

CRITICAL SUCCESS FACTORS

When entrepreneurs come to COGNEGY for supplemental support in their efforts to develop business in the United States, they usually want to have three questions answered:

1. **Is there a market for us?**
2. **What exactly should we do?**
3. **Will it work?**



A thorough market feasibility study gives us enough detailed information and insight to answer question 1 and, if positive, to propose a strategy, which basically answers question 2.

The definition of a strategy sounds simple. It is, in a nutshell, *a set of decisions made by top management, on where to play (target markets) and how to win, in order to maximize long-term value*. However, implementing the chosen strategy is not as simple as the definition.

It will cost time, effort and money.

Our focus today is on question 3: **"Will it work?"** How do you know if your investment – in time, effort and money – will pay off? If the proposed strategy looks sensible, how can you be sure that you can make it happen? More importantly, *how big is the risk of failure?*

Critical Success Factors (CSFs)

CSFs help to answer these questions. Before going further into what CSFs really are, we need to set a few defining limits:

- If a proper management of your CSFs will definitely tilt the scales towards success, it will not totally eliminate the risk of failure. Some of the CSFs are not under your control. Failure might also stem from several poorly executed non-critical tasks.
- CSFs are not KPIs. Key performance indicators monitor the effects of your actions, while your CSFs are the cause of your success.

This last point embodies what CSFs are all about. Because a strategy is a complex and detailed roadmap – covering many things like customers, products, competitors, distribution channels, sales & marketing, location, supply chain, management, funding... – it becomes difficult to see the wood for the trees. If your strategy looks great on paper, you may still have doubts about the issue of the battle.

The Cause of Your Success

CSFs are selected on the basis of their impact on the success of the project. They serve as a brief reminder of what needs to be in place at the very beginning of the project, preferably **before any large investment or liability has been committed**.

"Brief", because you want to limit the number of CSFs in a range of 4 to 8. You can't focus on everything (it would be blurred), and you can't do everything by yourself. But if your critical success factors are present from the start, the second part of the above strategy definition *"and how to win"* becomes a realistic goal.

A few examples might illustrate the essence of CSFs:

- *The available working capital is more than adequate to cover the project until self-sustainable.*
- *The local person assigned to the project is highly experienced, well connected, trustworthy and fully qualified.*
- *Your technology and IP protection offer a superior value proposition, not easily replicated.*
- *GNP forecasts for this and next year, new housing construction statistics, business confidence indexes are all up.*
- *You have a selection of three large distributors willing to enter a partnership with your firm.*
- *Contracts already closed with two prestigious key accounts offer attention-grabbing exposure and references.*

Planning for Success

The decision to enter the large, highly competitive US marketplace is one that usually carries a lot of weight. Your future USA-division may become a major source of growth and profitability, but could also drain precious resources in case of failure. You will want to be well informed and prepared, and see a lot of questions answered.

A few questions on the subject of "Competition":

- *Who are your major competitors?*
- *What are their strengths and weaknesses?*
- *What is their production capability or sourcing?*
- *How does their supply chain differ from yours?*
- *What are their price structure, product lines, market segments, promotion methods, quality standards, consumer reviews, market share, profitability, expansion plans...?*

When the different chapters of your market feasibility study have answered all those questions, and have led to a recommended strategy and business plan, you will have prepared the fertile soil on which to look for your CSFs. Critical success factors only pop out of a carefully prepared market feasibility study and business plan.

As we mentioned earlier, some of the CSFs are under your control – things that you need to do well in order to succeed – while others are part of the environment, which you have no control over.

So, yes, there is still a risk, but who ever said that managing a company was boring?

With best regards,

Bruno Vaes bruno.vaes@cognegy.com

COGNEGY