Using the TOWS Matrix

Developing strategic options from an external-internal analysis

TOWS Analysis is a variant of the classic business tool, SWOT Analysis. TOWS and SWOT are acronyms for different arrangements of the words Strengths, Weaknesses, Opportunities and Threats.

By analyzing the *external environment* (threats and opportunities), and your *internal environment* (weaknesses and strengths), you can use these techniques to think about the strategy of your whole organization, a department or a team. You can also use them to think about a process, a marketing campaign, or even your own skills and experience.

Our article on **SWOT Analysis** helps you perform a thorough SWOT/TOWS Analysis.

At a practical level, the only difference between TOWS and SWOT is that TOWS emphasizes the external environment whilst SWOT emphasizes the internal environment. In both cases, this analysis results in a SWOT (or TOWS) Matrix like the one shown below:

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities</td>
<td>Threats</td>
</tr>
</tbody>
</table>

In this article, we look at how you can extend your use of SWOT and TOWS to think in
detail about the strategic options open to you. While this approach can be used just as well with SWOT as TOWS, it's most often associated with TOWS.

Identifying Strategic Options

SWOT or TOWS analysis helps you get a better understanding of the strategic choices that you face. (Remember that "strategy" is the art of determining how you'll "win" in business and life.) It helps you ask, and answer, the following questions: How do you:

- Make the most of your strengths?
- Circumvent your weaknesses?
- Capitalize on your opportunities?
- Manage your threats?

A next step of analysis, usually associated with the externally-focused TOWS Matrix, helps you think about the options that you could pursue. To do this you match external opportunities and threats with your internal strengths and weaknesses, as illustrated in the matrix below:

**TOWS Strategic Alternatives Matrix**

<table>
<thead>
<tr>
<th>Internal Strengths (S)</th>
<th>External Opportunities (O)</th>
<th>External Threats (T)</th>
<th>Internal Weaknesses (W)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>1.</td>
<td>1.</td>
<td>1.</td>
</tr>
<tr>
<td>2.</td>
<td>2.</td>
<td>2.</td>
<td>2.</td>
</tr>
<tr>
<td>3.</td>
<td>3.</td>
<td>3.</td>
<td>3.</td>
</tr>
<tr>
<td>4.</td>
<td>4.</td>
<td>4.</td>
<td>4.</td>
</tr>
</tbody>
</table>

| SO                      | "Maxi-Maxi" Strategy        | ST                     | "Maxi-Mini" Strategy    |
| "Maxi-Maxi" Strategy    | Strategies that use strengths to maximize opportunities. | Strategies that use strengths to minimize threats. |

| WO                      | "Mini-Maxi" Strategy        | WT                     | "Mini-Mini" Strategy    |
| "Mini-Maxi" Strategy    | Strategies that minimize weaknesses by taking advantage of opportunities. | Strategies that minimize weaknesses and avoid threats. |
This helps you identify strategic alternatives that address the following additional questions:

- **Strengths and Opportunities (SO)** – How can you use your strengths to take advantage of the opportunities?
- **Strengths and Threats (ST)** – How can you take advantage of your strengths to avoid real and potential threats?
- **Weaknesses and Opportunities (WO)** – How can you use your opportunities to overcome the weaknesses you are experiencing?
- **Weaknesses and Threats (WT)** – How can you minimize your weaknesses and avoid threats?

**Using the Tool**

**Step 1:** Print off our free **SWOT Worksheet** and perform a TOWS/SWOT analysis, recording your findings in the space provided. This helps you understand what your strengths and weaknesses are, as well as identifying the opportunities and threats that you should be looking at.

**Step 2:** Print off our free **TOWS Strategic Options Worksheet**, and copy the key conclusions from the SWOT Worksheet into the area provided (shaded in blue).

**Step 3:** For each combination of internal and external environmental factors, consider how you can use them to create good strategic options:

- **Strengths and Opportunities (SO)** – How can you use your strengths to take advantage of these opportunities?
- **Strengths and Threats (ST)** – How can you take advantage of your strengths to avoid real and potential threats?
- **Weaknesses and Opportunities (WO)** – How can you use your opportunities to overcome the weaknesses you are experiencing?
- **Weaknesses and Threats (WT)** – How can you minimize your weaknesses and avoid threats?
Note:
The WT quadrant – weaknesses and threats – is concerned with defensive strategies. Put these into place to protect yourself from loss, however don't rely on them to create success.

The options you identify are your strategic alternatives, and these can be listed in the appropriate quadrant of the TOWS worksheet.

Tip:
When you have many factors to consider, it may be helpful to construct a matrix to match individual strengths and weaknesses to the individual opportunities and threats you've identified. To do this, you can construct a matrix such as the one below for each quadrant (SO, ST, WO, and WT).

