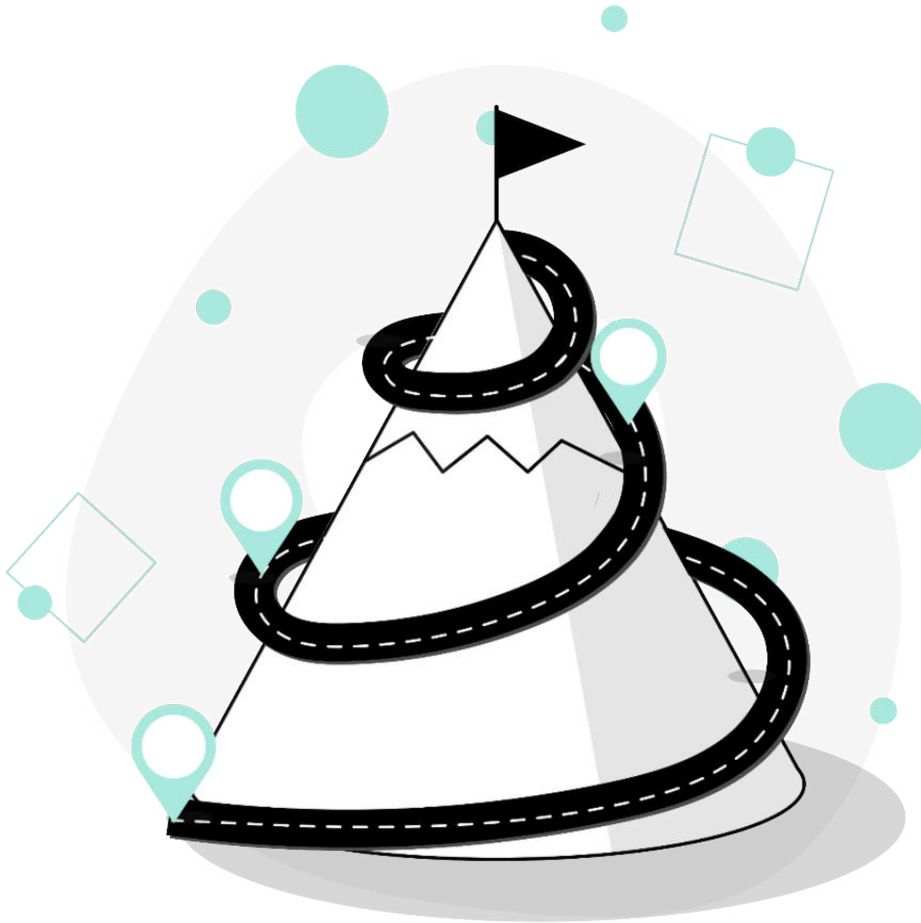


WHAT THE HECK IS AN OKR?



WAVENINE

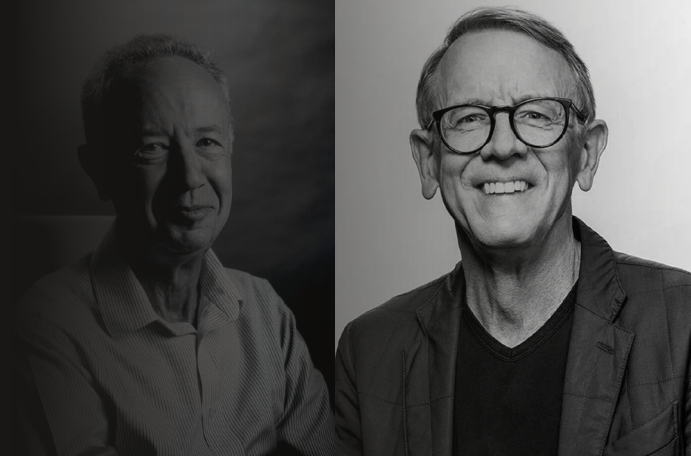
OKRs are a strategy execution framework that organizations, from startups to industry giants, use to reach ambitious goals with unparalleled efficiency.

