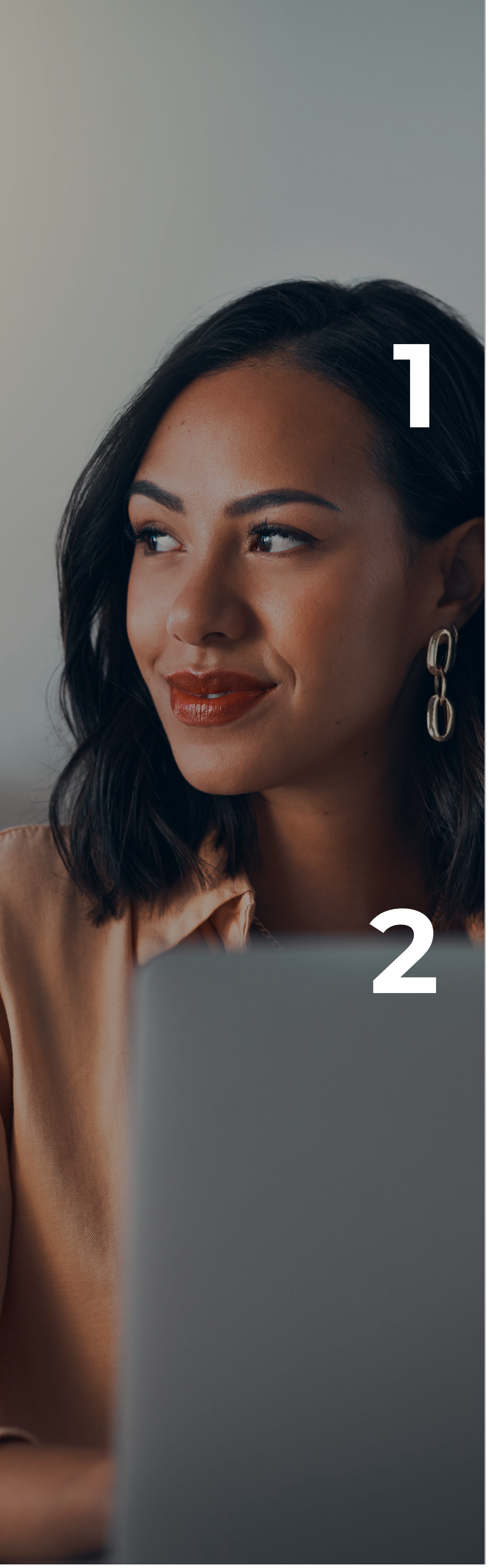
A CFO's Guide: Optimizing Cash Flow Forecasting to Better Navigate Uncertainty

The 2024 Deloitte Global Treasury Survey found that 46% of respondents ranked improving cash forecasting capabilities as the second most important priority for the next 12 months (ranked only behind enhancing liquidity management). Cash flow forecasting consistently ranks as a top necessity because it enables treasury to project the business's financial health, helps avoid cash shortages, improves budgeting, and enables better decision-making. During times of instability, these imperatives are only compounded, as businesses need to double down on anticipating potential cash flow issues and taking proactive steps to avoid them.

Here's a look at some actionable ways to optimize your business's forecast and therefore better mitigate risk during periods of economic volatility.



1

Regularly Monitor and Update Your Forecast

Cash forecasting is a continuous process, or at least it should be. Regularly review your forecast in depth and update it with new information, such as a customer paying late, a projected sale falling through, or an unexpected expense cropping up. Adding these data points in as near real-time as possible to the forecast helps ensure your planning and spending remain on track. This, of course, goes hand in hand with updating your forecast with real-time balance and transaction data from your ERP and your bank accounts, too.

Monthly or quarterly forecasts that have only static information won't allow you to adequately react and adjust, which is necessary to remain nimble amidst upheaval.

You should also go back and compare your cash flow forecast against the actual cash flows for the given period, too. This allows you to see any differences between estimated and actual and understand where you might need to make adjustments to protect your cash flow even further.

