LATTICE PLAYBOOK

The COO's Guide to OKRs

Lattice

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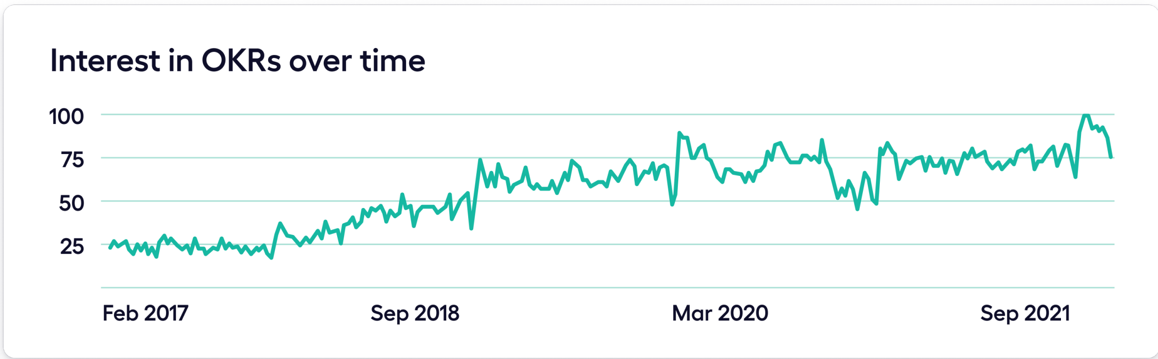
Why OKRs for COOs?

As a COO, you know the impact that strong goal setting can have on an organization. You've seen how the right targets can transform a small operation into an agile business, and you know that some of the most successful companies have massively scaled their operations by leveling up their goal-setting strategy.

The **Objectives and Key Results (OKRs)** framework is a powerful tool for COOs looking to have a strategic impact on alignment and agility within their organization. By combining qualitative aspirations (objectives) with quantitative benchmarks (key results), OKRs help drive progress toward transformational goals. They've been proven to work for both small businesses as well as household names like Google and Intel. And with global interest in OKRs quadrupling steadily over the last five years, it's clear that they're growing in popularity for a reason.



Source: Google Trends

Backed by expertise from Lattice Advisory Services, this guide provides an in-depth overview of the OKRs framework from the perspective of an operational decision-maker, including OKR fundamentals, misconceptions, implementation processes, and more. Let's get started.

What's Unique About OKRs?

As a framework for tracking progress and measuring success over a specific period of time, OKRs help businesses drive strategic results in four key areas:

1. Alignment

No business goal can be achieved in isolation. Organizations are most successful when every employee, team, and decision-maker are on the same page and moving in the same direction. OKRs align every unit of the organization around top-level business objectives.

2. Prioritization

OKRs provide a roadmap for bringing big-picture ideas to life. By bridging the gap between aspirational goals and the incremental work necessary to achieve them, OKRs empower teams and employees to stay focused on concrete measures of success rather than project management.

3. Accountability

Because they are tied to tangible, measurable milestones, OKRs remove any room for gray areas when it comes to accountability and ownership of responsibilities. Employees also play an active role in establishing benchmarks, which means they're more aware of how their work impacts others.

4. Outcomes

If you want your business to reach its full potential, it's important to remember that there's more than one way to get something done. OKRs push companies to refocus their attention on outcomes rather than output, and this shift in mindset can ultimately lead to long-term operational improvements.

A Primer on OKRs

OKRs divide goals into two parts: objectives and the key results that support them. Objectives are almost always **aspirational**, meaning they push the limits of what seems immediately attainable. Key results, on the other hand, are **measurable** and usually defined as metrics that indicate progress on set objectives.

> *Objectives and key results have a cause-and-effect relationship. So, if the objective is your destination, then the key results are how you plan to get there.*

Example:
Objective: Become the market leader in our industry.
Key Result(s): Launch new product in Q1; Acquire 100 new users by Q2

In terms of the recommended ratio of objectives to key results, the OKR model recommends:

- 3-5 objectives for each unit (individual, team, or company)
- 2-4 key results per objective (time-bound and measurable)

Top-Down vs. Bottom-Up OKRs

There are two ways to go about implementing an OKRs strategy:

1. One approach is to establish goals from the top down by using executive and company goals as a guide for leaders to determine the team and individual goals below them.
2. Another approach is to define goals from the bottom up, meaning that individual and team objectives are created with autonomy and associated with higher level company objectives.

