Got Goals? This Metrics Framework Gets You There

Objectives and key results empower companies to succeed

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How OKRs Empower Employees

CEOs like to set audacious goals: Attract top-tier employees. Expand globally. Increase sales by 20%.

That answers the "What do we want to accomplish?" question. But it leaves open many more, like: How will we go about achieving the goal? How will we track progress and know that we're on the right track? How will each department and employee contribute?

Unless leaders translate big goals into solid steps that can cascade a series of measurable key results, mid-level managers tend to fall victim to decision-making paralysis. Priorities start conflicting or contradicting. Resource wars spring up. Morale-killing interdepartmental squabbles threaten progress.

The usual result is backsliding into "the way we've always done it."

Most of us have been there, seen that. Only 16% of 6,000 knowledge workers say their companies are effective at setting and communicating organizational goals, according to a survey by work management platform Asana. A PwC poll shows just 28% feel fully connected to their company's purpose. Pandemic-driven remote work hasn't helped.

So How Do We Re-Engage?

One way is OKRs, or objectives and key results. An OKR framework is a system that teams and companies can use to define measurable goals and then track progress in a structured manner. Everyone knows what success looks like, and how close the organization is at any given time.

Andrew Grove, a founder and long-time CEO of Intel, coined the term "OKRs" in the 1960s. Grove visualized OKRs as a framework that would help individuals, teams and organizations define measurable goals and track progress and outcomes. When Grove protege John Doerr left Intel to join Google as an adviser, he brought the OKRs concept with him.

Now, OKR efforts have become trendy among big tech companies that are looking to get employees engaged or reengaged. But the concept is applicable to firms of all sizes and types that believe they could do a better job at executing on goals.

Let's revisit those audacious goals. How about: Attract top-tier employees by implementing a remote-work program. Expand globally by selling into three EU countries. Increase sales by 20% by winning 100 new B2B customers that will each spend $50,000 or more annually.

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How Do OKRs Work?

In an OKR framework, leaders define objectives as statements that describe what should be achieved or improved. Teams then compose focused, quarterly targets, department by department, that together advance objectives.

Let's say it's a midsize full-service accounting firm looking to win those 100 new B2B customers in 2022 that will each spend $50,000 or more annually. Department heads now convene to come up with lists of tasks they can accomplish within the quarter.

- **All:** Craft a value-added offering that will increase spending in current customers and appeal to larger prospects. Maybe your firm has good visibility into client financials, so for Q1 you decide to offer cash flow projection reports and advice on how to access low-cost bridge financing if required.

- **HR and IT:** Evaluate whether current staff and technology are sufficient to generate, and provide context to, cash flow projection reports.

- **Finance:** Calculate pricing that will appeal to the target demographic, achieve the $50,000 objective and deliver acceptable margins. Maybe you'll provide quarterly projections free for two quarters. Customers that want daily, weekly or monthly insights pay a tiered rate.

- **Marketing:** Create content on why cash flow analysis is critical for companies. Deploy that collateral to generate 500 marketing qualified leads at companies with annual revenues of $5,000,000 or more.

- **BDRs:** Speed up the MQL to SQL process. Decrease the time from the first call to a demo of the service by 30%. Convert 75 MQLs to sales qualified leads. Stress the benefits of a one-stop shop for all financial, payroll and accounting needs and advice.

- **Sales:** Decrease the time from the demo to signing the contract by 30%. Close 25 deals for a bundle of accounting, audit/compliance, payroll and tax services plus weekly cash flow projections and financing assistance at $4,250 per month.

Repeat quarterly to achieve 100 new logos, each spending $51,000 annually.

In business, it's possible to be spectacularly successful at achieving goals that were not well vetted, don't help the business — and might even set it back. Take a beat at each quarterly checkpoint to check for unforeseen costs and effects.

Armed with this plan, teams can prioritize and develop metrics to track success.

The "key results" part of OKRs is quantitative and shows whether you've achieved or advanced on the objective. Critical to OKRs are weekly check-ins.

Because initiatives are laid out in quarters, this cadence keeps everyone aligned and allows for adjustments as needed.

If that sounds a lot like tracking KPIs, or key performance indicators, you're right — KPIs are important components in an OKR initiative.

7 Facts About OKRs and KPIs

KPIs and OKRs are not an either/or proposition. KPIs are key to measuring the success of OKRs, while OKRs inform which KPIs to track.

