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- Seeing how OKRs translate aspirations into action
- Showing how to write an objective and a key result
- Differentiating between OKRs and other goal setting systems

Chapter 1

Achieving Goals with OKRs

You've probably set many goals in your life. In fact, setting ambitious goals is a hallmark of the human experience. As a species, humans are ardent strivers. Whether the goal is to conquer space, cure debilitating diseases, or perform five push-ups every morning, people are constantly working toward desired results. In many ways, the pursuit of goals gives life meaning and purpose through the articulation of what you want, the planning to meet it, the execution of that plan, and, ultimately, the very rewarding experience of achieving your goals.

Organizations are avid goal setters as well, and OKRs is the framework of choice for successful goal setting around the globe in every possible type of organization: startups, nonprofits, government agencies at all levels, small- and medium-sized enterprises, and Fortune 500 conglomerates. *OKRs* stands for Objectives and Key Results, a simple and proven system for translating your aspirations into reality. OKRs provide the structure necessary to create goals that are crystal clear and will keep you laser-focused on concentrating your efforts on what matters most to deliver the outcomes you want.

This chapter introduces the OKRs framework in broad strokes. I talk about the value of goal setting, examine the components of OKRs, and briefly compare the OKRs approach to other goal-setting systems you may be familiar with.

OKRs Are a Goal-Setting System

As noted previously, humans are avid goal setters, constantly striving to improve our performance regardless of the field or endeavor we choose. Perhaps you have experience in setting goals in some of these domains:

- **Family:** Partner, children, extended relations
- **Physical:** Health, fitness, and wellbeing
- **Work:** Career, volunteering
- **Spiritual:** Religious or other spiritual affiliations
- **Relationships:** With friends or others
- **Hobbies:** Interests beyond work

Some of my goal-setting memories bring me a few chuckles, such as my goal of winning a "Best Screenplay" Academy Award after taking one screenwriting class. I even pictured Steven Spielberg having the honor of bestowing the Oscar on me. Hey, the more specific a goal the better, right? I talk a lot more about the value of specific goals in this book.

Your company probably has goals related to sales, customer satisfaction, retaining the best people, and a host of other elements designed to propel you past your competition. Whether people have their companies or themselves in mind, there is little doubt that setting goals is a very healthy and positive activity, one that everyone should pursue with rigor. Problems occur, however, in how people go about writing and constructing those goals. That's where many people, whether crafting goals for companies or themselves, get stopped in their tracks almost instantly.

It's common, for instance, to write goals that are vague and nebulous: "Get more fit." "Be the best company in our industry." They sound good — and few would argue with the merits of either of those examples — but the quality that specifically marks real success is missing from both. A number of other pitfalls loom out there in the goal world as well, such as

- Setting unrealistic goals that you have no genuine chance to achieve
- Having too many goals at one time
- Failing to account for any assistance you'll require from others in achieving your goals

WARNING

Goal setting is perceived by most people to be a relatively easy notion, one that requires little in the way of preparation or study. I return to this topic throughout the book, but for now, just be aware that in order to effectively implement OKRs in your organization, you need to change the way people think about the process of goal setting.

Despite the potential challenges, goal setting is one of the most powerful things you can do in your organization (and your life). You just need a better, more reliable system, and that's where OKRs come in.

Sounds good, huh? Maybe if I'd have known about OKRs back when I was practicing that Oscar speech, I'd actually be clutching a gold statue now. The good news for me and you is that it's never too late to succeed, so go ahead and get started!

Seeing the Value in Goal Setting

The title of this section makes it sound as if I'm trying to convince you that goal setting has something to offer. But maybe you're already convinced and are a believer in the power of setting ambitious goals, with a lifetime of experience to back up that claim. If so, great — we have that in common. On the other hand, perhaps you do need to be convinced of goal setting's value. You may be reading this book because your boss placed a bulk order, handing out a copy to every manager in the company with strict orders to read it, and over the weekend no less. Maybe you came up in the school of hard knocks and don't believe in the woo-woo world of setting goals. Well, I've got news for you: Goal setting, especially with the use of OKRs, really works, and I'm going to win you over to this idea, I promise.

Back in 1968, when the Beatles song "Hey Jude" was dominating the airwaves, a little-known professor from the University of Maryland named Edwin Locke published a blockbuster article that would revolutionize the field of goal setting. "Toward a Theory of Task Motivation and Incentives," based on Locke's pioneering research, showed that setting goals led to higher performance in a wide range of domains. Whether it concerned office workers toiling in smoke-infested offices (it was the 1960s, remember), loggers felling timber in northern British Columbia, or truckers rolling along the blacktop, Locke demonstrated that setting goals improved performance in a statistically significant fashion. It wasn't uncommon, for example, to see performance gains of more than 200 percent! Forget free love and flower children; the real revolution of the 1960s was goal setting.