In both cases, the OKRs framework calls for reciprocal feedback between different levels of the business (also known as bi-directional goal setting). In a fully realized OKR strategy, every team has its own set of OKRs and designs its approach for delivering them.

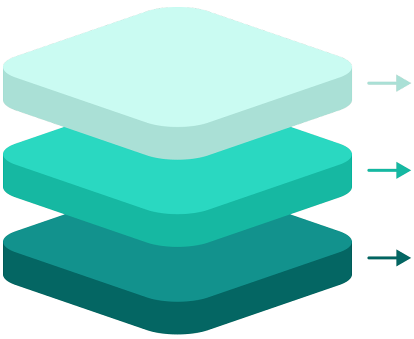
Cadence

The value of OKRs is that they're flexible and can reflect the needs of your company. Here are some typical cadences that we've seen businesses follow for their OKR cycles:

- **Quarterly**: OKRs are meant to be an agile alternative to static annual planning, mainly because they support shorter goal cycles. Setting OKRs every quarter gives businesses sufficient runway to accomplish their goals, which is probably why, according to Lattice customer data, over 50% of company, team, and individual goals have a timeline of 90 days or less. Not only does this cadence make goals feel more tangible for everyone, but it also gives your team the ability to adjust targets as needed.

> *"Over 50% of company, team, and individual goals have a timeline of 90 days or less."*

- **Nested**: Some businesses also take a nested cadence approach, which combines annual and quarterly OKRs into 3 layered cycles (keep in mind that this approach is less agile at the company level, so best to avoid if your business anticipates frequent changes):



Layer 1: Set strategic, annual OKRs for the company (or sometimes large departments)

Layer 2: Set tactical, quarterly OKRs for teams

Layer 3: Track key results frequently (often weekly) for individual employees

- **Asynchronous**: Some more mature organizations also choose to set different cadences for different teams (e.g., quarterly OKRs for sales vs. annual OKRs for product teams). But if you're in an early phase of implementing OKRs, it's recommended to start with having all of your teams on the same cadence to maximize the overlap during planning and review cycles.

While there isn't a perfect, must-follow recipe for OKRs, there are best practices that every company can follow to implement a program tailored to their needs. For example, if your business deals with frequent uncertainty or market shifts, longer goal cycles may not be practical for keeping up with changing business realities.

On the other hand, if you have shorter goal cycles, you want to make sure that your process for developing OKRs is as streamlined as possible — otherwise you risk spending too much time alignment when you have a narrow window for execution.

Lattice's automated goal cycles and built-in frameworks make OKRs simple for anyone to implement at any level across the organization. Learn more.

OKRs vs. KPIs

Operational leaders are likely familiar with Key Performance Indicators (KPIs) as standalone metrics that indicate good or bad business performance, usually at a quantitative level. KPIs are great for tracking the overall health of your organization, but they don't necessarily convey context or communicate what needs to change in order to drive improvement. Think of KPIs like medical checkups — you want to measure your levels regularly, but unless they deviate from certain predetermined benchmarks there's usually no need for action.

OKRs vs. KPIs: What's the Difference?

	OKRs	KPIs
Definition	Action-oriented goals and measurable steps that support them	Metrics that track the operation of your business
Function(s)	Transformational growth and organizational alignment	Benchmarking and identifying unexpected discrepancies
Focus	Monitors progress toward a future state	Monitors a steady state
Direction	Bi-directional (top-down and bottom-up)	Leadership-led (top-down)
Cadence	Time-bound; Set and re-evaluated frequently (often quarterly)	Not time-bound; Often the same every quarter or year
Characteristics	Aspirational and adaptive	Obtainable and quantitative

When used properly, OKRs and KPIs complement each other. Think of KPIs as a starting point for identifying problem areas or opportunities for growth. If your business is falling behind on KPI targets, an OKR can help bring things back on track. Conversely, if your business wants to level up to more ambitious KPIs, OKRs can help guide it there.

For example, if your company is failing to maintain its KPI of 20% growth in qualified leads year-over-year, one way to solve this problem is by setting an objective to simplify the lead-intake process, with key results like reducing required fields on intake forms by 50% or making the intake process more mobile-friendly.

