From Good to Great:

xP&A Best Practices from
the Best Run PSOs

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Many Professional Services Organisations (PSOs) experience that rapid and accelerated change is the 'New Normal'. Business models are transforming, and digitalisation, increased competition and internationalisation are changing their playing field. As a result, the Office of Finance and Decision-Makers throughout Professional Services Organisations is realising that proactive, agile and decentralised processes for "Extended Planning and Analysis" (xP&A) are now business-critical.

PSOs make plans. And PSOs follow-up and analyse their performance. How PSOs do this, and how often, differs a lot however. Many organisations have challenges with data quality and lack comprehensive tools for planning and analysis. As a result, planning and analysis takes a lot of effort and requires a lot of tedious manual work. Time is spent on collecting, cleaning, crunching and compiling numbers, rather than value-adding planning and analysis. When organisations rely on basic productivity tools, such as Excel and Powerpoint, they experience inefficiencies, as well as a significant risk of errors and disconnected planning and analysis.

Hypergene's extensive experience as a strategic partner to PSOs, has helped us identify planning and analysis "best practices" that the best run PSOs have implemented. Best practices that can transform your PSO's planning and analysis capabilities from Good to Great.

Pervasive Planning and Analysis

People sometimes use the idiom "It takes a village (to raise a child)". It is a quite versatile saying that can be used in many different contexts, but we specifically believe it is highly relevant when it comes to planning and analysis in PSOs. PSOs are per definition organisations with highly qualified managers and individual contributors and, accordingly, many stakeholders are involved in planning and analysis processes. Planning and analysis must extend beyond traditional Finance, and involvement and decentralisation, i.e., moving the planning and decision-making as close to the business as possible, creates engagement, self-leadership, and ultimately more relevant plans and actions. This does of course pose specific challenges when it comes to your information systems. The more people you involve in your processes, the stronger the need is to offer them role-based, easy-to-use, accessible and proactive solutions to support that approach. And, as mentioned above, the data and KPIs need to be easily accessible in real-time, and trustworthy (cohesive, coherent and consistent). Effective and efficient processes and systems democratise planning and analysis, leading to more business-centric, relevant, and accurate plans and actions.

What the best run PSOs do: In today's world, successful PSOs need to enable agile and decentralised decision-making. Planning and analysis is no longer focused on expert and executive users, and decentralised access to purpose-built planning and analysis capabilities in a proactive and role-based User Interface (UI) makes it pervasive – and that is a key to engaged employees and sustainable success. This typically means that the PSOs have an agile xP&A solution, purpose-built for PSOs, that provides the organisation with easy-to-use pervasive planning and analysis capabilities.

Transparent and Reliable Information

We all hear that data-driven decision making is the new black. PSOs generate a lot of data every day; data that is processed and stored in different information systems and documents. All the data sources may have their own master data tables, and may offer their own reporting and dashboarding capabilities. The fact that many of the systems aren't really fit for purpose, and aren't properly integrated, means that, in many cases, preparation, processing and aggregation of performance data is done manually — with long lead times and a high risk of inconsistency and errors as a result. Unless the organisation has implemented a sophisticated data warehouse, or an integrated performance management/xP&A solution, KPIs are usually defined and calculated in each report and dashboard, rather than defined, calculated, and stored in a cohesive manner in a unified data repository. Unfortunately, this means that, in addition to a lot of time being wasted and the lack of real-time insight, trust in data and numbers can be low, and it is not uncommon that both power users and managers create their own versions of the truth in the spreadsheets they create and maintain themselves.

What the best run PSOs do: Regardless of what kind of enterprise tech solution(s) the PSO has chosen to implement, the best run PSOs make sure that decision-makers on all levels of the business can base decisions on transparent, reliable information and that consistent, cohesive KPIs are available in real-time. Managing a business is challenging. Meeting time is valuable and should not be spent discussing whether or not business data and KPIs are accurate, up-to-date and relevant. As mentioned above, this typically means that either a sophisticated Data Warehouse solution, or an agile xP&A solution, purpose-built for PSOs is needed to provide the business with the real-time 'single version of the truth' which it requires (and deserves).

Rolling Forecast and Analysis

We know that both the calendar and the fiscal year are human constructs that help us comprehend, organise and structure a complex reality. Despite this, in the world of Finance and Business, we persist in applying the same constructs to a business that simply rolls forward - day by day and week by week. Business makes annual plans and quarterly forecasts, and uses financial constructs such as Quarter to Date (QTD) and Year to Date (YTD). Traditional budgeting models are time-consuming and costly, and rarely focus on the business strategy. They don't stimulate value creation and may also create obstacles for changes, while increasing the centralisation of power and control within the organisation.

What the best run PSOs do: Move from traditional budgeting and forecasting to lean and flexible rolling forecasts and analysis practices. A rolling perspective is better aligned with the business realities of a PSO and is a much better fit to the adaptive management processes and practices of the best run PSOs. Ideally, this should be combined with the driver-based planning and simulation models mentioned above. Traditional annual budgets easily become obsolete in a normal year, and the Covid-19 pandemic has emphasised this even more. This typically means that an agile xP&A solution, purpose-built for PSOs is needed to support rolling forecasts and analyses, with no constraints related to fiscal years, calculating and visualising rolling KPIs and trend analyses, for instance.