<table>
<thead>
<tr>
<th>SO Matrix</th>
<th>S1</th>
<th>S2</th>
<th>S3</th>
<th>S4</th>
</tr>
</thead>
<tbody>
<tr>
<td>O1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>O4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

This helps you analyze in more depth options that hold the greatest promise. Note any new alternatives you identify on the TOWS Strategic Alternatives worksheet.

Step 4: Evaluate the options you've generated, and identify the ones that give the greatest benefit, and that best achieve the mission and vision of your organization. Add these to the other strategic options that you're considering.

Tip:
See the Mind Tools Strategy and Creativity Sections for other useful techniques for
understanding your environment, and analyzing your strategic options. And see our Problem Solving and Decision Making Sections for techniques for understanding these options in more detail, and deciding between them.

Key Points:
The TOWS Matrix is a relatively simple tool for generating strategic options. By using it, you can look intelligently at how you can best take advantage of the opportunities open to you, at the same time that you minimize the impact of weaknesses and protect yourself against threats. Used after detailed analysis of your threats, opportunities, strength and weaknesses, it helps you consider how to use the external environment to your strategic advantage, and so identify some of the strategic options available to you.

Critical Success Factors
Identifying the things that really matter for success.

How will you measure success?

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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 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.

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.)

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 stores Attract new customers</td>
</tr>
</tbody>
</table>
Achieve fresh supplies of “farm to customer” in 24 hours for 75% of products
Sustain successful relationships with local suppliers
Sustain a customer satisfaction rate of 98%
Retain staff and keep up customer-focused training
Expand product range to attract more customers
Source new products locally
Extend store space to accommodate new products and customers
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.
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 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.

Examples of Critical Success Factors

Critical Success Factors (CSF) are indicators that measures business success in accomplishing its strategic plan and objectives. CSF are customized to each organization and help provide focus to steer the organization toward fulfilling its vision through
strategic objectives. Most organizations have between eight and twelve CSF and adjust them as strategy and strategic plans change. It is important to have **SMART Goal** measures to CSF so there is a well defined goal and timeline for achievement.

As a general rule of thumb, CSF should incorporate goals that affect quality, cost, customer satisfaction, market share and increased revenues. So what are some examples of critical success factors?

**Example #1**

<table>
<thead>
<tr>
<th>Non-profit Organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSF</td>
</tr>
<tr>
<td><strong>Number of Volunteers</strong></td>
</tr>
<tr>
<td><strong>People Served</strong></td>
</tr>
<tr>
<td><strong>Number of Donors</strong></td>
</tr>
</tbody>
</table>

**Example #2**

<table>
<thead>
<tr>
<th>Restaurant</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSF</td>
</tr>
<tr>
<td><strong>Customer Satisfaction</strong></td>
</tr>
<tr>
<td>Increased Market Share</td>
</tr>
<tr>
<td>Employee Turnover</td>
</tr>
</tbody>
</table>
Example #3

<table>
<thead>
<tr>
<th>Car Dealer</th>
<th>CSF</th>
<th>Measured by</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Increased Sales</strong></td>
<td>Increase annual number of cars sold by 10% by December 2012.</td>
</tr>
<tr>
<td></td>
<td><strong>Customer Satisfaction</strong></td>
<td>Increase satisfaction ratings by 15 pts from 78 to 93 by June of 2011.</td>
</tr>
<tr>
<td></td>
<td><strong>Service Accuracy</strong></td>
<td>Improve service diagnostic and accuracy by 10% by June of 2011.</td>
</tr>
</tbody>
</table>

Example #4

<table>
<thead>
<tr>
<th>General Business</th>
<th>CSF</th>
<th>Measured by</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Employee Satisfaction</strong></td>
<td>Increase employee satisfaction ratings from 75 to 85 by end of 2012.</td>
</tr>
<tr>
<td></td>
<td><strong>Customer Satisfaction</strong></td>
<td>Increase customer satisfaction ratings from 83 to 91 by end of 2012.</td>
</tr>
<tr>
<td></td>
<td><strong>Market Share</strong></td>
<td>Increase market share from 43% to 51% by June, 2011.</td>
</tr>
<tr>
<td></td>
<td><strong>Defective Products</strong></td>
<td>Decrease number of defective products from 10% to 5% by end of 2012.</td>
</tr>
<tr>
<td></td>
<td><strong>Cost</strong></td>
<td>Reduce supply costs by 15% by end of 2011.</td>
</tr>
</tbody>
</table>

These are merely examples of the kinds of indicators that can be targeted and measured for success. Like any other business goals, CSF are only as good as they are monitored, measured and tracked for performance.
Successful organizations have learned how to tie their CSF to their strategic plans and use **business goals** to accomplish them. This is all part of a well designed **performance management** system.

**What is a Critical Success Factor?**

**Critical Success Factors (CSF’s)** are the critical factors or activities required for ensuring the success of your business. The term was initially used in the world of data analysis, and business analysis.

Most smaller and more pragmatic businesses can still use CSF’s but we need to take a different, more pragmatic approach.

