OKRS DONE RIGHT

How to create high-impact objectives and key results without the pain

ITAMAR GILAD

itamargilad.com

The OKR Challenge

Since their invention at Intel in the early 1970s, Objectives and Key Results have amassed a huge following. It certainly helps that Google, Amazon, Dropbox and other tech super-companies attribute so much of their success to them. According to Larry page, founder of Google and CEO of Alphabet: “OKRs have helped lead us to 10x growth, many times over.'' Many companies, both tech and non-tech, are either implementing or have already implemented OKR.

But here’s the thing — OKRs are just containers for goals. They serve bad goals just as well as they serve good goals. In fact, of all the management tools, OKR is the easiest to misuse, overuse and abuse — many companies fall into this trap. This is a major problem because bad use of OKR can amplify the issues the org is troubled with rather than fix them.

Book Structure

in this condensed book I want to share what I consider the most important factors to OKR success, based on my experience at Google and other companies:

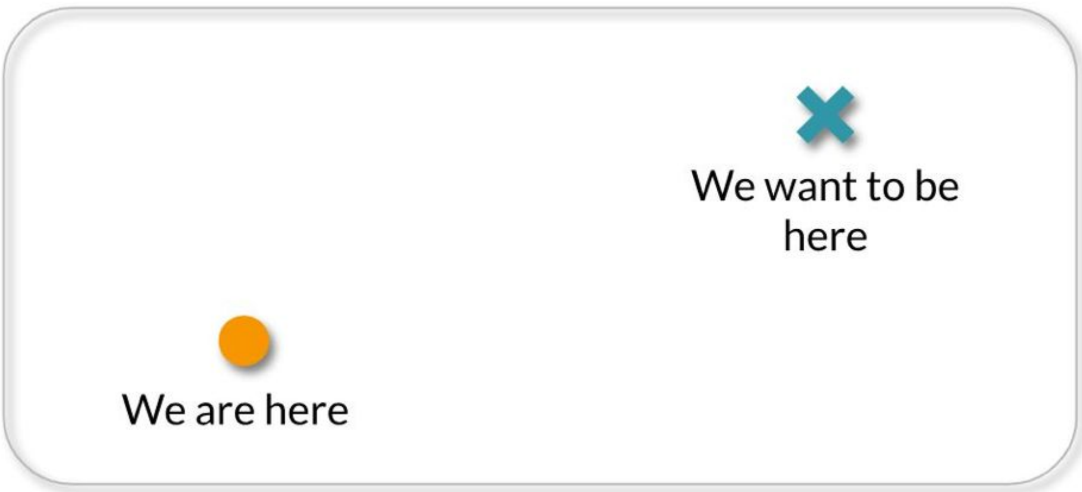
- Principles - We will first talk about the principles underlying *good goals*. Without those no amount of OKR process mastery will do any good.
- Alignment - The main advantage of Objectives and key results is how they scale to encompass the entire organization, while creating alignment. We will look at the two main techniques to align OKRs.
- Anti-patterns - I found that the best way to teach OKRs is actually to talk about the common issues and how to fix them. We will cover the top five antipatterns - see how many apply to you.

Goals — Start With Why

Before we start designing, building, fixing, or doing any other work, it's essential to have a reason—to know *Why*. That's the job of goals. Whenever anyone is asking "why are we doing this?" a goal should give the answer.

Goals are a management power tool—they create alignment, focus and motivation. Whether you're leading a company, division, team, or managing a product or even just yourself, goals put you firmly in the driver's seat.

At its heart, a goal is a very simple thing - We are here now (our current state); We want to be there (the desired state).



The goals we use in modern companies evolved to have these parts:

- **Intent** - Where do we want to be?
- **Context** - Why is this goal important? What information is relevant?
- **Success criteria** - How we will measure progress and success?

Management By Intent

Management by intent, i.e. telling people what to achieve, but not how, sounds like a radical new idea to us, but it has been around for a very long time. There are many good examples of organizations that have harnessed this principle.

