Critical Success Factors

Identifying the Things That Really Matter for Success

So many important matters can compete for your attention in business that it's often difficult to see the "wood for the trees".

What's more, it can be extremely difficult to get everyone in the team pulling in the same direction and focusing on the true essentials. That's where Critical Success Factors (CSFs) can help.

CSFs, also known as Key Results Areas (KRAs), are the essential areas of activity that must be performed well if you are to achieve the mission, objectives or goals for your business or project. By identifying your Critical Success Factors, you can create a common point of reference to help you direct and measure the success of your business or project.

As a common point of reference, CSFs help everyone in the team to know exactly what's most important. And this helps people perform their own work in the right context and so pull together towards the same overall aims.

About CSFs

The idea of CSFs was first presented by D. Ronald Daniel in the 1960s. It was then built on and popularized a decade later by John F. Rockart, of MIT's Sloan School of Management, and has since been used extensively to help businesses implement their strategies and projects.

Inevitably, the CSF concept has evolved, and you may have seen it implemented in different ways. This article provides a simple definition and approach based on Rockart's original ideas.
Rockart defined CSFs as: "The **limited number of areas in which results, if they are satisfactory, will ensure successful competitive performance for the organization.** They are the few key areas where things must go right for the business to flourish. If results in these areas are not adequate, the organization's efforts for the period will be less than desired."

He also concluded that CSFs are "**areas of activity that should receive constant and careful attention from management.**"

Critical Success Factors are strongly related to the mission and strategic goals of your business or project. Whereas the mission and goals focus on the aims and what is to be achieved, Critical Success Factors focus on the most important areas and get to the very heart of both what is to be achieved and how you will achieve it.

**Using the Tool: An Example**

CSFs are best understood by example. Consider a produce store "Farm Fresh Produce", whose mission is:

"To become the number one produce store in Main Street by selling the highest quality, freshest farm produce, from farm to customer in under 24 hours on 75% of our range and with 98% customer satisfaction."

(For more on this example, and how to develop your mission statement, see our article on [Vision Statements and Mission Statements](https://www.mindtools.com/pages/article/newLDR_80.htm).)

The strategic objectives of Farm Fresh are to:

- Gain market share locally of 25%.
- Achieve fresh supplies of "farm to customer" in 24 hours for 75% of products.
- Sustain a customer satisfaction rate of 98%.
- Expand product range to attract more customers.
- Have sufficient store space to accommodate the range of products that customers want.

In order to identify possible CSFs, we must examine the mission and objectives and see which areas of the business need attention so that they can be achieved. We can start by brainstorming what the Critical Success Factors might be (these are the "Candidate" CSFs.)

<table>
<thead>
<tr>
<th>Objective</th>
<th>Candidate Critical Success Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gain market share locally of 25%</td>
<td>Increase competitiveness versus other local</td>
</tr>
</tbody>
</table>
Objective

Achieve fresh supplies of “farm to customer” in 24 hours for 75% of products
Sustain a customer satisfaction rate of 98%
Expand product range to attract more customers
Extend store space to accommodate new products and customers

Candidate Critical Success Factors

stores
Attract new customers
Sustain successful relationships with local suppliers
Retain staff and keep up customer-focused training
Source new products locally
Secure financing for expansion
Manage building work and any disruption to the business

Once you have a list of Candidate CSFs, it's time to consider what is absolutely essential and so identify the truly Critical Success Factors.

And this is certainly the case for Farm Fresh Produce. The first CSF that we identify from the candidate list is relationships with local suppliers”. This is absolutely essential to ensure freshness and to source new products.

Another CSF is to attract new customers. Without new customers, the store will be unable to expand to increase market share.

A third CSF is financing for expansion. The store's objectives cannot be met without the funds to invest in expanding the store space.

Figure 1: Critical Success Factors, Missions and Goals for "Farm Fresh Produce"
Tip: How Many CSFs?

Whilst there is no hard and fast rule, it's useful to limit the number of CSFs to five or fewer absolute essentials. This helps your CSFs have maximum impact, and so give good direction and prioritization to other elements of your business or project strategy.

Using the Tool: Summary Steps

In reality, identifying your CSFs is a very iterative process. Your mission, strategic goals and CSFs are intrinsically linked and each will be refined as you develop them.

Here are the summary steps that, used iteratively, will help you identify the CSFs for your business or project:

**Step One:** Establish your business's or project's mission and strategic goals (click here for help doing this.)

**Step Two:** For each strategic goal, ask yourself "what area of business or project activity is essential to achieve this goal?" The answers to the question are your candidate CSFs.

Tip:

To make sure you consider all types of possible CSFs, you can use Rockart's CSF types as a checklist.

- Industry – these factors result from specific industry characteristics. These are the things that the organization must do to remain competitive.

- Environmental – these factors result from macro-environmental influences on an organization. Things like the business climate, the economy, competitors, and technological advancements are included in this category.

- Strategic – these factors result from the specific competitive strategy chosen by the organization. The way in which the company chooses to position themselves, market themselves, whether they are high volume low cost or low volume high cost producers, etc.
• Temporal – these factors result from the organization's internal forces. Specific barriers, challenges, directions, and influences will determine these CSFs.

**Step Three:** Evaluate the list of candidate CSFs to find the absolute essential elements for achieving success — these are your Critical Success Factors.

As you identify and evaluate candidate CSFs, you may uncover some new strategic objectives or more detailed objectives. So you may need to define your mission, objectives and CSFs iteratively.

**Step Four:** Identify how you will monitor and measure each of the CSFs.

**Step Five:** Communicate your CSFs along with the other important elements of your business or project's strategy.

**Step Six:** Keep monitoring and reevaluating your CSFs to ensure you keep progressing towards your aims. Indeed, whilst CSFs are sometimes less tangible than measurable goals, it is useful to identify as specifically as possible how you can measure or monitor each one.

**Key Points**

Critical Success Factors, also known as Key Results Areas, are the areas of your business or project that are absolutely essential to its success. By identifying and communicating these CSFs, you can help ensure your business or project is well-focused and avoid wasting effort and resources on less important areas. By making CSFs explicit and communicating them with everyone involved, you can help keep the business and project on track towards common aims and goals.

If you're interested in this subject, take a look at our articles on Core Competences, Vision Statements & Mission Statements, and Goal Setting.

This site teaches you the skills you need for a happy and successful career; and this is just one of many tools and resources that you'll find here at Mind Tools. Subscribe to our free newsletter, or join the Mind Tools Club and really supercharge your career!