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Defining Objectives 5

Defining objectives provides a stimulus for the generation and implementation of ideas and other actions. By aligning innovative actions with the strategic objectives, the organization can move toward its vision of the future. Strategic objectives begin by understanding the demand from the main stakeholders of the organization. These stakeholders can come mainly from outside the organization. Understanding requirements, together with environmental analysis, provides organizations with insights into the future and the goals they should pursue to achieve maximum advantage. Common stakeholders in organizations include shareholders, customers, regulatory authorities, suppliers, and staff. Stakeholders place requirements on the organization that must be met if the organization is to be sustainable in the long term. Stakeholder requirements form a core part of organizational goals and act as a driver for innovation. For example, shareholders often demand more turnover and lower costs in order to maximize value. Customers often demand new products, better services, and faster responses. Regulatory authorities demand conformance to certain regulations (e.g., health and safety or environmental issues). The various strategic objectives that an organization selects determine how it will address these requirements in the future. Strategic objectives can be viewed as key decisions around which the organization will choose to focus its innovation.

LEARNING TARGETS

When you have completed this chapter you will be able to

- Describe the importance of stakeholders in the innovation process
- Explain the terms *transactional* and *contextual requirements of stakeholders*

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- Define *strategic thrusts*
- Understand how to develop strategic objectives
- Explain the importance of concise strategic plans
- Discuss how to evaluate strategic objectives
- Understand the need to monitor emergent objectives

Identifying Stakeholders

Stakeholders are both individuals and other organizations that have a stake in the operation and success of the organization. They place demands on the organization. We naturally think of shareholders as stakeholders in a profit-making organization. For example, shareholders typically require higher returns for their continued engagement in the organization (e.g., profits). Customers are another common stakeholder. Customers choose products, processes, or services because they meet certain expectations and fulfill certain needs. Continuing to meet these expectations means continuously listening to customers' requirements such as more features, lower cost, or perhaps faster delivery. Other stakeholders are less apparent. Regulators are stakeholders who issue requirements on issues such as health and safety, waste emissions, or even taxation. They require that the organization conform to particular regulations and standards. Employees are another important stakeholder group. Employees regularly issue requirements such as greater job security or perhaps better prospects of promotion. Suppliers are also stakeholders in the organization and require that the organization continue to purchase products and services from them and do so at a satisfactory price. Stakeholders vary across organizations. Identifying the organization's stakeholders is a key step in defining innovation goals. Eight types of stakeholders are common (Shapiro, 2001) and are illustrated in Figure 5.1.

CUSTOMERS

These stakeholders consume and use a particular product, process, or service. They can be external customers such as patients in a hospital or consumers of television sets, or they can be internal customers within a larger organization who use output from another section. For example, doctors can be internal customers of a hospital computer service department, and managers can be internal customers of an organization's human resource department.

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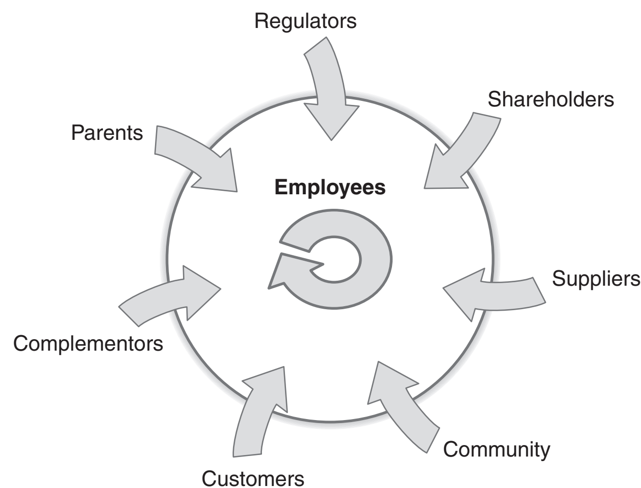

Figure 5.1 External and Internal Stakeholders

SUPPLIERS

These stakeholders are suppliers of products or services and even processes to the organization. Like the other stakeholder groups, they may have requirements that can include maintaining a stable and effective supply chain. Typical supplier requirements include payment on time, less bureaucracy when delivering goods, or more accurate information. With the advent of concepts such as the extended enterprise and supply chain management, suppliers have been viewed more as strategic partners of the organization rather than simply inputs to the process. As their requirements are addressed, relationships between the organizations can grow and increased efficiency can be attained. Suppliers not only influence the goals pursued by the organization but are also valuable stimuli for the action process. Suppliers can often introduce innovative technology to the customer organization. Fulfilling supplier requirements can enhance the innovative capability of the organization.

