

The Why, How, and What of Objectives & Key Results (OKRs)



**Performance
Culture**

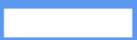
Better Teams. Better Results.

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01

What are Objectives and Key Results



A man was walking next to a building site and saw three stonecutters there. The man wanted to know what it was all about so he went to ask the stonecutters. He asked the first stonecutter what he was doing and the stonecutter responded "Making a living."

The man walked past him and went to the second stonecutter to ask him what he was doing. He responded, "I'm doing the best job of stone cutting in the entire country." The man then went along to ask the third stonecutter what he was doing and he responded confidently "I'm building a cathedral."



The first worker is just making his fair pay's day while the third one is connected to the overall vision of their work.

Motivation

Money



Personal Pride



Purpose



But the second one was the problematic one. It's true that you need great craftsmen and experts in their fields, but it's only with the coordination of those specialists that the organization will achieve tremendous results. And the person deeply concerned with this problem was Peter Drucker, the biggest management mastermind of the 20th century. To face this challenge, Drucker back in the 1950s' created a system called Management by Objectives or MBO:

“Each manager, from the “big boss” down to the production foreman or the chief clerk, needs clearly spelled-out objectives. These objectives should lay out what performance the man’s own managerial unit is supposed to produce. They should lay out what contribution he and his unit are expected to make to help other units obtain their objectives. Finally, they should spell out what contribution the manager can expect from other units toward the attainment of his own objectives. . . . These objectives should always derive from the goals of the business.”

Fast forward 30 years and we get to the Silicon Valley legend— Andy Groove. Groove was the CEO of Intel from 1987 to 1998 and he transformed the company from a chip manufacturer into a globally dominant supplier of microprocessors.

How?

Groove took the MBO system designed by Drucker and boiled it down to just two fundamental questions:

1. Where do I want to go? (Objective)
2. How will I pace myself to see if I’m getting there? (Key Result)

The system was successful at Intel and Groove was happy to share his management knowledge with his employees. One of them was John Doerr who liked the system so much that he held a presentation to two of his early students— Larry Page and Sergey Brin, the founders of Google.

After that, Google started implementing Objectives and Key Results, popularized them all over the world and the rest is history.

But what are Objectives and Key Results (OKRs)?

According to Paul Niven and Ben Lamorte, the authors of Objectives and Key Results, an OKR is a “critical thinking framework and ongoing discipline that seeks to ensure employees work together, focusing their efforts to make measurable contributions that drive the organization forward.”

An objective is a goal that the organization, team, or individual wants to accomplish. Objectives ask the question “What do we want to do?” and are qualitative and time bound.

A key result is a description of how you will accomplish your objective. Key results ask the

question “How will we know if we have met our objectives?” and are quantitative and concrete.

The objective is the what and the key results are the how, who, when.

Here are a couple of examples of objectives:

- Establish clear value to restaurant suppliers as a quality meat provider
- Launch an awesome Minimum Viable Product (MVP)
- Improve employee engagement and job satisfaction

And once you add up key results to the objectives, you get the entire picture.

Objective: Establish clear value to restaurant suppliers as a quality meat provider

Key Result: Reorders at 60%

Key Result: 40% of reorders self-serve

Key Result: Revenue of 185K

Objective: Launch an awesome Minimum Viable Product

Key Result: 40% of users come back 2X in one week

Key Result: Recommendation score of 9

Key Result: 15% conversion

And the third example of Objectives and Key Results:

Objective: Improve employee engagement and job satisfaction

Key Result: Implement PerformanceCulture’s management software in all 10 teams

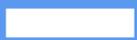
Key Result: Reach the monthly employee satisfaction score of 8

Key Result: Have all the managers read *Performance Culture: Drive Profits & Create a Great Workplace*.

Now that we know what Objectives and Key Results (OKRs) are, let’s see why you need to implement it in the first place and what kind of benefits you gain with them..

02

**Business
Challenges and
Why You Need OKRs**



Organizations have business challenges, whether it's moving into a new market, optimizing and aligning for mobile, or building a brand new set of competencies for adapting to the market needs. But business challenges aren't the problem, the way we deal with them is... or it would be better to say the way we are not dealing with them.

