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Google, Meet OKRs

If you don’t know where you’re going, you might not get there.

—Yogi Berra

On a fall day in 1999, in the heart of Silicon Valley, I arrived at a two-story, L-shaped structure off the 101 freeway. It was young Google’s headquarters, and I’d come with a gift.

The company had leased the building two months earlier, outgrowing a space above an ice-cream parlor in downtown Palo Alto. Two months before that, I’d placed my biggest bet in nineteen years as a venture capitalist, an $11.8 million wager for 12 percent of a start-up founded by a pair of Stanford grad school dropouts. I joined Google’s board. I was committed, financially and emotionally, to do all I could to help it succeed.

Barely a year after incorporating, Google had planted its flag: to “organize the world’s information and make it universally accessible and useful.” That might have sounded grandiose, but I had confidence in Larry Page and Sergey Brin. They were self-assured, even brash, but also curious and thoughtful. They listened—and they delivered.

Sergey was exuberant, mercurial, strongly opinionated, and able to leap intellectual chasms in a single bound. A Soviet-born immigrant, he was a canny, creative negotiator and a principled leader. Sergey was restless, always pushing for more; he might drop to the floor in the middle of a meeting for a set of push-ups.

Larry was an engineer’s engineer, the son of a computer science pioneer. He was a soft-spoken nonconformist, a rebel with a 10x cause: to make the internet exponentially more relevant. While Sergey crafted the commerce of technology, Larry toiled on the product and imagined the impossible. He was a blue-sky thinker with his feet on the ground.

Earlier that year, when the two of them came to my office to pitch me, their PowerPoint deck had just seventeen slides—and only two with numbers. (They added three cartoons just to flesh out the deck.) Though they'd made a small deal with the *Washington Post* , Google had yet to unlock the value of keyword-targeted ads. As the eighteenth search engine to arrive on the web, the company was way late to the party. Ceding the competition such a long head start was normally fatal, especially in technology. *

But none of that stopped Larry from lecturing me on the poor quality of search in the market, and how much it could be improved, and how much bigger it would be tomorrow. He and Sergey had no doubt they would break through, never mind their lack of a business plan. Their PageRank algorithm was that much better than the competition, even in beta.

I asked them, "How big do you think this could be?" I'd already made my private calculation: If everything broke right, Google might reach a market cap of $1 billion. But I wanted to gauge their dreams.

Larry Page and Sergey Brin at Google's birthplace, the garage at 232 Santa Margarita, Menlo Park, 1999.

And Larry responded, "Ten billion dollars."

Just to be sure, I said, "You mean market cap, right?"

And Larry shot back, "No, I don't mean market cap. I mean revenue."

I was floored. Assuming a normal growth rate for a profitable tech firm, $10 billion in revenue would imply a $100 billion market capitalization. That was the province of Microsoft and IBM and Intel. That was a creature rarer than a unicorn. There was no braggadocio to Larry, only calm, considered judgment. I didn't debate him; I was genuinely impressed. He and Sergey were determined to change the world, and I believed they had a shot.

Long before Gmail or Android or Chrome, Google brimmed with big ideas. The founders were quintessential visionaries, with extreme entrepreneurial energy. What they lacked was management experience. * For Google to have real impact, or even to reach liftoff, they would have to learn to make tough choices and keep their team on track. Given their healthy appetite for risk, they'd need to pull the plug on losers—to fail fast. *

Not least, they would need timely, relevant data. To track their progress. To measure what mattered.

And so: On that balmy day in Mountain View, I came with my present for Google, a sharp-edged tool for world-class execution. I'd first used it in the 1970s as an engineer at Intel, where Andy Grove, the greatest manager of his or any era, ran the best-run company I had ever seen. Since joining Kleiner Perkins, the Menlo Park VC firm, I had proselytized Grove's gospel far and wide, to fifty companies or more.

To be clear, I have the utmost reverence for entrepreneurs. I'm an inveterate techie who worships at the altar of innovation. But I'd also watched too many start-ups struggle with growth and scale and getting the right things done. So I'd come to a philosophy, my mantra:

Ideas are easy. Execution is everything.

In the early 1980s, I took a fourteen-month sabbatical from Kleiner to lead the desktop division at Sun Microsystems. Suddenly I found myself in charge of hundreds of people. I was terrified. But Andy Grove's system was my bastion in a storm, a source of clarity in every meeting I led. It empowered my executive team and rallied the whole operation. Yes, we made our share of mistakes. But we also achieved amazing things, including a new RISC microprocessor architecture, which secured Sun's lead in the workstation market. That was my personal proof point for what I was bringing, all these years later, to Google.

The practice that molded me at Intel and saved me at Sun—that still inspires me today—is called OKRs. Short for *O* bjectives and *K* ey *R* esults. It is a collaborative goal-setting protocol for companies, teams, and individuals. Now, OKRs are not a silver bullet. 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.

Larry and Sergey—with Marissa Mayer, Susan Wojcicki, Salar Kamangar, and thirty or so others, pretty much the whole company at the time—gathered to hear me out. They stood around the ping-pong table (which doubled as their boardroom table), or sprawled in beanbag chairs, dormitory style. My first PowerPoint slide defined OKRs: "A management methodology that helps to ensure that the company focuses efforts on the same important issues throughout the organization."

An *OBJECTIVE* , I explained, is simply *WHAT* is to be achieved, no more and no less. By definition, objectives are significant, concrete, action oriented, and (ideally) inspirational. When properly designed and deployed, they're a vaccine against fuzzy thinking—and fuzzy execution.

KEY RESULTS benchmark and monitor *HOW* we get to the objective. Effective KRs are specific and time-bound, aggressive yet realistic. Most of all, they are measurable and verifiable. (As prize pupil Marissa Mayer would say, "It's not a key result unless it has a number.") You either meet a key result's requirements or you don't; there is no gray area, no room for doubt. At the end of the designated period, typically a quarter, we declare the key result fulfilled or not. Where an objective can be long-lived, rolled over for a year or longer, key results evolve as the work progresses. Once they are all completed, the objective is necessarily achieved. (And if it isn't, the OKR was poorly designed in the first place.)

My objective that day, I told the band of young Googlers, was to build a planning model for their company, as measured by three key results:

KR #1: I would finish my presentation on time.

KR #2: We'd create a sample set of quarterly Google OKRs.

KR #3: I'd gain management agreement for a three-month OKR trial.

By way of illustration, I sketched two OKR scenarios. The first involved a fictional football team whose general manager cascades a top-level objective down through the franchise org chart. The second was a real-life drama to which I'd had a ringside seat: Operation Crush, the campaign to restore Intel's dominance in the microprocessor market. (We'll delve into both in detail later on.)

I closed by recapping a value proposition that is no less compelling today. OKRs surface your primary goals. They channel efforts and coordination. They link diverse operations, lending purpose and unity to the entire organization.

I stopped talking at the ninety-minute mark, right on time. Now it was up to Google.

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In 2009, the Harvard Business School published a paper titled " Goals Gone Wild." It led with a catalog of examples of "destructive goal pursuit": exploding Ford Pinto fuel tanks, wholesale gouging by Sears auto repair centers, Enron's recklessly inflated sales targets, the 1996 Mount Everest disaster that left eight climbers dead. Goals, the authors cautioned, were "a prescription-strength medication that requires careful dosing . . . and close supervision." They even posted a warning label: "

Goals may cause systematic problems in organizations due to narrowed focus, unethical behavior, increased risk taking, decreased cooperation, and decreased motivation.” The dark side of goal setting could swamp any benefits, or so their argument went.

 WARNING!

Goals may cause systematic problems in organizations due to narrowed focus, unethical behavior, increased risk taking, decreased cooperation, and decreased motivation.

Use care when applying goals in your organization.

