

TO ERR IN SPREADSHEETS IS HUMAN

GREATER ENTERPRISE CONTROL THROUGH COMPREHENSIVE GRC



INDEX

EXCEL: POPULAR BUT RISKY IN BUSINESS	03
EXCEL IN NUMBERS	03
A PROFOUND GRC STRATEGY BEYOND EXCEL	03
SPREADSHEET RISK: AN OPPORTUNITY?	04
TRANSPARENCY AND MONITORING: IN SEARCH OF A COMPLETE PROCESS	04
SEEING THE LIGHT ABOUT SHADOW IT	05
GRC FROM GBTEC: MODERN, EFFICIENT AND TRANSPARENT	06



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In our Infohub, you can find a variety of resources on the topic of GRC. Our expert information, success stories and whitepapers are sure to meet your demands!

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EXCEL: POPULAR BUT RISKY IN BUSINESS

What do JP Morgan, Harvard University and the British Intelligence Agency M15 all have in common? All three organizations have had painful experiences with Excel and spreadsheets. The one wire tapped the wrong phones due to a formatting error. The others accidentally hid contracts instead of deleting them or made fatal calculation errors. In each case, spreadsheets caused a financial and PR nightmare for the organizations involved. Although the reasons for the failures were all very different, they still share a common thread. Spreadsheets are highly prone to error - and risky in business.

The time has come for organizations to rethink the way they deal with risks and opportunities and build a rock-solid foundation for enterprise management in the future. Yet roughly 750 million people across the globe still use the popular electronic spreadsheet platform according to a 2015 estimate in the German business magazine, Brand eins.^[1] Today, this number is likely even higher simply due to the market share of the spreadsheet program. In its Office Report 2020 on the usage of office software in German companies, Nielsen and Empower show that the majority of employees (89 percent) use spreadsheets.^[2] Needless to say, that number is enormous - and the risk for error among users and for the company as a whole grows alongside it as well.

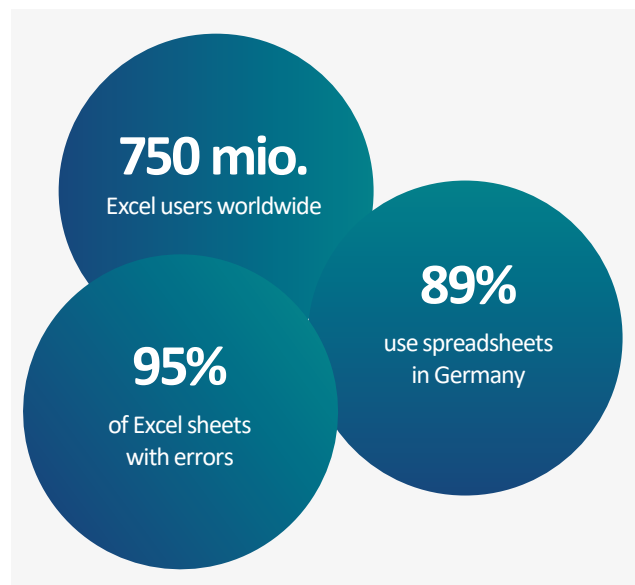


Spreadsheets are prone to error, which can lead to serious problems for companies.

EXCEL IN NUMBERS

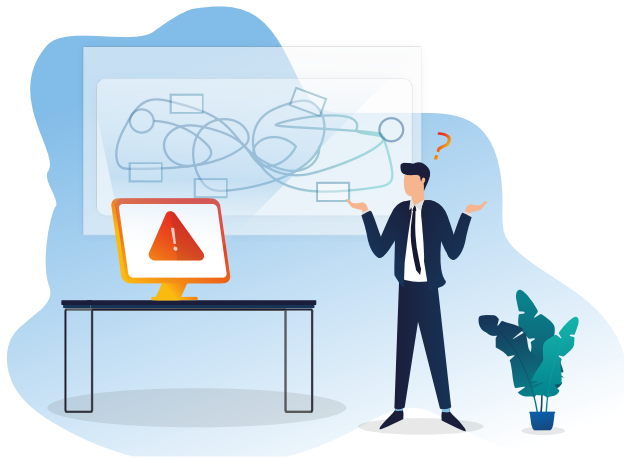
To err is human - and people do make mistakes in all factors of their lives. Among family and friends, little mishaps are often taken lightly. In a business environment, however, they are irritating at best. In a worst-case scenario, unintentional mistakes can pose serious financial or reputational risks. This is clearly the case with spreadsheets according to Brand eins, which exposed that around 95 percent of Excel sheets contain errors.^[3] The software company Alasco estimates a similar magnitude, stating that 88 percent of all worksheets with more than 150 rows contain massive, proven errors.^[4] Just as you can expect people to make mistakes, you can expect to find mistakes in spreadsheets. Yet that still doesn't stop companies from using Excel to calculate, organize and

analyze their data. Why then is the spreadsheet program from Microsoft still so popular? Michael Sena from the consultancy Senacea believes it because Excel has democratized control over data. In a post from March 11, 2021 he stated, "In the 80s & 90s, Excel allowed people to handle and store data without coding. Then its popularity and continuous expansion made it number one software for analytics and office jobs."^[5]



