OKR Framework

- OKR IN A NUTSHELL

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The big difference from traditional planning methods? OKRs are frequently set, tracked, and re-evaluated – usually quarterly. OKR is a simple, fast-cadence process that engages each team's perspective and creativity.

Creating alignment in the organization is one of the main OKR benefits. The goal is to ensure everyone is going in the same direction, with clear priorities, in a constant rhythm.

OKR's original concept came from Intel and spread to other Silicon Valley companies. Google adopted OKR in 1999, during its first year. It supported Google's growth from 40 employees to more than 60,000 today.

Besides Google, other companies use OKR, including Spotify, Twitter, LinkedIn, and Airbnb.

But the OKR system is not only for digital companies. Walmart, Target, The Guardian, Dun and Bradstreet, and ING Bank are also using OKR.

The Components of OKRs

John Doerr is one of the most successful venture capitalists of all time. He started his career at Intel and went on to invest in companies such as Google and Amazon. Doerr, who introduced Google to OKR, has a formula for setting goals:

Doerr's Goal Formula

I will ________ as measured by ____________.

A proper goal has to describe both what you will achieve and how you are going to measure its achievement. The key words here are "as measured by," since measurement is what makes a goal a goal. Without it, you do not have a goal, all you have is a desire.

Doerr's formula is the best way to explain the structure of an OKR:

I will (Objective) as measured by (this set of Key Results).

So, as the name implies, OKR has two components, the Objective and the Key Results:

Objectives are memorable qualitative descriptions of what you want to achieve. Objectivesshould be short, inspirational and engaging. An Objective should motivate and challenge the team

Key Results are a set of metrics that measure your progress towards the Objective. For each Objective, you should have a set of 2 to 5 Key Results. More than that and no one will remember them.

All Key Results have to be quantitative and measurable. As Marissa Mayer, a former Google's Vice President, said:

> "If it does not have a number, it is not a Key Result."

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Example One

First of all, we need an Objective. An example might be "Create an Awesome Customer Experience." This sounds great, but how would you know if the experience is awesome? Remember, without measurement you don't have a goal.

That is why we need Key Results. How can we measure if we are providing an awesome customer experience? Net Promoter Score and Repurchase Rate would be two good options. Do our customers feel so good about dealing with us that they would recommend us and buy again?

But measuring NPS and repeat purchases alone can send the wrong message. It might encourage us to make the customer happy at any cost. Therefore, we can include a countermeasure such as Customer Acquisition Cost. We want to make our customers happy while keeping the costs under control.

The complete example would be:

Objective: Create an Awesome Customer Experience

Key Results:

- Improve Net Promoter Score from X to Y.
- Increase Repurchase Rate from X to Y.
- Maintain Customer Acquisition cost under Y.

Example Two

Now consider a team that wants to increase the engagement with a digital service:

Objective: Delight our customers

Key Results:

- Reduce revenue churn (cancellation) from X% to Y%.
- Increase Net Promoter Score from X to Y.
- Improve average weekly visits per active user from X to Y.
- Increase non-paid (organic) traffic to from X to Y.
- Improve engagement (users that complete a full profile) from X to Y.

Once more having a set of Key Results helps create a healthy, sustainable OKR. We want to increase the weekly visits, but we want it to be organic, not through an expansion of marketing spend.

Key Results are crucial. Most of all, they define what we mean by “Delight our customers.” A second team or company could use the same Objective with different Key Results.

What’s unique about OKR?

There is not a single way to use OKR, each company or team can adapt and tweak it, creating different versions of it. But there are some core concepts:

Agile Goals

Instead of using annual static planning, OKR takes an agile approach. By using shorter goal cycles, companies can adapt and respond to change.

Simplicity

Using OKR is straightforward, and the OKRs themselves are easy to understand. Intel's original model set goals monthly, which required a lightweight process.

Companies that adopt OKR reduce the time spent setting goals from months to days. As a result, they invest their resources in achieving their goals and not on setting them.

