BetterWorks

Getting Started with Objectives & Key Results (OKRs)

Best Practices for Implementing OKRs in Your Business

Goal Science

MBOs

KPIs

S.M.A.R.T.

OKRs

BetterWorks

"Ideas are precious, but they're relatively easy. It's execution that's everything."

John Doerr, Partner at Kleiner Perkins Caufield & Byers
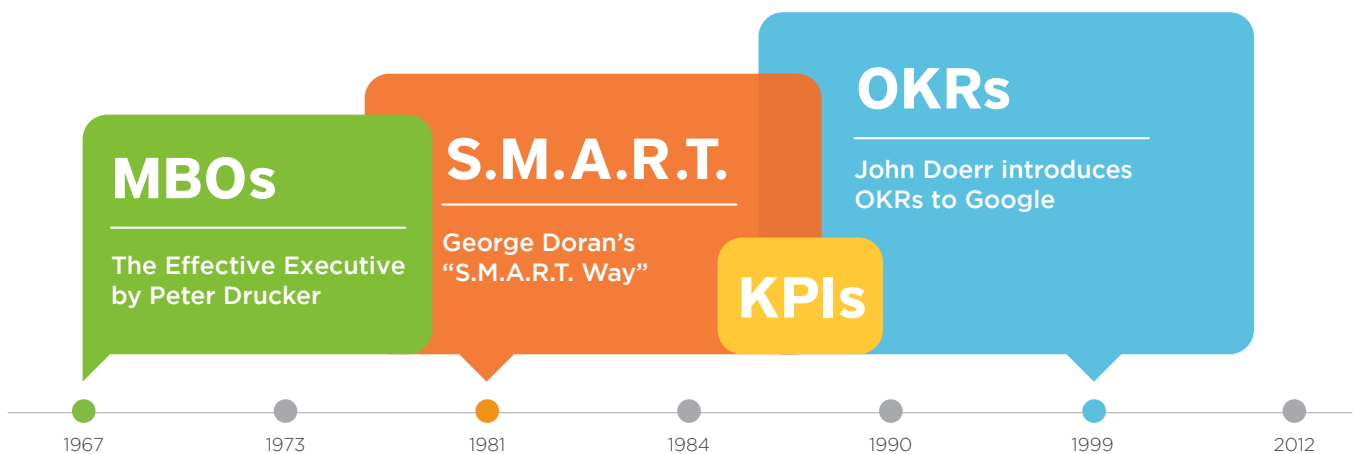
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Introduction

Since the 1950s, business leaders have embraced a variety of management techniques designed to improve employee performance. Peter Drucker introduced **Management by Objectives (MBOs)**, a process during which management and employees define and agree upon objectives and what they need to do to achieve them. In the early 1980s, S.M.A.R.T. goals and **Key Performance Indicators (KPIs)** became popular methods for organizations to set objectives. Then in 1999, John Doerr introduced Objectives – Key Results (OKRs) to Google, a model he first learned about at Intel, and revolutionized goal setting. Today, OKRs are a de facto standard for aligning company and individual goals.

A management methodology that helps businesses focus effort on the same important issues throughout their organization, OKRs have been cornerstones to improving operational excellence at industry leaders such as Intel, Oracle, Google and others. As employees leave these companies for start-ups and other ventures of their own, from Twitter and Zynga to LinkedIn, they are bringing the OKRs model with them as a way to drive organizational alignment.

This e-book is designed to help your organization:

- **Understand the value of OKRs**
- **Begin to effectively set OKRs**
- **Choose the right OKR software**

MBOs
The Effective Executive by Peter Drucker

S.M.A.R.T.
George Doran's "S.M.A.R.T. Way"

KPIs

OKRs
John Doerr introduces OKRs to Google

1967   1973   1981   1984   1990   1999   2012

The Basics. What are OKRs?

OKRs are a framework for employers and employees to discuss how the work of an individual employee is connected to the overall business strategy. When championed by management and implemented throughout a business, OKRs help organizations:

- Impose disciplined thinking so major goals surface
- Inform everyone about what's important
- Enable more accurate communication
- Establish indicators for measuring progress
- Focus effort and ensure alignment

Because they are visible to everyone—top-down, bottom-up and cross-functionally—OKRs ensure everyone is working toward the same result.

WHAT IS AN OBJECTIVE? — **WHAT I WANT TO ACCOMPLISH**
Objectives should be significant to the company and personally meaningful, as well as aspirational. They should also be aligned and supported by the entire organization.

Example: Put a man on the moon by the end of the decade

WHAT ARE KEY RESULTS? — **HOW I WILL ACCOMPLISH THE OBJECTIVE**
Key results should be measurable, limited in number and time-bound.

Example: Build a lunar module weighing under 40,000 pounds by December 1965

John Doerr, the father of OKRs, talks about goals for the enterprise.

