

TRANSFORMING THE COMMON SPREADSHEET: A Smarter Approach to Budgeting, Planning and Forecasting

FEATURING RESEARCH FROM GARTNER



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INTRODUCTION

Has there ever been a more challenging time for midsize organizations? Looking outward, you have to be nimble, to react to market shifts at a moment's notice. Your decisions have to be informed, quick and effective. And you have to "get it right the first time," because there are few, if any, second chances.

Looking inward, you need to have confidence in the information on which you are basing critical decisions. You need to have the right information in the hands of the right people.

In an ideal world, you'd like your limited staff to spend less time on data collection and more time on business analysis. You know you need a better solution for financial performance management – planning, budgeting, forecasting, consolidations, analytics and reporting. But during the current economic downturn, cost-cutting measures and making the most of existing resources have become the order of the day.

So, if you're like most midsize businesses, you probably think financial performance management applications are beyond your means. And you continue to rely on the familiar spreadsheet for just about all of your financial performance management needs.

You're not alone. According to a recent Gartner research report, "Embrace or Replace Your Spreadsheets for Performance Management," "there is a proliferation of spreadsheets in most organizations, particularly in finance. Many organizations use spreadsheets for core financial functions such as strategic planning, financial reporting and consolidation. Even among large enterprises with access to sophisticated enterprise financial applications, Gartner estimates that between 50% and 60% still use Microsoft Excel as their primary budgeting, planning and forecasting (BP&F) solution."¹

To illustrate the magnitude of the problem, Gartner has identified "clients with more than 10,000 active spreadsheets in their organizations, and complex applications where spreadsheet planning workbooks have more than 600 worksheets, and hundreds of macros that are outside the IT organization's control, according to Neil Chandler, a Gartner research director and author of the report.





However, spreadsheet proliferation for performance management tasks exposes many organizations to significant levels of risk. Spreadsheets require labor-intensive manual processes, are highly error-prone, are difficult to consolidate, exhibit poor or invalid data integration and lack access and version control. These risks and inefficiencies can be costly as well.

Despite the known risks, spreadsheets are here to stay. They provide a sense of control and independence from IT. They are familiar, flexible and accessible throughout the organization. The challenge, then, for the IT organization is to employ a performance management strategy that integrates easily with spreadsheets, minimizes spreadsheet risks and delivers greater business efficiencies.”

GARTNER'S KEY RECOMMENDATIONS

By establishing strategies for managing or replacing spreadsheets, the midsize enterprise's IT organization can deliver solutions with greater accuracy, transparency and rigor, while enabling users to operate in a familiar environment. Gartner recommends:

- Audit your organization for spreadsheet usage, assess the associated risks, employ spreadsheet management solutions, phase out spreadsheets where possible and establish ongoing monitoring.
- Organizations should replace legacy and spreadsheet-based solutions for financial reporting, financial consolidations and budgeting, planning and forecasting (BP&F) with core performance management functionality.
- The IT and finance organizations must work together to understand the inadequacies of an informal, spreadsheet-based approach to performance management. Spreadsheet management strategies are most successful when the project team is drawn from the user community supported by the IT organization, and uses business value propositions combined with change management techniques to overcome user objections.¹

Let's look at each of these Gartner recommendations, and see how IBM Cognos financial performance management solutions, together with your existing spreadsheets, are essential to improve your business insight and make better, faster decisions.

GARTNER RECOMMENDATION #1: AUDIT YOUR ORGANIZATION

- “Audit your organization for spreadsheet usage, assess the associated risks, employ spreadsheet management solutions, phase out spreadsheets where possible and establish ongoing monitoring.”¹

To assess the state of your organization's use of spreadsheets and the limitations on your business processes, you may find it useful to ask the following questions:

How do you build plans, budgets and forecasts? You will probably find a multitude of spreadsheets designed by a handful of “power users” all across your functional units.

