



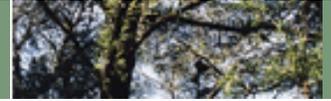
The Buttonwood Group



Usability Survey Results

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Key Findings/Executive Brief



The standard for “usability” has been set by Apple’s i-Pod and Amazon.com - not by Excel and spreadsheets. As a result, line manager’s expectations for ease of use are very high, and are not being fully met at this point. This has led to a significant amount of shelfware. **In fact 2/3 of all licenses for budgeting/planning systems purchased for non-finance managers go unused.**

[Click here to go to “Usability Outside of Finance” & learn more](#)



Enterprise planning/budgeting systems have not improved the costly budget error and omission rate, which generates non-value added rework. Errors are often driven by miscommunication and misunderstandings between the finance person filling out the budget template and the line manager spending the money. **Unless the enterprise planning system is used by line managers,** the opportunities for miscommunication and misinterpretation perpetuate.

[Click here to go to “Process Quality” & learn more](#)



The people spending the money are not the ones budgeting their spending. In 90% of companies surveyed, the Finance department plays “middleman” and fills out a budget template for line managers. Yet in the 10% of companies **where line managers do build their own budgets and complete the budget form, the rate of errors and omissions drops considerably;** reducing rework.

[Click here to go to “A Rarely Practiced Best Practice” & learn more](#)



Nearly all budgeting and planning applications mimic the look and feel of an Excel template, but **the majority of line managers are not Excel literate enough to use it to build their budgets.** This probably is a contributing factor to the 2/3 of budgeting and planning seats that go unused.

[Click here to go to “Managers are Not Excel-ing” & learn more](#)



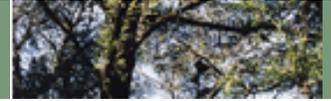
Almost a full day of training is required, on average to use planning and budgeting systems. This includes time to learn how to log in and navigate the system, create and submit a budget, and run a report comparing budget versus prior year spending. People outside of Finance are **unlikely to invest that amount of time,** and this probably contributes to the high degree of shelfware experienced today.

[Click here to go to “Training Requirements” & learn more](#)



Taking a fresh approach, vendors both large and small are working to address the “shelfware issue” by developing powerful front end budgeting tools that think more like managers than accountants. **The next generation of budgeting tools will have more in common with plain English applications like Turbo-Tax than spreadsheets.**

[Click here to go to “Re-imagining Budgeting” & learn more](#)

