How to leverage OKR if your company is not Google

By Felipe Castro, Dan Montgomery, and Daniel Karrer

Companies should approach OKR as a set of customizable building blocks they can leverage to transform their goal setting process

OKR (Objectives and Key Results), the Silicon Valley goal setting framework used by Google, Twitter and LinkedIn, is quietly taking over the corporate world driven by the trends of Agile, Lean Startup, Digital Transformation and Continuous Performance Management.

Walmart, Target, Schneider Electric, The Guardian, Dun and Bradstreet, Sears, Kroger, and ING Bank are among the enterprises that are known to have implemented or to be experimenting with OKR. Many others are evaluating it.

Even if your company is not in a fast-paced environment like software, every industry is facing increasing levels of uncertainty and complexity. OKR is designed to meet that challenge.

When presenting OKR to our clients, we usually frame it around a set of provocative questions that challenge the traditional approach to goal setting:

- Why do goals have to be annual?
- How can we set goals in days or weeks instead of months?
- Do goals have to be boring? How can we make goals more fun and engaging?
- How can we ensure that our goals deliver actual value to customers?
- Do we have to cascade our goals top-down or can we include a bottom-up component?
- Do all goals have to have the same rhythm? Shouldn't we set shorter tactical goals and longer strategic goals?
- How can we encourage more ambitious goals?

"But we are not Google!"

Many companies struggle with how to adapt OKR to their business and context. Google is unique, and some of its cultural traits are very hard to emulate. Not every company is ready for that level of openness and autonomy.

What is OKR?

Agile enterprises are increasingly adopting a radical new approach for goal setting with the unassuming name of OKR (Objectives and Key Results). Unlike traditional top-down methods of planning, OKR is a simple, fast-cadence, bottom-up process that engages each team's perspective and creativity.

The big difference from traditional planning methods? OKRs are set, tracked, and re-evaluated frequently - usually quarterly. In a typical OKR environment, at least 60% of the goals are set bottom-up, rather than being cascaded down, creating a more engaging environment for the teams setting the goals.

OKR has two components:

Objectives are a qualitative description of what you want to achieve and should be aspirational, engaging and actionable.

An example might be "Create an Awesome Customer Experience."

This Objective sounds great, but how would we know in a more precise way that we are creating better Customer Experience?

Key Results are a set of 2-5 quantitative metrics you will use to measure your progress towards the Objective. Appropriate Key Results for that objective might be Net Promoter Score and Repurchase Rate. Do our customers feel so good about dealing with us that they would recommend us and buy again? But, measuring NPS and recurring revenue might encourage us to make the customer happy at any cost. So, a countermeasure such as Customer Acquisition Cost might be applied.

Objective: Create an Awesome Customer Experience

Key Results:
- Improve Net Promoter Score from X to Y.
- Increase Repurchase Rate from X to Y.
- Maintain Customer Acquisition cost under Y.

We propose that OKR should not be seen as a monolithic, one-size fits all, approach, but as a set of customizable building blocks that can be leveraged by non-Silicon Valley companies to transform how they set and manage goals, even without adopting the whole OKR model.

The OKR Capability Model

Our proposed framework for leveraging OKR (the OKR Capability Model) begins with the capabilities that each organization is trying to develop with the OKR implementation. Each building block contributes to one of three organizational capabilities: *Responsive Rhythm, Engaged Autonomy,* and *Aligned Ambition*.

Responsive Rhythm: This capability creates a pace that enables the organization to quickly respond to change by adopting a continuous model for planning, decision making, and tracking results. Using goals gets so simple that they become what they should be: essential management tools, embedded in each team's work routine.

Each company's rhythm should match the existing level of uncertainty: organizations in more uncertain environments or striving to be more innovative should set goals more frequently.

Responsive Rhythm is the foundation for effective goal setting. Goals need to be straightforward and actionable with rapid feedback. It's the first thing an enterprise should do before moving on to the other capabilities we will describe below.

