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OBJECTIVES AND KEY RESULTS FRAMEWORK IMPLEMENTATION: TYPICAL MISTAKES AND WAYS TO OVERCOME IT

Summary. *Success in software development is possible only if the goals are clearly defined and measurement criteria are set. OKRs (Objectives and Key Results) framework is the tool that is becoming popular for working with the goals of the company in general and the product in particular. It is based on three subordinate components - objectives, key results and initiatives. The practice of implementing OKR shows that most companies make common mistakes in the early stages of its application.*

As part of the research, we formulated a list of common mistakes in the implementation of OKR practices, as well as recommendations for eliminating potential risks.

Key words: *OKR, Objectives and Key Results, Goal Setting, Product Management, Product Strategy, Prioritization, Risks mitigation.*

Objectives and Key Results (OKR) framework is adopted by leading technology companies to work with goals - Google, Intel, LinkedIn, Twitter and others. Market analysis clearly shows that with the implementation of OKR practices, the company's development is much faster and more efficient - primarily due to the effective goals prioritization [1]. However, typical mistakes are often made in implementing OKR to the daily work of the company, which significantly reduces the efficiency of the process or puts at risk the implementation of the company's strategy [2].

The aim of our research was to study and analyze the implementation of OKR practices in companies specializing in software development. This allowed us to form a list of the most common mistakes, as well as to formulate recommendations for mitigating potential risks.

According to its name, OKR practices consist of three components:

1. Objectives - what the company needs to achieve, which usually determine the strategic direction of development.
2. Key result - a measurable parameter that can indicate the achievement of the objective / goal.
3. Initiatives - actions and projects aimed at getting key results and objectives.

Accordingly, when formulating the OKR, Objectives (strategic priorities) are defined first, then the Key Results are formulated, its current and target values are set, and, the last step, a list of initiatives aimed at increasing the Key Results indicators is compiled.

As an example, CRM-system in the insurance company will have the following components of the OKR framework (table 1):

Table 1

Quarterly OKRs example

Objective	**Speed up closing deals**			
Aligned to company OKR: **Increase sales**		Baseline	Target	Current
Key result1	Increase conversion rate of the leads from x% to y%	x	y	z
Key result2	Increase avg. agents daily capacity	a	b	c
Key result3	Agents NPS is +20%	x1	y1	z1
Initiative1	Emails automation			
Initiative2	Integrate with new telephony system			

It should be noted that these components of the OKR are given only as an example. The real structure of OKR, even for a single division, is more voluminous and branched, and also varies considerably, depending on the domain and organizational structure of the company.

Analyzing the practice of implementing OKR, we have formed a list of errors that are most often made at the implementation stage [3]. Including:

1. Refusal to implement OKR in the absence of rapid positive results.
2. Formulation of key results based on initiatives. This approach is simpler but ineffective: when setting goals, the company simply formalizes the current activities, but does not optimize business processes.
3. Lack of OKR approval in the company's structural divisions. This approach significantly reduces efficiency, because the synchronization of goal-setting processes allows to make processes more manageable and predictable.
4. The lack of focus on the most important because of the overwhelming number of goals.
5. The assessment of key results achievement is too formalized. It is possible to evaluate key results on the scale "completed/failed" - but it is recommended to use a progressive scale or other more flexible metrics (Fig.1).

Fig. 1. OKR grading scale:

- Lack of consideration of the influence of external factors. When formulating goals, it is important to keep in mind that the probability of achieving them may be influenced by factors that are beyond the influence of the company or departments.

- Lack of control. Formulating OKRi is not effective in itself - so in the absence of control, there is a significant risk that work will be directed to initiatives that do not affect key results.
- The target scale was incorrectly selected. Both too easy, unambitious or unrealistic KRs are detrimental to efficiency.

Given these common mistakes, we have developed a list of recommendations that can increase the efficiency of both the implementation of OKR and its usage in the product development daily operations. Such recommendations include:

- Preparation of OKR introduction using the study of theoretical framework.
- Implementation of OKR with the consent and guidance of the company's top managers.
- Analysis of the negative results of unsuccessful attempts to implement OKR and eliminate errors before subsequent iterations.
- Setting goals according to the scheme "Objective - Result - Initiative" to maintain the focus on achieving goals.
- OKRs verification and coordination of individual teams and departments.
- Minimization of the number of Objectives and Key Results for individual departments.
- Introduction of measurable but at the same time flexible indicators of achieving KRs.
- Selecting metrics that are minimally dependent on external influences.
- Regular monitoring of OKR target performance indicators.
- Periodic analysis of the need to change the OKR and make changes to the list of objectives if the need is identified.

- Selecting Objectives with the optimal level of performance. The target is 60% of the achievement of all Objectives for the reporting period.

Neither the list of risks at the stage of OKR implementation nor the list of recommendations is exhaustive. However, these mistakes are the most typical, at least for companies in the software development domain, which was a priority in our study. The implementation of the recommendations formulated by us allows minimizing the likelihood that OKR practices will be abandoned due to their low efficiency [4]. And this, in turn, will allow product managers to optimize the processes of goal setting, tracking and performance.

References

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