Measure What Matters Summary

By John Doerr

'Ideas are easy. Execution is everything.'

Measure What Matters distills author and renowned venture capitalist John Doerr's business philosophy into six words. 'Ideas are easy. Execution is everything.' *Measure What Matters* explains that the ability to execute ideas is worth far more than merely generating them.

Many start-ups struggle and fail, especially when they start to grow and scale. Why? Because they aren't getting the *right* things done in the *right* way.

But *how* do we get the *right* things done?

We need to clarify what we need to do and how we plan to do it. We don't just need to know what matters to us, but also how to measure what matters. And our author offers a solution for doing this. OKRs. OKRs are Objectives and Key Results, and they provide a simple but highly effective goal-setting system that links strategy to execution. OKRs are one of the secrets behind Silicon Valley's startup success stories.

Briefly, we'll explain how OKRs have helped tech giants like Intel and Google achieve explosive growth. Then we'll examine how we can usethe power of OKRs to drive organizational development, and create ahealthy, transparent work culture. In short, we'll look at what OKRsconsist of, why we should believe in them, and what makes themeffective when done correctly.

A Love Story

It was 1975, and Doerr had one objective in mind: to win back Ann, his ex-girlfriend. At the time, Ann was working in Silicon Valley at a company called Intel. So to meet his heart's "objective," Doerr secured an internship at Intel. The couple rekindled their flame, and all ends well. The couple reunited, got married, and they remain happily together.

However, working at Intel sparked another flame for our author: he fell in love with goal-setting. More specifically, he fell in love with "objectives and key results," or OKRs. Intel was where Doerr was first introduced to OKRs when he worked for Andy Grove. According to our author, Grove was the 'Greatest manager who led the best-run company,' and Intel grew 40% every year during Grove's eleven-year tenure as CEO.

The secret to Grove's success is goals. Grove was passionate about "excellent execution." Although Grove originally referred to Intel's goals as MBOs (Management By Objectives), our author credits Grove as the inspiration behind OKRs.

Doerr left Intel to work as a venture capitalist and has expanded "Grove's gospel." He believes that OKRs can transform how we work, and help us get to where we need to go.

Let's look at Google as an example of OKRs in action.

Google meets OKRs, and They're a Perfect Fit

In 1999, Doerr met Google's co-founders Larry Page and Sergey Brin, and agreed to invest financially in the small search engine startup. However, he went one step further. Doerr introduced the young Google team to OKRs.

According to our author, 'Larry and Sergey were young visionaries with entrepreneurial energy at the time, but they lacked managerial experience.' Doerr realized that for Google to take off and have a real impact, the founders would have to learn to make tough choices and keep their team on track. Not least, they would need timely relevant data to track their progress. In a nutshell, Google needed goals. So Doerr presented a PowerPoint on OKRs, covering what they are, their importance, and implementing the system.

An Objective is simply what needs to be achieved. No more and no less. Key Results benchmark and monitor how we get to the objective. OKRs help to channel and coordinate everyone's efforts so that the *right* goals are met. For Google, their goal was 'to organize the world's information and make it universally accessible and useful.' Larry and Sergey loved the idea of laying out what mattered most to them, and making that obvious to everyone at Google. They intuitively grasped how OKRs can keep an organization on course, particularly through the pressure of competition and being a startup.

Today, nearly two decades after that slide show, OKRs remain part of Google's daily life. Eric Schmidt, who wrote the book, *How Google Works*, credits OKRs with 'changing the course of the company forever.' But OKRs don't just work for companies; they can work for anyone who's on a mission and in need of a bit of structural support.

Our author reminds us that OKRs are not a silver bullet. He says, 'They cannot substitute for sound judgment, strong leadership, or a creative workplace culture. But if those fundamentals are in place, OKRs can guide you to the mountaintop.' So goals are essential for any organization to have, but sometimes we set the *wrong* goals for the *wrong* reasons.

Goals Gone Wild

In 2009, the Harvard Business School published an article titled "Goals Gone Wild," examining a list of examples of "destructive goal pursuits." Enron's recklessly inflated sales targets, and the 1996 Mount Everest disaster that left eight climbers dead, were among those highlighted.

The purpose of the article was to raise our awareness of the dark side of goal setting. The article likens goals to prescription medication, and like any medication, careful dosing and close supervision are required. They made the argument that goals should come with a warning label: 'May cause systemic problems in organizations due to narrowed focus, unethical behavior, increased risk-taking, decreased cooperation, and decreased motivation.'

Doerr is the first to admit that goal setting isn't bulletproof. He says, 'When people have conflicting priorities or unclear, meaningless, or arbitrarily shifting goals, they become frustrated, cynical, and demotivated.'

The problem is, an organization can't run effectively without goals. Goal setting is one of the most tested and proven ideas in management theory. However, to inspire employees and drive performance, they need to be the *right* goals, set in the *right* way. We need to set specifically worded, challenging goals to drive performance, and we need a system to regularly track our performance to make sure we reach our targets.

