

IBM Cognos Performance
Better Intelligence. Better Business.

Best Practices in implementing a Rolling Forecast

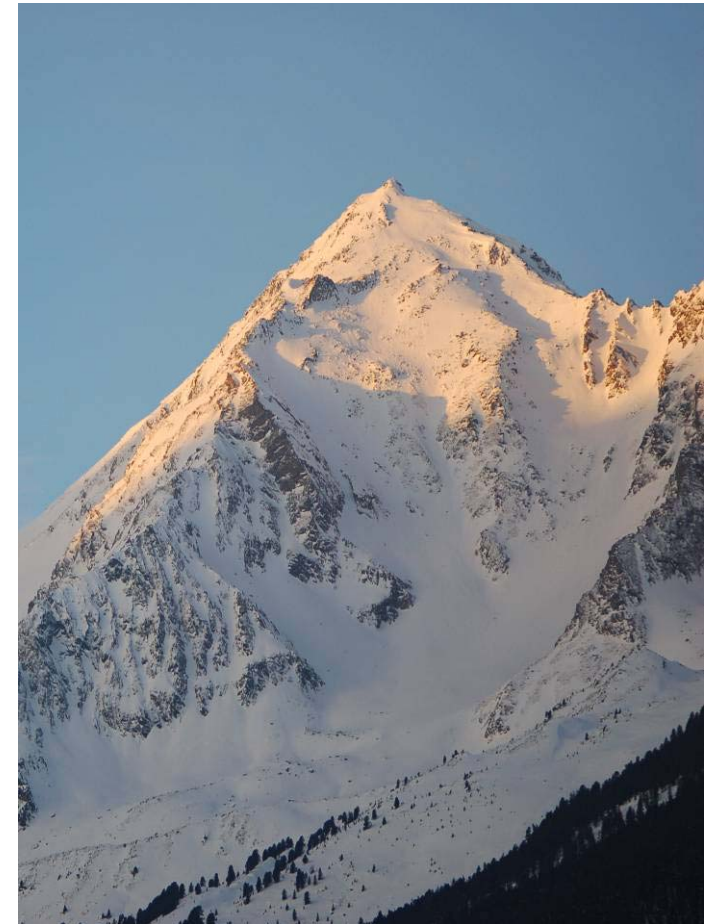
Lorraine Venter
FPM Solutions Sales Specialist
BI & PM, IBM



Session Objectives

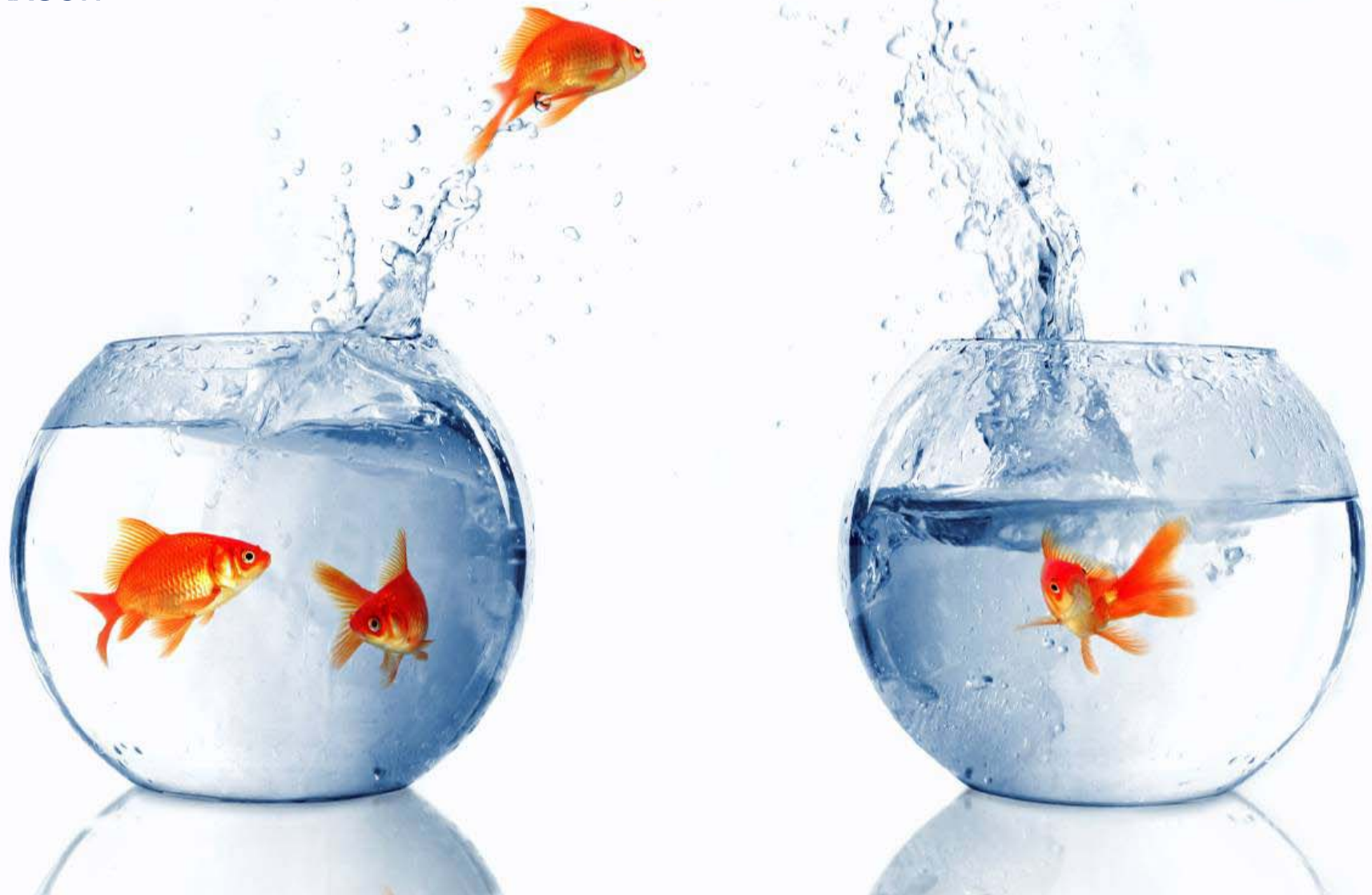
In today's session we will:

- Review the need for **solid** forecasting practices
- Learn about the **rolling forecast** philosophy
- Discuss three **best practices** for implementing a rolling forecast



„Expect the Unexpected.“

David Axson



Forecasting a critical
business process in turbulent
times.



