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# **Finding Your Organisation's Critical Success Factors**

**by David Parmenter**

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# 1. Background

I was first introduced to critical success factors by the talented people who wrote the KPI manual for AusIndustry (an Australian government department). They defined critical success factors as:

“The list of issues or aspects of organisational performance that determine ongoing health, vitality, and well-being.”

I have always seen these as operational issues or aspects that need to be done well day in and day out by the staff. Critical success factors are about what the staff inside the entity can do and should do every day.

It is the CSFs and the performance measures within them that link daily activities to the organisation’s strategies. This alignment, as shown in Exhibit 1.1, is, I believe, the El Dorado of management.

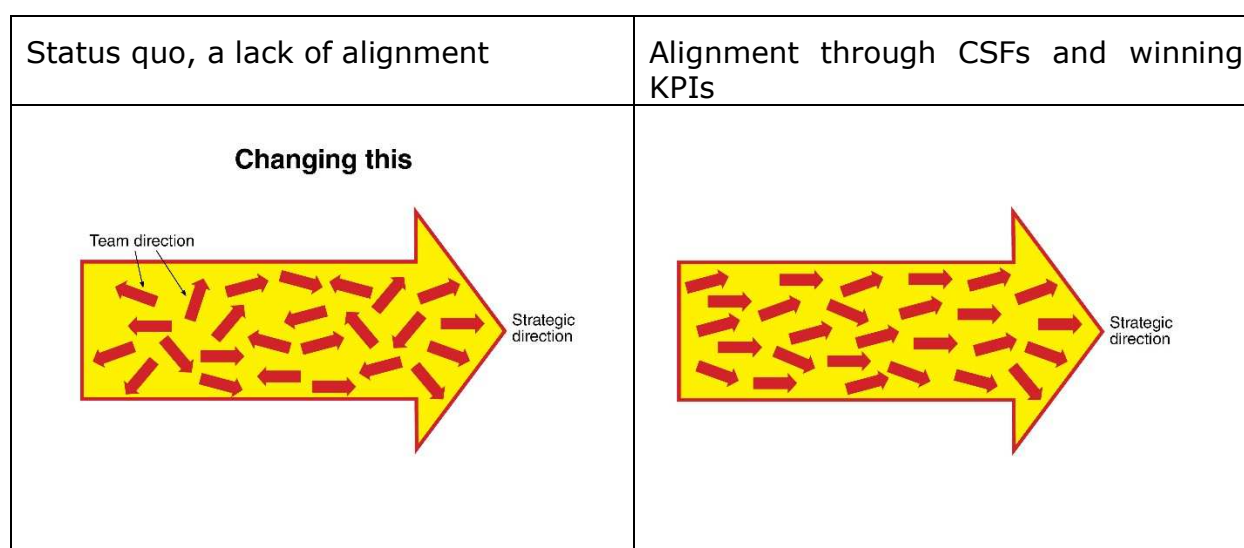


EXHIBIT 1.1: Getting alignment to the strategic direction through the CSFs and KPIs

Stephen Covey talked in “First things first” about putting “the rocks” in first every day before we work with the pebbles and the sand. We can liken the operational CSFs to the rocks that staff need to focus on every day. They should be the driving force behind prioritization throughout the organisation. They are very directional to operational staff who are focused on current demand, current production, and current delivery of products and services.

The term critical success factor does not appear to be addressed by some of the leading management performance writers of the past 30 years. Peter Drucker, Jim Collins, Gary Hamel, Tom Peters, Robert Kaplan, and David Norton all appear to ignore the existence of critical success factors.

The critical success factor “Deliver in full on time to key customers” communicates to staff that major orders for our key customers, often the difficult and complex orders, need to be tackled first. Whereas if we measure all deliveries to all customers, many staff will tackle the smaller orders, putting the easy “runs on the board,” thus jeopardizing service to the most profitable customers.

## 2. Why Critical Success Factors Are So Important

The balanced scorecard approach sees the purpose of performance measures as helping implement strategic initiatives. It is argued that to implement the strategies, you report and manage the performance measures that best reflect progress, or lack of it, within the strategic initiatives.

I do not believe performance measures are on this planet to implement strategies. The purpose of performance measures is to ensure that staff members spend their working hours focused primarily on the organisation's critical success factors.

You could be in your tenth year with a balanced scorecard and still not know your organisation's critical success factors. It is like going to soccer's World Cup without a goalkeeper or, at best, an incompetent one.

### 2.1. Operational Critical Success Factors—the Missing Link

Where the operational CSFs are not widely known, each manager will have their view as to what is important and prioritize work accordingly. Many counterproductive activities will thus occur based on the premise that "What is important to me is important to the organisation."

For a chief executive officer to steer the ship, everybody needs to know the journey, what makes the ship sail well, and what needs to be done in difficult weather. Critical success factors could be a major missing link in balanced scorecard and other methodologies.

### 2.2. What Influences the Critical Success Factors?

It is important to understand the relationship between operational CSFs and strategy. An entity's CSFs are impacted by several features. Most organisations will have one or two industry CSFs. They will also have some unique temporary conditions (e.g., a sudden drop in revenue will mean additional CSFs will be introduced until the funding crisis is over). Some CSFs will be determined by strategy, and others will be related to normal business conditions and be generic CSFs (e.g., "delivery in full, on time, to our key customers" or "Recruit the right people all the time"), as illustrated in Exhibit 2.1.

