A Financial Analytics Visualisation Guide

Principles for a People Services firm

The objective of this document is to outline a set of guidelines for visualizing financial KPI and interpreting such, made accessible through the FA Dashboards

Financial Analytics provides leadership with key metrics that are meant to measure, record and explain composite as well as divisional business performance through the year.

The financial analytics dashboards provide views on business from back-of-the-envelope calculations to advanced analysis of expected future performance, synergy effects, economies of scale, liquidity and profitability analysis

Before beginning with reporting design 3 key considerations should be kept in mind:

1. Stakeholder interest – depending upon stakeholders, visualization should be high level or granular and interactive. Additionally, a good dashboard can / should generate recommendations for further action

2. Financial analysis needs to cover 4 key views for relevant KPI:

    a. Trend and Distribution

    b. Relationship

    c. Composition (Dynamic and static)

    d. Comparison (Multiple KPI or Single KPI over time)

3. Key financial aspects that are a must-know for assessing business performance:

    a. Growth and profitability trends over time

    b. Liquidity/ Continuity/ Budget compliance/ Operational solvency

  c. Efficiency or Utilization

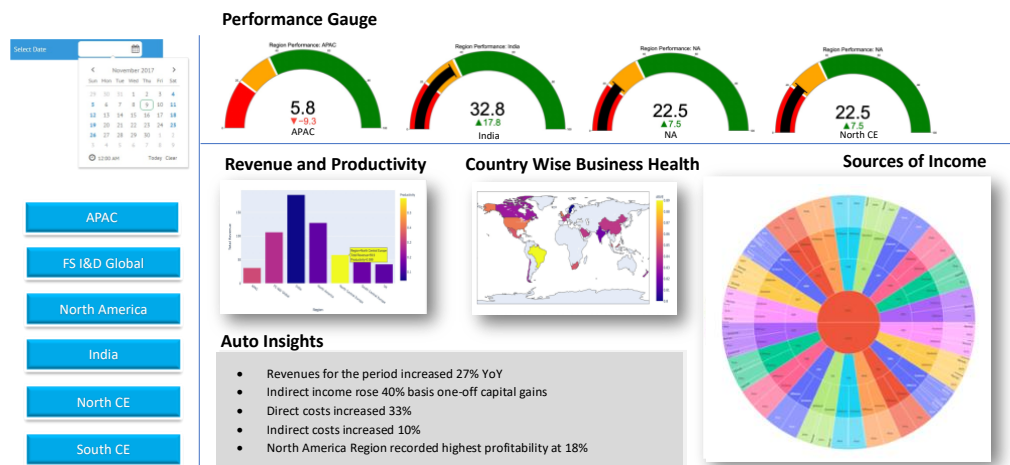 d. Future predictions (Market demand trends, Orderbook etc)

With these considerations in mind we have constructed a reporting framework with some key 'metrics of interest' for leadership attention:

	Growth & Profitability	*Costs/Operational Performance*	*Efficiency/ Utilization*	*Future Predictions*
Trend And Distribution	Total Revenues, Orderbook	Direct Costs	Return On Assets, Net Recovery	Forecasted Return on Assets, Orderbook
Relationships		Direct Cost Trend Vs Revenue Trends	Return On Assets Per Skill	Predicted Hot Skills Vs Other Skills
Composition	P&L Summary	Direct Costs, Average Costs, Fixed Costs As % Of Total Costs	Return On Assets, Billed FTE	Forecasted FTE
Comparison	Composite Business Health	Direct Costs, Average Costs, Fixed Costs YoY Changes	Return On Assets, Billed FTE YoY Changes	

