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The Curse of the Spreadsheet

In my travels around companies involved in the fresh produce industry, it never ceases to amaze me on how dependent the industry has become on the humble spreadsheet. From a system that became crucial in wresting control from the mainframe boys in the eighties, it has currently grown to become a vital management reporting tool in many organisations. In this article, I would like to highlight some of the issues that this can bring from a security and financial control viewpoint. The messages in the article may not be all that welcome. However, we at Anglia believe that senior management is not always aware of the risks to the business of over reliance on spreadsheets.

The spreadsheet has become one of the most pervasive business tools currently in use within business. Virtually everyone who uses a PC has access to a copy. From being used as a simple calculator to checking “what if” scenarios in budgeting, the software performs a myriad of very useful tasks. In response to the variety of applications required to be tackled by the software, authors have incorporated some extremely sophisticated functionality within the system. The enhanced functionality has encouraged users to create highly tailored solutions that now run mission critical operations within the business. Thereby lays the problem.

The reality is that spreadsheets are ripe ground for errors and fraud by their very nature. How often have you come across a set of figures that didn’t look right only to trace the origin back to an error in a spreadsheet? Imagine that your pricing assumptions were contained within a complex matrix set up in a spreadsheet. The impact to the business could be substantial if an error occurred and wasn’t picked up. Suppose that all of your inventory records were stored within such a spreadsheet. With a few keystrokes, it is easy to amend such records that then become the new truth. Furthermore, as older versions of spreadsheets had no audit trails, it is virtually impossible to backtrack to find out who changed the record.

By their very nature, spreadsheets have no built in controls. Entry errors and copy/paste errors are common as there are no controls to prevent such occurrences. There can also be hidden references or external links within a spreadsheet. These may be obvious to the author of the spreadsheet but not to new users who may inadvertently copy or delete the hidden files. Furthermore, in normal use there is very little



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security with a spreadsheet. IT departments normally view spreadsheets as being in the business users' arena and tend not to get involved. The normal quality assurance practices that apply to other software deployments are generally not applied to spreadsheets.

It is easy to see how the spreadsheet culture has grown within the fresh produce industry. The consolidation within the sector has rapidly created much larger business. Many such businesses operated some of the older technology solutions which had good operational functionality but very poor financial reporting. I wish I had a pound for every time I was told recently "I can get the data in but extracting useful financial information in a timely manner is a nightmare". The spreadsheet is an attempt to fill that gap. However, it does lead to the "islands of data" syndrome referred to in a previous article. In addition, it could as outlined pose a risk to the business. Imagine what could happen if the creator of your most complex spreadsheets decided to leave the business.

A number of organisations I talk to have now recognised these risks and, in many cases provide one of the business drivers in the move towards new system deployments. These modern integrated solutions combine powerful fresh produce operational functionality with sophisticated financial reporting. This enables the senior management to access one version of the truth that includes all of the security checks and balances necessary to run a dynamic and fast moving business operation. This relegates the spreadsheet to the role for which it is ideally suited.

The risks associated with spreadsheet errors have been recognised for some time within the IT industry. In 1999, a group called Eusprig was formed to focus on the issues. To learn more about best practise on the use of spreadsheets as well of examples of their misuse visit www.eusprig.org

As they say in crime watch, such incidents are probably rare so sleep well!

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