



10 Hidden Costs of Manual Reporting in Excel and What You Can Do about Them

White Paper

Summary

Since it was released in 1985, Excel has been the standard for business reporting and analysis. With each version, Microsoft has added new features and capabilities that have helped to ensure its position as the market leader. As a de facto standard, virtually all office employees know how to use Excel. Since virtually all users have Excel on their computers, it is an excellent standard for exchanging information with colleagues, customers and business partners.

Unfortunately, Excel is not a perfect tool for reporting and analysis. It is not a complete reporting and business intelligence solution. The limitations of Excel can cost an organization a lot of wasted time, effort and money. Fortunately, these limitations can be overcome with the adoption of some basic best practices and with the introduction of **automated** Excel reporting. With these simple enhancements, an organization can maintain its investment in Excel, not have to retrain staff on new and costly business intelligence software and still receive the benefits of a complete reporting and analysis environment.

Introduction

Microsoft Excel is a great tool for corporate reporting and dashboarding. But it has two fundamental limitations. First, Excel is spreadsheet software. It is not a complete reporting solution in itself. In fact, Excel is just one part of a complete managed reporting solution. The second problem is not a limitation of Excel itself. It is a limitation of the processes that often surround Excel. Because Excel is not a complete managed reporting solution and because Excel is ubiquitous, most organizations have a lot of inefficient and unstructured processes that involve Excel. This white paper primarily addresses this second class of problem and how an organization can overcome it.

Eliminating Excel is not a practical option for most organizations. Excel is the de facto standard for reporting and analysis around the world. As the de facto standard, Excel offers unmatched user familiarity. Children often start using Excel in grade school. By the time they enter the workforce, they are fully trained in 80% of the features of Excel. In addition, Excel is a powerful and flexible tool. It includes powerful statistical functions and advanced data navigation features like pivot tables. Reports in Excel can be fully customized with a wide range of chart types, color palates, fonts and graphics. And, since virtually everyone already has Excel installed on their computers, it is easy to share information with colleagues, customers and business partners.

Even with these strengths, manual reporting with Excel can present several significant challenges to an organization. These challenges are so common and we are so used to them that we often don't stop to consider the actual costs of manual reporting with Excel.

10 Hidden Costs of Manual Reporting in Excel

Manual reporting in Excel can introduce significant hidden costs into an organization. Without careful management of manual Excel reporting practices in a company, these hidden costs can have a real impact on the bottom line by reducing productivity, causing late or bad decisions and/or by reducing the effectiveness of corporate resources. The following is a list of 10 hidden costs of manual reporting in Excel.

1. Many Hours of Wasted Effort

Excel reports have a tendency to take on a life of their own. How many times have you been working on an Excel spreadsheet for hours and hours, only to discover that you have bad data or an error in a formula? This frustrating situation is very common. It is also a major hidden cost of manual reporting in Excel. Manual Excel reporting involves manually gathering and verifying input data, manually constructing formulas, manually building charts and graphs and manually distributing the final spreadsheet to colleagues, customers or partners. If these steps are not automated then employees are taking time – usually many hours – to create, adjust, refine and share Excel spreadsheets.

2. Errors Due to Poorly Defined Standards and Simple Mistakes

Manual Excel reporting can be (and often is) complicated by a lack of corporate standards for reporting. For example, someone creating a financial summary spreadsheet may gather data from the previous month's accounting records. One hour after that data snapshot is taken, someone in the accounting department may edit last month's records with updated billing information. Because the data snapshot was created manually, without a centralized access point to the data, the spreadsheet is out of date before it is even finished.

Another common problem with manual reporting in Excel is the use of different formulas to reflect the same concept. For example, the sales department may define sales to be the sum of all contracts signed in a specific time period. The production department may define sales to be the sum of all contracts delivered in a time period. Without a single formula for

the value of sales, different departments and even different individuals will show different results in their reports.

Even if your organization has (and actually uses) agreed-upon and published formulas across all departments, there is always the possibility that someone will make a typo or other simple error in their spreadsheet. It is impossible to escape human errors. These manual reporting errors cause endless hours of wasted effort and, perhaps worse, bad decisions. Wasted effort and bad decisions combine to make a significant hidden cost of manual reporting in Excel.

3. Wasted talent

CEOs, CFOs, CIOs and Vice Presidents in every department spend many hours working in Excel. Even though these leaders should be well-versed in Excel as an essential tool of running a business and even though they should regularly receive financial, sales and operational reports in Excel, they should not spend hours fine-tuning Excel spreadsheets. The hours that corporate executives spend fine-tuning formulas or adjusting the color palate of a chart are hours that are not spent running the business and making decisions about how to be more successful. The hidden costs of executive-level manual reporting in Excel are often overlooked and can be substantial.

