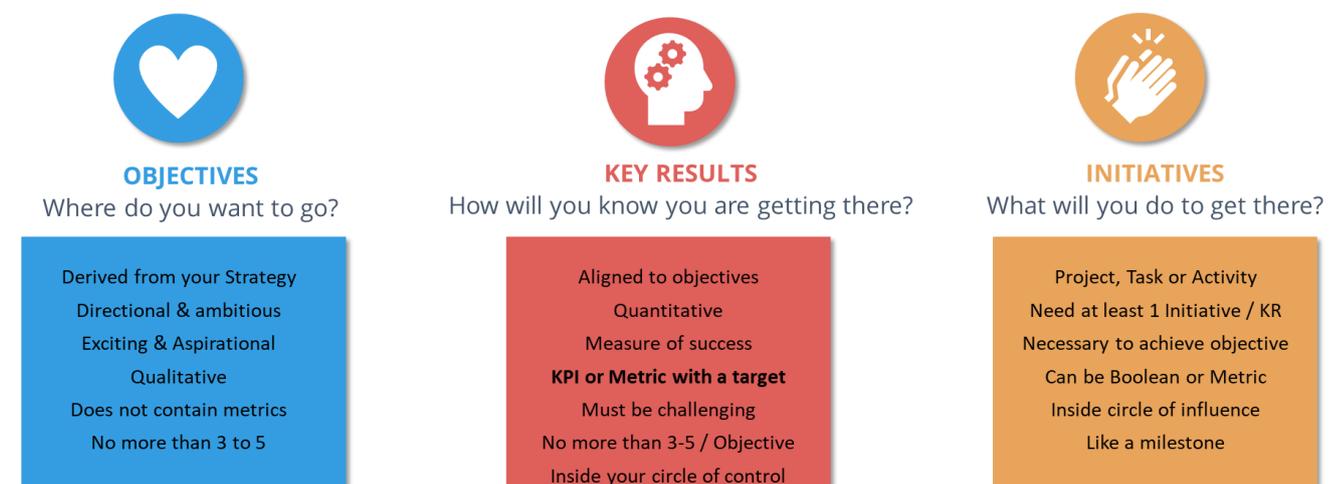# OKRs – SCRUM – EVIDENCE BASED MANAGEMENT (EBM)

A. WHAT ARE OKRs?

OKRs have been popularly adopted by companies such as Spotify, Twitter, Airbnb, LinkedIn, Samsung, Microsoft, Amazon, and also used by companies such as Colgate, Walmart, Anheuser-Busch, Target, Gap, GE, Dun&Bradstreet, and ING Bank. Originally developed at Intel, it is most often cited in the context of Google.

Objectives & Key Results (OKR) is a goal management & execution system that contains no more than 3-5 Objectives & no more than 3-5 Key Results for each objective. It has 3 major components viz. Objectives, Key Results and Initiatives.

Objectives answer the question, where do you want to go? Key results answer the question, how will you know you are getting there and how will you measure success? Initiatives answer the question, what will you do to get there?

OBJECTIVES Where do you want to go?	KEY RESULTS How will you know you are getting there?	INITIATIVES What will you do to get there?
Derived from your Strategy Directional & ambitious Exciting & Aspirational Qualitative Does not contain metrics No more than 3 to 5	Aligned to objectives Quantitative Measure of success **KPI or Metric with a target** Must be challenging No more than 3-5 / Objective Inside your circle of control	Project, Task or Activity Need at least 1 Initiative / KR Necessary to achieve objective Can be Boolean or Metric Inside circle of influence Like a milestone

B. GETTING OKRs RIGHT

◈ **Objectives – The "Heart" of OKRs**

Objectives should help answer the questions – Where do I want to go? What is my goal?

Objectives should give you a sense of direction and focus. When well crafted, it should inspire your people to work towards them. It brings 'heart or emotionality' to your endeavour.

