Setting goals is important part of firm’s business plan

BY TOM LUBY, PROFIT BUILDERS INTERNATIONAL

One of the first roles of an effective owner or manager is to set reasonable and attainable goals, and from those goals, develop a business plan.

Without goals, neither you (nor your people) have an idea of what it is you or they want to achieve, or if or when they have achieved anything.

Once established, you must be able to delegate the proper authority and motivate your team to achieve those goals.

Therefore, this month I would like to talk about setting effective goals. Next month I will discuss motivating employees to achieve those goals and how to delegate the proper authority to accomplish just that.

( Editor’s note: Also see a related column on goal-setting by Marsha Lindquist on page 88 of this month’s issue.)

Planning and goal setting are essential parts of every business. A plan of action must be established with definite goals and objectives so that the work effort and resources are directed in a controlled and coordinated manner toward the accomplishment of these goals and objectives.

A good business plan establishes goals and objectives to be reached. Effective managers direct their personnel. They manage their business every day without losing sight of the goals and objectives.

They make decisions and changes as required to keep the business progressing toward present goals.

Without a business plan, a company depends upon historical experience or on a crisis management basis. Employees work in different directions due to lack of common goals. This creates confusion, inefficiency and, in effect, excessive costs and reduction of profits.

The lack of a business plan limits growth. Efforts are based on day-by-day situations without planning for growth. Essentially, you are “flying blind.” Although businesses cannot plan for all contingencies, planning will reduce risk and provide guidelines for staying on course.

The first step is to write a statement of the company’s mission. Myself and others have talked about this in our articles in World Fence News, and the importance of a mission statement cannot be overstated. A company mission statement narrowly defines the purpose for being in business and should be considered a point of orientation; a guide point. It is the company’s reason for existing and carefully defines the business.

Next you must establish the long range goals of your company. Usually, they are done for a period of three years.

Management must ask itself the following questions:
• Where do you want to be in the long range as you have defined it?
• What profit levels do you reasonably expect to achieve?
• What resources do you need to achieve your goals and when do you need these resources?
• If required, how will you finance the plan? What will the capital requirements be?
• What are your profit goals and profit strategy?

Include in your plan such things as:
• Market forces. Through careful analysis, determine and categorize market factors which currently do and will in the future generate demand for your company’s fence, deck or railing products and services. This is market segmentation, and is useful because it may uncover previously overlooked markets. Be helpful in deciding where to concentrate the company’s sales efforts.
• Identification of specific target markets.

After identifying the market segments, a forecast of what these segments are going to do over the span of time covered by the long range plan should be done.

Using a “what if” scenario approach, determine the effects of potential declines, increases, etc. and what the company must do to meet its goals under those varied conditions.

• Market potential. Review the total market available in each segment, and determine what percentage you can effectively service with your existing capacity and planned expansion.

Plan the percentage of market increase for each of the next three years. If you want to do a very thorough job you might want to include your competition and where you believe they fit into the market potential so that you can plan for competition as well.

After determining your market share objective for each of the years of the plan, you must formulate plans for the personnel, facilities and financial requirements to support the projected growth.

Questions you may want to explore are:
• Labor. Do you have the personnel available to support the growth, or will you have to increase staff? If you increase, from where will they come?

Are your compensation programs competitive? What will the training needs be?
• Facilities. Do you have the equipment and space to support the volume forecast? What replacements will be required? What new or expanded facilities will be required?
• Financial. What are the three year cash requirements necessary to support the projected growth? Will major capital expenditures be required? Will long term borrowing be required? Is it available? At what costs? How will cost of living factors affect your costs?

Do you have administrative personnel and facilities to support the volume figures? Where do you acquire

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them? At what cost?

• Competition. Knowing your competition is as important as knowing your company. Know competitor’s strengths and weaknesses, market share, geographic coverage, etc. A “competitor’s library” is a useful knowledge base.

