Stop Using Agile with Waterfall Goals: Goal Agility with OKR

Felipe Castro

www.leanperformance.com
Two Models
What is your target?
Plan-Driven Vs. Data-Driven
The traditional model is broken
Only 32% of employees in the U.S.
and 13% worldwide are engaged in their jobs.

Gallup Daily Tracking, January 2016
Only 55% of managers could name 1 of 5 company priorities.

Why Strategy Execution Unravels, HBR - 2015
What is the greatest challenge to executing strategy?
40% Failure to align

30% Failure to coordinate across units

Why Strategy Execution Unravels, HBR - 2015
Although we are using Agile tactically, we are using waterfall for strategy and goal setting.
“In the digital age, sitting down once a year to do anything is weird, is just bizarre.”

Jeff Immelt, CEO General Electric
Goals Cascade ?
Cascade (or waterfall):

- Top-Down
- Unidirectional
- Irreversible Flow
- No Feedback Loops
- Ends Crashing on the Rocks
“Research agrees with your intuition: Having goals improve performance. Spending hours cascading goals does not.”

Laszlo Bock
VP of People Operations, Google
Why are we in this situation?
Daniel Kahneman
Nobel Prize Winner
Planning Fallacy

• Tendency to underestimate the time, costs, and risks of future actions.

• And at the same time overestimate the benefits of the same actions.
“No plan survives contact with the enemy”.

Helmuth von Moltke (1800-1891)
Decision by Committee

"Please select the statement that most closely aligns with how your company decides which products are built?"

- Committee decides from potential options: 47%
- Financial modeling (e.g., economic value optimization): 24%
- Opinion of person with highest salary wins out: 13%
- Product portfolio approach: 9%
- No systematic approach: 7%

Commissioned Study by Forrester Consulting
Decision by Committee

“Please select the statement that most closely aligns with how your company decides which products are built?”

- Committee decides from potential options
- Financial modeling (e.g., economic value optimization)
- Opinion of person with highest salary wins out
- Product portfolio approach
- No systematic approach

Commissioned Study by Forrester Consulting
Discovery-Driven Planning

Planning includes making a series of assumptions that are:

- Implicit
- Non Validated
“Your idea is just a series of non validated hypotheses.”

Steve Blank
“Please select the statement that most closely aligns with how your company decides which products are built?”

- Committee decides from potential options
- Financial modeling (e.g., economic value optimization)
- Opinion of person with highest salary wins out
- Product portfolio approach
- No systematic approach
Let data drive decisions, not the Highest Paid Person’s Opinion.

#HowGoogleWorks

HowGoogleWorks.net
Ron Kohavi
Microsoft, General Manager, Analysis & Experimentation
Amazon, Ex-Director, Data Mining & Personalization
“Humbling Statistics”

• Only 1/3 of ideas created a statistically significant positive change.

• 1/3 produced no significant difference.

• 1/3 created statistically significant negative change.

• In general, 60-90% of ideas do not improve the desired metrics.
There has to be another way
The Stack

Culture

Strategy

Goals

Tactics

Operations
The Traditional Stack

- **Culture**: Top-Down, Command & Control
- **Strategy**: Annual Static Planning
- **Tactics (Waterfall)**: Big non-validated bets, long feedback cycles
- **Operations**: Waterfall Development

**Goals**

Cascading (Waterfall) Goals
Half-Baked Agility

Culture

Strategy

Tactics

Operations

Top-Down, Command & Control

Annual Static Planning

Goals

Cascading (Waterfall) Goals
Half-Baked Agility

Culture

Top-Down, Command & Control

Strategy

Annual Static Planning

Goals

Cascading (Waterfall) Goals

Lean Startup + Lean Prod Mgmt.

Tactics

Operations

Agile Development
Half-Baked Agility

Culture

Strategy

Goals

Tactics

Goals (Cascading Waterfall)

Operations

Lean Startup + Lean Prod Mgmt.

Top-Down, Command & Control

Annual Static Planning

Agile Development

Waterfall Legacy
The Waterfall Legacy is in direct conflict with Agile
70% of Agile practitioners report tension between their teams and the rest of the organization.