Locke went on to collaborate with a professor from the University of Toronto named Gary Latham. Together they conducted hundreds of studies on goal setting and reviewed hundreds more, all culminating in their 1990 magnum opus, *A Theory of Goal Setting & Task Performance.* Although it's not a page turner a là Dan Brown or Agatha Christie, it's a revelation. Locke and Latham demonstrated unequivocally that setting goals led to improved results, and as an added bonus, working toward a goal boosted motivation.

Locke and Latham made clear that certain types of goals are better than others. Specific and challenging (but not too challenging) goals were critical to improved performance. Both of these characteristics (specificity and challenge) are vital to OKRs, as you discover in the chapters ahead. Speaking of OKRs, I think I've kept you waiting long enough, so let me know introduce the star of our show, "Objectives and Key Results."

FROM MBOs TO OKRs – THE PEOPLE AND IDEAS WHO BROUGHT OKRs TO LIFE

OKRs are not a business fad, but are based on, and have since improved upon, a number of common-sense, historically proven business principles. Here's a brief sketch of some major players in bringing the OKRs framework to where it is today:

Peter Drucker: Considered by many to be the greatest management thinker of the 20th century, Peter Drucker was a true management rock star and writer of more than 30 ground-breaking books. In his 1954 title *The Practice of Management,* he introduced the concept of Management by Objectives, or MBOs. Very briefly, the idea was that all employees need objectives that spell out what contributions are expected of them and their teams. Drucker tied the idea of having objectives to the company's strategy (goals of the business) and said they should be cross-functional in nature when necessary. Drucker had a huge and influential megaphone, and companies from coast to coast began creating MBOs.

Andy Grove: As CEO of Intel from 1987 to 1998, Andy Grove was behind much of the growth of Intel, leading the company from manufacturing memory chips to being the globe's foremost supplier of microprocessors. Grove had a keen interest in management and recognized the potential benefits of a well-constructed and implemented version of Drucker's MBO system. Grove boiled it all down to just two questions to be answered: 1) Where do I want to go (the objective); and 2) How will I pace myself to see if I am getting there? He eventually called the answer to the second question your *key result.* So when we use the acronym OKRs today, we owe it to Grove. Thank you, Andy!

Grove also experimented with the cadence of settings goals: Out were annual goals, and in were quarterly and sometimes even monthly objectives. Fast feedback and agility were critical in staying ahead of the competition, so OKRs had to be consistent with that goal. Grove also believed that the concept of stretch was vital with OKRs.

John Doerr: Doerr was a partner at the Silicon Valley venture capital firm Kleiner Perkins Caulfield & Byers when they made crafty bets on a number of startups destined to become household names. Ever heard of a little outfit called Amazon? Kleiner Perkins netted a tidy billion-dollar return on their investment of 8 million dollars. Doerr also worked at Intel in the early 1970s and was introduced to OKRs in a course conducted by Andy Grove. The framework became a key tool in Doerr's toolkit for working with entrepreneurs and their companies, including the company of our final two names. Doerr's popular book *Measure What Matters* offers a number of inspirational stories on the use OKRs from the likes of Bono and Bill Gates that you can use to demonstrate the power of OKRs. That book doesn't provide step-by-step guidance on creating OKRs (hence the need for this book).

Larry Page and Sergey Brin: These are the creators of Google. Like many startups that eventually rose to global prominence, they started humbly, in that most Silicon Valley of ways, in a garage. However, they were fortunate enough to move early board meetings to a much more sophisticated location — a small office above an ice cream shop in downtown Palo Alto. There, John Doerr introduced the duo to OKRs, and Google decided to use the system from day one. Brin, Page, and subsequent leaders have consistently pointed to the system as a guiding force in the company's never-ending upward trajectory.

Examining the Components of OKRs

The heading of this section sounds cold and clinical, but the fact of the matter is that goal setting, especially using OKRs, can be . . . wait for it . . . *fun.* As Locke and Latham (see the previous section) made clear, goal setting improves motivation, and who doesn't like the feeling of being motivated to pursue something you care about?

