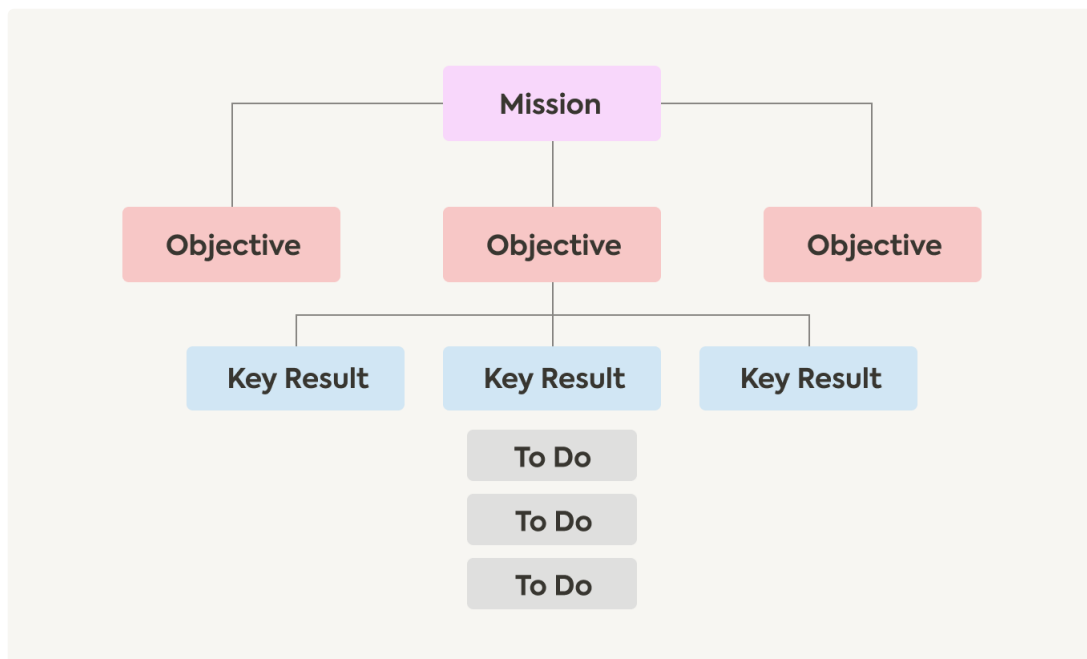


Objectives and Key Results (OKR) – The Complete Guide



OKR (Objectives and Key Results) is an agile framework for setting goals in companies. Used correctly, the OKR method can lead to more **transparency**, **alignment**, **focus** and **agility** in your organization.

This OKR guide is divided into three parts. Readers who are already familiar with the basics can safely skip part 1 and proceed directly with part 2.

1. Theory - Definition, History, and Benefits
2. Application - OKR Framework and Process
3. Resources - OKR FAQ, Books, and PDF download

Part 1: Theory - Definition, History and Benefits

OKR Definition: What is OKR?

The abbreviation OKR (or OKRs) stands for Objectives and Key Results.

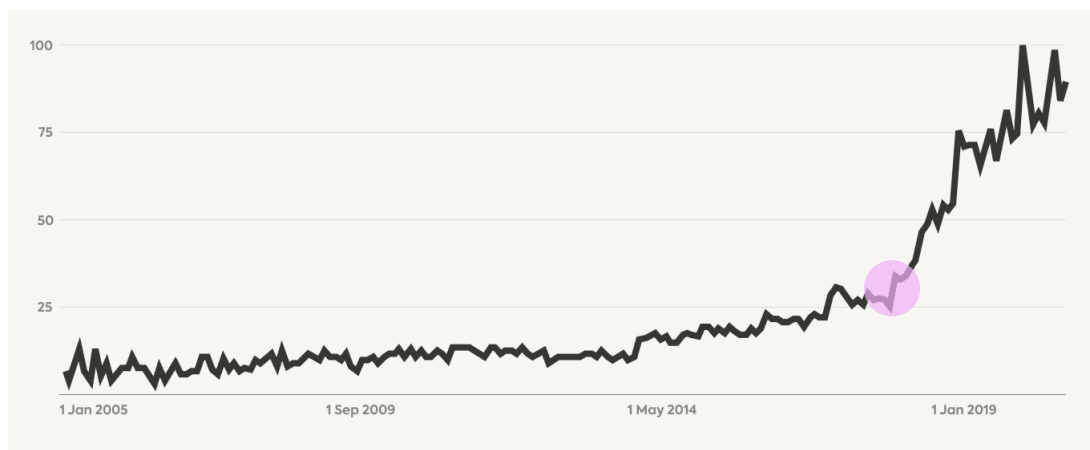
OKR is an agile framework for setting and implementing strategic goals.