¹Gartner RAS Core Research Note G00161115 Embrace or Replace Your Spreadsheets for Performance Management, Neil Chandler, 23 September 2008 (The full research note can be found on page 9)



Where is this data stored? Do you have confidence in your data? If key financial data and budgets are stored on a variety of two-dimensional spreadsheet files using unreliable links and complicated macros, your financial data is at risk.

How do you collaborate across business units and geographies? Most of your business and finance users are likely to be collaborating via email, sending an endless stream of spreadsheets attached to crossing, conflicting, often outdated and frequently unread emails.

How do you create reports and run analyses for key stakeholders? Probably your most strategic presentations to board members, investors and other key stakeholders are delivered by using built-in spreadsheet functions or creating formulas of your own, then building charts and graphs as best you can.

How do you update plans, budgets, forecasts, reports and analyses? As any of your business users will tell you, revisions can be even more complex than doing things the first time. It's often difficult to understand or re-create the logic of the spreadsheet's creator.

How about version control – how do you manage iterations of those plans, budgets, forecasts, reports and analyses? If you're like most midsize organizations, it's sheer guesswork to know if the spreadsheet in hand contains the most updated information.

How timely and useful are your spreadsheet-based plans, budgets, forecasts, reports and analyses? They're probably out of date by the time the "final" version is approved, printed and distributed.

Spreadsheets may be familiar, flexible personal-productivity tools, but they were never designed to handle the financial performance management needs of complex, rapidly growing companies in dynamic, highly competitive markets. They were never suited to creating and applying rigorous definitions and controls to your business processes. They were never intended to be used as a data store for millions – even billions – of cells. Nor were they ever meant for simultaneous use by hundreds or thousands of users throughout your company.

GARTNER RECOMMENDATION #2: REPLACE LEGACY SOLUTIONS

- “Organizations should replace legacy and spreadsheet-based solutions for financial reporting, financial consolidations, budgeting, planning and forecasting (BP&F) with core performance management functionality.”¹

Managing spreadsheet risk need not be an “either-or” proposition – an impossible choice between high-risk spreadsheets and the perceived high cost of new performance management applications. Especially at a time of budget belt-tightening, flexible and cost-efficient financial performance management can be achieved by leveraging the best of your existing spreadsheet investment.



IBM has a solution that bridges this gap for midsize companies. IBM Cognos TM1 MidMarket Edition is a complete performance management environment supporting key financial processes from planning, budgeting and forecasting to consolidation, reporting and analytics. It embraces the familiar Excel interface and overcomes the limitations of spreadsheet-only business processes.

Let's look at how your current spreadsheet-only processes can be transformed into an effective performance management solution with IBM Cognos TM1:

Eliminate spreadsheet errors. Spreadsheet-based “solutions” are fundamentally error-prone. Whether stemming from users (hitting the wrong key), from logic (choosing or creating an inappropriate formula) or from omission (leaving out a critical model component like a row or column), calculation errors are nearly guaranteed. In fact, recent research shows that some 94 percent of spreadsheet models are seriously flawed in one way or another.

IBM Cognos TM1 MidMarket Edition transforms your spreadsheets by centrally managing business hierarchies, rules, calculations and data using in-memory multi-dimensional cubes with real business identifiers. It facilitates high-participation and collaboration across your company, yet offers managed workflow that enables closely monitored data collection, rapid aggregation, clearly defined rules and hierarchies, a rigorous approval process, role-based security and a clear audit trail that facilitates accountability and accuracy.

Gain greater insight through multidimensional analysis. Even in smaller companies, financial and business data is simply too complex to be effectively stored, managed and utilized in two-dimensional, row-and-column spreadsheets. When you need to assess product-line profitability by cost-of-goods sold, by item, by customer demographic, by region, by sales rep and so on, you need more firepower than linked spreadsheets and even the cleverest macros. And when one measure changes, how do you know that change-effects will accurately percolate all through your spreadsheet model? Typically, you don't.

With a powerful in-memory OLAP database, IBM Cognos TM1 users can read and write to your data set, and then see results as fast as you can think about it. You can multi-dimensionally slice-and-dice data to match the planning, forecasting or reporting needs of the moment – all in real time. Read/write access is controlled by role-based security and model changes are instantly propagated to all users.

