

# 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	<b>\$ 5,038</b>	<b>\$ 5,038</b>
Weekly hours available for sale (owner, 1 tradie)	<b>70</b>	<b>60</b>
Target weekly hours to be sold	<b>50</b>	<b>45</b>
Target rate per hour	<b>\$ 101</b>	<b>\$ 112</b>

### **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!**