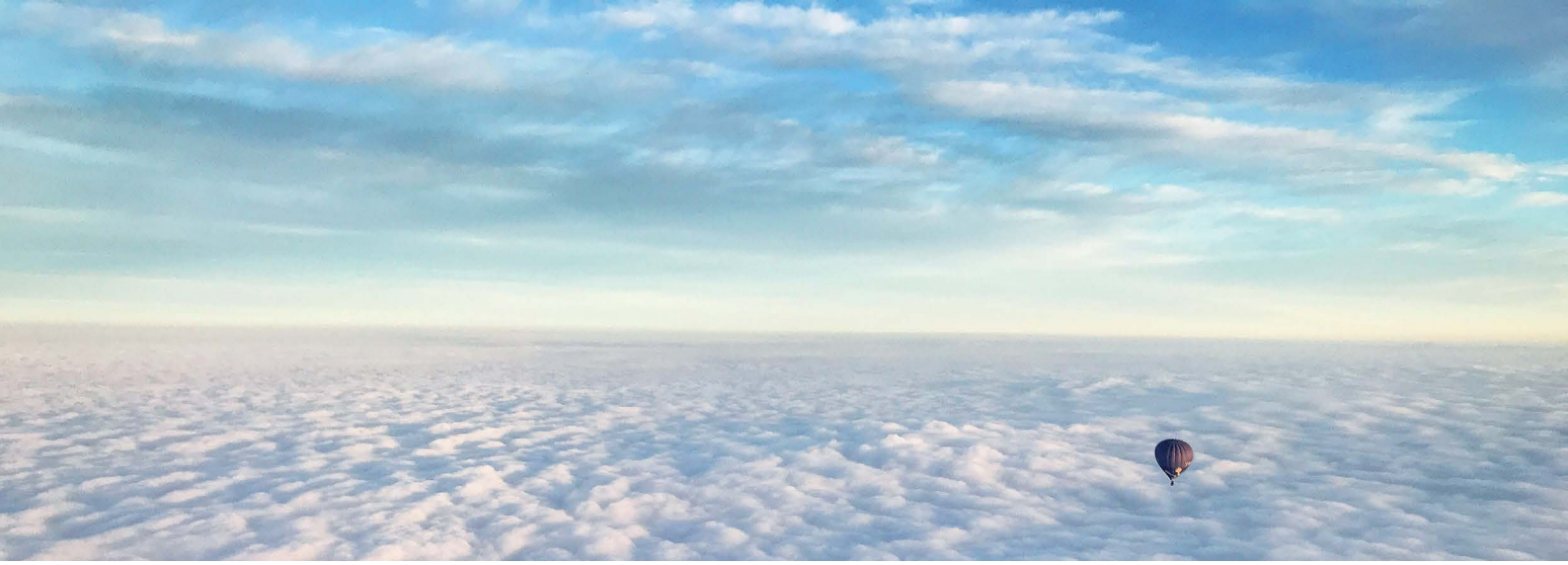
Analytics in finance and accountancy: A small and medium-sized business and practice perspective

The most advanced of Cloud-based analytics tools available for large organisations are readily accessible for SMEs and small-to-medium-sized practices (SMPs). This includes Microsoft Power BI, which is suitable for complex modelling, and machine learning using Azure Cloud services and the Salesforce Tableau analytics platform. As SMEs experiment with technology and become data literate, SMPs are having to respond and even develop SME analytics solutions more suited to small businesses than the commercial enterprise analytics tools. During COVID-19, SMPS have no longer had to convince members of the practice or clients of the benefit of analytics in generating information.

The accelerated use of analytics by SMPs for SMEs during the pandemic has not only helped them gain an appreciation of analytics in finance but also enabled access to government assistance wage subsidies and tax stimulus. Access to that assistance requires a demonstration of significant decline in income compared with the same period in the previous year. For SMEs to demonstrate eligibility requires a real understanding of the numbers and an analysis by the SMP.

One Australasian consultant and SMP argued that businesses might actually make more money by recognising revenue, sorting through staffing and making more use of their data than would otherwise be possible. This allows them to shake up the business and get rid of 'fat'. Rather than pivoting, business is vaulting to a business model change. Locating the assets and exploring how they can be reworked are the key issues. Exemplars of this shift are gin companies that are now making their own sanitiser brand, a change seen globally. Local cafés are selling picnics and focusing on their take-away service.

