

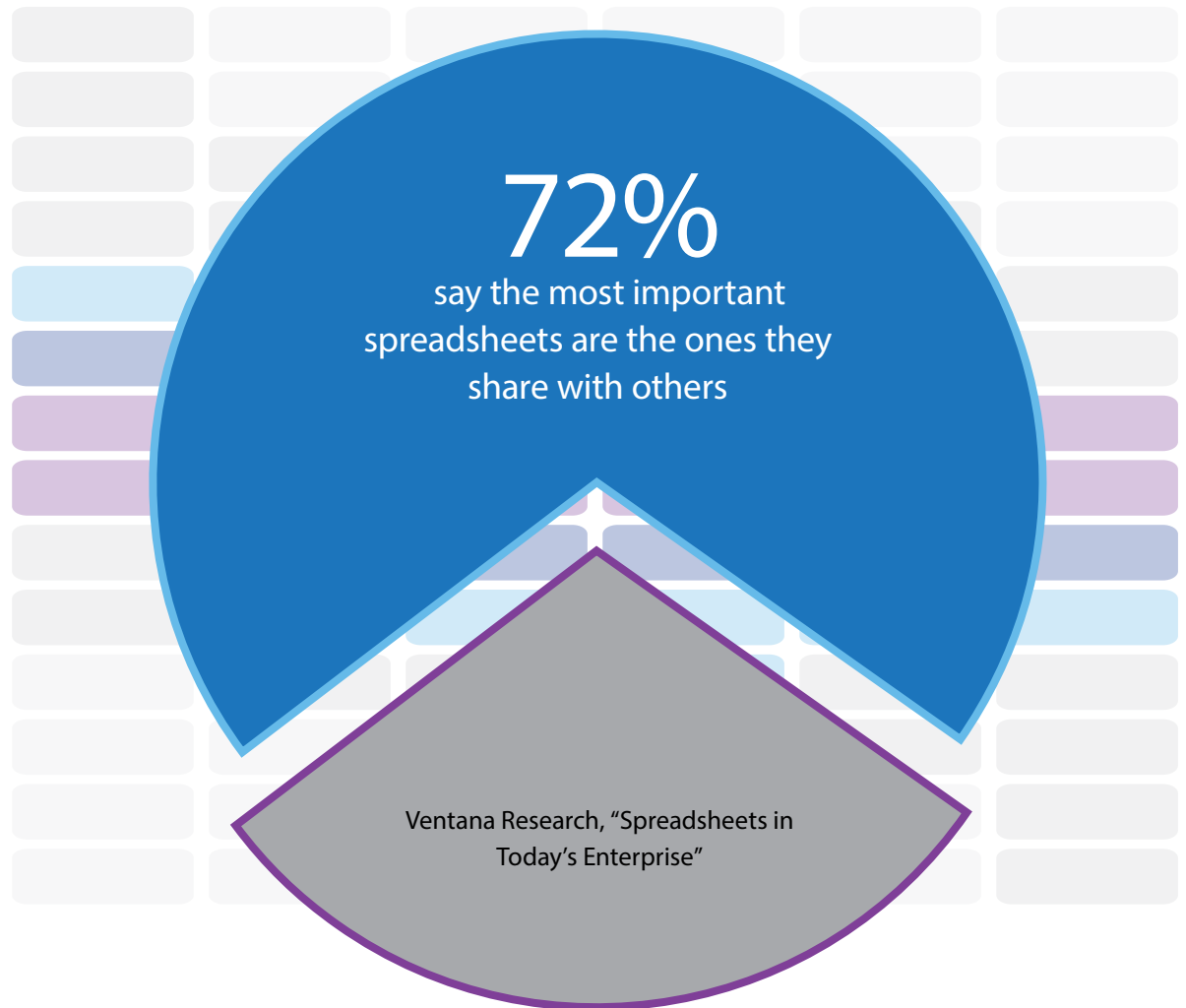
7 Hidden Costs of Spreadsheets Impacting Your Organization

a BOARDWALKTECH Whitepaper

The Hidden Cost of Spreadsheets Impacting Your Organization

If your company is like most, spreadsheets play an important part in many of your daily business operations and have a critical role in project planning, budgeting, sales forecasting, order reconciliation, inventory/asset tracking, human resources, financial applications, and much more. Spreadsheet processes are effortless to create, and within moments you can be inserting data, making calculations, and getting a handle on your business data – everyone knows how to run a spreadsheet and they remain the “lingua-franca” of business.

