

Forecasting Practices for an Uncertain World

AFP 2021 – November 8, 2021

Matt Mowrey – DAI
Steve Player – *Future Ready Finance*



AFP 2021
IN-PERSON | VIRTUAL

About the Speakers



Matt Mowrey

Senior Director-
Finance, Analytics,
and Business
Performance
DAI



Steve Player

Managing
Partner
Future Ready
Finance

Agenda

A. How Should Rolling Forecasts Be Used

B. Forecasting in Action at DAI

C. Lessons You Can Apply

Finance's Big Problem

Budgeting is based on assumptions (that are nearly always wrong to some degree).

How good are you at predicting the future?

What can be done to improve our process design?



Where Have You Positioned Finance?

“Organizations clearly need a better model. Like a ship, an organization’s structure, capacity, ability to produce value, and even speed and location are the result of thousands of past decisions.

Planning is the process of assessing the ship’s position and capabilities against where it is trying to go. Plans cannot be based on where the ship went last year; they need to be forward-looking.”

-from “Breaking the Budget” CFO.com, Steve Player, Paige Leavitt, and Rachele Collins



How *Should* Rolling Forecasts Be Used

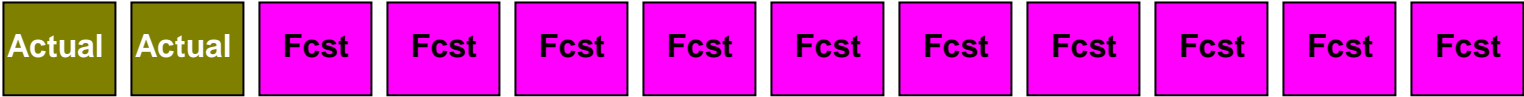
SHOULD NOT

1. Should **NOT** just focus on year-end
2. Does **NOT** replace everything budgets are used for
3. Should **NOT** confuse forecasting with target setting
4. Should **NOT** try to forecast every line item
5. Should **NOT** freeze tactical actions

SHOULD

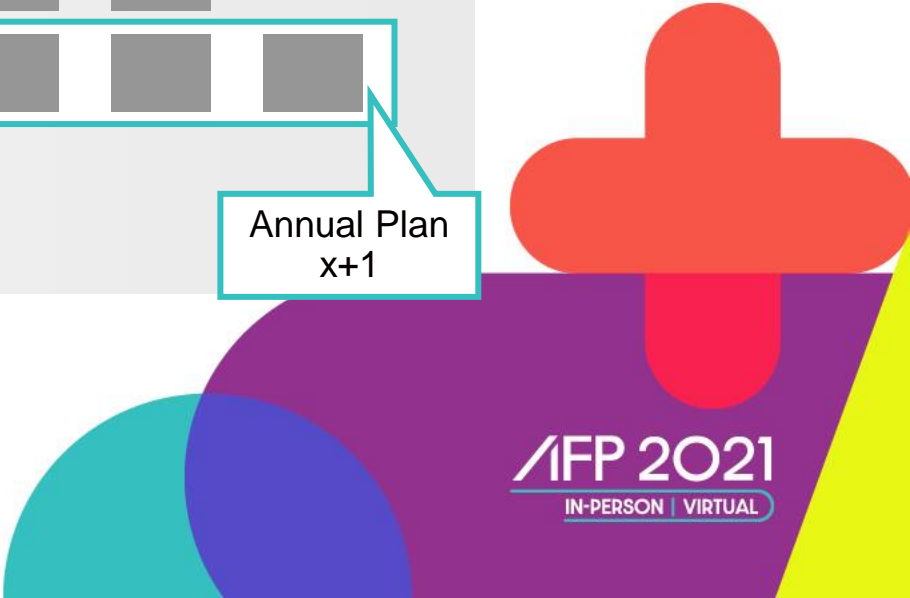
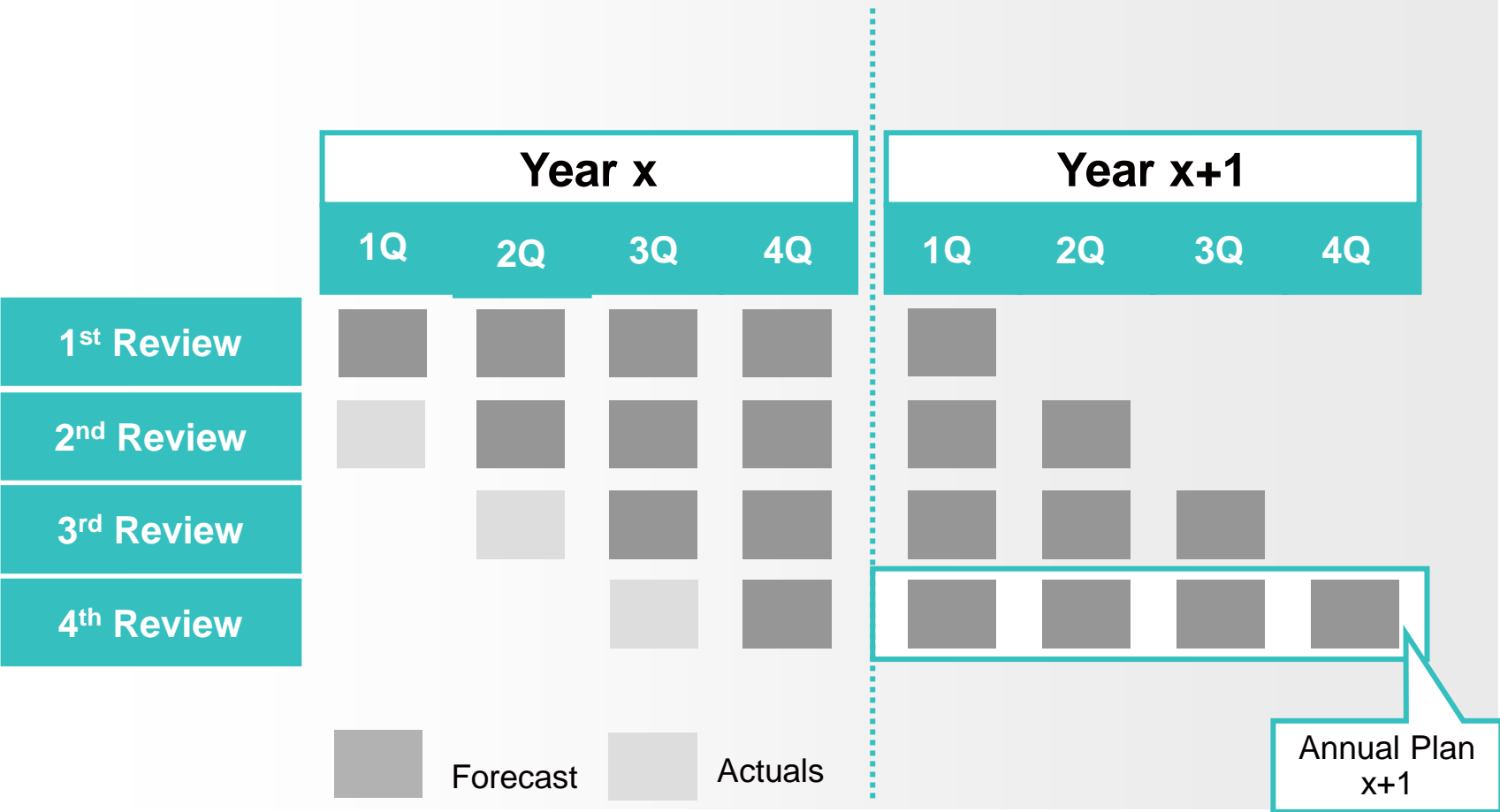
1. Provide a consistent horizon
2. Provide alerts for additional actions
3. Show where results are likely headed
4. Enable agility focused on key drivers
5. Aid adaptation for strategic results

