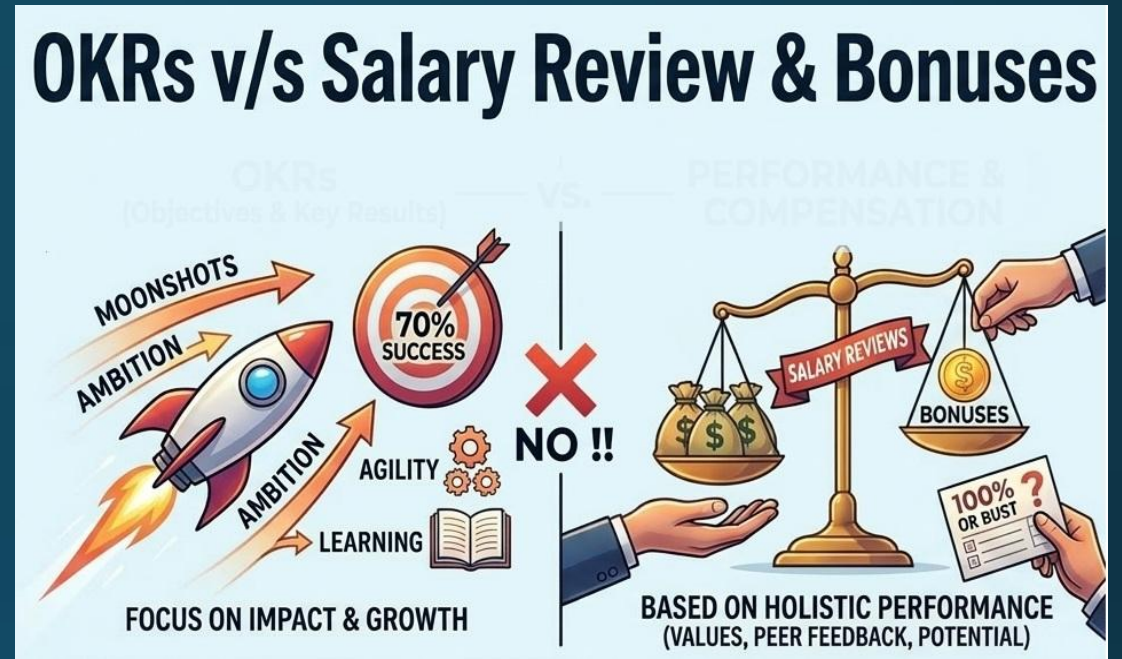


One of the dilemmas CEOs have is should OKRs be equated to salary reviews and bonuses !

The Answer is NO !!

When you are implementing an OKR framework - the core philosophy of OKRs is the separation of performance reviews from compensation - this is vital for maintaining a high-growth culture.



Here are five pointers on why salary and bonuses should stay out of the OKR conversation:

1. Encourages "Moonshot" Thinking

If a bonus depends on hitting 100% of a goal, employees will naturally set safe, achievable targets. OKRs must be designed to be ambitious, by decoupling them from pay, you are giving your team the psychological safety to aim for "stretch goals".



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2. Prevents Goal "Sandbagging"

When money is at stake, teams negotiate for the lowest possible targets. Removing pay from the equation shifts the focus to maximum impact.



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3. Enables Agility

If an employee's bonus is contractually tied to a specific OKR set in January, there will be reluctance to pivot to a more important priority in June. Decoupling allows the company to shift priorities without hitting employees' pockets.



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4. Distinguishes Output from Impact

Salary reviews are often based on a backward-looking summary of a person's past performance, market rate etc. OKRs are forward-looking and focus on specific, measurable business outcomes.



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5. Fosters a Culture of Learning

OKRs are meant to be a diagnostic tool, if a team member/team misses a goal, it's an opportunity to learn. If that miss results in a smaller bonus, the discussion of the failure moves away from learning to manager-subordinate blame game.



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Thumb Rule

Use a holistic view (values, peers, potential) for pay, and let OKRs be the catalyst for organizational speed.



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