The paper struck a chord and is still widely cited. Its caveat is not without merit. Like any management system, OKRs may be executed well or badly; the aim of this book is to help you use them well. But make no mistake. For anyone striving for high performance in the workplace, goals are very necessary things.

In 1968, the year Intel opened shop, a psychology professor at the University of Maryland cast a theory that surely influenced Andy Grove. First, said Edwin Locke, “hard goals” drive performance more effectively than easy goals. Second, *specific* hard goals “produce a higher level of output” than vaguely worded ones.

In the intervening half century, more than a thousand studies have confirmed Locke’s discovery as “ one of the most tested, and proven, ideas in the whole of management theory.” Among experiments in the field, 90 percent confirm that productivity is enhanced by well-defined, challenging goals.

Year after year, Gallup surveys attest to a “worldwide employee engagement crisis.” Less than a third of U.S. workers are “ involved in, enthusiastic about and committed to their work and workplace.” Of those disengaged millions, more than half would leave their company for a raise of 20 percent or less. In the technology sector, two out of three employees think they could find a better job inside of two months.

In business, alienation isn't an abstract, philosophical problem; it saps the bottom line. More highly engaged work groups generate more profit and less attrition. According to Deloitte, the management and leadership consulting firm, issues of " retention and engagement have risen to No. 2 in the minds of business leaders, second only to the challenge of building global leadership."

But exactly *how* do you build engagement? A two-year Deloitte study found that no single factor has more impact than " clearly defined goals that are written down and shared freely. . . . Goals create alignment, clarity, and job satisfaction."

Goal setting isn't bulletproof: " When people have conflicting priorities or unclear, meaningless, or arbitrarily shifting goals, they become frustrated, cynical, and demotivated." An effective goal management system—an OKR system—links goals to a team's broader mission. It respects targets and deadlines while adapting to circumstances. It promotes feedback and celebrates wins, large and small. Most important, it expands our limits. It moves us to strive for what might seem beyond our reach.

As even the "Goals Gone Wild" crowd conceded, goals "can inspire employees and improve performance." That, in a nutshell, was my message for Larry and Sergey and company.

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As I opened the floor for questions, my audience seemed intrigued. I guessed they might give OKRs a try, though I couldn't have foreseen the depth of their resolve. Sergey said, "Well, we need to have *some* organizing principle. We don't have one, and this might as well be it." But the marriage of Google and OKRs was anything but random. It was a great impedance match, a seamless gene transcription into Google's messenger RNA. OKRs were an elastic, data-driven apparatus for a freewheeling, data-worshipping enterprise. * They promised transparency for a team that defaulted to open—open source, open systems, open web. They rewarded "good fails" and daring for two of the boldest thinkers of their time.

Google, meet OKRs: a perfect fit.

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While Larry and Sergey had few preconceptions about running a business, they knew that writing goals down would make them real. *
They loved the notion of laying out what mattered most to them—on one or two succinct pages—and making it public to everyone at Google. They intuitively grasped how OKRs could keep an organization on course through the gales of competition or the tumult of a hockey-stick growth curve.

Along with Eric Schmidt, who two years later became Google's CEO, Larry and Sergey would be tenacious, insistent, even confrontational in their use of OKRs. As Eric told author Steven Levy, "Google's objective is to be the systematic innovator of scale. Innovator means new stuff. And scale means big, systematic ways of looking at things done in a way that's reproducible." Together, the triumvirate brought a decisive ingredient for OKR success: conviction and buy-in at the top.

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As an investor, I am long on OKRs. As Google and Intel alumni continue to migrate and spread the good word, hundreds of companies of all types and sizes are committing to structured goal setting. OKRs are Swiss Army knives, suited to any environment. We've seen their broadest adoption in tech, where agility and teamwork are absolute imperatives. (In addition to the firms you will hear from in this book, OKR adherents include AOL, Dropbox, LinkedIn, Oracle, Slack, Spotify, and Twitter.) But the system has also been adopted by household names far beyond Silicon Valley: Anheuser-Busch, BMW, Disney, Exxon, Samsung. In today's economy, change is a fact of life. We cannot cling to what's worked and hope for the best. We need a trusty scythe to carve a path ahead of the curve.

At smaller start-ups, where people absolutely need to be pulling in the same direction, OKRs are a survival tool. In the tech sector, in particular, young companies must grow quickly to get funding before their capital runs dry. Structured goals give backers a yardstick for success: *We're going to build this product, and we've proven the market by talking to twenty-five customers, and here's how much they're willing to pay.* At medium-size, rapidly scaling organizations, OKRs are a shared language for execution. They clarify expectations: *What do we need to get done (and fast), and who's working on it?* They keep employees aligned, vertically and horizontally.

In larger enterprises, OKRs are neon-lit road signs. They demolish silos and cultivate connections among far-flung contributors. By enabling frontline autonomy, they give rise to fresh solutions. And they keep even the most successful organizations stretching for more.

Similar benefits accrue in the not-for-profit world. At the Bill & Melinda Gates Foundation, a $20 billion start-up, OKRs deliver the real-time data that Bill Gates needs to wage war against malaria, polio, and HIV. Sylvia Mathews Burwell, a Gates alumna, ported the process to the federal Office of Management and Budget and later to the Department of Health and Human Services, where it helped the U.S. government fight Ebola.

But perhaps no organization, not even Intel, has scaled OKRs more effectively than Google. While conceptually simple, Andy Grove's regimen demands rigor, commitment, clear thinking, and intentional communication. We're not just making some list and checking it twice. We're building our capacity, our goal muscle, and there is always some pain for meaningful gain. Yet Google's leaders have never faltered. Their hunger for learning and improving remains insatiable.

As Eric Schmidt and Jonathan Rosenberg observed in their book *How Google Works* , OKRs became the "simple tool that institutionalized the founders' 'think big' ethos." In Google's early years, Larry Page set aside two days per quarter to personally scrutinize the OKRs for each and every software engineer. (I'd sit in on some of those reviews, and Larry's analytical legerdemain—his preternatural ability to find coherence in so many moving parts—was unforgettable.) As the company expanded, Larry continued to kick off each quarter with a marathon debate on his leadership team's objectives.

Today, nearly two decades after my slide show at the ping-pong table, OKRs remain a part of Google's daily life. With growth and its attendant complexity, the company's leaders might have settled into more bureaucratic methods or scrapped OKRs for the latest management fad. Instead, they have stayed the course. The system is alive and well. OKRs are the scaffolding for Google's signature home runs, including seven products with a billion or more users apiece: Search, Chrome, Android, Maps, YouTube, Google Play, and Gmail. In 2008, a company-wide OKR rallied all hands around the Code Yellow battle against latency—Google's bête noire, the lag in retrieving data from the cloud. Bottom-up OKRs work hand in glove with "20 percent time," which frees grassroots engineers to dive into promising side projects.

Many companies have a "rule of seven," limiting managers to a maximum of seven direct reports. In some cases, Google has flipped the rule to a *minimum* of seven. (When Jonathan Rosenberg headed Google's product team, he had as many as twenty.) The higher the ratio of reports, the flatter the org chart—which means less top-down oversight, greater frontline autonomy, and more fertile soil for the next breakthrough. OKRs help make all of these good things possible.

In October 2018, for the seventy-fifth consecutive quarter, Google's CEO will lead the entire company to evaluate its progress against top-level objectives and key results. In November and December, each team and product area will develop its own plans for the coming year and distill them into OKRs. The following January, as CEO Sundar Pichai told me, "We'll go back in front of the company and articulate, 'This is our high-level strategy, and here are the OKRs we have written for the year.'" * (In accordance with company tradition, the executive team will also grade Google's OKRs from the prior year, with failures unblinkingly dissected.)

