Business forecasting assignment operations management

Business, Management

Qualitative techniques are subjective or judgmental and re based on estimates and opinions. The Delphi technique, a common form of qualitative forecasting, allows experts to create an effective forecast under conditions of extreme uncertainty. Time's series forecasting, a quantitative technique, uses a statistical analysis of past sales In order to effectively predict future outcomes, but can be Limited under conditions of uncertainty (Chase, 2003, p. 364). Business forecasting can be used in a wide variety of contexts, and by a wide variety of businesses.

For example, effective forecasting can determine sales based on attendance at a trade show, or the customer demand for products and services Business and Economic Forecasting, p. L). One of the most important assumptions of business forecasters is that the past acts as an Important guide for the future. It Is Important to note that forecasters must consider a number of new Information, Including rapidly changing economic conditions andglobalization, when creating business forecasts based on past sales.

Globalization and economic slowdown has made businesses subject to a great deal of uncertainty. In this time of rapid change, economies worldwide change rapidly, new markets open up and old ones change, and demand for products is often uncertain. As such, businesses must be flexible and adaptable In the types of methods that they use to forecast future sales (Chase, 2003, p. 472). In an ever-changing global marketplace, organizations are constantly coming up against unusual and novel situations.

It is in these situations that modern methods of business forecasting can be especially useful. Modern forecasting methods are usually grouped into two

main categories: qualitative methods, and quantitative methods. Qualitative analysis Includes the Intuitive and knowledge-based approach as discussed earlier. The decision maker reviews all of the Information available, and hen makes an estimated forecast. Quantitative techniques are used mostly when qualitative information is not available.

In contrast, qualitative techniques are based on an analysis of data (Nava, 2000, p. 8). Delphi Forecasting Methodological forecasting techniques are: executive historical analogy, and market research. The objective of most Delphi applications is the reliable and creative exploration of ideas or the production of suitable information for decision-making. The Delphi Method is based on a structured process for collecting and distilling knowledge from a group of experts by means of a rise of questionnaires interspersed with controlled opinion feedback (Chase, 2003, IPPP).

The Delphi method is a variation of the executive committee approach. But the interaction is indirect, iterative and structured. The basic premise of Delphi method is to identify a group of experts and each of them are given a set of questions or issues, and asked to respond. After a given amount of time, the responses are sent to a coordinator or monitoring group that does not participate in the earlier stages of the Delphi processes. This group then feeds back the responses to other members of he group, while never giving away the identity of the response.

The experts are then asked to respond again, after reviewing the responses of other respondents. This process may continue until a consensus is

reached among the group. The group may be united to form a final consensus (Nava, 2000, p. 8). Time Series Forecasting Methodize series techniques are the most popular quantitative method. These techniques use statistical methods for projecting from historical data. Quantitative techniques are preferred when appropriate data are available. The main assumption is that the historical pattern will continue into the true.

The two main types of time series forecasting are average smoothing and exponential smoothing. The moving average is simply a series of arithmetic averages. Predicting sales for next year is simple. The actual sales for a certain number of years is added, and then divided by the number of years used to get the moving average. A weighted moving average is obtained by assigning a specific weight to previous years. The sum of all weights must equal one. Recent years are given a higher weight (Nava, 2000, p. 13). Exponential smoothing is simply a subtype of the weighted moving average.

A new recast is a weighted sum of actual variables (usually sales) in the current year and the weighted forecast of the variable for that period. It has the advantage of being relatively easy to compute. In contrast the moving average method is quick, cheap, and easy to use, but does not easily take into account variations based on seasonal effects and cycles (Nava, 2000, p. 14). Both the Delphi technique and Time series forecasting are valuable forecasting tools in the right circumstance. The Delphi technique is useful for short-term forecasts.

This ability is contingent upon the familiarity of experts with specific issues (Nava, 000, p. 8). One of the major problems with the Delphi technique, as with all other qualitative techniques, is identifying good employees to form expert opinions and judgments, and then getting these experts to agree on a forecast (Nava, 2000, p. 9). Given the limitations of qualitative techniques, quantitative forecasting is usually uncertainty, the Delphi technique offers a great deal flexibility. Using the Delphi technique, experts in a field can often come to a creative and insightful consensus.

In contrast, time series forecasting may be less useful under conditions of extreme uncertainty because of its qualitative nature. When new conditions arise, it may be difficult to predict future sales based on past sales when conditions were more certain. Therefore, the Delphi technique is often a more valuable tool for business forecasting during conditions of uncertainty. Firstlings Inc. , The Company manufactures information quality and postal automation software that helps companies ensure the data they are storing and adding to their corporate databases is clean, accurate and reliable.

More than 6, 000 customers around the world use Firstlings products. (www. Firstlings. Mom). The recent global economic slowdown and increased uncertainty in many facets of business, have caused organizations to rethink their priorities and strategies. Like any other companies, My company was forced to look well ahead in order to plan their investments, launch new products and services, devise new ways to develop and leverage human capital and so on. All key decisions related to these activities are derived

from a sales forecast, which is the most critical and difficult area of the management.

Forecasting can allow businesses to predict sales, and thus determine a wide variety f business expenses. Firstlings heavily relies on quantitative methods for business forecasting based on several factors like degree of accuracy, investment decisions, time horizon to forecast, capital investment decision, product changes, style, quality, price changes, labor problems, available data and information and position of products in its life cycle to forecast the future sales.

Firstlings use information on past sales and times to help determine demand for products and services, effectively forecasting the specific products/services that would release to market at a given point in time. Despite the effectiveness of quantitative forecasting tools, the company has had less success with these methods in short term forecasts. Given the high degree of uncertainty in today's marketplace, qualitative forecasting techniques like the Delphi technique may help Firstlings to better-forecast future sales.

Conclusion conclusion, business forecasting methods must be used in order to fit current conditions of uncertainty. Delphi technique and time series forecasting both are valuable forecasting tools when used in the right circumstance. The Delphi technique is useful for short-term forecasts; therefore, it is often a more valuable tool or business forecasting during conditions of uncertainty. Repressiveness's and Economic Forecasting.