

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 goal-focused, company alignment.

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 managing the activities and 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:

Clarity

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.

By adopting OKRs, leadership is committing both to high clarity and high transparency.

Main Components of OKRs

(and tips)



Vision of Success

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

Objectives and Key Results are the yin and yang of goal setting—principle and practice, vision and execution.

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.”

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

If an objective is well framed, three to four KR's will usually be adequate to reach it. Too many can dilute focus and obscure progress.



Values

The behaviors necessary to accomplish the Vision of Success.

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



Objectives

The ELT sets annual objectives. They also set quarterly objectives, in collaboration with the PLTs that feed the annual 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.



Initiatives

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



Key Results

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

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 is a tool 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

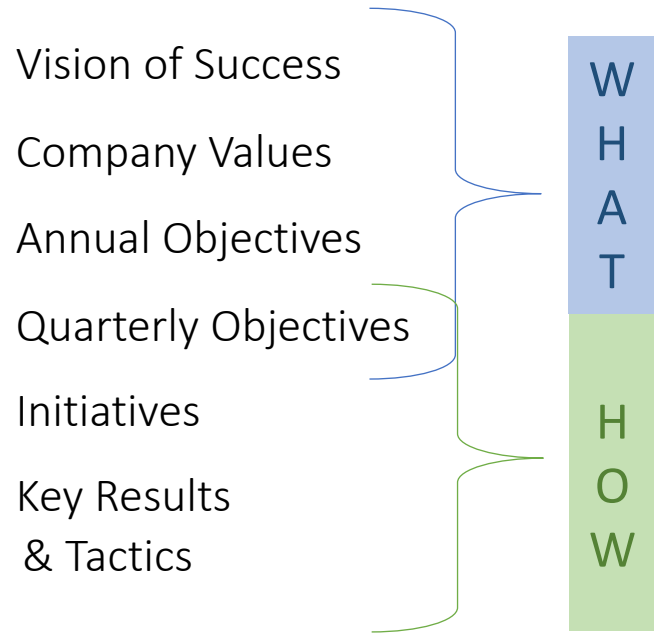
Appreciated
for what we contribute

And it requires executives, managers and team members to stay in their lanes:

- **Executives** focus on the **WHAT**, thinking strategically and seeing the long view.
- **Product Leadership Teams** 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.

Breaking down OKRs

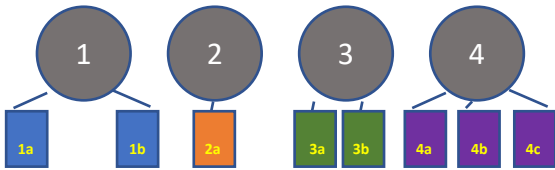
VISION OF SUCCESS
big picture, top level focus for the company

IMPLIED METRICS
What the company has to achieve to succeed with metrics attached, such as EBITDA, Revenue, Net Promoter Scores, Employee Engagement

VALUES
The 4 prioritized behaviors necessary for success.

SLT ANNUAL OBJECTIVES

What are the four top things the company needs to achieve this year in order to achieve its vision of success?



SLT/PLT QUARTERLY OBJECTIVES

What does the company need to achieve this quarter so that it can achieve its annual objective?



PLT LEVEL INITIATIVES
Each brand has initiatives it takes to meet the metrics necessary to meet annual objectives that contribute directly to the vision of success

FUNCTIONAL TEAM KEY RESULTS
These are the defined results teams must achieve to reach the objectives. Often, they are cross functional and require teams to set priorities anchored in the vision of success



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

Vision.

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.

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 I live our **Values?**



Objectives.

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 & Key Results.

Quarterly KRs are set by PLTs to decide what each brand must contribute to the annual Objectives.

Initiatives are actions taken to reach the Key Result.

- Each PLT should have no more than 4 KRs set each Quarter.
- Have functional teams work with the PLTs to map dependencies. Track every week.
- Operational metrics are not Key Result metrics.
- Key results are the GPS of the objective – are we going in the right direction?

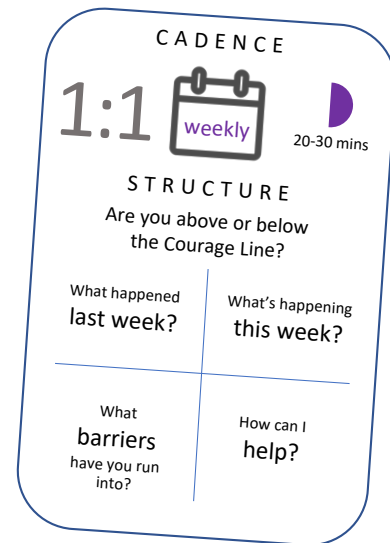
Cadence is Key

There is immense power in having everyone ask each other the same questions every week. 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?