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What is a forecast?

Forward Looking

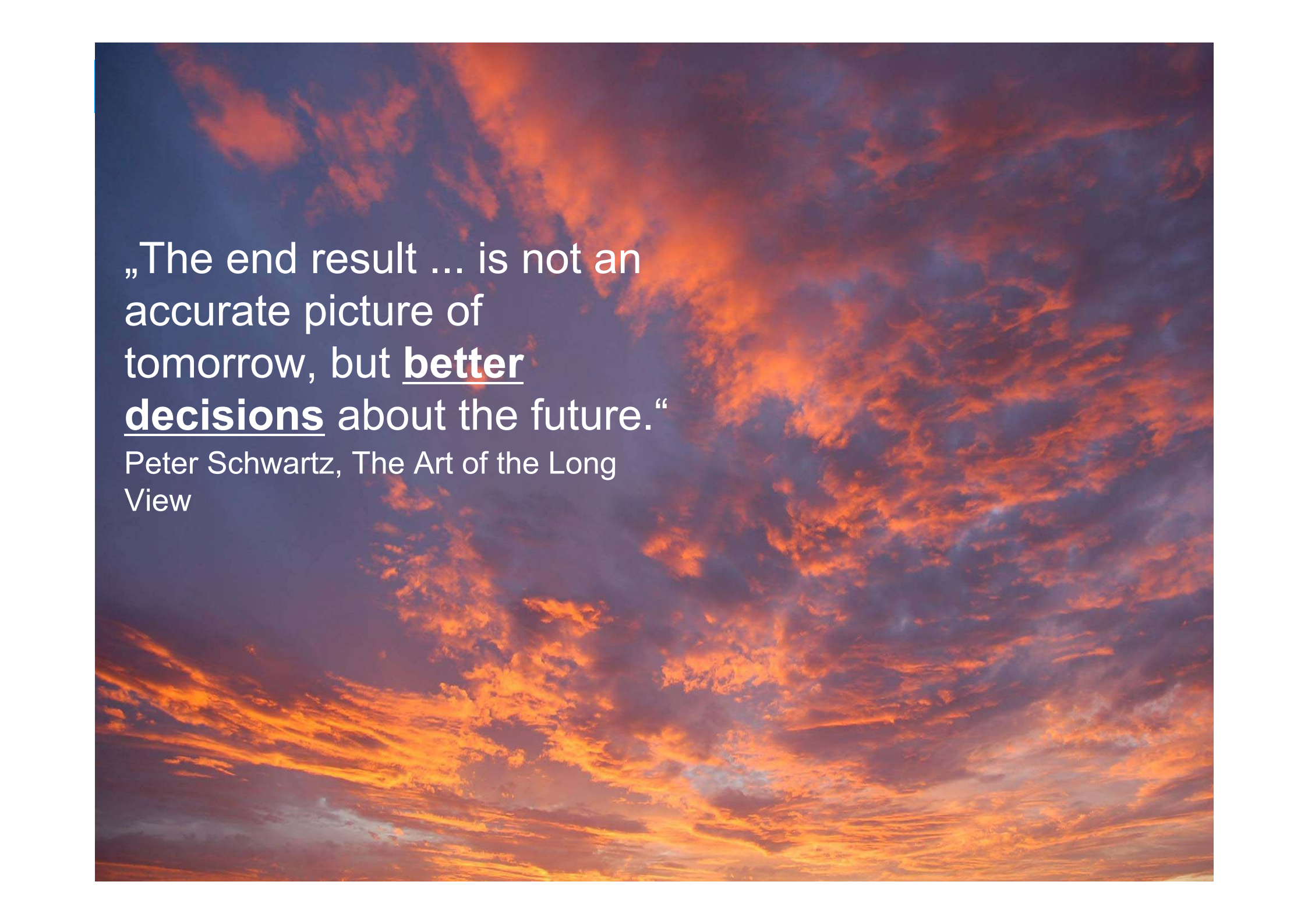


Fact-based

Flexible

Focused on Risks & Opportunities





„The end result ... is not an accurate picture of tomorrow, but better decisions about the future.“

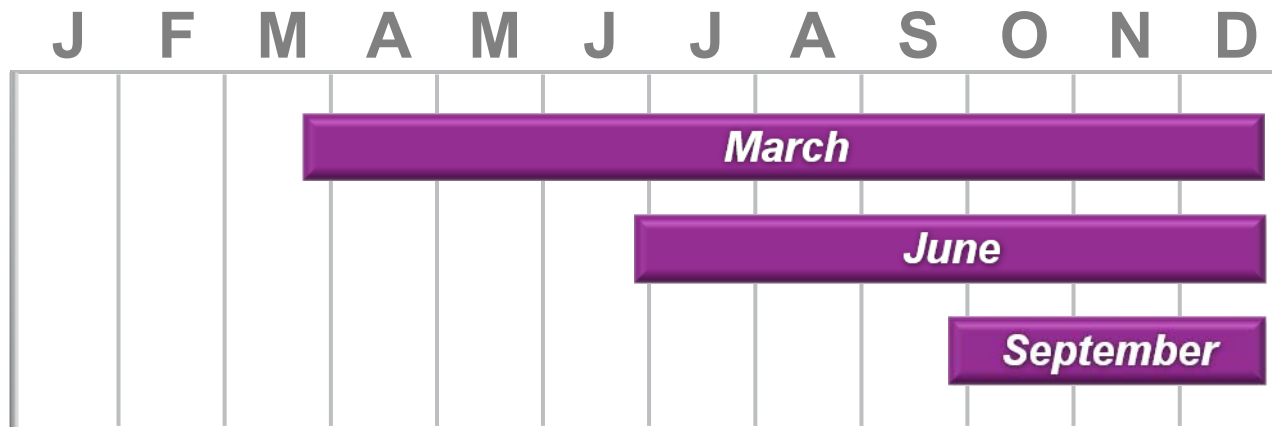
Peter Schwartz, The Art of the Long View

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Good forecasting practices create value



The traditional approach...