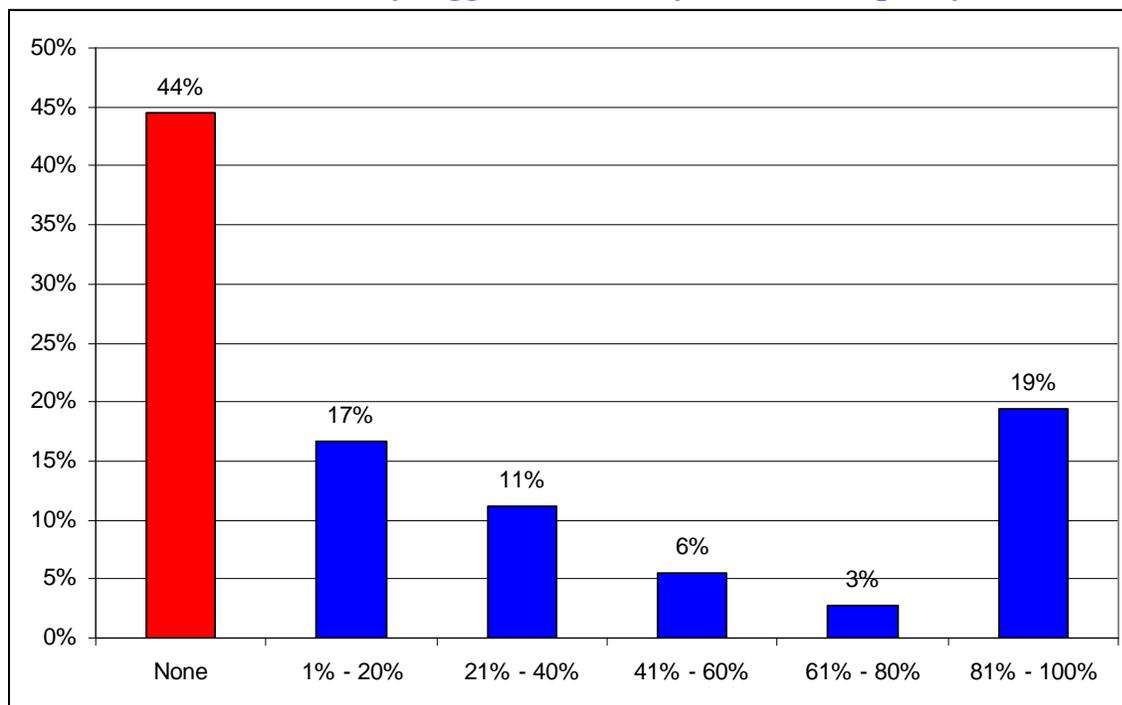


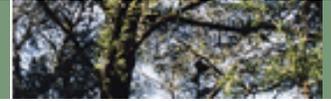
Usability outside the finance organization

The study examined what percent of non-finance employees who received a license to use the budgeting/planning application actually logged into the system in the past year.

44% of companies reported **complete failure** to get anybody outside of Finance to actually log into the system in the past 12 months. Looking across the board, on average 2/3 of all seats purchased for non-finance managers go unused.

What percent of the non-finance users for whom a license was purchased for have actually logged into the system in the past year?

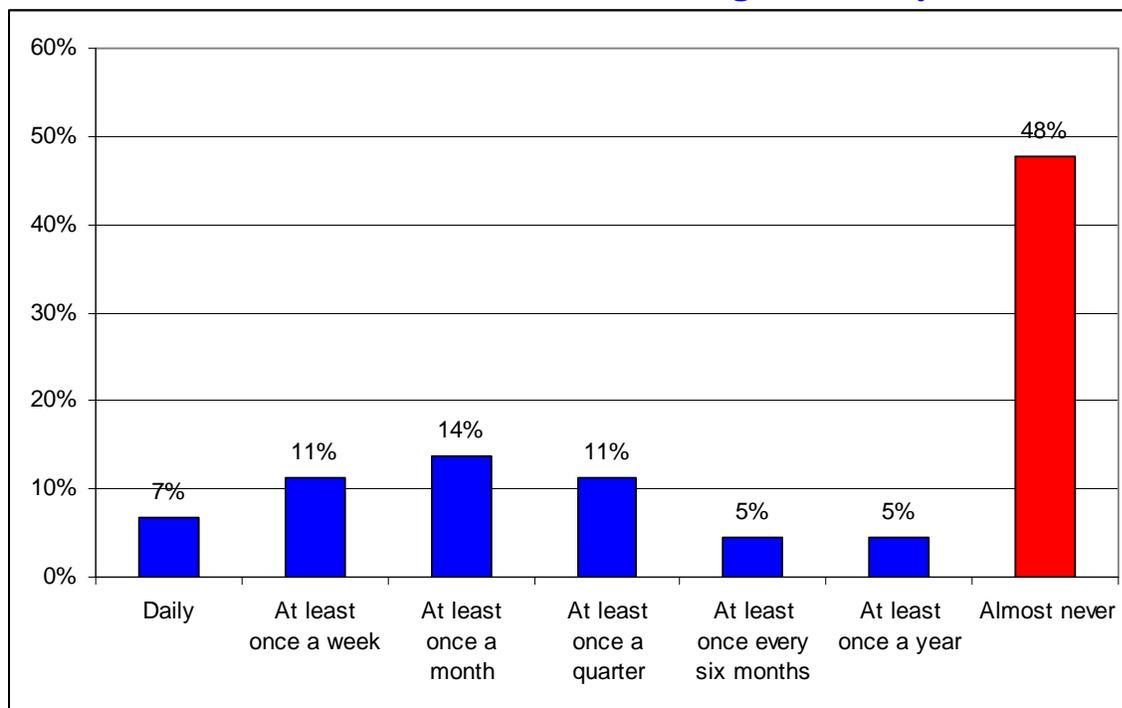


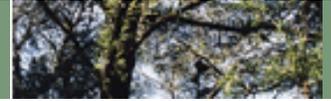


Usability outside the finance organization (continued)

The study also examined how frequently non-finance managers used the system. As expected, these systems are used less frequently by non-finance professionals. In fact, close to half the companies reported that users outside of Finance “almost never” log into the system.