More good news is that OKRs is a terminology-light framework. The framework involves just three terms: *objectives, key,* and *results.* Actually, it's three words and a conjunction. Yes, I looked it up; "and" is a conjunction. But really it's just two terms: *objectives* and *key results,* more commonly referred to as OKRs. In the upcoming section, I define these terms and look at an example.

REMEMBER

Terminology matters in any kind of change initiative, including OKRs. You may find that some people will abbreviate the acronym to OKR, omitting the *s.* There is no agreed-upon acronym, but in this book I use the plural OKRs and suggest that you do the same. However, what's most important is that whatever acronym you choose, you use it consistently throughout your organization.

Defining an "objective"

An *objective* is a statement of a broad, qualitative goal designed to propel the organization forward in a desired direction. There are a few things to unpack in that simple definition. The first is the word *qualitative.* This word points to the fact that objectives are aspirational statements and don't include numbers. (As you find out shortly, numbers are the domain of the key results.)

The second word to put under the microscope is *organization.* You can, and most likely will, create OKRs at multiple levels of your organization: the company-level; business unit; department team; and so on. Thus, the word *organization* in the definition is meant to be generic.

Finally, the last part of the definition notes propelling the organization forward in a desired direction. This is the essence of an objective, which, to keep things nice and simple, asks, "What do we want to do?"

Writing a basic objective

Now comes one of the hardest tasks I faced in writing this book: providing the very first example of an objective. Why was it so difficult? Because no matter what field or industry I draw on, there is a risk that some people will think, "Oh, so OKRs are for only those types of companies." Or, "Well, that doesn't apply to me." Oy! Always remember that you can use OKRs anywhere and everywhere, from writing pop songs to ending malaria. So don't read too much into the following example.

Say that your company has a mobile app that has been crashing lately, much to users' chagrin. That's a strategic problem, and OKRs are very well-suited to help you overcome strategic challenges. So here's a possible objective:

> Reduce mobile app crashes in order to increase user satisfaction.

Ta-da! You've just had your first exposure to an actual OKR-style objective. Exciting, isn't it? (Surely it's one of those "remember where you were moments" as you soak this in.) This example objective is a relatively simple statement, but it is composed of three parts that all effective objectives have in common:

» **It starts with a verb.** By its very nature, an objective is action oriented, so you always want to begin one with a verb.

  Your verb choice will depend on the objective you're striving toward, but every word matters in the objective, and the verb you choose sets the stage for the rest of the statement.

- **The verb is followed by a description of what you want to do.** In this case, you want to reduce mobile app crashes. Now, a lot of people would stop right there. "Reduce mobile app crashes" sounds like a worthy objective. But, and this is one of the most important *but*s in this entire book, there is a third component to a well-written objective, and that is . . .
- **The "in order to" or "so that."** This final part captures the business impact of the first two components of the objective. Why is it important to reduce mobile app crashes? Because you believe that it will lead to increased user satisfaction. That final component is the most important, because it makes clear the strategic relevance of the objective: why it matters. I'll bet you could stop reading right now and quickly brainstorm a dozen things you'd like to get done in the next few months. Doing that is relatively easy, but when you add that third component of *why* the objective is strategically important now, you quickly recognize what really matters, and which objectives are the critical ones to pursue.

TIP

Share this formula for writing an objective with your team:

Verb + what you want to do + in order to / so that (business impact)

Some people bristle at formulas and a paint-by-number approach to objective creation, but goal setting is not a natural muscle for most people. They need all the help they can get in writing effective OKRs, especially in the beginning. Providing a formula or template simply gives people a leg up on the task without inhibiting their creativity in any way. After all, the formula doesn't dictate what verb to use, or why their objective is important. It simply provides a path for creating objectives that will be technically sound and add value.

Defining a key result

Now you can turn your attention to key results. A *key result* is a quantitative statement that measures the achievement of a given objective. The key results answer the question, "How will you know you've achieved the objective?" Of course, the most important word in the definition of "key result" is *quantitative.* A key result should consist of raw numbers, dollar amounts, percentages, or even dates, which you will use in the case of milestone key results.

Writing key results

In the earlier "Writing a basic objective" section, the example objective was "Reduce mobile app crashes in order to increase user satisfaction." Now you have to decide what set of key results will demonstrate the achievement of that objective. You may want to try these:

1. Study app crashes and determine the three most common causes by May 15th.
2. Develop fixes and update the app by June 1st.
3. Decrease the number of mobile app crashes from 5 to 1.
4. Increase app store rating from 4.2 to 4.8.