**Critical Success Factors** have been used significantly to present or identify a few key factors that organizations should focus on to be successful.

As a definition, critical success factors refer to “the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department, or organization”.

**Being Practical**

As you read this and many other resources on the internet you will discover that there are potentially a confusing variety of definitions and uses of Critical Success Factors.

Before you start the journey looking at CSFs it is important to realize that the specific factors relevant for you will vary from business to business and industry to industry. The key to using CSFs effectively is to ensure that your definition of a factor of your organization’s activity which is central to its future will always apply.

Therefore success in determining the CSFs for your organization is to determine what is central to its future and achievement of that future.
This page is primarily written for students of management and business, to keep things simple for application in smaller organizations remember to only have 5-7 critical factors for YOUR organization, and I am sure one of those will be cashflow!

**How are Critical success Factors important to your business?**

Identifying CSF’s is important as it allows firms to focus their efforts on building their capabilities to meet the CSF’s, or even allow firms to decide if they have the capability to build the requirements necessary to meet Critical Success Factors (CSF’s).

**Academic Background/ History**

The principle of identifying critical success factors as a basis for determining the information needs of managers was proposed by RH Daniel (1961 Harvard Business Review – HBR) as an interdisciplinary approach with a potential usefulness in the practice of evaluation within library and information units but popularized by F Rockart (1979 Harvard Business Review – HBR). In time many academics have applied the methodology increasingly outside the educational establishment.

The idea is very simple:

in any organization certain factors will be critical to the success of that organization, in the sense that, if objectives associated with the factors are not achieved, the organization will fail – perhaps catastrophically so.

The following as an example of generic CSF’s:

- New product development,
- Good distribution, and
- Effective advertising

Factors that remain relevant today for many organizations.
The actual development or history of the approach

With a phrase like *Critical Success Factors* having ‘common usage’ within technical environments it is difficult to identify its true history in the context of business, management and human resources. One test for originality is the use of the TLA (Three Letter Acronym) of CSF. And one of the earliest uses of this is by

*Chief executives define their own data needs.* By: Rockart, John F.. *Harvard Business Review, Mar/Apr79, Vol. 57 Issue 2, p81-93, 13p*

In this earlier work:


Ronald does not use the term CSF or even the phrase Critical Success factors, but does discuss critical elements and non critical elements of a business leading to “controlling competitive success” Daniel also uses the term “success factors” in the context that we would understand today.

Predating these pieces is a short entry:

*THE CASE STUDY METHOD AND THE ESTABLISHMENT OF STANDARDS OF EFFICIENCY.* By: Lebreton, Preston P.. *Academy of Management Proceedings, 1957, p103-103, 1p*

In which students looking into the efficiency of businesses for case studies are recommended to look at “*the factors which seem to be paramount in determining success in this industry*” this is bay far the earliest mention of what we today know as “Critical Success factors”

To our mind the first published work of this approach is by Rockart. This pages reproduced from RapidBI.com
Other sources of research:


This publication seems to be one of the earliest and widest cited books in the early days of CSFs.


In this article Spencer asks the question: “What are the essential factors that produce success in my company?” which for 1955 is getting close to the beginnings of CSFs – so for those interested in the early beginnings worth a look.

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**Types of Critical Success Factor**

There are four basic types of CSF’s

They are:

1. **Industry CSF’s** resulting from specific industry characteristics;
2. **Strategy CSF’s** resulting from the chosen competitive strategy of the business;
3. **Environmental CSF’s** resulting from economic or technological changes; and
4. **Temporal CSF’s** resulting from internal organizational needs and changes.

Things that are measured get done more often than things that are not measured.

Each CSF should be measurable and associated with a target goal. You don’t need exact measures to manage. Primary measures that should be listed include critical success levels (such as number of transactions per month) or, in cases where specific
measurements are more difficult, general goals should be specified (such as moving up in an industry customer service survey).

Definitions

**Critical Success Factor**
an element of organizational activity which is central to its future success. Critical success factors may change over time, and may include items such as product quality, employee attitudes, manufacturing flexibility, and brand awareness. This can enable analysis.

**Critical Success Factor**
any of the aspects of a business that are identified as vital for successful targets to be reached and maintained. Critical success factors are normally identified in such areas as production processes, employee and organization skills, functions, techniques, and technologies. The identification and strengthening of such factors may be similar..

**Critical Success Factor (CSF) or Critical Success Factors**
is a business term for an element which is necessary for an organization or project to achieve its mission. For example, a CSF for a successful Information Technology (IT) project is user involvement.

**Using the term**
The term “Critical Success Factor” is used differently, due to ambiguity of the word “critical”, back and forth translations into other languages and interpretation when analyzed in portfolios:

1. Definition 1: “critical” = important, key, determining, vital, strategic, etc.
2. Definition 2: “critical” = alarming, anxious, etc. (as shown within the diagram = top left):

Five key sources of Critical Success Factors

MAIN ASPECTS OF Critical Success Factors and their use in analysis
CSF’s are tailored to a firm’s or manager’s particular situation as different situations (e.g. industry, division, individual) lead to different critical success factors. Rockart and Bullen presented five key sources of CSF’s:

1. The industry,
2. Competitive strategy and industry position,
3. Environmental factors,
4. Temporal factors, and
5. Managerial position (if considered from an individual’s point of view). Each of these factors is explained in greater detail below.

