note from the editor

Spring 2011

For forecasters, “being wrong” is the expectation; the hope is that we’re not too wrong. But admitting to our failures is never easy. The Spring 2011 issue leads off with Marcus O’Connor’s book review of Being Wrong: Adventures in the Margin of Error by Kathryn Schultz. Journalist and author Schultz examines our human reactions to being wrong – the shame, embarrassment, and depression. But her lesson is upbeat: we can change our reactions to being wrong by accepting it, embracing it, and learning from it. We can progress by being wrong and working out how to do something better.

Paul Goodwin’s latest Hot New Research Column addresses the conflict between “intuition” and “cold, hard facts.” The current research reveals that many of those considered to be visionary for having made prescient forecasts were more likely to have been lucky, rather than blessed with track records of admirable accuracy. An optimism bias afflicts many entrepreneurs and financial analysts, while a power bias leads those in control to focus too narrowly on the specifics of current tasks, ignoring the lessons of the past. We need to overcome our inclination to see each new situation as unique, while ignoring the historical evidence.

Roy Batchelor offers a fascinating peek into the puzzling disconnect between “Accuracy and Profitability” among financial forecasters. In a perfect world, forecast accuracy would be a reliable guide to the monetary value of the forecast, with greater accuracy bringing greater profits. But Roy shows that accuracy and monetary value do not necessarily correspond, and can even move in opposite directions. How can this be? We need to look beneath the surface to distinguish when our forecasts are off the mark from those occasions when we score a big hit.

The “when” dimension plays a big role in demand forecasting as well, and Wil Gorr offers a convincing argument for a different approach to “Forecasting Exceptional Demand” than ordinary demand. Many traditional forecasting models are suitable for ordinary-demand situations but go awry when the business faces sudden large changes, turning points, and outliers. For these exceptional demands, Wil describes the Receiver Operating Characteristics (ROC) framework that has been applied successfully in health care and crime fighting, and shows how it can be adapted to improve detection and forecasting of exceptional demands.

Wil has long been involved with assisting law enforcement in crime forecasting, and he is the subject of this issue’s Forecaster in the Field interview.

In the previous (Winter 2011) issue of Foresight, Alec Finney and Martin Joseph presented a template for an organizational audit with the goal of “Getting Your Forecasting and Planning Fundamentals Right.” Now, Hannah Kurth, a manager of world market research and forecasting, joins Alec and Martin in a case study of how the forecasting audit played out in her organization.

Foresight has printed many articles on the promise of prediction markets in which forecasters put their money
on the line. Two articles in this issue add new food for thought. Robert Rieg and Ramona Schoder’s paper “Corporate Prediction Markets (CPM): Pitfalls and Barriers” offers a reality check for companies seeking to establish a CPM. It can be worthwhile, but it isn’t turnkey.

Then, Alfred Cuzán’s review of the track record of forecasts for the midterm Congressional elections (November 2010) in the USA concludes that an electronic prediction market (Intrade) generally outperformed (although by a slight margin) the forecasts both from noted election experts and from statistical models created by political scientists. None of them, however, foresaw the full magnitude of the historic 64-seat shift in House seats from the Democrats to the Republicans.

We conclude this issue with two brief commentaries on “Forecast Error vs. Forecast Accuracy,” extending the debate on whether it is better to express our forecast results in terms of how large our misses were, rather than how close our hits were. We urge our readers to feel free to add to this ongoing discussion.

Foresight Newcomers

Foresight welcomes Stacey Hilliard as our new Director of Ad sales and Comarketing as well as liaison to our advisory boards. Stacey brings to the journal a background as a freelance writer and editor, marketing communications manager, and product information analyst. She graduated magna cum laude from Bowling Green State University, with a major in technical communication and a concentration in physics and mathematics.


new website

Take a peek at Foresight’s redesigned website, www.forecasters.org/foresight.

My thanks go to Sarah Wiesbrock (sarah.wiesbrock@gmail.com), with the wonderful support of the Foresight staff.