This sentence describes the three characteristics of Objectives and Key Results:

1. **OKR as a framework:** OKR provides a consistent syntax for formulating qualitative objectives and quantitative key results that measure the achievement of the objective. This makes OKR an instrument that considerably simplifies communication within the company.
2. **OKR as a strategic link:** OKRs serve to connect the vision and mission of the company with the operational business. Bridging this gap is important because it promotes the feeling of meaningful work (*purpose*) among all employees.
3. **OKR as an agile process:** OKR is a continuous process that drives *Organizational Learning* and agility throughout the entire company.

The interplay of these characteristics makes the OKR method a powerful tool for modern performance management and at the same time explains the rapidly growing popularity of OKRs in organizations of all sizes and industries.

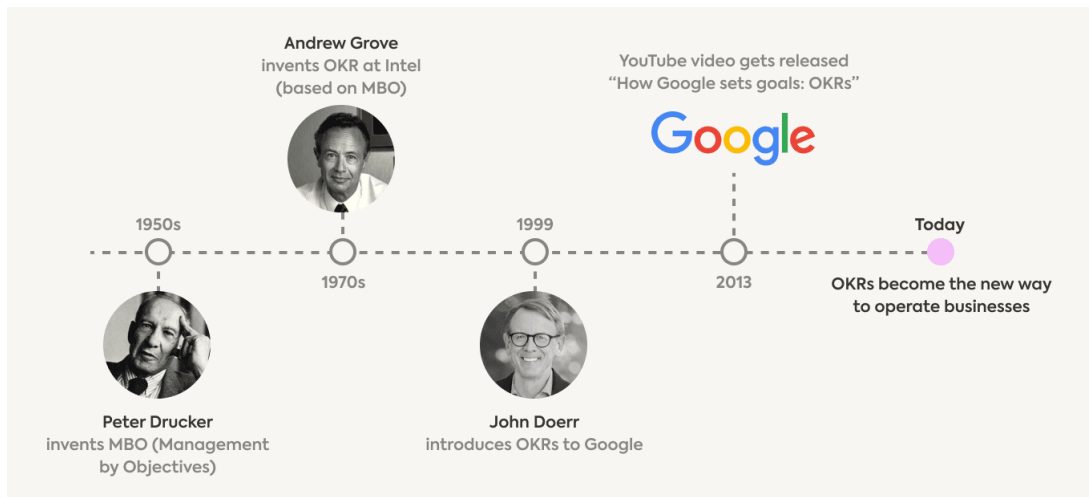
Why is the OKR method so popular?



Popularity for 'OKR' on Google Trends

The figure above shows the worldwide development of the popularity of the search term “OKR” on Google Trends from 2005 to 2020. Especially since the beginning of 2018, a significant increase can be seen. Due to the Corona pandemic and the resulting trend towards more home office as well as initiatives for digital and agile transformation, it can be expected that the OKR method will become the new standard for performance management in companies. The first indications of this are already emerging.

The rise of the OKR method: MBOs, Intel, John Doerr, and Google



A brief history of OKR

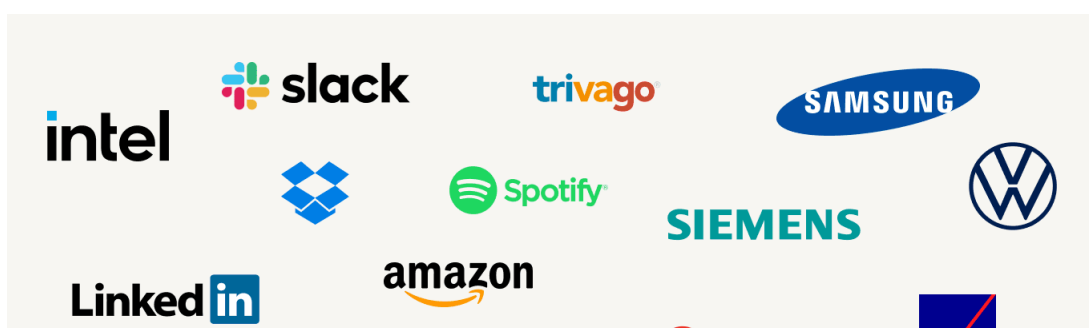
OKRs originated in the 1950s in Peter Drucker's management method [Management by Objectives \(MBO\)](#).

