

Still Using Spreadsheets?

There's a better way (but don't be fooled by poor imitations)!

According to a recent study conducted by Ventana Research, fewer than half of companies perform their budgeting and planning processes well. At the heart of the problem? Standalone spreadsheets are still the software that finance departments use most often. Ventana's research finds that three-fourths (74%) of midsize and larger companies utilize spreadsheets to manage their planning and budgeting processes.

At the same time, Ventana points out that there are significant savings to be gained by using dedicated planning

and budgeting software (Corporate Performance Management or CPM software) that eliminates spreadsheets and enables people working in FP&A to do what they were hired to do - understand and analyze the company's business data.

There is now a class of products on the market that claim to be CPM software but are spreadsheet-based; basically, they just connect a spreadsheet to a database.

This white paper is designed to be read by finance professionals. It discusses the pros and cons of spreadsheet-based CPM applications and explains some of the hidden drawbacks of using them.



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Why Do Companies Use Spreadsheets?

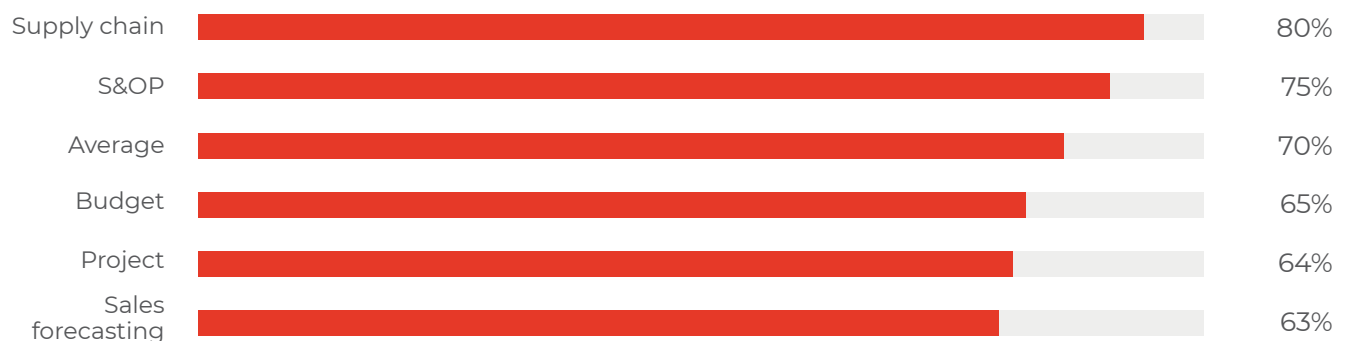
Spreadsheets are attractive to finance professionals for many reasons. Nearly all finance professionals use spreadsheets, and many have years of experience with them. Although each of them probably uses a fraction of Excel's features.

Realistically, most finance professionals are content with spreadsheets because they are familiar with them. For many people, their entire experience of planning and forecasting involves only spreadsheets and they have no experience with other solutions. What is telling, however, is that people who have used CPM solutions and who realize their value very rarely go back to spreadsheets.

Unfortunately, some finance staff have a vested interest in using spreadsheets because they are the 'experts' in their use and have developed complex systems. Often, these systems use many large spreadsheet files which stretch the limits of Excel's functionality, and which are almost impossible for anyone else in the company to understand. The obvious question to ask is, "what happens when the spreadsheet expert leaves?" It is risky to be totally dependent on a single person for what is a very important part of running your company.

It is important to consider whether your company's use of spreadsheets for complex planning gives you value.

Spreadsheets Dominate Planning Processes - Most Planning Functions Use Them



Why Do Companies Move from Spreadsheets to CPM Solutions?

Most companies that switch to CPM software do so because they realize the limitations of spreadsheets.



