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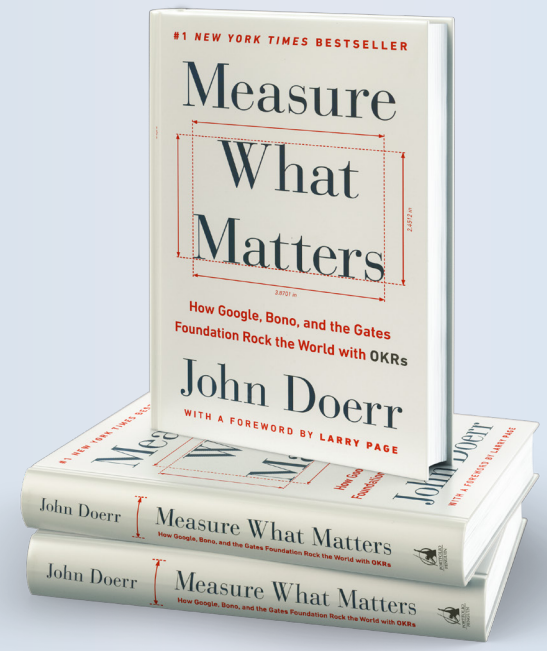

Measure What Matters

How Google, Bono, and the Gates Foundation Rock the World with OKRs

by John Doerr

John Doerr is the chair of venture capital firm Kleiner Perkins, which he joined in 1980. By investing in some of the world's most successful entrepreneurs and companies, including Amazon, Google, Intuit, Netscape, and Twitter, he has helped create more than 425,000 jobs.

Rock Your World With OKR Superpowers

Imagine a small company with only forty or so employees in the highly competitive search engine space. Its technology is amazing, its founders are true visionaries, and its growth is explosive. However, those founders have clearly grabbed a tiger by the tail and are holding on for dear life. They have no business plan—at least, not one that analysts would consider to be strategic—and every exciting opportunity ahead of them could just as easily turn out to be a catastrophic failure. What would you do?

In his new book, *Measure What Matters: How Google, Bono, and the Gates Foundation Rock the World with OKRs*, legendary venture capitalist John Doerr takes us behind the scenes of his $12 million investment (the largest of his career at the time) on behalf of his company Kleiner Perkins in an entrepreneurial venture called Google. If you hadn't heard, things have turned out fairly well for Google. That workforce of forty employees has since grown to more than 70,000, giving Google (and corporate parent Alphabet) a market capitalization of over $700 billion.

It would be easy to assume that this book is nothing more than a retrospective on Doerr's greatest investments. To be fair, he has plenty in his portfolio—Amazon, Netscape, Intuit, and Twitter to name a few—but that's not what's on offer here. What the author presents is a deceptively simple playbook that, if followed to the letter, can lead any organization to new levels of operational excellence.

By his own admission, the process delivered here is not of Doerr's creation. He learned it as an engineer in the 1970's from Andy Grove at Intel, still one of the best-run companies Doerr has ever seen. He considers Grove to be "the greatest manager of his or any era." The process is an unwavering focus on OKRs—*Objectives* and *Key Results*. Objectives define *what* the company is aiming to achieve; key results delineate *how* those objectives will be achieved through "specific, measurable actions within a set time frame."

Don't confuse this process with key performance indicators or KPIs. They are a measurement of past performance on a process or project that's already in place. Metrics are established at the outset, often as a benchmark against competitors or industry averages, and performance is then measured against those KPIs as an assessment of efficiency. For future planning, KPIs document incremental improvements. OKRs, by contrast,

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represent a commitment to larger scale projects—stretch goals like Jim Collins' and Jerry Porras' Big Hairy Audacious Goals (BHAG's) from *Built to Last*—where you may be taking the company in a completely new direction or embracing growth targets far beyond the incremental approach of KPIs.

Superpowers

Google's explosive growth record could easily appear to endow OKRs with implied superpowers, and Doerr does use the term in a very tongue-in-cheek classification of specific components of the process, but it is the simplicity and consistency of application that makes it so powerful. When Doerr became a venture capitalist, he shared the process with fifty different organizations. "Where the process was faithfully practiced, it worked."

