



# Risks of Using Excel as a Financial Planning Tool

Structured planning can make all the difference to the growth of your business, placing your company on the road to success. But companies must use the right tools. While Excel is an excellent software package, but it lacks flexibility, expandability, and the power to solve real-world problems. By using IBM Cognos TM1 enterprise performance management solutions, organizations can consolidate all financial information and budgets from each area, providing a unified, real-time view of the businesses performance.

## Setting the context

Financial planning plays a very important role in the running of any business. Creating a budget and tightly managing this budget are essential for keeping any business and its finances on track. When running a business, it's easy to get bogged down in day-to-day problems and forget the bigger picture. However, successful businesses invest time to create and manage budgets, prepare and review business plans, and regularly monitor finance and performance. Financial planners concentrate resources on improving profits, reducing costs, and increasing return on investments (ROI).

In recent years, Excel has become one of the most widely used financial planning tools for budgeting, forecasting, and measuring performance against plan.

Most financial management teams use Excel because it allows:

- The freedom to manage financial planning with needed requirements without depending of any other department, including IT.
- The team to generate reports without being involved in the selection process for another tool, including garnering authorization from the IT department.

However, everything has a cost and the use of Excel as a financial planning tool for strategic planning has impediments that organizations oftentimes are not aware of, including:

### Hidden costs

Although the initial cost of the software is quite low, organizations do not realize the hidden costs they incur month after month. Every time organizations generate a corporate budget or financial report, employees must first gather all the information from every department, then enter the data into an ERP system, validate it, adjust it, and finally generate an

Excel spreadsheet for each operational unit or the company as a whole. The spreadsheet is usually integrated into a strategic business plan report and a presentation is given to management. Every time there is a change in the information, the process must start all over again.

For example, every time one organization had a budget cycle, the department of Human Resources calculated the payroll budget and sent it through the cost centers to the Finance department. The Finance department integrated this report with all the other reports from every area and generated one Excel spreadsheet per cost center. This was returned to those responsible in each area of the business to capture and enter their data. Once this was completed, the Finance department integrated all the information to generate financial forecasting reports; included in this process were all the authorization requests and cycles between rejected and authorized budgets.

It was very common that once the Excel spreadsheets were sent to each cost center, the Human Resources department modified the payroll budget, so the Finance department needed to re-integrate all the numbers, regenerate the Excel spreadsheets, and resend them to the responsible party in every area. All of the original spreadsheets were eliminated and the process had to start from scratch.

Budgets were created in a similar way. Employees entered information manually, then built presentations for management. They also generated confidential files for each cost center and distributed them to management.

In this example, the use of Excel carries hidden payroll costs, which can be quite high, because all manual data entry changes require the

whole budgeting process to start over each time a change is made.

Due to the fact that this type of financial planning process is completely manual and involves a considerable number of people, it's quite difficult to avoid human errors, such as typing a wrong key number, copying data in the wrong place, etc. These are errors that happen more frequently than you can even imagine.

However, not all errors are unintentional. Many times we have seen how people alter information to make it look better, such as when the accountant makes adjustments when some information doesn't match with the results.

## Integrity of Information

Icon has participated in many projects where we have replaced Excel, and in 100% of the cases, Excel has presented errors. We have never had a project where the Excel spreadsheet is a true reflection of the financial health of the business; and some organizations have made critical decisions based on this type of information.

There are two types of errors that constantly occur in some organizations: unintentional and intentional errors.

## Operability

Businesses using Excel as a financial planning tool have the ability to electronically monitor a report, but cannot act on that report as you could if you used a financial planning solution like those from IBM Cognos TM1. When monitoring the budget, you may want to see the status of every area. But you will not be able to do so without gathering the information from the Finance department, which must integrate the information from each cost center. If you need to consult reports of previous months, they must be requested from the Finance office because Excel usually

only presents financial reports in the current month, not previous months. Most of the times, the Excel spreadsheet is so large it becomes complicated to send it by e-mail; plus requires an enormous amount of time to open the spreadsheet and review it.

Often, especially if there are various employees working on the budget, it is hard to tell which the correct version of the budget is. If you are out of the office, you may not be able to determine which the correct version is either. Not using the correct version of the budget can be a costly mistake.

Sometimes, another handicap of using Excel as a financial planning tool is that users calculate results on their own, getting different results from the official reports.

## Dependency

Excel can be customized through the creation of macros and advanced formulas in every cell. This is usually handled made by a special programmer in the Finance department. As time passes, the macros and formulas get more sophisticated and are complicated to maintain, making this tool very dependable of one specific person. If this person leaves the company and does not leave any documentation on the macros and formulas, the Excel file needs to be created from scratch. Structured planning can make all the difference to the growth of your business, placing your company on the road to success. By using enterprise performance management solutions, organizations can consolidate all financial information and budgets from each area, providing a unified, real-time view of the businesses performance.

## IBM Cognos Analysis for Excel

The Cognos Analysis for Excel interface enables users to take full advantage of their skills in Microsoft Excel. The easy-to-use Exploration UI can be used with Cognos TM1 data sources directly, with no dependency on the business

intelligence server. This allows slice-and-dice exploration via drag and drop of members, views and subsets. It also allows users to write back to the Cognos TM1 cube.

The Cognos Analysis for Excel Flex view for Cognos TM1 enables users to:

- Convert an exploration or drag a view directly to a cell
- Use Set Editor and drag and drop to change members or simply type names in cells
- Add Formats and Calculations
- Add Content from multiple sheets
- Link maps with Microsoft Excel functions and Cell References

## A common platform for comprehensive performance management

IBM Cognos TM1 offers enterprise planning and analytics built on a common information and technology platform. This enables users to employ the same skills as they adopt additional performance management capabilities, saving time and cost.

### Cognos TM1:

- Enables you to create detailed plans, budgets and Forecasts based on contributions from users throughout the organization.
- Provides a holistic view of performance and profitability.
- Engages mobile users with mobile capabilities, including a mobile client for the Apple iPad.
- Includes integrated scorecards and strategy management to help monitor metrics and align resources and initiatives with business objectives and market events.
- Supports what-if analysis of alternative forecasts, which are reflected immediately in charts, reports and dashboards.
- Offers a choice of interfaces, including IBM Cognos Analysis for Excel, to encourage high participation planning and accommodate a

broad range of work styles, business specific personal analysis and options for collaboration.

- Provides a managed, governed process that is controlled by Finance, with line-of-business users managing their own work, without the need for constant IT support.
- Features an innovative, guided modelling environment that eases development of flexible models without batch processing.
- Integrates with IBM Cognos Business Intelligence in a single performance management platform that consolidates data from multiple sources and applications.
- Offers a choice of distributed (online or offline) or centralized planning deployments for a range of users and activities.
- Expands beyond planning to include business intelligence and predictive and risk analytics, dashboards, scorecards and reports, including standard general ledger, accounts receivable and accounts payable reports.
- Works in conjunction with dozens of Cognos Performance Blueprints — pre-configured templates that help transform essential processes quickly, at less cost and with less risk.
- Provides flexible deployment options: from cloud to on premise operation.

## About Icon Business Solutions

We are a Singapore headquartered end-to-end business consulting and IT solutions provider offering a complete range of business solutions encompassing three vital business areas-Data, Information and Process. Our commitment to strong project quality and service excellence are our key differentiators.

Our services includes:

- Product configuration and roll out for TM1
- End to end development & implementation of TM1 project
- TM1 expert & migration services
- TM1-Health-check service
- Application Maintenance & Support Services
- Cognos Planning Conversions
- TM1 Training services