Use Business Drivers

Whereas the Chart of Accounts may be the natural taxonomy for CFOs, Controllers and Accountants, they provide only limited meaning or no meaning at all for the business. Also, like the G/L dimensions and codes used along with the Chart of Accounts to build up a PSOs financial control model, they provide structure but don't help the business generate planning and analysis data. This is where driver-based planning and simulation models come into play. In a Time and Materials busi-

ness, examples of such business drivers would be the number of billable employees, average hourly fees, and billable utilisation rates. These drivers are business-centric and can easily be understood and used by managers on different levels in a PSO. In a similar way, relevant business drivers in a fixed price engagement model could be fixed price, percentage of completion (POC)/ estimate to complete (ETC), and estimate at completion (EAC).

What the best run PSOs do: Use driver-based planning and simulations models to enable business-centric planning and agile, responsive forecasting. Regardless of this, the planning is top-down, bottom-up, or an iterative combination of both. These driver-based planning and simulations models provide real-time data and are available to managers and power users on all relevant levels in the organisation. Ideally, the models should be adapted to the requirements of different business areas and types of planning. One part of the business may want to plan and simulate using high level drivers, whereas another part of the business may want to base their model on detailed utilisation forecasts. And, in a similar fashion, the quarterly forecast may require managers to plan on a more detailed level, whereas the monthly forecast could be based more on aggregated drivers and data. This typically means that an agile xP&A solution, purpose-built for PSOs, that offers flexible driver-based planning and analysis capabilities, is needed.

Scenario Planning and Analysis
Change is the new constant, and leadership today is to a large extent about managing change, regardless of if you are leading a team, a department, a business, or an entire organisation. During the pandemic, many of us realised that the first things that got tossed into the paper bin were our carefully crafted financial budgets and business plans. Despite the fact that changes affecting business are incremental and/or disruptive, organisations that can use agile simulations and scenario planning are better equipped to manage those changes. Driver-based "what if"-models and predictive analysis help PSOs analyse different scenarios and proactively mitigate risk.

What the best run PSOs do: Enable agile, responsive planning and analysis using driver-based simulations, predictive analysis, and scenario planning. They ensure that simulations, predictions, and scenarios can be done on any level of the business using consistent and coherent real-time data. This typically means that an agile xP&A solution, purpose-built for PSOs, that offer combined planning and analysis capabilities, is needed.
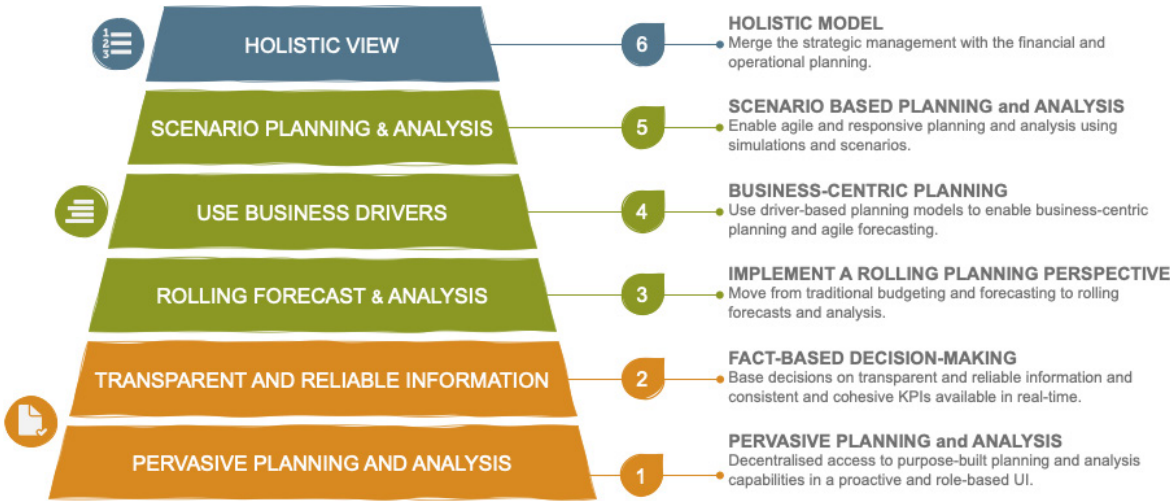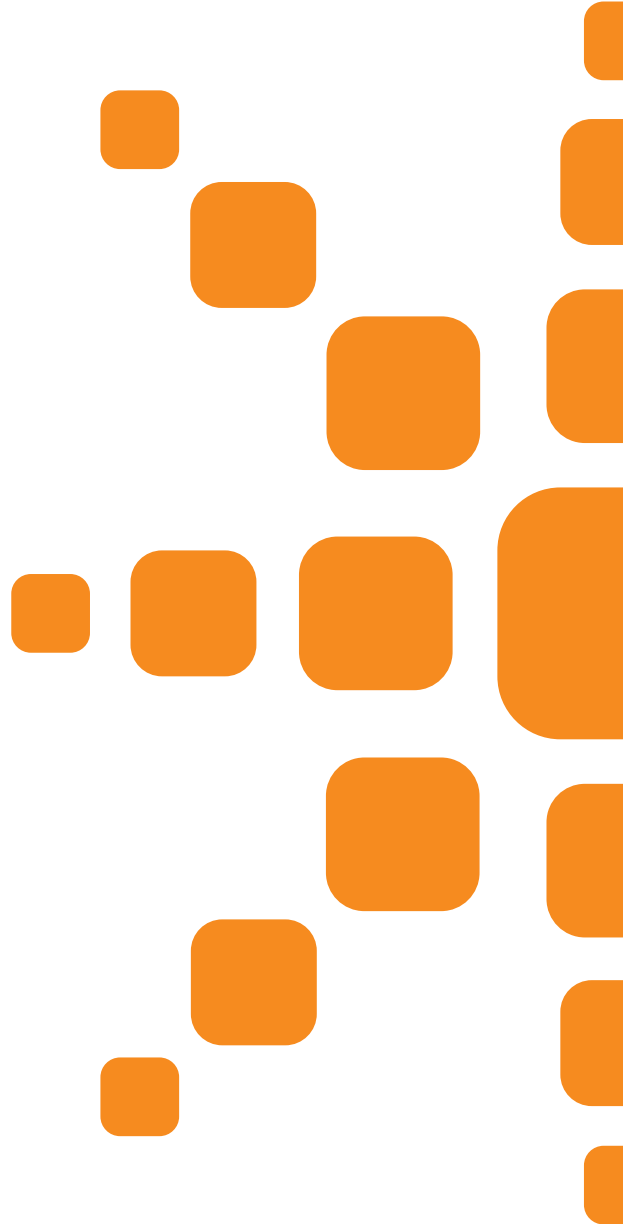
Apply a Holistic Perspective
Research shows that many organisations don't merge their strategic management with their financial and operational planning. In many cases, strategic and financial planning are considered to be different planning processes and are done in different tools. Typically, the Office of Finance has the main responsibility for planning, preparing and compiling budgets and forecasts, and spends several iterations with business managers on quality-assuring and crunching data. Strategic and business planning on the other hand, is often owned and led by the Business Units, and not always aligned across the organisation. Business Unit A may have one business plan template and business planning process, whereas Business Unit B may have their own template and process. And, when the organisation moves into the new fiscal year, the gap between the strategic/business perspective and the financial perspective widens. Financial plans are included in relevant reports and dashboards, and revisited/revised throughout the year in several forecasting cycles. The business plans, on the other hand, are often forgotten throughout the fiscal year, until it is time to create a new business plan again.

