



EXPERT ARTICULATE

Follow the Yellow Brick Road

By Trevor Holmes, ENACT Business Architects

Just like Dorothy, without a clear path to follow the yellow brick road, the odds of meeting your destination are extremely low. Yet how many of us take the time to set out a strategic business plan? A business plan can be as complex or as simple as you like. The important factors are that you have one, it is well thought out and then, put into action. The most obvious starting point is to quantify and set the owners goals (whether that owner is you or someone else). Without the knowledge of what is expected, the goals cannot be achieved.

In most cases the goals of a company will relate to a return on investment (either as a percentage or in nominal dollar values). For owners/managers, be careful to distinguish between your wages for performing a role in the organisation, and that of your expectations as an owner. It is advisable to set your targets for at least a rolling three years. Once we have this target, all other goals can fall into place. For example, once we know what profit has to be obtained, it is a simple exercise to then work back from this point by adding your known costs and cost of goods sold, to end with a tangible target of what turnover needs to be achieved.

Sometimes these objectives can look like a mountain. To help with defining what these turnover targets mean, go through the exercise of segmenting where the total income is to come from. For example, if our turnover is to be \$1M and what we sell are widgets at a retail value of \$2.50, then we will know that to achieve our goal we must sell 400,000 widgets a year. If you are a service industry, then you most likely sell labour hours. How many labour hours must be sold to meet your turnover target? In all cases, set your goals to the most common denominator as possible.

Some basic tips in setting objectives:

- Quantify your objective i.e. \$150,000 in net profit; \$800,000 in turnover etc
- Make your objective times specific i.e. achieve by 30 June 2009
- Ensure your objectives are achievable, but also continually setting the bar higher
- Document your objectives

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