How to implement quarterly rolling forecasting and quarterly rolling planning – and get it right the first time

by David Parmenter

.

Table of Contents

Page

1. Background

1.1. A burning platform

Quarterly rolling planning is a process that will revolutionize any organisation, whether in the public or private sector. It removes the major problems that are associated with annual planning, including:

- An annual funding regime where budget holders are encouraged to be dysfunctional, building silos and barriers to success
- The monthly budgets set in the annual plan bear no relation to reality
- Takes too long – often a three-month period where management is not particularly productive
- Using the annual plan as part of a bonus system.
- Costs too much – annual planning costs in time alone run into the millions each year for larger organisations
- Often needs to be updated during the year to reflect the dynamic and rapidly changing environment we work in see Exhibit 1.1.
- Is an "anti-lean" process

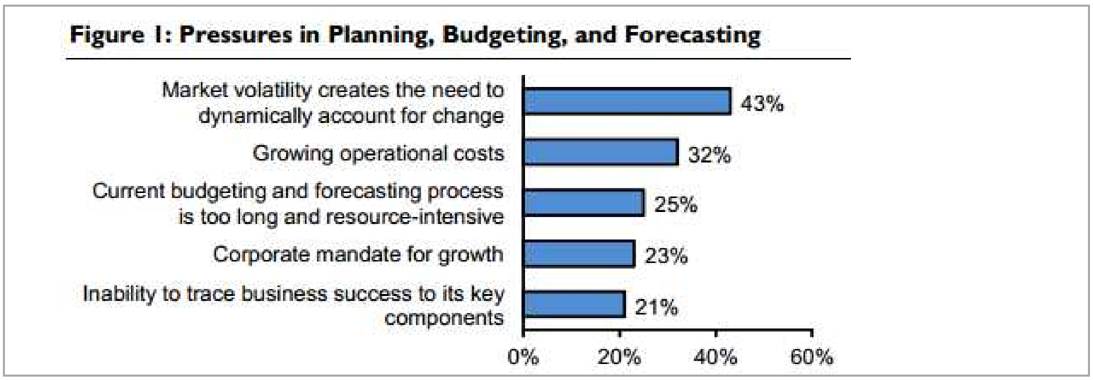


Exhibit 1.1 Findings from a recent study by the Aberdeen Group

This paper will explain why the QRF is the most important management tool of this decade and why the rolling forecasts of the past are a different beast to the 21st-century QRF.

In a poll during a webcast to corporate accountants in Canada, see Exhibit 1.2, I asked the attendees, "How long does your planning take each year? Around 80% were investing two months or more, and 60% were taking three months or more.

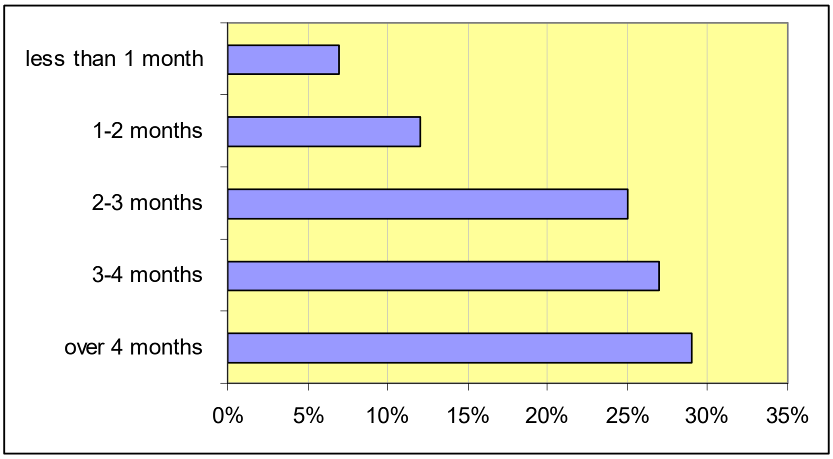


Exhibit 1.2 Speed of annual planning (Source: CGA Canada webcast poll)

The only thing certain about an annual target is that it will be wrong; it will be either too soft or too hard for the operating conditions.

The answer is to "throw away the annual budget and its associated processes. Smart organisations do not do an annual planning process anymore". These smart organisations have moved to using quarterly rolling planning.

For organisations between 400-700 FTEs, you will invest between $1m to $2m for the next annual planning round which equates to $10m to $20m in the next ten years if you do not act now. We need to change the annual planning process radically. We have a burning platform. We need to jump.

