THE DEFINITIVE GUIDE TO OKRs

2018

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FOREWORD

"Determine what can and shall be done, and then you shall find the way."

Abraham Lincoln

"The best way to predict your future is to create it."

Peter Drucker

OKRs (Objectives and Key Results) are a powerful goal-setting system that drives alignment, performance, and results at high-performing companies. It is the next generation goal-setting process and system, an evolution of S.M.A.R.T. goal methodology (Specific, Measurable, Aligned, Relevant, Time-based), and MBO (Management by Objectives). These traditional goal-setting practices have been used successfully since the early 1950s, but the OKR process is different from these methods because it adds two important aspects critical for today's rapid-paced work environments: a) cascading alignment of goals and b) breaking up an Objective into smaller steps (the 3-5 Key Results).

This eBook will explain the introductory basics about how OKRs can help organizations improve performance, achieve a higher level of productivity and organizational clarity, and ultimately succeed with better results. Our aim in this eBook is for you to get a well-rounded understanding of OKRs before getting started with them.

Note that OKR are not overly-complex – it's simply all about setting goals. However, it can become slightly complex when companies are just beginning to use it without prior experience, or when detailed alignment is required. Yet, all of this can be learned over time. In the end, OKR are highly beneficial for companies when used it with discipline and consistency.

However, no company should ever start doing OKRs merely for the sake of doing it because everyone else is. The OKR system is an enabling mechanism for much more effective, efficient, aligned, and high-performance business operation which many refer to as operational excellence. It also creates better clarity and accountability for everyone at the company. These are the key reasons why companies should start using OKRs.

NOTE TO THE READER

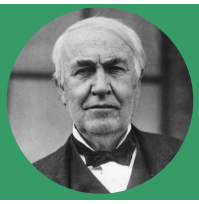
Throughout this guide, the word “goals” is used frequently to describe the objective portion of OKRs. This is not to be confused with the other definition of “goals,” which, in terms of goals versus objectives, refers to aims that are long-term (longer than a year), far-reaching, and not always quantified; while Objectives are measurable, quantified, and are typically monthly or quarterly.

For the purposes of describing OKRs, the word “goal” is used here in common vernacular to refer to the endpoint, or objective, of an OKR. And similarly, “goal-setting” refers to the process of setting OKRs (just as much as it would refer to setting long-terms goals). While there is a difference between goals and objectives, constantly saying objective-setting may sound strident and too forced, so we will stick to the tried and true “goal-setting” to convey that message.

INTRODUCTION

"Vision without execution is hallucination."

Thomas Edison



Goals are critical for a company to be successful in executing its mission and go in the direction of its long term vision. To state simply, goals are critical for effective execution. Any company without goals and objectives will fail to achieve great results, because teams and individual performers will not have any clear direction of where to go. As Yogi Berra said, "If you don't know where you're going, you might not get there."

Joking aside, if your employees don't have direction, then they are all "flying by the seat of their pants," and your organization will lack focus – historically, no company was an industry leader (nor even a success) without clear direction and focus; that's just a fact.

Management approaches to goal-setting and managing with goals and objectives have changed over time, and for good reason: today, our 24/7, fast-paced work environment requires strong execution. This is dependent on company leaders and managers setting clear end goals for working professionals, then measuring and tracking progress while ensuring accountability in the organization. High performance matters at all levels, so there's a need for transparency, candor, and a system by which accomplishments are celebrated and failures become learning processes for forward-thinking progress.

OKRs are a modern solution to the goal-setting challenges that all growing companies face. OKRs considerably improve clarity, direction, focus, and communication. They will also improve alignment for everyone at your company, which is one of the biggest challenges in setting goals. Ultimately, everyone will know what is important and the priorities as envisioned by the CEO and the executive team for the company. OKRs will create the laser focus that allows everyone at the company to clearly see what they need to do in order to achieve their own success at work, as well as how they need to help the organization achieve company-wide success.

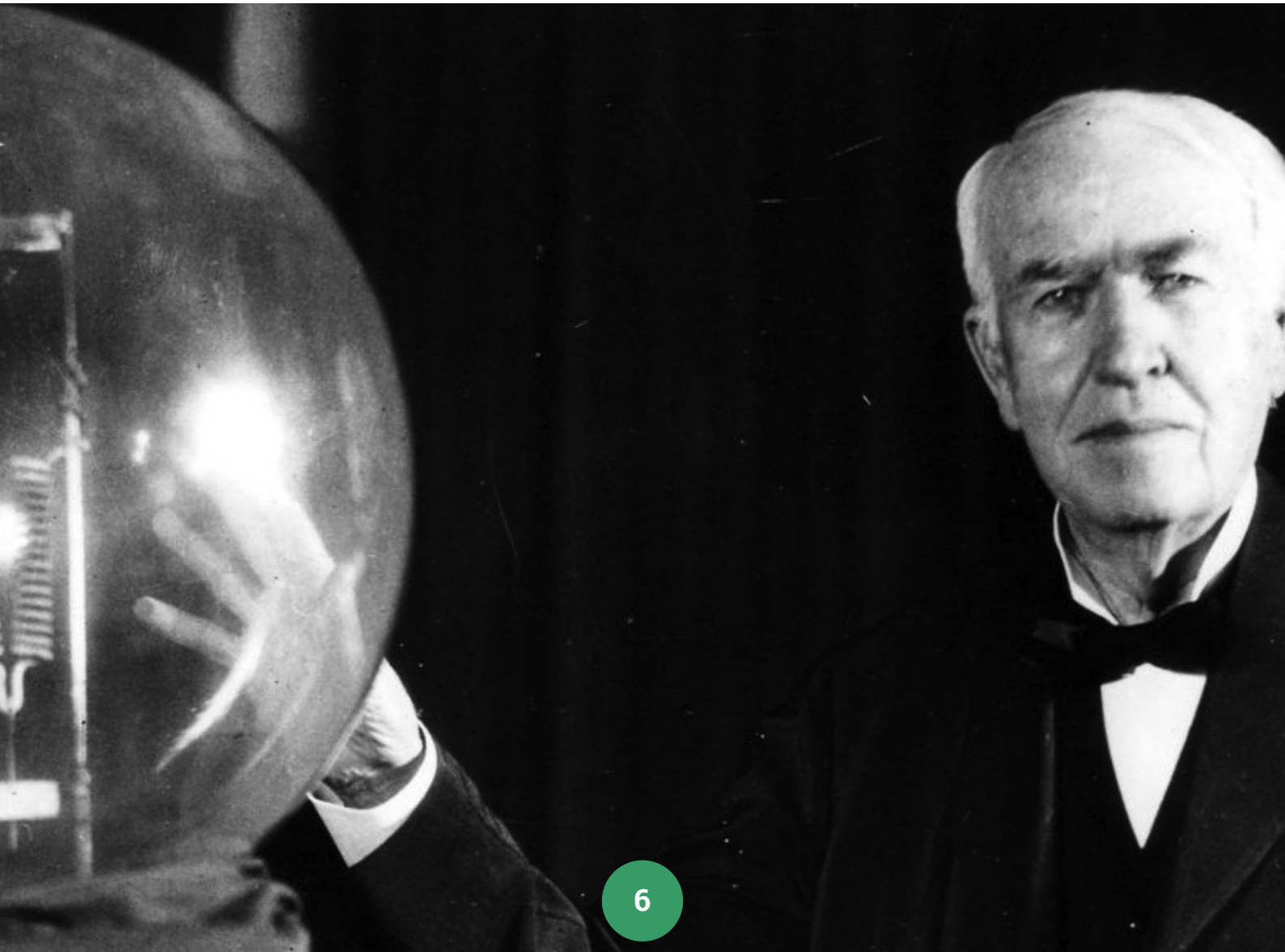
As we mentioned in the foreword, OKR is the modern, next-generation of goal-setting process and system, a wildly effective combination of S.M.A.R.T goals and MBO. The beauty in the newer OKR approach is that it allows for each goal to be broken down in actionable, concrete steps over a clearly-defined timeline. OKR creates clarity about the individual focal points for everyone at the company, and directs their effort, leaving virtually no room for confusion. The objectives and steps needed to get there are spelled out so that everyone knows what exactly needs to be done, and how their priorities align with those of the company.

