CHAPTER **11**

Finding Your Organization's Operational Critical Success Factors (Stage 4)

> **Overview**
>
> Critical success factors (CSFs) are operational issues or aspects that need to be done well day-in, day-out by the staff in the organization. This chapter looks at the alignment between CSFs and external outcomes, highlights the importance of CSFs' identifying that this is a missing link in management theory, that an organization has typically five to eight CSFs, and that CSFs should be the source of all important performance measures—the winning KPIs. This chapter also outlines the tasks required in this stage and gives instructions on how to access, free of charge, a PDF of the suggested worksheets and checklists to be used by the KPI project team.

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 in the organization. They are about what the staff inside the organization can do, and should do.

I see the critical success factors as more fundamental to a business than its strategy. An organization can still succeed without a well-formulated strategy, and many do. Whilst I am aware of the significance of a well thought through and executed strategy, you will find that this is the responsibility of a select group of senior executives in the organization. Whereas, the critical success factors should be the daily focus of all staff in the organization and will impact positively on the "business as usual" strategic initiatives discussed in Chapter 4.

Operational Critical Success Factors versus External Outcomes

Recently I have realized the importance of distinguishing between operational critical success factors and 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, understandably, the external picture: the external outcomes. The board was naturally looking from the "outside-in" perspective. 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 provide the evidence that there has been a successful implementation of the organization's strategy.

This recent clarification has fixed an issue I have noted in a number of in-house workshops I have run where there was a mix of operational CSFs and external focused outcomes. This distinction is important and, while at first an added complication, it is worth the effort to understand and execute.

Stephen Covey pointed out in *First Things First*[2] the importance of understanding the order of things in achieving results. He talked about putting "rocks" in first every day. We can liken the operational CSFs to the rocks that the staff needs to attend to every day. They should be the driving force behind prioritization throughout the organization. Their role is to set direction to operational staff who meet current demand, current production, and, critically, deliver products and services on time. The critical success factor "delivery in full on time to key customers" is a mantra for staff meaning that major orders for our key customers, and often the difficult and complex orders, need to be tackled first. Whereas if left to handling deliveries as they saw fit, many

staff would tackle the easy orders, putting the easy runs on the board, and thus jeopardizing service to our most profitable customers.

> A philosophy professor is lecturing to his students. He brings out an empty jar and golf balls. Filling the jar with the golf balls, he asks if it is full. "Yes," they reply. Then he lifts a container of dried peas and pours them in. "Is it full?" "Yes," they reply. Then he lifts a container of sand and pours it in around the golf balls and peas. "Is it full?" "Yes, definitely," they reply. Then he pours in a cup of coffee. He explained, "Golf balls are the important things in your life—you must put them into your life first; otherwise, you can't fit them in. Dried peas are the next most important things. Next is sand—e-mails, meetings, daily chores. ""So why the coffee?" a student asks. "To remind you to always have the time for a coffee with your friends, colleagues, clients," the professor replied.

External outcomes are driven from the organization's strategy and are the priority of a select few in senior management, such as the external outcome "developing and growing the new product x (or market y)." This outcome 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. A new plant in a new country will, once operational, be guided by the operational CSFs already in existence elsewhere in the organization.

To help further clarify I have separated out the characteristics of external and operational critical success in Exhibit 11.1.

I suggest that you will know when you have got it right when you have some sort of pictorial representation on office walls illustrating to staff what is important. If you cannot meaningfully explain what the staff needs to do well day-in, day-out, you do not have a complete list of your organization's operational CSFs.

Operational Critical Success Factors—The Missing Link

In Chapter 2, the common myth that performance measures are mainly used to help manage implementation of strategic initiatives was highlighted. Instead, the main purpose of performance measures is to

EXHIBIT 11.1 Characteristics of Operational Critical Success Factors and External Outcomes

	Source for These Success Factors	Key Characteristics
Operational critical success factors—five to eight	Discussions with senior leadership team and the oracles residing in operations. Strategic documentation	24/7 daily focus Involving most staff in operations Also of concern to support staff Need to be described as "what staff should do" Describing an action or specific activities staff can focus on
External outcomes—fewer than ten	Strategy documentation, discussions with directors	Success can be as a result of the quarterly, half yearly focus operational CSFs (e.g., retention of key customers) Sometimes project-based focus Involves senior staff often in negotiations Need to be described as "what success looks like" Describing an external result such as growth in a new market, an increased service level, etc.

