

## A Practical Guide to OKRs

# Module 1: Understanding OKRs: The "What" and "Why"

## Introduction

Welcome to the first module of our Practical Guide to OKRs. This guide will help you fully understand Objectives and Key Results (OKRs). This module explains the main ideas behind OKRs, where they came from, the rules that make them work, and how they help modern companies succeed. Understanding the "what" and "why" of OKRs is the first step to using them well..

### Learning Objectives for Module 1

By the end of this module, you will be able to:

- Explain the difference between Objectives, Key Results, and Initiatives, and know what role each plays.
- Describe the history of OKRs, from how they started to how big companies use them today.
- Explain the main rules and "superpowers" of OKRs: Focus, Alignment, Commitment, Tracking, and Stretching (F.A.C.T.S.).
- Identify how OKRs help businesses grow, run better, and change their culture.
- Tell the difference between OKRs and other goal methods like KPIs, MBOs, and SMART goals to understand why OKRs are unique.

## 1.1 Defining Objectives and Key Results (OKRs)

The OKR system is a way for people, teams, and whole companies to set goals together. It helps them set big goals and track their progress using clear results. At its core, the system has an **Objective** (a big, clear goal) and usually three to five **Key Results** (measurements used to see if you reached that goal).

### The Objective (The "What")

An Objective simply states what you want to achieve. Good Objectives are important, clear, about taking action, and ideally, inspiring. When done right, they stop confusion and help teams work effectively.

- An Objective should describe a direction and motivate the team without using numbers yet. For example: "Fix the new customer experience so they stay loyal and use the product quickly".
- Objectives can be for a short period (say, one quarter) or last a long time, sometimes a year or more, to provide long-term direction.
- To write an Objective, ask: "How can we help the company's strategy the most right now?". This ensures the goal is important and has impact on an organisation's performance.

## Key Results (The "How")

Key Results (KRs) are how you track progress toward the Objective. Good KRs are specific, have a deadline, and are difficult but possible to achieve. Most importantly, you must be able to measure them.

- KRs track progress towards and objective using hard numbers, like a percentage change or a dollar amount.
- They change as work gets done. Once all Key Results are finished, the Objective is achieved.
- Being able to verify and measure KRs is vital for accountability and tracking real progress.
- To define KRs, the team should ask, "How will we know we really achieved our Objective?". This changes the focus from just doing work to seeing actual results.

## Initiatives (The "Activities")

Initiatives are different from Objectives and Key Results. These are the specific plans, projects, and tasks teams do to move the Key Results forward and reach the Objective.

- For example, if a Key Result is "Increase customer satisfaction score from 40 to 60," an Initiative might be "Create a new feedback system" or "Run three workshops for the support team".
- It is very important to tell the difference between KRs (outcomes) and Initiatives (activities).
- A common mistake is thinking a to-do list is the same as Key Results.
- Initiatives answer the question, "What specific work do we need to do to hit those targets?"

## Linking Activities to Strategy

Using an Objective (the dream), Key Results (the measurement), and Initiatives (the work) creates a natural conversation about strategy. This structure ensures that everything you do has a purpose and connects to a measurable outcome.

- It moves from "what" to "how we measure success" to "how we do the work".
- This prevents teams from falling into "activity traps," where being busy is mistaken for making progress.
- Companies should use OKRs to have regular conversations about strategy. This ensures everyone agrees on what matters and how to define success.

## 1.2 The Origin of OKRs: From Drucker's MBOs to Grove's Intel and Doerr's Google

The OKR system didn't just appear out of nowhere. It grew over time, building on older management ideas and improving through use in innovative companies.

### **Peter Drucker's Management by Objectives (MBOs) (1950s)**

The history of OKRs starts with Peter Drucker, a famous management expert.

- In the 1950s, Drucker introduced "Management by Objectives" (MBOs), saying managers' goals were important.
- MBOs tried to align individual goals with company goals to improve performance.
- However, MBOs were often reviewed only once a year and focused on individual performance. This made them slow to change and less helpful for teamwork.
- OKRs are a faster, more open, and results-focused version of these ideas.

