Overview

Critical success factors (CSFs) are operational issues or aspects that need to be accomplished day-in/day-out by the staff in the organization.

It is imperative that employees and management understand what CSFs are and can therefore focus their attention on finding performance measures in these areas, that will make a real difference.

This chapter looks at the alignment between CSFs and external outcomes and highlights the importance of identifying CSFs—the missing link in management theory. In addition, the chapter points out that an organization has typically five to eight CSFs, and that CSFs should be the source of all the important performance measures—the winning KPIs.

The key learning points from this chapter are:

1. In organizations that do not have clarity and agreement on their operational CSFs, managers will prioritize work based on their view as to what is important.
2. Why critical success factors are the source of all meaningful performance measures.
3. The importance of distinguishing between critical success factors and external outcomes.
4. Common misunderstanding regarding critical success factors
5. To create alignment between teams in an organization, it is important that there be only one set of between five and eight critical success factors (CSFs) for the organization.
6. How to word success factors appropriately.
7. The key tasks for identifying the organization's five to eight critical success factors.
8. The CSF workshop templates to help fast track progress.
9. The only way the operational CSFs will make a change in an organization is when staff live, breathe, and own the operational CSFs.
10. The need to have the critical success factors on the wall in every workplace.

Finding Your Organization's Critical Success Factors

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 organizational performance that determine ongoing health, vitality, and well-being.*[1]

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

> 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.

Stephen Covey talked in *First Things First*[2] 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 organization. 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 would tackle the smaller orders, putting the easy "runs on the board" thus jeopardizing service to the most profitable customers.

To understand how this stage fits within the KPI methodology, an overview of the important work that needs to be done is set out in Exhibit 7.1.

Exhibit 7.1 **An Overview of the Winning KPI Methodology**

Task	Description
1.1 Selling the KPI project to the CEO, the senior management team, and the organization's oracles. (See Chapters 4 and 5.)	The project starts off with a well-practiced elevator pitch, followed by a compelling presentation and then a focus group workshop to get the green light from the organization's oracles.
1.2 Locate an external facilitator to mentor the KPI team. (See Chapter 5.)	An external facilitator will help guide the organization with regard to timings, selection, and size of KPI team and with what needs to be abandoned to make room for the KPI project.
1.3 Train a small KPI team. (See Chapter 6.)	The external facilitator helps train a small in-house KPI team and ensures that the KPI team leader has a cluster of mentors supporting them. Working with the organization's oracles, the KPI team develops a blueprint for the implementation, which will cover where the KPI project will be piloted.
1.4 Selling the KPI project to all employees to encourage their participation in the two-day performance measures workshops. (See Chapter 4.)	Employees who are to attend the two-day performance measures workshop need to be convinced that it is an important exercise worthy of their participation.

Exhibit 7.1 (*Continued*)

Task	Description
2.1 Locate the existing success factors and desired external outcomes from documentation and interviews. (Covered in this chapter.)	Determine what your organization's success factors and desired external outcomes are.
2.2 Run the two-day critical success factors workshop to ascertain the critical success factors. (Covered in this chapter.)	Map the sphere of influence each success factor has to ascertain and understand which ones have the most significant impact. These are the critical success factors. Present these to all staff.
3.1 Run the two-day performance measures workshops to train all the remaining relevant staff to develop meaningful measures. (See Chapters 8 and 9.)	Select representatives across the organization to attend a two-day workshop to be trained in the methodology, as well as how and why the organization has chosen its CSFs. Attendees will be shown how to design appropriate measures from the CSFs, how to get a mix of past, current, and future measures.
3.2 Refine the measures after the performance measures workshops. (See Chapter 9.)	KPI team will delete duplicated and inferior indicators, remove those measures where the cost of data extraction is greater than the derived benefit, and reword all indicators to improve their understanding.
3.3 Hold a performance measures gallery to weed out dysfunctional and poor measures. (See Chapter 9.)	Hold a "measures gallery" where staff are invited to share their views on the measures that have been displayed on the walls of the project team's room.
3.4 Ask all teams to select their team performance measures from the finalized database of measures. (See Chapter 9.)	Teams select the relevant measures and indicate their selection in the database.

Exhibit 7.1 (*Continued*)

Task	Description
3.5 Find the key result indicators (KRIs) and the key performance indicators (KPIs). (See Chapter 9.)	Ascertain the 8–12 KRIs that will be reported to the Board to show how the organization is performing. Ascertain the winning KPIs, ensuring they have the seven characteristics discussed in Chapter 1. Commence the testing of the KPIs in three designated areas.
3.6 Design the reporting framework. (See Chapter 10.)	The intraday, daily, weekly, monthly, and quarterly progress reports are designed utilizing best practice visualization techniques. Utilize existing technology so that the CEO can receive intraday updates on a smartphone or laptop.
3.7 Help facilitate the appropriate use of the selected performance measures by all the teams in the organization. (See Chapter 11.)	For several months, the KPI team will be required to ensure the reporting of measures is prepared on time and correctly, and corrective actions are undertaken where necessary. There will need to be a program to roll out KPI training to existing and new staff.
3.8 Refine CSFs and associated measures after one year of use. (See Chapter 11.)	A review should be undertaken to assess what modifications, if any, are needed to the existing CSFs and measures.