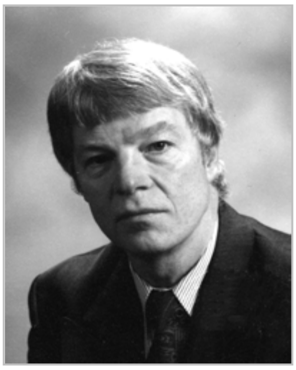
1.2. History of annual planning

Annual planning dates back to Charles Dickens's time and possibly back to 1494 when Luca Piccioli first wrote about double-entry bookkeeping. Annual planning went ballistic with the advent of mass production typified by the Model T ford, see Exhibit 1.3.

Exhibit 1.3 The birth of management accounting

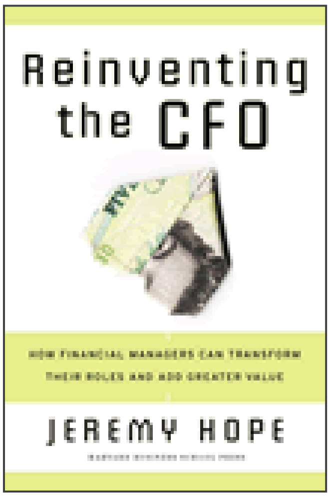
Writers like Charles Horngren, in his "Cost Accounting: A Managerial Emphasis", helped lock in what we know today as annual planning.

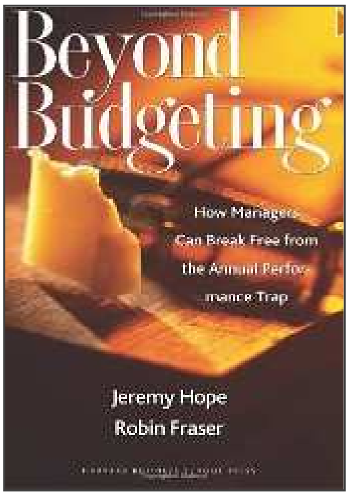
1.3. Jeremy Hope- thought leader with rolling planning.



Jeremy Hope was the world's foremost thought leader on corporate accounting issues. He sadly passed away a few years ago. Hope had an uncanny ability always to be at least five years ahead of what better corporate accounting practices should be. Hope has stated that not only is the budget process a time-consuming, costly exercise generating little value, but it also, and more important, is a major limiting factor on how your organisation can perform.

Here are some of his quotes that challenge the very concept of budgeting.





> *"So long as the budget dominates business planning, a self-motivated workforce is a fantasy, however many cutting - edge techniques a company embraces."*
>
> *"The same companies that vow to respond quickly to market shifts cling to budgeting — a process that slows the response to market developments until it is too late."*
>
> *"It's no secret that annual budgeting processes are time-consuming, add little value, and prevent managers from responding quickly to changes in today's business environment."*

Hope and Fraser, in their beyond budgeting book[i], pointed out that the annual budgeting process was doomed to fail. If you set an annual target during the planning process, typically 15 or so months before the last month of that year, you will never know if it was appropriate, given that the conditions of that year will never be guessed correctly.

> **Beyond Budgeting in New Zealand: A Major Road Contracting Company**
>
> I was presenting Beyond Budgeting and key performance indicators (KPIs) in New Zealand and was introducing myself to the managing director of a large road contracting company. He politely informed me that he was mainly interested in hearing the KPI part of my presentation, as the beyond budgeting session was of little interest as they were already doing it. In fact, the group had never had an annual planning process. He said if the group could predict when it was going to be sunny and when it was going to rain, annual planning would be useful.

The business encompasses concrete, transport (local and rural), fuel distribution, and roading. The group has around 1,000 staff members and a consistent profit growth, the envy of many larger organisations.

Growth has been achieved either by growing organically or by buying small companies. As the CEO says, expansion is often driven by opportunity. It has 23 companies as well as many joint ventures.

The business has different performance tables depending on the size of operations so that the companies can compare with one another. Each table shows the ranking of the operations within that table with reference to some key ratios. The ratios they monitor include:

- Return per km — revenue and cost per km
- Margin per litre
- Delivery cost per litre
- Concrete cost per cubic meter
- Cubic metre delivered by pay hour

Monthly reports are short and based on major cost categories (not at the detail account code level). They do not waste time showing a consolidated result each month; this is done at year-end only.

Subsidiaries manage staff levels within given limits, set staff salaries, and choose which suppliers to use (providing there is not a national contract in place).

