



Don't make the spreadsheet mistake

The case for using compensation software to reduce errors while saving time & money

Annual compensation cycle and monthly reviews are an ongoing challenge for most organizations. Bleary-eyed employees on your compensation team work over 60 hours per week preparing for the annual compensation cycle. They pour over the spreadsheets that track your compensation and rewards. At best, they track every penny that goes out, relying on formulas and macros. At worst, they let exhaustion win out, and just hope everything adds up.

Does this sound like your company?

You may have noticed more errors lately, and more complaints from employees – i.e. incorrect paychecks, missing bonuses, and unfulfilled promises. This is just the small stuff. Errors could be, and will be much worse if your current process continues on.

The simple truth: managing your company's compensation through spreadsheets is dangerous. It's not if, but when, the system will fail you and cost your firm a shocking amount of man-hours and money. It's not if, but when, a hacker will break through your thin password system and steal all your employee information.

Thankfully, there is another option. It involves the practice of using secure, web-based, centralized compensation software, instead of spreadsheets, to manage your company's total compensation. This practice reduces errors, improves security and saves your organization time and money.

Fewer bleary-eyes. Fewer late nights. System accuracy. More security.

Risks of using spreadsheets

Microsoft Excel was not built to handle the intricacies of enterprise-level compensation operations. Spreadsheets limit a company's ability to execute analytics in depth. They are also error-prone and require a great deal of manual intervention for setup and upkeep. According to Ventana Research, 34 percent of organizations said they find major data errors in the most important spreadsheet they use. A further 18 percent said they find major errors in formulas. 38 percent of research participants said they've found errors in payments to employees. Yet less than 25 percent of those participants perform audits to locate spreadsheet calculation errors. Ultimately employees lose confidence and trust in management's ability to handle compensation processes.¹

A University of Hawaii study found that a whopping 88 percent of Excel spreadsheets contained some type of error. Almost 40 percent of those surveyed in this study found errors in employee paychecks.²

What is most alarming are the security risks. Email is an unprotected communication method. If your employees email sensitive materials to one another, a hacker a world away can access it with a phishing scheme.

Security threats to your compensation information are everywhere

The risks of hacking don't just happen in the office. Do you have employees who travel often? Free WiFi is a hacker's dream. When using or sharing a spreadsheet while connected to public WiFi, a hacker can steal it. The Norton Cybersecurity Insights Report announced that 594 million people globally were victims of cybercrime in 2015. It is reported that over 20 percent of Americans have had their email hacked.³

The formal name for professional hacking is "Business Email Compromise" or BEC. "Executive impersonation" is the most common form. A hacker will pose as the CEO and send an email to finance saying, "Please send over the 2016 salary data." The hack succeeds when the HR and finance departments jump to attention, respond, and send the information.

Unfortunately most data breach incidents happen within an organization. According to Verizon's 2015 Data Breach Investigations Report, about 50 percent of all security incidents are caused by people inside an organization, while 30 percent of all cases are due to worker error, like delivering sensitive information to the wrong recipient.⁴ Also, many employees either don't know you can password protect spreadsheets, or just don't feel it is necessary to do so. Breaking a spreadsheet out, growing it to an unmanageable size, and merging two or more together can also lead to errors and internal risk. These are common business scenarios that every company can relate to.

Who needs compensation software?

Chances are your company is a prime candidate for compensation software. If your company's compensation structure is complex and dynamic, you need the flexibility of a software system. If your management needs real-time access to comp data for auditing, a software system can provide that for you.

If your firm is analytics-focused you should be using compensation software versus static spreadsheets. According to Ventana Research, more than 9 out of 10 organizations use spreadsheets exclusively or regularly for compensation. Yet two-thirds of that group said that relying on spreadsheets makes it difficult to produce accurate and timely analytics.⁵ ***Why continue to use something that isn't working?***



While Business Email Compromise (BEC) is always a threat, 30 percent of data breach incidents that happen within an organization are due to worker error.