They connect your daily initiatives with your long-range strategy. Sounds too good to be true, right? Well, it kind of is.

The truth is, OKRs are difficult to maintain without proper implementation and management. They aren't just about goal-setting – anyone can do that.

For OKRs to be effective, there are a few guidelines to be aware of. So, let's peel back the layers and delve into the essence of effective OKRs to understand what they are, how they function, and the challenges they address. But first, a little bit of history.

OKRS HAVE BEEN AROUND FOR A WHILE



The OKR concept was introduced by Andy Grove, the former CEO of Intel, in the 1970s. Grove, along with John Doerr, a venture capitalist, popularized OKRs as a powerful framework for organizational and individual goal setting. Doerr most notably introduced OKRs to a little company known as Google, and they still apply OKRs into their workflow to this day.

As you can see, OKRs have been around for quite some time, but they haven't really gained traction outside of Silicon Valley until recently.

“Digital Transformation And Product Centricity In Historically Nontechnological Industries Are Shifting Attention To Best Practices That Have Proven Successful In The Technology Sector. OKRs Are One Such Idea That Is Migrating From Tech To Traditional Enterprise.”

– Gartner Inc. Hype Cycle for Digital Workplace Applications, 2023

Originally perceived as a framework tailored for tech companies, OKRs have experienced a resurgence in **organizations across diverse industries**, from finance to manufacturing.

According to Gartner Inc. one cause of this revival is the recent rise in remote/hybrid work. This has introduced challenges in prioritization and alignment of efforts, disrupting the familiar “safety nets” that come with physically organized work for many managers. Utilizing OKRs can prove instrumental in addressing these challenges and providing a structured framework for effective goal setting and alignment.

The fact that OKRs have been in use for over 50 years and continue to be employed today is a testament to their effectiveness, provided they are set and implemented correctly.

THE OKR BASICS

When Setting OKRs, You Always Start With The Objective.

An objective is an inspirational goal that sets a clear direction for an organization, team, or individual.

Objectives are designed to be ambitious while inspiring action and commitment. At the same time, they should be simple and easy for anyone to understand at a glance.

Complementing each objective are key results. These are specific, measurable, and time-bound outcomes that highlight the path to achieving the stated objective. They are how you will measure whether you have achieved your objective.

The OKR Formula

OKRs adhere to a straightforward, yet incredibly adaptable formula that can be tailored to any organization:

Objective =

**[desired state and/or impact]
through/by [strategic choice]**

Key Result =

**[verb] + [what] from [initial
measure] to [target measure]**

The objective is the desired state and/or impact you hope to attain, such as growing in untapped markets.

The key results are the transformational achievements you'll take to advance and track your progress toward the objective. These should have clear outcomes that are measurable. For example, reduce customer churn from 8% to 7%. It is best to not think of key results as actions, but rather mini achievements that bring you closer to your main objective. They are like checkpoints in a video game.

Using this OKR formula allows you to plug-and-play OKRs. This reduces the complexity, saves you time, and allows teams to center discussions where they matter most. When you accomplish all your key results, you have effectively achieved your objective.

SETTING GREAT OKRS

Objectives Are Statements Of Intention, Focus, And Direction

Objectives declare the big idea and why.

Objectives never include numbers.

Great objectives inspire and motivate people with sense of purpose.

Objectives range from long- and short-time spans, usually a quarter, half-year, or year. You shouldn't exceed 3 to 5 objectives per team/quarter.

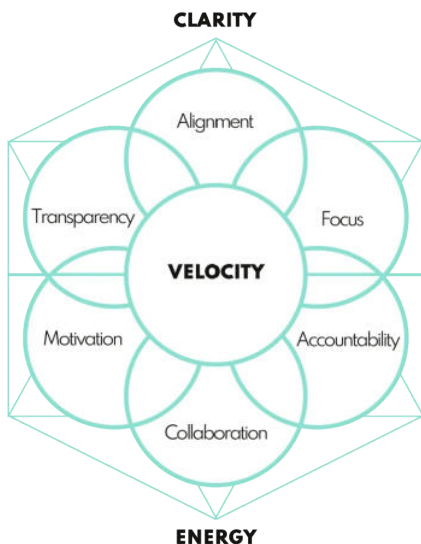
Key Results Are Outcomes That Quantify Success

Key Results (KRs) define the best possible result.

