WHITE PAPER

5 Signs You are Abusing Excel for Planning

planful

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ABSTRACT

Excel is a widely known, prized tool for finance professionals. Finance is familiar with spreadsheets and uses them for a variety of financial planning and analysis processes. Though they are an excellent individual productivity tool, spreadsheets were not built for corporate-wide planning processes. So, is Excel still meeting the needs of your organization? This white paper will walk you through the five signs that you may be abusing Excel for your planning needs and show you how you can take advantage of the capabilities that you appreciate in Excel while avoiding its numerous pitfalls. Then, walk you through how instead of abusing Excel how you can use the advantages of it in an FP&A platform to evolve and grow with your business. Lastly, if you are looking at a planning application to replace spreadsheets, this white paper lays out some important considerations to ensure it will be able to meet your needs today and in the future.

TABLE OF CONTENTS

Every organization large and small defines their goals and objectives, and allocates resources through their budgeting, planning, and forecasting processes. And while packaged applications to support these processes have been available for well over 20 years, a recent CFO survey indicated that 55% of organizations rely solely on spreadsheets to support their planning processes, and many augment their planning applications with spreadsheets.

Why is this? The reasons are many – spreadsheets are familiar, low cost, readily available, and are relied on by Finance professionals for a wide variety of financial analysis tasks. However, while they are great personal productivity tools, spreadsheets weren't designed to support a corporate process involving hundreds of people.

There's no workflow, no process management, no security, and no audit trails. A University of Hawaii research study found that 88% of spreadsheets contain errors.

So how do you know when your organization has outgrown spreadsheets for planning? In the next section of this white paper, we identify five signs you are abusing Excel for planning.

Five Signs You Are Abusing Excel For Planning

1 Excel workbooks have become too complex to manage

This is a situation that many organizations encounter as they grow in size and complexity.

Excel is a great personal productivity tool, but it wasn't designed to be used as a corporate planning database. An Excel workbook that worked well with 10 tabs rolling up to a "master tab", that has grown to over 100 tabs can become unwieldy to manage.

For instance, if it's taking 10 minutes or longer just to open the Excel workbook, that's a sign you may need to get a new system.

With that many tabs rolling up to one master tab, there's a greater risk of undetected errors in calculations. And if your organization is reliant on one person who is the Excel workbook "guru" and no one else is capable of managing or updating the workbook, that's a single point of failure that needs to be addressed.

2 Long budgeting cycles, with too much time collecting data, not enough time analyzing data

Many organizations suffer from long, drawn-out planning processes that take five months or more to complete. A common cause for elongated planning cycles is the amount of manual data collection that is occurring. This is often the case when using spreadsheets and email for collecting budget data from managers across the organization. The process goes something like this:

- Finance creates budget templates in Excel and emails to managers
- Managers receive the templates, make changes, add rows and columns, change calculations, and send them back to Finance
- Finance receives the templates, reviews them, corrects errors, and spends inordinate amounts of time rolling hundreds of submissions up into a corporate plan
- The rolled up plan exceeds corporate targets, so managers are asked to reduce their costs by x% and resubmit their plan.
- This iterates six – ten times during the course of the budgeting cycle

In the end, Finance ends up spending 80% of their time collecting, correcting and managing data, and only 20% on analysis. If this is the case, this is a key sign that you are abusing Excel and it's time to make a change.

3 Too many errors in your budgets, forecasts, and reports

Does this scenario sound familiar? You spend all weekend pulling together the final budget book for review with the CFO. And in the first five minutes of the meeting on Monday, he finds an error or a number of errors. An even worse scenario is when the CFO is presenting the annual budget, or the latest forecast to the board of directors, and one of them spots an error. This can be what we call a CLM – a "career limiting move." If undetected errors in budgets, forecasts, and reports are causing you pain, that's a clear sign you are abusing Excel and need to make a change.

4 Limited and untimely management reporting

A big part of planning is reporting. During the annual budgeting cycle there is always the need to present the latest version of the budget, compared to the prior year budget, and prior year actual results. Then once the budget is finalized there are many reporting requirements throughout the fiscal year:

- Monthly or quarterly actual results vs. budget, with variances
- YTD actual results vs. budget, with variances
- Forecast report with YTD actuals by month, combined with the rest of year budget by month
- Rolling forecast report with YTD actuals by month, combined with an updated forecast for the rest of the year, by month or quarter

All of these reports typically need to be run at a corporate level, as well as by division or department, and across 100s to 1000s of cost centers. And when reviewing actual vs. budget variances, managers typically want the ability to drill down into the underlying details to understand what caused the variance.