> Watch the video
> Read the Q&A

"Once-a-year or every six-months feedback is not frequent enough to meet the ever-changing pace of business." [1]

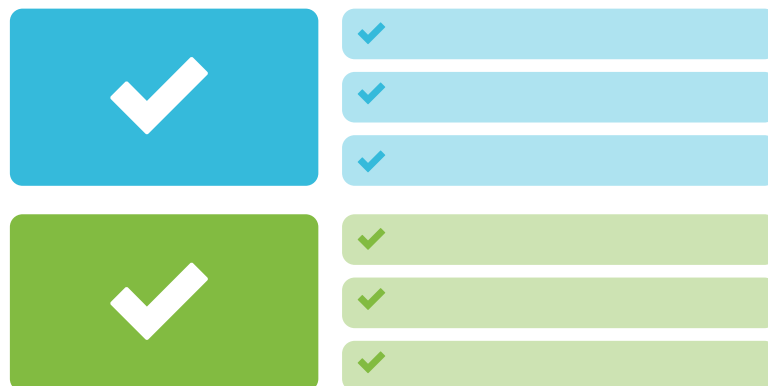Paul D. Hamerman and Claire Schooley, Forrester Research

HOW MANY OKRs ARE IDEAL?
Best practices encourage setting four to six objectives and five or fewer key results for each objective.

HOW SHOULD THEY BE COMMUNICATED?
Organizations foster clarity and transparency by hosting Q1, Q2, Q3 and Q4 company-wide meetings and/or enabling OKRs dashboards that show individual, team and corporate-level goals with associated performance metrics.

Q3

[1] Forrester Research. "Disrupt the Employee Performance Process to Align with Business and Customer Outcomes," Paul D. Hamerman and Claire Schooley, July 2, 2014.

HOW DO OKRs FIT WITH S.M.A.R.T. GOALS?

S.M.A.R.T. Goals help remind employees that every goal they set should be:

S Specific

M Measurable

A Attainable

R Relevant

T Time-bound

But goal setting has evolved since the introduction of S.M.A.R.T. Goals more than 30 years ago. Best practices are to create specific, measurable, relevant and time-related OKRs, but rather than always be attainable, some OKRs should be aspirational.

Companies that are recasting the "A" from attainable to aspirational may not always achieve their goals, but they foster greater innovation by encouraging workers to push their limits. OKRs are more akin to stretch goals—a little uncomfortable and slightly out of reach.

Beyond S.M.A.R.T. Goals, OKRs also help organizations better answer other meaningful questions: who is involved with a goal? How does the person setting goals get feedback and measure progress? Why is a goal important to the individual and the company?

The Right Fit. Are OKRs Only Useful for Certain Organizations?

OKRs are a good fit for all types and sizes of organizations because they lead to the organizational alignment that drives operational excellence.

LARGE ENTERPRISES

In organizations with many departments, it's critical for all members of the team—across teams, top to bottom, and across functions—to be able to provide feedback and input into the goal-setting process. By making everyone's goals transparent and visible, organizations can attain and maintain alignment. The process of recording operational goals (e.g., grow revenue, hire employees, etc.) and aspirational goals (e.g., how an individual will help the company move into a completely different space, revolutionize a market, etc.) drives operational excellence. Google successfully used OKRs to grow from 40 to 40,000 employees. OKRs can also be effective tools for retaining top talent.

SMALL AND MEDIUM-SIZED (SMB) ORGANIZATIONS

As organizations try to determine market fit or maintain competitive advantage, OKRs keep employees driving toward the same goals. SMBs may set and evaluate goals more often than enterprises.

SERVICE FIRMS

In more fluid reporting structures, such as highly projectized consulting organizations where individuals move between projects, it's important to provide a way for employees to see and support the work being done by other team members—onsite and offsite.

"Activity does not always equal progress. Vision without operational excellence just becomes a dream. Great enterprises marry a huge sense of purpose with amazing operational excellence."

Deep Nishar, former Senior Vice President of Products and User Experience at LinkedIn

> Watch the video

Setting OKRs. Where to Start?

"Innovation without execution is hallucination."

Thomas Edison

The most difficult step for many organizations is committing to the OKRs process. Businesses should identify an OKRs "champion" who fully understands the benefits of the approach and can help teams that may be having difficulty getting started or staying on track. This person is often a chief executive, line-of-business leader, operating officer or human resources professional.

OKRs are a multi-step process. Businesses may choose to roll out the entire OKRs process at once or simply one step at a time:

- **Ask employees to individually set OKRs.**
- **Establish a time frame after goals are set (one day, one week, etc.) during which managers meet 1:1 with employees to review OKRs.**
- **Establish a time frame after goals are negotiated for a larger group (e.g., all employees in a group) to review and collectively negotiate departmental OKRs.**
- **Establish a time frame after goals are negotiated by the group to present OKRs to everyone in the company during an all-hands meeting.**

It is important to start with and keep teams centered on four-to-six objectives at a time with five or fewer key results for each objective. Focus will yield the best results for employees at every level.