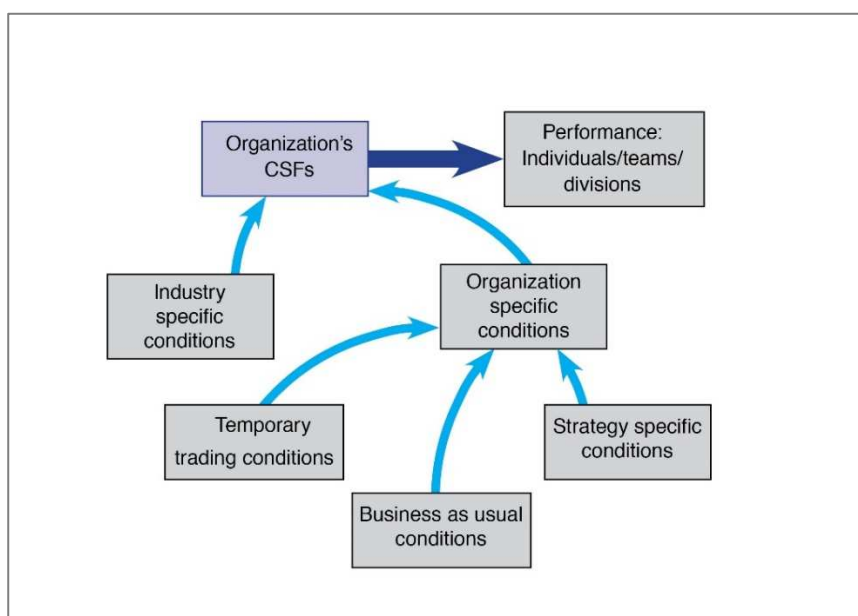


EXHIBIT 2.1 What influences the critical success factors

### 2.3. CSFs create meaningful measures and alignment

The traditional balanced-scorecard (BSC) approach uses performance measures to monitor the implementation of the strategic initiatives, and measures are typically cascaded down from a top-level measure, such as return on capital employed. This cascading of measures from one another will often lead to chaos, with hundreds of measures being monitored by staff in some form of BSC reporting application.

Getting staff to prioritize their daily activities in alignment with the organisation's operational CSFs is the "El Dorado" of management, the essence of modern management. Thus, instead of using the strategies as the source of your measures, clarify your organisation's operational CSFs and then determine what measures would align with these operational CSFs.

### 2.4. Relationship Between Critical Success Factors and Strategy

While I am aware of the significance of a well thought through and executed strategy, the organisation's critical success factors are more fundamental to the business as they focus the staff on what needs to be achieved daily. This aligns their efforts with those "business as usual" strategic initiatives.

Exhibit 2.2 shows that strategic initiatives, although their progress will be monitored, are not as fundamental to the business as monitoring the day-to-day alignment with the organisation's CSFs.

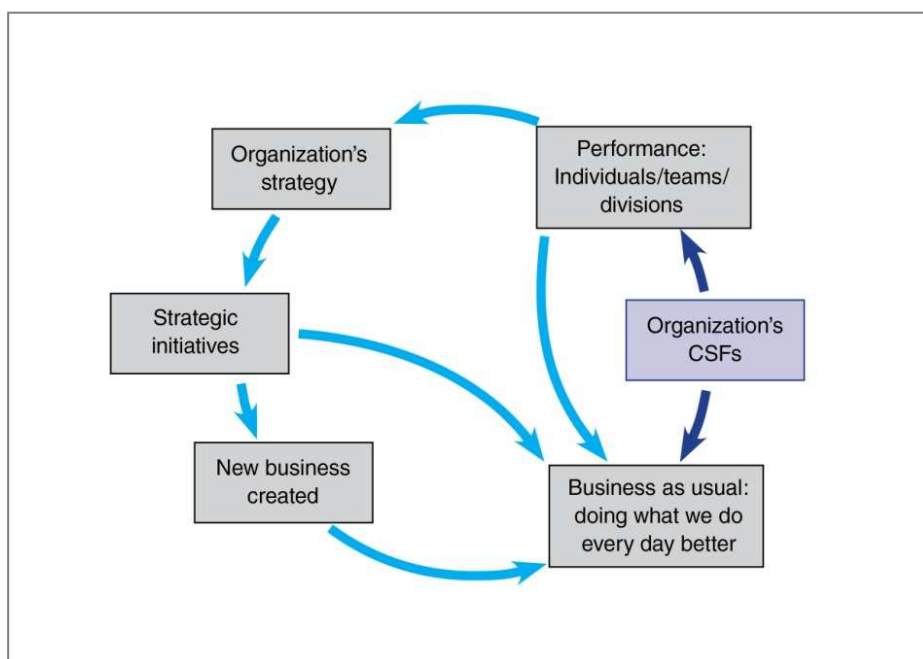


EXHIBIT 2.2 How strategy and the critical success factors work together

It is the operational CSFs and the performance measures they inherently carry that link daily activities to the performance of teams, business units, and divisions.

### 2.5. Distinguishing Between CSFs and External Outcomes

I have recently realized the importance of distinguishing operational critical success factors from external outcomes. A member of the Board of a charity rightly pointed out that the CSFs tabled (the operational CSFs) were too internally focused. They wanted to see the external picture: the external outcomes. The Board was naturally looking from the outside in. The Board wanted to see the CSFs expressed as the outcomes and impacts they want to see. "We want the organisation to deliver

\_\_\_\_\_,” which will demonstrate that there has been a success implementation of the organisation’s strategy.

External outcomes result from the operational CSFs working, day in and day out, for a sustained time, along with the successful implementation of strategic initiatives—e.g., alliance agreements being signed to obtain operational capacity in a new country. An external outcome such as “Developing and growing the new product x (or market y)” is a result of many different activities, from secret alliance agreements being successfully signed to new operational capacity being organized in a new country. Once operational, the new plant in a new country will be guided by the operational CSFs already in existence elsewhere in the organisation.

To help further clarify, I have separated the characteristics of operational critical success and external outcomes in Exhibit 2.3. In addition, I have provided a checklist for common outcome statements in Appendix 3.