What the best run PSOs do: Apply a holistic perspective and tie together the strategic/business planning and analysis with the financial/operational business planning and analysis. They break down their strategies and business plans to perspectives and activities, and connect the metrics/ KPIs to their financial and operational metrics/KPIs. They implement holistic planning models where planning isn't done in silos, or only by managers, but across the business involving all relevant stakeholders to ensure consensus, consistency, and coherence. Ideally, this should be supported by a planning and analysis solution that supports this kind of holistic, decentralised and aligned processes.

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Not all well run PSOs would be able to claim that they consistently apply all the best practices described above, but typically they apply most of them, and aspire to further improving their planning and analysis processes and practices. At Hypergene, we believe that our mission is to help organisations run their business better and ultimately 'enable better performance'. Professional Services Organisations is one of our focus industries where we have unparalleled industry and subject matter expertise, and where we are more than happy to engage with both local and global PSOs to discuss how we can partner with them to realise that promise.

HOLISTIC VIEW	6	**HOLISTIC MODEL** — Merge the strategic management with the financial and operational planning.
SCENARIO PLANNING & ANALYSIS	5	**SCENARIO BASED PLANNING and ANALYSIS** — Enable agile and responsive planning and analysis using simulations and scenarios.
USE BUSINESS DRIVERS	4	**BUSINESS-CENTRIC PLANNING** — Use driver-based planning models to enable business-centric planning and agile forecasting.
ROLLING FORECAST & ANALYSIS	3	**IMPLEMENT A ROLLING PLANNING PERSPECTIVE** — Move from traditional budgeting and forecasting to rolling forecasts and analysis.
TRANSPARENT AND RELIABLE INFORMATION	2	**FACT-BASED DECISION-MAKING** — Base decisions on transparent and reliable information and consistent and cohesive KPIs available in real-time.
PERVASIVE PLANNING AND ANALYSIS	1	**PERVASIVE PLANNING and ANALYSIS** — Decentralised access to purpose-built planning and analysis capabilities in a proactive and role-based UI.

HYPERGENE

ENABLING BETTER PERFORMANCE

Hypergene is a tech company in the Business Intelligence and Performance Management market — with a cloud-based product for planning, reporting and analysis. With Hypergene you can streamline your budget and forecasting processes, follow up on operations using advanced analysis and reporting functionality, and work better with strategic management.