



9 Reasons Why Spreadsheet-Based Planning Is Risky For Your Business



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Introduction

It's no secret that spreadsheets are one of the most versatile and user-friendly tools around. They are the tool of choice for many operational and finance teams with a perceived ease of use and suitability for a range of planning, tracking, budgeting, reporting and other tasks. Consequently, many businesses rely on spreadsheets for some of their processes and have many use cases. Everyone can relate to the statement, "we have our applications AND spreadsheets."

This makes it sound like it is the norm, but it hides the fact that there are many use cases within a business. Many use spreadsheets as a valuable tool to improve personal productivity as well as other practical uses. However, in this document we focus on spreadsheet applications which drive formalised processes such as business planning and reporting and the risk this introduces for the business. Each application will have its own security (little or none), it's unique design of user interface, procedural know how, data sources, outputs, logic, and owner and user community. Typically, they will operate in an eco-system of emails and file systems, both local and corporate.

43% of the senior finance executives surveyed don't even know how many business critical spreadsheets are in use

Source: The Future of Financial Reporting Survey 2017

However, as more and richer data becomes available, there is a growing appetite for business planning to evolve in a manner beyond the capability of spreadsheets. Executives and decision makers increasingly demand integrated business intelligence that incorporates real time data, rich insights and compelling visualisation. Spreadsheets not only fall short on meeting these requirements, but also create significant risks in the business planning process.

71% of respondents depend on spreadsheets for collecting data across the majority of their business units

Source: The Future of Financial Reporting Survey 2017

1 High Risk Of Errors



DATA ERRORS AND BROKEN LOGIC:

It's easy to accidentally enter a wrong value or slip up in the logic of a formula. Spreadsheet users know this, so many of them protect themselves by building countless checks and balances into their workbook. Ironically, this behaviour can increase data integrity issues by making spreadsheets unwieldy and complex. This is a worry considering spreadsheets may be the basis for making business decisions such as directing capital investment, inventory planning, pricing decisions, resource allocation, etc. All this may be based on unidentified broken logic.



SINGLE POINT OF FAILURE:

Given the complexity of large spreadsheets, companies often depend on a single analyst to own critical business planning workbooks. Whilst having a single owner facilitates consistency in spreadsheet management, it creates a substantial risk if the owner becomes unavailable. If companies can't access, interpret or use their business planning spreadsheets, it can spell disaster for performance, productivity and achievement of goals. Many times, the solution is for a new owner to start a new spreadsheet and the cycle repeats.



COLLABORATION BREAKDOWN:

Frequently, spreadsheets are used as collaboration tools to share data between teams, departments or other business silos. Data is then reorganised, formatted and sometimes rekeyed once more, with the risk of unintentional or inaccurate changes. Worse, given spreadsheets provide little audit or process visibility, these errors can exist unnoticed for extended periods. One must also weigh in on the confidentiality risk factor when spreadsheets are shared via email.

46% worry about unexpected errors being identified in a critical spreadsheet

Source: The Future of Financial Reporting Survey 2017

2 Poor Productivity

Many companies start using spreadsheets because they are accessible, familiar and don't require additional licence costs or software investment. When spreadsheets are used for business planning, it is difficult to realise a productivity dividend. Even if an idea takes off using spreadsheets as the tool of choice, it is critical to acknowledge when the business has outgrown them and therefore needs to source the right tool that is fit for purpose.

WHAT CAN GO WRONG WITH SPREADSHEET-BASED BUSINESS PLANNING FROM A PRODUCTIVITY PERSPECTIVE?



Relatively straightforward processes can take days, weeks or months given the need to build and run macros, perform complex modelling and enable data matching.



With limited audit trails and no version control, it's hard to know the status of a document.



When further analysis is required or specific questions need to be answered, hours are spent gathering more data to prove a plan, recheck data or make sure that everyone is indeed looking at the latest version of the file.



Teams may avoid important tasks such as rolling forecasts, simply because the limitations posed by spreadsheet-based planning makes the task too challenging.

The worry is that for many businesses, the productivity lost in working around the limitations of spreadsheet-based planning is hidden in the normal day to day business processes and the issue may remain unnoticed. Roles may have been created over time to work around these challenges.

When businesses tackle the productivity losses associated with business planning with spreadsheets by investing in fit-for-purpose tools, they realise enormous improvements in decision making, data quality and organisational productivity.

62% of respondents worried about missing reporting deadlines.

Source: The Future of Financial Reporting Survey 2017

3 Poor Process

Planning is a structured process that involves coordinated activities, review points, workflows, interaction and collaboration. Given spreadsheets provide users with great flexibility in how they format, name, organise and analyse data, it's not particularly conducive to effective planning.

WHAT ARE THE CHALLENGES ASSOCIATED WITH SPREADSHEET-BASED BUSINESS PLANNING FROM A PROCESS PERSPECTIVE?



Spreadsheets can be saved anywhere on shared or local drives (or even in inboxes), so planning information can be hard to source.