SHAREHOLDERS

These are individuals and other organizations that have invested in and own a share of the organization. For example, a venture capitalist who has invested funds in the organization will want the organization to achieve its targeted market share, keep expenses low, and ultimately maximize the return on his or her investment.

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PARENTS

These are parent organizations. For example, a manufacturing plant in Ireland may be a subsidiary of a parent organization in the United States. The parent organization imposes requirements on the manufacturing organization such as lower costs, higher quality, and lower inventory. A quality department in the same manufacturing plant would have the senior management team within the plant as a parent whom they report to and who impose requirements on the quality department. It is interesting to note that the requirements of parents are often articulated through a parent innovation plan. In this way goals can be linked between organizations through the hierarchical layers within the same macro organization.

REGULATORS

These government and other regulatory entities have some degree of influence over the business. Most organizations need to conform to financial regulations, health and safety regulations, and so on. Regulations can also include internal policies and standards developed inside the organization. The quality department in a large organization can issue internal regulations to, say, production departments regarding production practice. Regulators normally impose requirements on organizations for the benefit of the wider community. Regulations, such as those imposed by the Food and Drug Administration on the pharmaceutical sector, may be viewed as a hindrance to the organization, but they are designed to prevent potentially harmful drugs from making their way into the public domain. Regulators ensure that the organization maintains a long-term perspective that benefits communities by imposing regulatory barriers on trade.

COMPLEMENTORS

These are partners and other groups that add value to the overall product, process, or service such as strategic partners, joint ownership partners, and some key suppliers, distributors, and customers. Other organizations depend on the organization's product for their continued success (and vice versa) and so need to at least be aware of the organization's innovative activities. Some of the factors that influence the impact of complementors on the organization are the importance of complementors, the number of alternative complementors available, and the party that captures the value generated by the complementarity between offerings (Schilling, 2006). If firms can improve the synergy between their products and those of their complementor, then they can strengthen their competitive position in the market and create barriers to entry. The risks in this relationship are that one party will become

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dominant over the other and revert to power over the supplier or buyer or may decide to reverse or forward integrate in the business to improve their competitive position.

EXAMPLE: An example of complementors is the relationship between the Sony PlayStation and game designers such as EA Games. The presence of a wide range of games on the PlayStation platform increases sales of the console unit. If a major game designer decided for some reason not to support a particular console maker, then this would act as a significant barrier to that console's success in the industry.

INTERMEDIARIES

These are consultants, quasi customers, and other specialist groups that assist in product development and service provision. For example, the retail outlets for the organization's product may have requirements such as more robust packaging or longer shelf life. By meeting these requirements, the organization not only enhances the operations of the retailer but also enhances the market perception of their own product because less non-conforming product will reach the end customer.

EMPLOYEES

Employees can also be key stakeholders in any organization and will have requirements that they need the organization to fulfill. These requirements can include better job security, higher pay, greater empowerment, or more opportunity for development. If the employee requirement is linked to a certain strategic objective, then employees will be motivated to develop appropriate innovations to achieve these goals.

COMMUNITY

This is the local, regional, and national community in which the organization exists. Community stakeholders can also include potential partners in the future. Developments such as open innovation (Chesbrough, 2003) and lead users (von Hippel, 1994) illustrate that ever more diverse people are placing requirements on the organization. Understanding market dynamics, technological forecasting, communicating and working with users, and listening to the voice of the customer are ways in which these stakeholder requirements may be defined. These activities allow insights into how the organization can best develop in the future. Determining needs can be a challenging task because people often are unable to recognize their needs. Identifying the hidden needs

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(Goffin & Mitchell, 2005) of the various stakeholders can be crucial to meeting the future needs of the organization.