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. The term *critical success factors* does not appear to be addressed by some of the leading 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.

I argue that unless the operational CSFs are ascertained, each manager, in their own empire, will have what is important to them embedded in the way things are done. Many counterproductive activities will occur based on this false premise. That is, 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. It can come as no surprise when I say that the term critical success factors could be a major missing link in balanced-scorecard and other methodologies.

Rules For Ascertaining the Operational Critical Success Factors

The relationship between critical success factors and KPIs is vital, as illustrated in Exhibit 11.2. 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 identified as being the top critical success factor, it was relatively easy to find the KPI: planes late
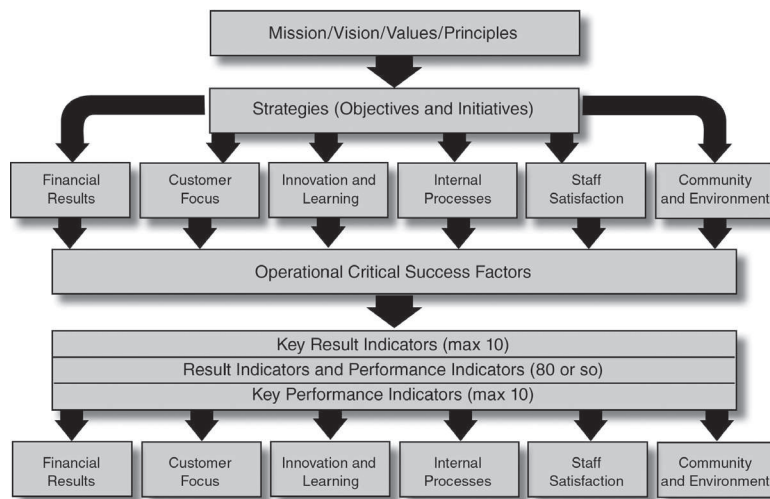

EXHIBIT 11.2 How Operational Critical Success Factors Drive the Performance Measures

over a certain time). As Exhibit 11.2 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).

Limit to Five to Eight Operational 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 those for a retail store). Accordingly, there would be a collection of CSFs in the conglomerate greater than the suggested five to eight.

Only One Set of Operational Critical Success Factors

In order 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. Teams will follow their own agendas.

Many head office teams will note that quite a few of their daily activities are not very aligned with operational CSFs. Their alignment comes from focusing more on assisting the departments and teams who are working directly on the operational CSFs. In other words, support teams' alignment with the operational CSFs is achieved through other teams' efforts.

Operational Critical Success Factors Are Not Key Result Areas

Since the beginning of my employment, I have seen the words "key result areas" (KRAs) plastered all over my job descriptions, and it was very helpful. However, KRAs are not critical success factors. In fact, I would argue that everyone's job description 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 activities that align well with the CSFs as a priority.

Relationship between Critical Success Factors and Strategy

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., "Stay, say, strive for engagement with staff," "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 (see Exhibit 11.3).

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.
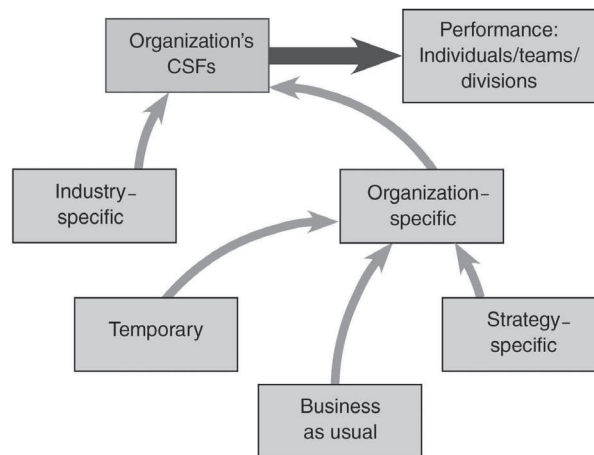

EXHIBIT 11.3 What Impacts the Critical Success Factors

The organization's five to eight operational CSFs should be the source of all performance measures that really matter: the key performance indicators. Getting staff to take up their role, which aligns to 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. You will find that your operational CSFs will create the vital linkage between daily activities and the organization's strategies that is the sweet spot for achieving organizational alignment with the planned strategic results.