Based upon the defined construct, we have identified a set of key KPI and a storyboard for interpreting these.
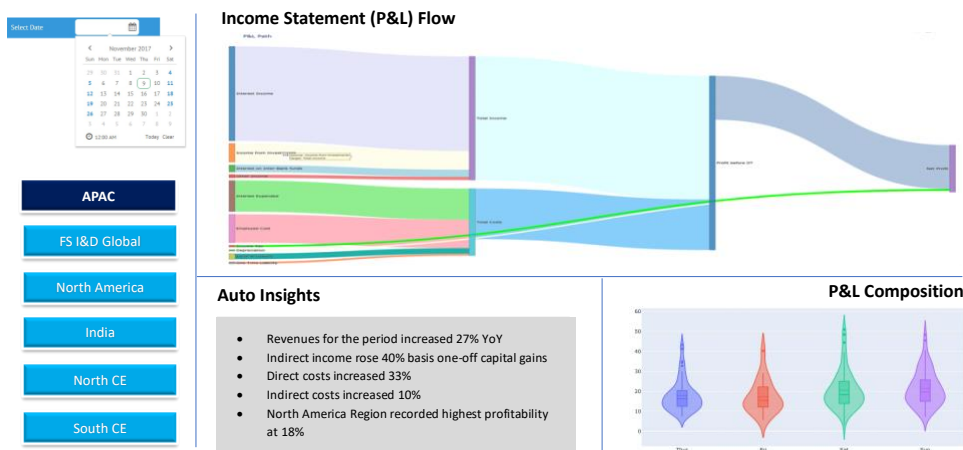
Composite Business Health

- This is a comparative view of overall business performance, considering all KPI, **through a selected period of time**
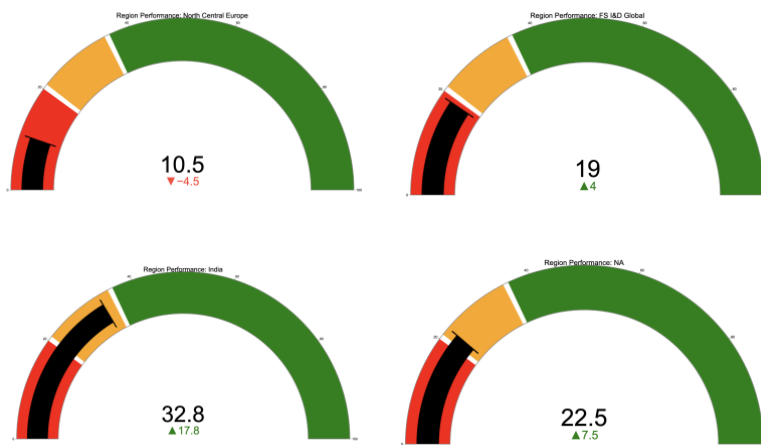
Performance Gauge

Revenue and Productivity

Country Wise Business Health

Sources of Income

APAC

FS I&D Global

North America

India

North CE

South CE

Auto Insights

- Revenues for the period increased 27% YoY
- Indirect income rose 40% basis one-off capital gains
- Direct costs increased 33%
- Indirect costs increased 10%
- North America Region recorded highest profitability at 18%

P&L Flow Summary

This should be a view composed of net annual revenues and profits to adjudge current year management performance

Income Statement (P&L) Flow

APAC

FS I&D Global

North America

India

North CE

South CE

Auto Insights

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P&L Composition

The independent KPI and components of this proposed dashboard are explained in the subsequent sections

Composite Business Health

Composite health of books for comparing regions or sub-groups can be depicted as gauge charts

