



New Approaches to Forecasting in Today's Turbulent World

Imagine sitting down at your desk in October 2007 to develop a forecast for the price of oil as an input to your 2008 planning process. After a few iterations, you draw a graph that shows a steep incline from \$45 a barrel to \$147 by the middle of 2008, followed by an even steeper decline to \$35 by the end of the year. How do you think your boss would have reacted if you had presented him with such a scenario as a basis for building your 2008 plan? What if you had forecast in March 2009 that the Mexican economy would shut down for a week in April due to the outbreak of the H1N1 virus?



Today, the reality of business is stranger than fiction and it is causing many managers to question traditional planning and forecasting techniques. The norm is for companies to develop very detailed forecasts (often a redo of the annual budget) three or four times a year, as dictated by the accounting calendar. But today's markets move so quickly that infrequent and static views of the future, such as these, are not only useless, but dangerous. There is a real risk that managers will take the simplistic trend-based projections of future performance and make key business decisions. Ask yourself, how well do the 2007 results serve as proxy for 2008?

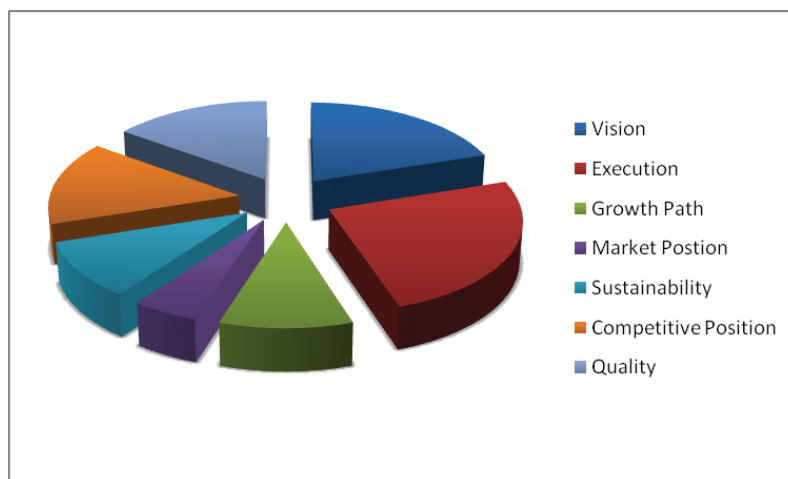
Even the best companies acknowledge these challenges. In October 2008, Apple CFO Peter Oppenheimer commented that, "visibility is low and forecasting is challenging." This statement is a polite way of admitting that he has absolutely no idea what the future holds. In a world characterized by increased volatility, uncertainty and risk, the traditional approaches of five-year strategies, detailed annual budgets, quarterly forecasts and monthly reports are obsolete. Forecasting has become very challenging, yet when executed correctly, it stands as one of the most valuable decision support tools available to managers. So how do the "best" adapt their forecast processes? This paper will explore how savvy companies are changing their forecasting philosophy to better respond to today's volatile climate and highlight critical steps for improving your forecast quality and managing the changes process.

A New Philosophy: It's Not About Getting It Right—It's About Making Faster, More Confident Decisions

First we must understand that the objective of forecasting in today's turbulent world is not to be right. No one has a perfect crystal ball. Predicting the future remains, by definition, an exercise in being wrong more than being right. After all, how many forecasts accurately predicted the global economic meltdown during the latter half of 2008?

One could argue that market forces, which reward short-term success and punish short-term failures, contributed to the 2008 mortgage crisis. Would lenders have leveraged themselves so drastically in subprime loans had they not been pressured to keep up with the market expectations of aggressive short-term growth? Would they have evaluated risk differently if they had been focused on vision and sustainability? We may never know the answers, but we can hope a trend toward the increased importance of long-term strategies emerges.

