

# Fifty Ways To Leave Your... Spreadsheet

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*The problem is all inside your head, she said to me*

*The answer is easy if you take it logically*

*I'd like to help you in your struggle to be free*

*There must be fifty ways to leave your... Spreadsheet*

Paul Simon is a wise man. His timeless song, *Fifty Ways to Leave Your Lover*, reminds us of how easy it should be to leave a broken relationship on a purely rational basis, but how difficult it really is to remove ourselves from a situation when we are emotionally attached. This principle certainly applies in the world of risk management. Many people love using spreadsheets for tracking projects and work hard to adapt them for enterprise risk management (ERM) purposes. But when spreadsheets don't work—and they rarely work well—companies have a hard time accepting that a change is necessary and delay the inevitable move to better technologies.

Spreadsheets initially wooed users with the promise of an organized way of tracking and presenting financial information. They can hold a vast amount of data, have helpful built-in formulas, automatic formatting, and graphing capabilities that make some business functions unquestionably more efficient. For accountants and other professionals formerly doing financial calculations manually, the introduction of electronic spreadsheets must have been a godsend. The marriage looked to last forever.

However, people change, and the world moves on. Spreadsheets are still supremely useful to some beholders, but they are not a long-term match for other more sophisticated business functions, such as the ERM process. This is particularly true of ERM programs for financial services companies, where business-unique risk can multiply the complexity of ERM

analysis. Companies may be seduced by the initial ease, low cost and comfortable familiarity of using spreadsheets to capture data, tackle minor analysis, and show off a pie chart or two. But the glow fades quickly as spreadsheets begin to show their hidden faults, true costs, and shallow nature. Then it is time to do a thorough, logical assessment of the relationship and to assess the benefits of moving to a more robust, secure, stable and supportive dynamic database environment specifically tailored to the ERM process.

## 1. Hidden Costs of Spreadsheets

Companies often start relying on spreadsheets for their ERM programs, starry-eyed and with the best intentions, for legitimate reasons—because they already have the software license, staff is familiar with basic functionality, and spreadsheets are deceptively simple to use. But there are hidden faults and costs that significantly outweigh these benefits in a longer term ERM relationship. The more staff involved in the ERM process, and the more risks a company has to track and measure, the less attractive spreadsheets become, because they:

- Do not allow for real-time collaboration and updating of data amongst key staff. Creating multiple workbooks, and routing information to others outside the system, takes significant staff time on a daily basis. Such human costs can dwarf the expense of the initial software program. Assigning items for editing, review or approval is also often done via routed emails with spreadsheet attachments, creating the risk that employees will miss key addressees or participants in the review process.
- Have limited formatting flexibility and lack some basic features of word processors. Viewing and working with data in long rows and columns can be extremely difficult

## There Must Be Fifty Ways to Leave Your...

with the large number of text fields that may be required as part of a meaningful risk assessment. Users typically fail to highlight important or changed data, making reviews over time very frustrating.

- May lead to costly data-quality errors. The increasing size of worksheets as an ERM project develops and grows makes searching for and changing data elements time-consuming and cumbersome. Just one small mistake on a spreadsheet can result in feeder or macro calculations going horribly astray. Users may make changes and forget to tell others, and changes in data may not be adequately tracked or recorded to help fix the problem, making the sheet unreliable.

*Just slip out the back.*

### 2. Spreadsheet Insecurity and Lack of Accountability

Spreadsheets also suffer from insecurity, and lack of accountability, which make them poor mates for ERM. With regard to data security, spreadsheets have limited password protection to either (a) prevent unauthorized users accessing the workbook or (b) prevent users from editing or deleting data that should not be changed. Work is commonly saved or backed-up only when auto-save features are manually turned on, creating a bigger chance for data to be lost. Further, because they are often routed amongst colleagues for revisions, spreadsheets are commonly stored on laptops, CDs, and flash drives—meaning that sensitive data impacting company finances or customer privacy can be lost or stolen. Spreadsheets are a security risk in themselves.

There can also be serious accountability problems. Companies are often engaging in ERM programs to comply with state or federal law. They must be able to establish an audit trail with documentation of exactly WHO identified or controlled a risk, HOW and WHEN it was done, and on WHAT basis was the action taken. Spreadsheets may show what was done, at a point in time, but may have limited memory of significant events in the process—such as risk entries, date and deadline responses, records of key involved staff, or control mechanism changes, over time. Version control in spreadsheets is weak and can be dependent on the enforcement of common edition naming or saving protocols. These protocols are typically outside the spreadsheet itself, not always understood or followed correctly, and are thus highly susceptible to human error. Spreadsheets too often forget anniversaries.

*Make a new plan.*

### 3. Spreadsheets Don't Communicate Effectively

The primary reason for the failure of any relationship or a breakup, whether business or personal, is lack of effective communication. Good communication is a necessary element of a properly functioning ERM program and requires deliberate nurturing in order for ERM to succeed. While spreadsheets have some basic

communication features such as common field formats, charts and graphs, they cannot handle the more complex conversations among users required for ERM. Spreadsheets require much manual formatting and data entry to get to a view of aggregated data, and it is often a challenge to depict ERM data in a static format that is easily understood by management and staff outside of the project team. Workbooks have limited ability to show multiple relationships between totals and individual data points, as compared to relational databases.

