

Are Spreadsheets Spread

BY FRED ODE

When spreadsheet technology was first introduced more than 20 years ago, financial managers and business owners fell instantly in love with the software. Amazed by the desktop power, they began to create formulas, data cells and worksheets. Over time, their spreadsheets kept spreading and spreading and spreading.

So why do many construction companies rely primarily on spreadsheets to perform their planning, budgeting and forecasting processes? The simple answer is because they can.

In its day, job costing in spreadsheets was fast, efficient and leaps ahead of manual methods. The first spreadsheet program, Visicalc, is actually credited with being the force behind the PC revolution. No other application in the history of computing has had the power to completely transform the way things were done, especially with financials.

Since then, newer and more sophisticated budgeting and forecasting tools (designed specifically for construction) have come on the market at relatively inexpensive costs. Yet despite faster and more productive methods, many financial man-

agers continue to rely on spreadsheet applications for their accounting functions. There are generally three reasons why:

- 1 Contractors know spreadsheets and know how to use them.
- 2 Their software doesn't do all they need it to.
- 3 They are unfamiliar with sophisticated construction-specific software and its capabilities.

SPREADSHEETS DO IT ALL... OR DO THEY?

Among other reasons, people love spreadsheets because they are easy to use, and can be copied and shared with users throughout the company. But those attributes also can be problems. With limited security, spreadsheets are open to tampering that can lead to undetectable errors. Password protection, the only security feature of spreadsheet software, is impractical in offices where many users can access the software. As a result, sensitive company data held in spreadsheets is open to many unauthorized users.

In contrast, most job cost accounting programs as well as other construction-specific applications are maintained in secure databases, designed to handle mul-

ing You Too Thin



tiple users. Reports can be shared and networked without concern about tampering. And unlike spreadsheets, which become unwieldy with large amounts of data, more sophisticated applications can handle tens of millions of records in a multidimensional way rather than as static, non-historical data.

Aside from its other drawbacks, the greatest liability of spreadsheets appears to be the hidden cost of wasting valuable resources. When staff spends their days updating, consolidating and re-entering data into spreadsheets, little time is left for financial analysis. It's simply an inadequate and inefficient way to handle data.

OFF-THE-SHELF SOFTWARE PERPETUATES SPREADSHEET DEPENDENCE

Contractors that replace their manual or spreadsheet accounting tools for an off-the-shelf software package often recreate nearly as many spreadsheet reports. That's because generic software doesn't offer the kind of date-sensitive drilldowns and detailed reporting capabilities contractors need.

Without the ability to integrate data between general ledger, job costing and

other modules, it becomes impossible to manipulate data and see job costing numbers in different ways. People fall back on spreadsheet use and create additional work because these files need to be constantly updated and maintained.

GOOD BUSINESS PLANNING CALLS FOR RELIABLE DATA

Most experts agree, there is still a place for spreadsheets within the financial department, but their use as a tool for budgeting, forecasting and reporting has been outlived and overused. Spreadsheets remain an excellent tool for what-if scenarios, allowing users to quickly develop new ideas or prototypes for growth. They also are helpful at creating specialized reports or ad hoc queries to quickly answer precise operational questions.

But when it comes to budgeting, forecasting and job cost reporting, integrated construction software clearly wins. It's the one place where all company financials can be seen *all at once*. And because the data is stored in one place, it can be examined in hundreds of ways. Each transaction is entered once and flows to other

areas where appropriate. Date-sensitivity features mean customized or standard reports can be run for any time period—monthly, weekly or even daily.

THE BOTTOM LINE WITH SPREADSHEETS

Functionally, spreadsheets possess the power to calculate and formulate information in a number of ways. They're flexible, easy-to-use and can be found on nearly every office PC. Their historical and lasting contribution to business efficiency goes without saying.

Realistically, however, companies need to do their own computations to determine if spreadsheets offer the best view of financial data. When compared to specialized financial software packages, spreadsheets fall flat in such areas as multi-dimensional reporting, security, data capacity and integrity, networking and multiple users.

Now is the time to ask, are spreadsheets spreading you too thin?

Ode is CEO and chairman of Foundation Software. For more information, call (800) 246-0800 or email, fred@foundationsoftware.com.