In a move that both recognizes short-term volatility and focuses on long-term sustainability, some major companies have begun to abandon or drastically modify the external earnings forecast they provide to investors. General Electric and Wal-Mart have joined Coca-Cola and Google in limiting the guidance they provide, focusing instead on long-term strategic goals and the actions taken in support of achieving them. This trend undoubtedly stems from the realization that volatility results in forecasts of little if any value. Rather than deliver an uncertain forecast and be punished for missing the mark, these companies seek to strategically plan their business. To paraphrase one industry analyst, these moves will force investors to evaluate a company on strategy. Analysts must now truly understand an organization's vision, path to growth, ability to execute, position in the market, sustainability, competitive position, quality of products or services, and other key success criteria. In other words, they must evaluate an organization on all of its merits not just on a quarterly earnings forecast.



Analysts Must Now Evaluate an Organization on All Its Merits

The real value of forecasting, as Peter Schwartz wrote in his 1991 book, *The Art of the Long View*, is “not an accurate picture of tomorrow, but better decisions about the future.”

Think of your forecast as the business equivalent of the GPS system in your car. After you set a course and a destination, the system provides immediate feedback when you deviate from the planned course. It provides insight as to the corrective actions you need to take and updates the anticipated arrival time at your destination based upon your rate of progress. The more sophisticated GPS systems will also warn you in advance of hazards ahead as well as suggesting alternative routes. Effective forecasts are the GPS of your business.

Five Critical Steps to Improving the Quality of Your Forecast

For many organizations, forecasting remains a time-consuming, very detailed extrapolation of past performance into the future. The failure of this approach has become clear over the last two years. So how can managers develop useful, credible forecasts in today’s turbulent world? It is not as hard as you may think. Five simple techniques can rapidly improve the quality and accuracy of your forecasts:

1. Recognize that your predictive ability declines the further out you look.

- Express forecasts in ranges that reflect your confidence level. The broader the range, the less confidence should you have in the numbers and the less reliance managers should place on those numbers for making critical decisions.
- Match the level of detail to your predictive ability. The further out you project the less detail is valid.
- Adjust the time horizon of the forecast. If you can only develop an accurate view for the next ninety days, don’t try to develop a six-quarter rolling forecast.

2. Business as usual does not exist anymore. The past is not a good predictor of the future.

- Avoid forecasting the future by simply looking at the past. Gary Kelly, CEO of Southwest Airlines, offered the following advice, “What I have to guard against is using previous downturns as a road map and assuming that, ‘Oh, yeah, things are going to happen just like they did in, say, 1991.’”
- Use tools such as scenario and driver-based forecasting to assess how your business will perform under a range of different future conditions. For example, how will your business look if oil averages \$40, \$100 or \$175 a barrel over the next three years? What will be the impact of a thirty-percent change in a key exchange rate over a 90-day period? How flexible is your cost structure to a ten-percent decline in revenues over a 12-month period (151 companies or thirty-one percent of the Fortune 500 for 2008 suffered a real decline in revenues)?

3. Add additional insight to your forecasts.

- Identify the real drivers of changes in the forecast. Explaining a change in terms of volume, rate or mix does not identify the underlying cause. A sales volume variance could be caused by competitors under cutting your prices or by a production problem that caused a decline in inventory levels leading to “stock-outs.” The action to be taken is different depending upon the driver.
- Communicate the upside and downside of factors which may influence results, but for which you have insufficient data to forecast the exact magnitude or timing of their impact. For example, you are aware of a potentially favourable lawsuit settlement, but have little insight as to the timing or value of the settlement.

