Nexus

SAFe

KPIs

Hoshin Kanri

OKR

OGSM

LeSS

Balanced Scorecard

Smart Goals

CONNECTING STRATEGY, GOALS, LEAN MANAGEMENT, AND AGILE

HOW TO INTEGRATE OKR INTO THE FRAMEWORK LANDSCAPE

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Introduction

Objectives and Key Results (OKR) have been around since the 1970s. Inspired by success stories, like Google, it has gained widespread attention across organizations in recent years due to its easy-to-understand concept and the benefits it establishes. The need for transparency, adaptability, and radical customer focus in an ever-evolving economic landscape has been a major contributing factor for the success of OKR in recent years.

While many companies recognize the impact of OKR to their business, many hesitate to implement the framework as they fear the complexity. Naturally, every organization already has certain metrics, concepts, and frameworks in place to organize their internal processes. They fear that adding another framework on top of that might interfere with existing practices and add unnecessary complexity to their internal structures.

The truth, however, is exactly the opposite. OKR is a very simple, yet powerful, framework that integrates well with other concepts and adds certain benefits to each of them. When it comes to traditional goal management with quantitative metrics, OKR with its qualitative traits provides a customer-centric view that creates focus on what's really important. In already agile environments, OKR aligns the whole organization towards strategic goals. Even other goal-management frameworks benefit from OKR, or vice versa.

In this guide, we discuss the most common concepts and frameworks and explain how OKR can be integrated to create synergies for modern goal management.

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Goal Management and OKR

1 KPIs

Definition

KPIs have long been serving as an organizational health check by measuring vital aspects of success. They enable companies to translate their business into quantifiable results, such as revenue growth or customer satisfaction. However, they are Lag Metrics that only provide a look at the results of what you have done in the past. They fall short in providing actionable insights. OKRs, on the other hand, focus on the future and a strategic direction. They focus on Lead Metrics that can be influenced to reach a certain value. Another difference is the time frames both frameworks capture. KPIs continually measure performance and are reviewed every six or twelve months, whereas OKR cycles are 3 to 4 months long.

Integration opportunities

Despite, or rather because, of the different perspectives they provide, KPIs and OKRs complement each other well if you know how to put their individual metrics together. OKRs can put the spotlight on certain aspects to influence a distinct KPI over several cycles and ensure focussed work towards that goal. KPIs, on the other hand, provide quantitative feedback about the created value and give you an idea where to focus on next.

Let's assume you notice that customer satisfaction has stagnated over the past six months. Analyzing the relevant KPIs feeding into customer satisfaction gives you an idea of where to put your focus. If your customer service KPIs are high as ever, but the engagement of your users is decreasing, it gives you an idea of where to focus over the next OKR cycle. You can draft a joint OKR for your product and IT team to activate your users and facilitate the usage of your product.

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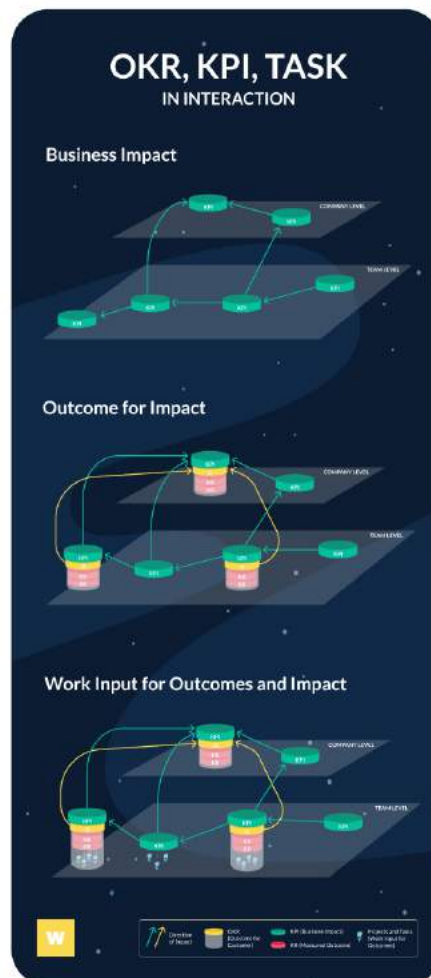
2 SMART Goals

Definition

SMART is an acronym that describes how goals should be Specific, Measurable, Attainable, Reasonable, and Time-bound. These criteria set the same scope and direction as Objectives and Key Results by focusing on a certain direction and how to get there within a certain time. SMART Goals, however, are just a concept for goal setting and do not tie into the overall strategy. It also falls short in terms of alignment and learning.