A PROFOUND GRC STRATEGY BEYOND EXCEL

As the numbers show, Excel usage is massive. But quantity and quality are two separate things. Modern enterprise management requires an integrated concept - on every level and throughout the entire organization. Executives today face a complete spectrum of challenges, all in which spreadsheets quickly reach their limitations. Organizations of all sizes and industries are battling a plethora of both external and internal demands in a fast-changing world. In that context, companies must honestly ask themselves a few questions. Does Excel really give them control of their data and power to the people - or does it allow chaos and anarchy to reign? Can it provide decision-makers the insight they need to analyze deep, far-reaching views of risk and opportunity? A risk management expert would certainly say no. The demands are too great for top managers to deal with potential risks and make a real contribution to modern enterprise management.



In other words, Excel remains a risk for planning, as the Business Application Research Center (BARC) concluded back in 2016.^[6] Aside from lacking functions for planning and process management, BARC cites its weaknesses in data quality management and scalability. RiskNET already identified the risk of spreadsheets back in 2010.^[7] According to the portal, processes in Excel are too slow and inaccurate. It further mentioned that data is typically entered and consolidated in Excel and other spreadsheets, which often leads to errors. The results are time-consuming, error-prone and inaccurate, and serve as a poor foundation for management and control. Unfortunately, little has changed in the past decade.

SPREADSHEET RISK: AN OPPORTUNITY?

Spreadsheets create weak links and large gaps throughout process mapping, making it difficult to control potential risks. But this risk also poses an opportunity for organizations. Samuel Brandstätter, Head of Product Line GRC & Managing Director GBTEC Austria, explains, “Excel can no longer handle the rising challenges of a modern, targeted enterprise management in a digital, globally connected business world. And that holds true on enterprise process and management levels as well as in light of vital soft skills related to people and corporate culture. Human resources as well as the interrelated corporate culture are decisive factors that still don’t receive adequate attention in the larger scope of risk management. Instead, organizations attempt to use lists, sometimes even spreadsheets, to measure and rate their own HR structures as well as their strengths and weaknesses based on pure metrics. This is a slippery slope, because the way to address an individual employee in an organization is a very unique process targeted to that specific person and that person alone.”



Failure to identify or effectively manage potential risks



Poor data quality and consolidation processes



Inadequate mapping across entire processes



Blind spots caused by disregard for human factors



High risk in planning due to manual tasks and error rate



Difficult circumstances for enterprise management across the organization



TRANSPARENCY AND MONITORING: IN SEARCH OF A COMPLETE PROCESS

In order to address the known risks related to the fallibilities of spreadsheets, companies need to identify and map external risk factors. This is crucial so that decision-makers can lead their companies through unknown territory in a time of rampant change.

The breadth of these risks range from war, embargos and financial uncertainty to natural catastrophes, production stops and bottlenecks in the supply chain. Aside from these risks, various legal obligations mandate professional governance, risk and compliance management (GRC) in organizations. Companies are required to clearly present their business activities and consequently document and monitor business processes by law.

In Germany, for example, this includes KonTraG (Corporate Sector Supervision and Transparency Act), StaRUG (Corporate Stabilization and Restructuring Act) and FISG (Financial Market Integrity Strengthening Act) as well as industry-specific laws such as the Insurance Supervision Act (Versicherungsaufsichtsgesetz) and the Banking Act (KWG).

These regulations require companies to outline a strategy and establish a system for managing and monitoring risks including early warning mechanisms while providing suitable framework for implementing them. Simultaneously, they are backed by responsible enterprise management that places a stronger focus on sustainable solutions and processes as well as environmental and social factors across all business activities.

EXTERNAL AND INTERNAL REQUIREMENTS IN GERMANY

- ✔ KonTraG (Corporate Sector Supervision and Transparency Act)
- ✔ StaRUG (Corporate Stabilization and Restructuring Act)
- ✔ FISG (Financial Market Integrity Strengthening Act)
- ✔ Industry-specific laws: Insurance Supervision Act (Versicherungsaufsichtsgesetz), Banking Act (KWG)
- ✔ Establishing a risk management strategy including early warning and monitoring systems
- ✔ Addressing environmental and social aspects
- ✔ Declaring responsible management as a corporate objective



Companies must be able to clearly outline their business activities and consequently document and monitor their business processes.

