The Importance of Accurate Forecasting: A CFO's Perspective

Anne Stuart, "The Importance of Accurate Forecasting: A CFO's Perspective," *Miller Heiman Sales Performance Journal,* Vol. 1, No. 1, March 2006, pg. 5.

Introduction

Jamie Miller is particularly well qualified to provide a CFO's view on sales-finance relationships and revenue forecasting.

As CFO of Seattle-based ePartners Inc., [Mr.] Miller oversees all financial matters for a fast-growing technology consulting firm with 350 employees in about 20 U.S. and U.K. locations. (ePartners, which experienced double-digit growth in each of the last three years, expects to reach $85 million in revenues in 2006). Previously, he held executive positions at several other public and private companies. From managing seven mergers and acquisitions, Mr. Miller knows first-hand how such massive transactions can change corporate relationships and processes. And, having raised $85 million in venture capital, he's something of a salesman himself.

Representing the Sales Performance Journal, business journalist Anne Stuart talked with Mr. Miller about strategies for building bridges between finance and sales--and reaping more accurate revenue forecasts as a result. Following are the edited highlights of their conversation.

Sales Performance Journal: How would you describe the traditional relationship between CFOs and their companies' sales executives?

Jamie Miller: Historically, the personality types that drive sales and those that drive finance and operations are very different. They tend not to spend time with each other. And that's a mistake. The entire being of any company--whether it's a start-up or an enterprise or at any of the states in between--is fed by its sales organization's ability to grow revenues.

SPJ: What's your own approach to that relationship?

JM: I've always made a special effort to bond with the sales folks. I'm still friends with the VPs of sales at many of the organizations I've been part of. And in our organization, every one of the executives is paired up with one of our four regional general managers. I'm paired up with the GM running our southern region.

SPJ: What's the most important factor in building bridges between the larger finance and sales organizations?

JM: The main thing is knowing that you're speaking the same language, especially when it comes to sales forecasting.

Salespeople want to tell you what's going on in their world. If you give them only one word [such as "forecast"], doing that becomes a problem. We use three. "Commitment" means "I guarantee you that this number is coming in." "Forecast" is more about what their expectation is.

And "upside" is the best forecast-able scenario. They only use those words, and when they use them, we know what they mean.

SPJ: How important is grassroots involvement in sales forecasting?

JM: Forecasts cannot be open to interpretation. The whole point of a forecast is that it's supposed to give you guideposts for what your actions are, how you allocate your resources, what you spend your time focusing on. At the very base of that, you need to involve the person who is out there actually driving the sale. So we include everybody who sells in that sales forecast.

Obviously, each person's interpretation of where they are in the sales cycle is different. So we've established milestones throughout the sales cycle--all the way from first contact to contract and everything in between. Those are the markers; there are about 10 stages that we look at. That way, there's no interpretation: We ask where they are, and they tell us what milestone they've reached.

SPJ: What are the potential consequences of inaccurate forecasts or missed expectations?

JM: You can argue about what killed the whole dot-com era, but at the heart of it was that [the failed companies'] sales didn't meet their revenue forecasts….They built these tremendous organizations based on revenue forecasts, and there was no synchronization between [sales and finance]. That's an extreme example, but any company that doesn't have a forecasting system will eventually fail. At some point, somebody has got to get a handle on spending and how much revenue is really coming in.

[At ePartners,] we have to be profitable in the short run to justify our existence. A lot of what we've decided to do has to do with our ability to forecast. Forecasts drive discussions like: Do I want to invest in Product A or Product B? Do we want to spend money on more consultants, another executive? Or do I want to invest in a new salesperson?

SPJ: You're currently CFO for a private company, but you've held executive positions for public companies in the past. How is forecasting different for them?

JM: With public company forecasts, you've got to be very careful about defining what terms you use for your audience. I can say to [ePartners'] board, 'Our commit level is this, our forecast is this and our upside is this.' Public companies really can't get away with that. They're typically asked to provide a single number, the forecast. They're under a lot more scrutiny. So public companies are much more cautious about their definitions and making sure that they're on the conservative side of those forecasts.

SPJ: How does rapid growth affect sales forecasting? What practices and tools do you use to stay on track while you're expanding?

JM: When you've got new cultures being introduced to existing cultures, it's even more important to make sure that you're speaking the same language. That way, no one's doing freestyle.

As your company gets larger and larger, the managers become more and more distant from what's going on at the customer level. You need some proxy for that. A good CRM [customer relationship management] system can provide that by giving a glimpse of what's going on through the sales cycles. We definitely live and breathe off of our CRM system.

SPJ: How do you make sure people use such systems—and use them properly?

JM: Making the systems human-friendly is very important. Ninety percent of it is getting people comfortable with those systems [for which ePartners provides training]. But you've got to enforce consistency in terms of putting accurate information into that system. [At ePartners,] people are held accountable for updating their information. We've established penalties for sandbagging--putting in numbers that are too easy to meet--as well as for over-forecasting.

Ultimately, there's a lot of effort that goes into forecasting, but it's important. If the information is not valuable, not accurate, it affects everything else.

Company:

Name: EPartners Inc.

Business: Consulting, support, service for Microsoft business products

Headquarters: Seattle

Founded: 1992

Revenues: About $74 million in 2005

Employees: About 350 in 20 locations worldwide

Web site: www.epartnersolutions.com

Interview Subject

Name: Jamie Miller

Current Title: CFO, ePartners Inc., Seattle

Previously: Senior Vice President of Corporate Development, ePartners; CFO/COO of Ernst & Young Technologies Inc.; co-founder, CFO/COO of Platform Inc.; COO, DBS Direct Inc.; CEO/CFO/COO of iCat Corp.; earlier positions with Intel Corp. and Wells Fargo & Co.

Education: B.A., University of Colorado; M.B.A., Pennsylvania State University.

About the Author

The Sales Performance Journal contributor Anne Stuart is a former writer and editor for Inc. and CIO magazines and The Associated Press. She is now a freelance writer based in Boston, where she writes for a variety of publications, including CFO magazine. You can reach her at Anne.S@BeTuitive.com.

About Miller Heiman

Miller Heiman has been a thought leader and innovator in the sales arena for almost thirty years, helping clients worldwide win high-value complex deals, grow key accounts and build winning sales organizations.

With a prestigious client list including Marriott Corp., Dow Chemical, Pepsi, Schwab Institutional and Wells Fargo, Miller Heiman helps clients in virtually every major industry to build high performance sales teams that deliver consistent sustainable results to drive revenue.

The company, headquartered in Reno, Nevada, has offices around the world. More information can be obtained by visiting the company's website at: www.millerheiman.com.