



# Bridging the Great Divide

## Aligning Project and Financial Data with PeopleSoft Enterprise Service Automation

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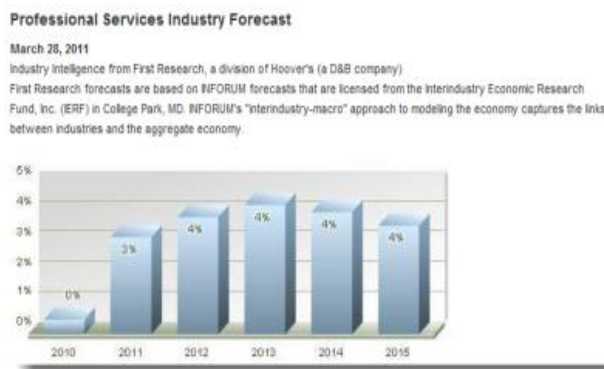
## Where Project and Financial Data Align

### Introduction

Professional Service Organizations (PSO's) continue to face challenges producing real time, accurate project information that can be quickly translated into revenue/margin forecasting, profitability reporting, and capacity planning. Tracking and managing services backlog and current services project data usually results in a highly labor intensive effort.

PeopleSoft Enterprise delivers applications to enable PSO's success in the use of project data for both project management reporting and financial reporting. The system functionality, combined with the appropriate business processes and organizational alignment, are designed so that duplicate project data entry is eliminated, timeliness and accuracy of data increases, and the processes for financial reporting and project management are streamlined. So, why are PSO's still struggling to track and manage accurate project data?

The answer to this question can vary symptomatically. However, at the core of each answer a root cause will emerge.



With professional services projected to grow by 4.2 million jobs between 2008 and 2018 (Dept. of Labor: 9/2010) focus on **effective and efficient professional service processes and tools will be an imperative for all PSO's.**

Understanding the unique challenges that a PSO faces around tracking and managing project data and how to effectively implement the PeopleSoft Enterprise solutions to these problems is the key to successfully planning, tracking and managing projects and their related data.

### The PSO Challenge

Professional Service Organizations face a unique challenge around the use of project-

centric data. PSO's have project and activity data for consulting lines of business which two distinct business groups; project managers (PM) and financials managers, use for distinct business purposes. When defining the structure of this data, we must solve for finance requirements, project management requirements, or both. These two business groups, **finance management** and **project management**, either **align** or **divide** around the applications of this data.

How do two distinct groups of business owners use the same PeopleSoft Enterprise data for two, sometimes distinct, business objectives?



The key is to understand how PeopleSoft Enterprise functionality is intended to be used by **finance management** and **project management**. This encompasses both system functionality and the business processes implemented around the system functionality. Careful consideration has been made to the distinct uses of project data and the optimal business processes that meet finance and project management requirements.

The solution lies in the understanding of where and how project data is to be used for finance analysis, where and how project data is to be used as project management analysis and the instances where the two do not align. This paper describes four scenarios; each highlighting data points in the system where project data challenges typically arise for PSO's.

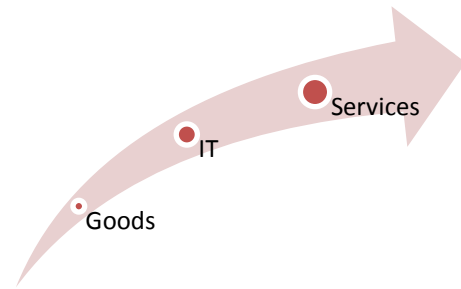
- Project and Activity Set Up
- Project Budgeting
- Project Forecasting
- Capacity Planning

This paper will also address the common pitfalls of utilizing project data without a proper understanding of the intent of how the data is to be used. Lastly, this paper will review how the data is intended to be used by financial management and project management for each scenario.

Historically, project data configuration, tracking, management and reporting were designed around financial requirements with limited consideration or understanding of project management's business needs. As PSO's began to grow consulting lines of business, the project management processes matured. Still, organizations developed processes and configured the system specific to financial reporting requirements; often counterproductive to the project management requirements. Thus, PM's have been forced to maintain project management data outside of the ERP system and are forced to duplicate data entry in order to maintain a separate set of data for both project management and financial reporting.