4. Dependency Risk (e.g. Information Silos)

Every organization has them - "super-spreadsheets" that drive decisions and thinking across the company. And, with every "super-spreadsheet" there is usually a "super-spreadsheet expert," the one person that knows how to make that spreadsheet work. What happens when this expert is out sick, or worse, leaves the company? How are new data, new assumptions and new formulas added to these spreadsheets? The reality is that many companies are dependent on these super-spreadsheets and the super-spreadsheet experts. At a minimum, in today's business world, the super-spreadsheet threatens a company's ability to pass an audit test. At worst, it represents the risk of lost business and unplanned costs.

5. Disorganization and Duplication of Effort

It is not uncommon for different groups within an organization to create very similar, even identical, manual Excel reports. As already mentioned, this duplication of effort presents a

risk of errors due to a lack of standards. Even more simply, though, this duplication of effort is a waste of resources. Most often this duplication of effort does not happen simultaneously. More likely, one person creates a spreadsheet to solve a specific problem at a specific point in time. Then, months later, someone in another group or division needs the same report but has no idea that it has already been created. This common scenario results not only in the duplication of effort but in the perpetuation of the same problem since no action is taken to stop a third person from developing the exact same report a third time. This duplication of effort is a clear waste of resources and significant hidden cost of manual reporting in Excel.

6. Delayed Decisions because The Right Information Is Not Available at The Right Time

Creating complex spreadsheets, especially when the input data has to be gathered manually, can take a lot of time. Gathering and verifying the input data alone can be a time-consuming task. The longer it takes to gather the data and create the spreadsheet manually, the longer it will be before the decisions can be made. If these decisions affect critical organizational metrics like inventory, sales, payment schedules and shipments, the results of a delay can be significant. Delayed decisions can mean lost revenue and higher costs. These hidden costs of manual reporting in Excel are often overlooked by most organizations.

7. Wrong Decisions because of Erroneous Information

Sometimes there is pressure to make a decision even when the data is not available in time. In these cases, analysts often make their best guess or hastily gather input data without verifying it. A hastily created spreadsheet can contain countless formulaic errors as well. The results can be disastrous. A bad decision made because of bad data can cost a company millions in lost revenue or added costs.

8. Wasted IT Resources

When organizations create a lot of manual spreadsheets, they often put a heavy burden on the IT department. IT is often tasked with manually gathering input data from key corporate systems (eg ERP system, customer databases, etc). When efforts to create manual spreadsheets are not coordinated or when there are duplicate efforts, the IT department often ends up doing the support work multiple times. This lack of structured

workflow puts a heavy burden on the IT department and represents a hidden cost of manual reporting in Excel.

9. Inability to Access Corporate Resources like ERP Systems and Data Warehouses

Many organizations have made substantial investments in critical infrastructure such as ERP/Accounting systems, CRM systems and data warehouses. For security and resource management reasons, most non-technical users do not have direct query-level access to these systems. For example, direct access to a database from Excel requires the database username and password to be embedded in the Excel spreadsheet itself. Most organizations recognize this as an unacceptable security risk and, therefore, do not allow users to access databases this way. So, even though organizations have these powerful tools and resources, they are often not accessible by manually-created Excel spreadsheets. So, users often find other ways – usually labor-intensive ways – to gather data from the source systems. This inefficiency can be a substantial hidden cost of manual reporting in Excel.

10. Opportunity Costs – Time Spent Fine-Tuning Spreadsheets Rather Than Analyzing and Understanding the Data

Microsoft Excel is a powerful reporting and data visualization tool. It has virtually limitless potential to present data in different forms including charts, graphs and tables. Users often spend many hours fine-tuning their spreadsheets by adjusting colors, column widths, chart legends, worksheet titles, etc. While templates can help to reduce the amount of time spent fine-tuning spreadsheets, most users still spend quite a bit of time perfecting their data presentation. The hours spent manually fine-tuning Excel reports come at a high cost to the organization in the form of lost productivity.

Overcoming the Hidden Costs of Manual Reporting in Excel

Even though Excel has a number of hidden costs, it is still the most widely used reporting and analysis tool in the business community. Most of these costs can be overcome with a few simple steps. First, it is important to understand the investment you have in Excel. As a ubiquitous tool, it is easy to underestimate the role that Excel plays in an organization. Second, take some time to identify your real reporting and analysis requirements. Chances are, you can meet your requirements with Excel and a minimal investment in a good report automation tool. Finally, find a report automation tool that works for your organization.

Choose a tool that will be easy for your users to adopt and that will be easy to maintain once it is up and running.

I. Understand The Investment You Have in Excel

At first glance, the long list of hidden costs of manual reporting in Excel may be overwhelming. As you add up the total cost, you may be tempted to get rid of Excel or use it less. Rather than making a radical change like that, it would be better to take a simple assessment of the investment you have in Excel. Even a small amount of research will probably uncover that your organization, like most in the world, are quite dependent on Excel for reporting and analysis.

