

VALUE STREAMS: SETTING AND TRACKING OKRS TO ENABLE AGILITY IN YOUR ORGANIZATION

By Nicholas Murphy

Since Andy Grove, the CEO of Intel, adapted Peter Drucker's Management by Objectives (MBO) into Objectives and Key Results (OKRs) in 1970, the methodology has become increasingly popular over the last 50 years. Many household tech brands have adopted this methodology since then, with founder Larry Page attributing OKRs to the speed of Google's success. Now more and more organizations are adopting the methodology with it becoming increasingly popular in financial services. So, what are OKRs and why should you use them?

WHAT ARE OKRS?

Many companies have a vision for the future and the impact they are going to have on the world, be it the SpaceX vision for humanity to become a space faring species, or PayPal's vision to enable every person to participate in the global economy. OKRs are a methodology used to break down an organization's vision and create steppingstones towards the destination with each objective taking you one step closer to the end goal. OKRs are made up of 2 key components, an **Objective** and a number

of **Key Results** which support the delivery of that objective. The **Objective** highlights a qualitative and aspirational goal, defined for a specific period (typically 3 months but this cadence can be adapted to best meet the need of the organization). **Key Results** provide quantitative metrics to assess if the objective has been met by the end of the period, the recommendation is 3-5 **Key Results** per **Objective** to focus on the most impactful elements of the **Objective**.

HOW DO OKRS WORK?

OKRs are designed to align company vision, strategic goals, and team objectives into measurable results. Objectives inspire and provide a clear direction towards bold and ambitious goals which are set yearly or quarterly with **Key Results** showing the

way and measuring your progress towards the **Objective**. This alignment clearly shows how the work being delivered by teams directly impacts the organization's strategic goals, something many organizations struggle to do.

WHAT DOES A GOOD OKR LOOK LIKE?

Writing OKRs is a skill that takes time to develop, at Capco we suggest keeping it simple by limiting to five **Objectives** in a cadence, with each **Objective** having 3-5 Key **Results**. It is recommended the cadence for OKRs is set annually (for strategic goals) or quarterly but reviewed monthly to understand how progress is tracking and should be publicly visible to everyone in the organization.

Now for the interesting part, **Objectives** are not designed to be completed; in fact, it is considered a negative if you complete an **Objective** as you just weren't ambitious enough, it is considered a success if an **Objective** is only 70 percent complete.

By following the recommended approach by limiting the number of OKRs and ensuring these are reviewed publicly on a cadence, OKRs will become the cornerstone of value measurement within your organisation.

WHY SHOULD YOU USE OKRS?

Our research has found that 58 percent of employees can't name the top three company objectives. Moving to an OKR methodology helps to provide visibility and transparency of the organization's vision, strategic goals and objectives. OKRs encourage teams to be ambitious and push themselves to find innovative solutions to the organization's toughest problems instead of focusing on revenue and profit KPIs. OKRs have shorter cycles than traditional annual fixed planning which enables teams to learn and adapt quicker making OKRs a true enabler of Agile transformation.

Supporting effective OKR adoption at every level requires the alignment of strategic and delivery focused outcomes in order to embed the practice into the organizational DNA. At Capco, we use our expertise to support our clients with the transition into the OKR methodology by gaining organisational buy-in, leadership support, setting clear timelines, and developing appropriate analytics to deliver a consistent approach. If you are interested in talking to us about your OKR journey please reach out. It would be great to hear your story.

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