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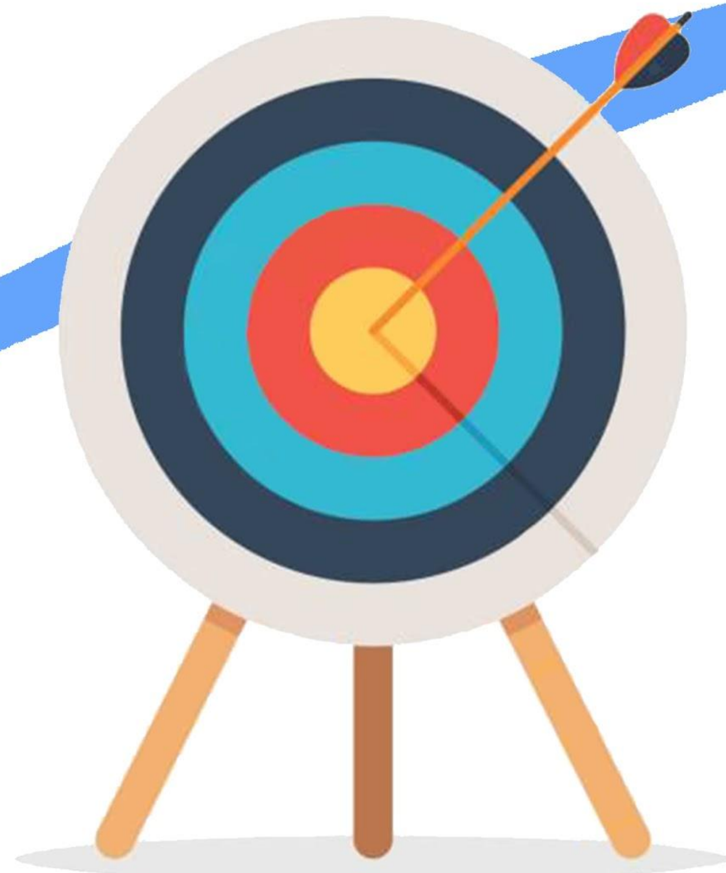

The Ultimate Guide to Objectives & Key Results: How To Set Up and Run Powerful OKR Cycles

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“OKRs can **guide you to the mountaintop.**”

John Doerr, *Why the Secret to Success is Setting the Right Goals*, 2018

Foreword

To all the attentive CEOs, busy HR teams, and dedicated managers,

We know that setting goals isn't always easy, especially when your company is going through the growing pains of scaling up quickly, or trying to master the challenges of digital transformation. What we choose to work on in any given period, how we realise those choices and the way we keep employees aligned and engaged throughout the process is a scaffolding for our success.

Seeking to find solutions to these issues, we've compiled some facts, figures and best practices about OKRs (Objectives & Key Results), an agile goal-setting method designed for the workplaces of tomorrow. From how OKRs came about, to their success in Silicon Valley, to how to use OKRs in practice, we've got all the essentials laid out for you in this simple, yet comprehensive overview.

We hope you enjoy reading it!

From,

Jenny & Kajetan
Founders at Leapsome
founders@leapsome.com

What are OKRs?

In a world of rapid change, complex information and endless possibility, Objectives and Key Results (or OKRs) provide much-needed clarity to what a company chooses to focus and work on over a given timeframe. Increasingly popular amid a variety of organisations, the OKR framework splits goal achievement into two distinct parts: objectives and - you guessed it! - key results.

Objectives describe the direction the company wants to go in; a distinct goal that meaningfully contributes to its long term success. Think of these as the checkered flag hovering over the finish line; the mountain peak looming in the distance.

Key Results describe the steps that need to be taken to get to each objective. Think of these as the milestones you pass on your way to the mountaintop; check points that give substance to any route to success.

OKRs came about as a way to manage teams at work, but you could easily apply them to any given situation involving goals - even your personal life! For example, let's imagine a food enthusiast calls Jamie wakes up one day and realises his dream is to change the world's relationship with food. This is his vision; his ambition expressed as a meaningful, but broad value.

“The OKR framework **cultivates the madness**; the chemistry contained inside it.”

Bono, *ONE Campaign*, 2018

Changing the world in any way is no small feat, especially if you're just one person! They say that every journey starts with a single step - but how do you know what that step should be? What comes next?

Jamie thinks about the food industry and his role models. After some extensive research and soul searching he comes up with three **objectives** that he thinks will help him start realising his dream in a tangible and focused way:

1) Become a qualified chef
2) Establish a visible food blog
3) Build a network of 50 food professionals

Now he needs to come up with several **key results** for each of those objectives, because none of these will just happen overnight. Take the second objective from the list above. Jamie might include the following as his key results for establishing a great food blog:

1) Launch a website
2) Write 15 blog posts
3) Interview three thought leaders
4) Gain 1000 hits

And there you go. By using the OKR framework, Jamie has the structure and clarity needed to turn his vision from dream into reality.


