



For Best Results, Start Your Strategic Planning Early

Time flies when you're having fun — and running a business. Although it's probably too early to start chilling a bottle of bubbly for New Year's Eve, it's certainly not too early for business owners to start doing some strategic planning for next year. Here are some ways to get started.

Begin With Your Financials

A good place to find inspiration for strategic objectives is your financial statements. They'll tell you whether you're excelling or struggling so you can decide how strategically ambitious or cautious to be in the coming year.

Use the numbers to look at key performance indicators such as gross profit, which tells you how much money you made after your production and selling costs were paid. It's calculated by subtracting the cost of goods sold from your total revenue. Also calculate current ratio, which is calculated by dividing current assets by current liabilities. It helps you gauge the strength of your cash flow.

Examine Other Areas

Human resources is another critical area of strategic planning. What was your employee turnover rate last year? High turnover could be a sign of poor training, substandard management or low morale. Any of these problems could undercut the strategic objectives you set.

Examine sales and marketing, too. Did you meet your goals for new sales last year, as measured in both sales volume and number of new customers? Did you generate an adequate return on investment for your marketing dollars?

Finally, take a close look at your production and operations. Many companies track a metric called customer reject rate that measures the number of complete units rejected or returned by external customers. Sometimes a business must improve this rate before it moves forward with growth objectives. If yours is a service business, you should similarly track and assess customer satisfaction.

Set New Objectives

With a review of your financials and key business areas complete, you can more reasonably set goals for next year under the banner of your strategic plan. On the financial side, for instance, your objective might be to boost gross profit from 20% to 30%. But how will you lower your costs or increase efficiency to make this goal a reality?

Or maybe you want to lower your employee turnover rate from 20% to 10%. What will you do differently from a training and management standpoint to keep your employees from jumping ship this year?

Act Now

Don't let year end creep any closer without reviewing your business's recent performance. Then, use this data to set realistic goals for the coming year. We can help you choose the best metrics, crunch the numbers and put together a solid strategic plan.