Region Performance: North Central Europe — 10.5 ▼ −4.5

Region Performance: FS I&D Global — 19 ▲ 4

Region Performance: India — 32.8 ▲ 17.8

Region Performance: NA — 22.5 ▲ 7.5

P&L Summary

Overall P&L for the organization can be aggregated by divisions as a funnel OR a sankey chart.
For each individual sub-group, select year, month, locations and visualize the path from "Revenue to Net Profit"
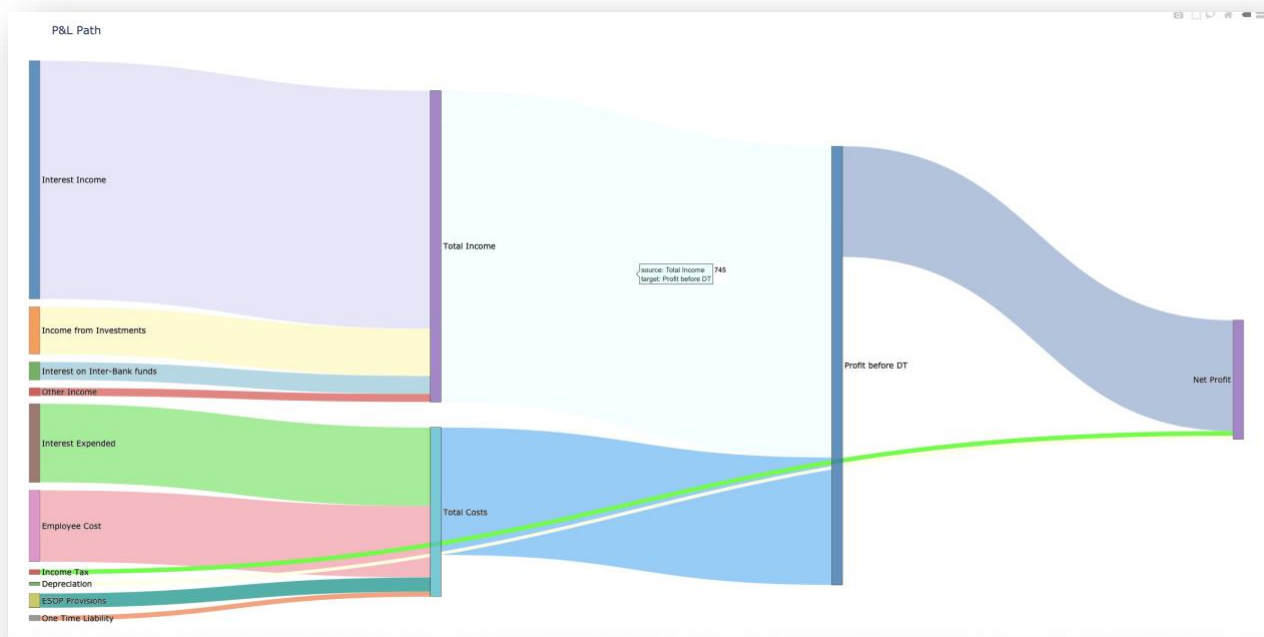
P&L stability and Overall risk

This chart depicts variance in revenue and costs. One of the key financial KPI that strategists and leaders track is **Business Stability**. Analytically this can be represented by the deviation from average revenues (adjusting for normal growth).

