

# Research on Enterprise Performance Management from the Perspective of OKR

Deyu Chen<sup>1\*</sup>, Jiaying Chen<sup>2</sup>, Minjuan Ning<sup>3</sup>

<sup>1,2,3</sup>Guangzhou College of Commerce, Guangzhou, China

\*Corresponding author. Email: chendeyu666@163.com

## ABSTRACT

With the continuous improvement of enterprise management level and the development of information technology, the performance management method has been upgraded iteratively, in the process of industrialization, such as KPI (performance indicator), Mbo (management by objectives), BSC (balanced scorecard) and other performance management system, management means seems to have gradually lost the incentive effect. Aiming at the existing problems of performance management, this paper puts forward how to improve enterprise performance from the perspective of Okr, describes the connotation of Okr goal and key result idea, and introduces the development history and characteristics of this management tool, this paper also discusses the Business performance management model from the perspective of Okr. At the same time, this paper puts forward some suggestions for enterprises to explore management by objectives and evaluation tools suitable for their own reality. Finally, it is pointed out that Okr is a management by objectives tool, which focuses on helping enterprises to set extremely challenging goals and then realize them through various innovations to help enterprises improve their performance.

**Keywords:** OKR, Performance management, KPI, Strong organization.

## 1. INTRODUCTION

Since the 21st century, the rapid development of new-generation information technologies such as big data, the Internet, cloud computing, and the Internet of Things has promoted the evolution of human society from the era of industrialization to the era of informatization and digitalization. In the vague external environment of "Uka Era", the corresponding enterprise management system, organizational position design and other processes must be updated and optimized on the original basis, which puts forward higher requirements for the management and operation of enterprises. Traditional management methods regard people as tools without subjective initiative, but today, companies whose employees are mainly knowledge workers need to improve their management methods. Under the original management assessment system, employees always felt that their value was not properly measured and could not establish a "spiritual contract" for common development with the company, resulting in a poor sense of belonging and the prevalence of "egalitarianism". Judging from the current situation, most enterprise management "manages for management's sake, supervises for supervision's sake, and assesses for assessment's sake". Enterprises have not mobilized the subjective initiative and creativity of employees, and have not really regarded employees as assets of the enterprise, but regarded employees as "expenditure" items that are opposed to their own interests, resulting in more self-interested behaviors of

employees. In addition, with the advent of the Internet information age, performance appraisal should also undergo changes. Managers need to change their thinking, abandon complex performance appraisal indicators, and adopt management methods suitable for new types of employees. Judging from the practical results of domestic and foreign first-class companies such as Intel, Google, Amazon, Huawei, Google, ByteDance, Huawei, Didi, Midea, and Vanke, OKR is favored by more and more excellent companies. Begin to implement the transition from traditional KPI assessment to OKR assessment focusing on key target results. In order to master a management method well, one must understand the background, applicable situation of the method, and the cooperation of the system, systems and behaviors that the method requires before it can be implemented in practice [1].

## 2. THE DEFINITION AND ESSENCE OF OKR

The concept of OKR can be traced back to the management thought proposed by American scholar Mary Parker Fleet in 1926. She systematically applied the research results of psychology to the practice of management. Based on the integration of unified theory, she pointed out Interconnections and integrations in behavior can make a huge difference. In 1954, Peter Drucker first proposed the principles of "Management by Objective" (MBO) and "self-control" in "The Practice of Management". Afterwards, Intel President Andy Grove optimized this theory, emphasizing the

criticality of quantifying target factors, and finally improved MBO into a brand-new target management method covering the two parts of target and key result, which is the development of OKR. A practical foundation has been laid. At the same time, it also made Intel the first company to implement the OKR management method on a large scale. In 1999, the famous venture capitalist John Doerr officially named it OKR in order to avoid confusion between this management method and management by objectives. Subsequently, OKR was applied to Google and successively promoted to internationally renowned Internet companies such as Facebook, LinkedIn and Oracle. Since 2005, especially in some Internet companies, OKR has experienced a process from being introduced as a pilot to becoming popular and gradually developing in China. In 2013, Rick Crow recorded a training video of OKR, and the core management framework and ideas of OKR became popular all over the world and also spread to China [2].

As an objective management system, OKR achieves the established objectives through the setting and achievement of key results. Based on Andy Grove's core point of view on the organization, to truly apply OKR to a traditional enterprise, it also requires a flat organization, an incentive mechanism for sharing benefits and risks, an agile and elite team, and project-based operations. Only by implementing transformation in multiple dimensions of ability and result-oriented culture can it be truly realized. In the book "OKR: Management by Objectives Tool from Intel and Google", the author defines OKR as a set of rigorous thinking framework and continuous discipline requirements, designed to ensure that employees work closely together and focus their energy on promoting the organization and increasing measurable contributions. Among them, O (objective) is more of a reflection of leadership and direction, and KR (key result) is a phased result or landmark business event that the team may achieve in this direction. The logic of OKR is to first clarify the value and meaning of what you do, and then plan the measurement method of how to achieve the goal, that is, the key result [3].