- At Netflix managers are thought to “lead with context” rather than control. The manager provides as much information as possible about the opportunity or challenge at hand to an employee and then asks her to review her ideas broadly and often to test them.
- Toyota practices what researcher Mark Rother calls the *Improvement Kata*. Managers define the desired end state, and teach employees how to move towards it through analysis, experimentation, and continuous improvement.
- Most modern armies have replaced command-and-control in the battlefield with mission command. Here’s the core tenant of mission command as explained by military historian and strategy expert Stephan Bungay: *“Don’t tell people what to do and how to do it. Instead, be as clear as you can about your intentions. Say what you want people to achieve and, above all, tell them why. Then ask them to tell you what they are going to do as a result.” -- The Art of Action / Stephan Bungay*

> **Good OKRs express intent, context and what’s success**

The OKR Construct

OKR break goals into two parts:

- **Objective**—An aspirational short statement that explains the intent -- where we want to be
- **Key results**—2-5 measurable results that explain how we'll measure success

An optional yet important third part is the *context* - a short paragraph linked from the OKR that explains why we chose this specific objective or key result.

An OKR is set for a specific time period, typically a quarter, although at org-level you can set yearly OKRs as well. You can use shorter OKR cycles, but a quarter is usually a good amount of time to do meaningful work, yet still avoid the traps of low predictability and project bloat.

Here's what company-level objectives might look like:

- Objective: Customers can pay on the go
- Objective: Enjoyable, bug-free user experience
- Objective: Create the best place to work in

Objectives read a lot like mission statements. They're concise, inspiring, and aspirational (hence it's okay to use superlatives like "the best" or "bug-free"). They're also quite vague. Who knows what "Customers can pay on the go" or "Create the best place to work in" really mean?

That's where key results (KRs) come in.

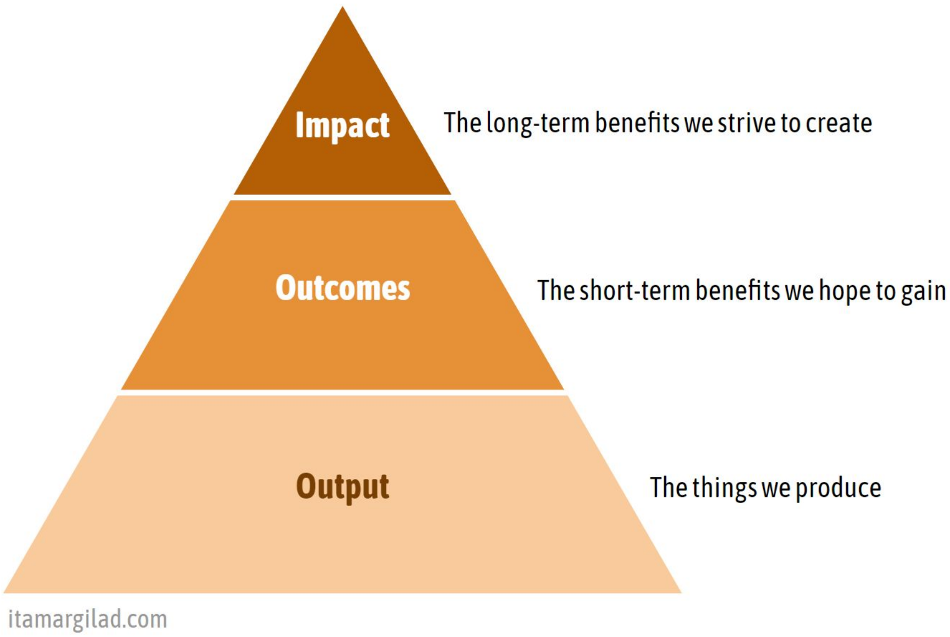
Objective: Customers pay on the go

- Key Result: Reach 40,000 mobile payment transactions per month
- Key Result: 25% of 7 day active pay on mobile
- Key Result: Grow 90-day mobile payment retention rate to 42%