Creating, running, and maintaining all of this reporting in Excel can be time-consuming and resource-intensive. And while this approach might be viable for a small company with 10 cost centers, as an organization grows and evolves in size and complexity, it will soon outgrow Excel-based reporting.

If Finance is spending three to four weeks every month working on management reports, that's a clear sign that it's time to consider an alternative to Excel spreadsheets.

5 Multiple versions of the truth

Another issue that plagues organizations relying on Excel for planning and management reporting is multiple versions of the truth. This is where managers come to a meeting with Excel-based reports, then soon realize that many of them are relying on different versions of the same report, which depict different results. As a result, a lot of meeting time is spent on the unproductive process of reconciling numbers and figuring out what the truth is about financial and operating results.

Even worse is when, due to the length of time it takes Finance to generate management reports, line of business managers end up creating their own reports on financial and operating results. These reports are often not aligned with the results produced by Finance – so again, much time is wasted with managers arguing and reconciling multiple versions of the truth.

Stop the Abuse and Make Better Use of Excel

If your organization is experiencing one or more of the signs of Excel abuse mentioned in the previous section, then it's clearly time for a change. The next step is to evaluate and select a budgeting and planning software application that's designed to address the pitfalls of Excel, streamline the process and make Finance more productive.

Purpose-built budgeting and planning software applications have been available in the market for over 20 years, and thousands of organizations have adopted them. These applications include pre-built functionality to streamline budgeting, planning, and forecasting such as data entry templates, workflow and process management, data consolidation, and reporting.

Over the past 10 years, adoption of cloud-based financial planning and analysis platforms for budgeting and planning has been accelerating and is now the preferred approach to deploying this type of software. Why? Because cloud-based solutions offer faster time to value, lower cost of ownership vs. on-premises applications, and they provide Finance with more autonomy from IT with the ability to completely own and maintain the system.

EXCEL: A LOVE - HATE RELATIONSHIP

While Excel lacks the sophisticated business process support required by a modern planning and budgeting process, the Excel formula language and spreadsheet user experience have been popular with finance departments since the first spreadsheet programs became available. The spreadsheet formula language introduced in the late 1970s and early 1980s with products like Visicalc, Lotus 123, and Multiplan captured the imagination of finance users all over the world.

For the first time, the power and simplicity of the formula language gave finance professionals a way to express business calculations, empowering them with the computational capabilities of desktop computers and triggering the personal computer revolution.

The importance of this development cannot be overstated. Prior to spreadsheet formula languages, the only option for expressing a calculation to be performed by a computer was to learn to program the computer or to enlist the help of a computer programmer.

It is unsurprising then that the best cloud financial planning applications have found ways to combine the convenience and familiarity of the Excel formula language, with robust business process support and application-level intelligence.

Calculations and formulas are an inevitable, inherent part of planning templates and reports used to support financial and operational planning.

If a financial planning application does not support the Excel formula language for expressing these formulas, then clearly, they are obliged to offer some alternative scripting or programming language. Unsurprisingly research suggest that finance suggests that finance and other business professionals are extremely reluctant to learn new programming languages in order to perform their core duties.

In a recent survey of finance professionals involved in FP&A platforms, 65% of respondents stated that they prefer Excel formula language, while only 11% favor a proprietary scripting language.

Proprietary scripting and programming languages in planning applications should be avoided because they undermine the fundamental progress enabled by technology since the late 1970s that has empowered finance professionals to be masters of their own data. Proprietary languages force finance teams to learn programming languages and skills, or more commonly, require extensive involvement from IT consultants to implement the planning system and to make changes once it is operational.

This undermines the promise of cloud computing to enable business users to take ownership of their applications. Furthermore, it creates additional costs and slows down both initial implementation and ongoing changes. As a consequence, the organization loses agility because finance is unable to evolve the FP&A platform to keep pace with the evolution of the business.

EVOLVING NATURE OF BUSINESS

Nobody knows better than finance teams that in business, change is the only constant. Sometimes change comes from external drivers like regulation, macroeconomics, or geopolitics impacting product or service demand, or affecting costs.

Sometimes change comes in the form of an evolving business structure, for example seizing an opportunity to enter a new market by adding a line of business organically or through acquisition or licensing or opening a new overseas subsidiary.

On occasion, changes are less favorable and finance teams will be called upon to support restructuring to divest unprofitable lines of business or reduce costs.

Clearly, spreadsheet-based planning solutions are no match for the dynamic nature of modern business. So what does it take for an FP&A platform to fully support a dynamic business?

