

White paper

Spreadsheet risk: The closing bell?

The inherent risks in using
spreadsheets to manage investment
data, and how to mitigate them.



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Spreadsheets remain essential tools for many investment entities. However, the risks associated with their use, especially when dealing with data from disparate systems, have become more apparent. This white paper explores these risks and how AlphaCert's powerful investment data management platform can help you mitigate them effectively, enabling better investment decisions and outcomes.

What is spreadsheet risk?

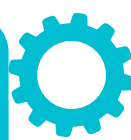
Investment decision-making has always focused on generating alpha, but transparency is now equally critical. As Kristian Fok, CIO of Cbus Super, has noted:

“Increasingly, there is greater scrutiny around how we go about doing our business and a demand for more transparency and clarity over how we make decisions. At the same time, judgement calls are being made as to whether we are making decisions for our own purposes or for members' interest.”

This increased scrutiny has a significant impact on investment data – how it's managed, who sees it, and the role it plays in decision-making. It's crucial for data managers to employ means that are as low-risk and accurate as possible. Spreadsheets have traditionally managed a significant amount of investment data, despite growing concerns about IT governance and data integrity.

The term ‘spreadsheet risk’ refers to the potential adverse impacts resulting from spreadsheet use, particularly when data comes from varied sources without a single source of truth.

The flexibility of spreadsheets, combined with a lack of controls, heightens these risks. It's with that theme in mind that we've put together this white paper to help you understand the inherent risks in using spreadsheets to manage data, and how to mitigate that risk.



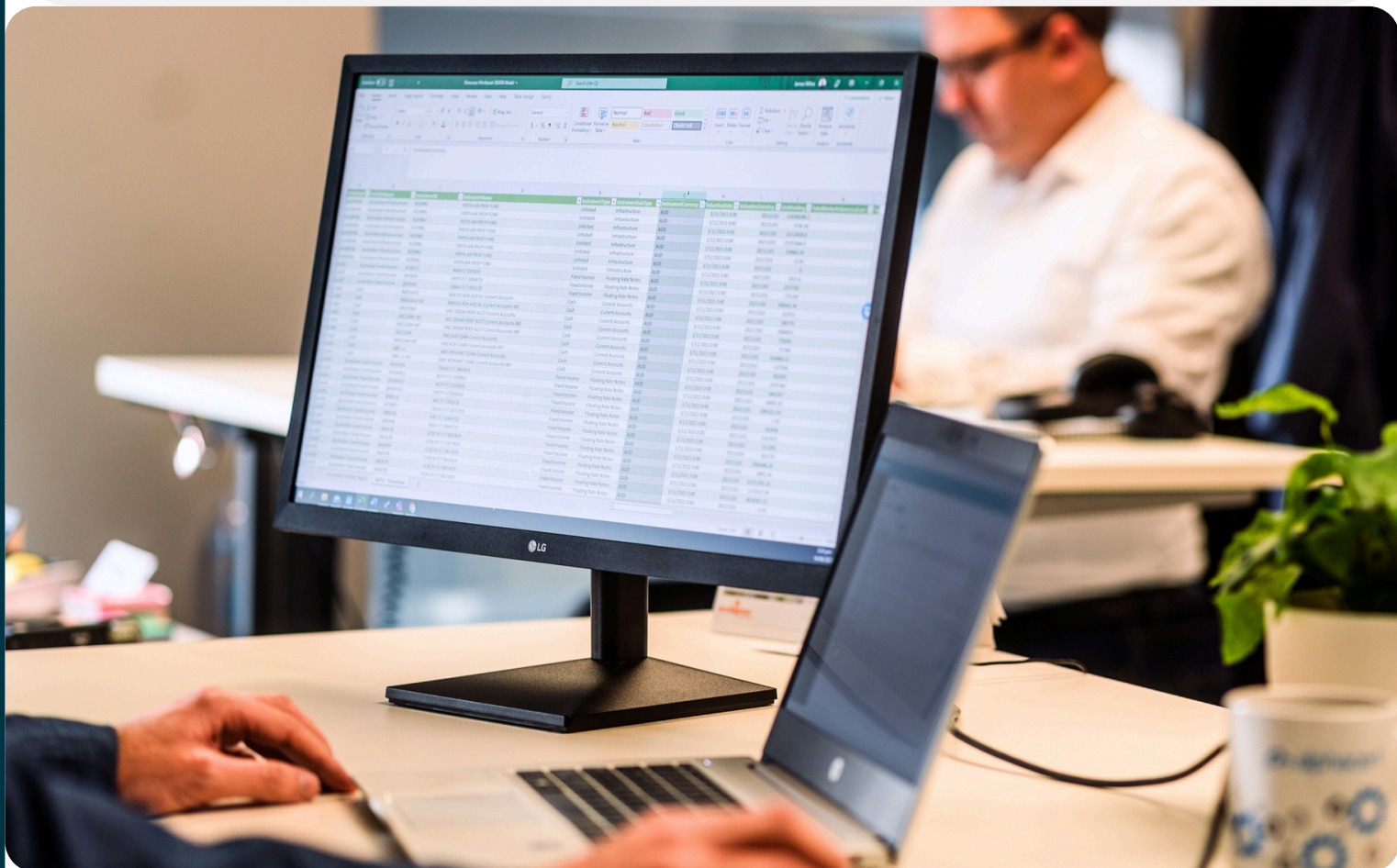
How widespread is spreadsheet use?

