

# Introduction to long term financial planning

[Business](#)



The paper " Long Term Financial Planning of the Nike Company" is an outstanding example of a case study on finance and accounting. The success of any business largely depends on its long-term goals. Long-term financial goals are critical in determining the level of success of the organization because finance is the easiest and most common measure of business success (Droms & Wright, 2010). This paper aims at analyzing the importance of setting long-term financial objectives in the financial planning of Nike Inc. which is one of the most successful shoe manufacturers in the world. The paper will include the long-term financial goals of the company, its financial strategy, and major decisions that the company needs to adopt. Importance of setting long-term financial goals in the financial planning of Nike Inc

The discussion regarding the importance of setting long-term financial goals can be addressed under three categories. These categories include the company's long-term financial goals, its financial strategy, and the major decisions that the company management needs to adopt.

### 1. Long term financial objectives of Nike Inc.

According to the latest financial statements, Nike Inc. has a long-term objective of achieving a single-digit growth in its revenue base. The company has been recording minimal performances in recent times and the management team resolved on improving its revenue base. Long term financial goals play an important role in ensuring that the company achieves a single-digit growth in its revenues for the next say ten to fifteen years (McKeown & Kerry, 2012). The goals will ensure that the company has adequate time to consolidate its resources in achieving its goal. Long-term

financial goals offer the company adequate materials to change its factors of production and incorporate the changes in its financial planning.

### 1. The financial strategy of Nike Inc.

The main financial strategy of Nike Inc is the accumulation of financial reserves. This ensures that the company finances its projects using its own savings and profits at a relatively lower cost. However, such projects may require huge financial outlays and the company may take a longer time in accumulating adequate finances. Long-term financial goals are important in the company's financial planning process because they ensure that the company explores all the best possible options for accumulating adequate savings (Ross & Westerfield, 2006). For instance, may come up with saving twenty percent of the profits for fifteen years. The long-term goal ensures that the company achieves its financial goal efficiently because the company will have ample time to explore sources of financing and gather adequate finances at the lowest cost possible.

### 1. Financial decisions are necessary for the financial planning of Nike Inc.

The majority of successful businesses have had to rely on long-term financial goals in achieving their success. This brings out the importance of long-term financial goals in influencing the decisions of the management of an organization (McKeown & Kerry, 2012). In the same way, long-term financial goals are important in ensuring that Nike Inc. achieves its overall financial objectives. The financial management team of Nike Inc. should consider increasing the company's asset base. This is because assets represent future income for the company and this will greatly assist the company in achieving

its single-digit growth in revenue for the long-term period. The financial management team of Nike Inc. should also consider reducing the amount of taxes paid in previous periods (Ross & Westerfield, 2006). There is a high possibility that the company may have paid higher taxes as a result of poor planning. However, long term financial objectives provide a strong foundation for the preparation of a sound financial plan. Tax reduction can be achieved by only paying what is owed and nothing more. Long term financial goals are important in the financial plan of Nike Inc. because they ensure that the company achieves its long-term financial goal effectively. They also ensure that the company achieves its financial strategy efficiently and assist the management of the company in adopting sound financial decisions (Droms & Wright, 2010).