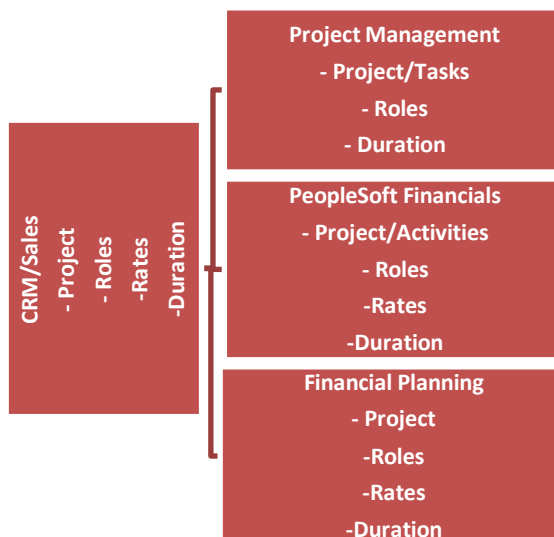
## Evolution of ERP's

Many of the accounting principles that govern organizations today were defined and developed long ago. They paved the way for the traditional accounting and financial reporting requirements used to develop ERP systems. These requirements continue to provide companies and investors with an accurate picture of the company's financial information and are necessary to ensure the financial integrity of organizations.



The evolution from manufacturing organizations into IT and service organizations created a new demand for project-centric system requirements. These new services driven organizations developed new business needs around project management that did not exist or were not as relevant in the past. New revenue and cost recognition guidelines were formulated around software and services. The financial planning of organizations became more complex in forecast services margin, and new qualitative metrics were needed in terms of quality of services.

The new project-centric culture of IT and service organizations created demand for new or expanded functionality of ERP systems. The requirements for processing financial data around services and software were different than for the processing of manufactured goods. In addition to the financial requirements, PM's needed a way to track their project data at a very detailed or task oriented level allowing visibility into the quality of the delivery while the project was on-going. These new requirements brought on the development of project management software to satisfy project management business needs. While the development of these tools made sense, ERP's were not designed as project management tools.



The result is a project management tool maintained outside of the financial system resulting in a lack of visibility of real-time project information needed for financial management. This illustration shows the different systems used by most PSO's to manage the project data lifecycle including quote/sales, project management, financials and FP&A.

The project data is consistent in all systems as it moves from sales into the project management system, the financial system, and planning tools. However, once the project kicks off, any changes to the project, such as project budget, duration or staffing accounted for by project management in the project management system is not visible to finance.

With no plan to integrate the data between the systems, and with a lack of understanding of how a PeopleSoft Enterprise system aligns project data, organizations are left with the cumbersome process of trying to consolidate the project reporting from different systems in order to accurately manage, report and forecast project data.

Today, PeopleSoft Enterprise Applications address these challenges by providing solutions that allow both finance managers and PM's to share data and use it for distinct business needs.

### The PeopleSoft Enterprise Solution

PeopleSoft Enterprise Applications has put forth significant effort into developing certain modules with functionality designed specifically for the Professional Services Industry.

#### *Project Costing*

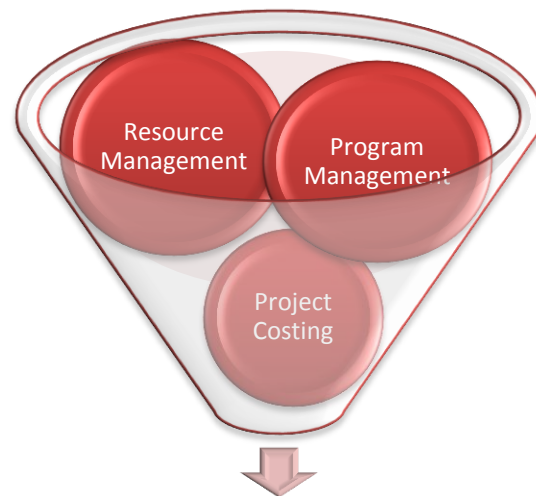
- *Analysis of all Project Transactions*
- *Integration with PM tools (MSP, Primavera, etc.)*

