

Developing Strategic Objectives for 2012

Every company needs to establish strategic objectives. In the broadest terms, strategic objectives (SOs) are goals that you wish to achieve outside of the organization. Strategic objectives form the backbone of a strategic operating plan for the coming year.

Management pundit [Peter Drucker has defined eight major classifications](#) for strategic objectives:

1. Profitability, including how to achieve [financial growth](#);
2. Financial resources, identifying capital sources and how to use them;
3. Market position, including the company's standing in its current market and new target markets;
4. Innovation, such as developing new goods and services, and in the tactics needed to deliver them;
5. Productivity, and how to plan to use external resources relative to output;
6. Physical resources, such as new equipment and new facilities and how they will improve operations;
7. Human resources, such as recruiting and developing employees to meet the company's goals; and
8. Social responsibility, such as improving the awareness and responsiveness to the company's impact on the broader community of stakeholders.

Strategic objectives should be selected to address the major challenges facing the company. To make these SOs manageable and actionable, limit them to no more than eight, and it's vital to prioritize them. Most companies, including non-profits, [start with financial concerns](#), since making money is a primary concern. Then build the product strategy and customer support and marketing infrastructure in order to increase revenues. This may then lead to concerns about human resources and staffing. Strategic objectives are usually interdependent, which is why you need to create a hierarchy of SOs.

To clarify how to choose your SOs and then prioritize them, let's use a hypothetical example. Assume that you operate a chain of pet food stores and your financial objective is to grow by \$5 million in profit in the coming year. The company will need to add new products or services, such as a pet wash and pet shampoo added in each store, to help build profits. The company also needs to add five new stores in new target areas to increase your market presence and build profits. That may mean more capital to add those new stores and new staff to manage the new operations. A community support program will help build market awareness and attract new customers.

Based on this scenario, you have defined a series of six basic strategic objectives:

1. Financial – To add \$1 million in profits.
2. Innovations – To expand the product line with new goods and services, such as a pet

wash, to achieve the established profit objective.

3. 3. Physical resources – New storefronts will be required to expand the company's market penetration and meet your profit goals, and the company will need to retrofit existing stores to add the new pet washing stations.
4. 4. Financial resources – New capital is needed to install the new pet wash operations and to add new stores.
5. 5. Human resources – New managers and staff will be needed to run the new operations.
6. 6. Social responsibility – A community awareness campaign targeting pet owners will help build customer awareness and loyalty.

As you develop your strategic objectives, stay focused to achieve those objectives. Limit the number of SOs to no more than eight. Once you have defined your strategic objectives, validate them using four basic criteria:

1. 1. Is the objective measurable or verifiable?
2. 2. Is the objective feasible or achievable?
3. 3. Is the objective adaptable or flexible?
4. 4. Is the objective consistent with the rest of your strategic plan?

In future blog posts later this month, we will delve further into the role of strategic objectives in guiding your operation, including how to measure the outcome of the SOs and how to budget for them.