Superpower #1: Focus and Commit to Priorities

The decision to focus on a limited number of options over the next three (or six or twelve) months represents a commitment of both word and deed. OKRs demand the discipline to both commit to specific priorities as well as to walking away from other options that have been distracting and diluting your focus. When those priorities are clearly communicated to your leadership team, you now have a baseline for assessment and a compass to monitor your future direction. Wrong choices are inevitable, no matter how visionary and infallible you may consider your leadership to be. For that reason, the KRs, while future-focused, should have a short-enough time horizon to be able to flag those wrong choices before any damage is done. Doerr refers to the example of Lee Iacocca's Ford Pinto, where the pressure to deliver on a BHAG, a budget-priced subcompact car to compete with fuel-efficient Japanese competitors, led to critical safety checks being overlooked. The objective of a car that was "under 2,000 pounds and under $2,000" might have been highly motivational and PR-friendly, but it led to a catastrophic decision to sacrifice a one-pound piece of plastic that cost one dollar that could have prevented the puncturing of the gas tank.

Paring back your list of goals may result in some lucrative opportunities being left on the table, but developing the emotional maturity and discipline to stick to a plan (while communicating a clear and consistent message to your team) will be worth more in the long-term than any short-term gain made from chasing every shiny object that crosses your path. For Google the guiding principle for priorities came from its mission statement: *Organize the world's information and make it universally accessible and useful*. A grand vision by any standard, but clear enough to guide the company through the development of Android, Google Earth, Chrome, and acquisitions like YouTube. Chrome and YouTube are examined at length in two separate case studies to explain the OKR process step-by-step.

Additional case studies are presented by Brett Kopf, cofounder of the academic texting platform *Remind*, and by Jini Kim, cofounder and CEO of Medicaid data platform *Nuna*. In both cases, the struggle with the perceived simplicity of OKRs resonates loudly. It may make perfect sense on paper, but implementation can be a struggle and requires some trial and error.

Superpower #2: Align and Connect for Teamwork

The foundational culture of OKRs is a meritocracy. Transparent communication allows the cleansing action of sunlight to overcome the toxicity of "organizational poisons—suspicion, sandbagging, politicking." If everyone has access to information on what everyone else is working on, the likelihood of a group being left alone to work on the wrong thing is greatly reduced. Yes, this goes against the notion of highly creative "skunkworks" working outside of normal corporate parameters, but transparency breeds collaboration and reinforces the organization-wide commitment to established priorities.

The MyFitnessPal case study, written by cofounder and CEO Mike Lee, offers a fascinating summary of maintaining communication and direction during periods of exponential growth. Focusing on developing platform-specific versions of the app (Android, Blackberry iPhone, iPad) was challenging but manageable. When the user base then jumps to 35 million across all of those platforms in 2013, maintaining direction, momentum, and communication becomes a completely different proposition. OKRs enabled the company to maintain its alignment by constantly challenging the notion of what really mattered. For 2014, the company added 27 million new users on its way to 80 million total registered users.

The Intuit case study, written by Chief Information Officer Atticus Tysen, emphasizes the adaptability that a commitment to OKRs can develop within an organization. Intuit's track record of developing world-beating products—Quicken, TurboTax, and QuickBooks—has kept the company on the list of the "World's Most Admired Companies," for over fourteen years running. However, that success is based as much on the company's ability to get back-up after stumbling as it is on launching winners right out of the gate. One of the keys to that success is a commitment to transparent communication of OKRs across the entire organization for a specific purpose. In Tysen's words: "We didn't want bureaucratic compliance, we wanted enthusiastic compliance." That enthusiasm bred engagement at a higher level than any motivational speech from the CEO could have achieved.

Superpower #3: Track for Accountability

Since the objective of every KR is achievement, Doerr advocates for designated *OKR shepherds* to manage the "late adopt-

> . . . the belief that individual human performance can be reduced to numbers is fundamentally flawed.

ers, resisters, and garden-variety procrastinators." To support those shepherds, the OKR process needs a simple system to track progress, with the joint intentions of keeping people engaged and on-track. The 'traffic light' idea of a green light for 'on track,' a yellow light for 'needs attention/modification,' and a red light for 'stop' (achieved or outlived its usefulness) provides a framework that is easy to grasp and even easier to communicate across an organization.