Two thirds of senior managers
can't name their firms' top priorities.
London Business School, 2015

A Brief History of OKRs

The story of OKRs starts in the late 1950s, when businesses were experimenting with a strategy called MBO, or 'Management By Objectives.' Popularised by Peter Drucker, it was intended to prevent managers from losing sight of their company vision. By the 1960s, however, the approach was fading out of the workplace as people found it too rigid and unresponsive to be truly effective.

Fast-forward to the 1970s: enter Andy Grove. As the CEO of Intel, Grove recognised the same need for good goal setting that Drucker had. He resuscitated the concept behind MBO to create a new approach he called OKRs, or 'Objectives & Key Results.' Unlike MBO, OKRs would serve their purpose more dynamically. They were designed to involve and motivate employees, rather than restrict and pressurise them.

Andy Grove's philosophy lives on in John Doerr, a former Intel employee who advocates the use of OKRs today. Doerr brought OKRs to the founders of Google in 1999, and he argues that doing so has been a primary factor in the company's continuous success and innovation. Unsurprisingly, many firms have since taken on the same goal framework that allegedly made Google so successful, including Facebook, Netflix, Gap, Deloitte, and Adobe.

Want more? Read our OKR history blog post!

“A key result has to be measurable.
At the end you can look at it and say
‘Did I do that or not? Yes? No?’ Simple!”