How often do non-finance users log in to the system?

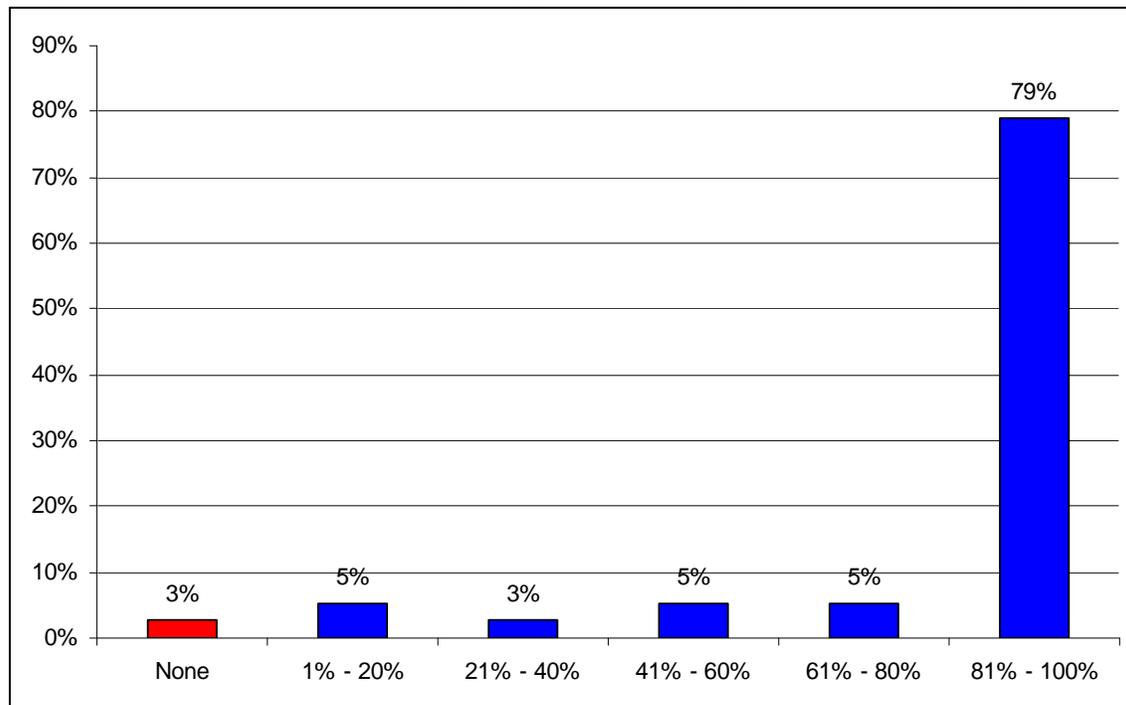


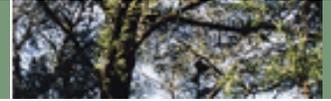


Usability inside the finance organization

The Finance staff, on average, seems to find budgeting and planning applications quite usable. The Usability Survey shows that in the vast majority of companies surveyed, more than 80% of Finance users have touched the system (and only 3% of companies report that “nobody” in Finance has logged in during the past year).

What percent of the finance and accounting employees that a license was purchased for have actually logged into the system in the past year?