Why Critical Success Factors Are So Important

In Chapter 2, I highlighted the common myth that performance measures are mainly used to help manage the implementation of strategic initiatives. Instead, the main purpose of performance measures is to ensure that staff members spend their working hours focused primarily on the organization's critical success factors. You could be in your tenth year with a balanced scorecard and still not know your organization's critical success factors. It is like going to soccer's World Cup without a goalkeeper or, at best, an incompetent one.

Operational Critical Success Factors: The Missing Link

In organizations that do not have clarity and agreement on their operational CSFs, managers will prioritize work based on their view as to what is important. Many counterproductive activities will thus occur based on the premise "What is important to me is important to the organization." 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. The term *critical success factors* is a major missing link in balanced scorecard and other methodologies.

> In organizations that do not have clarity and agreement on their operational CSFs, managers will prioritize work based on their view as to what is important.

What Influences the Critical Success Factors?

It is important to understand the relationship between operational CSFs and strategy. An organization's CSFs are impacted by a number of features. Most organizations will have one or two generic CSFs (e.g., "delivery in full, on time, to our key customers"; "Recruit the right people all the time"); but each organization 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 as illustrated in Exhibit 7.2.

Operational Critical Success Factors Are the Source of All Meaningful Performance Measures

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 organizational 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.
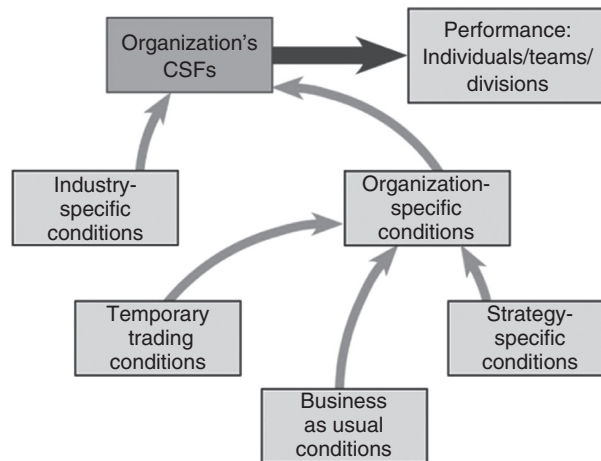
Exhibit 7.2 What Influences the Critical Success Factors

Getting staff to prioritize their daily activities in alignment with the organization'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 what your organization's operational CSFs are and then determine what measures would generate alignment to these operational CSFs.

Relationship between Critical Success Factors and Strategy

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

Exhibit 7.3 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 organization's CSFs.

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.
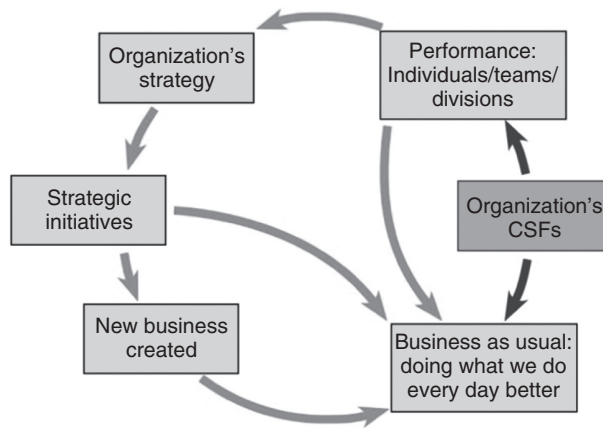
Exhibit 7.3 How Strategy and the Critical Success Factors Work Together

Distinguishing between Critical Success Factors and External Outcomes

I have realized recently 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 outside in. The Board wanted to see the CSFs expressed as the outcomes and impacts they want to see. We want the organization to "deliver this," "deliver that," which will demonstrate that there has been a successful implementation of the organization's strategy.

> External outcomes are a result of the operational CSFs working, day in and day out, for a sustained period of time along with the successful implementation of strategic initiatives.

External outcomes are a result of the operational CSFs working, day in and day out, for a sustained period of time along with the successful implementation of strategic initiatives—such as 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 happening 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 organization.

To help further clarify, I have separated out the characteristics of operational critical success and external outcomes in the Exhibit 7.4.

Exhibit 7.4 Characteristics of Operational Critical Success Factors and External Outcomes

Characteristics of operational critical success	Characteristics of external outcomes
Are those factors that require a 24/7 focus by all staff in the organization.	A periodic focus on progress at bimonthly/quarterly 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 the use of "empty words" like *optimization*, *maximization*.	Worded to describe what success will look like for a broad area of the organization, e.g., become an employer of first choice.
Describe as an activity.	Described as an external result such as "growth in a new market."
Will not be a surprise to management and the board / government official, as they will have talked about them as success factors.	Wording is generic across many sectors.
Are focused on the organization and thus should not be broken down into department CSFs.	Likewise, will be focused on the organization.
Are few in number; five to eight is sufficient.	Likewise, five to eight is a good number.
Have a considerable positive influence on other success factors.	Do not impact the CSF and SFs as they are a result of the CSF and SFs working for a sustained period of time.

The Benefits of Understanding Your Organization's CSFs

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

Leads to the KPIs	It leads to the discovery of an organization's "winning KPIs."
Helps eliminate measures	Performance measures that **do not** relate to your CSFs, or impact them, cannot by definition be important and thus can often be eliminated.
Linked daily actions	Staff know what should be done as a priority and thus their daily actions are now linked to the organization's strategies e.g., as they do at Toyota.
Challenge unnecessary meetings, reports and task	Staff meetings, reports, and tasks will be challenged for their validity. All activities that have no direct link to the critical success factors will be seen as noncritical. Over time meetings and reports that occurred because we did it last week/month will disappear.
Leaner reports	Report layout will be more concise as many extraneous issues will be removed.
More CEO walkabout	The CEO's linkage to the workforce will be a daily activity through the phone calls and walkabouts among front-line staff.