And the top 5 reasons why you fail to meet business challenges are the following:

1. You haven't prioritized your goals

"If everything is important, nothing is important."
— Patrick Lencioni

This isn't true only for individuals, it's true for organizations as well. The word priority came from the Latin word prior which meant first, from the utmost importance. But in today's workplace culture, you have multiple priorities and multiple focuses. It's no wonder that the organization gets derailed in the turmoil.

But if you set a single Objective with only three Key Results, you can provide the much-needed focus (and priority) to all the employees and the entire organization.

2. You haven't communicated the goals in a comprehensive way

"If a tree falls in the forest with no ears to hear it, does it make a sound?" — Unknown

Just setting goals once on paper doesn't make a difference. The Objectives and Key Results need to be woven into the fabric of the daily organization's life. Projects need to be

evaluated against the goal and then you need to live the goal, not just talk about it. If it's in front of the eyes, people will focus and get it done.

3. You don't have a plan of getting things done

"Yes without a how is irrelevant." — Chris Voss

We have the willpower of "Yes!", but without a how, that "Yes!" is irrelevant. Because willpower can get you started, but only a system can keep you going. So for you to get things done, you need to have a system in place on which people can rely— check ins, commitment, celebrations, etc. When you have a system in place, you are not in the hands of a volatile thing like willpower which comes for a day and disappears for a month. But a system is always there and that's how you get things done.

4. You spent more time on the urgent than the important

"What is important is seldom urgent, and what is urgent is seldom important." — Dwight Eisenhower

The Eisenhower matrix is one of the most common time management tools out there. But unfortunately this tool is not always effectively utilized. When you focus on the urgent and ignore what's important, you lose strategic insight.

As the late Stephen Covey would say, "You need to live in the second quadrant of the Eisenhower matrix— the land of important but

not urgent matter.”

5. You quit when you need to iterate

“The way to success leads through failure.” —
Morihei Ueshiba

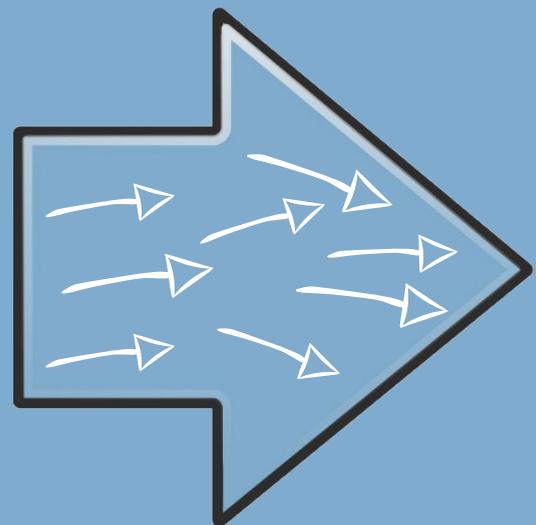
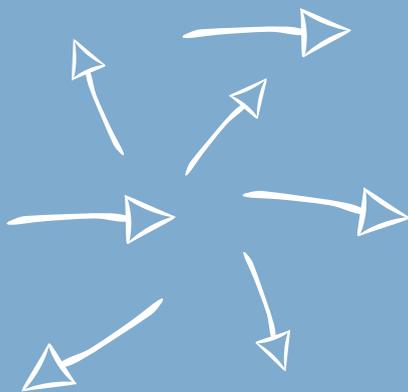
When implementing OKRs, especially the first time, it’s expected for you to have problems and fail in certain aspects of them (we will discuss this later on). But the problems of implementation aren’t the finish line— the success that comes after the failure is.

Maybe you’ve set the bar too high and couldn’t reach it, or you haven’t stretched yourself and set the bar too low. Maybe the follow ups weren’t there or the OKR wasn’t supported by a system but was reliant on willpower.

No matter what the case is, the first implementation will not be the greatest. But all organizations who succeeded with OKRs have one thing in common— they didn’t quit, they iterated.

Because they knew you needed to go through failure and learn from it to be successful.

The solution to these challenges can be found in OKRs. And here are the 6 main benefits of OKRs.



6 Benefits of OKRs

1. Easy to understand

When you have just one objective which is a clear statement and three key results that are specific, quantitative, and clear, then it's easy to understand what needs to be done.

