

Setting financial objectives

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An American philosopher once said that if one went forward confidently, success unexpected would follow. Many following this dictum would consider that blind faith was sufficient to ensure success but in business that faith needs to be based on a sound foundation. A survey of well run businesses would reveal several common themes. For example, a good understanding of their market place, how to maximise the opportunities it presents, good information and reporting systems and sound finances. Over-arching all of these will be a series of attainable milestones or objectives for which there will be detailed action plans.

These principles are equally relevant to businesses both large and small. In business success is usually determined by the profits achieved which, in turn should over time be reflected in the cash balances held by the enterprise.

Financial targets come in many guises either at the corporate level or at a departmental level and they should be set for both the short and medium term. Without any knowledge of where the business is heading it is unlikely to make the best decisions. The key to keeping to financial targets is regular measurement. Whilst some targets are given to weekly monitoring, most are best reviewed on a monthly basis against the budget. The variances must be analysed and if necessary the action plan adjusted. However, plans should not be followed slavishly as all businesses must be able to adapt to the ever changing business environment.

Financial objectives are very important to all businesses and an essential tool to profit enhancement. To stay in business, businesses need to grow and adapt to changing circumstances. The measurement of progress against agreed objectives are vital to ensuring that remedial actions are taken soon enough and opportunities grasped. If used properly, they are a way of involving the whole workforce.

Good plans also provide for contingencies and adequate resource to take on new business or ideas. However, it should be remembered it is necessary to concentrate on the profit line and not the sales line.