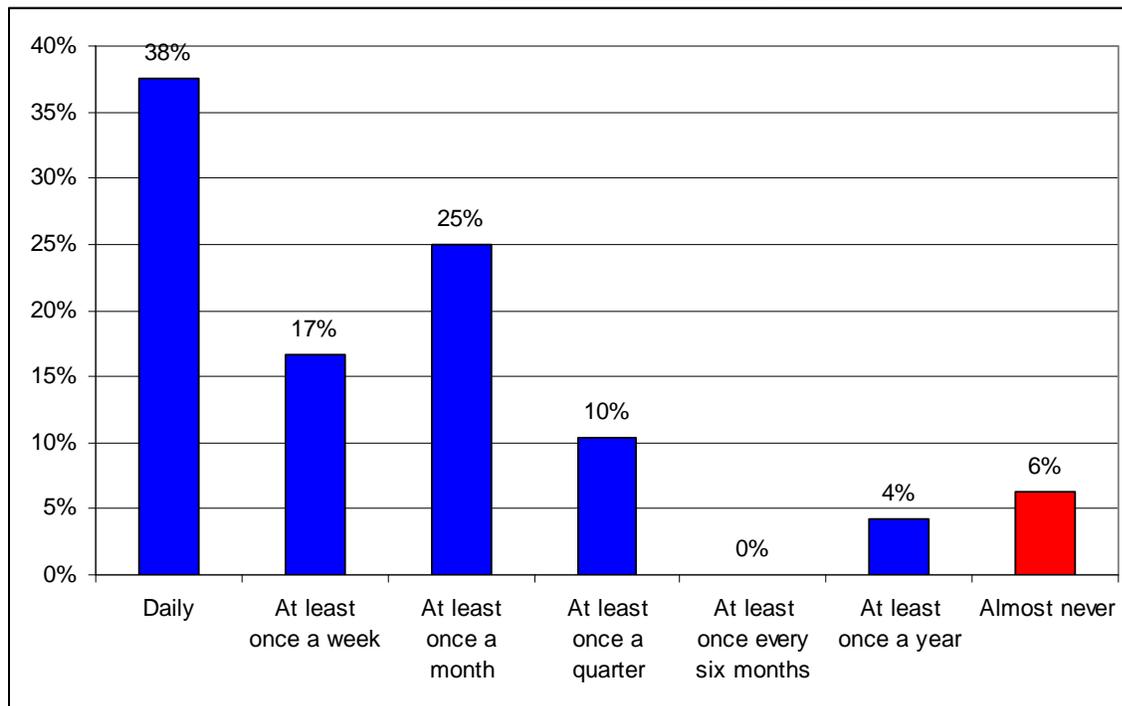


Usability inside the finance organization (continued)

The other way to assess usability is in frequency of use. Here we see that in more than a third of companies, the finance staff is using the system on a daily basis; while 17% of companies report usage on at least a weekly basis.

Just 6% of companies report that finance/accounting users “Almost never” log into the system.

How often do the majority of finance/accounting users log in to the system?





Process quality

It may be surprising that companies that have invested in planning and budgeting applications do not experience a lower rate of budgets submitted with errors and omissions than companies using only Excel. But there may be an obvious explanation. There are two very basic reasons why budgets contain errors or omissions:

Type 1 Errors: *Incorrect formulas and calculations*

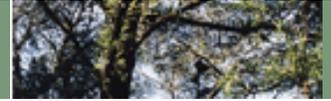
Type 2 Errors: *Misinterpretation/miscommunication between the person keypunching the budget into the budget form and the actual budget holder*

Accountants and finance professionals tend to focus on Type 1 Errors. This is hardly surprising given their training and natural inclination (not to mention what they do every day). This is a “left side of the brain” focus.

However, there are just as many opportunities for errors relating to “right side of the brain” activities. **Communication (or the lack thereof) can be the root of many problems related to the budget.** For example, a cost center manager may tell the finance person keying in his budget to “take my travel budget up by 5%”. The finance person interprets that request and increases the travel budget by 5% over the latest forecast; while the cost center manager wanted it increased over the prior year budget.

In most companies (close to 90%) the finance staff keypunches the budget into the system. They communicate with the actual budget holders; interpret their needs and requests; and incorporate them into to the budget spreadsheet/template.

Since finance people are focused on making sure that formulas and calculations are correct, Type 1 Errors tend to be managed and controlled to some degree even without a commercial planning application. As a consequence, when a company does invest in a budgeting application, there isn’t tremendous room for improvement in Type 1 Errors, at least if the finance staff had been doing their job all along.



But Type 2 Errors are another story. All of the opportunities for Type 2 Errors that had existed with Excel stubbornly remain.

While Type 1 Errors may be moderately reduced by purchasing a Corporate Performance Management (CPM) system, a company should not expect to see a major reduction in Type 2 Errors -- *if the finance staff is still keypunching the budgets*. Another survey result reinforces this point. In the approximately 10% of companies where line managers *do* keypunch their own budgets, rather than having someone on the finance staff do it for them, the percent of budgets submitted with errors or omissions declines *significantly* (from **40% down to 28%**).

Why explains this? These companies have cut out the need for a middle man and reduced the opportunity for Type 2 errors. Furthermore, there is also more clarity around who's really responsible for the budget; and consequently there is a greater sense of personal **accountability and ownership**.