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The traditional template

	January	February	March	April	May	June	July	August	September	October	November	December	TOTAL	YTD Actuals Variance	YTD Act Var %	Total Variance	Total Var %
	Actuals	Actuals	Actuals	Actuals	Actuals	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast					
Revenue	143.00	150.00	176.00	166.00	200.00	180.00	181.00	190.00	200.00	200.00	210.00	260.00	2256.00	-65.00	-7%	256.00	13%
COS	92.95	97.00	114.00	108.00	131.00	117.00	117.00	125.00	131.00	132.00	140.00	180.00	1484.95	-957.05	-64%	84.95	6%
Margin	50.05	53.00	62.00	58.00	69.00	63.00	64.00	65.00	69.00	68.00	70.00	80.00	771.05	-22.95	-7%	71.05	10%
Margin %	35.00%	35.33%	35.23%	34.94%	34.50%	35.00%	35.36%	34.21%	34.50%	34.00%	33.33%	30.77%	34.35%	0%		-0.65%	
Salaries	19.00	19.00	19.00	19.00	19.00	19.00	19.00	22.00	22.00	22.00	22.00	22.00	243.00	-1.00	-1%	-3.00	-1%
Bonus	1.43	1.50	1.76	1.66	2.00	1.80	1.81	1.90	2.00	2.00	2.10	2.60	22.56	-2.35	-39%	2.56	13%
Benefits	0.19	0.19	0.19	0.19	0.19	0.19	0.19	0.22	0.22	0.22	0.22	0.22	2.43	1.35	59%	-0.07	-3%
Insurance	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	1.80	0.00	0%	-0.10	-5%
Rent	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	2.90	34.80	0.00	0%	-1.20	-3%
.....																	
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Utilities	3.00	2.00	2.50	1.58	1.00	1.00	1.20	1.40	1.59	2.00	2.50	3.00	22.77	0.92	8%	-1.23	-5%
Office Supplies	0.11	0.20	0.16	0.20	0.07	0.37	0.14	0.42	0.49	0.34	0.38	0.43	3.30	0.07	9%	1.00	43%
Travel - Air	7.15	7.50	8.80	9.00	15.00	9.00	9.05	9.50	10.00	10.00	10.50	13.00	118.50	-17.45	-58%	13.50	13%
Travel - Hotels	1.43	1.50	1.76	1.66	2.00	1.80	1.81	1.90	2.00	2.00	2.10	2.60	22.56	-3.35	-67%	-7.44	-25%
Travel - Car	0.72	0.75	0.88	0.83	1.00	0.90	0.91	0.95	1.00	1.00	1.05	1.30	11.28	-2.68	-178%	6.28	126%
Travel - Train	1.30	1.00	1.50	1.00	1.20	1.00	1.00	3.00	2.00	2.00	2.00	3.00	20.00	-1.50	-33%	9.00	82%
Gifts & Misc	0.50	0.00	0.00	0.50	0.00	0.00	0.00	0.00	5.00	0.00	0.00	0.00	6.00	0.00	0%	-1.00	-14%
Maintenance & Repair	0.35	0.14	0.06	0.43	0.30	0.36	0.31	0.42	0.03	0.41	0.09	0.13	3.04	0.02	1%	0.04	1%
Marketing	2.00	0.00	8.00	9.00	4.00	7.00	8.00	4.00	5.00	2.00	9.00	1.00	59.00	-3.00	-15%	5.00	9%
Net Income	9.83	16.17	14.35	9.90	20.18	17.53	17.53	16.24	14.62	20.98	15.01	27.66	200.01	15.43	28%	0.01	0%



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Static forecasts do not provide the necessary **visibility** in turbulent times.



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It shows...

Apple shares drop after missed forecast
Wed Jan 23, 2008 12:33am GMT
[-] Text [+]
Email | Print | Share | Single Page | Recommend (0)
By Scott Hillis
SAN FRANCISCO (Reuters) - Apple Inc (AAPL.O: [Quote](#), [Profile](#), [Research](#)) on Tuesday forecast a quarterly profit below analysts' expectations and posted disappointing holiday-season iPod shipments, sending its shares down 11 percent in after hours trade on concern consumers were cutting spending.

CFO.com
Magazines | Europe | Search | go | Login/Register
Topics A-Z | Blog | Careers | Webcasts | W
Job Search | Benchmark Your Salary | All Careers Stories
Careers
You are here: [Home](#) : [Careers](#) : Article
Earnings Misses Mean Big Career Risks for CFOs
A new study finds that falling short of analysts' profits forecasts hits CFOs directly where it hurts: in their wallets and their chances of getting fired.
Vincent Ryan
CFO.com | US
July 18, 2008

Dell shares suffer a blow after missed forecast
Analysts watch discount maneuver closely
BLOOMBERG NEWS
Wednesday, May 10, 2006

ROUND ROCK, Texas

Dell Inc. shares fell 4.7 percent yesterday after it said that first-quarter profit missed its forecast as revenue growth slowed to the lowest level in four years.

Shares of Dell dropped \$1.23 to close at \$25.20, the biggest decline in three months, at 4 p.m. in Nasdaq Stock Market composite trading.

