



OKRs vs KPIs

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The differences and how they work together.

In this guide, we will cover:

- [What are OKRs?](#)
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- [How OKRs and KPIs Play Together](#)
- [An Example of How to Integrate OKRs and KPIs](#)
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- [5 Mistakes to Avoid with OKRs and KPIs](#)

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How to Integrate OKRs and KPIs

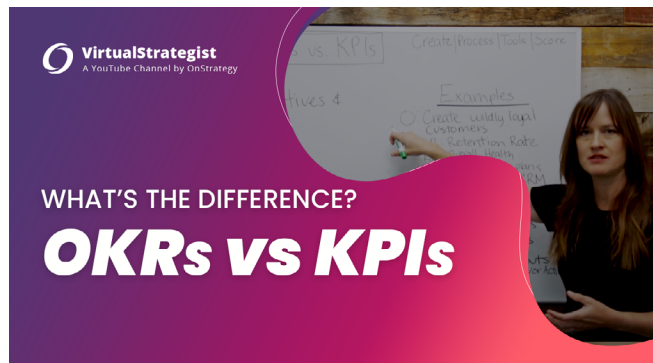
What's the difference between OKRs and KPIs?

The simplest expression of the difference between OKRs vs KPIs is that OKRs express what your organization needs to achieve and how you will achieve it, and KPIs outline how you'll measure the most important measures of your plan.

OKRs are a framework for building your strategic plan and actions, and KPIs outline the measurement of that framework.

OKRs and KPIs have many similarities, and we believe it's most advantageous to think about using them in tandem instead of being two separate processes. I

In this guide, we'll cover the essentials on both OKRs and KPIs, how to develop them together, and help your team understand when it's best to use each planning element.



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What is an OKR?

Objectives=outcomes

OKR stands for Objectives and Key Results. OKRs are a type of strategic planning framework where you set organization-wide objectives that articulate *what* you must achieve and then create 3-5 supporting Key Results to outline *how* you'll achieve that objective.

[Check out the overview post on OKRs here.](#)



Pro Tip: Objectives are outcomes and are measured based on the performance of the objective's Key Results. The biggest piece to remember about OKRs is that Objectives are the outcomes, and Key Results are how you'll achieve that outcome.

Key Results = What you'll achieve.

There are two types of KRs:

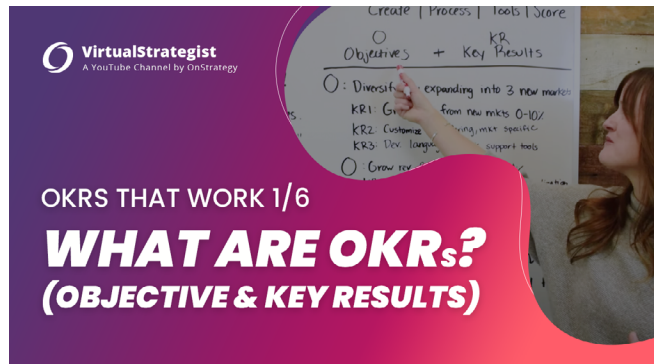
1. **Outcome-Based Results** measure quantifiable outcomes in your organization. An example of this type of KR might sound something like, "Sell 10 new annual contracts this quarter."
2. **Effort-Based Results** measure the success of an effort, project or initiative. An example of this might be, "Implement new sales CRM in Q3 of this year."

Need more OKR examples? [Check out our post on OKR examples here!](#)

What Do OKRs Do?

- » **Engage all staff in goal setting and managing performance** from the top-down to individual team members. They drive tight alignment and commitment from your team.
- » **Help organizations cascade a clear direction, mission, and vision to clear outcomes that align to day-to-day activities.** OKRs help align talent, resources and energy in a single direction.

- » **Connect individuals to the larger mission and vision of your organization.**
- » **Dial-in your most important metrics.**
- » **Communicate commitment and accountability, performance, and rigor.**
- » **Support an agile planning process.**



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How are OKRs different from KPIs?

OKRs are different from KPIs because OKRs outline what your organization needs to achieve a future state. KPIs measure performance, not express what you need to achieve and how you'll achieve it.

Key Performance Indicators (KPIs)

Key Performance Indicators (KPIs) are the elements of your plan that express what you want to achieve by when. They are the quantifiable, outcome-based statements you'll use to measure if you're on track to meet your goals or objectives.