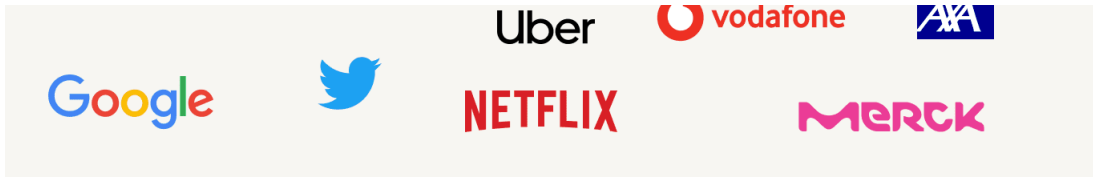
[Andy Grove](#), third employee and later CEO of microchip manufacturer Intel, developed the OKR method based on MBOs in the 1970s and introduced it at Intel.

John Doerr, former employee at Intel, was impressed with the effectiveness of the OKR method and, after joining Kleiner Perkins (one of Google's early major investors), introduced it to Google as a consultant to Larry Page and Sergey Brin.

With the help of OKRs, Google has grown from 40 to over 100,000 employees.

Google is also the reason why the OKR method has become so popular and is used by fast-growing start-ups such as Spotify or Netflix as well as large corporations like Samsung or Volkswagen.





Companies that use OKRs.

OKRs at Google

While Google may be the cause for the spread of the OKR model, the increasing popularity indicated in the chart is the result of another factor:

The OKR method works. OKRs are not just hype. Companies don't just want to blindly follow Google, but make the OKR framework their own, recognizing the positive effects on employee motivation and company success.

How exactly the OKR method works and how OKRs are built is explained in part 2 of this guide.

Part 2: Application - OKR Framework and Process

1. OKR as a framework

Shoot for the moon, even if you miss, you'll land among the stars.
— Oscar Wilde

Objectives and Key Results

The powerfulness of the OKR Framework results from the complementary ideas of **Objective** and **Key Result**:

Objective	Key Result
What do I want to achieve?	How do I know that the goal is reached?

Objective	Key Result
<p>Characteristics</p> <ul style="list-style-type: none"> • Qualitative • Simple and easy to understand • Inspiring and motivating • 3 - 4 Objectives per team 	<p>Characteristics</p> <ul style="list-style-type: none"> • Quantitative • Clearly measurable • S.M.A.R.T. • 1 - 5 Key Results per Objective (important to keep focus) • Time-bound (year, quarter, ...)

In addition to OKRs, many companies also use so-called *initiatives* or *key actions*. These are specific actions that are derived from the OKRs.

<p>Initiative</p> <p>How do I reach the goal?</p> <p>Characteristics</p> <ul style="list-style-type: none"> • Activity • Measurable output • Directly controllable • Derived from OKRs
--

The following is an example that illustrates the interplay between Objective, Key Result, and initiative:

OKR example

A good example of OKRs offers the transport company **Uber**:

Objective

- Increase the geographical coverage of drivers

Key Results

- Increase San Francisco coverage to 100
- Increase coverage of all active cities to 75%.
- Reduce pickup time to < 10 minutes in each area during peak hours

Initiatives

- Publish new vacancies for drivers in all active cities
- Start offline marketing campaign for advertising posters near cab stands

Another popular example comes from a **Google** team that worked on the Chrome browser:

Objective

- Build the best web browser in the world

Key Results

- 20 million weekly active users by the end of 2008

Initiatives

- Develop a Mac version of Chrome

Characteristics of the OKR framework

OKRs are agile

Annual target agreements bear the risk of running in the wrong direction for an entire year. Instead, the OKR model has much shorter cycles. Normally an OKR cycle is one quarter long, but 4-month or 2-month cycles can also be used. It all depends on how your organization or your teams “tick”.

The OKR process is simple

The OKR method itself is easy to understand so that several OKR plannings per year are easily possible without being too distracting. However, *setting up* the OKRs is a very difficult exercise, as only the really essential goals have to be picked out of all possible ones during the planning process and formulated accordingly.

