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Leading Your Organization With OKRs

How to craft objectives and key results that will empower your people and increase organizational agility

Technology-driven companies need clear objectives

Speaking at a user conference in 2015, Satya Nadella said, "Every business will become a software business, build applications, use advanced analytics, and provide SaaS services."[1]

Looking back now, it's easy to see that he was right. Today, modern businesses not only rely on software, analytics, and SaaS services to operate but also depend on technology to add value to their bottom line. Regardless of industry, digital transformation has turned every company into a software company and a technology-driven organization.

The modern workplace has undergone even more changes in recent years. Enterprises are more distributed — more workers are working remotely than ever before — and business leaders are tasked with achieving outcomes while fostering a collaborative, inclusive, empowering business climate for their people.

This requires new management styles. The old "command and control" approach no longer works. Workers want to feel respected. According to a Pew Research Center survey, American workers quit their jobs at the highest rate in 20 years in November 2021, and feeling disrespected at work was one of the top reasons they gave for leaving their jobs.[2]

Even more than respect, today's workers want their work to be meaningful and to see how it contributes to their company's success. Whereas previous generations of employees were concerned with working hours, modern workers are more focused on outcomes. And the more the outcome matters to them and connects to something they are passionate about, the more engaged they are.

Business leaders cannot make every decision that needs to be made. Micromanaging leads to groupthink and frustrates workers. And it slows down innovation.

In today's market, companies need centralized goals with shared decision-making. Many leaders are adopting OKRs to help them do it.

Objectives and key results, defined

Today's business leaders face many leadership challenges. They must set clear direction for their organizations — establish a North Star, if you will, to guide their people — while giving workers flexibility and freedom to decide how they will achieve their goals. This is leading many organizations to implement objectives and key results (OKRs).

OKRs are a collaborative goal-setting method. First made popular by tech companies such as Intel and Google, the process has been adopted by many other industries and non-profits.

Simply put, the objective in an OKR represents the "WHAT" that is to be achieved. It is supported by key results (KRs) that represent the "HOW" — the steps or outcomes necessary for the objective to be achieved. It's collaborative because, while objectives may be set at the senior-leadership level, team members have input in creating OKRs.

OKRs help organizations zero in on what is really important to them through what John Doerr, acclaimed venture capitalist and author of Measure What Matters, calls four "superpowers":

- **Focus:** Objectives tell everyone in the organization what needs to be accomplished.
- **Align:** Key results link daily work to the company's highest priorities.
- **Track:** OKRs are visible across the organization and easy to monitor.
- **Stretch:** Objectives help organizations reach for even higher achievement.

"OKRs surface primary goals," Doerr said. "They channel efforts and coordination. They link diverse operations, lending purpose and unity to the entire organization."[4]

How are OKRs different from KPIs? And which one is better?

Key performance indicators (KPIs) are good for measuring performance at a point in time, but they are standalone metrics. They don't offer any guidance on how to get where you want to go.[5]

On the other hand, OKRs are aspirational. They focus on where you want to be instead of where you are. They tell your organization both where you want to go and how you intend to get there. They provide direction, context, and metrics.

If written well, OKRs and KPIs complement each other. OKRs provide the method for steering your organization and coordinating work, while KPIs, because they are metric-driven, can serve very effectively as key results.

> **"...good ideas with great execution are how you make magic. And that's where OKRs come in."**
>
> **Larry Page,**
> co-founder, Google

How to craft effective OKRs

If OKRs have the power to "make magic" happen, then how do you write them? What makes an OKR good or bad? There is no one answer to the question; it varies by organization. But there are general guidelines you can follow.

Set objectives that matter

First of all, objectives should be inspirational and significant. They should represent big ideas and transformational goals — they should be the objectives that, once achieved, can take your organization to a new level of attainment, whether that's increased market share, new discovery, or a never-before-reached destination.

Since these will represent only aspirational objectives, there should be few of them — no more than three to five per quarter.

Senior-level executives should set the objectives with bottom-up input from the teams, and then commit to them. After all, words are cheap. For OKRs to drive significant change, executives must be all in. Anything less will become obvious to everyone in the organization and negate any benefits the OKR process could deliver.

Define key results that count

Key results determine how you will achieve an objective. For a key result to be effective, it must be "specific and time-bound" and "aggressive yet realistic" and more importantly, it must be "measurable and verifiable."[7]

Nebulous key results won't work. Key results must be clear, concise, specific, and measurable. Successful achievement or failure should never be in question. At the end of the period, you either met the key result, or you didn't.