EXHIBIT 2.3 Characteristics of operational critical success factors and external outcomes

| <b>Characteristics of operational critical success</b>  | <b>Characteristics of external outcomes</b>   |
|---|---|
| Are those factors that require a 24/7 focus by all staff in the organisation?   | Progress is only reported periodically, e.g., bimonthly/quarterly focus based on the timing of the Board meetings.  |
| Success is a result of operational staff focusing on the CSFs 24/7.   | Success is the combination of implementing successful strategic initiatives and the new business opportunities being successfully supported by the existing CSFs. |
| Worded to be pertinent to the activities staff should focus on in a specific area, avoiding “empty words” like optimization maximization. | Worded to describe what success will look like for a broad area of the organisation, e.g., become an employer of first choice.                                    |
| Describe an activity.   | Described as an external result such as “growth in a new market.”   |
| It will not surprise management and the board/government officials, as they will discuss them as success factors.                         | The wording is generic across many sectors.   |
| They are focused on the organisation and thus should not be broken down into department CSFs.   | Likewise, it will be focused on the organisation.   |
| They are few in number; eight to ten is sufficient.   | Likewise, eight to ten is a good number.  |
| Have a considerable positive influence on other success factors.  | Do not impact the CSF and SFs as they result from the CSF and SFs working for a sustained time.   |

## 2.6. The Benefits of Understanding Your Organisation’s CSFs

Knowing, communicating, and measuring progress in an organisation’s CSFs is the El Dorado of management. There are some profound benefits of knowing your CSFs, including:

|   |  |
|---|--|
| Leads to the KPIs                                   | Critical success factors are the source of all meaningful performance measures and will lead to the discovery of an organisation's 'winning KPIs'.   |
| Helps eliminate measures                            | Performance measures that <b>do not</b> relate to your CSFs or impact them <b>cannot</b> , by definition, be important and thus can often be eliminated.   |
| Alignment between teams in an organization.         | The staff know what should be done as a priority and thus their daily actions are now aligned and better linked to the organisation’s strategies.  |
| Challenge unnecessary meetings, reports, and tasks. | Staff meetings, reports, and tasks will be challenged for their validity. All activities without a direct link to the critical success factors will be seen as non-critical. Over time, meetings and reports that occurred because we did it last week/month will disappear. |
| Leaner reports                                      | The report layout will be more concise as many extraneous issues will be removed.  |
| CEO linkage to the workforce                        | The CEO’s linkage to the workforce will be a daily activity through phone calls and walkabouts amongst front-line staff.   |

Through two stories, I will explain the importance of critical success factors on the emergence of meaningful KPIs.

## 2.7. An Airline’s CSF

My favourite KPI story is about Lord King, who set about turning British Airways (BA) around in the 1980s by reportedly concentrating on one critical success factor and one KPI within it.

Lord King appointed some consultants to investigate and report on the key measures he should concentrate on to turn around the ailing airline. They returned and told Lord King he needed to focus on one **critical success factor (CSF)**, the ‘timely arrival and departure of planes.’ Finding the CSFs and narrowing them down to no more than eight to ten is a vital step in any KPI exercise and one seldom performed! Lord King was not impressed as everybody in the industry knows the importance of timely planes. However, the consultants then pointed out that while he knew ‘timely arrival and departure of aeroplanes’ was a success factor, this had not been separated from all the other success factors, and thus, staff were trying to juggle too many things.

Once the consultant’s analysis proved that ‘Timely arrival and departure of planes’ was at the top, see Exhibit 2.4, all they needed to do was to ascertain what measure to focus on. Was it timely planes or late planes? Their analysis would have pointed them quickly to selecting late planes over a certain time, and this led to the establishment of the late planes screen, which would have resembled something like Exhibit 2.5



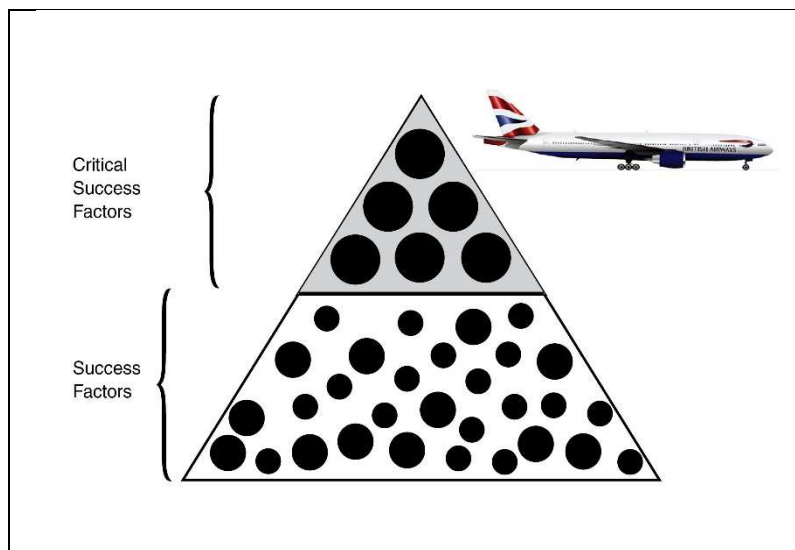


EXHIBIT 2.4 showing the hierarchy of success factors

This late plane measure was later credited with turning the company around. Lord King would have needed some contextual information so the airport manager could not simply say, "It is an isolated incident."

| Late planes over 2 hours |          |                         |              |           |            |                     |                          |       |        |                                |              |                              |                              |
|--------------------------|----------|-------------------------|--------------|-----------|------------|---------------------|--------------------------|-------|--------|--------------------------------|--------------|------------------------------|------------------------------|
| Time:                    |          | Statistics of last stop |              |           |            |                     | Contact details          |       |        | No. of late planes over 1 hour |              |                              |                              |
| Flight number            | How late | Expected arrival time   | arrived late | left late | time added | region manager name | Current time at location | work  | mobile | Home                           | last 30 days | 30 day ave. of last 3 months | 30 day ave. of last 6 months |
|                          |          |                         |              |           |            | Pat                 |                          |       |        |                                |              |                              |                              |
| BA1243                   | 02:15    | 21:45                   | 01:45        | 02:15     | 00:30      | Carruthers          | 18:45                    | xxxxx | xxxxx  | xxxx                           | 5            | 4                            | 4                            |
| BA1244                   | 02:15    | 21:45                   | 01:45        | 02:15     | 00:30      | xxxxxxx             | 19:45                    | xxxxx | xxxxx  | xxxx                           | 6            | 4                            | 4                            |
| BA1245                   | 02:15    | 21:45                   | 01:45        | 02:15     | 00:30      | xxxxxxx             | 20:45                    | xxxxx | xxxxx  | xxxx                           | 7            | 4                            | 4                            |
| BA1246                   | 02:15    | 21:45                   | 01:45        | 02:15     | 00:30      | xxxxxxx             | 21:45                    | xxxxx | xxxxx  | xxxx                           | 8            | 4                            | 4                            |
| BA1247                   | 02:15    | 21:45                   | 01:45        | 02:15     | 00:30      | xxxxxxx             | 22:45                    | xxxxx | xxxxx  | xxxx                           | 9            | 4                            | 4                            |
| BA1248                   | 02:15    | 21:45                   | 01:45        | 02:15     | 00:30      | xxxxxxx             | 23:45                    | xxxxx | xxxxx  | xxxx                           | 10           | 4                            | 4                            |
| BA1249                   | 02:15    | 21:45                   | 01:45        | 02:15     | 00:30      | xxxxxxx             | 00:45                    | xxxxx | xxxxx  | xxxx                           | 11           | 4                            | 4                            |
| Total                    | 7 planes |                         |              |           |            |                     |                          |       |        |                                |              |                              |                              |