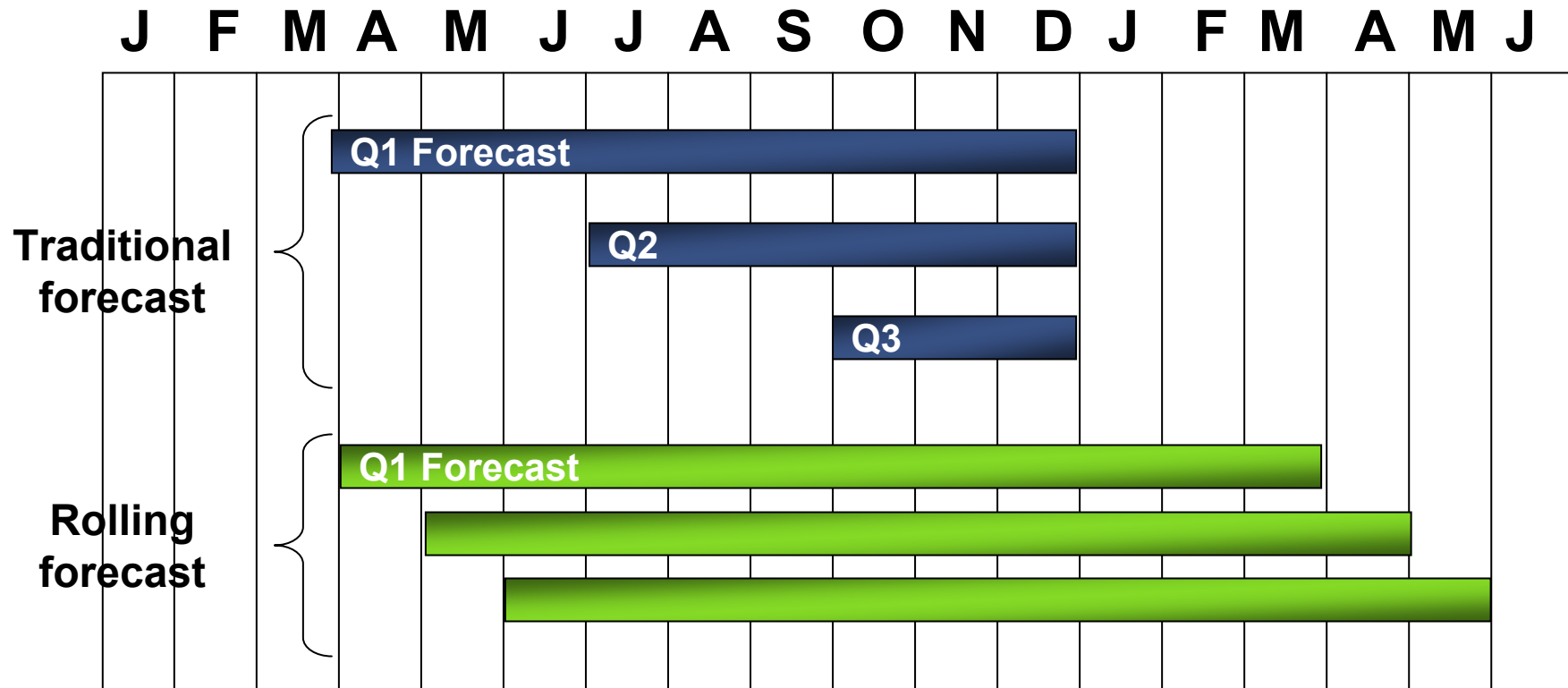


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Better Intelligence. Better Business.

Rolling Forecasts.
An effective approach.