There is an in-depth case study on Svenska Handelsbanken and Bulmer cider in the electronic media that supports this paper.

I would recommend you view Bjarte Bogsnes' presentation on 'Beyond Budgeting – business agility in practice' on YouTube.

1.4. The myths around annual planning

There are many reasons why your organisation's annual planning is not working. One main factor is a lack of understanding of the myths surrounding annual planning.

Just like six centuries ago, we are blind to the realities that are there to see on closer observation. We have for centuries mindlessly applied old thinking to how we measure, monitor and improve performance.

Myth 1: There is a need to set annual targets

It is a myth that we know what good performance will look like before the year starts, and thus, it is a myth that we can set relevant annual targets. In reality, as former CEO of General Electric, Jack Welch,[ii] says,

> *"It leads to constraining initiative, stifling creative thought processes, and promoting mediocrity rather than giant leaps in performance."*

All forms of annual targets are doomed to failure. Far too often, management spends months arguing about what is a realistic target, when the only sure thing is that it will be wrong. It will be either too soft or too hard.

I am a follower of Jeremy Hope's work. He and his co-author Robin Fraser were the first writers to clearly articulate that a fixed annual performance contract was doomed to fail. Far too frequently, organisations end up paying incentives to management when, in fact, they have lost market share. In other words, rising sales did not keep up with the growth rate in the marketplace. As Hope and Fraser point out, not setting an annual target beforehand is not a problem as long as staff members are given regular updates about how they are progressing against their peers and the rest of the market. Hope argues that if you do not know how hard you have to work to get a maximum bonus, you will work as hard as you can.

Just like a high jumper in the Olympics, to win, they must jump the highest. Having a predetermined height set in their minds will only limit their performance.

Myth 2: We can set meaningful monthly targets from the annual plan

As accountants, we like things to balance and our work to be 'neat and tidy'. Thus, it appeared logical to break the annual plan down into twelve monthly breaks before the year had started. We could have been more flexible. Instead, we created a reporting yardstick that undermined our value to the organisation. Every month, we make management all around the organisation write variance analysis which I could do just as well from my office in New Zealand.

> *"It is a timing difference."*
>
> *"We were not expecting this to happen."*
>
> *"The market conditions have changed radically since the plan", etc.*

Myth 3: We only need to forecast out to the current year-end

Typically, corporate accountants forecast only to year-end. Two months before year-end, management appears to ignore the oncoming year. The better practice is to forecast for a rolling period that passes through the year-end barrier.

Myth 4: Giving budget holders an annual entitlement made sense

Giving a budget holder the right to spend an annual sum is the worst form of management the accountant profession has ever presided over.

By forcing budget holders to second-guess their needs in this inflexible regime, you enforce defensive behaviour and a stockpiling mentality. In other words, you guarantee dysfunctional behaviour from day one.

Myth 5: We need to budget at the account code level

What made accountants ever conceive that we needed to set targets at the account code level? Our forefathers did it, so we duly followed in the well-trodden steps. It makes no sense.

Having budgets at the account code level has encouraged budget holders to allocate expenditure to an account that has room for it, thus at a single stroke undermining the purpose of the G/L, which is to account for costs and revenue in the right areas.

Myth 6: An annual plan needs to take months to complete

The annual planning process is not adding value. Instead, it is undermining an efficient allocation of resources, encouraging dysfunctional budget holder behaviour, negating the value of monthly variance reporting and consuming huge amounts of time from the Board, senior management team, budget holders, their assistants and, of course the finance team.

When was the last time you were thanked for the annual planning process? At best, you have a situation where budget holders have been antagonised. At worst, budget holders who now flatly refuse to cooperate.

Like a laboratory rat, we go down the same pathway each year to find there is no cheese, no passing 'Go' and no collecting £200 (a Monopoly reference), just mayhem. The annual planning process may have worked for Julius Caesar, but certainly not for us.

The nightmare of three to four months of arguing over resource allocation when nobody knows the answer, the endless cut-back rounds, the game–playing, the 'spend–it–or–lose–it' mentality is not befitting the 21st century.

Myth 7: We had to use Julius Caesar's calendar

Julius Caesar gave us the calendar we use today. It is not a good business tool because it divides the year into uneven periods. With the weekdays and number of weekend days in any given month different from the next month, it is no wonder forecasting and reporting are unnecessarily compromised.

Even if we are stuck reporting results on calendar months in the short term, we can and should base our forecasting models around a 4,4,5 quarter. For example, there are two four-week months and one five-week month in a quarter. The model would then smooth back the numbers to the correct working days for monthly targets.

