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VIEWPOINT

OKRs: REDEFINE SUCCESS FOR A NEW ERA

Incumbents across industries should practice OKRs — a shorthand for objectives (O) and key results (KRs). Here, firms break down calculable outcomes into transparently defined and commonly understood tenets for a strategic alignment. This is a formulaic and transparent way for firms to enhance customer-centricity and become among the Fortune 500.

Infosys® | Knowledge Institute

OKRs help firms stay focused while innovating, all in a bid to remain flexible, strategically positioned, and evolve with customer demands. Organizations such as Google, Intel, LinkedIn, and Infosys use OKRs for better customer engagement, digital services, and higher profits.

Investor legend John Doerr first introduced OKRs to Google in late 1999. Since then, OKRs have reformed the way firms define their priorities, make money, and drive customer impact.[1]

Objectives (O) are a firm's key strategic vision and team-level rationale for the efforts spent. They lead each employee toward customer and client success and encourage teams through individual actions, emotions, and behavior to accomplish common yet important goals. Objectives (O) ensure timely completion of goals and significant business value.

Key results (KRs) are metrics and initiatives to make a firm's vision and roadmap impactful.

OKRs bridge the gap between strategy and execution to transform enterprises from output-based to Agile outcome-focused.

OKRs develop leaders, inspire workers, and unify teams. By measuring what matters, OKRs help the Gates Foundation mobilize against disease and poverty in Africa. They drive Google in its quest to make the world's information freely accessible to all. They also help Elon Musk and Tesla encourage employee engagement around measurable stretch goals.

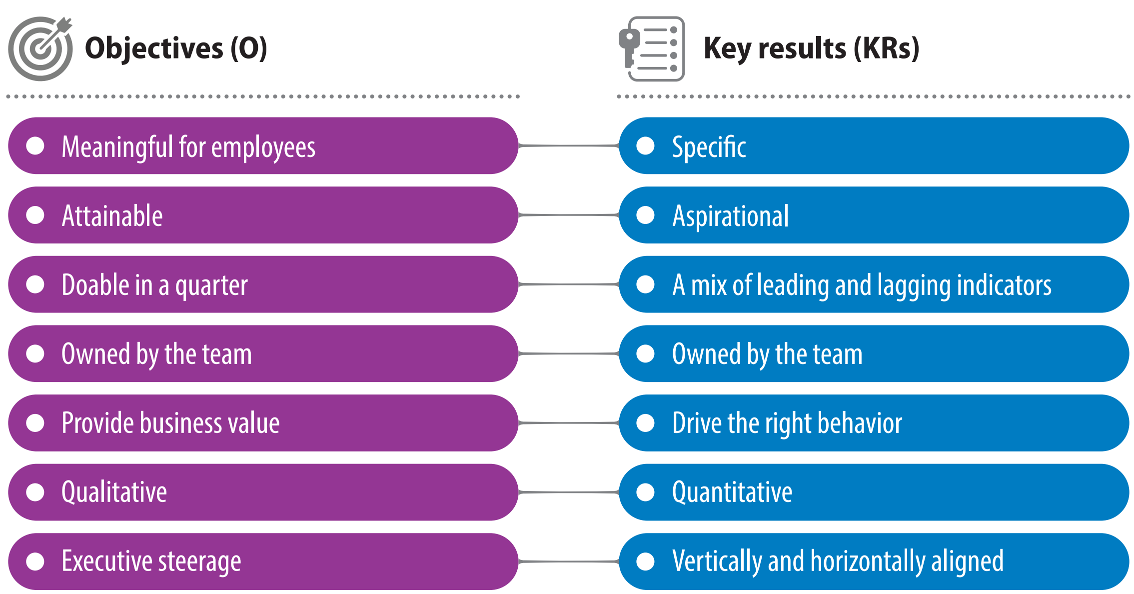
In his vision to bring the ONE Campaign to Dalori (Nigeria), Bono, the lead singer of the rock band U2 and a prominent human rights activist, said, "ONE isn't standing on our passion. We're not standing on moral outrage. We're standing on a foundation built on certain principles, and with walls and floors — with a certain structure of thinking from the OKRs. It takes intellectual rigor to effect change; it requires very serious strategies, indeed."[2]

OKRs are not KPIs

OKRs break the status quo and ensure the firm is future-focused and directional. They are aggressive, bold statements of intent with a fixed duration. For example, one OKR could be to increase gross profit margin by 30% for the first quarter. Conversely, key performance indicators (KPIs) improve an ongoing process or activity and monitor the steady state of a business. They are a result or a leading indicator. Rather than stretching the firm to achieve more, they provide definite benchmarks for decision making. In all, OKRs are set for a fixed duration and revised or crafted after that, while KPIs are measured continually.