Objective: Improve employee engagement and job satisfaction

Key Result: Implement PerformanceCulture's management software in all 10 teams

Key Result: Reach the monthly employee satisfaction score of 8

Key Result: Have all the managers read *Performance Culture: Drive Profits & Create a Great Workplace*.

The fluff is cut out and the employees can focus on what really matters.

2. Create an agile culture

OKRs are set quarterly so the planning process isn't something the management team does once a year at some random retreat. It's a live process which helps the organization not only identify the upcoming trends, but also to be accountable to its goals.

This is how giants stay relevant in a fast-paced environment— you're always ready for change but still have time to implement the set goals.

3. Focus on first and foremost

There is only one objective and just three key results which will show us that we hit it. Nothing more, nothing less. This keeps everyone pointed in the same direction... and there is just one direction— forward.

4. Transparency creates trust and alignment

Once set, OKRs are transparent and everyone in the organization not only sees them, but knows what the other teams are working on. You are not creating silos inside the organization, but actively sharing the goal of the organization with everyone.

This ensures that employees not only become "the best stonecutters in the country," but provides the opportunities for the experts to share, communicate, and collaborate to "build a cathedral."

5. Drives engagement and focused conversation

Employees who use OKRs are three and a half times more likely to be promoted. This happens

because OKRs are not a top-down exercise where the management just gives out objectives to the employees with a “make-it-happen” attitude.

OKRs have both top-down and bottom-up function, where employees have an opportunity to meaningfully contribute to what they will be held accountable. And nothing boosts engagement like the autonomy the employees have over their goals.

6. Nurtures a Growth Mindset

Researched by Carol Dweck from Stanford University for over 30 years showed that there are two distinct belief systems. She called them the Fixed and the Growth Mindset.

People who have a Fixed Mindset believe that their basic abilities, intelligence, and talent is fixed and can't be changed.

People with a Growth Mindset believe that their basic abilities, intelligence, and talent can grow over time and with experience. A person's capacity is immeasurable and people can become experts and masters in almost any area of life with enough practice, perseverance, and will.

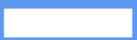
OKRs stretch people to become a better version of themselves, fostering an environment where growth mindset develops.

Now that we understand how OKRs can help us meet business challenges and solve them, let's see how we can create powerful OKRs.



03

Creating Powerful OKRs



There are certain things you need to take into consideration when creating OKRs, from the criteria for your objectives to the elements your key results need to have. When it comes to objectives, you need to take into consideration the next criteria:

1. Objectives need to be inspirational

When setting objectives, make sure that they are inspirational, motivational, and purposeful. Remember nothing is more engaging than working and progressing at something meaningful. Keep this in mind when creating objectives.

2. Objectives need to be Attainable

A stretch goal is just a little bit out of employee's reach, making them grow and learn to achieve it. But if you push it too far, the goal becomes outrageous and impossible to hit. This demotivates the employees because they clearly see that the goal can't be hit so they won't push themselves. Keep the objectives challenging, but not impossible to hit.

3. Objectives need to be doable in a quarter

OKRs should focus on achieving goals in 90 days and the objective which is set needs to be doable in that time period. It's important to keep the pace of OKRs at the quarterly rate because anything less than that would leave you vulnerable to market shifts (once every six months or once a year), and anything more than that would leave OKRs obsolete because

you couldn't set and achieve aspirational goals in a shorter time frame.

4. Objectives need to be controllable by the operational team

When creating objectives, make sure the team which is in charge of them is the team that controls the outcomes. Otherwise, you can create a culture of "finger-pointing," where one team can blame the other team for their shortcomings.

5. Objectives need to be qualitative

Objectives are all words and no numbers. Since they represent what you hope to accomplish, they need to be qualitative, not quantitative.

Tips on how to create powerful objectives:

- Avoid the status quo and push yourself. OKRs are about stretching, not comforting. "Keep on training the sales team" is bad, but "Teach my sales team NLP sales techniques" is a good one.
- Use questions that provide clarity. If you're unclear what the objectives states, you should ask for clarification. A simple "What do you mean by that" goes a long way and remember, if it's unclear for you, it will be unclear for many others as well.
- Use positive language when framing objectives. "I'm for happiness" is better than "I'm against unhappiness."
- "KISS- keep it simple, stupid." Don't use what Hemingway called "the \$10 words." Keep it simple and easy to understand.