EXHIBIT 2.5 intranet 24/7 report showing late planes with some historical context

### 2.8. A Freight Company's CSF

A CEO of a distribution company realised that a critical success factor for their business was 'trucks leaving on time and as close to 100% capacity as can be'. Having looked at all the success factors, including staff retention, delivery in full and on time, 'stay, say, strive engagement with staff', etc., the CEO knew that one success factor rose above all others.

The CEO instructed dispatch staff that their primary activity was 'maximising the truck and trailer fleet.' Dispatch staff were now asked to work with customers to amend their delivery dates to create a win-win.

Every day, by nine o'clock, the CEO would know of all truck and trailer units dispatched the previous day 'under capacity.' Phone calls would be made. Staff would know they had underperformed. Like the airline example, staff did their utmost to avoid such career-limiting phone calls with their CEO.

### **3. Relationship Between Strategy, CSFs, and Performance Measures**

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Nobody has done more than Kaplan & Norton to ensure that strategy is balanced, well thought through, and its implementation is monitored and managed.

The Harvard Business School paper was a masterpiece, and the follow-on book "Translating Strategy into Action – The Balanced Scorecard" was a classic from inception.

#### **3.1. Amending the Original Four Balanced Scorecard Perspectives**

For almost 20 years, the four perspectives listed in Kaplan and Norton's original work<sup>1</sup> (Financial, Customer, Internal Process, and Learning and Growth) have been consistently reiterated by Kaplan and Norton through to the present time.

I recommend that these four perspectives be increased by the inclusion of 'employee satisfaction' and 'environment & community'. These two perspectives were underestimated in the original work of Robert Kaplan and David Norton.

Employee Satisfaction is far too important to be relegated to a subsection within the 'internal process' perspective. Informed directors know that happy staff make happy customers and shareholders. Measurement of employee satisfaction needs to be far more sophisticated than a customer satisfaction survey every blue moon.

Having a separate employee satisfaction perspective emphasizes the importance of measuring the key drivers of employee satisfaction, such as the amount and regularity of recognition (e.g., how many recognition events are planned for the next week/fortnight, how much recognition has been made this week, the past two weeks, and this month). It will also support the need for more regular staff satisfaction surveys.

The Environment and Community perspective has been managed brilliantly by some leading CEOs helping to create a major asset for the HR team, assisting the organisation in becoming an employer of choice. Other benefits include staff learning new skills through voluntary work in the community, reducing costs through minimizing waste, creating positive press, and increasing staff morale by implementing green initiatives. Leading CEOs intuitively work in this area. They realize that the community is the source of your current and future employees and customers. They see the linkage between initiatives in this area and positive customer perceptions.

The traditional "learning and growth" perspective has been reworded as "Innovation and learning" (see Exhibit 3.1). This last change is very important as it lifts the profile of innovation, which has been emphasized by all the great business writers like Peter Drucker, Jim Collins, and Peters & Waterman.

|  |  |   |
|--|--|---|
| <p><b>FINANCIAL</b></p> <p>Asset utilization, sales growth, risk management, optimization of working capital, cost reduction</p>     | <p><b>CUSTOMER FOCUS</b></p> <p>Increase customer satisfaction, targeting customers who generate the most profit, getting close to non-customers</p> | <p><b>ENVIRONMENT AND COMMUNITY</b></p> <p>Employer of first choice, linking with future employees, community leadership, collaboration</p> |
| <p><b>INTERNAL PROCESS</b></p> <p>Delivery in full on time, optimizing technology, effective relationships with key stakeholders</p> | <p><b>STAFF SATISFACTION</b></p> <p>Right people on the bus, empowerment, retention of key staff, candor, leadership, recognition</p>                | <p><b>INNOVATION AND LEARNING</b></p> <p>Innovation, abandonment, increasing expertise and adaptability, learning environment</p>           |

EXHIBIT 3.1 A balanced scorecard with six perspectives

*Strategy* is the way an organisation intends to achieve its vision. In a competitive environment, your strategy will distinguish you from your competition. In the public sector, your strategy determines how you can best marshal your resources to achieve desired outcomes.

An entity’s strategy is related to performance measures through a series of linkages, as shown in Exhibit 3.2

The relationship between critical success factors and KPIs is vital. If you get the critical success factors right, it is very easy to find your organisation’s winning KPIs (e.g., once the “timely arrival and departure of planes” was identified as being the top critical success factor, it was relatively easy to find the KPI: planes late over a certain time).

As Exhibit 3.2 indicates, critical success factors cut across several balanced-scorecard perspectives (e.g., the KPI “timely arrival and departure of planes” impacts nearly all the balanced-scorecard perspectives of the airline).

