Foresight kicks off its 10th year with the publication of a new survey of business forecasters: Improving Forecast Quality in Practice. This ongoing survey, designed at the Lancaster Centre for Forecasting in the UK, seeks to gain insights on where the emphasis should be put to further upgrade the quality of our forecasting practices. Initial survey results, presented by Robert Fildes, Director of the Lancaster Centre, and Fotios Petropoulos, former member of the Centre, examine these key aspects of forecasting practice: organizational constraints, the flow of information, forecasting software, organizational resources, forecasting techniques employed, and the monitoring and evaluation of forecast accuracy.

The survey is an important update to that conducted more than a decade ago by Mark Moon, Tom Mentzer, and Carlo Smith of the University of Tennessee. In his Commentary on the Lancaster survey, Mark Moon applauds the broad focus of the survey but raises the issue of whether the “practicing forecasters” surveyed are “developers” or “customers” of the forecasts.

We often find a significant difference in perception between those who are responsible for creating a forecast and those that use the forecast to create business plans.

In our section on Collaborative Forecasting and Planning, Foresight S&OP Editor John Mello writes that S&OP can not only improve collaboration within an organization, but also “change the company’s operational culture from one that is internally focused to one that better understands the potential benefits of working with other companies in the supply chain.” His article, Internal and External Collaboration: The Keys to Demand-Supply Integration, identifies and compares several promising avenues of external collaboration, including vendor-managed inventory (VMI); collaborative planning, forecasting, and replenishment (CPFR); retail-event collaboration; and various stock-replenishment methods currently in use by major manufacturers and retailers. The critical factor, John finds, is trust:

These processes all require the sharing of information between companies, joint agreement on the responsibilities of the individual companies, and a good deal of trust between the parties, since the responsibility for integrating supply and demand is often delegated to the supplier.

In a Commentary on the Mello article, Ram Ganeshan and Tonya Boone point out that the challenges of external collaboration arrangements are much greater when we consider their Extension Beyond Fast-Moving Consumer Goods, especially those goods with short life cycles. For these products, they argue, a different mind-set is required to achieve demand-supply integration.
Financial Forecasting Editor Roy Batchelor distills the lessons forecasters should learn from the failures to predict and control our recent global financial meltdown. A 2014 International Monetary Fund (IMF) report, *Financial Crises: Causes, Consequences, and Policy Responses*, examined the world economies’ 2007-09 financial crises to establish their causes and impacts, as well as the initiatives governments and central banks undertook to deal with them. The overall impression from this report, Roy writes in his review, entitled *Financial Crises and Forecasting Failures*, is that the authorities could have been speedier and more imaginative in their interventions in the financial sector. However, it is important to note that our forecasting models could have given a clearer picture of how economies might emerge from these crises. Roy probes into why the models didn’t see the crisis coming, and what upgrades to the models’ financial sectors might improve predictive performance in the future.

Jeffrey Mishlove’s Commentary on Roy’s review article argues that the real problem did not emanate from predictive failures, but rather from the inclination toward austerity that pervaded economic thinking, especially in Western Europe. Jeff says that, while he can’t argue with Roy’s conclusions that refinements in the scientific method and the gathering of empirical data are appropriate responses to financial crises, forecasts will always be vulnerable to confounding influences from unanticipated variables – no matter how much we refine and improve our methodologies.

Seasonality – intra-year patterns that repeat year after year – is a dominant and pervasive contributor to variations in our economy. But, as Roy Pearson writes in *Giving Due Respect to Seasonality in Monthly Forecasting*, the seasonal adjustments we make to economic data are poorly understood and lead to confusion in interpreting sales changes. Improved accounting for seasonality for monthly forecasts over 12-24 months can lead to better understanding of the forces behind sales forecasts, and very likely to some reduction in forecast errors.

This article is Roy’s final contribution for *Foresight*, the capstone of nearly one dozen invaluable examinations – under the rubric of *Forecasting Intelligence* – of forecasting information sources and forecast credibility. The accompanying photo speaks to how he plans to get on with at least one of life’s other priorities.