Cascading alignment, the first aspect of what makes OKRs the next-generation goal-setting system, is important because employees need to know how their direct responsibilities align to top corporate objectives and long-term goals. In many companies, this alignment is missing altogether – it's not that employees are unable to understand it; rather, goals were never directly aligned to all the employees in the first place. To drive performance, everyone must know that their individual work matters on an organizational level.

The second aspect is that OKRs simplify a bigger objective into smaller pieces that are measurable and quantified, and which professionals can understand better. As a result, can they can achieve results with clarity and effectiveness.

Finally, everyone always asks why OKRs are suddenly so popular. After all, Intel has used OKRs since the 1980s and everyone has read about how John Doerr (a partner at Kleiner Perkins) introduced Google's Sergey Brin and Larry Page to OKRs way back when Google was just a small startup. So, why now all of a sudden?

Well, first of all, Google itself made OKRs popular in 2013 when Rick Klau (of Google Ventures) made an 82-minute long video that by now has had over 250,000 global views (see Transcript of Google OKR Video). While there are other reasons for the rise in OKR popularity, this one is perhaps the catalyst, and the reason why 2016 will be the year of OKRs for a lot of growing and high-performance companies.



HISTORY

"Leadership is the capacity to translate vision into reality."

Warren Bennis

HOW OKRS WERE DEVELOPED

In his 1954 book The Practice of Management, Peter Drucker (a.k.a. "The Father of Modern Management") coined the term MBO, or "management by objectives." This participative approach to goal setting involves all employees in the process of determining their priorities and course of action planning. This tactic boosts engagement and commitment by giving a voice to employees at all levels, and it also allows managers to see how their direct reports perform as they work to meet specific objectives.

SMART Goals is another system that was introduced in the Management Review by George T. Doran in 1981. It is a mnemonic acronym that sets the criteria for "stretch goals" and it also played a role in shaping today's OKRs. The SMART approach acronym, which stands for Specific, Measurable, Aligned/Assignable, Relevant, and Time-Based, is used to develop goals that are concrete and geared towards execution.

Stretch goals require the extension of an individual or team in order to be achieved. To be effective, they should still fall under SMART criteria, but they push individuals out of their comfort zones and into uncharted territory.

OKRs should encompass elements from both stretch and SMART goals, and also rely on the principles of MBO. When John Doerr first brought OKRs over to Google, he relayed the importance of specificity and making goals ambitious. Google has been using OKRs effectively for over a decade, and as Google Ventures' Rick Klau puts it, "Google wasn't Google" until they adopted the OKR practice. In fact, their implementation of OKRs has propelled them into the incredibly successful company that they are today.

In his Startup Lab YouTube video on OKRs, Klau urged business leaders to stop thinking that they could never be like Google. No company is too small, too young, or too anything, for that matter, to implement OKRs.

WHAT ARE OKRS?

"Plans are nothing but planning is everything."

Dwight D. Eisenhower

As mentioned in the Introduction above, OKRs (Objectives and Key Results) are a powerful goal-setting system (and is also a process by which to set and manage enterprise-wide goals) that drives alignment, performance and results at growing and high-performing companies.

Below, we show the definitions of Os, KRs, and also Tactics. It's important to know that Objectives inform the "where," Key Results inform the "what," and Tactics fall under Key Results – they inform the "how." It's also important to note that Tactics are not tasks. To clarify this point, think of tasks as those in Asana, Jira, or Trello, which are popular tools for task management. Tasks are the many actions that fall under a Tactic, and are necessary to be completed in order for the Tactic to work. You may need a couple of Tactics to achieve a Key Result. Then, you must achieve a couple of Key Results in order to hit the Objective. Diagram 1 illustrates this process (but doesn't include the tasks, which are always a couple of levels below Objectives).

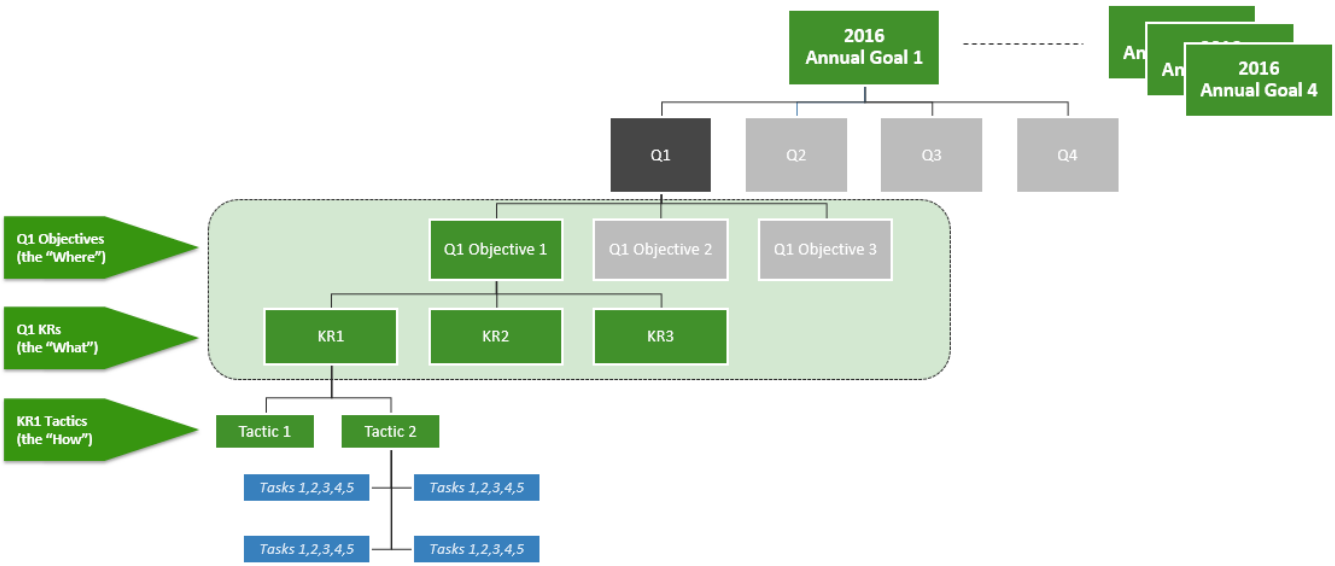


Diagram 1: Cadence of Goals > Quarterly Objectives > KRs > Tactics

DEFINITIONS

Objectives (Os)

- **Quarterly (but for junior individual contributors, they can be monthly)**
- **Must be measurable (Complete/Incomplete is measurable despite not having a number)**
- **Qualitative (it is your KRs that will have the quantification of the Objective)**
- **Must be able to be connected to or cascade down so that your team or individuals on your team can connect their supporting objectives and align them to the CEOs, executive's or manager's objectives**
- **They inform the "where" (Where do we want to end up?)**

"Objectives" refer to the thing that must be accomplished. Each Objective must be measurable. Ideally, it should also be quantifiable. It should also come with a specific timeframe, and typically, this is a quarter (but can also be a month). Each Objective has a series of 3-5 actionable steps, or Key Results. If it is merely measurable but not actually quantifiable, that type of Objective is typically referred to as a Milestone. Please note that measurable and quantifiable are different criteria and shouldn't be confused.