Other Important Considerations

1. OKRs aren't the sum total of everything in the organization.

If everything is important, nothing is. It can be tempting to include every aspect of your company's operations in your OKRs, but doing so can actually limit your prioritization and goal-setting potential. OKRs are meant to track if you are adding value, not if you are delivering tasks. The OKRs framework gives businesses an opportunity to stretch goals and get creative with solutions, so using them as task lists or operational dashboards won't make a noticeable impact on your existing strategy.

2. OKRs don't replace strong leadership.

OKRs aren't a silver bullet. In order for OKRs to be effective, leadership needs to model and advocate for their proper use. The importance of COO sponsorship and executive buy-in can't be overstated when it comes to introducing OKRs into businesses. Often, teams have implemented their own bespoke methods for goal setting, and getting everyone across the organization to shift gears and embrace a new approach can be challenging. A best practice is for executives to publicly share and discuss their OKRs during all-hands meetings to demonstrate that they are just as accountable and involved as the rest of the company. This shows employees that leadership is committed to their objectives and expects others to be, as well.

3. OKRs are not just for larger companies.

Some people argue that OKRs are only effective for large companies that are already well established, but this is simply not true. The OKRs framework is a crowdsourced methodology. In fact, historical use cases have actually shown that OKRs are good for small companies, where change is frequent and priorities shift often. Google, for example, adopted OKRs during its first year in business as a 40-person company. Today, the framework has supported its expansion to over 70,000 employees, proving that there is no one-size-fits-all approach to using OKRs.

4. OKRs require some trial and error.

If you're just starting to use OKRs, don't be discouraged if it takes a few goal cycles to get them right. Sometimes OKRs require testing and revision before they can be implemented effectively. OKR ownership, for example, can be a tricky detail to nail down. Things like customer satisfaction can be influenced by a number of factors — did the product features improve, or was the customer support team given new training? Maybe a change in pricing resulted in higher approval ratings. In any case, OKRs guidelines can shift over time, so it's always a good idea to take a look at data that can help you get an objective understanding of what's working and what isn't.

Lattice's analytics feature empowers businesses to better understand the successes and challenges of their People programs. Learn more.

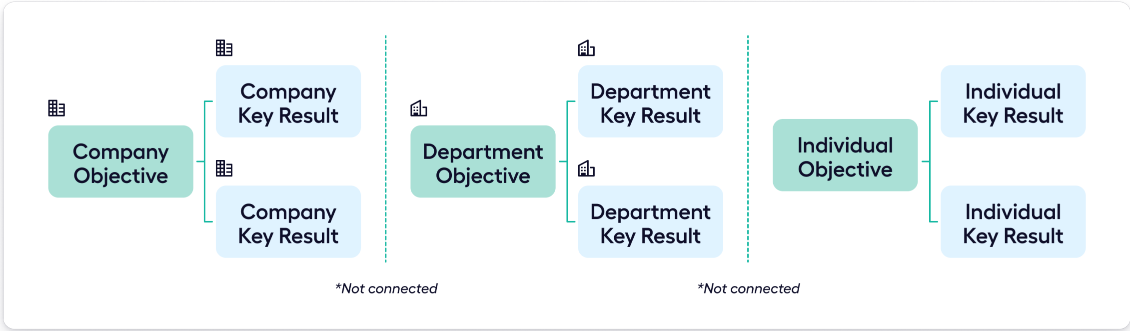
4 Types of OKR Alignment

The OKR framework is effective because of the way it is put into practice and applied across organizations. Depending on your alignment strategy, goals between these levels can vary in how connected or independent they are from one another.

1. Transparent Alignment

How it works: Broadly visible OKRs are created at all levels of the organization. By publishing OKRs at the company level, teams and individuals can create their own OKRs in the context of the company's strategic direction.