Engage in cross-company collaboration. Successful financial performance management requires high levels of collaboration and participation: the greater the cross-company input, the greater the resulting accuracy and insight. But due to deployment difficulty (and error frequency), spreadsheet-only financial performance management demands a constrained, manual process that can represent only a small subset of company stakeholders.

Data from all across your company is transformed to valuable business information when it can be rapidly updated by process contributors and management decision-makers. By offering



“I couldn’t imagine budgeting and forecasting without IBM Cognos TM1. The application speeds up a process that was incredibly time-consuming.”

– John Gowers, IT Director, Blue Mountain Resort

a choice of Excel or user-friendly Web interfaces, IBM Cognos TM1 provides greater reach throughout the entire organization. Working documents are visible to stakeholders, and all users have read-and-write capability as required for contribution, ad-hoc analyses and what-if scenarios. A Web interface is perfect for a distributed environment where many of your team members work remotely across business units and geographies.

Automate workflows. With a spreadsheet-only financial performance management solution, managing process workflow is nearly impossible. You’re never quite sure if data contributors are progressing according to plan – or if they’ve begun work at all. And with spreadsheets, greater participation does not ensure greater effectiveness.

IBM Cognos TM1 MidMarket Edition helps guide the financial performance management process by enabling finance and line-of-business managers to assign functional responsibility to individuals or groups. Contributors submit data according to schedule, and tasks are designated as *not started*, *in progress*, *approved*, *rejected* or *not delegated*. Reviewers monitor progress and accept or reject contributions as needed. IBM Cognos TM1 makes the entire financial performance management process highly visible and helps enhance timeliness and accountability.

React faster to changing business conditions. With spreadsheets flying back and forth through cyberspace, you never know if everyone is working with the most recent iteration of a plan, budget or forecast. The result is likely a “final version” that’s based on inaccurate or mismatched data.

IBM Cognos TM1 MidMarket Edition enables planners, analysts and managers to develop iterative plans, budgets, forecasts, reports and analyses. Maybe you want to revise a forecast using the assumption that revenue in five regions will increase by 15 percent next quarter. Email alerts notify analysts and contributors of the revised assumption, remind contributors that they must submit new numbers or provide driver information to plan stakeholders. Comments – such as reasons why a contribution was approved or rejected – can be stored along with each change in task status.

GARTNER RECOMMENDATION #3: ENSURE IT AND FINANCE WORK IN CONCERT

- “The IT and finance organizations must work together to understand the inadequacies of an informal, spreadsheet-based approach to performance management. Spreadsheet management strategies are most successful when the project team is drawn from the user community supported by the IT organization, and uses business value propositions combined with change management techniques to overcome user objections.”¹

¹Gartner RAS Core Research Note G00161115 Embrace or Replace Your Spreadsheets for Performance Management, Neil Chandler, 23 September 2008 (The full research note can be found on page 9)



IBM Cognos TM1 is a proven, pragmatic solution for midsize companies that embraces the use of spreadsheets and overcomes the inherent risks and limitations. It is a solution that is embraced by both Finance and IT.

To rapidly build an internal competency center, IBM customers leverage the IBM Cognos Innovation Center for Performance Management. It brings together technology experts, finance professionals and industry thought leaders to promote proven techniques, technologies and best practices in performance management. Our IBM Cognos Performance Blueprints provide pre-defined data, process, and policy models that help organizations speed their software deployments and drive faster return on investment.

Source: IBM



SUCCESS STORY: MAKING SPREADSHEETS SMARTER

More than 2,200 companies worldwide use proven IBM Cognos financial performance management solutions to meet their financial performance management needs. Rather than replacing spreadsheets, the solution integrates with familiar spreadsheets while providing a reliable financial performance platform. You can use IBM Cognos software to lower costs, improve your margin and gain increased efficiencies. All of these add up to increased competitive advantage.