Defining Requirements

Understanding the stakeholders in an organization, together with environmental analysis, is a key step in defining appropriate innovation goals. Discovering what each stakeholder requires can be a difficult task, however. Stakeholders can have a transactional or contextual relationship with the organization (Pava, 1983). A transactional relationship exists where the organization can influence and change the stakeholder's requirement in some way. Influencing a shareholder to change his or her expectation from higher profits to greater investment is an example of a transactional relationship. A contextual relationship exists where the organization has no influence on the requirement and where a stakeholder insists on demands being met. For example, corporate owners may insist on a particular cost saving target or increase in revenue. Government regulators are another example of a stakeholder with a contextual relationship.

Requirement statements are expressions of demand from stakeholders. Some stakeholders may have many requirements, whereas others may have only a few. Many requirements may need to be distilled and summarized into the key few. Many techniques are used for defining requirements. One simple technique is to ask each stakeholder to articulate what he or she perceives as the weaknesses of and threats to the organization's offering. These can be listed and grouped into a number of categories. When wording the requirement, it is useful to use language expressed from the perspective of the stakeholder. For example, the customer would express a requirement such as "deliver products faster" or "provide more reliable products." Put yourself in the position of the stakeholder and use his or her voice to express the requirement. The use of an active verb in the description can also be useful (e.g., *deliver* and *provide*). More structured techniques for gathering requirements include objective data analysis, Delphi forecasting, focus groups, and conjoint analysis.

OBJECTIVE DATA ANALYSIS

This is a technique in which requirements are derived through the analysis of large amounts of data. Data such as historical sales, behavior of machines and processes, previous performance measurements, and customer complaint logs are used to predict the system's behavior in the future. Predicted poor performance can be translated into requirements that, if addressed, will result in the system behaving better.

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DELPHI FORECASTING

This is a qualitative technique for predicting future requirements of stakeholders. It is based on human judgment rather than the analysis of data. The Delphi method replaces direct open debate, in which one personality may dominate others, with a carefully designed program of interrogation. Three principal techniques are used: anonymous interaction, iteration with controlled feedback, and statistical group response.

FOCUS GROUPS

This is a qualitative approach in which a group of 8 to 12 people are brought together to discuss a common theme. The focus group normally is led by a moderator who directs the discussion though questioning. Common groupings include existing and potential customers, suppliers, and lead users. The benefit of a focus group is that discussion can be freer flowing than in a one-to-one situation, and the comments of one person can illuminate the discussion of another. An important aspect of a focus group is a well-trained moderator, because the moderator must ensure that the discussion stays focused on the desired theme or concept. Focus groups are valuable in that they can identify needs and desires of potential stakeholders in a speedy and economical manner. Focus groups are often used as part of the market research on a product innovation in order to identify the features and attributes that the eventual customer will value.

CONJOINT ANALYSIS

One of the most useful techniques to emerge in recent years to help organizations prioritize prospective innovation attributes is conjoint analysis. Conjoint analysis is a statistical technique that an organization can use to determine what combination of a limited number of attributes is preferred by its customers. This stated preference model works by first creating a definite list of attributes that will be tested against sample customers in order to establish the relative utility level of each. Customers are interviewed and asked to choose between two versions of the product, each with certain attributes. By repeating the exercise a number of times and analyzing a customer's tradeoffs with the various product versions, the researcher is able to calculate the relative preference of attributes and the tradeoffs that the customer makes. Key challenges associated with use of the technique include defining the correct attributes to be tested and identifying a sample of respondents that adequately reflects the true population.

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EXAMPLE: Clearview Pharmaceuticals is a small startup manufacturing company. The innovation team is responsible for mainly process innovations and includes key personnel from all of the main functions in the organization—all managers and some specialists. They meet bimonthly to discuss the progress of their goals and review the status of various projects. They also review any ideas that have been generated by employees that match organization goals. The requirements of each stakeholder have been determined and are monitored regularly by specific members of the team (Table 5.1). A key requirement of customers is reducing manufacturing lead times. At each meeting the production manager gives an update to the rest of the team on the status of this requirement. As new requirements are determined, they are added and responsibility is assigned.

Activities

This activity requires you to create a list of 10 to 15 stakeholder requirements for your organization divided among your key stakeholders.