Integration opportunities

SMART goals and OKR do not take place on the same flight levels. OKR ties goals into the overall strategy and provides an organizational context. SMART goals rather set a frame of quality criteria for goals that can be leveraged in the OKR drafting process to ensure quality and focus. As the criteria partly contradict the qualitative characteristics of Objectives, they should rather be applied to Key Results. These should be as specific as possible, clearly measurable, to some extent attainable (but also ambitious), reasonable (in terms of reaching the objective), and time-bound when one objective depends on various consecutive Key Results.

Ultimately, SMART goals take a subordinate place compared to OKR and should be treated accordingly. While its criteria can act as a control mechanism for goal drafting, it does not provide a single point of truth. While good Key Results do fulfill SMART criteria, drafting them with only SMART in mind can still result in weak Key Results.
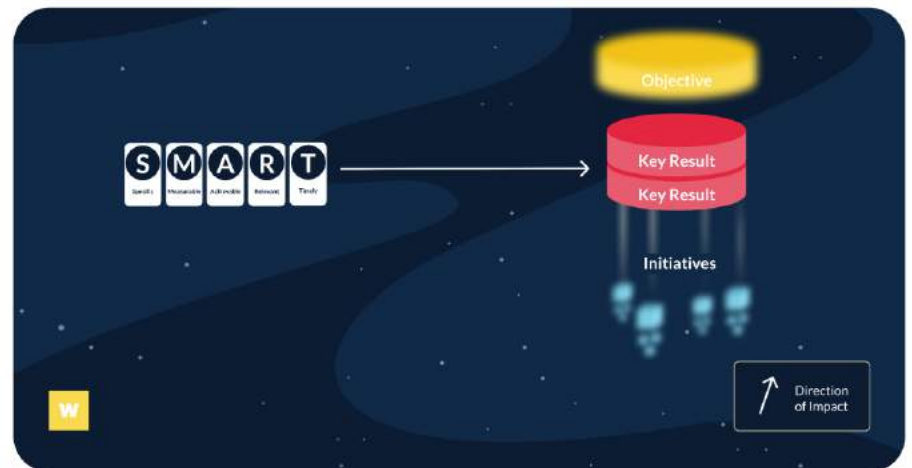
3   Balanced Scorecard

Definition

Balanced Scorecard expands the concept of KPIs by adding additional perspectives to company strategy beyond financial key figures. These are the perspectives of a customer, an internal process, and a learning and development perspective. This extension was made to help organizations make strategically more balanced and differentiated decisions instead of orienting oneself to short-term and very abstract, financial key figures as success factors.

Integration opportunities

These aspects complement the approach of OKRs to include learning and customer value into the goal-setting process. However, like KPIs, Balanced Scorecard focuses on Lag Metrics with clear goals and is drafted for longer time frames. They can work well with OKRs to deduce objectives that influence the goals and focus on the process of goal achievement. OKRs provide a structure for the four perspectives of Balanced Scorecard and how to achieve the respective goals.

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Lean Management

1 OGSM

Definition

OGSM stands for Objectives, Goals, Strategies and Measures. Objectives set the strategic direction for a desired long-term goal (up to five years), while goals define the metrics to measure success. Strategies explain how the Objective will be reached and Measures define its successful progression. It is a concise format that ties company strategy to operational aspects and allows for long-term planning.

Integration opportunities

OGSM contains equivalents to Objectives and Key Results, but differs in various aspects. First, it is a top-down framework that sets long-term goals and does not involve granular cycles. It does not provide a set rhythm for Check-Ins and Reviews and, therefore, does not enable course-correction and feedback. Also, Measures can, but do not have to be congruent with Key Results. They do indicate progress with quantitative measures, but these can also be KPIs or other Lag Metrics. Key Results should be metrics that you can influence to deduce Initiatives.

Therefore, OKRs are a useful addition to OGSM. It can be integrated to provide focus for granular planning, temporary focus on specific aspects and focused strategy execution over a short cycle. It also adds the elements of bottom-up execution to OGSM, as well as autonomy, alignment and collaboration. This provides organizations with the ability to adapt their strategy quickly while keeping long-term goals and metrics in mind.