Manager – employee

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



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

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 of effective weekly, monthly, and annual meetings.
- 4) **FLEXIBILITY:** Every quarter the ELT reviews current objectives and replaces or keeps to those in place. The PLTs respond in kind and the Teams set priorities.

Traps



Business-as-usual OKRs.

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

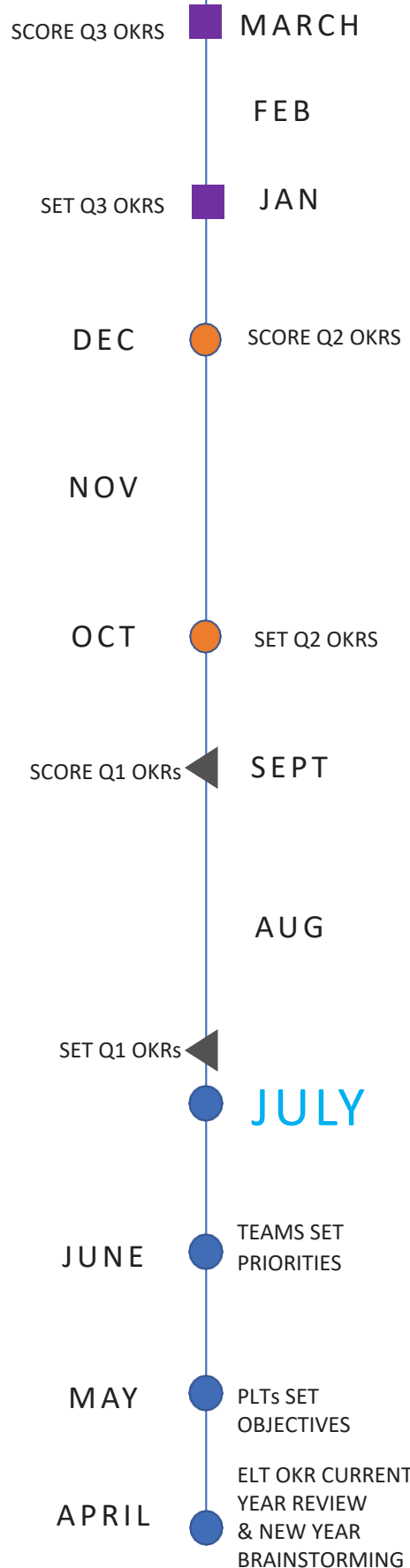
Sandbagging.

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.

SAMPLE OKR TIMELINE



Tips

1. **If your objective doesn't fit on one line, it probably isn't crisp enough.**
2. **If your KR's are expressed in team-internal terms ("Launch Foo 4.1"), they probably aren't good.** What matters isn't the launch, but its impact.
3. **Use real dates.** If every key result happens on the last day of the quarter, you likely don't have a real plan.

Definitions

- **Objective** – a measurable commitment that directly contributes the company's ability to attain its vision of success.
- **Initiative** – A Product-Specific program with meaning, milestones and metrics that represents that PLT's contribution to the VOS.
- **Key Results & Tactics** – The integral metrics and milestones necessary for an initiative to be successful as determined by the teams closest to the work/customer/process.
- **Priority** – Set by team leaders in cooperation with PLTs to ensure that objectives can be reached.

OKRs are the structural support necessary for

PERFORMANCE
CULTURE
CONVERSATIONS

Shareholders

The quality of the information they receive determines the decisions they make.



Executive Leadership Team

Sets the Vision of Success and Values that provides **clarity of the what and why** of excellent performance.



Product Leadership Teams

Responsible for **clarity on what each brand contributes** to the overall vision of success



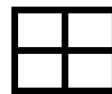
Teams

Should have **regular check-ins for clarity on How** to achieve the vision using agreed upon **metrics**.



Cadenced 1:1s

Once empowerment is agreed to, regular 1:1s provide clarity of individual contribution and connection to team progress



Empowerment Grid

This conversation provides clarity of individual competency and accountability in a team context.

Customer

All information pathways begin and end with the customer.

"We're only as good as the quality of our conversations."

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		
An Objective is not a number it is how we get to the number.									
Annual Objectives	<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"/>

PLT	Brand 1	Brand 2	Brand 3	Brand 4	Brand 5	Brand 6
Key Results	Qrtly Metrics	Qrtly Metrics	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"/>

Managers	Functional Team PRIORITIES	Functional Team PRIORITIES	Functional Team PRIORITIES	Functional Team PRIORITIES	Functional Team PRIORITIES
Key Results					
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

OKRs are Part of the Culture-Performance Connection

Skill Set 4

Transform

Becoming a self-correcting, growth organization

Innovation Needs Conflict
How do we improve?



Skill Set 3

Create Patterns

Setting objectives built on a vision of success

Go First. Go Back
What does success look like?



Skill Set 2

Build Respect

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:

The Open Source group at notsimpler.net

[Re:Work shared curriculum from Google.](#)

[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.