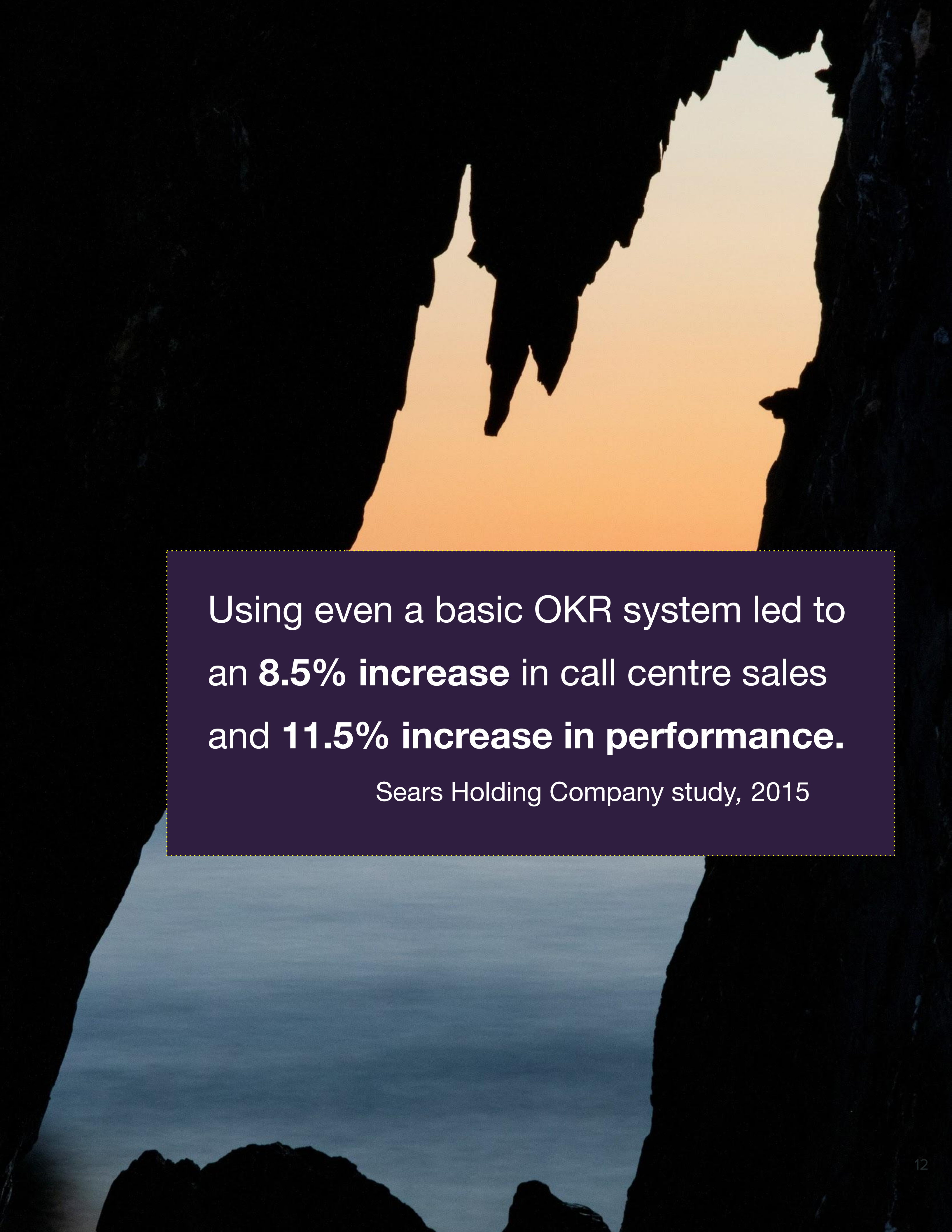
Andy Grove, Former CEO at Intel, 1976

Why OKRs Work

Hold on a moment - if management by objectives couldn't get a foothold in the businesses of the '60s, how come the OKR method is receiving so much attention now? Could it be that OKRs are just a passing fad, and is there any evidence that they work for smaller companies, not just corporate giants like Google and Intel?

In a nutshell, 21st century organisations know that alignment and clarity are essential to effective, modern business strategy. Since the 1950s our organisations have become both faster and flatter. Gone are the five-year business plans: companies must be ready to respond to the twists and turns of the modern world as they're happening. Under these conditions it's neither possible, nor desirable to have team leaders micromanage every one of their direct reports. Employees have more autonomy; relationships between teams and people are more fluid.

One casualty of this change is growing incoherence between different levels of an organisation. A company should look like a group of people working for the same purpose - yet an alarming two thirds of senior managers can't name their firms' top priorities. It's unrealistic to expect employees to commit to a firm when they're unclear about the reasons they do the work they do.



Using even a basic OKR system led to an **8.5% increase** in call centre sales and **11.5% increase in performance.**

Sears Holding Company study, 2015

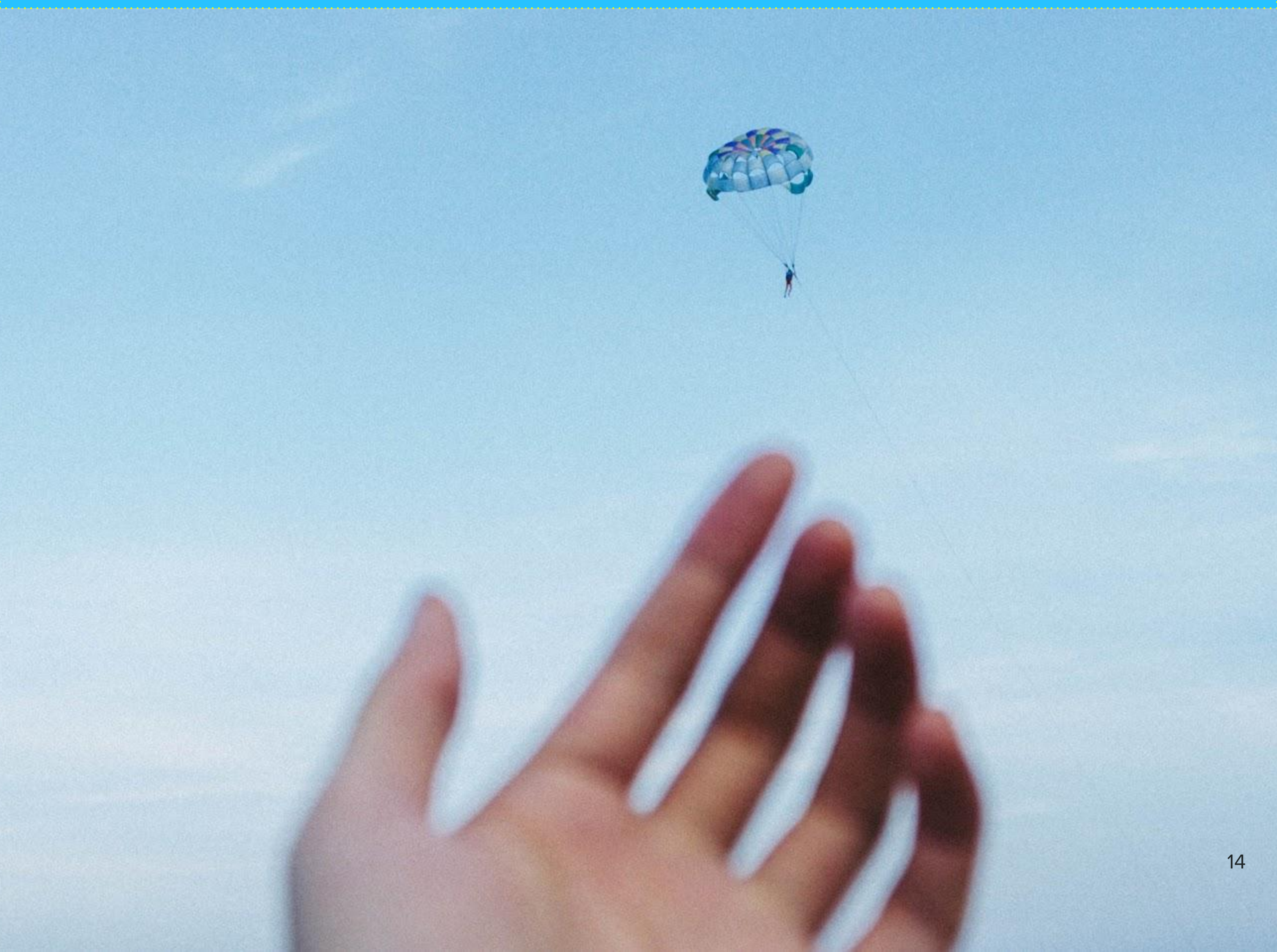
Which brings us to another valuable aspect of OKRs: the potential for employee engagement and motivation. MBO didn't take into account the possibility that the values of a company and its employees might not automatically align. They didn't consider the fact that the people implementing those goals were individual, changeable and not always predictable. They assumed that setting a goal would be enough - without ever asking if those goals were right for the people carrying them out.