Mistake #1: Forecasting to the Wall



E
n
d
o
f
Y
e
a
r

INSTEAD Use Consistent Rolling Horizons



Mistake #2 Confusing Forecasts with Targets

Forecasts



Where you think
you're headed

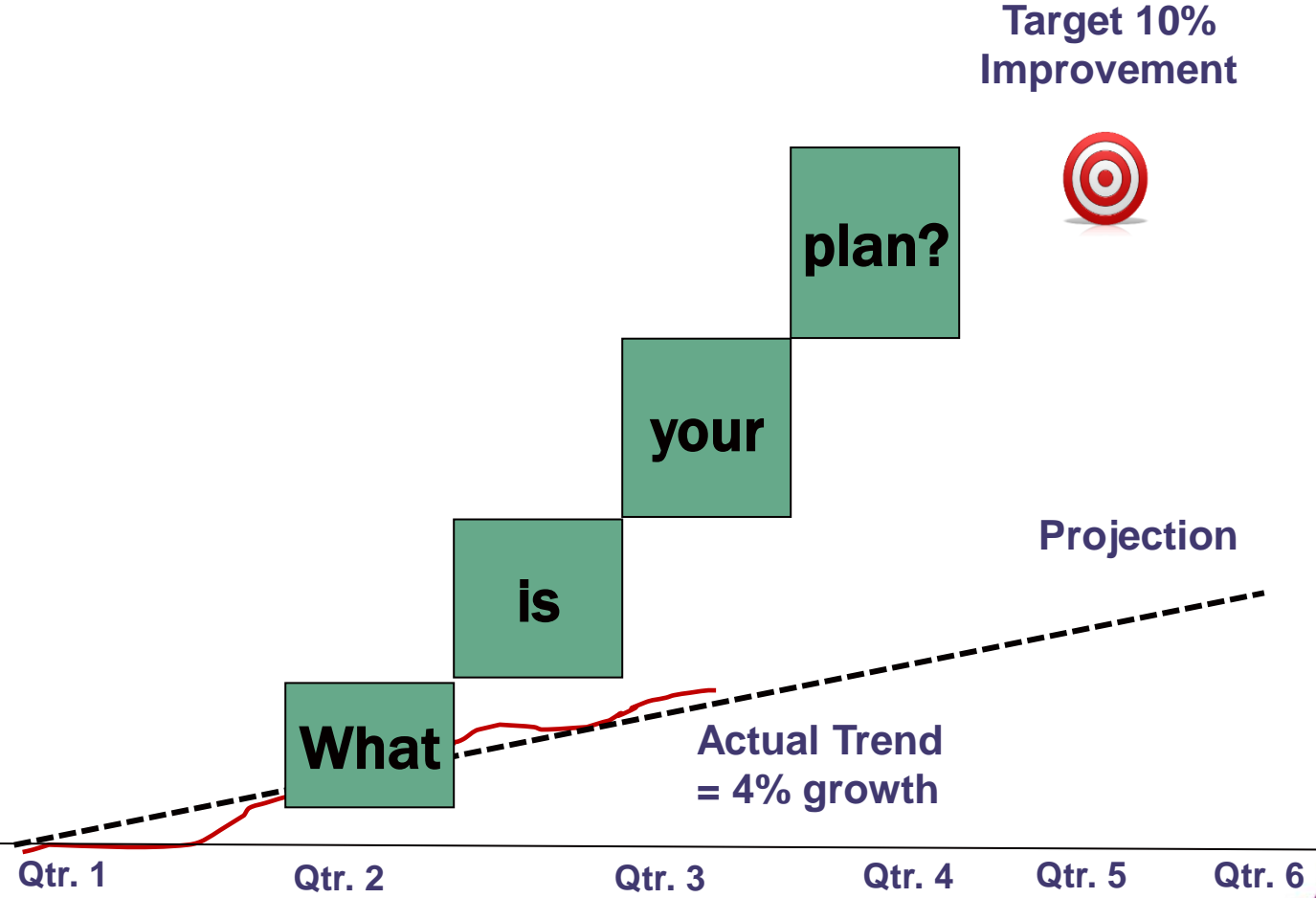


Targets

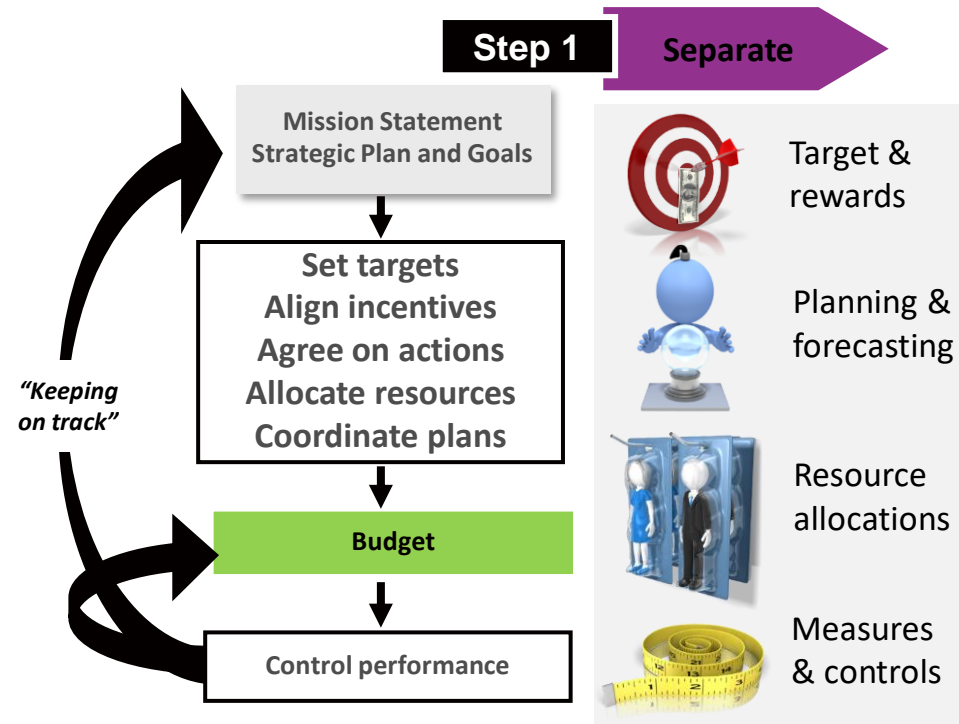


Medium term