Table 5.1 Clearview Pharmaceuticals Stakeholder Requirements

Requirements			
Group	**Title**	**Responsible**	**Status**
Conformance	Maintain FDA Conformance	Mike Mannion	☺
Conformance	Achieve ISO 14001 certification	Mark Ryan	☹
Conformance	Achieve ISO 9001 certification	David Jones	☺
Parent	Increase productivity	David Jones	😐
Parent	Modernize information technology infrastructure	Andy Scott	☺
Parent	Lower purchasing costs per unit	Mark Ryan	😐
Customer	Reduce product costs	Mary Joyce	☺
Customer	Reduce delivery time	Paul Jones	☹
Customer	Online services	Mike Mannion	☺
Shareholder	Return on profit	Mike Mannion	☺

Identify the names of the stakeholders for your organization and list them in the "Group" column in Table 5.2. Identify at least two requirements for each stakeholder and list the detail of the requirements in the "Title" column. When articulating your requirements, try to use an active verb in the sentence, preferably at the beginning, and keep the number of words to a minimum (e.g., a supplier might require that your organization "improve the access to master schedule information"). Try to also use the voice of the stakeholder. Put yourself in the stakeholder's shoes and try to imagine what he or she may demand from your organization in his or her words. Assign responsibility for each of the requirements to a suitable employee of your organization. Assign a fictitious status to the various requirements to communicate how well they are being fulfilled by the organization. Copy Table 5.2 into a spreadsheet and complete the fields.

STRETCH: Set up a focus group with other students in your class. Tell them about your product or service and ask them to identify a number of requirements that they feel they could realistically impose on your organization if they were customers of the product or service.

Strategic Plan

The strategic plan can be broken down into two related areas: strategic thrusts and strategic objectives. The strategic thrust identifies a specific area of focus. Different industry sectors will place greater focus on particular thrusts, given their importance to the industry. For example, an electronics organization will place high priority on technology as a strategic thrust, given its importance to survival in their sector. The term *strategic objective* refers to the more specific objective that the organization wants to achieve within the area of the strategic thrust. The term *strategic objective* relates to the choices that the organization makes in order to develop. The following are high-level strategic thrusts popular in many organizations (Hayes et al., 1988): capacity, facilities, technology, vertical integration, workforce, quality, planning, and organization.

CAPACITY

This thrust deals with issues of increasing, decreasing, or maintaining capacity. *Capacity* refers to machines, labor, and facilities. Typical choices within this thrust include demand management, outsourcing, floor space use, job enrichment, multiskilling, and work cells.

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Table 5.2 Create Requirements

Requirements			
Group	**Title**	**Responsible**	**Status**

Group: Name of the stakeholder (e.g., "Customer")
Title: Title of the requirement (use the voice of the stakeholder, e.g., "Shorter lead times")
Responsible: Individual responsible for reporting the status of the requirement
Status: Status of the requirement (e.g., not started, in progress, waiting, completed)

FACILITIES

This thrust deals with the facilities that are used by the organization in meeting customer requirements. Facilities include issues related to location, floor space, plant facilities, and machine facilities. Choices regarding specific strategic objectives the organization may want to achieve in this area include capping the size of plants, developing focused lines and processes, and moving to an alternative location.

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TECHNOLOGY

This thrust deals with decisions about the technology used in the organization such as technological platforms used in products and services, machinery and computer networks, and telephone exchanges. Choices can include issues related to appropriate standards and platforms to adopt, networking replacement of obsolete technology, and improving the communication infrastructure.

VERTICAL INTEGRATION

This thrust relates to the integration of the organization with suppliers and other strategic partners such as distributors, customers, and other stakeholders regarding finance, processes, technology, location, sharing of information, co-design, and so on.

WORKFORCE

This thrust deals with issues related to the human capital in the organization. Strategic choices that an organization might make in this area include improving delegation, improving reward and recognition, reducing bureaucracy, and developing knowledge workers.

QUALITY

This area attracts significant attention from service- and process-based organizations. Strategic choices in this area can include organizations setting objectives regarding enhanced products, processes, and services, reducing customer complaints, and improving environmental and health and safety compliance.

PLANNING

This thrust deals with strategic choices regarding material planning, order flow planning, product design planning, shop floor control, logistics, supply chain management, and so on.