Operational CSFs are the source of all meaningful performance measures that really matter, the KPIs. It is the operational CSFs, and the performance measures they inherently carry, that link daily activities and consequently organizational meaning to the organization's strategies. The operational CSFs influence the business all the time, 24/7, and it is therefore vital to measure how the staff members in the organization are aligning their daily activities to these operational CSFs. Exhibit 11.4 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. Most organizations know their success factors; however, few organizations have:

- Worded their success factors appropriately
- Segregated the success factors from their strategic objectives 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

If your organization has not completed a thorough exercise to know its operational CSFs, performance management cannot possibly function well. Performance measurement, monitoring, and reporting will be a series of random processes, creating a small army of measurers producing numerous numbing reports. The measures monitor progress in a direction often very remote from the strategic direction of the organization. Very few, if any, of the measures in these reports contain the characteristics of "winning KPIs."
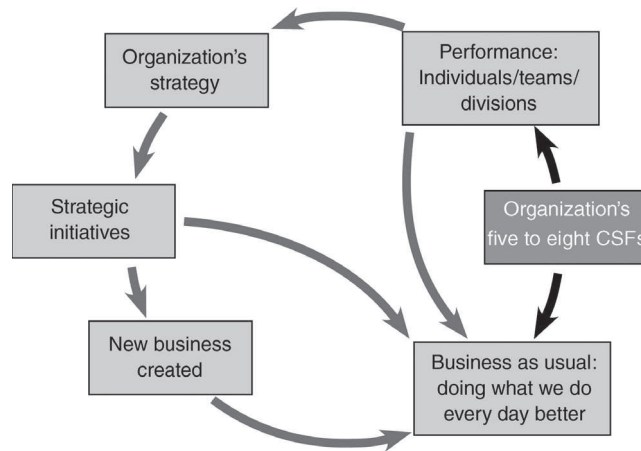
EXHIBIT 11.4 How Strategy and the Critical Success Factors
Work Together

Linkage to the Paradigm Shifters

In Chapter 4, Revitalizing Performance Management, the second foun-
dation stone was the knowledge of the paradigm shifters (Drucker,
Collins, Welch, Hamel, Peters, Waterman, and others). We need to
apply this knowledge, as set out in Exhibit 11.5.

EXHIBIT 11.5 **Lessons from the Paradigm Shifters (featured in Chapter 4)**

Lesson	Implication
The "hedgehog" concept. Collins points out that organizations need to know what they can be the best in the world at, what they are deeply passionate about, and what drives their economic engine. Organizations need to translate that understanding into a simple, crystal clear concept that guides all their efforts.	By understanding an organization's critical success factors and deriving performance measures from them, you will create an alignment that is consistent with Collins' thinking.
The flywheel effect. This refers to forward steps consistent with the hedgehog concept. The resultant accumulation of visible results will lead to a lineup of people energized by the results.	By measuring within the critical success factors, we will be consistent with Collins' thinking.

Characteristics of Critical Success Factors

There are a number of characteristics of CSFs that are worth dwelling on. Critical success factors:

- Are worded so everyone will understand them and buy into what is important to the organization.
- Will be no surprise to management and the board/government official, as they will have talked about them as success factors.
- Apply to more than one balanced-scorecard perspective (e.g., "Innovation is a daily activity" impacts nearly all of the balanced-scorecard perspectives).
- Are highly relevant to the organization and should not be broken down into department CSFs.
- Are few in number—five to eight is sufficient—based around SMART.
- Have a great influence on other success factors and easily demonstrate their relevance.
- Emphasize a precise operational activity, rather than being the abstract statements that strategic objectives often are.

Four Tasks for Identifying Operational Critical Success Factors

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

Task 1: Documenting the Already Identified Success Factors

The KPI team, set up as part of stage two, needs to review the strategic documents in your organization covering the past 10 years, then extract 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 KPI team should interview as many of the organization'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. To assist I have provided a checklist in PDF format for you to download.

