Finding your organisation’s operational critical success factors

Using performance measures which are not linked to the critical success factors (CSFs) of your organisation can severely hamper your ability to manage business performance. In the first of a series of workshop guides, David Parmenter explains how to identify the CSFs in your organisation.

Critical success factors (CSFs) can be defined 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 in the organisation.

This article looks at what you need to cover in a workshop that is setting out to ascertain the five to eight organisational CSFs. To better understand the issues access two articles in the faculty’s Finance & Management magazine (‘Winning KPIs in SMEs’, December 2010, and ‘Measuring performance in difficult times’, April 2009) where I have written about the importance of knowing your organisation’s operational CSFs.

CSFs should be seen as the source of all performance measures, as illustrated in Figure 1, below. If you get the critical success factors right, it is very easy to find your winning KPIs. You can find your CSFs in a two-task process (see page 2).

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**Figure 1** HOW OPERATIONAL CSFs DRIVE PERFORMANCE MEASURES

Mission / Vision / Values / Management principles

- Strategies (issues and initiatives)
  - Financial results
  - Customer satisfaction
  - Innovation and learning
  - Internal processes
  - Staff satisfaction
  - Community and environment

- Operational critical success factors

- Key result indicators (max 10)
  - Performance indicators and result indicators (80 or so)

- Key performance indicators (max 10)
  - Financial results
  - Customer satisfaction
  - Innovation and learning
  - Internal processes
  - Staff satisfaction
  - Community and environment

Source: Key Performance Indicators by David Parmenter, 3rd Edition
'To get this workshop to work it needs to be attended by
experienced staff (the oracles) from around the
organisation, as much of the senior management team
as possible, as well as the CEO.'

Task 1: Documenting the already identified success
factors
A small team needs to review the strategic documents
in your organisation covering the last 10 years. Then,
extact and develop success factors from these
documents. You may find an old strategic document
written by an executive, long since moved on, which
could prove very helpful because the success factors are
still relevant.

The team should interview as many of the
organisation’s ‘oracles’, the wise men and women who
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.

The wording of success factor is very important and
should meet the SMART criteria attributed to Peter
Drucker (specific, measurable, achievable, relevant,
and timely). Figure 2, below, is an example of what
you would expect.

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**Figure 2 - SAMPLE SUCCESS FACTORS**

- ‘Stay, say, strive’ engagement with staff who
  contribute to our success both now and in the
  future.
- Recruit the right people all the time.
- Develop exceptional people and teams who
  follow our organisation’s philosophy
- Innovation is a daily activity.
- Willingness to abandon activities, processes, and
  initiatives that are not working or are unlikely to
  succeed.
- Delivery in full, on time, all the time to our key
  customers.
- Maintaining a healthy and safe workplace.
- We finish what we start.

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At this point the objective is to identify all
operational success factors. At a later stage these will
be cut-down to the five to eight critical ones.

Task 2: Determining the operational critical success
factors in a one-day workshop
In my KPI book I promote a two-day workshop, with
the critical success factors being ascertained on day
one.

To get this workshop to work it needs to be attended by experienced staff (the oracles) from
around the organisation, as much of the senior
management team as possible, as well as the CEO. The
CEO needs, at the very least, to attend the first and
last session. However, many CEOs have said they
regretted not attending all the sessions.

The one-day workshop needs to cover the following:
- agreement of the organisation’s operational success
  factors, which have been gathered in Task 1;
- an overview of how ‘sphere of influence’ mapping
  works; and
- the identification of the organisation’s operational CSFs
  through the application of the ‘sphere of influence’
  mapping process on the organisation’s success factors.

Agreement of the organisation’s success factors
In one or two break-out sessions the attendees review the
operational success factors, tighten up the wording so
they are SMART and remove external outcomes (eg.
retention of key customers) and strategic objectives (eg.
product leadership in our sector) from the list.

Finding the operational CSFs through a ‘sphere of
influence’ mapping process
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). Each team of five to
seven people is then asked to map the sphere of influence
of each success factor. By achieving in success factor 13
we will have a positive impact on success factor 4. Or
conversely a negative impact in success factor 13 will have
a negative impact on success factor 29. We insert an
arrow to reflect the direction of influence.

When running this workshop I always give the following instructions:
- 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?’ It is understandable that
  some relationships are two-way. In these cases we draw
  two arrows, travelling in opposite directions.
- To handle the number of relationships (in most
  organisations, you will be handling between 30-40
  success factors). Draw short arrows with the number of
  the box it is going to, and then another arrow entering
  that box with the number of the box it has come from
  (see Figure 3 on the next page).
- If one member of the team sees a linkage, other
  members of the team should draw the relationship
  without debate. This speeds 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 operational
  success factors, drawing arrows to reflect the
  relationships they find.
- 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.
Figure 3  EXAMPLES OF CSF RELATIONSHIP-MAPPING EXERCISE