Embracing Agile, HBR - 2016
Full-Stack Agility

Culture
“Silicon Culture”

Strategy
Data Driven, Iterative, Hypothesis Validation

Goals
OKR
(Goal Agility)

Tactics
Lean Startup + Lean Prod Mgmt.

Operations
Agile Development
## Silicon Culture’s 7As

<table>
<thead>
<tr>
<th><strong>Agility</strong></th>
<th>Iterative, incremental, fast feedback</th>
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<tbody>
<tr>
<td><strong>Agnosticism</strong></td>
<td>Data driven, hypothesis validation, experiments</td>
</tr>
<tr>
<td><strong>Asymmetry</strong></td>
<td>Power Laws, Moonshots, 10x Talent</td>
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<td><strong>Autonomy</strong></td>
<td>Self-managed teams that question “orders”</td>
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<tr>
<td><strong>Alignment</strong></td>
<td>360° Alignment, continuous feedback</td>
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<tr>
<td><strong>Accountability</strong></td>
<td>Focus on delivering value</td>
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<tr>
<td><strong>Authenticity</strong></td>
<td>Purpose, consistent values</td>
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</tbody>
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Highly Aligned, Loosely Coupled
Alignment enables Autonomy

We need to cross the river
Build a bridge!

Aligned Autonomy!

We need to cross the river
Figure out how!

High Alignment

Authoritative organization
Conformist culture

Innovative organization
Collaborative culture

Low Alignment

Micromanaging organization
Indifferent culture

Entrepreneurial organization
Chaotic culture

Low Autonomy

High Autonomy

Hope someone is working on the river problem...

Henrik Kniberg
“Culture is Poetry and Plumbing.”

James March
Stanford University
When properly used, OKR can change the “cultural plumbing”
How Silicon Valley sets goals?
OKR - Objectives and Key Results
Adopted by Google in 1999
Doerr’s Goal Formula

I will _____ as measured by ________
Doerr’s Goal Formula

I will (Objective) as measured by (this set of Key Results)
**Objective:**
- Aspirational.
- Memorable – Simpler, shorter, remarkable.
- Qualitative.

**Key Results:**
- 2-5 per Objective.
- Quantitative & Measurable.
- Metrics (recommended) or Milestones.
Objective: Delight our customers

Key Results:
• Increase average weekly visits to 3.3 per active user
• Reach a Net Promoter Score of 52%.
• Increase non paid (organic) traffic to 80%.
• Reduce revenue churn to 1%.
• Increase engagement (users that complete a full profile) to 75%.
What is unique
Goal Agility
Simplicity
High level strategic OKRs for the company

Tactical shorter-term OKRs for the teams
~60% Bottom Up
What is unique about OKR

Seeking ambitious goals is a key principle in OKR:

• **Stretch Goals:** Goals that are just beyond the threshold of what seems possible and make the team rethink the way they work.

• **Separation from compensation:** Decoupling goals from salary and promotions is key so that the team may go for hard and aspirational goals.
How OKR complements Agile and Lean
OKR helps create a Results-Focused Culture
From Features to Value

• Agile was created for managing software development projects.

• As such, it is focused on managing deliverables (user stories or features).

• There is not a single event in Scrum for tracking results.

• The Agile Manifesto itself refers to working software and valuable software interchangeably.
OKR helps to create a culture that is focused on measuring and delivering business value.
OKR enables Agile Transformation by replacing predictability with results
From predictability to results

• One of the main barriers for Agile adoption is the fear of losing control and predictability.

• OKR replaces the Gantt chart with results tracking.

• Instead of committing to deliver X by Y date, the team commits to iterate towards the agreed results.
OKR gives autonomy to the team
Enabling Autonomy

OKR changes the role of the team:

- “Deliver the features the stakeholders want”.

Vs.

- “Achieve the results as agreed in the OKRs”.

OKR incentivizes leaner approaches and smaller batches
Incentivizing Lean

• OKR can force the team to adopt leaner approaches and smaller batches.

• OKR can be a value-based timebox: you have to deliver value (i.e. improve the Key Results) until the end of the OKR cycle.

• This means that team will not be able to spend 2-3 months developing a new release.
OKR helps prioritize the backlog
“If a feature idea doesn’t speak directly to one of the OKRs, it’s generally off the list.”

Marty Cagan, Silicon Valley Product Group