The lesson is not that investing in a CPM system is a bad idea. The lesson is that unless the system will move the task of budgeting more to the actual budget holder, no material reduction in errors and omissions can be expected.

It is clear that budgeting/planning systems have a low acceptance rate among non-finance users. It is equally clear that the finance staff is keying the budgets into the system on behalf of budget holders. Just 10% of all the companies surveyed said that line managers key in their own budgets. This same percentage holds for those companies that implemented a planning/budgeting system other than Excel.

If the investment in a new budgeting/planning application does not lead to more people outside of Finance keying in their own budgets, the miscommunication and misunderstandings that drive Type 2 Errors will be just as frequent as before. This not only is common sense, but is borne out by the statistical results of the survey.



A Rarely Practiced Best Practice

It is an often cited best practice that “the people who spend the money should budget their spending”, but this practice is rarely seen employed. Some 90% of the companies surveyed report that the Finance department keys in the budget (i.e., types the budget into the budget form) and just 10% report that line managers complete their budget forms.

For budget purposes, a Finance department will typically create a budget form listing general ledger accounts down the side and listing the months in columns. Each department receives a template, and when they are all filled out, these templates are consolidated.

Accountants tend to think in terms of general ledger accounts, and hence the budget template. But **line managers** tend to think in different terms when they construct their budgets. For example, a manager may want to budget for 5 trips, each with some transportation, lodging, and meals expense. Or another manager might want to budget for a special project requiring consulting, software and meeting expense. That same manager might have another project with similar expenses, and wants to keep all that spending straight. **There is an endless array of examples of how a manager’s thinking does not fit into the confines of an accounting budget template.**

The answer, as any **accountant** will tell you, is Excel. It offers endless flexibility. But an application “that can do anything” can be intimidating to people who don’t use it every day (see [Managers Are Not Excel-ing](#)). Starting with a blank canvas on which anything can be painted, “where do I start?” is often the first question.

The reality is accountants are very familiar with the budget templates and the application they are tied to (Excel or a more sophisticated enterprise planning system). They are much more familiar with them than managers in Marketing, Operations, Human Resources, Legal, Engineering, Research, etc. As a result, accountants wind up filling in the budget templates on behalf of line managers. This leaves ample room for misinterpretation and misunderstandings, which drives a nearly 40% error rate.



A rarely practiced best practice (continued)

In approximately 10% of companies surveyed, line managers actually key in their own budgets. The result is a **dramatic reduction in the rate of errors and omissions** (from nearly 40% down to just 28%) as the need for a “middleman” is mitigated.

Another benefit of having line managers do their own budgets is that they are in a better position to explain monthly variances to budget (and they are more likely to actually take on that task). In contrast, for the 90% of companies where Finance keys in the budget, it's Finance who has to explain budget variances. Since the person doing the actual spending (the line manager) has only an abstract understanding of what was in his budget to begin with, he can not be relied on to provide a material variance explanation – this puts Finance personnel in the uncomfortable position of having to speculate, or even fabricate, variance explanations.



Managers are not Excel-ing

Excel is the most common interface for budgeting solutions. In fact, every company uses either Excel for budgeting, or an application that is designed to mimic the look and feel of Excel.

Specifically, budgeting and planning applications present users with a budget input form that contains a grid: rows of general ledger accounts & descriptions, and columns of time periods (usually months). This budget form may be just an Excel spreadsheet, or it may be a browser input sheet of an enterprise CPM system; but in virtually all cases it is comprised of a grid of accounts and time periods.

Why have all vendors chosen to mimic Excel in their look and feel?

First, the conventional wisdom is that “everybody knows and likes Excel”. As with many examples of conventional wisdom, that turns out to be unsupported by the facts on the ground. Since nearly all budgeting tools look and feel like Excel (by design) and 2/3 of licenses go unused, that’s a good indication that users aren’t comfortable with the interface, or simply don’t like it.

But there is an even more compelling finding of the survey. Participants of the survey were asked if their non-finance budget holders could complete specific tasks in Excel ***without creating an error.***

While everybody might “know Excel” the survey indicates that not everyone is adept at using Excel. Keeping in mind end users such as Marketing Managers, or H/R Directors, or Plant Managers, or Sales Directors, or Engineers, or Researches, this may not be surprising.