### **3. PROBLEMS EXISTING IN MAINSTREAM PERFORMANCE MANAGEMENT MODELS**

In recent years, the business environment at home and abroad has been greatly improved, whether it is the regulation of policies, the subversion of emerging technologies, the upgrading of cross-border competition, or the reform of internal business models, business structure adjustments, and talent structure transformation. It makes the enterprise's strategy formulation, target management and implementation face higher complexity and difficulty. At present,

enterprises inevitably have many shortcomings in strategy and target management:

Take indicators as goals. In the process of implementing KPIs, managers only pay attention to indicator data, and do not communicate with employees the degree of achievement of business goals and the significant impact that environmental changes may have on the achievement of goals. The essence of KPI indicators is just the measurement indicators formed after the multi-level subdivision of the corporate strategy, and implemented as basic digital indicators. Employees only care about the completion of indicators, ignoring the real contribution of jobs to corporate strategy. This is the root cause of the difficulty in coordination between departments. KPIs do not periodically review strategic goals. After a period of development, the company gradually becomes immersed in a stable rhythm and "loses its original intention". As a result, there are two bad results. One is that the indicators of performance appraisal have nothing to do with the company's strategy. The score of performance appraisal is getting higher and higher, and the deviation of the company's strategic direction is getting bigger and bigger. The other is that the score of performance appraisal is getting higher and higher, the cash flow is getting smaller and smaller, and the company's loss is getting more and more serious [4].

When an enterprise adopts KPI, it often leads to the fact that the lower-level employees may still execute correctly because the upper-level objectives are not clear, and even the quantified indicators do not play a role in the performance of the enterprise. Under the traditional assessment method, it is required to accurately determine the index value in advance, and the change of the external environment, especially in the innovative and changeable business field, makes it more and more difficult to set the index value in advance, and even the phenomenon of "shooting arrows and then drawing targets" appears." jokes that lead to ineffective performance management. Regular annual performance reviews are time-consuming and mostly futile. OKR also emphasizes the quantification of goals, but this is the precise requirement for quantification by indicator management, which ensures that performance standards have greater flexibility and tolerance for changes. In the actual operation process, many companies gradually use OKRs as KPIs. But there are still many differences in essence, which cannot be simply same.

Employee goals are not challenging and insufficiently focused. Modern companies are accustomed to formulating KPIs for their employees from the top down, and linking the final results directly to employees' compensation. However, excessive pursuit of fixed indicators and forced results, and forcibly linked with employee performance, will lead to managers ignoring market laws and making mistakes,

employees will not only be unable to exert their expertise, but also take the blame for decision-making. OKR is not the case. It is to keep the work direction of all employees in the same direction and to help employees understand the progress of the completion of the goal, and is not used as a direct basis for compensation and promotion. Domestic enterprises adopt the KPI model. On the one hand, the target acceptance is insufficient, and it is difficult to ensure the real realization of the enterprise's strategic goals. Therefore, employees will pay more attention to the completion of the indicators, and ignore the actual value to the company and the real contribution to the company's development. On the other hand, there are differences in the understanding of the specific implementation of indicators and standards between employees and managers, which leads to difficulties in coordination between levels and positions, and causes employees to question the final evaluation results [5].

The application level of OKR is single. In practical applications, some business leaders do not set goals from the company's mission and vision, and many companies even lack formal strategic goals. When they set goals, they will directly take the short-term business performance of the company as the goal of OKR. Even after many department managers learn about OKRs, they are eager to implement them within the company, resulting in a lack of leadership support, and they end up being limited to their own "territorial" experiments. However, the implementation of OKRs must rely on, or even exceed, the company's resources and capabilities. This means that simply implementing OKRs in the departments under their leadership cannot effectively realize value, and companies have no reason to waste resources implementing OKRs.

The indicator system is too rigid, emphasizing "results" rather than "processes". On the one hand, because the indicators are mostly assessed at the end of the month and the quarter, the progress of the indicators is often not reviewed regularly and frequently; on the other hand, the indicators often involve multiple systems of the company, such as production, sales, research and development, etc., data collection And proofreading requires more effort, and there may even be situations such as "surprise at the end of the month", "borrowing the profit of the next month this month", etc., making it difficult to understand the specific situation of the implementation and progress of the indicators. As a result, KPI gradually loses its function of rewarding the good and punishing the bad. In addition, the "eggitarianism" is rampant, and the enthusiasm and cohesion of employees are harmed [6].