Transparency

The primary purpose of OKR is to create alignment in the organization. To do so, OKRs are public to all company levels — everyone has access to everyone else's OKRs. The CEO's OKRs usually are available on the Intranet.

Nested Cadences

OKR understands that strategy and tactics have different natural tempos since the latter tends to change much faster. To solve this, OKR adopts different rhythms:

- A strategic cadence with high-level, longer term OKRs for the company (usually annual).
- A tactical cadence with shorter term OKRs for the teams (usually quarterly).
- An operational cadence for OKR tracking results and initiatives (usually weekly).

Bidirectional Goal Setting

The traditional top-down cascading model takes too much time and does not add value. As Laszlo Bock, Google's former VP of People Operations wrote in his book Work Rules!:

> "Having goals improves performance. Spending hours cascading goals up and down the company, however, does not. It takes way too much time and it's too hard to make sure all the goals line up. "

That is why OKRs do not cascade. OKR uses a market-based approach that is simultaneously bottom-up and top-down. The company sets the strategic OKRs that each team should use to draft their tactical OKRs.

Tactical OKRs should align to the company strategy to the other teams. In a typical company, around 60% of the OKRs are set bottom-up in agreement with the managers.

This model improves engagement while creating a better understanding of the strategy. It also makes the process simpler and faster as you won't spend time "cascading goals up and down."

Ambitious Goals: Moonshots and Stretch Goals

The philosophy behind OKR is that if the company is always reaching 100% of the goals, they are too easy.

Instead, OKR targets bold, ambitious goals. Besides aspirational objectives, OKR believes in enabling the team to set challenging goals. Goals that make the team rethink the way they work to reach peak performance.

Ambitious goals are so important that Google's "Ten things we know to be true." mentions them directly:

> "We set ourselves goals we know we can't reach yet because we know that by stretching to meet them we can get further than we expected."

OKR's ambitious goals are known as moonshots or stretch goals. The usual recommendation is that in average you should achieve only 60-70% of them.

But that does not apply to all OKRs, as some goals should be predictable. That is why is important to understand the difference between moonshots and roofshots.

Decoupling Rewards

You need to know they will not lose money if you set ambitious goals. It is hard to set moonshots when you need the bonus to pay for your kids' college.

Companies should reward employees based on their impact on the business. As Andy Grove, Intel's former CEO, wrote in his book High Output Management:

> “[OKR] should be just one input used to determine how well an individual is doing.”

OKR is a management tool, not an employee evaluation tool.

Adopting OKR

Adopting OKR is a journey, not an event. As in any cultural transformation, change does not happen overnight. But it is possible to modify the company’s dynamics in a few months, aligning and engaging the team.

Furthermore, you should customize OKR to your organization, as this framework explains.

Do you need help with OKR? Check my services!

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Common OKR mistakes

1) Using OKR as a task list.

Use OKR to measure if you are adding value, not if you are delivering tasks. Therefore, you need to understand the difference between Value-based and Activity-based Key Results.

2) Setting too many OKRs.

This mistake is a common consequence of the first one. Rather than being a laundry list of every single thing you do, OKR lists your top priorities. OKR is your definition of what most important during that quarter.

Even if you are using Value-based Key Results, you need focus, or your team will not remember their OKRs.

3) Not aligning your OKRs

OKR is an alignment tool, so you should never set your OKRs in isolation. You have to talk to the other teams.

4) “Set it and Forget it.”

OKRs are not New Year Resolutions. Without regular follow-through, you will never achieve them.

Tips for writing good OKRs

For Objectives:

- First of all, Objectives should be simple, short and easy to memorize. If you have to stop to breathe while reading your Objective, you are doing it wrong.
- Second, Objectives shouldn’t be boring. They can fit the organizational culture and be informal and fun. You can use slangs, internal jokes and even profanity – whatever fits your culture.

For Key Results:

- Separate metrics from initiatives
- Set few of them. Usually between 2 and 5 per objective.

You can also use some OKR tools to help you understand the goal system.