The "fatness" around mean or 'dispersion' depicts stable revenues and costs. Longer or fatter 'tails' of the distributions, imply more variance and unevenness (more ambiguity and risk) for business
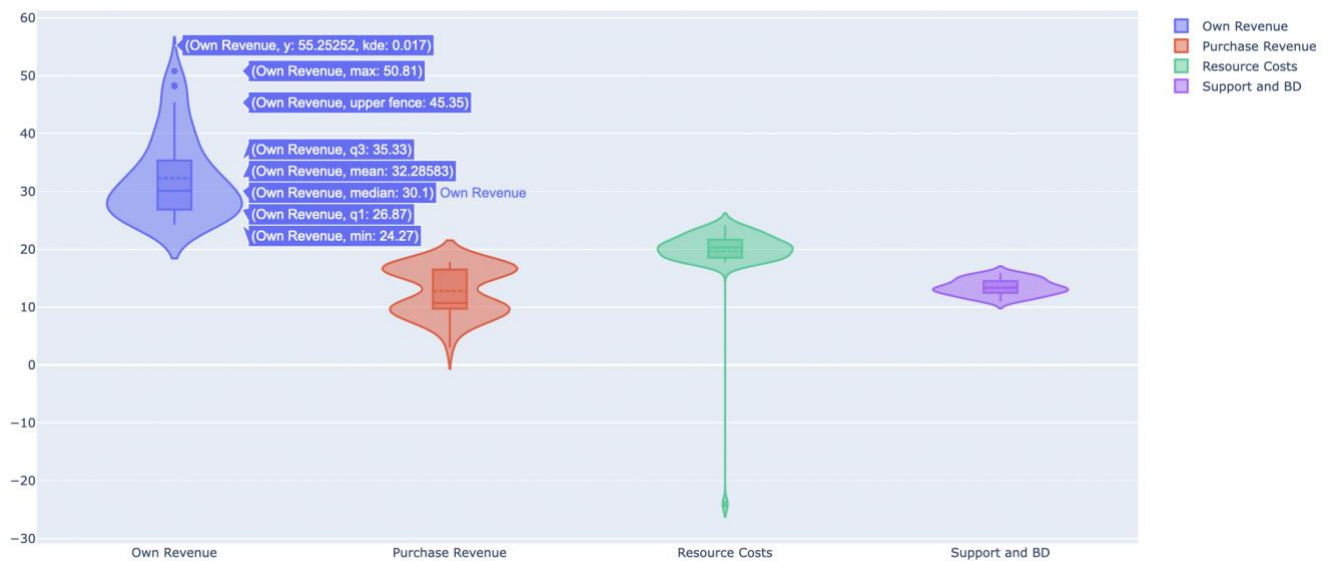
On the dashboard filters can be added to assess comparative business stability of different regions, for each KPI ex Revenue – shown below.
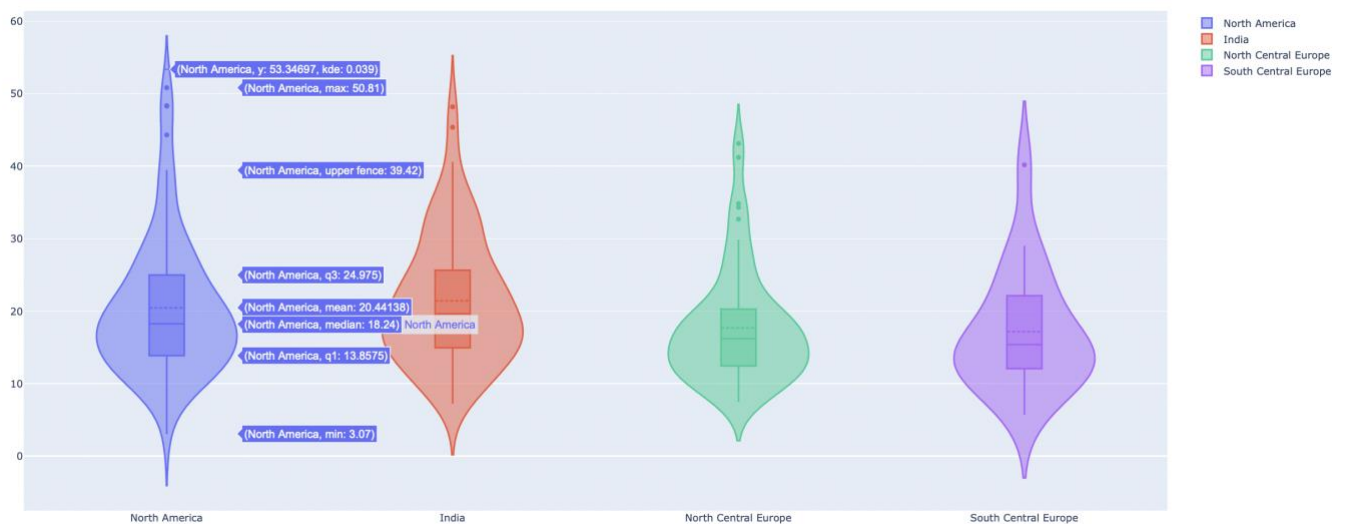

Total Revenues & Growth

- o This KPI is assessed for topline performance YoY, MoM, QoQ

- o It is important for management to understand the volatility around these metrics. This can highlight the riskiness of growth patterns, and concentration or diversification of revenues across business lines and/or regions.