The building blocks that contribute to this capability are *Agile Goals, Simplicity, Tracking Ceremonies,* and *Nested Cadences.*

Building Block	Description
Agile Goals	Instead of using an annual static planning process, OKR uses shorter goal setting cycles, usually quarterly, enabling organizations to quickly respond and adapt to new information or changes in the marketplace.
Simplicity	The process is incredibly simple, and the OKRs themselves are clear and easy to understand. Intel's original model set goals monthly, in a lightweight, straightforward process. This simplicity makes the goal setting process faster and easier, drastically reducing the time and resources spent setting goals.
Tracking Ceremonies	Too many companies suffer from the "Set it and Forget it" problem, where goals are ignored and detached from the real work. To avoid that, OKR uses regular Tracking Ceremonies to help teams improve performance and achieve the desired results.
Nested Cadences	Strategy and tactics have different natural tempos, as the latter tends to change much faster. To solve this, OKR adopts different rhythms: ● A strategic cadence with high-level, longer term OKRs for the company (usually annual). ● A tactical cadence with shorter term OKRs for the teams (usually quarterly). ● An operational cadence for tracking results and initiatives (usually weekly).

Engaged Autonomy: This capability connects the employees with the organization's strategy while giving them the freedom to decide how they can contribute to it in a way that adds actual value.

To enable real autonomy, it is critical to shift from activities toward valuable outcomes - results that add value to the company strategy. i.e. Making your product faster may have no value if it adds cost within a low-cost positioning.

Engaged Autonomy allows the team to participate in the strategic conversation, harnessing insights from anywhere within the organization. People don't feel merely accountable for delivering results; they engage with them. *They care.*

The building blocks that contribute to this capability are *Engaging Goals, Value-based Goals, Transparency,* and *Bidirectional Goal Setting.*

Building Block	Description
Engaging Goals	Goals are communications tools; they exist to communicate priorities. As such, they should be memorable instead of boring. Objectives should be engaging and fun. They can be informal, using slangs, jokes, and even profanity – whatever fits the company culture.
Value-based Goals	A common goal-setting mistake is to use goals as macro To Do lists, binding the team to a fixed action plan that may or may not work. On the other hand, Value-based OKRs measure the delivery of value to the organization or its customers, creating a culture focused on valuable outcomes instead of outputs. When focusing on Value, teams separate the OKRs from the Initiatives, your initial hypotheses of actions and projects to achieve the Objective that may change over time.
Transparency	OKRs are public to all company levels — everyone has access to everyone else's OKRs and current results.
Bidirectional Goal Setting	Instead of using the traditional top-down cascading model that takes too much time and does not add value, OKR uses a market-based approach that is simultaneously bottom-up and top-down. From the company's strategic OKRs, teams can understand how they can contribute to the overall strategy. In this process, around 60% of the tactical OKRs are set by the teams in alignment with the company goals and then contracted with the managers in a bubble-up approach. This model creates engagement and a better understanding of the strategy while making the process simpler and faster.

Aligned Ambition: This capability breeds organizational alignment around ambitious goals that create shared success criteria between different teams while ensuring that those goals are healthy and sustainable in the long run.

Aligned Ambition catalyzes a culture of organizational reinvention in an environment where bold goals are usual and where the reward structure does not punish ambitious failures.

The building blocks that contribute to this capability are *Countermeasures, 360 Alignment, Decoupling Rewards,* and *Moonshots.*

Building Block	Description
Countermeasures	Goals are known to create perverse incentives and harmful side effects (See the paper "[Goals Gone Wild](")"). The OKR structure has multiple Key Results per Objective, embedding Countermeasures that address adverse consequences, creating OKRs that are healthy and sustainable.
360º Alignment	The traditional process focuses on creating *vertical alignment*: your goals are aligned with your boss's goals and with her boss's goals, which can create silos. OKR's marketplace approach focuses on 360º Alignment - top, down, and sideways - eliminating silos and addressing interdependencies.
Decoupling Rewards	Separating goals from salary and promotions is crucial to incentivize challenging and aspirational goals. If those who reach a lower percentage of their OKRs receive a smaller bonus, no matter how hard it was, we would be in fact penalizing ambitious goals. OKR should be a management tool, not an employee evaluation tool.
Moonshots	The philosophy behind Moonshots is that if you are always reaching 100% of your goals, they are too easy. Instead, OKR targets bold, ambitious goals that are just beyond the threshold of what seems possible and make the team rethink the way they work to reach maximum performance. Moonshots are so important that Google's "[Ten things we know to be true.](")" mentions them directly: *"We set ourselves goals we know we can't reach yet because we know that by stretching to meet them we can get further than we expected."*

It is important to understand that an organization does not have to adopt all the blocks from a capability. The framework allows you to choose them individually.

How complex is it to adopt each building block?

Some building blocks are easier to implement while others may present significant challenges for traditional organizations. We have grouped them in different levels of complexity: Small, Medium, and Large.