The importance of critical success factors on the emergence of KPIs was explained by the British Airways story in Chapter 1.

Relationship between CSFs and KPIs

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 organization's winning KPIs (e.g., once the "timely arrival and departure of planes" was
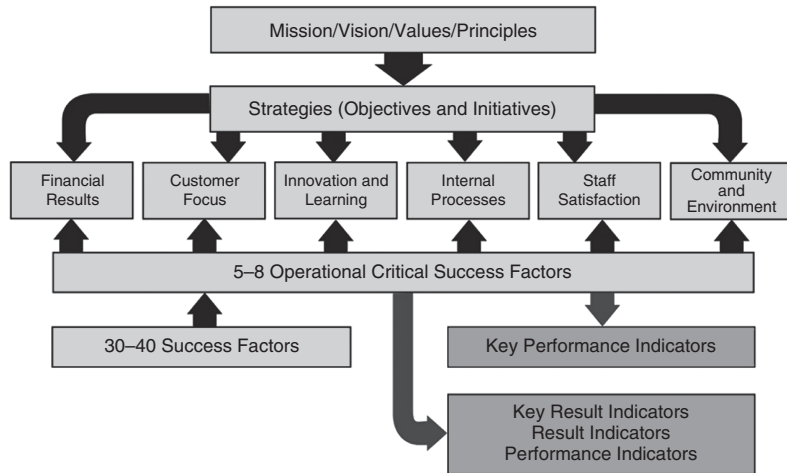
Exhibit 7.5 How Operational Critical Success Factors Drive the
Performance Measures

Critical success factors
cut across a number of
balanced scorecard
perspectives.

identified as being the top critical success factor, it was relatively easy to find the KPI: planes late over a certain time).

As Exhibit 7.5 indicates, critical success factors cut across a number of balanced-scorecard perspectives (e.g., the KPI "timely arrival and departure of planes," featured in Chapter 1, impacts nearly all the balanced scorecard perspectives of the airline).

Common Misunderstandings

It is concerning that many organizations run their enterprise without shared and communicated CSFs. For this to happen there has to be a serious misunderstanding. I have set out in Exhibit 7.6 some common misunderstandings.

To help organizations around the world find their five to eight critical success factors, I have developed a four-task process.

Exhibit 7.6 Common Misunderstandings Regarding Critical Success Factors

Common misunderstandings	Better practice solution
Thinking that "We already know our CSFs"	**It is common for the executive team to believe they and everybody else know the CSFs.** I often joke that I could ask a CEO on consecutive days, "What are your CSFs?" and I would get slightly different answers each day.
	Most organizations know their success factors; however, few organizations have:
	- Worded their success factors appropriately. - Segregated the success factors from their outcome statements. - Prioritized their success factors to find their critical ones—their operational CSFs. - Communicated the operational CSFs to staff to achieve full understanding and engagement.
Mixing critical success factors and external outcomes	**CSFs and external outcomes are different.** From the previous section you will be aware of the different characteristics.
Too many CSFs	**Limit to Five to Eight Critical Success Factors** Better practice suggests that organizational CSFs should be limited to between five and eight, regardless of the organization's size. However, for a conglomerate in the private sector, the CSFs will largely be industry specific (e.g., the CSFs for an airline are different from the CSFs for a retail store). Accordingly, there would be a collection of CSFs in the conglomerate greater than the suggested five to eight.

(*continued*)

Exhibit 7.6 (*Continued*)

Common misunderstandings	Better practice solution
A set for each division	**Only One Set of Critical Success Factors for the Organization** To create alignment between teams in an organization, it is important that there be only one set of between five and eight critical success factors (CSFs) for the organization. If you allow teams, departments, or divisions to create their own operational CSFs, you will have chaos.
Calling them KRAs	**Critical Success Factors Are Not Key Result Areas** In job descriptions you can often find the words "key result areas" (KRAs), which are often mistaken for CSFs. I believe that job descriptions should have a new section pointing out the organization's CSFs and how the incumbent should maximize alignment of his or her duties with them. This would help to clarify the difference between KRAs and CSFs. The KRAs are those duties and tasks that the incumbent must be able to perform, and the organizational CSFs are the guiding force ensuring that all staff, every day, treat, as a priority, activities that align well with the CSFs.
You can be at peak performance without having a common understanding of your CSFs	**Performance management cannot possibly function optimally without a common understanding of your CSFs.** Without CSFs, performance measurement, monitoring, and reporting will be a series of random processes, creating a small army of measurers producing numerous numbing reports. Very few, if any, of the measures in these reports contain the characteristics of "winning KPIs."

Task 1: Wording the Success Factors and the External Outcomes

The KPI team needs to review the strategic documents in their organization covering the past 10 years and then extract and develop success factors from these documents. You may find an old strategic document written by an executive who has long since moved on, which could prove very helpful because the success factors are still relevant.

> To create alignment between teams in an organization, it is important that there be only one set of between five and eight critical success factors (CSFs) for the organization.

