3 Steps to Identify the Right Strategic Goals for Your Company

By Graham Kenny

Ann is the CEO of my country's largest independent, not-for-profit aged-care provider, offering residential aged care, retirement living, and at-home support. It was established well over a hundred years ago and is set in many of its ways. One of these is how strategic objective-setting is conducted. But Ann's not happy with the process. I asked her, "Why not?"

She explained. "When we get together to discuss our future direction as a business, we invariably get to the point where we need to write down our objectives. If we're using a facilitator, and we usually do, that person will walk over to a flipchart or whiteboard and write 'Objectives' at the top. Then everyone piles in brainstorming to produce a list that's far too long."

"And you whittle that list down?" I asked.

"Yes," Ann continued. "The discussion and arm-wrestling then start with the aim of reducing the items to about half a dozen. After some considerable time, my exhausted and frustrated colleagues are only too happy to move on to the next agenda item."

Ann explained how her team was usually not content with the result. "Nor am I," she added, "because invariably the 'Objectives' list contains a hodgepodge of activities, nice-to-haves, and vague statements of intent." Ann showed me her latest result:

To become an employer of choice.

To grow the business by opening additional centers.

To maintain stability in resident and client care.

To manage risks and crises effectively.

To secure compliance with regulatory authorities.

To transform operations by adopting additional technology.

Maybe your own endeavors have produced a similar list. You might be wondering: What's wrong with this? The answer is: Plenty.

Any strategy she comes up with will have to specify what the company can do to meet the needs of each key stakeholder group: residents, clients, employees, suppliers, shareholders, and the community. This means that her business will have to take a position on the factors important to each of those groups. For instance, Ann's management team must set policy on working conditions, pay, organization culture, and so on for employees. What should guide these decisions? And how will Ann know if the decisions are progressing the organization? How will she measure this?

The answers should be her list of strategic objectives. But Ann's hodgepodge doesn't deliver a clear line of sight between the business's competitive stance for each key stakeholder group and the results. How can you tell if a strategy is working? It's as though the list of objectives exists in a black hole.

Shift Your Thinking About Objective-Setting

The trick to breaking away is to flip your perspective and ask what your organization wants from its key stakeholders. (This comes as an "aha" moment for most managers.) These will be your strategic objectives. For example, consider revenue from customers, innovation from employees, and support from the community. Your thinking must shift to be outside-in if you are to produce successful strategic objectives. If you picture organization objective-setting this way, you can see how it can be broken into a stakeholder-by-stakeholder exercise.

Step 1: Identify a behavioral outcome for each stakeholder group.

To illustrate, let me share a story. One CEO I advise, Stuart, heads up a mutual bank with "members." I ran a workshop for him and his managers. We identified the credit union's key stakeholders, one of which was, naturally, members. To break through the traditional brainstorming hodgepodge, I asked the group a seemingly simple question: "What do you want your members to do?"

This came as a surprisingly fresh approach to the group and required them to think more deeply. After some discussion, we got this: "To get members to borrow more and to get potential members to become members." I explained how I call this a behavioral outcome.

Step 2: Convert behavioral outcomes into organization objectives.

I then led Stuart's group to the second step, which is to convert this behavioral outcome to an organization objective. This usually starts with "to increase" or "to decrease." After careful consideration and debate, the group agreed to: "To increase revenue from current and future members." Notice "future." This will be driven by positioning on the strategic factors relevant to members.

Why didn't I just start there at the second step? The reason is that invariably the process falls back into becoming a hodgepodge. Identifying a behavioral outcome for each key stakeholder group first anchors organization objectives, which then become clear and measurable.

Step 3: Identify measures.

This brings me to the third step: identifying measures, a short list of which is usually referred to as key performance indicators or KPIs. This can be tricky, as all sorts of things become labeled as KPIs in exercises like this. In the past, Stuart's organization had labeled actions by individuals and program descriptions as KPIs. So, I needed to point out that a key performance indicator is a key performance measure.

The clincher for Stuart and his group came when I demonstrated that there are only three ways to measure results in business and that they can be neatly summarized by three symbols: $ (or the local currency), # (number of), and % (percentage). No one had condensed results for them in that way before.

The advantage of this is that Stuart and his team now have a stakeholder-oriented objective for members that can be measured. Stuart can measure the total revenue generated by new and existing members; the number of new and existing members; and the bank's percentage of market share. Any strategies aimed at creating competitive advantage — around, for example, product range, customer service, and pricing — can be evaluated using these hard results.

I do this for each of an organization's key stakeholders: customers, employees, suppliers, and so on. It always gets a management group to probe what the organization is really trying to achieve.

Your Objective-Setting Journey

If you want to produce clearly targeted strategy, you simply must avoid the standard practice of brainstorming to yield a list of strategic objectives. It leads to a hodgepodge of difficult-to-measure items, as Ann's experience demonstrates. Instead, rethink your journey by identifying who your key stakeholders are — and what you want from them.

This will provide you with clear and measurable outcomes that will help focus your organization's strategic positions for each of your key stakeholders. Strategic clarity will be your result.

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