In a recent survey, Deloitte found that over 70% of firms indicated they relied heavily on spreadsheets for critical processes. Add to this, Ventana found that nearly three-fourths (72%) of their study participants said that their most important spreadsheets are the ones they share with others. Considering the extensive use of spreadsheets for “mission critical” decision processes where sharing information using spreadsheets is really important, you might wonder: How do you determine the cost of working in spreadsheets?



Improving Spreadsheet Process Management

The reality is that while spreadsheet tools like Microsoft Excel are ubiquitous – and mostly considered free since they are part of the standard business desktop – traditional spreadsheets processes can be greatly improved, and doing so is certain to deliver significant benefits. This whitepaper focuses on the key impacts you need to consider around the costs of managing processes in spreadsheets and how to improve your use of spreadsheets in your company.



Recently a Vice President at a Fortune 500 company told us that she spends 8 hours per week consolidating data from multiple spreadsheet processes for a series of weekly meetings. Should a VP really be dedicating 400 hours a year on consolidation?

Assuming a \$300,000/yr salary and a 60-hour week, that's \$40,000 a year wasted on just to getting the data needed to make decisions. And if she's consolidating her data, there's also a good chance her staff is also doing it for other data relevant to them.

1. Time Costs

Perhaps the most frequently ignored yet largest element of spreadsheet cost is the manual effort associated with employees working with spreadsheet data—especially data that's collaboratively shared between multiple users. Specifically, the most common time-consuming aspect is the process of consolidating data from multiple spreadsheets. According to Ventana Research, 81 percent of business users said they manually consolidate data from multiple spreadsheets, and on average most users are manually consolidating five spreadsheets.

How does this happen? Well, think about sharing a spreadsheet with your team and how everyone

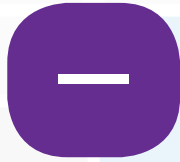
immediately saves their own version. People then add their own data. Formulas and macros get broken. Pretty soon, there are hundreds versions of the same data and no one can be certain which is the "real" version.

If you've gone through the process of reconciling a series of different spreadsheets to get a single, rolled-up view and tried to determine what's changed, then you recognize the meaning of "spreadsheet hell."

The resulting annual time cost across the entire organization is certainly in the order of weeks, not hours or even days.



