Your Benefits at a Glance:

- Predictions are lucid and intelligible.

- Tacit knowledge "in the mind" is carefully extracted and utilized along with available digital information (wisdom of crowds).

- Errors of judgment in assessing risks are avoided.

- Organizational effort is kept at a minimum by employing a cloud-solution for all elicitations.

- Point predictions and predictive intervals are given based upon all available information.

- Structured discussion helps to consolidate different outlooks on future developments.

- Professionals and executives are encouraged to think strategically.

- Rolling wave planning triggers learning, which further improves predictions.

- The initial model may be developed into a comprehensive performance planning and management system.

Please contact us:
We will be happy to provide an extensive white paper or directly schedule a presentation at your convenience.

BSL MANAGEMENT SUPPORT
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Sales Forecasting and Planning: How to Best Utilize Your Organization's Hidden Knowledge

Brief Introduction

Version: August, 2019

The Art of Planning: Managing Uncertainty

A financial or business plan remains an indispensable management tool. Sales planning constitutes the most difficult task in this regard: Important drivers are not known with certainty even in the present, and can at best be influenced indirectly by management action.

Conventional management tools and instruments employed for planning often do not meet critical requirements:

- They fail to *explain* future performance being far removed from operational reality (black boxes).
- They neglect *predictive uncertainty* and disregard *valuable sources of information* within the organization.
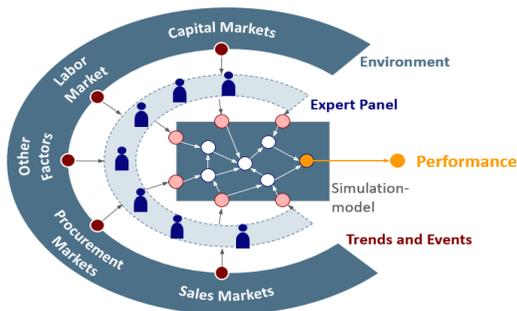
Model-based estimation by a panel of experts in contrast looks like an attractive alternative (cf. diagram). As a means of prediction, an initially highly aggregated simulation model will be used. The model's uncertain inputs will then be estimated by a panel of professionals and executives. In addition, available digital information or partial predictions may be employed as well.

Improving Business Intelligence by Utilizing Expert Knowledge

The process can be divided into four distinct phases:

Phase 1: Dynamic Business Simulation

To swiftly develop a dynamic simulation model of organizational performance, established model building blocks (modules) can be used to connect explanatory factors following causal logic. The aggregated initial version can later be refined and expanded.

Phase 2: Qualitative Assessment

Important business trends and foreseeable events within the planning horizon will be identified and *qualitatively* evaluated by the panel.

As a result all participants will have a *clear and comprehensive outlook* on future developments, which will serve as background information.

Phase 3: Calibration and Estimation

Quantitative parameter estimations are elicited using probability distributions, which indicate the degree of certainty associated with a predicted value. Consequently, the estimations should provide an undistorted and true account of an expert's subjective certainty. To counter a common tendency of *over-confidence* and other distortions, all participants will be *calibrated* by exposing them to a battery of test questions first.

Individual estimations of calibrated estimators will then be *independently elicited*. These estimations will finally be *combined* into a joined panel-estimation for each parameter.

Phase 4: Numerical Simulation

Performance-related predictions will be obtained by Monte-Carlo-Simulation using the panel-estimations and available data as inputs (cf. the illustration below).
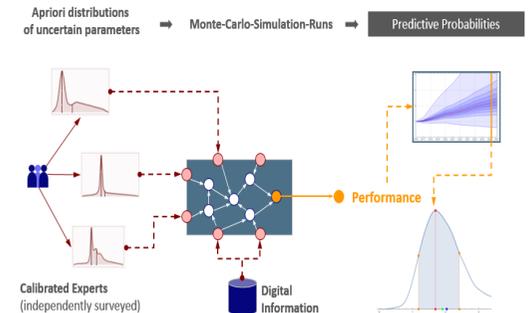
Based upon the numerical results, the probability of a predicted value can immediately be given for any point in time within the planning horizon.