> OKRs are aggressive, bold statements of intent that ensure the firm is future-focused and directional

Figure 1. Characteristics of OKRs



Source: Infosys Knowledge Institute

OKRs in high-tech and manufacturing

OKRs are useful for all industries. The high-tech and manufacturing industry should aggressively implement OKRs for the maximum business impact (see Figure 2). The industry is at the forefront of Agile transformation, including the use of cross-functional, collaborative, and autonomous teams, as discussed in our Agile Radar research.

Getting data is becoming relatively easier. The harder part is pulling it together and leveraging it to get meaningful, actionable insights.

Organizations that get this right by putting the right data in the hands of the right people will build better, more informed customer experiences that will bring consumers back to them.

Challenges on the ground

Firms struggle to institutionalize OKRs for many reasons. CEOs must be on board so that the urgency is translated down through the business hierarchy. The transparency of information, a necessary conduit to bring all levels of the organization onboard, is difficult too. And then, sales, marketing, and operations teams don't share their knowledge easily. Also, senior management approvals for initiatives take so much time and don't immediately reflect under account statements.

Unless the executive vision is clear, transparent, and actionable, stringent objective-setting can be counterproductive. Poorly defined objectives lead to employee burnout and induce a demoralized company culture. Done badly, OKRs give employees little say in the end products or services produced.

OKRs should be built with bottom-up intelligence (i.e., involving frontline

Figure 2. Example OKR setting for high-tech and manufacturing

Objectives (O)	Key results (KRs)
Advance operations	Increase first pass yield effectiveness from 80% to 90%, rise throughput rate from 50% to 60%, and reduce change-over-time for production lines from 50 minutes to 20 minutes.
Increase annual revenue	Increase average gross profit margin from 20% to 60%; increase average company deal size by 40% (with upsells); increase the sales conversion rate from 60% to 80%.
Improve sales process effectiveness	Increase win rate from 25% to 50%, hire a dedicated sales partner for every account with >1 million annual contract value (ACV), and increase net-new sales revenue by USD 150 million.
Increase monthly revenue	Increase average monthly subscription size from USD 250 to USD 600; increase monthly recurring revenue (MRR) from USD 390 thousand to USD 1 million, and increase monthly subscription renewals from 24% to 55%.
Improve marketing operations	Increase marketing-originated customer percentage from 30% to 80%, boost lead conversion ratio from 6% to 15%, and increase advertising spend returns from 20% to 66%.
Improve the financial accounting process	Complete 88% of financial processes/orders two weeks before end Q1; increase financial reporting accuracy from 96% to 98%.

employees), with light steering from the executive suite. Employees then become value drivers in the firm's goal setting.

This works well for the business too. Employees closest to the work have in-depth knowledge about how best to achieve business outcomes. They understand all possible alternatives to the product or service being built.

As Kurt Bittner writes in Scrum.org, "when organizations free their people to contribute using all of their knowledge, experience, and passion, they achieve better results."[3]

From activities to outcomes

OKRs can be dangerous in unequipped hands. But done right, they improve focus and deliver better business outcomes.

Scrum.org has developed its own OKR improvement framework Evidence-Based Management. In this framework, OKRs are expressed in terms of outcomes rather than activities and outputs.[4]

ACTIVITIES

Employees' actions, such as developing products or services, initiating plans, and attending meetings.

OUTPUTS

Tangibles produced by organizations, such as products, services, reports, and presentations.

OUTCOMES

Changes in customer satisfaction or user experience. Other tangibles include better ESG scores, service line certification, and brand value.

Objectives as activities reduce business innovation and process improvement, and as outputs lead to employee micromanagement. But objectives as outcomes institutionalize the real goal of achieving activities and outputs, giving the firm a true North Star to work toward.

In many ways, objectives, key results, and activities (or Agile product backlog items) form a hierarchy (see Figure 3). Once devised, OKRs are graded after the allotted time has passed, with organizations' preferred scoring system. For instance, Google grades OKRs on a scale of 0 to 1, with a sweet spot at 0.7 to 0.8, showing the firm has met the objective. If the score is too low, the OKR can be rolled over to the next period, and if too high, the firm could revise OKRs. OKRs can also be graded using a red, amber, and green traffic light system.