KPIs are measures, usually expressed as formulas, that track metrics to gauge performance.	**OKRs** are more qualitative and methodology-based versus a formula.
KPIs are points to reach and bells to ring. They are often not connected to how the overall business is improving.	**OKRs** tie daily efforts directly to specific objectives set by leadership.
KPIs are often positioned as a measure to score or rate individual employees.	**OKRs** are designed to engage and direct employees without fear of repercussions. They fit with a "fail fast" culture.
KPIs tend to be inward-facing.	**OKRs** drive toward aspirational changes and improvements that will be visible to the customer or impact the customer experience.
KPIs set demonstrably attainable goals.	**OKRs** set reachable, but more ambitious, goals that often require teams to be creative.
KPIs are useful for measuring progress on programs already in place.	**OKRs** tend to be about significant changes, new initiatives or larger visions.
KPIs have standard formulas and can benchmark a company against peers, answering whether it is best-of-breed or behind the pack on each metric.	**OKRs** help close the gap with or increase the lead over rivals.

What Are the Benefits of OKRs?

Proponents argue that OKRs are the best way to motivate and align personnel to achieve goals. This is an important point: Managers regularly cite failure to get people pulling together toward the right objectives as the single greatest challenge to executing company strategy.

Marek Cieszko is CFO at Packhelp, a fast-growing marketplace for custom-branded packaging that's been using quarterly OKRs since 2020. Cieszko says the methodology was already in place. They just formalized it.

"Most of the teams already had OKRs," he said. "We just didn't recognize them as OKRs. The frameworks we were using needed to scale."

For Packhelp, priorities are clarified at the top, input is welcomed from the teams being asked to accomplish an objective, the objective is adjusted based on that input, tasks and expectations are shared transparently across the organization, and weekly check-ins across the company realign teams.

Lewis Miller, CFO of global recruitment firm Frank Recruitment Group, says that managers at companies that use OKRs become more results-oriented and data-driven, with less of a top-down "command and control" mindset that focuses purely on near-term output.

"More businesses are choosing to take a continuous approach to performance management. OKR leaves a fewer gray areas for ambiguous interpretations and makes significant, ambitous goals feel more achievable."

Lewis Miller, CFO, Frank Recruitment Group

CFOs at companies that use OKRs say employees, as a result of understanding the context of their work, are more engaged, creative, confident and secure in taking informed risks or thinking outside the box.

5 Key OKR Benefits

"What I like about OKRs is they provide a healthy practice of getting teams organized around a vision, goal and common definitions and a method for holding middle management accountable in an objective manner," said Kevin Adolphe, former CFO of executive coaching firm CEO Coaching International.

Other benefits:

1. A laser-like focus that empowers teams and individuals to say "no" to ad hoc requests that won't forward objectives.

2. Deeper relationships among clients and peers, which aid in the retention of top-quality talent. In our accounting example, advisory services on how to improve cash flow let employees flex their expertise and engage more meaningfully with customers.

3. A two-way ecosystem of vetting objectives and tasks that is simultaneously top-down and bottom-up, garnering the best of both.

4. Flexibility increases because the quarterly cadence of an OKR platform doesn't lock you into an annual plan in which the company doggedly stays on one track — because, after all, it's the plan — regardless of events that might call for serious rethinking.

5. OKRs often uncover interdepartmental dependencies that aren't evident when disparate teams set KPIs in a vacuum. Maybe IT has an idea on how to automate cash flow reporting that delivers faster, more timely reports to customers at a lower cost to the firm.

Daniela Sawyer, founder and business development manager of people search site FindPeopleFast.net, says the quarterly evaluation and modification cadence OKRs bring is invaluable in today's fast-paced environment. Quarterly deliverables help teams optimize their workflows, and each quarter benefits from the prior quarter's learnings.

For some companies, OKR success does require a cultural shift from "checking the boxes" to, "We just made a measurable improvement to the business."

"Most goal-setting methods focus on the result," said David Reid, sales director at global manufacturer VEM Tooling. "OKR is distinct in that it includes the individual's actions to achieve the ultimate aim."

As valuable as OKRs can be, there are gotchas. Most downsides are tied to poorly defined objectives, a failure to trust teams to execute, a lack of proper resourcing and/or tying success too tightly to rewards and thus discouraging experimentation.

Sawyer sees the trickiest part of OKR execution relating to one perceived benefit — as teams work together, that reveals interdepartmental dependencies that can raise political hackles.

She also warns of the pitfalls of bottom-up feedback.

"While it's excellent OKRs are developed with input from everyone, there are drawbacks," she says. "For the bottom-up method to be effective, there must be clarity on what the organization is trying to accomplish."

The fix here is for a leadership team to vet department-level tasks for alignment with overall organizational goals.

CFO Coaching's Adolphe sees "OKR fatigue" and lack of top-to-bottom management as the biggest risks.