When crafting key results, keep this in mind: key results spell out how you will achieve an objective; therefore, you must complete all key results in order to achieve the objective.

Leaders should engage with their teams to define the key results. Provide your teams with the ability to be creative in defining how the objectives will be achieved.

Use objective scoring

How do you know if you completed a key result? You do it by scoring. At the end of the period, evaluate your team's performance against their key results by marking what was achieved and what wasn't. For those KRs you failed to complete, take time to record what could be done better the next time.

Scoring should be objective and automated when possible. Some companies like Google use a scale of 0.0 to 1.0; others use 0 to 100. Most goal-setting software takes the human element out, pulling metrics, like revenue or net promotor scores (NPS), directly from other tools.

Follow a cadence

OKRs help keep organizations agile and focused on what matters the most to the organization's success. Therefore, for most companies, a quarterly cadence works best. This allows companies to focus on what is most important for a 90-day period and allows for the flexibility to change direction if market demands dictate it.

Ensure transparency

OKRs are most effective when they are transparent at all levels across the organization. Executives can see progress against the key results, and every team member can see how their work impacts the objective. Progress should be viewable by all and updated in real time.

Transparency keeps everyone accountable. It fosters collaboration and seeds ideas. And it exposes redundant efforts, which can save time and money for your organization.

10 Guidelines for writing OKRs

- Set inspirational objectives.
- Limit objectives to 3-5 per quarter.
- Be aggressive and courageous. Don't be afraid to fail.
- Define clear, concise key results for each objective.
- Make KRs time-bound and measurable (using numbers works best).
- Pair quantity and quality in KRs where possible.
- Don't dictate KRs. Let your team decide how to do the work.
- Don't worry about perfection. OKRs can always be revised or discarded if business needs dictate it.
- Gather input from the bottom up.
- Make sure everyone, from top executives on down, own individual objectives tied to your organizational OKRs.

Aligning work to OKRs

Writing good OKRs is the first step to building high-functioning teams. But regardless of how well they are written, OKRs are only as effective as management's ability to tie the daily activities of their teams with the organization's vision.

For OKRs to work, they must be used. Individual team members not only need to understand the company's vision but also focus their efforts on the tasks that will help the organization get there. It requires alignment, and alignment is simply "about helping people understand what you want them to do."[8]

Software development and organizational agility

The market has never been static. It changes often, and it does so quickly, which means organizations must be agile enough to change along with it. This is one reason OKRs have become popular with fast-growing organizations — it helps them change direction quickly and focus on new opportunities.

In today's modern enterprises, software development is a key contributor to overall business success. Most software teams, therefore, are adopting Agile practices to accelerate the development cycle and turn out work faster by quickly iterating on ideas, testing them, and validating them before making a commitment to develop them. For this to work, teams need clear direction. They need priorities to be translated into specific results that they can work on and achieve.

OKRs naturally fit this process. They give leaders the ability to break down objectives into key results that development teams can then concentrate on.

In addition, OKRs help companies transition from a project focus to a product focus. Projects are typically scoped for long periods of time. They reward completion instead of value delivered. Products, on the other hand, put more emphasis on the end customer results — i.e., the value delivered to the customer — and developers can see how their work is making a difference.

From planning to execution

The pace of Agile development requires close alignment to OKRs. One way to ensure close alignment is to map Agile strategic themes with your OKR objectives. Then, create deliverables that tie directly to key results. This allows developers to focus on the work that really matters and provides a way to track progress on objectives in real-time.

Many organizations use a tool such as IBM Targetprocess for enterprise Agile planning and management. These platforms allow business leaders to capture strategic themes and designate OKRs, which portfolio managers and product teams align their program execution to.

From the OKR Dashboard, you can see how OKR objectives map to strategic themes in the Objective Hierarchy section. This is further broken down into tactical objectives and key results, which map back to the organizational OKRs. Progress is tracked both at the individual work level and at the objective level, so everyone on the team can see how they are doing against their goals.