Here are some Guidelines for writing compelling objectives:

1. Should be aligned to purpose and strategy.
2. Make it exciting with an end-state.
3. Should be ambitious.
4. Objectives are more powerful when they are qualitative.
5. Stick to 3-5 objectives, to maintain laser focus.
6. Start with action verbs e.g., Create the most loved brand.
7. Could be committed (shorter term) or aspirational (longer term).

Let's take a look at 2 objectives:

Objective 1: Launch app for medical professionals. ☹

Objective 2: Be the most user-friendly app for all medical professionals. ☺

Which one would you choose as a well written objective? You guessed it right. It's the second objective.

◈ **Key Results - The "Head" of OKRs**

If Objectives help answer the questions – Where do I want to go? What is my goal? Key Results help answer the questions – How will I measure success? How will I verify that I've reached my goal? Quite simply put, KRs are indicators of success.

Key results are nothing but measurable outcomes which, when achieved, will directly advance the objective.

So, let's examine that making of a compelling Key Result:

1. Must be aligned to and contribute to an Objective.
2. Must be quantitative (measurable and verifiable).
3. Key Results must have a metric (KPI) and a target (quantity and timeline).
4. These targets must be challenging.
5. Stick to 3-5 Key Results per Objective.

Key Result - Examples

Objectives	Key Results
Objective 1: Be the most user-friendly app for all medical professionals. (Customer Success)	**KR 1.1**: Achieve a user **Average Retention Rate** of **80%** **KR 1.2**: Get an **App Rating** of 4.5
Objective 2: Win the UK market. (Growth)	**KR 2.1**: Grow **Market Share** to **45%** **KR 2.2**: Grow **Daily Active Users** (DAU) to **45K**

Note how various KRs fulfil the conditions under the guidelines of writing compelling KRs. In that, the Key Results enable achieving the Objective at hand, they seem to have a stretch, they are measurable and verifiable, and they all contain a metric (KPI) & a target (quantity & timeline).

◈ **Initiatives - The "Hands" of OKRs**

Initiatives play a crucial role in the execution of OKRs. Initiatives answer the question – *What do I need to do in order achieve my Key Results*? They work as the **hands** of your OKRs. They get things done!

Now let's take a look at some **Guidelines for Initiatives:**

1. Initiatives could be a project, task or activity.
2. Have at least 1 initiative connected to every Key Result.
3. Must be necessary to get the desired Key Result.
4. Could be Boolean (Yes/No) or Metric driven. Training 20 members on Software X could be an example of a Boolean Initiative. Its either done or not done. Whereas a 3-month long project could be an example of a Metric Driven Initiative. Here you may have milestones to complete over a period of time.

Let's see how we may define initiatives for the example we choose earlier:

Objective 1: Be the most user-friendly app for all medical professionals.

KR 1.2: Get an **App Rating** of 4.5

Initiative 1: Plan an App Store Optimization (ASO) program

Initiative 2: Get users to rate at moments of truth transactions using real-time nudges

Remember, Initiatives come in only after creating and aligning OKRs. In fact, once OKRs are finalised and aligned, the real collaboration takes places when Initiatives get implemented. This is when stakeholders are compelled to collaborate in putting the pieces of the puzzle together – the ultimate aim being the achievement of the OKR.

C. PRODUCT GOALS DEFINED

The Scrum Guide released in November 2020 states that *"the product goal describes a future state of the product … [It] is the long-term objective for the Scrum team."* It also suggests that *"the product goal is in the product backlog. The rest of the product backlog emerges to define 'what' will fulfil the product goal."* The *product owner is accountable for* *"developing and explicitly communicating the product goal."* The entire Scrum team is *"focused on one … product goal"* at a time.

Scrum is a guiding framework meant to facilitate the development of complex products. It does not dictate how the practices should be applied, though. And for this very reason, product goals have been interpreted in many a way viz. product vision, product's value proposition, etc. I recommend that product goals be nothing but an outcome that product must create for its users. sample goal might be to user acquisition, improved conversion, greater revenue, or reduction of Tech-Debt.

