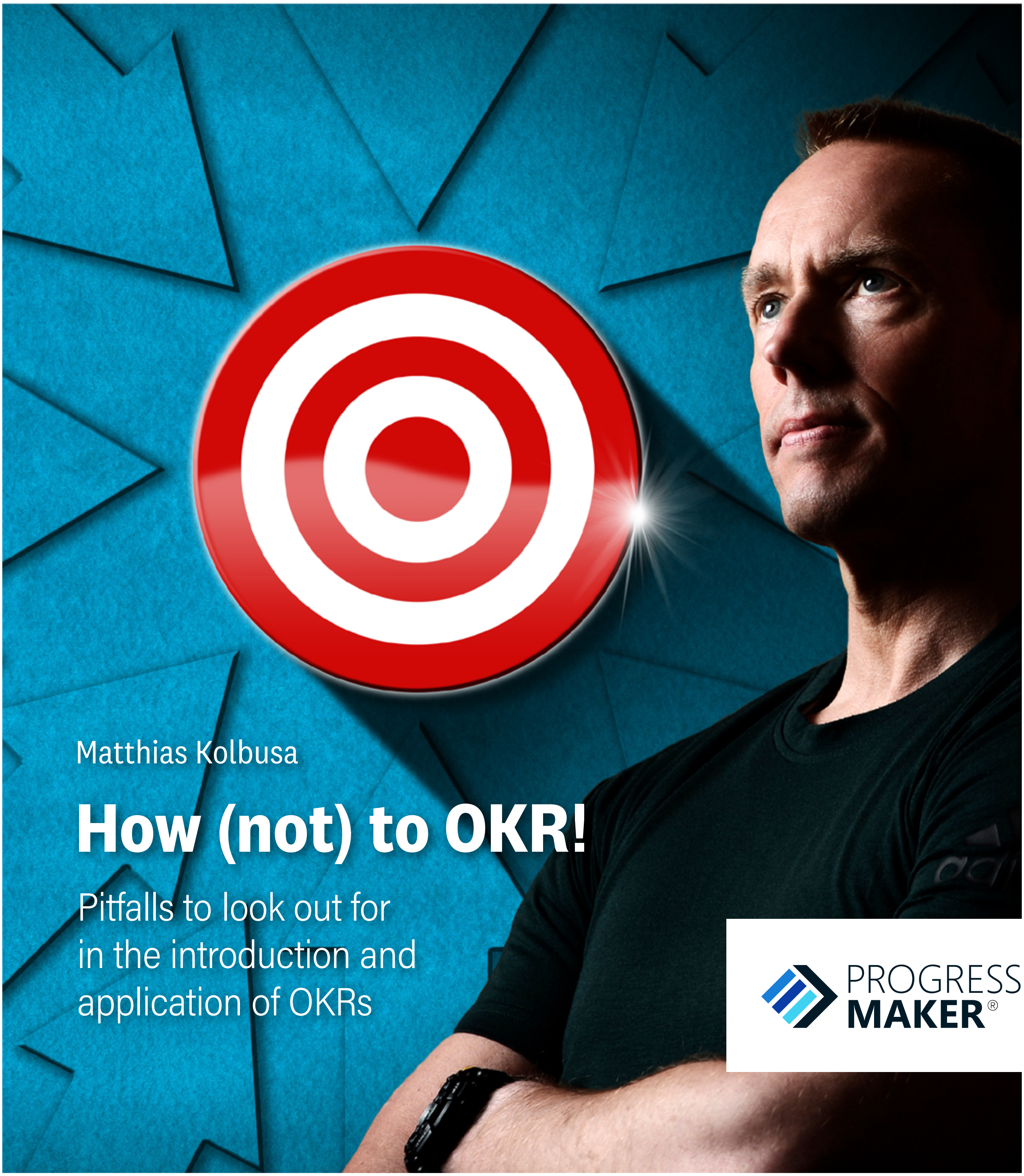
Harvard Business manager

**Special publication**
from Issue 6/2023



Matthias Kolbusa

# How (not) to OKR!

Pitfalls to look out for
in the introduction and
application of OKRs

# Clarity and Control

More and more companies are trying to implement their plans more speedily and effectively with the use of Objectives & Key Results. Yet, beautiful and simple as the method is, there are some pitfalls lurking in the application.
A guide.