Lincoln's Second Inaugural Address was a 701-word speech, with 505 one-syllable words and only 122 are two-syllable words. Keep it simple.

- Imply action by starting with a verb. An objective is a concise statement that propels the organization forward and to do that, it has to imply action. And what better way to provide it than to start with a verb.

Key Results

Once you have objectives in place, it's time to write out key results that are aligned with the objectives. This is equally important as it is to write a powerful objective— it's like two sides of the same coin. And even though creating key results for the objective might sound easy, the elusive part is in the "key." We can track many things, but it's about tracking those key results which show us if we are on the right path.

So with that in mind, here are 5 criteria you should keep in mind when creating key results

1. Key results need to be quantitative

Objectives are all about words while Key Results are all about numbers. Key Results tell us if we hit our objective or not so they need to be quantitative, otherwise we wouldn't know if we hit our objective.

2. Key results need to be aspirational

If the task at hand is too easy to do, the person doing it will be bored with it and disengage from work. If the task is too difficult, the person will feel it's out of their reach and won't even try to accomplish it (disengage from work). But there is a sweet spot, a place where the task is just beyond hand's reach and the person needs to stretch to attain it.

Some call this sweet spot "the learning zone," while others call it "flow." It's not just aspirational, it fully engages the person in the task. So when creating key results, make sure that they are aspirational since that will engage employees.

3. Key results need to be specific

There is no place for ambiguity in key results— they need to be concrete and everyone needs to know what the key result means by this or that. You either "Implemented PerformanceCulture's management software in all 10 teams" or you haven't.

4. Key results need to be owned and progress-based

OKRs are a combination of top-down and bottom-up creation. Most employees should participate in their creation and, because they personally invested in the creation, will not only be more engaged in the activity, but they will feel ownership over it.

And by doing a weekly check-in to track progress on the activities, you will bolster motivation in employees. Remember, nothing is more engaging than working (and progressing) at something meaningful.

5. Key results need to drive the right behavior

“You get what you measure.” This can be great as a driver of the right behavior or it can be a tombstone for an organization. Sometimes the devotion to meet targets can become a tunnel vision where dysfunctional decision-making happens and it can even slide into unethical behavior if left unchecked.

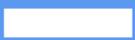
So think about the behavior you want to drive in your organization and then make sure that the key results support that.

Tips on how to create powerful key results:

- Only the key results, not all results. Make sure that when creating key results you write down only the ones that make progress on your objective. This won't come easily at first, but with time (and practice), you will get better at it.
- Benefits, not features (it's about results, not about tasks). Tasks (features) are what you do, benefits (results) are what you get from those tasks. A rule of thumb is that tasks have passive verbs (help, participate, assess) in them, while results have active verbs (hit, launch, build).
- “KISS- keep it simple, stupid.” As with objectives, key results need to be clear and simple so that everyone knows and understands what they mean, what they measure and how.
- Use positive language when framing key results. “Increase accuracy to 90%” is better than “Reduce error rate to 10%.”
- Assign ownership over key results. Kitty Genovese was attacked on the street and was yelling for help for 40 minutes. 38 neighbors heard her but nobody called the police. Why? Because they thought others would do it. This is a well-known phenomenon called diffusion of responsibility— people are less likely to assume responsibility when others are present because they believe others will do it. To avoid this, assign ownership over key results so that everyone knows who is responsible for what.

04

Aligning, Driving, and Managing OKRs Successfully



OKRs' biggest strength is its short cycle and rapid learning environment. But all of those shorter cycles need to be connected to the organization's purpose and long-term goals. OKRs are not created in a vacuum and because of that, we need to talk about the building blocks behind OKRs.



People (High Performing Team)

- Motivation
- Fun Factor
- Tracking Progress & adjusting when necessary
- Group huddles to stay aligned



4. Aligning, Driving, and Managing OKRs successfully

For any OKR to be successful, it needs to be tied to the overall organization's purpose and long-term goals. And that comes from the three building blocks of OKRs which are mission, vision, and strategy.