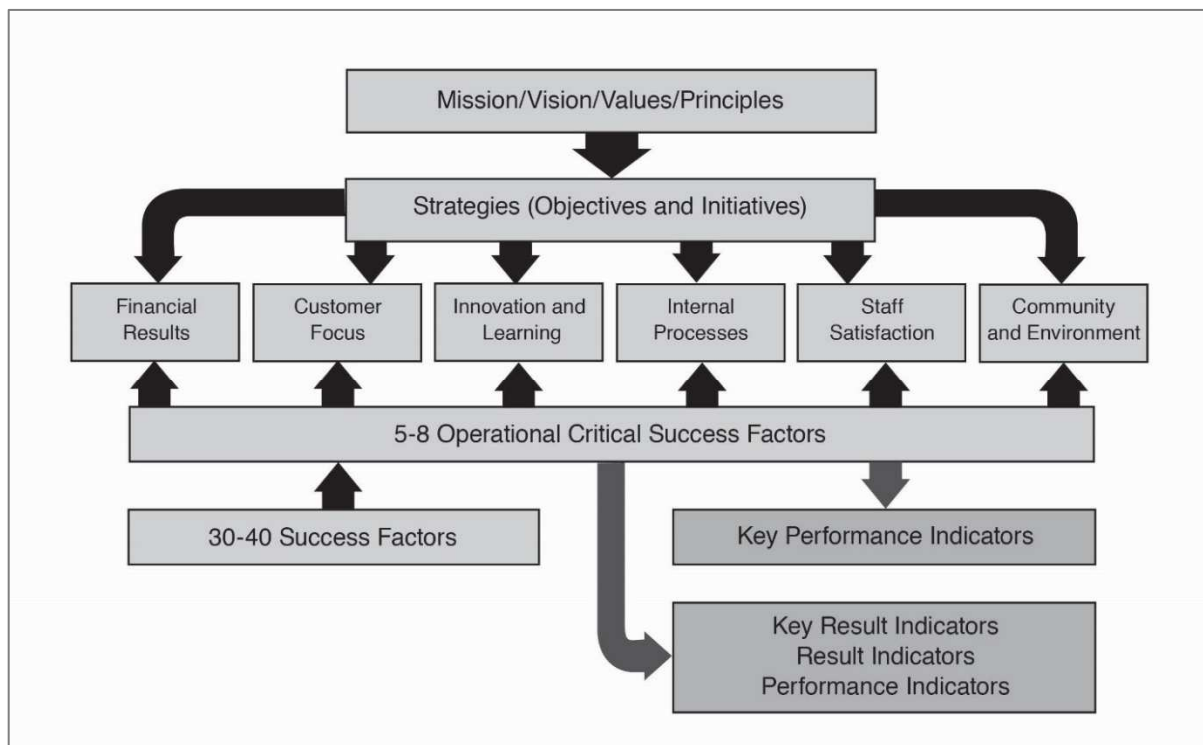


EXHIBIT 3.2 How operational critical success factors drive the performance measures

I have seen far too many strategic plans go nowhere quickly. I often mention that if you have read the first page of your organisation’s strategic plan, you will be asleep by the second page. Many entities could inflict damage on their major competitor if they planted an original copy of their strategy into the competitor’s possession. Because as night follows day, they will be miles away from the intended route set out in the strategy, and thus the competitor’s reactions will be sent in the wrong direction.

### 3.2. Articulate Your Organisation’s Mission, Vision and Values

Too many organisations have not spent enough time defining their mission, vision, and values statements in a way that communicates the direction to staff. Understanding the difference between a mission, vision, values, and strategy is vital. To aid clarity in this area, I offer you simple definitions, which I first noted in Paul Niven’s book on the balanced scorecard<sup>2</sup>.

The *mission* is like a timeless beacon that may never be reached (e.g., a multinational in the entertainment business has a mission "to make people happy," and 3M's mission is "to solve unsolved problems innovatively"). A mission statement can remain the same for decades if crafted well.

However, I understand that many consider the vision as a driver of the mission rather than a subset of the mission. As long as there is an agreed definition and one is a subset of the other, it is of little consequence. It is important to make the mission statement customer-centric, for as Drucker said, "An organisation exists for its customers. Far too many entities have grand mission statements that are so internally focused that one wonders whether they intend to have any customers. Many organisations, with this internal focus, eventually do not exist".

The *vision* outlines what the organisation wants to be by a certain timeframe. A vision statement is more specific in terms of both the future state and the timeframe. A vision describes what will be achieved if the organisation is successful.

The vision can galvanize your entity if it is stated with enough clarity, is time-bound, and is supported continually by the senior management team. There are some very famous visions, most notably John F. Kennedy's, when he said, "I believe that this nation should commit itself to achieving the goal, before this decade is out, of landing a man on the moon and returning him safely to the earth." This simple statement galvanized the U.S. scientific community and the management and staff of organisations in a herculean effort to achieve this vision. From the moment it was spoken, NASA experts began to work on the millions of essential building blocks required to achieve this vision.

The *values* are what your entity stands for: "We believe..." (e.g., a public sector entity has the values "seek innovation and excellence, engage constructively, ask questions, support and help each other, bring solutions, see the bigger picture"). Over the years, I realized that the entity's values are paramount. They should create a template that will help recruitment. Eminent corporations are very effective at recruiting staff with the same values as the organisation.

The organisations on the good to great journey also have defined their *management principles*. This factor is sadly lacking in most entities. They are most evident in lean entities, such as Toyota. In his book, "The Toyota Way", Jeffrey Liker analyses the 14 management principles of Toyota, and they have a values context to them. However, to not cloud the issue, I now believe they are different from the values defined above, albeit they impact the organisation's values. The 14 principles are set out in Exhibit 3.3.