OKRs, on the other hand, are more responsive. When done right, OKRs encourage a malleable, holistic outlook which recognises the importance of the individual goal as well as the company goal. There should be a healthy symbiosis between different levels of the organisation, which is not just observed but also adapted as changes occur naturally over time. (Indeed, John Doerr draws attention to Google co-founder Larry Page's "unforgettable" ability to analyse this symbiosis between goal tiers.)

As part of this symbiotic process, employees are invited to get involved in *setting* OKRs. How do *they* feel they can best contribute to a team goal? Is there even a special project they could undertake which would add value to the company OKRs? Giving employees this autonomy boosts engagement. And at the other end, failure shouldn't be penalised, but embraced - 100% hit rates are red flags that your OKRs are too easy. By opening up the field in these ways, OKRs offer more than a framework - they become a personal stimulus, too.

“**OKR expands our limits.** It moves us to strive for what might seem beyond our reach.”

John Doerr, *When John Doerr Brought A Gift to Google’s Founders*, 2018



Aiming High & Failing Well

Before getting into the specifics of setting Objectives & Key Results, let's delve further into the intriguing relationship between employee motivation, challenge and failure within OKRs. As mentioned on the previous page, the reimagining of failure as what C. S. Lewis called "finger posts on the road to achievement" allows you to set more challenging goals. With permission to fail, the fear of setting goals that are beyond your reach disappears. You become more interested in what you *can* achieve than what you *can't* achieve. Feeling inspired already? We thought as much.

This brings us to the idea of challenge. Most of the time we live under the assumption that people like to have it easy; that, given the opportunity, humans would much rather avoid work and effort than take on a big challenge. However, there is some surprising data on the way we perceive very difficult challenges compared to easily attainable challenges. A study by Harvard Business Review found that when faced with goals of varying difficulty, participants often "perceive higher goals as easier to attain than lower ones — and even when that's not the case, they still can find those more challenging goals more appealing."

That surprising result could be traced back to the instinctive assessment of the gap between current standpoint and new goal.

“Within ten years of graduation, the **3%** who wrote down their goals **earned ten times as much** as the other 97% put together.”

Harvard Business Study of MBA graduates, 1989

Because of the way participants evaluated the context and potential for failure, slight goals were often subject to a more pessimistic light (by focusing on what could go wrong) whilst stretch goals were seen with more enthusiasm. This links back to that ever-burning question of employee motivation and engagement: it's not the amount of work that's set so much as the *way* the work is laid out. And if you're wondering about how *realistic* a goal is, you're already preparing yourself for smaller wins, self-doubt and slower progress.

That's why an essential characteristic of good OKRs is shooting for the moon. It creates a sense of investment in the task at hand, coupled with the faith that - even if it takes longer than a single OKR cycle - that goal is totally achievable. It redefines the boundaries of what lies within reach, and plants seeds of ambition into the minds of your employees: it says "hey, this is what we *could* achieve."

So when you're considering which attitude to bring to OKRs - remember that challenge and failure are no longer number one enemies. In fact, they're driving forces that, when faced head on, can be used to shape a different landscape of motivation and action.

“Only those who dare to fail greatly **can ever achieve greatly**.”

Robert F. Kennedy, US Senator, 1966

OKRs vs. KPIs

Some might feel uncertain about trying out OKRs - especially when they compare it to KPIs (or Key Performance Indicators), which have long played a part in most business strategies. By definition both claim to assess 'Key' factors relating to success. Performance and objectives; results and indicators…? Aren't these essentially the same thing? Why can't you just stick with good old KPIs?