aspirations &
goals

INSTEAD Create a Realistic Forecast with Separate Action Plans

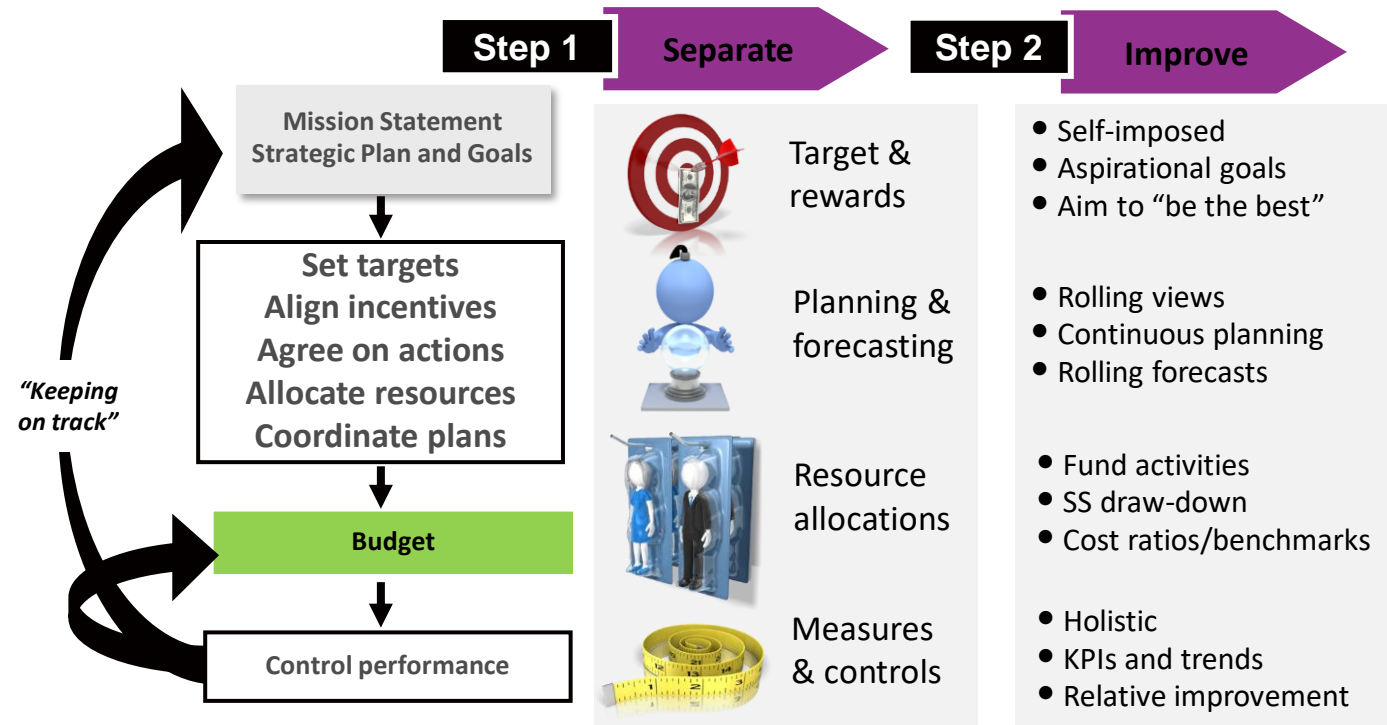


Mistake #3 Trying to Use Rolling Forecasts to Replace Everything Budgets are Used For



SOURCE: Adapted from *Implementing Beyond Budgeting*, Bogsnes, (2017, Wiley)

