# Achieving Business Goals: The OKR Framework

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# Featured Presenter

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# About Presenter's Organization

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# Today's Program

1. Introduction – Goal-Setting Is Hard

2. OKR Definition and Early Use

3. OKR Examples

4. When Organizational Goals Go Wrong

5. The Bottom Line

# Poll Question 1:

What is the annual revenue of your business?

a. Less than $10M
b. $10M - $25M
c. $25M - $50M
d. $50M - $250M
e. More than $250M

# Poll Question 1: Results placeholder

# Achieving Goals Is Hard – Common Challenges

- Goals are unrealistic or vague

- Goals lack a near-term timeframe for completion

- Progress on goals is hard to measure

- Too many goals and no clear priority

- Difficult to translate executive goals into team goals
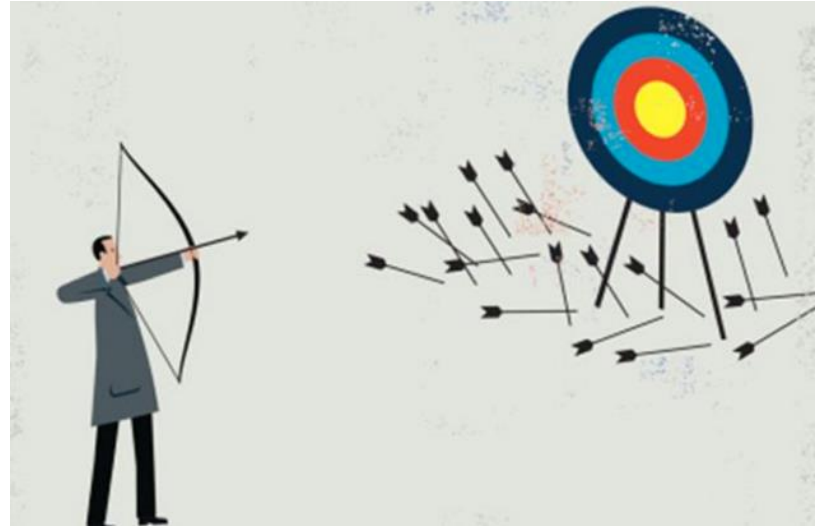
# Objectives and Key Results: The Origin

- Developed by Intel founder Andy Grove in the late '60s

- Intel started out making memory chips and decides to refocus on microprocessors. OKRs guide Intel's success.

- John Doerr joins Intel in 1974 and learns of OKRs

- Doerr invests in Google in 1999, introduces OKRs

- Doerr writes "Measure What Matters" in 2017

- LinkedIn, Amazon, Walmart, Facebook, and others use OKRs by 2019

- And here we are

# Objectives and Key Results: Defined

**All are clearly stated, and progress is transparent and publicly visible**

## Objectives

- Projects with high impact to the organization
- Set by top management
- Easily understood
- Inspiring
- Extensible to other teams
- Just a few per period
- Achievable

## Key Results

- Specific and numerically defined
- Ambitious
- Leads directly to the objective
- Easily measurable
- Time bound
- Achievable by a small number of teams
- Just a few per objective

## Initiatives

- Directly contributes to a key result
- Easily measurable outcomes
- Time bound
- Within control of a specific team
- Just a few per key result
- Achievable
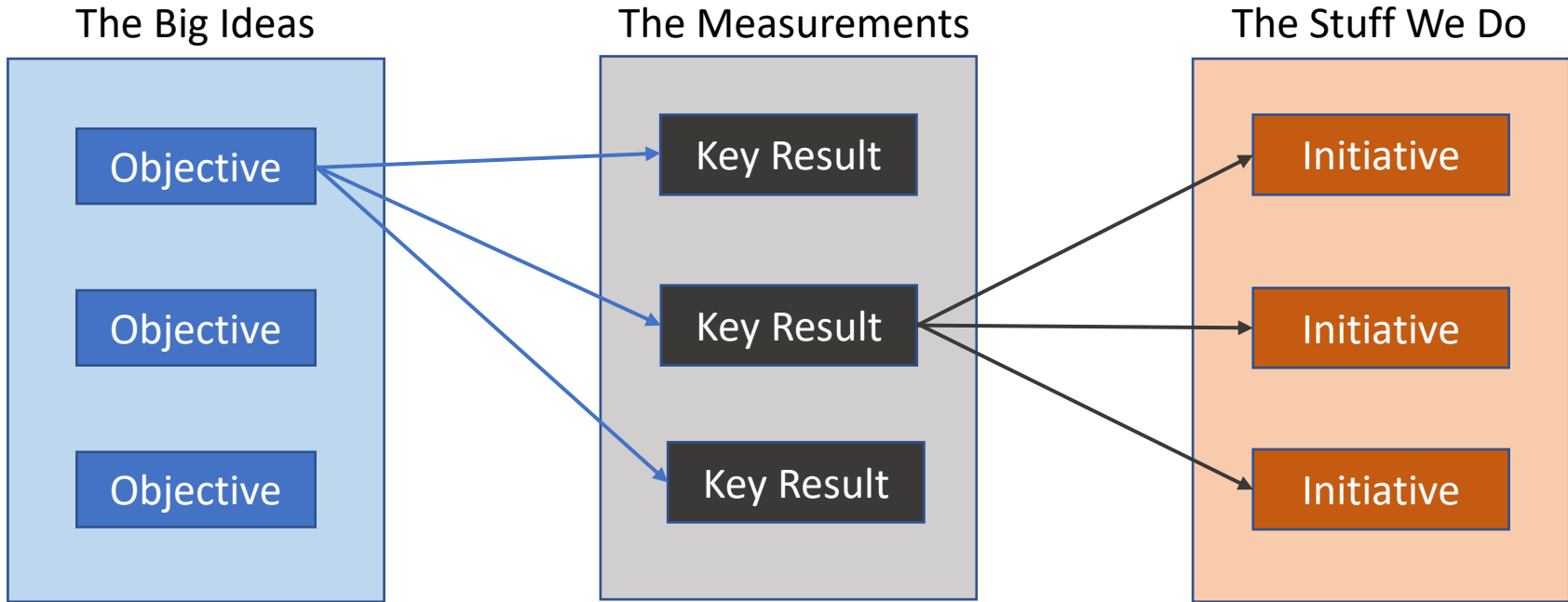
# Poll Question 2:

Thinking about your past three years, which sorts of objectives was your business best at achieving?

a. Mostly improvements to existing systems or processes
b. Mostly new initiatives (new markets, new products, new channels)
c. Mostly innovations (rethinking products and services, reinventing processes)
d. A roughly equal mix of these
e. We were pretty much focused on firefighting

# Poll Question 2: Results placeholder

# Three Types of Objectives

## Incremental Improvement

- Improve operating margin by 50% this quarter

- Reduce total overhead by 30% in six months

- Increase revenue by 35% this FY

- Improve production throughput by 25% this FY

## New Initiatives

- Create a direct-to-consumer channel this quarter

- Enter the EU market this year

- Release two new high margin versions of our best-selling widget in six months

- Crush our competition with two acquisitions this quarter

## Innovation

- Release a self-driving car that never hurts people this year

- Release our IA thing ASAP – intrigue and scare the heck out of techies and politicians alike

- Create the Metaverse and eliminate all interest in reality, timeframe: TBD

- Render Twitter dysfunctional – timeframe: two weeks

# Some Key Results

**Objective:** Reduce total overhead by 30% in six months

- Reduce office leases by 50% within two quarters

- Reduce T&E expenses by 80% this quarter

- Reduce payroll costs by 10% from last fiscal year

**Objective:** Create a direct-to-consumer channel this quarter

- Offer our top 20 products for direct purchase this quarter

- Contract with a 3PL to fulfill D2C purchases this quarter

- Sell to 500 unique individuals this quarter

# Some Initiatives for Objective: Create a D2C Channel

**Key Result:** Offer our top 20 products for direct purchase this quarter

- Determine top 20 SKUs consumers will want to buy directly – week two

- Sign a contract for a consumer-friendly ecommerce platform – week four

- Load product descriptions into ecommerce system – week six

- Connect ecomm to 3PL inventory and our ERP system – week eight

**Key Result:** Contract with a 3PL to fulfill D2C purchases this quarter

- Sign contract with 2 3PL distributors – week two

- Connect 3PL to our inventory management system – week five

- Ship 5000 units of each SKU to 3PL – week seven

- Send test orders to each 3PL – Week eight

# Poll Question 3:

What's your company's track record on meeting objectives within the timeframe desired?

a. Perfect. We achieve every objective we set.
b. Good. We achieve about 75% of our objectives.
c. Fair. We're 50/50 on meeting objectives on time.
d. We're pretty good, but we've had some epic fails.

# Poll Question 3: Results placeholder

# Some Epic Fails

VW Audi

The British Ambulance Service

# VW Audi



Diesel penetration in the EU was at 50% but just 5% in the US. VW Audi saw an opportunity in 2008.

The challenge: US EPA emissions limits are stricter than in the EU, requiring new technology to pass in the US. Specifically – nitrogen oxides produced by diesels are hard to eliminate

Diesel cars start out more expensive. Elaborate emissions controls would likely make them too expensive for the US market.

VW decided to cheat and sold over 500,000 cars in the US in 2009. The cars' engine control computer detected and cheated on emissions testing.

The Jetta exceeded EPA limits by a factor of 15 – 35, Passat by a factor of 5 – 20.

The cost to VW - $33.3 billion by June 2020, retrofitting more than 11 million vehicles.

# The British Ambulance Service

In 1974, the ambulance service decided it needed to track its effectiveness. It created KPIs for responsiveness.

ORCON (Operational Research Consultancy) created two primary benchmarks – 75% of life-threatening incidences should get a response within 8 minutes, and 95% within 19 minutes.

A8 and A19 were the focus of the service for 43 years. The targets did not consider patient outcomes. So, getting to and saving a heart attack victim in 9 minutes was failure, but getting to a deceased patient in 7 minutes was a success.

- Call processors who knew their team was unavailable to respond in 8 minutes were tempted to downgrade the severity of the call.
- Sometimes multiple ambulances were dispatched, hoping to meet the 8-minute target.
- Sometimes ambulances without full crews, or with malfunctioning equipment, were dispatched – arriving in 8 minutes but without hope of helping the patient.

# The Bottom Line: OKR Benefits

**Objectives** let the organization focus on what matters.
They can ignite enthusiasm to accomplish big things.

**Key results** give the organization measurements to rally around.
They answer the question: Are we achieving that big thing?

**Initiatives** give teams explicit guidance on what they can do to help achieve objectives.

**Finance team data** underpins all of this by helping everyone see progress and understand outcomes.

# Poll Question 4:

Which best describes the current or future use of OKRs in your organization?

a. Already using them
b. Definitely want to try
c. Might try
d. Definitely won't try

# Poll Question 4: Results Placeholder

# Questions and Answers

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# Thank you!

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