"This system often offers an initial burst of momentum as the team gets organized around a common set of practices and a shared vocabulary, then suffers diminished returns after the first three months to a year," he said. "I've [also seen] companies use these systems to organize no more than their daily activities, leaving leadership with the false satisfaction that they've cascaded a set of activities across the entire organization."

OKRs, like mission statements, are effective only if there's full buy-in from the people who actually do the work. Many of our experts have seen expensive corporate initiatives to craft frameworks only to abandon them once "implemented," as if implementation was the goal, not ongoing improvements.

7 Characteristics of Effective OKRs

A good objective leaves little room for interpretation. "Win 100 new B2B customers in 2022 that will each spend $5,000 or more annually" is clear, achievable and measurable.

Good OKRs also:

- **Are reviewed and adjusted,** if required, quarterly.

- **Give teams a clear purpose** with a reasonable level of urgency. Employees who understand the purpose behind a goal have a better chance of accomplishing the objective.

- **Are ambitious and aspirational** but not overly difficult to achieve.

- **Are scoped** such that the business can make progress within each quarter.

- **Are collaborative** and considered incomplete until team feedback has been received and incorporated.

- **Give individuals a full understanding** of their personal roles in pushing the objective forward.

- **Empower teams** to ask, "What's standing in our way? What needs to be innovated or fixed?"

"A good key result has a specific, measurable outcome. A good example would be to generate $25 million in revenue in Q1 2022. A less-useful key result would be to 'keep growing' revenue in Q1 2022, which would not be concrete as to what success looks like." Debbie Schleicher, CFO, EasyKnock

"If there's a way to violate them without penalty, Murphy's Law will prevail," Adolphe said.

Debbie Schleicher, CFO of EasyKnock, a company offering home sale/leaseback solutions, has seen both useful and useless OKRs.

"An [objective] for a developer might be to build the world's tallest building," said Schleicher. "This lofty objective is broken into results to be achieved in each period — making progress manageable and expectations clear. The departments can then align on making the key results happen through activities, such as procurement selecting the engineering firm by a certain date or legal reviewing and executing the contract by a certain date."

A poor objective is murky and subjective as to the expected outcome. An objective to build the "best building" isn't a strong objective, because "best" is open to interpretation.

More examples of strong objectives:

- Achieve $100,000 in sales in the EU in FY22

- Increase average deal size by 15%

- Increase our Net Promoter Score from 45 to 60

- Launch a reseller program and sign on 20 partners in 2022

OKR Best Practices

A shortcoming of the KPI system is that goals are often self-selected with the intent of making them a sure thing. This happens when goals are tied into employee reviews, promotions, raises or bonuses. Teams need to feel safe challenging or stretching themselves, and OKRs provide room to make that happen.

Another best practice: Leadership should minimize top-down command and control and empower the people tasked with day-to-day execution. Teams are kept on track with quarterly, monthly or even weekly assessments and adjustments.

Ensure objectives are not overly complex. Good OKRs show employees a clear path to success.

7 Tips for Writing Effective OKRs

2 - 5 Key Results — Aim for two to five key results for each objective.

Key results are not activities. They are measurable metrics that illustrate advancement. Work within the SMART framework: If it's specific, measurable, achievable, relevant and timebound, it's likely a good OKR.

Key results should clearly reveal whether the opportunity has been seized or the problem solved.

Every key result should have an action plan for pursuing it.

Establish a grading system for results. It can be as simple as "yes we did/no we didn't" meet the goal. Or it can be a graduated scoring scale.

Resist the urge to allow key results to become employee-evaluation metrics.

Remember that OKRs are about driving change, not seeking new ways to maintain business as usual.

The Bottom Line

The executives we spoke with agree: OKR success is tied to strong leadership.

A focus on achievable outcomes and committing to quarterly goal-setting with weekly progress check-ins keeps the organization agile and fosters a culture of ownership and motivation.

"It's easy to get sucked into planning without considering feasibility," said Miller. "Aiming to accomplish a small number of well-planned, realistic OKRs is better than planning for more and achieving none."

More Resources

- What Is a KPI? Your OKRs will determine which KPIs you will track. Brush up on your understanding of KPIs so you'll be ready to implement a strong OKR framework.

- Critical KPIs Every Entrepreneur Needs to Track. Eighty percent of new businesses survive the first 12 months, and only half make it to the five-year mark. For entrepreneurs, a few universal KPIs illuminate the path to longevity.

- Why Productivity Matters and How to Measure It. Employee productivity plays a key role in executing OKRs — and in your company's profitability. Get a playbook for measuring productivity and using that data to make your workforce more productive.

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