The KPI team should interview as many of the organization's "oracles," the wise men and women whom everybody refers to for advice, as possible, along with the entire senior management team. From this information, you will be able to come up with a list of success factors. To assist, I have provided a checklist in PDF format for you to download.

Gather a selection of experienced managers who will be attending the CSF workshop and train them in how to word success factors. The wording is very important and should meet the SMART criteria attributed to Peter Drucker.[3] While Drucker was addressing goal setting, the same rules apply to success factors. Success factors need to be:

- **Specific**—A statement that avoids using meaningless, empty words, sometimes referred to as "weasel words." Avoiding empty words, which are so common in management terminology, is not as easy as you might think. As we move up the management ladder, we increasingly use empty words having heard them used so often. Common weasel words include:

    Accelerate, adaptive, balanced, barriers, best practice, collaborative, dynamic, effective, efficient, end-user, empowered, holistic, improvements, inclusive, innovative, integrity, optimized, outcomes, outputs, quality, recognition, reliability, renewal, responsibility, significant, solution, special, synergies, targeted, transformation, value-added, well-being, winning, world-class.

    The term "increased profitability from our product range" is an empty statement. There is no guide to how this is to be achieved, whereas "timely departure and arrival of planes 24/7" is clearly specific.

- **Measurable**—A statement with words that lend themselves to measurement. If you could not instantly think of a measure or two, then it is odds-on that it does not fit this criterion. "Timely departure and arrival of planes 24/7" is clearly measurable.
- **Achievable**—A statement that talks to the staff in a clear and concise way, making the activity achievable. For example, "timely departure and arrival of planes 24/7" is clearly achievable.
- **Relevant**—Focused enough that it is relevant to staff in the organization. "Timely departure and arrival of planes 24/7" is clearly relevant to many operational teams: flight crew, front desk, baggage handlers, cleaners, fuel and food suppliers.
- **Time sensitive**—Focused on the here and now. "Timely departure and arrival of planes 24/7" is clearly a 24/7 imperative for an airline.

Exhibit 7.7 shows a list of success factor statements that contain empty words. These have been contrasted to SMART success factors and external outcomes.

Exhibit 7.7 Wording Success Factors and External Outcomes

Success factors which are meaningless (empty words signifying nothing)	SMART Operational success factors	External outcomes
Increased profitability	These three statements are a result of more than one operational success factor at work. SMART replacements would be "Delivery in full all the time to key customers," "Fix problems to get quality right the first time," "Seeking excellence in every aspect of our interaction with our key customers."	Increased profitability by selling a higher percentage of higher-margin products.
Retention of customers		Retention of key customers
A say, stay, strive engagement with staff		Maximizing the use of our most important resource—our people.
Optimizing innovation	Innovation is a daily activity.	Growth in sales of new products.
Deliver in full on time	Deliver in full, on time, all the time *to key customers*.	Growing business through our major customers.

A Government Department's Success Factors

A small group of staff met in a CSF workshop and came up with an initial list of outcomes and success factors.

- Increase availability and accessibility of _____'s data and information
- Work with local government and industry to improve our country's infrastructure (outcome statement)
- Help people understand what we do and where we're going (outcome statement)
- Actively promoting our products and services to new customers and partners
- Be the trusted source of expertise and advice (outcome statement)
- Adapt quickly to change
- Develop capable and inspiring leaders (outcome statement)
- In-house training should be prioritized above all other commitments
- Provide easy-to-use products
- Recruit the right people every time

To assist I have provided a list of common success factors, in PDF format, for you to download. However, it is important that these be used after you have performed an exhaustive internal hunt.

Implementation Tips

From my experience this first task is rarely performed with enough intellectual rigor. We are all too busy juggling our priorities. Whenever we have arrived at the two-day workshop, without due preparation, too much time has been spent in the workshop trying to get the success factors sorted.

At this stage it is also worth agreeing on your desired external outcomes. These will be well documented in the current and past strategy documents. To help you with this, I have included some guidelines on drafting outcomes and a checklist of common outcomes in the attached PDF that supports this book.

Task 2: Determining the Critical Success Factors in a Two-Day Workshop

From my experience in this area, most organizations will need to run a two-day workshop attended by experienced staff from around the organization, and with as many of the senior management team as possible. This workshop, if carried out correctly, will provide output that will transform performance through the clarity and alignment critical success factors offer. There are three major outputs from this workshop. A better understanding of measurement and what is a KPI, a clarity of what the CSFs are, and learning how to build robust measures.

Agree on What Approach to Use

From working with clients over the years, I have noted that there are three ways to hold the CSF workshop.

Approach One	Hold a two-day workshop attended by experienced staff from around the organization, as much of the senior management team as possible, as well as the chief executive officer (CEO).
Approach Two	Run the two-day workshop as part of the executive retreat. This means that all the executives are present, albeit without some of the oracles who would have been involved in the first option. One other benefit is that the executive is on hand to agree to the final version.
Approach Three	Run the two-day workshop as a series of three-hour webinars. This means staff can contribute from their locations and the sessions can be run remotely by a skilled presenter, who does not have to travel to the chosen venue.

Forestry Company Using Approach One

A forestry organization held the two-day workshop over a Friday and Saturday to avoid too much disruption to the operation. They had booked a venue in the local hotel and asked all the oracles to attend the

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two-day course, including foreman, forklift drivers, foresters—all the way through to the senior management team and the CEO. There were close to 50 who attended the two-day session with some staff flying in from an Australian subsidiary to get exposure to the methodology.

