

OKR HANDBOOK

Clarity.

A GUIDE FOR CREATING THE PURPOSE,
METRICS AND CULTURE NECESSARY
FOR PERFORMANCE EXCELLENCE

powered by
energage

Companies focus on:

Outcomes

As our companies become more global and less parochial, more Quantum and less Linear, they are becoming more complex to manage.

That's why today's fastest growing companies share a passion for simple, human solutions.

Companies like Quick Base, which received a \$1.2 billion private equity investment or Salesforce, which grew to \$1 Billion in revenue in 10 years. They both practice **Objectives and Key Results**, a tool that provides clarity for a high-performance culture.

While the steps are simple, the approach requires a shift in thinking:

Instead of managing activities, OKRs call for leaders to think business outcomes.

Stop thinking about dictating activities.
Start thinking about achieving outcomes.

When you make the shift, it becomes easier to decide which metrics are most useful and makes priorities easier to set.

Individual contributors focus on:

Priorities

Managers and employees tell us that setting priorities – individually and as a department – is a skill they struggle with the most. OKRs are designed to help. Well-crafted objectives let everyone know what is most important to overall company success. The process helps employees answer a powerful question set at the heart of what employees want to know:

Where

Where do I want to go?

How

How will I know I'm getting there?

Can

Can I acquire the skills needed?

Who

Who am I making the journey with?

These questions are, in effect, your people asking how to focus their time at work.

They are asking for clarity about what competencies are needed, how individual performance impacts company performance, and what behaviors are most appreciated.

Main Components of OKRs

Objectives and Key Results are the yin and yang of goal setting—principle and practice, vision and execution. The main benefit is that it becomes easy for people to know where they stand



Vision of Success

The ultimate “Why” the company exists and what it aspires to be

The vision should reflect how you are different from your competition.

There also should be “implied metrics,” the numbers behind words such as “best” and “most-trusted.”



Values

The behaviors necessary to accomplish the Vision of Success.

An example of a necessary behavior: If you plan on growing through acquisition, then being adaptable, collaborative and respectful are very important values.



Objectives

The ELT sets annual objectives. They also set quarterly objectives with input from direct reports that feed the annual objectives.

Break down quarterly objectives into weekly and monthly goals. Taking small bites feels more manageable and provides a roadmap to completing the larger goal.



Initiatives

The tactics, campaigns and efforts the company uses to pursue their objectives.

Initiatives are more earthbound and metric-driven. They typically include hard numbers for one or more gauges: revenue, growth, active users, quality, safety, market share, customer engagement.



Key Results

These are the metric-driven levers you pull to show the initiative is working and aligned with objectives.

If an objective is well framed, three to four KRs will usually be adequate to reach it. Too many can dilute focus and obscure progress. **Do not create too many key results.** Six is the absolute maximum so as not to risk over-extending the team.

Focus

OKRs are intended to support the level of focus that is essential for business success. Too often, when companies lose focus it is blamed on a lack of collective willpower – the ability to resist distraction and temptation.

Willpower, of course, is not easy for one person and nearly impossible for groups of people. Our brain is just not wired that way. Something is always pulling us away from fulfilling goals.

OKRs are designed to correct for our distracted nature and capitalize on how our brain functions by breaking down ambitious goals into smaller components. This “incremental steps” approach builds on our need to feel:

Competent

at our jobs

Connected

to company success

Appreciated

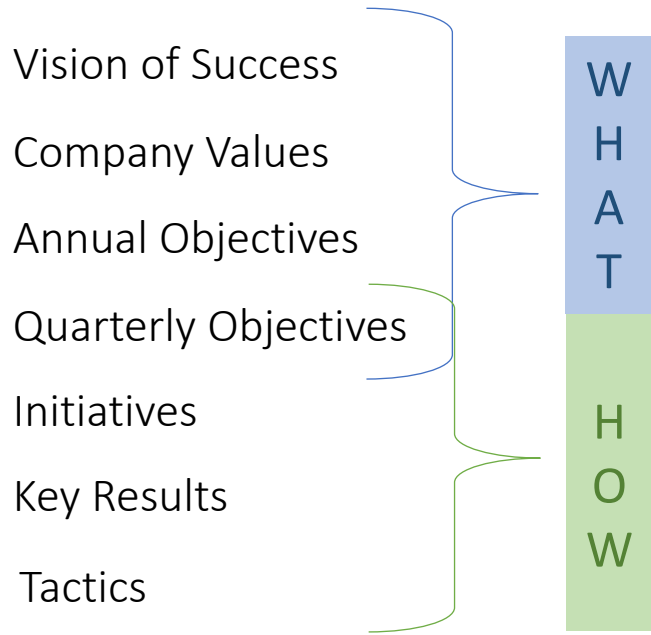
for what we contribute

OKRs also require executives, managers and team members to stay in their lanes:

- **Executives** focus on the **WHAT**, thinking strategically and seeing the long view.
- **Departments** are tactics-oriented and initiative-driven.
- **Functional teams and individual contributors** are all about the HOW of execution.

Accountability

WHO OWNS THE WHAT?
& WHO OWNS THE HOW?



WHAT

Senior Leaders Create the What

By creating an actionable vision of success, aligning around the values necessary to achieve the vision and deciding what gets measured, leaders ensure team and employee actions can be aligned.

HOW

Managers Empower the How

So employees can make timely decisions, recognize opportunities aligned with the vision of success and focus on continuous improvement. The two groups overlap on the setting of quarterly objectives.

Deconstructing the OKR process



Vision.

LEADERSHIP

It all starts with a Vision of Success that is aspirational, has meaning for customers and employees and contains implied metrics.

A vision without something to measure is simply lofty words and promises. But numbers do not ignite the “meaning” regions of our brain, so the metrics often are implied. For example, “The most **innovative** and **respected** news source” is meaningless unless you can measure **innovative** and **respected**.



Values.

LEADERSHIP

Next, the Vision of Success is supported by relevant Values; the three or four behaviors most critical for the company to achieve its vision of success.

The combination of Vision and Values allows companies to consistently ask of themselves and employees the two vital questions:

What did I contribute?

Did my behavior reflect our values?



Objectives.

LEADERSHIP with TEAMS

Objectives are the headlines/themes that are memorable for the employees:

- They can last multiple quarters.
- Annual Objectives are for the company – what we strategically have to achieve this year to be on pace to reach our Vision.
- Most of the company should be concerned about these.

Quarterly objectives are set in concert with PLTs to keep the company on pace to annual objectives.



Initiatives.

TEAMS

Initiatives are actions taken to reach the Key Result.

- Each Team should have no more than 4 KRs set each Quarter.
- Have functional teams work with the PLTs to map dependencies. Track every week.



Key Results.

TEAMS

Operational metrics are not Key Result metrics.

- Key results are the GPS of the objective – are we going in the right direction?

Hygiene.

- 1) **RULE OF 3s & 4s:** Keep it to 4 overarching objectives for the year and the quarter. Our brains are wired to handle objectives in sets of three and four.
- 2) **DATA:** The business must have sufficient data to provide daily or weekly insights, along with key performance metrics for each objective for each team.
- 3) **RHYTHM:** To drive accountability, the company must have an effective communication rhythm.
- 4) **FLEXIBILITY:** Every quarter the ELT reviews current objectives and replaces or keeps to those in place.

Traps

BUSINESS-AS-USUAL OKRS.

OKRs written based on what the team believes it can achieve without changing anything.

SANDBAGGING.

A team's committed OKRs should consume most but not all of their available resources.

NECESSARY BUT NOT SUFFICIENT.

The error is tempting because it allows a team to avoid difficult key results.

IMPACT NOT EVENTS

If your KRs are expressed in team-internal terms ("Launch Foo 4.1"), they probably aren't good. What matters isn't the launch, but its impact.

sampleco

VISION OF SUCCESS

Be the most-respected, fastest-growing family of sample brands in the world.