EXHIBIT 3.3 Toyota's 14 principles

|                     |  |
|---------------------|--|
| Philosophy          | 1: Base your management decisions on a long-term philosophy, even at the expense of short-term financial goals.      |
| Process             | 2: Create a continuous process flow to bring problems to the surface.  |
|                     | 3: Use "pull" systems to avoid overproduction.   |
|                     | 4: Level out the workload (Heijunka).  |
|                     | 5: Build a culture of stopping to fix problems to get quality right the first time.                                  |
|                     | 6: Standardized tasks are the foundation for continuous improvement and employee empowerment.                        |
|                     | 7: Use visual control so no problems are hidden.   |
|                     | 8: Use only reliable, thoroughly tested technology that serves your people and processes.                            |
| People and Partners | 9: Grow leaders who thoroughly understand the work, live the philosophy, and teach it to others.                     |
|                     | 10: Develop exceptional people and teams who follow your company's philosophy.                                       |
|                     | 11: Respect your extended network of partners and suppliers by challenging them and helping them improve.            |
| Problem-solving     | 12: Go and see for yourself to thoroughly understand the situation (Genchi Genbutsu).                                |
|                     | 13: Make decisions slowly by consensus, thoroughly considering all options and then implement the decisions rapidly. |
|                     | 14: Become a learning organisation through relentless reflection (Hansei) and continuous improvement (Kaizen).       |

Toyota's 14 management principles should be embedded in all private, government and non-profit agencies as best they can. They would profoundly impact the organisations, benefitting the staff, management, board and customers. When I first thought about these management principles, I placed them with the values. However, I now believe we need to separate them, as shown in Exhibit 3.2

### 3.3. Create a Strategy That is Understood by Staff

Organisations are waking up to the fact that strategic planning processes must be much more inclusive. Staff need to understand the organisation's mission, vision, values, and strategy. These exercises should be carried out in a fast, focused and flexible manner," says Bruce Holland<sup>3</sup>, a respected New Zealand strategic planner and communicator.

Holland strongly advocates, "If you have done your job properly, you should be able to rip up the final document, as staff and management have the linkage imprinted in their memory." Achieving this level of understanding is much quicker and easier than most managers and CEOs believe. Involving people throughout the organisation can generate high levels of understanding, energy, goodwill, and commitment.

Great management writers such as Jim Collins, Thomas Peters, Robert Waterman, and Jack Welch have pointed out that prominent organisations are not great because they have the largest strategic plan. It is quite the reverse. The poor performing organisations are the ones that spend the most time on strategy and the dreaded annual planning process.

The people involved in strategic planning would normally make any task complicated. Their role is, of course, the reverse - to make strategy understandable by all (I call it passing the 14-year-old test).

Jack Welch, in his must-read book *Winning*<sup>4</sup>, said that strategy should be able to go on five slides. Although this may not be achievable, the points he says that should be covered could fit within ten slides.

1. What does the playing field look like now?
2. What have the competition been up to?
3. What have we been up to?
4. What's around the corner?
5. What's our winning move?

Jim Collins' book "Good to Great" adds two more dimensions.

1. What is our hedgehog?
2. What are we going to do to increase the momentum of our flywheel?

See Appendix 10 for an outline of Jack Welch's slides.

As an observer of strategy implementation, I make the following observations: There are two types of strategic initiatives: those that improve "business as usual" and those that will create "new business." We monitor and report them differently because they are implemented differently.

New business initiatives are frequently run by small teams reporting directly to the CEO, and there is limited knowledge of the activities because some are highly confidential.

The business-as-usual strategies need to be communicated to staff so they understand and implement them.

### 3.4. Ensure That Your Strategy is Balanced

In their ground-breaking book *The Balanced Scorecard*,<sup>5</sup> Kaplan and Norton pointed out that strategy has to be balanced and the strategic initiatives reflect this balance. They observed that many strategies were not “balanced” as they do not map to all the balanced scorecard perspectives. As mentioned in the section ‘Myth 10: There Are Only Four Balanced Scorecard Perspectives,’ I believe there are six balanced scorecard perspectives.

An organisation typically has three to five strategies running concurrently, which should influence the six perspectives to be considered ‘balanced.’ In Exhibit 3.4, the entity’s five strategies only map to five of these six perspectives; therefore, staff do not need to link to the ‘Environment and Community’ perspective to comply with the organisation’s strategy. This would not have been the original intention, so one or two strategies would be reworded to create a linkage.

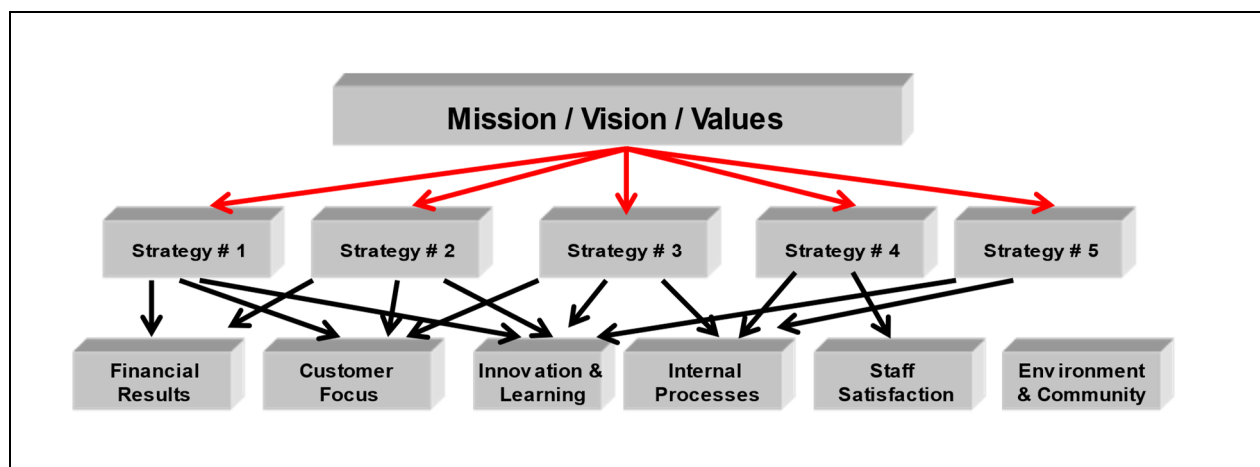


EXHIBIT 3.4: Mapping strategies to the six balanced scorecard perspectives

### 3.5. Monitor the Implementation of Your Strategy

One of the greatest gifts given by Kaplan and Norton has been highlighting the lack of implementation of organisational strategy. Strategic initiatives are often left to die in the bulky strategic plan beautifully written by the senior managers who have come fresh out of their MBA programme.

If an organisation does not regularly report its progress against strategy, you may as well have played golf at the strategic planning retreat.