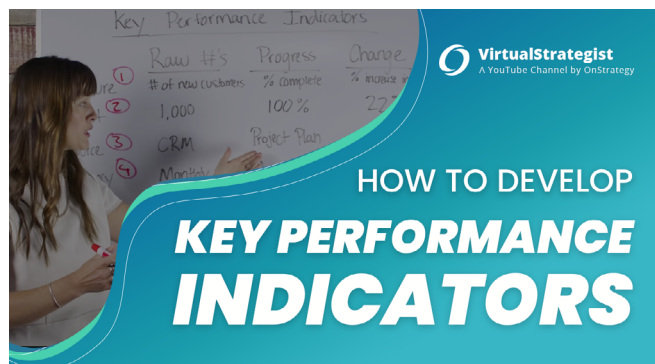
Good plans have 5-7 KPIs to manage and track the progress of the plan. The anatomy of a structured KPI includes:

- » **A Target:** Every KPI needs to have a target that matches your measure and the time period of your goal. These are generally a numeric value you're seeking to achieve.

- » **A Measure:** Every KPI must have a measure. The best KPIs have more expressive measures.
- » **A Target:** Every KPI needs to have a target that matches your measure and the time period of your goal. These are generally a numeric value you're seeking to achieve.
- » **A Data Source:** Every KPI needs to have a clearly defined data source so there is no gray area how each is being measured and tracked.
- » **A Reporting Frequency:** Different KPIs may have a different cadence, but a good rule to follow is to report on KPIs at least monthly.

What Do KPIs Do?

- » Outline and measure your organization's **most important set of outputs**.
- » **Work as the heartbeat of your performance management process** and confirm whether progress is being made against your strategy.
- » **Represent the key elements of your strategic plan that express what you want to achieve by when.**
- » **Measure the quantifiable components** of your goals and objectives.
- » **Measure the most important leading and lagging measures in your organization.**



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How are OKRs different from KPIs?

KPIs are different from OKRs because KPIs measure and track the performance of your organization's most important performance metrics. OKRs tell your team what they need to accomplish, and KPIs measure the most important elements of that plan.

How OKRs and KPIs Play Together

OKRs are objectives measured by several outcomes. A KPI is just a single measure of performance.

But, Key Results can be KPIs. Technically speaking, they are two distinct planning elements. But a great planning practice is to use them together. One of the simplest ways to achieve this is by making a KR one of your KPIs.



Pro Tip: Objectives are outcomes and are measured based on the performance of the objective's Key Results. The biggest piece to remember about OKRs is that Objectives are the outcomes, and Key Results are how you'll achieve that outcome.

OKR/KPI Structure

Objective: A statement of what you're trying to achieve.

- » **KR1:** Outcome-based result with quantifiable outcome. ***May be a KPI.**
- » **KR2:** Outcome-based result with quantifiable outcome. ***May be a KPI.**
- » **KR3:** Effort-based result.
- » **KR4:** Effort-based result.

What's important is that both types of KRs are not eligible for being KPIs—only the KRs that have quantifiable outcomes can also be KPIs.



Pro-Tip: If you include KPIs as outcome measures in your OKRs, we don't recommend creating new KPIs every single quarter. Instead, these KPIs should carry forward in your OKR structure consistently for the duration of the plan (or at least through the year!); you don't want to create new KPIs every quarter.

An Example of How to Build KPIs into OKRs

Objective: Create wildly loyal customers.

So here is our objective: To Create Wildly Loyal Customers—that’s the what.

- » **KR1:** Increase client retention rate from 73% to 75% by end of Q3 to drive towards an 80% client retention by the end of 2020. ***KPI**
- » **KR2:** 20% increase of clients rated as “healthy” by end of the quarter. ***KPI**
- » **KR3:** Design and implement success plans for client health by end of September.
- » **KR4:** Implement new CRM to automate customer outreach by end of October.

How we’re going to achieve wildly loyal customers is through driving retention, driving overall health, potentially standing up success plans, and implementing a new CRM system.

| Q3 Objective: Create Wildly Loyal Customers | |
|--|---|
| Quantifiable KRs that are eligible to be Key Performance Indicators | Effort-based KRs that are not eligible to be Key Performance Indicators |
| <ul style="list-style-type: none"> » KR1: Increase client retention rate from 73% to 75% by end of Q3 to drive towards an 80% client retention by the end of 2020. *KPI » KR2: 20% increase in clients rated as “healthy” by 20% by end of the quarter. *KPI | <ul style="list-style-type: none"> » KR3: Design and implement success plans for client health by end of September. » KR4: Implement new CRM to automate customer outreach by end of October. |

In this example, the increase in retention rate is a measurable output that’s critical to the success of your organization. It’s also something that is a verifiable output of performance of your organization. We would also say that it’s a key performance indicator.