From a practical standpoint, OKRs typically fall into two large buckets:

OPERATIONAL
These goals have to do with a company's metrics, such as product releases, bookings, hiring, number of customers, etc. They are the organization's operating drumbeat. Management will typically set these at the company level while employees set operational goals at departmental levels.
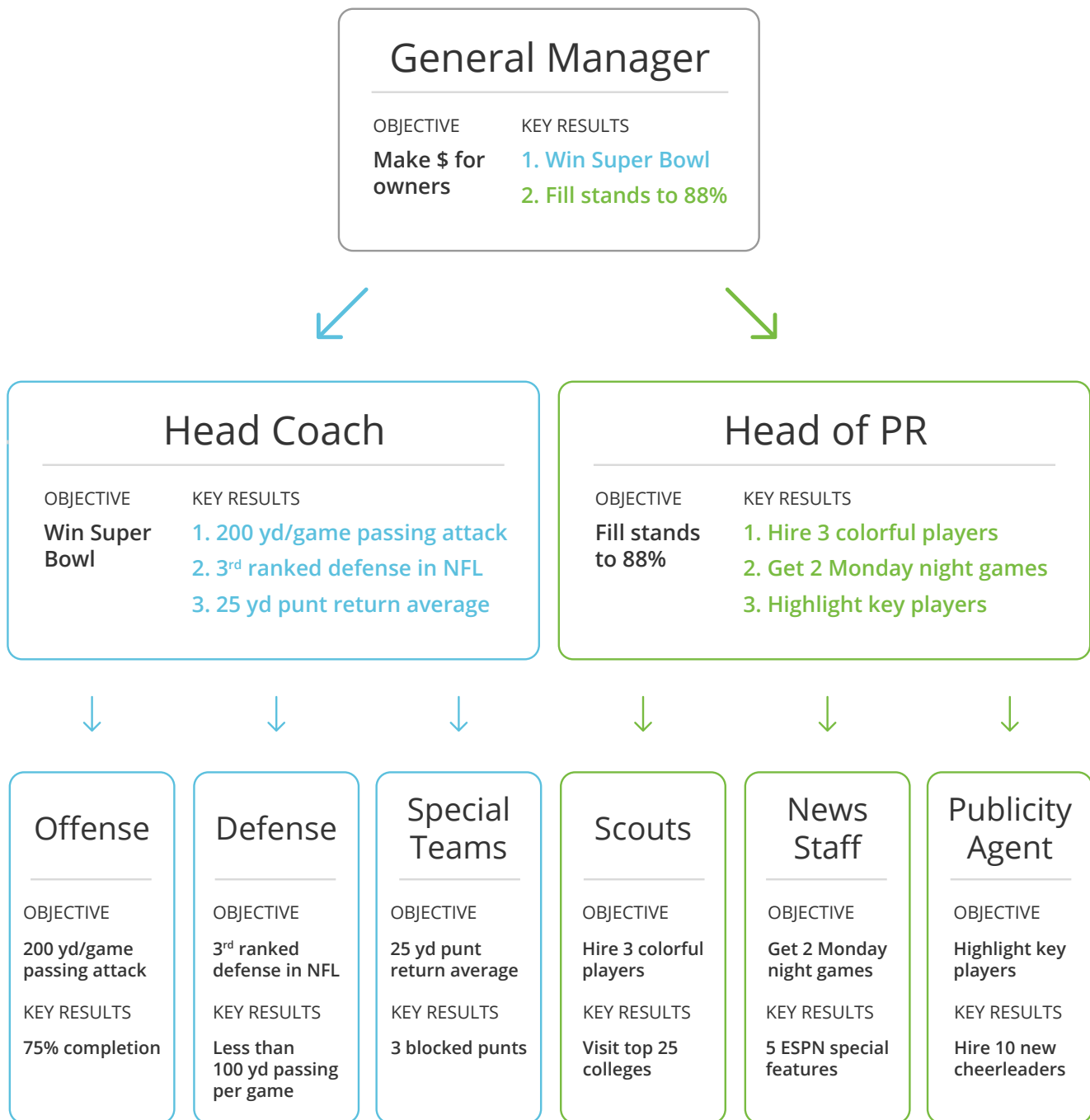
ASPIRATIONAL
In contrast to operational goals, aspirational goals are bigger picture ideas about how a company is going to go about changing the world. These goals set the scene and are designed to help all employees figure out how they can contribute to the aspirational ideas. Aspirational goals can come from any level in the organization.