Key Results include clear numbers quantifying value, not action items or opinions.

Typically, they quantify results for the next immediate quarter, and all have the same duration.

Don't exceed 4 to 6 Key Results per objective.



When done correctly, OKRs can help organizations achieve high levels of clarity and energy, creating transparency, alignment and focus that teams need to do their best work. It increases motivation, simplifies collaboration, and makes you operate faster through high accountability.

That's the test that we put every OKR program through to see if they are effective. We want to see a measurable increase in these categories!

WHAT DO GREAT OKRS LOOK LIKE?



OBJECTIVE

Increase our interaction with customers.

Key Result 1

Raise The Communication Open Rate
From 4% To 16%

Key Result 2

Increase The Weekly Number Of Booked
Follow-Up Meetings To 20.

Key Result 3

Attain A Service Quality Rating Of 9 Or
Higher.

Key Result 4

Improve Response Time By 200%.

With this example, the objective is so clear that even a monkey could understand it. **Focused objectives** like this one act as a **guiding light**, steering teams and inspiring a collective commitment to success. The **key results are also measurable** and trackable. When key results are measurable, it establishes a **quantitative metric for progress**, leaving no room for ambiguity. This **clarity** ensures that teams and individuals are aligned in understanding the specific outcomes that need to be achieved to meet the objectives. Don't think of key results as actions. Rather, think of them as achievements with clear indicators of completion.

Keep in mind, **you can't just copy and paste OKRs** into your organization and call it a day. Every company is different, whether it be industry, workflows, or culture. OKRs should be tailored specifically to your organization's needs and structure.

A LOOK INSIDE THE OKR CYCLE

Setting effective OKRs is quite easy, right? Actively maintaining and implementing them into your daily operations is another story. A typical OKR Cycle consists of three parts: Align & localize, focus & execute, and reflect & reset.

01

Align & Localize:

Executives **set the direction**. Teams then **localize** the strategic intent down and align both vertically and horizontally.

02

Focus & Execute:

Teams install rituals to drive towards their OKRs with **high focus**. Ongoing training & communication will support a smooth transition into these practices.

03

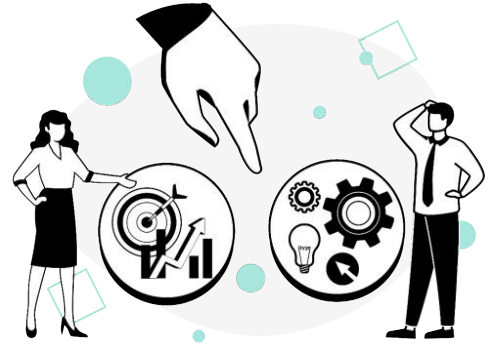
Reflect & Reset:

Reflection on changes, wins and observations from the last quarter aids in resetting OKRs, contributing to improved **focus and measurability**.

Through a structured approach, the OKR cycle streamlines goal setting and performance management. Not only are objectives accomplished, but the experience gained from the last cycle contributes to the improvement of future OKR cycles. **Your first OKR cycle might not be perfect**, but it will provide valuable insights that can be utilized to enhance the next one.

OKRS VS. OTHER METHODOLOGIES

OKRs might remind you of other similar methodologies. However, they differ in many ways.



Transparency

One difference is their inherent transparency. Every team member is not only aware of the overarching goals but is also well-informed about how their individual contributions directly align with the objectives.

Cross-Functionality

Moreover, OKRs are specifically tailored for the dynamics of cross-functional teams, acknowledging the interconnectedness of diverse departments.

Co-Authorship

OKRs engage teams collaboratively, unlike traditional approaches, allowing members to co-author their objectives instead of having leadership dictate goals from above. This democratized process brings a sense of ownership and commitment.