Success factors 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**—Avoiding empty words that are so common in management terminology. As we move up the management ladder, we increasingly use empty words having heard them used so often. 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. It is worded so that staff could understand them and realize their importance. Widely circulated newspapers have long since known that if you want to get the message across, write for a 14-year-old reading age. Thus we need to draft our messages in a similar way.
- **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 criteria. "Timely departure and arrival of planes 24/7" is clearly measureable.
- **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. Operational CSFs are focused on the organization and are not to be broken down into department operational CSFs, otherwise you will have staff going in their own direction. Remember the diagram of the arrows going in many different directions in Chapter 1.
- **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 11.6 Contrasting Empty Statements to SMART success factors

Success factors that are meaningless (empty words signifying nothing)	SMART operational success factor	External outcomes
Increased profitability	Delivery in full, all the time, to our key customers	Increased profitability by selling a higher percentage of higher margin products
Growing customer base	Delivery in full, all the time, to our key customers	Retention of key customers
Maximizing the use of our most important resource—our people	Stopping to fix problems, to get quality right the first time	Supporting a positive and vibrant culture
Maximize innovation	Innovation is a daily activity	Product leadership in sector

Exhibit 11.6 shows a list of statements that contain empty words. These have been contrasted to SMART success factors and external outcomes.

From my experience this first task is rarely performed with enough intellectual rigor. We are all too busy juggling our priorities. To this end I recommend that a small group meets in a workshop to get started on this process. I have been able to hold these sessions via a webinar to help successfully kick-start this process.

To assist I have provided a list of common success factors in PDF format for you to download. However it is important that these are used after you have performed an exhaustive internal hunt. Exhibit 11.7 provides an example of such a list.

Once you have ascertained what you consider to be a good first cut, ask one or two members of the senior management team to review the list of success factors, provided they understand the rules on the wording. You have now created a list of success factors mapped against

EXHIBIT 11.7 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 organization'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

the six balanced-scorecard perspectives ready for the workshop atten-
dees to review in task two.

Task 2: Determining the Operational 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, as much of the senior management team as possible, and
the chief executive officer (CEO). The CEO needs, at the very least, to
attend the first half-day and the last session after the afternoon break
on the second day. However, in operational CSF workshops I have
delivered for organizations, many CEOs 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.

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

To assist organizations in finding their operational CSFs, I have
provided the templates I personally use when facilitating the workshop
in PDF format for you to download. For an example of one of these
templates, see Exhibit 11.8.

EXHIBIT 11.8 Extract of the Agenda for the Two-Day CSF Workshop in the Accompanying Electronic Media

Day 1

From 8:30 a.m.	Registration
9:00	Opening remarks by CEO—Setting the context of the workshop
9:10	The new thinking on Key Performance Indicators.
	The difference between the four types of performance measures
	The characteristics of a winning KPI—two stories
	The 10/80/10 rule for performance measures
	The importance of knowing your organization's critical success factors
	A case study on success factors
10:00	Presentation on success factors
10:20	Commence Workshop #1: Revisiting your organization's success factors (SFs). All work that has been already done in this area will be tabled to attendees (e.g., from a review of the past few years' strategic plans)
10:40	Morning break

Note: template continues for the remaining two days at this level of detail

The two-day workshop needs to cover the following:

- The great KPI misunderstanding, as outlined in Chapter 1
- The myths of performance measurement, as outlined in Chapter 2
- The agreement of the organization's success factors, which have been gathered in Task 1: Documenting the Already Identified Success Factors
- 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 relationship-mapping process on the organization's success factors, as outlined later in this chapter
- The six-stage winning KPI process, set out in Chapters 8 to 13
- How to report performance measures to staff, management, and the board. The designing of report formats that begins during this workshop is to be finished afterward

- How to ascertain organizational and team performance measures from the operational CSFs
- Presentations by each work group covering their next steps to complete their scorecard, new measures they wish to use, and existing measures they wish to abandon
- How to ascertain performance measures from the organization's CSFs

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/U.S. fanfold). 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 A we will have a positive impact on success factor B. Or conversely, a negative impact in success factor A, will have a negative impact on success factor B. 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?" It is understandable that some relationships are two-way. In these cases we draw two arrows.