INSTEAD Improve Each Purpose with Targeted Replacements

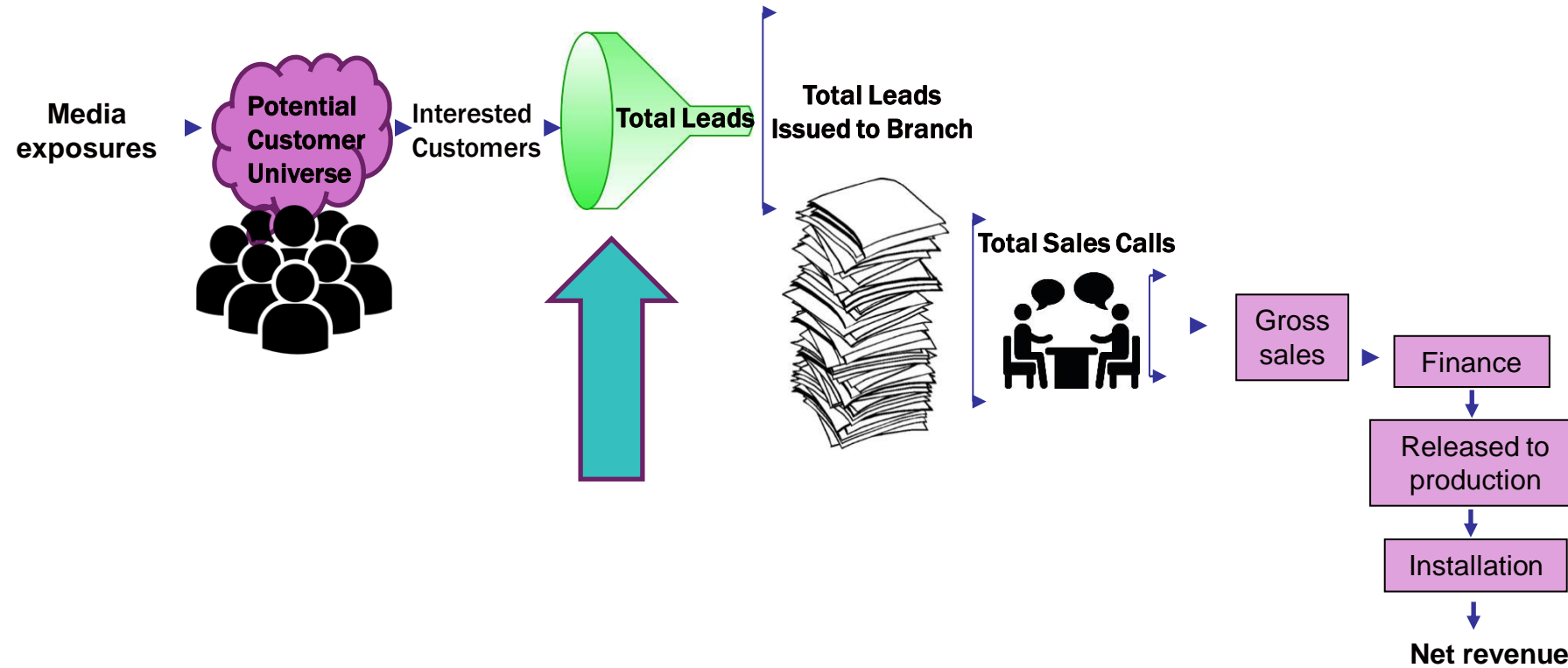


SOURCE: Adapted from *Implementing Beyond Budgeting*, Bogsnes, (2017, Wiley)

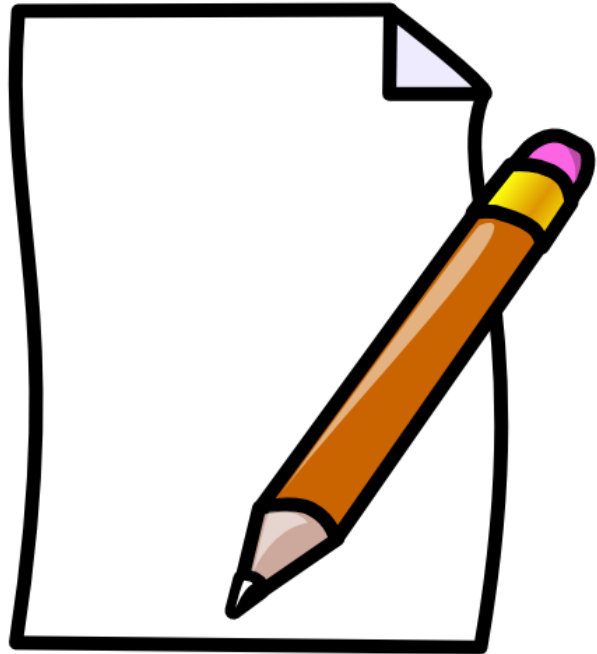
Mistake #4 Focusing on Every Line Item



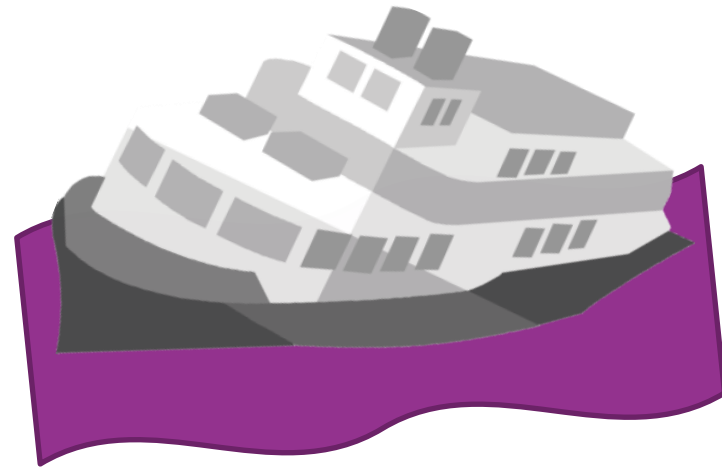
INSTEAD Enable Agility by Focusing on Key Drivers Providing Early Warning



Mistake #5 Using forecasts to freeze the tactical plans (instead of responding to the changing environment)



**Frozen
Forecast**



INSTEAD Link Your Annual Plans to Your Strategic Plans and Keep Moving Forward

TRANSFORMATION



- What ship do we need?
- What projects and initiatives are needed to transform?
- How do we continue performing while we change?