Spreadsheet use is prolific in the investment management sector. In our experience, there isn't a fund not using spreadsheets for managing data, at some level. And that's because they do have a role to play. As mentioned above, the spreadsheet has stood the test of time, and it's not realistic that any investment-based business could do away with them entirely.

For investment managers, a primary risk for managing data is the manual process dependency for any spreadsheets that don't have a direct link into a data management system.

Although it's unrealistic to eliminate them entirely, reducing reliance on spreadsheets is a desirable goal. However, this requires concerted efforts to mitigate the risks inherent in their use.

AlphaCert's modular solutions can help you achieve this by automating manual tasks, reducing risk, and providing the data you need with speed and accuracy.



The two main risk factors

Data integrity

Investment data comes from multiple sources across disparate systems, often compiled and managed using spreadsheets. This data can evolve very quickly, leading to:

- **Lower quality data:** The variability and rapid changes can degrade the quality of the data.
- **Significant costs:** Poor data quality can result in costly mistakes when making investment decisions.

If you're leaving the creation of spreadsheets up to individuals, the integrity of your data can be compromised. When manual updates are done by several different people in the business, that risk of error increases.

Time

Another major concern with the manual manipulation of spreadsheets is the significant amount of time it consumes.

When any process relies on individuals to frequently pull in data, collate, and validate it, it becomes incredibly time-consuming. This manual handling not only slows down operations but also increases the risk of errors and inconsistencies. Over time, the cumulative hours spent on these repetitive tasks can detract from more strategic and value-added activities, impacting overall productivity and efficiency.



Why is data integrity critical?

Single-person dependencies

A critical macro in a spreadsheet is often only understood by one person in the company. When they leave, their knowledge often doesn't get transferred adequately. This can lead to:

- **Reduced data quality:** When macros require editing, the lack of knowledge transfer can cause significant issues.
- **Operational risk:** Critical daily processes should never rely on one person, especially with multiple manual touchpoints.

Anyone who plays a key role in spreadsheet processes should be able to go on holiday, fall ill or resign, and the process still continue. It's a mistake to rely on one individual – to have that single person dependency – when it comes to managing critical daily spreadsheets.

Challenges with version control

When there are multiple stakeholders trying to contribute to a single repository of information (in this case – an excel spreadsheet), then slicing and dicing information to arrive at decisions, it is very hard to maintain version control. It is harder still to avoid duplications of information and effort.

Security and audit trails

If there is indeed wrong information fed into a spreadsheet, whether by mistake or intentionally, there are no audit trails that may lead to the identification of the source.

Spreadsheets are also more prone to be inadvertently shared outside an organisation, and are less secure in the event of a cyber-security breach.



The time factor

An investment manager's time is best spent on doing what they do best - making investment decisions for the funds they're managing.

For those decisions to be successful, managers need to have absolute confidence.

It's not good practice for those managers to be:

- Spending significant portions of their day in the process of manually collating and validating data.
- Managing spreadsheets instead of investing in the business and making quality decisions.

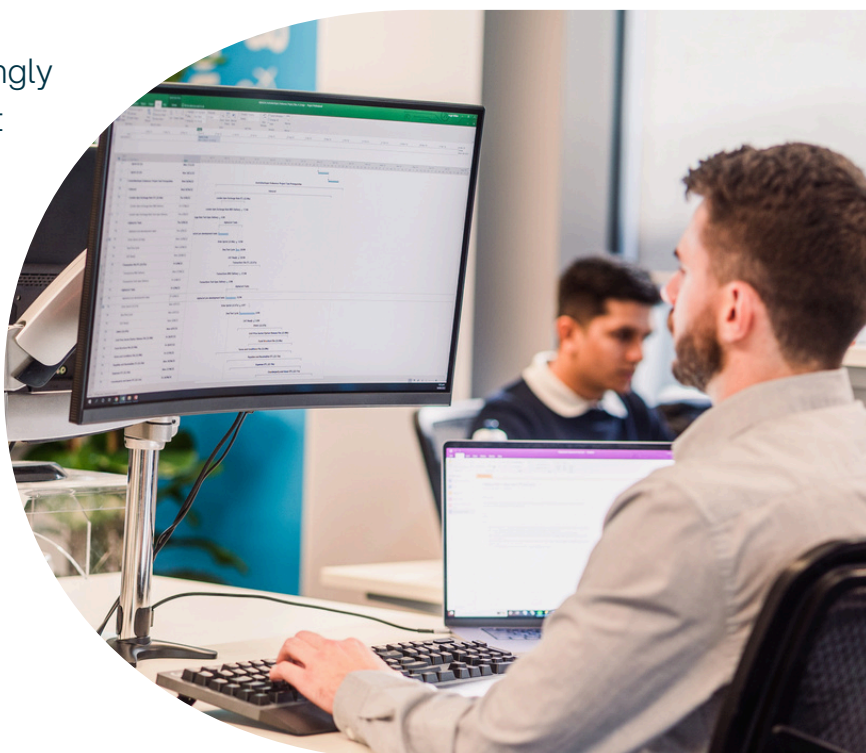
The time they spend managing spreadsheets is time they're not investing in the business and making quality decisions.