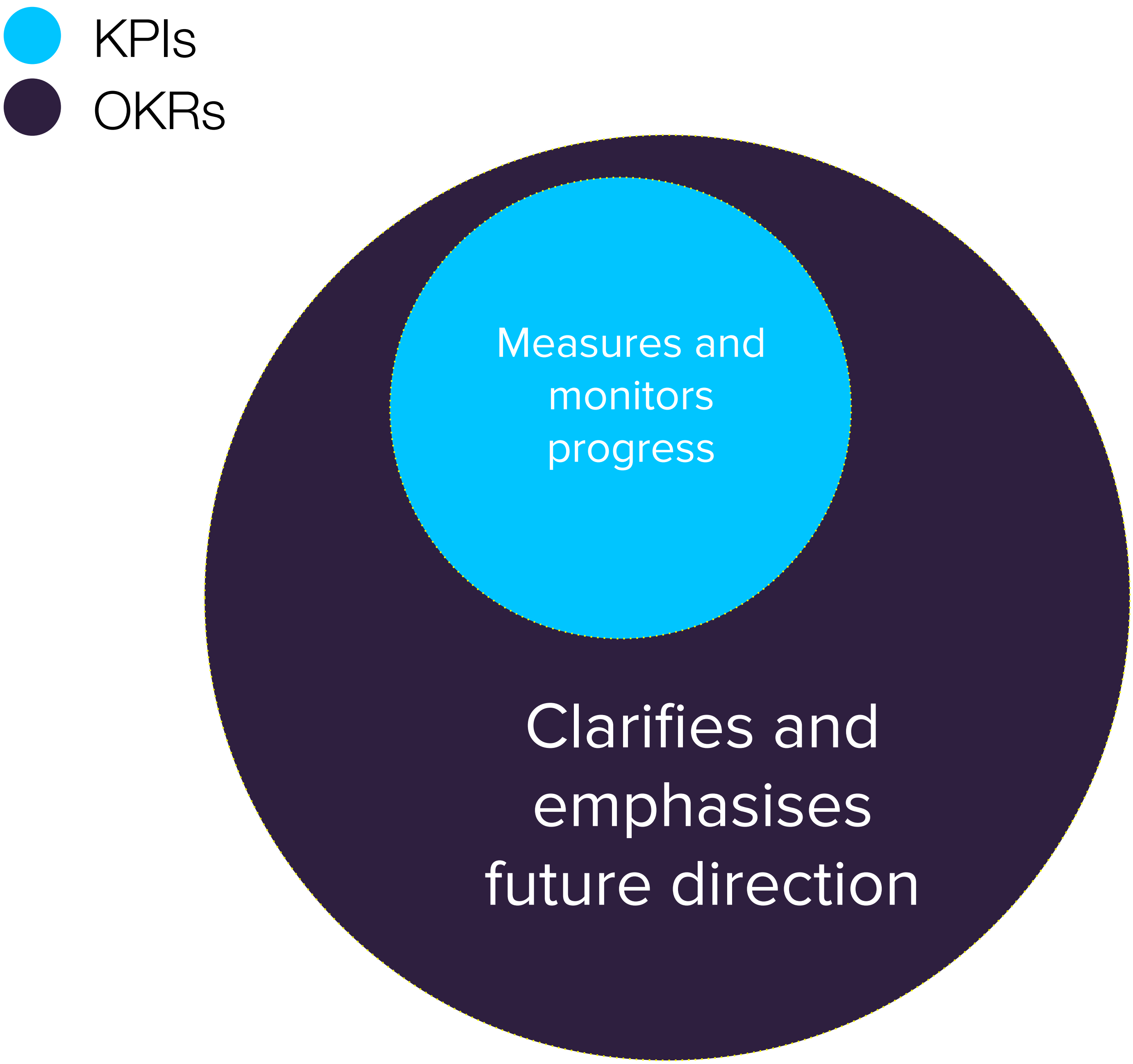
There are two main qualities that differentiate OKRs and KPIs. Firstly, KPIs are numerically measurable and static, while OKRs are more dynamic, combining qualitative with quantitative goal-setting. It's useful to note here that a KPI is closer in nature to key results *within* OKRs than it is to the OKR strategy as a whole. Like KPIs, key results can be measured in terms of a percentage, for example.

Secondly, each approach looks at goal strategy from opposite angles. KPIs look back at past achievements so the company's stats can be checked and controlled, while OKRs lay out a path for future success so employees can be motivated to hit targets. Think of KPIs as the doctor doing regular health check-ups, whereas OKRs are the personal trainer driving the company to push itself above and beyond its perceived limits.

"**Working on the right thing** is probably more important than working hard."