OKRs are set top-down and bottom-up

In contrast to the classic top-down approach to setting goals (as is the case with MBOs, for example), OKRs are developed by both the leadership and the individual teams. Typically, 40% of OKRs are first developed by the

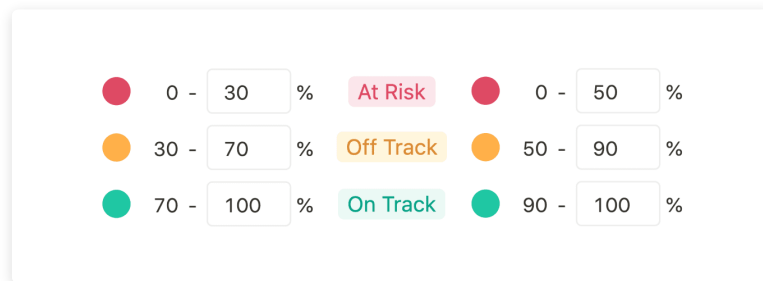
leadership (top-down) and then 60% of OKRs are developed by the teams (bottom-up). These OKRs are then aligned with the company's objectives.

OKRs do not have to be completed with 100%

"If you set crazy ambitious goals and miss them, you've probably still achieved something remarkable."

— Ken Norton, Ex-Director of Product Management @Google

Google and many others set OKRs as so-called "stretch goals", i.e. ambitious goals that are supposed to lead to getting out of the mindset to become 10% better but instead aim to be *10 times* as good as before. The new *10X Mindset* often leads to completely new approaches. This practice has shown that it is no longer important to reach 100% because even with 70% you can achieve amazing results with ambitious goals.



Ambitious traffic light rating (left) and conservative traffic light rating (right).

Common mistakes when implementing the OKR method

✘ OKRs do not cascade from top to bottom

Many companies make the mistake that the leadership simply passes on their goals from top to bottom. Middle management does the same as leadership and passes its goals on to team leaders, who in turn pass them on to their team members. However, this waterfall model is not in the spirit of agility, let alone the OKR method. The planning of OKRs should be done both top-down and bottom-up. This has several advantages:

- Teams become more self-organized (motivation through autonomy and involvement).
- Teams align themselves with OKRs of higher levels (vertical alignment)

- Teams see how their OKRs contribute to company goals
- Teams coordinate with other teams on the same level (horizontal alignment)

✘ OKRs are not a tool for performance evaluation

This is one of the most common misunderstandings in the context of OKRs: The OKR method is often misused as a performance assessment tool. However, as soon as the compensation of employees is linked to OKRs, there is an incentive for *sandbagging* or *under-promising*. In other words, employees set themselves artificially low goals to achieve them in any case. This undermines the entire OKR framework with all its advantages.

✘ OKRs are not “business-as-usual” goals.

These “day-to-day business” OKRs are not ambitious and only reflect the status quo or normal business activities. However, OKRs should always have a growth-oriented nature.

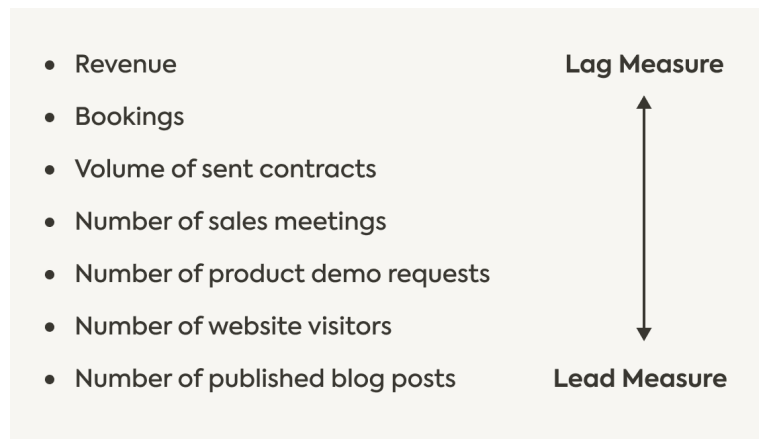
✘ Key Results are not a to-do list

Key results are often formulated as mere activities or as to-do's that can be checked off - this is also referred to as *output-driven*. However, with OKRs we want to achieve actual, success-relevant results. Key results should, therefore, as the name suggests, be *outcome-driven*. The examples above illustrate the difference already very well.