SEEING THE LIGHT: SHADOW IT SOLUTIONS

Knowing that shadow IT is a problem is not enough. Supervisory boards are focusing their attention on disparate IT systems developed in house. In Germany's financial service industry, these so-called shadow IT systems are regulated through BAIT, the Supervisory Requirements for IT in Financial Institutions. BaFIN, the Federal Financial Supervisory Authority, provides a framework for the technological, organizational resources of financial institutions, especially with regard to IT resource management and information risk management. This is due, in part, to the core function of IT in the entire banking system. In its August 2021 circular, BaFin states, "The use of information technology (IT) in the institutions, including the use of IT services supplied by IT service providers, is key for the finance industry and its importance will continue to grow."^[8]

The document goes on to demand even stronger monitoring of information security, specifically: "The management board shall define appropriate quantitative or qualitative criteria for managing those areas responsible for operations and for the further development of IT systems. Compliance with the criteria shall be monitored." This translates into more stringent monitoring regarding the effectiveness of information security measures, responsibilities and controls for information risk management as well as physical information security requirements. It also sends a clear signal for managers to concentrate on these areas and ensure clean IT solutions and processes with proper monitoring mechanisms across the organization - requirements that shadow IT solutions and traditional spreadsheets simply cannot fulfill. Shadow IT solutions pose a permanent threat to internal IT security. In the case of compliance breaches or violations to the EU General Data Protection Regulations, executives are even held liable.



Spreadsheet solutions cannot fulfill regulatory requirements



Inadequate mapping of complex information security topics



Multiple, constant threats to organizational IT security



Risk of compliance and data protection breaches



Insufficient monitoring and control capabilities, no audit trail

Since Excel solutions lack capabilities to map internal and external risks effectively if at all, they are clearly a poor choice for meeting these legal requirements. Accordingly, organizations should focus on solutions that can be used to map the complete GRC process to enable solid enterprise management. Samuel Brandstätter agrees when it comes to viewing the process as a whole. "Many companies still treat corporate strategy, risk management and compliance management as isolated areas," he explained. Accordingly, they often use different methods and systems with no common pool of data. That also means that a modern, integrated system for managing risk and opportunity should always be viewed from the angle of a different process.



For more information visit: <https://www.gbtec.com/resources/grc-software-tool/>

GRC FROM GBTEC: MODERN, EFFICIENT & TRANSPARENT

The ability to completely manage risks starts with a comprehensive GRC strategy that lays the foundation to face arising challenges and steer the business to success. This is so critical because the implementation of a solid solution and process can lead to a valid risk assessment as well as a clearer view of opportunities.

BIC GRC from GBTEC offers a modern solution that efficiently supports the entire GRC process.

Professional software is necessary to sustainably meet challenges and seize opportunities. In comparison to GRC management in Excel, BIC GRC empowers companies to:

- 1 Ensure a resilient, sustainable competitive advantage
- 2 Safeguard the ability to function and upholding processes, internal guidelines and requirements
- 3 Protect corporate value (material and non-material) against negative influences
- 4 Fulfill legal, regulatory and standardization requirements on the company
- 5 Foster ongoing improvement by creating an independent watchdog to recognize shortcomings
- 6 Implement strategies for sustainable, value-driven business development

BIC GRC gives companies a digital, automated GRC tool to solve, monitor and control all tasks in risk management. Organizations can use the solution to unite the most important systems related to governance, risk and compliance. This avoids redundancies and improves collaboration across different departments and teams.

The workflow-based GRC software makes each step of the risk management process more transparent including compliance with internal guidelines and statutory guidelines.

ABOUT GBTEC

We are motivated by the firm belief that digitalizing GRC processes in a sustainable way drives the success of innovative organizations. Our efforts center on anchoring these processes efficiently in everyday business activities and corporate culture. We achieve this through our GRC software BIC GRC, which offers clients a choice of flexible custom or standard solutions, with minimal implementation work and fully adaptable to each company's unique needs.

With BIC GRC, we provide a tool that helps our clients achieve goals reliably, cope with uncertainty, act with integrity, and continually improve the maturity of their organizational GRC processes. The world's largest and most successful energy providers, insurance companies, banks, telecommunications companies, and retailers place their trust in us and manage their GRC processes with BIC GRC.

For more information visit: <https://www.gbtec.com>

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