Measuring Marketing Performance: CSFs, Objectives and KPIs
Joe Shami
MBA MSc DipM PGCertHE FHEA

Studied MSc in Information Systems, CIM DipM and later with an MBA.

As the general manager for specialised management consultancy, working closely on the Royal Bank of Scotland Client SME owners

Own consultancy providing help and advising a variety of business

18 Years experience of teaching at both UG and PG
From Mission to Actions

Mission & Values - *Why we exist and what we want to be*

Core Values - *What we believe in*

Objectives - *What we’re going to achieve*

Strategy - *Our game plan*

Tactics – *How we’re going to do it*

Balanced Scorecard - *Implementation & Control*

LEADS TO

**Strategic Outcomes**

* Satisfied Stakeholders  
* Delighted Customers  
* Effective Processes  
* Motivated, competent staff
Mission statement

• Establish what the company will and won't do
• Why do we do what we do?
• who do we serve?
• What distinguishes us
Components of a Mission

• Strategic intent – a vision of where you want to be
• Market Definition – customer targets
• Competitive position – differential advantage
• Distinctive competences – core skills
• Company values – guiding principles
• Boundaries – what it’s interested in doing and what it isn’t (scope)
## Considerations When Developing a Mission

<table>
<thead>
<tr>
<th>Focus</th>
<th>Internal</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scope</td>
<td>Narrow</td>
<td>Broad</td>
</tr>
<tr>
<td>General role;</td>
<td>• What sort of organisation do we want to be?</td>
<td>Domain;</td>
</tr>
<tr>
<td>Values</td>
<td>• What do we see as important?</td>
<td>Critical Success Factors</td>
</tr>
<tr>
<td></td>
<td>• How should our people behave?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• What do we want to be known for?</td>
<td></td>
</tr>
</tbody>
</table>

Critical Success Factors

• "the limited number of areas in which satisfactory results will ensure successful competitive performance for the individual, department or organization.

• Critical success factors are the few key areas where 'things must go right' for the business to flourish and for the manager's goals to be attained." (Bullen & Rockart, 1981, p. 7).

What are CSF?

- The key areas of activity where performance will result in the success or failure of an organisation, service or unit
- Areas that need constant and careful attention from managers and continual measurement of performance
- A set of distinct and specific issues that taken together are both necessary and sufficient to achieve the mission
- CSF are those factors that are either particularly valued by customers or which provide a significant advantage in terms of cost.
- CSF are likely to be an important source of competitive advantage if an organisation has them (or a disadvantage if an organisation lacks them).
- Different industries and markets will have different critical success factors
  - In low cost airlines the CSFs will be punctuality and value for money
  - Whereas in full-service airlines it is all about quality of service.
- CSF are often used to denote a mission statement, the vision of an organization, or simply for a business strategy.
- CSFs represent something that has to be in place for an objective/project to succeed
- Achieving CSFs drives your strategy forward.
- But typically only have binary values—yes and no.
Rockart distinguishes between 5 sources of CSF

1. The industry, e.g., demand characteristics, technology employed, product characteristics etc. These can also affect all competitors within an industry, but their influence will vary according to the characteristics and sensitivity of individual industry segments.

2. Competitive strategy and industry position of the business in question, which is determined by the history and competitive positioning in the industry.

3. Environmental factors are the macroeconomic influences that affect all competitors within an industry, and over which the competitors have little or no influence, e.g., demographics, economic and government legislative policies etc.

4. Temporal factors, which are areas within a business causing a time-limited distress to the implementation of a chosen strategy, e.g., lack of managerial expertise or skilled workers.

5. Managerial position, i.e., the various functional managerial positions in a business have each their generic set of associated critical success factors.
Guidelines for CSF

• Aim to produce a maximum of 8 statements
• each statement must identify a new one specific factor
• There must be clear concise and easy to understand so that meanings are not open to different interpretations
• Statements can cover both strategic and tactical issues
• They are often expressed in the form of “we must have” or “we need”

(Caralli, 2004; Oakland 2004)
2 main recognised methods of creating CSF

quick method

• group brainstorming
• Can be done in a relatively short time

Johnson and Scholes suggest a six step process for developing CSFs:

Step 1: Identify the success factors that are critical for profitability
Step 2: Identify what is necessary to achieve a superior performance in the CSF
Step 3: Develop level of critical competence so that competitive advantage is obtained
Step 4: Identify appropriate KPI for each critical competence
Step 5: Developing critical competencies that competitors find it difficult to match
Step 6: Monitor the firm’s & its competitors’ achievements