D. PRODUCT'S ULTIMATE GOAL & ROLE OF PRODUCT STRATEGY

A product strategy describes what a business hopes to accomplish with its product and how it plans to do so. The strategy should answer key questions such as who the product will serve (users), how it will benefit those users, and the company's goals for the product as part of its overall strategy.

A well define product Strategy is part of the Product's ultimate goal – almost like the product vision. *Why create your product? What impact you want to have? Whose lives you intend to change?*

The vision for your product is essential. Without an inspiring reason to create your product, and for your customers to buy it, everything falls flat.

Google for its search engine: "Provide access to the world's information in one click."

E. INITIATIVES AS EXPERIMENTS

So, Objectives give you direction and ambition, Key Results give you measurability and Initiatives give you what you will do (projects, tasks, activities, etc.) to achieve the OKRs. Initiatives are like "experiments" that you almost bet on.

Because the OKR itself is ambitious, it encourages you to think of solutions you haven't tried before (in most cases). It is these very experiments under the auspices of the initiatives that form the 'Hypothesis' in each case. In agile terms, each Sprint and Sprint Goal is the hypothesis:

• Product Teams have a Product Goal.

• Objectives help teams achieve the Product Goal.

• Key Result Areas measure the impact / outcome of the initiatives against the Objective.

• Initiatives are the hypotheses that will deliver against the Objectives.

Combining OKRs with EBM is almost like *forest for the trees*. While companies invest in Agile processes sometimes, they lose track of value creation by virtue of these agile tools. Has product delivery improved? How much happier are customers? Are employees satisfied and enabled?

Agile/SCRUM teams there can benefit greatly when they use Evidence Based Management (EBM) to create value-based metrics that eventually guard-rail and define initiatives/experiments by provided the 'eye on the prize' through value-based outcomes (OKRs). EBM looks at 4 Key Value Areas and all 4 areas contribute to an organization's ability to deliver business value.

1. **Current value**: Measures value delivered to customer or user today

2. **Unrealised value**: Measures value that could be realized by meeting all potential needs of the customer or user

3. **Ability to Innovate (pivot)**: Measures the ability to deliver a new capability that might better serve a customer or user need.

4. **Time to market**: Measures the ability to quickly deliver new capability, service, or product

