Why Defining Goals Is Important and How to Do It

Planning for a successful business future is an exercise in foresight and commitment. Without foresight, it may be difficult for you to determine what success means to you. Without commitment, even the best-laid plans will fall by the wayside. For everyone involved in the process of planning for a successful future, defining your goals is the foundation.

When talking about goals, many business owners share some commonalities. Many owners want to be in control of their destinies. Many want their businesses to reach certain cash flow or revenue benchmarks. But unless you can clearly articulate what your goals are, they can stumble into some unexpected and unwanted scenarios. Consider the story of two partners who fell into this trap.

What happens when goals get misaligned

Bruce and Jeff Skaggs spent 20 years turning a passion project into generational wealth. Their high-end clothing line had grown from a two-person outfit headquartered in Jeff's basement to a $50 million brand. With Bruce in charge of design and Jeff as the company's rainmaker, Skaggs Couture afforded Bruce and Jeff a life of comfort for themselves and the people they cared about, including their workers.

Bruce and Jeff took pride in giving each employee a yearly $9,000 stipend to use as each employee saw fit, on top of the above-average salaries they offered each employee. Bruce and Jeff also provided employees with pieces of their newest designs, which used only the highest-end fabrics and leathers. Their generosity helped attract the best employees.

As Bruce and Jeff grew older, they decided that they wanted to sell the company to an outside party. They had no shortage of suitors and chose to negotiate with the one that offered them the most money, well over the $50 million it was worth. As they and their advisors negotiated with the buyer, Bruce and Jeff became more horrified by what the buyer intended to do.

The buyer said that they intended to eliminate the employee stipend entirely. They wanted to move production overseas and introduce a lower-quality, lower-priced line of clothing to attract a wider swath of consumers. They also proposed enacting what they called "hiring efficiencies" that would maximize shareholder value and increase Skaggs Couture's bottom line.

Bruce and Jeff discovered how important the culture they'd built had become to them. They didn't want to sell the business for top dollar if it meant harming the employees who had gotten them there. So, they took the business off the market, determined to restart from square one.

Though this scenario is fairly common, it's also avoidable. Bruce and Jeff assumed that the buyer they worked with would continue the business just as they had, which is why they chose the highest offer. While money is important, it's rarely the only important thing to business owners.

A different strategy that Bruce and Jeff could have used was to establish two different goals before pursuing a buyer.

Foundational goal

The foundational goal is *how much money an owner must have to achieve financial security.* In Bruce and Jeff's situation, $25 million apiece seemed like more than enough money to assure financial security. However, had they accurately determined this number instead of guessing, they may have found that a buyer who may have offered less but may have run the company similarly to how they did, which would have prevented them from pulling out of a deal at the 11th hour.

Values-based goals

Values-based goals are "soft" goals, such as protecting employees, leaving a legacy, or contributing to the community. Though these goals may be considered "soft," they can produce hard consequences if you overlook them. Like many owners, Bruce and Jeff overlooked their values-based goals until they saw the stark consequences of ignoring them. Instead of having the freedom to leave their business on their terms, they had to start all over because of how important it was to them for the company to protect its employees and continue producing only high-quality products.

Defining goals is the first step of a planning process that can set you up for future success. If you'd like help beginning this process accurately, please contact us today.

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