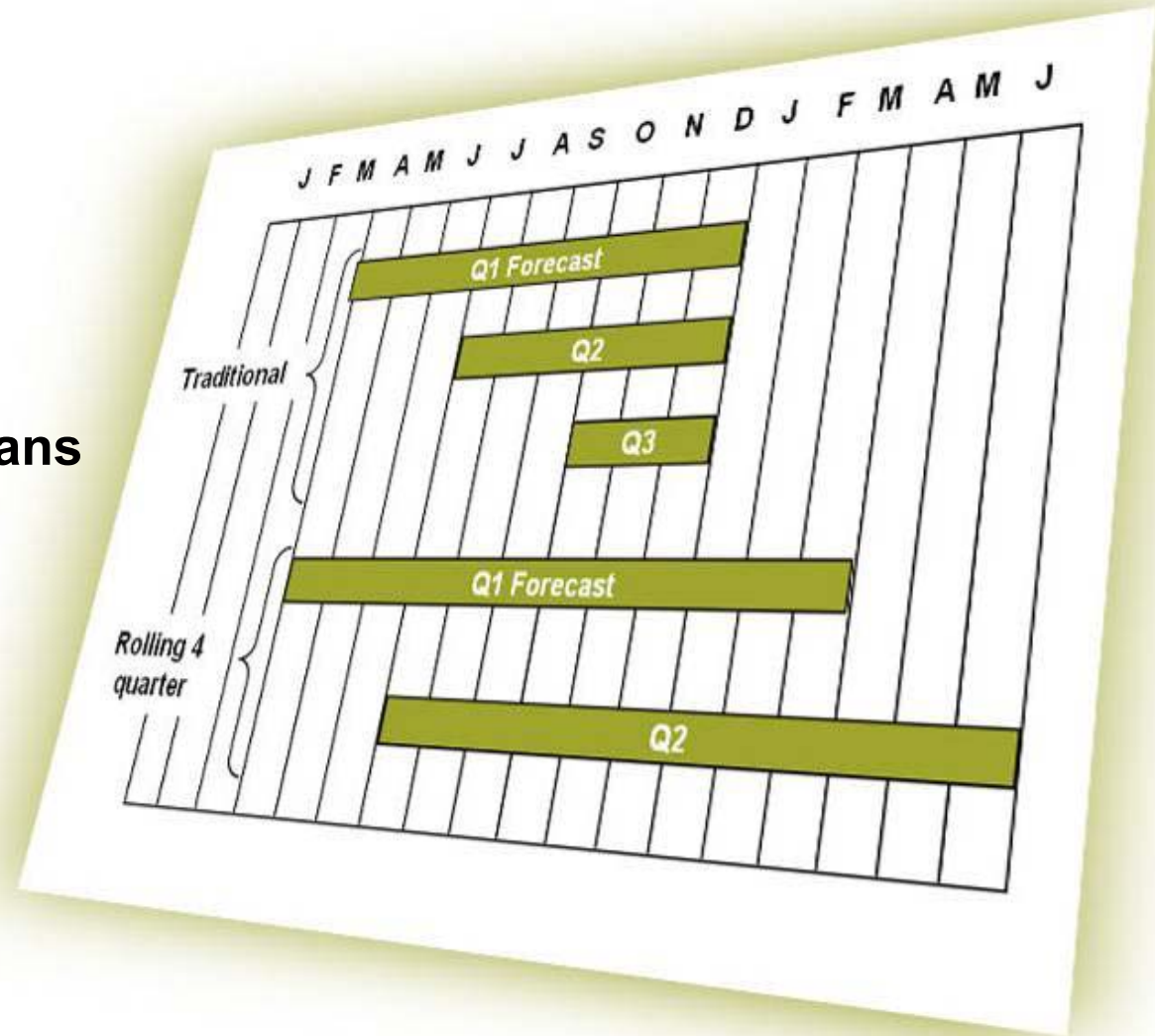


What is a Rolling forecast

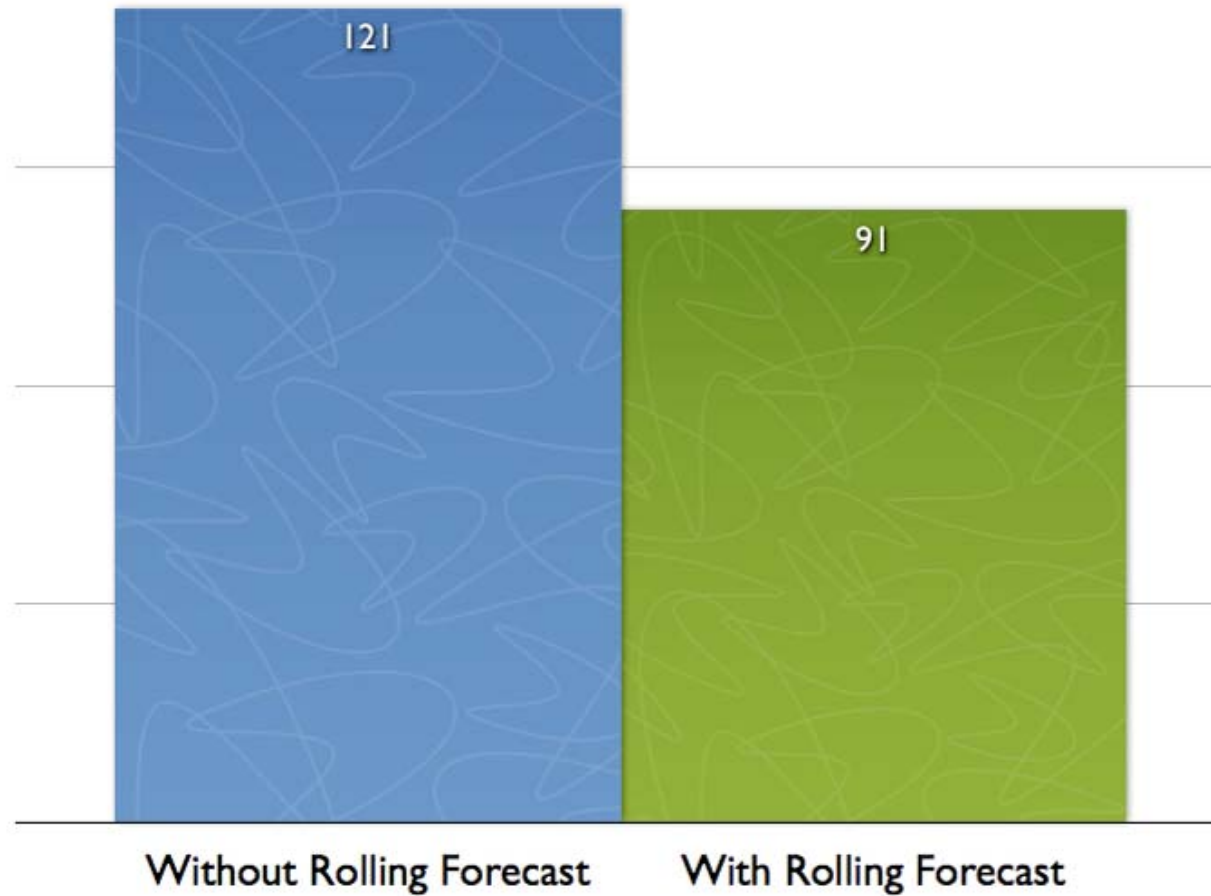


Why are rolling forecasts attractive?

- Increased visibility
- Consistent time horizon
- Less reliance on budget
- Solid baseline for new plans