It is often difficult to establish key results because the most important and prominent key performance indicators cannot be influenced directly and activities in the current quarter can only have an impact on the key performance indicator in the next or next but one quarter. Key figures that cannot be directly influenced are called **Lag Measures**. On the other hand, there are **Lead Measures**, i.e. directly influenceable key figures whose progress can be measured immediately or only with a brief delay.

The trick is to find a key figure on the spectrum of lag measures and lead measures, whose progress can be directly measured and influenced, but at the same time has a strong enough connection to the relevant lag measure (e.g. revenue).

An example of the selection of a lead measure for a key result of a software sales team:

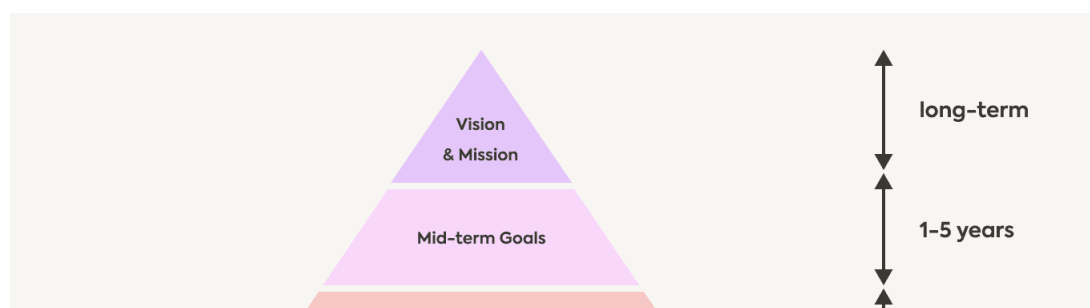


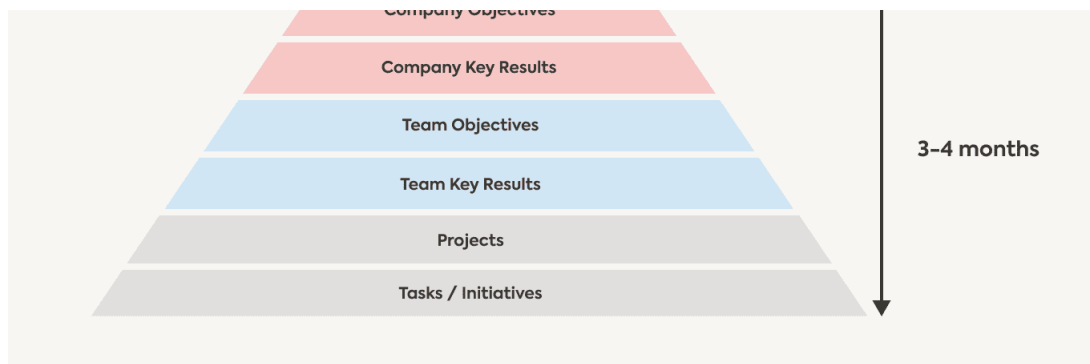
Lead measures and lag measures.

Revenue is actually the most interesting and important key figure, but *number of product demo requests* is probably the more suitable lead measure here, as it is still closely linked to the lag measure, but can be influenced much more easily in the short term. The *number of published blog articles*, on the other hand, is too far away from the relevant lag measure and measures an output (activity) rather than an outcome.

2. OKR as a strategic link

OKR is more than “just” a framework for setting goals. OKRs finally build the bridge between the vision and mission of your organization and the operational level. By linking daily tasks, which in turn are linked to agile quarterly goals and overarching annual or multi-year goals, clarity and transparency are promoted throughout the organization.





OKR as link between vision, strategy and tasks.

Vision and mission

Vision and mission are the strategic guidelines of the organization. They are usually defined by the leadership, set the long-term direction of the company, and should have a motivating character. These long-term goals also provide the scope for all underlying mid-term and short-term goals (OKRs).

Mid-term goals (1-5 years)

Mid-term goals usually have a time horizon of one to five years. They are more tangible than the vision and form the foundation from which the OKRs are derived. Mid-term goals are also most often developed by leadership. The OKR method can already add a lot of value here, e.g. how to formulate the goals.

The flexibility of the OKR framework also allows, for example, companies to set up annual OKRs, from which the quarterly OKRs are derived.