Over the following weeks and months, thousands of Googlers will formulate, discuss, revise, and grade their team and individual OKRs. As always, they'll have carte blanche to browse their intranet and see how other teams are measuring success. They'll be able to trace how their work connects up, down, and sideways—how it fits into Google's big picture.

Not quite twenty years later, Larry's jaw-dropping projection now looks conservative. As we go to press, parent company Alphabet's market cap exceeds $700 billion, making it the second-most valuable company in the world. In 2017, for the sixth year in a row, Google ranked number one on *Fortune* magazine's list of "Best Companies to Work For." This runaway success is rooted in strong and stable leadership, a wealth of technical resources, and a values-based culture of transparency, teamwork, and relentless innovation. But OKRs have also played a vital role. I cannot imagine the Googleplex running without them, and neither can Larry or Sergey.

As you will see in the pages to come, objectives and key results drive clarity, accountability, and the uninhibited pursuit of greatness. Take it from Eric Schmidt, who credits OKRs with "changing the course of the company forever."

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For decades I've been the Johnny Appleseed of OKRs, doing my best to disseminate Andy Grove's genius with my twenty slides and earnest proposition. But I always felt I was skating on the surface, not really getting the job done. A few years ago, I decided it would be worth trying again—in print this time, and in enough depth to do the subject justice. This book—with its companion website, whatmatters.com—is my chance to bring a long-held passion to you, my reader. I hope you find it useful. I can tell you it has changed my life.

I've introduced the OKR system to the world's most ambitious nonprofit and to an iconic Irish rock star. (And you'll hear from them directly.) I've witnessed countless individuals use objectives and key results to grow more disciplined in their thinking, clearer in communication, more purposeful in action. If this book were an OKR, I'd call its objective aspirational: to make people's lives, *your* life, more fulfilling.

Grove was ahead of his time. Acute focus, open sharing, exacting measurement, a license to shoot for the moon—these are the hallmarks of modern goal science. Where OKRs take root, merit trumps seniority. Managers become coaches, mentors, and architects. Actions—and data—speak louder than words.

In sum, objectives and key results are a potent, proven force for operating excellence—for Google, so why not for you?

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Like OKRs themselves, this book comes in two complementary sections. Part One considers the system's cardinal features and how it turns good ideas into superior execution and workplace satisfaction. We begin with OKRs' origin story at Andy Grove's Intel, where I became a zealous convert. Then come the four OKR "superpowers": focus, align, track, and stretch.

Superpower #1—Focus and Commit to Priorities (chapters 4, 5, and 6):

High-performance organizations home in on work that's important, and are equally clear on what *doesn't* matter. OKRs impel leaders to make hard choices. They're a precision communication tool for departments, teams, and individual contributors. By dispelling confusion, OKRs give us the focus needed to win.

Superpower #2—Align and Connect for Teamwork (chapters 7, 8, and 9):

With OKR transparency, everyone's goals—from the CEO down—are openly shared. Individuals link their objectives to the company's game plan, identify cross-dependencies, and coordinate with other teams. By connecting each contributor to the organization's success, top-down alignment brings meaning to work. By deepening people's sense of ownership, bottom-up OKRs foster engagement and innovation.

Superpower #3—Track for Accountability (chapters 10 and 11):

OKRs are driven by data. They are animated by periodic check-ins, objective grading, and continuous reassessment—all in a spirit of no-judgment accountability. An endangered key result triggers action to get it back on track, or to revise or replace it if warranted.

Superpower #4—Stretch for Amazing (chapters 12, 13, and 14):

OKRs motivate us to excel by doing more than we'd thought possible. By testing our limits and affording the freedom to fail, they release our most creative, ambitious selves.

Part Two covers OKRs' applications and implications for the new world of work:

CFRs (chapters 15 and 16): The failings of annual performance reviews have sparked a robust alternative—continuous performance management. I will introduce OKRs' younger sibling, CFRs (*C* onversation, *F* eedback, *R* ecognition), and show how OKRs and CFRs can team up to lift leaders, contributors, and organizations to a whole new level.

Continuous Improvement (chapter 17): As a case study for structured goal setting and continuous performance management, we see a robotics-powered pizza company deploys OKRs in every aspect of its operations, from the kitchen to marketing and sales.

The Importance of Culture (chapters 18, 19, and 20): Here we'll explore the impact of OKRs on the workplace, and how they ease and expedite culture change.

Along our journey, we'll rove behind the scenes to observe OKRs and CFRs in a dozen very different organizations, from Bono's ONE Campaign in Africa to YouTube and its quest for 10x growth. Collectively these stories demonstrate the range and potential of structured goal setting and continuous performance management, and how they are transforming the way we work.

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Superpower #1: Focus and Commit to Priorities

It is our choices . . . that show what we truly are, far more than our abilities.

—J. K. Rowling

Measuring what matters begins with the question: *What is most important for the next three (or six, or twelve) months?* Successful organizations *focus* on the handful of initiatives that can make a real difference, deferring less urgent ones. Their leaders *commit* to those choices in word and deed. By standing firmly behind a few top-line OKRs, they give their teams a compass and a baseline for assessment. (Wrong decisions can be corrected once results begin to roll in. Nondecisions—or hastily abandoned ones—teach us nothing.) *What are our main priorities for the coming period? Where should people concentrate their efforts?* An effective goal-setting system starts with disciplined thinking at the top, with leaders who invest the time and energy to choose what counts.

While paring back a list of goals is invariably a challenge, it is well worth the effort. As any seasoned leader will tell you, no one individual—or company—can "do it all." With a select set of OKRs, we can highlight a few things—the vital things—that must get done, as planned and on time.

In the Beginning . . .

For organization-level OKRs, the buck stops with senior leadership. They must personally commit to the process.

Where do they begin? How do they decide what truly matters most? Google turned to its mission statement: *Organize the world's* *information and make it universally accessible and useful.* Android, Google Earth, Chrome, the new-and-improved YouTube search engine —these products and dozens more share a common lineage. In each case, the impetus for development came from the founders and executive team, who made plain their focus and commitment through objectives and key results.

But good ideas aren't bound by hierarchy. The most powerful and energizing OKRs often originate with frontline contributors. As a YouTube product manager, Rick Klau was responsible for the site's homepage, the third most visited in the world. The hitch: Only a small fraction of users logged in to the site. They were missing out on important features, from saving videos to channel subscriptions. Much of YouTube's value was effectively hidden to hundreds of millions of people around the world. Meanwhile, the company was forfeiting priceless data. To solve the problem, Rick's team devised a six-month OKR to improve the site's login experience. They made their case to YouTube CEO Salar Kamangar, who consulted with Google CEO Larry Page. Larry opted to elevate the login objective to a Google company-wide OKR, but with a caveat: The deadline would be three months, not six.

When an OKR rises to the top line, "all eyes in the company are on your team," Rick says. "That's a lot of eyes! We had no idea how we'd do it in three months, but we understood that owning a company-level OKR showed that our work took priority." By adding so much emphasis to a product manager's goal, Larry clarified things for other teams, too. As in Operation Crush, everyone rallied to help Rick's group succeed. The YouTube cadre finished on time, though they shipped one week late.

Regardless of how leaders choose a company's top-line goals, they also need goals of their own. Just as values cannot be transmitted by memo, * structured goal setting won't take root by fiat. As you'll see in chapter 6, Nuna's Jini Kim discovered the hard way that OKRs require a public commitment by leadership, in word and deed. When I hear CEOs say "All my goals are team goals," it's a red flag. Talking a good OKR game is not enough. To quote the late, great Bill Campbell, the Intuit CEO who later coached the Google executive team: " When you're the CEO or the founder of a company . . . you've got to say 'This is what we're doing,' and then you have to model it. Because if you don't model it, no one's going to do it."