- o A visual analysis of FTEs and billed FTEs additionally provide a view of organic growth, removing price/rate volatility from trends

- To compare point in time revenues between divisions, simple bar charts are recommended

- To compare revenues over time histograms highlighting dispersion are recommended. This will showcase how consistent revenues have been around mean value
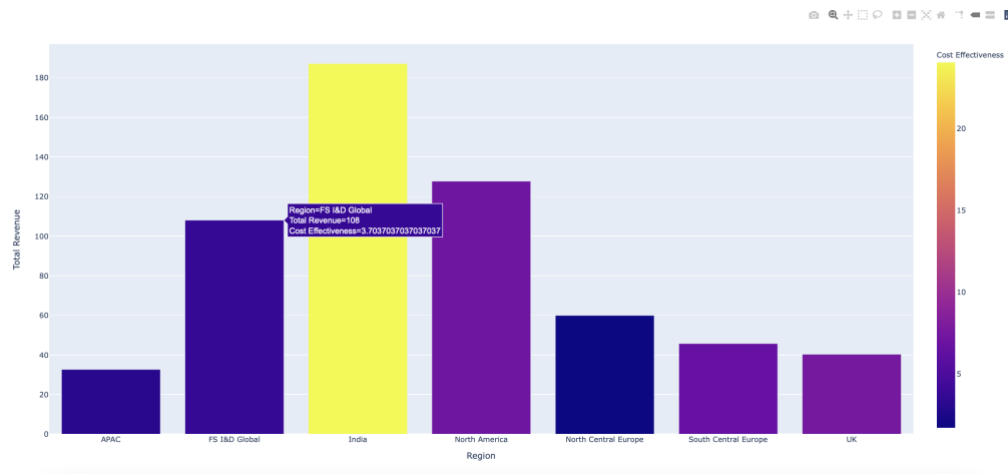
- Finally for leaders who want to see the ROI and revenue momentum across regions and/or over time, diminishing returns can bring to light accelerating or deceleration of revenue growth across service lines and/or across time periods.
 This can also be tracked as a leading indicator of market momentum
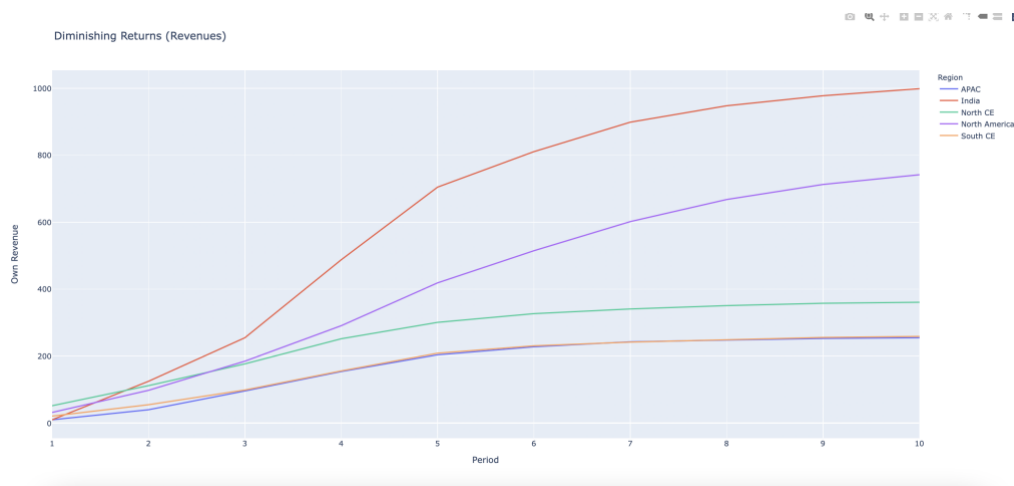
Net Recovery

- This is a metric closest to net profits. By tracking increases and decreases in its Net Recovery, leaders can assess whether current practices are working and forecast future profits based on revenues. It also helps to compare the relative profitability of two or more business lines regardless of size.

- o Leaders should consider Net Recovery in tandem with drill downs as it is a KPI that can get influenced by one-off items. Leaders are expectedly more interested in stable growth.