Both sets of represented goals must be as measurable as possible and measurement should be linked, for example, "I will accomplish this goal by doing x, y and z." When both operational and aspirational goals are visible, all employees know how a company is oriented and also understand that thinking big is required. Additionally, some operational goals may be aspirational because one size does not fit all.

A Closer Look. How Did John Doerr Explain OKRs?

When John Doerr talked to Google executives about implementing OKRs, he offered a football analogy:

General Manager

OBJECTIVE

Make $ for owners

KEY RESULTS

1. Win Super Bowl
2. Fill stands to 88%

Head Coach

OBJECTIVE

Win Super Bowl

KEY RESULTS

1. 200 yd/game passing attack
2. 3rd ranked defense in NFL
3. 25 yd punt return average

Head of PR

OBJECTIVE

Fill stands to 88%

KEY RESULTS

1. Hire 3 colorful players
2. Get 2 Monday night games
3. Highlight key players

Offense

OBJECTIVE

200 yd/game passing attack

KEY RESULTS

75% completion

Defense

OBJECTIVE

3rd ranked defense in NFL

KEY RESULTS

Less than 100 yd passing per game

Special Teams

OBJECTIVE

25 yd punt return average

KEY RESULTS

3 blocked punts

Scouts

OBJECTIVE

Hire 3 colorful players

KEY RESULTS

Visit top 25 colleges

News Staff

OBJECTIVE

Get 2 Monday night games

KEY RESULTS

5 ESPN special features

Publicity Agent

OBJECTIVE

Highlight key players

KEY RESULTS

Hire 10 new cheerleaders

More OKR Examples

Table 1 is an example of OKRs that a senior executive might set. Because employee goals typically cascade from management goals, Table 2 provides examples of line-of-business manager OKRs from various departments across the business.

Senior Executive OKRs

OBJECTIVES	KEY RESULTS
Improve Financial Performance	• Close three deals over $10M
Increase Customer Satisfaction	• Increase upgrade conversions to 10% • Engage customers through features voting (see "innovation" objective)
Measure Employee Engagement	• Institute bi-annual, company-wide NPS survey

ASPIRATIONAL

Senior Executive OKRs

OBJECTIVES	KEY RESULTS
Increase Market Leadership	• Move into the "Challengers" category of the Gartner Magic Quadrants (MQs)
Innovation	• Institute "suggest your own feature" within product by 2/15
Accelerate Strategic Growth	• Sign partner agreement to expand into Latin America by Q2

Manager OKRs (Various Departments)

OBJECTIVES	KEY RESULTS
Improve Financial Performance	• Enable digital signatures for purchase orders • Add a systems engineer to each proof of concept
Increase Customer Satisfaction	• Grow per day views to 10,000 by personalizing content • Run quarterly phone blitz campaign targeting top 100 customers
Measure Employee Engagement	• Develop NPS survey by 1/20 • Automate survey distribution and results collection by 2/15 • Read out results within 30 days

ASPIRATIONAL

Manager OKRs (Various Departments)

OBJECTIVES	KEY RESULTS
Increase Market Leadership	• Meet with Gartner analysts publishing relevant MQs • Get three reference customers to speak with Gartner analyst
Innovation	• Trial three new similar product features per quarter, enable users to vote • Collect results and solicit other ideas • Build most popular features into Q2 product release
Accelerate Strategic Growth	• Engage with five possible partners • Conduct due diligence by Q1 • Work closely with legal to develop contract terms by Q2

Well-developed OKRs are very powerful tools. Employees across the company, even those located globally, can link their goals to the corporate goals, knowing that their work is having a direct impact on the success of the business. Moreover, corporate goals should be inclusive of ideas that are created at the individual contributor level, which keeps senior leadership in tune with the organization. For example, at least 60% of objectives at many companies come from the bottom up because too much top-down dictation kills motivation and aspiration.

Cadence. How Often Should OKRs Be Set?

Most organizations work through OKRs quarterly. However, some companies have been known to set OKRs in monthly or six-week intervals. It is important to be sure the cadence matches the stage and culture of the business.

For example, setting OKRs quarterly may be too long for a very early stage company trying to determine its market fit. It may also be too long for a unit within a larger company that is working to substantially change its delivery processes. The reason the interval is important is because over time, the relevance of goals diminishes in fast-paced environments.

Whether the cadence is six weeks, one month or quarterly, businesses will typically see huge operational wins when they move from annual assessments to more frequent goal setting. Moreover, because agility is a key indicator of business success, companies should consider providing a way for employees to set, show progress, and get feedback on goals daily.

In "Start-Up Speed," Kristen Gil, VP of Business Operations at Google, explains some of the changes Google instituted to help it operate at small business speed, even as it grew.

"Creating quarterly OKRs has been part of Google's culture since board member John Doerr introduced the concept in 1999. More recently, however, we've elevated their importance and are using the quarterly OKR all-hands meeting (which is led by Larry Page and other company leaders) as a rallying point for all employees. Team by team, the leaders lay out their objectives and how they'll measure success. Afterwards, they're posted for anyone within the company to see.