<table>
<thead>
<tr>
<th>The Industry</th>
<th>Critical success factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industry: There are some CSF’s common to all companies operating within the same industry. Different industries will have unique, industry-specific CSF’s.</td>
<td></td>
</tr>
</tbody>
</table>

An industry’s set of characteristics define its own CSF’s. Different industries will thus have different CSF’s, for example research into the CSF’s for the Call centre, manufacturing, retail, business services, health care and education sectors showed each to be different after starting with a hypothesis of all sectors having their CSF’s as market orientation, learning orientation, entrepreneurial management style and organizational flexibility.

In reality each organization has its own unique goals so while there may be some industry standard – not all firms in one industry will have identical CSF’s. Some trade associations offer benchmarking across possible common CSF’s.

<table>
<thead>
<tr>
<th>Competitive strategy and industry position</th>
<th>Critical success factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive position or strategy: The nature of position in the marketplace or the adopted strategy to gain market share gives rise to CSF’s. Differing strategies and positions have different CSF’s.</td>
<td></td>
</tr>
</tbody>
</table>

Not all firms in an industry will have the same CSF’s in a
A firm’s current position in the industry (where it is relative to other competitors in the industry and also the market leader), its strategy, and its resources and capabilities will define its CSF’s. The values of an organization, its target market etc will all impact the CSF’s that are appropriate for it at a given point in time.

| Environmental Factors | Environmental changes: Economic, regulatory, political, and demographic changes create CSF’s for an organization. These relate to environmental factors that are not in the control of the organization but which an organization must consider in developing CSF’s Examples for these are the industry regulation, political development and economic performance of a country, and population trends. An example of environmental factors affecting an organization could be a de-merger. |
| Temporal Factors | Temporal factors: These relate to short-term situations, often crises. These CSF’s may be important, but are usually short-lived. Temporal factors are temporary or one-off CSF’s resulting from a specific event necessitating their inclusion. |
Theoretically these would include a firm which “lost executives as a result of a plane crash requiring a critical success factor of rebuilding the executive group”.

Practically, with the evolution and integration of markets globally, one could argue that temporal factors are not temporal anymore as they could exist regularly in organizations.

For example, a firm aggressively building its business internationally would have a need for a core group of executives in its new markets. Thus, it would have the CSF of “building the executive group in a specific market” and it could have this every year for different markets.

<table>
<thead>
<tr>
<th>Managerial Position</th>
<th>Managerial role: An individual role may generate CSF’s as performance in a specific manager’s area of responsibility may be deemed critical to the success of an organization.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical success factor</td>
<td>Managerial position. This is important if CSF’s are considered from an individual’s point of view.</td>
</tr>
<tr>
<td>Critical success factor</td>
<td>For example, manufacturing managers who would typically have the following CSF’s: product quality, inventory control and cash control.</td>
</tr>
<tr>
<td></td>
<td>In organizations with departments focused on customer relationships, a CSF for managers in these departments may be customer relationship</td>
</tr>
</tbody>
</table>
How to write a good Critical Success Factor – CSF’s

In an attempt to write good CSF’s, a number of principles could help to guide writers. These principles are:

- Ensure a good understanding of the environment, the industry and the company – It has been shown that CSF’s have five primary sources, and it is important to have a good understanding of the environment, the industry and the company in order to be able to write them well. These factors are customized for companies and individuals and the customization results from the uniqueness of the organization.

- Build knowledge of competitors in the industry – While this principle can be encompassed in the previous one, it is worth highlighting separately as it is critical to have a good understanding of competitors as well in identifying an organization’s CSF’s. Knowing where competitors are positioned, what their resources and capabilities are, and what strategies they will pursue can have an impact on an organization’s strategy and also resulting CSF’s.

- Develop CSF’s which result in observable differences – A key impetus for the development of CSF’s was the notion that factors which get measured are more likely to be achieved versus factors which are not measured. Thus, it is important to write CSF’s which are observable or possibly measurable in certain respects such that it would be easier to focus on these factors. These don’t have to be factors that are measured quantitatively as this would mimic key performance indicators; however, writing CSF’s in observable terms would be helpful.

Develop CSF’s that have a large impact on an organization’s performance – By definition, CSF’s are the “most critical” factors for organizations or individuals. However, due care should be exercised in identifying them due to the largely qualitative approach to identification, leaving many possible options for the factors and potentially
results in discussions and debate. In order to truly have the impact as envisioned when CSF’s were developed, it is important to thus identify the actual CSF’s, i.e. the ones which would have the largest impact on an organization’s (or individual’s) performance.

