

The Nine Circles of Spreadsheet Hell



Introduction

Spreadsheets can be heaven...for some tasks

It's not that spreadsheets aren't great—they are. But, let's face it, spreadsheets break down if you're trying to rely on them systematically to gather data from across the organization, roll up departmental plans, or do complex, collaborative planning.

A volatile economy demands a smarter approach to financial planning and analysis (FP&A), and more and more finance professionals are discovering that manual spreadsheet-based planning just doesn't let you go there.

Trying to force it to do so is like trying to use a hammer to build an entire house. It's useful, but you're going to need some other, stronger tools as well.

This eBook is about transforming the Nine Circles of Spreadsheet Hell into something more powerful—FP&A in the cloud. It's based on our experience of helping over 4,500 midsize and enterprise companies escape the chaos of infinitely interlocking spreadsheets, cascading scenarios, formula clash and unseen errors.



The 'White Whale' Debacle

J.P. Morgan's infamous debacle was caused by none other than a spreadsheet user error. Several cells contained faulty equations due to a failed copy and paste process. Severely underestimating the downside risk of one of its credit portfolios, the error ultimately led to the bank suffering approximately \$6.5 billion in losses and fines.

Introduction

The Spreadsheet Penalty

Around the world, CFOs and business managers use spreadsheets to handle the annual planning cycle, manage budget allocation, forecast income and expenditures, and produce reports. But using disconnected spreadsheets for forecasting, budgeting, planning, and reporting creates all kinds of issues:

- You waste weeks every year manually consolidating a mass of individual spreadsheets
- You can't easily model potential future scenarios or answer what-if questions
- Measuring actual spend against plan is a major chore
- Your talented finance staff spends too much time on low-level, non-value-add activities
- You may never catch the errors that plague your plans, forecasts, and budgets

The bottom line: You're spending huge amounts of time, energy, and resources fighting against a tool that simply wasn't designed to do what you need it to do.

FP&A in the Cloud: The Next Step After Spreadsheets

If you're still using manual spreadsheets and processes for planning, it's probably not because you think these are the best tools for the job. It's more likely that it was the best solution at the time or that the only other alternative was selling your firstborn to pay for "big CPM" from a legacy vendor. If you pushed spreadsheets hard enough, you could forestall that day.

But now there is an alternative, and thousands of companies have already made the move. It's called planning in the cloud, and—as you might have guessed—it's an accessible, affordable, cloud-based version of the kind of FP&A apps you might have thought were out of your reach. They are easy to use plus are fast in deployment and in action. Yet the power and scale to handle what FP&A teams need today.

To really understand the benefits of planning in the cloud, it helps to start with a quick tour of the pain caused by using spreadsheets as an FP&A tool.

The Nine Circles of Spreadsheet Hell

Spreadsheets are one of the world's greatest desktop tools. If you, personally, want to analyze a load of numbers or do some complex modeling on a static dataset, it's hard to beat. But running a company involves collaborative, multi-department processes like planning, budgeting, forecasting, and reporting. And that's where individual, disconnected spreadsheets fall short.

We call these limitations the Nine Circles of Spreadsheet Hell. Those of us at Workday who are former finance professionals (and that's quite a lot of us) have been caught up in its infernal machinations more times than we care to remember. We'll bet you have too.



CIRCLE #1

Oops

Spreadsheets are fragile. In a shared ecosystem of individual, manual documents, it's all too easy for people to delete rows and cells and break formulas and links. Individual spreadsheets just aren't made for sharing, and accidental deletions are behind some of the worst spreadsheet-related disasters.



CIRCLE #2

Crush

Individual spreadsheets are a huge pain to consolidate. Pulling data from multiple sources is time-consuming and fraught with error. How many finance professionals relish the prospect of spending weeks consolidating 50 or more departmental plans into a single master plan? And as for trying to produce a rolling forecast with anything like the frequency the business needs, well...



CIRCLE #3

Brain Drain

Doing anything in disconnected spreadsheets, especially when there's more than one person involved, wastes time. Your team didn't spend years earning accountancy degrees and MBAs and honing their strategic analytical skills to spend half their professional lives collecting and consolidating spreadsheets. It's soul-destroying (and business-inhibiting).