And for this, Doerr gives us the OKRs.

Bono's on a Mission, "With or Without You," BUT Not Without OKRs

Here's how to set an audacious objective.

You'd think rock stars would be unlikely users of OKRs, but Bono has used OKRs to fight a global war against poverty and disease. He's started a global campaign to end extreme poverty and preventable disease because he believes that everyone, everywhere, can lead a life of dignity and opportunity. His ONE organization has focused on two audacious objectives. The first is debt relief for the poorest countries in the world. The next is universal access to anti-HIV drugs.

According to our author, audacious objectives are significant, concrete, action-orientated, and inspirational. But they must also be attainable.

Doerr says, 'Set an ideal goal and scale it back to one step short of impossible.' Take the Gates foundation as an example. Their "audacious objective" was to eradicate malaria by 2015. However, they soon realized this was going to be impossible, and would create pressure for the teams involved. So what did they do? They simply adjusted their deadline to 2040. Their goal is still significant, but it's believable and achievable.

Next, we move on to *how* we go about achieving our bold objectives.

Key Results are How We Get Things Done

Key results are the three to five things that we can improve, that will indicate whether we're closer to achieving our objective or not.

Doerr says, objectives are the stuff of "inspiration and far horizons," whereas key results are more "earthbound and metric-driven." Key results are the specific, measurable actions that need to be completed within a set time frame. Here's where we focus on revenue, growth, active users, and customer satisfaction scores: anything that indicates progress and that which we can measure. However, there's an essential component to setting strong key results. Not only must they be specific, time-bound, and measurable, they must ensure quality control.

Say you had a racing team and a chance to win the Indy 500 (otherwise known as the Indianapolis 500-Mile Race). A weak key result would be to increase lap speed and reduce pitstop time. An average key result would be to increase lap speed by 2% and reduce pitstop time by one second. Why are these results slightly better? They're specific and measurable. However, strong key results would be to increase lap speed by 2% and reduce pitstop time by one second. To reduce pitstop errors by 50%, you could practice pitstops for one hour a day,

These key results are strong because they contain a mix of quantity and quality targets to ensure the team isn't cutting corners.

OKRs work because they have four superpowers. These are the power to channel our focus and commit to properties, align and connect for teamwork, track for accountability and stretch for amazing. Let's briefly explore each.

Superpower One: Focus and Commit to Priorities

Every time we commit to something, we make ourselves unavailable to commit to something else. OKRs help us to choose wisely.

Everyone's objectives and key results should be public, including the CEO's. Each objective and key result must have a clear timeframe to help us stay collectively focused on meeting deadlines. A company should tackle no more than three to five objectives at one time. This ensures that everyone within an organization can stay focused on achieving a limited number of goals *together*.

Once objectives have been set, the next step is to identify key results. Here is when we ask, 'What steps do we need to complete to reach our objective?' Again only set two to three key results for each objective. Any more key results than this, and focus becomes diluted. Doerr advises that if we need more key results, then our objective isn't narrow enough or framed well. The success of a key result must be the objective's success, so we need to be careful about how we create key results.

Superpower Two: Align and Connect for Teamwork

OKRs aren't just for high-level managers and CEOs to determine; everyone in the company has an equal part to play. What makes the OKR system unique is the transparency and top-down, bottom-up, and horizontal approach to setting goals.

Transparency is key for the following reasons. When OKRs are made public for all to see, CEOs can look at the executive team and junior staff's goals, and vice versa. The thought of making OKRs transparent for all to see might sound a bit intimidating, but research shows that goal transparency actually increases motivation. Objectives and key results need to align with the company's overarching vision, but the process of how goals are set needs to be collaborative.

Doerr suggests using a top-down and bottom-up approach when setting OKRs, with half of the employee's objectives set from the top, and half set by the employees themselves. The top-down approach is where the directive starts with the CEO and cascades down through the ranks to the junior employees. The bottom-up approach means that employees working on the front line, engage with customers and product issues, identify needs, and relay them up the chain of command to the CEO. If objectives and key results only come from the top-down, employers risk hindering an employee's sense of autonomy and creativity, which can dampen motivation. Ensuring employees have an equal say in setting their own objectives and key results helps foster ownership and more responsibility towards reaching such goals.

Superpower three: Track for Accountability

What's critical to the OKR system, is to track goal progress regularly.

Once OKRs have been set, we need to determine the length of an OKR cycle. An OKR cycle is a clear time frame that helps to clarify when OKRs need to be met. Clear timelines allow everyone in an organization to stay focused on meeting deadlines. For most companies, there are two simultaneous OKR Cycles, one is quarterly, and the other is annual. At the end of each cycle, reflect on achievements and analyze what still needs to be achieved. After this, you can build on what's working, or chart a new course.