Von **Matthias Kolbusa**

In business as in life, the more confusing the situation you find yourself in, the more you need to get your bearings. Unsurprisingly, Wolfgang Neubauer, Managing Director of ProSiebenSat.1 Tech Solutions, spends much of his time in front of an electronic meta-plan wall, brainstorming with his team. On the wall are written in large letters numerous objectives of the business unit, which with all their interconnections appear at first glance to resemble a gigantic ball of spaghetti. The IT and technology unit of ProSiebenSat.1, which Neubauer heads, holds the responsibility for leading the media company into the digital age.

In taking on such a mammoth task, Neubauer and his team decided to use the Objectives & Key Results (OKR) management method. This tool, first devised by management pioneer Peter Drucker, allows a high degree of focus on objectives and results. Another plus point is that the practitioners have relative freedom and flexibility in their approach.

The term “objective” stands for a state of affairs that should be attained in a maximum of six months. “Key results” are the measurable stage values that grow continuously along the way and show progress. The way in which the objective is achieved is left to the OKR team. The decisive factor, however, is the monthly progress.

Things like milestones and regular reporting from classic project management simply have no place in the OKR method. Members of the OKR teams instead assess their progress on the basis of three questions:

- Do you think you can reach the objective?
- Are all key results showing progress?
- Where do you need help in terms of decision-making and support?
(see also box on next page).

OKRs force clarity and discipline, but also facilitate greater personal responsibility and freedom. This objective-focused orientation pays off, as productivity and speed of implementation are high. But the method also has its pitfalls. In my practice as a consultant for implementation management, I have identified four key challenges:

## Challenge number 1: Finding the right entry point

The introduction of OKRs can take place in different ways. Thyssenkrupp Steel, for example, took an “all-in” approach and completely converted all its divisions to the new OKR method overnight. Each initiative and each area of the Steel division had to define its objectives for the next three to five years and then pursue them systematically with OKRs in half-year sprints (see “How thyssenkrupp is transforming its steel division”, Harvard Business Manager, December 2021).

The energy service provider Techem took a completely different approach. In the form of an “OKR sneak-in”, the Eschborn-based company initially concentrated on four initiatives relating to the digitalization of heating cost billing. Only then did it transfer the method to all other corporate initiatives.

The question of what constitutes the best way of introducing OKR can only be answered by each company for itself. Without doubt, the ones who go “all-in” will quickly see results. This radical cure can also help to break down silos and promote networked, issue-centered collaboration. However, the rapid progress also has its price: without a sustainable change in leadership and management – from the top echelons down to the project manager – as well as intensive support for all those involved, it will simply not work.

If you want to get the relevant people in your company firmly on board and acting in accordance with the OKR principles, you have to ensure that there is a competent support team in place. On average, two “themes” (i.e. areas of corporate activity) need at least one supporter (also referred to as an “OKR champion”, see glossary page 52). So, if you want to use OKRs to achieve ten initiatives in your company – for example digitalization, a sales offensive and a sustainability program – you should free up at least five employees to support the process and participants.

## Compact

**The problem**
The Objectives & Key Results (OKR) management method is gaining popularity in companies. When compared to traditional project management, OKRs allow a high degree of focus on objectives and results. Projects are built on the basis of outcomes, and not on the classic path of processes. However, companies need to overcome some challenges and avoid certain pitfalls when using this method if they want to enjoy the benefits, namely higher productivity and the speedier implementation of projects.

**The solution**
You need to find the right entry point into the method. Do you want to apply OKR to all of the company’s areas of activity, or restrict it to just a few initiatives? You should also bear in mind that a different mindset is required. The approach is very different from traditional project management. Furthermore, you need to think of your Key Performance Indicators and OKRs together. One does not replace the other. And, finally, you should closely scrutinize your existing project portfolio with regard to the OKRs and, if necessary, also be ready to bury projects.

Focus and progress

**PRINCIPLE 1: FOCUS**

An OKR process is extremely results-oriented by nature. In order to fully embrace the results principle and to apply OKRs successfully, a consistent distinction between the terms “impact”, “outcome”, “output” and “input” must be made:

**Impact** is a business end effect, for example, increased turnover, reduced costs, a higher market share or a more satisfied customer.

