

Up and Away

Companies are feeling a little less trapped by spreadsheets these days.

[Russ Banham](#), CFO Magazine

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Larry Reader's patience had worn thin. It was becoming increasingly clear to him that too many financial decisions rested on homegrown spreadsheets packed with too much impenetrable data and too few answers. The result was a crippling condition that Reader calls "spreadsheet overload" but which many others refer to as "spreadsheet hell."

Reader, the CFO of Duke Manufacturing, a privately held manufacturer of commercial-food-service equipment for restaurants, hospitals, and schools, was about to join the I'm-fed-up-with-spreadsheets club. Membership often hinges on a sudden realization that, for all their virtues, spreadsheets are the IT equivalent of a screwdriver: useful for many things but too often employed for the wrong chore simply because they happen to be close at hand. And cheap.

But as anyone who has ever used a screwdriver to chisel wood, poke holes, scrape paint, or pry things apart knows all too well, sooner or later they break under the strain of all that misuse.

That was the case at Duke, where an already stretched finance department would assemble spreadsheet data, key it into enterprise resource planning (ERP) systems, and then spend far too much time tracing the sources of resulting errors. "It was difficult to determine where the original data even came from," says Reader. "Forecasting and budgeting were tough activities, to say the least."

That has long been a common lament, and has, over the years, pushed companies to explore a range of business intelligence (BI) software applications to either augment spreadsheets or, at bolder companies, virtually replace them. That slow migration got a boost from the Internet, as companies began to realize that Web-based BI software allowed a new freedom in how users input and shared the data at the heart of most budgeting-and-forecasting operations.

Now, companies may be "on the cusp of a new generation of business-intelligence tools," declares Boris Evelson, principal analyst in BI software at Forrester Research.

No Joke

At Homedics, a designer and distributor of personal-care products in Commerce Township, Michigan, "we used to joke that we had four definitions of net sales," says CFO Bill Carroll. That's a common problem at companies that rely on a hodgepodge of spreadsheets or multiple BI tools. So Homedics standardized on one product, QlikView, which (in conjunction with ERP software from Oracle) gave the company a set of standard definitions thanks to its use of a series of fields where commonly defined data converge. "The ability to get quality, transparent information quickly helps me to chart one course of action versus another much faster, and as a result leads to quicker decisions," Carroll says. "It's all about being decisive. And in the current economic climate, smart planning and execution have never been more important."

The company fully acknowledges that while spreadsheets are comfortable for some employees, they pose challenges beyond the difficulties of doing rapid, sophisticated data analysis. Security is one; BI systems can keep critical data confined to well-protected servers in a way that easily circulated spreadsheets simply can't.

Another advantage to BI, harking back to the multiple definitions of net sales that Homedics grappled with, is its ability to get everyone on the same page. "We all want one source of truth," says Jeff Brobst, vice president of finance at Symantec. Excel's vast capacity and its design as a personal productivity tool make data integrity and ownership very hard to verify. As Brobst warns, "You can go down a rat's nest."

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Off Course

Blame the spreadsheet or the user?

The spreadsheet is a wonderful tool that not one ever learns how to use properly, says Richard Block, a CFO leadership partner at Tatum LLC and adjunct professor of management accounting at Babson College, where he teaches courses in managing operations and cost. "No one seems to take a course in it, but instead typically learns it from the person sitting next to them in the office." Combine that lack of knowledge with bad practices and the spreadsheet's inherent power, he says, and "the potential for misuse is high."

To ensure documentation is accurate and complete, Block, a former CFO, advises that users clearly identify the purpose of the spreadsheet; note who wrote it, when, and how calculations were performed; clearly label specific columns and rows; and avoid a common breakdown — long comments typed into cells that block data in adjoining cells — by clicking the "Wrap Text" feature.

Most important, he cautions against dumping a massive spreadsheet at the CFO's cyber-doorway. "The smart thing is to delete all tabs that are not relevant to what you need the CFO to look at, copying and pasting [into a new file] only those tabs that require perusal," he says. "If more scrutiny is requested, you can always send the whole file later."
— R.B.