Faster Cycle

Perhaps most notably, OKRs operate on an accelerated quarterly cycle, injecting a sense of urgency and adaptability into the goal-setting process. This short timeframe ensures that teams remain agile, respond promptly to changing circumstances, and consistently align their efforts with the organization's overarching objectives.

Together, these qualities shape a clear and dynamic approach to strategy execution unlike any other methodologies.

OKRS SOLVE **MANY PROBLEMS**

So, now you know how to create effective OKRs and why they are unique. But why should you set them? What are some of the problems they solve? For over eight years, we have been optimizing organizations using OKRs and during this time, we've gained firsthand insight into the prevalent challenges these organizations encountered before enlisting our expertise. An effective OKR process helped solve all of them.

Siloed Teams

Siloed teams often occur when different departments operate independently, with limited communication. When all teams share common high-level objectives, it naturally encourages collaboration and a unified focus, breaking down silos that may hinder progress. The framework encourages a shared sense of purpose and collective responsibility, leading to a more integrated and harmonious organizational structure.



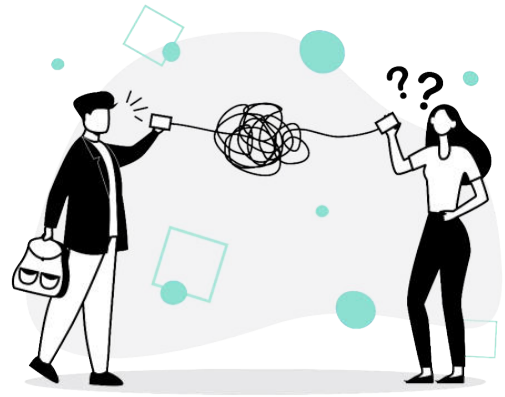
Lack of Focus in Rapid Growth

When experiencing rapid growth, maintaining focus on strategic priorities is crucial, and OKRs provide a structured approach by requiring clear and focused objectives. OKRs also offer adaptability to change through their regular review cycles, allowing organizations to swiftly pivot in response to evolving circumstances. The emphasis on measurable outcomes ensures that success can be gauged, even during periods of accelerated growth. As organizations scale, the scalability of OKRs allows for their seamless integration across various organizational levels, providing a consistent and adaptable framework to sustain and thrive amidst rapid growth.



Misalignment

Misalignment often arises from a lack of understanding about overarching goals, and OKRs address this by requiring explicit and well-defined objectives. And with the establishment of specific and measurable key results, OKRs provide a roadmap that ensures everyone within the organization shares a common understanding of what needs to be achieved. These challenges are the culmination of something we call the “**Strategy Canyon.**”



THE STRATEGY CANYON

Imagine that your organization is separated by a canyon.



On one side, you have your long-term strategy that you wish to achieve. On the other, are your day-to-day operations. What's connecting the two? Absolutely nothing – a vast void of empty space. That's what we call the “Strategy Canyon” – when there is a disconnect between the long-term strategy and the daily initiatives.

OKRs bridge the gap between goals and the steps needed to reach those goals.

COLLABORATE ON OKRS IN OKR WORKSHOPS

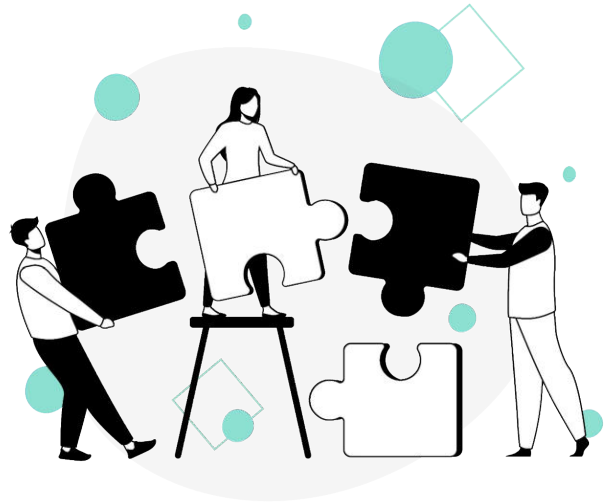
OKR workshops are where open discussions between departments take place, bringing new perspectives into the mix when creating OKRs.



