

The next revolution in strategy execution conquering Europe is called Objectives and Key Results OKR(s). The strategic framework gets your entire organization laser-focused, aligned and engaged on what matters most. Does it work or is it only a new management buzzword?

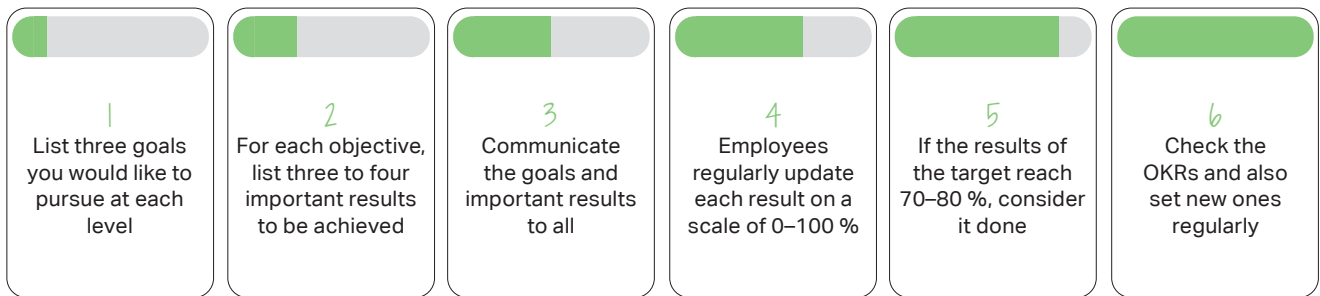
by Ute Neudorfer

OKR is nothing new; technology pioneers have been convinced of its benefits for decades. Intel and Andy Grove are credited with having introduced OKR to the business world back in the 1980s already. John Doerr left Intel and went on to introduce OKR at Google. Recently, dozens of successful companies including LinkedIn, Twitter and ING Bank have rolled out OKR as a goal and performance management platform. Furthermore, Google Wave is still infectious and has caused a sudden explosion of interest in OKR!

Keeping it simple

How the OKR discipline works in theory can be explained in less than three minutes. It's a combination of Objectives (a statement of a broad goal, usually qualitative in nature – »what«) and Key Results (a quan-

Introducing OKR in six steps



tifiable statement that demonstrates achievement of an objective – »how«). Every quarter, an agile company uses Objectives to structure and motivate themselves. Objectives are inspirational (qualitative), time-bound goals that communicate business outcomes you're looking to reach. An example might be »Create an awesome customer experience.« This sounds great, but how do you know if the experience is awesome? Always remember that without measurement, you don't have a goal. That is why we need Key Results. How can we measure if we are providing an awesome customer experience? Net Promoter Score and Repurchase Rate can be two good options. Do our customers feel well when dealing with us? Do they buy again, and would they recommend us? To succeed sustainably, it is advisable to include a countermeasure such as Customer Acquisition Cost.

So, by definition, Key Results are a set of metrics to measure your progress towards the Objective. For each Objective, you should have a set of two to five Key Results. More won't be remembered! What's most important is to choose Key Results that are clearly measurable and will be transparent, communicated and evaluated after three months. After each quarterly retrospective, new goals are defined and set again, including further milestones. You will see your success at a glance. If 70 percent of the Key Result is reached, it stays within the green area of the scale. If all Key Results land in this area, the overall Objective counts as implemented and a new one should follow. If the traffic light isn't green (under 70 percent), the Key Result needs to be revised, sharpened or discarded. In any case, make sure that movement and speed remain, as

the short-term nature is one of the most critical success factors in the OKR framework (see illustration).

Answer to VUCA requirements

OKR brings an innovative approach to modern environments, where high stability and predictability are things of the past. In times of VUCA requirements, 100 percent isn't possible anymore. Setting different goals opens the opportunity to respond quickly and consistently to changing environments and conditions. An essential step in this process is to select only a few optimal measures and pursue these with a relatively short-term perspective, purposefully and quickly. Concentration and consistency in the implementation of the corporate strategy and immediate reactions to changes are the keys to success. Another essential part lies in the selection of the right strategic goals and their implementation in an iterative controlling process according to the new rules of the game. Transparency is central to OKR. As for the question regarding whether a Key Result has been reached or not, there ►

»If everything is important, nothing is important.«

OKR examples

Head of sales

| | | |
|----|---|-------------|
| O | Achieve record revenues while increasing profitability | 10% |
| KR | Hit quarterly revenue of \$ 100,000 | 36 \$ |
| KR | Start sales in two new countries | 0 countries |
| KR | Achieve first quarter revenues totaling over \$ 100,000 | 22 \$ |
| KR | Increase gross profit margin from 23 to 54 percent | 4% |

O ... Objective; KR ... Key Result

Sales manager

| | | |
|----|---|------------|
| O | Kickstart sales process activity indicator improvements | 10% |
| KR | Increase calls per salesperson to 6300 per quarter | 3716 calls |
| KR | Achieve at least 315 demo calls per salesperson per quarter | 291 calls |
| KR | Reach at least 33 percent of online signups via calling them back | 56% |
| KR | Have each salesperson spend at least 84 hours/mo. on support chat | 77 hours |

Source: www.okrexamples.co

can only be two possible answers: YES or NO – nothing in between (see some OKR examples above).

Why OKR?

Has your organization lacked alignment as divisions or teams with conflicting goals row in different directions? Then OKR might be right for you. It improves communication, focus and alignment to drive better business results. Clearly defined goals underline what's important across the organization.

If you're in a leadership position, you might have a good understanding about why things are as they are in your company. It's easy to forget that employees, doing their daily routines or dealing with all the small mundane tasks, don't have access to this big picture. One big benefit of the OKR concept is that it connects people to the big picture and ensures that everyone knows what they are expected to do and why.

Of course, there is no guarantee of success for OKR. It's not a substitute for a strong corporate culture or outstanding leadership. Nevertheless, you can profit from it. OKR is not a one size fits all approach. Think about it as a set of customizable building blocks that can be leveraged to transform how your company uses goals. There is no use in copying Google blindly. But if you believe in one of John Doerr's speeches, OKR might take your business up to the top of the mountains or even higher. ●

Summary of benefits you can expect from a well-constructed OKR implementation

- 1 **Communication:** Easy to understand system increases buy-in and use.
- 2 **Agility:** Frequent cycles foster agility and change-readiness.
- 3 **Focus:** OKRs ensure everyone is clear about what matters most.
- 4 **Transparency:** Making measurable goals visible promotes cross-functional alignment.
- 5 **Engagement:** Most OKRs originate bottom-up so teams and individuals own their goals.
- 6 **Visionary thinking:** OKRs stretch our thinking about what's possible.