2 Hoshin Kanri

Definition

Hoshin Kanri is a strategy execution framework that ensures focus on a limited number of goals, as well as alignment and transparency across all levels. The leadership team develops breakthrough objectives and metrics to address a selection of critical issues. These are handed down to the level of departments, teams and employees. How these goals are to be achieved is up to them. Once they decide on how to reach these goals, they report it back to management. This „Catchball"-principle ensures transparency and alignment through a bidirectional information flow. Additionally, regular review loops ensure constant learning and identification of roadblocks.

Integration opportunities

Hoshin Kanri and OKRs have very much in common: Enabling employees and teams to choose their own way of reaching organizational goals by alignment, transparency and perpetual iteration. They do differ in complexity and time frames, though.

Hoshin Kanri usually features various goal levels, long-term and annual. Goal drafting also includes priorities, important metrics (qualitative as well as quantitative), success factors and the teams involved. OKRs, on the other hand, take these aspects into account during drafting, but the goal focuses on a specific value. Also, they run in shorter cycles of 3-4 months (sometimes with long-term or annual Objectives). Also, they are much more lightweight with less components needed for goal-drafting, and focus on a value.

The shorter time frames of OKRs make the framework compatible with Hoshin Kanri. OKRs can be leveraged to provide focus over one cycle to influence goals. Annual goals can be broken down in several OKR cycles which put the spotlight on certain values that move the needle on the respective metrics. Additionally, these cycles provide regular review and retrospective opportunities.

LONG-TERM GOALS IN OGSM, HOSHIN KANRI

1 Year   2 Years   3 Years

STRATEGY AND FOKUS WITH OKR

OKR Cycle
3 Months Length

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Scaled Agile Frameworks

At some point, frameworks on a team basis can no longer manage the dependencies across various teams. In that case, teams can leverage scaled agile frameworks to better organize their work on different products or modules they want to combine into a platform. Aside from Scrum of Scrums, the three most widely used scaled frameworks are Nexus, SAFe, and LeSS. These frameworks mainly aim to synchronize the work across several teams. To maintain the agility on team-level, they leverage shared roles, rituals, and artifacts based on agile principles. Especially shared planning rituals support an effective workload distribution across several teams.

The main reasons to use scaled agile frameworks are technical or functional dependencies between teams. Complex projects do not allow the identification of these dependencies in the same way as in cascading projects with an analytics and design phase. Therefore, an incremental approach is necessary, that regularly provides insights and allows for identifying dependencies.

Before considering scaled agile frameworks, though, it is important to fully exploit all opportunities for synchronization on a team level. Scrum is one of the most prominent agile frameworks and its roles, rituals, and artifacts provide a good basis for cross-functional collaboration because it provides transparency and prioritization with a product backlog. Scaled agile frameworks extend the bottom-up intelligence beyond the team-level.