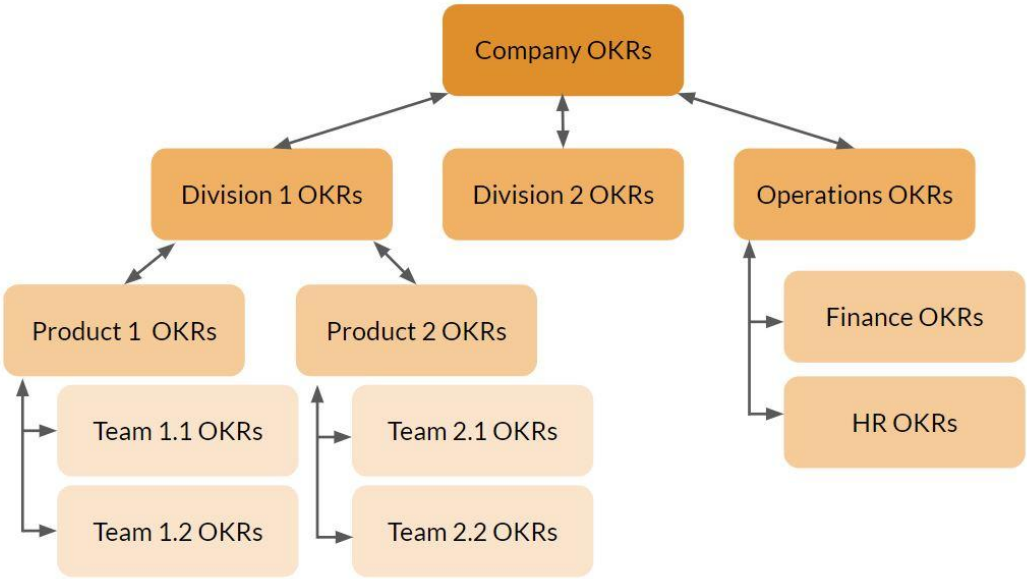
The goal is much clearer now. Anyone in the company can immediately understand what's expected and how it pertains to them.

Where do key results come from?

A useful model here comes from NGO and government organizations. They differentiate between three types of results: *Impact*, *Outcomes* and *Output*.. With very few exceptions, we want key results to be measures of impact (for example how many transactions happen in our marketplace, or how much revenue we generate) and outcomes (for example what % of users take their first active action with in the 48hrs from signing up to the service). As we'll see later, basing key results on output (for example launching feature X) should be strongly discouraged. .



Multi-level OKRs



Objectives and Key Results allow managers and employees to develop OKRs at every level of the organization - company, division, group, team and, in some companies, individual employees (although there's debate if that's actually helpful). However it's best to adjust the number of levels to the size of the company:

- Up to 20-40 employees - Company-level OKRs only
- 40-X00 - Company level + Team level
- Beyond - OKRs at middle org levels

Naturally we want these OKRs to be- in full alignment top-down, bottom-up. This may sound like a nightmare of a process that would keep managers and employees busy for weeks (and in some companies it does), but in fact when done right should be quite lightweight. At Google we often spent in the order of hours at team level and up to a week at higher company levels (but you should expect more when you're just getting started).

There's a common misconception that the OKRs have to "cascade" meaning that at each level we have to copy the objectives and/or the key results set by the level above. That is not correct. What needs to cascade is the *intent*—what are we trying to achieve, and at each level the managers or leads should decide what goals best represent this intent within their scope of influence. They may choose to copy relevant objectives and/or key results, or they may choose to change them.