Communicate with Clarity

For sound decision making, esprit de corps, and superior performance, top-line goals must be clearly understood throughout the organization. Yet by their own admission, two of three companies fail to communicate these goals consistently. In a survey of eleven thousand senior executives and managers, a majority couldn't name their company's top priorities. Only half could name even one.

Leaders must get across the *why* as well as the *what.* Their people need more than milestones for motivation. They are thirsting for meaning, to understand how their goals relate to the mission. And the process can't stop with unveiling top-line OKRs at a quarterly all-hands meeting. As LinkedIn CEO Jeff Weiner likes to say, "When you are tired of saying it, people are starting to hear it."

Key Results: Care and Feeding

Objectives and key results are the yin and yang of goal setting—principle and practice, vision and execution. Objectives are the stuff of inspiration and far horizons. Key results are more earthbound and metric-driven. They typically include hard numbers for one or more gauges: revenue, growth, active users, quality, safety, market share, customer engagement. To make reliable progress, as Peter Drucker noted, a manager " must be able to measure . . . performance and results against the goal."

In other words: Key results are the levers you pull, the marks you hit to achieve the goal. If an objective is well framed, three to five KRs will usually be adequate to reach it. Too many can dilute focus and obscure progress. Besides, each key result should be a challenge in its own right. If you're certain you're going to nail it, you're probably not pushing hard enough.

What, How, When

Since OKRs are a shock to the established order, it may make sense to ease into them. Some companies begin with an annual cycle as they transition from private to public goal setting, or from a top-down process to a more collaborative one. The best practice may be a parallel, dual cadence, with short-horizon OKRs (for the here and now) supporting annual OKRs and longer-term strategies. Keep in mind, though, that it's the shorter-term goals that drive the actual work. They keep annual plans honest—and executed.

Clear-cut time frames intensify our focus and commitment; nothing moves us forward like a deadline. To win in the global marketplace, organizations need to be more nimble than ever before. In my experience, a quarterly OKR cadence is best suited to keep pace with today's fast-changing markets. A three-month horizon curbs procrastination and leads to real performance gains. In *High Output Management* , his leadership bible, Andy Grove notes:

For the feedback to be effective, it must be received very soon after the activity it is measuring occurs. Accordingly, an [OKR] system should set objectives for a relatively short period. For example, if we plan on a yearly basis, the corresponding [OKR] time should be at least as often as quarterly or perhaps even monthly.

There is no religion to this protocol, no one-size-fits-all. An engineering team might opt for six-week OKR cycles to stay in sync with development sprints. A monthly cycle could do the trick for an early-stage company still finding its product-market fit. The best OKR cadence is the one that fits the context and culture of your business.

Pairing Key Results

The history of the infamous Ford Pinto shows the hazards of one-dimensional OKRs. In 1971, after bleeding market share to more fuel-efficient models from Japan and Germany, Ford countered with the Pinto, a budget-priced subcompact. To meet CEO Lee Iacocca's aggressive demands, product managers skipped over safety checks in planning and development. For example: The new model's gas tank was placed six inches in front of a flimsy rear bumper.

The Pinto was a firetrap, and Ford's engineers knew it. But the company's heavily marketed, metric-driven goals—"under 2,000 pounds and under $2,000"—were enforced by Iacocca " with an iron hand. . . . [W]hen a crash test found that [a] one-pound, one-dollar piece of plastic stopped the puncture of the gas tank, it was thrown out as extra cost and extra weight." The Pinto's in-house green book cited three product objectives: "True Subcompact" (size, weight); "Low Cost of Ownership" (initial price, fuel consumption, reliability, serviceability); and "Clear Product Superiority" (appearance, comfort, features, ride and handling, performance). Safety was nowhere on the list.

Hundreds of people died after Pintos were rear-ended, and thousands more were severely injured. In 1978, Ford paid the price with a recall of 1.5 million Pintos and sister model Mercury Bobcats, the largest in automotive history. The company's balance sheet and reputation took a justified beating.

Looking back, Ford didn't lack for objectives or key results. But its goal-setting process was fatally flawed: " The specific, challenging goals were met (speed to market, fuel efficiency, and cost) at the expense of other important features that were not specified (safety, ethical behavior, and company reputation)."

For a more recent cautionary tale, consider Wells Fargo, still reeling from a consumer banking scandal that stemmed from ruthless, one-dimensional sales targets. Branch managers felt pressured to open millions of fraudulent accounts that customers neither wanted nor needed. In one case, a manager's teenage daughter had twenty-four accounts, her husband twenty-one. In the fallout, more than five thousand bankers were fired; the company's credit card and checking account businesses plunged by half or more. The Wells Fargo brand may be damaged beyond repair.

The more ambitious the OKR, the greater the risk of overlooking a vital criterion. To safeguard quality while pushing for quantitative deliverables, one solution is to pair key results—to measure "both effect and counter-effect," as Grove wrote in *High Output Management.* When key results focus on output, Grove noted:

[T]heir paired counterparts should stress the quality of [the] work. Thus, in accounts payable, the number of vouchers processed should be paired with the number of errors found either by auditing or by our suppliers. For another example, the number of square feet cleaned by a custodial group should be paired with a . . . rating of the quality of work as assessed by a senior manager with an office in that building.

Table 4.1: Key Results Paired for Quantity and Quality

Quantity Goal	Quality Goal	Result
Three new features	Fewer than five bugs per feature in quality assurance testing	Developers will write cleaner code.
$50M in Q1 sales	$10M in Q1 maintenance contracts	Sustained attention by sales professionals will increase customer success and satisfaction rates.
Ten sales calls	Two new orders	Lead quality will improve to meet the new order threshold requirement.

The Perfect and the Good

Google CEO Sundar Pichai once told me that his team often "agonized" over their goal-setting process: "There are single OKR lines on which you can spend an hour and a half thinking, to make sure we are focused on doing something better for the user." That's part of the territory. But to paraphrase Voltaire: Don't allow the perfect to be the enemy of the good. * Remember that an OKR can be modified or even scrapped at any point in its cycle. Sometimes the "right" key results surface weeks or months after a goal is put into play. OKRs are inherently works in progress, not commandments chiseled in stone.

A few goal-setting ground rules: Key results should be succinct, specific, and measurable. A mix of outputs and inputs is helpful. Finally, completion of all key results *must* result in attainment of the objective. If not, it's not an OKR. *

Table 4.2: An OKR Quality Continuum

Weak	Average	Strong
Objective: Win the Indy 500. **Key result:** Increase lap speed. **Key result:** Reduce pit stop time..	**Objective:** Win the Indy 500. **Key result:** Increase average lap speed by 2 percent. **Key result:** Reduce average pit stop time by one second.	**Objective:** Win the Indy 500. **Key result:** Increase average lap speed by 2 percent. **Key result:** Test at wind tunnel ten times. **Key result:** Reduce average pit stop time by one second. **Key result:** Reduce pit stop errors by 50 percent. **Key result:** Practice pit stops one hour per day.

Less Is More

As Steve Jobs understood, "Innovation means saying no to one thousand things." In most cases, the ideal number of quarterly OKRs will range between three and five. It may be tempting to usher more objectives inside the velvet rope, but it's generally a mistake. Too many objectives can blur our focus on what counts, or distract us into chasing the next shiny thing. At MyFitnessPal, the health and fitness app, "We were putting too much down," says CEO Mike Lee. "There were too many things we were trying to get done, and then the prioritization wasn't clear enough. So we decided to try to set fewer OKRs, and to make sure that the ones that really matter are the ones that we set."

For individuals, as I found out for myself at Intel, selective goal setting is the first line of defense against getting overextended. Once contributors have consulted with their managers and committed to their OKRs for the quarter, any add-on objectives or key results must fit into the established agenda. *How does the new goal stack up against my existing ones? Should something be dropped to make room for the new commitment?* In a high-functioning OKR system, top-down mandates to "just do more" are obsolete. Orders give way to questions, and to one question in particular: What matters most?

