

Setting Objectives for organizational success: A Guide to OKRs, KPIs, and SMART Objectives in Strategy Execution

Is it all just a bunch of consulting BS and alphabet soup, or is there a way to make sense of it?

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As we approach the new year, it's time to set objectives for the coming year if you haven't done so already. Amid the alphabet soup of OKRs, KPIs, and SMART objectives, the question arises: Is it all just jargon, or can we make sense of it? Let's demystify these concepts to help you make informed decisions for setting objectives for the new year.

Key Performance Indicators (KPIs): The Organization's Dashboard

KPIs have long been trusted metrics for measuring success in many organizations. They offer an overview of how the organization is performing and its overall health, similar to a dashboard.

It's crucial to distinguish between valuable insights and superficial data. While specific and measurable, KPIs can sometimes focus on surface-level achievements without truly reflecting progress. When setting KPIs, consider the following areas and questions:

- Clearly link each specific KPI to a particular strategic focus area. How is this KPI related to your strategy?
- Determine the frequency of measurement (cadence). How often should this KPI be measured?
- Emphasize relevance. Avoid having too many KPIs; identify the "vital few" that your organization mainly focuses on.
- Create a balance between lead- and lag-indicators. Identify lead indicators correlated to lag indicators.
- Define responsibility for reaching and measuring the KPI.
- Set targets for each KPI. What does success look like?
- Consider the cost, resources, and effort associated with measuring the KPI.

Objectives and Key Results (OKRs): Goals with Purpose and Precision - Setting a Strategic Direction

OKR, or Objectives and Key Results, is a structured approach to setting and achieving strategic objectives across various levels of the organization. Originating at Intel in the 1970s and popularized by John Doerr at Google, this framework emphasizes clear, ambitious objectives and measurable key results to align and enhance organizational performance. OKRs are a powerful tool for executing strategy, providing transparency, cascading objectives, and securing alignment.

The benefit of the OKR approach lies in improved transparency, enhanced communication, clear prioritization, and accountability. OKRs motivate teams by aligning individual and departmental goals with overall organisational objectives.

Objectives tell us where we need to go. Here consider the following:

- How is this objective linked to our strategy? An objective should be clearly tied to our overall strategy or a specific strategic focus area.
- An objective must indicate a strategic direction.
- An OKR objective does NOT need to be measurable. In most cases, it isn't.
- It is essential not to use technical jargon for an OKR objective but ensure that everyone in the organization understands it.

Key results answer the question, "How do we know we are getting there?" Consider the following for key results:

- Key results need to be measurable.
- You should typically have 3–5 key results per objective.
- Key results should measure progress. How close are we to our destination?

Although not explicitly included in the OKR abbreviation, Initiatives are part of the concept, guiding us on "What do we need to do to get there?" These initiatives, such as projects, action plans, or individual tasks, need execution to ensure we reach our key results.

SMART Objectives: Precision in Goal-Setting

Now, let's add SMART objectives to the mix - objectives that are Specific, Measurable, Accepted, Realistic, and Time-Bound. SMART objectives provide clarity and focus in goal-setting:

- Specific: Misunderstanding what we are measuring should be impossible.
- Measurable: Ensure that we can measure it.
- Accepted: Gain agreement from all stakeholders – or as many as possible.
- Realistic: Set ambitious yet achievable objectives.
- Time-Bound: Assign a timeframe to each objective.

Choosing Your Strategy Toolkit

Deciding which strategy tool to use depends on understanding their strengths. KPIs offer quick performance snapshots, OKRs drive ambitious objectives, and the SMART approach adds precision to goal-setting. It's not about choosing between KPIs, OKRs, or SMART objectives. It's about recognizing their strengths, combining them thoughtfully, and creating a simple yet effective plan for success. Let these tools work together harmoniously as you navigate strategy execution and lead your organization to success in the new year.

Strategy implementation and objectives

KPI – Key Performance Indicator

- A data point used to monitor and track the performance of a specific area
- It measures progress
- It tracks the “healthiness” of our organisation
- A collection of KPIs can serve as a dashboard for our organisation



OKR – Objectives & Key Results

- A framework designed to drive strategic objectives
- Based on the organisation’s vision and strategic objectives
- Objective: Do not necessarily need to be measurable but should be easily understood by all members of the organisation
- Key results: Measurable and connected to the objective. Typically, you have 3 to 5 key results per objective
- Initiative: Encompass projects, action plans and tasks, outlining how we progress forward.

Objective: Where do we need to go?



Key results: How do we know we are getting there?

Initiatives: What do we need to do to get there?