### **Andy Grove at Intel (1970s)**

Andy Grove, the co-founder and CEO of Intel, created the OKR method.

- In the 1970s, Grove took Drucker's MBO idea and changed it into "Intel Management by Objectives," which later became OKRs. He wrote about this in his 1983 book, *High Output Management*.
- Grove's big change was adding measurable "Key Results" to every Objective to drive focus.
- He said Key Results should be milestones that break big goals into smaller, trackable steps.
- He also believed ideas for OKRs should come from the employees (bottom-up), not just bosses, to make people more motivated.
- He pushed for "stretch goals," where hitting 70% of a very hard target was considered a success.

### **John Doerr and Google (1999 onwards)**

John Doerr is largely responsible for making OKRs popular, especially in the tech industry.

- Doerr was an investor who learned from Andy Grove at Intel.
- Doerr created the name "OKRs". In 1999, he taught the system to Google's founders when the company had only about 40 people.
- OKRs became a core part of Google's culture and helped it grow successfully.
- Google used OKRs in quarterly cycles (every three months) to move fast and made everyone's goals visible to the whole company.
- Doerr's 2018 book, *Measure What Matters*, spread these ideas to more people.

## 1.3 Core Principles and Superpowers of OKRs

To use OKRs well, you need to understand the main principles and the "superpowers" they give an organisation. These do more than just set goals; they create a more active and honest work environment.

### Core Principles Recap

The OKR method is built on a few main ideas:

- **Big Goals:** Set hard objectives that push teams to do more than they thought possible.
- **Measurable Results:** Track progress using specific numbers.
- **Transparency:** Make OKRs visible to everyone in the company so everyone understands the priorities.
- **Alignment:** Connect individual and team work to the company's big strategy.

### John Doerr's F.A.C.T.S. - The Superpowers of OKRs

John Doerr uses the acronym F.A.C.T.S. to describe five benefits of OKRs:

1. **Focus:** OKRs force a company to stick to what is most important. By limiting Objectives to just 3-5 per cycle, you answer, "What are our top priorities right now?". This stops you from spreading resources too thin.
2. **Alignment:** OKRs create a clear connection from the company's vision down to individual teams. This ensures everyone moves in the same direction and avoids conflicting work.
3. **Commitment:** Setting and agreeing on OKRs creates commitment. Leaders promise to provide resources, and teams promise to hit the goals. Making OKRs public strengthens this promise.
4. **Tracking:** You watch progress constantly using the numbers in the Key Results. Regular check-ins help you spot problems early and make decisions based on data.
5. **Stretching:** OKRs encourage "stretch goals"—targets that are very hard and might not be fully reached. The idea is that getting 70% of a huge goal is better than 100% of an easy one because it pushes teams to innovate.

### How They Work Together

These superpowers are connected.

- You need **Focus** to get meaningful **Alignment**; trying to align too many goals creates chaos.
- **Alignment** creates **Commitment**, because people understand why their work matters.
- **Commitment** requires **Tracking** to see how things are going.
- **Stretching** only works if you have Focus, Alignment, Commitment, and Tracking in place to support the risk-taking.
- **Transparency** supports all of these by making everything visible to everyone.

## Other Key Principles and Benefits

- **Clarity & Communication:** OKRs force you to be clear about goals and talk about priorities.
- **Accountability:** Clear owners and numbers create natural accountability.
- **Engagement:** Involving employees in setting goals makes them care more.
- **Agility:** Short cycles (like quarterly) let companies change direction quickly when needed.
- **Innovation:** Focusing on outcomes instead of specific tasks gives teams room to come up with new solutions.