Recap: Typical Forecasting Mistakes, and What to Do Instead

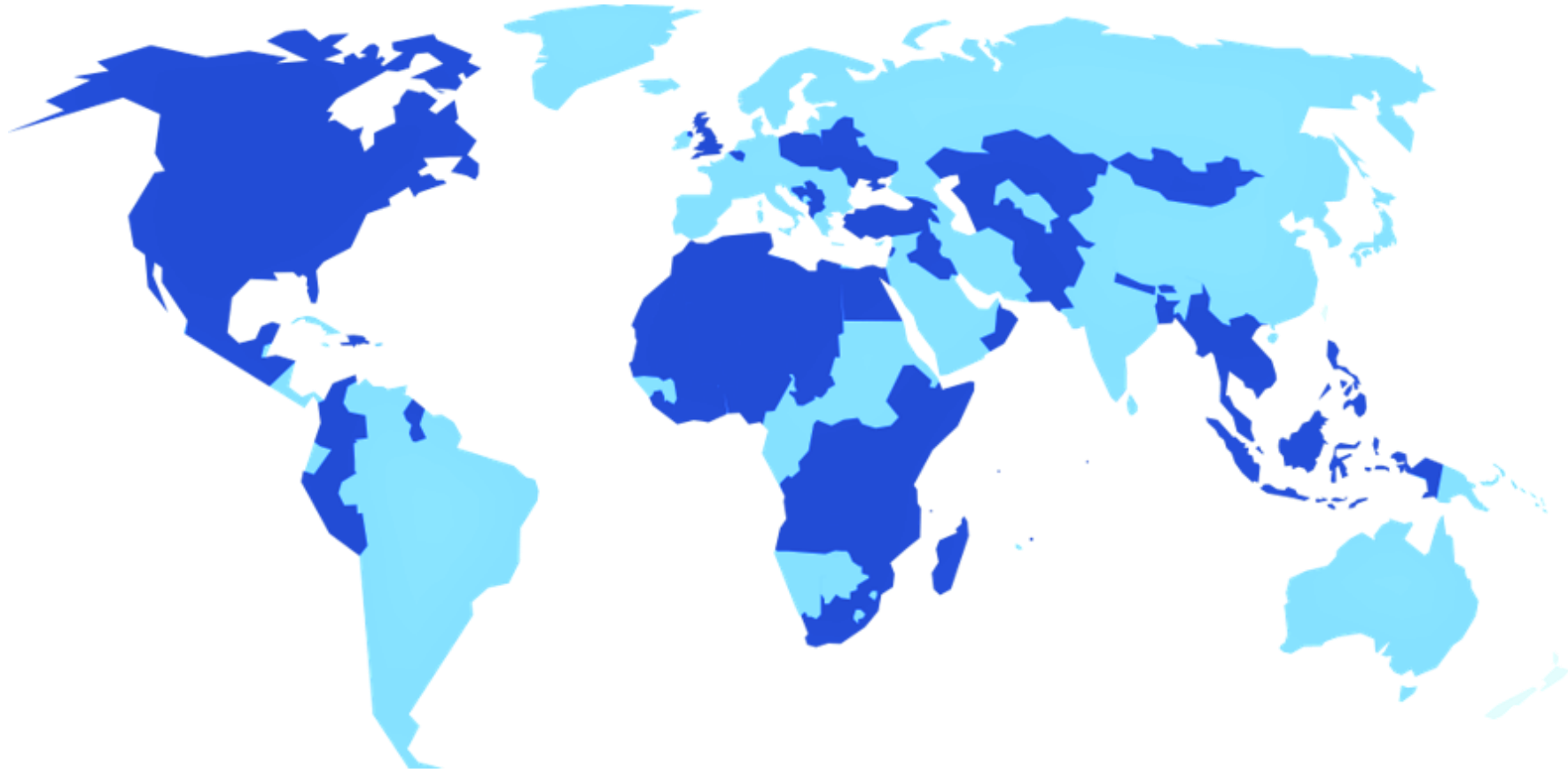
TYPICAL MISTAKES

1. Forecasting to the wall
2. Confusing forecasts with targets
3. Using only rolling forecast to replace budgets
4. Forecasting every account
5. Using forecast to freeze tactical plans

DO INSTEAD

1. Use a consistent horizon
2. Use realistic projections with separate action plans
3. Also change target setting, action planning, and resource allocations
4. Limit detail by focusing on key drivers
5. Move to continual planning

Forecasting in Action at DAI



150+

ACTIVE PROJECTS

80+

COUNTRIES

\$607M

(2020 REVENUE)

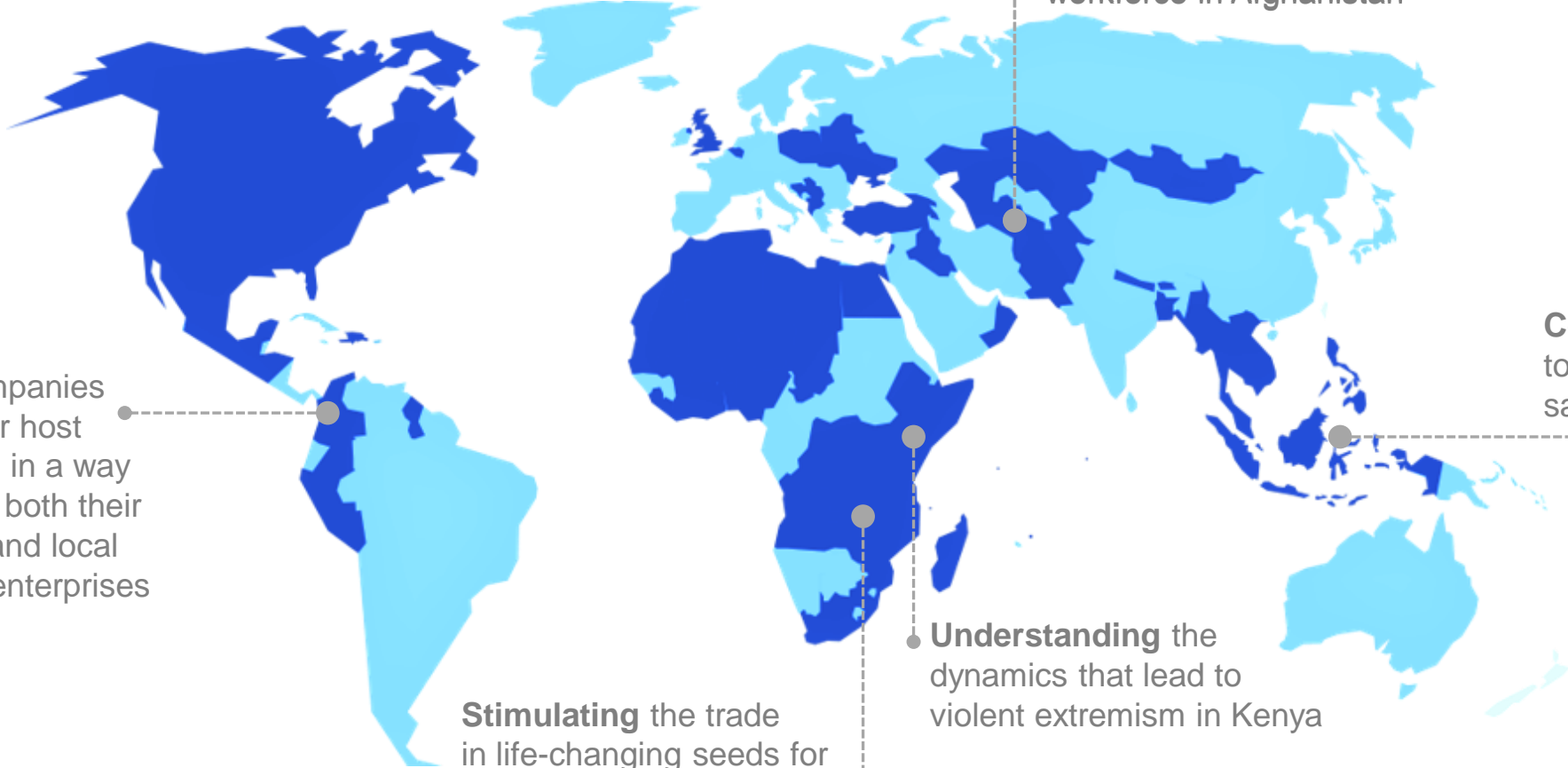
\$3B

CONTRACT VALUE

5,000

EMPLOYEES

AFP 2021
IN-PERSON | VIRTUAL



Helping companies invest in their host communities in a way that benefits both their bottom line and local people and enterprises

