FEATURE

What is OKR? A goal-setting framework for thinking big

Objectives and key results (OKR) helps establish high-level, measurable goals for your business by establishing ambitious goals and outcomes that can be tracked over the quarter.

By Sarah K. White

Senior Writer, CIO | SEP 4, 2018 3:00 AM PDT

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What is OKR?

Objectives and key results (OKR) is a goal-setting framework that helps organizations define goals — or objectives — and then track the outcome. The framework is designed to help organizations establish far-reaching goals in days instead of months.

OKR has been around since the 1970s. The concept was created by Andy Grove, but popularized by John Doerr, who was one of the earliest investors in Google. OKR quickly became an important focus for Google, and companies such as LinkedIn, Twitter, Dropbox, Spotify, AirBnB and Uber have since followed suit.

with OKR, a goal isn't just what you want to achieve; it must include a way to measure achievement. Embraced by tech companies, OKR can help businesses stay on track in a fast-paced, ever-changing industry, while still encouraging innovation.

OKRs support a goal or vision and they should also be measurable, flexible, transparent and aspirational. They're also typically established by leadership and they are never tied into compensation or performance reviews. Ultimately, OKRs help businesses set goals, often ambitious, and then focus on achieving the outcomes over the course of a business quarter.

OKRs vs. KPIs

OKRs and KPIs (key performance indicators) seem similar on the surface, but KPIs are intended to measure the "health of the business initiative," says Ada Chen Rekhi, founder and COO of NoteJoy. She says KPIs are "reporting measures and less goal oriented by nature," comparable to an informational dashboard.

"Although both KPIs and OKRs are used as performance indicators, OKRs can be seen as an evolved KPI, as they are more specific with quantifiable results," says Pete Zabroszky, founder of BestVPN.

You don't need to abandon KPIs for OKRs, but you should establish the differences between the two. OKRs are tied to business goals and objectives, rather than employees' work. KPIs on the other hand can be tied directly to an employee's day-to-day work — they're designed for achieving success in the workplace.

How to use OKRs

OKRs are "simple and flexible," which can be good or bad depending on how they are implemented within your organization, says Ben Brubaker-Zehr, founder of Meddo. You want to avoid a "set it and forget it" mindset — OKRs should align with business goals and enterprise initiatives, with regular check-ins to gauge progress throughout the business quarter.

tend to be vague, personal, and not particularly useful," he says.

OKRs usually contain three to five high-level objectives, with another three to five key measurable results for each objective. Even at the biggest organizations, it's never advised to have more than five OKRs at one time. For smaller teams and organizations, you'll want to keep it to three. After establishing your objectives, you'll track the progress of each key result individually and reference them often during the quarter.

"In the workplace, it's a helpful tool to guide projects and initiatives because when a project pops up that doesn't fall within our OKRs for the quarter, we need to decide whether want to add it in, and prioritize something down, or if we need to say no to this project," says Chen Rekhi.

Establishing OKRs

You want to encourage your team to set goals that are uncomfortable and ambitious. However, it's important to emphasize that the outcome of OKRs won't negatively impact performance reviews, compensation or job security.

You will want to hold a brainstorming meeting where your team can establish which goals will have the most impact in the next quarter. Atlassian suggests posing the question, "What are the most important impacts we need to make in the coming quarter?"

Once you establish OKRs, you will need to score them, typically using a sliding scale between 0 and 1, or a percentage between zero and 100. A score of 0.3 or 30 percent means you missed the mark, while a score of 0.7 or 70 percent means you made progress but didn't hit the target, according to Atlassian. A score of 1.0 or 100 percent means you hit your target and accomplished your goal, but Atlassian advises that even a score of 0.7 or 70 percent is considered a success. OKR goals are typically long-term or "stretch goals" that will take longer than a quarter to complete.

Identify key results

priorities. Your KRs need to explain how certain tasks will produce desired results. Atlassian gives the following examples of an incorrect OKR and a correct OKR:

Wrong: “Ship feature X by the end of the quarter.”

Right: “Shipping feature X increases new user sign-ups by 10 percent this quarter.”

To make your goals measurable, you’ll have to consider each objective and the results you want. Since goals are inherently qualitative, you want to bring in an objective way to measure success. Each KR should also have an owner on the team — that person is responsible for tracking progress and finding ways to achieve the desired outcome.

What makes a good OKR?

OKRs are meant to be flexible, which means they can adjust with your priorities. Once you establish your OKRs, if you feel “totally confident you can hit a KR” then Atlassian suggests you increase the target by upwards of 30 percent. If you aren’t sure you’ll meet your KR targets, that means you probably set your sights high enough.

“We use OKRs to shape our business objectives across the year and then, armed with these high-level goals, build out individual tasks and projects across each team. This enables us to approach every project with an understanding of how it relates back to the wider objectives within the company,” says Zabroszky.

Every month you should evaluate and check-in on OKRs to make sure everything is moving along. You’ll want to predict the end-of-quarter score for each KR to judge how it’s tracking, to catch any problems or to adjust priorities if necessary. Average the score for all your KRs and that is your overall score for that specific objective.

OKR best practices

OKRs are used for both individual and team goal-setting to help knowledge workers prioritize work in fast-paced environments, says Chen Rekhi. The tech industry is fast paced — so it’s important to stay focused on the most important priorities.

you want to affect with your work (key results)," says Chen Rekhi.

Atlassian offers the following check-list for setting OKRs:

- Put the customer first
- Don't skimp on ambition
- Tie OKRs to larger company goals
- Just enough Os and KRs is enough
- If you can't measure it, it's not a good KR
- KRs are outcomes — not tasks
- Assign KR owners

When your OKRs are complete, you'll want to evaluate them to figure out what worked and what you need to change in the future. Ask yourself and your team if your objectives were ambitious enough, key results were measurable, any OKRs were ignored, they remain aligned with the business strategy and the organization felt invested in the OKRs. You'll want to establish what you learned and how to apply that to the next quarter.

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Author: Sarah K. White, Senior Writer

Sarah White is a senior writer for CIO.com, covering IT careers, hiring & staffing, and diversity.

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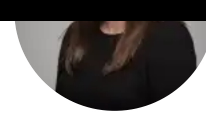

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