Non-collaborative



Macro “Insecurity”



Error-prone



Limited Ad Hoc



Weak Reporting



No Audit Compliance



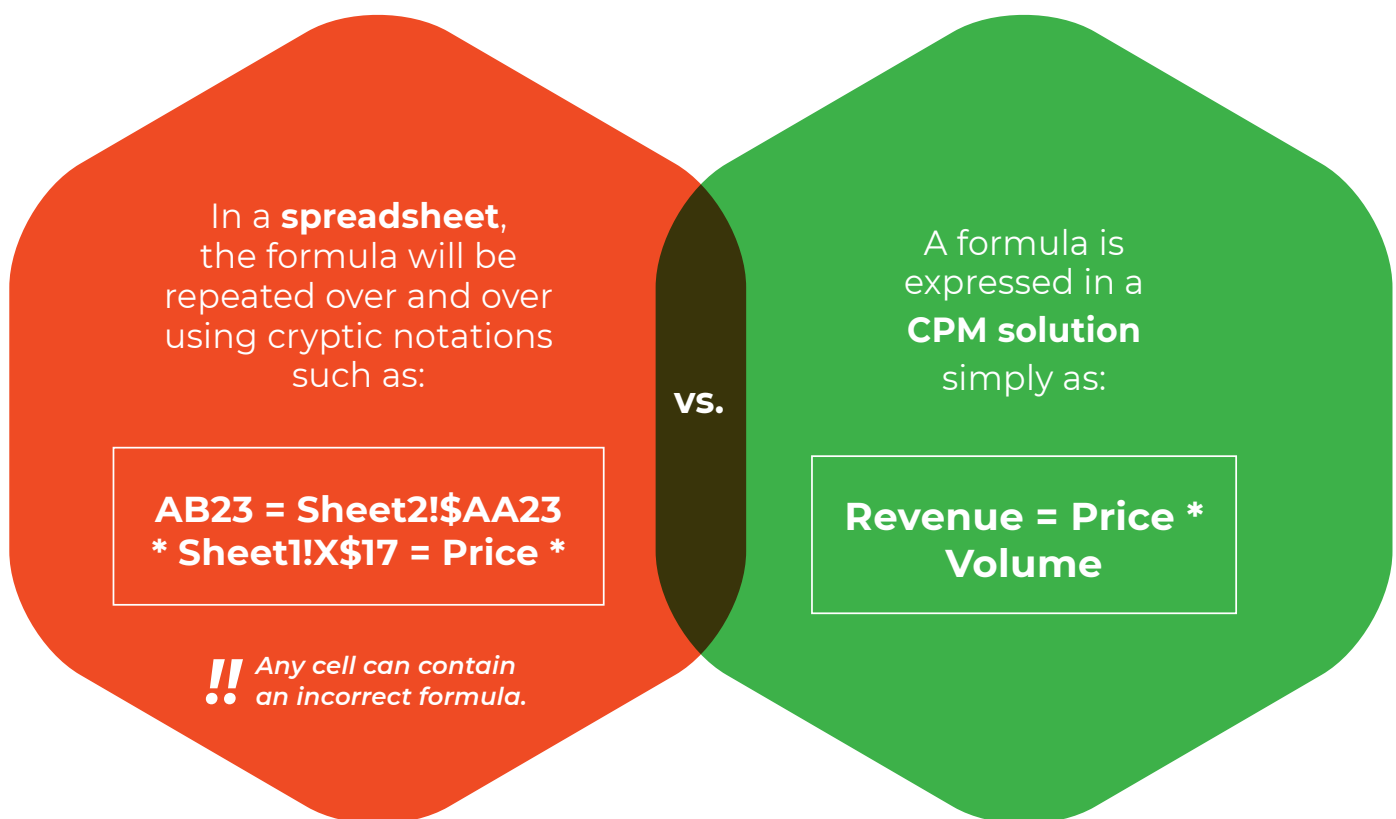
Spreadsheets are personal productivity tools

In the past, some spreadsheet vendors have tried to make them into multi-user collaborative products. But these attempts have mainly been unsuccessful; it is significant that Microsoft, who developed Excel, which is the de facto spreadsheet standard, has added zero or minimal collaborative functionality such as workflow, integration with other systems, multi-user security or centralized formulas and processes. Using spreadsheets for complex applications often requires a lot of manual processes, such as copying and pasting not only data but also formulas; any mistakes here can create hidden errors.



Spreadsheets are error-prone

One of the biggest problems with spreadsheets is the lack of adequate documentation, which can easily give rise to serious errors. To fully understand how things are being calculated, it is necessary to look at every single cell formula. As spreadsheets become larger and more complex, this is almost impossible. Errors in spreadsheets don't always produce a helpful #REF! message that shows you something is wrong; most errors involve incorrect cell formulas. This is especially true if cell formulas contain long expressions with multiple embedded IF functions.