Individual spreadsheets are great for

- Personal plans and what-if analyses
- Rough-and-ready reports
- Checking the integrity of raw data
- Analyzing static datasets



Individual spreadsheets are inadequate for

- Collaborative planning and reporting
- Management information
- Managing financial processes
- Multidimensional performance analysis



CIRCLE #4

Finger in the Air

Disconnected spreadsheets can't give you real-time data. They can only provide a historical snapshot of the numbers at a single point in time. Result—you're always chasing after "the latest number" for anyone who needs to know the current position against the plan, budget, or forecast.



CIRCLE #5

Import Duties

It's hard to get non-spreadsheet data into a spreadsheet. If you spend hours laboriously exporting operational data from your GL, payroll, purchasing, or other systems and manually configuring it in spreadsheets, you'll know there has to be an easier way.



CIRCLE #6

Mass Mess

Spreadsheets are many things, but they are not a management information system. It may be serviceable for analytics, as long as they're just for you. But if you want senior executives and departmental managers to have management dashboards and run their own reports (e.g., to compare actual performance with forecast performance, or to run what-if analyses), manual spreadsheet processes fall short.



CIRCLE #7

Flatland

Spreadsheets are two-dimensional. If you want to model something like profitability by product line, then an individual spreadsheet works great. But if you want everyone to be able to model something like the impact of a 5% pay raise to a single department—and understand how it will impact every department as well as the P&L, cash flow, and balance sheets—manual spreadsheet processes won't work. The more dimensions your data has, the less you want to wrestle with it in an individual spreadsheet.



CIRCLE #8

Whodunit

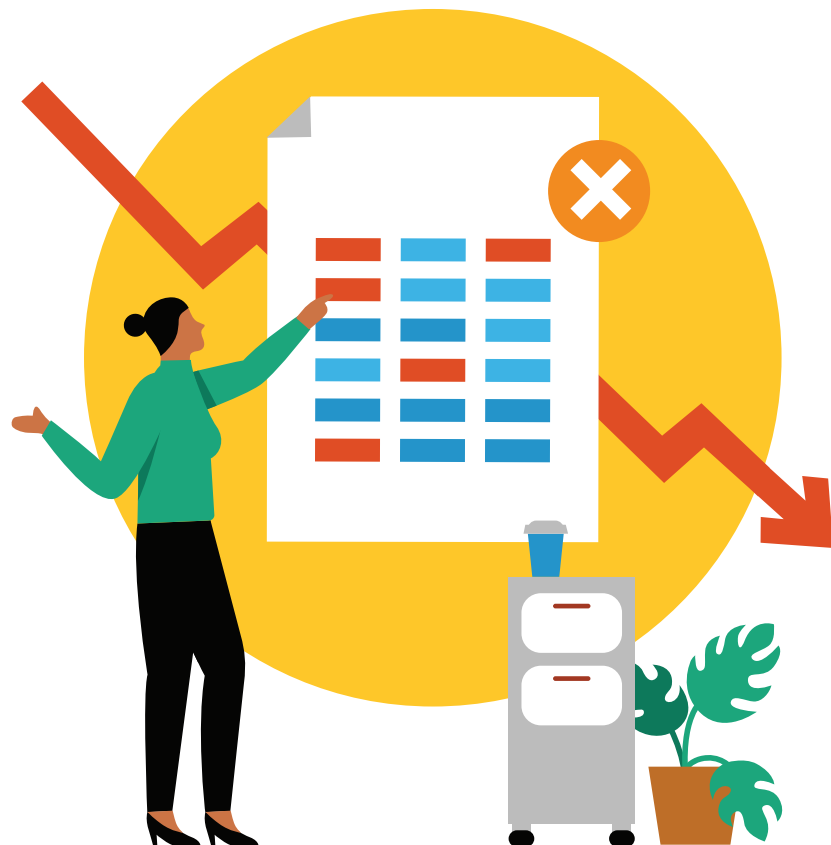
When you have a lot of people updating a disconnected spreadsheet, it becomes difficult to tell where changes have been made, who made them, and when. The audit trail goes cold fast—and that's not good for governance, efficiency, or investigating the source of mistakes and inaccuracies.