For example, setting an Objective such as, "Launch a Marketing Event on June 10" is measurable, but it is definitely not quantifiable. It is measurable because you can measure whether it was or was not launched – i.e. done or not done, yes or no. However, that's not quantifiable – despite its quantity being one, which, while still a quantity or a number, is not genuinely a true quantity in the spirit of what quantifiable means in this case. However, "Launch a Marketing Event on June 10 and get at least 100 attendees and 10 qualified leads," is both measurable and quantifiable.

Key Results (KRs)

- **Must be measurable (ex: complete/Incomplete is measurable)**
- **Must be quantifiable**
- **They inform the "what" (What are we going to do in order to achieve our Os?)**

"Key results" are the steps that need to be taken to achieve the objective to which they relate. Like objectives, key results must be measurable and should ideally be quantifiable as well as time-bound.

GOOGLE'S ROLE IN POPULARIZING OKRS

Google has been among the strongest influencers of the OKR movement. Their attraction to OKRs is due to the fact that the setting, tracking, and measuring of objectives and key results leads to a wealth of usable data, which can be used to drive performance and make informed decisions moving forward.

In this Google video, you can learn how Google uses OKRs to succeed.

Nowadays many worldwide known companies are successfully using OKRs:

OKRS TAILORED TO YOUR NEEDS

The logos above represent only a fraction of the companies that currently use OKRs. Despite their overwhelming popularity, however, OKRs cannot be adopted using a “one-size-fits-all” model; you must implement OKRs in a way that works best for your organization and meets your highly individualized needs. As we move forward, you’ll see how you can make them work best for you and your team.

SHOULD YOU USE OKRS?

"No company, small or large, can win over the long run without energized employees who believe in the mission and understand how to achieve it."

Jack Welch

"If you can't measure it, then you can't manage it."

Peter Drucker

Remember our earlier point about Rick Klau's statement in the Google Ventures video that "Google wasn't Google" before they began using OKRs? Let's revisit that for a moment. Google, once a new and eager startup, is now a $350 billion company – and their success is owed greatly to OKRs. But at the heart of that success was the belief that they could succeed by simply organizing, tracking, and ultimately, executing their goals. That's a notion that can be carried out in literally any company – all with the help of OKRs.

OKRs can – and do – work for every single company, no matter the size.
There is no prescribed number of employees you must have in order to use OKRs; in fact, Klau said he uses them despite being "a team of one."

It's never too late to implement OKRs, but the sooner you introduce them, the better off you'll be.

BENEFITS OF USING OKRS

"Plans are nothing but planning is everything."

Dwight D. Eisenhower

OKRs improve the goal setting systems of MBOs (Management by Objectives) and S.M.A.R.T. Goals in the following ways:

- Cascade alignment, connect everyone to top priorities
- Break up Objectives into smaller steps (KRs)
- Lead with 70% Bottoms-Up vs. 30% Top-Down

Measurability (Measure and Quantify Your Progress)
As the quote from Peter Drucker above says, if you can't measure your operational progress then you can't really manage it. In other words, if you don't really know where you are then how can you improve or know that you're driving your organizational results in the right direction. With OKRs you are thus measuring operational performance and everyone's progress and OKRs add measurability to the business. You will know where you stand with respect to everyone's objectives weekly with OKRs.

BREAKING UP THE OBJECTIVE INTO SMALLER PARTS

Objectives, when broken down into smaller steps (Key Results), which are then divided amongst tactics and tasks, can be completed within the course of a quarter. You can give your people a 2-3 week grace period, and then anticipate about 10% completion for each week, giving everyone ample time to execute each objective in its entirety.

Everyone's Buy-In
OKRs are a bottoms-up focused process – it is better for everyone to help set their objectives together with their managers and executives than being told what to do. Everyone gets to have a say in what their Objectives and Key Results will be – in fact, 70% of them should come from the bottom, creating buy-in for the individual and a chance to showcase their talents. By having 30% of OKRs come from the top down, you'll ensure company-level priorities factor in.

Discipline
OKRs are effective for a multitude of reasons. Namely, Google has taught us that OKRs inherently impose a high level of discipline in the organization. Projects and progress are on display for the entire company to see, which takes duties beyond a level of responsibility: employees actually become accountable for their progress and objective-meeting in a healthy, performance-driven culture. Jim Collins, the bestselling author of Good to Great, said "A culture of discipline is not a principle of business but is a principle of greatness." Companies that are disciplined to plan and set goals achieve true greatness. Other companies (who don't instill such discipline) typically end up having a lot of managers and teams who are leading blindly, and are unable to achieve stretch goals that turn their companies into industry leaders.

Performance
With enhanced and frequent communication, you can recognize your employees' efforts more often as well. Praise for hard work and course-correction for missteps lets employees know that their work matters, which gives them even further incentive to strive for excellence. Tracking progress also allows you to find out much sooner if your team experiences roadblocks so that you can either remove them or offer alternate routes.

Focus
OKRs encourage laser-focus across an organization. The objectives, as well as the concrete steps that need to be taken in order to fill them, are clearly spelled out for each individual. Everyone knows what he or she should be working on, which also drives their attention away from less-important responsibilities and distractions. Google Ventures' Rick Klau said that one of the best advantages for using OKRs was that he knew very clearly what not to be working on.

Alignment
Your employees see how their current priorities fit in with the company goals, and thus, they can see firsthand the value of their role in the company. They'll also get transparency about what other teams, departments, and individuals are working on, making collaboration simple yet effective.

As Peter Drucker stated, "Unless commitment is made, there are only promises and hopes… but no plans." With OKRs, there are both plans and involvement at all levels of employment. Even junior-level individuals get to have a say in what their objectives should be; the negotiating steps of determining OKRs become a collaborative, cyclical endeavor. While top-level priorities cascade down through the ranks, priorities are also communicated upwards, creating healthy flow of shared goals. Each individual works independently, but these independent efforts work together to make the whole organization run smoothly. This creates an overwhelming sense of alignment across the entire company.

Time
Lastly, using OKRs won't require any additional time out of your schedule. As Rick Klau puts it, implementing OKRs simply requires you to establish a rhythm, "and once you get into that rhythm, it's just a byproduct of doing your job." In fact, you'll find that OKRs save you time in the long run: many lengthy, drawn-out meetings with lots of attendees, rushed conversations that take place in passing, and distracting emails can be altogether cut in exchange for regular check-ins concerning OKRs.

Transparency
Transparency improves employee engagement because your people will understand the reasons why specific objectives are set. Transparency also improves trust inside the organization which is critical to improving the culture, morale, performance, and ultimately, results. Transparency also creates more accountability and responsibility and brings about an improved positive culture to your organization. Finally, talent is drawn to transparent organizations, and that talent is retained at transparent organizations. All of these reasons make transparency not merely a buzzword, but something that every organization should deem critical for success.