For example if the company level OKR is:

Objective: Customers pay on the go

- Key Result: Reach 40,000 mobile payment transactions per month
- Key Result: 25% of 7 day actives pay on mobile
- Key Result: Grow 90-day mobile payment retention rate to 42%

The Onboarding team whose responsibility is to help users get set up and active can create this goal:

Objective: Easy, successful mobile onboarding

- Grow mobile onboarding success rate from 40% to 48%
- Grow activation rate on mobile from 72% to 82%

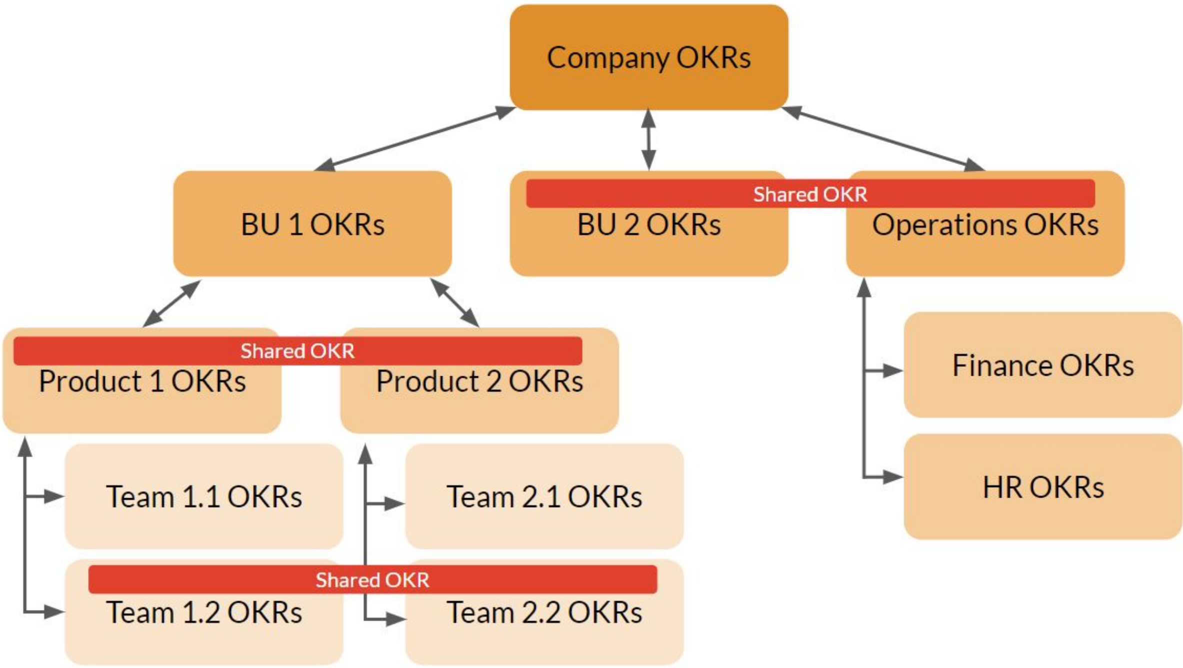
Note that the team changed both the objective and the key results, but that's fine because they know that this derived OKR is directly contributing to the company's mobile OKR and matches its intent (this is made easy by defining a clear hierarchy of metrics).

One way to communicate intent, which is popular in Google, is for managers to start by drafting skeleton OKR documents that may have partial objectives and key results, but many missing ones as well, and in some cases even no objectives at all, just a statement of intent. The managers then share these documents with their reports and ask them to propose missing objectives and key results, and also to propose changes in the ones already drafted. This both helps the manager create the OKR with input form reports (who often do the same with their reports), and at the same time communicate the intent and context down.

This illustrates an important factor in the success of using Objectives and Key Results:

> ***OKRs are created as much bottom-up as they are top-down***

Shared OKRs



Another important way OKRs can help is by creating alignment *across* teams and departments, through *Shared OKRs*. Many companies face a high level of interdependencies between teams, departments, and sub-organizations. In order to complete a project or achieve a goal, you often need the assistance of others, but getting agreement and commitment can be hard.

Shared OKRs are simply OKRs that multiple teams agree to achieve together. A common scenario is for a team lead—a product manager or engineering lead— of team A to approach team B during OKR season (typically the last few weeks of the quarter) and propose the shared OKR. The OKR may not be fully formed yet, but the request should clarify the intent and the context. At that point team B may respond with a No, in which case team A will know for sure it should not attempt to add this OKR this quarter, or with Yes, in which case both teams define the OKR and add it to their quarterly OKR doc.