A recent OKR objective for our search team was to improve the world's information and make it universally accessible and useful, which restates and reiterates the company's mission statement. The key results underneath that objective included metrics and projects for the quarter, many of which span a number of teams, ensuring a well-coordinated push toward a shared goal. Having these shared goals also has the benefit of helping prevent the formation of silos—always a concern as companies grow." [2]

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[2] Think with Google. "Start-Up Speed," January 2012.

Teams. How Do OKRs Engage a Multi-Generational Workforce?

Although the Baby Boomer generation dominates the workforce today, many older employees will retire in the next 10-15 years. The challenge for businesses is to replace this group that currently holds leadership positions with new talent that keeps innovating. CEB recently completed a Talent Report, based on millions of assessments of employees worldwide. The results (shown in Table 1) identified six motivational factors that any manager must be aware of to engage and retain a multigenerational workforce.
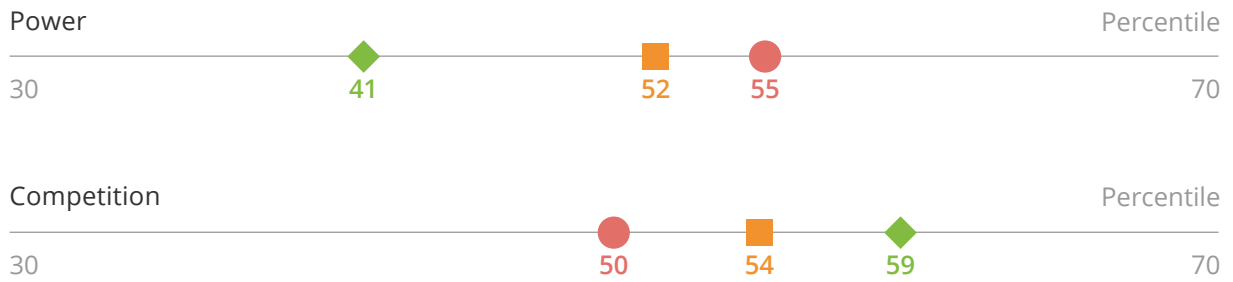
In the PWC "Millennials at Work" report, authors offered six suggestions to businesses to help ensure they understand the millennial generation and are acting to attract and inspire the best of them:

- **Understand this generation** — Use metrics to segment the workforce to better understand and address generational differences and tensions
- **Get the 'deal' right** — Ensure everyone knows what is expected
- **Help millennials grow** — Understand personal and professional goals
- **Feedback, feedback, and more feedback** — Give real-time, honest feedback
- **Set them free** — Provide flexibility yet clear instruction and concrete targets
- **Encourage learning** — Deliver continuous training and development
- **Allow faster advancement** — Value results, not just seniority
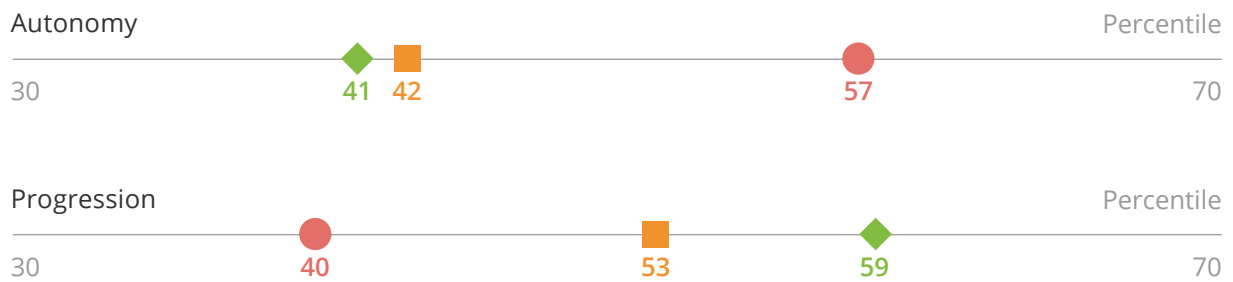- **Expect millennials to go** — Build churn into business plans [4]

OKRs are an ideal way to help organizations manage and keep generational groups working toward common objectives. By establishing clear goals and making them visible company wide, everyone on the team gains a better understanding of what tasks are important to whom, how individuals prioritize them, what motivates employees across generations and how the workforce can team to achieve success.

BOOMERS   **GEN X'ERS**   **MILLENNIALS**

WHAT GETS ME OUT OF BED IN THE MORNING?

Power   Percentile

30   **41**   **52**   **55**   70

Competition   Percentile

30   **50**   **54**   **59**   70

WHAT BRINGS ME BACK THE NEXT DAY?