Planning regimes should share a common view of organisation objectives, product, cost centre, pricing etc. to increase their chances of effective planning. Because spreadsheets allow all planning stakeholders to create their own versions of planning workbooks with different layouts, design and data sources, such fundamental differences between teams make it tough to form a single and complete organisational view.

Often, spreadsheet-based planning leads to disconnected processes and organisational breakpoints that lack visibility of overall business plans. The impact of such performance is increased risk and poor productivity.

4 Inability To Scale

File limits on how much data can be processed means spreadsheets don't scale well. Spreadsheets often become their own data repositories. This is inefficient, risky and creates issues like files crashing or corrupting because of their size.

WHAT ARE THE TELL-TALE SIGNS THAT YOU HAVE OUTGROWN YOUR SPREADSHEETS?

-  Users start looking for ways to simplify calculations, divide data between more spreadsheets and divide logic.
-  It becomes impossible to drill down into transaction level data. Data interrogation is done in a separate spreadsheet - yet another band aid.
-  Team collaboration is achieved by emailing spreadsheets. Someone's job description is to consolidate these spreadsheets into one version to identify gaps between the plans and the organisation's objectives.

5 Lack Of Reporting Analytics

IN WHAT WAYS DO SPREADSHEETS FALL SHORT OF SUPPORTING EFFICIENT REPORTING ANALYTICS?



Planning software tools allow for predictive forecasts, analysis and simulation. They support the planning process along the way, not just for the final output.



Proper integration between the planning process and reporting analytics allows users to identify business areas of uncertainty and use data to support their view and model and optimise different scenarios.

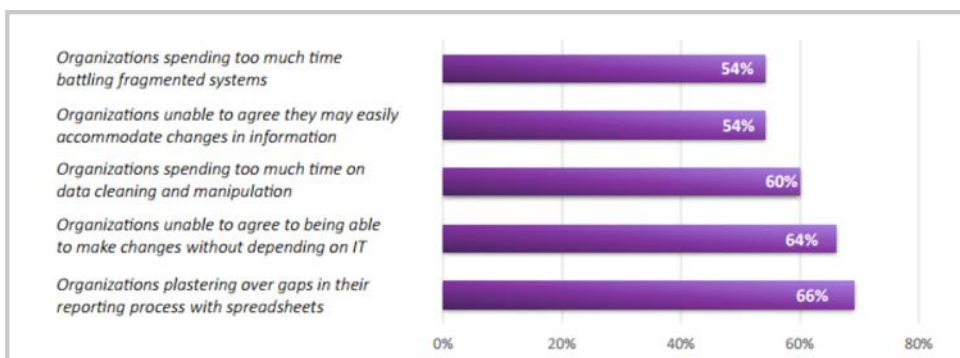


When spreadsheets are used for planning, very often businesses analyse data in one place and plan in another. This fragmented pattern of events leads to poor productivity and impacts the quality of planning results.

“Planning is almost impossible without reporting and analysis capabilities, so the integration of planning with reporting, analysis and dashboards is essential. Having all this functionality in one single product is more beneficial than using a combination of several products to see the whole picture.”

Source: BARC 2016 Planning Survey

With the inability of spreadsheets to integrate real time data insights, they are not equipped to support best practice business planning.



Source: The Future of Financial Reporting Survey 2017

6 Lack Of Engagement Due To Poor User Experience

Spreadsheets are looked on fondly by finance teams, analysts and operational staff who use them regularly, but it's a different story when it comes to executives and decision makers. For operational stakeholders, spreadsheets lack the ability to drill down in to data. It is easy to break a model or accidentally modify a cell; it takes time and effort to interpret large or complex workbooks; and it is easy to encounter version control issues.

HOW DOES THE USER EXPERIENCE OF SPREADSHEET-BASED PLANNING IMPACT ON THE PLANNING EFFORTS?



A common challenge is the lack of participation in the planning process by the respective teams. The perception is that finance owns the spreadsheets and since these do not reflect each team's planning requirements, teams start to plan in silos.



The lack of drill down into data sources weakens users' confidence in data and a lot of time is wasted in double checking data or discussions about which data is correct.

When it comes to planning – which is, by nature, a collaborative and cross-team process – it is essential to use a tool that's easily understood and managed by all key audiences.

“Other than the time savings, the big change for us has been user confidence in the system. There was always a level of mistrust in the old system because of the inability to see how numbers were processed. Now everyone can drill down quite easily and see how the numbers are derived.”

Source: [Baptcare case study](#)

7 Limited Planning Features

Although spreadsheets support a wide array of calculations and other aids to assist planning, they fall short in key areas. These include:

- ✘ Top-down budget planning
- ✘ Reverse algorithms
- ✘ Advanced data entry and planning logic
- ✘ Pattern based allocations
- ✘ Rolling time series logic
- ✘ Applying timing rules and relationships
- ✘ Applying allocations and distributions
- ✘ Driver based logic
- ✘ Applying constraints and tolerances
- ✘ Applying dynamic rules

In addition, a specialised planning tool supports process tracking, business workflows and master data management, and provides adequate security and modelling scenarios. The list is quite comprehensive.

