**Forecasting**

Predicating and forecasting in the operation management is very important. It is a tool that helps the management to prepare to the future either for the long or short term. To do a forecast we need to have some available data form the past to know the trend. In my opinion, I think forecasting is all about making assumptions and predication, and the decision making in the end will be based on the experience and knowledge of the management. I went through the forecasting techniques and I found that they are vary form each other which made me believe that we should not take a series decision by only forecasting.

In operation management, forecasting is very helpful tool that will give managers an opportunity to plan ahead in knowing for example the needed row materials for next month. We can use forecasting in Human recourse, marketing, accounting, purchasing and operations. There are a lot of advantages and disadvantages of forecasting. The advantages are: first, it provides the business with valuable information that the business can use to make decisions about the future of the organization. Second, it will make companies look to the past and learn form the past experiences. Third, it might help in saving some costs. Forth, it will help in receiving financing form lenders because they always need some forecast about the future sales. Finally, it will make companies look ahead in regard of the competition. On the other hand, the disadvantages are: first, it might lead to wrong decisions that could make the company in a bad position. Second, it depends on the expert opinion and if his opinion is wrong the whole forecast will be wrong. Finally, the longer the forecast the lees accurate it would be because no one can predict changes such as, weather events, changes in tax code and changes in competitors’ products and services.

**Highline Financial Services forecasting**

Now I am going to predict the 3rd year forecast for Highline Financial Services, Inc. To do that I need to follow the a forecast process: First, the purpose of the forecast: is to provide Freddie Mack with a forecast of the demand of his three services that he provides in his company because he is going to make a decision either to hire or layoff for the coming year. Second, the time horizon: which is the third year, which is include forth quarters. Third, Obtain data: the data is available for two years and eighth quarters, according to the provided case study. Forth, selecting a forecasting technique: since we have 3 services for 2 years, I add the forth quarters and total them in a year and then I used Excel forecast function to find out year 3 for each service. Then, I showed each service in a line graph with adding the trend line to make third year movement clear to me.

**Service (A)**

|  |  |
| --- | --- |
| Service (A) | Year |
| 280 | 1 |
| 320 | 2 |
| **360** | 3 |

In service (A), the total demand has continues increases in each year. However, in year 3 the forecasted demand has a slight increase until it reaches 360, which Freddie has to take into consideration. Since the increase is slight, I think there is no action needed in the first quarter of year 3 but Freddie has to observe the demand in the beginning of the year if it is increasing he has to make a financial and personal hiring.

**Service (B)**

|  |  |
| --- | --- |
| Service (B) | Year |
| 337 | 1 |
| 295 | 2 |
| **253** | 3 |

In service (B), the total demand has continues decrease in each year. However, in year 3 the forecasted demand has a decrease until it reaches 253, which Freddie has to take into consideration. In my opinion, Freddie has to make a financial and personal layoff because some of the resources will not be used in service B.

**Service (C)**

|  |  |
| --- | --- |
| Service (C) | Year |
| 383 | 1 |
| 387 | 2 |
| **391** | 3 |

In service (C), the total demand has remained kind of constant. However, in year 3 the forecasted demand is 391, which Freddie has to take into consideration. In my opinion, no action needed form Freddie and he should not any financial or personal layoff and hiring because the forecasted demand in service B is constant compared with the past two years.

**Conclusion**

In conclusion, service A demand in year 3 is going to increase, service B demand in year 3 is going to decrease, and service C demand in year 3 is going to remain constant. However, Freddie has to know that continues observations are needed through out the year because forecasting is only an insight not the full truth!!