Top-down approach to build OKRs

Business should work with IT to build OKRs into their operating models. The high-level corporate objectives should also have inputs from the middle management for greater transparency and effectiveness. Team Os and associated KRs should have inputs from employees of diverse fields. Most importantly, OKRs should be set

Figure 3. How OKRs and the Agile product backlog combine in manufacturing

Objectives	Key results	Product backlog items	
Increase production volumes by x tons by Q3	Decrease cycle time from X to Y	Integrate automation tools (RPA) with the current system	Ensure raw material supply is updated in real time and forecasted accurately to minimize wait time
	Increase production capacity by two lines	Remove "blockers" in the product process	Set up new plant in Nordics region by Q2
	Decrease process rejections by x%	Ensure material is defect free before assembling	Increase sample size to 10% from 5% for quality inspection of raw material before being loaded onto assembly line
Decrease quality rejections by x%	Bring down plant PPM (parts per million) from X to Y	Increase visibility of operations across design and manufacturing	Ensure stricter quality check by vendor X before supply of raw material
	Bring down customer rejection on finished goods to s%	Onboard customer early in the process using a digital twin of the factory	Customer demos of working prototypes to be increased
Create and foster a safe culture	Ensure zero accidents in the plant	Upskill workers using augmented reality (AR) techniques	Create and launch online training module on plant safety by Q1
	Increase safety awareness to 100%	Ensure all workers undergo online safety training	Increase awareness on emergency reporting for all plant workers

Source: Infosys Knowledge Institute

at the executive level and cascaded down quickly and thoughtfully. This is difficult because of the changing shape of the original goal while passing through at speed across various departments. Tracking the OKR then becomes imperative, with management commitment achieved early on, and a robust mechanism in place (see Figure 4).

Intel overcame the inherent difficulty of OKRs to overtake Motorola as the preeminent manufacturer of chip devices and microprocessors in the late 1980s. The company worked in an agile cadence, with all stakeholders involved in the company vision. But the main sticking point was CEO Andy Grove's insistence on clear communication, transparency, and senior management involvement in an easy-to-understand OKR-setting. In the words of one chip architect: "We moved fast because OKRs were cascaded quickly both vertically and horizontally. Money was freed up, and excitement pervaded everything the organization touched, from materials used to marketing brochures handed out to at each conference. It was also important that events sales personnel were attendant to sell the microprocessor to hungry clients."[5]

Another great feature of Intel's OKR strategy was that the core tech remained as is; the microchip and the overall product stayed the same, but the marketing strategy made a strong pivot (an effort internally known as "Operation Crush"),[6] along with the sales and delivery, operations, and thought leadership.

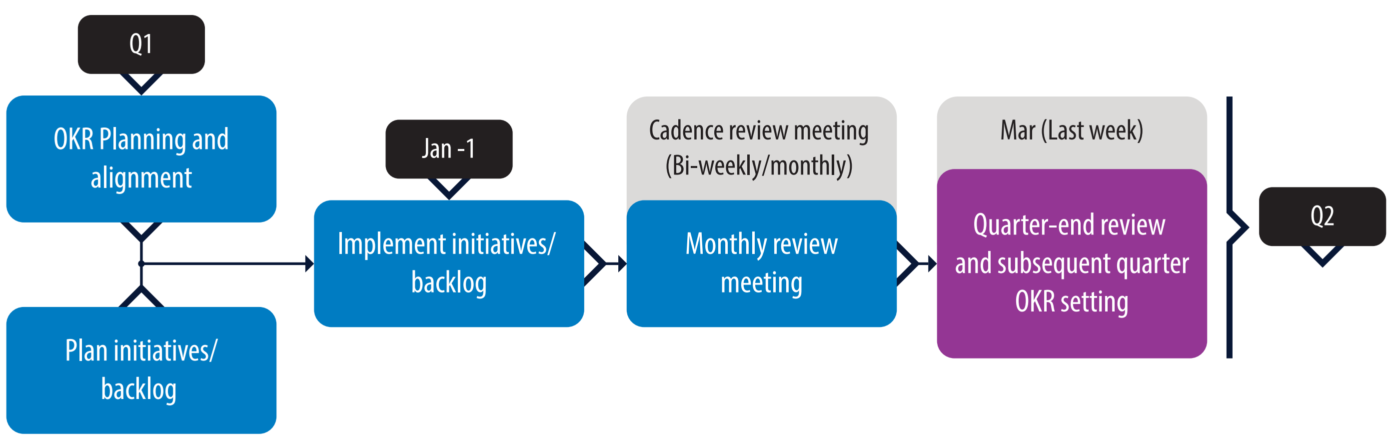
Strategic budget is vital

SpaceX, led by Elon Musk, also uses Agile. Its employee-level KPIs include burn-down rate, cycle time, and technical proficiency.[7] The company now looks toward more holistic, long-term, business-driven objectives and results[8] to drive efficiencies and achieve corporate and social success. For this, a strategic budget is necessary.