Doerr suggests that the simplest way to score an objective, is to use a scale from 0.0 to 1.0. This will indicate how much of a key result was achieved. A score of 0.7 to 1.0 means the goal has been successfully reached. 0.4 to 0.6 means that progress has been made, but the team didn't complete the objective. And 0.0 to 0.3, means there was a failure to make real progress.

Google makes this process even more accessible, and uses a color code scale to assess how successfully teams have completed key results. Green means the goal has been successfully reached. Yellow means that progress has been made, but the team didn't meet the target. And red means that the team failed to make real progress.

However, scales as such don't always tell the whole story. It's essential to combine subjective assessments with objective scores. Google has monthly sit-downs, where employees chat about how they're getting along with their quarterly OKRs. Progress is discussed, roadblocks are addressed, and key results are updated accordingly.

This tracking process helps teams to pinpoint what's going right or wrong, quickly fix any mistakes, and see how they might improve going forward. Or, as the saying goes, 'If it ain't broke, don't fix it.' If everything's going well and progress is being made, then keep going.

Superpower Four: Stretch for Amazing

A stretch goal is a high-effort, high-risk goal that drives innovation. Doerr writes, 'Conservative goal-setting stymies innovation. And innovation is like oxygen: You can't win without it.'

But just *how* do we stretch our goals?

Google distinguishes between regular, "committed" objectives and "aspirational" objectives (in other words, stretch objectives).

Committed objectives are the goals that need to be met within a set time frame. These are the daily goals that keep the company running smoothly, for example, sales revenue around product releases, customer satisfaction, and hiring. These goals need to be 100%, or near 100% complete to make sure the company prospers.

In contrast, stretch objectives focus on the big picture objectives outside of the day-to-day needs. Stretch objectives might have a low success rate, but they can bring big payoffs. Stretch objectives push us far beyond our comfort zones, and although they might be high-risk, theycan also drive explosive growth.

But be careful not to overstretch. Determine what your company has the risk tolerance for, and decide what high-risk, high-payoff stretch objectives can be set. When setting stretch goals, an excellent place to start is to ask: How can our team create maximum value?' and, 'What would *incredible* look like for our company?'

OKRs can help us focus and channel our ambitions to achieve explosive growth. But here's the thing, OKRs alone aren't enough.

Meet OKRs Trusty Sidekick, CFRs

CFRs stand for: Conversations, Feedback, and Recognition.

If you've ever worked in corporate, "annual performance review" might be three of your least favorite words (perhaps even more so for managers). Studies show that it takes a manager, on average, seven and a half hours to prepare and complete an annual performance review for just *one* employee. From a time perspective, If you happen to manage 30 employees, that's a month and a half of time on reviews. Meanwhile, studies show that only 6% of HR managers think this process is worthwhile.

However, luckily there's an alternative. Rather than an annual review, we can adopt a system of continuous performance management. And OKRs work together with CFRs to drive this process. Regular check-ins allow managers to give timely feedback, help keep employees motivated to improve, and deal with issues as they arise.

Here's how we can put CFRs into practice.

CFRs should happen continuously through the OKR cycle at the end of each quarter. Regular conversations should center around goal-setting, reflection, and ongoing progress updates. In our tech-driven world, it's important not to rely on a phone call, or a communication platform like Slack to "check in." Conversations should happen either in-person, or over a face-to-face video-call.

To make improvements timeously, we need to know what we're doing right, and what we can improve on. It's also important to remember that feedback goes both ways; it's not just the employee under the spotlight, but also the manager. Employees can kickstart the feedback with a question such as, 'Do you have any feedback on how I can improve my performance and make more progress towards my goals?' And a manager might want to ask the employee, 'What do you need for me to succeed?'

Recognition is crucial to boost morale and performance. There are many ways to show recognition; for example, use a typical Friday meeting as an opportunity for employees to give a "shout out" to one of their peers for the work they accomplished. Doerr suggests that recognition should always focus on *actions* and *results*. And always be sure to link the recognition to the company values and goals. So instead of honoring "employee of the month," rather highlight "achievement of the month."

In Conclusion

Doerr teaches us how to bridge the gap between strategy and execution. So if you want to be the type of person that's action-orientated, not just ideation-laden, then this book is highly recommended.

OKRs enable organizations, teams, and individuals to focus, align, and track top-priority goals. They stretch us to achieve what initially might seem "impossible." OKRs have worked for Intel, Google, the Gates Foundation, and over fifty fortune five hundred companies. Even rockstars rave about them. In Bono's words: 'So you're passionate, how passionate? What actions does your passion lead you to do? If the heart doesn't find a perfect rhyme with the head, then your passion means nothing.'

The OKR framework cultivates both risk and trust, and means that people within an organization aren't afraid to fail. All too often, we're scared of losing our jobs or getting in trouble when we don't succeed or achieve our goals. This creates an environment where nobody can function at their best.

However, when you create an open, goal-oriented, and purposeful culture, alongside the right people, then 'magic is just around the corner.'