In your assessment, identify the top 25 Excel reports in your organization. Perhaps these are sales forecasts or financial summaries. Maybe they are inventory reports or cash statements. For each of these reports, list the total number of hours spent per month manually updating the report, the total number of recipients and the total amount of time spent by recipients reading the report. Make note of any special processes or steps that people use to gather data, edit the report or prepare it for distribution. Make note of any security issues related to data gathering (e.g. database user names and passwords embedded in the spreadsheets). For example, if you find that some of your spreadsheets have embedded user names and passwords, then you have a security problem. If you find that people are manually gathering data from databases and then cutting and pasting it into reports each month, then you have a productivity problem.

Once you have prepared this list, you can now start to assess your requirements for automating the reports.

2. Consider Your REAL Reporting and Business Intelligence Requirements

With your list of 25 reports in hand, the next step is to consider what is missing from your reporting and analysis environment. We suggest that you consider five areas for investigation – automated access to multiple data sources, data access security, automated report delivery, threshold-based alerting and dashboard reporting.

- **Automated access to multiple data sources.** One of the most significant sources of hidden costs is manual data gathering. Day after day, month after month, employees manually gather data from multiple data sources and then copy and paste the data into their Excel spreadsheets. This manual work is not only prone to errors, but is a time-waster. As you create your list of requirements, consider your need to gather data from multiple data sources. Does the report automation tool need to

access your ERP/Accounting System (e.g., SAP, JD Edwards, Microsoft Dynamics)? Does it need to access relational databases (e.g. Microsoft SQL Server, Oracle or MySQL)? Does it need to access other data sources such as flat files, web logs or spreadsheets?

- **Data access security.** Once you have identified your need to gather data from multiple sources, consider your data access security needs. Are users embedding user names and passwords into Excel reports today? Make sure that your report automation tool can centralize data access and eliminate the need for embedded passwords.
- **Automated report delivery.** Once you have worked through your requirements for data access, consider your needs for automated report delivery. Your report automation solution should provide a wide range of report scheduling and report delivery options. Do your users need the ability to run their reports on an on-demand, parameterized basis? In addition to scheduled reports, do you need the ability to set up threshold-based alerts that notify users of developing situations?
- **Simple report design.** Creating reports should not be a difficult task. As discussed above, people can spend a lot of time tweaking reports to get them just right. With automated reporting, reports should look as good as when users create the report themselves. What are your requirements for the report design tool? Does it need to be a simple wizard-style tool that allows reports to be designed quickly according to a corporate standard look and feel? Does it need to allow report designers to work directly in Excel? Does the report design environment need to allow the conversion of existing manual Excel reports into automated reports?
- **Dashboard reporting.** Sometimes basic reports with a single table or chart are enough for some users. Sometimes, however, reports need to show a lot more information on a single page. By combining multiple charts, graphs and gauges on a single worksheet, dashboard reports are a great way to provide an at-a-glance summary of operations. Since all of the charts and graphs are on a single worksheet, less time is required to review, understand and act on the data. What are your requirements for dashboards? Would dashboard reports simplify the daily reporting process for executives and operational managers?

3. Choose The Right Report Automation Tool for Your Organization

Now you have a list of your top 25 corporate Excel reports and the requirements for automating them. The next step is to choose a report automation tool that meets your needs while staying within the budget constraints. At this point in the process, it is critical to not over-complicate the tool selection process.

There are a lot of reporting tools on the market today. Many of them have been developed to solve very specific reporting problems and others have been developed to provide

enterprise-level corporate business intelligence. In either extreme, it is possible to over-complicate the tool selection. It is important to let your list of requirements be your guide. You are simply trying to reduce the amount of manual Excel reporting by introducing automated Excel reporting. Your best choice is a tool that is designed for this purpose.

Remember that your users are already well-trained in Excel. Be careful not to introduce a tool that will require many days of training just to reach minimal proficiency. Instead, build on the investment you've already made in Excel. Give the users a tool that will enhance what they already know rather than asking them to convert to a completely unfamiliar environment.

Conclusion

This report has surveyed 10 of the most common hidden costs of manual reporting in Excel. If unchecked, these costs can grow and have a significant impact on an organization's bottom line by wasting resources and facilitating bad decisions. To overcome these hidden costs, it is important to automate your Excel reporting as much as possible.

Most companies already have Microsoft Excel as a de facto standard for internal reporting. To build an automated Excel reporting environment, an organization must install a report automation platform that is capable of secure access to multiple data sources and automated report delivery. In addition, the system should also provide an easy-to-use report design and dashboard development environment.

ApeSoft, Inc. has been delivering an Excel-based reporting and dashboarding platform since 1994. Our flagship reporting software product, DataCycle Reporting, is used by companies all over the world and in virtually every industry to overcome the hidden costs of manual reporting in Excel. Contact us if you have questions or if you'd like to experience the DataCycle Reporting free trial.

A blue rectangular box with white text. At the top, it says "Have Questions?". Below that, in a white rectangular box, is the website "www.ApeSoft.com". At the bottom, it displays the phone number "+1 (866) 957-9578".

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