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Forecasting Isn't Just for Meteorologists

When you want to know what the weather looks like this second, what do you do? Well, you have a couple of choices – turn on the Weather Channel or stick your head out the window. But when you want to know what the weather is most likely going to look like a week or a year from now, the latter options seem rather silly.

Unfortunately, many companies use the “stick the head out the window” method of gauging what’s happening now AS WELL AS what’s going to happen in the future. They just assume that the economic climate won’t change; as a result, their forecasts are way off the mark. This can mean death for your company.

If your organization is public (and even if it’s not!), you need to have someone on your team who can play “meteorologist”, essentially forecasting what your numbers will look like weeks and months from today. Highly trained CFOs can help in this area, as they have the know-how and experience to interpret changes.

Forecasting provides a prediction of your company’s future. It acts as a roadmap and enables management to make changes that will provide the best financial outcome. Specifically, a thorough forecast can help you answer the following:

1. Profit
2. Demand
3. Expenses
4. Cash (how much money you need to borrow in order to operate your business and how to pay it back)

In today’s uncertain economic environment, forecasting may be the key to the success of your business. Of course, there are always unexpected catastrophes – let’s call them corporate hurricanes, tornadoes, floods and earthquakes. But you cannot let the possibility that they will occur stop you from hiring someone to build a solid forecast model which can be routinely updated.

Remember – when you have an educated and experienced CFO on your team, one who understands forecasting, you can weather practically any storm.