ORGANIZATION

This thrust relates to choices regarding objectives such as alterations to management structures, control mechanisms, interaction between

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functional departments, management systems, and communication infrastructure.

Organizations choose to adopt the strategic thrusts most appropriate to move themselves forward into the future. In certain instances organizations select strategic thrusts based on well-known methods or frameworks. One such method is the balanced scorecard (Kaplan & Norton, 1996), which identifies four major thrusts: finance, customers, internal processes, and learning and growth. Other methods that provide strategic thrusts include ISO 9000, the European Foundation for Quality Management model, and the Malcolm Baldrige Award criteria. Even when an organization chooses to use a well-known method, it cannot be emphasized enough that each organization will need to identify strategic thrusts that are most appropriate to that organization and then decide the specific strategic objectives needed to bring the organization into the future. The information gathered as part of the organization's environmental analysis and stakeholder requirements will drive many of the strategic choices that the organization makes. If the organization achieves its strategic objectives over time, then it will have addressed the demands identified in the planning phase and strengthened its competitive position. Although certain organizations may share common strategic thrusts, the more specific strategic objectives will be unique to the individual organization.

Generic Objectives

An organization can choose from a number of different types of strategic objectives to pursue. These types provide the organization with a direction and focus from which to generate supporting innovative actions. Porter's (1980) research identified three generic strategies that an organization may want to pursue in order to attain enhanced competitive advantage: cost leadership objectives, differentiation objectives, and focused (niche) objectives.

COST LEADERSHIP OBJECTIVES

Organizations that adopt this strategy strive to be the industry leader in terms of cost. These organizations often are not the cheapest in the market, but by increasing efficiency they can make a higher return than their competitors. Strategic objectives under this generic strategy seek to improve efficiency and control costs throughout the organization's supply chain, achieve economies of scale, improve experience and learning, and

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reduce product complexity and variety. Organizations compete with each other in areas such as process technology, raw material costs, and capacity use and usually sell a standard product. Examples of organizations pursuing this strategy include low-cost airlines such as Ryanair and Southwest Airlines. Although these organizations would define cost leadership as their strategic objective, they would have a number of sub-objectives that are specific to the organization's environment and core competencies. Examples of these include "short-haul, point-to-point routes, often to secondary airports," "standardized aircraft fleet," and "limited passenger services."

DIFFERENTIATION OBJECTIVES

Differentiation occurs when the product or service provided by the organization meets the needs of some customers better than those of its competitors. Underlying differentiation is the concept of market segmentation and the knowledge that specific groups of customers have unique needs. Organizations that focus on this category of objective seek to add value to specific market segments by differentiating both the tangible and intangible features of their products and services. Strategic objectives under this heading typically involve applying technological superiority over competitors, outperforming competitors in an area of quality, and providing better support services or lead time to the customer. This category is populated by organizations that strive to be unique in the industry and stand out from competitors. Although organizations pursuing a particular differentiation strategy can gain a competitive advantage over their competitors, the risks associated with such a strategy are that it will introduce costly features not valued by the customer, or if the organization is successful, then competitors will copy the differentiated product and thereby reduce the market share. Volvo is an example of an organization that has adopted a differentiation strategy that has driven innovation and success. Their commitment to safety in all their market offerings has encouraged customer loyalty and increased sales. Although other competitors have followed Volvo's lead, customers still perceive the company's product as a safer car.

FOCUSED (NICHE) OBJECTIVES

A focused strategy occurs when an organization focuses on a specific niche in the marketplace. The organization attains its competitive advantage by meeting the unique needs of this niche market better than any other organization. Leadership can be achieved by adopting cost

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leadership or differentiation strategies, which are designed specifically for the environment of the niche market. This category is populated by organizations that strive to become leaders in a specific market segment. The risk associated with this strategy is that the segment will be too successful and draw other organizations into the market niche. Another risk is that the market niche will be too small to sustain the organization over the long term.