Caterina Fake, Co-Founder of Flickr, 2009

KPIs and OKRs are perfectly compatible with one another, so you don't have to get rid of KPIs by adopting the OKR method. As shown by the venn diagram below, OKRs measure the same things as KPIs - but it also provides incentives for future achievement.



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“It almost doesn’t matter what you know.

It’s execution that matters most.”

Andy Grove, Former CEO at Intel

Tracking OKRs in Action

Inspiring as they may be, OKRs need attention and commitment in order to be truly effective. Companies like Google and YouTube didn't make incredible progress by just setting up OKRs and then forgetting about them. You'll need to regularly track your OKRs if you want to see the needle move.

Let's say you've used a quarterly framework for each OKR cycle. That gives you a two week preparation period, after which point each week counts for 10% of the OKR's overall progress.

Each of these 10% weeks should be book-ended by meetings: a planning session on Mondays and a bragging session on Fridays, where you can share and celebrate individual wins. Not only do these rituals enforce the OKR habit, they also create a healthy, stimulating balance between ambitious thoughts and real actions.

Use the two weeks at the start of the quarter to affirm team protocol, as well as team feeling. Let new team members get to know each other, and encourage them to share their expectations of the OKR cycle so that incongruencies and clashes of outlook can be managed. When the quarter is up, always get feedback from employees on how the cycle went so you can troubleshoot your method and keep people engaged.

“**Momentum and flow are more important** than micromanagement and 100% completion rates.”

Roger Longden, There Be Giants Founder, 2018

How To Set Objectives

Choose your objectives - the direction of your OKRs - with some consideration. You don't want to find yourself mid-cycle only to realise that the end game isn't worth reaching! If you follow these five pieces of advice, you should be good to go.

As already discussed, **aim high** in order to get the most from your OKR cycles. Objectives should be inspiring - if they sound like business as usual, go bigger. Avoid setting objectives that use words like 'keep doing' or 'maintain': there's no point setting objectives that ask employees to just continue as they are. Break into new territory!

Next, **keep it concise**. Set no more than 3 to 5 objectives: any less and your focus will be too narrow - set any more and you're spreading yourself thin. You want to offer enough variety to give employees a choice in how they contribute to the company vision - but not so much that it creates confusion or misalignment.

Now **make sure your objectives are specific**. Sure, they don't have to be as numerically specific as key results but they shouldn't have lots of unnecessary frills. The trick is to make the objectives clear and specific enough to be easily recalled.

“It is equally **important not to get paralysed** by trying to set 'perfect' OKRs.”

Roger Longden, There Be Giants Founder, 2018

When you have your objectives ready, **clarify and communicate** them with your company. Again, the objective itself goes hand in hand with its execution - and getting people on board is the first step in that execution. Understand managers' and employees' primary reactions; ideas; concerns. Identify ambiguities and combat misgivings - and don't be afraid to make amendments where necessary.

Now for the best part: **track your objectives and recognise success**! Just because you're no longer allergic to failure, doesn't mean you should play down your wins. A healthy balance between the two lies somewhere around the 60-70% completion mark. At that level of achievement, you can be sure that the objective has been challenging enough to be meaningful whilst having confidence in your team's hard work and collaboration. Check in with people at the end of each OKR cycle: what was good about the objective, and what would people really like to change in the next cycle?

If you and your employees establish a rhythm of giving feedback on past objectives, it reminds all participants that OKRs are a work in progress always open to improvement - so you don't get stuck trying to get your objectives right the first time.

OKR SETTING Dos & Don'ts

Do...

- Set goals that require you to cover new ground
- Choose a variety of objectives and key results
- Make objectives inspiring and memorable
- Make key results specific, numerical and finite
- Track your OKR cycles and ask for employees' feedback on them

Don't...

- Use words like 'keep doing' or 'maintain'
- Choose 1-2 objectives that approach the company vision too narrowly
- Make goals ambiguous or overly complicated
- Choose ongoing, indefinite processes as key results
- Forget to celebrate your wins!

How to Set Key Results

As mentioned earlier, key results are actually relatively similar to KPIs in that they are designed to *measure* and monitor your progress. You can think of key results as the milestones you pass on the road to success: they indicate both where you are and how far you've come. So what should you look out for when choosing your key results?

Well first off, in order to make something easily measurable **it should always have a number**. You can formulate it however you like to keep it practical. If the key result works better as a percentage or a due date, that's fine too - as long as there are some digits involved! Using numbers means less room for interpretation when assessing your progress.

Then, as with objectives, you don't want to set too many key results. Around **three key results per objective should work best** (although depending on your team size and objective, you could set up to five). You don't want your key results to turn into an endless to-do list - they should mostly reflect the priorities linked with achieving each objective, not every single possible facet of it.

“Focus, alignment, commitment, tracking and stretching — that’s the payoff of OKR.”