VALUES

Integrity, Initiative, Integration & Innovation

ELT	MOST-RESPECTED			FASTEST GROWING	
Annual Metrics	Retention	Organizational Health		Revenue	EBITDA
	>90%	IMPROVE: efficiency	IMPROVE: collaboration	>10% growth	40%+ margins
Annual Objectives	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Quarterly Objectives	<input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>	

DEPARTMENTS OR PRODUCT TEAMS	Brand 1	Brand 2	Brand 3	Brand 4
Key Results	Qrtly Metrics	Qrtly Metrics	Qrtly Metrics	Qrtly Metrics
Initiatives	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

Managers	Functional Team PRIORITIES	Functional Team PRIORITIES	Functional Team PRIORITIES	Functional Team PRIORITIES	Functional Team PRIORITIES
Priorities	1. _____ 2. _____ 3. _____ 4. _____	1. _____ 2. _____ 3. _____ 4. _____	1. _____ 2. _____ 3. _____ 4. _____	1. _____ 2. _____ 3. _____ 4. _____	1. _____ 2. _____ 3. _____ 4. _____

Individual Tactics and Discoveries

Communication Cadence is Key

The 5 culture-performance conversations you should be having

Make sure you start from the same place.

The Empowerment conversation provides clarity of individual competency and accountability in a team context. The goal is clarity of authority and responsibility.



The Empowerment Grid provides clarity between managers and direct reports, specifically around authority, responsibility and the path to gaining more of each.

1. Each person completes a grid. 2. They exchange forms. 3. They meet to reconcile any differences.

PERMISSION & CONSULTATION	AUTHORITY & RESPONSIBILITY
Decisions made only with supervisor's approval	Decisions I can make on my own. Areas of responsibility

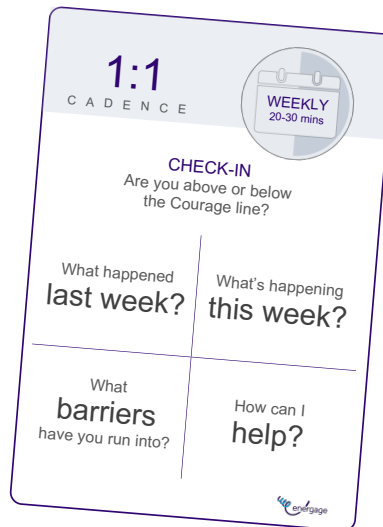
ASPIRATIONAL AUTHORITY & RESPONSIBILITY

What areas of authority and responsibility would you like to take on? How and when?

AREA	HOW	BY WHEN

There is immense power in having everyone ask each other the same questions on a regular cadence. This is the best way we've found to keep people informed, on task and headed in the same direction. Those four questions:

- What happened last week?
- What's happening this week?
- What barriers are you hitting?
- How can I help?



1:1
C A D E N C E

WEEKLY
20-30 mins

CHECK-IN
Are you above or below the Courage line?

What happened last week?	What's happening this week?
What barriers have you run into?	How can I help?

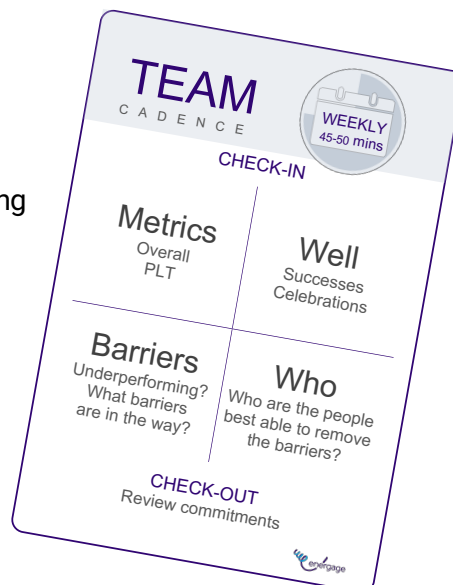
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Manager – employee check-in once a week to identify progress and potential barriers that need to be removed.

Keeping teams focused on task requires a regular check-in on whether efforts are impacting metrics. If yes, then what is working and why? If no, then why not?

Those four questions:

- How are we doing vs. Metrics?
- What are we doing well?
- What barriers are we running into?
- What can we do about it?



