Stop Using Agile with Waterfall Goals: Goal Agility with OKR

Felipe Castro
Loosing my religion
The Agile Manifesto is Wrong
Agile was created for managing software projects.

As such, it is focused on managing deliverables (user stories or features).
There are no ceremonies for tracking results.
The First Mistake

“Working Software”

Is not the same as

“Valuable Software”
“Working software is the primary measure of progress.”

Agile Manifesto
“Working software is the primary measure of progress.”

Agile Manifesto
“Our highest priority is to satisfy the customer through early and continuous delivery of valuable software.”

Agile Manifesto
“Teams today are all too often feature factories, with little regard for whether the features actually solve business problems.”

Marty Cagan,
Silicon Valley Product Group

@meETFelipe
Book Recommendation

INSPIRED

How to Create Products Customers Love

MARTY CAGAN
What is Value?
Value is measured after delivery.
User Stories are experiments
The Second Mistake

Estimating Value

Is not the same as

Delivering Value
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

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- 47%: Committee decides from potential options
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- 13%: Opinion of person with highest salary wins out
- 9%: Product portfolio approach
- 7%: No systematic approach

Personal Opinions

Commissioned Study by Forrester Consulting
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.
User Stories are experiments

....with a low success rate
Where is Empiricism when it comes to Value?
Where is Inspect and Adapt?
We need to move away from value estimation towards value measurement.
We need to evolve
“Silicon Valley is Coming”
Jamie Dimon, CEO JP Morgan
Two Models
What is your target?
Plan-Driven Vs. Data-Driven
Plan-Driven Vs. Data-Driven

Deterministic
Phase-Gate
Waterfall
Command & Control

Iterative
Agile
Distributed
Why do we believe in plans?
Daniel Kahneman
Nobel Prize Winner
Planning Fallacy

We underestimate the time, costs, and risks of future actions.

While overestimating the benefits.
The Plan-Driven model is still alive

Estimating without measuring is Plan-Driven and a fallacy
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
“No plan survives contact with the enemy”.

Helmuth von Moltke
(1800-1891)
Although we are using Agile tactically, we are using waterfall for strategy and goal setting.
Static Annual Planning
“The only way it's all going to go according to plan is if you don't learn anything.”

Kent Beck
Jeff Immelt
CEO GE
“In the digital age, sitting down once a year to do anything is weird, is just bizarre.”

Jeff Immelt, CEO General Electric
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
There has to be another way
Full-Stack Agility
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
- Top-Down, Command & Control

Strategy
- Goals
  - Cascading (Waterfall) Goals

Tactics
- Annual Static Planning
- Lean Startup + Lean Prod Mgmt.

Operations
- Agile Development
Half-Baked Agility

- Culture
  - Top-Down, Command & Control

- Strategy
  - Annual Static Planning
  - Lean Startup + Lean Prod Mgmt.

- Tactics
  - Goals
    - Cascading (Waterfall)
    - Goals
  - Agile Development

- Operations
  - 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

Agility | Iterative, incremental, fast feedback
Agnosticism | Data driven, hypothesis validation, experiments
Asymmetry | Power Laws, Moonshots, 10x Talent
Autonomy | Self-managed teams that question “orders”
Alignment | 360º Alignment, continuous feedback
Accountability | Focus on delivering value
Authenticity | Purpose, consistent values
“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
Goal Agility
Simplicity
Adopted by Google in 1999
Doerr’s Goal Formula

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

I will \( \text{(Objective)} \) as measured by \( \text{(this set of Key Results)} \)
Measurement
Objective:
• Aspirational.
• Memorable – Simpler, shorter, remarkable.
• Qualitative.

Key Results:
• 2-5 per Objective.
• Quantitative & Measurable.
• Metrics (recommended) or Milestones.
Engaging Objectives
“Ensure the dream”
“Move to the clouds”
Make Everybody Happy ;)
**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%.
Activity #01:
Creating one OKR
Talk to your neighbor

• Create one Objective with up to 5 Key Results for one initiative you are working on.
5-minute exercise
Objective: Delight our customers

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Choosing your Key Results

There are two basic types of Key Results:

- **Activity-based Key Results:** Measure the completion of tasks and activities or the delivery of project milestones or deliverables.

- **Value-based Key Results:** Measure actual results and the successful delivery of value (or a value component) to the organization.

Value-based key results measure the outcomes of successful activities.
High level strategic OKRs for the company

Tactical shorter-term OKRs for the teams
~60% Bottom Up
Transparency
How OKR complements Agile and Lean
Moving from features to value
Goal: Clear priorities, Data-driven decisions, Learning loop

We're working on X. Because Sam said it's important.