Quick brainstorming method

1. Brainstorm to produce a list of all factors which have an impact on your service’s information skills programme
2. Group the impacts into related areas
3. Create a statement for each area
4. Agree a set of about six statements for your group by eliminating duplication and the less important
5. Suggest practical performance measures relating to each statement

(Town, 2003)
2 main recognised methods of creating CSF

**In depth method**
- Interviews and document analysis
- Six stage process
- More time consuming
- Needs research skills

**Other methods**
- Individual or group reflections
- In questionnaire surveys to identify service priorities
Benefits of CSF

Establishing critical SuccessFactors will make your key areas of activity explicit you can then use your CSF:

• to inform your strategies and plans
• to focus your resources and activities
• to aid communication with stakeholders
• to establish performance measures for Quality management
Objectives

• They should be more precise than mission and goals
• should be quantifiable measures of the organisation goals against which actual performance can be assessed
SMART
- Specific
- Measurable
- Achievable
- Realistic
- Time-bound

FAST
- Frequently discussed
- Ambitious
- Specific
- Transparent

“With Goals, FAST Beats SMART” by Donald Sull and Charles Sull, MIT Sloan Management Review, June 2018
sloanreview.mit.edu/x/59432
Both SMART and FAST

- FAST is great for vision setting
  - Reflects aspirations
  - Discussion and transparency beneficial
- SMART reflects measurement
  - Well-defined, realistic goals
  - Translates well to a scorecard
Make objectives fast not smart

According to conventional wisdom, goals should be specific, measurable, achievable, realistic, and time-bound. But SMART goals undervalue ambition, focus narrowly on individual performance, and ignore the importance of discussing goals throughout the year. To drive strategy execution, leaders should instead set goals that are FAST — frequently discussed, ambitious, specific, and transparent.

<table>
<thead>
<tr>
<th>Definition</th>
<th>Benefits</th>
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<tbody>
<tr>
<td>Frequently discussed Goals should be embedded in ongoing discussions to</td>
<td>• Provides guidance for key decisions.</td>
</tr>
<tr>
<td>review progress, allocate resources, prioritize initiatives, and provide</td>
<td>• Keeps employees focused on what matters</td>
</tr>
<tr>
<td>feedback.</td>
<td>most.</td>
</tr>
<tr>
<td>Ambitious</td>
<td>• Links performance feedback to concrete</td>
</tr>
<tr>
<td>Objectives should be difficult but not impossible to achieve.</td>
<td>goals.</td>
</tr>
<tr>
<td>Specific                     Goals are translated into concrete metrics and</td>
<td>• Evaluates progress and course corrects.</td>
</tr>
<tr>
<td>milestones that force clarity on how to achieve each goal and measure</td>
<td></td>
</tr>
<tr>
<td>progress.</td>
<td></td>
</tr>
<tr>
<td>Transparent                  Goals and current performance should be made</td>
<td>• Boosts performance of individuals and teams.</td>
</tr>
<tr>
<td>public for all employees to see.</td>
<td>• Minimizes the risk of sandbagging.</td>
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<td></td>
<td>• Forces broader search for innovative ways to</td>
</tr>
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<td></td>
<td>achieve goals.</td>
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OKRs Vs. KPIs: Breaking Down The Difference

• OKR is the acronym for objective and key results (an objective is tied to key results)
• OKR is a strategic framework, whereas KPIs are measurements that exist within a framework.
• OKR is a simplistic, black-and-white approach that uses specific metrics to track the achievement of a goal.
• An organization will have 3 to 5 high-level objectives and 3 to 5 key results per objective.
• Key results are numerically graded to obtain a clear performance evaluation for the objective. OKRs are:
  • Always quantifiable and Timelined
  • Able to be objectively scored on a 0-1 or 0-100 scale
  • Ambitious (if you easily achieve your objective, it wasn’t aggressive enough)

Objective: Become the market leader in our industry.