A question I get frequently is, "How many key results should we have for each objective?" Although there is no absolute right or wrong answer to the question, a good rule of thumb (as rules of thumb go) is three to five. But beyond the number, you should think in terms of telling a story with your key results. By that I mean that the key results should work together in a coordinated way to demonstrate the success of the objective.

Continuing with the example objective, if you're going to reduce mobile app crashes, you first need to find out why the app is crashing by determining the common causes. That topic provides a good opening "chapter" in your story of success for this objective. This key result is a *milestone*, which is binary – either you achieve it or you don't. Milestones are like hurdles that you need to get over in order to measure the ultimate business impact outlined in the objective.

REMEMBER

A milestone key result always includes a date — how quickly you believe you can achieve the milestone without sacrificing quality.

After studying the reasons for the crashes, your next key result is devoted to developing fixes and updating the app. Think again of your story: First you study the causes, and then you develop fixes. This, too, is a milestone key result.

Now things get interesting. Your third key result measures the reduction of mobile app crashes from five to one. This is a *metric key result* because it has numbers. This key result also slots nicely into your story. You've studied the crashes, applied a fix, and your hypothesis is that by doing so, you'll see a reduction in app crashes.

REMEMBER

Hypothesis is a critical word in the context of OKRs, and in measurement in general. Whenever you measure anything, you're making your best guess that it is related to your desired outcome.

The final key result, "Increase app store rating from 4.2 to 4.8," is also a metric, again because it has numbers. It also holds the distinction of being the most important of the example's key results because it directly measures the business impact of increasing users' satisfaction that was identified in the objective. Therefore, it's a great and logical ending to a strategic story.

I strongly encourage you to use the story concept when constructing your set of key results. Begin with the end in mind by identifying your business impact key result and then work backward, asking what drives, or leads to, that key result. Doing so will help you craft a comprehensive and cohesive set of key results.

Well, that pretty much sums up OKRs. It has been a pleasure serving as your guide; I hope you enjoyed reading the book, and please do leave a review on Amazon . . . Hold on. Wait a minute — there is definitely a lot more to say about OKRs. It's a framework that is — cliché alert — simple but not simplistic. But hey, I can't give away all the secrets in Chapter 1.

Read on to get the whole fun and exciting story of how to make OKRs work for your organization.

Comparing OKRs to Other Goal-Setting Systems

OKRs aren't the only game in town when it comes to organizational goal-setting frameworks. Over the years, a host of systems have been applied by companies anxious to reap the benefits of setting and meeting audacious goals. Some are still used today; many have faded into the history books; and still others have disappeared without a trace. In the sections that follow, I compare and contrast OKRs to some of the more popular frameworks you may have used in the past, or indeed may be using now. Spoiler alert: I show you how OKRs tops them all.

OKRs versus SMART goals

If you'll pardon the mixed metaphors, I want to jump right into the deep end and address the elephant in the room: aren't OKRs just another way of writing SMART goals? On the surface, this may seem to be the case, but in reality, no, not at all. The acronym SMART, and the associated method of goal setting, can be attributed to a 1981 paper by consultant George T. Doran. In the years since that time, SMART goals have maintained a consistent popularity in management circles. Typically, the letters stand for Specific, Measurable, Attainable, Relevant, and Time-bound. I say "typically" because over the years, various definitions have been applied to some of the SMART letters. For example, the *R* can represent *results-based, realistic,* or *reasonable.* That's one of the troubles with SMART: Nobody is exactly sure what it stands for.

At first glance, a well-written OKR seems to have much in common with a SMART goal. For example, in OKRs, both objectives and key results must be specific in order to drive the actions necessary for achievement. Each of the other elements of SMART are always present with OKRs as well. But to say that a SMART goal is the same as an OKR is off base. SMART goals — and this is an important distinction — don't include accompanying objectives, so there is no context for the goal; you don't know why you're pursuing it.

Another significant difference between the two is one of scope. SMART is a stand-alone idea that has no accompanying structure. In the end, that makes it more a helpful rule of thumb than a rigorous strategy-execution system. OKRs, on the other hand, include a set of underlying management practices that are absent from SMART goals. Robust OKRs systems are governed by a carefully crafted management review cadence, one that recognizes the operating reality of the organization and constantly challenges the status quo by focusing on stretch targets.

OKRs versus KPIs

KPI stands for *Key Performance Indicator.* The term is very popular (you'll even find a *For Dummies* book on the topic), but unfortunately, it is not used in a consistent manner across all organizations, which can lead to confusion. Generally, however, most organizations use KPIs to monitor operational performance: elements that must be measured quickly and frequently. For example, it's very common for an organization to monitor the "uptime" of its core systems. KPIs such as uptime tend to last forever and don't change. You always want to monitor how available your core systems are to your users. OKRs, on the other hand, focus on demonstrating business value and strategic impact. OKRs will change in recognition of your strategy and core challenges.