Myth 8: The annual planning process will be quicker this year

Each year I was involved in the annual planning process I thought I had discovered the secret to cut months out of the process. I even had budget holders on my side saying, "Yes, we agree that four months is ridiculous, and we will cooperate." As you all know, the next annual plan will be as bad as the last one because once the annual planning process has begun, budget holders commence their political gesturing. It is just like Pavlov and his dogs.

1.5. Definitions

Throughout this paper, the following definitions will be used.

Quarterly rolling forecasts (QRF) normally go out 6 quarters and involve budget holders in providing a "light touch" forecast covering their 10-12 main categories, which become the future months reporting benchmarks.

Quarterly rolling planning (QRP) takes QRF a step further - budget holders are now funded quarterly based on their forecast for the next quarter once it has passed through a rigorous quality assurance process.

Strategic planning – looks at the longer term in a more qualitative way, normally out 3+ years.

2. Introduction to the quarterly rolling forecast process

2.1. What is a quarterly rolling forecast process?

The quarterly rolling forecasting (QRF) process is where management sets out the required revenue and expenditure for the next 18 months. Each quarter, before approving these estimates, management sees the bigger picture six quarters out. All subsequent forecasts, while firming up the short–term numbers for the next three months, also update the annual forecast. Budget holders are encouraged to spend half the time on getting the details of the next three months right, as these will become targets upon agreement, and the rest of the time on the next five quarters. The quarterly forecast is thus used to:

- fund budget holders, on a quarterly rolling basis, once their forecast has been approved
- set the monthly budgets to be used for month-end reporting (set only one quarter ahead)
- update the annual forecast
- give a view of the next financial year

Each quarter forecast is never a cold start, as budget holders have reviewed the forthcoming quarter a number of times. With the appropriate forecasting software, management can do their forecasts very quickly; one airline even does this in three days. The recommended elapsed time spent on the four quarterly forecasts during any given year is no more than five weeks.

Exhibit 2.1 shows how the quarterly rolling process works for a June year-end organisation. The dark-shaded zone is the forecast for the next quarter and the most important part to get right. The light-shaded zone is the second quarter. Quarters 1 & 2 will be forecast monthly and quarters 3 to 6 are forecast in quarterly blocks as less detail is required.

As a guide, budget holders should spend 60 per cent of their time on the first quarter because first-quarter numbers will become targets, 20 per cent on the second quarter, and 20 per cent on the remaining four quarters.

Most organisations can use the cycle set out in Exhibit 2.1 if their year-end falls on a calendar quarter end. Some organisations may wish to stagger the cycle say May, August, November, and February. An explanation of how each forecast works, using a June year - end organisation, follows.

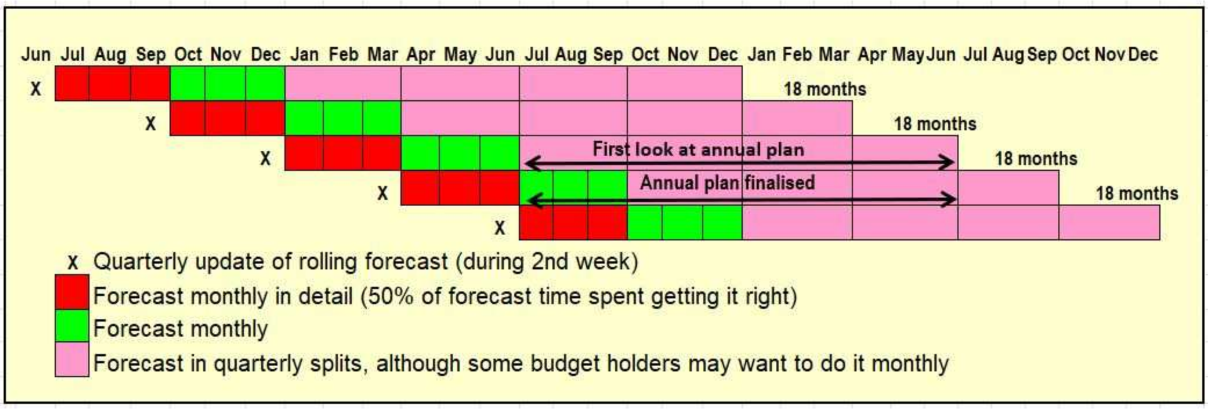


Exhibit 2.1 How the rolling forecast works for an organisation (June year-end)

2.2. The process quarter by quarter for a June year-end organisation

December update (one-week duration)

In the second week of December, budget holders forecast to the end of the year, with monthly numbers and the remaining period in quarterly breaks. Budget holders obtain approval to spend January - to - March numbers subject to their forecast, still going through the annual plan goalposts. The budget holders at the same time forecast next year's numbers for the first time. Budget holders are aware of the expected numbers, and the first cut is reasonably close. This is a precursor to the annual plan. This forecast is stored in the forecasting and reporting tool. This update process should take only one elapsed week.