Return on investment for
reapplying resources



Current return on investment
for maintaining status quo



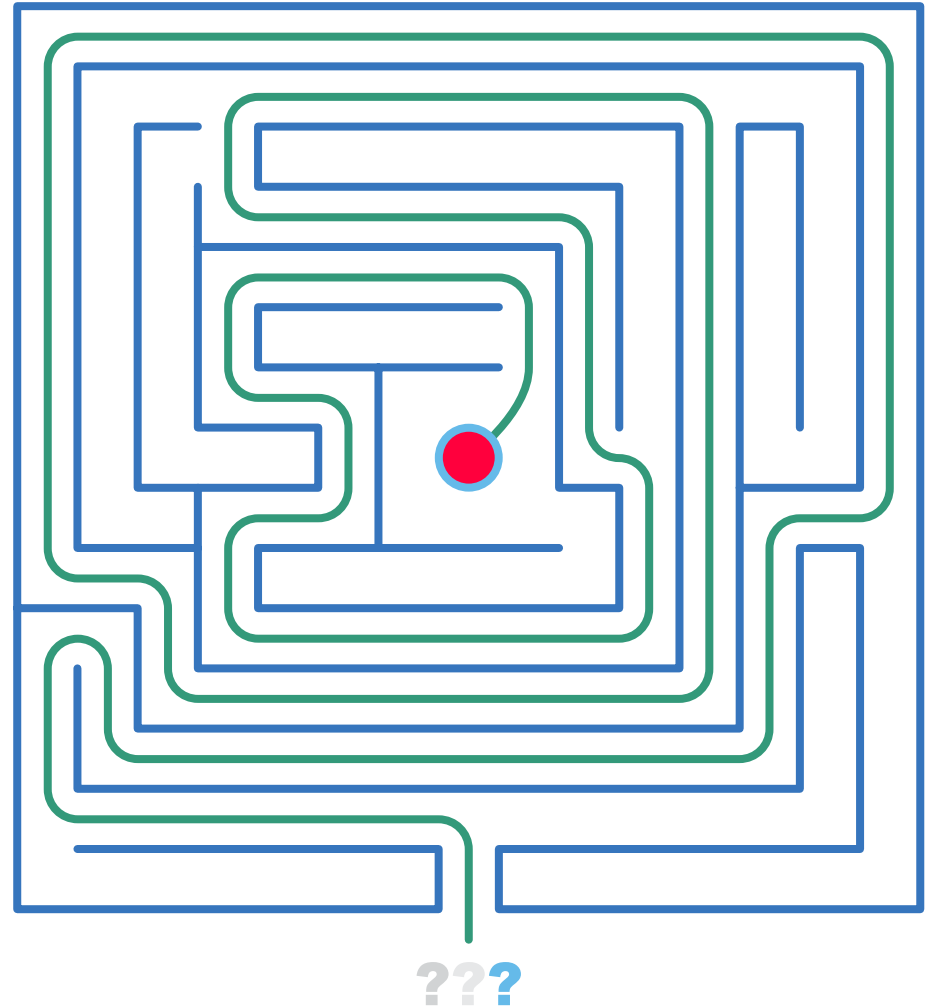
Opportunity Cost

2. Loss of Opportunity

Opportunity costs associated with both resource allocation and time lost are particularly hard to track.

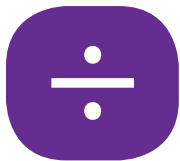
They're measured by what you could have achieved elsewhere in the business by applying the resources and time not spent on consolidation, emailing, and change management. Most companies do not consider what the enterprise could have accomplished – but consider

the ability to introduce new products, services, and projects that have been thrown on the backburner. Redirecting resources and time spent working on spreadsheet processes to actual quality and revenue-driving activities can have a significant and positive ripple effect.

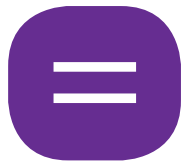




Benefit
of Added
Information



Cost



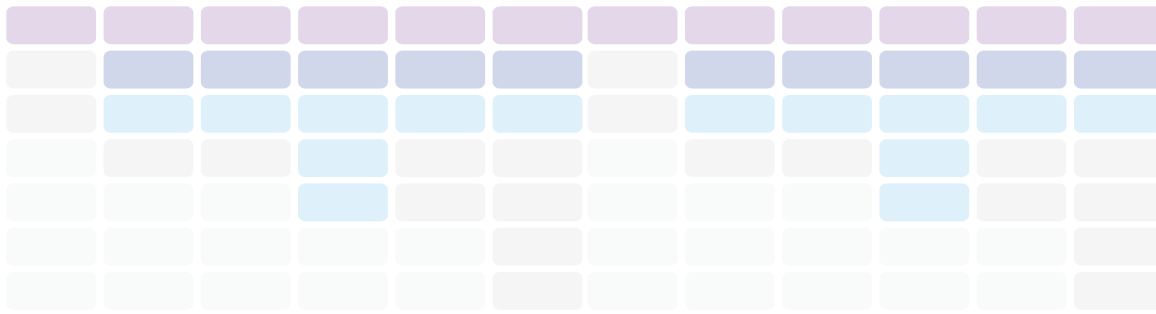
Time
Value

3. The Time Value of Information

Most companies operate around regular review meetings on specific, important agenda items – such as a sales forecast review, a weekly inventory and demand meeting, or a monthly sales and operations planning meeting. A common theme in these meetings is that everyone shows up with their own spreadsheets and the team compares data and then makes a decision on what to do next.