4. Let the real-time flow of business drive the forecast.

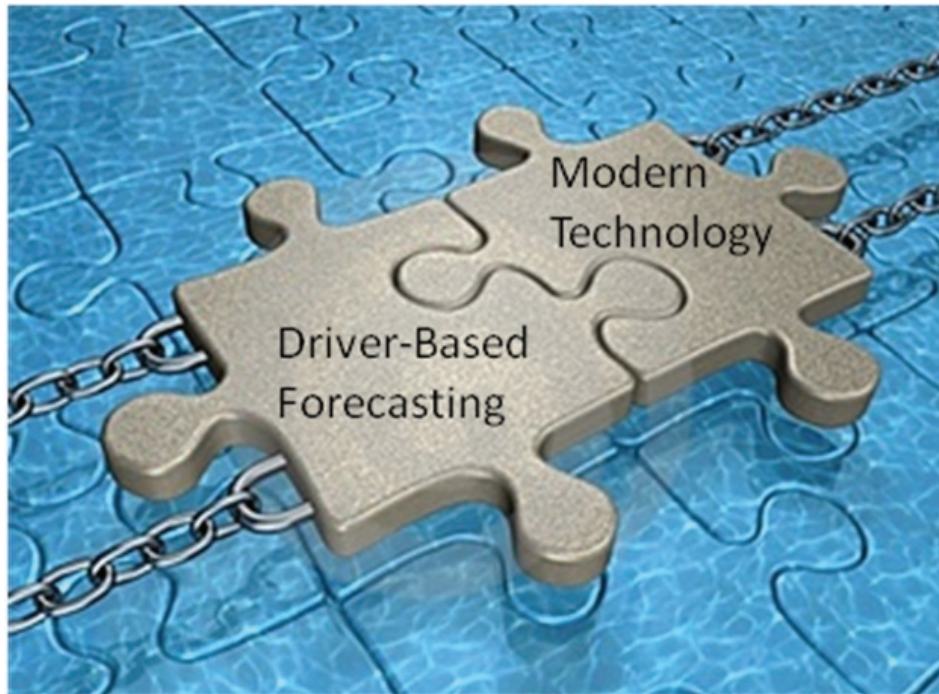
- Decouple the forecast from the accounting calendar. Don’t wait for the quarter to end and the books to close; forecast when you need to. In other words, forecast when the market tells you things have materially changed from your previous view.
- Change your forecast frequency based upon changes in the market. In response to the current economic uncertainty, fast-food chain, McDonald’s, has instructed its UK managers to look at key data which tracks customer buying patterns, competitor traffic and local employment data every two weeks instead of just once or twice a year.

5. End the tyranny of the spreadsheet.

- For 25 years, the spreadsheet (first Lotus 1-2-3, and now Excel) has been the tool of choice for forecasting but it simply cannot cope with the speed, volatility and complexity of forecasting in today’s world.
- Find time for professional staff time to focus on understanding the underlying drivers of current and future performance under a range of different scenarios; an essential step toward making faster more confident decisions.
- The good news is that today’s advanced performance management systems offer a higher level of support for best practices than any previous generation and implementation can be both timely and cost effective.

The best companies are already putting these principles into practice. Southwest Airlines updates its revenue forecast on a daily basis but only looks out thirty days. American Express assesses the continued relevance of all its projects on a quarterly basis. Proctor and Gamble revisits its budget on a monthly basis to ensure it incorporates the latest market insights, McDonalds reviews its expansion plans in volatile markets on a bi-weekly basis. The current downturn will separate the great from the merely competent. One differentiating factor will be the ability to develop credible, risk-weighted forecasts accompanied by rich analysis of business drivers that allows the best to capitalize on emerging opportunities and mitigate risks.

We recognize that some of these methods might seem radical, but there is little doubt that the same old way of thinking is not longer good enough. Admittedly, some organizations are not in a position to simply abandon their current processes. These changes require a shift in culture and doing so without careful planning could prove disastrous. Two approaches that can facilitate the change process and assist in modifying behavior are adopting driver-based forecasting and modern technology. Described in the following sections, driver-based forecasting, enabled by best-practice tools and technology, offers the promise of dynamic, real-time management that allows managers to make faster, more confident decisions in these turbulent times.



Facilitating Change through Driver-Based Forecasting

The purpose of this paper is not to provide a dissertation on the definition of driver-based forecasting methodologies. Rather, we will explore how the merits of driver-based forecasting can be used as vehicle enable quality decision making and confident, timely business management.

