

The SBO Program @lert

The Motivating Power of a Target

There is nothing like setting targets to motivate and empower people to improve performance. Indeed *'the very act of observing a number changes and improves the result'* according to business coach, Brian Tracy.

Without targets you will all just drift along hoping for a good outcome:

There's a problem with this approach; i.e. no power or motivation for people to monitor and improve overall performance.

Working hard is not a target; maximising sales is not a target; beating last year's figure is not a (specific) target; being busy is not a target.

With targets the team will become focused:

One of Stephen Covey's famous 7 Habits is to "begin with the end in mind." In business: "the end" here can be represented by a number or numbers.

Targets bring purpose, commitment and feedback; corrective action can be quickly taken if the business drifts off-track (i.e. there is a variance).

In a service business there is ONE critical target that needs to be established:

And that is your WEEKLY GROSS PROFIT, made up of two variables...

- a) Labour hours to be sold
- b) The average rate per hour those hours must be sold for.

Two examples of how these three numbers work:

Operating expenses for the next 12 months	\$ 162,000	\$ 162,000
Plus owner's desired profit (before tax)	\$ 100,000	\$ 100,000
= Target gross profit	\$ 262,000	\$ 262,000
Weekly gross profit	\$ 5,038	\$ 5,038
Weekly hours available for sale (owner, 1 tradie)	70	60
Target weekly hours to be sold	50	45
Target rate per hour	\$ 101	\$ 112

Each week (and Year-To-Date) the manager reviews actual performance:

- * This analysis is based on invoices issued last week
- * Which targets were achieved; which were not; and why?
- * In time it may become clear that the targets need to be amended.

Such is the POWER of a target!