A launch of Falcon 9, a precursor to Musk's Starship voyager to Mars, costs a relatively modest $67 million — 24 times cheaper than NASA at $1.6 billion. Musk and his team achieved this by developing reusable rocketry. They also borrowed money cheaply and utilized the Spotify, Meta, and Silicon Valley method of "fail fast and break things". This is an amazing feat, given the complexity and dangers of space travel.[9] As Cliff Berg writes in Medium: "SpaceX has made a sophisticated design work, not by trying to perfect it for years before building anything and getting it just right, but by making their best design and then trying it, pushing it to its limits where it blows up, measuring everything about what happens, and then going back to the drawing board and trying again — and again, and again."[10]

Of course, ongoing expenditures are still significant. The number of Falcon 9 launches reached 31 in 2021, with over $2 billion currently being spent by the company per year on lift-off alone. And this doesn't include the expense of the SpaceX Starlink and Starship endeavors.[11] The firm now plans a strategic budget for upcoming actions, much ahead of other fast-growing organizations.[12] The Infosys Knowledge

Figure 4. OKR tracking mechanism



Source: Infosys Knowledge Institute

Institute's recent Modernization Radar 2022 research found that using a strategic budget instead of discretionary increases revenue by more than 11% year-on-year.[13] A good dose of on-the-ground OKR work leads to more communication and strategic alignment. It also aids regular monitoring and periodic revision of a firm's business case and roadmap. And that's how the firm moves from "doing Agile" to "being Agile."[14]

The real sticking points

Most organizations can't just make ad hoc process improvements and achieve success in the 21st century. Unless goals and associated work are written down, organizations often forget where they are headed. Some studies show that unless organizations put learned materials to use, they have negligible impact.[15] All shareholders, including customers and clients, must know where the firm is heading, both now and in the future. This extends the way firms treat their employees, use materials, implement artificial intelligence (AI), and consider social issues such as practical sustainability and surveillance tech.[16]

OKRs, the Infosys way

Infosys uses OKRs productively in many domains. It has built organizational initiatives such as sustainability, environment protection, and employee diversity into the OKR model.

In 2020, Infosys published its ESG vision for 2030 (see Figure 5). Commitments across core areas include technology for good, climate change, revitalized local communities, inclusion, and diversity. They also include information management, cyber posture, ethics, and transparency. This legacy of purpose and impact has inducted Infosys into the Dow Jones Sustainability Indices (DJSI) and made it a part of the DJSI World and DJSI Emerging Markets Indices.[17]

Toward the live enterprise

Unless firms concentrate on processes, they forget the work performed, the successes gained, and the skilled workers. OKRs transcend day-to-day pain points by focusing organizations on tangible business outcomes. They ignite productivity by ensuring that work performed is rewarded accordingly. They improve business roadmaps, going beyond casual group-think exercises. They also enable teams to seek regular feedback and review and refine programs in real time. This gives business owners more flexibility to de-prioritize certain initiatives on the business roadmap, based on OKR-set new outcomes.[18]

OKRs transcend day-to-day pain points by focusing organizations on tangible business outcomes

Along with OKRs, organizational sentience through AI systems must become the mantra of the latter part of this decade.[19] The ability to use telemetry and feed in real-time data to improve business processes has become crucial. Firms need to invest in AI, build a digital brain and knowledge graph (like Google, Microsoft, and Infosys), and upskill employees to work with this new customer-centric approach.

Figure 5. Infosys' Os and associated KRs for 2030

Objectives (O)	Key results (KRs)
Nurture an inclusive and gender-diverse workforce	Ensure at least 45% women employees by 2025
Fetch interests of all stakeholders	Onboard an empowered, diverse, and inclusive board
Ensure carbon neutrality across scope 1 (direct emissions), scope 2 (indirect emissions), and scope 3 (ecosystem emissions) every year	Eliminate 75% scopes 1 and 2 greenhouse gas (GHG) emissions and reduce by 30% absolute scope 3 GHG emissions
Expand reskilling initiatives	Empower more than 10 million people with digital skills and 80 million lives with technology-for-good programs in e-governance, healthcare, and education
Strengthen information security and data privacy standards across global operations	Win the award for accredited certification on ISO 27701 by Bureau Veritas Certification (BVC)

The ultimatum

Musk should go to Mars. Intel should make microprocessors even faster to drive fundamental shifts in the ways AI, human-centric personalization, augmented reality, and the enterprise metaverse are used. Infosys will continue to grow and become a more potent Live Enterprise.[20] Industrial manufacturers should use data intelligently to drive efficiencies and lower costs. Big players such as Amazon, Cisco, and Siemens should become more innovative to understand customers' desires much ahead of time. OKRs make all this happen through customer-centricity and product-centric value delivery.

OKRs help organizations concentrate on business outcomes. The vision starts from the top, filters down, and inspires both frontline workers and senior leadership. As Gautam Khanna, Infosys' senior lead for modernization, says: "A roadmap, business case, and overarching vision was a key factor in the Infosys transformation to becoming a digitally native company in just three years."[21]

Infosys' sales growth is now 20% year-on-year, where OKRs play a big part.[22] Firms across industries must invest boldly, ground themselves in engineering excellence, remain faithful to long-term shareholders, and embrace OKRs in their business development and operations.

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