

Questions & Answers from the IBM Cognos web seminar “Best Practices in Rolling Forecasts”



Cognos Software

Conquer market volatility with more agile planning and forecasting

Information for you about the value of rolling forecasts and other performance management strategies



Question 1:

Do companies build different driver-based forecasts for dissimilar business units or use a "one size fits all" approach?

Answer:

It really depends on the company and the nature & number of business units they have. If the business units have different dynamics (e.g. they operate in different industries, or sell into different markets) then it is probably appropriate to develop models specific to those business units. Many of our customers adopt this approach, and use our simple linking approach to connect the models and give a corporate overview. IBM Cognos solutions encourage this modular approach.

Question2:

How can I get started with this? We have very complex processes and it would take a long time. Is there a recommended approach?

Answer:

We have a Performance Management implementation roadmap with 4 steps; Automate, Drive, Extend and Advance. Customers most often start with a specific focus on the first two steps; automating processes to relieve the burden of manual spreadsheet-based processes, and then driving the use of best practices such as focussing on the correct level of detail and driver-based forecasting. The most successful customers start with a small project that can be delivered in around 15-30 days; once this is up and running and people see the value, then the project team often gets the go-ahead to branch out into other areas – either expanding geographically or into other functional areas (e.g. from Expense Forecasting to Sales Forecasting).

Question 3:

Any thoughts/ideas on improving forecast accuracy within the sales organization?

Answer:

Forecast accuracy is a very important metric that a large number of companies are looking at. It measures the difference between the actual result and the number that was forecast a certain number of weeks or months previously. Some companies are now starting to design reward schemes that mix the attainment of absolute sales targets (for example) with measures of forecast accuracy – since you usually get what you measure. Other companies start by measuring & monitoring forecast accuracy on a formal basis for the first time, and use reports and dashboards to broadcast the data to give visibility of variations in forecast accuracy. Once these variations can be understood, then formal targets can be put in place to raise the accuracy of all forecasts towards the level of the best performers.

Question 4:

How do you overcome the strong resistance to move away from accounting level detail?

Answer:

We are certainly experience that reaction when we talk to customers; people want to have more detail, but they also concede that it sometimes removes focus from the most important things. We have seen successful companies move away from such detailed templates; individuals can still build up their forecast using more detail if they wish, but it is up to them. We recommend that organisations focus on items that are both material to their business, and/or highly volatile. All other items could be managed through ongoing monitoring and trending, without necessarily having someone actively forecast them.

Question 5:

You mentioned other success factors during the presentation – could you describe some of those?

Answer:

In today's presentation, we focussed on the time horizon & update frequency; the use of agile models; and the use of scenarios. Our most successful customers also ensure that a broad base of people participate in the forecast process - not just those in Finance; they also recognise the cultural issues affecting forecasting, particularly when targets and reward schemes are set with reference to a fixed annual budget. We are happy to explore these issues in more detail in our free of charge Rolling Forecast Workshops. Please contact us at cicpm@us.ibm.com for more details.