- o See below Net Recovery derivation

- o The same chart also depicts and alternative view of the P&L path

Profit and loss statement 2020
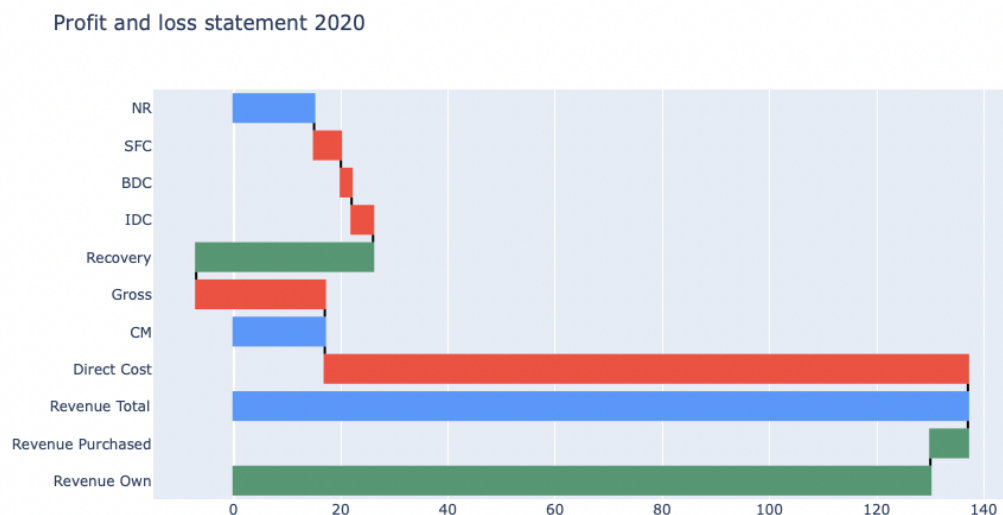
Cost side metrics – Average Costs, Direct Costs

- o Average Resource costs and Average Daily Resource Costs are the key variable costs reflecting operational efficiencies

- o These KPI comprise 'cost of sales' components and it is important to define and track them to have enough detail in the COGS to understand potential to improve efficiencies and maximize KPI such as Net Recovery

- o To compare point in time revenues between divisions, simple bar charts are recommended. To track time series, various log, exponential or normal trend charts are recommended

Return on Assets

- o Asset utilization provides leaders with a view on how efficient management has been at using our assets (people resources) to generate earnings through the period in question.

- o Accordingly, utilization is also an indicator of skill demand in the market. Leaders can analyze utilization per skillset.

- o Usually utilization would be tracked in context – with respect to Regions, or in comparison with Direct Costs /Average Costs. Accordingly, utilization charts are depicted in tandem with a relevant KPI
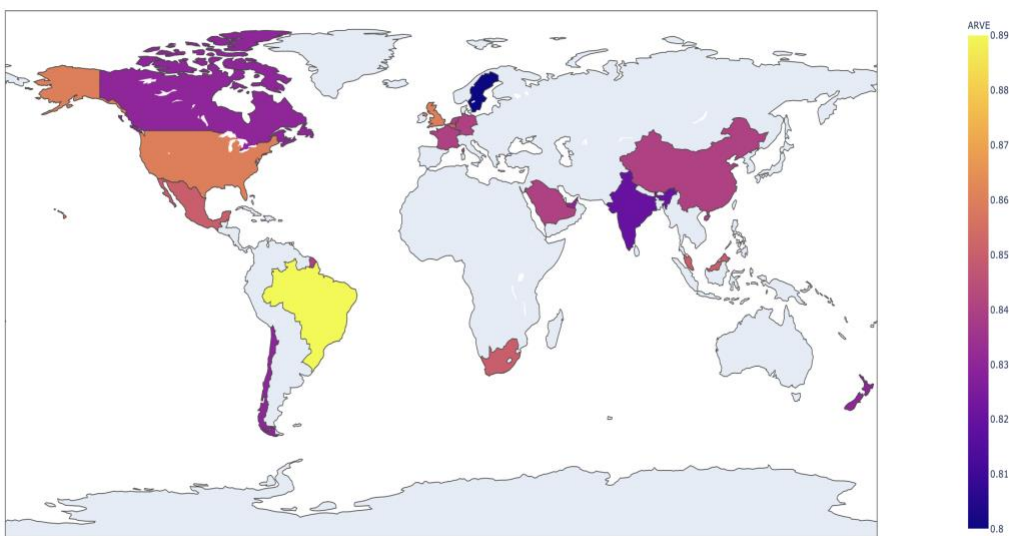