And as it happens, OKRs can help significantly improve transparency - on an individual, team, and company-wide level - meaning that each person can visibly see one another's objectives and recognize how they factor into the overarching annual or long term goals of the organization. Such visibility inherently drives motivation and increases performance.

WHY OKRS WORK FOR EVERYONE

The benefits of OKRs on an organizational level are obvious, but do they work for everyone? In a word, yes. Here's why:

They provide structure balanced with an element of independence. Recall the fact that the OKR process is collaborative and requires negotiation amongst the manager and the direct: this allows a certain element of freedom for the individual to recognize his or her strengths and put them to work.

Millennials embrace the feedback associated with OKRs, along with the flexibility they provide. Furthermore, for any employee, OKRs create room for results and performance to be adequately recognized and compensated for – no longer is seniority the only aspect for determining advancement opportunities.

The OKR process also fits well with human resources. Many companies have found that while HR can assist in facilitating a smooth transition into the OKR process, they don't have to "own" the integration entirely. Each individual plays an active role in carrying out his or her own OKRs.

HOW TO USE OKRS

"If you don't know where you're going, you might not get there."

Yogi Berra

"Unless commitment is made, there are only promises and hopes... but no plans."

Peter Drucker

"In the business world, the rearview mirror is always clearer than the windshield."

Warren Buffett

Your company's OKR approach will vary slightly – or significantly – from that of next organization, bit there are some best practices to keep in mind when implementing OKRs.

Quantify (Use Numbers)
For one thing, it's ideal that both the objectives and each of their key results are quantified, and are not merely measurable (i.e. as that is different from being quantified). You must avoid ambiguity and subjective language altogether when composing OKRs – that way, you can clearly define your objectives and the steps needed for execution, providing you with a marker against which you can measure progress. Google strictly believes that "it's not a key result if it doesn't have a number;" likewise, the objective that encompasses each set of key results should also have a number.

Collaborate
More than half of your OKRs should come from the bottom up. This allows leaders and lower-level employees to collaborate and align priorities, while also opening up new perspectives for upper-level management. Not every person's OKR will be a company-level objective, but each individual's OKR must still somehow contribute to the all-encompassing organizational goals.

Maintain Frequency
Make OKRs a part of the weekly process. While OKRs are determined at the start of each quarter, they must be acted out on a daily and checked on a weekly basis. When a CEO, executive or a manger meets with their people each week and reviews weekly progress, he or she must ask: "Where are you with regard to your objectives, what are bottlenecks in meeting your objectives, and do you need everything from me?" This develops goal-meeting as a habit.

Keep it Positive
Avoid turning OKRs into a performance review. Not achieving 100% of an OKR should provide learnings, data and indicators about what not to do next quarter.

In other words, it's OK if some portion of a bonus is tied to an "operational" OKR (not "aspirational") but it is not meant to be a central issue in a performance review. There is a lot more to performance reviews than achieving any given OKR.

Plus, OKR achievement should always be assessed in the right context when discussed in performance reviews. See the "Linking the OKR Process to Compensation" section for more details on this. This creates an opportunity to go back and assess why the objective couldn't be met, which key results were too difficult, and whether or not obstacles can be avoided moving forward.

Impose a Limit
Never assign more than four or five objectives per quarter. Also, avoid having more than four or five key results for each objective.

Klau recommends keeping it between four to five objectives with four to five key results for each. Any more will require too much "intellectual juggling," and individuals won't be able to dedicate enough time to executing each OKR.

ALIGNMENT

"When you come to a fork in the road, take it!"

Yogi Berra

"It's not enough to be busy, so are the ants. The question is, what are we busy about?"

Henry David Thoreau

OKRs define who's doing what, which allows you to continue to monitor progress without micromanaging. They help everyone know what direction to focus their efforts and not be merely busy doing activity but actually stay focused on producing results. OKRs also create a collaborative effect in which every member of the organization knows how his or her work impacts the big-picture objectives of the organization.

Interdepartmental collaboration is seamless and easy to achieve, because there's no guesswork involved in determining everyone else's priorities. The projects that each person is focused on are clearly spelled out for everyone to see. Plus, because each person is, in some way or another, contributing to a larger set of priorities at the company level, wins are celebrated across the board. A healthy, high-performance culture grows organically, because everyone wants the entire organization to thrive.

Because all employees partake in their own OKR-setting processes, they are more involved in their work than ever. At the individual level, they know best where their talents and main responsibilities lie, so they can communicate with management to express their perspective, contributing in the OKR development process from the bottom up. At the same time, managers can assist in cascading down the top-most priorities of the company, so that individuals' OKRs are cohesively aligned with high-level goals.

Google used the analogy of a football team to illustrate alignment as created by OKRs. While the coach, owner, PR team, and players each have their own individual goals, they all factor into the team's overall goal of selling tickets and winning the big game. That's how OKRs work at an organization: while each individual has his or her own OKRs that may not necessarily be company-wide priorities, each OKR contributes to company-level goals.

ASIPRATIONAL VS. OPERATIONAL

"The greatest danger for most of us is not that our aim is too high and we miss it, but that it is too low and we reach it."

Michelangelo

"Keep your eyes on the stars and your feet on the ground."

Franklin D. Roosevelt

"Do one thing every day that scares you."

Eleanor Roosevelt

There is a difference between "aspirational" and "operational" goals. Aspirational goals are not the same as BHAGs (Big Hairy Audacious Goals, a.k.a. "Moon Shots,"); they are simply ambitious objectives. Aspirational goals are akin to the stretch goals referred to previously.

STRETCH FARTHER

Some OKRs should be a stretch. If execution is always a certainty, then the process becomes too easy. Google's target completion for any OKR is within the 60 – 70% range; this is a good benchmark for which you can aim. OKRs should provide challenges to encourage focus and high levels of performance.

BUT MAKE SOME ACHIEVABLE

If every single OKR was only 70% achievable, it could lead to a feeling of defeat or disengagement across your organization. To say that you should always just aim for 70% is contradictory to the notion of driving excellence – why would your team want to be better if all they have to do is get a 70% each time? Or, when looked at conversely, for anyone who does hope to exceed expectations consistently with stellar performance, how would it feel to only receive a 70% on average?

That's where operational goals come in: to balance out the highly challenging stretch goals, it's wise to also encourage teams and individuals to set some OKRs that are entirely achievable. They still need to put in time and effort to get there, and spelling them out with Os, KRs, Tactics, and tasks will aid in this process, but it's less likely that they'll fall short in achievement compared to stretch goals, where underachievement is not just possible but in some cases probable.

BALANCE IS KEY

It's healthy – and beneficial – to set both aspirational and operational goals for everyone each quarter. Keep in mind that they won't be met 100% each time; if they were, they wouldn't be a stretch in the first place. Unlike operational goals, pursuing aspirational goals makes you reassess what you're doing because it stretches your thinking, and stretches you beyond the average expected means of what would otherwise be an entirely achievable (operational) objective.

If, say, you typically grow 10% each quarter but are now tasked with figuring out how to grow 30%, then you'll need to think deeper – or completely reconsider your strategy – which is a good thing. You're really aiming high now.

But again, it's natural to achieve only 60 – 70% of a stretch goal, so you must also incorporate some OKRs that are operational to keep your employees engaged, encouraged, and future-focused. When an OKR isn't entirely achieved – either due to the fact that it was more of a stretch goal or for some other circumstances – you can use that data to help you moving forward, which is discussed in the section, "What to Do if an Objective is Not Achieved."