When it came to goal setting, Andy Grove felt strongly that less is more:

The one thing an [OKR] system should provide par excellence is focus. This can only happen if we keep the number of objectives small. . . . Each time you make a commitment, you forfeit your chance to commit to something else. This, of course, is an inevitable, inescapable consequence of allocating any finite resource. People who plan have to have the guts, honesty, and discipline to drop projects as well as to initiate them, to shake their heads "no" as well as to smile "yes." . . . We must realize—and act on the realization—that if we try to focus on everything, we focus on nothing.

Above all, top-line objectives must be *significant* . OKRs are neither a catchall wish list nor the sum of a team's mundane tasks. They're a set of stringently curated goals that merit special attention and will move people forward in the here and now. They link to the larger purpose we're expected to deliver around. " The *art* of management," Grove wrote, "lies in the capacity to select from the many activities of seemingly comparable significance the one or two or three that provide leverage well beyond the others and concentrate on them."

Or as Larry Page would say, winning organizations need to "put more wood behind fewer arrows." That, in very few and focused words, is the essence of our first superpower.

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Superpower #4: Stretch for Amazing

The biggest risk of all is not taking one.

—Mellody Hobson

OKRs push us far beyond our comfort zones. They lead us to achievements on the border between abilities and dreams. They unearth fresh capacity, hatch more creative solutions, revolutionize business models. For companies seeking to live long and prosper, stretching to new heights is compulsory. As Bill Campbell liked to say: If companies "don't continue to innovate, they're going to die—and I didn't say *iterate* , I said *innovate* ." Conservative goal setting stymies innovation. And innovation is like oxygen: You cannot win without it.

When stretch goals are chosen wisely, the payoff merits the risk and then some. "Big Hairy Audacious Goals"—Jim Collins's memorable phrase in *Good to Great* —spark leaps to new levels:

A BHAG is a huge and daunting goal—like a big mountain to climb. It is clear, compelling, and people "get it" right away. A BHAG serves as a unifying focal point of effort, galvanizing people and creating team spirit as people strive toward a finish line. Like the 1960s NASA moon mission, a BHAG captures the imagination and grabs people in the gut.

Edwin Locke, the patriarch of structured goal setting, mined a dozen studies for a quantitative correlation between goal difficulty and achievement. The arenas ranged widely, but the results were "unequivocal," Locke wrote. "[T]he harder the goal the higher the level of performance. . . . Although subjects with very hard goals reached their goals far less often than subjects with very easy goals, the former consistently performed at a higher level than the latter." The studies found that "stretched" workers were not only more productive, but more motivated and engaged: " Setting specific challenging goals is also a means of enhancing task interest and of helping people to discover the pleasurable aspects of an activity."

In 2007, the National Academy of Engineering asked a panel of leading thinkers—including Larry Page, futurist Ray Kurzweil, and geneticist J. Craig Venter—to choose fourteen "Grand Engineering Challenges" for the twenty-first century. After a year of debate, the panel settled on an array of quintessential stretch goals: Generate energy from fusion. Reverse-engineer the brain. Prevent nuclear terror. Secure cyberspace. (You get the picture.)

Not all stretch goals are so rarefied. Sometimes they represent "ordinary" work at an extraordinary level. But regardless of scope or scale, they fit my favorite definition of entrepreneurs:

Those who do more than anyone thinks possible . . . with less than anyone thinks possible. *

At fledgling start-ups and market leaders alike, stretch goals can sharpen an entrepreneurial culture. By pushing people past old limits, they are forces for operating excellence. As Philip Potloff, chief digital officer at Edmunds.com, noted, "We're trying to change the way automotive retailing is conducted, and that's a massive challenge and a massive opportunity. The only way for us to boil down our crazy, big, 'change-the-industry' goals is through OKRs. It's why OKRs continue to be at the center of what we do."

Aspirational goals draw on every OKR superpower. *Focus* and *commitment* are a must for targeting goals that make a real difference. Only a transparent, collaborative, *aligned* , and *connected* organization can achieve so far beyond the norm. And without quantifiable *tracking* , how can you know when you've reached that amazing *stretch* objective?

Two OKR Baskets

Google divides its OKRs into two categories, committed goals and aspirational (or "stretch") goals. It's a distinction with a real difference.

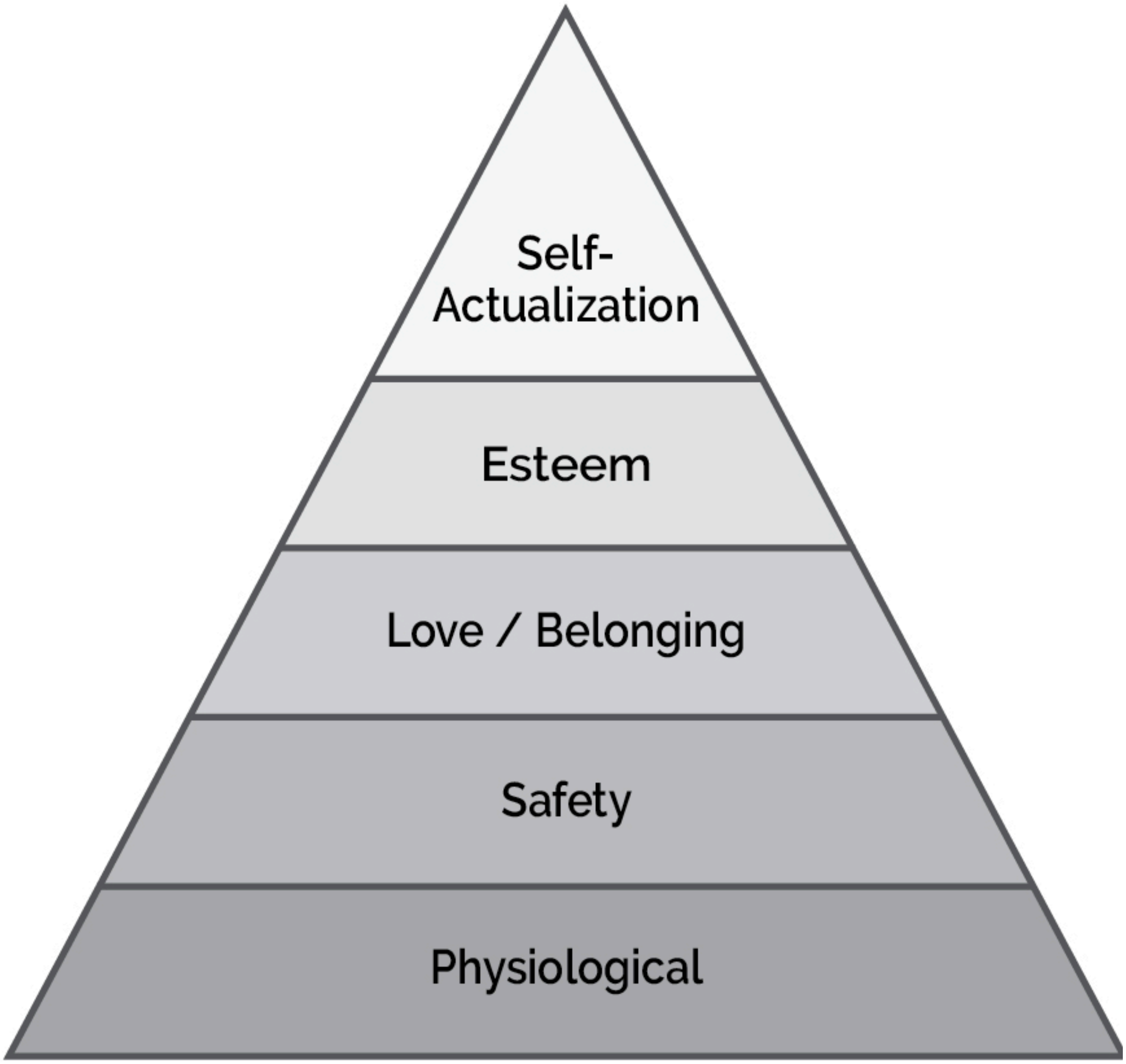
Committed objectives are tied to Google's metrics: product releases, bookings, hiring, customers. Management sets them at the company level, employees at the departmental level. In general, these committed objectives—such as sales and revenue goals—are to be achieved in full (100 percent) within a set time frame.