We have made the argument that the main purpose of forecasting is to support decision making by applying various scenarios to the forecasting model. Yet we have also argued that an organization must be quick to react to today's volatile environment. Achieving this agility is nearly impossible given the way most forecasting processes are managed. Many existing forecasting models are focused on generating balances for general ledger accounts and/or income statement line items. The process allows for inputs from many contributors, each of whom may have his/her own set of assumptions, collection of inputs, and consolidation process. The entire process may take weeks or months. One recent study revealed that seventy-five percent of all forecasts take longer than six business days to complete. Forty-nine percent take longer than ten business days. How can an organization reduce the timeline for this process? Driver-based forecasting is one solution.

With a driver-based forecast the collection and consolidation processes are greatly reduced, because the business model is defined in the forecast system. Changing the forecast based on changes in the economic or market conditions simply requires changing the values of the drivers. Consider a simple example of a mortgage lender during the sub-prime crisis. When credit becomes scarce, a lender may change its funds-transfer pricing, or cost-of-funds assumptions. When scarce credit is accompanied by a drop in the consumer confidence index, the lender may also change its assumptions regarding the number of loan applications it can generate. These changes can be input into the planning system at a branch level, for instance, and automatically consolidated to provide an updated forecast in a matter of hours.

Another advantage of driver-based forecasting is the ability to perform scenario forecasting. Using scenario forecasting allows an organization prepare for a variety of possible future business conditions. Remember the goal is to manage better, not to predict the future. Terry Lillis, CFO of The Principal Financial Group, states, "The value of forecasting is directional." If the price of oil is a driver of one's business scenario, forecasting would have enabled modelling the business during the run up to \$147 per barrel and subsequent free fall to \$35 dollars in 200 so that managers could have assessed and taken corrective actions as the prices dramatically shifted. With these events quickly modelled and forecasted, the same organization would have been in a better position to make management decisions based on this information. This organization would have known what to do before its competitors, who were spending weeks re-forecasting with the inefficient old methodologies.

Driver-based planning methodologies are certainly not new. Many organizations have driver-based functionality incorporated into their current planning processes. Typically, these take the form of formulas in spreadsheets. Users input a value or values and let the spreadsheet calculate forecast line item. If an organization stops there, as many do, an excellent opportunity is lost. That opportunity is the chance to change the way the organization is managed.

Truly adopting a driver-based methodology involves adopting a driver-based culture. Calculating the forecast values of the general ledger accounts and subsequently the income statement line items is not the objective. These are merely the outcome of a calculation. These do not provide a plan or decision-making guidance. Where this level of forecasting falls short is not in the definition of business drivers, although that may also be true. Its most serious deficiency is that the business is not managed based upon and understanding of the business drivers and their impact.

The drivers of the business model form the backbone of a true driver-based forecasting system. These drivers provide a commentary on an organization's belief about what contributes to its success and may be financial or non-financial, controllable or non-controllable, internal or external. The key point is that they determine or influence the performance of an organization. For example, sales themselves do not determine revenue; rather, this is done by the factors that drive sales, such as the number of sales calls made, the number of quotes issued and the number of quotes accepted that ultimately determine revenue. A driver-based methodology allows businesses to plan and manage around these factors.

One may argue that it is not enough to simply calculate the forecast based on drivers. The business must also be managed by these drivers; they should be pushed down to every level of the organization where they have impact. For example, to the branch level, in the example mentioned earlier. Combine this downstream accountability with scenario forecasting and all levels of management are equipped with the information to manage the business during times of volatility. This exemplifies the concept of driver-based management.

As a service organization, Rolta TUSC has adopted these concepts in its everyday management practices. The forecasting function is modelled around the key aspects of profitability including number of sales opportunities, average size of the opportunities, utilization of resources, average price and standard cost. These drivers and others don't just produce the forecast, they guide actions and decision making. Evaluation of margin analysis and revenue streams can easily be made to support operational aspects of the business everyday. This reduces gut feel management tactics with factual information based decision-making.