• **Key Result #1:** Record $100 million in revenue by 2021.
• **Key Result #2:** Increase staff by 45 percent by 2021.
• **Key Result #3:** Increase market cap sufficiently to enter FTSE250 by 2021.

https://www.clearpointstrategy.com/okrs-vs-kpis/
Mission statement to KPI

• Formulate a mission statement
• Create key performance indicators for a balanced scorecard
• Mission statement defines what actions are important to the organisation
• KPI are the measures, rewards, the actions
Link between CSF and KPI

- **Answer a question**: What should be done in order to get successful?
- **The main role**: Specify requirements for the success
- **Type of measurement**: Qualitative
- **Dependency**: Standalone
- **Business insights**: Use Insights
- **KPIs**: Generate Insights
- **Are we successful?**
- **Indicate what we are doing**: Quantitative
- **Depend on benchmarks**
Defining Key Performance Indicators

• Specific, measurable goals
• Directly tied to theory of the business
• Reflect goals within perspectives
• Incentivise desired behaviour
• Lead to desired results
Key Performance Indicators

• KPIs, on the other hand, are measures used to quantify management objectives.
• KPIs are derived from CSFs.
• KPIs indicate a defined performance level required to achieve a factor or set of factors critical to the success of an objective.
• Metric used to evaluate factors that important to an organisation success and growth.
• Metric that helps organisations determine the effectiveness of their current business initiatives.
• Help leaders to make more informed decisions and guide their company success.

1. Identify key measures
2. Organised them
3. Design an evaluation system
Is “KPI” a Leading or a Lagging Indicator?

• As an indicator, it makes sense only in a certain context.
• Depending on the context it might be leading or lagging indicator.
• For example, NPS score (the quantified answer to the question “How likely is it that you would recommend our product to a colleague?”)
  • Might be a lagging indicator for the “Improve customer service”
  • Might be a leading indicator for “Increase sales.”

https://bscdesigner.com/leading-vs-lagging.htm#csf
What is the Difference Between a Leading and a Lagging Indicator?

• It makes sense talking about the indicator type only in a certain context (business goal):
  • The indicators related to the **success factors** of the goal are called **leading** indicators;
  • The indicators related to the valuable **outcomes** of the goal are called **lagging**
Lagging

- Revenue growth
- Customer retention
- New product revenue
- Employee satisfaction

Leading

- Revenue mix
- Customer satisfaction
- Product development cycle
- Personal goals alignment

What is an Easy Way to Find Leading and Lagging Indicators?

• A starting point is a cause-and-effect analysis of the business context.
• Need to understand how things are interconnected.
• The result of such analysis is a list of:
  • Stakeholders,
  • Critical Success Factors and
  • Desired business outcomes.
• Once we have CSF and expected outcomes, we can **quantify** and **measure** them.
Identify root causes

- Core of the cause effect relationship
- Ask why 5 times
- Created by Toyoda the founder of Toyota

It is Not Just Semantics: Managing Outcomes Vs. Outputs

- Outputs, such as revenue and profit, enable us to fund outcomes; but without outcomes, there is no need for outputs.
- Outcomes are the benefit your customers receive from your product
  - starts with truly understanding your customers’ needs—their challenges, issues, constraints, priorities.
  - Create a solution that your customers can sustain, and you enable life-changing outcomes, big and small.
  - It is the outcomes that businesses want and need.
- Outcomes create meanings, relationships, and differences: the Why.
- Outputs are important products, services, profits, and revenues: the What.
- An output is what is created at the end of a process
- In education we focus on test results (outputs) and ended up with high-scoring students who cannot apply what they learned in their company (outcome)

Measuring Performance with Leading and Lagging Indicators

“A good leading indicator is a one that is connected to the success factors, not just to the inputs.”

Lagging performance of the goal can contribute to the higher-level goals.

Leading performance of the goal stays on the level of the goal.

An indicator is leading or lagging in the context of a certain goal.

Find success factors by doing cause-and-effect analysis and observing customer behavior.

Leading indicators measure the “effort” or “action” aspect in the context of the goal and are related to the success factors.

Lagging indicators measure the valuable “outcomes” in the context of the goal.

Come up with hypothesis, setup experiments, validate them with lagging metrics.

BSCDESIGNER.COM | PROFESSIONAL SOFTWARE FOR SCORECARDS AND KPIs
The Balanced Scorecard
How a company organises its key performance

[Diagram showing the Balanced Scorecard framework with quadrants for Financial, Customer, Learning and Growth, and Internal Business Processes, each with objectives, measures, targets, and initiatives.]
The Balanced Scorecard Framework
Is Readily Adapted to Non-Profit and Government Organizations

The Mission

“If we succeed, how will we look to our financial donors?”

“To achieve our vision, how must we look to our customers?”

“To satisfy our customers, financial donors and mission, what business processes must we excel at?”

“To achieve our vision, how must our people learn, communicate, and work together?”