We're done when Sam is OK with it.
Goal: Clear priorities, Data-driven decisions, Learning loop

We’re working on X. Because Sam said it’s important.

We’re done when Sam is OK with it.

We’re working on X. Because we think it’s going to give impact Y, which matters to Spotify because of Z.

We’re done when the metrics have moved.
OKR helps to create a culture focused on measuring and delivering business value.
From Activities

Definition of Done

Acceptance Criteria

To Value

Success Criteria

(OKRs)

@meetfelipe
Enabling autonomy
Is Agile Command & Control?
Command&Control is still here

"Because Sam said."

"When Sam is OK with it."

@meetfelipe
Command&Control is still here

We call them our delivery team...

...because they deliver what we tell them to.
What is the purpose of the team?

“To deliver the features the stakeholders want.” Vs. “To achieve the success criteria as defined in the OKRs.”
OKR incentivizes leaner approaches and smaller batches
Is your project too big?
Value-based Timebox

You have to deliver value until the end of the OKR cycle.
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
Enabling Agile Transformation
Why executives resist to Agile?
“You want us to replace our GANTT charts with what?”
“With a bunch of people standing up”
“...and post-it notes!”

“Lots of them!”
“And we have a MANIFESTO!”
Enabling Agile Transformation

Perceived predictability

Delivered Value
Instead of committing to deliver X by Y date, the team commits to iterate towards the agreed results.
Transforming Activities into Value
If we are successful with 
____________, 
we will have more ________
and/or less ____________
If we are successful with the new campaign,
we will have more customer satisfaction (NPS) and/or less churn.
Group Activity #02: Transforming Activities into Value
Talk to your neighbor

• Evaluate your Key Results and separate those that are Activity-based and those that are Value-based.

• Select one Activity-based Key Result and convert it into Value.

OR

• Select one initiative that you have worked on and convert it into Value.
5-minute exercise
If we are successful with the new campaign, we will have more customer satisfaction (NPS) and/or less churn.
A different mindset
IT Mindset
Vs.
Product Mindset
<table>
<thead>
<tr>
<th>IT Mindset</th>
<th>Product Mindset</th>
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<tbody>
<tr>
<td>Exists to service the perceived needs of &quot;the business.&quot;</td>
<td>Exists to service the needs of the customers.</td>
</tr>
<tr>
<td>Requirements gathering</td>
<td>Product Discovery</td>
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<tr>
<td>Functional Silos</td>
<td>Multi-functional teams</td>
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<tr>
<td>Measured by projects</td>
<td>Measured by results</td>
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<tr>
<td>Engineers focus on delivery</td>
<td>Engineers help create technology-inspired products</td>
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How to handle the transition?
Decoupling Process and Content

Content

Value

Activities

Static Plan
Top-Down

Goal Agility
Autonomy

Transformation Routes

“IT/Delivery Mindset”

1

2

3

Process
Goal Maturity Levels

Valuable Business

Engaging Product & UX

Working Engineering & Team

Delivered Project Management
<table>
<thead>
<tr>
<th>Level</th>
<th>Delivered</th>
<th>Working</th>
<th>Engaging</th>
<th>Valuable</th>
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<tr>
<td></td>
<td>Project Management</td>
<td>Engineering &amp; Team</td>
<td>Product &amp; UX</td>
<td>Business</td>
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<td></td>
<td>• Schedule</td>
<td>• # de Bugs</td>
<td>HEART</td>
<td>• Revenue</td>
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<td>• Budget</td>
<td>• MTTR</td>
<td>• Happiness</td>
<td>• EBITDA</td>
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<td>• Scope</td>
<td>• Uptime</td>
<td>• Engagement</td>
<td>• Revenue per employee</td>
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<td></td>
<td>• Predictability</td>
<td>• Response Time</td>
<td>• Adoption</td>
<td>• Value obtained by the client:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lead time</td>
<td>• Retention</td>
<td>• ROI</td>
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<tr>
<td></td>
<td></td>
<td>• Cycle time</td>
<td>• Task success</td>
<td>• Benefits</td>
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<tr>
<td></td>
<td></td>
<td>• Delivery frequency</td>
<td></td>
<td>• “Customer Success”</td>
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<td>• % Test Coverage</td>
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<td>• Spotify Health Check</td>
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<td></td>
<td></td>
<td>• Team Maturity</td>
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