CIRCLE #9

Global Challenge

Spreadsheets are hard enough when you're only dealing in one currency and one fiscal regime. If you have to take into account multiple currencies, exchange rate fluctuations, and the vagaries of national and international taxation, your consolidation, forecasting, budgeting, and reporting activities enter a whole new dimension of complexity. One for which you need a more powerful solution than an individual spreadsheet.



Top Three Spreadsheet Disasters

The Schadenfreude-inclined can read plenty more spreadsheet horror stories. Each of these issues on its own would make life difficult for finance professionals and budget holders. Together, they create an entire web of frustration that turns a supposedly strategic set of activities into a mass of wasted time, inaccuracies, and substandard results.

Here are three examples of spreadsheets gone wrong:

#1 West Baraboo, WI

The municipality of West Baraboo found it would have to pay about \$400,000 more interest on a borrowing plan than it had originally thought. “Operator error” resulted in a spreadsheet underestimating the total cost of the 10-year bond. “When we re-looked at the numbers we discovered a cell was not across the line being added correctly,” said West Baraboo’s financial advisor. “So it understated the impact”

#2 Lazard in Tesla deal analysis

Lazard Ltd., the investment bank that advised SolarCity Corp. on its \$2.6 billion sale to Tesla Motors Inc., made an error in its analysis that discounted the value of the U.S. solar energy company by \$400 million. This was the result of a computational error “in certain SolarCity spreadsheets” according to a regulatory filing.

#3 Tibco Software

Tibco Software shareholders received \$100 million less than originally anticipated from the company’s more than \$4 billion sale to Vista Equity Partners as a result of a spreadsheet error that overstated Tibco’s equity value.

Sources: West Baraboo News Republic, Wall Street Journal, Reuters, MarketWatch (all via EuSpRiG)

Escape to the Cloud

With FP&A in the cloud, you can escape the Nine Circles of Spreadsheet Hell and make your next planning cycle fast, accurate, and utterly pain-free. You could think of FP&A in the cloud as having seven silver linings:

Consolidate data automatically. Really.

Picture this: All line-of-business heads enter their budget, planning, and forecast data into web-based sheets using the familiar spreadsheet interface, and it consolidates them automatically. You instantly cut out the weeks of work you spend manually consolidating hundreds of different disconnected spreadsheets.

Streamline analytics and reporting.

When your FP&A is in the cloud, you use intuitive dashboards and configurable reporting to monitor the data and run the reports you need. Better still, you always know you're seeing the latest version of the data. Some solutions even integrate with Microsoft Office, so you can take advantage of Excel, PowerPoint, and Word for your reporting.

Integrate FP&A with your other systems.

The best cloud-based FP&A solutions have pre-built connectors to the most popular general ledger and payroll systems, whether they're on premises or in the cloud. Built-in APIs should let you automatically pull data from almost any other system of your choice, on a daily, weekly, or monthly basis—so it's always as up to date as you need it to be.

Share with everyone.

The beauty of a cloud-based system is that everyone can access and update it from anywhere at any time. No more sending out spreadsheets for budget-holders to fill in, waiting for them all to come back, and then consolidating them into a single master forecast. Now users can input data directly via the web and plans are consolidated automatically.

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We've trimmed 14 days off the reporting cycle...Previously, we would discuss data from the two periods prior. Now we're reporting on data that's fresh.

Kevin Murphy

Sr. Vice President of Finance, Hospitality Staffing Solutions

Make scenario modeling and what-if analysis really easy.

What-if analysis is almost impossible to do well manually in a spreadsheet. With a cloud-based FP&A application, it's easy to enter assumptions and run "what-if" analyses, even for complex multidimensional questions like: "What's the impact on revenue, profit, and cash of increasing the size of the sales team by 10, 20, or 50% over the next year?"

Defend against breakage.

With secure algorithms performing all the necessary calculations on your data, there's no risk of users accidentally (or deliberately) breaking links or deleting vital formulas. Can't happen.

Do it without going broke.