Macros are not the answer

Most spreadsheet users do not use macros. Macros involve using a programming language called VBA that is similar to the languages used by IT professionals. When macros are included, understanding a spreadsheet becomes even more difficult. Switching on macros can also give rise to serious security issues; macros can contain malware that does nasty things to your network.



A spreadsheet is neither a database nor a reporting system

Many people try to use spreadsheets as databases. While products like Excel allow users to create simple lists of data, they fail when more complex data manipulation is required. Users spend a lot of time copying formulas down through many rows of data to produce the results they want. Reporting can also be a challenge; one of the most onerous month-end tasks often consists of copying results between worksheets and laboriously formatting each report.







Spreadsheets have limited ad-hoc querying

Your financial data can be ordered by account, department, version, time and other dimensions such as project or product. Most general ledgers let you have standard reports but don't give users the ability to dynamically examine data to find the information they need, nor are spreadsheets much help. Pivot tables make some of these queries easier but leave a lot to be desired. Finding the financial data you want organized in a large spreadsheet can be a major challenge.



CPM Benefits

The reasons why companies move from spreadsheets to CPM software are not all based on the limitations of spreadsheets. CPM software offers more than spreadsheets for many reasons:

-  **CPM software is easier to deploy**
-  **CPM software offers better integration with other systems**
-  **CPM data analysis goes way beyond pivot tables**
-  **CPM software increases productivity**

CPM software is easier to deploy

To use a true CPM system, all that is required is a browser, such as Internet Explorer, Edge or Chrome. There is no need to install the correct version of a spreadsheet such as in Excel, or to install spreadsheet add-ins. What's more, users can access the system from many different computers, including tablets.



CPM software offers better integration with other systems

Most planning involves importing account and organization structures from your accounting system or ERP. CPM software makes this easy; reports can be automatically updated as accounts are added to your Chart of Accounts. Data can be imported using processes that are scheduled to run overnight.

Accuracy of Planning Process - Level Varies Across Business Areas

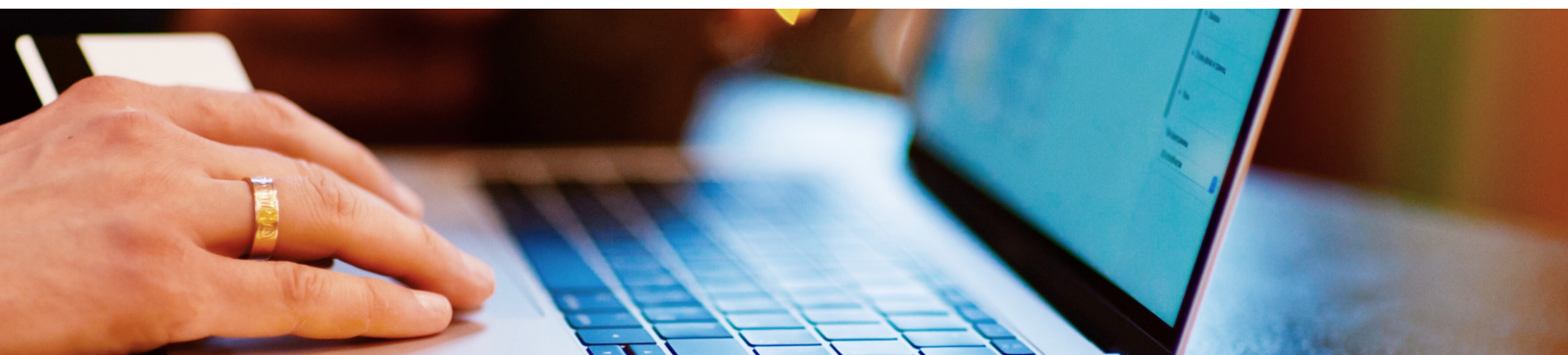


Source: Ventana Research Next-Generation Business Planning Benchmark Research © Ventana Research 2017; All Rights Reserved



CPM software increases productivity

“Traditional” PC software, such as spreadsheets, is beginning to look old and worn; even Microsoft is trying to move Excel and other Office components to the Cloud. The growth of B2C social networking systems, such as Facebook, means that people’s ease-of-use expectations have increased. The companies that develop CPM solutions invest a lot of time and effort making them easier to use than spreadsheets. This means users are more productive and spend less time copying data and formulas; CPM software makes planning and reporting less manual, less time-consuming, and easy to use by finance professionals.