Mission

A mission of an organization provides the core purpose of the organization— its reason for existence. Why do you exist and who you are as an organization are the questions to which the mission is the response.

People everywhere strive to make a contribution in the world, whatever that world is. Purpose and fulfillment are not achieved only through a paycheck, but by contributing to something greater than ourselves. And that's exactly what organizations do. People join together to form organizations so that they can accomplish something that they never could do alone. They make a contribution to society and provide value.

We talked about how there is nothing more engaging than working and progressing at something meaningful so don't take a mission as something vague which colors the organization's walls. A mission is the reason why the business exists and the OKRs help you accomplish that mission. But when it comes to the specific future the organization wants to achieve, we turn to the vision of the organization.

Vision

An organization's vision shows the future that the organization strives to achieve— 3, 5 or 10, 15, 20 or 50 years ahead. A vision, or the future the organization strives to achieve, is just wishful thinking without a mission in place.

But when you have both the vision and mission, you not only have the direction where the organization is going, but you also galvanize the employees toward a common purpose. It's the cause, the reason for existence, and the future you're heading to that provides employees the reason why they should invest themselves in the organization— the contribution to something higher than yourself needs to be something that the individual wants to do and stands for.

To keep the business on track and actually take steps toward making that vision a reality, you need to have a strategy in place.

Strategy

Most organizations focus on the strategy as something which tells them what they need to do as a set of long-term priorities. But they miss out on a large contribution of a strategy— it doesn't just tell you what your priorities are, but it tells you what your priorities aren't.

A sound strategy isn't just about saying yes to one thing, it's about saying no to everything else. And this provides the necessary framework of how the organization operates on the field— the things we do and the things we don't do.

And all of this provides the necessary framework for the creation of OKRs which are then aligned

with the strategy, vision, and mission of the organization.

Long-term sustainability

There are a couple of things we need to be aware of when it comes to long-term sustainability and the implementation of OKRs.

OKRs can, and do, exist on multiple levels. You have organization, team, and individual OKRs and all of those need to be aligned. The individual needs to accomplish his or her Objectives, which are aligned with the team's Objectives, which are aligned with the organization's Objectives. And for this system to function, the following things are needed:

Monday motivation

This is a common way how organizations structure their OKR implementation. They start with a "Monday motivation" meeting. The purpose of "Monday motivation" is to go over the team tasks for that week and to have everyone clear on their responsibilities. Also, it has a motivational part which boosts the well-being of the employees and provides them the necessary motivation to stretch themselves to hit their targets for that week.

Friday celebration

The "Friday celebration" is a way to close the week with a small appreciation toward the team and the people who stretched themselves to achieve the goals. The "Friday celebration" serves as a closure of the week and a way for people to relax themselves and fill their batteries for the next week.

Review windows

Every plan which is created has to be iterated throughout the implementation period and it's the same thing with OKRs. The review windows should be once per month to evaluate what happened, what is still to come and to see if the team is on the right track. You can add additional meetings if needed.

Tracking and reward systems

OKRs need to be tracked and managed to be successful in their implementation. The tracking system should cover the work done on a weekly basis to see if the team is on the right track and what needs to be changed. "Monday motivation" is a good time for this.

The reward system needs to motivate employees to stretch themselves to achieve their OKRs. Tracking is crucial to provide the right feedback: Appreciation, Coaching & Evaluation.

Individual meetings

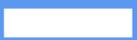
There are a couple of reasons why you should have individual meetings with your employees, but we will name the two most influential ones:

Employees are motivated to accomplish goals that are personally meaningful. So the organization's objectives should be aligned with the individual objectives to bring out intrinsic motivation and make the employee motivated to be better at them. A perfect match will never occur, but it's about finding a convergence of both the organization's and employee's needs.

Also, if an employee participates in creating his or her own objectives, the employee will be engaged and committed to the goals set because he or she had a voice in the entire process.

05

Common Mistakes and How to Deal With Them



Creating Objectives and Key Results is an ongoing process and there will be mistakes in the beginning of it. But just remember that when you make one, you need iterate and not quit. The most common mistakes we found out when implementing Objectives and Key Results and how to deal with them are the following:

1. Too many goals per quarter.

Try setting just one. You want the OKRs to be clear to everyone in the organization so go with just one. Sure, there are outliers out there who need to have multiple goals because of their market needs, but most organizations benefit from a single bold OKR to guide them.