John Doerr, *Measure What Matters*, 2018

As with your objectives, **make sure each key result offers a challenge** for teams to really sink their teeth into. Setting up key results that are difficult to complete will test the resourcefulness and aptitude of employees. Aim for a 60-70% completion rate of each key result.

Importantly, make sure the names of your key results **focus on outcome, *not* process**. Sometimes key results make people think of actions on a to-do list, like 'get advice; 'help trainee'; or 'research new software'. The problem with these is that they're continuous - theoretically you could get one piece of advice or a thousand, and you wouldn't be able to pinpoint exactly when you had achieved that key result. But if you use a finite outcome - like 'hold meetings with two financial advisors' - you can say with confidence whether you have achieved that key result or not. Note that focusing on outcome doesn't contradict the process, either: you still have to seek advice, but now you have a clearer vision of how you're going to do that.

Lastly, **ask yourself whether the key result will leave you with evidence**. Taking the above-mentioned example: following the key result 'get advice' might lead to spontaneous conversations that leave no paper trail. But if you hold meetings with two financial advisors, you'll probably end up with some emails, invoices, and calendar entries to consolidate the progress of that key result.

Examples of Great Objectives

Create an awesome team of employees

Enter the UK Market

Increase customer satisfaction

Build a recognisable brand voice

Examples of Great Key Results

Hire 3 new employees

Interview 5 UK thought leaders

Increase NPS by 20%

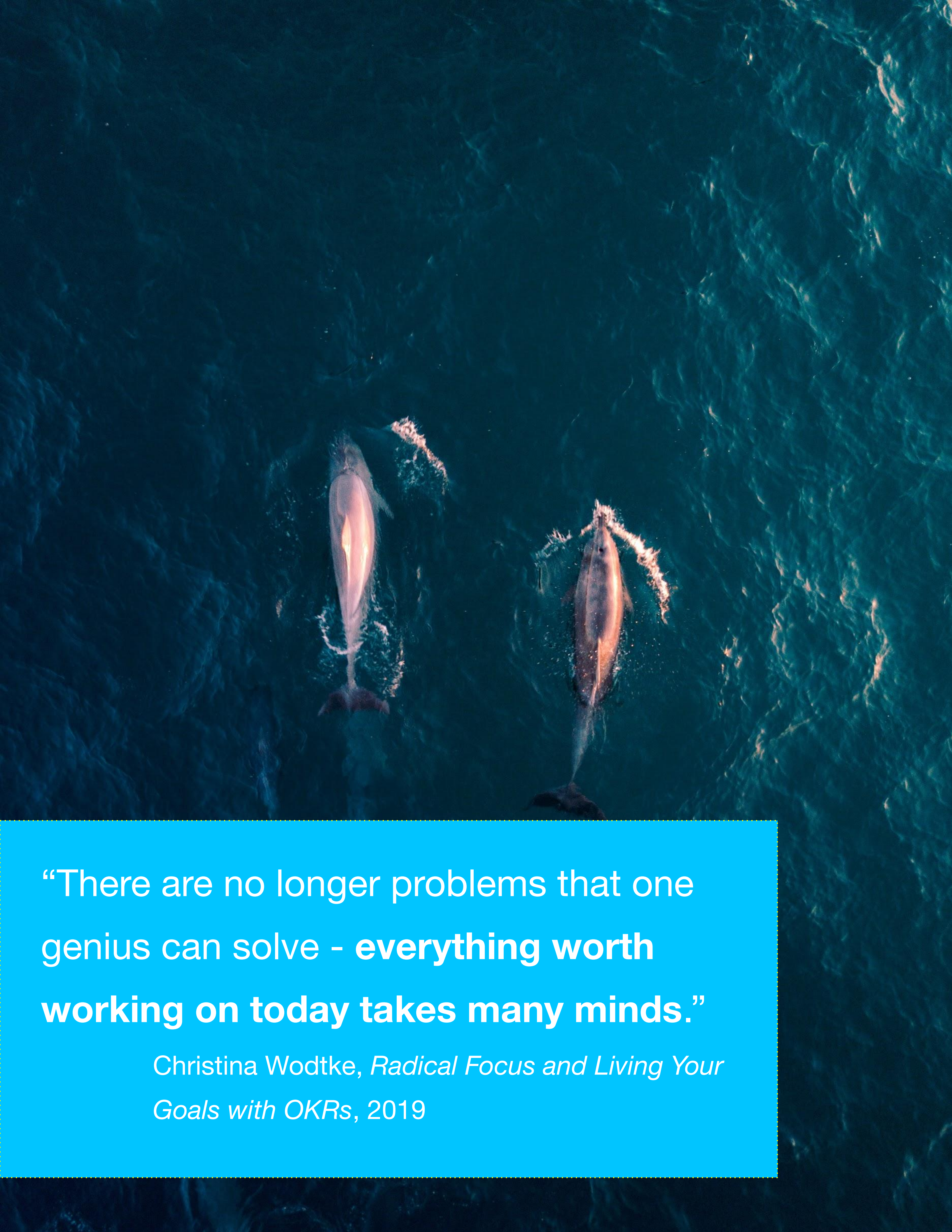
Pitch brand strategy to founders by 30th September

Troubleshooting Tricky OKRs

Like everything in life, OKRs don't always turn out as planned. Sometimes employees are discouraged by issues experienced in the first couple of OKR cycles; or the organisation fails to capture the cohesion promised by the OKR framework. What are some of the problems raised by OKRs, and how can we resolve them?