Autonomy   Percentile

30   **41**   **42**   **57**   70

Progression   Percentile

30   **40**   **53**   **59**   70

WHAT WILL MAKE ME STICK AROUND?

Personal Principles   Percentile

30   **32**   **42**   **50**   70

Personal Growth   Percentile

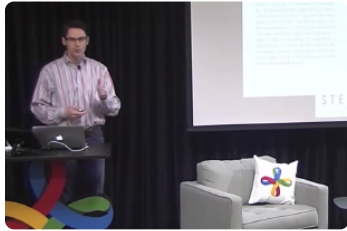30   **32**   **48**   **54**   70
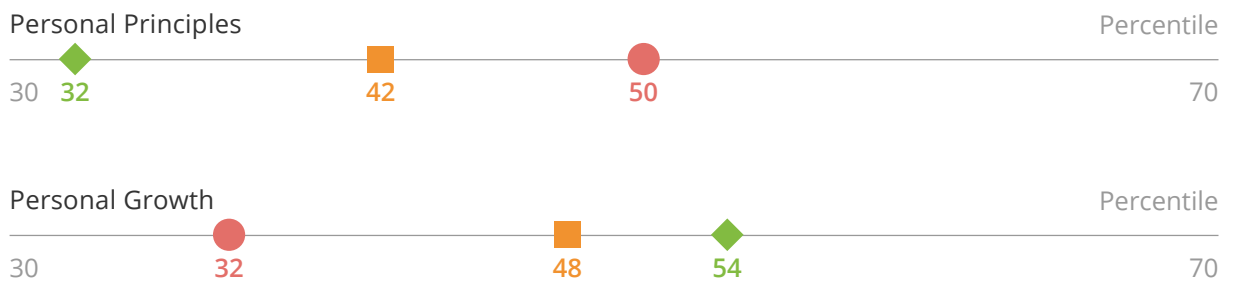
Table 1: Motivation by Generation Numbers represent percentile ranking

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[3] CEB. "The CEB Talent Report: Big Data Insight and Analysis of the Global Workforce." SHL Talent Measurement, June 2014.
[4] PWC. "Millennials at Work. Reshaping the Workplace," 2011.

Measurement. How Should OKRs Be Scored (or Should They)?

Historically, Google has emphasized the importance of defining scoring criteria for each key result—and Google takes an ambitious approach to measuring OKRs. Executives recommend that employees consistently achieve scores of 60-70%. Individual scores for employee goals are automatically calculated by a proprietary application.

The OKRs model is most effective for businesses that separate the OKRs process from the performance evaluation process. Keeping the two distinct encourages employees to set aspirational OKRs and work toward them. Tying the two together stunts innovative thinking and leads to conservative, and sometimes even sandbagging, behavior.

"A retrospective look at how employee skills align with job requirements may be useful, but it doesn't drive the results that the business cares about." [5]

Paul D. Hamerman and Claire Schooley, Forrester Research

Is it critical to assign scores if it's a subjective process and one that could be prone to game playing? Because the achievement of individual OKRs should not be (and typically isn't) directly related to a performance review or compensation, scoring OKRs may become unnecessary. Depending on your company culture, self-assessment and peer-assessment models may be as effective in goal measurement strategies. In cases where companies have chosen not to score goals, employees take time for self-reflection. They think deeply about what they achieved and did not achieve before setting a next set of goals.

[5] Forrester Research. "Disrupt the Employee Performance Process to Align with Business and Customer Outcomes," Paul D. Hamerman and Claire Schooley, July 2, 2014.
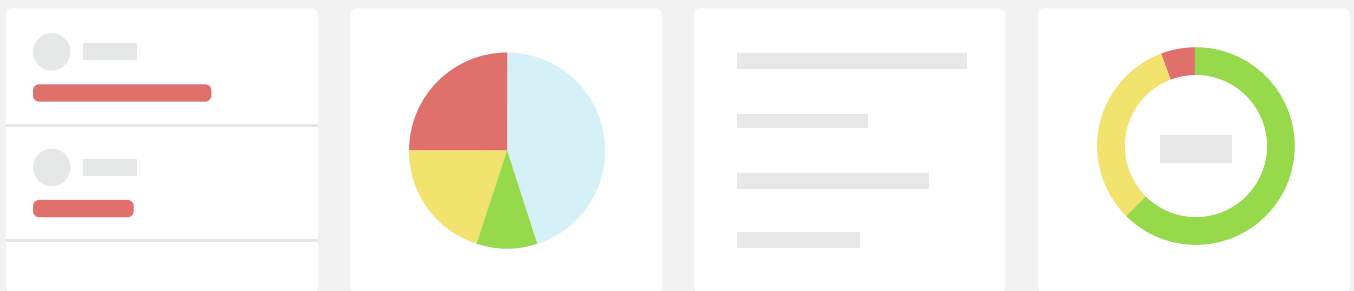
Human Resources.
How Do OKRs Work with
Performance Management?

