

## The Goal Is No Surprises Improving Forecast Accuracy: Focus on Decision Making in Critical Meetings

### Erratic Forecasting Led to Continued Surprises

What do you do if your forecast accuracy is so bad that you wind up with nearly a decade's worth of inventory for a product no one wants? Most companies would issue mandates to improve performance or replace the people responsible. But one company went to the heart of the problem—decision making in critical meetings—and fixed it.



### Behaviors Needed to Change at All Levels

Leaders saw the problem first hand. At monthly business review meetings, participants needed to make well-informed forecasting decisions based on robust data and solid assumptions. The data had to be correct, and they needed sufficient time to analyze it prior to the meetings. Instead, they often worked from conflicting data, doing their best to guess at an accurate forecast. Worse, they often reviewed this data in the moment and felt pressured by senior leaders to provide overly-optimistic forecasts.

CLG worked with the company's leaders to implement its powerful **Change Catalyst<sup>SM</sup>** process to solve the problem. They identified two **High-Impact Behaviors<sup>SM</sup>** needed to achieve the results: holding effective meetings and making high-quality decisions based on data (versus making a best estimate).

### Vastly Improved Forecast Accuracy

#### Behavior Change

##### Meeting Effectiveness Behaviors

- Sample behaviors:
  - Have the right people at the meeting
  - Review the most recent assumptions
  - Discuss the top five to six business issues
  - Make gap-closure decisions in the meeting

Meeting effectiveness improved 61% across all regions in the first six months.

##### Decision Integrity Behaviors

- A sample behavior: "When numbers are adjusted in the meeting, they are based on sound reasoning, not faulty logic or pressure from someone influential."

Decision integrity improved on average 10% across all regions in the first six months.

#### Results

##### Forecast Accuracy Target: 85% Mean Absolute Percent Error (MAPE) (industry standard for CPG companies)

- In the first six months, the entire region's forecast accuracy improved 19.2% with an average score up from 65 to 77. One business unit improved 39% from a 57 rating up to 80.5.
- Improved forecast accuracy also favorably impacted operating income (improved 5.7% this period) and operations-free cash flow (improved 65% for the entire region during the first six months).
- The improved business management process was less costly and time consuming. It let leaders see and act upon trends emerging in their business much earlier than ever before.



## Change Roadmap Is the Key to New Behaviors

How does a large organization make these two new behaviors happen—effective meetings and decision integrity—when hundreds of people participate in dozens of business review meetings each month?

CLG's Change Roadmap provided the path forward for changing behaviors by:

- Aligning leaders and employees on desired results
- Clarifying roles and responsibilities (included shifting meeting schedules so the right people could attend)
- Creating behavioral checklists for meeting effectiveness and decision integrity for participants to monitor their own use of the new behaviors
- Conducting workshops for local managers and coaches, preparing them to provide feedback and coaching to the meeting participants
- Day-to-day coaching by local coaches, with CLG's observation and support
- Monthly review of behavioral checklists and business results with senior leaders
- Executive coaching of the President and Program Sponsor on drilling into key issues
- Executive Leadership Team development to create shared responsibility for achieving the regional forecast (not the individual business unit forecast)

Once the leaders of the businesses recognized and then reinforced the critical link between behaviors and results, business trends improved. The businesses now routinely look further ahead to spot vulnerabilities and take steps in real-time to counteract long-term threats (versus managing month-to-month).

## About CLG

CLG is a worldwide leader of behavior-based strategy execution and performance improvement consulting that enables companies to achieve lasting results consistently, with speed, precision, and control.

Whether your goal is increased growth, reduced costs, better asset utilization, higher customer satisfaction, better use of technology, or overall culture change, CLG can customize a solution based on your specific requirements. We'll then transfer our behavior-based tools and methodologies to you, so you can continue using them to improve performance long after our engagement is completed.

*Using data-based decision making in critical meetings should be routine, but it's not. This company worked hard with CLG to make the necessary behavior changes, and it paid off with improved operating income, operations-free cash flow, and net sales volume.*

*We had to get the fundamental behaviors right first before we could see predictability and profitability improve. The goal is no surprises.*

*— Group President*