Here are examples of companies that have successfully improved their use of spreadsheets for better financial performance:

- **Blue Mountain.** Ontario's largest mountain resort has been able to push financial performance management out to the front lines. Like many organizations, Blue Mountain's budgeting process previously relied on a maddening amalgamation of spreadsheets. The company selected IBM Cognos TM1 to streamline its budgeting process, reduce labor costs, eliminate excess inventory, improve reporting and make more strategic pricing decisions. The result: Blue Mountain realized payback in just one month, and a stunning 1,822% return on investment over a three-year period. To learn more about Blue Mountain's success with IBM Cognos or view an independent ROI case study, www.ibm.com/software/data/cognos/products/tm1/midmarket-edition
- **Envision Credit Union.** A Florida based credit union that operates eight branches for 32,000 members was able to improve productivity, reduce labor costs, and increase the amount of cash available for overnight investments. By using IBM Cognos TM1, Envision also improved the quality and granularity of information available for making operational and financial decisions. **The result:** Envision realized payback in 7 months and an annual ROI of 178%.

To learn more about Envision Credit Union's success with IBM Cognos or view an independent ROI case study, visit www.ibm.com/software/data/cognos/products/tm1/midmarket-edition

SUMMARY

Clearly, a spreadsheet-only approach to performance management is inadequate to meet the challenges facing a growing midsize business.

IBM Cognos TM1 transforms spreadsheets to support key planning, budgeting, forecasting, consolidation, reporting, analytics and data management processes. Immediate feedback enhances decision-support at all levels of your business, so you can spend more time on what you do best – running and growing your business.



IBM Cognos Software Group has deep and proven expertise in delivering performance management solutions to small and midsize businesses in a wide variety of industries and departments. Understanding the need for easy deployment and maintenance for resource-constrained IT departments, IBM Cognos solutions are built on open standards, Web services, SOA architecture designed to leverage existing infrastructure and future investments. We provide out-of-the-box support for all data sources, security, portals and more, to ensure ease of deployment and minimal maintenance requirements.

Whatever your needs, from planning to analysis to reporting and scorecarding, IBM Cognos solutions can help you make timely, informed decisions and improve productivity across the business – while maximizing value and return. We offer IBM Cognos solutions specially packaged and priced for the small to midsize organization. And with a network of over 3,000 partners worldwide, we are ready to help accelerate your deployments and make you successful. Together, we have hundreds of solutions that we provide or are partner delivered to ensure the fastest possible time to results.

Source: IBM



EMBRACE OR REPLACE YOUR SPREADSHEETS FOR PERFORMANCE MANAGEMENT

Spreadsheet proliferation for performance management tasks exposes many organizations to significant levels of risk. By establishing strategies for managing or replacing spreadsheets, the IT organization can deliver solutions with greater accuracy, transparency and rigor, while enabling users to operate in a familiar environment.

KEY FINDINGS

- Spreadsheet proliferation continues because users prefer autonomy to packaged applications, despite the IT organization's best efforts to establish robust business intelligence (BI) and performance management solutions.
- Spreadsheets represent a high risk when used for performance management functions. They're manually intensive and prone to programming errors, exhibit poor or invalid data integration, and lack access and version control.
- The IT organization can significantly reduce spreadsheet risks by employing spreadsheet management strategies, and by replacing spreadsheets where possible with packaged applications, such as corporate performance management (CPM) suites.

RECOMMENDATIONS

- Audit your organization for spreadsheet usage, assess the associated risks, employ spreadsheet management solutions, phase out spreadsheets where possible, and establish ongoing monitoring.
- Organizations should replace legacy and spreadsheet-based solutions for financial reporting, financial consolidations, and budgeting, planning and forecasting (BP&F) with core CPM functionality.
- The IT and finance organizations must work together to understand the inadequacies of an informal, spreadsheet-based approach to performance management.
- Spreadsheet management strategies are most successful when the project team is drawn from the user community supported by the IT organization, and uses business value propositions combined with change management techniques to overcome user objections.