Strategic Objectives

Strategic objectives are the actual objectives, strategies, or choices that an organization strives to implement over a planning horizon (typically 1–5 years) (Mintzberg, Quinn, & James, 1988). An important consideration when defining and choosing objectives is the ability to implement them. Strategic objectives must be chosen that have a chance of being implemented with the available resources—time, people, and money—over the planning horizon. Attempting the impossible can be bad for morale and can lead to greater resistance to change in the future. There must be a balance between the objectives set by the organization and the resources and capabilities available to achieve these objectives. Strategic objectives should be neither too general nor too specific. Objectives that are too general fail to give guidance to people during the idea generation process. Objectives that are too specific take away power from the people generating ideas and tend to be more akin to projects. Strategic objectives should inform and stimulate the idea generation process of the organization so that people can develop ideas and projects at an operational level that helps the organization achieve those objectives. Objectives that are clear and transparent allow employees to translate them easily into projects that can move the organization toward its goals. Clear objectives also facilitate better decision making when one is aligning projects with objectives.

Although analysis of the external environment and determination of the appropriate strategic thrusts are important to an organization, it is the specific strategic objectives that determine where the organization wants to go and how it is going to get there. The selection of specific strategic objectives depends on a number of internal and external factors. The internal factors can include the current technical and organizational capabilities, the success of the current business model, the available resources, and the organization's vision statement for the future. External factors that may shape an organization's strategic objectives include external network capabilities, industry structure, competition, and the rate of technological change (Davila, Epstein, & Shelton, 2006). Strategic

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objectives such as consolidation, market penetration, product and market development, and diversification are just some of the options open to an organization. Although these are based on the organization's unique context, their appropriateness should be reviewed in terms of suitability, acceptability, and feasibility (Johnson & Scholes, 2002).

SUITABILITY

This is the fit between the strategic objective and the circumstances in which the organization is operating. One of the key questions an organization must ask is, "Does this objective make sense given this organization's competitive position?" Objectives that are not suitable for the organization's context are unlikely to result in their desired outcome or move the organization in the direction it needs to go.

ACCEPTABILITY

This is concerned with the expected outcomes of the strategic objective in terms of performance and its alignment with the organization's expectations. Acceptability of an objective can be viewed as a synthesis of three elements: return, risk, and stakeholder reaction. Return is the benefit that will accrue to the organization from pursuing a specific objective and the value of the return relative to the required inputs. Risk is the potential drawbacks of the objective. Risk can relate to the return from pursuing the objective but can also relate to other characteristics of value, such as threatening the organization's mission or culture. If the risk associated with an objective is high, then it might be unacceptable to the organization. The last element influencing the acceptability of a particular strategic objective is stakeholder reaction. As discussed earlier, various stakeholders have different vested interests in the organization. If a proposed objective clashes with the values or requirements of particular stakeholder groups, then this can lead to potential conflict and resistance. Organizations must reflect on the impact of particular strategic objectives on powerful stakeholders and ensure that conflict is minimized.

FEASIBILITY

This is concerned with the organization's ability to implement a particular objective. Because organizations have different competencies, skills, experience, and financial resources, certain organizations are more

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likely to achieve certain strategic objectives than others. Ensuring a good match between the objectives pursued and the organization's capabilities can provide a competitive advantage in implementing these objectives. When organizations pursue objectives that are not aligned with their capabilities, the feasibility of implementing these objectives successfully diminishes and the associated risk levels increase.

Screening the various strategic alternatives, an organization can identify the most suitable objectives that it can pursue under each of its strategic thrusts. The organization further defines these objectives by linking them with associated performance indicators. High-level organizational goals become more tangible and understood across the organization and enable people to contribute potential innovations that can help the organization achieve its objectives, fulfill stakeholder requirements, and ultimately achieve its vision for the future.

Objectives for Innovation

There are many potential objectives for any organization. Many of these objectives will lead to changes to the organization's products, processes, and services. Reflecting back on the difference between operations and innovation, most objectives refer to changes in operations or in how things work at present (products, processes, and services). However, the innovation activity itself can also be subjected to change. The primary things that can be improved with this activity are the process itself (i.e., how the process translates ideas into innovations) and the resources it uses (i.e., tools, techniques, people, and funding). This book is about describing an effective innovation management process and identifying some of the tools and techniques used to resource it. Goals can be defined for guiding innovations to products, processes, and services that will flow through the innovation process, but goals can also be defined that focus on increasing the efficiency and effectiveness of the innovation process itself. Therefore, organizational goals can have a dual influence: on the operational reality of the organization and on the process by which the organization will transform itself from its current to its future position.