The Mission, rather than the financial / shareholder objectives, drives the organization’s strategy.
<table>
<thead>
<tr>
<th>Financial</th>
<th>Customer</th>
<th>Internal Business Process</th>
<th>Learning and Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>• ROI and value added</td>
<td>• Market share</td>
<td>• Innovation</td>
<td>• Employee capabilities</td>
</tr>
<tr>
<td>• Revenue and mix</td>
<td>• Acquisition</td>
<td>• Operations</td>
<td>• Information capabilities</td>
</tr>
<tr>
<td>• Cost and productivity</td>
<td>• Retention</td>
<td>• Post-sale service</td>
<td>• Motivation</td>
</tr>
<tr>
<td>• Asset utilization</td>
<td>• Satisfaction</td>
<td>• Manufacturing cycle effectiveness (MCE)</td>
<td>• Empowerment</td>
</tr>
</tbody>
</table>

- Profit margin: how many dollars of profit a company makes for each $100 in sales
- Monitor how the business is working

- Focus on the company's employees as a resource
- **Leading measure**: Is the company meeting or exceeding customer expectations
- **Leading outcome**: Are customers staying with the company and recommending to others

- Leading measure: Is the company meeting or exceeding customer expectations
- **Leading outcome**: Are customers staying with the company and recommending to others
# Constructing The Scorecard

<table>
<thead>
<tr>
<th>Strategic Priorities</th>
<th>Objectives</th>
<th>Measures</th>
<th>Targets</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Financial</strong></td>
<td>F1 ROCE</td>
<td>ROCE</td>
<td>18%</td>
<td>Asset Disposition Program</td>
</tr>
<tr>
<td></td>
<td>F2 Asset Utilization</td>
<td>Cash Flow</td>
<td>5%</td>
<td>C Store Alliances</td>
</tr>
<tr>
<td></td>
<td>F3 Profitability</td>
<td>Net Margin</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>F4 Cost Leader</td>
<td>Full Cost</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>F5 Profitable Growth</td>
<td>Volume Growth</td>
<td>45%</td>
<td></td>
</tr>
<tr>
<td><strong>Customer</strong></td>
<td>C1 Delight the Targeted Consumer</td>
<td>Share of Segment</td>
<td>45%</td>
<td>Mystery Shopper Program</td>
</tr>
<tr>
<td></td>
<td>C2 Build Win-Win Relations with Dealer</td>
<td>Dealer Gross Profit Growth</td>
<td>4.5+</td>
<td>Dealer Committee</td>
</tr>
<tr>
<td><strong>Internal</strong></td>
<td>I1 Innovative Products and Services</td>
<td>New Product ROI</td>
<td>20%+</td>
<td>Review Program</td>
</tr>
<tr>
<td></td>
<td>I2 Best-In-Class Teams</td>
<td>Dealer Quality Score</td>
<td>4.5+</td>
<td>PM Program</td>
</tr>
<tr>
<td></td>
<td>I3 Refinery Performance</td>
<td>Yield Gap</td>
<td>&lt;3%</td>
<td>ISO 9000</td>
</tr>
<tr>
<td></td>
<td>I4 Inventory Management</td>
<td>Unplanned Downtime</td>
<td>&lt;2%</td>
<td>Safety Trains</td>
</tr>
<tr>
<td></td>
<td>I5 Cost Leader</td>
<td>Inventory Levels</td>
<td>15%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I6 On Spec/On Time</td>
<td>Run-out Rate</td>
<td>&lt;90%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>I7 Improve Work</td>
<td>Activity Cost vs. Competition</td>
<td>&lt;15%</td>
<td></td>
</tr>
<tr>
<td><strong>Learning &amp; Growth</strong></td>
<td>L1 Climate for Action</td>
<td>Perfect Orders</td>
<td>99%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>L2 Competencies</td>
<td>Days Away from Work</td>
<td>&lt;250/yr</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Good Neighbor</td>
<td>Safety</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Build the Franchise</td>
<td>Quality</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increase Customer Value</td>
<td>Safety</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>Operational Excellence</td>
<td>Cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Other</strong></td>
<td><strong>Other</strong></td>
<td></td>
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</tbody>
</table>

The Balanced Scorecard

https://www.youtube.com/watch?v=M_IIOlywryw4k
Establishing critical success factors for information literacy - a methodology Sen & Corrall

Vision or guiding philosophy
what we want to be

Core values and beliefs
who we want to be

Purpose
what we are here for

Mission
what we want to achieve

Strategies and plans
how we are going to achieve it

Critical Success Factors
what we need to achieve it

Core processes
the activities we need to perform particularly well to achieve it

(Oakland, 2004)
Thank You

OxfordCollegeofMarketing
@Oxcom_marketing
oxford-college-of-marketing