It is possible to get around the limitations of spreadsheets, but it requires significant and complex effort on the part of users. The risk is for the business to become reliant on ingenious spreadsheet gurus to work through intricate formulae and structures. This is akin to relying heavily on internal IT for report customisation when the way forward is to empower users to discover their own data.

“For many years, the company had relied on Excel spreadsheets to capture and forecast financial information.

This approach was time-consuming and prone to error and version control issues. It also lacked the sophistication to provide accurate forecasts with ease. Given the time involved in preparation it was deemed an impossible task to move to rolling forecasts.”

Source: Birch & Waite case study

8 Lack Of Integration

Effective business planning takes a whole-of-organisation view of strategy, finance and operations. It draws data and insights from across core systems which typically span HR, payroll, ERP, industry specific applications, CRM and more. This also involves a mix of on-premise, cloud, in house bespoke systems and may also involve integration of vendor or customer data. The right tools effectively integrate transactional and planning systems by allowing data write-back of outcomes.

POOR DATA INTEGRATION CAPABILITIES IN THE PLANNING PROCESS TYPICALLY MANIFEST IN:



Inaccurate or missing data leading to incorrect reports which may be used as the basis for decision making.



Data latency that impacts the business' ability to quickly respond to changing market conditions.



Reduced workplace productivity as users spend hours collating, verifying and interpreting data.

Spreadsheets simply don't have the capability to integrate and analyse data across systems without relying on a separate, often deeply technical and bespoke backend application. In contrast, modern planning tools have an array of cloud and data plugins, data modelling and master data management necessary to make integrated business planning a breeze.

54% of survey respondents said their reporting process involves huge amounts of manual checking every time they make a change.

Source: The Future of Financial Reporting Survey 2017

“Without a good BI system capable of drawing in data from a large variety of sources, accurate forecasting, budgeting and planning would be almost impossible.”

Source: Spirits Platform case study

9 Reduced Business Agility To Respond To Changes



Spreadsheets are suited to a 'rows and columns' financial budget, completed once a year by finance, where circumstances allow for a long consolidation and report tail. This is because the time frames allow for the associated manual handling, checks and balances. Today, this approach is no longer acceptable. Contemporary planning approaches emphasise integrated budget and operational planning, driver based planning, rolling forecasts, integrated business intelligence, rich data visualisation, and the ability to drill down to understand events and trends. These capabilities are increasingly beyond the reach of spreadsheets.

The Way Forward

For organisations that are struggling with spreadsheet-based business planning, there's a clear path to realise improved processes and outcomes. If you can see the signs and symptoms of flawed business planning, it's time to act.

Contact Professional Advantage and let us discuss an approach tailored to you and start the journey of improvement. We have a variety of activities that can fast track your improvement. These include:



STATUS ASSESSMENT:

Start by understanding the current state of business planning and the role that spreadsheets play in the process. This will help you uncover the impact that spreadsheet-based planning is having on your business.



STRATEGIC ASSESSMENT:

At the same time, identify the bigger picture issues around business performance that may be a side effect of your business planning process such as losing contracts, oversupplying the market or stretched resources due to unforeseen demand.



AGREE ON A VISION FOR CHANGE:

Define and articulate the future state of business planning that will deliver tangible benefits to your organisation.



CREATE A ROADMAP FOR IMPROVEMENT:

Identify the specific actions that need to be taken over time to achieve the vision.



EMBRACE THE RIGHT TECHNOLOGY:

Select a suitable enabling technology that will meet your organisation's needs.



DELIVER:

Demonstrate one cross-functional win at a time and progressively scale out with a purpose and a track record of success.

Professional Advantage has a proven track record; clients who can demonstrate the success of Professional Advantage's approach across both key financial and key operational processes. Whether it be improved budgeting we can demonstrate productivity improvements of up to 90 percent and reduced time spent planning from five months to just three weeks. Addressing spreadsheets, elsewhere we have clients who have realised key gains such as realising inventory and work capital optimisation, enabling supply chain collaboration, and powering company growth.

Contact Professional Advantage today to discuss your company's path to improvement.

Got a question?

The best business planning is frequent, consistent and draws on rich, real-time data insights to develop a whole-of-organisation view of performance and strategy. In this environment, it's time for organisations to look beyond spreadsheets for their business planning and invest in fit-for-purpose planning tools. The benefits of improved productivity, better organisational performance, faster decision making and greater data integrity speak for themselves. Contact Professional Advantage today to understand the possibilities for your organisation.



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About Professional Advantage

Professional Advantage is one of Australia's most awarded solutions providers, with over 25 years experience in helping organisations improve their business systems through industry leading software solutions. Our 250-strong team in 6 offices across Australia and internationally has successfully worked with over 1000 organisations.