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 REAL-TIME
Managers can't coach strategically

NOT DATA-DRIVEN
Leaders can't see all the risk factors

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 then 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, which could impact 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 decreases 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 undderresourced 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

Executive 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.

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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.