#### *Program Management*

- *Budgeting*
- *Services Forecasting*

#### *Resource Management*

- *Staffing Assignments*
- *Automated Search – Availability & Competency/Skills*



- Project Profitability
- Project P&L
- Margin Forecast by Project
- Capacity Planning
- Resource Planning
- Ability to Search for Resources
- An much, much, much more

Understanding the functionality, business processes, business organization and how and when to utilize the data within the application is the key to successfully leveraging the project data for financial management and project management. When configuring the system, it must be a joint effort led with the understanding of both finance and project management business owners' requirements for the same data.

### Scenario 1: Project Activity Set Up

A PM's day to day operation typically involves the use of a project management tool such as MSP or Primavera. Utilizing these tools, PM's have a project with activities at a very detailed task level. This level of detail is necessary to accurately plan, execute, and manage the delivery of the project.

Task Name	Duration	Start	Finish	Predecessors
<b>Development</b>	25 days	Mon 9/6/10	Fri 10/8/10	6
System Configuration	5 days	Mon 9/6/10	Fri 9/13/10	24
User Procedures and System Configuration Docum	5 days	Mon 9/13/10	Fri 9/17/10	26
User Procedures and System Configuration Docum	5 days	Mon 9/20/10	Fri 9/24/10	27
<b>System Testing</b>	7 days	Mon 9/27/10	Tue 10/5/10	28
Test Plan	2 days	Mon 9/27/10	Tue 9/29/10	
Test Scripts and Scenarios	5 days	Wed 9/29/10	Tue 10/5/10	30
System Integration	15 days	Mon 9/6/10	Fri 9/24/10	
Workflow development	15 days	Mon 9/6/10	Fri 9/24/10	
Custom Report development	15 days	Mon 9/6/10	Fri 9/24/10	
Customization development	15 days	Mon 9/6/10	Fri 9/24/10	
<b>Data Conversion</b>	10 days	Mon 9/6/10	Fri 9/17/10	
Data Conversion Plan	5 days	Mon 9/6/10	Fri 9/13/10	
Data Conversion Script development	10 days	Mon 9/6/10	Fri 9/17/10	
<b>Training</b>	25 days	Mon 9/6/10	Fri 10/8/10	
Training Plan	5 days	Mon 9/6/10	Fri 9/13/10	
Training Materials	25 days	Mon 9/6/10	Fri 10/8/10	
<b>Testing and Training</b>	25 days	Mon 10/11/10	Fri 11/2/10	
<b>System Testing</b>	15 days	Mon 10/11/10	Fri 10/29/10	
Execute System Test	10 days	Mon 10/11/10	Fri 10/22/10	41
System Test Sign off	5 days	Mon 10/25/10	Fri 10/29/10	44
UAT Tester Training	5 days	Mon 10/25/10	Fri 10/29/10	44
User Acceptance Testing	10 days	Mon 11/1/10	Fri 11/2/10	46
<b>Deployment</b>	10 days	Mon 11/15/10	Fri 11/26/10	42
End User Training	5 days	Mon 11/15/10	Fri 11/19/10	
User Readiness	5 days	Mon 11/15/10	Fri 11/19/10	
System Readiness	5 days	Mon 11/15/10	Fri 11/19/10	

PeopleSoft Enterprise offers project and activities to track all transactions related to a project. Depending on how the organization has defined project activities, the activities may or may not align between the two systems. Ideally, these should be in sync with each other at an appropriate level within the Work Breakdown Structure (WBS). The highest level of activities, or tasks, in the project plan (as illustrated above) should align with the activities in PeopleSoft Enterprise (as illustrated below).