The overall health of your client base is also a key performance indicator. It’s nice when KPIs are leading indicators, like KR2 above, but they don’t always need to be leading. KR1 is an example of a lagging indicator.

Conversely, the number of success plans is a great output and it’s

important, but it's not a quantifiable KR, so not eligible as a key performance indicator. Like the KR around implementing a new CRM system, it is an activity KR.

Carrying Forward KPIs

OKRs are designed to be reviewed and changed quarterly. But, if you include KRs as KPIs it's important to not change your KPIs every quarter!

If you opt to change an entire OKR stack next quarter, think about how you might roll your KPIs into a new or adapted OKR stack. Here's an example:

Objective: Build long-lasting client relationships. .

- » **KR1:** Increase client retention rate from 75% to 80% by end of Q4 to drive towards an 80% client retention by the end of 2020. ***KPI**
- » **KR2:** 20% increase of clients rated as "healthy" by end of the quarter. ***KPI**
- » **KR3:** Conduct meaningful one-to-one client contact and outreach for each client by the end of the quarter.
- » **KR4:** Create annual contract and early signing incentives to be rolled out at the end of Q4.

| Q4 Objective: Create Wildly Loyal Customers | |
|---|--|
| KPIs that roll forward into a new OKR stack for the new quarter. | New Effort-based KRs that are not eligible to be Key Performance Indicators |
| <ul style="list-style-type: none"> » KR1: Increase client retention rate from 75% to 80% by end of Q4 to drive towards an 80% client retention by the end of 2020. *KPI » KR2: 20% increase of clients rated as "healthy" by end of the quarter. *KPI | <ul style="list-style-type: none"> » KR3: Conduct meaningful one-to-one client contact and outreach for each client by the end of the quarter. » KR4: Create annual contract and early signing incentives to be rolled out at the end of Q4. |

In this example, we carried forward the KPIs into a new OKR stack, but with updated targets for the quarter. We didn't change the end-of-year target for the KPI, but we did change the quarterly target from the previous OKR stack.

3 Common Mistakes to Avoid with OKRs and KPIs

Mistake #1 - Using the Terms Interchangeably

OKRs are different from KPIs because OKRs outline what your organization needs to achieve a future state. KPIs measure performance, not express what you need to achieve and how you'll achieve it.

Mistake #2 - Marking Every KR as a KPI

Great plans have 5-7 KPIs to define any plan's most important performance measures. However, don't mark every Key Result as a KPI because it will be unclear about what are the essential measures to watch and monitor.

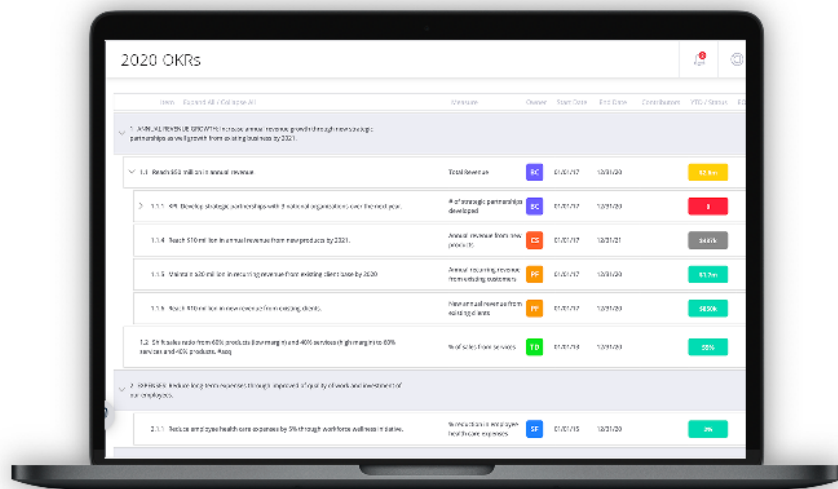
Additionally, not every Key Result is a good candidate for a KPI, particularly if the Key Result measures are outputs and not quantifiable metrics.

Mistake #3 - Changing KPIs Every Quarter

The beauty and power of OKRs are they adapt and change quickly. But, KPIs should be measured and tracked for at least one year. So, if you have Key Results that are also KPIs, make sure they carry forward into the next set of OKRs.

Using the OnStrategy App to Manage OKRs & KPIs

The OnStrategy App for OKR Management



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- » See company-wide performance and pre-built dashboard to run quarterly reviews.
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