Aspirational objectives reflect bigger-picture, higher-risk, more future-tilting ideas. They originate from any tier and aim to mobilize the entire organization. By definition, they are challenging to achieve. Failures—at an average rate of 40 percent—are part of Google's territory.

The relative weighting of these two baskets is a cultural question. It will vary from one organization to the next, and from quarter to quarter. Leaders must ask themselves: What type of company do we need to be in the coming year? Agile and daring, to crack a new market—or more conservative and operational, to firm up our existing position? Are we in survival mode, or is there cash on hand to bet big for a big reward? What does our business require, right now?

Our Need to Stretch

Andy Grove was a fan of Abraham Maslow, the mid-twentieth-century psychologist best known for his "hierarchy of needs." According to Maslow, only after we satisfy more basic concerns—starting with food and shelter, then safety, then "love" and "belongingness"—can we move to higher-level motivations. At the top of Maslow's pyramid stands the need for "self-actualization":



Maslow’s hierarchy of needs represented as a pyramid, with more basic needs at the base.

Grove was fascinated to find that some people, with no prompting, were consistently driven to “try to test the outer limits of their abilities” and achieve their “personal best.” These employees were a manager’s dream; they were never self-satisfied. But Grove also understood that not everyone was a natural-born achiever. For the rest, “ stretched” goals could elicit maximum output: “Such goal-setting is extremely important if you want peak performance from yourself and your subordinates.”

Intel treasured calculated risk takers. It was the place I learned to stretch and to dare to fail. In Operation Crush, the do-or-die campaign to dominate the 16-bit chip microprocessor market, the company's salespeople were measured by design wins, the number of products designed around our 8086 microprocessor. Led by Bill Davidow, the Crush task force set one of the bolder goals I've ever seen: one thousand design wins in a single calendar year, 50 percent more than sales had logged the year before. Here is what happened next, as recalled by Dave House, general manager for microprocessors:

This is Intel; you've got to measure it. And I think it was [Jim] Lally who said, we need 1,000 design wins. It was a number; it was either Bill or Jim. . . . And it seemed like an enormous number. And then as we were developing our plans, somehow that number got changed to 2,000. And that wound up being the number we would take to field sales.

Two thousand design wins equated to one win per salesperson per month. Management was asking our field reps to *triple* their numbers for a chip so unpopular that longtime customers were hanging up on them. The sales force was beaten down and defeated, and now it stared up at Mount Everest. When I recently asked Bill Davidow about setting such a steep objective, he replied, "I picked the two thousand because I thought we needed a rallying point. And that was a rallying point."

The company incentivized the reps with a trip for two to Tahiti for all who reached the mark. Then Jim Lally added an ingenious stipulation: If a single individual failed to make the quota, the straggler's entire district office would lose out on the trip. Early on, the numbers badly trailed the target, until the task force began to think about relaxing the design win criterion. But that summer, full-color Tahiti brochures mysteriously found their way into every salesperson's home mailbox. By the third quarter, peer pressure on the laggards was enormous.

At year's end, the design win tally exceeded 2,300. The 8086 reigned supreme in the marketplace; Intel's future was assured. Virtually the entire sales force went to Tahiti. And a stretch goal had made all the difference.

The Gospel of 10x

If Andy Grove is the patron saint of aspirational OKRs, Larry Page is their latter-day high priest. In technology, Google stands for boundless innovation and relentless growth. In the world of objectives and key results, the company is synonymous with exponentially aggressive goals, or what author Steven Levy calls "the gospel of 10x."

Consider Gmail. The main problem with earlier web-based email systems was meager storage, typically 2 to 4 megabytes. Users were forced to delete old emails to make room for new ones. Archives were a pipe dream. During Gmail's development, Google's leaders considered offering 100MB of storage—an enormous upgrade. But by 2004, when the product was released to the public, the 100MB goal was dead and forgotten. Instead, Gmail provided a full *gigabyte* of storage, up to five hundred times more than the competition. Users could keep emails in perpetuity. Digital communication changed forever.

That , my friends, is a Big Hairy Audacious Goal. Gmail didn't merely improve on existing systems. It reinvented the category and forced competitors to raise their game by orders of magnitude. Such 10x thinking is rare in any sector, on any stage. Most people, Larry Page observes, " tend to assume that things are impossible, rather than starting from real-world physics and figuring out what's actually possible."

In *Wired* , Steven Levy elaborated:

The way Page sees it, a ten percent improvement means that you're doing the same thing as everybody else. You probably won't fail spectacularly, but you are guaranteed not to succeed wildly.

That's why Page expects Googlers to create products and services that are ten times better than the competition. That means he isn't satisfied with discovering a couple of hidden efficiencies or tweaking code to achieve modest gains. Thousand percent improvement requires rethinking problems, exploring what's technically possible and having fun in the process.

At Google, in line with Andy Grove's old standard, aspirational OKRs are set at 60 to 70 percent attainment. In other words, performance is expected to fall short at least 30 percent of the time. And that's considered success!

Eric Schmidt, Larry Page, and Sergey Brin with Google's first self-driving car, 2011—10x thinking in action!

Google has had its share of colossal misfires, from Helpouts to Google Answers. Living in the 70 percent zone entails a liberal sprinkling of moonshots and a willingness to court failure. At the start of the period, not a single goal may look possible. And so the Googlers are pushed to ask harder questions: What radical, high-risk action needs to be considered? What do they need to *stop* doing? Where can they move resources or find new partners? By deadline, a healthy fraction of those impossible goals are somehow attained in full.

Stretch Variables

To succeed, a stretch goal cannot seem like a long march to nowhere. Nor can it be imposed from on high without regard to realities on the ground. Stretch your team too fast and too far, and it may snap. In pursuing high-effort, high-risk goals, employee commitment is essential. Leaders must convey two things: the importance of the outcome, and the belief that it's attainable.

Few entities have Google's resources to fall back upon when a moonshot crashes. Organizations have a range of risk tolerance, which may change over time. The greater the margin for error, the more a company can extend itself. For example, a 40 percent OKR failure rate might seem too risky—and too discouraging, no matter what leadership says. For high achievers, anything shy of perfection can sap morale. At Risk Management Solutions in California, there are "more degrees than employees," says Amelia Merrill, a former HR leader. "People here are used to getting A's. They don't get B's. Not getting 100 percent—that's just really hard, culturally, to make that transition."

At MyFitnessPal, Mike Lee considers *all* OKRs to be committed goals: difficult and demanding, yes, but attainable in full. "I am trying to set the bar right at where I think it should be," he says. "If we get them all done, I'll feel good about our progress." That's a reasonable approach, but not without pitfalls. Will Mike's people shy away from objectives where they might top out at 90 percent? In my view, it's better for leaders to set at least a modest stretch. Over time, as teams and individuals gain experience with OKRs, their key results will become more precise *and* more aggressive.