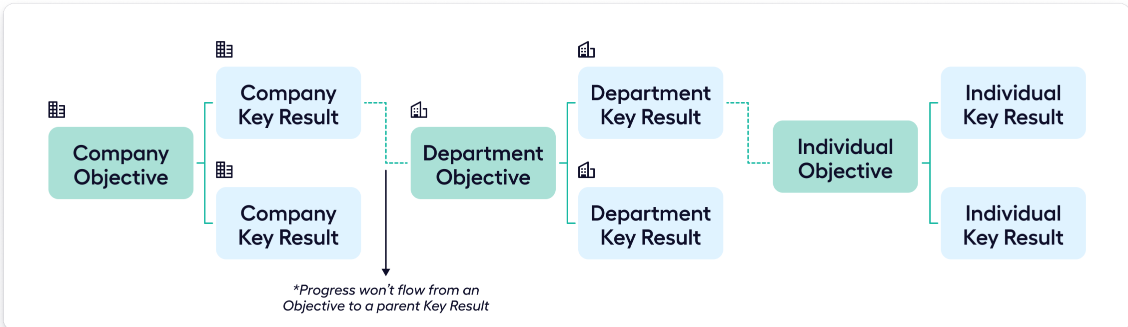
Overhead: Low | **Best for**: Quarterly goals cycles



2. Directional Alignment

How it works: Company objectives have their own key results, and department objectives are only aligned to those key results. Individual objectives are similarly aligned to department key results.

Overhead: Medium | **Best for**: Annual and quarterly goal cycles



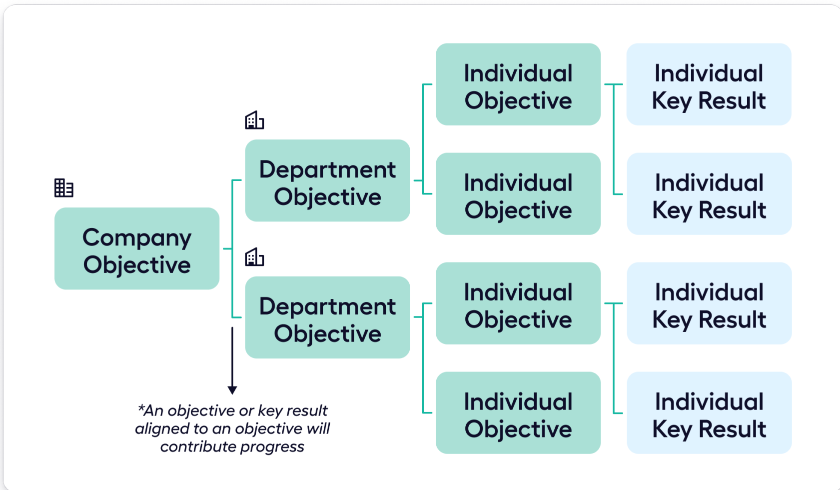
Lattice Advisory Services Tip:

"We recommend **directional alignment** as it allows teams greater autonomy to prioritize the OKRs they believe in most, while creating visibility for executives into what teams are focused on." - Reid Koster, Sr. OKRs Consultant

3. Cascading Alignment

How it works: Company objectives are directly supported by department objectives, but not department key results. Department objectives may be supported directly by individual objectives, but not individual key results. Key results are owned by individuals at the end of the alignment tree, and progress on those individual key results will impact progress on the department and company objectives above it.

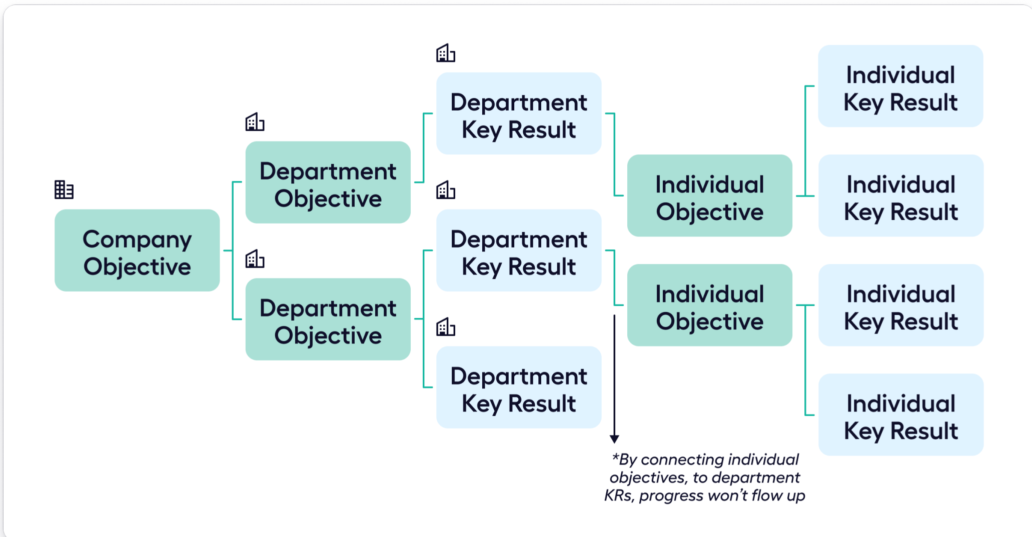
Overhead: High | **Best for**: Annual goal cycles