Finding information for writing Critical Success Factors (CSF’s)

For the organization following the CSF method, the foundation for writing good CSF’s is a good understanding of the environment, the industry and the organization. In order to do so, this requires the use of information that is readily available in the public domain. Externally, industry information can be sourced from industry associations, news articles, trade associations, prospectuses of competitors, and equity/analyst reports to name some sources. These would all be helpful in building knowledge of the environment, the industry and competitors. Internally, there should be enough sources available to management from which to build on their knowledge of the organization. In most cases, these won’t even have to be anything published as managers are expected to have a good understanding of their organization. Together, the external and internal information already provides the basis from which discussion on CSF’s could begin.

The information mentioned above can largely be accessed through the internet. Other sources which would be helpful, and not necessarily accessible through the internet, are interviews with buyers and suppliers, industry experts and independent observers.

CSF as an activity statement:

A “good” CSF begins with an action verb and clearly and concisely conveys what is important and should attended to. Verbs that characterize actions: attract, perform, expand, monitor, manage, deploy, etc. (“poor CSFs” start with: enhance, correct, upgrade, …)

Examples: “monitor customer needs and future trends”
CSF as a requirement:

After having developed a hierarchy of goals and their success factors, further analysis will lead to concrete requirements at the lowest level of detail.

CSF as a key influence factor:

Some CSFs might influence other CSFs or factors such as markets, technologies, etc. Such CSFs could be rephrased into “key influence factors” For example: “physical size” or “trained staff”

**Key Performance Indicators (KPI’s) and Critical Success factors**

A critical success factor is not a Key Performance Indicator (KPI). Critical success factors are elements that are vital for a strategy to be successful. KPI’s are measures that quantify objectives and enable the measurement of strategic performance.

For example:

- KPI = number of new customers/ response time
- CSF = installation of a call centre for providing quotations

**A Critical Success Factor Method - Start with a vision:**

- Mission statement
- Develop 5-6 high level goals
- Develop hierarchy of goals and their success factors
- Lists of requirements, problems, and assumptions
- Leads to concrete requirements at the lowest level of decomposition (a single, implementable idea) Along the way, identify the problems being solved and the assumptions being made Cross-reference usage scenarios and problems with requirements
- Analysis matrices
- Problems vs. Requirements matrix
• Usage scenarios vs. Requirements matrix
• Solid usage scenarios
• Relationship to Usage Scenarios
• Usage scenarios or “use cases”; provide a means of determining:
  o Are the requirements aligned and self-consistent?
  o Are the needs of the user being met as well as those of the enterprise?
  o Are the requirements complete
• Results of the Analysis

Using Critical Success Factors for Strategic and Business Planning

For other strategic business planning models please see our management models page

back to top
Examples of Critical Success factors

Statistical research into CSF’s on organizations has shown there to be seven key areas. These CSF’s are:

1. Training and education
2. Quality data and reporting
3. Management commitment, customer satisfaction
4. Staff Orientation
5. Role of the quality department
6. Communication to improve quality, and
7. Continuous improvement

These were identified when Total Quality was at its peak, so as you can see have a bias towards quality matters. You may or may not feel that these are right or indeed critical for your organization.

The Critical Success Factors we have identified and use in the BIR process are captured in the mnemonic **PRIMO-F**

1. People – availability, skills and attitude
2. Resources – People, equipment, etc
3. Innovation – ideas and development
4. Marketing – supplier relation, customer satisfaction, etc
5. Operations – continuous improvement, quality,
6. Finance- cash flow, available investment etc

Following is a sample list of the more common success factors.

This list should serve only as a guide to get you started. Some of these factors will be irrelevant in a particular industry or competitive situation; others may need to be added, as appropriate.
The factors are grouped into three categories of organizational competency, you will use your own differentiators.

**Examples of Success Factors:**

**Understanding of Market:**

- Sensitivity to changing market needs
- Understanding of how and why customers buy
- Innovative response to customer needs
- Consumer loyalty
- Linkage of technology to market demand
- Link marketing to production
- Investment in growth markets
- Knowing when to shift resources from old to new products
- Long-term view of market-development and resources
- Ability to target and reach segments of market
- Identify and exploit global market
- Product-line coverage
- Short time to market for new products
- Lack of product-line overlap
- Identification and positioning to fulfill customer needs
- Unique positioning advantage
- Strong brand image and awareness
- Understanding of competitors’ capabilities and decision rules
- Sensitivity to cues for co-operation
- Prevention of price wars
- Aggressive commitment when required
- Willingness to form inter company coalitions
- Maximizing payback from marketing response to resources

**Marketing Variables:**
• Distribution coverage, delivery speed, and prominence
• Co-operative trade relations
• Advertising budget and copy effectiveness
• Promotion magnitude and impact
• Sales force size and productivity
• Customer service and feedback
• High product quality
• Patent protection
• Low product cost
• Ability to deliver high value to user
• Large marketing resource budget