EXAMPLE: SwitchIt is a design and manufacturing company of electrical switch gear. All managers form a team that reviews their innovation plan weekly. The team has a set of strategic objectives for development over the period of 3 years. Nine strategic groups or thrusts have been defined, with a number of objectives or strategies per group. A sample of the strategic plan, showing only three of the thrusts and nine of the objectives, is shown in Table 5.3.

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Table 5.3 Strategic Objectives at SwitchIt (in Part)

Objectives			
Group	**Title**	**Responsible**	**Status**
Capacity	Use low-risk strategy for capacity expansion	Mary Roche	☺
Capacity	Improve capacity analysis techniques	David Noone	☹
Capacity	Improve labor flexibility for capacity changes	Michael Clark	☺
Capacity	Explore make-vs.-buy opportunities	Stewart O'Neill	😐
Responsiveness	Collaborate on development of more accurate forecasts	Danny Mulryn	☺
Responsiveness	Explore manufacture-to-order processes	Michael Clark	😐
Responsiveness	Reduce order delivery times	Stewart O'Neill	☺
Responsiveness	Improve dealer and supplier partnerships	Stewart O'Neill	☹
Organization	Migrate toward flatter and leaner organization	Danny Mulryn	☺

Summary

Stakeholder requirements place demands for innovation on the organization. Many of these demands lead directly to new ideas. Other requirements inform the strategic objectives and performance indicators of the organization. Some stakeholders are internal, but most are external. Some external stakeholders can have their requirements influenced by the organization, whereas others cannot. Requirements are ultimately translated into strategic objectives and performance indicators in the innovation management process. A strategic plan typically contains a

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large number of objectives divided into groups called strategic thrusts. A strategic plan is a living document. After it has been created, it can be edited and updated from time to time to reflect shifts in the external environment. The organizational efforts toward its objectives must be monitored continuously. This chapter has shown how to create a concise plan for any organization. Strategic plans are a guide for the innovative actions that the organization will pursue and must allow some room for interpretation, or they will constrain the type of innovation. The next chapter examines how organizations develop performance indicators to measure their progress toward the objectives they have defined.

Activities

This activity requires you to create a list of 16 to 24 strategic objectives for your organization, divided into strategic thrusts. First, define a minimum of three strategic thrusts and list them in the "Group" column of Table 5.4. The thrusts selected should be based on the environmental analysis and statements you defined earlier. Once you have created appropriate strategic thrusts, define at least two objectives for each and place them in the "Title" column. When articulating your objectives, try to use an active verb in the sentence, preferably at the beginning, and keep the number of words to a minimum. Try to define strategic objectives that are general enough to remain relevant for the entire planning period (e.g., 3 years). Avoid strategic objectives that can be achieved in 6 months or less; these may be defined more accurately as projects later. Once you have defined your strategic objectives, assign responsibility for their achievement to one or more members of the organization. Assign a fictitious status to the various objectives to communicate how well they are being fulfilled by the organization. Copy Table 5.4 into a spreadsheet and complete the fields.

STRETCH: Other elements in this activity may include discovering emergent objectives for organizations in your domain and creating a separate list titled "Emergent Objectives." These emergent objectives can be found in various trade magazines, online discussion forums, benchmarking, and so on and reflect general changes occurring across many organizations. These emergent objectives may lead you to revisit the strategic plan you defined earlier.

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Table 5.4 Create Objectives

Objectives			
Group	**Title**	**Responsible**	**Status**

Group: Label of the strategic thrust (e.g., “Technology”)
Title: Title of the objective (use an active verb, e.g., “Increase capacity in line with demand”)
Responsible: Person responsible for reporting the status of the objective
Status: Status of the objective (e.g., “not started,” “in progress,” “waiting,” “completed”)

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REFLECTIONS

- Define a stakeholder for a particular organization.
- Explain the terms *transactional* and *contextual requirements.*
- Define *strategic thrust.*
- List up to five strategic thrusts suitable for an organization such as a hospital.
- Explain why strategic plans should be concise.
- Discuss how to evaluate strategic objectives.
- Name four common or emergent objectives currently discussed in strategy literature.