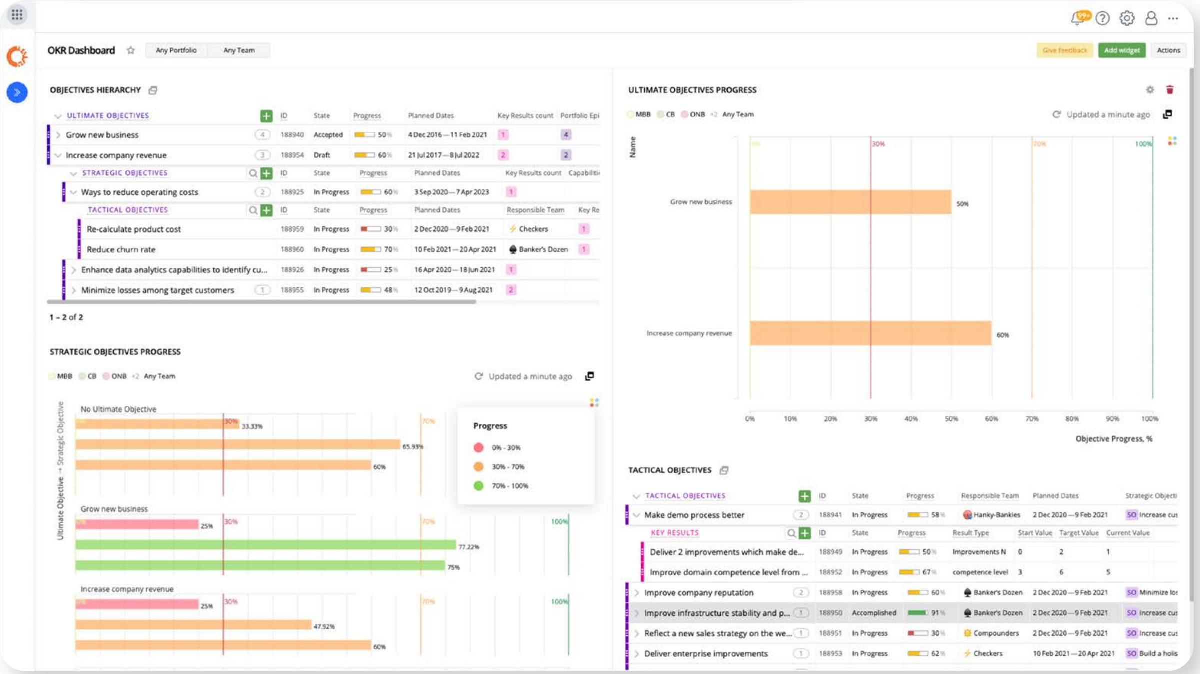

Figure 1: OKR Dashboard

> “Successful Agile organizations focus on team performance when setting goals and evaluating performance, often allowing teams to define their own goals to drive ownership.”

McKinsey & Company

OKRs make all work visible. By aligning deliverables with key results and tying those back to your organization’s OKRs, you can monitor progress in real time. This enables you to make adjustments as needed, such as re-assigning resources to other work or re-balancing budgets, in order to achieve your objectives.

Summary

Focus and empowerment are two keys to high performance, and OKRs can help you achieve more of both. Well-written OKRs can help you lead your organization to new levels of success. They keep you and your teams sharp and focused on what really matters. Including your people in the development of OKRs, aligning their work with the organization’s top priorities, and enabling them to monitor the impact of their work on customer outcomes helps them feel more empowered and engaged. And that can help you not only retain top talent but also increase your organization’s overall agility.

OKRs with the Scaled Agile Framework (SAFe)

The Scaled Agile Framework (SAFe) is a set of principles, practices, and competencies created by Dean Leffingwell, creator of SAFe and chief Methodologist at Scaled Agile, Inc. Many organizations use SAFe to implement Agile software development.

How does SAFe view OKRs?

In SAFe, you define business objectives that connect your portfolio to the strategy of your organization. These are called strategic themes. The purpose of strategic themes is to create alignment between the work being done (portfolio activities) and the overall goals of the organization. This enables you to shape portfolio vision, create and adjust investment strategies, and track and measure value.

Objectives and key results (OKRs) are a natural fit under the SAFe model:

- OKRs can be used to define strategic themes.
- SAFe uses a quarterly planning process for Program Increments (PIs), which aligns with the quarterly cadence used by OKRs.
- OKRs provide an objective method of tracking and measuring value, which is a requirement of SAFe.

For more information about SAFe, strategic themes, and OKRs, visit the Scaled Agile Framework.

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