In most organizations, you will be handling over 40 success factors. As such, each arrow is shown leaving one box, 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 Exhibit 11.9). This exercise is slow to start with and then becomes quicker as teams remember where the success factors are positioned.

As mentioned, this process is very subjective, and it is now necessary to put attendees' knowledge of the organization to full use. 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 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.

1. Promoting open decision making

7. Supporting minorities through employment

13. Timely departures and arrivals of planes

19. Growth in revenue and product mix to our profitable customers

23. Maintaining a safe and healthy workplace

25. Identify and capture the potential of new and emerging markets

31. Positive public perception of organization

37. Optimizing technology that matters

2. Rewarding and recognizing our existing staff

8. Positive brand recognition

4

17 **29**

32. Maximize off-season potential

38. Increasing the gross margin

6

14. Optimal utilization of planes

20. Completion of projects on time and to budget

26. Increasing adaptability and flexibility of staff

33. Minimizing pollution and waste

39. "Stay, say, strive engagement with staff"

9. New and innovative low-cost access channels for our products and services

15. Optimization of working capital

24. Cost reduction / productivity improvement

27. Increasing linkages with key suppliers

29

3. Encouraging innovation that matters

29

21. Optimize revenue from profitable customers

29

34. Paperless information flow to key suppliers and to customers

40. We finish what we start

13

10. Seeking excellence in every aspect of our interaction

28. Introduction of new services that add value to our key customers

4. Retention of key customers

29

16. Developing internal leadership amongst managers

22. Appropriate reward and recognition structure for all

35. Fiscally responsible management, by all managers

41. Increasing employee productivity

5. A pleasant physical work environment for all staff

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

13

15 **13** **24**

29. Timely maintenance of planes

33

42. Increased repeat business from key customers

13

17. Attracting quality staff to the organization

4

6. Increase in employee satisfaction

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

30. Increased overall spending

36. Increasing empowerment

43. Provide opportunities for staff to grow

18. Enhancing quality

Mapping of 13 & 29 incomplete

EXHIBIT 11.9 Example of Critical Success Factor Relationship-Mapping Exercise

■ 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.

■ 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 by a clever attendee at an in-house workshop I was running, which involved mapping the relationships on a spreadsheet matrix (see Exhibit 11.10). This method is preferred by some and also creates documentation of the process that is easy to review.

Handling the Diversity of the Mapping by the Teams. The beauty of this exercise is that it does not matter if one team has 10 arrows out of a success factor and another team has 16 arrows out of the same success factor. Each team will have a different materiality level when establishing the arrows; that is, one team may find 20 relationships from "timely arrivals and departures of planes," while other groups may find 10, 12, or 15. I ask each team to give me their top five success factors, the ones with the most arrows out. 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 their top five success factors. I list their rankings on a summary chart; see Exhibit 11.11 to see which success factors selected are the most significant.

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

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.

As before, the mapping process is performed by starting with one success factor and then looking at whether it is impacted by each other success factor.

#	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
															Success Factor #											
1	**Positive public perception of _____**	5		X										X				X		X	X					
2	**Be seen in the community as an employer of 'first choice'**	1	X																							
3	**Minimizing pollution and waste**	3	X																							
4	**Encouraging voluntary assistance by staff to the local community**	2	X				X																			
5	**Supporting local businesses**	3	X												X	X										
6	**Delivery in full on time, all the time to our key customers**	5	X											X			X		X			X				
7	**Finding better ways to do the things we do everyday**	4								X					X	X			X							
8	**Maintaining a safe and healthy workplace**	3	X	X													X									
9		2										X		X												
10		10	X								X			X		X	X	X		X	X		X	X	X	
11		3	X	X														X								
12		8																		X						
etc		3																				X				
etc		1																								
etc		0																								
40		4								X	X		X		X											
	Count (# of relationships between success factors)		8	3	0	0	1	1	1	3	3	3	2	1	3	7	5	3	0	4	3	0	3	1	2	0

This 'x' represents an arrow from success factor #1 "Positive pubic perception of XXX" to "Be seen in the community as an employer of 'first choice'".

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 #9 "Enhancing operational/communication efficiency, e.g. reducing cost per transaction" to "Increasing linkages with key suppliers".