WHAT YOU NEED TO KNOW

Spreadsheet proliferation continues, despite the IT organization's efforts to establish BI and performance management solutions. Spreadsheet users and developers often have no formal training, and most organizations lack procedures or standards governing the use of spreadsheets. Consequently, spreadsheet applications are, at best, manually intensive and cumbersome to



Note 1. Evidence of Spreadsheet Errors

As documented in “What We Know About Spreadsheet Errors,” by Raymond R. Panko, University of Hawaii, revised in May 2008, “Since 1995, when field audits began to use good (although usually not excellent) methodologies, 88% of the 113 spreadsheets audited in 7 studies that reported the number of spreadsheets audited have contained errors.”

maintain, and, at worst, contain significant errors or enable fraudulent usage, thereby leading to inefficiencies, longer closing and budget cycles, compliance issues, reporting inaccuracies, poor decisions and audit failures.

By offering a managed spreadsheet environment, the IT organization can bring existing spreadsheets under control by offering greater accuracy, transparency and rigor, while enabling users to operate in a familiar environment. IT departments should develop a blended strategy, thereby bringing spreadsheets under IT jurisdiction and replacing spreadsheets where possible with Excel-centric toolkits or analytic applications.

Spreadsheets are one of many contexts in which the end user can take the initiative away from the IT organization. Unfortunately, the end user isn’t qualified to truly understand the risks associated with doing this, and, over time, he or she is likely to return to the IT organization to request integration or some other support that exceeds his or her capabilities. IT departments should anticipate a measure of push-back, which can be overcome by involving finance in the replacement project and ensuring that the business value obtained outweighs the loss of the spreadsheets. This resistance will be a major factor in the success or failure of the project, so the IT organization must possess good change management skills.

ANALYSIS

CONTEXT

Shadow systems, such as spreadsheets, are used to provide or augment reporting and analysis in many organizations. It’s widely recognized that spreadsheets that are used in this way are likely to contain errors (see Note 1), require extensive manual intervention and offer much-reduced functionality when compared with packaged alternatives. This research provides IT and finance users with suggested strategies to better support spreadsheet use.

ANALYSIS

There’s a proliferation of spreadsheets in most organizations, particularly in finance. Many organizations use spreadsheet solutions to achieve core financial functions, such as strategic planning, BP&F, financial reporting and financial consolidation. Microsoft cites more than 500 million Microsoft Office users worldwide, and despite the availability of packaged application alternatives, Gartner estimates that between 50% and 60% of large enterprises still use Excel as their primary BP&F solution.

Furthermore, Gartner has spoken to clients with more than 10,000 active spreadsheets in their organizations, and complex applications where spreadsheet planning workbooks have more than 600 worksheets, and hundreds of macros that exist outside the IT organization’s control. For example, in many BP&F systems, there are side sheets at the budget-holder level, where budgets are created out of sight of centralized systems. Reporting and analysis systems often have a “save as” or “export to spreadsheet” function that results in the creation of a plethora of spreadsheet fragments.



Due to their pervasive availability and the inherent structure of the spreadsheet tool, these applications contain imported financial and operational data combined with manually entered data, which is further manipulated through relatively low-level macros and cell-level rules. As it's been widely reported (see Note 1 and www.eusprig.org for examples), many spreadsheets are prone to programming errors, and organizations exhibit the following issues:

Design and development issues: Spreadsheets are low-level programming tools that are largely undocumented, making development or modifications lengthy and complex. This can be summarized as building errors into the calculation logic of the spreadsheet. This problem is particularly acute in complex, multiworkbook spreadsheets, where complex macros and formulas are used to manipulate and derive calculations. For example, a 9 June 2008 report by the U.S. Congressional Budget Office stated, "After releasing its 2009 report, the Navy discovered a [spreadsheet] calculation error that caused the costs initially reported in the 2009 plan to be about 10 percent higher than the Navy now expects them to be."

