

Achieve Financial Goals

Before we dive into how to achieve your business goals, it's important to make sure that those goals are clearly defined and aligned with your business's true north. Defining your business goals sets your company's trajectory and determines how you conduct your daily operations. Organizations that have well-communicated objectives are more likely to achieve them and enjoy the journey towards success, as progress can easily be related back to the goals. Similarly, an individual who is conscious of their role in life and works towards it is more likely to feel thankful and grateful.

For entrepreneurs, defining their business goals can be overwhelming, as it requires a great deal of effort to identify the core values of the business and plan how to achieve them. Out of the defined goals, it's important to identify the financial metrics that the business will need to focus on to realize its objectives in the given time frame. This requires input from a financial advisor to clarify what those metrics mean for the business, how to measure them, and how to monitor them continuously.

Business metrics or key performance indicators (KPIs) are typical for each business, but it's important to identify the ones that are most important for your business. While every business ultimately needs to achieve a high EBITDA ratio and maximize return on investment, it's important to identify the factors that lead to this outcome. For example, achieving a high gross profit margin of around 75% requires heavy investment in cost control, value proposition building, managing hidden costs, and value chain engineering. Similarly, helping a business reduce its fleet delivery costs by 17% requires careful study of the delivery cost per ton or square meter, competition, and distribution of clients in a 50-kilometer radius.

For businesses, managing daily finances eventually accumulates towards achieving the overall objective, such as increasing the percentage of returning clients in a restaurant or healthcare provider. This is only possible after precisely defining the KPIs, so let's discuss how to define these objectives.

Firstly, it's important to define the drivers of revenue and costs. For instance, project-based businesses have a different revenue driver than mass production businesses. For project-based businesses, revenue is dependent on delivering milestones and obtaining client acceptance, while mass production businesses typically rely on sales volume times price. Cost drivers are also an important metric that needs to be carefully defined to avoid disproportionate allocation of costs to the wrong products.

In conclusion, defining business goals and tracking financial metrics or KPIs are crucial for achieving business success. By understanding the drivers of revenue and costs, businesses can align their daily operations with their objectives, monitor progress, and continuously improve towards achieving their ultimate goals.