The issue? If these meetings take place once a week or once a month, what if something changes the next day? What if you knew sooner about a growing opportunity or a drop in productivity? Would you revise your strategy or take action sooner? Most companies would.

The speed of information sharing is critical in today's business environment. Changes in critical factors occur constantly and not in weeks or days but in hours and minutes. Proactive companies get information fast and share and react to that information without having to wait for the next "weekly or monthly" meeting to address it.



4. Security and Risk Factors

When it comes to spreadsheets and end-user computing (EUC) risk, most companies don't know what they don't know. How do we rely on the information that is contained in these spreadsheets and how certain are we that the data is accurate? Many times, we don't know that there is a problem until it's too late.

Yet, spreadsheets are used everywhere – monthly and quarterly close, account and business unit results reconciliations, managing bids and quotes, tracking inventories, performance evaluations, and the list goes on. In fact, most public companies rely on spreadsheets to aggregate and report their results to their investors, their board of directors and Wall Street.





While risk can often be very difficult to quantify, the fact is that in today's environment there's no single version of the truth for your spreadsheet-based process

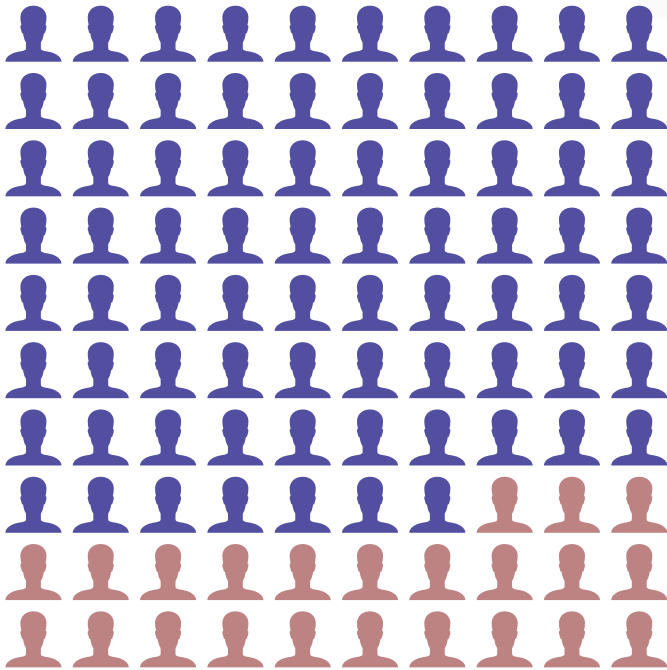
data, which means you can't control or monitor how the data has matured and who has changed the data. Therein lies the central risk facing businesses.

Granted, many companies have turned to file-sharing applications as the centralized, "secure" data store, but that quickly stops being effective when users check-out a file, make a change, or overwrite the previous value leaving no trail of changes.

The inherent problem with managing critical spreadsheet data in file sharing applications is that there is no auditable trail of how the information has changed over time. This is because file sharing manages this data at the file level and not at the cell level – so you're opening up multiple versions to see what's changed. And, you still have the pain of setting up site/folder security to control who can get to the file—all of which incurs security and risk costs to the business.

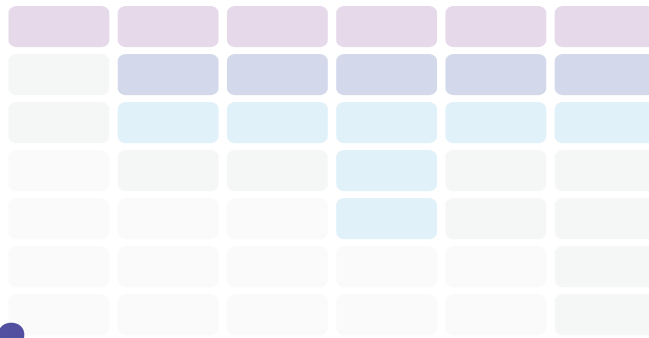
To fully understand the cost of risk, you need to consider the variables that impact whether you are at risk. For example:

-  What is the cost of data being released publicly without proper auditing and certification?
-  What is the cost of the data file being overwritten due to an improper check-in?
-  What is the cost of the wrong person having access to sensitive data?
-  What is the cost of not having access to the data if it's hosted by a 3rd party file sharing?