Data integration and quality issues: Spreadsheets are created on the wrong or incorrectly imported base data. Data may be obtained from the right system, but at the wrong time, such as before the closing of a financial period when journals may further change values. Many spreadsheets replicate the same or similar extraction processes, leading to duplications and inefficiencies in data management. Since spreadsheet data can be amended so easily, it's difficult to ensure that it hasn't been inadvertently modified. Also, spreadsheets often replace other logic, and can conflict with processes in other applications, thereby causing things to be out of sync.

Manually intensive processes: Spreadsheets lack the built-in application functionality that enterprises need to conduct complex business processes, such as budgeting or financial consolidation. Consequently, the data integration, error checking, progress checking, workbook aggregation and enhancements to support business changes require significant resources. These issues often are overlooked as the hidden costs for an organization to run these systems. For example, a large multinational enterprise that Gartner researched took eight to nine weeks to collate more than 400 spreadsheets for a budgeting application.

Invalid access and fraudulent usage: Because of limited security controls, sensitive information in spreadsheets can be easily accessed by invalid users. Spreadsheet systems are easy to manipulate, thus making them prone to fraudulent usage. With limited built-in auditing capabilities, spreadsheets lack the controls to restrict or even track this kind of behavior. For example, as reported in www.ft.com on 23 July 2008, "The SEC had accused Scott Hirth – a former divisional CFO at ProQuest, a producer of electronic databases of archived information – of fraudulently boosting recorded revenues and under-reporting costs. [...] In another spreadsheet, the SEC claimed, the company's running tally of expenditure on commissions was distorted by a \$4.1m cell entry located well away from the other figures. Because it was in white font on a white background, this entry – which had no basis, according to the SEC – could not be seen when a hard copy of the spreadsheet was printed".



Despite alternative business applications and sophisticated reporting solutions to achieve these types of business functions, many additional spreadsheets exist to fill functional gaps, or because users feel more comfortable using spreadsheets. Users feel empowered when taking available data and remanipulating it in spreadsheets to create their own reports and analyses. However, the IT organization often sees this proliferation as an affront to attempts to unify and standardize performance management initiatives. In general, IT managers would like to migrate from spreadsheets to robust solutions, but the business resists or subverts these efforts. Gartner recommends the following strategies to help the IT organization and the business find a suitable compromise:

Embrace spreadsheets – adopt a spreadsheet management strategy: If it isn't desired, practical or cost-effective to replace spreadsheets with more-robust alternatives, then Gartner advises IT organizations to adopt a spreadsheet management strategy. Gartner recommends a five-step approach for controlling user-developed applications.

Audit the enterprise (and finance in particular) to assess the spreadsheet proliferation and business impact: The first step is to identify and inventory the spreadsheets that are in use. There are many spreadsheet discovery and assessment solutions available to help identify spreadsheets. Their usage is a straightforward and continuous process that shouldn't create friction among IT and business users. Pay particular attention to spreadsheets used to support core financial processes.

Assess the risk and significance of spreadsheets: Rank your spreadsheets based on their potential for error and their level of criticality. Factors such as the supported business function, complexity of calculations in use, size, frequency of use and number of users should be used to identify the most at-risk spreadsheets.

Choose and implement controls: Establish guidelines for development, use templates and best practices, establish IT-driven data feeds for spreadsheets, and implement spreadsheet management and control tools, such as Cimcon Software, ClusterSeven or Prodiance for data and modification integrity, auditing, version control and access control.

Phase out user-developed applications when possible: Where the level of risk or significance is high, consider an immediate or phased replacement of spreadsheets with a performance management solution or other business application.

Verify and monitor: Recognize that this is an ongoing activity, and that the IT organization must allocate resources to continually monitor spreadsheet usage. Perform an annual audit and risk assessment of all spreadsheets where the level of risk or significance has been identified as "high."

Replace spreadsheets and build solutions with spreadsheet interfaces, or use packaged applications.