2. Setting OKRs for a week or a month.

If it can be done in such a short period of time, it's probably not a bold, stretch goal but a task.

3. Setting a quantitative Objective.

Numbers are necessary, but not when it comes to setting up an Objective. It needs to be something that makes people jump out of bed in the morning, preparing them for a new day and a new challenge.

4. Setting a qualitative Key Result.

The place where you use inspiration and make people motivated is when you're setting Objectives. But when you start setting up Key Results, it's all about the hard facts—numbers reign supreme here.

5. Not taking confidence, health, and motivation (culture) of the organization into account.

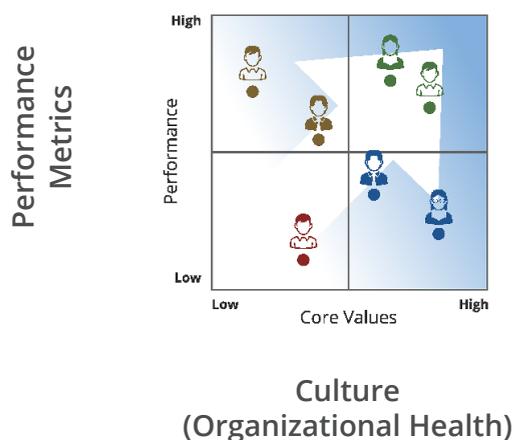
OKRs are implemented by employees who are not machines, but people like you and me. So when setting up and following through on OKRs, we need to make sure to provide the necessary help, motivation, and structure to enable employees to stretch themselves and hit challenging goals.

6. Planning and setting everything up, but not tracking and following through.

Planning OKRs is necessary, but if there is no follow-up and focus on it on a daily basis, it will all be in vain. The structure which enables the implementation of OKRs needs to be in place and that starts with the leadership body.

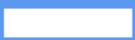
7. Not recognizing and celebrating small wins.

You need to go forward and stretch yourself, but you also need to have time “to stop and smell the roses.” The evaluation period and the celebration of small wins will increase the confidence level of employees and make them enjoy stretching and growing themselves to hit the goals. And that comes from celebrating small wins.



06

Zalando Case Study



Zalando case study

Google popularized the OKRs but it's not just a Silicon Valley thing. No matter where your business is located, you can still use Objectives and Key Results because they are applicable everywhere.

And one of those examples is a European online fashion platform Zalando. Founded in Berlin in 2008, it employs over 15,000 people and had 5+ billion of revenue in 2018.

Zalando started implementing OKRs with the leadership of their Vice President for Brand Solutions, Christoph Lange. Lange got the idea when he visited Google and upon return, he implemented OKRs in a new division called Zalando Brand Solutions.

They used OKRs for the department, teams, and individuals for three quarters and then decided to roll out OKRs for the entire organization, from senior management to large departments.

Zalando leadership educated the entire organization about OKRs by:

- zTalks— Zalando's internal live stream
- Presenting OKRs at All-hands meetings
- Keeping OKRs transparent so that everyone has access to them
- Team OKRs were put on posters and hung on department walls
- Additional training sessions, presentations, and videos

For Zalando Brand Solutions, it took them 8 hours per person to develop the first quarterly OKRs.

When Christoph Lange is asked about recommending OKRs to other organizations, he says: "Absolutely, it's a simple and powerful approach for generating alignment and staying focused on what's important."

07

OKRs Cheat Sheet



OKRs Cheat Sheet

Here are a few points to remember when creating your OKRs.

- Set only one bold OKR to guide the organization
- Set a quarterly OKR
- Objectives are qualitative and inspirational so only words
- Key Results are quantitative and concrete so only numbers
- Have a weekly check in to go over the organization’s OKRs and then the team OKRs
- Use but don’t overuse OKRs— not everything needs to be set into that
- Motivate on Monday, celebrate on Friday
- OKRs function both top-down and bottom-up— use both
- Keep them public for everyone in the organization to see

Objectives	Inspiring	Attainable	Doable	Control	Qualitative
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

Key Results	Quantitative	Aspirational	Specific	Progress-based	Drives Behavior
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
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