Managers are Not Excel-ing (continued)

If half the non-finance budget holders are not Excel literate, giving them an Excel spreadsheet, or a budget form that looks just like Excel in an enterprise planning application, will not be successful. This is borne out by the experience of companies where 2/3 of all licenses for non-finance budget holders go unused.

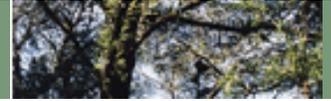
The second reason why vendors have adopted the Excel grid as the industry standard is because of history.

Early spreadsheet tools like VisiCalc and Lotus 123 were designed to look like an accountant's green pad: columns and rows. Many features were built around this interface, but at the center of it all was a green grid.

Excel brought spreadsheets to a whole new level of sophistication, but they are still anchored tightly to the common grid interface.

Planning and budgeting software vendors adopted the Excel grid interface as a standard, back when they were first developed in the 1980's and have stuck with it ever since. Given that these tools were primarily sold to accountants, this seemed natural (even prudent).

History, coupled with conventional wisdom, can create assumptions that people no longer question. In this case, "Everyone knows and like Excel, so use that interface for budgeting." Unfortunately, 2/3 of non-finance users have not bought in.



Companies reported that **half or fewer** non-finance budget holders could complete any of the following tasks in Excel without creating an error (and **fewer than a third** could complete all of them) rendering Excel an error prone and sometimes exasperating budgeting tool for these users.

Generic Excel Task	Real world budgeting example where this task would be needed
<p>1) Create a formula that references a relative column but an absolute row</p>	<p>TRAVEL 6000760 appears in row 67. I want to budget that expense at \$1,000 per head per month. So I enter the monthly headcount number in row B. Then I type in a formula that references row B, but since you are applying it to multiple columns (months) I need to make the formula relative to the column, but absolute to the row.</p>
<p>2) Link a formula in one spreadsheet to a number in another spreadsheet in the same workbook. E.g.: =(500*Headcount!C20/12)</p>	<p>I created a separate spreadsheet in the same workbook to build up my headcount number (with employees coming and going). I would like to reference that spreadsheet in my TRAVEL expense formula to budget \$1,000 per head. To accomplish this I would need to link a formula in one spreadsheet to a cell in another.</p>
<p>3) Copy and past values without pasting formulas</p>	<p>I want to make SOFTWARE MAINTENANCE expense 18% of my SOFTWARE LICENSING expense. Since I have built up my SOFTWARE LICENSING expense by project and created a sub-total for it, I want to copy the resulting values and not the formula itself.</p>
<p>4) In a worksheet column that contains multiple sub-totals and a grand total: Insert rows and a new sub-total, then adjust the formula for the grand total</p>	<p>There is a line for SEMINARS 5000234 appearing in Row 23, and I want to budget for 3 separate Seminar events. I need to insert three rows and create a sub-total, then adjust the grand total.</p>



Training Requirements

On average, it takes a full day to get a manager trained on how to use one of the enterprise planning applications offered by vendors today. In the table below you can see the common budgeting tasks a manager needs to complete and the average training time required:

How many hours of training would be needed for a non-finance user in your company to learn each of the following tasks?

Log into the system securely	1 hour
Navigate to the appropriate budgeting screen	2 hours
Enter his/her budget	3 hours
Run a report and compare budget to prior year spending	2 hours



Re-imagining Budgeting

According to the survey, improving usability with non-finance users and encouraging them to do their own budgeting has a **significant payoff**. Specifically, a sizable reduction in the rate of errors and omissions; and the rework that follows. This translates into shorter cycle times and a reduction in man hours spent in non-value added work. The softer benefits include greater ownership and accountability, and ultimately better managers and a more effective allocation of resources.

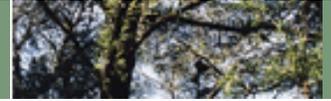
The key question remains: How do we get the people who spend the money to budget their spending?