March update and annual plan (two-week duration)

In the second week of March, budget holders re-forecast to year-end in monthly numbers, and we should be able to eliminate the frantic activity that is normally associated with the spend-it-or-lose-it mentality. They also forecast the first quarter of next year with monthly numbers and the remaining periods in quarterly breaks. The budget holders, at the same time, revisit the December forecast (the previous forecast) of next year's numbers and fine-tune them for the annual plan. Budget holders know that they will not be getting an annual lump-sum funding for their annual plan. The number they supply for the annual plan is guidance only.

For the annual plan, budget holders will be forecasting their expense codes using an annual number and in quarterly lots for significant accounts, such as personnel costs. Management reviews the annual plan for next year and ensures all numbers are broken down into quarterly lots. This is stored in a new field in the forecasting and reporting tool called "March ____ forecast" This is the second look at the next year, so the managers have a better understanding. On an ongoing basis, they would need only two weeks to complete this process.

June update (one-week duration)

Budget holders also are now required to forecast the first six months of next year monthly and then on to December in the following year in quarterly numbers. Budget holders obtain approval to spend July - to - September numbers, provided their forecast once again passes through the annual goalposts. This is stored in a new field in the forecasting and reporting tool called "June ____ forecast." This update process should take only one elapsed week.

September update (one-week duration)

Budget holders forecast the next six months in monthly numbers and quarterly to March 18 months forward. Budget holders obtain approval to spend October - to - December numbers. This is stored in a new field in the forecasting and reporting tool called "September ____ forecast." This update process should take only one elapsed week.

You will find that the four cycles take about five weeks once management is fully conversant with the new forecasting system and processes.

2.3. The benefits of the quarterly rolling forecasting process

The benefits include:

<u>Macro view</u>

1. Rolling forecasts allow for more accurate and versatile forecasting that will remain true to a company, even amid fluctuations in the industry, economy, or marketplace.

2. Businesses can continually adapt future forecasts to reflect industry, economic, and business changes, enabling them to reduce risk and allocate resources more optimally in pursuit of their financial objectives.
3. Businesses can be more opportunistic in their decision-making because they'll have the ability to tweak their business assumptions, alter budget allocations, and adjust their spending more quickly, enabling them to better respond to industry and consumer demands.

Micro view

4. The funding of budget holders is now done on a quarterly rolling basis, once their forecast has been approved, rather than annually.
5. Monthly budgets to be used for month-end reporting are set only one quarter ahead.
6. Managers have a better understanding of their operations
7. An updated annual forecast P/L as a by-product every quarter and not a separate monthly exercise as part of the financial report
8. The next financial year is always in view
9. Because forecasting is done 4 times a year at a higher level (less detail), there is a significant saving in time and cost.
10. Helps create a better understanding of the cost drivers leading to full recovery of raw material cost fluctuations.

3. The foundation stones of a rolling forecasting process

There are a number of QRF foundation stones that need to be laid down and never undermined. You need to ensure all the construction of the QRF model is undertaken upon the following foundation stones:

1. The QRF model should be built by in-house resources
2. A clear distinction between ambitious targets and realistic forecasts
3. A quarterly process using the wisdom of the crowd
4. Forecast beyond year-end (e.g., six quarters ahead)
5. The monthly budgets (targets) are set a quarter ahead and are sourced from the QRF
6. A quarter-by-quarter funding mechanism
7. The annual plan becomes a by-product of the QRF
8. Forecasting at a category level rather than at the account code level
9. The QRF should be based on the key business drivers
10. A fast light touch (completed in an elapsed week)
11. The model is built in a planning tool – not in a spreadsheet
12. Design the planning tool with four and five-week months
13. Invest in a comprehensive blueprint before you start
14. Abandoning processes that do not work

3.1. <u>The QRF model should be built by in-house resources</u>

The project team must always design the model themselves. You need to use the planning tool consultants more as advisors and trainers and make sure you drive the mouse. The planning tools are relatively simple to use, provided the in-house staff have attended in-depth training.