Orderbook

- o Orderbook denotes the sales funnel or pipeline for the organization. It includes both realized and unrealized sales contracts. It is a leading indicator of future revenues, as well as conversion metrics

- o Leaders need to view the full sales funnel with its stage-wise composition to understand and assess future revenues

- o Two closely related performance KPI are Opportunity-to-customer conversion, and Sales cycle length that can showcase management capability and competitiveness to convert deals

- o To assess proportionate share of Firm vs Named vs Unnamed orders, the recommended charts are sunburst, area charts or radial charts that depict "share of total"
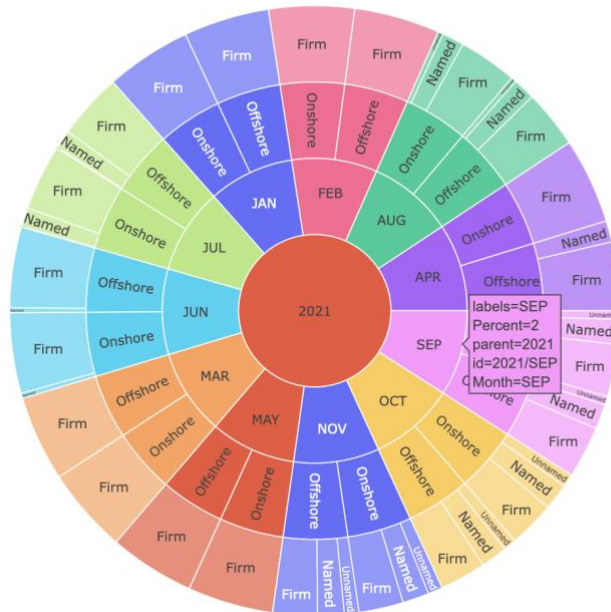
Headcount Evolution

Headcount evolution is another critical KPI that can help management track organic business growth targets and act to:

- o Respond quickly on a workforce level to emerging challenges across business.

- o Directly link split of freshers vs lateral resource pool growth, to business targets

- o Monitor attrition and ensure there is a pipeline to fill critical business requirements

- o Gain a view of the employee pool profile so that policies can be shaped to optimize pyramid structure
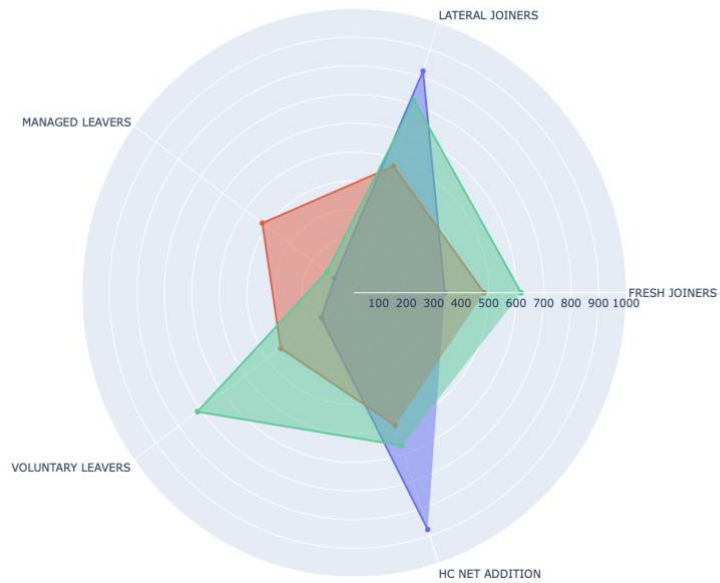
A 3D version of this chart can visualize pyramid and grade concentration as well