Managing your business by OBJECTIVES– **I had this article published in 1999 – STILL** RELEVANT or not

Every business needs objectives. Without a objectives you are running your business on trial and error, you are wasting time and losing focus and you are limiting your strategic thinking, planning and execution Without a plan your business cannot reach its full potential. No plan is complete without clear objectives being established up front. If you do not have a direction and a destination, you could end up anywhere.

The unfortunate truth is that many businesses are not managed by objectives. Most small and medium businesses **are managed by crisis.** You plug the leaks, but you never get round to steering the ship. Some are **managed by hope**.

Some businesses **are managed by extrapolation.** In this case, everyone just keeps doing what they always do and hope for the best. Ultimately, you can **manage by subjective**; implying that if you do not know where you are going any road will take you there.

Managing by objectives (MBO), on the other hand, gives structure to the enterprise. You now have a goal, a definite but vaguely defined and unmeasurable statement of intent. You also have objectives that are clearly defined. These are targets that you plan to reach by a certain date. You also have set yourself a performance standard that lays out the measurable aspect of an objective and the conditions that exist when it is achieved. Finally, there is an action plan that details how you are going to achieve your objectives.

Rule 1: An objective refers to a desired end result, not to the activities that get you there.

Rule 2: Your objectives must be precise and in writing. "To introduce an improved staff incentive scheme" is an incorrect objective. The correct objective would be "To introduce an improved staff incentive scheme, consisting of X by date Y.

Rule 3: Every objective must have a set time parameter.

For MBO to work your objectives should be followed by measurements and performance standards and action plans

Financial management by objectives will be one of the first areas you need to tackle. Typical financial objectives may be:

1.) Achieve a nett profit before tax of 20% per month by a date three months from now.
2.) Increase sales by 25% per annum by the end of this financial year.
3.) Achieve a gross profit of 60% per month, also by a given date.
4.) Reduce the outstanding debtor position – also by a fixed date.
5.) Do a weekly or monthly cash flow forecast and compare it to actual cash flow. After three months you will be surprised at how accurate your forecasting will be. It will help you manage your cash better and therefore allow you to make better decisions.
6.) Set monthly expense budgets and look at each item and set an objective to reduce costs.

7) Sales objectives may be to increase your turnover by 25% per annum by a certain date. A good exercise, if yours is a business-to-business operation, is to identify your top 30 clients analyse whey they buy from you.

The point of all this is that you must set precise objectives by a given date. You must have something definite to aim at if you want to get anywhere.