EXHIBIT 11.10 A Spreadsheet Matrix of Success Factor Relationships

EXHIBIT 11.11 Summarizing the Teams' Top Five Success Factors from the Mapping Process

	Team 1	Team 2	Team 3	Team 4	Team 5	Team 6	Number of Times Selected
Be seen in the community as an employer of "first choice"	=5		=4			1	3
Delivery in full on time, all the time to our key customers	1	=3	1	1	1	=2	6
Finding better ways to do the things we do everyday	=5						1
Recruit the right people all the time			2		4		2
Willingness to abandon activities, processes, and initiatives that are not working or are unlikely to succeed		5	=4				2
We finish what we start	4	2	=4	2	3	=2	6
Use only reliable, thoroughly tested technology that serves our people and processes		=3			2		2
"Stay, say, strive engagement with staff"	2		3	3	5		4
Increased repeat business from key customers	3					4	2
Grow leaders who thoroughly understand the work, live the philosophy, and teach it to others				5			1

The purpose of this exercise is to test the robustness of the shortcut list and then to shortlist the five to eight success factors with the highest scoring relationships. Again we do not use the exact count of outward arrows to prioritize, 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 8 outward arrows.

The main difference between success factors and operational CSFs is that operational CSFs have the additional characteristics of:

- Having a greater positive influence on other success factors—they are more influential to the success of the organization
- Applying to more than one balanced-scorecard perspective (e.g., "Innovation is a daily activity" impacts nearly all the balanced-scorecard perspectives)
- Being few in number, five to eight is sufficient, whereas there may be forty or so success factors

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 balanced-scorecard (BSC) perspectives and the organization's strategic objectives (see Exhibits 11.12 and 11.13).

Running the Workshop. 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.

While every facilitator has a unique style, one universal teaching technique is to always demonstrate to the whole group what actions are intended before commencing an exercise. Hand out the written instructions and then read the instructions twice.

I ensure that each workshop group is between five and seven people and consists of employees from different functions within the organization.

I always ask for a volunteer chairperson, telling the workshop group, "If you do not want to give feedback to the whole group, volunteer to be the chairperson, and then you can delegate the feedback task to someone else."

EXHIBIT 11.12 How Do Your Top Five to Eight Operational CSFs Cover the Six Balanced-Scorecard Perspectives?

Critical success factor	Perspectives					
	Financial	Customer satisfaction	Staff satisfaction	Innovation & learning	Internal process	Environment & community
e.g., timely arrival and departure of planes	✓	✓	✓	✓	✓	possible
———		✓			✓	✓
———	✓					
———	✓			✓		
———			✓		✓	
———	✓	✓		✓		

EXHIBIT 11.13 Testing That Your Top Five to Eight Operational CSFs Link to Your 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
1. –––––––––––		✓			✓	✓
2. –––––––––––	✓					
3. –––––––––––			✓			
4. –––––––––––	✓	✓			✓	
5. –––––––––––			✓			✓
6. –––––––––––			✓			
7. –––––––––––	✓		✓		✓	

If you have set up the workshop properly, you will find that the work groups start this exercise quickly. A sign of success is that you can leave the room for a period of 15 minutes or so, allowing the work groups to make their own way.

To ensure that each work group documents all progress, it is necessary that one attendee in each group brings a laptop and that the electronic templates they are to use are loaded on the laptop. Work groups will then be able to update the success factor template, record their measures, and start drafting new report formats during the workshop.

As mentioned, to help organizations find their operational CSFs, I have provided free to all readers of this book, via my website www.davidparmenter.com, the templates I personally use when facilitating the CSF workshop.

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.

Task 3: Presenting the Critical Success Factors

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 they 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 (see Exhibit 11.14)

EXHIBIT 11.14 Showing How the Critical Success Factors Affect Other Success Factors

- 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

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.

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: 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 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 11.15, 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.