It follows then that as an organization embarks on implementing driver based forecasting, one of the obvious first steps is to identify the appropriate drivers in the model. In doing so, there is a temptation to develop calculations for each and every line item level of detail in the existing budget or forecast. We caution against this arbitrary approach. Modelling each and every financial component with drivers will no doubt result in a vast amount of detail and complexity. Especially in the first phase of a multiphase project approach, it is recommended to keep the driver model simple. As additional phases are completed and the business evolves, the driver model will undoubtedly change and grow.

As a reference for developing an appropriate driver model, we offer the following guidelines.

- **Align drivers with strategy**—Whether at the corporate, line of business, or departmental level it is essential that the drivers be aligned with the strategy of those entities. For example, given a corporate strategy to focus on marquee customers and high margin products and services, one would want to design drivers around the same. A driver model focused on sales without specification of the customer and margin would work against the corporate strategy.
- **Align drivers with the most relevant current business drivers**—Keep in mind our definition of driver based managed. In this philosophy we are trying to promote the behaviors and management decision capabilities that will drive the organization’s profitability and success. If that is the goal, then the drivers should be kept to those things that when managed, will impact performance and success. If sales are a concern, focus the drivers on sales drivers such as the number of customer contacts. If quality is the focus, perhaps defects and warranty measures are appropriate. In summary, design drivers that impact the desired behaviors of the organization.
- **Do not over engineer**—Our advice is to resist the temptation to over engineer drivers. Making the model too big, or too many drivers, will result in a level of complexity that could be counterproductive. We want the organization to adopt the driver model with a high degree of genuine acceptance. The belief that managing to the chosen drivers is in the best interest of the organization is a critical element. Having too many drivers undermines this by putting managers and employees in a situation where they feel overwhelmed by the amount of drivers. If they believe there are too many drivers to manage effectively the benefits will be lost.
- **Allow the driver models to evolve**—Recognize that the driver model selected in the initial implementation will evolve over time. Organizational growth, market conditions, financial position, customer tastes, political landscape and competitive position are a few factors that dictate a change. The driver model must be able to change with the needs and priorities of the organization.

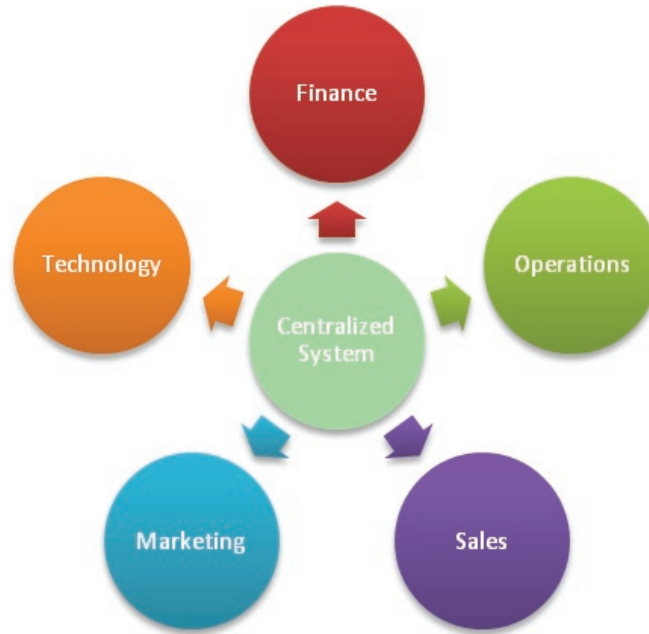
- **Allow for company-specific drivers**—Within an industry there will no be a set of drivers common to almost all players. However, one should be careful not to allow a driver model to be adopted based on industry standardization if it does not fit with the company. Recognize that all companies are different to certain degree and may require a different set of drivers.
- **Be able to report on the drivers**—We have argued that one of the major benefits to driver based forecasting is shifting the management paradigm. It will be impossible to do this with any degree of success without the ability to report on the drivers (actual vs. forecast), and the resulting financial impact. Those levels of the organization that are accountable for executing on the drivers will require the ability to see the impact that are making on the organization. This will support the theory of impacting performance through behaviors.