#### **4. MAKE PLANS AND EXECUTE**

(1) The basis and requirements for constructing OKR. First of all, the maker must proceed from the

company's overall strategy, follow the basic principles of OKR application, and construct OKR scientifically and reasonably. Secondly, 2-5 goals are set for each period, and the setting of key results corresponds to no more than 4 goals for each target. If necessary, brainstorming method can be adopted. Once set, it will be publicized to ensure fairness and transparency. Furthermore, the setting of goals should be multi-level and multi-faceted. For example, OKR can be determined from four dimensions: financial goals, internal management goals, customer goals, and learning and growth goals. The final OKR score is set between 0.6-0.7, but there is not much difference between 1.0 and 0.7. The score is not the most important, and only plays a role of direct guidance and review. In addition, key results are tunable, and there are different levels of goals and key results from the company, team, and even individuals, all of which ensure that the company operates as planned.

(2) Grasp qualitative and quantitative logic. OKRs are a good balance between qualitative and quantitative. Qualitative goals can serve as traction, and quantitative results can be used to check whether actions are on the right track. Quantitative results are data-driven, with regular inspections, objective scoring, and continuous re-evaluation—all based on a spirit of accountability that does not require emotional judgment. Compared with other performance management tools, OKR emphasizes the close integration of qualitative and quantitative, and the close integration of goals and results. Through the visualization of goals and the traceability of results, it helps enterprises to effectively improve their execution.

(3) The cycle of OKR. OKR is usually a quarterly cycle, and a smaller part of the enterprise is a yearly or monthly cycle. Taking the OKRs in the first quarter as an example, a complete OKR implementation cycle can be divided into the following five stages: the first stage is to prepare for the conception. Before the end of December, start to conceive and sort out the OKR-related data of the first quarter of next year; the second stage, determine the content of OKR, hold an OKR group meeting at the beginning of the first quarter, describe the vision strategy, coordinate, communicate, and discuss in groups, and formulate OKR projects, content, indicators, and data; Each member has a consistent understanding of the proposed goals, key results and sub-tasks, fully understands the role and value of OKR-related content to the company, and defines the work tasks and key results that they need to complete; the fourth stage, the implementation of OKRs, the key point of implementation and implementation is that regular inspections must be carried out, and the inspection process should cover "completed/in-progress goals, current progress of each goal, difficulties and problems encountered in the implementation process, causes, required In the fifth

stage, the OKR review meeting will be held at the beginning of the next quarter, which is also the end of a complete cycle. The main content is the analysis, summary and Review the entire implementation process. Therefore, the OKR meeting generally has two components, one is to review the OKR of the previous cycle, and the other is to determine the OKR of the next cycle [7].

(4) Establish a systematic promotion system. As a systematic project of target management and evaluation tool, OKR should be comprehensively designed from the perspective of corporate culture construction and value reshaping. To be a "first-in-command" project, emphasizing the purpose of the "first-in-command" project, arousing great attention from the enterprise management, and forming an OKR management committee by each department, can make OKR be promoted from partial to full; at the same time, for OKR such a The promotion of management tools with the sole purpose of stimulating the enthusiasm of all employees requires the understanding, participation, support and efforts of all employees. For the selection of the OKR promotion department, the enterprise can determine the internal system and the functional positioning of the department. Everything is to ensure the promotion effect and maximize the company's value as the first priority, to avoid the phenomenon that OKR is simply regarded as a project promoted by a specific department to other departments. The success of OKR requires promotion and publicity at all levels and departments. At the same time, through the internal network platform, a questionnaire was sent to company employees to ask company-level and department-level OKR goals and key results to be set.

(5) Coordinate the working method of combining top and bottom. In management practice, the overall "alignment" of OKRs must be adhered to, and the full integration of top and bottom is an important means to achieve "alignment". The hierarchical nature of OKR is not a simple list. The KR of the upper level cannot simply become the goal (O) of the next level. The OKR of each level is reflected in the vertical penetration and horizontal coordination, and the OKR of each individual is unique. , and thus fully reflect the unique contribution to the overall business. For the formulation of team OKRs, the team supervisor should put forward improvement directions on the premise of summarizing past performance and deficiencies. Team members put forward OKR suggestions based on their personal understanding of the team's goals. The supervisor summarizes and convenes all members for full discussion and combines the OKRs at the upper level. The goal is perfected to form a team OKR that is fully recognized by team members; when an individual formulates an OKR, he or she should invite team members to evaluate the individual OKR while completing the team OKR, and gradually improve it to

form an individual OKR. Therefore, in the process of OKR formulation, top-bottom integration and horizontal coordination are very important.