TEAM
C A D E N C E

WEEKLY
45-50 mins

CHECK-IN

Metrics Overall PLT	Well Successes Celebrations
Barriers Underperforming? What barriers are in the way?	Who Who are the people best able to remove the barriers?

CHECK-OUT
Review commitments

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Team check-in to communicate progress against benchmarks, barriers and to ask for help.

Communication Cadence

Inter-team and Intra-team collaboration often falls victim to "everyone's responsible so no one's responsible" syndrome. A way to avoid this is by starting these projects by asking the basic RASCI or RASPI questions and setting plans to check in for changes and briefings.

Who:

- Is Responsible for key deliverables?
- Approves deliverables?
- Participates?
- Support by providing info, resources?
- Should be kept informed of progress?



Don't leave collaboration to "everyone." Answer these questions first and check-in once a week to identify potential barriers.

Quarterly staff meetings often are a series of numbers and updates on things that will happen to employees. Top Workplaces have turned these into "highlight reels" of how things were done well, what has been learned and then asking the group for solutions, rather than lectures about performance improvement.



Emphasize the wins as models. There are many ways to win, so highlight those you want emulated.

Our organizations are only as good as the quality of their conversations.



Conflict Resolution

You can't have conflict resolution unless you first admit to conflict. How leaders deal with friction signals the entire organization.

To learn more, go to:

LeadpeopleManagework.com



Speaking Truth

A formatted conversation that helps employees bring up difficult issues.

Respectful Contrary

A process for resolving acknowledged conflict.

Empowerment Grid

This is a guide for a quality conversation between manager and direct report that clarifies responsibilities and accountability, while spelling out what it will take for the employee to increase responsibilities in the future.

INSTRUCTIONS FOR DIRECT REPORT

BLUE BOX

List what decisions you can make relying on your own knowledge, judgment or with input from peers that do not require approval from your supervisor.

This includes areas of responsibilities for which you are held accountable.

GRAY BOX

List decisions you face on the job that require your supervisor's approval before it is executed.

This includes decisions that only your supervisor makes but you represent or explain to others.

GREEN BOX

What decisions are you interested in taking responsibility for;

what training or knowledge would you need to do so;

by when would you like to take on this responsibility?

INSTRUCTIONS FOR MANAGER

BLUE BOX

List what decisions you depend on your report to make on their own, without your approval as supervisor.

Include areas for which you hold this employee accountable.

GRAY BOX

List decisions you expect to make as supervisor that overlap with your report's job or that you feel the responsibility to approve.

GREEN BOX

What decisions do you want your report to take responsibility for; what training or knowledge would they need; by when would you like them to take on this responsibility?

“We’re only as good as the quality of our conversations.”

OKRs are a part of the Culture-Performance Connection

Skill Set 4

Create Meaning

Becoming a self-correcting,
growth organization

Innovation Needs Conflict
How do we improve?

Skill Set 3

Pattern Success

Setting objectives built
on a vision of success

Go First. Go Back
What does success
look like?

Skill Set 2

Build Trust

Listening with the goal
and the person in mind

Emotions are Data
Are we listened to?

Skill Set 1

Remove Barriers

Creating the conditions
necessary for excellence

Safety First
Where do I stand?

SOURCES & REFERENCES

BOOKS:

Measure What Matters

John Doerr
Portfolio/Penguin 2018

Management Rewired

Charles Jacobs
Portfolio/Penguin 2010

OKRs: From Mission to Metrics

Francisco Mello
Qulture, 2019

Farsighted

Steven Johnson
Riverhead Books, 2018

OTHER RESOURCES:

Rick Willett, Quick Base, CEO, retired

The Open Source group at notsimpler.net

[Leadpeoplmanagework.com](https://leadpeoplmanagework.com)

Energage™ is a culture technology company that helps you realize the full potential of your workforce by building a stronger culture and connections across the organization—with speed and at scale. Our CultureTech platform combines more than a decade of Top Workplaces™ research, neuroscience principles, expert guidance, and a patented approach to survey results.