If the consultants build the model, not only will the project cost more money, you will also have the added risk of bringing someone who may not fully understand your business and who will endeavour to build you a better annual planning model, the very thing you need to migrate away from!

The in-house team has a better chance of designing a model that fits your industry and your decision-making processes than an external consultant. Consultants with the best will in the world cannot help but design a model based on their prior experiences, which may be adrift of the techniques described in this white paper.

In other words, it's just like learning to drive a car. The team will need a series of lessons and hopefully practise first on "quiet country roads" (pilot the model) before they drive on the motorway (unleash the model to all budget holders).

3.2. <u>A clear distinction between ambitious targets and realistic forecasts</u>

Generating realistic forecasts rather than forecasts that reflect the board or senior management's desired ambitious targets is vital. We need to get this foundation stone agreed with the Board.

DIALOGUE WITH THE BOARD

You can say to the board, "Setting a stretch target is desirable, but you must accept that we might not be able to achieve this. We understand that the bonuses might well be pegged against the goal, and we are not trying to lower the threshold to get the bonus but merely informing you of the performance gap so you can think strategically about how we are to close the gap."

The board might want a 20 per cent growth in net profit, yet management might see that only 10 per cent is achievable with existing capacity constraints. The board then must make strategic decisions to manage the shortfall. However, if the forecasting team reports what the board wants to hear, they are simply hiding the truth.

Exhibit 3.1 shows what happens if the team reports what the board wants. Only in the final quarter does the real situation become clear: a year-end performance below expectations. In this example, the annual plan, which was prepared in March for the new year that starts in July, is forced to match the stretch target and subsequent forecasts in June, September and December to keep up this charade. In reality, the truth was always a shortfall, as the dark line in Exhibit 3.1 illustrates.

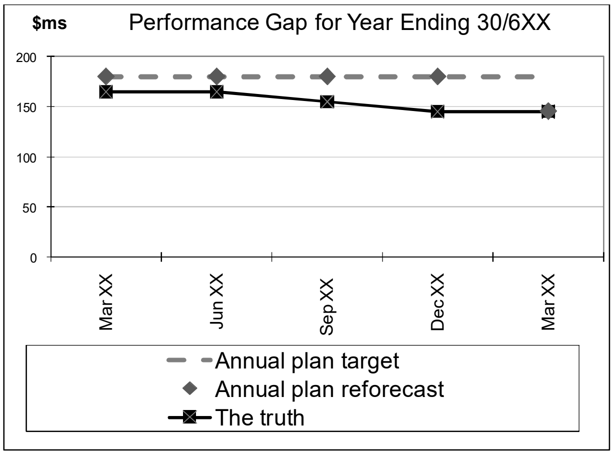


Exhibit 3.1: Hiding the performance gap

THE FUDGED FORECAST

The Forecaster: "I have just updated the forecasts: the forecast EBIT this month is $1.2m."

CEO: "Our budget shows EBIT of $2.0m. Go away and review the forecasts, but make sure they show an EBIT of at least $2m."

The Forecaster: "But when we did the budget, we didn't realise that we would have production problems and that the domestic markets would suffer so much from the economic downturn."

CEO: "Don't argue with me: review these forecasts as instructed.... or else _______."

The end result might be that the forecast gets 'fudged' to, say, $1.5m or $1.6m.

3.3. A quarterly process using the wisdom of the crowd

Typically, corporate accountants forecast the year-end numbers every month. This is flawed on several counts. Firstly, there will be too many oscillations in the forecast, as shown in Exhibit 3.2. Why should one bad month and one good month translate into a change of year-end position? We gain and lose major customers; key products rise and wane; this is the life cycle we have witnessed many times. Secondly, the forecast is a top-top forecast with little input and no buy-in from the budget holders. Such a centralised approach can slow down the forecasting process, limits the budget holders' buy-in to the planning tool, and does not take advantage of collective knowledge. Thirdly, management and the Board know whatever number you have told them is wrong -You will change it next month.

A planning tool model should be designed so budget holders enter data during a 2–3-day window four times a year. Training, ongoing support and sufficient licenses will facilitate this process.

Ongoing support may extend to include some outside contractors who can support more remote locations that need more hands-on support.