OKRs at the company and team level (3-4 months)

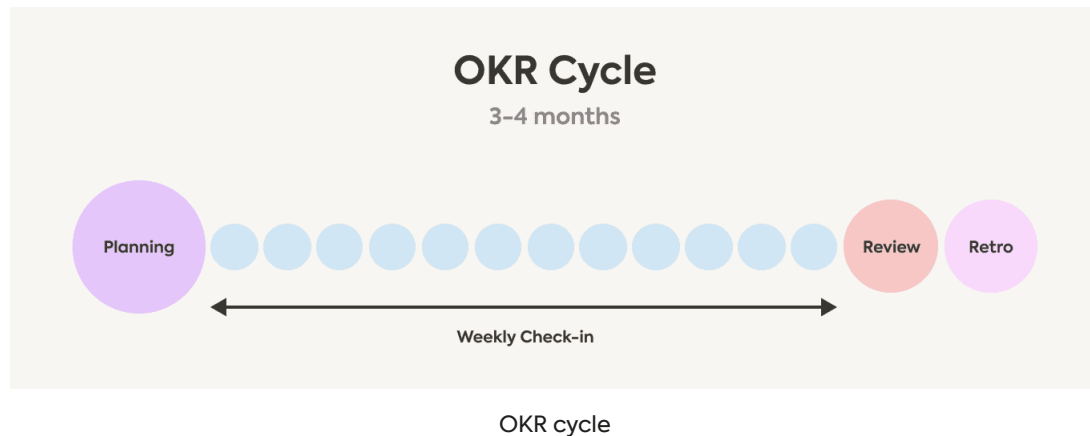
With mid-term goals (or annual objectives) as an anchor point, the OKR method is used to define goals at the company and team level. As described above, about 40% of the goals are set at the leadership level and 60% at the team level, thus ensuring vertical and horizontal alignment. The teams (*not* only the team leaders) must therefore organize themselves and define their own OKRs, which they then align with the company goals.

Below the OKRs are the project management layer and the initiatives. Many of Mooncamp's customers link their projects, tasks, or initiatives directly to

the respective objectives and key results.

OKRs are thus the strategic link between strategy (vision, mission, and mid-term goals) and operations (tasks, activities, and projects).

3. OKR as method and agile process



The OKR process consists of five essential elements:

- OKR Cycle
- OKR Planning
- OKR Weekly
- OKR Review
- OKR Retrospective

For a successful implementation of the OKR process and the adoption of the mindset, it is also helpful to have access to the following resources:

- OKR coach (within the company)
- Tool for OKRs (either free apps or a dedicated [OKR Software](#))
- External OKR consultancy (if needed)

While the framework of OKR sets the rules, the **agile process** breathes life into the OKR model and enables all the benefits of using the framework. Each of the interactive events *OKR Planning*, *OKR Weekly*, *OKR Review*, and *Retrospective* leads to the gradual development of the agile mindset among employees. While the first OKR cycle may still seem chaotic and teams still have to orient themselves, the introduction of OKR is beginning to bear more and more fruit, which is reflected in higher transparency, more motivation

through self-organization and autonomy, and better alignment between teams and other hierarchical levels.

OKR cycle

The OKR cycle itself determines the “pace” of the OKR method and the time period within which the OKRs are set. It also includes individual events (Planning, Weekly, Review, Retro), as shown in the figure above. In most cases, companies choose quarters or, more rarely, tertials (4 months) as the time span for a cycle. Alternating 2-month and 4-month cycles are also conceivable so that the events do not collide with other important company events or vacation periods.

OKR Planning

The OKR Planning takes place before each OKR cycle. Here, both the leadership level and the teams plan their OKRs for the next iteration. The planning takes about four hours on average for each team. In the first cycle, the duration of planning is probably a bit longer. In the following cycles, the teams become more and more familiar with the OKR method, so that the planning may take only two to three hours.

Before the teams start working on their OKRs, the leadership prepares the OKRs for the cycle at the company level in an OKR Planning, which are derived from the mid-term goals.

With the company OKRs as a guideline, the teams now begin to work on their OKRs independently in their own OKR Planning sessions. The alignment with the company goals and the horizontal alignment with other teams ensures that the team OKRs contribute to the goals from higher levels, that no duplication of work occurs in the coming cycle, that no opposing key results are set, and that potential dependencies between teams are revealed.

Here’s another crazy thought: Depending on the degree of agility of the organization, at some point – based on the priorities for the respective cycle – completely new teams could be dynamically formed!

