

Midocean University

College of Management

Department of Business Administration



THE IMPACT OF FINANCIAL FORECASTING ON BUSINESS OPERATIONS IN SAUDI ARABIA

Prepared by:

Abdu Muyidi

232000899

Shada Meitty

232000917

Supervised by:

Dr. Walid Siddiq

Dr. AlFaisal Hassan

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Introduction :

This chapter provides an introduction to this book. It first establishes the main research question, several sub-questions, as well as the objective of this research. It further defines the scope, including definitions of the impact of financial forecasting on business operations in Saudi Arabia on which the study is based.

Background :

Forecasting is required in many situations. Deciding whether to build another power plant in the next five years requires forecast of future demand. Scheduling staff in a call center requires forecast of call volumes. Stocking an inventory requires forecast to stock requirements. Telecommunication routing requires traffic forecasts a few minutes ahead. Entering new market require market forecasting. So, whatever the circumstances or time horizons involved forecasting is an important aid in an effective and efficient planning. (Hyndman. D. Rand A. George 2013)

Well grounded/established forecasts answers such questions and help business organization compete in the dynamic, short and long term live economy. In addition, they expand the leeway of a business, since forecast help them avert adverse trends in times or reinforce beneficial one. (KMPG 2017). An effective business forecast affects business growth positively, but ineffective use of an appropriate method of forecasting may affect business growth negatively, because it is assumed that non satisfaction of consumers taste will lead to negative or low demand for the goods and services offered to the consumers. This is one way of determining effective business growth forecasting and its usefulness.

All forecast whether financial forecast per se or about specifics of business, like sales growth or projection of economy in totality, are just informed guesses.

Generally most forecast falls under two overarching approaches though there are many of them and they are Qualitative and quantitative. Qualitative method is mainly use for forecasting short-range predication and it can be sought of as expert driven where as quantitative methods are concerned with data and avoid the fickleness of people underlying the numbers. They predicts variables like sales, gross domestic product and housing prices to mentioned only few and are normally long rang in nature and are measured in month or years.

However sound predication of demands and trends are very essential items if managers are to cope up with seasonality, sudden changes in business levels, and price- cutting maneuvers of competition, strikes and large swings of economy. To handle the increasing variety and complexity of managerial forecasting problems, many forecasting techniques have been developed in recent years. Each has its special use, and care must be taken to select the correct techniques for particular application. (Chambers at el 2017)P1

However; the selection of method depends on many factors such as, in the context of the forecast, the relevance and individuality of historical data, the degree of accuracy, desirability, the time period to be forecast, the cost /benefit of the forecast to the business, and the time available for making the analysis. As such, a manager generally assumes that when asking a forecaster to prepare a specific projection, the request itself provides sufficient information for forecaster to do the job. This is never true. Successful forecaster begins with collaboration between the manager and the forecaster, in which they work to answer main forecast objects queries (Problems).

With adequate understanding of the basic features and limitation of the techniques,

the decision maker can help the forecaster formulate the forecasting problem properly and can therefore have more confidence in forecasts provided and use them more effectively. The forecaster, in turn, must bring together the technique with the knowledge and experience of the manager. (Chambers et al 2017)

Importance of the study.

Financial forecasting is one of the main responsibilities of the project finance manager, as it provides the project with the framework on which project planning and control operations are based. And the estimated budget is nothing but a financial plan for the institution that includes how to obtain and spend money, and it is also a planning and control tool. Financial forecasting is one of the responsibilities of the financial manager in the company, as he provides projects with the frameworks on which they are based in the project planning and control processes, with the aim of following up on the project and its profits. This study came to discover the impact of financial forecasting on business operations in Saudi Arabia.

The research problems.

Companies must plan ahead of time in today's highly competitive economy. Companies will face additional expenditures if they do not plan carefully. A well-modeled forecast, on the other hand, can safeguard businesses from these avoidable costs. Inaccurate estimates have a negative impact on market trust, as well as relationships with consumers, suppliers, and partners. As a result, the fundamental concern that arises is whether it is possible to make accurate forecasts on a continual basis. The operations has a lot problems which are arising. One of the problem of the research is the increase in complications of the stock management (Patro,Sahuu et al Saho 2015). This arises due to the shelf life dates given on the packed

products. It is argue that the products are prone to pathogens which may bring health complications if not stored hygienically.

The main objective of the research.

The main objective of financial forecasting in operations to measure the current and also the future fiscal issues to guide the programmatic choices and policy. It plays a major role in presenting estimated information based on the past, current and also the future financial situations. It is valuable helps in developing data driven strategies basing the operational and financial decisions depending on how the future looks. It is also important since they are fundamental guesses and the operator of the business should be aware that there risks involved in relying on the past data. The owners of the businesses should also be aware that there are also risks involved on methods that cannot include certain variables.

Significance of the study.

The main significance of the study to learn how to increase the growth of an economy and also the ways to create inclusive business models with emphasis on both the local and global markets. Another thing is learning how to provide conditions on how to overcome the harsh conditions and also policy factors that may prevent the operations from achieving their promises to their consumers. It seen as a way of improving the people in creating employments. The study has also played a role in satisfying the consumption needs and also earn sufficient income to improve their way of operations in markets. It has also expanded the economy in both poor and rich regions of the world at large. The has study has created awareness production of raw materials, processing of local operations.

Methodology

In this paper the techniques used for data collection were combination of questionnaires containing both open and closed ended questions, observations and secondary data were gathered from books, journals, documents, records and periodicals.

Research Design

This was an exploratory study; it used a case study design where both quantitative and qualitative approaches were applied. The quantitative approach allowed the researcher to solicit information that have been expressed numerically while the qualitative approach enabled the researcher to solicit narrative and descriptive information which were expressed in textual format. The study sought to assess the forecasting capacity for business growth within the businesses in Saudi Arabia market.

Study Population

The study population involved businesses in the selected Saudi Arabia markets that are either professionals, or involved in performing forecasting functions.

Sample Size

The sample frame included managers involved in the forecasting function. These were forecasting professionals or persons involved in performing forecasting functions in each of the business concern in Saudi Arabia.

Sampling Techniques

Stratified, purposive and random sampling methods were used. The samples constituted the job family of forecasting managers whose sizes were determined based on convenience of the researcher. These methods gave every member of

the sample frame an equal opportunity of being selected thereby representing a well-balanced study of the population.

Data Collection Methods

The Analysis utilized both primary and secondary data to come up with the findings and recommendations contained in this report.

Questionnaire survey

Primary data were collected using questionnaires administered to respondents who are involved in forecasting functions for business growth. Both closed and open ended questions were used to ensure efficient and convenient collection of the qualitative and quantitative data.

Document Review

The study obtained secondary data through document review of available information on forecasting. This was in order to gain an understanding of the current forecasting capacity environment for business growth in Saudi Arabia market.

Data Analysis

Obtained data were analyzed using both quantitative and qualitative procedures.

Field of Study

Missing
Business/ Economics
Engineering
Sociology/ Community Studies
Medicine

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