4. Hybrid Alignment

How it works: Company objectives do not have their own key results. Department objectives and their progress connect directly to company-level objectives. Individual objectives can be aligned to department key results to prevent progress contribution.

Overhead: Medium | **Best for**: Annual and quarterly goal cycles



OKRs Operational Checklist

If your company is at the beginning of its OKRs journey, it might feel like there are a lot of moving parts to keep track of at the same time. But as operational leaders know, the key to success is to break down complex processes down into smaller steps. Here's a sample checklist for getting started with OKRs:

- ☐ Define the operational guidelines for your OKRs cycle (cadence, alignment, etc.)
- ☐ Begin the goal cycle by defining a set of company-level OKRs.
- ☐ Validate company OKRs with the executive team.
- ☐ Develop tactical team-level OKRs using the bi-directional goal-setting approach.
- ☐ Develop individual-level OKRs using the bi-directional goal-setting approach.
- ☐ Track progress with frequent (even weekly) manager and employee check-ins.
- ☐ Conduct a mid-term OKR review (common for companies using quarterly cycles).
- ☐ What is and isn't working?

Source: Felipe Castro, A Typical OKR Cycle

Goal setting is a learned rather than innate skill, so organizations need to provide proper guidance to employees on how to set quality OKRs. For more resources on OKR implementation, workforce training, grading, and more, check out our Complete Guide to OKRs.

Questions to Ask Yourself

1. What are the ownership rules for OKRs?

Businesses sometimes run into confusion around cross-functional objectives. It's true that a best practice is to maintain one owner per goal, as this enforces accountability. That said, it's okay to give multiple parties ownership over the same goal if it's truly a cross-functional priority. If you find that all of your OKRs are being co-owned by multiple people, that's usually is a sign that you need to break your objectives down into smaller key results.

Lattice's team goals feature ensures that everyone is aligned and accountable for making strategic objectives possible. Learn more.

2. How realistic are my OKRs?

If you're worried that your OKRs are too ambitious, that's not a bad thing. OKRs are meant to stretch your business's potential, which usually means challenging standard performance expectations. A good question to ask yourself is: "What is the likelihood of achieving this goal?" Being on target doesn't mean you need to be achieving a perfect 100% success rate. If you're acing your OKRs all the time, that's a sign you should be setting more ambitious goals. Likewise, if you're consistently scoring below 30% achievement on your goals, it might be time to readjust.

3. How will I keep track of all this?

Tracking OKRs can be challenging for companies of all sizes. Organizations like Google that have been using OKRs for a long time use internal tools for their own goal-setting purposes. Others may use ad-hoc solutions like spreadsheets to manage their goals. However, a growing number of companies are using software to provide visibility into the development of good OKR habits. Goal-setting tools like Lattice can help you experience the full benefits of the OKRs framework through automation, transparency, and measurability.

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The OKRs framework is a powerful tool for helping businesses reach their full operational potential. When used effectively, OKRs spark innovation, unite teams, and create a clear path for taking companies to the next level.

Lattice is the only platform that helps businesses consistently manage OKRs, activate teams, and stay on track for success. Schedule a demo today to see how we can take your goal-setting operations to the next level.

About Lattice

Lattice is the people success platform that enables HR leaders to develop engaged, high-performing teams. By combining continuous performance management, employee engagement, development, compensation, and growth in one solution, organizations get powerful, real-time analytics that leads to actionable insights turning managers into leaders, employees into high performers, and companies into the best places to work.

The Lattice People Success Platform

Lattice works with companies that aspire to put people first. Whether redefining the beauty industry or building self-driving cars, all of our customers have one thing in common: They value their employees and want to invest in the development and success of their people. To see Lattice's platform in action, schedule a product tour.

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