Although whether to measure OKRs or not may be a topic of debate in an organization, there should be no question as to whether OKRs should be tied to performance evaluations. The answer is they should not.

"Refactor your performance process so that you can continuously measure and recognize employees for achievements and outcomes that drive business success."

Paul D. Hamerman and Claire Schooley, Forrester Research

As a best practice, OKRs should be decoupled from performance evaluations so individuals feel free to take more innovative risks than they might otherwise. Separating the two also means employees won't spend time trying to game the system to reap rewards. Performance management systems are typically subjective and can be extremely demotivating. In contrast, OKRs are designed to bring alignment, focus, better coordination, and sometimes even fun, to companies. [6]

[6] Forrester Research. "Disrupt the Employee Performance Process to Align with Business and Customer Outcomes," Paul D. Hamerman and Claire Schooley, July 2, 2014.

The question may also arise as to whether human resources (HR) should be responsible for the OKRs process in the organization. According to Josh Bersin, Principal and Founder of Bersin by Deloitte, "The HR role is a difficult one today because leaders are being asked to continue to do their job of making sure the business and employee interactions are fair, in compliance, and don't create risk for the business. HR professionals are also now being asked to be innovators. I think HR teams can be great facilitators to their businesses without having to 'own' every domain."

Although HR may not be the champion for the business, HR staff can actively help to make the transition to the OKRs process and the on-going adoption of OKRs a smooth process.

"What you're going to find in the really high-performing companies is that HR is really a people-optimization function. They are looking at the way people work. The way they set goals. The way work gets done."

Josh Bersin, Principal and Founder of Bersin by Deloitte

❯ Watch the video   ❯ Read the Q&A

Potential Issues. How Can Enterprises Address Them?

Inevitably, there will be some trial and error as executives, managers and employees adopt the OKRs process. Because one size does not fit all, the OKRs champion should be aware of individuals and teams finding the most success and those having the least success with OKRs, and work to understand why. Critical assessment, especially in the first few quarters of a roll out, and modifications to the process will be keys to on-going success.

As adoption grows, OKRs champion John Doerr and others recommend addressing the following potential issues early:

- **Lack of support across the entire organization** — For OKRs to be effective, goals must be supported by the entire organization. Every team and working group should agree on goals and priorities.
- **Lack of accountability** — Just setting goals isn't enough. Goals must be measurable or have quantifiable targets. From shipping a certain number of products to hitting a release schedule, teams have to be able to track and measure the goals they set.
- **Lack of reality, especially timing** — Goals should be aggressive yet realistic. Individuals and teams should stretch, but not to the point of breaking.
- **Lack of risk** — OKRs should not be tied to bonus payments. Organizations should think about using OKRs to build a bold, risk-taking culture.

"Leaders must evaluate employees holistically by discussing with employees how they have met their goals, their contributions to the team, how they have worked collaboratively to drive business value, and how they have embraced the organizational culture." [7]

Paul D. Hamerman and Claire Schooley, Forrester Research

[7] Forrester Research. "Disrupt the Employee Performance Process to Align with Business and Customer Outcomes," Paul D. Hamerman and Claire Schooley, July 2, 2014.

Input and Tracking

When an organization has fewer than 10 employees, setting and sharing OKRs in a Google doc or an Excel spreadsheet may be practical. Yet as a business grows, it requires a more robust enterprise goal-management platform to capture, share and track progress toward key objectives and results.

Any business evaluating software to track OKRs or manage goal setting should ask a potential provider whether its offering includes the following critical goal management capabilities:

1. Does the software support both bottoms-up origination of OKRs with individuals, as well as top-down, cascading processes where managers define OKRs for their direct reports?
2. Can OKRs cross teams to enable horizontal alignment/flag dependencies or must they be set up separately for each team as dictated by the organizational chart?
3. How easy is it to access updated OKRs? Are there mobility options?
4. Can anyone see a history of how OKRs change over time? Is charting available?
5. How does the software encourage behaviors, such as frequent check-ins, to keep goals and progress fresh?
6. How easy is it for colleagues to support, collaborate, encourage and comment on one another's goals?
7. What engagement techniques exist in the software to drive adoption, usage and re-engagement? Are there notifications, social gestures and feedback loops?
8. What dashboard capabilities exist to serve as an early-warning system for the company? At the executive level, the manager level, and individual level, what types of notifications are available?
9. What examples of enterprise-scale deployments has the software served?
10. Does the software try to combine many other features, or does it really solve the OKRs problem deeply? And most important, will employees actually want to use rather than it being forced on them?

Next Steps.
How Do Organizations Extend OKRs to Further Operational Excellence?