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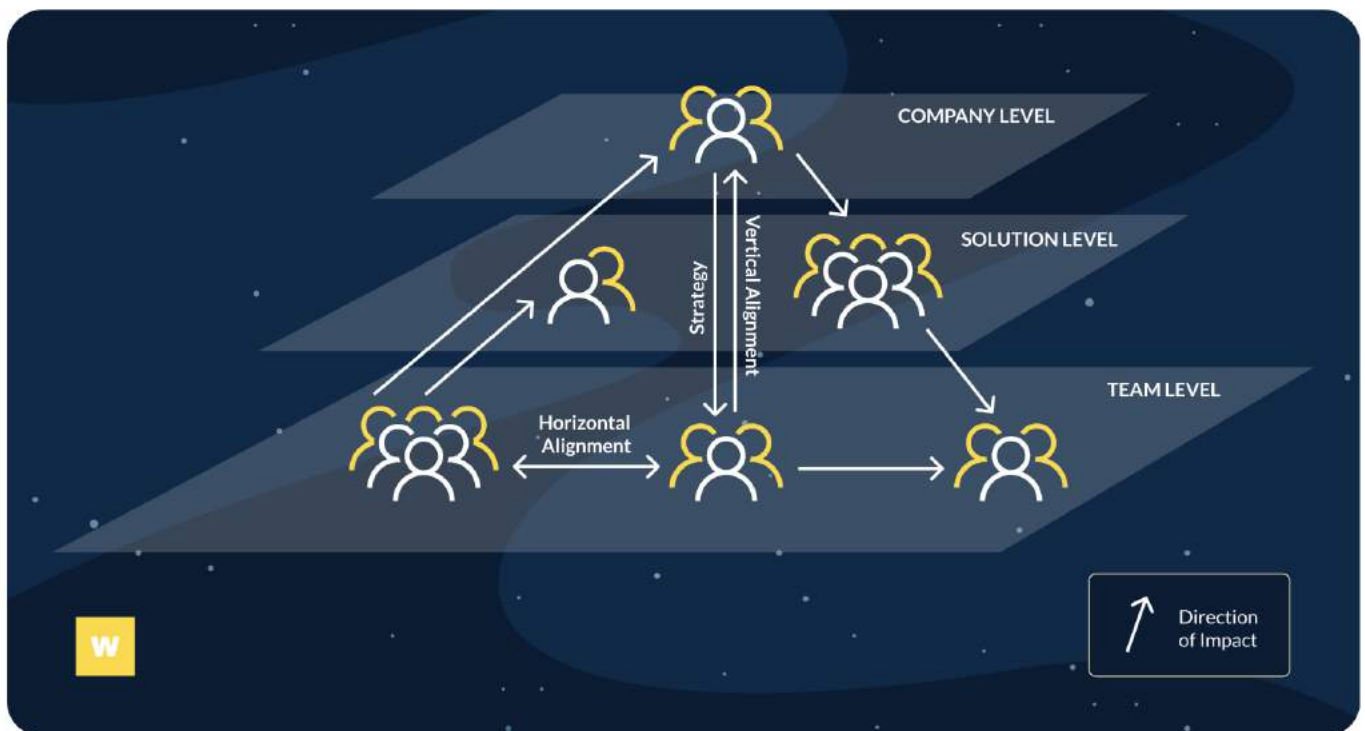
1 Nexus

Definition

Nexus is a framework for developing and sustaining scaled product and software development initiatives. With Scrum as the basic building block, Nexus provides an environment for 3 to 9 Scrum teams to facilitate synchronization. Just like Scrum, Nexus works with a Product Backlog that is used and refined by all teams and leverages the Sprint as the central rhythm. However, there is only one Product Owner.

The whole Nexus, which means all teams involved, meet for the Nexus Sprint planning. One member of each team brings elements from the backlog into their teams to identify dependencies which will be visualized and shared with the other teams. In the next step, teams discuss how to deal with these dependencies and how to distribute elements from the backlog across the teams.

Next, just like in Scrum, the individual Scrum team plannings take place to plan how to realize the next increment. The result of Nexus Sprint Planning is a Nexus Sprint Backlog, which shows the backlog items for the Sprint for all teams. The individual Scrum Team Sprint Backlogs contain the corresponding plan for the realization. While the teams in the Sprint are busy with the realization, a Nexus Daily Scrum takes place daily. Delegates from the teams discuss progress and how to deal with obstacles. Afterwards, the usual team-specific Daily Scrums are carried out.

During Nexus Sprint reviews, members of the teams meet with stakeholders who can provide feedback. However, it is not individual team increments that are reviewed, but the integrated increment created across the board. Finally, the Nexus Sprint Retrospective takes place at the end of the Sprint. First, delegates from the teams discuss how the Nexus is working and clarify suggestions for improvement. In individual Scrum Team Retrospectives, the teams inspect themselves and also take up cross-team issues of the Nexus for clarification. In the final part, the delegates from the teams meet again to agree on concrete measures for the Nexus.

The only new role that the Nexus framework introduces in addition to Scrum is the Nexus Integration Team. It is organized like a Scrum Team, with the distinction that members may also be members of a Scrum Team in Nexus. However, the work in the Nexus Integration Team always has priority. It is responsible for ensuring that overarching regulations such as coding standards, architecture specifications or legal conditions are known to the teams and are adhered to. It also coaches the teams in the identification and management of dependencies, as well as the integration of the individual team increments. It also ensures that the Nexus framework is lived and is responsible for ensuring that a completed integrated increment is produced in each sprint.

Integration opportunities

OKR as a strategic framework support in structuring the processes in Nexus. There is no explicit mention of strategy in Nexus, therefore OKR provides the strategic aspect to provide a frame for strategy and focus on Outcome in Nexus-planning. Priorities formulated with OKR influence the backlogs in Nexus and its teams. Additionally, Key Results as measurable metrics ensure the right progress in developing the product.