**Decision making:**

• Marketing research quality
• Information system power
• Analytic support capability
• Develop human resources
• Attract the best personnel
• Managerial ability and experience
• Quick decision and action capability
• Organizational effectiveness
• Learning systematically from past strategies
Sample Critical Success Factor templates

Critical Success Factor analysis – Template 1

<table>
<thead>
<tr>
<th>Critical Success Factor</th>
<th>Source of CSF</th>
<th>Primary Measures &amp; Targets</th>
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<tbody>
<tr>
<td></td>
<td>Industry, Strategy, Environmental, Temporal [delete as appropriate]</td>
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<td>Industry, Strategy, Environmental, Temporal [delete as appropriate]</td>
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</table>
Critical Success Factor analysis – Template 2

Critical Success Factors for _________________ Dated ____________

<table>
<thead>
<tr>
<th>Success Criteria</th>
<th>Potential Benefit</th>
<th>Approach</th>
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Critical Success Factor analysis – Template 3

What do you want to be?

**Vision / Mission / Strategic Goals / Critical Success Factors**

**Vision / Mission / Profile**

What do we want to become / what is our purpose:

**Mission:**

**Vision:**

**Strategic Goals**

What do we have to do to get there:

**Strategic Goal #1:**
### Outcomes / Critical Success Factors

How we will get there:

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**Strategic Goal #2:**

### Outcomes / Critical Success Factors

How we will get there:

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<td>Strategic Goal #3:</td>
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<td><strong>Outcomes / Critical Success Factors</strong></td>
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<td>How we will get there:</td>
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<th>Strategic Goal #4:</th>
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<tr>
<td><strong>Outcomes / Critical Success Factors</strong></td>
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<tr>
<td>How we will get there:</td>
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</table>
Critical Success Factor analysis – Template 4

What should you measure?

<table>
<thead>
<tr>
<th>Critical Success Factor</th>
<th>Measures</th>
<th>Supporting Measure Name</th>
<th>Definition / Formula</th>
<th>Is it a true indicator of this CSF?</th>
<th>Owner (who’s accountable?)</th>
<th>Is Data Available?</th>
<th>If yes, Data Source?</th>
<th>If no, is it possible to collect?</th>
<th>Quality of Data?</th>
<th>Targets Available?</th>
<th>Targe ts Discard? Future? Keep?</th>
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Measure Identification Worksheet

This worksheet is helpful in creating the list of measures to support each Critical Success Factor.
Critical Success Factor & their analysis in projects

Research has shown that to complete a project successfully the following critical success factors apply:

1. Match Changes to Vision
2. Define Crisp Deliverables
3. Business Need Linked to Vision
4. Have a Formal Process to Define Vision
5. Organizational Culture Supports Project Management

You can have all of the above elements, but if you lack an engaged and involved business sponsor, your chances for success are greatly lessened.
According to a Gartner Institute study, 50% of all projects were delivered above schedule and/or budget.

Many projects were delivered with significant functionality missing, often cancelled after requirements definition.

In 2001, the Gartner group updated their research to include lack of executive sponsorship as a major contributor to project failures.

According to a 2000 Standish Group Report, the top success factors for projects were as follows. The list is in decreasing order of percentage factors responsible for success.

% – Success Factors

- 18% Executive support
- 16% User involvement
- 14% Experienced project manager
- 12% Clear business objectives
- 10% Minimized scope
- 8% Standard software infrastructure
- 6% Firm basic requirements
- 6% Formal methodology
- 5% Reliable estimates
- 5% Other criteria
The 3 Critical Success Factors

If I have to choose 3 critical success factors in achieving success in your career, these would be my choices – Belief, Action and Discipline.

Of course, I do not deny that there are other critical factors that can determine one’s career success. My opinion is that if there were such a thing as simplifying the factors that determines success, then these would be the three.

1. Belief
In order for you to achieve anything in your career, in fact your life - you have to first believe. You need to believe in yourself that you can achieve it. You need to have faith in your goals and your path to that success. Once your mind is convinced that you can do it, nothing is impossible. Belief is the ‘mind and heart’ part of your 3 critical success factors. It is the ‘think and feel’ part of it.

2. Action
Nothing moves until you do something. Believing alone is not going to achieve anything for you. It must be followed up with concrete action. Your plan for career success is nothing unless you act upon it whole-heartedly. When you act upon what you believe, there is focus. And there is energy. That energy propels you to greater heights. Action is the ‘hands and legs’ part of your 3 critical success factors. It is the ‘do’ part of it.

3. Discipline
Action in itself is not enough to increase the chances of success. But disciplined action would do that. One of the main reasons why people fail is that there is no discipline in their action. They give themselves excuses why they cannot consistently follow up on their plans. There is no self-control to their action. You would need some form of sacrifice if you were to achieve a certain degree of success in your career. For example, sacrificing some personal time to do initiatives. That sacrifice takes discipline. Discipline also ensures that you can be persistent. Especially when faced with challenges after challenges in their journey to success.