“You will never ‘find’ time for anything. If you want time, you must make it.”

Charles Buxton

Spreadsheets are not inherently designed as collaboration tools, making it an inefficient way for multiple people to share data and insights.

As investment organisations increasingly try to get their back, middle and front office functions working more seamlessly, widespread use of spreadsheets can be a barrier.

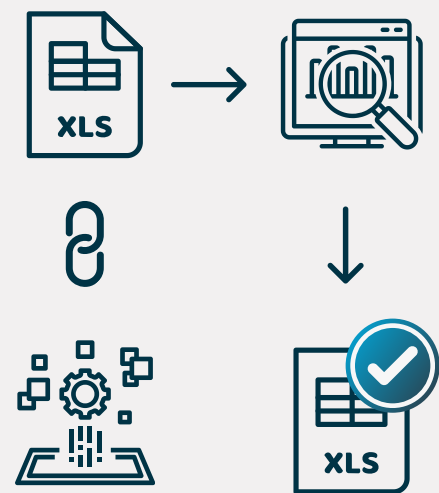


How can you mitigate spreadsheet risk?

Spreadsheets do have a role to play in any investment business - there's nothing to be gained from eliminating them entirely. But those spreadsheets should be used judiciously; with good processes, and linked automatically with an investment data management (IDM) platform.

Automating the process and creating a 'single source of truth' will ensure that investment decisions are more timely. Not only that, but business processes will become streamlined and operate more efficiently.

This will result in more time being spent on decision-making, which will lead to better returns. Investment data management teams have a very important role to play in exposure and risk reporting, threshold tolerance, data accuracy, data reliability, and providing portfolio trends and analysis.



Why integration matters

Moving to a platform that can integrate with multiple data sources and third party systems will ultimately lead to greater automation and streamlined business processes, and should be a key business strategy.



Case study

An AlphaCert client used to receive 27 different spreadsheets from their third-party suppliers on a daily basis. They would copy and paste these into a central spreadsheet to perform daily reconciliation and daily processing activities - a very manually intensive process.

We've automated the process of loading those 27 spreadsheets into the AlphaCert platform. Now, it's more secure, with a clear audit trail. Historical data can be stored, backed up in the cloud, and easily accessible by multiple users.

This also means you can create extracts directly into your existing management reporting templates using the Excel OData link.

Prior to implementing AlphaCert, the client had struggled to meet regulatory requirements on a quarterly basis, as their existing data feeds were non-standardised. By addressing data standardisation with AlphaCert, they have achieved numerous efficiency improvements, including:

01

Timeliness of daily cash reconciliation

This enhancement ensures that there is always sufficient funds to transact, reducing the risk of transaction delays or errors.

02

Customised reports

By replacing traditional spreadsheets with customised reports, they were able to reduce manual work and improve data security.

03

Single source of truth

With improved data quality and process automation, the team experienced a significant increase in time for value added analysis.



A way forward

If your investment management business relies heavily on spreadsheets, consider these steps to transition to an IDM system:



Identify the spreadsheets that are used for critical decision-making processes.



Clarify and document all of the risks associated with the spreadsheets your business uses for data management, and establish which spreadsheets pose the biggest risk, and which need greater security, version controls and backup.



Confirm that the IDM platform you're considering will address the issues previously faced with the use of spreadsheets.



Ensure standardised processes are used across the business so they can be integrated into the IDM system.



Determine if your existing investment data and processes could be improved and refined with best practices that may come coded within the new IDM system.

AlphaCert simplifies investment data management with automated solutions that reduce risk and deliver accurate data quickly. By integrating various data sources, it creates a single source of truth, helping you streamline operations and make better investment decisions with confidence.



Looking ahead

Take the first step towards streamlining your investment data.

Book a demo and in our discovery call, we'll discuss:

- Your most immediate challenges with investment data
- Your reliance on spreadsheets and internal data solutions
- Key-person risks in your operations due to data knowledge silos
- The impact of increasing data complexity from ESG and regulatory requirements

[Schedule a demo](#)

