OKRS AND LEAN STRATEGY: WHAT'S THE DIFFERENCE?

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INTRODUCTION

OKRs and LEAN Strategy: What's the difference?

OKR objectives and key results are all goal setting in a trackable matter. Lean strategy is all about waste minimization to keep a competitive edge. Whether that waste is purely physical or workflow-related, OKRs and Lean go hand-in-hand in their overarching goal: figuring out what really matters and getting that done in a time-bound, efficient manner so that it all improves performance.

As can be inferred, Lean has its roots in manufacturing. It first pops up in the shipyards of Venice in the 1450s and again in the early 1900s at Henry Ford's plants in Highland Park, Michigan. Both included what Ford dubbed "flow production." However, modern Lean strategy is usually associated with the Toyota Production System, or TPS, which "revolutionized the manufacture of physical goods in the 1950s, '60s, and beyond."

At the same time that Lean was guiding Toyota, Andy Grove was creating his OKR system at Intel. While they are two distinct systems, in this resource we'll dig deeper into the similarities and differences between them and how Lean can complement OKRs. We'll answer these questions:

— What is an example of a Lean strategy?

— What's the main difference between Lean and OKRs?

— How can Lean complement OKRs?

— If I have more questions, where should I send them?

What is an example of a Lean strategy?

A Lean strategy is a commitment to identifying targets to help ensure a smoother workflow, which means less time wasted.

For example, say you're a manager for airplane safety maintenance. Having a labeled procedure with specific milestones can increase productivity and decrease the high-level costs associated with wasted time—like making sure flights leave on time.

What is the main difference between Lean and OKRs?

One area that Lean and OKRs depart is the radical focus Lean has on immediate value. Lean emphasizes efficiency, which can discourage innovative leaps. Because Lean is all about trimming outer fat from the edges of workflow, innovation or even stretch goals may mistakenly be construed as wasteful.

On a company level, Lean can be great for goal setting in a lean startup scenario where it can help laser focus product development cycles to more quickly discover if a proposed business model is viable with quantitative measures.

How can Lean complement OKRS?

The major tenets of Lean can be used to increase things like waste elimination and process improvement.

The Lean Enterprise Institute, founded in 1997 by James P. Womack and Daniel T. Jones, has become the standard bearer for the modern Lean strategy. Their motto is "Making things better through lean thinking and practice" and they have identified Five Key Principles that will sound awfully familiar to followers of OKRs. They are:

1. Specify value from the standpoint of the end customer by product family.
2. Identify all the steps in the value stream for each product family, eliminating whenever possible those steps that do not create value.
3. Make the value-creating steps occur in tight sequence so the product will flow smoothly toward the customer.
4. As flow is introduced, let customers pull value from the next upstream activity.
5. As value is specified, value streams are identified, wasted steps are removed, and flow and pull are introduced, begin the process again and continue it until a state of perfection is reached in which perfect value is created with no waste.

OKR Version:

1. The successful achievement of an objective must provide clear value related to the mission.
2. Include evidence of completion and how you will get there. This evidence must be available, credible, and verifiable. Rewrite any OKRs that don't have measurable value.
3. Express measurable milestones which, if achieved, will advance objectives in a useful manner to their constituents.
4. As objectives are introduced, OKRs may cascade downwards to department heads, managers, and individual employees who take ownership of specific key results from those above them in the organization.
5. As more OKR cycles are introduced, the discipline of OKRs make it so that teams perform in a more distributed and effective fashion.

All in all, Lean can really help in the crafting of OKRs.

If I have more questions, where should I send them?

We love to get and respond to questions. If you have anything OKR-related to ask, send us a message at hello@whatmatters.com.

	LEAN	OKRs
Specify value	Begin by defining what the customer wants.	Begin with the company's mission or WHY.
Identify steps	The Lean process emphasizes cost-efficiencies and consistent output. Improve your bottom line by identifying and eliminating unnecessary steps in existing processes.	Identify 3-5 high-value objectives and collectively commit to measurable milestones (key results) that, when complete, enable the team to achieve their goal.
Make the value	Continuously reduce gaps between process steps. Pursuing smooth, continuous flow helps highlight opportunities for improvement.	OKRs connect strategy and execution. Set and score them openly on a regular cadence. At the end of each cycle, create a new set of OKRs that improve on the prior ones.
Introduce flow	Each time you successfully improve the process, look earlier in the decision making or production process to create greater and greater value with each cycle.	As OKRs cascade from top layer to the next, empower each layer to set their own objectives. This enables those closest to the problems and opportunities to surface discussion necessary to make leaps in value and productivity.
Perfect flow	Always look for continuous improvement, until all unnecessary actions or expenditures have been removed. A perfect process will result in 100% value creation and zero waste.	As teams improve their skills by setting the right goals at the right cadence, the organization will be able to STRETCH to audacious goals.

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