These workshops not only introduce OKRs to executives and teams, but they also provide an open space where they can learn, discuss, and set OKRs together. Departments can align their objectives and key results with the broader organizational goals. In addition, team members can ask questions, seek clarification, and gain insights into the rationale behind specific objectives. The larger your company, the more important these workshops become. With every team and department working together, organizations can achieve unparalleled **transparency, alignment, and accountability.**

CHALLENGES WITH OKRS

Simply having an OKR program doesn't guarantee success. If you aren't careful, OKRs can bring along a new set of challenges to your organization, and ultimately hinder your strategy execution. Challenges such as:



- ✓ Executive turnover or organizational restructurings can disrupt progress at the departmental level.
- ✓ Many organizations do not employ goals as systematically as the OKR method necessitates. This reliance on change management becomes a significant barrier for large deployments.
- ✓ Personnel aren't on board and don't actively engage with the OKR process.
- ✓ Implementation of OKRs in complex, large-scale organizations is difficult and can lead to low adoption and engagement.
- ✓ Many organizations apply a Silicon Valley OKR approach without customizing it for their specific industry.

To avoid these common pitfalls, it is crucial to maintain agility to adapt to changes within your organization. Additionally, offering company-wide OKR education is essential to ensure full adoption of the program within your organization, while tailoring the process to align with your organization's specific needs.

OKRS AREN'T THE END-ALL-BE-ALL



While OKRs have gained widespread recognition over the years for their ability to drive focus, alignment, and results within organizations, it's crucial to acknowledge that their effectiveness is not guaranteed.

The OKR Framework Isn't A Magical Solution That Brings Automatic Success To Organizations Out-Of-The-Box.



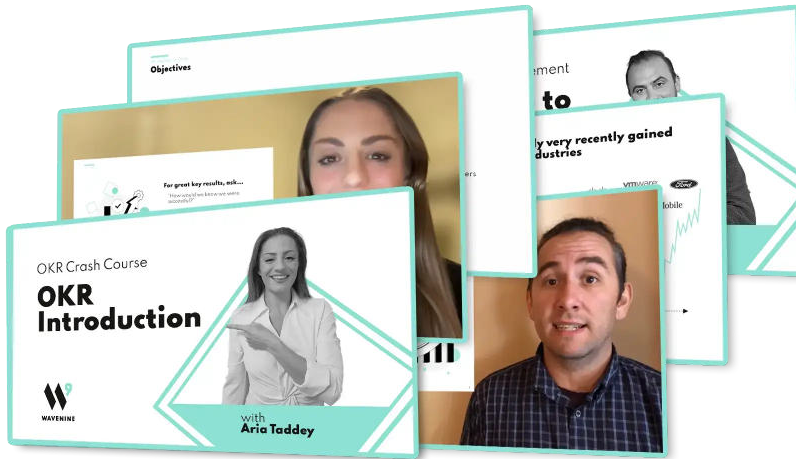
The success of OKRs hinges on thoughtful implementation, clear communication, and a commitment to adaptability.

The journey toward achieving objectives is nuanced, and a one-size-fits-all approach may not always yield the desired outcomes. OKRs can help you bridge the gap between your daily initiatives and long-range strategy, but they must be set and implemented correctly.

Embracing and understanding OKRs is just the first step. To truly harness their power, it's essential for you to foster a culture of open communication, agility, and continuous learning in your organization to avoid pitfalls and maximize the potential of OKRs. And if you need help along the way, Wave Nine has your back.

FREE COURSE

Try The Wave Nine Academy For FREE - The OKR Crash Course



Enroll in the **Wave Nine Academy's OKR Crash Course** for executives, practitioners, learners, and coaches.

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