You can — and most organizations will — use both KPIs and OKRs. Anything tactical requiring frequent monitoring will be the basis of a KPI, whereas more strategic endeavors will require OKRs. Table 1-1 outlines some of the other differences between the two systems.

OKRs versus 4DX

4DX stands for "The 4 Disciplines of Execution." As with SMART goals, OKRs and 4DX share a number of elements. Both demand a focus on what truly matters for organizational success — the Wildly Important Goal, or WIG, in 4DX, and the Objective and Key Results in OKRs. Both systems suggest the use of both lag and lead measures (key results, in OKRs parlance). A method of easily grasping progress is also a shared characteristic. Finally, both frameworks posit that regular reviews are crucial to progress, momentum, and execution.

TABLE 1-1 Comparing and Contrasting OKRs and KPIs

Distinguishing Factor	OKRs	KPIs
Purpose	Strategic – focus, alignment, engagement, visionary thinking	Tactical – evaluation of business activities
Duration	Typically quarterly or by trimesters	Annual with frequent updates
Defined in the context of an objective	Yes, by definition	No
Focused on maintenance, health metrics	Rarely	Often
Intended to increase alignment among teams	Often	Rarely
Linked to incentive compensation	Rarely	Often
Originates "bottoms up" from teams and individuals	Often	Rarely
Change frequently	Yes (by selected cadence)	No

The biggest difference between the two systems is cadence. When you set a WIG, you do so for the entire year; for example, a WIG may be "Increase revenue from $20 million to $40 million by December 31st." For that WIG, you create lag and lead measures that you monitor throughout the year. OKRs may also be set annually, but they are also (commonly) set quarterly or by trimester. Although the annual OKRs will not change during the year, the quarterly OKRs are adjusted to reflect the strategic context faced by the organization. I believe that these strategic adjustments are an advantage of the OKRs method. Most pundits would agree (and statistics confirm) that competition in virtually all industries is rapidly increasing, which has the tendency to reduce the usable life of a strategy. Things can change so quickly nowadays that what seemed like yesterday's urgent priorities are no longer on our radar today. OKRs, with their focus on a shorter cadence, allow organizations to rapidly respond to changes in their environment, making strategy execution (and strategy itself) more dynamic, agile, and emergent.

OKRs versus BSC

The Balanced Scorecard (BSC) is a performance management and strategy execution framework developed by Robert Kaplan and David Norton in the early 1990s. I have extensive experience with the system; a company I worked with at the time was an early adopter of the BSC and used it to great success.

The BSC challenges organizations to create objectives and measures in four distinct, yet related, perspectives of performance:

- **Financial:** This realm typically encompasses growth, profitability, asset utilization, and shareholder value.
- **Customer:** The focus here is on acquiring, satisfying, and retaining targeted customers with a unique value proposition.
- **Internal processes:** These are the activities and processes that drive value for customers and may include operations, innovation, manufacturing, branding, and more.
- **Employee learning and growth:** This area includes intangibles such as employee knowledge and culture that drive results.

As with the other systems discussed previously, OKRs and the BSC share some common DNA. Both include objectives accompanied by measurements, called *key results* in the OKRs framework. There are two significant differences between the systems.

The first difference is cadence. As with 4DX, most BSC practitioners will set annual objectives and measures. This is a potential shortcoming with BSC because it introduces the possibility of an insidious enemy of good measurement: the set-it-and-forget-it mentality. Objectives and measures that seemed inspiring and exciting in January have lost their luster and are disregarded by October. In contrast to BSC objectives and measurements, OKRs are created more frequently throughout the year, providing agility and allowing for flexibility based on your strategic circumstances.

Another possible pitfall of the BSC is the necessity of employing the four-perspective model throughout the organization. For lower-level teams in a company, those perspectives can become more difficult to populate with meaningful objectives and measures because such teams often focus on a small and discrete set of outcomes. For these groups, creating objectives and measures in all four perspectives can sometimes degrade to a tick-the-box exercise in which they put forward items with very little actual value in terms of moving the business forward.

Conversely, you create OKRs by determining what's most strategically important right now. It could be a customer challenge, a supply-chain opportunity, or a recruiting drive. You have no need to create excess objectives and measures. Rather, the focus is on what's important right now, allowing teams to isolate and execute effectively.