TIMING

"Give me six hours to chop down a tree and I will spend the first four sharpening the axe."

Abraham Lincoln

"You need to overcome the tug of people against you as you reach for high goals."

George S. Patton

HOW OFTEN SHOULD YOU SET OKRS?

Typically OKRs are set quarterly – but this is circumstantial, and depends on how the company is managed. Some companies set Objectives and Key Results every month, but that can quickly become overwhelming because the key is planning, and planning takes a lot of time. Thus, it is better to set a quarterly OKR then ensure that everyone follows the rhythm of checking in and that about 10% achievement is occurring during each of the 13 weeks. You can then do a more thorough review and course-correction after the first and second months.

Additionally, some objectives may need to span two or three quarters, or even an entire year (those are basically annual goals) – the fact of the matter is that you need to decide what it takes, and how much time is required, to achieve an objective. Nevertheless, it is best to take these longer objectives and break them up into quarterly parts, as this is the clearest and most digestible way for your people to understand the direction in which they must go.

Pace is ultimately determined by your organization's needs, but beware of stretching OKRs out past the timeframe of a quarter: with too much time, goals could diminish and lose focus.

SETTING OKRS: A TIMELINE

In order to execute OKRs effectively, leaders must be diligent about sticking to their timeline. The suggested outline below allows ample time for negotiating OKRs, among other responsibilities that must be completed prior to the beginning of a new quarter. CEOs are advised to start planning five weeks before the quarter begins. In terms of annual planning, leaders are encouraged to start as soon as possible before the next year begins – even as early as August or September.

T-5: The CEO meets with executives to discuss Quarterly Objectives (or annual goals).

T-4: The CEO and executives document the planned, high-level Quarterly Objectives. The CEO hands down these next quarter's Objectives to the executives, who then must to come up with some KRs.

T-3: These KRs are shared with the OKR Owners or DRIs (Directly Responsible Individuals). Executives also hand down their Objectives to the managers or the DRIs/Owners, who begin to work with teams and individuals to create their OKRs.

T-2: Teams complete their OKRs and share those with the executives and individuals. At this time the individuals should also begin the process of planning their OKRs.

T-1: Individuals finalize their OKRs. Note that this becomes difficult if the junior employees don't get sufficient guidance. Additionally, this is the last week of the quarter, so if you're just starting out with OKR goal-setting then it's unlikely that at T-1 your junior (or less experienced employees) will have everything finalized. Still, it's a good milestone to communicate and aim for as a team. In many cases, whenever companies are just beginning their OKR process, this timeline may spill over into the first 1-2 weeks of the new quarter which is acceptable in the first few quarters of launching the OKR process.

NEW QUARTER: 2-3 Week grace period. As mentioned in the point above, the OKRs can be still iterated slightly, but there is a 2-3-week grace period after the quarter starts. Then, executives must present their completed OKRs at the Quarterly Business Reviews.

One final and quick note for the timeline: this is a subtle point about setting OKRs and setting metrics, but writing and sharing OKRs for alignment purposes can be done during the weeks leading up to the new quarter, even if you don't yet have your quantified metrics finalized. This is an iterative process, and you can write up your directional objectives and keep a placeholder for the metric on which you will ruminate (and iterate) during this period spanning a few weeks.

THE ABSOLUTE "MUST DO"

WEEKLY CHECK-INS - THE ABSOLUTE "MUST DO" OF OKRS

Most important of all, you must hold **weekly** check-ins without fail in order for OKRs to be effective. The frequency of check-ins is majorly important; holding them weekly keeps you and your people accountable for their OKRs and builds a strong relationship. Plus, you'll be able to provide agile, up-to-date feedback, either keeping your people on track or steering them in the right direction.

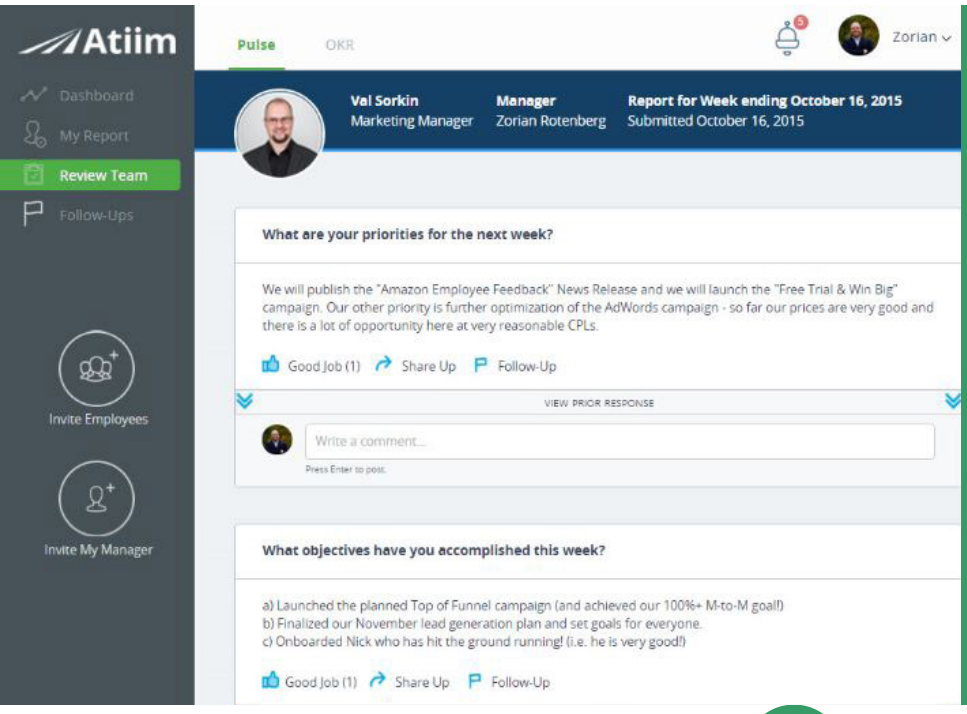
HERE ARE SOME FURTHER TIPS ABOUT CHECK-INS:

> **Reviews and check-ins must be done weekly to achieve OKR progress**

- Don't just fall into the trap of "set and forget" – that's a big mistake that could lead to loss of focus, disengagement, and ultimately, failure to complete OKRs
- There are 13 weeks in each quarter, but there is an initial grace period of about 2-3 weeks
- The rest is comprised of 10% steps – a lot happens during such cycles to complete a quarterly goal. Track and review OKR status so that you can oversee progress or provide course-correction as needed

> **High-performance organizations have a weekly status/progress report that is reviewed by each manager or DRI.**

- In each weekly report, a worker updates the status of her/his progress made towards the goals
- Be proactive and intentional about praise on progress, or work collaboratively to course-correct (use a carrot, not a stick: praise 3x as often as you reprimand)



Example of weekly checkin software by Atiim

This product combines the simplicity of an online closed-loop feedback app, real-time reporting with automated analytics, and the confidential and anonymous NPS-type survey which helps capture the voice of your employees to spark productive conversations between managers and employees that turn insights into higher performance and progress for the entire company.

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PLANNING PROCESS

"Do one thing every day that scares you."

Eleanor Roosevelt

Planning OKRs properly is crucial for ensuring execution. Take a look at the steps below to find out how you can get a solid start to your OKRs.

Limit OKRs to 3-5 Objectives and 3-5 KRs
Any more and your people could lose focus or become disengaged. No one should have more than 3-5 objectives per quarter, with 5 Key Results or fewer for each.

