

Financial training For non financial staff



The financial training specialists

Do you have the right targets? (profit and cashflow)

I was working with a client recently who has a close focus on the quarterly results. They have to: they're owned by a US company that reports quarterly on the Stock Exchange. Every quarter's numbers are important.

But I've noticed several cases where the client seems to be managing the numbers, rather than managing the business. They make decisions that help them hit their quarterly targets, but are bad for the business in the longer run.

For example, to hit their cashflow targets they pay suppliers late. Those same suppliers are now refusing an extension of terms (which they might have agreed to if they'd had confidence that they'd be honoured), and they're raising prices.

It's not that they shouldn't be hitting their quarterly targets; it's that they probably shouldn't be putting a short term target ahead of the long term good of the business.

We see this elsewhere. The NHS is always under cost pressure. One way of dealing with that historically seemed to be cutting nurse training: now there's a problem with agency staff because there aren't enough nurses. The long term solution is obviously to train more nurses. The short term political solution seems to be to castigate the agencies (without whom the NHS would struggle still more).

What are the targets that dominate your organisation or department? Do they result in the right long term decisions being made?

If not, what can you do about it?