In it, maintain such things as competitors’ services offered, pricing structure, information and presentation formats used in presenting their results, reputation, advertising materials, and ad results.

Additional information can be obtained through trade associations like the American Fence Association, and through organizations like chambers of commerce. Also you may want to look into trade journals, Dunn and Bradstreet reports, and other compiled business analyses.

Some of the factors to monitor would be:
• Market share;
• Cash resources;
• Management;
• Markets into which they are moving;
• Quality of service;
• Product mix (type of fencing material available);
• Pricing/bidding strategies;
• Manufacturing or fabricating capabilities;
• Yard, warehouse and storage facilities;
• Promotion and advertising. While it is, at times, hard to identify the immediate results from advertising and promotion, it is a very important part of a good business and marketing plan. It is through this that the company must convey its image and the superior quality of its products. Whatever the approach, a carefully constructed program that orchestrates itself with sales goals is the desired result. Whenever possible, approaches should be designed so that results can be measured. Also, it is critical to track the results of your advertising efforts so that you know what works and what does not. You want to make sure that whatever form of advertising you and your company use is effective and that it brings in measurable results.

Some approaches are:
• Satisfied customers and word of mouth, obviously the most important!
• Recommendations and endorsements.
• Yellow-pages, newspaper, or other print media.
• Logos and name on company vehicles.
• Direct mail pieces.
• Billboards or other outdoor advertising.
• Promotional material.
• Continuous name exposure in the contract bidding arena.
• Trade shows.
• Business contacts.
• Personal selling.
• Internet and e-mail (a column on this is coming soon).
• Strategy and tactics. Finally, formalize your strategy and tactics. Strategy comprises the objectives to be achieved in the long range plan. Tactics are measures taken to reach short term goals.

A form or worksheet can be used to document applicable goals and objectives for your 2006 business year, then 2007 and 2008. The form is only a guide that pushes you to think of some of the topics. To become more specific, you must enlarge the questions and answers based on what you wish to accomplish.

If you need help creating this form, please do not hesitate to contact me through World Fence News or at my office in South Florida.

Finally, prepare a short range plan. Once the long range plan is established, a more defined course of action must be set for the short term. This is accomplished through 30, 60, and 90 day objectives assigned to key personnel.

Objectives can be income or non-income oriented.

The budget is geared to the long range plan. I will talk more about budgeting in future articles. It is the first year’s action needed to direct the company toward the accomplishment of the long range plan.

Since the budget is for a relatively short period of time, it must be detailed so that actual performance can be measured against its parameters and corrective action taken where necessary.

The above is a very basic guideline for constructing goals and objectives and then translating them into a business plan. A three year plan could take several weeks to complete.

Planning and setting goals is the first function of a company. Whether documented or not, there must be a purpose to be accomplished by the business.

To facilitate communication, it is desirable that the purpose be specified in writing.

The first goal of “Your Fence Co.” is to grow profitably; the second goal is to employ its resources in the most efficient manner possible, i.e. its men, materials, machinery and money.

Programming note: On Oct. 5-7 the West Coast Fence Show will be held in Sparks, Nevada at John Ascuaga’s Nugget Hotel and Casino.

I hope as many of you as possible will attend.

I spoke at the past two shows; they were well-attended and very well run. These shows only happen every three years, so don’t miss this one.

They are very informative and a lot of fun, especially with the antics of Joe and Paula Cox.

At this year’s show I plan to once again deliver two of the educational seminars, one on finding and retaining good, qualified and productive employees, and the other on value selling your fencing products for the highest possible profits.

I am looking forward to the show and seeing old friends in the fencing industry and making as many new ones
Tom Luby, through his organization Profit Builders International, has developed the Roadmap to Success program, containing a wealth of business information necessary to successfully run a fencing company. The Roadmap to Success program is available on CD, along with his book, The Close, and The Roadmap to Success user manual. Contact Luby at 954-927-8009 or 866-6-PROFIT (677-6348). Fax 954-927-8060. See his web site at www.profitbuilder.org.