Stimulating the trade in life-changing seeds for farmers in southern Africa

Understanding the dynamics that lead to violent extremism in Kenya

Equipping women to join the workforce in Afghanistan

Connecting people to clean water and sanitation in Indonesia



USAID
FROM THE AMERICAN PEOPLE



Foreign,
Commonwealth
& Development
Office



THE WORLD BANK
IBRD • IDA | WORLD BANK GROUP



BILL & MELINDA
GATES foundation



asociación mexicana de
empresas de hidrocarburos

Waitrose



ExxonMobil



MILLENNIUM
CHALLENGE CORPORATION
UNITED STATES OF AMERICA



woodside



Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Agency for Development
and Cooperation SDC



Public Health
England

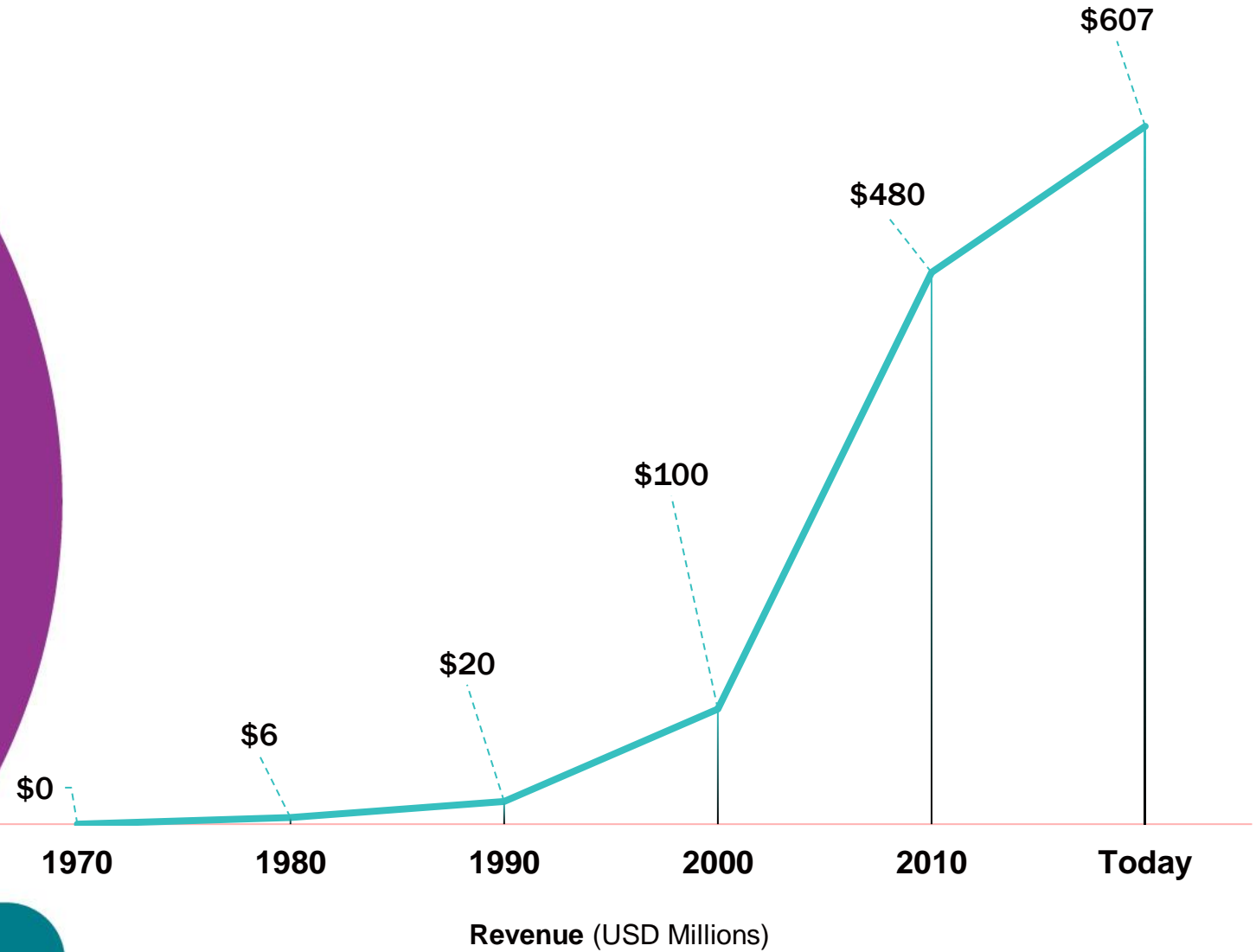


European Bank
for Reconstruction and Development



USG Business Unit is

70-75%

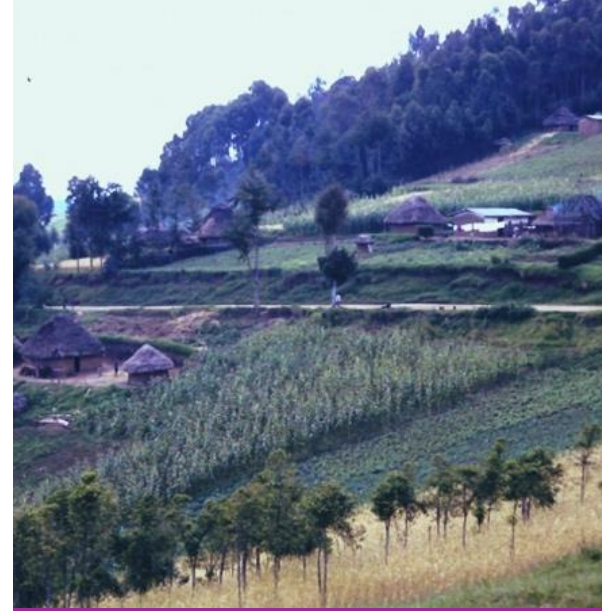


The World is Our Uncertainty



2010-11

**Earthquake
in Haiti
Arab Spring**



2013

**Sequestration
War in Iraq**



2014

**Russia
annexes
Crimea**

The World is Our Uncertainty



2018

**Sulawesi
earthquake
and tsunami**



2020

COVID



2021

**Coup Myanmar
Coup Tunisia
Afghanistan**



Leading Edge Technology

**Automatic Data Processes
and Analysis**

Collaborative

Not bad for 2009!