Financial Institution Using Approach Two

As this was a global organization, the CSF workshop was run as part of the executive retreat week that is held each year. The CSF workshop was scheduled for the first two days, and the output of the workshops was then worked on and resubmitted for ratification later during the retreat. This saved between two and four weeks of delay that other projects have faced when using the first approach as indicated above.

Food Distributor Case Study Using Approach Three

With plants in many locations, it was decided to run a series of 2.5-hour webinar sessions instead of a two-day CSF workshop for an organization based in the Northeast of England. Senior and experienced staff, from a broad section of their operation, numbering between 5 and 12 in each plant location, were present in their training room. Attendees were paired and sat in front of a laptop so that I could see their level of engagement. I was able to deliver the presentations from my New Zealand office and set up workshop activities using the GoToMeeting application.

Agree on Who Should Attend

It is important to have experienced staff (the oracles) attend this workshop, as you are trying to ascertain the organization's success factors and then determine which ones are critical. It is not a workshop for staff new to the organization. The organization's oracles are the individuals everyone refers you to when you need something answered (e.g., "You need to talk to Pat").

The CEO needs to send out the invite, see a draft in the PDF toolkit, and attend, at the very least, the first half-day and the last session after the

afternoon break on the second day. However, in operational CSF workshops I have delivered CEOs who only partially attended have said they regretted not being available for the whole two days. The staff members who are likely to be on the KPI team should also attend.

Agree on Content and Process

After 20 years of work in this area I believe the two-day workshop needs to cover the items in Exhibit 7.8.

An agenda for the two-day workshop that I use has been included in the downloadable PDF.

Exhibit 7.8 Outline of the Content in a Two-Day CSF Workshop

Background	The new thinking of key performance measures.
	The three-stage winning KPI process.
Agree on the success factors	The agreement of the organization's success factors that have been gathered in Task 1: documenting the already identified success factors.
Ascertaining the CSFs	How to perform "Sphere of Influence" mapping to ascertain operational CSFs from the success factors.
	The identification of the organization's operational CSFs through the application of the Sphere of Influence mapping process on the organization's success factors, as outlined later in this chapter.
Deriving measures from the success factors	How to derive performance measures from the organization's CSFs.
	How to report performance measures to staff, management, and the Board, Council, or Minister depending on the sector. The designing of report formats will have commenced during this workshop, and these will need to be finished after the workshop.
Implementation issues	The implementation issues as outlined in Chapter 12 and the myths of performance measurement as outlined in Chapter 2.
Next steps	The next steps where each workgroup delivers a brief presentation covering their next steps to complete their scorecard, some new measures they wish to use, and some existing measures they wish to discard.

Finalize the Wording of the Success Factors and External Outcomes

In one or two breakout sessions the attendees review the operational success factors, tighten up the wording so they are SMART, and separate out the external outcomes (e.g., retention of key customers) and strategic objectives (e.g., product leadership in our sector) into separate lists.

In a recent workshop where we had split the exercise up over six teams, two teams were asked to review the same section (15 of the 45 draft success factors). We created a panel of three comprising the CEO and two GMs. The two teams went to the panel and argued for their proposed changes. The panel had the final decision. The debate created a session that derived a thorough list of approved success factors.

Finding the Operational CSFs through a "Sphere of Influence" Mapping Process

The "sphere of influence" process is a derivative of the BSC cause-and-effect and is a faster process. The aim of the "sphere of influence" process is to understand and document relationships between success factors such as late planes will lead to a loss of customers (both key and non-key customers), late maintenance, low staff satisfaction, poor utilization of planes, and so forth.

To find your five to eight operational CSFs, a good technique is to type all your success factors into numbered boxes on a large sheet of paper (A3/U.S. fanfold), as set out in Exhibit 7.9. Each team of five to seven people is then asked to map the sphere of influence of each success factor. We insert an arrow to reflect the direction of influence.

The mapping process is performed by the team members, starting with one success factor, and then looking at each other success factor and asking, "Does it impact this success factor?" To handle the number of relationships (in most organizations, you will be handling between 30 and 40 success factors), draw truncated arrows. Label these short arrows with the number of the box it is going to, and label the other arrow entering that box with the number of the box it has come from (see Exhibit 7.10). The key point

Note: Mapping of 11 is unfinished

11. Timely arrival and departure of planes

17. Timely maintenance of planes

Strategic outcomes

A.

B Employer of choice

C.

D. Perceived as having leading industry service standards

E.

F.

G.

H. Growing into new profitable markets

12. Enhancing quality is an everyday activity

1.

2. Increase in employee satisfaction

3.

4. Maintaining a safe and healthy workplace

5.

6.

7.

8. Seeking excellence in every aspect of our interaction with customers

9. Create an environment where our people are encouraged to meet their full potential

10. Increasing productivity through increase in skills, motivation, etc.

13.

14.

15.

16.

18.

19.

20.

21. Minimizing pollution and waste

22.

23.

24.

25.

26.

27.

28.

Exhibit 7.9 Sphere of Influence Mapping Exercise

Exhibit 7.10 Mapping the Sphere of Influence

to check is the direction. It is understandable that some relationships are two-way. In these cases, we draw another set of arrows, traveling in opposite directions when we are mapping the other success factor.