Today's best practices for managing and tracking business objectives include modern Goal Science™ thinking based on five pillars:

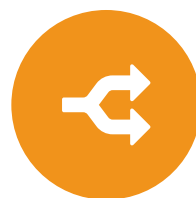### Connected
Vertical/horizontal alignment and clarity

Supported
Working transparently with praise and recognition

Progress-Based
Frequent, measurable feedback and frequent wins
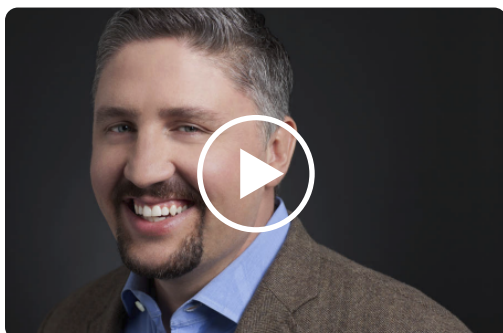
Adaptable
Flexibility to respond to changing goals and business needs

Aspirational
Greater achievement and encourage excellence

Modern goal-setting platforms support these practices by ensuring goals are easy to set, manage, track and see throughout an organization.
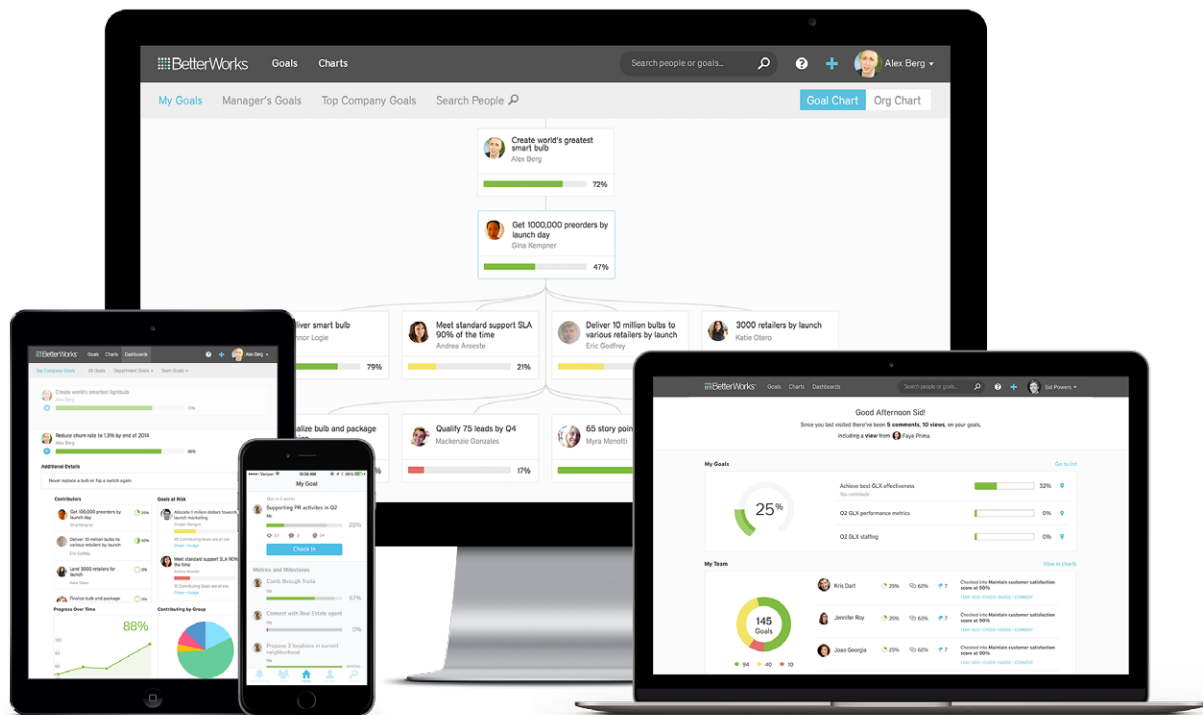
"OKRs are a timeless framework, but the methods for implementing them are antiquated. They need to be modernized."

Kris Duggan, CEO and Co-founder of BetterWorks

> Listen to Kris's conversation with Upstart Business Journal

About BetterWorks

BetterWorks is an enterprise goals platform trusted by high performing companies to easily set, measure and cross-functionally align goals. Rooted in the Objectives and Key Results (OKRs) method for goal setting, BetterWorks uses Goal Science™ principles to inspire employees to reach their full potential with better clarity, direction and visibility on work that matters.

Founded in 2013, the company is headquartered in Palo Alto, CA, with an office in New York, and is privately held and funded by venture capital firms Kleiner Perkins Caufield & Byers and Formation 8. BetterWorks has an elite team with talent from industry innovators including Palantir, Yammer, Box, Cisco and Salesforce.com. To learn more about BetterWorks, visit www.BetterWorks.com.