OKR Weekly

The OKR Weekly is a weekly team meeting where the following questions are answered:

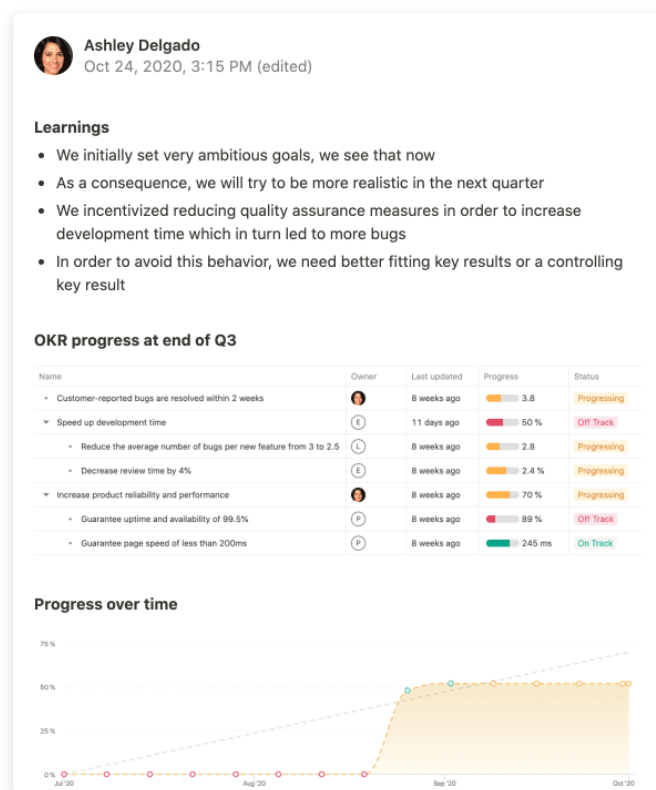
- What is being worked on?
- What is the status of our Key Results?
- Are there any obstacles or dependencies that are blocking the work?

It serves the weekly coordination within the team and indirectly also the consolidation of the OKR framework within the company.

OKR Review

At the end of each cycle, the OKR Review takes place, in which each team (including the leadership team) presents the final status of the OKRs. Depending on the size and locations of the company, the OKR Reviews can be organized as an on-site event or held virtually. In the interest of transparency and knowledge management, it may be advisable in both cases to record the OKR Reviews. A structure of the OKR Reviews could look as follows:

1. Presentation of the results
2. Summary of the learnings and implications
3. Questions and feedback from other teams



Example of an OKR Review.

OKR Retrospective

The OKR retrospective is the last event in the OKR cycle. While the OKR Review reflects the content, i.e. the status of the OKRs, the OKR Retrospective reflects on a meta-level the OKR process or the OKR method itself and looks for improvement potential. In the retrospective, the agility of the OKR framework becomes clear: You start with certain framework parameters (length of the cycle, the structure of Weeklys, etc.) that you might take from this guide and adjust them until they are tailored to the individual needs of the organization.

The Start/Stop/Continue method provides a possible structure for the OKR retrospective:

- **Start:** What should we start with? (What can we improve?)
- **Stop:** What should we stop with? (What did not work?)
- **Continue:** What should we continue with? (What worked well?)

OKR coach (or OKR master)

The OKR coach, often also called the OKR master, is responsible for the successful introduction and continuous support of the OKR method. The OKR coach plays several central roles:

- **Process owner:** The coach leads the process, determines the initial framework parameters, moderates the individual events and ensures that best practices are adhered to.
- **Expert and mentor:** The OKR Coach is the “go-to-person” and advisory instance for all issues concerning the OKR method.
- **Change agent:** The introduction of OKRs is a change process. Every organizational change will meet resistance somewhere in the beginning. The OKR coach, therefore, has the task to involve all important stakeholders, especially the leadership.

In larger organizations, there are often several OKR coaches who introduce and accompany the OKR method. Especially for the first OKR cycle, it can be useful to take the first step with an external OKR consultancy.

Note: You do not need a full-time employee for the OKR coach role. The role usually requires an average of no more than four hours per week

and can be shared by several employees to reduce the workload. Only at the very beginning, the effort will be higher.

OKR Tool

How important is it to use a tool for OKR management? As Mooncamp itself offers a tool for OKR management and tracking, we are certainly biased in this respect. But the experience with our customers shows that with Excel, Microsoft Planner or other free tools you quickly reach your limits, such as

- Lack of overview and transparency
- Missing analytics capabilities
- Lack of collaboration features

If your organization should decide on a tool, we have put together a [guide to choosing the best OKR software](#) (at the end you can also download a Google sheet with customizable evaluation criteria to compare several OKR tools).

