



“Some of spreadsheets’ strengths—for example, how easy they are to create—are actually weaknesses.”

NO. 1: THE SYMPTOMS OF SPREADSHEET ADDICTION

Editor’s Note: *Following is the first part of our ten-part series called, “Accounting Software Checkup: 10 Ailments That Can Hinder a Health Bottom Line,” by Fred Ode, CEO, chairman and founder of Foundation Software. Each “ailment” will be discussed in detail to help you determine if your seemingly healthy business has an underlying problem.*

As the saying goes, an ounce of prevention is worth a pound of cure. But not everyone takes the time for routine annual exams. Busy with day-to-day activities and demands, we tend to take our health for granted—until we experience some symptoms of disease or illness.

Your accounting software—much like your body—may appear healthy from the outside. However, it’s very possible that your program may be suffering from some common ailments. These ailments, if left untreated, could lead to serious (and sometimes fatal) results. As the “brain,” which holds all the financial decision-making data, and the “heart,” which pumps cash in and out, your accounting system is

vital to the life of your business.

For more than twenty years, contractors have relied on spreadsheets to help run many aspects of their business—from estimating and budgeting, to job cost reporting and forecasting. Spreadsheet technology—with its amazing ability to calculate mathematical formulas in a fraction of time that it once took to do the same work manually—was, in fact, the driving force behind the PC revolution.

But that was then, and well, this is now. Although there are still many legitimate uses for spreadsheets (like compiling data coming from diverse sources or for one-time analysis reports) many contractors use them way too often and for all the wrong reasons. But try telling that to a spreadsheet addict. Why do they love

10 Ailments That Can Hinder a Healthy Bottom Line

1. **The Symptoms of Spreadsheet Addiction**
2. Tired of Redundant Work and Double Entries?
3. Has Inconsistent Job Cost Reporting Left You Feeling Irritable?
4. Get Relief from Weak Financial Reporting
5. Are Untimely and Inaccurate Billings Causing Financial Distress?
6. Warning: Unmanageable Growth Can Lead to Excess Staffing
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8. Is Pressure Building Between Accounting and Field Staff?
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their spreadsheets? Let me count the ways: For one, spreadsheets are easy to create, and users don’t require extensive training. Secondly, information found in spreadsheets can be changed

■■■ Accounting Software Checkup

easily and quickly. And finally, spreadsheets are extremely flexible, providing unlimited formatting capabilities without development or maintenance support from vendors.

Recognize Areas of Pain

But just because contractors can use spreadsheets for many applications, doesn't mean they should. Some of spreadsheets' strengths—for example, how easy they are to create—are actually weaknesses. When novice users create spreadsheets and no one bothers to examine the logic behind the calculations, it's very likely that those worksheets will contain errors. Another serious limitation has to do with the security and stability of sensitive company data. Since spreadsheets can be easily copied and shared with only limited security, they are open to tampering, which leads to even more undetectable (and sometimes costly) errors.

And what about wasting valuable resources? One of the largest drawbacks of spreadsheet dependency is the time staffers devote to creating spreadsheets and maintaining them. Do any of these scenarios sound familiar?

- ▶ Employees spend so much of their time updating, consolidating and re-entering data onto spreadsheets, that there is no time left to actually analyze the data.
- ▶ Many employees are entering the same data into separate spreadsheets in order to see information the way they like to see it. The company ends up with "islands" of non-linkable data.
- ▶ The person who maintains the company's spreadsheet reports leaves the company/goes on vacation/takes a leave of absence, forcing other employees to spend countless hours trying to maintain the reports that everyone relies on to do their jobs.

The Common Cause of Dependency

In construction, most spreadsheet abusers have one thing in common: insufficient reporting capabilities from their accounting software. Usually, these businesses are using off-the-shelf small business systems, which simply do not have the construction-specific reporting features that contractors need. Because these applications do not integrate data between general ledger, job costing, payroll and other modules, there is no way for users to manipulate their data and see job costing numbers in different ways...except by exporting data to spreadsheets.

As a business grows and the need for more specific financial, management and job cost reporting increases, spreadsheets gradually become less helpful and more burdensome.

A Cure for Abuse

Luckily, there is a cure for spreadsheet dependency. Today newer and more sophisticated accounting software programs—designed specifically for construction and built upon powerful database engines—are available at costs that even smaller contractors can afford. These programs offer a better alternative when it comes to data storage, reporting, efficiency, accuracy and security.

Database systems simply make it easier to store and retrieve data. Information entered once can be linked to other data, creating infinitely greater reporting possibilities. This tight integration of information (from payroll to job costing and general ledger, for example) helps greatly reduce data entry errors. And unlike spreadsheets, construction-specific accounting systems offer other such security features such as data entry validation, customized defaulting, complete audit trails and crash protection technology.

In addition, most sophisticated construction accounting systems contain date-sensitivity features, which allow users to run standard or customized reports for any time period—monthly, weekly, daily or even past years. And with more power and speedy processing capabilities, these accounting systems solve the "too big, too time-consuming" problem that can plague spreadsheets and limit their usability.

Finally, not only can database systems easily handle tens of millions of records, but they also accommodate multiple users, and each user can have different data permissions. Instead of relying on one person to produce spreadsheet reports, losing access to a spreadsheet because someone has the file open, or taking the risk that a template has been tampered with, a database system gives many users access within a secure environment.

Based on the telltale symptoms of spreadsheet abuse, is it possible your company suffers from this debilitating ailment? Fast, easy and extremely flexible spreadsheet applications will probably always have a place within the contractor's office. But if you need up-to-date, accurate job cost accounting information and flexible reporting capabilities, construction-specific accounting systems are just what the doctor will prescribe. ■

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