



Jan/Feb 2011

Rolling Forecasts

Upcoming Events

- CAM-I First Quarter Meeting
Alexandria Virginia
March 13-16
- Beyond Budgeting Annual Meeting
Chicago Illinois
April 27-29

People in the News

- Congratulations to James Hendricks, Boeing Company, recipient of the 2010 Robert A. Bonsack Award

Links

- For more information on rolling forecasts and advanced budgeting

<http://www.managers-net.com/plowman/forecasting.html>

- For a Harvard Business School paper titled "Use a Rolling Forecast to Spot Trends"

<http://hbswk.hbs.edu/archive/5250.html>

Top Ten reasons managers hate the budgeting process, courtesy of friend and colleague Alan Stratton:

1. It takes too @*!%?# long!
2. Doesn't help me run the business
3. It's out of date before it's even finished
4. Too much game playing
5. Too many iterations
6. Cast in stone although business conditions are always changing
7. It involves too many people
8. Includes allocations that I can't control
9. By the time it's done, I don't even recognize my numbers
10. Doesn't match the objectives to which I'm held accountable

How does your organization score? If five or more of these budgeting problems apply to your organization, now is the time to make changes and improvements to your budgeting and planning process.

Begin with the understanding that it is impossible to predict the future. Every budget is based on assumptions, estimates, theories, expectations, and guesses about what will happen in the coming year.

Next, face the fact the budget is wrong the same day it is published. It must be updated continuously to reflect future business conditions, expected and anticipated.

Almost all the reasons managers hate the budgeting process could be eliminated just by making the budgeting and planning process continuous rather than a once a year event.

Known as "rolling forecasts" and typically performed either monthly or quarterly, continuous planning and budgeting looks out the next 12-18 months to reflect real time changes in planning assumptions, both outside (competition and economy) and inside the company.

Rolling forecasts make the budget process more agile, relevant, and useful. Rolling forecasts get managers more focused on the future and less on the past. The more practice people have with forecasting and planning the better they become.

Rolling forecasts alter the focus from the minutiae of an annual budget to a continuous higher-level strategic and operational view of the business that enables better business decisions.

Rolling forecast strengthen performance management capability by providing current and relevant information to measure performance. Quarterly performance and financial reviews are more meaningful when compared and trended with the past and updated for the future.

Manage the future: the past can't be changed...
John A. Miller