Bottoms-Up should be 70% of the Process
Giving your people the responsibility to come up with 70% of their OKRs ensures commitment and buy-in. It also taps into collective wisdom and domain expertise of your team. Just make sure that you're giving them the freedom to compose their actual KRs and tactics – not the high-level objectives – so that OKRs still reflect company-level priorities.

Resource Allocation –People, Money, and Time
When planning your OKRs, ensure that you have available resources to carry out your plans. Even the best, most organized goals will be determined for failure if your resources aren't allocated properly upfront.

OKRs must be thoughtfully Prioritized by each OKR Owner
It is the responsibility of each OKR's owner to determine the level of importance for each Objective (and its accompanying set of Key Results).

Each Individual Needs to Summarize the "Tactics" for KRs during the OKR Planning Process (and Before OKRs are set in Place for Next Quarter)

That way, there is no confusion about what must be done in order to complete each Key Result.

Baseline KRs
If you don't know the actual metrics, consider using baseline KRs to navigate you in the right direction for completing an Objective.

KEY TACTICS

REVIEW THESE ADDITIONAL TACTICS TO EXCEL YOUR OKRS.

- **Make both long-term goals and quarterly objectives (Q3 / Q4) visible**
  That way, everyone knows how their current priorities factor into the larger overarching goals of the organization.

- **Clearly specify how executives' and departments' Objectives connect directly to top-level goals (i.e. to what Ox-Kx they link)**
  Everyone can then see how their efforts align with company priorities.

- **Designate only one DRI (Directly Responsible Individual) for any OKR, and for each KR within an Objective (if it will be cascaded down)**
  The DRI doesn't necessarily have to be the group manager – he or she serves as a "traffic cop" or project manager, but may not be a department head with direct reports. The duty of the DRI is simply to oversee the OKRs and to summarize the learnings to suggest improvements for the following quarter.

THE IMPORTANCE OF LANGUAGE

When writing OKRs, use simple, direct sentence structure. Phrase OKRs in the language that's most relevant to the targeted group or individual so that they have a concrete understanding. When composing Os and KRs, use action verbs to make them more powerful and clear – that will also ensure KRs will become more actionable and easy to understand when they are cascaded down as objectives.

If you're unsure of how to structure your OKRs, you can always use experimental phrases to improve your baseline. Take a look at the examples below:

- Complete X experimental lead generation projects in Q3 to grow lead flow
- Complete X of PR Projects in Q2 to improve brand awareness
- Invest 10% of time each week into non-measurable, experimental, "serendipitous" marketing

LINKING THE OKR PROCESS TO COMPENSATION

"Rowing harder doesn't help if the boat is headed in the wrong direction."

Kenichi Ohmae

Some of the companies who have implemented OKRs successfully typically recommend not to link OKRs to compensation. But it's worthwhile to not treat this recommendation as a one-size -fits-all. One of the biggest reasons typically given for why not to link OKRs to compensation is that employees may "game the system." But in fact if you have employees who want to game the system then they can do so even without any compensation linked to the goals so this shouldn't be a reason to avoid considering a potential bonus for over-achieving goals. Additionally, a goal-to-compensation system has existed for a long time in sales and has worked very successfully. While we are not necessarily recommending that OKRs be always tied to compensation, we are suggesting that this option shouldn't be dismissed merely because of an unjustified fear that someone will be gaming the system. And, even if someone looks to game the system, first analyze how and why they would do that because the onus is on the executives and managers to design such goals and such rules so that employees can do as they wish yet the desired outcome is within the guideposts of what is a win-win for the company and the employee.

Incentive compensation is a complex topic that is outside the scope of this book, but much incentive strategy is designed precisely for the purpose of driving performance. Thus any advice to avoid linking compensation to goal achievement is misdirected and should be taken with a grain of salt. Just like anything else, OKR process is not a one-size-fits-all, and it is also circumstantial and should fit the processes and management style of your company. Tying a bonus to high performance is entirely acceptable and should be an option open to consideration at your company. Additionally, if you don't want to tie bonuses to "operational" objectives (after all, it is acceptable to consider that achieving operational goals is part of the job), it is actually quite standard to tie a bonus to the "aspirational" goals or those moon-shots that if someone achieves a very hard objective then you can give them a bonus. Linking compensation to objectives should be an acceptable decision for a company to make. You can determine whether it fits your strategy and whether you have the right rules in place to avoid the concern that many have about gaming the system.

Obviously, even if you tie OKRs to compensation, they certainly will never be the only variable linked to compensation so it's another reason to consider whether they can factor in without being the key driver to dictate an entire performance review.

Again, you may have read in various sources that OKRs should be 70% achievable, and that this 70% achievement must be considered as a good progress. In some instances, this ostensible explanation is used as the crutch for why compensation shouldn't be tied to OKRs (i.e. that it is fine to achieve 70% and people shouldn't be punished for that). However, think about this for a moment - what kinds of teams or individuals will be happy with consistently getting a C grade (i.e. think back to school: 70% is a C!). No A-player should be happy to consistently and continuously achieve only 70% and that's not the right organizational culture to have at any company that wants to achieve high performance or be a successful leader in their space.

Aspirational vs. Operational OKRs Linked to Compensation
To review the difference between aspirational and operational OKRs, please refer back to the earlier section in this eBook on that topic. To incorporate compensation into your OKR process, it's helpful to be mindful of the difference between these two aspects of goal-setting. For instance, if you have a real stretch goal (Aspirational OKR) and you hit 70% of it, then that is indeed acceptable and can be considered good progress. Alternatively, if "operational" OKRs are being met at about 70%, then that might indicate subpar performance. However, it could open up a discussion on how to improve progress in the following quarter. And back to the point about compensation – if you have set an "Operational" OKR then compensation can (and typically should) be tied to it; but if you set Aspirational OKRs, then you don't have to tie compensation to it at all if you choose not to.

Therefore, you can get started with the OKR goal setting process at your company and initially avoid tying any compensation to it. In the meantime, you can set the expectations that eventually, after 2-3 quarters or so, you will begin linking bonuses to "operational" OKR performance, and maybe even to "aspirational" OKR overachievement (i.e., an individual may receive a bonus if this type of stretch goal is achieved). Overachieving stretch goals indeed deserves a special bonus – and adequate recognition from management.

They also provide a starting point for self-assessment; if you hit your operational OKRs, it's a means of initiating a dialogue indicating your stellar performance during your review.

Pay for Performance
Using OKRs also allows you to develop a Pay for Performance system, if desired. This methodology provides financial incentives to high achievers. Not only does this benefit you as a leader because it helps you to quickly identify low-performers versus A-players, but it also provides real monetary incentives for hard-working and driven individuals to continue delivering results and exceeding expectations. It's also budget-friendly: you'll only pay more to those who deserve it most.

The critics who take issue with Pay for Performance systems often argue that there isn't a fair means of measuring performance for everyone. That's why OKRs are such an advantage: they speak for themselves in an objective, equally fair (and transparent!) system for every single individual in the organization. So, if you already operate using a Pay for Performance compensation model, or if you are considering doing so in the future, then OKRs can be an invaluable tool in helping you to objectively measure who's doing best performance-wise within your company.

GRADING

"When it is obvious that the goals cannot be reached, don't adjust the goals, adjust the action steps."

Confucius

"Let our advance worrying become advance thinking and planning."

Winston Churchill

The purpose for grading OKRs is to establish learnings and improvements - the point of KR grading is to learn from the KRs at the end of the each quarter, and to create better KRs for the following quarter.

