

WHAT HAPPENED TO THE FORECAST?



WHAT HAPPENED TO THE FORECAST?

When market conditions change drastically and unexpectedly, forecasts are knocked off track. That's business. However, outside of the unpredictable, boards and shareholders expect the results that are delivered to be reasonably in line with those that were predicted. When they're not, look for the man with the oversized spreadsheet.

It is not unusual to hear a senior executive announce, with either great pride or varying degrees of discomfort, that operational results were 10, 20, 30 per cent north or south of expectations. The market looks on wondering how reliable the company's processes and forecasting are. Increasingly, and not unreasonably, they are pressuring boards and executives to provide reliable information. Yet it's hard to put a hand on your heart and prophesy the numbers when you don't have faith in your planning and decision making processes, and no one is really sure where the numbers came from, how they were derived, what assumptions went in to them and who else knows about them.

THE SPREADSHEET GURUS - OFTEN A CLUE TO THE PROBLEM

The ubiquitous spreadsheet. Most people know how to use them and are comfortable doing so. In theory they are an effective tool for preparing production plans and forecasts. A closer inspection often reveals a different picture and one senior executives may benefit from studying.

Managers and teams frequently create spreadsheets that are flawed at a number of levels. They use calculations only they understand and assumptions only they are aware of. Often these assumptions are not properly tested against operational realities, or questioned, or communicated to the people who need to know. Nor is the information properly documented for others to use at a later date. Instead of being shared, knowledge is locked in private pools of data - when the person you need is not available, neither is the information. Businesses that are run this way can easily slip into an environment in which key people or key pieces of work have the capacity to hold the organisation to ransom.

Some managers hone their spreadsheet skills day by day with the devotion of a master craftsman. They can write macros, add and manipulate graphics, even incorporate animation. Basically the things managers do when they're not doing what they are paid to do - manage.

Many companies have already invested in excellent information systems, but their managers don't know they exist.

Get that right and you'll be building a robust organisation with reduced dependence on key people.

SLOW AND CLUMSY

With skills like that, spreadsheets can expand into massive files, far beyond the capacity of the systems they are run on. In the maintenance department of one organisation we encountered a spreadsheet containing 35 megabytes of information and formulae. When it was loaded, the lights in the nearby corridor visibly dimmed. The whole office network was rendered unusable for 30 minutes and people took coffee breaks while the file was opened or saved.

Speed is usually essential to good planning. Yet many companies struggle for weeks or months to evaluate different options and scenarios. Usually the issue is straightforward - the quantity of information that needs to be captured and manipulated is too big to handle using spreadsheet technology. At one multi-site operation we found a number of spreadsheets, around 20 megabytes each, scattered across their planning levels. It took a middle manager from early Tuesday to late Friday each week to combine all the spreadsheets, remodel and test the data and arrive at a final set of numbers. There are systems that do this at the touch of a button and with far greater accuracy.

In the most extreme case we've encountered, a company took two man-years to create a planning spreadsheet that covered its various sites. Then a further six man-months to refine it. To this day no one knows the rules and assumptions that went into that spreadsheet, or are able to convey the right information to the people who eventually use the plan derived from it.

TECHNOLOGY - BUT NOT JUST

There are alternative technologies to spreadsheets, from basic decision-mak-

ing and information-sharing systems to intelligent technologies that can virtually plan, schedule and reschedule an operation unaided. They are being used around the globe by midsize and large organisations with varying degrees of success.

Bizarrely, many companies have already invested in excellent information systems, but their managers either don't know they exist or have little knowledge of how to use them. The usual tale is that they were installed but not properly implemented; the result being that people either reverted to their trusty spreadsheets or developed their own understanding of how to use the system. Entrenched managers often cling to these less-than-positive experiences as an excuse to avoid investing in better technology - incorrectly apportioning the blame to their IT departments.

FIRST TAKE A STEP BACK

Before you look at technology, as either the culprit or the saviour, take a cold hard look at the way processes, decision making, roles and responsibilities and the flow of information are managed. If they are good, smarter technology can make them even better. If they're not, technology will just help you make the same mistakes faster.

First get the processes, the people and the reporting right. Then use smart technology tools to provide the number-crunching power, automate the grunt work and ensure that you can store and share what you know. Get that right and you'll be building a robust organisation with reduced dependence on key people. Not only will your forecasting be more accurate and reflect effective processes, you'll also be in a much better position to continually review and improve them.

GPR Dehler has a long record of successes helping organisations to implement significant cultural and operational improvements to their business. To find out more about our company and the benefits we have brought to our clients, please contact GPR Dehler - email info@gprdehler.com or visit our web site www.gprdehler.com.