There is no one magic number for the "right" stretch. But consider this: How can your team create maximum value? What would *amazing* look like? If you seek to achieve greatness, stretching for amazing is a great place to start. But by no means, as Andy Grove made clear, is it the place to stop:

You know, in our business we have to set ourselves uncomfortably tough objectives, and then we have to meet them. *And then after ten milliseconds of celebration* we have to set ourselves another [set of] highly difficult-to-reach objectives and we have to meet them. And the reward of having met one of these challenging goals is that you get to play again.

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Culture

You need a culture that high-fives small and innovative ideas.

—Jeff Bezos

Culture, as the saying goes, eats strategy for breakfast. It's our stake in the ground; it's what makes meaning of work. Leaders are rightly obsessed with culture. Founders ask how they can protect their companies' cultural values as they grow. Chiefs of large companies are turning to OKRs and CFRs as tools for culture change. And growing numbers of job seekers and career builders are making the right cultural fit their top criterion.

As you have seen throughout this book, OKRs are clear vessels for leaders' priorities and insights. CFRs help ensure that those priorities and insights get transmitted. But goals cannot be attained in a vacuum. Like sound waves, they require a medium. For OKRs and CFRs, the medium is an organization's culture, the living expression of its most cherished values and beliefs.

And so the question becomes: How do companies define and build a positive culture? While I have no simple answer, OKRs and CFRs provide a blueprint. By aligning teams to work toward a handful of common objectives, then uniting them through lightweight, goal-oriented communications, OKRs and CFRs create transparency and accountability, the tent poles for sustained high performance. Healthy culture and structured goal setting are interdependent. They're natural partners in the quest for operating excellence.

Andy Grove understood the paramount importance of this interplay. "Put simply," he wrote in *High Output Management* , culture is "a set of values and beliefs, as well as familiarity with the way things are done and should be done in a company. The point is that a strong and positive corporate culture is absolutely essential." As an engineer, Grove equated culture with efficiency, a manual for quicker, more reliable decisions. When a company is culturally coherent, the way forward is understood:

Someone adhering to the values of a corporate culture—an intelligent corporate citizen—will behave in consistent fashion under similar conditions, which means that managers don't have to suffer the inefficiencies engendered by formal rules, procedures, and regulations. . . . [M]anagement has to develop and nurture the common set of values, objectives, and methods essential to the existence of trust. How do we do that? One way is by articulation, by spelling [them] out. . . . The other even more important way is by example.

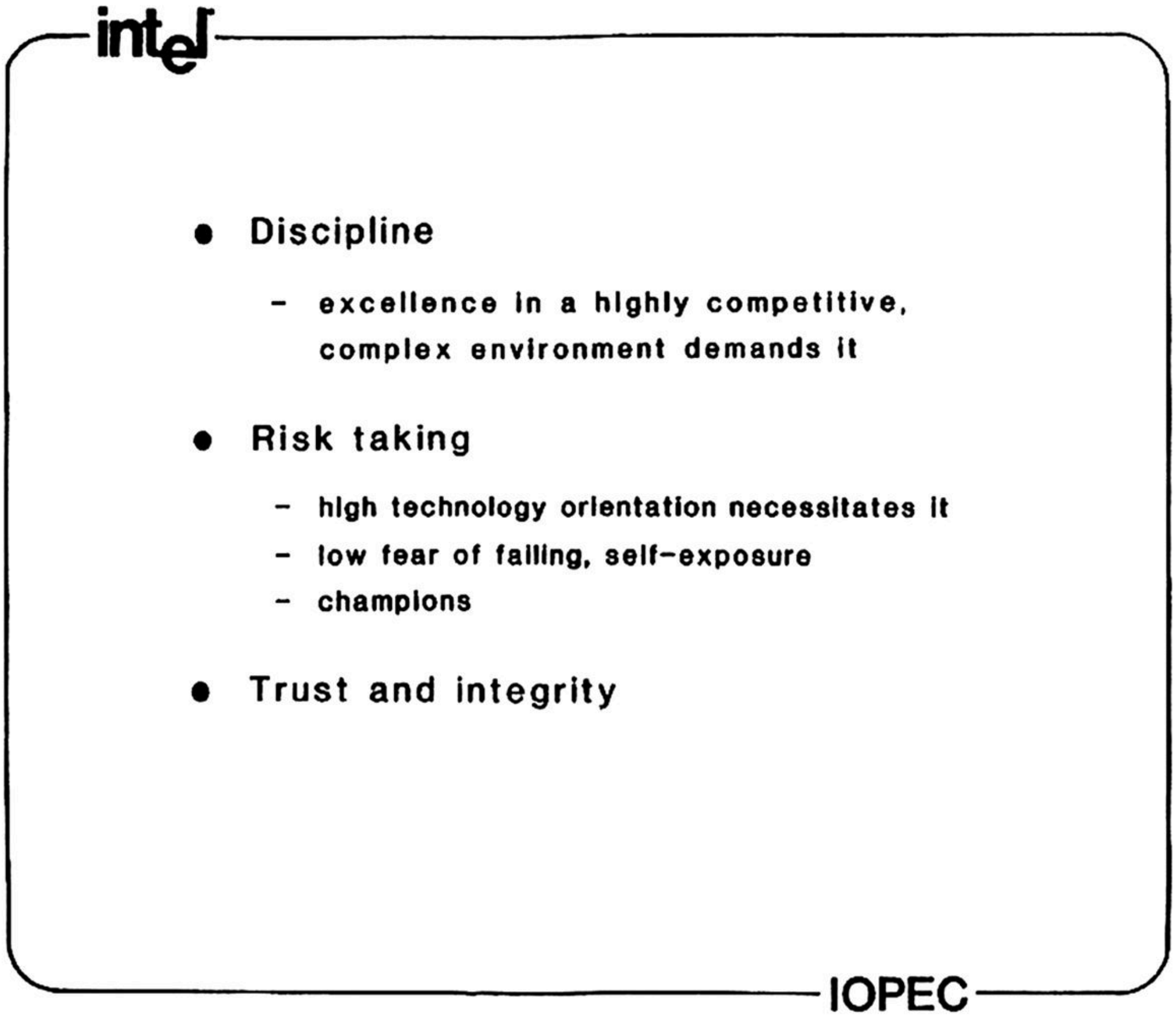
As an executive, Grove role-modeled Intel's highest cultural standards. In his iOPEC seminars, he endeavored to instill them in the company's new employees. On the following page you'll find two original slides from 1985, an outline of Andy's teachings on Intel's seven core cultural values:

intel

Operating Style
- Our Value System

- People oriented
  - we value a strong mutual commitment
  - respect for all work
  - challenge and opportunity
- Openness
  - highlighting of problems or issues expected
- Issue resolution
  - clean and crisp
  - confrontation must be constructive
- Results
  - output orientation in all work
  - superficiality not respected
  - reward successes with positive feedback

IOPEC



Intel Slide—Operating Style

The qualities prized by Andy Grove—collective accountability, fearless risk taking, measurable achievement—are also highly esteemed at Google. In Project Aristotle, an internal Google study of 180 teams, standout performance correlated to affirmative responses to these five questions:

1. Structure and clarity: Are goals, roles, and execution plans on our team clear?

2. Psychological safety: Can we take risks on this team without feeling insecure or embarrassed?

3. Meaning of work: Are we working on something that is personally important for each of us?

4. Dependability: Can we count on each other to do high-quality work on time?

5. Impact of work: Do we fundamentally believe that the work we're doing matters?

The first item on this list—structure and clarity—is the raison d'être for objectives and key results. The others are all key facets of a healthy workplace culture, and tie directly to OKR superpowers and CFR communication tools. Consider peer-to-peer "dependability." In a high-functioning OKR environment, transparency and alignment make people more diligent in meeting their obligations. At Google, teams assume collective responsibility for goal achievement—or for failures. At the same time, individuals are held responsible for specific key results. Peak performance is the product of collaboration *and accountability.*

An OKR culture is an accountable culture. You don't push toward a goal just because the boss gave you an order. You do it because every OKR is transparently important to the company, and to the colleagues who count on you. Nobody wants to be seen as the one holding back the team. Everybody takes pride in moving progress forward. It's a social contract, but a self-governed one.