Also, it's important to note that grading is not meant to be used for performance evaluations. Here's how it works: At the end of each quarter, every DRI grades each Key Results on a scale of 0 to 1. Then, the Objective's grade is calculated by averaging the KR grades. You can give an operational objective a "1" grade if it was fully completed, but for ambitious OKRs, you can aim for the 0.7 – 0.8 region. Always continue to encourage the setting of ambitious objectives whenever possible for upcoming quarters.

Keep in mind that grades are not the same as KR measurements. If your company discovered that a certain KR had little business value and abandoned it mid-quarter, you should still consider that as a good business outcome, and thus, give it a high grade. Always base employee evaluations on KR metrics – not on OKR grades.

DO NOT USE GRADING AS A PERFORMANCE REVIEW

As we mention in this eBook, it is important to avoid turning OKRs into performance reviews. For the most part, not achieving 100% of an "operational" OKR should provide data, or indicators, about what not to do next quarter. While compensation can be tied to an achievement of "operational" OKRs, that's different than turning it into a big piece of a performance review. Of course, it's still acceptable to discuss OKRs as part of a performance review. This creates an opportunity to go back and assess why the objective couldn't be met, which key results were too difficult, and whether or not obstacles can be avoided moving forward.

For example, one Objective might have four KRs. One employee might argue that one of the KRs is more important than other KRs, and therefore, should carry more weight. Another employee might disagree. Having a debate which KR carries which percentage weight is not advantageous to positive business outcomes and execution velocity. Instead, the employees should focus on the KR execution and simply accept equal weight for all KRs. Accurate accounting belongs to financial data and OKR metrics, not KR grading. The point of KR grading is to learn from the KRs at the end of the each quarter, and to write up better KRs for the following quarter.

Remember, LEARNINGS are part of the grading process!

WHAT IF AN OBJECTIVE IS NOT ACHIEVED?

"In the business world, the rearview mirror is always clearer than the windshield."

Warren Buffett

Think of a missed OKR as an ideal coaching opportunity – it's a chance to teach your employee so that he or she is prepared for the next time.

Google embraces even the low-scoring OKRs, because again, they know that whether the OKR fell short or was fully completed - it provides data. So as Klau puts it, even poor performances on an OKR encourage the following data-driven insights: "Figure out what to stop doing. Or, what did you learn? What did you not know when you said you would do that thing that prevented you from delivering it? Do you have any control over removing that obstacle?"

Avoid using OKRs as a stick. If you punish them for missing an OKR, they will sandbag and try to play it safe in the future, thereby missing an opportunity to truly excel. Instead, review only for the purpose of coaching, and helping your people learn how to get even better.

OKRs are not meant to be a punishment system. For instance, neglecting to issue a bonus because someone has missed an OKR negates the purpose of the system. However, doing that could be appropriate if a person consistently missed operational OKRs after two or three quarters of coaching and reviewing.

AVOID THESE COMMON MISTAKES

Keep in mind that your OKR process will only work to your advantage if you do your part in following the guidelines covered in this eBook. That also means you must avoid the following nine errors:

1. **Having too many Objectives and KRs**
   This leads to lack of focus, dwindling performance levels, and possibly worst of all, overwhelmed employees.

2. **Vague OKRs that lack quantification, deadlines, and adherence to SMART criteria**
   Ambiguity is a recipe for disaster – if you don't know where you're going, how will you get anywhere?

3. **Failure to track weekly at 10% cycles**
   Remember, check-ins are the #1 MUST DO of OKRs!

4. **Setting all OKRs from the top down**
   Let your people buy into the process and commit by allowing them to set 70%.

5. **No alignment, disconnected from top company goals**
   Even though individuals are responsible for composing a portion of their OKRs, they must always reflect in some way the top-level priorities of the company.

6. **No Owner / DRI (just a group name listed)**
   There must be one individual who can be held accountable for OKRs.

7. **Setting OKRs that are unachievable**
   This is demotivating from the very start and will frustrate employees who feel as if they're getting nowhere.

8. **No tactics specified by the employees**
   Each individual needs to know the exact actions that will be taken to complete KRs.

9. **Lack of thoughtful planning and resource allocation**
   Plan ahead to ensure all resources will be in place prior to the start of the new quarter.

IMPORTANT THINGS TO KEEP IN MIND

You don't know what you don't know
It's impossible to anticipate everything; thus, you need to acknowledge that there are many unknowns, especially when you first start out with OKRs.

You may achieve every KR, but not every Objective
This happens from time to time – and it's okay, as long as you factor your learnings into next quarter's OKRs.

Running experiments is critical
In order to keep driving performance over a period of time, you must take new approaches from and find out what works best for your team.

It's OK to fail
But more importantly, focus on thoughtful planning in advance, then analyze the gap in a retrospective assessment (the aforementioned Owner / DRI is responsible for this) and plan for the next quarter with a new perspective based on your insights.

EXAMPLES

Acceptable vs Bad Objectives and KRs
Here are some examples of what is acceptable (but not great) and what is bad when it comes to structuring your OKRs. This should give you some clarity about what you must avoid altogether, as well as what may be acceptable in early stages of rolling out OKRs at your company.

> **Acceptable, but not Great: ("Great" OKRs would be actionable, unambiguous, and fit the S.M.A.R.T. criteria):**

- Launch a PR campaign to improve brand awareness (i.e. launching a PR campaign is measurable once it is completed)
- Sales Team should meet with Marketing team for an aligned Go-To Market meeting every Monday

> **Bad (way too ambiguous):**

- Build a brand
- Become a good sales rep
- Improve sales alignment with marketing

INSIGHTS WE LEARNED FROM GOOGLE

Google has shown the world the power that can be honed through the use of OKRs. Now that OKRs have existed for over a decade, we find ourselves able to learn from our predecessors, and able to make more informed decisions about where we can go to strategize the process even more, optimizing alignment, engagement, and extraordinary results.

For your own take on how Google uses OKRs, watch the Google Ventures video, or for a quicker rundown, read through our transcript.

Here are the top 15 insights we collected from the video:

1. Companies should fight the urge to say: "Well, Google did it that way…" and, "That's Google, we could never be like them," etc. As Klau put it, Google wasn't even Google until they began using OKRs – it was just a "young and ambitious" company. In other words, it could work for any company.

2. The reason Google was so attracted to OKRs is because they provide data. The setting, tracking, and measuring of objectives and their corresponding key results provides concrete data, which can be used to benefit any organization.

3. OKRs are connected across the individual, team, and company levels. Klau uses the example of a football team: the head coach, defensive coordinator, and individual player each has his own set of OKRs, but they are all connected to the overall goals of winning games and selling tickets.

4. Objectives should be a bit uncomfortable. As Klau puts it, if you know you're going to nail it, you're not trying hard enough.

5. All OKRs contribute to company-level goals, but each individual's set of OKRs is not necessarily a company-wide priority. Back to the football comparison: although the defensive coordinator may not be concerned with getting a feature in the Sunday paper like the PR team is, each team and individual's OKRs all align back to the main priorities, which are playing well and achieving high attendance.

6. OKRs inherently create discipline and transparency within an organization, because everyone can see what everyone else is working on.

7. The writing and collaborating processes of developing OKRs often becomes a cyclical process – Klau uses term "virtuous cycle."

8. Allowing individuals to be a part of the OKR writing process could open up new discussions, and perhaps even provide new insights for upper-level management and other leaders.