It is important to understand that the complexity levels are not time estimates, but also incorporate the degree of novelty and uncertainty which creates mental overhead for the team.

Although the complexity of each building block may vary depending on the organizational context, those are the levels we have found in many OKR implementations. They are included in this paper as a guideline for companies looking for quick wins in their OKR implementation.

Building blocks such as Bidirectional Goals and Transparency may face cultural resistance within hierarchical companies, and their complexity can change a lot depending on the context. The closer

the organizational culture is to the Silicon Valley ethos of openness and autonomy, the simpler their adoption will be.

Other elements are easy to understand but hard to master, such as 360 Alignment.

Creating a Moonshot culture, where people set truly ambitious goals and without fearing punishment for not reaching them, is such an organizational challenge that it stands on its own.

The table below lists the building blocks, capabilities and complexity levels:
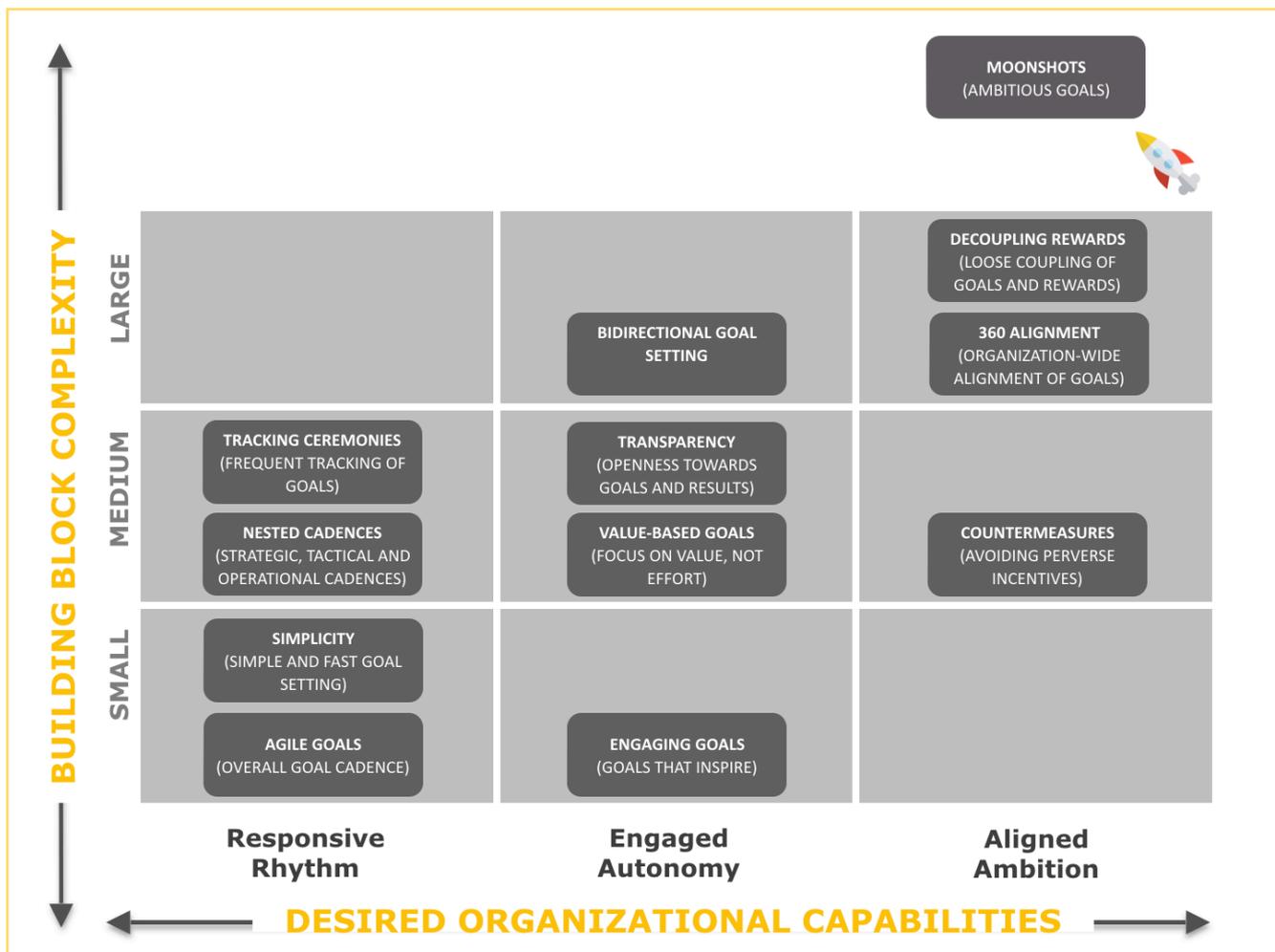
Using the OKR Capability Model