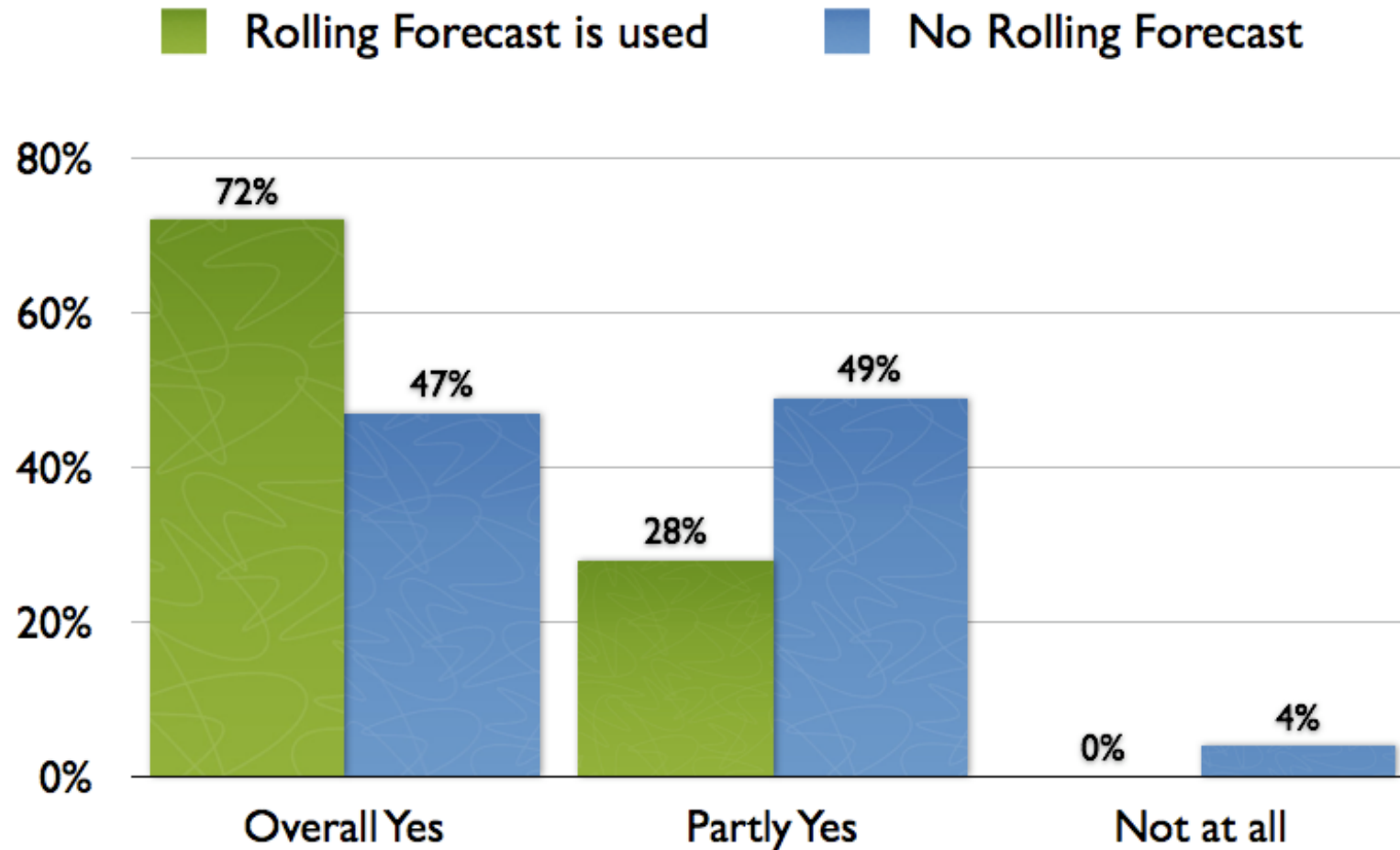


Rolling Forecasts speed up the budgeting process



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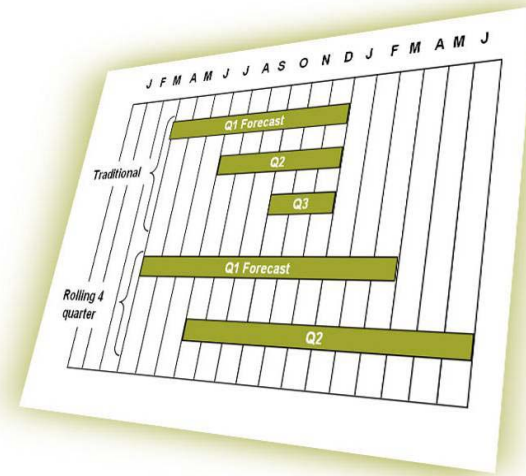
Not only time is saved. Satisfaction increases.



Source: The Hackett Group, 2008



Some elements of a successful forecast



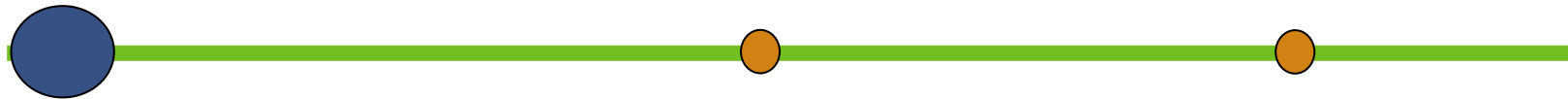
Time Horizon &
Update Frequency

Agile Models

Process
Management



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Time Horizon &
Update Frequency

Agile Models

Process
Management



Rolling Forecast = 12 month quarterly?

No. It depends on **your business!**



Match the time horizon to the rhythm of your business

Short cycles

Industry

- Consumer electronics
- Retailing
- Investment banking

Function

- Advertising
- Cash flow
- Overtime

Long cycles

- Oil exploration
- Pharma development
- Infrastructure investment

- Plant construction
- Infrastructure investment
- Research & development

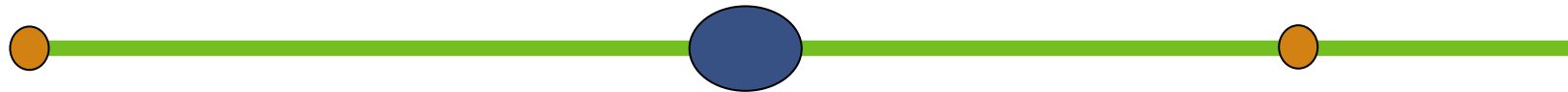


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*„Best practice
companies move
towards more **frequent**
& **event-driven**
updates.“*



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Time Horizon &
Update Frequency

Agile Models

Process
Management



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Remember this template?

