Defining your financial goals for 2012

By Anna Malczyk

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Most businesses are created, at least in part, to make money, and financial achievement is an important way to measure the success of a business.

An important part of the process is constantly re-evaluating and redefining your financial goals - and it is not as simple as just trying to make more money. Defining what you want to achieve and how to do it can be difficult. Here are four considerations you should take into account when defining your business' financial goals for 2012.

1. Profit or wealth?

Do you want to maximise profit or maximise wealth? The difference between the two is that profit is a short-term, concrete result whereas wealth is a long-term, broader concept. In addition, profit may not meaningfully add to the value of a company if it is short-lived. Maximising profit generally involves a more aggressive approach, including cutting costs where possible, while maximising wealth relies on long-term growth, reputation building and consistency. In 2012, do you want to grow and earn rapidly, or will you lay the foundation stones for future earnings?

2. Long or short term?

Is your goal a long or short-term one? A short-term goal would include any small, quick result that can be achieved within a year, while a long-term goal is bigger, takes many years and generally relies on slower, steadier growth. A new company may have several short-term goals, like reaching a certain number of sales or clients in its first year. An established company may prefer to focus on a long-term goal like buying or constructing larger premises in the next few years. This decision will largely depend on what you did in 2011 and where you hope to be at the end of 2012. Are you still driving the initial growth of your business, or is it time to think about strategies that are more prolonged?

3. Growth or stability?

Do you want to grow your business rapidly, with the concomitant risk involved, or do you want to maintain your company's financial stability? Not all companies necessarily benefit from intensive growth, since this can strain capacity and resources. Start-up companies generally do need to grow aggressively because they are new to the market. Established companies may be happy to maintain minimal growth and stability to avoid paying higher taxes and having to expand their operations too significantly. As we gradually emerge from the recession in 2012, will you look towards short-term loans and spending to kick-start your growth again, or will you play it safer and aim to consolidate your current operation?

4. What is the outcome?

What is your desired outcome from your financial goal? Do you want to expand your operation to a different city? Sell your company for profit? Retire comfortably from your investments? Your outcome will ultimately define all of your other considerations. A company that is destined to be sold needs to grow quickly and show solid profits. A business that is seeking to grow its operations in a different region needs to grow sustainably and plan for long-term costs and investments. 2012 could be an exciting year in which you take big steps towards your desired outcome - what will you do financially to reach your operational goals?

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