What About Spreadsheet-based CPM Products?

At first sight, it might appear that a CPM solution that uses spreadsheets as the main user interface will give you the best of both worlds. Nothing could be further from the truth.

Sometimes, it seems like anyone who has worked out how to connect a spreadsheet to a database can claim they have a product. Many such vendors don't even specialize in CPM; what they are really selling is a technology. Their customers are using the technology for many disparate applications, and CPM is just one of them.

When a vendor sells you a technology, you will not have a usable solution without the technology being customized to suit your needs. Spreadsheets by themselves don't really do anything useful; they need someone with skill to build a business model before they give you what you need. When 'add-in' functionality is required to connect to a database, the skill requirements grow exponentially. Required customization can include not only complex, undocumented spreadsheet cell formulas (don't you just love those nested IF statements!) but also macros that use a programming language designed for use by IT professionals.

Customized spreadsheet-database solutions have many drawbacks. Many vendors will quote low customization costs just to get their foot in the door, and once a customer is dependent on them, the programming, and hence the costs, start piling up. Customers have no choice but to eat up the expenses.

Customizing a spreadsheet-based CPM product is an expensive activity. But it is only when the full lifecycle costs are measured that the true cost is revealed.



The hidden cost here is application maintenance, which is a real headache. Usually, the systems are too complicated and time-consuming for finance professionals to develop or maintain and so, if anything needs to be changed (e.g. a new report or a new way of calculating) then consultants must be called in. If they are busy, customers may need to wait weeks or months for the vendor to make a minor change because no one else understands how everything works. Calling in the vendor for every little change is expensive.

This spreadsheet-database business model (technology plus customization) has in the past been viewed as a standard way of implementing B2B applications. But the world has changed. More and more B2B applications, such as CPM, are moving to the Cloud and, in a true Cloud system, customization is not possible. Cloud vendors are selling systems that don't need programming and customization. These systems are collaborative; they are easy to use so finance professionals can pick them up quickly. If a vendor is involved in the implementation at all, then it usually involves high-level design and training; there is no need for months of programming.

Quite apart from the costs and delays involved with technology customization, there are other downsides to spreadsheet-database solutions. Many spreadsheet-based systems require an appropriate environment on every users' workstation. This can involve installing:

- One or more Excel add-ins. These will extend the start-up time whenever the spreadsheet program is used.
- The correct version of the spreadsheet software; for example, many require the 64-bit version of Excel when the standard installation is 32-bit.
- Other prerequisite components such as specific versions of .NET frameworks.

All these requirements will involve upgrading or reinstalling software on workstations each time components change. This negates one of the main benefits of using Cloud solutions; IT will need to be involved to install and maintain all this required software. True Cloud CPM products require only a browser on the users' workstation. This is one of the main reasons why companies are moving to the Cloud.

Perhaps even more serious is that some spreadsheet-database solutions are stretching spreadsheets to their functional limits. Customers report problems with the programs crashing or slowing down when other large spreadsheets are open. This means you may be left with a solution that is totally unusable unless you upgrade all your users' workstation hardware to more powerful machines.



What About True Cloud CPM Products?


In the current IT marketplace, Cloud offerings are the norm. Some categories of software are almost exclusively Cloud, such as Salesforce Automation. The popularity of the Cloud delivery model has given rise to a seismic shift in the way B2B solutions are delivered.

The old business model of selling “technology plus customization” is becoming less and less popular, especially with mid-market companies that are less able to afford expensive customization than enterprise companies and the public sector.

What’s more, this old model too often gives rise to rigid, inflexible systems that are not dynamic enough to truly meet users’ needs; finance users, especially, need to dynamically drill down to financial data to see underlying trends or anomalies.

Instead, the Cloud services paradigm (SaaS or Software as a Service) delivers adaptable, easy-to-use software solutions in the Cloud that do not require programming or complex formulas to make them work. Implementation is quicker and less expensive; these products require just a browser, not the correct version of Excel. People in finance can learn how to drill down to data, and build business models and reports without being spreadsheet experts. True Cloud CPM products are configurable by finance people, not requiring customization in Excel or by IT experts.