There are two answers. One is to provide them with the right tools, and the other is to provide them with training. **The optimal solution combines both recommendations** – provide users with a tool that can actively assist them in the process of creating and budget while providing real time Budgeting 101 training. That may sound like a stretch, but well established companies are making some important advancements that may help pave the way forward. For example:

- **SAP's Express Planning** breaks down the planning process into a few major tasks, and users click the task they would like to do next. Thoughtful consideration has been given to what the right progression of tasks is, and that is precisely what users see. <http://www.SAP.com>
- **Microsoft's Office suite for Vista** features some very useful innovations to improve usability. Drop-down menus and toolbars are replaced by a "ribbon" loaded with options that dynamically change according to what you are poised to do next. This helps make applications like Excel easier to navigate and use for casual users (which happens to be the vast majority of budget holders). <http://www.microsoft.com>
- **Hyperion's Workforce Planning** software is a special-purpose planning tool. It is designed to simplify the planning of workforce and workforce related expenses, such as bonuses, fringe benefits, overtime, and merit increases. <http://www.hyperion.com>

One innovative start up company, **XLerant** (<http://www.XLerant.com>) has developed what some have referred to as "the i-Pod of budgeting" called **BudgetPak** that uses plain English prompts to actively guide managers through the process of building a budget in less than 30 minutes. Depending upon the budget holder's choices and selections, a full blown cost center budget is produced. No training is required, and users get the benefit of **real time Budgeting 101 as they go through the process** of constructing a budget. That makes it easy for them to understand their costs, how their budget was created, and what the big levers are. Unlike the enterprise planning vendors listed above, BudgetPak is an open system that is designed to snap on to existing planning and financial systems. BudgetPak provides them with solidly grounded budgets right from the front lines, and is fully compatible with Excel.

Of course, no matter what application is used, a budget is only as good as the thought behind it. The key to getting good budgets to begin with is making it easy for the people who actually spend the money to think about their spending and their needs, in managerial rather than strictly accounting terms.

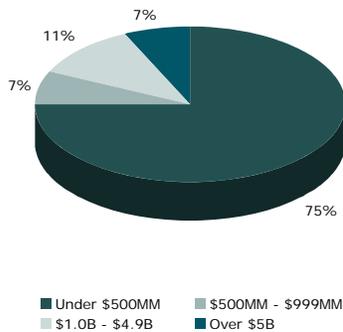


Survey Background & Demographics

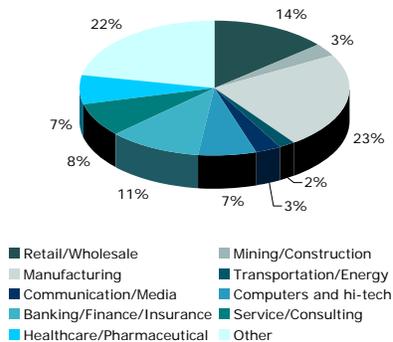
In the fall of 2006 the Buttonwood Group and CFO Magazine teamed up to survey 150 companies on the usability of their planning and budgeting systems. The high level results were published in the January 2007 issue of CFO Magazine.

Demographics of participating companies

Company Revenue



Industries Represented



This report provides a more detailed view of the survey results, both in terms of the findings across companies; as well as in terms of the individual vendors covered in the survey (including Hyperion, Cognos, Extensivity, FRx, Clarity, OutlookSoft, Applix, QuickBooks, PeopleSoft, Prophix, Business Objects, Adaptive Planning, Oracle, BudgetMaestro, and others).

Who has invested in commercial planning systems?

Roughly 60% of all the companies surveyed use only Excel, for the planning and budgeting needs. The remaining 40% have invested in applications to assist in planning and budgeting (these systems are often referred to broadly as Corporate Performance Management or CPM systems).

So who's investing in CPM systems? Not surprisingly, the answer is larger companies.

Looking at the averages in the survey, the companies that are using exclusively Excel for budgeting and planning have under 1,000 employees and have approximately \$200 million in annual sales.

The companies that have invested in CPM systems have on average 3,000 employees and have approximately \$1.5 billion in annual sales.