23 % of all spreadsheets have errors

Deloitte, "Spreadsheet Management: Not What You Figured"

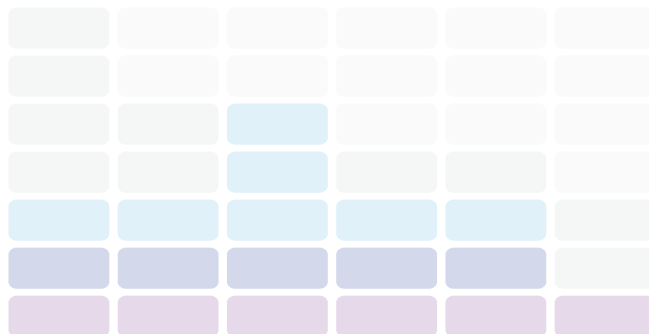


5. Human Error Costs

How confident are you that all the data in your business user's spreadsheets is accurate and reliable? How would you gain insight into any of this data given your current tools for working with spreadsheets (again, that only work at the file level)?

This is information being used to make key decisions about the business whether it's production plans based on the sales forecast, customer satisfaction determined by quality measurement, or monitoring the budget fluctuations.

Deloitte conducted a study and found that 23% of all spreadsheets have errors. The issue is that we all know humans make mistakes, but what we need to do better is find and track these mistakes and correct them before they end up as part of a larger problem down the road.