Project Activities						
WBS ID	Activity Name	*Activity	Duration (Days)	*Start Date	*End Date	
1	Planning	0000000000000001	1	08/05/2011	08/05/2011	
2	Design	0000000000000002	1	08/05/2011	08/05/2011	
3	Development	0000000000000003	1	08/05/2011	08/05/2011	
4	Testing and Training	0000000000000004	1	08/05/2011	08/05/2011	
5	Deployment	0000000000000005	1	08/05/2011	08/05/2011	

If Finance Managers and PM's can align the high level activity roll up for cost tracking, then data entered against a project plan in the project management system can be integrated directly into project costing preventing duplicate data entry for PM's.

For example, if dates change to a project, the first place a PM will update this information is in the detailed project plan. Now the data between PeopleSoft Enterprise and the project plan will not be in sync. As a result, Finance will not have visibility to the date changes and information used for planning and forecasting will be inaccurate. Instead, finance must ask the PM to also update the PeopleSoft Enterprise project data or fill out some other external forecasting worksheet to be notified of updated information.

The use of PeopleSoft Enterprise eliminates this type of pain point. PeopleSoft Enterprise has a delivered Primavera integration, MSP desktop integration and the web services to develop custom interfaces for other project management systems.

### **Scenario 2: Project Budgeting**

A similar challenge arises around accurate project budgeting. With PM's managing their detailed projects in a project management system, visibility to changes in project budget are lost. It almost seems unreasonable to ask a PM to re-enter budget data in the financial system. Most organizations that try to enforce a process in which the PM's update the budget in PeopleSoft Enterprise have a low adoption rate.

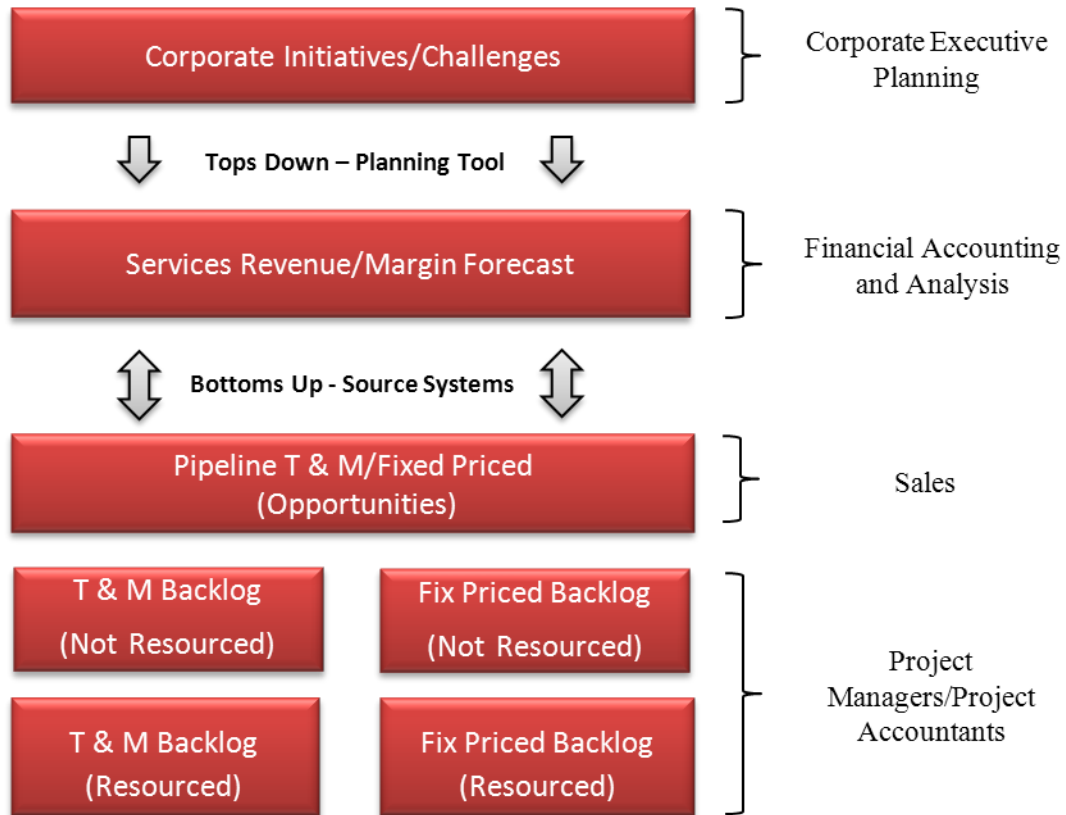
Understandably, PM's are focused on delivery of projects and updating a budget for finance will drop to the bottom of the priority list. Current budget information that is not systematically updated becomes a labor intensive process to maintain accuracy by manually reporting on projects accounting, and financial analysis.