Spreadsheet-heavy

Bias, Gaming, Noise

**Distraction and Vacation
Killer**

Double-Data Entry

Finance Administrative



Goals

#1

Remove barriers to technical delivery.

This drives impact and customer satisfaction.



#2

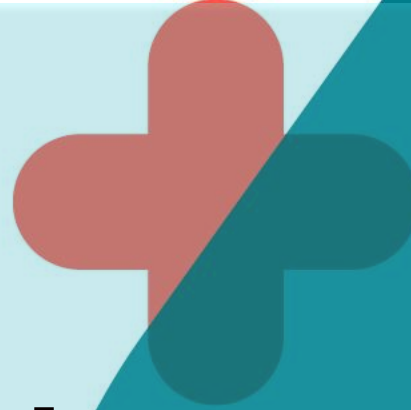
Reduce burden on operations and finance.

Frees time to focus on #1 and is a key driver of job satisfaction.

#3

Finance shifts to decision support partners.

This enhances performance.



Take stock: people and planning assets

Fit the forecast to the forecasted



Chip away at identifying and automating drivers

Invest in people



**Don't underestimate
change management**

Support Ideation

Agenda

A. How Should Rolling Forecasts Be Used

B. Forecasting in Action at DAI

C. Lessons You Can Apply

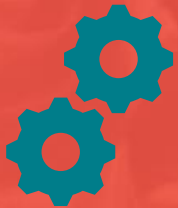
Key Takeaways



Reduced inputs by 70%



Increased precision

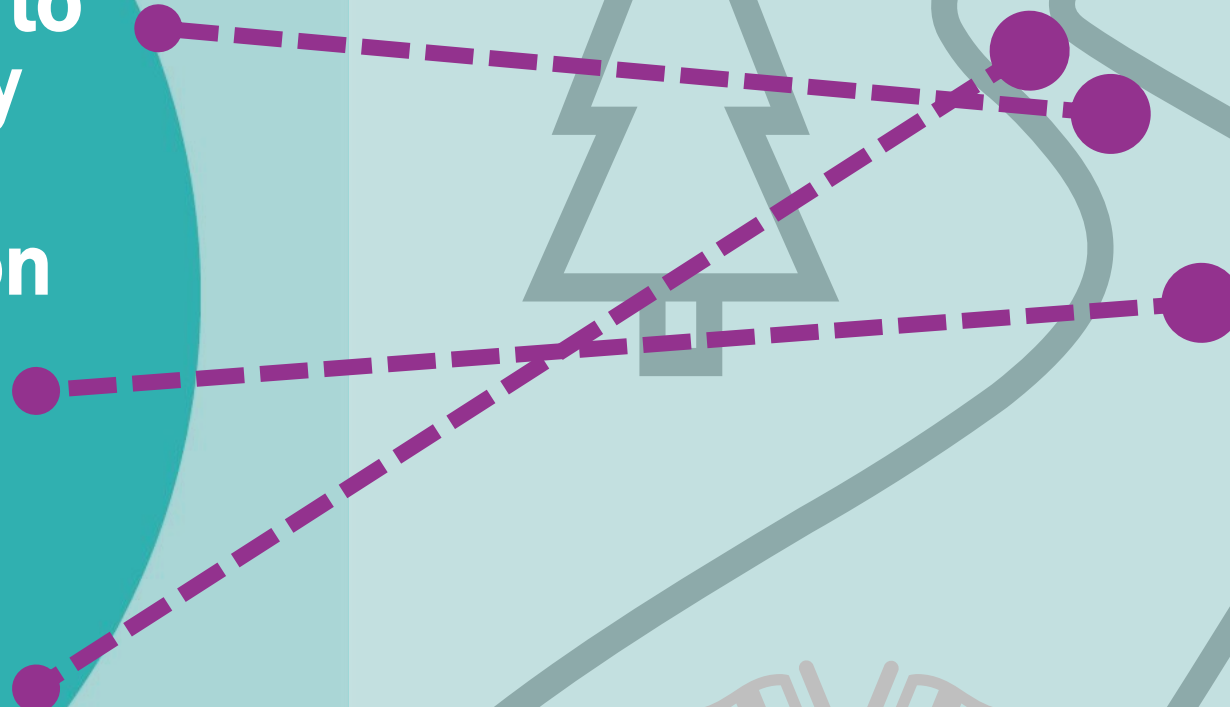


Automated

#1 Remove barriers to technical delivery

#2 Reduce burden on operations and finance

#3 Finance shifts to decision support partners



Get Off the Back of the Boat

You want to be up on the bridge looking forward beside the captain.