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2 SAFe

Definition

The Scaled Agile Framework (SAFe) is offered in different configurations. The basic configuration SAFe Essential, for example, is suitable for projects in which 50 to 125 people work together to implement a solution, product or platform. A central component in SAFe is the Agile Release Train, or ART. This team of teams includes all people involved in the product or platform, regardless of their role. The Agile Release Train binds all participants to an overarching business goal and technological mission.

SAFe defines distinct overarching roles to accompany and support the work of agile teams. An example is the System Architect/Engineering, which can be filled as a team or through a single person. It is responsible for a common technical understanding and architectural vision for the Agile Release Train.

The role of Release Train Engineer (RTE) is the Servant Leader and Coach for the Agile Release Train. He or she is responsible to uphold the SAFe framework and leverage Lean-Agile practices and ways of thinking. They also serve as point of contact for Scrum Masters in case of roadblocks and challenges.

In SAFe, stakeholders with the responsibility for the Business Outcome and controlling the Agile Release Train are assigned the role of Business Owner. They also join the PI-plannings.

The timing of the joint work of an Agile Release Train is determined by the Program Increment Timebox, which can span 8 to 12 weeks. In a Program Increment Planning Event, all participants of an Agile Release Train meet for two days to agree on the content of the next Program Increment. The individual iterations with synchronized cadences and other events take place in these Program Increments. Scrum teams carry out their sprints in these Program Increments. At the end of a Program Increment is the Innovation and Planning Iteration. On the one hand, this iteration can serve as a time buffer if teams have not yet completed their work. On the other hand, this phase serves as a time for innovation, further training, the inspection of the Program Increments and finally the preparation and implementation of the next Program Increment Planning.

Integration opportunities

Although SAFe leverages many successful, established methods, OKRs have not yet taken on a decisive role within the framework. Currently, OKRs are mentioned for the first time in SAFe version 5.0. However, they are only used as a description of the Strategic Themes at the portfolio level. In SAFe, the Strategic Themes represent differentiating business goals. They serve as a link between the business strategy and the SAFe portfolio.

However, the OKR framework as a strategic model for agile goal and performance management offers much more than a SMART syntax for goal description. The framework as an overall construct empowers teams not only to organize themselves, but also to collaborate with other teams across the organization to create measurable value for the customer.

Therefore, OKRs can structure the processes and agile frameworks in SAFe and provide strategic guidance. The strategic goals in the form of the visions for Portfolio, Solution Trains and Agile Release Trains can be structured and vertically aligned with OKRs. This facilitates the development of Epics, Capabilities and Features without handover issues between SAFe levels.

OKRs also provide an increased focus on the outcome of value streams in SAFe. The term Objective appears in the context of Program Increments (PI) as well. Since activities at all levels have a strong focus on the outcome of features and their scaling, OKRs put a stronger emphasis on customer value. At the same time, it provides employees with an awareness of how their work contributes to goals which has a positive effect on intrinsic motivation and helps employees to focus better.

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3 LeSS

Definition

LeSS distinguishes between two variations - up to 8 teams (LeSS) and over 8 teams (LeSS Huge). The bigger version contains additional roles, result types and meetings. In LeSS, 2 to 8 teams can work together on a product. The Scrum process model forms the basis and there is only one product owner who is responsible for the entire product, similar to the Nexus framework.

In LeSS Huge, more than 8 teams develop a product according to Scrum. 4 to 8 teams work together under an area product owner (APO) on a so-called requirement area. The focus is on the product requirements that belong together from the customer's point of view. This is then noted in an area backlog and the product owner has overall responsibility. All teams use the same Definition of Done, and the development work for each Requirements Area takes place at the same time during a joint Sprint. At the beginning and at the end of a Sprint, the teams (or representatives of these) synchronize together in fixed Scrum appointments, for example the Planning or Review or Retrospective. During the Sprint, however, the exchange takes place informally and demand-oriented.

LeSS has 10 principles that describe the basic core:

Large-Scale Scrum is Scrum: At its core is the development of products with Scrum

More with Less: Achieve Reduction of Scrap & Reactive Power with Lean Management Principles.

Focus on the overall product: Always only one Product Backlog, one Product Owner, one Product Increment and one Sprint - no matter if with 3 or 33 teams.

Customer centricity: Customers are involved in product development through regular feedback loops.