—

In *The Progress Principle* , Teresa Amabile and Steven Kramer analyzed 26 project teams, 238 individuals, and 12,000 employee diary entries. High-motivation cultures, they concluded, rely on a mix of two elements. *Catalysts* , defined as "actions that support work," sound much like OKRs: "They include setting clear goals, allowing autonomy, providing sufficient resources and time, helping with the work, openly learning from problems and successes, and allowing a free exchange of ideas." *Nourishers* —"acts of interpersonal support"—bear a striking resemblance to CFRs: "respect and recognition, encouragement, emotional comfort, and opportunities for affiliation."

In the high-stakes arena of culture change, OKRs lend us purpose and clarity as we plunge into the new. CFRs supply the energy we need for the journey. Where people have authentic conversations and get constructive feedback and recognition for superior accomplishment, enthusiasm becomes infectious. The same goes for stretch thinking and a commitment to daily improvement. The companies that treat their people as valued partners are the ones with the best customer service. They have the best products and strongest sales growth. They're the ones who are going to win.

As continuous performance management rises to the fore, once-a-year employee surveys are giving way to real-time feedback. One frontier is *pulsing* , an online snapshot of your workplace culture. These signal-capturing questionnaires may be scheduled weekly or monthly by HR or made part of an ongoing "drip" campaign. Either way, pulses are simple, quick, and wide-ranging. For example: *Are you getting enough sleep? Have you met recently with your manager to discuss goals and expectations? Do you have a clear sense of your career path? Are you getting enough challenge and motivation and energy—are you feeling "in the zone"?*

Feedback is a listening system. In the new world of work, leaders cannot wait for negative critiques on Glassdoor, or for valued contributors to exit for another job. They need to listen and capture signals as they are emitted. What if a goal-setting platform could pulse two or three questions to employees whenever they log in? What if it merged quantitative data on goal progress with qualitative input from frequent conversations and pulsing feedback? We're not far away from software that will prompt a manager: "Talk to Bob, something's going on with his team."

As OKRs build goal muscle, CFRs make those sinews more flexible and responsive. Pulsing gauges the organization's real-time health—body and soul, work and culture.

—

Leading the world in online higher education, Coursera jumped into OKRs in 2013, just one year after its founding. With timely input from then-president Lila Ibrahim, an Intel alumna who revered Andy Grove, the organization tried something rare and exemplary. They connected OKRs explicitly to the company's values and lofty mission statement, a clear expression of its culture: "We envision a world where anyone, anywhere, can transform their lives by accessing the world's best learning experience." Coursera rolled up its team-level objectives to top-line strategic objectives, which in turn rolled up to five core values:

- *Students first.* Engage and increase value to students; extend reach to new students.
- *Great partners.* Be a great partner to universities.
- *Think big and advance pedagogy.* Develop an innovative, world-class education platform.
- *Care for teammates and be human, be humble.* Build a strong, healthy organization.
- *Do good, do well.* Experiment and develop a sustainable business model.

Each core value was mapped to a corresponding set of OKRs. As an example, here is an OKR for "students first":

OBJECTIVE

Extend Coursera's reach to new students.

KEY RESULTS

1. Perform A/B tests, learn, and iterate on ways to acquire new students and engage existing students.
2. Increase mobile monthly active users (MAU) to 150k.
3. Create internal tools to track key growth metrics.
4. Launch features to enable instructors to create more engaging videos.

OKRs furnished the pathway for Coursera's mission. They enabled teams to articulate their goals and to align with the company's objectives—and with its broader values, as well. Years later, the company's friendly, inclusive culture remains a welcome contrast to the blustery, combative personality of many Silicon Valley start-ups.

Coursera team with former president and COO Lila Ibrahim (left), cofounder Daphne Kohler (to the left of John Doerr), and cofounder Andrew Ng (far right), 2012.

As Rick Levin, Coursera's former CEO, said, "I can't imagine where we would be without OKRs. The discipline forces us to look back every quarter and hold ourselves accountable, and to look ahead every quarter to imagine how we can better live our values."

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In 2007, the preeminent business philosopher Dov Seidman published a groundbreaking book on culture, *HOW: Why HOW We Do Anything Means Everything . . . in Business (and in Life)* . Dov started from the premise that culture guides people's behaviors, or how things really happen in an organization. In our open-sourced, hyperconnected world, behavior defines a company more meaningfully than product lines or market share. As Dov said to me recently, "It's the one thing that can't be copied or commoditized."

Dov's big idea is that companies that "out-behave" their competition will also outperform them. He identified a value-driven model, the "self-governing organization," a place where long-term legacy trumps the next quarter's ROI. These organizations don't merely engage their workers. They *inspire* them. They replace rules with shared principles; carrots and sticks are supplanted by a common sense of purpose. They are built around trust, which enables risk taking, which spurs innovation, which drives performance and productivity.

"In the past," Dov told me, "when employees just needed to do the next thing right—to follow orders to the letter—culture didn't matter so much. But now we're living in a world where we're asking people to do *the next right thing* . A rulebook can tell me what I can or can't do. I need culture to tell me what I *should* do."

That was a majestic, potentially transformative idea. But as Dov has acknowledged, it's one thing to proclaim values like courage or compassion or creativity. It's another to scale them. Scaling requires a system, with metrics. "What we choose to measure is a window into our values, and into *what* we value," Dov says. "Because if you measure something, you're telling people that it matters."

To validate his argument and test his observations, Dov needed data—lots of it. His team at LRN embarked upon a rigorous empirical analysis that has been refined over the years and published in a series of annual HOW reports.

Where Andy Grove added qualitative goals to balance quantitative ones, Dov has found a way to quantify seemingly abstract values like trust. His "trust index" measures specific behaviors—the direct "hows" of transparency, for example. "I avoid asking people about their perceptions," Dov told me. "I don't ask, 'Do you feel your company is honest with you?' I look at information flows. Does the company hoard information, does it mete it out on a need-to-know basis, or is it flowing freely? If you go around your boss and talk to somebody more senior, are you punished or celebrated?"

As of 2016, the HOW report covered seventeen countries and more than sixteen thousand employees. It found that self-governing organizations had grown to 8 percent of the pie, up from 3 percent in 2012. Of those value-driven companies, 96 percent scored high in systematic innovation. Ninety-five percent had superior employee engagement and loyalty. "Out-behavior" did indeed equate to outperformance; 94 percent reported increased market share.

When Dov told me there was no more powerful cultural force than "active transparency," where "human beings are opening up, sharing the truth, bringing others in, being vulnerable," I could see Andy Grove smiling. An OKR/CFR culture is above all a transparent culture. It goes back to the lessons I first learned at Intel, and have seen affirmed countless times at Google and dozens of other forward-looking companies. Vision-based leadership beats command-and-control. The flatter the org chart, the more agile the organization. When performance management is a networked, two-way street, individuals grow into greatness.

At the end, it's all about knitting ourselves to one another. As Dov observes, "Collaboration itself—our ability to *connect* —is an engine of growth and innovation."

Given the chance, OKRs and CFRs will build top-down alignment, team-first networking, and bottom-up autonomy and engagement—the pillars of any vibrant, value-driven culture. But in some scenarios, as you're about to see in the following tale about Lumeris, culture change may need to be initiated *before* OKRs are deployed. In others, as Bono and his ONE Campaign will show, a charismatic CEO/founder (in this case, a literal rock star) can call on OKRs to transform culture from the top. And so our final two stories explore this rich interrelationship between culture change and structured goal setting.