The Gates Foundation case study, co-written by cochairman Bill Gates and former CEO Patty Stonesifer, underlines the critical need for a tracking system—especially when the O of your OKR is to change the world. With a blank sheet of paper and the luxury of a very large blank check—Bill and Melinda Gates seeded the foundation with $20 billion in 2000—the need for detailed management of resources was arguably even greater than the typical organizational battle for project funding. As Gates notes: "Suddenly it's both a start-up and the biggest foundation in the world."

Setting big goals was the easy part. Eradicating malaria, or vaccinating every child everywhere, were highly aspirational and engaging, but the challenge came with measuring progress against them. If your goal is to eradicate malaria by 2015, how do you know where you are in 2013? In Stonesifer's words: "OKRs allowed us to be ambitious and disciplined at the same time." The objective of global vaccination of children, for example, was measured using the 80/90 rule from the Global Alliance for Vaccines and Immunization where: "80 percent of districts would have 90 percent or more coverage."

Superpower #4: Stretch for Amazing

The vision of OKRs is undeniably aspirational. The process may be internally focused in terms of measuring progress, but the objectives are, by definition, future-focused and, to borrow Jim Collins' definition of a BHAG, designed to capture the imagination and grab people in the gut.

Larry Page at Google preached "the gospel of 10x," launching Gmail with a full gigabyte of storage, five hundred times more than the competition. From Page's perspective, you achieve that level of performance by getting your people to be "uncomfortable excited," and to have "a healthy disregard for the impossible." The launch of Google Chrome and the exponential growth of YouTube are documented in detailed "stretch" case studies.

From OKRs to CFRs

Part two of *Measure What Matters* questions the larger issue of effective workplace communication. Doerr is adamant that OKRs need transparent communication as much as we need air to breathe. If your current communication practices are ineffective, your commitment to OKRs may be doomed from the start. The worst offender, from Doerr's perspective, is the annual performance review, which he considers to be "costly, exhausting, and mostly futile," taking-up, on average, "7.5 hours of manager time for each direct report." If the documented recency bias weren't bad enough, the belief that individual human performance can be reduced to numbers is fundamentally flawed. Doerr quotes Albert Einstein to underline this point: "Not everything that can be counted counts, and not everything that counts can be counted."

If OKRs are to succeed as a transformational process, they need an equally transformational system of *continuous performance management.* The instrument for this task is, the author believes, CFRs—*Conversation, Feedback, and Recognition.* Conversations must be authentic, frequent, and aimed at driving performance. Feedback must be bidirectional with the objective of evaluating progress and offering clear guidance for future improvement. Recognition must also be authentic to express appreciation for the contribution of deserving individuals.

CFRs occupy the same cultural footprint as OKRs, with an explicit commitment to "transparency, accountability, empowerment, and teamwork." As Doerr advocates: "They give OKRs their human voice." The case study of Adobe, written by Executive Vice President of Customer and Employee Experience, Donna Morris, examines a transition from "antiquated" and "demoralizing" annual performance reviews to a continuous performance management system named *Check-in* that changed the emphasis of interpersonal communication from measuring performance to enabling development.

Culture

The ultimate deliverable of OKRs and CFRs is culture change. The case study of the ONE campaign written by cofounder Bono underlines the transformational power of a dramatic philosophical change in culture. "Pivoting from working *on* Africa to working *in* and *with* Africa," changed the foundational culture of the campaign from helping developing countries to empowering those countries to grow on their own.

Doerr's approach in presenting OKRs is surprisingly low-key. Given the overwhelming evidence and the heavyweight case studies presented, it would be easy for this book to become evangelical in tone. Instead, the author delivers a deceptively simple but nonetheless pragmatic path to operational excellence. There are some consultants to add a dash of gravitas (Collins, Drucker) but Doerr's glowing admiration is reserved for Andy Grove to whom OKRs are freely attributed. If, in the end, you remain skeptical of a process that seems, on the surface, to be too obvious, consider that anything that advocates for transparent interpersonal communication and providing clear guidance for achievement at every level of an organization is surely worthy of consideration.