

BENCHMARKING THE MANAGEMENT SUPPORT FOR A FORECASTING FUNCTION

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The success of a forecasting function depends very much on the level of management support, the more it gets, the better. The support is needed because the forecasting function needs resources to start it and resources to maintain it, which only the upper management can provide. Resources are needed to buy forecasting software and/or system, syndicated data, and tools to store and analyze data, as well as to communicate data/information to different stakeholders within and outside the enterprise. Data used in preparing forecasts is both internal and external. Syndicated data, which provides competitive information, is bought from outside sources, and can easily run into millions of dollars. Buying and installing a forecasting software and system also cost lot of money. Furthermore, for a forecasting function to work efficiently it needs collaboration from various stakeholders, both internal (sales, production, marketing and finance people) and external (distributors and customers). Salespeople are the eyes and ears of the market. They can provide input as to what their customers are thinking and planning. Production people can provide information about how much and when they can produce, and how much lead-time they need. Marketing people can provide market intelligence. They can also provide information about the products they plan to introduce or abandon, territories they plan to go into and exit out, what type of advertising works and does not work, and how much lift each ad provides, and so on. Finance, of course, controls the budget. All these have a bearing on the forecast. Besides these, the forecaster needs input from distributors about their inventory, and from customers such as Wal-Mart, about their promotional plans, point-of-

sales data, and opening and closing of stores. Without the blessing of the upper management, nothing would be forthcoming.

LEVEL OF SUPPORT

Despite the tremendous growth in the forecasting function in recent years, the support of upper management to this function is lukewarm at best. In our survey, the respondents were asked to respond to anyone of these three questions: Whether the upper management (1) is highly supportive, (2) is somewhat supportive or (3) don't feel the need for it. Only 45.73% of them said that their upper management was highly supportive. About 49.49% said it was somewhat supportive. Only 4.78% of them said that their upper management did not feel the need for it. This implies that most of the companies at least recognize the need for it, though the level of support from the top varies. Among different industries, the upper management is most supportive in the Oil/Petroleum industry (100%) and least supportive in the Industrial Products (29.41%).

Despite this finding, when I look back 20 years, where we were then and where we are now, we have definitely made a tremendous progress. I used to hear people saying, "Only God can forecast, and human beings cannot — then why bother?" "Forecasting is not rocket science, why to waste time and resources on it?" "Your guess is as good as mine." "Good Old Charlie, who has been in business for a long time, can forecast better than professionals." "I don't need forecasts." At least, I don't hear such statements anymore. People are now asking: "How should I go about to convince upper management that

we need a forecasting function?" "What can I do to improve my forecasts and reduce inventory, obsolescence, freight charges and warehouse costs?" All these show a definite increase in awareness about business forecasting.

I must say that forecasting was never rocket science and never will be. It will always be a combination of science and art. But with a formal forecasting process/system, we can learn from our errors, which can help us to improve our future forecasts. Whether one recognizes or not, forecasts, good or bad, are needed, because business decisions depend on them. What we call budget is basically a forecast for the next year. Once a Director of Marketing complained to me about the bad forecasts he got from his forecaster, and then went on saying that the forecasting profession was nothing but a hoax. The question that came to my mind was: "If a patient dies on an operating table, whom would you blame — doctor, tools, uniqueness of the case, or medical science?" Maybe the surgeon who operated was not well trained, tools he or she used were obsolete, or it was a unique case and the medical science has not progressed enough to handle it. But, in no way we can say that there is no need for the medical discipline. It may need improvements, but we cannot do without it. Similarly, we cannot say that there is no need for the forecasting discipline. But, with the time, forecasts will improve — as the technology and forecasting models advance, collaboration among various stakeholders gets better, forecasting software improve, and more and better training is given to people in the area.

Undoubtedly, the road to a full-fledged support from the upper management is full

of hurdles. But with education and understanding it can be overcome. Management needs to know why a forecasting function is essential and how it will help to improve the bottom line by enhancing customer service, and reducing inventory and obsolescence. Debra Schramm, Forecast Manager at Parke-Davis, believes that though the process of getting acceptance from upper management is long and frustrating, it is achievable with determination, perseverance and patience. Once achieved, it will be immensely rewarding. ■

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