OKRs - SCRUM - EBM
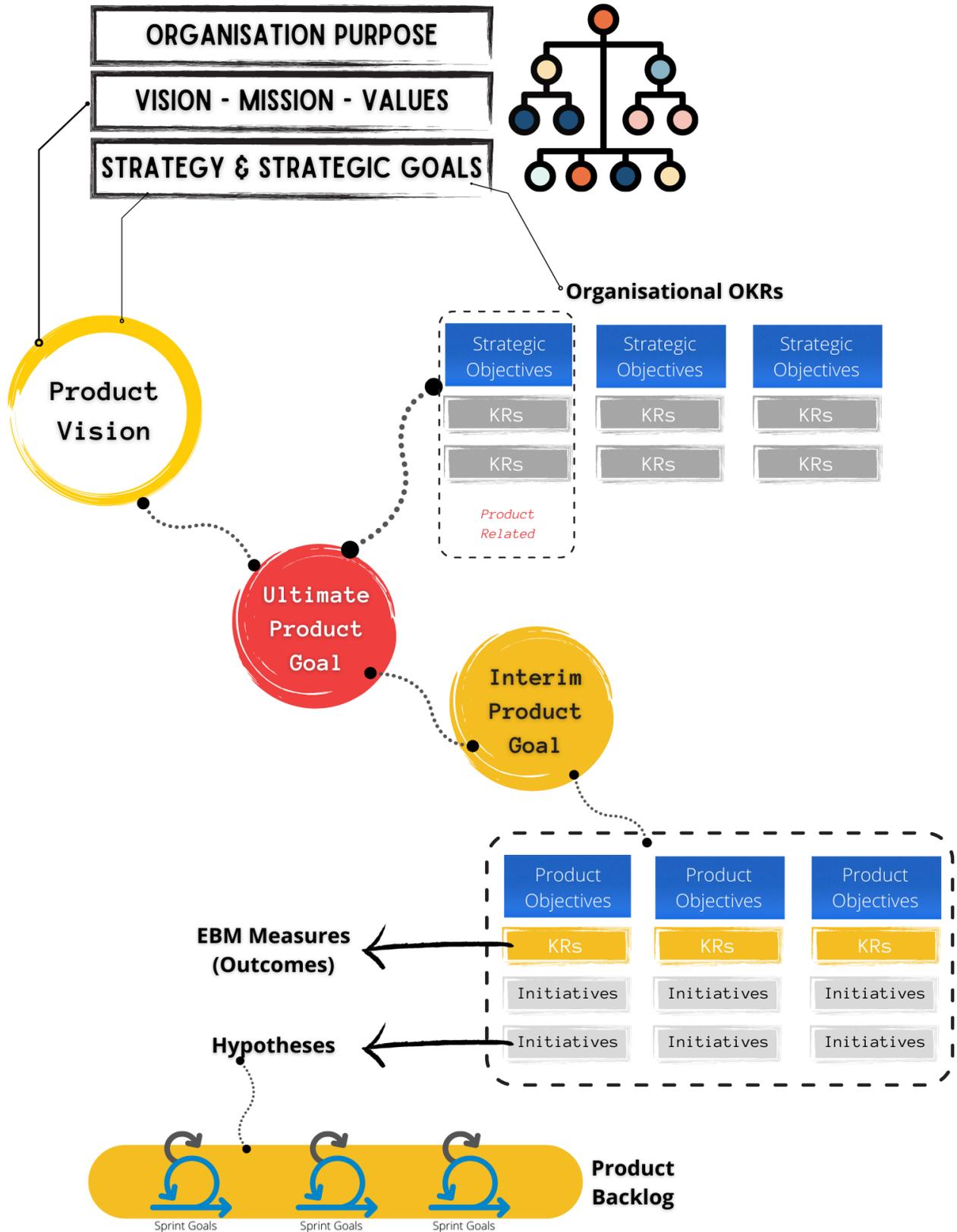
F. INSPECTING & ADAPTING

Sprint reviews is ideal to inspect and reflect on the hypotheses and experiments that were undertaken. It allows the Product Owner and the team to look at how these initiatives are helping move the needle of the KR in question. This is simply the team's ability to learn from the sprint, inspect on what's working and what's not, and finally pivot or adapt based on the learning to create the next set of experiments / hypotheses.

If KRs are showing results
- Have you made enough progress?
- Have the Key Results Areas actually changed due to other factors – example market conditions and tail winds?
- Do you need any changes to your initiatives?
- Do you need to consider alternate Initiatives?

If KRs are not showing results
- Are your KRs the right ones?
- Are you measuring a lagging indicator?
- Do you need to change an initiative?
- Is a particular hypothesis, right?
- Does an existing experiment need to be altered?
- Should you add a leading indicator?

Inspecting this way make it easier for the team to keep focus on relevant priorities for the next sprint and look at what value contribution it will make to the OKRs at hand.

G. FINAL WORD

If OKRs need to succeed, it must embrace the true nature the agile manifesto. Here are 3 things to watch out for in your quest to make OKRs truly robust:

1. OKRs don't cascade, they align. Avoid turning OKRs into a waterfall exercise when instead it needs an adaptive approach to fulfilling organisational strategies.
2. Combining the philosophy of EBM with OKRs will drive the real value generation for teams & organisations.
3. Assuming an explicit set of activities will contribute to the Key Result, without constantly inspecting and adapting initiatives (hypotheses & experiments), may spell doom for your OKRs.

References

1. Formgren, J (2018). Power of making a difference at work. 15 October 2018.
2. Scrum.org (2020) The Evidence-Based Management Guide. Measuring Value to Enable Improvement and Agility.
3. The Executive's Guide to Agile OKRs with Evidence Based Management (EBM), Matthew Hodgson