As noted above, even communication among an ERM team is limited by the static nature of the spreadsheet. For example, staff may not be able to physically work on a project file at the same time, at least not without significant effort to prevent over-writing or deletion of data submitted by others.

Finally, spreadsheets typically require a more sophisticated, technical user or IT expert to run complex analysis for generating reports for management. Data may not be fully or correctly analyzed from each ERM team member's perspective. As a result, when other ERM participants have limited capabilities to see and use or analyze key data, they may feel less involved in the whole process. They may lose their voice in a marriage to spreadsheets.

*Just get yourself free.*

### 4. Moving from Stress to Satisfaction with ERM-Specific Systems

When you are contemplating a breakup, it can be hard to imagine a life after the separation. It is hard to imagine that life will go on—never mind that it can be even more full and rewarding than it ever was. You have to hope for something much better to get you through the stress and pain. Fortunately, when moving away from a reliance on spreadsheets, there are many clear benefits to implementing a database system just for ERM. These benefits provide a strong foundation for moving forward with a new technology solution:

- Databases created specifically for ERM identification, analysis, and reporting are designed for collaborative workflow. They allow users to work on projects simultaneously and eliminate dangerous email routing of spreadsheets among team members.
- They are built on a platform that eliminates the need to duplicate, cut and paste, and constantly format and re-format data and reports. Their views are highly configurable, customizable, and are generally easy on the eye. Data can be searched and retrieved in a meaningful fashion very quickly. Reports can be more tailored or run automatically. This streamlines workflow and helps ensure timely reporting.

- Analysis of data is highly sophisticated. Many more areas of data can be combined, digested, and aggregated into meaningful summaries, creating new and valuable information that can drive strategic decision-making on such issues as capital planning, business development, and allocation of resources.
- Data fields and standardized metrics can be put into the system, in advance for all users, and may be validated to ensure high quality data control. This also may reduce errors, preventing potentially significant financial loss. Calculations within the program are designed to be pre-set, and help prevent accidental calculation errors. And if mistakes or inaccurate data entries occur, they may be easier to identify and change through a variety of validation reports available in many of today's ERM systems.
- Security levels are also highly configurable, field-by-field as well as for the whole database. Backups can be programmed to run automatically at pre-set intervals to protect data. Version control of data at a point in time is also captured automatically, helping to ensure compliance with audit and regulatory requirements.
- Reporting capabilities are highly evolved. Dashboard reports to Boards, company management, and staff offer clearer pictures of key risks, control successes and failures, patterns, and emerging trends.

*You don't need to discuss much.*

## 5. Parents Approve of the Marriage: Regulators and Auditors Favor ERM-Specific Systems

A couple seeking success in a new marriage often seek their parents' approval, as parents will often see challenges and issues in the dynamic where the couple does not. Companies seek approval from stakeholders. In today's volatile financial markets, regulators and auditors may see challenges and issues in the relationship between spreadsheets and ERM. They have the experience and wisdom to know what can go wrong with a poor partner. Many of these authorities have expressed a preference for more robust technology platforms to handle ERM analysis. In some industries, such as banking and insurance, the decision to use databases over spreadsheets for ERM may be made for the company, via emerging federal and state regulation.

ERM-specific database systems are quickly evolving to comply with a growing range of accounting and regulatory standards, such as COSO and ISO 31000 accounting guidelines; AS/NZS 4360 risk management protocols; SOX Section 404 (Sarbanes-Oxley Act Section 404) internal control standards; and the Own Risk and Solvency Assessment (ORSA) risk management requirements currently promulgated by European regulators as well as the U.S. Treasury and the National Association of Insurance Commissioners (NAIC).

ERM systems provide an *auditable, dynamic, and reliable* repository of information that can be produced as needed to supervisory authorities, auditors or rating agencies looking to evaluate the true strengths and weaknesses of a company. They depict all risks and remediation plans of an organization, consistently across the whole enterprise. They support qualitative and quantitative risk assessments, and highlight both dangers and opportunities for the future. Regulators and auditors appreciate being able to see, too, where the company's true relationship with risk is going—beyond what just a spreadsheet can show.

*Just sleep on it tonight, and I believe in the morning, you'll begin to see the light.*

Breaking up *is* hard to do, but when it comes to effective risk management, transition is inevitable. Spreadsheets are cumbersome, costly and unreliable long-term partners. Selection of a strong, secure and flexible resource to store and analyze data is necessary to the successful future of an ERM program. Companies should seek an ERM program tool or framework that can shoulder both the responsibilities of better management decision-making, and complying with new risk-related laws and regulation. Databases specific to ERM are an ideal match.

*Remember, there must be fifty ways to leave your... spreadsheet!*



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