**The new Foresight Advisory Board (FAB)**

Take a glance at this issue’s masthead on page 2; you’ll see a new presence, the *Foresight* Advisory Board. The FAB is a merger of the former Practitioner Advisory Board and Editorial Board. Over the years, the distinction between these two boards has blurred, with practitioner advisors providing article reviews, commentaries, and, frequently, full articles, all in the traditional domain of the Editorial Board. Additionally, the Practitioner Advisory Board included not only practitioners but representatives of consulting firms and software vendors.

Most importantly, this consolidation to create the FAB will, we hope, facilitate greater interaction among our practitioners, academics, and vendor/consultants.

We also sought to enhance specialization of function with the creation of FAB subcommittees to concentrate on each of four missions:

- Readership and Marketing: promotion of *Foresight*
- Collaborative Education: partnerships with universities
- Forecasting Support Systems: feedback on FSS performance
- Coverage and Content: *Foresight* topics and presentation
Interview with Clive Jones

How did you get started in forecasting?
I began forecasting tax revenues on assignment to Colorado’s state transportation agency in 1992. After a colleague told me about the M-Competition and “automatic forecasting,” I began to explore software products such as Forecast Pro, Autobox, and STAMP. Prior to that, at the University of Colorado and elsewhere, I had published articles on statistical demand estimation, instrumental variables, and consumer responses to rate schedules.

You’ve applied forecasting techniques to a varied number of fields.
Yes, forecasting applications often came to me in unexpected ways.


You might think forecasting water use and sales of large electronics test equipment have little in common – but many techniques transfer. Rapid growth and organizational change are hallmarks of electronics and information technology (IT). So with HP, Agilent Technologies, and, more recently, Microsoft, I typically dealt with more abbreviated data than called for by some widely studied approaches. And I often opted for simpler forecasting methods. In these cases, the problem was to squeeze the most out of relatively short data series.

What’s been the greatest challenge in your forecasting consulting?
Forecasting during a business downturn at Microsoft, 2007-10. Usually, a recession is not good for a forecasting team. There is a tendency to shoot the messenger bearing the bad news. But in 2007, Microsoft felt it might dodge the bullet.

The plunge in markets in late 2008 was scary, however, and Microsoft’s executive team wanted answers. The usual market-research vendors seemed sort of paralyzed in bringing out updates. So management looked within the organization. I was part of a team at Microsoft corporate headquarters that got this assignment.

We developed models to forecast global software sales across more than 80 national and regional markets. The forecasts, at one point, were utilized in deliberations of the finance directors, developing budgets for FY2010. And, by several comparisons, our model did as well as or better than what was available in the belated efforts of several market-research vendors.

This was a formative experience for me; a lot of what I did, as the primary statistical or econometric modeler, was seat of the pants. But I tried a lot of things.

Tell us about your “Business Forecast” blog.
Partly inspired by the challenges of forecasting during a business downswing, I began a Web log (blog) on business forecasting a couple of years ago (http://business-forecastblog.com). It is broad-ranging, but focuses on new methods. I’ve learned a lot – especially about “many predictors.” So maybe you don’t have a lot of time, but you have many potential explanatory variables. I now know several methods that can extract forecasts in this situation using all the data – which, to my way of thinking, is definitely progress.

The Internet is amazing. Google Analytics reports more than 50,000 visits to Business Forecast Blog since the beginning of 2013. I also consult from Economic Data Resources LLC and recently began working on oil and gas issues.

You and I [Len T.] are neighbors in Colorado. I settled here, in Golden, about four years ago. You’ve been a resident much longer, though.
I made Boulder my home base a couple of decades ago – largely because my late wife’s medical practice was not as portable as my business consulting. I now live north of town on a few acres. When not traveling to meetings or work engagements, I spend time with horses, gardening, and experiments with biogas and solar. I also love to visit my two kids.
foresight: n.
1: an act or the power of foreseeing: prescience
2: provident care: prudence
   <had the foresight to invest his money wisely>
3: an act of looking forward; also: a view forward

- Merriam-Webster Dictionary

Foresight: The International Journal of Applied Forecasting is a practical guide that relates to business forecasting like no other professional journal can. Four times each year, Foresight’s pages are packed with articles, reviews, and opinions that showcase the best thinking and writing in the field of forecasting. Every issue features earned expertise from practitioners around the globe that will challenge and inspire you, and that you’ll incorporate in your day-to-day work, whatever types of forecasting you do.

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