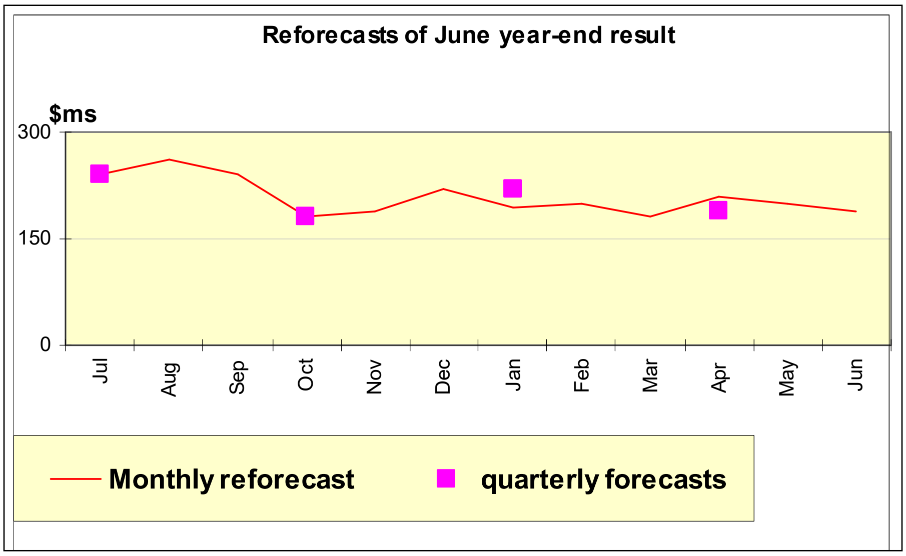


Exhibit 3.2: quarterly re-forecasting

Only businesses that are in a volatile sector would need to forecast monthly (e.g., the airline industry). Even for these organisations, you do not need to get all budget holders to participate in a monthly forecast. You may be able to limit this extra work to sales and production, with the major all-embracing cycle still being quarterly.

James Surowiecki wrote that,

> *"A large group of people are often smarter than the smartest people in them."*

Hence, the term "wisdom of the crowd was born"[iii]. In other words, a group's aggregated answers to questions that involve quantity estimation have generally been found to be as good as, and often better than, the answer given by any of the individuals in the group. Involving a "crowd" in planning and forecasting can have a major positive impact on the process because:

- A great deal of trend information is being noted by those at the workplace, such as unsold products that are piling up, products that are being returned and customer comments.

- Groups are less motivated to forecast what management wants to see.
- A small group of forecasters can only process a tiny fraction of the information available, whereas a crowd can take in an almost unlimited "harvest of data."
- Experts tend to have a bias of optimism, especially if they are looking at sales from inside the company rather than from the customers' perspective. A very interesting paper has been written about this called "Delusions of Success—How Optimism Undermines Executives' Decisions."[iv]

3.4. Forecast beyond year-end (e.g., six quarters ahead)

As mentioned, it is a myth to believe that you only need to forecast out to year-end. There are various options as to how far forward you go, including:

- Always forecast two financial years ahead –this is particularly relevant where the business is very seasonal, and much activity happens in the last quarter
- Forecast six quarters ahead
- Use variations such as four or five quarters ahead

I advocate the six-quarter ahead (18-month) rolling forecast regime, as it has some substantial benefits that include:

- You see the full next year halfway through the current year (e.g., the third-quarter forecast will set next year's annual plan).
- The QRF is consistent each time it is performed, as opposed to organisations that always look ahead for two financial years where the period will vary between 15 to 24 months.
- Your annual plan is never set from a cold start, as you have seen the whole of the next financial year in the previous quarter's forecast.

3.5. The monthly budgets (targets) are set a quarter ahead and are sourced from the QRF

As mentioned earlier it is a myth that we **could set meaningful monthly targets from the annual plan.**

We should instead report against more recent targets derived from the quarterly rolling forecasting process. This process will give us the monthly targets for the next quarter. It is important to realise that monthly targets are not set any further out than the quarter ahead. In fact, information for quarters 3,4,5 and 6 is set only quarterly. In other words, we patiently wait until the relevant quarter is upon us before confirming the budgets (reporting targets). Only at this stage are these entered into the reporting tool.

This change has a major impact on reporting. We will no longer be reporting against a monthly budget that was set, in some cases, 17 months before the period being reviewed.

3.6. A quarter-by-quarter funding mechanism

As mentioned, it is a myth that we needed to give budget holders an annual entitlement to spend. The key to a better allocation of resources is to fund budget holders on a rolling quarter-by-quarter basis. In this process, the management asks, "Yes, we know you need $1 million for the year, and we can fund it, but how much do you need in the next three months?" At first, the budget holder will reply, "I need $250,000 this quarter." The management team replies, "How is this? Your last five quarterly expenditures have ranged between $180,000 and $225,000". "Pat, you are two team members short, and your recruiting is not yet underway. Realistically, you will only need $225,000 tops."