THE
PAST

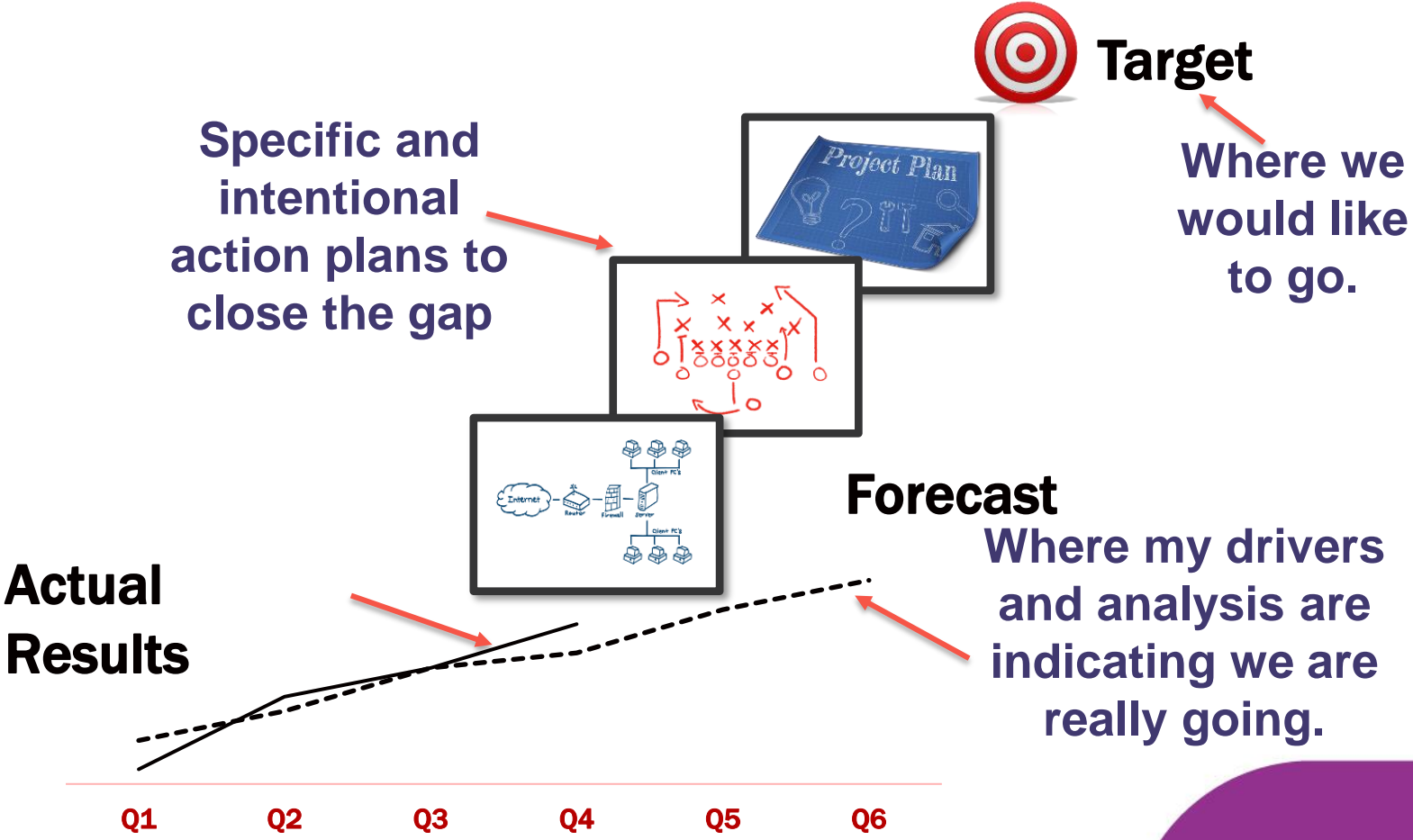
HOME	9:10	GUEST
10	PERIOD 4	6



THE FUTURE

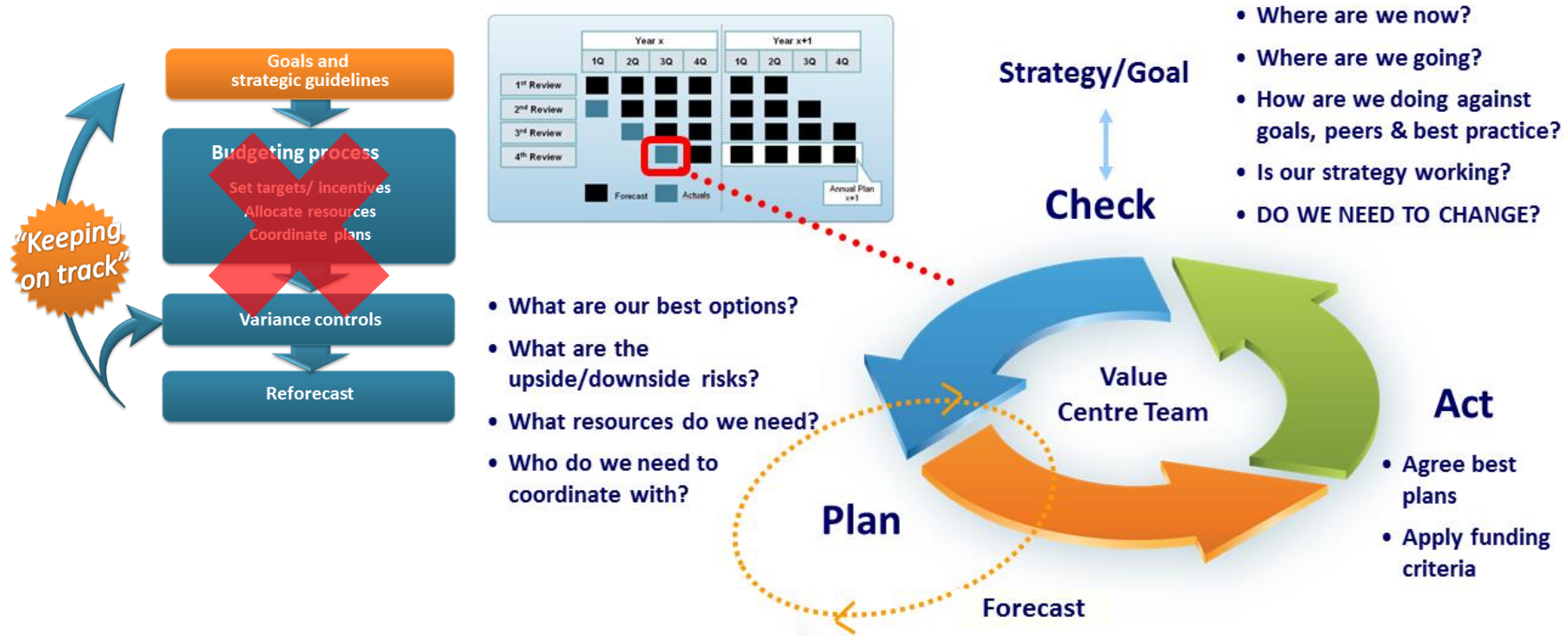
AFP 2021
IN-PERSON | VIRTUAL

Enable Dynamic Action Planning



Move to Continuous Planning

Make planning a continuous and inclusive process, not a top-down annual event



What's Next and for More Information

For additional discussion join us in Learning Lounge #1 on the Exhibit Floor from 1:15 pm to 1:45 pm

To learn more about upcoming Future Ready Finance forecasting and scenario planning events email Steve Player steve@theplayergroup.com