I always give the following instructions:

- If one member of the team sees a linkage, other members of the team should draw the relationship without debate. This will speed up the process.
- Although the magnitude of the relationships will clearly be different, teams should pretend they are all equal for the time being.
- Each team should mentally jump into one success factor box at a time and look out at the other success factors, drawing the relationships they find.
- As in Exhibit 7.10, there is a two-way relationship. It is important not to get diverted, for when you draw the arrows from "Timely Maintenance of Planes" to "Timely Arrival and Departure of Planes" you have effectively left your success factor and are examining another.
- After a couple of success boxes have been mapped and there is a common understanding of the exercise, each group should split into smaller teams of two or three people, each looking into a designated number of success factors.

There is an alternative method of mapping relationships, shown to me at an in-house workshop I was running. A clever attendee demonstrated how to map the relationships on a spreadsheet matrix (see Exhibit 7.11). This method is preferred by some and also creates easy-to-review documentation of the process. I now ask all workgroups to choose whatever method they prefer. The attendees using sphere-of-influence mapping are asked to have one team member to document their finding on the spreadsheet as well.

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#	Success Factor	Count	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	etc	etc	40
1	**Maintaining a healthy and safe workplace**	5		x									x					x	x	x		x					
2	**We recruit the right people all the time**	1	x																						x		x
3	**Delivery in full, on time, all the time to our key customers**	12																									
4	**We finish what we start**	2	x			x																					
5	**customers**	2																									
6		5	x												x		x	x	x		x						
7		4							x		x					x	x				x						
8		3	x	x						x							x										
9		2									x																
10		10	x										x	x	x	x	x	x	x	x	x	x	x	x	x		x
11		3	x	x															x				x				
12		8												x	x	x										x	
etc		3													x	x	x								x		
etc		1																									
etc		0																									
40		4												x	x		x										

Success Factor #

This 'x' represents an arrow from success factor #1 "Maintaining a healthy and safe workplace" to success factor #2 "We recruit the right people all the time".

This 'x' represents an arrow from success factor #7 to success

This shows the total amount of relationships formed between success factors. The higher the number, the greater the likelihood of being a critical success factor.

Exhibit 7.11 A Spreadsheet Matrix of Success Factor Relationships

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This exercise is slow to start with and then becomes quicker as teams remember where the success factors are positioned. It is also very subjective, and it is more applicable to participants who know the organization well.

Mapping to the Desired Outcomes Statements

As a recent development to my method, I now like to include the short-term and long-term desired outcomes in the center of the U.S. fanfold (A3) sheet of paper. This will generally give higher scores to the success factors that impact more than one outcome.

When you put an outcome statement on the U.S. fanfold (A3) schedule, you will note that it gathers arrows but does not link the other way. This is to be expected as they are a result of the success factors at work.

The inclusion of the desired outcomes in the U.S. fanfold (A3) schedule also gives management the opportunity to see the connectivity between the positive application of the chosen CSFs and the desired outcomes. In Exhibit 7.9, success factor #11 links to three outcomes (outcomes B, D and H).

Handling the Diversity of the Mapping by the Teams

To handle the diversity of the mapping by the teams—for instance, where one team has 10 arrows out of a success factor and another 16 arrows out for the same success factor—we look at each team's top five operational success factors, the ones with the most arrows out. This way we are gathering what they see as the most important, regardless of the actual count of the number of relationships.

Some of the top five success factors may have the same score, in which case I give them a position of joint second or joint third ranking. Thus, the rankings from one team may be (1st, 2nd, =3rd, =3rd, 4th) and another team may have (=1st, =1st, =2nd, =2nd, 3rd) for their top five success factors. I list their rankings on a summary chart; see Exhibit 7.12 to see which success factors selected are the most significant.

I avoid the temptation to use a weighting as we would be trying to add certainty to a subjective process. It is my belief that the success factors that are rated in the top five by most, or all, of the teams are most likely to be the

Exhibit 7.12 Summarizing the Teams' Top Five Success Factors from the Sphere of Influence Mapping Process

	Team 1	Team 2	Team 3	Team 4	Team 5	# of times selected
1. Be seen in the community as an employer of "first choice"	= 5		= 4		= 2	**3**
2. Supporting minorities through employment						
3. Environmentally friendly culture and reputation (use of environmentally friendly materials)						
4. Delivery in full, on time, all the time to our key customers	1	= 3	1	1	1	**5**
5. Finding better ways to do the things we do everyday	= 5					**1**
6. Optimizing technology that matters			2		4	**2**
7. Completion of projects on time and to budget						
8. Encouraging innovation that matters		1		4		**2**
9. Enhancing quality		= 3				**1**
10. Timely, accurate, decision-based information						
11. We finish what we start	4	2	= 4	2		**4**
12. Reducing supply chain costs		= 3	= 5		= 2	**3**
13. Optimize revenue from profitable customers						
14. Increase in employee satisfaction	3					**1**
15. Appropriate reward and recognition structure for all				5		**1**
16. Increasing recognition throughout the organization						
17. A pleasant physical work environment for all staff						
Etc.						
Etc.						

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organizations' critical success factors. In Exhibit 7.12 success factors 4 and 11 are the more likely critical success factors.

From this exercise you will typically get 10–15 success factors that are ranking well. They will be in two groupings, some clearly CSFs and others competing for the right to be called CSFs. We now need to further fine-tune the result.

Even at this stage you may discover a success factor that is an outcome. This does not affect the scoring, as the outcome will not have any out arrows and thus not be in the top five selection.