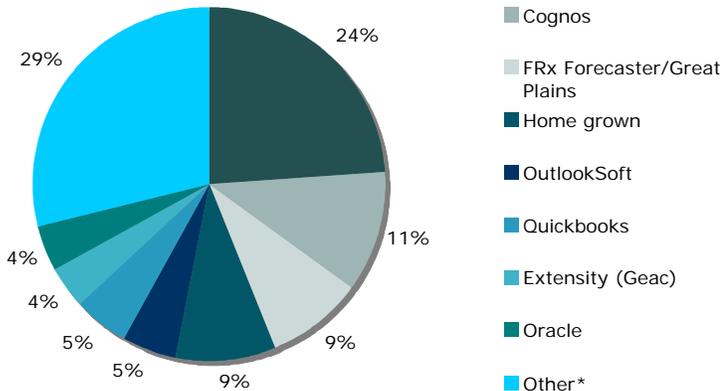
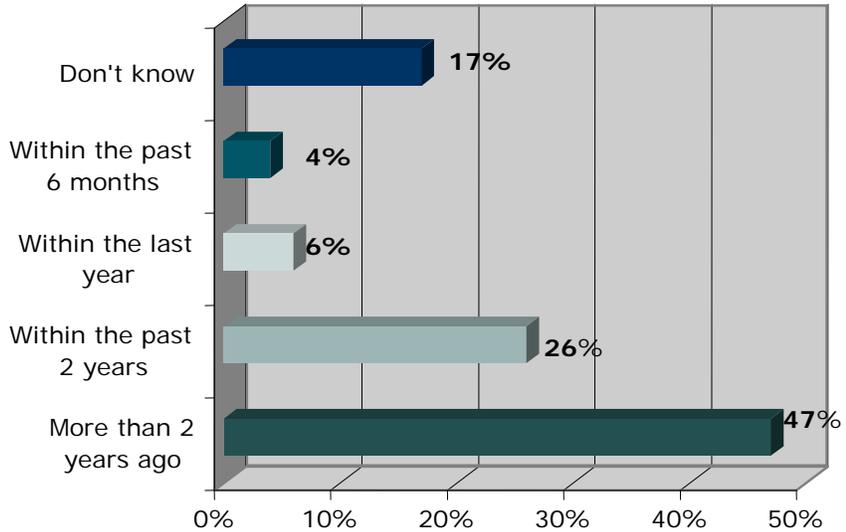
There are outliers of course. The largest company surveyed that is using Excel exclusively for budgeting and planning has 15,000 employees and \$3 billion in annual sales. The smallest company surveyed that has invested in a CPM system has fewer than 50 employees and does approximately \$25 million in annual sales.



Budgeting/Planning applications purchased

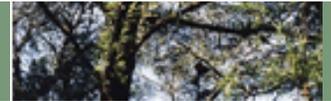
Roughly 40% of the companies surveyed had purchased a system, other than Excel, for budgeting and planning. The majority of these companies are well past the “birth pangs” of a new system, and have had them up and running for a couple of years. These are experienced users.

When was your system purchased?



Hyperion and Cognos are two of the highest selling software vendors in the planning/budgeting space, and they were among the most used applications in our survey. However, Microsoft's offerings (FRx, Great Plains) also proved popular as well as “do-it-yourself” homegrown applications.

* Adaptive Planning, Applix TM1, Blackbaud Financial Edge, BPS, Budget Maestro, Business Objects, Clarity Systems, Clickbase, OSAS, Passport, Peachtree Accounting, Peoplesoft, Premier Budgeting, Prophix, SBT, Visual



Sample Survey Results: Home Grown Systems

(Summary results for the vendors surveyed are available. Contact info@buttonwoollp.com to learn more)

Number of companies surveyed using this application	5
For Finance managers whom a license was purchased for:	
<i>Percent of companies reporting that “0%” of licensed users have logged into the system during the past 12 months</i>	None
<i>Percent unused seats (finance users)</i>	14%
For Non-Finance managers whom a license was purchased for:	
<i>Percent of companies reporting that “0%” of licensed users have logged into the system during the past 12 months</i>	None
<i>Percent unused seats (non-finance users)</i>	40%
Percent of non-finance cost center managers, responsible for a budget, that were granted a license to use the budgeting application	16%
% of budgets submitted with errors or omissions higher/(lower) than the overall average of 39%	Higher
Based on the survey results, the average number of hours of training a user requires to learn how to:	
<i>Log into the budgeting/planning system</i>	1.5
<i>Navigate to the appropriate budgeting screens</i>	1.5
<i>Enter his/her budget</i>	2.0
<i>Run a report and compare to prior year spending</i>	1.5
TOTAL	6.5
In a typical month, what percent of non-finance line managers directly provide plan versus actual variance explanations <i>without requiring</i> assistance from finance/accounting staff?	None
Do cost center managers key in their own budgets using your budgeting application?	
<i>Percent of cost center managers who <u>do not</u> key in their own budgets</i>	80%
<i>Percent of cost center managers who <u>do</u> key in their own budgets</i>	20%