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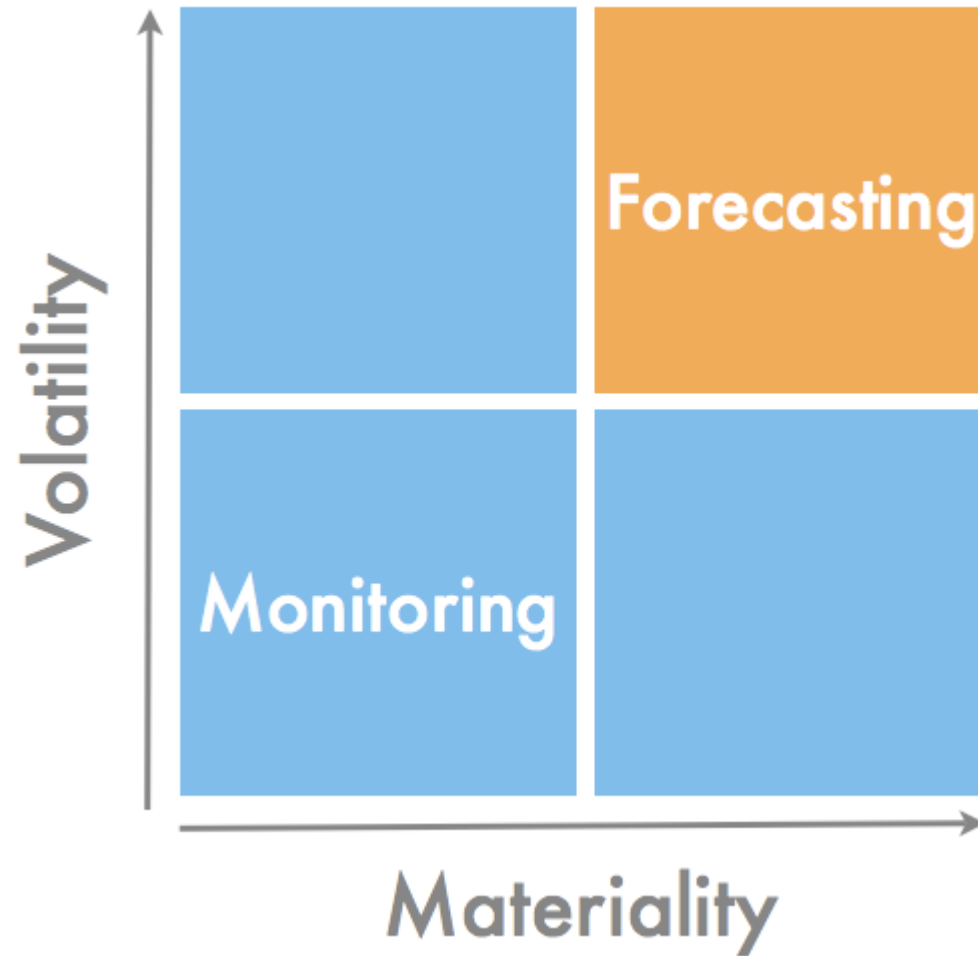


*„Simplicity is the ultimate
sophistication.“*

Leonardo da Vinci



Less is more! Simplify your models



Utilize drivers – the language of business



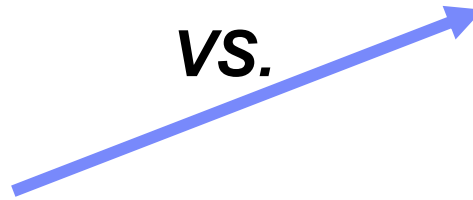
Opportunities

Pipeline

Number of employees

Customer Satisfaction

VS.



634172 - Revenue (New Accts)

665891 - Office Supplies (Paper)

665892 - Office Supplies (Pens)

677199 - Gifts, Misc.



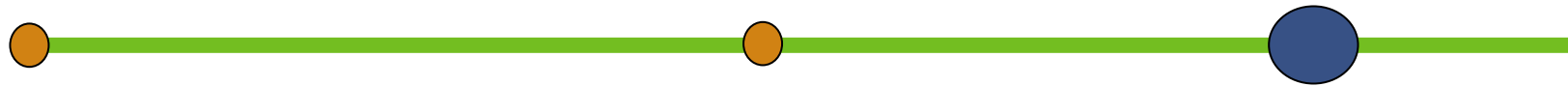
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Revenue?



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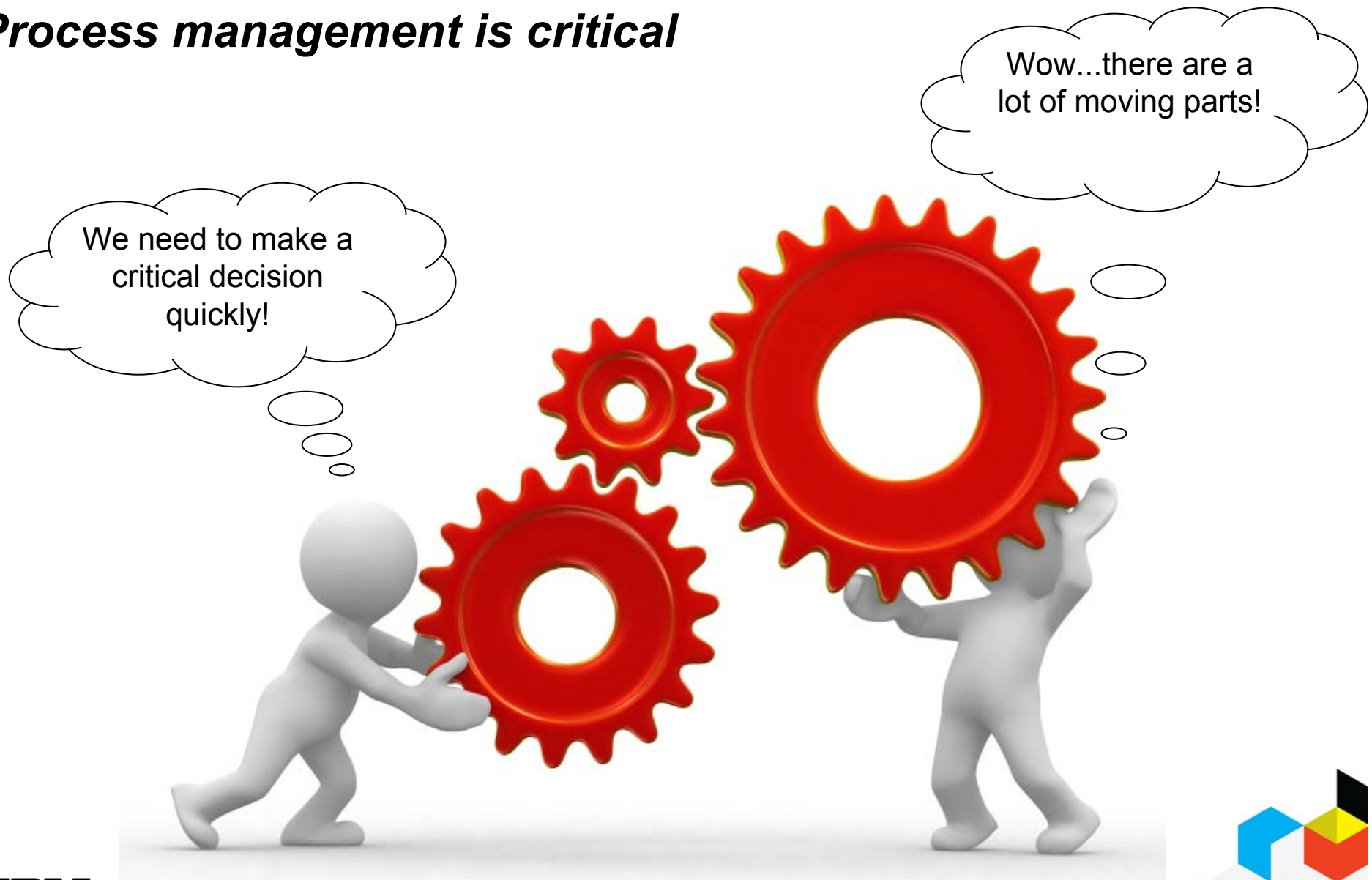
Time Horizon &
Update Frequency