Build solutions that retain a spreadsheet interface: A range of alternatives enables spreadsheets as the primary user interface, while using a robust application server managed by the IT organization to resolve many of the development, auditing and control issues. The most obvious of these would be to use Microsoft's latest Excel developments, although this addresses *and* aggravates the spreadsheet dilemma. For example, you can work with larger data volumes in Office Excel 2007, which supports much-larger spreadsheets and greater calculation capacity. This encourages spreadsheet usage for increasingly complex applications, while failing to address the error-prone nature of their development. Using Excel Services and Excel as an interface to data that's stored in Analysis Services addresses some of the IT organization's concerns by enabling spreadsheets to be stored centrally, with some access and versioning capabilities. However, Excel Services only provides limited functionality of the desktop version of Excel, and can be resource-intensive. In addition, many BI platform vendors – such as Actuate, Cognos (an IBM company), Information Builders, Business Objects (an SAP company) and Oracle – offer a spreadsheet add-in that enables clients to retain the spreadsheet as the formal interface. Also, smaller vendors, such as The GL Company and F9, offer Excel-centric financial reporting solutions that enable users to use the benefits of Excel as a reporting environment, without creating “shadow” data sources.

Replace critical spreadsheet solutions with robust packaged applications, such as CPM suites: Critical to the success of these replacements is the creation of a competency center or steering committee composed of IT and finance members, who, together, define the scope, select products, and develop a replacement where the business value obtained exceeds the loss of spreadsheet independence. Some of the business benefits that users have obtained can be quantifiably measured in terms of improved data quality, less manual effort, easier maintenance, greater agility, faster close and budgeting cycles, easier audits and adherence to compliance initiatives. Many organizations articulate strong, indirect benefits, such as more-timely and richer information to support decision making, greater confidence and increased transparency. The most-significant end-user success criteria that Gartner has identified are supporting an easy user interface, a low learning curve, and better workflow, collaborative, and self-service reporting and analysis capabilities. Much of the CPM growth has been founded on spreadsheet replacement for core business functions, such as BP&F, financial consolidation and financial reporting.

CPM suites offer comprehensive functionality that can replace spreadsheets and deliver improvements to the way corporate performance is managed. However, a skills gap exists because most finance teams don't know how to take advantage of these systems, thus underusing their functional capabilities and underdelivering on potential benefits. This lack of skills in using analytic applications perpetuates the use of spreadsheets. Users may feel that using an analytic application, rather than honing their Excel skills, may compromise their marketability; however, if these users leave the organization, then their systems would be incredibly difficult for someone else to maintain because the systems typically lack documentation and development standards.



With the growing adoption of CPM, the skills to implement and use these applications become highly desirable. Many packaged solutions exist to support the replacement of spreadsheet applications, such as Microsoft Office PerformancePoint Server, Oracle Hyperion System 9, SAP (Business Objects) Business Planning and Consolidation (BPC), IBM Cognos 8 Planning and Cognos 8 Controller, Infor PM 10, and SAS Financial Management and Performance Management, to name the market leaders. In addition, on-demand vendors (such as Adaptive Planning and Host Analytics) offer software-as-a-service alternatives. Gartner analysts have spoken to many clients that have succeeded in this type of approach.

KEY FACTS

- Spreadsheet proliferation continues, despite the IT organization's best effort to establish robust BI and performance management solutions. Gartner estimates that between 50% and 60% of large enterprises still use Excel as their primary budgeting solution.
- Spreadsheets represent a high risk when used for performance management functions. They're manually intensive, prone to programming errors, exhibit poor or invalid data integration, and lack access and version control.
- The IT organization can significantly reduce spreadsheet risks by employing spreadsheet management strategies, and by replacing spreadsheets with established packaged applications, such as CPM suites.
- IT departments should anticipate a measure of push-back against replacing spreadsheets with analytic applications. However, this can be overcome by involving finance in the replacement project, and by ensuring that the business value obtained from the replacement solutions outweighs the loss of the spreadsheets. This resistance will be a major factor in the success or failure of the project, so the IT organization must possess change management skills.

Gartner RAS Core Research Note G00161115, Neil Chandler, 23 September 2008



ABOUT IBM COGNOS BI AND PERFORMANCE MANAGEMENT

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices, and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions

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