One of my favourite quotes is by Calvin Coolidge:
“Nothing in this world can take the place of persistence. Talent will not; nothing is more common than unsuccessful people with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent. The slogan "press on" has solved and always will solve the problems of the human race.”

Discipline is the ‘untiring, determined hands and legs’ part of your 3 critical success factors. It is the ‘no excuse, persistently doing and doing’ part of it.

When what you think, feel and do becomes one, there is nothing that can stop you from achieving career success. In fact, these are my 3 critical success factors in life.

**More Articles Related to Critical Success Factors**

**What is Your Definition of Success?**
Before you can achieve success, you need to define what success means to you.

**You Are Your Own Career Success Maker**
It’s no big secret that you are your own career success maker. Here are 4 reasons why.

**Define Success: Is Achieving A Goal Really A Success?**
How does one define success? This particular framework I read helped me shape my definition of success.

**Career Success – 7 Basic Points You Probably Never Thought About**
To achieve career success, there are a few concepts you need to understand. What
What habits do these successful people have in common?

Attitudes In The Workplace That Helps You Pursue Career Success
What are the attitudes in the workplace that helps you pursue career success?

Key Success Factor: The One Factor that Ensures Your Dream of Career Success Is Alive
There are many factors that determine your career success. What is the key success factor that ensures your dream of career success is alive?

Success Recipe – What Do You Want To Cook? (Part 1)
Before you ask for a success recipe, you need to decide what is the success dish you are going to cook?

Success Recipe – The Key Ingredients For Your Career Success (Part 2)
You should know what success recipe you would choose once you have decided on your success dish. Here are some career success ingredients you need.

Success Recipe – Planning Your Career Success Dish (Part 3)
Your career success recipe is made out of many components. You should know by now what success dish you want to cook. You should also know the key ingredients needed in this success recipe.

Success Recipe – Enjoying the Process of Career Success (Part 4)
Enjoying the process of career success is the next step. Do you know what it takes in this process and what is the success recipe?

Success Recipe – Pushing for Career Success (Part 5)
Striking a balance while pushing for career success is the last part of your career success recipe. You have now seen an overview of what a career success recipe consists.
Famous Quotes About Success
Sometimes it is inspiring to read what successful people say about success. Here is a compilation of over 130 famous quotes about success.

9 Secrets to Career Success (Part 1)
This is Part 1 of the 9 crucial things you need to know for career success.

9 Secrets to Career Success (Part 2)
This is Part 2 of the 9 crucial things you need to know for career success.

9 Secrets to Career Success (Part 3)
This is Part 3 of the 9 crucial things you need to know for career success.

My 3 Critical Success Factors
If I have to choose 3 critical success factors in achieving success in your career, these would be my choices.
Innovation's Nine Critical Success Factors

3:47 PM Tuesday July 5, 2011

Note: This post was written with Mark Sebell and Jay Terwilliger, managing partners at Creative Realities, Inc., a Boston-based innovation management collaborative.

Your organization won't innovate productively unless some underlying factors are in good shape. If "10" is outstanding and "1" is poor, how do you rate your organization on each of these?

1. A compelling case for innovation. Unless people understand why innovation is necessary, it always loses to core business or the performance engine in the battle for resources. The performance engine is bigger, is the center of power, and can justify resources based on short term financial results. So the case for innovation has to be made, and it better be compelling.

2. An inspiring, shared vision of the future. Most companies anticipate the future based upon the past. Not surprisingly, the company always looks relevant in that future. However, if the past is suspended and a holistic view of the future is envisioned, then it's easier to recognize tidal forces of change and (surprise!) the company may not look so relevant in that future. For this process, it is best to take a 10-20-year perspective. It is not about predicting the future. It is about developing hypotheses about the future.

3. A fully aligned strategic innovation agenda. As the Cheshire Cat said to Alice, "If you don't know where you're going, any road will get you there." Innovation is a journey into the unknown and there are many paths open to the innovator. Before starting it is essential to know things like: 1) What business are we in now and want to be in going forward? 2) What is our risk tolerance for pursuing big, game-changing ideas? In our experience, the #1 reason why game-
changing innovation fails is because time is not invested up front to align the organization behind one strategic innovation agenda.

4. **Visible senior management involvement.** Incremental innovation can be pushed down into the organization where the strategy is clear, decision metrics are understood, and management models like Stage-Gate create a level playing field. However, for game-changing innovation it's the opposite. The strategy is fuzzy, and traditional metrics can't be applied early in the process, because that which is truly new has no frame of reference nor benchmark. So Stage-Gate models can unintentionally kill potentially big ideas. The pursuit of game-changing innovation only works when the person who can say yes to big spending visibly sponsors and participates in the work and provides air cover to the work team.