In fact, true CPM products offer functionality that is not available in spreadsheets:

- They can be used for ad hoc queries of financial data; users can view high-level general ledger data by account, department or project and then drill down to the underlying transactions. This means that finance professionals can perform better analysis and management can make better decisions.
- Top-down planning is a standard feature of a true CPM product. Spreading yearly data across months or costs across departments based on historical data is handled automatically with built-in functionality. There is no need to copy formulas or handle circular references.
- New accounts or departments will appear automatically in reports. Companies' financial data is constantly being reorganized. But when this happens, there is no need to laboriously go into every spreadsheet and add extra rows or columns.

These are just three examples; there are many more.

This does not mean that spreadsheets are obsolete. As mentioned above, spreadsheets are familiar; users like the **'look & feel'** and ease-of-use of spreadsheets. This includes the ability to enter and format data, copy data between cells, and generate data with commands like **'fill right'**. True CPM products pay tribute to spreadsheets in two ways:

- They include spreadsheet-type functionality. For example, finance users can design and format data entry templates and reports with a spreadsheet interface, but without the need for data import functions, embedded IF statements or macros. People in different departments who use these templates for data entry can still use familiar spreadsheet functionality.
- They interact with spreadsheets so users can easily import and export data. In the Microsoft world, this capability goes beyond Excel; users can not only save data to Excel but can also embed reports, dashboards, and charts in Word documents and PowerPoint presentations.



Summary

It's not a case of Excel vs. non-Excel. Spreadsheets still have a place in the armory of the Office of Finance but this does not mean that they can be used for everything; using a spreadsheet-based CPM solution is like forcing a square peg into a round hole.

Most finance people use spreadsheets daily. Some are reluctant to move to a CPM solution that doesn't incorporate spreadsheets. But those that have the fortitude to make a break from spreadsheets will realize major benefits. Spreadsheet-based CPM products are at best, a halfway solution. At worst, they are expensive and inflexible and sold by dishonest vendors who promise a lot but deliver little.

This table summarizes the pros and cons of the three types of software you can use for your planning, reporting, and consolidation.

	Spreadsheet Only	Spreadsheet w/ Database	True Cloud CPM
Easy to Deploy with Browser	✗	✗	✓
Ad Hoc Data Analysis	✗	✗	✓
Business Model Documentation	✗	✗	✓
Easy Data Integration	✗	✓	✓
Incorporates Database	✗	✓	✓
Incorporates Workflow	✗	✓	✓
Inexpensive Business Model Implementation	✓	✗	✓
Financial Staff Can Implement	✓	✗	✓
No Need for Customization	✓	✗	✓

About Prophix

Your business is evolving. And the way you plan and report on your business should evolve too. Prophix helps mid-market companies achieve their goals more successfully with innovative, cloud-based Corporate Performance Management (CPM) software. With Prophix, finance leaders improve profitability and minimize risk by automating budgeting, forecasting and reporting and puts the focus back on what matters most – uncovering business opportunities. Prophix supports your future with AI innovation that flexes to meet your strategic realities, today and tomorrow. Over 1,500 global companies rely on Prophix to transform the way they work.

Head office

350 Burnhamthorpe
Road West,
Suite 1000
Mississauga, Ontario
Canada · L5B 3J1

+1 (800) 387-5915
1- 905 - 279 - 8711
info@prophix.com
www.prophix.com

United Kingdom

Davidson House
The Forbury
Reading
RG1 3EU

+44 (0) 118 900 1900
uk-info@prophix.com
www.prophix.co.uk

South America

São Paulo – SP – Brasil
Rua André Ampère,
153/7o andar
Novo Brooklin – SP
04562-080

+55 11 3583-1678
lpego@prophixsouthamerica.com
www.prophix.com/br

DACH Region

Messeturm
60308 Frankfurt am Main
Germany

+49 69 509 565 605
dach-info@prophix.com
www.prophix.de

United States

707 SW Washington St.
Suite 1100
Portland, OR 97205

+1 (800) 387 5915
info@prophix.com
www.prophix.com

Europe

Sankt Knuds Vej 41
1903 Frederiksberg C
Denmark

+ 45 7023 2375
europe-info@prophix.com
www.prophix.com/dk

South America

Rio de Janeiro – Brasil
Av. Marechal Câmara 160 cj 932
Centro – RJ
20.020-080

+55 21 3094-3900
lpego@prophixsouthamerica.com
www.prophix.com/br