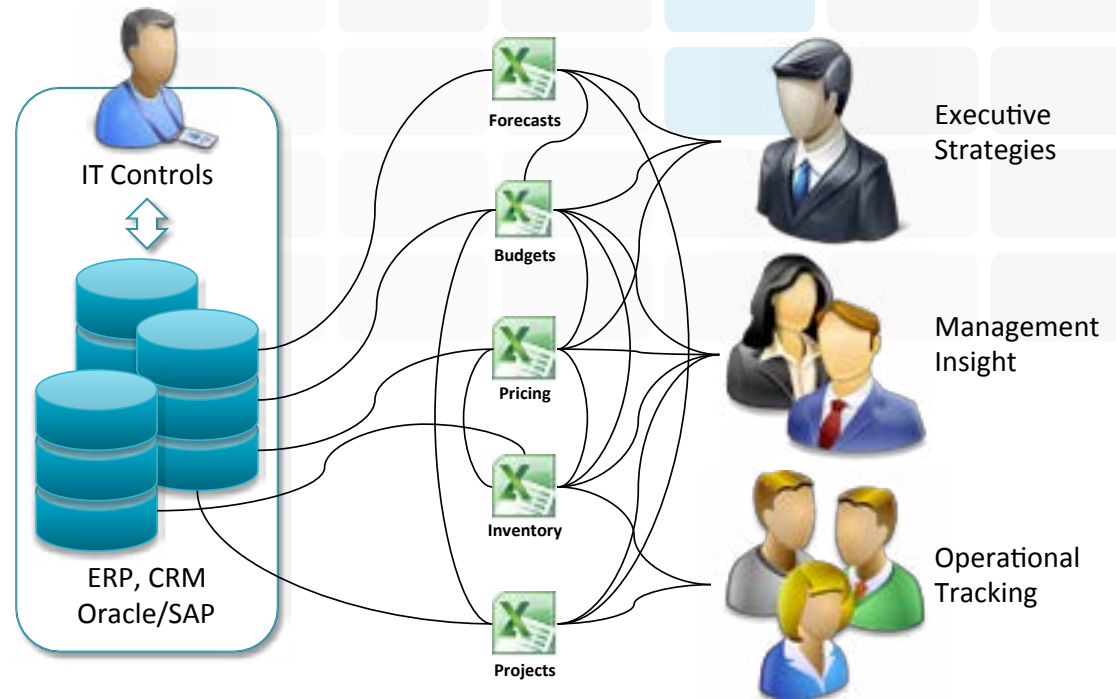


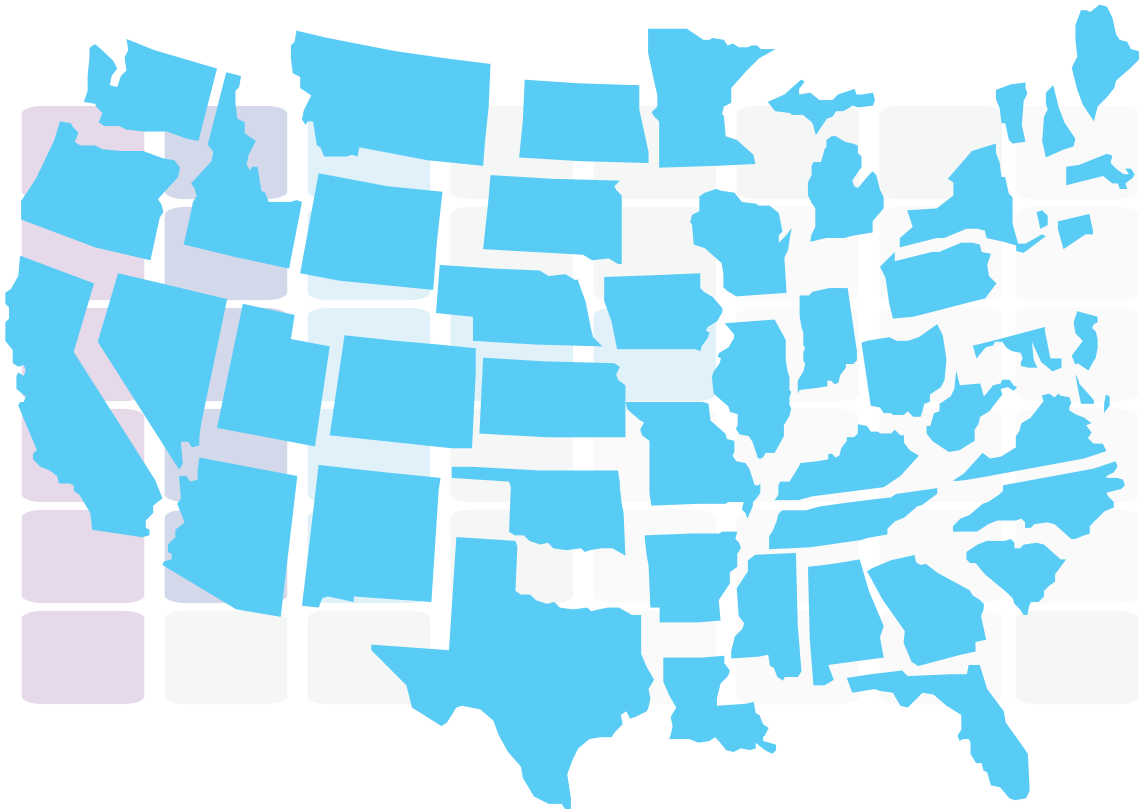
6. Scalability and Complexity Costs

Scalability remains one of the most common triggers for any company to move away from spreadsheets and onto traditional enterprise software. Most companies start out small and manage their business using basic desktop tools. Then ERP is put in place and the complexity around the transactional/execution side of the business (sales orders, billing, shipments, production plans) kicks in.

However, most business users balk at rigidity and complexity, and want simplicity – especially for analysis and planning. This is why, despite the heavy expense in ERP, information workers still revert back to spreadsheets when they need to collect, consolidate, and collaborate on information to help them get their job done.

While ERP is important for many standard processes, people are still going to use spreadsheets for those “everyday” processes that are easier to run outside of the big traditional ERP systems of record. So not only has the organization added the cost of ERP to its IT outlay, the cost to contend with spreadsheets still exists.





7. Disconnected Information Workers

Spreadsheet processes that require input from multiple people and systems need to aggregate the data in order to reconcile operating information and produce consolidated results. Because spreadsheets are often distributed via email, one spreadsheet can have multiple versions, each existing in different locations.