**Outcome** is the stage before impact: an initial tangible success, for example, sales-related customer interest, realized process potential or positive product feedback.

**Output** denotes the direct results of a company’s actions (the input), such as a marketing concept, an IT architecture or a web design.

**Input** comprises activities such as process workshops or sales training.

The number one golden rule of progress applies here: each objective has an impact and/or outcome. This ensures rapid and relevant effects from a business perspective, so that, after six months for example, a company not only has a marketing concept in its possession, but is already feeling the first customer effects.

**PRINCIPLE 2: PROGRESS**

An OKR process is always about what has been achieved: Every key result must grow every month. No matter how little or how much, the main thing is to make progress. This number two golden rule of progress ensures that, during a six-month OKR, you do not relapse into the way of working in a classic project, where one thing is dealt with after another.

Rapid progress comes at a price – without sustainable change in leadership and management, there will be no progress.

In the case of an OKR sneak-in, you have to decide which themes you want to start with. It is advisable to start with at least two themes, as learning the method also involves training in managing OKR dependencies – both in terms of content and resources. Often, you can only aim for one stage objective when you have achieved another. Only then is effective prioritization possible. On a meta-plan wall, it may resemble a ball of spaghetti, but if you look closely, you can quickly see which key results or objectives need to be achieved on the way to the next three- or six-month OKR Sprint.

If you prefer to enter the new world step by step, you should not make the mistake of starting with only minor objectives. It is better to look for an area of activity that is important for your company. Then, successes measured in terms of outcome and speed of implementation will also be noticeable.

## Challenge number 2: Changing the mindset

A change of mindset is necessary for the successful application of OKR methodology. Both the definition of the objectives and the key results, as well as the work done in the OKR teams and by the OKR champions, differ from classic project management. There are no project objectives, but rather a precisely described target status that the team has agreed on. The question of “Why?” (i.e. for what reason?) is always present: Are all key results growing? If not: Where does support or adaptation need to be provided? Each stage must contribute to the achievement of the objective.

An OKR should have achieved at least one outcome after six months at the latest. The expectation is high, but it is also the decisive success factor in the method.

So that the target status is never lost sight of, regular meetings for “OKR crafting”, progress management and retros are helpful. Questions need to be asked about the content: “What exactly will be different if our joint project is a success?" You should encourage your staff to visualize the target status – including the figures, data and facts. Good objectives are like "mini time journeys" that describe the future target status. Only then is it a question of what has to happen for the shared vision to become reality.The purpose of key results is to make progress measurable. Here, the appropriate question is: "How can you know that you are on the right track?" But a word of caution! Key results are not to-dos or inputs; rather they indicate progress towards the target status, because the path is not prescribed.

Well-formulated and ambitious Key Results are the key to successful OKR management. It may be tedious to identify all the milestones, but the work pays dividends. Make sure you have regular meetings to reflect on progress together. As a rule of thumb, this should be a monthly progress meeting with all OKR owners, which can also be divided into groups, to reflect and steer the overall progress. It is advisable to hold OKR meetings every one or two weeks, in which the individual OKR teams coordinate their activities.

## Challenge number 3: Thinking of OKRs and KPIs together

Key figures that measure the success, performance or workload of a business also existed before the OKR method. KPIs are usually limited to financial figures or other company-relevant statistics, and render the setting and achievement of objectives measurable and traceable (such as delivery reliability at thyssenkrupp or punctuality at Deutsche Bahn). OKRs, on the other hand, are the means to achieve the objective. KPIs and OKRs, therefore, go hand in hand; one does not replace the other.

Example: The energy service provider Techem quickly and successfully increased customer satisfaction and EBIT margin per customer with OKRs – classic KPIs.

## OKR Glossary

**Theme/Initiative Owner** Responsible for a longer-term theme, such as digitalization, a growth initiative, Operations 2.0, which is described via meta-OKRs in the target status.

**Meta OKR** Describes in two or three sentences a target status in the distant future (two to ten years). It always consists of an outcome (what will be different in the future?) and an impact (with what benefit?)

**Impact** A business end effect, such as reduced costs, increased turnover, higher customer satisfaction.

**Outcome** An effect directly preceding the impact: for example, process potential realized, reduced waiting times, interested customers. Important: It is already a business effect, but not yet an impact!