Facilitating Change through Modern Technology

The second factor in moving to a more agile forecasting approach is technology. The traditional tool of choice for forecasting is still the spreadsheet. It has been estimated that over sixty-three percent of all organizations use spreadsheets as a major component of their forecasting process. Practically speaking, the concepts discussed in this paper are impossible to implement in a spreadsheet model. A spreadsheet-based system usually entails creating a model of the forecast and distributing spreadsheets to each of the forecast contributors. In reality, a web of linked spreadsheets laden with formulas - often numbering in the hundreds or even thousands, makes the organization's ability to control input nearly impossible. Inevitably, business conditions require business model changes to reflect the changing markets, product sets or organizational structures. However, one simple change can have a dramatic impact on the forecasting process due to the myriad of linked spreadsheets that make up the forecasting model. As if these challenges were not enough, the daunting and time consuming task of collecting (usually through email), standardizing and consolidating the component spreadsheets is often left to Corporate Finance.

There is a better way, one that has proven successful in shifting staff time and focus away from data collection and validation toward value-added business modelling and decision- making. Today many modern technologies exist and most contain functionality that enables delivery of meaningful forecasts in short periods of time. These systems use system centralization, flexible user interaction and workflow management to achieve exceptional results.

Regarding system centralization, we are referring to centralizing the forecasting system not the forecasting function itself. The forecasting function is most effective when aligned with the key business constituents who must ultimately own the forecast and who are accountable for making decisions resulting from the forecast.



Modern Technology Enables Distinct Departments of an Organization
To Access Centralized Forecasting Templates

When it comes to the forecasting system, however, centralization is extremely beneficial, particularly when compared to a poorly integrated network of distributed spreadsheets. Some of the many benefits of a centralized forecasting system include:

- **Common Data Repository**—Stores not only the forecast data that are collected during the forecast process, but also the actual data. This often is very difficult to achieve with spreadsheets.
- **Foundation for Business Modelling and Business Rules**—Business rules are constructed in the system and stored in the repository. When users provide input, these business rules determine the calculation of the results. Since business rule definitions are created and reside in the forecasting system, the consistency of their use can be ensured and the system allows for customized business rules where needed, providing the best of both worlds. When conditions dictate a change in the model, it can be made in one place rather than in hundreds of spreadsheets, allowing for quick modifications to the forecast with a high degree of model and data integrity.
- **Common Consolidation Engine**—Rolling up a forecast to a total-company level is out-of-the-box software functionality. Once submissions are received the consolidation process can typically be executed in minutes or hours.

The right technology also provides a robust and flexible framework for interacting with the users. From forecast submissions to business rule execution to reporting, controlled ease-of-use is the norm. "Controlled" means users are guided through the forecast process by way of forecast templates presented via a web interface. Because these templates are constructed within the forecasting system, they are secure and data integrity can be assured. End users without explicit security rights cannot modify templates. Gone are the days of distributing a spreadsheet template only to receive back a drastically modified version requiring tedious effort to conform to the corporate finance model. It should be noted that although web-based forms are a common interface mechanism, some current technologies also enable access to these form objects through a spreadsheet interface. This provides a familiar environment that many finance users favor, without the risks of an open-spreadsheet environment. In other words, although a user accesses the forecasting system from MS Excel he/she will not have the ability to personalize a form, thus maintaining the integrity of the submission and forecasting system. The best of both worlds is delivered.

One benefit of forecasting systems that is often overlooked is the exceptional reporting and analysis it affords. Recall that both the forecast and actual data are stored in the repository. Unlike a spreadsheet model, this repository allows users to access to up-to-date data. These systems provide excellent slice and dice capabilities, so users spend less time building reports and more time truly analyzing the business. This great advantage also requires a shift in deeply-rooted mindsets. In the past, users have been accustomed to submitting forecast data and ignoring it until the next submission, while these systems allow rapid analysis, which can be performed as needed in support of decision-making. This ad-hoc analysis becomes more critical as an organization moves toward driver-based management philosophies.