Fine-Tuning the First Cut of the Critical Success Factors

During this exercise you will have noted that some attendees have a gift for this mapping process. Identify four to six of these attendees and extract them for a special exercise: the remapping of the 10–15 success factors that have been identified as possible operational CSFs.

The purpose of this exercise is to test the robustness of the 10–15 success factors. The team will

- Look at the spreadsheet matrix of each team for success factors that ranked highly with one team and not the other team. This indicates a scoring issue. In a recent exercise we discovered that one team's scoring could not be relied upon and thus found a critical success factor that they had underscored.
- Rescore the 10–15 success factors—they will use the spreadsheet matrices as reference documents.
- Look for a cut-off point where there is a significant jump in the scoring, leaving you with a shortlist of 6–8 top-scoring CSFs. These will not be ranked, as not all relationships are equal. However, you can safely assume success factors, with say 20 outward arrows, will be more important than success factors with say 8 outward arrows.

Testing the Operational CSFs

When the first cut of the operational CSFs has been ascertained, the KPI project team tests the list of the top five to eight critical success factors against the six perspectives of a balanced scorecard and the organization's strategic objectives, as illustrated in Exhibits 7.13 and 7.14.

Exhibit 7.13 Testing That Your Operational CSFs Link Well to the Six BSC
Perspectives

Critical success factor	Perspectives					
	Financial	Customer satisfaction	Staff satisfaction	Innovation and learning	Internal process	Environment and community
e.g., Timely arrival and departure of planes	✓	✓	✓	✓	✓	Possible
_____		✓			✓	✓
_____	✓					
_____	✓			✓		
_____			✓		✓	
_____	✓	✓		✓		✓

Exhibit 7.14 Testing That Your Operational CSFs Link Well to the
Organization's Strategic Objectives

Critical success factor	Strategic Objectives (SO)					
	SO#1 ___ ___ _____	SO#2 _____ _____	SO#3 _____ _____	SO#4 _____ _____	SO#5 _____ _____	SO#6 _____ _____
e.g., Timely arrival and departure of planes	✓		✓			possible
_____		✓			✓	✓
_____	✓					
_____			✓			
_____	✓	✓			✓	
_____	✓		✓		✓	

In Exhibit 7.14 the CSFs are not impacting the strategic objective #4,
and thus we need to ask whether we have all the CSFs. Could one CSF be
reworded, or is the strategic objective #4 correct in the first place?

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Selection of the Critical Success Factors Is a Very Subjective Exercise

The selection of the operational CSFs is a very subjective exercise, and the effectiveness and usefulness of those CSFs chosen is highly dependent on the degree of analytical skill of those involved. Active leadership by senior management in this step is therefore mandatory.

Implementation Tips

This workshop needs to be facilitated by a skilled workshop presenter familiar with the content in this book. Ideally it would be a member of the KPI team who has been selected because of their ability to deliver workshops. If an in-house resource is not available, you can access accredited coaches who can deliver in person or remotely via web-based training. For accredited coaches, visit www.davidparmenter.com.

Task 3: Presenting the Critical Success Factors to the Staff

Once the CSFs have been ascertained, there is a need to communicate them to those who have not been part of the process.

The senior management team members, managers, and staff who have not attended the CSF workshop will need to understand how the CSFs came about and their significance. The KPI team prepares and delivers a presentation on the organization's CSFs to facilitate discussion and agreement with the senior management team and then to the staff. See accompanying electronic media for the suggested content for this presentation.

The presentation will cover:

- The history of performance measurement within the organization.
- How these CSFs were ascertained and by whom.
- The top five to eight CSFs and their impact on the organization's success factors. One organization showed each CSF on a slide with all the success factors they affected as illustrated in Exhibit 7.15.
- How the CSFs should be used by staff and their anticipated impact.
- How these CSFs will drive the performance measures, which will not be linked to pay or individuals but to processes and teams.
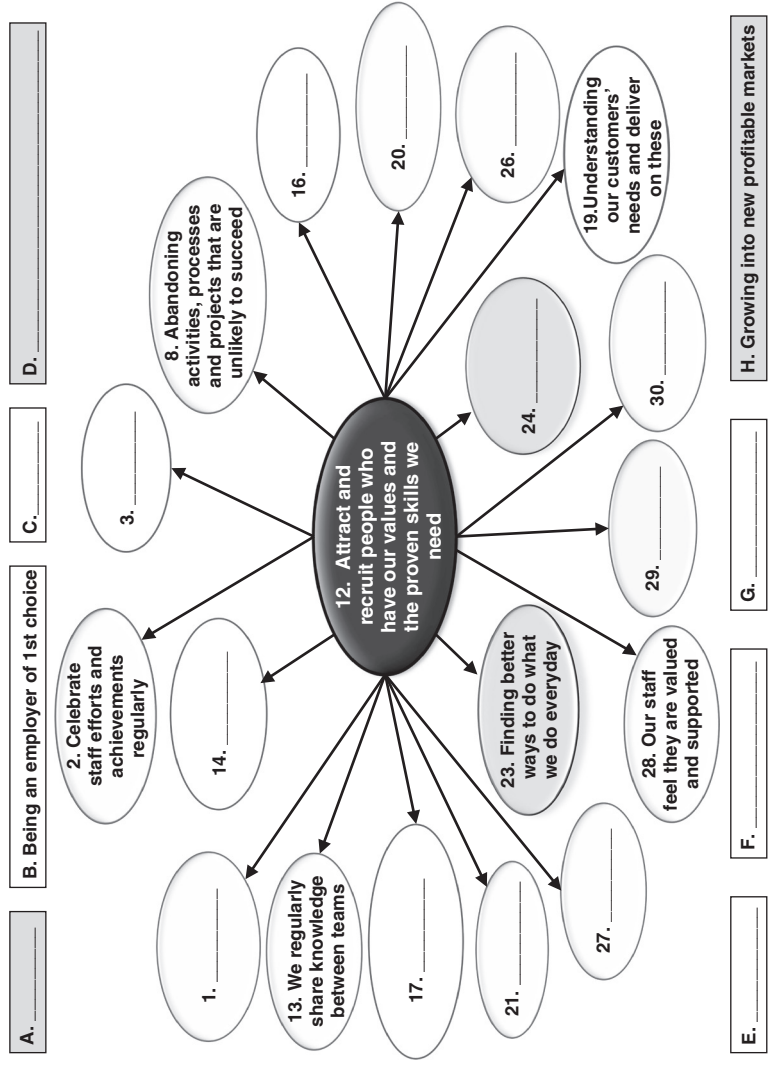
A. _____