2

Plan for Various Scenarios

Another best practice is to create various versions of your cash flow forecast that consider different projections, such as sales fluctuations, supply chain disruption, expenses, economic conditions (e.g. recession), and other outside influences. To do so, you can adjust the assumptions, formulas, and values in your forecast to generate your business's future possible outcomes. When you perform scenario planning like this, it can help you mitigate risk by seeing how various factors could positively or negatively impact your cash and overall financial health. Plus, you can develop contingency plans that can allow your business to respond to different outcomes, and stay a lot more agile and adaptable.

To feel more prepared for all possibilities, it can help to run best-case and worst-case scenarios. Your best-case scenario can show an optimal future, where the company performs better than expected. Your worst-case scenario, on the other hand, would demonstrate what could happen if the company doesn't perform as well as it could have. By examining this wide spectrum of outcomes, you can be better prepared and develop the best path forward for the business.

3 Foster Collaboration Among Cash Flow Forecasting Contributors

Treasury often leads the build-out and analysis of the cash flow forecast, but they aren't necessarily the suppliers of the data that informs it. Instead, they must rely on other departments such as Accounts Payable, Procurement, Financial Planning and Analysis (FP&A), Sales, IT, and others to provide various pieces of information – and ensure they receive it quickly and efficiently to build an accurate forecast. Because of this, CFOs should focus on helping these contributing teams build strong ties among one another and ensure each one understands their vital contributions to the cash flow forecast. CFOs must enable open channels of communication and collaboration among each of these stakeholders so that treasury can assemble a comprehensive and timely forecast. Many companies even go so far as tying performance metrics and compensation to each team's ability to supply their forecasting contributions to the treasury team. This might be a strategy worth investigating.

4 Automate Your Cash Flow Forecasting

Instead of spending hours compiling all the correct inputs (and wondering if they're still accurate once you have them), manipulating data in spreadsheets, and deciphering if there are any errors, aim to automate as much of your cash forecasting as possible. This is made possible with treasury management and cash management solutions, which automatically pull real-time data from your banks and bank accounts, AP and AR systems, ERP, and all other necessary systems to help you quickly generate your cash flow forecast.

With treasury automation tools in place, treasury can reduce the amount of time needed to create the forecast, mitigate the risk of errors, and boost accuracy. With the information gleaned from automated cash flow forecasts, treasury can then enable the right borrowing decisions, inform investment strategies, and identify risks in advance – all of which can be critically important while the business is facing uncertain times.

While cash forecasting ranks as a critical treasury priority, a recent survey found that only about **18%** of respondents rank their forecasting capabilities as above average or best in class, while **38%** feel their forecasting capabilities are below average or require development.

– 2024 Deloitte Global Treasury Survey

Prioritize Cash Flow Forecasting to Manage Challenging Conditions

Cash forecasting is integral to running the business, and periods of instability only make it more so. When there is additional strain on the business, CFOs can use the tips above to optimize their cash flow forecasting and ensure they won't have more cash leaving the business than coming in.

Want to improve your cash flow forecasting process without a heavy lift?

Check Out Global Cash Management Hub

About Bottomline

Bottomline helps businesses transform the way they pay and get paid. A global leader in business payments and cash management, Bottomline's secure, comprehensive solutions modernize payments for businesses and financial institutions globally. With over 35 years of experience, moving more than $16 trillion in payments annually, Bottomline is committed to driving impactful results for customers by reimagining business payments and delivering solutions that add to the bottom line. Bottomline is a portfolio company of Thoma Bravo, one of the largest software private equity firms in the world, with more than $166 billion in assets under management.

For more information, visit www.bottomline.com

© Copyright 2015 - 2025 Bottomline Technologies, Inc. All rights reserved.

Bottomline, Paymode, and the Bottomline logo are trademarks or registered trademarks of Bottomline Technologies, Inc. All other trademarks, brand names or logos are the property of their respective owners.

REV US050725LM

Corporate Headquarters
100 International Drive, Suite 200
Portsmouth, NH 03801
United States of America

Phone: +1-603-436-0700
Toll-free: +1-800-243-2528
info@bottomline.com

Europe, Middle East, Africa Headquarters
1600 Arlington Business Park
Theale, Reading, Berkshire RG7 4SA
United Kingdom

Tel (Local): 0870-081-8250
Tel (Int): +44-118-925-8250
emea-info@bottomline.com