## 5. CONCLUSIONS

We believe that performance management will gradually simplify complexity and return to the origin of performance management - improving organizational efficiency and promoting employee growth. At this stage, the OKR operation mode is relatively simple, and it is suitable for industries with volatile business environments. But it does not mean that OKR is without problems, "suitable is the best", any performance management system needs to choose suitable management tools according to the actual situation of the enterprise.

First, the emergence of the OKR management concept and its application to the performance management system would have a relationship of mutual integration, coexistence and co-prosperity with the traditional KPI performance management system. The application principle of KPI and OKR management concepts is to use the two in combination, integrate innovation, let KPI be responsible for the assessment, and let OKR be responsible for the process, but choose one based on the actual situation or scenario of the enterprise, and integrate it into enterprise performance management to achieve organizational goals of employee growth and development.

Second, from the perspective of the development trend of performance management, the concepts and tools of performance management are constantly being optimized and upgraded under the drastic changes in the market environment. The second is to provide more and more positive encouragements timely for employees to provide process basis for evaluation to achieve more humane and more effective incentives; the third is to avoid conflicts, promote collaboration and guarantee Goal Alignment - the emergence of the OKR management model represents exactly this trend. OKR advocates the use of project management to manage and track the setting and implementation of specific goals, feasibility research and evaluation before goal setting, multi-dimensional thinking in goal setting, data recording and analysis feedback for the specific implementation tracking process, and when key problems are encountered, rather than the evaluation of traditional KPI assessment, it cares more about the decomposition, tracking and process evolution of stage results based on the premise of goals, and also pays attention to the iteration and accumulation of various outputs in the process of goal realization.

Third, in the era of knowledge economy and intelligence, individuals have risen and pursued self-realization. Work and occupation are means rather than ends. Organizations are designed for people and

become a platform for empowering people. As a new management method, OKR achieves consensus and forms sharing through transparent communication; through more open information flow and establishment of individual voice channels, it allows everyone to focus more and form resonance. From this perspective, OKR is nothing more than an application of people-oriented empowerment management. Confucius said: "A gentleman should do the basics, and the basics should be based on the Tao." Behind the application of any management method and tool, there is a set of underlying codes and a deep logic. If an operating system does not understand this, no matter how good methods and tools are, it is difficult to the application works, and sometimes it backfires.

Fourth, there are subjective factors, objective factors and human factors that affect OKR. Constantly identifying and responding to the influencing factors are the keys to ensuring the successful realization of OKR goals during the setting and operation of OKR. Subjective factors: the overall goal is set too high; the key result is set too high and too much; the team lacks communication, the goal driving force is insufficient, etc. Objective factors: adjustment of policies and regulations, improvement of competitors, changes in customer needs, emergence of new technologies, force majeure factors, etc.

To sum up, from KPIs to OKRs, behind the evolution of management methods is the development of enterprise needs. Regardless of whether the company decides to introduce OKRs at the beginning of its establishment or after it has grown, managers must fully consider whether the corporate culture is compatible with OKRs. After all, no management method is universally applicable. In addition, the path of implementing OKR needs to be fully balanced with all aspects of the enterprise, and OKR can guide the enterprise and team to the top. OKR mainly emphasizes very challenging goals, clear direction, what to do and what not to do very clearly. If the OKR system is still emphasizing a certain stable growth rate, it is not in line with its soul. Therefore, OKR is a goal management tool, which focuses on helping companies formulate challenging goals, and then achieves goals through various innovations [8].

## REFERENCES

- [1] A study on the problems and countermeasures in the Business performance management of China. Wei Huipin. *The age of wealth and wisdom*. 2021(12).
- [2] OKR performance management system research --take Google as an example [j]. Wang Yali. *Pay Taxes*. 2020(01).
- [3] Subtraction for performance management: Okr Mechanism and localization method [j]. Zhao Zhen, Ma Ke hang. *Journal of Lanzhou University of Finance and Economics*. 2020(01).
- [4] Okr, a management tool for excellence [J]. Chen Dejin. *Tsinghua Management Review*. 2019(12).
- [5] Application of OKR in small and medium-sized Business performance management [j]. Leung Wan Yin. *Journal of Shanxi Coal Management Cadre College*. 2019(03)
- [6] Christina Walker. *OKR work method*. Mingdao team, translated. Beijing: CITIC Publishing House, 2017.
- [7] John Doerr, *This is OKR*. Cao Yangfeng/Wang Yonggui, translated. Beijing: CITIC Press, 2018.
- [8] Chen Lei. *Goal and Key Results Method*. Beijing: Machinery Industry Press, 2017.