OKR consultancy

As already mentioned, working with an experienced OKR consultant can be particularly useful when introducing OKR in larger companies, for example, to train internal OKR coaches in advance, to create a holistic understanding of the OKR mindset, and to incorporate expert experience so that typical beginner's mistakes are avoided. When choosing OKR consulting services, it should be ensured that they are independent and concentrate on a successful OKR introduction and not on selling a software.

Part 3: Resources – OKR FAQ, books and PDF download

OKR FAQ

Many of the following questions reach us again and again from our customers and prospects so that they might also be of interest to you:

Are key results with milestones instead of metrics allowed?

If possible, key results should always include relevant metrics that measure actual *outcome*, not just *output*. Projects with milestones belong to the

output category so that they can be included as initiatives or tasks under the respective key results. For some objectives it can be fairly difficult to come up with metric-based key results, so you might not have any other option than to include milestone-based key results. In general, however, this is not advisable.

Should OKRs be introduced at the employee level?

We recommend the exclusive use of the company and team OKRs. We generally advise against individual OKRs for two reasons: **Firstly**, personal OKRs lead to significantly more complexity, as the number of OKRs in the company increases three to tenfold, depending on the average team size. **Second**, there is the temptation to link individual OKRs to the employee's compensation, which would undermine the intrinsic motivation of the employees and the many advantages of the OKR model.

What is the difference between OKR and KPI?

KPI stands for Key Performance Indicator. An organization sets individual KPIs at the company or team level to measure specific outcomes (e.g., *profit*, *turnover*, or *NPS*). An **OKR** is a short-term goal that the organization considers important to ensure that KPIs are met and remain healthy. Most key results for OKRs should include a KPI (either directly or through a lead measure). Example: "Increase profit margin to 20%". Here *profit margin* is the KPI and the whole expression is the key result.

What is the difference between OKR and MBO?

MBO and OKR are both frameworks for goal management. MBO stands for "Management by Objectives". The OKR model has evolved from the MBO framework. These are the main differences:

- MBO defines what you want to achieve, while OKRs define the *what* and *how*.
- MBO usually has annual reviews, while OKRs are evaluated every three to four months
- MBO targets are private and "in silos", while OKRs are public and transparent
- MBO is linked to compensation, while this should not be the case with OKRs
- MBO goals are rather conservative, while OKRs are ambitious

What is the best OKR software?

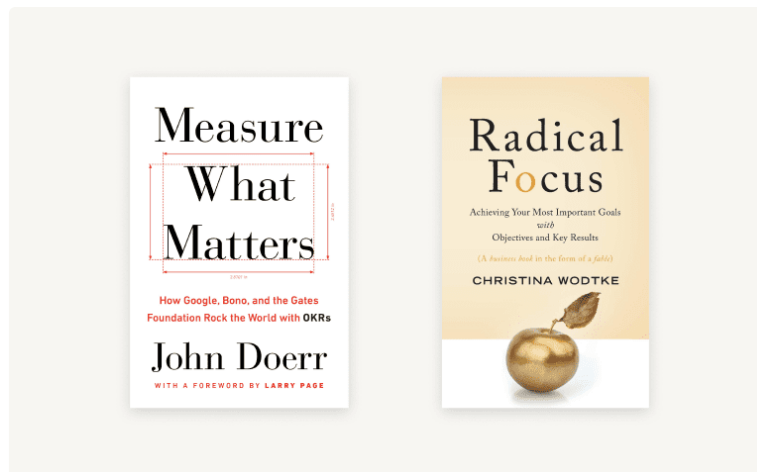
We have created an OKR Software Guide and an Excel template with 20 evaluation criteria to determine the best OKR tool for you. In the template, you can add your own evaluation criteria and adjust the weighting of the individual factors: [OKR Software Guide](#).

Further Resources

OKR Google Video

These OKR books are a good introduction to the OKR method:

- [Measure What Matters](#) by John Doerr
- [Radical Focus](#) by Christina Wodtke



OKR books

Note: The OKR books serve more as a foundation and to become familiar with the OKR philosophy than as concrete instructions on how to introduce OKRs. However, they are always a good read to motivate oneself for OKRs and to be able to learn from the “father of OKRs”.