Delivering Financial Information with a Competitive Edge

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Abstract

The SAS® System empowers corporate finance with the ability to use an information delivery system to access data, and to analyse and present financial information in the most timely, accurate and technologically advanced means available in the financial systems market today.

With the introduction of Version 6 of the SAS System, SAS Institute, as well as its customers, have realised the benefits of using SAS software to integrate and consolidate financial systems. Such benefits include data accessibility, security and integrity; reduction of software, maintenance and training costs; and the ability to transform this potentially instantaneously changing data into strategic information which may be presented through analytical reports, graphs, and traffic lighting techniques. Timely, accurate, and accessible information means saving time and money because management has the information that they need to make strategic decisions. These capabilities can give your company the competitive edge.

With the SAS System, your company can meet the reporting and data control needs of the accounting assistant, the consolidation and national or international data management requirements of your financial analyst, the planning and analysis goals of your Finance Manager and CEO as well as the external information concerns of your company's auditors, banks, and tax authorities.

This paper is a brief overview of how the SAS System can be used for a corporate financial system, with a presentation of some simple to understand examples based on both SAS Institute and customer applications.

Introduction

There are two primary goals of finance - to financially support and manage the business operations of an organisation and to maximise the interests of the shareholders. In any organisation, finance is involved in three major areas. These are:

- maintaining financial records of an organisation;
- analysing, planning and reporting on an organisation's financial condition; and
- providing financial information as input to the strategic decision making process.

With financial input into the overall planning and execution of the delivery of goods and/or services, an organisation is able to take well-informed decisions that should improve their edge in today's ever-increasing competitive global market. The finance department does this by providing financially informed analyses ranging from ensuring availability of funds to analyses of proposed new ventures. In financial terms this includes areas such as cash flow and investment management; foreign exchange risk management and hedging; tax planning; capital expenditure planning; and so on.

The Shape of Finance in Today's Organisations

Providing the necessary financial information in order to make decisions involves a wide range of functions. Some examples of these are noted in the box.

In order to accomplish these functions, organisations of almost every size use computing technology to help get the job done - in fact one of the first major uses of computers was to keep track of basic accounting transactions (e.g.

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<th>Examples of Functions of Finance</th>
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payables and receivables). Around the world, SAS software is being used for financial applications within companies. For example:

- SAS Institute: general ledger, consolidation and budgeting
- UK South Western Electricity Board: risk management
- Gasunie of the Netherlands: pricing and hedging gas contracts
- Lego in Denmark: international financial information system
- Westminster City Council: Computer Aided Audit Technique to identify council fraud

The information required from these functions is used by, or provided to, both internal and external people. There are, of course, the staff of the finance department from financial analyst to the controller. However, the strategic decision making process of an organisation involves a broader forum of interested parties. Other examples include business analysts who need to prepare recommendations for new products or process; the chief executive officer who has to balance an organisation's internal financial needs and directions with a variety of external economic and political factors; and all of the external players who influence the decisions an organisation makes, such as the local tax authorities and bankers.

One can view the process of turning raw financial data from accounting functions into the information needed to make strategic business decisions in a very simple layered manner, much like the hierarchy of an organisation itself, as illustrated below:

The audit process, which is designed to verify the reporting of an organisation's financial condition, is both an internal and external process that occurs on an ongoing basis. It covers those areas where validation of financial information is required, although one could argue that an audit, via for example shareholders, substantiates strategic decisions as well. The audit report is also the key path through which external players provide input to the decision making process of a company. A banker, for example, can recommend retiring loans or accept more debt, based on the results of an audit.

The financial data used in this process of transforming data into information is scattered throughout an organisation as well as external to the organisation. In larger companies, for example, internal data may be stored on a variety of different hardware platforms, in a variety of different formats, scattered throughout the world. External data includes such things exchange rates, stock prices and, for political and economic conditions generally, news wires are a heavily used source of data as input to the decision making process involving the financial well-being of the organisation.
Oh the Trouble We See

In order to support the financial processes of an organisation, there are many different tasks one or more people in finance must perform. Historically, they have used a variety of software tools to accomplish these tasks. But in fact, as illustrated below, this has become a nightmare for most companies. Not only are there many ways to get an answer, but think of the costs in software, training, maintenance and consulting when so many different tools are used to provide the financial information to those who need it.