There's a much higher chance that the OKR will be accepted by team B if it inherited the same intent and context from the top through the OKR process. For example if both teams now know that mobile is a top priority for the company, a shared OKR that is about mobile is more likely to be accepted. A second way to create alignment is through a shared north star metric and metrics trees.

On a larger scale, shared OKRs can help coordinate big goals and initiatives across the organization.

> ***When you need the help of another team, try to align first on goals, not actions***

OKR Antipatterns

For all their power, OKRs are easy to misuse, overuse, and abuse. regularly meet teams and companies that are overwhelmed by OKRs. Many give up on them entirely. Below I list five very common mistakes that can derail any implementation of objectives and key results, as well as solutions.

1. Using OKRs to express a plan (Output OKRs)

This is the most fundamental and most common mistake I see (I'm certainly guilty of doing it in the past). Our natural inclination is to use OKRs to express a plan of action.

For example:

O: Become a leader in the enterprise

- KR: Launch v2.2 of the mobile app
- KR: Integrate with SalesForce
- KR: Switch to new onboarding flow
- KR: Run 10 paid campaigns

Here's why this is wrong. Objectives and Key Results are designed to convey goals — *what we're trying to achieve, why, and how we will measure success*. Building, launching and promoting features and products are not the goals. The goals are the benefits we expect to gain from these actions.

Goals that communicate a plan (known as *Output Goals*) commit this fundamental logical error:

1. We want to achieve X (the real goal)
2. The best way to achieve X is to do Y (a solution)
3. Therefore doing Y is equivalent to achieving X

In tech steps 2 and 3 represent huge leaps of faith:

- Doing Y will indeed accomplish X
- Y is the best way to achieve X
- Y will not have big negative side-effects
- Y is feasible with our current technology and resources.
- Y will not cost x2-x4 more than we think
- Etc.

Virtually every project I worked on or observed invalidated some or all of these assumptions — especially the first — the assumption that the project will have the expected effect. We may launch v2.2 of the mobile app and users will hate it and usage will plummet. The new onboarding flow may drive no measurable change in user behavior — that's actually the case with most product changes. Running 10 campaigns may help us acquire the wrong right type of users, etc.

> ***Doing stuff isn't the point. Achieving stuff is.***

So the right sequence is: 1) Define what you wish to achieve (intent and measures of success) in the form of Objectives and Key results 2) Drive from the goals to action (this can be achieved with the GIST Framework).

If you find that you keep creating output goals, this simple trick to get to the real outcome/impact goal behind them: ask “why?”

- KR: Launch v2.2 of the mobile app → why? → Grow Mobile WAUs >= 300K
- KR: Integrate with SalesForce → why? → Reduce churn to < 2.5%/month
- KR: Switch to new onboarding flow → why? → Reduce avg. onboarding time < 2hrs
- KR: Run 10 paid campaigns → why? → Acquire 2500 leads per month

2. Non-SMART Key Results

Management guru Peter Drucker defined SMART goals in the 1950s, but it’s still a very valid guideline today. Goals should be:

- **Specific** — paint a clear picture of the desired end result; not ambiguous.
- **Measurable** — all key results should have clear metrics.
- **Ambitious** — pushing the team somewhat out of their comfort zone (Google founder Larry Page calls this feeling “uncomfortably excited”, and you do experience this feeling quite a bit in Google)
- **Realistic** — Achievable, Not pure fantasy.
- **Time-bound** — each OKR should have a clear ETA — typically end of quarter or end of year.

(Note: this is a modern iteration of “SMART”. You may encounter other definitions of the acronym, but I find this one to be the most relevant to today’s workplace)

There are two main anti-patterns I see:

High level and vague key results — MBA-speak simply doesn't work here: "deliver engaging experiences" or "drive customer satisfaction" are neither specific nor measurable.

