CASE STUDY:
Consistency is critical when managing financials.

Too many P&L owners take a short-term view of financials. Doing so will often disappoint customers and upset employees.

"Inconsistent or inaccurate financial forecasts are almost as bad as poor results."
- Anonymous

It is paramount that P&L managers accurately forecast and deliver financial results. Inconsistent results signal to executives that the manager may not know the business well enough. For example, consider Xavier's situation. He was promoted during early Q2 to Director. There was great pressure to improve profit margin. Xavier was determined to deliver "hockey stick" type improvements.

His plan was to remove costs associated with longer-term investments in exchange for profit within 90 days. The plan worked and results looked positive through Q2. However, by early Q3 flaws began to emerge. A large client asked for more business, but the means to acquire the needed resources had been cut. The revenue growth was missed. He let core leadership positions go unfilled to lower wage costs. Unexpected leadership exits in other key positions led to burn-out for those employees who remained. Xavier was attentive enough to identify the errors. He quickly updated operational plans and financial models. He held Town Hall briefings with key executives to reset expectations. By mid Q3 updated plans were in place. However, the experience was painful. Instead of his financial results showing the expected "hockey stick" trend, his financials were inconsistent. Xavier's Q2 profits were strong due to cost cuts. Q3 started with profit improvements but ended unfavorable. Q4 booked even more profit decreases as costs returned as future investments. By Q1 of the next year Xavier produced consistent forecasts and results, but the experience cost him credibility. Even when results improved, some executives expressed doubt that future forecasts could be trusted. Here are at least three lessons from this scenario:

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1. **Set realistic, stretch targets.** As a new P&L owner get your numbers right. Consult with subject matter experts in finance, business intelligence, operations, and sales. Know the financial model and become the go-to expert.

2. **Manage expectations.** Your financial estimates are often aggregated into unit and company forecasts. In public firms your numbers might impact analyst and shareholder expectations. Consistency means predictability and builds trust.

3. **Right Wrongs, quickly.** Update plans. Communicate through the proper channels to socialize expected results. Deliver.