1. Promoting open decision making
2. Rewarding and recognising our existing staff
3. Encouraging innovation that matters
4. Retention of key customers
5. A pleasant physical work environment for all staff
6. Increase in employee satisfaction
7. Supporting internal leadership amongst managers
8. Positive brand recognition
9. New and innovative low-cost access channels for our products and services
10. Seeking excellence in every aspect of our interaction
11. Create an environment where our people are encouraged to meet their full potential
12. Increasing productivity through increase in skills, motivation, etc
13. Timely departures and arrivals of planes
14. Optimal utilisation of planes
15. Optimisation of working capital
16. Developing internal leadership amongst managers
17. Attracting quality staff to the organisation
18. Enhancing quality
19. Growth in revenue and product mix to our profitable customers
20. Completion of projects on time and to budget
21. Optimise revenue from profitable customers
22. Appropriate reward and recognition structure for all
23. Maintaining a safe and healthy workplace
24. Cost reduction productivity improvement
25. Identify and capture the potential of new and emerging markets
26. Increasing adaptability and flexibility of staff
27. Increasing linkages with key suppliers
28. Introduction of new services that add value to our key customers
29. Timely maintenance of planes
30. Increased in overall spend by key customers
31. Positive public perception of organisation
32. Maximise off-season potential
33. Minimising pollution and waste
34. Paperless information flow to key suppliers and to customers
35. Fiscally responsible management, by all managers
36. Increasing empowerment
37. Optimising technology that matters
38. Increasing the gross margin
39. ‘Stay, say, strive engagement with staff’
40. We finish what we start
41. Increasing employee productivity
42. Increasing repeat business from key customers
43. Provide opportunities staff to grow

Source: Key Performance Indicators by David Parmenter, 3rd Edition
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?”

There is an alternative method of mapping relationships, shown to me by a clever attendee at an in-house workshop I was running, which involved mapping the relationships on a spreadsheet matrix (see Figure 4, below). This method is preferred by some and also creates documentation of the process that is easy to review.

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 requires participants who know the organisation well.

Handling the diversity of the mapping by the teams
To handle the diversity of the mapping by the teams – eg, where one team has 10 arrows out of a success factor and another team has 16 arrows out of 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 place. Thus, the scores from one team may be (1st, 2nd, 3rd, 3rd, 4th), and another team may have (1st, 1st, 2nd, 2nd, 3rd) for its top five success factors. I list their rankings on a summary chart; see Figure 5 (on the next page), to see which success factors selected are the most significant.

I avoid the temptation to use a weighting, as it tries to add certainty to a subjective process. It is my belief that success factors that are rated more frequently in the top five by most or all of the teams are the most likely to be the organisation’s critical success factors. In this case success factors 2, 8, 10 and possibly 9.

Fine tuning the first cut of the critical success factors
During this exercise, you will note that some attendees have a gift for this mapping process. Identify four to six of these attendees and invite them for a special exercise: remapping the 12 or so success factors that have been identified as possible operational CSFs.

The purpose of this exercise is to test the robustness of the shortlist and then narrow them down to the five to eight success factors with the highest-scoring relationships. Again we do not use the exact count of outward arrows to prioritise, as not all of the arrows are equal. We simply assume, for example, that success factors with 20 outward arrows will be more important than success factors with eight outward arrows.

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**Figure 4  A SPREADSHEET MATRIX OF SUCCESS FACTOR RELATIONSHIPS**

<table>
<thead>
<tr>
<th>Success factor</th>
<th>Count</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>etc</th>
<th>40</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Positive public perception of xxxxx</td>
<td>2</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Be seen in the community as an employer of ‘first choice’</td>
<td>1</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Minimising pollution and waste</td>
<td>3</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Encouraging volunteering by staff to the local community</td>
<td>2</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Supporting local businesses</td>
<td>3</td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Delivery in full on time, all the time to our key customers</td>
<td>2</td>
<td>x</td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Finding better was to do the things we do everyday</td>
<td>1</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Maintaining a safe and healthy workplace</td>
<td>4</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. xxxxxxxxx</td>
<td>2</td>
<td></td>
<td>x</td>
<td></td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10. xxxxxxxxx</td>
<td>6</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td>x</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>etc. xxxxxx</td>
<td>0</td>
<td></td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>40. xxxxxx</td>
<td>1</td>
<td>x</td>
<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

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

This ‘x’ represents an arrow from success factor #1 ‘Positive public perception of xxxx’ to ‘Be seen in the community as an employer of ‘first choice’”

Source: Key Performance Indicators by David Parmenter, 3rd Edition
The purpose of this exercise is to test the robustness of the shortlist and then narrow them down to the five to eight success factors with the highest scoring relationships.

### Figure 5  SUMMARISING THE SUCCESS FACTORS

<table>
<thead>
<tr>
<th>Team number</th>
<th>T1</th>
<th>T2</th>
<th>T3</th>
<th>T4</th>
<th>T5</th>
<th>T6</th>
<th># of times selected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Be seen in the community as an employer of first choice</td>
<td>=5</td>
<td>=4</td>
<td>=1</td>
<td>=1</td>
<td>3</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>2. Delivery in full on time, all the time to our key customers</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>3. Finding better ways to do the things we do every day</td>
<td>=5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Optimising technology that matters</td>
<td>2</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Encouraging innovation that matters</td>
<td>1</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Enhancing quality</td>
<td>=3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Timely, accurate, decision-based information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. We finish what we start</td>
<td>4</td>
<td>2</td>
<td>=4</td>
<td>2</td>
<td>3</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>9. Reducing supply chain costs</td>
<td>=3</td>
<td>=5</td>
<td>2</td>
<td>=1</td>
<td></td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>10. ‘Stay, say, strive’ engagement with staff</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>3</td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>

Next steps
- Get a copy of my fore mentioned articles from the Finance and Management Faculty and forward them around the organisation, they might create some interest.
- Commence your review of the organisation’s success factors
- Send me an email, parmenter@waymark.co.nz and I will send you the templates from this article, including some others I use.

References:

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