OKRS AND STRETCH GOALS

By Sam Prince

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INTRODUCTION

OKRs and Stretch Goals

In OKR lingo, a stretch goal is the high-effort, high-risk goal in the calculated pursuit of 10x opportunities. As Measure What Matters writes, "Conservative goal setting stymies innovation. And innovation is like oxygen: You cannot win without it."

Stretch goals were used by Google to overcome email data storage limitations with Gmail in the early 2000s. They are currently being used <u>by the National Academy of Engineering</u> for such audacious goals like reverse-engineering the human brain. (For their full list of stretch goals, check out: <u>www.engineeringchallenges.org</u>.)

However, stretch goals don't always have to be about unlimited email data storage or reverse engineering the brain. They can also be about ordinary work taken to extraordinary levels. To get to 1000% improvement, a team must rethink problems and ask harder questions. Anything less doesn't provide enough competitive advantage. Because of this, if they stretch to the roof, it's okay—that's still progress.

The main goal of stretching is to rethink how to leverage resources better.

But for stretch goals to work, there are some key variables to be aware of. In this resource, we will provide those as well as answer these questions:

- Why stretch goals exist
- What's the difference between a stretch goal and a moonshot?
- When and how should stretch goals be used?
- What are some things to watch out for with stretch goals?
- When you need to hit your marks can you still have a stretch goal?
- If I have more questions, where can I send them?

Why stretch goals exist

When implemented correctly, stretch goals work to stimulate peak performance on teams and encourage taking calculated risks rather than stifling them. Stretch goals can inspire a new level of commitment, effort, and performance by uncovering sometimes hidden strengths. Uncovering these strengths reveals new opportunities.

What's the difference between a stretch goal and a moonshot?

As referenced earlier, stretch goals have elasticity but not always jet propulsion. A moonshot takes general aim and seeks to uncover potential profitability or benefit. A stretch goal can stretch very far, but it doesn't have to. You should only use them as far as what you have the risk tolerance for, or when it's do-ordie, or when you want exponential rather than incremental performance improvement.

When and how should stretch goals be used?

Stretch goals should be used to stimulate an organization to try new things and go further with them. When setting stretch goals, a good place to start is to ask: How can your team create maximum value? What would amazing look like?

To begin, start with reality. Larry Page said, start with "real-world physics and [figure] out what's actually possible." Also, all key components of OKR goal-setting must remain in play: Objectives are what you want your team to accomplish. Key results describe how you will do it. And this must all be transparently communicated.

Furthermore, stretch goals shouldn't be dictated from the top down. Just like OKRs, stretch goals also must be practiced often so we can get used to them.

What are some things to watch out for with stretch goals?

It's important to be aware of morale when setting stretch goals. For individuals used to meeting or exceeding OKR expectations, anything less than 100% completion can be detrimental to morale—even with the common knowledge that a passing score is 70%. Stretch your team too fast and too far, and it may snap. A good rule to go by then when setting a stretch goal is the "7 rule." Whatever the number of the target goal is, divide that by 0.7. That should be the target. So let's say that you signed 100 new clients this past OKR cycle. The new goal should be to go for 140~.

When you need to hit your marks can you still have a stretch goal?

Yes, stretch goals are about calculating risks that can help your organization grow and succeed. If a risk, once articulated, is considered beneficial, it's worth figuring out how to stretch. Companies like <u>Allbirds</u> have a list of things they must achieve to keep the company operation, but also use OKRs (the New Zealand-based company calls them KIWIs) to articulate the path to achieve their stretch goal.

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

We love receiving questions! For anything OKR-related, reach out to <u>hello@whatmatters.com</u>.



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