**Output** The direct result of a company's activities (input): for example, a marketing concept, web design, better trained service staff, process potential identified.

**Input** Activities that are undertaken and lead to output. For example, sales training, customer interviews, coding, market analysis.

**OKR** Consists of an objective, i.e. a target status to be achieved in a maximum of six months, with at least one outcome and two to five Key Results.

**OKR Draft** An outline objective from a management perspective with bullet points that indicate a rough direction of the target status for the OKR.

**OKR Crafting** The development of an OKR based on an OKR draft, with everything that entails (objective, key results, key actions), so that the OKR owner and OKR team are fully behind the target status (objective).

**OKR Owner** Is responsible for achieving the target status, leading the OKR team and ensuring continuous progress on the key results.

**OKR Team Member** Is part of an OKR team typically consisting of five to nine people. The team strives together to achieve the target status by regularly agreeing on the next steps to move the key results forward.

**OKR (Bi-)weekly** The regular (i.e. every one to two weeks) operational meeting of each OKR team to evaluate progress using the key results (output/outcome) and to agree on the next steps with a view to the following two to six weeks.

**OKR Sprint** A three- or six-month sprint to which all OKRs are aligned. Content dependencies and resource dependencies are considered in the planning of the next OKR Sprint.

**OKR Champion** OKR-experienced, internal employee who assists the theme/initiative owner within the framework of an initiative. He/she helps OKR owners and OKR teams to set up and manage OKRs, both in terms of content and methodology.

**OKR Supporter/Coach** Internal or external employee who works in a governance/steering role and who is responsible for the OKR process for one, two or three initiatives.

**OKR Retro/Review** A meeting of all theme/initiatives and OKR owners every three or six months (depending on OKR sprint design). The participants reflect on how well the OKR work went methodically, and what they can do better in the next OKR Sprint. Most importantly, they fine-tune the OKRs for the next OKR Sprint.

## The six traps

| **TRAP 1:** OKR JUNGLE | **TRAP 2:** FIXATION ON ACTIVITY | **TRAP 3:** OKR FAKING |
|---|---|---|
| **Problem:** After the first successful OKR attempts, companies quickly get into a frenzy; there are more and more OKRs, so that it becomes difficult to see the woods for the trees, and now you're faced with a jumble of OKRs.<br><br>**Solution:** Between the "Why?" (purpose) level, the KPIs, and the individual OKRs, insert a "What?" level with the longer-term objective conditions to be achieved, the so-called Meta OKRs. | **Problem:** People are naturally more focused on activities and prefer to talk about what has been done and what needs to be done next. This fixation on activities is typical of conventional management. Instead, thinking in terms of target statuses (objectives) and progress criteria (key results) is a completely new mindset.<br><br>**Solution:** All OKR status meetings conform to the "no how" principle. That is: Never ask for the "How?", but rather focus on objectives, progress and conditions. For example, in the OKR team meetings, always start with the key results already achieved and only then talk about measures planned for the next four to eight weeks – in order to achieve a next stage objective. | **Problem:** If the OKR teams are not initially helped along by an intelligent supporter/OKR champion structure, they quickly resort to simply redesignating things – basically doing exactly what they did before, except that the aim of the project is now called the objective and the milestones are called key results (I sometimes call this "management dressed up as agility"). This creates another method and administration monster without any benefit<br><br>**Solution:** OKR teams need to understand that an objective is not the synthesis of what you think you need to do, but the genesis of what needs to be done. Set up an OKR supporter structure that helps your staff to always think, discuss and act in terms of the target status. |

# If projects do not serve a target status or do not have a clear KPI reference, they can be buried without further ado.

The company had asked itself what exactly would be different in three years' time, and how these KPI objectives would be achieved. This target status consisted of a total of 35 smaller individual target statuses, so-called meta OKRs, which were to be achieved in the next three years. Typically, they read like this: "Through a new service partner model, we have tripled the immediate resolution rate of customer concerns" or "The user experience in the customer portal is such that our customers have demonstrably had a 'wanted and found' experience and no longer one of 'wanted and disappointed'". Based on these meta OKRs, the six-month OKRs were then determined one after another.

