Clari

The Impact of Missing Your Forecast

—Sales forecast accuracy is the ultimate number that sets great sales leaders apart because the more reliable they are, the smoother the company can run.

Carl Eschenbach
Partner at Sequoia Capital and Former COO of VMware

Here's the truth: For most companies, forecasting is

Inefficent
Reps can't enter all the relevant data

Not Data-Driven
Leaders can't see all the risk factors

Not Real-Time
Managers can't coach strategically

Off the Mark
Teams can't take the right course of action

When you're under the forecast...

Hard Cost	
Decreased value/drop in stock price Missed revenue means a decrease in stock and company value.	**Layoffs** Instant cash relief through reduction in work force may be necessary, leading to poor morale and costly rehiring in the future.
Cash impact Less cash flowing in means reduced hiring, programs and investments impacting future fundraising and autonomy.	**Missed/delayed fundraise** Your fundraising story weakens without an accurate forecast, shortening runway and leading to a smaller raise.

Soft Cost	
Investor confidence Investors wonder if you actually have a pulse on your business, or if you're being reactive impacting future fundraising and autonomy.	**Executive Team Credibility** The board, investors and customers lose trust in company leaders for not having an accurate pulse on their business.
Employee morale and productivity All teams feel a drop in morale by not hitting the forecast, especially sales, resulting in turnover and decrease in productivity.	**Negative brand implications** Customer and prospect skepticism from customers, partners and suppliers.

When you're over the forecast...

Hard Cost	
Missed opportunity to accelerate operating plan With greater visibility, you could have proactively taken steps to pull forward key hires or investments.	**Downstream crush on post sales departments** Teams are underresourced to meet demand, leading to unmet customer needs, overtime costs and turnover.
Not enough inventory to meet needs Inventory was likely purchased based on the forecast, resulting in unfilled orders, expeditation fees, customer concessions and a hit to customer satisfaction.	**Inefficient "late spend" profile** Based on accounting rules, unexpected revenue might need to be spent prior to new fiscal periods, resulting in poor spend decisions and dollars wasted.

Soft Cost	
Exec team credibility with the board The board, investors and customers lose trust in company leaders for not having an accurate pulse on their business.	**Investor confidence** Investors wonder if you actually have a pulse on your business, or if you're being reactive impacting future fundraising and autonomy.
Premature increase to future quotas Increasing quotas might be a natural reaction, but the results of one quarter could be a false positive if you can't explain the overage.	**Deterioration of CRO/CFO trust** Was the CFO in the loop or will they now have to report on a number from left field to the board? The result is stress on internal executive relationships.

The ability to predict revenue outcomes is more critical than ever and is on the critical path to achieving revenue confidence. Accurate forecasting sets the pulse for the entire company, its operating plan and the way it invests and grows.
Learn more here.