Within many companies, it's not unusual for individuals to amass their own spreadsheet silos containing important business information. When that person is away from the office or leaves the company, the challenge is in access or re-creation of that information. When the spreadsheet is handed over to someone new, it can be difficult and time-consuming to decipher and fix the model. Spreadsheets foster disconnected information silos that create inefficient knowledge transfer as well as enormous cost and risk for the company.



Calculating the Cost per Employee

All the above will certainly have a material cost on your business, but let's try to come up with a formula that you can use to actually calculate a cost based on a person's time.

1 A Ventana Research study shows that users who spend most of their time with spreadsheets spend approximately **18 hours per month updating, revising, consolidating, modifying and correcting the spreadsheets** they collaborate with others on and reuse frequently. In addition, these spreadsheets often touch multiple, different contributors, even external ones (2/3rds use spreadsheets to collaborate with people outside the company frequently or occasionally).

Since business users most commonly use email to communicate questions, the time associated with emailing back and forth (and consolidated email commentary as well) can take up more of a business user's time. So, let's approximate that **25 hours per month is focused purely on managing spreadsheet data**, excluding analysis.

2 For the average annual wage of FTEs (full time employees) who create and maintain the spreadsheets, let's use a burdened rate of \$75/hour, which includes salary, facilities, admin, recruitment, and HR costs (i.e. on average, for every \$15k of salary, roughly \$25 per hour).

3 Multiplying 25 hours per month by \$75 per hour equates to \$1,875 monthly or \$22,500 that's wasted per year per employee.

Now consider how many spreadsheets are used across your business today?

Remember the earlier research data that showed 70% of firms indicating they relied heavily on spreadsheets for critical processes and that nearly 3/4ths of their most important spreadsheets are the ones they share with others.

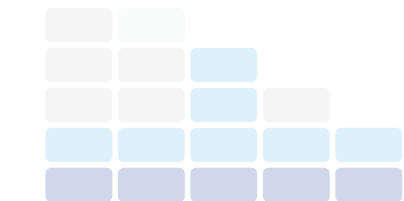
Well, let's just say it's a big number.

The net of all of this is the traditional means in which most organizations currently manage spreadsheet data is costing your enterprise a lot of time and a lot of money.

»»» 25 Hours per month, per employee on managing spreadsheet data

»»» \$1,875 wasted per month, per employee

»»» \$22,500 wasted per year, per employee





The Spreadsheet Panacea

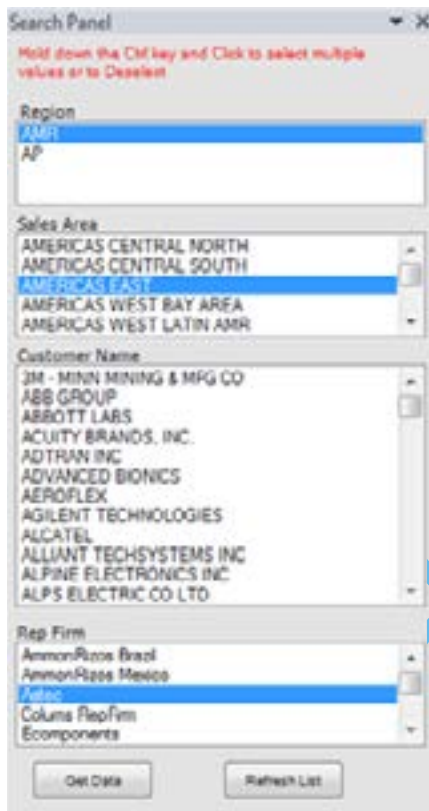
Why are spreadsheets so popular? Spreadsheets are readily available, easy to operate and everyone knows and recognizes them. With spreadsheets, you focus on the content, not the method of delivery. That adaptability and flexibility make them suitable for anything. **For a litany**

of data-focused processes, spreadsheets are the panacea, not the disease.

That said, spreadsheets bring one major side effect: There is no easy-to-use way for people to collaborate on them.