With no server hardware, infrastructure software licenses, or IT support implementation costs, FP&A in the cloud can cost as much as 77% less than on premises FP&A software. You can get up and running quickly and easily, with no need to get IT involved. Plus you get to take advantage of software updates as soon as they're available, without waiting for your organization to schedule resources for a software upgrade project.



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With Workday Adaptive Planning, we're able to create much more accurate financial forecasts by employing real-time data analysis on key business trends, and then ascertain what those trends mean for our business.

Zoby Shaikh
Director Finance & Analysis,
A10 Networks

Better for You, Better for Your Business

FP&A in the cloud isn't just a boon for finance pros fed up with spreadsheet idiosyncrasies. It delivers positive, rapid, and long-lasting benefits to the business.

Better Decisions:

When everyone with budgetary responsibility can track performance in real time, forecast as often as needed, and crank out precise what-if analyses, the business is in a much better position to hit its targets and slam-dunk the competition.

Better Management:

With less time spent on manual consolidation, troubleshooting, reporting, and data loading, finance staff can concentrate on analyzing performance data, reforecasting frequently, and making the right decisions to take the business forward.

Tighter Control:

Spreadsheets roaming free in the wild invite cowboy behavior. Locking best practices into your cloud FP&A system keeps everyone doing the right things: conforming to policy, entering data consistently, and using the same in-built processes for consolidation, currency conversion, modeling, forecasting, and planning.

IT Cost Savings:

Cloud-based systems are far cheaper than on-premises software because there's no need to invest in hardware, licenses, internal support, or systems integrators to get the system up and running. So if anyone accuses you of investing in cloud FP&A because it's the latest shiny gadget, read them this list. These are pretty exceptional business benefits.

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It has allowed us to drive decisions based on a single view of the entire business, giving us the historic picture that allows us to look forward based on real trends.

Matt Buckley
Group Planning & Reporting
Lead for Finance, Specsavers

The Courage to Make the Move

As a finance executive, you probably feel in your gut that affordable, cloud-based FP&A solutions are the way to go.

But change is never easy, and inertia is a tough force to overcome.

You may worry that the implementation will take a long time, not work as planned, cost a lot of money, or require a lot of effort on your part. And with any proposed switch away from existing processes, there's also an element of risk to consider: Will the new system do everything I need it to do?

These are real concerns, and you're right to be wary. But the good news is that switching to FP&A in the cloud is actually a pretty quick and straightforward project. Here are just a few reasons why:

- The software is already installed in the cloud, so there's no lengthy implementation process.
- It's easy to configure it to match your organizational structure and ways of working.
- You can import data automatically from your GL, payroll, and other enterprise apps.
- Cloud-based FP&A apps are easy and intuitive to use, giving users the choice of the familiar spreadsheet interface or web-based planning.
- It's designed to be set up and managed by you, with little or no input from IT.

With thousands of businesses already moving their planning, budgeting, and forecasting capabilities to the cloud, there's every reason to investigate what it can do for your organization.

The next step is the easiest of all: find out more about FP&A in the cloud and talk to some people who have already made the leap.

You Have Nothing to Lose but Your Intense Headaches

Companies of all sizes, in all industries, are benefiting from FP&A in the cloud today. As the market leader in cloud-based FP&A, we're proud to have helped more than 4,500 companies and nonprofit organizations escape spreadsheet hell and start a new, ultra-effective life in the cloud. One day, you'll take the leap too. Maybe not today. Maybe not tomorrow. But soon. And you're going to love it.



The role of finance at Legendary has changed since using Workday Adaptive Planning because now we're more collaborative. We have an active dialogue with people in different areas of our company, and we're working together and solving issues and problems as a team, as we should."

Kelly Wall

VP Accounting & Corporate Finance,
Legendary Entertainment

About Workday

Workday is a leading provider of enterprise cloud applications for finance and human resources. Founded in 2005, Workday delivers financial management, human capital management, planning, and analytics applications designed for the world's largest companies, educational institutions, and government agencies. Organizations ranging from medium-sized businesses to Fortune 50 enterprises have selected Workday.

To learn more, visit adaptiveplanning.com.



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