One of the biggest benefits of modern forecasting technology, workflow management functionality, has emerged in recent years. Workflow management replaces the difficult manual effort of managing forecasting processes inherent in spreadsheet- and email-based systems. This happens in three ways:

1. **Guided User Support Throughout The Forecast Process**—Inputs and tasks to be completed are clearly defined for each contributor within the system allowing the financial analyst and his/her business partner to collaborate on real business issues rather than on template education.
2. **Forecast Monitoring and Reporting Capability Through Workflow Management**—Corporate Finance has the ability to view the status of each forecast contributor and the progress he/she is making in completing the required tasks. Now the overall process can be managed proactively rather than at the back end of the forecast submission deadlines. Those that lag behind the process deadlines are immediately identified and can be provided with assistance.
3. **Workflow Management Provides Messaging and Alerting Capabilities**—These features are integrated with the corporate email system. The goal is to systematically communicate by sending email alerts to all users regarding required tasks and deadlines. The communication process becomes one of system automation rather than a manual process of emails and voice mails in a spreadsheet based model.

The importance of using modern planning technology cannot be overstated. It is a key component to any successful enterprise performance management strategy (EPM). The combination of all the aforementioned technology benefits is essential if one is to achieve the kind of speed and flexibility required by the forecasting function of today's businesses. Frankly, without the technology, the solution discussed is impossible to achieve.

For many years, budgeting and forecasting solutions were ancillary modules of the large ERP systems provided by the software vendors. The problem is that the budgeting and forecasting functions require a level of flexibility and speed that is difficult to provide through an ERP system that is built to process transactions. This phenomenon spurred the creation of EPM disciplines and technologies. Most of the major ERP software vendors have, through acquisitions, turned to EPM technologies to address the forecasting needs of its customers. With the past few years, Oracle has acquired Hyperion and the Hyperion Planning Product, IBM has acquired Cognos and the Cognos Enterprise Planning and SAP acquired Outlooksoft, which has been re-branded as SAP BPC.

These vendors and others provide the foundation for making the process and procedural changes we have discussed in this paper as well as delivering the technology benefits previously presented.

The return on investment of these technologies is often sought as justifying for incurring the software and hardware expense. Financial ROI models have been developed that quantify the benefits for such purposes. However, it is important to remember that the major benefit, higher quality decision making, is difficult to quantify. After all, what is the ROI of making better decisions? What is the ROI of being prepared to manage through an economic crisis?

That being said, additional analysis has been performed that recognizes tangible benefits. These “real-world results” are presented in the next section.

Real-World Results

As organizations adopt changes to the forecasting process and implement the associated technology, a major efficiency benefit is realized. Through the use of focused models and technology, the forecasting process is drastically streamlined. What previously took weeks and months with many man-hours of tedious labor is reduced to a nimble and flexible process. Forecasts are produced with much less effort allowing for resources to fulfill responsibilities that add a much higher degree of value.

After implementing a forecasting solution with modern software, one of our clients achieved improvement of approximately fifty percent in the efficiency of their forecast process. This global manufacturing organization with revenues over \$19B, replaced a spreadsheet based system consisting of over 500 spreadsheets and supporting over 200 users. The 50% reduction was realized in both the process and time spent by the finance organization managing the process. In other words, forecasts were produced in half the time and the financial analysts’ time spent on collection and data issues were reduced by half. This has no doubt saved this organization a significant amount of money by reducing tasks that add little value. This particular organization has taken this opportunity to recommit to the true function of financial analysts with the business partners. Imagine the positive impact on a business with fifty percent more time to perform analysis of various scenarios and risk situations. In the end a strong case can be made that overall management of the business is improved.

