

# Why Running Critical Business Processes on Excel is Risky Business

[This article first appeared on the OneStream blog by John O'Rourke](#)

Microsoft Excel® has been around for over 30 years now and is the “go-to” tool for most finance professionals, business analysts, and small business owners. Why? Because it’s cheap, widely available, and easy to use. Excel is a great personal productivity tool – but it has its limits. The product wasn’t designed to support critical business processes and its over-use can be very risky and time-consuming. Read on to learn about the shortcomings of Excel and why many organizations are replacing it with corporate performance management (CPM) [software](#).

## The Problems with Excel

Microsoft Excel is a great personal productivity tool. It’s easy to create a spreadsheet, enter data, create calculations, add formatting, and share with others. However, there are several limitations that are present in Excel when it’s being used to support critical business processes and financial decisions. Here are some examples of those limitations:

1. Error-prone – users can type in the wrong figures or create erroneous calculations that may go undetected until it’s too late.
2. Lacks Controls – there’s no validation rules, security, or segregation of duties when using Excel to support the collection and sharing of sensitive financial information.
3. No Audit Trails – Excel doesn’t provide any audit trails to highlight who entered, or changed data or metadata and when in spreadsheets that are used to produce financial statements and forecasts.
4. Limited Scalability – Excel performs poorly when there are too many rows of data and sheets in a workbook, with lots of calculations and look-ups.
5. No Collaboration – there’s no workflow to help manage data collection, reviews, and adjustments when Excel is used for corporate processes such as reporting and budgeting. As a result, organizations run into version control issues with multiple versions of Excel spreadsheets being emailed between users.



There have been many publicized examples of poor business decisions that have been caused by over-reliance on Excel for critical finance and business processes, and the impact on companies. Here are a few examples: [JP Morgan Chase](#) – in 2012, an Excel error resulted in a \$6.2B trading loss, also known as “The London Whale” debacle. [TransAlta](#) – in 2003, an Excel error caused this Canadian power generator \$24M when they bought more US power transmission hedging contracts at higher prices than it should have. [Kodak](#) – in 2005 the company had to issue a restatement of their financial result due to an \$11M Excel error related to severance costs.

There have been [many other examples](#) like these in the news media over the past 20 years, and thousands more that were never publicly revealed. Because of these limitations, auditors and other experts have advised their clients that Excel is not suited to supporting critical business processes, especially in mid-sized to large enterprises with lots of users.

This includes corporate performance management (CPM) processes such as [financial close and consolidation](#), [financial reporting](#), [budgeting](#), [planning](#), [forecasting](#), and scenario analysis for anything other than a very small business.

### CPM Software Makes Better Use of Excel and Reduces Risk

Purpose-built [CPM software](#) applications for financial consolidation, close management, reporting, budgeting, planning, forecasting, and analysis provide the data integration, workflow, validations, SOX controls, security, and audit trails required to support the collection of data from multiple systems or from users across an organization.



They ensure the accurate aggregation or consolidation of financial results and forecasts in accordance with global accounting and reporting guidelines such as US GAAP, IFRS, and other regional and statutory requirements. And they provide the ability to accurately and securely report financial and operating results to internal and external stakeholders. And here's the good news – you can still use Excel as a front-end to most CPM applications – for data entry, reporting, and analysis with the CPM apps handling the heavy lifting on the back end.

Many organizations have recognized when Excel has reached the breaking point and made the leap to modern, cloud-based CPM software applications. As a result, they have streamlined business processes, increased accuracy and confidence in their financial results and forecasts and saved their organizations time, money and avoided the risks of making poor decisions based on faulty information.

### Customer Examples

OneStream has worked with [hundreds of organizations](#) to help them replace multiple legacy CPM applications, and in many cases, Excel spreadsheets that were being used to support mission-critical financial consolidation, reporting, planning, and forecasting processes. Here are a few examples:



[Huisman](#) – this Netherlands-based construction equipment manufacturer, with locations around the world, was using different local finance systems and Excel for financial consolidation and project

reporting. Month-end and quarterly closing numbers would take up to a month to complete, while year-end reporting would take 3-4 months. There was no standard reporting pack for all departments and locations, which led to mismatched data that made reporting difficult.

Huisman implemented OneStream as a unified platform for consolidation, forecasting, planning, and reporting. As a result, they have more reliable and trusted information with 90% of their data in a single platform. They streamlined frequency of reporting from monthly to weekly or daily and now have a comprehensive view of employee hours by projects and capital expenditure. [Innovative Nutrition and Wellness](#)(INW) – growing rapidly by acquiring new businesses, the manufacturing company was performing financial consolidations and budgeting in Excel. Each division had different complex Excel processes in place and integrating acquired companies into their financial systems was a highly manual process.



With their previous Excel®-based process, INW was taking eight to 10 days to close the books. In their first month of using OneStream, they closed in seven days. And by their third close with OneStream, INW was completing the process in less than five days. On the planning side, consolidating budgets with Excel would take two weeks now with OneStream, it's done in two hours. [Valeo Foods Group](#) – had grown significantly through acquisitions – yet was still using Excel for its monthly financial close and consolidation process. All the local operating entities reported their data from different source systems in Excel sheets. These sheets were then emailed to the Group Finance team to collate both management and statutory reporting information in Excel.

As each financial year passed, the Excel consolidated model continued to get larger with increased complexity and was becoming unsustainable. Both management and statutory reporting were completed in Excel and were becoming increasingly cumbersome and prone to error. This was causing a drag on staff motivation in Group Finance.



As a result of implementing OneStream for financial close, consolidation, reporting, and forecasting Valeo Foods has realized significant improvement in management reporting and financial statements, which is recognized by many stakeholders. The monthly close is finalized in a significantly faster (roughly three to four days) and more efficient manner, with the reduction in the use of Excel leading to improved data quality.

Learn More

Excel is a great personal productivity tool, but it often gets used for critical business processes where its limitations can result in inefficiencies and poor business decisions based on erroneous data.

Purpose-built CPM software applications for financial close, consolidation, reporting, planning, and analysis provide the workflow, controls, and audit trails needed to ensure Finance and line of business teams are spending less of their time managing and reconciling data and more time analyzing financial and operating results and making effective business decisions.

To learn more download OneStream's [Intelligent Finance white paper](#) and contact us if your organization is ready to make the leap from reliance on risky spreadsheets to a unified CPM platform that helps Finance teams lead at speed!