## 1.4 Strategic Benefits: Why OKRs Matter for Your Business

Using OKRs is more than just a new way to write goals; it provides benefits that change your company's future and health

- **Bridging the Gap Between Plan and Action:** A big challenge is turning high-level strategy into daily work. OKRs break big dreams into specific, time-limited steps. This ensures daily work truly helps the strategy.
- **Ensuring Focus:** In big companies, it is easy to get distracted. OKRs keep everyone focused on the same critical issues. By sharing top goals, everyone understands what matters most.
- **Driving Performance:** Many top companies use OKRs to grow fast. Google used OKRs to stay focused while expanding quickly. The focus on ambitious numbers pushes for better results.
- **Better Decision-Making:** OKRs help leaders make better choices. When priorities are clear and tracked with data, it is easier to decide where to put resources and what projects to skip.
- **Better Collaboration:** Because goals are public, teams work together better. When teams see each other's goals, they can coordinate and avoid doing the same work twice.
- **Sparking Cultural Change:** OKRs can change how a company feels to work in. Using principles like honesty, accountability, and learning from failure builds a more engaged culture

### OKRs as a Health Check

The process of using OKRs can also tell you a lot about your company's health.

- If teams can't define clear goals, leadership might not be clear on strategy.
- If Key Results are never met, it might mean resources are in the wrong place or there are skill gaps.
- If team goals don't match up, it shows that departments are working in silos (separately).
- The types of goals teams set show how willing they are to take risks.

Therefore, OKRs are a tool to diagnose problems. Seeing what is easy or hard about the process helps you fix weaknesses before they ruin big plans.

## 1.5 OKRs vs. Other Goal-Setting Frameworks

To understand OKRs, it helps to compare them to other common methods like KPIs, MBOs, and SMART goals.

### OKRs vs. KPIs (Key Performance Indicators)

- **Purpose:** KPIs measure the health of "business as usual" processes (like efficiency). OKRs are for driving change and achieving big new goals.
- **An Analogy:** KPIs are like the dashboard in a car (fuel, speed, engine temp) that tells you if the car is running well. OKRs are like the roadmap guiding you to a new destination.
- **Timeframe:** KPIs are monitored forever. OKRs have a deadline (like end of the quarter), and then you set new ones.

### OKRs vs. MBOs (Management by Objectives)

- **Evolution:** OKRs grew out of MBOs.
- **Measurability & Speed:** OKRs use strict numbers and happen faster (quarterly) than MBOs (annually).
- **Transparency:** OKRs are public to everyone. MBOs are usually private between a manager and employee.
- **Reward:** OKRs are usually not linked to salary, which encourages risk-taking. MBOs are often tied to pay, which can encourage people to set safe, easy goals.

### OKRs vs. SMART Goals

- **Scope:** SMART is a checklist to write a good goal (Specific, Measurable, Achievable, Relevant, Time-bound). OKRs are a whole system for running a company's strategy.
- **Application:** You use SMART rules to write good Key Results. A Key Result should be Specific, Measurable, Time-bound, etc.
- **Difference:** OKRs ask, "Where are we going and how do we measure it?" SMART just asks, "Is this goal written clearly?"

**Table 1.5.1: OKRs vs. KPIs vs. MBOs vs. SMART Goals: A Comparative Overview**

Feature	OKRs	KPIs	MBOs	SMART goals
<b>Primary Purpose</b>	Make big changes, align teams	Check health of current processes	Manage performance, align individual goals	Make sure individual goals are clear
<b>Typical Cadence</b>	Quarterly	Continuous	Annually	Varies
<b>Measurement</b>	Quantitative Key Results (outcomes)	Specific metrics (often outputs or process measures)	Often based on achieving set objectives	"M" for Measurable is a core criterion
<b>Ambition Level</b>	High ("Stretch" goals)	Expected targets	Variable (often safe goals)	Achievable
<b>Transparency</b>	High (Public to all)	Variable	Private (Boss & Employee)	Not defined
<b>Link to Pay</b>	usually No (encourages risk)	Sometimes	Frequent	Not defined

### Think of OKRs as a System, not a Tool

It is important to see OKRs as a full system, not just a tool like a KPI.

- A **KPI** gives you a number (e.g., website conversion rate).
- A **SMART goal** makes an objective clear.
- An **MBO** sets a personal target for a performance review.
- An **OKR system** sets an ambitious goal ("Improve new customer acquisition") backed by transparent, shared measurements that are checked regularly for learning.

The power of OKRs comes from all these parts—ambitious goals, numbers, transparency, and learning—working together. You must adopt the whole system, not just a new way of writing goals.