PeopleSoft Enterprise streamlines current, real-time budget information allowing analysis to be done quickly at the project or program level. PeopleSoft Enterprise also offers delivered interfaces with Primavera and web services allowing for custom interfaces between other project management systems.

When using PeopleSoft Enterprise, PM's are able to continue managing their project budgets in the tool with which they are most accustomed, allowing integration into the PeopleSoft Enterprise project and activities. Finance will have visibility to the most up to date budget information. Consulting business owners are able to review profitability at various levels including the engagement, program, and client levels. Finance managers will have real-time, up-to-date access to project budget information to consolidate adjustments to financial plans and forecasts, calculate percent of complete for billing and revenue recognition, profitability reporting, and fixed fee pricing.

### **Scenario 3: Project Forecasting**

The third scenario addresses reporting services or project forecasts. As illustrated below, the data used for revenue and margin forecasts has to be carefully selected and there are many drivers to a services forecast.



The term forecast sometimes is interpreted differently between finance and project management. A PM typically views a forecast in terms of hours by project. This hourly forecast is used to measure project delivery actual and estimates to complete against budget as well as resource planning for pipeline projects. Assignments are made in PeopleSoft Enterprise Resource Management which offers hours by resource by project at a macro level. Finance typically views a forecast in revenue and margin for the services business model holistically. This view is a very micro level view, needing to project where the services revenue and margin is going to land for a defined period.

PeopleSoft Enterprise allows for the distinction of forecast between resourcing/capacity and financial forecasts within the three modules – Program Management, Resource Management, and Project Costing. Understanding how to use the systems to pull the different layers of forecast consisting of resourced backlog, unassigned backlog, and pipeline backlog takes careful consideration. Once defined, this understanding significantly streamlines the process of compiling a services forecast.

This scenario focuses on resourced backlog and unassigned backlog. The resource backlog is accounted for through an assignment in Resource Management or services forecast within Program Management. Resource Management assignments are

created by role and project. These assignments are made at a macro level; however the system will back into an hourly calculation. Finance will typically try to take this data and use it for revenue forecasting. Unfortunately, staffing assignments are not managed at the micro level, and for various reasons should not be used alone to produce a revenue forecast for current projects.

In a simplistic services scenario where a consultant is allocated 100% to one project at a time, and with no personal time in a given time period, this usage of assignments could work. However, most services organizations have complex scenarios where consultants are allocated across multiple projects and the allocation between projects is fluctuating from week to week. Since the assignment data is a macro allocation, allowing Resource Managers to use the assignment data for resource planning, it is not necessary to make the assignments tie 100% from week to week. This would create significant overhead.

If forecast reporting is built off assignment data, a secondary problem will be created. Finance has built revenue forecast reporting to pull from assignment data. PM's or Resource Managers must go in and alter assignment data to reflect what one feels represents where they will close the financial period, and now the assignment may not accurately reflect capacity for resourcing and staffing.

PeopleSoft Enterprise developed a solution for this challenge within the Services Forecasting application of Program Management. Services Forecasting is configured for the frequency and horizon unique to each organization's rolling forecast. When the forecast is run, Services Forecasting will pull in each project and resources assignment data as a starting point for the forecast. A Resource Manager or PM can review the forecast. In a simple scenario where the assignment data accurately translates into a revenue forecast, the PM can simply approve it and make no adjustments. In a complex scenario where the assignment data does not translate into an accurate revenue forecast, the PM can make an adjustment to the hours to reflect the forecast, as shown here.