Each block can be customized both at the company level or at the team or functional level. Not all organizations are the same, and different groups may have different needs. For example:

- Most companies use quarterly OKRs, but some choose different tempos: some companies set OKRs every 30, 45, 120 or 180 days. Different business units may choose different cadences to fit their needs.

- Although adopting weekly Tracking Ceremonies is highly recommended, some functions find that it is hard to move - or even measure - their Key Results every week. Teams dealing with employee engagement, for example, may want to track results monthly while tracking their initiatives every week.

- Companies may want more ambitious goals from teams in product or engineering while expecting more predictability from accounting or sales. Instead of Moonshots, those teams focus on "Roofshots," goals that are hard but achievable.

The following scenarios illustrate how companies could customize OKR to their specific needs using the Capability Model:

1. GoalRevamp Corp: Creating a Responsive Rhythm

At GoalRevamp Corp., goals were set over months and completely detached from the daily work of the employees. They were seen as yet another mandatory corporate tool that adds no value and is quickly forgotten - the classic "Set it and Forget it" mode.

GoalRevamp Corp. decides to develop the Responsive Rhythm capability, by adopting the building blocks *Agile Goals*, *Simplicity*, and *Tracking Ceremonies*. The company chooses to implement *Nested Cadences* incrementally, starting with a pilot with two project-based tactical OKRs and adding the strategic cadence during the second quarter, after the process was more mature.

After examining the other building blocks, the company also decides to adopt *Value-based Goals* to develop a culture focused on measuring and delivering value.

Note: Organizations that are starting to use goals could follow a very similar approach.

2. LowHangingFruit Inc.: Concentrating on the Quick Wins

LowHangingFruit Inc. wants to develop the three capabilities, but it prefers incremental implementations since they reduce complexity, add flexibility and deliver value faster.

The company opts to concentrate on the quick wins by adopting the building blocks with smaller complexity first: *Agile Goals*, *Simplicity*, *Tracking Ceremonies*, *Engaging Goals*, *Value-based Goals*, and *Countermeasures*.

After experimenting with those blocks, LowHangingFruit Inc. will evaluate the implementation of the remainders.

3. ConventionalCorp: Adopting OKR within a Hierarchical Culture

ConventionalCorp has a more hierarchical, top-down, culture that traditionally resists openness. Although the executive team wants the benefits of OKR, they feel that they are not ready for a more transparent, bottom-up approach or for changing the compensation model.

For now, they decide to adopt all the building blocks except for *Transparency, Bidirectional Goal Setting, Decoupling Rewards,* and *Moonshots,* which they will re-evaluate in the future.

4. MorphingCorp: Enabling Engaged Autonomy

MorphingCorp is undergoing a Digital Transformation and transitioning its organizational structure towards cross-functional teams. The CEO understands that fostering autonomous teams is critical do becoming an Agile enterprise.

The company decides to develop the Engaged Autonomy capability by implementing *Engaging Goals*, *Value-based Goals*, *Transparency* and *Bidirectional Goal-setting*. They also need to develop the foundational capability Responsive Rhythm and the corresponding building blocks.

Note: Examples 3 and 4 could happen inside the same organization. Two of us have worked with a commodities company that wanted a more traditional approach for its manufacturing operations but needed to enable autonomy inside its new ventures and biotech arm. The two approaches could coexist within the same integrated model.

Transform your Goal Process

If you want to understand more about the OKR Capability Model and how it could help your organization leverage OKR, please contact us at LeverageOKR@leanperformance.com.

About the Authors

Felipe Castro is the Founder of Lean Performance and the author of the upcoming book *Agile Goals with OKR: Using Objectives and Key Results to create Value-Driven teams.*

Dan Montgomery is the Managing Director of Agile Strategies and the co-author of *The Institute Way: Simplify Strategic Planning and Management with the Balanced Scorecard.*

Daniel Karrer is a Founder and Managing Partner at EloGroup, a consulting firm specialized in producing high impact transformation for large organizations.