KPIs are indicators used to set objectives and measure performance. They measure results in the form of impacts. Key results are used to assess monthly progress against a target status. Anyone who fails to realize this change of perspective will quickly get entangled in a trap such as the OKR Jungle or OKR Cacophony (see box above).

| **TRAP 4:** OKR CACOPHONY | **TRAP 5:** TOOL ENTICEMENT | **TRAP 6:** OKR EROSION |
|---|---|---|
| **Problem:** Everyone is working with OKRs, but each department does so in a different way, and there is no cross-departmental cooperation – despite the fact that it is precisely between the silos that the greatest potential for implementation lies. If the OKRs are not orchestrated with the help of overarching target images (Meta OKRs) and roadmaps, large amounts of potential will remain unutilized<br><br>**Solution:** Create one and the same OKR rhythm for everyone in the company. OKR terms of six months are often a good idea. If your financial year is the same as the calendar year, you can celebrate the successes of all divisions in December and June from the current sprints and agree priorities and OKRs for the next sprints. | **Problem:** Working with OKRs is essentially a question of attitude: Do we think and work consistently in terms of the result and focus our discussions precisely on these aspects? Or do we fall back into old patterns and prefer to ask for the exact plan for the coming weeks or months, and do we want to know who will do what next and when?<br><br>**Solution:** There are good OKR tools on the market, for example, Ally.io, Cascade, Leapsome, ProgressMaker and Workboard. However, it is better at first to create your OKR structures (such as target statuses) and OKRs without tools. Only then will you understand the structure and mindset of this method. | **Problem:** The worst enemy of OKRs are so-called “dazzlers”. No wonder: Because of the “no how” principle and the two golden rules of progress, a lack of performance in OKR meetings can no longer be concealed with good PowerPoint slides or clever rhetoric. It is, therefore, not uncommon for OKRs to be understood and implemented more quickly at board and staff level than at the sandwich level (middle management).<br><br>**Solution:** OKRs are the sole steering instrument – including in all top management meetings – and are used consistently and without exception. Make sure to involve all staff in the formulation of the OKRs, in order to set objectives not only top-down but also bottom-up. And be sure to take a deep breath: it usually takes around 18 months for all those involved to realize how productive this approach is for themselves as well. |

## Challenge number 4: Enmeshing the new with the old

If you want to be successful with OKRs, it must be clear that, as long as nothing new comes along, the old will continue to apply. Only when the KPI and objective visualization landscapes are in place (which usually takes two to three months) can the existing project portfolio be placed alongside the new structure and sorted according to the following categories:

- **1st Category:** Can the current project be assigned to one of the defined partial target statuses? If yes: Is more than 50 per cent done? Then just finish it! If not: Convert to OKRs.
- **2nd Category:** If an existing project contributes to multiple partial objectives at the same time, caution is called for here: you are probably dealing with one of those typical monstrous long-running projects that take years to deliver benefits. Systematically break the project down into individual OKRs that are based on your objectives.
- **3rd Category:** If a project does not serve a target status and has no clear KPI reference, this is a clear sign that it should be buried.

## Conclusion

In his 1964 book *Managing for Results,* management mastermind Peter Drucker already stated that projects should be approached from the aspect of results rather than measures to be taken. Wise as the insight of this pioneer was, it was not put into practice for a long time. But since John Doerr introduced OKR at Google, an increasing number of companies have ventured into the methodology – and with great success. The advantages are obvious: it is extremely results-centric, and its use increases productivity and speed of implementation. This is independent of whether a company plans to introduce OKRs in all areas or only wants to use the method for a larger program or a transformation. Companies that fully embrace OKRs can adapt more quickly than classically managed competitors to an environment that is constantly changing due to external factors. 

Author

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## How (not) to OKR!

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"We can't see the wood for the OKRs!" says Wolfgang Neubauer, Managing Director of ProSiebenSat.1 Tech Solutions. One of his many responsibilities is catapulting the TV station into the digital age, which often leaves him staring in frustration at a huge electronic meta-plan wall displaying all the OKRs – their interdependencies make them look like a ball of spaghetti.

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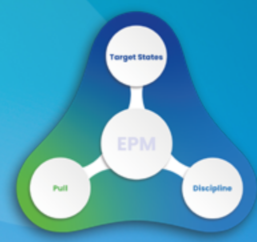


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