

**FORECASTING
REVENUE**

Driver-Based Planning

in Financial Modeling



What is it ?

Driver-based planning isn't just about numbers; it's about understanding the operational heartbeat of a business. It's about focusing on value drivers - the vital elements that fuel growth and result in desired outcomes.

The key

The key lies in differentiating between drivers - elements we control and can scale with certainty, like sales headcount - and assumptions, which are based on historical data but less dynamic.





Define Qualitative Goals

Start with overarching business goals like increasing profitability or driving revenue growth.



Identify Quantitative KPIs

Link these goals to tangible metrics like revenue growth percentage or net profit.



Model Out Drivers and Assumptions

Dissect these KPIs into drivers (like the number of sales reps) and assumptions (such as sales rep ramp rate), leading to desired results.

Building a Driver- Based Forecast



A background image showing a close-up of a document with various charts and graphs. A black pen is resting on the document. The charts include a bar chart with orange and brown bars, and a line graph with blue bars and a line. The text 'Distance' is visible on the line graph. The overall image is slightly blurred, focusing on the text on the right.

From Planning to Execution


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This methodology doesn't stop at forecasting; it extends to tactical execution plans, turning KPI breakdowns into actionable strategies for each department.

Embracing Agile Finance

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Implementing driver-based planning is a journey - it requires understanding historical business performance, maintaining visibility into actuals, and setting the right direction for future plans.

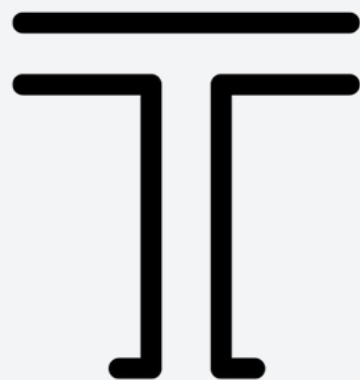


Drivers are elements within your **direct influence**. These inputs, essential in scenario analysis, can be modified with confidence. Consider sales headcount: it's a controllable factor in boosting revenue. Each new hire predictably enhances financial outcomes. Incorporating their ramp-up time as a driver aids in projecting sales pipeline improvements.

Drivers should **align with your business's growth without significant efficiency loss**. For instance, adding sales staff consistently contributes to revenue increases, evidencing scalable impact. In contrast, increasing sales quotas has its limits—beyond a certain point, achieving these targets becomes unfeasible. Hence, while sales headcount serves as a robust driver, quota attainment fits better as an assumption due to its inherent constraints.

An example





**THE
TACTICAL
ROOM**

by Carolina Lago