To answer that question, let's look to Christina Wodtke, an OKR expert and author of the seminal book on OKRs, *Radical Focus: Achieving Your Most Important Goals with Objectives and Key Results*. Her interview with Maggie Crowley touches on some common things to avoid when implementing OKRs.

- **Rolling out OKRs through the entire company** Adjusting to OKRs can be tough, so it's not surprising that a sudden, company-wide introduction of OKRs could breed apprehension or resentment. The trick is to find a pilot group who have both the willingness and the self-sufficiency to to pull off a couple of efficient OKR cycles. "Nothing succeeds like success," Wodtke remarks. Road-show that test group to earn the interest of other teams. Once the results are in you can open the program to others knowing that people will want in. Overall, a company roll-out should take closer to a year.



“There are no longer problems that one genius can solve - **everything worth working on today takes many minds.**”

Christina Wodtke, *Radical Focus and Living Your Goals with OKRs*, 2019

- **Responding half-heartedly to achievement** Challenge is part and parcel of good OKRs: with that in mind, 80% is an excellent hit rate. However, make sure you honour that in practice to avoid making employees feel like they're constantly falling short. If you colour key results green on completion, have 70% be the cut-off point instead of 100% and add a bonus colour for truly exceptional achievements.

- **Expecting consistent exponential growth** "You don't want to burn out your employees." Wodtke notes. "It's not sustainable to reach amazing potential all the time every time." Remember it's normal to have less incredible OKR cycles sometimes - even if you don't make giant leaps, your teams still become more clued up and more skilled.

- **Different teams using OKRs in opposing ways** We don't recommend using OKRs to set easy goals, but if you do at least be sure your whole company is on the same page! If some teams set stretch goals while others go for the easy road, that's a certain recipe for resentment and push-back.

- **Leaving OKRs out of the conversation** Great execution lies in the *ritual* of OKRs. If you make OKRs a talking point when propositions, progress or experiments are discussed, it'll become hard-wired into the company mindset.

- **Misalignment within teams**
  People working together for the first time will have different backgrounds, personalities and ways of working. It's natural that at some point, there will be tension. So before the OKR cycle begins, set aside time for teams to get to know each other.

- **Lack of team protocol**
  Building on that, make sure everyone agrees on standard procedures for, let's say, disagreeing with others or missing deadlines. Having a basic code of conduct will help reduce easily-avoidable misunderstandings and simmering tensions.

- **Trying to speed ahead**
  It can be tempting to cancel meetings and brags when you're in the thick of OKR tasks, but those moments are where the real learning happens; where the group dynamic is made and preserved. "Slow down to go faster," says Wodtke. Take the time to look at each other's work and note what works...

- **Losing momentum**
  ...but don't get stuck in one phase. Timebox those planning weeks, and if you run out of time remember you can always trouble-shoot in the next cycle. "You have to trust that very valuable learning experience, because a learning company is one that can compete in the marketplace," Wodtke says.

Further Articles and Resources

1. *Measure What Matters* (John Doerr, 2018)
2. "When John Doerr Brought a 'Gift' To Google's Founders" (Wired, 2018)
3. "A Step-By-Step Guide to Starting With OKRs From an OKR Expert" (Leapsome, 2019)
4. "Why You Should Stop Setting Easy Goals" (HBR, 2018)
5. "Why the secret to success is setting the right goals" (TED Talk, 2018)
6. *Radical Focus: Achieving Your Most Important Goals with Objectives and Key Results* (Christina Wodtke, 2016)
7. "Build 15: Christina Wodtke on Radical Focus and Living Your OKRs" (Seeking Wisdom, 2019)
8. "Management by Objectives" (The Economist, 2009)
9. "How To Set Goals (And Why You Should Write Them Down)" (Forbes, 2017)
10. "Sears Holding Company Study Shows OKRs Impact Bottom Line" (LinkedIn, 2015)
11. "The Impact of Goal Setting on Employee Effectiveness to Improve Organisation Effectiveness: Empirical study of a High-Tech Company in Singapore" (Journal of Business & Economic Policy, 2016)