According to the Australian consultant interviewed, even the SMP accountancy professionals are changing. During COVID-19, a tax accountant who was used to hiding behind a computer has been providing online advisory services using Zoom videoconferencing and the Skype communication tool. The same consultant and practitioner runs an online support group for SMEs, with each session running into two hours. This Australasian support group covers the globe with attenders from Malta, Ireland, the UK and US.



To support SMEs and help them gain familiarity with analytics (particularly predictive analytics) and 'off the shelf' software, the Australasian consultant made several suggestions.

1. Within the accountancy tools such as Xero, MYOB or QuickBooks ensure that you have a good chart of accounts with few clear expense lines and different jobs, and use a suitable tool for each project.
2. The next step is extraction of the transactions and data from the accounts. DataDear (https://www.datadear.com/) helps extract data into Excel and generates reports using pivot tables for a rapid analysis.
3. With an understanding of the accountancy data, cash flow forecasting and scenario planning are achievable using Float (https://floatapp.com/au/for-businesses/), which provides an automated two-year forecast and scenarios built on the current cash position. The scenarios might include the loss of a major client, late payments or a new hire.
4. The use of financial prediction software is the core of Futrli's Predict. Automatically pulling all the financial data sitting in the Cloud accountancy system, Predict acts like a GPS, providing accurate cash flow forecasting and the future business position inclusive of (but not limited to) cash, sales, spend, profit and tax.

The SME–SMP perspective of the founder of a UK accounting, consulting and data analytics business has led this interviewee to follow a different trajectory when engaging clients. The first step of the methodology is to gain an understanding of the early stage business through the business strategy and by segmenting the customer markets to help inform and align the financials, and reporting from the ground up, with the essence of the business. It involves understanding the key stakeholders in the business and the metrics and information that support decision making. This understanding allows the founder's company to gain sufficient knowledge to run the finance function for a client. From an analytics perspective, the choice of tool such as Looker (Google), PowerBI (Microsoft), Klipfolio (from a Canadian software company) or Tableau (Salesforce) is secondary to understanding the sources of not only financial data but also the non-financial data and the best approach to ingesting the data. The sources include electronic point of sale systems, e-commerce websites, customer relationship management (CRM) and warehouse systems. Bringing all this together provides greater confidence in decision making for the business owners. It requires a hybrid of skills covering accountancy and finance, basic technology, and data skills. The development of such skills is achievable by giving data specialists and data scientists training in accountancy and management information.

Challenges for the founder include the necessity of communicating to SMEs the power and value of analytics that they may never have used before. The key person providing a mandate for analytics in one SME business in Asia is typically the CEO. The business owner or CEO ensures collaboration takes place for data sharing. Thus, the focus is not on financial information but on actionable insights. This is important owing to the high cost, for an SME, of implementing the analytical tools. The cost is dependent on the requirement for bespoke visualisations aligning with the business strategy and carefully generated charts from key data sources. The end-user experience is built on alignment with the client's business strategy.

The CEO of an Asia-based data technology applications provider sees analytics technology as helping analyse and cut through much more data than using only Excel and mental skills. A variety of software is available to generate analytics and this CEO's finance team is actively involved in the business, helping to understand client requirements and acting as a bridge between the customer and software development team. The finance team use predictive analytics internally to help understand customer behaviour and proactively manage delivery resources. Within the business itself, dashboards help the finance team present the company performance. A technical team works on coding analytics programs while finance understands the requirements. When the technical team struggles with storytelling, the finance team's collaboration helps to generate the right visualisation of the information. Importantly, the finance team members can help the client to understand the business case and ROI. The finance team helps monitor the ROI on a continuous basis.

The CEO runs an internal academy for training in relevant skills. This does not preclude attendance at public conferences to help close any gaps in knowledge of the tools and how to use them. The soft skills requiring development are those needed for selecting visualisation methods for different data sets or problems and using storytelling to support the chosen visualisation. These soft skills complement the existing finance and accountancy skills, so a tech (analytics) aware finance professional needs them all.

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