Agile Models

Process
Management



Process management is critical



IBM Cognos Performance

The screenshot displays the IBM Cognos Performance interface. On the left, a menu is open with options: Budget, Scenario 1, Scenario 2, Scenario 3, Oct-08 Forecast, and Nov-08 Forecast. The main area shows a tree view of 'Regional Accounts' including Eastern, Central, and Western regions. A data table is visible with the following content:

Net Sales	Month -3	Month -2	Last Month
	Oct-08	Nov-08	Dec-08
Current Forecast - Upside	4,620	4,630	4,498
Current Forecast	4,620	4,630	4,498
Current Forecast - Downside	4,620	4,630	4,498

To the right, a chart titled 'Net Sales Movement Analysis' is shown, which reconciles movement in Net Sales between two data sets. The chart includes categories: Net Sales - Start, PVM - Volume Effect, PVM - Price Effect, PVM - Mix Effect, PVM - FX Effect, and Net Sales - Ending.

Update Models

Distribute Models

Aggregate data

What-if & Optimize



New version

Load Actuals

Collect Data

Report & Analyze



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Management Meetings

Decision Making!



Critical elements of the process

- Aim for repeatability
- Measure the quality
- Set strict goals



And measure & monitor your process



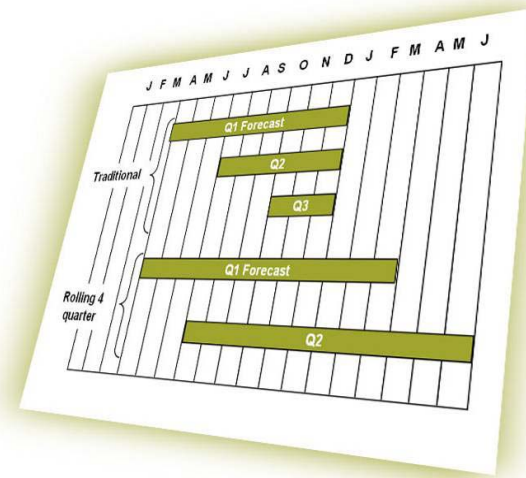
Forecast Accuracy

Cycle Time

Confidence Levels



Summary: Some elements of a successful forecast



Time Horizon &
Update Frequency

Agile Models

Process
Management



Rolling Forecasts – a silver bullet?

- No one-size-fits-all approach
- Agile models & process required
- Technology as enabler
- Forecast culture required



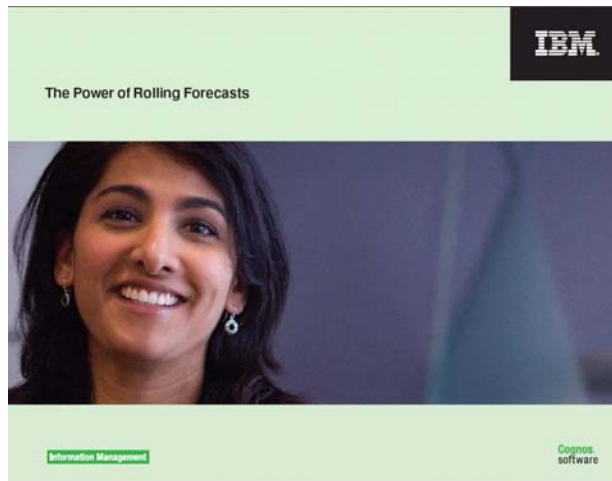
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Innovation Center for Performance Management

Your connection to best practices and industry leaders

Cognos.
software

Information Management



Next Steps

- Analyze your processes
- Download our white papers & blueprints
- Join the Cognos Innovation Center

Web: www.ibm.com/cognos/innovation-center

Twitter: [@ibmcognosicemea](https://twitter.com/ibmcognosicemea)

IBM.



Session Summary

- The current business environment requires solid forecasting practices that the traditional approaches do not provide
- Rolling forecasts provide a proven approach for gaining better business insight in today's volatile business climate
- IBM provides best practices and solutions for implementing a better forecasting approach