Continuous improvement to perfection: Delivering defect-free products through continuous improvement.

Lean thinking: working with the lean mindset

Systemic thinking: focus on the overall system, rather than just the development teams or steps.

Empirical Process Control: Constant inspection & adjustment of the product as well as the development processes and the organizational structure based on experiments.

Queuing theory: use of queuing concepts for managing multitasking, queue optimization, packages, and more.

Integration Opportunities

Just like OKR, LeSS establishes focus, customer centricity and iterative thinking. In LeSS, however, there is no explicit mention of strategy. This is where OKR as a strategic framework can help to structure the processes in LESS as a complement to agile frameworks. In our view OKRs can be used to provide a strategic frame and focus on outcome-planning. The product owner becomes the central figure in this case. The priorities of the OKRs thus inform the backlogs of the teams and align the teams toward strategic organizational goals. The Key Results are to be used as measurable metrics to ensure the (correct) development of the product.

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Conclusion

Successful OKR implementation does not depend on which other practices are already in place, but how well it can be integrated with them. The OKR framework is flexible enough to be adjusted according to an organization's individual requirements, and offers enough benefits to create synergies with a variety of existing practices as well, be it as an integration with other goal management concepts or as an additional layer to provide company-wide alignment for strategic goals to complement other agile practices.

The challenge with OKR is a successful rollout that matches an organization's individual requirements. After all, every organization has its own characteristics and a successful rollout takes at least three OKR cycles, as employees need to develop an outcome-driven mindset, find the right metrics for their respective business cases, and establish the processes to leverage the benefits of OKR.

Especially in large organizations, it is advisable to do a gradual rollout with a core pilot group that is carefully scaled further. This pilot group should be big enough to consist of several management layers to be able to vertically and horizontally align on common goalsThis ensures an easier start and continuous improvement with small successful steps to learn how the OKR framework needs to be adjusted to complement existing processes.

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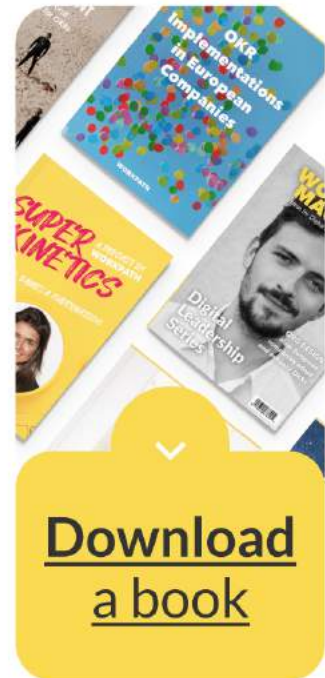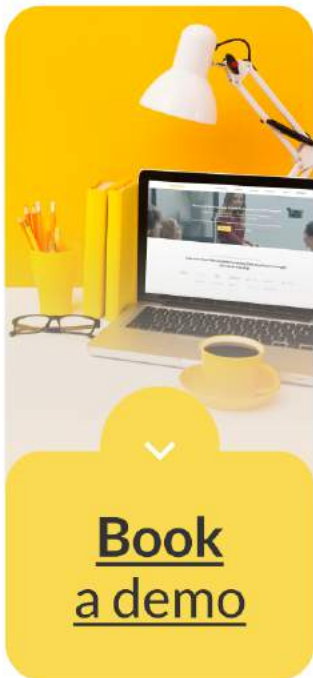
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About Workpath

Workpath is the leading enterprise software provider enabling organizations to execute their strategies fast, flexible and effective in an increasingly dynamic and complex world. With simple and intuitive workflow tools Workpath engages all employees in the strategy and execution process. Its comprehensive analytics suite empowers executives to make better decisions on when to adapt focus, budgets or structures as early as possible.

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About BearingPoint

BearingPoint is an independent management and technology consultancy with European roots and a global reach. The company operates in three business units: The first unit covers the advisory business with a clear focus on five key areas to drive growth across all regions. The second unit provides IP-driven managed services beyond SaaS and offers business critical services to its clients supporting their business success. The third unit provides the software for successful digital transformation and regulatory requirements. It is also designed to explore innovative business models with clients and partners by driving the financing and development of start-ups and leveraging ecosystems. BearingPoint's clients include many of the world's leading companies and organizations. The firm has a global consulting network with more than 10,000 people and supports clients in over 75 countries, engaging with them to achieve measurable and sustainable success.

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