9. More than half of the objectives should come from the bottom up; in order for OKRs to be effective, they cannot all be dictated down from the top.

10. It's important to understand the difference between objectives and key results; Klau explains the two by using examples of actual OKRs that he composed in the past.

11. In his examples of past OKRs, Klau refers to making a “measurable impact” with Blogger – but we wonder if that phrase could be better defined. A “measurable impact” to him might not be the same to another person. This one wasn’t so concrete and failed to have a number – which went against what he said earlier in the presentation, that each OKR should have a number with it.

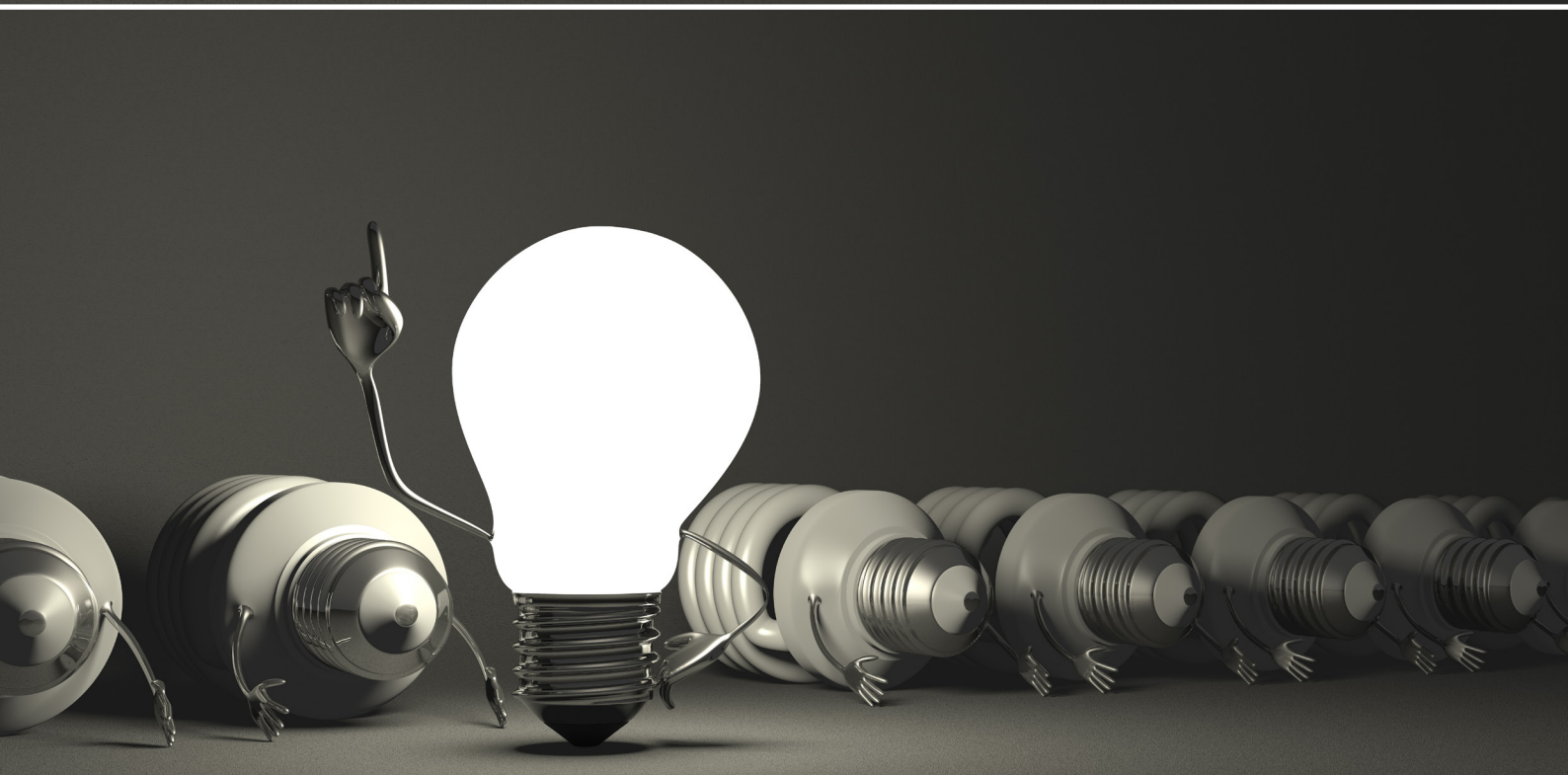
12. Low scores on OKRs should not be viewed as failures, because they still provide data and can act as a road map for the following quarter’s objectives.

13. According to Klau, OKRs “don’t take a ton of time.” He further says that leaders can establish a rhythm very quickly when it comes to implementing and grading OKRs.

14. Klau says you only need to have 1-2 one-on-one meeting per quarter. Yet, because data and feedback are crucial, weekly one-on-ones may better facilitate the OKR process. Having regular check-ins could prevent the need for the lengthy quarterly meetings Klau kept referring to, as well as formal, antiquated performance reviews.

15. In response to a question about when a management team should adopt OKRs – Klau answers, “as soon as possible.” He says even if you’re a team of five, the earlier you adopt OKRs, the easier it will be.

What else? Were there any other important insights you noticed in the Google Ventures OKR transcript?



DEFINITIONS

Aspirational:
The characterization of goals that require ambition – they may require more effort to be achieved than operational goals.

Key Results:
The steps that need to be taken to achieve the objective to which they relate. Must be measurable and ideally quantifiable. Informs the "what" in "What do we need to get there (to accomplish the Objective)?"

MBO:
Stands for "Management by Objectives;" A participative approach to goal setting invented by Peter Drucker in the 1950s which involves all employees in the process of determining their priorities and course of action planning.

Objective:
The thing to be accomplished; must be measurable (even "complete" vs. "incomplete"), and ideally quantifiable. Informs the "where" in "Where do we want to end up?"

Operational:
The characterization of goals that are entirely achievable and easier to execute than aspirational goals.

S.M.A.R.T. Goals:
A mnemonic device for characterizing goals based on the following criteria: Specific, Measurable, Aligned, Relevant, and Time-based

Stretch Goals:
Aspirations that require significant effort and the extension of oneself beyond his or her preconceived limitations

Tactics:
Actions that fall under Key Results – they inform the "how."

Tasks:
The many actions that fall under a Tactic, and are necessary to be completed in order for the Tactic to work

RESOURCES:

Transcript of Google OKR Video

Avoid this One Crucial Error when Using OKRs

How Google's OKR Video Gave Us More Ideas to Evolve the OKR Process

How are "Goals" Different from "Objectives?"

15 Great Insights from the Google OKR Video

ABOUT ATIIM

Atiim is building an innovative yet easy-to-use OKR Goals Management SaaS product which enables fast-growing small and midsize companies to maximize business results. Imagine all employees getting a clear direction, understanding what they are trying to achieve, and everyone is aligned to top corporate priorities and is focused and working on what drives business results. That's Atiim.

Atiim's mission is to help companies and their people work better and win as a team.
We do this by helping maximize each company's business results through more effective execution of goals in a way that is more clear, focused, engaging and meaningful. We enable and empower people to perform well at work, making themselves and their organizations more successful, as a team.

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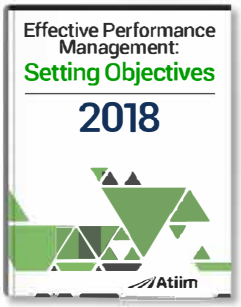

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