



# Forecasting the Future of your Business

SHRM Strategic Leadership Conference  
 Nashville, Tennessee  
 April 30, 2021

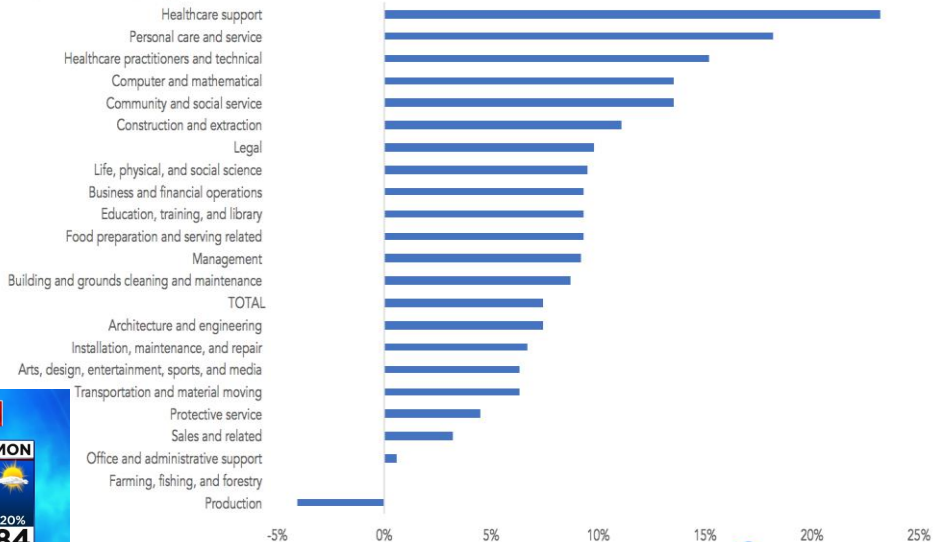


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## Projected Job Growth, by Broad Occupation

BLS occupational projections, 2016-2026





# Agenda

- I. Forecasting & Why it is Important
- II. Steps to Conduct a forecast
- III. Forecasting Software
- IV. Data Sources
- V. Q&A



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## I. What is Forecasting?

The use of historical and current data, tools, and techniques to make informed predictions of the future.



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# Importance of Forecasting

- Make informed business decisions
- Develop data-driven strategies
- Create proactive, not reactive, decision making



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# HR & Forecasting

“Putting Forecasting in Focus” – SHRM article  
by Carolyn Hirschman

Forecasting



Strategic Workforce Planning



Seat at the Table

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## NOW IT'S YOUR TURN!

Take a minute to consider:

How does the importance of forecasting relate to talent acquisition and management in the area of compensation?



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# Forecasting & Compensation

- **Informed decision** – replacement position compensation higher or same?
- **Data-driven** – 20% of replacement positions require higher compensation
- **Proactive** – Initial offer remains at previous level



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## II. Forecasting Step by Step

1. Define forecasting & planning problem
2. Determine resource needs
3. Collect relevant data
4. Conduct initial data analysis
5. Select forecasting method
6. Generate forecast
7. Validate forecast



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# Define the Problem

- **Purpose:**
  - What do we hope to achieve by generating the forecast?
  - What plans depend on the results of the forecast?
- **Horizon:**
  - How far ahead do we wish to forecast?
- **Information:**
  - What do we know that will help in the forecast?
  - When will we know it?
- **Value:**
  - How valuable is the forecast?



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# Resource Needs

The resources assigned to the forecasting project should be commensurate with the potential added value of improved forecasts.



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## Collect Relevant Data

- Determines whether the forecasting task is feasible.
- **Data sources:**
  - Company records
  - Surveys
  - Outside agencies (e.g. government)



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## Initial Analysis of Data

- **This serves two purposes:**
  1. Cleaning the data
  2. Understanding the data
- **Visual ways to analyze data**
  - Graphs (my preferred method)
  - Tables



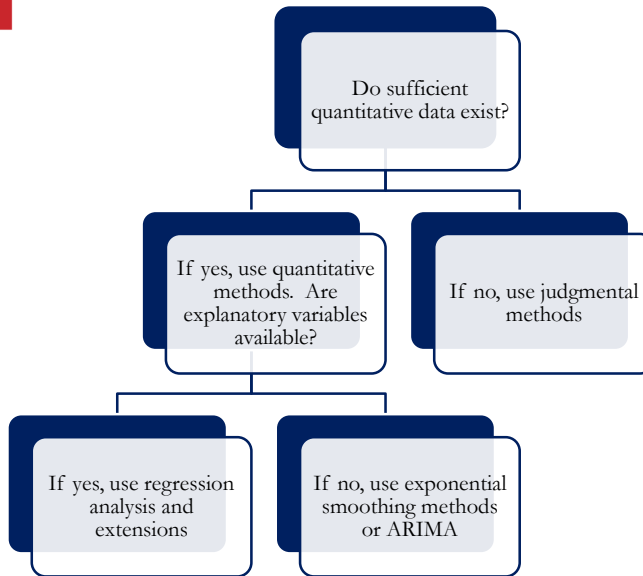
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# Select Forecasting Method



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# Generate Forecast

- This step depends upon the selected forecasting method.
- As previously stated, time does not permit us to do this today.



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# Validate Forecast

- This step must not be overlooked!
- To validate, we compare actual outcomes with forecasts. This is known as **back testing** and involves the use of two samples:
  1. Estimation sample
  2. Hold-out sample

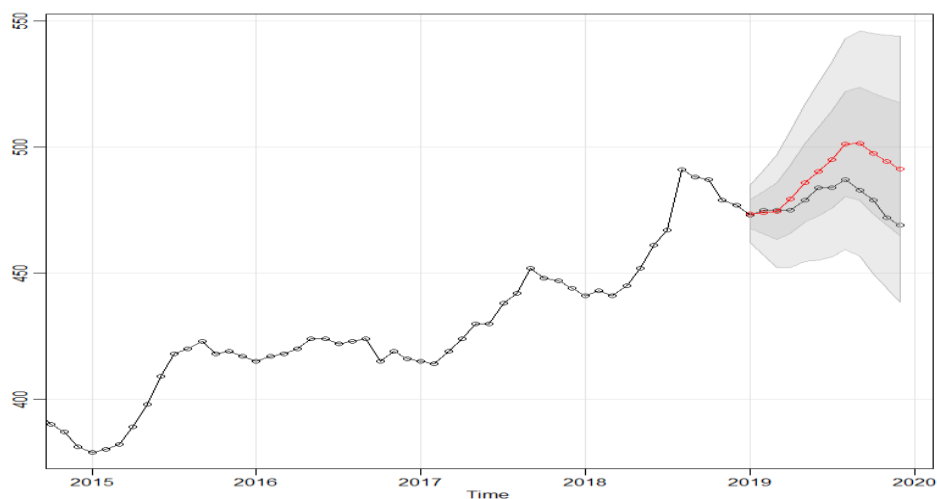


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# Forecast Example Results



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### III. Some Forecasting Software

- Excel
- R (free, open-source)
- SAS
- Most likely, IT or Business Intelligence departments can help here!



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### IV. Agency Data Resources

- U.S. Census Bureau – [census.gov](https://www.census.gov)
- Bureau of Labor Statistics – [bls.gov](https://www.bls.gov)
- Bureau of Economic Analysis – [bea.gov](https://www.bea.gov)
- Federal Reserve Bank of St. Louis – [fred.stlouisfed.org](https://fred.stlouisfed.org)



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**THANK YOU!**

**Q&A**



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