B. Being an employer of 1st choice

C. _____

D. _____

E. _____

F. _____

G. _____

H. Growing into new profitable markets

2. Celebrate staff efforts and achievements regularly

3. _____

8. Abandoning activities, processes and projects that are unlikely to succeed

12. Attract and recruit people who have our values and the proven skills we need

13. We regularly share knowledge between teams

14. _____

16. _____

19. Understanding our customers' needs and deliver on these

20. _____

23. Finding better ways to do what we do everyday

24. _____

26. _____

27. _____

28. Our staff feel they are valued and supported

29. _____

30. _____

1. _____

17. _____

21. _____

Exhibit 7.15 Showing How the Critical Success Factors Affect Other Success Factors and the Organization's Outcomes

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Financial institution

Because this was a global organization, the CSF workshop was run as part of the executive retreat week, which is held each year.

The CSF workshop was scheduled for the first two days. On Day 3 the output of the workshop was transferred into a CSF presentation, as shown in Exhibit 7.15. This was delivered in Day 4, discussed and agreed by the executive. Preparing and presenting the final CSFs at the executive retreat fast tracked the process and facilitated a swift agreement.

The CSFs need to be discussed with employee representatives and conveyed to staff to maximize the benefits once the CSFs have been ascertained. If staff members are told what is important, they can align their daily activities to maximize their contribution. This is done in the Performance Measures Workshop outlined in Chapter 9.

> The only way the operational CSFs will make a change in an organization is when staff live, breathe, and own the operational CSFs.

It will be beneficial to brief the board on the KPI project and its effect on the board report. The presentation to the board will need to be different. There will be more of an emphasis on discussing the reasons for the project, the benefits to the board, the difference between external outcomes and operational success factors, and some examples of the reporting they will get on the key result indicators. From prior experiences, you do not need to involve the board in the operational CSFs and the forthcoming KPIs, as these are a management tool.

Task 4: Get the CSFs on the Wall in Every Workplace

This is an important step; however, from my observation it is often overlooked. The only way the operational CSFs will make a change in an organization is when staff live, breathe, and own the operational CSFs. For that to happen, the operational CSFs need to be communicated and agreed upon in a meaningful way rather than just written up as a list.

I came across a brilliant example of how to communicate to staff what is important. In Exhibit 7.16, the company in question prepared a cartoon representation of what it wanted to achieve in the year, and staff pinned it on their office walls. It was printed on U.S. fanfold (A3) paper in full color. I believe this concept is an ideal way to present the CSFs to staff.

Communication of the critical success factors to the workforce has a profound impact on an organization. Maybe, for the first-time, staff and management truly know what is important.

> There is no shortcut for Small to Medium-Sized Enterprises.
>
> All the tasks are required. Some SMEs may think they can collapse the two-day workshop into a one-day workshop. This will lead to disappointment.

PDF Download

To assist the KPI project team on the journey, templates and checklists have been provided. The reader can access, from kpi.davidparmenter.com/fourthedition, free of charge, a PDF of the following chapter templates:

- A Suggested Draft of the CEO Invitation to Attend the Two-Day CSF Workshop
- Preparing a List of Draft Operational Success Factors Checklist
- List of Common Operational Success Factors
- A Checklist of Common Outcome Statements
- Critical Success Factor Workshop Timetable
- A Checklist for Planning a Workshop
- Additional Pointers on How to Organize the Critical Success Factor Workshop
- Instructions for Break-out Exercises in the CSF Workshop
- A List of Empty Words to Avoid When Wording Success Factors
- Sphere of Influence Mapping Exercise
- Sphere of Influence Mapping Template

Exhibit 7.16 Communicating Critical Success Factors to Staff

Source: Energy Efficiency Conservation Authority 2009/2010 Plan, www.eeca.govt.nz. Reproduced with permission.

Notes

1. *Key Performance Indicators Manual: A Practical Guide for the Best Practice Development, Implementation and Use of KPIs* (Aus-Industries, 1996). Now out of print.
2. Stephen Covey, A. Roger Merrill, and Rebecca R. Merrill, *First Things First: To Live, to Love, to Learn, to Leave a Legacy* (New York: Simon & Schuster, 1994).
3. Peter F. Drucker, *The Practice of Management* (New York: HarperCollins, 1954).