I have set out in Exhibit 3.5 a report format to help you report progress every month against the strategic objectives/themes and the initiatives within them. The example uses a simple traffic light display.

|  |  |
|--|--|
| Improve turnaround time from order to delivery for our key customers                                     |  |
| Our key customers are active advocates and refer new customers to our business                           |  |
|  |  |
| <b>Innovation and Learning Focus Success Factors</b>   |  |
| Be a learning organisation through relentless reflection and continuous improvement (a Toyota principle) |  |
| Go and see for yourself to thoroughly understand the situation (a Toyota principle)                      |  |
| More open access for staff to strategic information  |  |
| Staff are encouraged to make decisions within their expertise  |  |
| Investing in staff development is a top priority   |  |
|  |  |
| <b>Employee Satisfaction Focus Success Factors</b>   |  |
| Recognition of staff efforts and achievements is seen as a daily activity                                |  |
| Promoting and supporting a balance in working and home life  |  |
| We recognise the value of different experiences and opinions and actively share knowledge between teams. |  |
| We celebrate as an organisation when success has been achieved   |  |
| Maintaining an attractive, healthy and family-friendly workplace   |  |



## Appendix 3: Common Outcome Statements Checklist

Besides making your outcomes SMART, as discussed in this paper, Sarah J. Buek of Insight Partners recommends that your outcome statements should be:

### #1 Outcomes not Outputs

Make sure your outcomes are, in fact, outcomes and not outputs. Outputs tell you how much you did. Outcomes tell you what difference it made. Outputs tell you how busy you are. Outcomes tell you how effective you are.

### #2 Segmented

While your outcomes need to be specific and clear, they also need to be defined for the program as a whole, inclusive of diverse participants and their experiences. However, not all clients participate at the same levels or in the same services. In those cases, organisations need to specify “who” in their outcome statements to define success for different subsets when that’s meaningful. For example, \_\_\_% of participants who \_\_\_\_\_ will \_\_\_\_\_.

### #3 Compelling

Increasing the specificity of your outcome statements will often make them more compelling. Sometimes, you need to include a little extra of the “so what” when reporting your outcomes, especially to your external stakeholders in documents like newsletters, annual reports, marketing pieces, and even grant reports. Not every reader will understand the nuances of the problem you seek to solve or the needs of your population, so they might not understand the significance or value of the changes you’re making.

| Outcomes  | Your reworded version |
|---|-----------------------|
| Skilled and “can do” workforce  |                       |
| Increased profitability by selling a higher percentage of higher-margin products            |                       |
| Perceived as having leading Industry service standards                                      |                       |
| Employer of choice  |                       |
| Delivering market-leading innovative solutions so we are one or two in the chosen markets - |                       |
| A normalized return on capital employed of ___% or better                                   |                       |

|   |  |
|---|--|
| Certainty and diversity of longer-term funding to securely support our growth                                     |  |
| Be recognised as a trusted supplier   |  |
| Seamless service to our intermediaries  |  |
| Turn customers into advocates by exceeding their expectations   |  |
| Retention of key customers or growing business through our major customers  |  |
| Achieving a high level of stakeholder satisfaction  |  |
| Our staff feel they are valued and supported  |  |
| Revenue grows from diverse sources  |  |
| Providing top quality as perceived by the customer  |  |
| The industry leader in productivity (or top quartile in the industry)   |  |
| The industry leader in the use of technology (or top quartile in the industry)                                    |  |
| The industry leader in innovation (or top quartile in the industry)   |  |
| Embracing an ever-increasing ability to change  |  |
| Growing leaders, so over 75% of tier one and two managers have come up through the ranks                          |  |
| The industry leader in waste reduction and minimization of environmental impact (or top quartile in the industry) |  |

## Appendix 4: Draft Invitation to Attend the CSF Workshop

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Date

### Invitation to attend a two-day critical success factor workshop

Understanding, measuring and managing critical success factors (CSFs) is increasingly important to ensure organisations' survival and future prosperity during economic recession and uncertainty.

Most organisations, like ours, know their success factors. However, few organisations have:

- Worded their success factors appropriately.
- Segregated their success factors from their strategic objectives.
- Sifted through the success factors to find their critical ones – their CSFs.
- Communicated the CSFs to staff.

The CSFs and the performance measures within them link daily activities to the organisation's strategies. We have thus asked \_\_\_\_\_ to run a two-day workshop to help us to separate the CSFs from our success factors. We will also commence brainstorming measures within these success factors during this workshop.

\_\_\_\_\_ will introduce the new thinking on 'Winning KPIs' based on the work of David Parmenter from his book, which is a best seller in performance measurement.

We aim to use fewer performance measures, measure only what is important, and measure these important measures more frequently.

We seek a group selected from experienced staff covering the regions and head office and covering the different roles from administrators to the senior management team. I believe you would offer much to this exercise and request you set aside the time to attend.

I welcome your support on this important project. The project team of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_ will need and appreciate your support.

Please confirm your availability to attend this workshop, having discussed it with your manager. I look forward to meeting you at the workshop.

Kind regards

CEO

## Appendix 5: Two-Day Critical Success Factors Workshop

**Learning Outcomes:** Attendees after this workshop will be able to:

- **Explain** the difference between the four types of performance measures and why most measures are not KPIs
- **Identify** measures that are KPIs by using David Parmenter’s seven characteristics of a winning KPI
- **Apply** David Parmenter’s methods to word your organisation’s success factors and desired external outcome statements
- **Understand** how to complete the CSF and KPI workshop exercises
- **Use** techniques to develop meaningful measures
- **Ascertain** some KPIs that will help transform the business
- **Design** dashboards and reports using Stephen Few’s guidelines
- **Understand** the amount of commitment required to complete the CSF /KPI project

**Suggested attendees:**

- CEO (at least first and last session)
- Selection of senior management (whole workshop)
- Experienced staff from different business units around the organisation (the oracles)
- All staff who would be involved in the KPI project and subsequent monitoring and reporting performance
- A local consultant who knows the business if one is to be used as a KPI facilitator

**Recommended pre-work:**

Attendees are to read Chapters 1 & 7 from D Parmenter’s KPI book 4th edition.