REQUIREMENTS FOR FP&A PLATFORMS TO SUPPORT EVOLVING BUSINESS NEEDS

It is critical for FP&A platforms to enable organizations to evolve as effortlessly as possible.

At Planful, we believe that for an FP&A platform to meet the evolving needs of today's business, it needs to be complete, connected and easy to deploy, use and administer.

COMPLETE SUPPORT FOR TODAY'S FP&A PROCESS

In order to be able to evolve to meet changing business requirements, a planning application must be functionally complete, both with respect to immediate needs and to potential future requirements. Comprehensive built-in workflow for approvals and rejections, notifications and due dates is needed, as is financial intelligence so that data in reports and templates automatically behaves as a finance user would expect — appropriately reflecting debits, credits, balance and flow accounts and favorable / unfavorable variance. Equally important, it must offer comprehensive support for all variations of the planning process, including top-down and bottom-up planning, zero-based and incremental budgeting, as well as workforce, capital expenditure and initiative-based planning methods.

CONNECTED TO BUSINESS USERS AND ENTERPRISE SYSTEMS

No planning application or process is an island. Integrations are always needed to pull actuals, employee and other data from disparate operational systems like ERP, CRM, or HCM. Importantly, business users often prefer to view their activity in terms that go beyond a purely financial view, using connected driver-based models to evaluate business scenarios. For many business users, a task-based interface that enables them to know where they stand, see where they will land, and get their next period planned is preferable to traditional finance-driven budget templates and reports.

EASY TO DEPLOY, USE AND ADMINISTER

Ease of use is key to adoption of any FP&A

platform, and as discussed, few individual capabilities have a greater impact on ease of use than support for an Excel-like formula language. However, ease of use in itself is not sufficient. To accommodate the changing needs of organizations it is equally important that a system be easy to deploy and administer so that the finance team can take all needed changes in their stride without the need to initiate projects involving external consulting companies and programming experts.

A key to easy and rapid deployment is prebuilt functionality including hierarchies, templates, reports, collaboration and workflow. Equally important is point-and-click setup so that upgrades and updates provided by the vendor are seamlessly made available to all customers, delivering on one of the key promises of cloud software.

THE VISIBLE ADVANTAGES OF CLOUD-BASED PLANNING

In addition to the general advantages of cloud-based applications mentioned above, companies that have adopted cloud-based planning solutions have achieved substantial business benefits and impacts that are helping to transform their Finance organizations.

npr

NPR was an early adopter of cloud-based FP&A platforms in 2011. By moving to the cloud, what had become a two-month process of collecting, massaging, and finally publishing a budget in Excel is now updated continuously.

This has led to real productivity gains in Finance, saving over $3000 per person per week.

In addition, NPR has implemented an 18-month rolling forecast and self-service management reporting.

LT
APPAREL GROUP

For example, for LT Apparel benefits of the cloud accrued quickly after replacing their outdated Excel-based planning process with Planful.

According to Lee Johnston, VP of Finance and Corporate Strategy, “reporting requests from the CFO that used to take four or five hours to compile are now completed in five minutes, a 98 percent reduction in turnaround time.”

Other short-term benefits include precision forecasting instead of just budgeting, elimination of version-control issues and waiting for large Excel files to open.

For the Boston Red Sox, moving from Excel to a cloud FP&A platform enabled more collaborative planning, giving users the ability to access the system anytime, anywhere. Compiling reports takes minutes vs. weeks, and forecasts that had been developed only twice a year are now run monthly, with on-demand financial reports influencing estimates. According to Ryan Scafidi, Director of FP&A,

> **"Because we're able to be more proactive and forecast over the course of a year we saved an additional half-million to $1 million in expenses that otherwise would have been water under the bridge in the old, Excel-driven world."**

SUMMARY

Budgeting, planning, forecasting, and reporting are critical business processes that should be executed rapidly and accurately. Budgeting, planning and reporting via Excel can work in the early stages of an enterprise, but as an organization grows in size and complexity the warning signs that it might be time for a change will become apparent:

1. Excel workbooks becoming too complex to manage
2. Long budgeting cycles, with too much time on data collection, not enough analysis
3. Too many errors in budgets, forecasts, and reports
4. Limited and untimely management reporting
5. Multiple versions of the truth

Packaged planning applications found in today's FP&A platforms are a better solution, and the cloud is becoming the preferred deployment method for new planning applications.

However, not all cloud FP&A platforms are equal. At Planful, we believe that a financial planning application must be able to evolve with the needs of the business by offering complete support for the FP&A process, connecting to the business users and enterprise systems, and by being easy to deploy, use and administer.

To learn more visit **www.planful.com** or contact us at **1-650-249-7100**.