Period	17	26	09	23
Month	December	December	January	January
Year	2010	2010	2011	2011
US001	80.00	80.00	80.00	80.00
<b>Grand Total</b>				
Horizon Project Hours	960.00			
Remaining Hours		1896.00		
Total Forecast Hours			2856.00	
Horizon Personal Hours				0.00

Finance should pull their revenue forecast data from Services Forecasting. This keeps staffing and resource planning from sharing data with revenue forecasts, and it also allows for additional analysis capabilities. Once forecasts are approved, records are stored with an Analysis Type of FCT. These import into Project Costing, where they can be compared to BUD (Budget Rows) and at a later point compared to TLX (Time Rows) or BIL (Bill Rows) for analysis. The types of analysis that can be quickly accommodated by transactions with the defined Analysis Types include:

- Forecast to Budget
- Forecast to Forecast Variance Analysis
- Actuals to Forecast
- Actuals to Budget

## Scenario 4: Capacity Planning

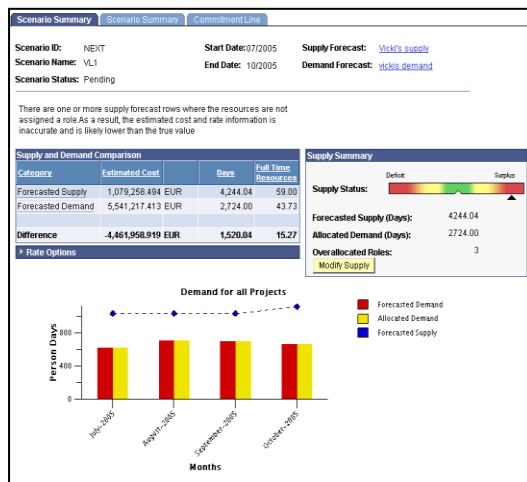
Project management and finance require capacity planning for different reasons. Knowing when additional resources will be required as early as possible enables a PSO to be able to start the hiring and training process, ensuring resource readiness and alleviating a negative impact to delivery or financials.

Capacity planning for contracts/projects that have been approved by a client and created within PeopleSoft is the easiest piece of the total 'demand planning' pie. Once an organization has a signed contract the definitions of the project, roles, and duration are entered into the system for demand. The supply is also in the system as a resource with competencies and skills associated.

Once an organization has a signed contract the definitions of the project, roles, and duration are entered into the system for demand. The supply is also in the system as a resource with competencies and skills associated.

The missing piece of the 'demand planning' pie is the sales or project pipeline. These opportunities are not in the financial system, typically maintained in a CRM system or external data source such as MS Excel.

PeopleSoft Enterprise has solutions for this challenge as well. PeopleSoft Enterprise offers a delivered excel to CI upload that allows an organization to upload external demand. This demand can come from an external CRM system or can be manually



keyed into excel. This upload will create a temporary project number with roles. As demand is run, a holistic picture of demand is created with both signed projects in the system as well as forecast projects that are uploaded in the system.

By effectively utilizing projects and their attributes for internal and external demand, a capacity planning analysis can be done and utilized by project management and financial management.

While preparing an excel to CI upload may take a little effort, the result is the ability to systematically pull project demand out of one system versus various users

manually consolidating project data from the Financial system and the CRM system, or other opportunity tracking source.

### Summary

The challenges faced today by Professional Service Organization's in aligning project-centric data can be resolved with an appropriate understanding of how the ERP is designed to accommodate the challenges. The scenarios documented in this paper outline a few of the challenges in aligning project data:

- Project and Activity Set-Up
- Project Budgeting
- Services Forecasting
- Capacity Planning



Proper alignment of project-centric data allows finance managers and project managers visibility to the data needed for their distinct business purposes, eliminates duplicate data entry, and improves data accuracy for everyone.

### **For More Information**

Cardinal Point, an Oracle gold partner, offers project-centric organizations industry-focused strategic consulting and systems integration. Specializing in PeopleSoft Financial Applications, Fusion Project Portfolio Management and OBI Project Analytics, Cardinal Point experts use innovative tools to design and implement proven solutions.

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