**Requirements:**

Appoint an event secretary to document agreements as they are reached in the workshop. Organize a laptop and flip chart for each workgroup, a data show projector, 2 whiteboards, a data show screen and a lapel microphone for the presenter(s).

Day 1

|              |  |
|--------------|--|
| From 8.30 am | Registration and breakfast   |
| 9.00         | Opening remarks by CEO - Setting the context of the workshop   |
| 9.10         | <p>Presentation #1: The new thinking on key performance indicators</p> <ul style="list-style-type: none"> <li>• KPI stories</li> <li>• The difference between the four types of performance measures</li> <li>• The characteristics of a winning KPI</li> <li>• The 10,80,10 rule for performance measures</li> <li>• Why designing measures needs more rigour</li> <li>• The need for past, current and future measures</li> <li>• Importance of knowing your organisation’s critical success factors</li> <li>• Wording success factors by avoiding empty words</li> </ul> |
| 10.20        | Commence workshop #1 Revisiting your organisation’s success factors (SFs) and outcomes. All work already done in wording success factors will be tabled.   |

|       |   |
|-------|---|
| 10.40 | Morning break   |
| 11.00 | Recommence workshop #1 Revisiting your organisation's success factors (SFs) and outcomes. All work that has already been done in wording success factors will be tabled.  |
| 11.20 | Groups give their feedback on the SFs and outcomes.<br><i>During this discussion, two staff updated the success factors list and show any contrasting versions side by side.</i>  |
| 11.40 | <b>Review of existing measures.</b> Separating the measures used by the workgroups into performance and result indicators.<br><i>During this session a panel meets to determine which competing rewording of the success factors and external outcomes is to survive.</i>   |
| Noon  | Presentation #2: More on CSFs and mapping SFs <ul style="list-style-type: none"> <li>• How critical success factors differ from outcomes</li> <li>• The end goal for the CSFs</li> <li>• How to perform relationship mapping by using the airline example</li> </ul> <i>During this discussion, two staff update the success factors list and prepare the A3 relationship mapping page.</i> |
| 12.15 | Commence workshop #2 Sphere of influence mapping using an airline's success factors<br><i>During this discussion, two staff update the success factors list and show any contrasting versions side by side.</i>   |
| 12.30 | Commence workshop #3 Sphere of influence mapping of [your company]'s success factors (using the work from workshop #1)  |
| 12.45 | Lunch   |
| 1.15  | Recommence workshop #3 Perform the Sphere of influence mapping of [your company]'s success factors  |
| 2.15  | Feedback from workgroups on their top 5 success factors. Use the provided summary table.  |
| 2.30  | Presentation #3: Ascertaining measures from success factors <ul style="list-style-type: none"> <li>▪ How to work out measures (worked example)</li> <li>▪ Common problems with measures</li> <li>▪ How to find good measures from a CSF</li> </ul> <i>A team of up to four staff remap the top 10-12 success factors to ascertain the CSFs.</i>   |

|      |   |
|------|---|
| 2.45 | Commence workshop #4 Design performance measures for the operational critical success factors (operational CSFs) that have been identified. One CSF is allocated to each workgroup.<br><i>The team remapping the top 10-12 success factors continue on with their work.</i> |
| 3.00 | Afternoon break   |
| 3.20 | Recommence workshop #4 Design performance measures for the operational critical success factors (operational CSFs) that have been identified. One CSF per team<br><i>The team remapping the top 10-12 success factors continue on with their work.</i>                      |
| 4.15 | Presentation #4: Reporting formats, better practice graphs and Stephen Few's graph rules. <ul style="list-style-type: none"> <li>▪ Reporting formats</li> <li>▪ Stephen Few's graph rules</li> <li>▪ Sparklines and bullet graphs</li> </ul>                                |
| 4.45 | Commence workshop #5 Design / redesign the dashboard for the Board / senior management team   |
| 5.30 | End of Day 1 for participants   |

## Day 2

|       |  |
|-------|--|
| 8 am  | Presentation #5 on the three-stage process <ul style="list-style-type: none"> <li>▪ The seven foundation stones</li> <li>▪ The three stages</li> <li>▪ Selling and leading change</li> </ul> |
| 8.40  | The In-house KPI team presents the shortlisted CSFs  |
| 9.00  | Recommence workshop #4 Design performance measures for the operational critical success factors (operational CSFs) that have been identified. One CSF per team                               |
| 9.30  | Presentation #6: The myths of performance measurement  |
| 10.00 | Morning Tea  |
| 10.20 | Question & Answer session  |
| 10.40 | Presentation #7: The performance measurement gallery: how it works and what we want you to do.   |

|       |   |
|-------|---|
| 10.50 | <p>Recommence workshop #4 Design performance measures for the operational critical success factors (operational CSFs) that have been identified. One CSF per team</p> <p><i>The KPI team prepare the performance measure gallery.</i></p>   |
| 11.30 | <p>Commence workshop #6 Teams are allocated one CSF and associated measures, and they delete duplications, inferior measures</p> <p><i>Using laptops, the teams edit their assigned CSF.</i></p>  |
| 12.15 | <p>Lunch</p> <p>During lunch, the KPI team review the edits, approves or reinstates the original wording and then organises all the measures by CSF. They print in a large typeface e,g, 16 pitch, highlighting important measures that impact more than one CSF in yellow. They then set up the performance measurement gallery as previously shown.</p> |
| 13.00 | <p>Workshop #7: Teams are given Post-it stickers to comment on performance measures</p> <p>All staff</p>  |
| 13.45 | <p>Commence workshop # 8 Teams prepare their presentation of their next steps</p> <p>Teams prepare a small PowerPoint presentation (3 to 4 slides covering new measures, measures that are to be discarded, their next steps, implementation timeline and team meeting date)</p>  |
| 2.30  | <p>Afternoon tea</p>  |
| 2.45  | <p>Groups give feedback via a small PowerPoint presentation (2 or 3 slides). (All senior management who are not present join the session)</p>   |
| 3.30  | <p>Closing remarks by CEO</p>   |
| 3.45  | <p>End of Day 2 of the workshop</p>   |