> ***OKRs must be SMART — Specific, Measurable, Ambitious, Realistic and Time-bound.***

Non-realistic key results — some managers believe that their job is to ask for pies in the sky as a way to drive people to deliver more. This tactic always backfires — people will seemingly commit, but quietly reject a goal they perceive to be non-feasible. It's much better to have the people doing the work help you find what's ambitious-but-realistic.

> ***OKRs are meant to drive collaboration, not hard negotiation.***

3. Too Many OKRs

I see this a lot — companies and teams get excited about OKRs and put every conceivable thing they may wish to work on into them. Teams of 4 people try to commit to 6 OKR clusters each with 4–5 key results. Managers expect to see every possible metric captured in the OKRs, and request weekly progress check-ins.

Naturally this falls under that non-realistic goals category, but it's even worse:

- No focus — Having too many goals robs teams of focus. When everything is important it's very hard to know what to work on and there's less progress.

- Low completion rate — even if the team did very well, at the end of the cycle only a small % of the goals were completed. This may lead to disappointment, mistrust in the process, treating OKRs as wish lists or rejecting OKRs outright.
- Too much process — OKRs are a tool to capture and communicate goal. They're not meant to serve as dashboards and weekly tracking is too frequent. There are better tools for this (and even there being picky about the metrics is important).

> ***When it comes to OKRs, less is truly more***

One way to get out of this hole is to score the OKRs at the end of the cycle and see what % we completed. This will help calibrate us if we're trying to do too much or too little. You can calculate completion rate for each of the key-results (should be easy, because they're measurable) and then average across all OKRs.

What's a good completion rate? At Google 70% is considered normal — indicating the right ratio of ambition and realism. For many companies that's too forgiving — they set the target higher. However 100% completion rate is just as bad as 50% — it means that people are not being ambitious enough, only going for safe goals.

Another tip I give first-time OKR teams is to start small and try hard to only include the most important things. On a team level start with 3×3 (3 Objectives each with maximum three key results) and over time try see if you can reduce to 2×2. At org-level you should try to stay within 6×5 OKRs. Smaller companies can often do with fewer top-level OKRs.

4. Top-Down OKRs With No Bottom-Up

Here are some other anti-patterns I commonly encounter:

- Managers create the OKRs for the employees
- Product managers create the OKRs for the team
- The finance team defines the expected results for everyone

The problem is this — goals that are created by "planners" and handed down to "implementers" are usually bad goals. They're lacking the perspective, knowledge and insight of the person doing the work. These folks can contribute not just to their goals, but also to their higher-ups' — missing goals, unrealistic or over-cautious goals, better ways to measure, etc. Top-down goals are also less likely to get buy-in. If we didn't hit the targets it'll always be the fault of the plan.

> ***The best people to help you define the goals are the ones that will make them happen.***

You want to have people take part in defining their own goals (at least). In a development team, the leads — PM, dev, UX, should create the draft and then share with the team for review. Similarly managers should create skeleton OKRs and ask their reports to start filling-in the gaps and propose missing objectives and key results. The process should be as much bottom-up as it is top down.

5. Using OKR for performance evaluation

Some managers think that OKRs are a way to get people to commit more, work harder and be more accountable. A smart way to increase performance, productivity and output. Some even try to tie performance evaluation, compensation and promotion to OKRs.

This is absolutely the wrong way to think about OKRs.

It's true that good goals can help people and teams stretch themselves and achieve more, but it's never because there's a carrot or a stick attached. The improvement comes from the clarity, focus, consistency and sense of impact that the goal brings.

Tying performance evaluation to OKRs is a major no-no. It motivates people to game the system — push for non-ambitious goals, low-ball outcomes, blow-up effort estimations. You'll definitely never get anyone to be ambitious with their goals anymore.