Similarly, another client has realized comparable results from its forecasting initiatives. This company, a \$2B national retailer, also started with an antiquated system. Spreadsheets were distributed to the managers responsible for their 2,200 retail outlets. The moved to a driver based methodology and a technology solution that cut in half the amount of time spent to consolidate the forecast data. That is, just the exercise of rollup up the forecast numbers to a total company level was reduced by 50%. Furthermore, they have estimated that the entire end-to-end forecasting process has been reduced by a whopping 75%. Because of these improvements, a scenario based methodology is now being developed. Where it was impossible before because of the long forecast turnaround time, it feasible and prudent now.

As impressive as these statistics are, this organization also cites some very important soft benefits including:

- The ability to have transparency to the assumptions, or driver values, used by throughout the organization
- Integration with all aspects of the forecast such as labor planning
- What if modelling and analysis
- Easy drill down and slice and dice capabilities
- Facilitates greater reporting and data visualization analysis
- A reduction of the risk with employee turnover – the system now is a repository for institutional knowledge rather than it being contained with a few individuals

Conclusion

Traditional planning and forecasting techniques don't provide the insight and agility that today's volatile markets require. Applying the common-sense techniques discussed in this paper can dramatically improve the value of your forecasts by providing managers with a much deeper understanding of the impact of volatility on future results and equipping them to make faster, more confident decisions – the key to success in turbulent times.

To achieve such lofty goals certain success factors are required. Success factors in this sense are those items that are required for forecast paradigm change to be deemed successful. There are likely others for each organization but these universal to most companies.

- **Executive support**—Executive support is cited as a success factor or just about every project and thus its importance has been diluted. However, we'd be remiss if we did not point out that it is truly a requirement of this type of initiative. Embarking down a path of adopting the forecasting methodologies discussed in this paper will have a large cultural impact. The organization is changing a key business process that has deep roots and has been institutionalized over the years. There will be times when the organization questions the change. Strong executive support must be there to prevent wavering through unquestioned commitment to the initiative.
- **Adoption by the organization**—If the forecasting methods proposed are not widely adopted by the management and employees of the company, the project cannot be considered a success. The good news is that there is a built in advantage leading most to want to accept this change. That is the move away from a forecasting function that, in many cases, was seen as a task that did not deliver business value. Many business men and women have become frustrated with spending so much time and effort on the forecasting function only to appease management. It just does not help them do their jobs better. Adopting the change in forecasting that will propose drivers the exact opposite situation. It will directly impact how management makes decisions and performs his/her job. We have found that most individuals are eager to accept such a methodology and system.
- **Combination of business and technology expertise**—As we have discussed there are aspects of business modelling and software implementation involved with successful forecasting. It truly is a combination of both that drives success. It will take individuals skilled these disciplines to avoid pitfalls. An improved business process without the technology will result in an inefficient system that is unable to react in a timely manner. A technology implementation without the proper business modelling will result in an academic system at best and faulty models in the worst case. In either scenario, sub-optimal results are delivered. An organization needs to insure that proper amounts of both internal and external, business and technology expertise is allocated to these initiatives. There will be many decisions to be made. Involvement of those who have done it before is essential.

- **User of methodologies**—As an organization considers adopting these philosophies, the importance of a proven methodology should not be underestimated. The instances of failed projects are well documented and many can be attributed to the lack of a solid plan or methodology. It is critical to understand all of the project risks and take a methodical approach, especially when business processes and culture changes are involved. Many standard methodologies exist that can be tailored to meet the needs of any organization.
- **Technology accelerators**—A great way to ensure successful software deployment and manage costs is through the use of technology accelerators. Accelerators leverage best practices and a rapid implementation approach to streamline the technology portion of the project. Established from past successes, accelerator methodologies can drastically increase the chances of a successful deployment.

Although this type of project may seem overwhelming, it is important to get started. To get started, we invite you to visit our website for additional information. There you will find a diagnostic tool. This tool will help an organization quickly evaluate its current forecasting capabilities against best practices. From there a plan can be put in place to address each situation. One must recognize that the competition is embarking on similar initiatives that will allow them to react to the market faster and gain market share. Doing nothing is not an option.

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