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<th>TASKS</th>
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And think of the impact on the decision making process as you move the data from one organisation to another, around and through the different tasks and tools, in order to transform it into information.

With SAS software, you can eliminate this mess and streamline the flow of information needed for the decision making process while still ensuring access to all the data scattered throughout the organisation, ease of use for all of your users (both internal and external), and completeness of the required financial applications which will easily handle problematic areas such as eliminating inter company transactions.

The finance department needs an efficient means of providing accurate and timely information from a consolidated view of all the different data sources, in order to effectively analyse and report on the financial condition of a company. It is also necessary to provide financially accurate and timely information that can be used to make decisions early enough to gain market advantage.

Breaking the Barriers to Financial Information Delivery

If the main objective of your organisation is to improve the flow and speed of delivering financial information, there are several aspects that must be considered. These are:

- access to data, regardless of where or how it is stored;
- diversity and depth of applications to ensure that necessary analyses, etc., can be performed;
- the ability of different users to access the applications; and
- co-existence with the current and future hardware and software environment of the organisation.

An organisation can, of course, address these needs as they have over time - that is by accumulating a variety of different tools in order to get each specific task done. However, as illustrated earlier, this not only impedes the timely flow of information but also has a lot of additional, many times hidden, costs. As finance is always trying to help an organisation use its funds effectively, an organisation should also be considering the most cost-effective way to achieve an improved flow of information.
Financial Information Systems based on an Information Delivery Strategy

In fact, by implementing a total information delivery strategy within an organisation, one can achieve the primary objective of improved information flow while reducing overall costs. The foundation of an information delivery strategy provides for:

- secure access to financial data throughout the enterprise, including all major databases and spreadsheets, as well as ASCII files and special file formats such as VTAM;
- the ability to massage raw data and put it into a form which can be used by an application;
- a complete set of tools to meet financial needs, which are easily integrated into one cohesive solution;
- a variety of user interfaces which can be matched to the different skills and needs of users;
- support for a wide range of hardware platforms which guarantees portability and scalability of applications and ensures both current and future investments in hardware;
- the use of appropriate of platforms depending on the location of data and the computational requirements of an application;
- a development environment which can respond rapidly to the changing needs of an organisation; and
- a reliable and stable partner that provides support for an organisation's needs both now and in the future.

In fact, the SAS System's information delivery system is based on the precepts outlined above. It is a complete foundation for implementing an enterprise-wide financial information system. SAS software can ensure that users have secure access to all financial data, that applications are able to rapidly respond to changing business conditions, and that the investment in technology is secured both now and in the future. By using the SAS System, organisations can reduce overall software costs as they consolidate the mess into one single solution. And because SAS Institute has implemented an information delivery strategy in its software, organisations are also able to leverage their investment in the SAS System by using one software package to deliver a broad range of other applications needed throughout the company.

Conclusion

The SAS System for financial information delivery is all about responding faster and more accurately to the changing business conditions in a manner which suits your market.

As you consolidate and customise your applications to meet your financial needs, your organisation will be able to respond faster because financial information is accessible, timely and in a format which highlights the critical success factors of your company. With the SAS System, getting from data to a competitive edge is only a matter of your investment in the future.
Addendum

There were a number of finance related papers presented at SEUGI 93. Among them is a paper which provides more detail on financial modelling, consolidation and the use of spreadsheets in SAS software. Another covers how financial data can be transformed into meaningful information to support the business analyst in modelling dependencies and forecasting future sales of products. These and other papers, all listed below, are found in the SEUGI 93 proceedings:

- The 'Light Franchise' at Goodyear
- Financial Information Management at Lego
- An EIS for General Hospitals
- Using the SAS System within SWEB’s commercial division
- Marketing and Using the SAS System in the computer audit environment
- New solutions in the finance department with the SAS System
- Simulation models for business planning and economic forecasting
- Using PROC CATMOD in the determination of clients’ profiles
- Marketing and using the SAS System in the computer audit environment