5. **A decision-making model that fosters teamwork in support of passionate champions.** Breakthroughs cannot survive without a decision-making model that is different from the one used for incremental innovation. It's not about metrics; it's about “the educated gut.” Old models don't work. Autocratic decision-making fails to engage all of the critical stakeholders, while consensus sinks every decision to its lowest possible common denominator. It doesn't work without a passionate champion who can make decisions and engage the team to support those decisions.

6. **A creatively resourced, multi-functional dedicated team.** The best teams have three ingredients: project champions who can make decisions during working sessions and advocate for them with executive sponsors, relevant capabilities and expertise, and naïve, seemingly irrelevant diversity. Most often a breakthrough starts with the naïve and then the experts determine how to do it.

7. **Open-minded exploration of the marketplace drivers of innovation.** Organizational change is driven by marketplace factors: customers, competition,
government regulation, and science and technology. Only by exploring these drivers of change can a company begin to recognize what it must do to be relevant in its envisioned future.

8. Willingness to take risk and see value in absurdity. Albert Einstein once said, "If at first an idea doesn't seem totally absurd there's no hope for it." Innovators understand that you have no choice; you must take risks, often big ones, by moving toward the absurd, the "seemingly" irrelevant, in order to create pre-emptive competitive advantage while competitors move in the "obvious" direction.

9. A well-defined yet flexible execution process. Companies that have been in business for a while are good at executing on small, incremental changes. And that's challenging enough. What they don't know how to do is nurture, support, and modify potentially big new ideas with a more flexible execution process. There are three elements to innovation execution. First, build a dedicated team for innovation. Breakthroughs cannot happen inside the performance engine — it is built for efficiency, not for innovation. Second, link the dedicated team to the performance engine so that it can leverage key assets of the core business. Third, evaluate the innovation leader for managing disciplined experiments, not for hitting short-term profit goals.

If your personal ratings total more than 70, you work in a pretty innovative environment. If your ratings fall below 70, then you may want to think about how well you are poised for the future.

How Your Management Team Develops Your Key Success Factors

On the first morning of your strategy sessions, ask your planning team an important question. On a flip-chart easel pad, write...
For our organization to be successful, we must be especially good at the following activities...
1. ____________________________________
2. ____________________________________
3. ____________________________________

Then challenge your team to provide two or three answers (but no more) to that question.

Ask everyone in the room to first spend a few moments thinking about the question and writing their individual answers. Then have each person read their own answers aloud. Next discuss any differences of opinion, and finally arrive at a consensus. Record your team’s final answers on a flipchart easel and entitle the list "Key Success Factors," or simply "KSFs."

See what you’ve done? You’ve developed a short list of “activities at which we’ve got to be especially good.” And that’s important. For you’ll next conduct your Situation Analysis.” And when itemizing your internal strengths and internal weaknesses, you’ll want to keep your lists short and well focused. You’ll want to include only those strengths and weaknesses which relate to your key success factors. Thus your key success factors will serve an a guide in determining which few potential strengths, and which few potential weaknesses you actually include in your lists.

**Maintaining Focus**

It’s important to limit your list of Key Success Factors to two, or at most three. Here’s why...

In creating a list of “activities at which we’ve got to be especially good,” management teams frequently include six or eight activities. Typically, they’ll list, “understanding the customer,” “producing a low-cost product,” “managing expenses,” “hiring good people,” and “developing innovative marketing programs.”

The lists are certainly complete. Too complete! They’re so all-inclusive, they’re not much more than “apple pie and motherhood.” And they certainly don’t imply focus.

But focus is exactly what’s required for success. Focus on a few activities – on those most important activities – on those two or three (no more) key success factors. In any business, there are two or three activities which are the primary determinants of success. If your company is especially good at those activities and just mediocre at everything else, your company will be successful. Yes, you read it right, mediocre at everything else.
Examples of Key Success Factors

In the real estate development industry, acquiring land and maintaining liquidity are the two key success factors. If every other factor concerning the business of the development company is just average, but the land is well located and the firm maintains adequate liquidity, the company will do well. Not that the developer shouldn't attempt to deliver a well-constructed product with good financing. He should. But nothing is a greater determinant of success than having, or not having, the right piece of land, and remaining in a liquid position.

Knowing the importance of land acquisition to his company's success, the Chairman of one of our real estate development clients instructed his managers, "Before you commit to the purchase of any piece of land, I want to walk on it."

In the computer software market, the key success factors are establishing efficient channels of distribution and providing after-sales support. Too much concern about writing "efficient code" may be a technical nicety, but from a competitive point of view, it's a waste of resources.

In the strategy consulting business, the key success factors are communicating with executive decision makers and helping managers think more deeply about their enterprise than they ever have before. Time spent on controlling expenses should be kept to a minimum.

Be sure you're aware of the key success factors in your business. Then make sure you're very good at those specific activities. And don't spend a bunch of resources getting too good at a lot of things that aren't as important.

Article adapted from Bill Birnbaum's new book, Strategic Thinking: A Four Piece Puzzle