People will continue to use spreadsheets as a key part of their daily operations even if a company tries to replace a spreadsheet

process by buying a point solution, extending their ERP, or building their own application. Users will keep using spreadsheets because the new system is too hard to use, change, or maintain to fit the organic nature of business. The key is embracing spreadsheets and the way people use them, but adding greater control, productivity and transparency.



Opportunity Name	Comments	Rep	Product	Units	Stl Price	Sale Price	Forecast Amount	Forecast Close	Stage	Prob. Close	Weighted Forecast
Japan		Rep1	AL-2300	120	\$35		\$4,200	Jul	5-Budget Validated	80%	\$3,360
Demo Account		Rep1	AL-2800	140	\$72	\$115	\$15,100	Jul	5-Budget Validated	80%	\$12,880
Abbot	good upside	Rep1	AL-2800	110				10 Aug	3-Solution Proposed	60%	\$1,650
Nike		Rep1	AL-2700	50				10 Aug	3-Solution Proposed	60%	\$1,650
Molex		Rep1	AL-2800	100				10 Oct	4-Sponsorship	80%	\$4,608
Harley		Rep1	AL-2500	40	\$48	\$38	\$1,536	Nov	4-Sponsorship	60%	\$922
Walpoint	short listed										
Cooper											
Dupont											
Pfizer											
Cisco											

List of Updates on selected cell					
from October 05, 2013 12:00:00 AM to December 05, 2013 12:00:00 AM					
12/05/2013 04:32 PM					
Updated Value	Formula	Formula Updated	Updated By	Updated On	Comment
100	=B12*1.2	Y	rep1@acme.com	10/13/2013 04:26 PM	change forecast lift 10%
90			rep1@acme.com	11/05/2013 02:09 PM	some deals are pushing out
102			rep1@acme.com	11/15/2013 02:23 PM	pipeline updates
140			rep1@acme.com	12/05/2013 04:08 PM	got more upside

Boardwalk Application Engine

The Boardwalk Application Engine (BAE) is an enterprise-class spreadsheet data management tool that solves many of the issues we have outlined above. BAE centralizes spreadsheet data and provides a powerful collaboration framework for automating spreadsheet-based processes. BAE provides entitlement controls, integration with other enterprise systems, and maintains a rich audit trail for tracking who changed what and when all the way down to the cell level. No emailing files or dealing with file sharing tools. With BAE, all spreadsheet-based data is kept as a single version of the truth.

BAE uses a patented, cell-level positional database environment that enables spreadsheet processes

to be scalable, collaborative, secure, and persistent. Using Boardwalktech's powerful Universal Template toolkit, BAE applications can be created in a matter of weeks to automate processes in Sales, Finance, Operations, Supply Chain, HCM, IT, and many others. Using BAE, all data updates are automatically shared between all users by simply doing a submit-and-refresh, and all changes are tracked with a complete audit trail.

With options for running on the public cloud as well as behind the firewall, the Boardwalk Application Engine is an enterprise-class environment for automating spreadsheet processes and managing spreadsheet data.

Summary

Spreadsheets in the enterprise will be here as long as information workers are involved (presumably forever). Organizations need to embrace the versatility and computing power that spreadsheets provide the frontline information worker. But they can also increase their control, manageability, and transparency by improving how spreadsheet data is shared. Let information workers continue to work in Excel, but share their data through a central, secure data environment that's been designed specifically to work with spreadsheet data. To learn more about BAE, visit www.boardwalktech.com.



ABOUT BOARDWALKTECH

Since 2006, Boardwalktech has been providing solutions that address the management of spreadsheet data. With its Boardwalk Application Engine (BAE), dozens of Fortune 500 companies have taken their mission critical spreadsheet processes and created an auditable system of record that streamlines data sharing, change management, and data consolidation. And these are organizations with huge Oracle, SAP, and Sharepoint rollouts, and still they're the ones who can't live without their Excel spreadsheets.

In 2015, Boardwalktech introduced Boardwalk for Microsoft Excel, making it easy for anyone to share their spreadsheets. All work is still done within Excel. Everyone gets their own view of their data. Merging and consolidating happens with a single click. And every change and every message related to that sheet is tracked at the cell level in a backend database.