Appendix 2: Prospective project team members checklist

Has the candidate received training or had experience in:	Candidate ______	Candidate ______	Candidate ______	Candidate ______
re-engineering ("post-it re-engineering)	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
problem-solving techniques	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
brainstorming techniques	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
"story-boarding" report writing	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
designing informative graphs	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
delivering motivational presentations	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
interviewing skills	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
"active" listening skills	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
project management	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
database design and use	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
Does the candidate have the following traits:	**Candidate ______**	**Candidate ______**	**Candidate ______**	**Candidate ______**
a self-starter	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
innovative (demonstrated innovation in the past)	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
advanced computer skills	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
ability to bring others "on board"	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
ability to market concepts	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
ability to focus on the matter at hand	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
a good track record in finishing projects they have started	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
able to see "the wood from the trees"	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No

Appendix 3: Implementing QRF regime -checklist

This checklist is an evolving tool, and is designed to ensure that, while you are juggling the balls, you do not drop the ones that matter.

Implementing QRF checklist	**Tick if done**
Secure C-Suite commitment	
1. Prepare a comprehensive presentation to management.	
2. Big sell to management using the emotional drivers (historic evidence including costs, better practices, and benefits to them) via a presentation.	
3. Get commitment for the forecasting project's foundation stones.	
4. Work closely with the executive assistants regarding diary bookings so the C-Suite are present during the first forecast.	
5. Ensure that management understands what is going to be delivered and what their required involvement will be.	
6. Ensure that the CEO is committed to participating in the roadshow of the new forecasting and planning system.	
Getting the 'green light' from influential sages within your business	
7. Hold a one-day focus group workshop made up of a mix of key individuals around the different businesses and administrators who have a good understanding of operation issues. The workshop should cover: • ascertain hurdles and barriers to a quarterly rolling forecast process • perform the 'Post-It re-engineering workshop of the planning cycle to remove unnecessary and unwanted processes • ascertain the main value drivers for forecasting • have a planning tool provider give a demonstration if forecasting has previously been done in spreadsheets.	
8. Get the 'green light' for the project from attendees and ask them to spread their support for the project.	
Selection of a project team	
9. Ensure the project team has some full-time resources according to the size of the organisation.	
10. A mix of staff with forecasting, systems structure and design and reporting expertise	
11. Look for personality fit (see checklist for prospective project team members to complete)	
12. Have project champions in the business units who are exposed to the new concepts and won over by selling the changes through their emotional drivers. They should have attended the focus group workshop.	

13. A project team leader assigned to the project	
Project research, planning and training	
Establish your quarterly pattern to best fit your needs and external requirements	
14. Ascertain whether you are going to move to 4,4,5 forecasting and reporting (the best practice solution).	
15. Determine when the forecast cycle is to be performed e.g., commence 2nd Monday of, March, June, September, December, avoiding peak or holiday months.	
16. Set a forecasting pattern that best fits with monthly / quarterly / ½ yearly external reporting requirements.	
17. Communicate proposed dates to budgetholders.	
Revisit last year's forecasting process and ascertain lessons learnt	
18. Interview two to three members of the C-Suite for a debriefing.	
19. Interview four to six budget holders for a debriefing on their views of the annual planning issues.	
20. Report back findings to C-Suite and obtain sign-off for the next phase.	
21. Gather historical information, such as trends and averages that can help with the new forecasting system.	
22. Obtain agreement from the C-Suite to abandon all processes that are not delivering value.	
Evaluation of system requirements and building the blueprint (incl. Focus group meeting)	
Evaluating potential planning tools	
23. Contact your general ledger supplier and ask, "Who is a very sophisticated user of this general ledger and who uses a planning tool?"	
24. Appraise systems and shortlist five to six applications before an RFP is prepared.	
25. Arrange to visit at least three companies that are using your G/L and who are using different planning tool applications. Evaluate how they have linked the two systems. Note, the planning tools packaged with general ledgers are seldom the 'best of breed'.	
Evaluating your forecasting requirements	
26. Secure an outside planning tool expert to lead the organisation and project team through the blueprint process.	
27. Hold a series of workshops to help develop the blueprint requirements (Note that in the Balance NUTRIENTS case study, they	