These same research participants rated dedicated applications significantly better than spreadsheets in handling modeling and analytics-heavy processes such as financial budgeting, capital budgeting and sales forecasting.

Research from Ventana also shows that more companies are looking towards compensation management products than ever before, with 76 percent reporting that compensation and talent management systems are important or very important, and lack thereof is the most widespread impediment to successful compensation management.⁶

Cost and time savings for using compensation software

Some firms, even large ones, are reluctant to champion automation because they believe it's expensive. In fact, the opposite is true. The cost and time savings an organization may realize from using compensation software can be extensive. First, as we've discussed, software reduces or eliminates errors. This saves the company from overpayment and extra man-hours to fix the problems. Survey respondents said they spent approximately 12 hours each month consolidating, modifying and correcting the spreadsheets they collaborate on with others and reuse frequently.

Even if you use a homegrown software system instead of Excel, the cost of development and upkeep can be exorbitant. Engineers need to maintain and upgrade the software, and managers need to train employees as new iterations of the system are deployed.

In addition, the savings on labor costs are high. Research from a recent study by the Society of Human Resource Management highlights numerous case studies in which labor costs were reduced by using compensation management tools. One organization from that study reported a 65 percent decrease in time spent on salary planning processes.⁷ Not only did this reduced time result in cost savings, but it also ensured that employees were paid on time. It's factors like these that lead to increased employee retention.



Benefits of using compensation software

We have examined the inherent risks of using spreadsheets for your compensation planning. We've also looked at what types of businesses may need compensation software. Now, in addition to the reduction in time, costs and errors associated with day-to-day compensation planning, administration and management, let's review the many additional benefits that utilizing software will provide.

- **Workflows are cut down** through compensation automation and employees gain more time to tackle other business objectives.
- **Management compensation across a decentralized environment** is supported; however, comp software allows for control by maintaining oversight at a corporate level.
- **Up-line managers can review, approve or reject** recommendations from a down-line manager. Instead of sending unsecure emails back and forth about raises, bonuses, or overtime approvals, the system will create custom alerts. Cumbersome workflows can then be streamlined or eliminated.
- **Audit and access controls** for regulatory protection are enabled. If management needs information with a quick turnaround for regulatory compliance, that task is simple.
- **Real-time reporting and analysis** is available to firms who use analytics, "What If" modeling scenarios, or big data to examine current practices and aid in future compensation decisions. According to Ventana Research, in more than 68 percent of organizations, people spend the largest part of their time on data management tasks: preparing data for analysis, reviewing data for quality and consistency and waiting for data; just 21 percent spend the majority of their time on analyzing that data.⁸ To improve the effectiveness of compensation analysis and reporting, organizations should improve their access to data and address issues that undermine data quality.

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Being the internal champion for automation at your firm has its benefits as well. It does not mean your job will become obsolete. In fact it's quite the opposite. The additional man-hours gained by automation will allow employees to move their department forward. Productivity soars when less time is spent managing spreadsheets and internal systems. Automating often leads to modernizing other aspects of performance management as well, which is easier to do when you are comfortable with technology.

Why review your compensation practices now? It's not just an annual process – every day of the week there are compensation challenges that affect your business.

A good compensation management program is pivotal to your company's success.

It will help you not only attract the best talent, but retain and motivate each employee to do their very best. When your employees perform at their highest level, your company as a whole succeeds.

About COMPOSE by Decusoft

COMPOSE by Decusoft is a specialized compensation management software solution that simplifies the administration of complex variable pay programs including Merit, Bonus, Short-term and Long-term incentives. **COMPOSE** is not a modular software suite like other traditional human capital management solutions. However, **COMPOSE** easily integrates with existing ERP, HRIS, financial and human capital management solutions allowing you to leverage your investment in existing processes and systems.

COMPOSE includes modeling capabilities, a workflow approval process, full audit capability, proxy functionality, flexible user preferences, enhanced filtering and sorting, real-time summaries, the ability to manage multiple metrics, and comprehensive total compensation reports.

For more information, see contacts below.

Sources:

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