> ***OKRs are not contracts between managers and employees***

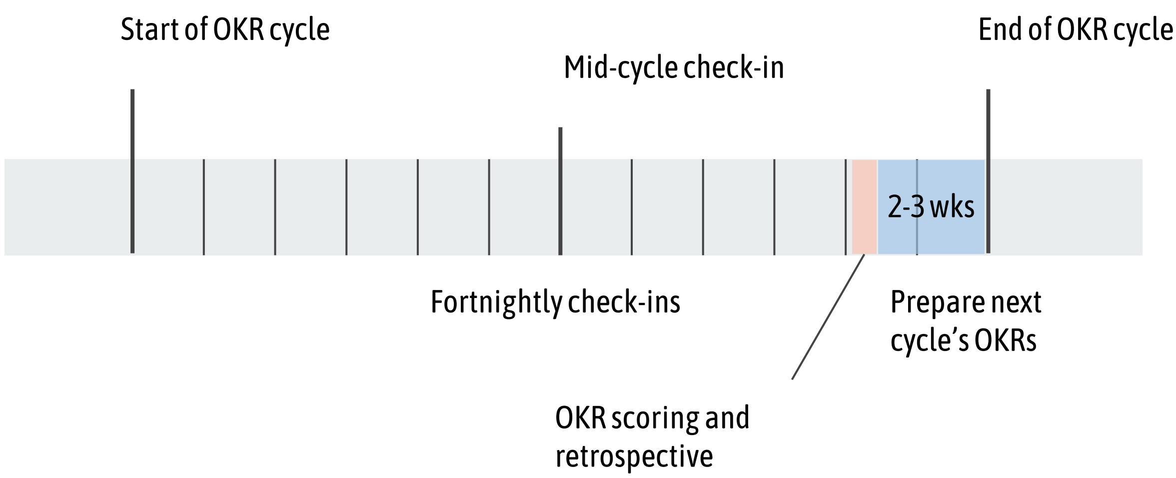
If anything, OKRs are a tool to get managers to perform better — communicate clearly and transparently what they wish to achieve and how they would like to measure success; Be more collaborative in defining goals and more conscious of what's possible; stay consistent and not pivot on a dime. Once we invite everyone to take part in OKR creation, these benefits extend to the rank-and-file as well. We can all become better managers of ourselves, our teams and our organizations.

Getting Started With OKRs

OKRs have become synonymous with successful companies such as Google, Intel and LinkedIn, but there's more to them than meets the eye. Proper use of OKRs takes time and practice.

If you're just getting started and it feels hard and unintuitive, don't despair, this feeling is normal. Very few companies get it right in the first OKR cycle. Try to keep it as lightweight as possible—doing fewer objectives and key results and focusing on just what is most crucial. At the end of the first cycle do a retrospective —ask yourself what worked and what didn't. Were you able to stay true to the principles, or did you fall into one of the traps? Things will improve as long as you learn from the experience, and within a couple of OKR cycles you should be in a much better place.

Here's what an OKR cycle might look like:



> ***The secret to OKR success is practice and consistency***

Summary: My 10 Rules of OKR Success

1. Manage by intent— good OKRs express intent, context and what's success.
2. Alignment—OKRs are created as much bottom-up as they are top-down.
3. Alignment Across—When you need the help of another team, try to align first on goals, not actions.
4. Outcomes over output—Doing stuff isn't the point. Achieving stuff is.
5. SMART OKRs — Specific, Measurable, Ambitious, Realistic and Time-bound.
6. Ambitious, yet realistic—OKRs are meant to drive collaboration, not hard negotiation.
7. Don't over do it—When it comes to OKRs, less is truly more.
8. Use the experts in the house—The best people to help you define the goals are the ones that will make them happen.
9. Not a performance evaluation tool— OKRs are not contracts between managers and employees.
10. Don't give up—-The secret to OKR success is practice and consistency.

About Itamar Gilad

I'm a coach, writer, and speaker specializing in product management, strategy, and growth. Prior to coaching I held senior product management and engineering roles in Google, Microsoft and other companies.

I help product and management teams build high-impact products through modern product management practices.

Work with Me

I facilitate product management workshops and give keynotes.

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For questions or comments please email itamar@itamargilad.com or contact me via LinkedIn.