Alternative Methodologies

There are a number of competing methodologies in this area, and it is important for the KPI project team to understand them and contrast them before a decision is made. Also visit Chapter 18 for a more detailed comparison of these two approaches.
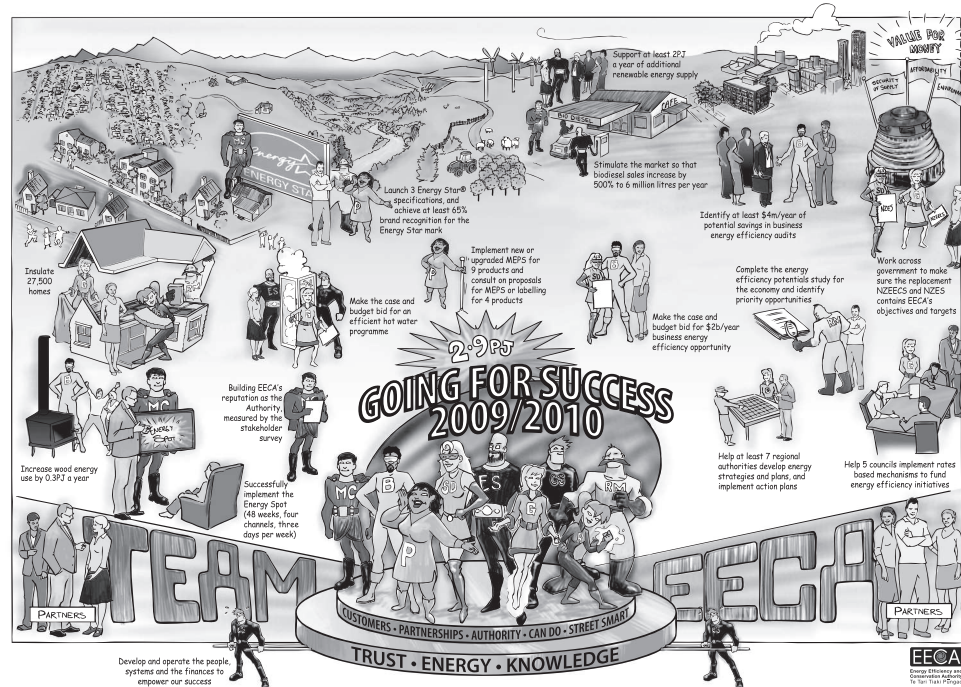
EXHIBIT 11.15 Communicating Critical Success Factors to Staff Example

Source: Energy Efficiency and Conservation Authority 2009/2010 Plan.

Strategy Mapping

The reader who is conversant with Kaplan and Norton's[4] work will note that I have not supported the concept of strategy mapping. In Chapter 2, I point out that it is a myth that strategy mapping is a vital requirement for ascertaining performance measures. I explained:

> *If strategy maps help management make some sense out of their strategy, then, as a working document, they must be useful. However, I am concerned with the "simplified" use of cause-and-effect relationships, a major component of strategy mapping. It has led to the demise of many performance-measurement initiatives. From these oversimplified relationships come the strategic initiatives and the cascading performance measures. Strategy mapping, in the wrong hands, can give birth to a monster.*

Should you wish to use strategy mapping, please ensure that you have read and understood my critique in Chapter 2.

Result Mapping

Stacey Barr[5] has developed a methodology called result maps. It is a sophisticated way to map relationships. I recommend that the KPI team leader appraises this methodology before committing to one method or another. Barr has some rules that need to be followed in order for the wording to be appropriate in the result maps. Barr also looks at the relationships in a more comprehensive way than just cause-effect mapping.

Barr's result mapping process will certainly improve the clarity of how strategy is thought about. I am, however, uncertain as to whether it will lead to the ascertaining of the important measures, the KPIs, as there is no focus on the critical success factors, the origin of all meaningful measures.

Benefits of This Stage

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

Templates and Checklists

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

The templates include:

- Preparing a List of Draft Operational Success Factors Checklist
- Common Operational Success Factors
- A Suggested Draft of the CEO Invitation
- Critical Success Factor Workshop Timetable
- A Checklist For Planning a Workshop
- Instructions for Break-out Exercises

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).
4. Robert S. Kaplan and David P. Norton, *The Balanced Scorecard: Translating Strategy into Action* (Cambridge, MA: Harvard Business Press, 1996).
5. Stacey Barr "*Practical Performance Measurement: Using the PuMP Blueprint for Fast, Easy, And Engaging KPIs*" StaceyBarr 2014.