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OKR AS TOOL OF STAFF EFFICIENCY IMPROVEMENT

The article examines the management system of setting objectives and evaluating the key results as one of the factors in improving employee satisfaction and effectiveness. The relevance of the research topic is justified by the current negative situation in the labor market of Ukraine and its continued stagnation, which negatively affects businesses. This trend requires companies to implement new tools to increase employee satisfaction and enhance employee effectiveness. This article investigates how implementing the OKR management system increases employee effectiveness. The scientific results obtained are practical proof of the direct impact of clear and understandable objective setting on employee performance, which directly influences the organization's achievement of its strategic goals. The importance of periodically evaluating and reviewing established goals and key results has been identified.

Keywords: OKR, KPI, MBO, management system, staff efficiency, customer loyalty.

JEL classification: M50, M54

OKR ЯК ІНСТРУМЕНТ ПІДВИЩЕННЯ ЕФЕКТИВНОСТІ ПЕРСОНАЛУ

У статті проведено теоретичне дослідження системи управління постановки цілей та оцінки результатів (надалі по тексту – ОКР) діяльності працівників компанії – як один із факторів підвищення задоволеності та ефективності працівників. Актуальність теми дослідження обґрунтовано наявною вкрай вразливою ситуацією на ринку праці України та її триваючою стагнацією в умовах війни, що негативно позначається на діяльності вітчизняних компаній. Ця тенденція вимагає від компаній і державного сектора впровадження нових інструментів і практик для підвищення задоволеності працівників і підвищення ефективності роботи кожного окремого працівника. Метою даної статті є дослідження впливу впровадження системи управління ОКР на підвищення ефективності роботи працівників на прикладі відділу продажів ТОВ «Фінансова компанія «Надія Україна» – одного з лідерів фінансового ринку України. Методологічною основою дослідження були обрані методи аналізу та синтезу, індукції та дедукції, економіко-статистичні методи, методи систематизації та узагальнення, методи опитування та експерименту. У статті проаналізовано основні засади застосування компанією ОКР, охарактеризовано принципи, яких має дотримуватися компанія задля оптимізації ефективності системи управління ОКР, здійснено порівняння методологічної основи ОКР з різноманітними системами управління, зокрема, МВО та КРІ. Отримані наукові результати полягають у доведенні на практичному прикладі закономірності прямого впливу чіткої та зрозумілої постановки цілей компанії на результати діяльності працівників, що безпосередньо впливає на досягнення компанією своїх стратегічних цілей. Визначено важливість періодичної оцінки та перегляду компанією та її працівниками встановлених цілей і ключових результатів з їх досягнення. Перспективи подальших досліджень передбачають поглиблене вивчення впливу системи управління ОКР на підвищення задоволеності працівників для досягнення стратегічних цілей компанії в цілому та підвищення продуктивності праці, а також дослідження особливостей впливу ОКР на підвищення лояльності споживачів.

Ключові слова: ОКР, KPI, МВО, система управління, ефективність персоналу, лояльність споживачів.

Statement of the problem. During the two years of the war in Ukraine, the country's economically active population experienced a significant decline owing to several factors, such as mass emigration, general mobilization, reduced business activity, and other related concerns. Consequently, many companies faced severe staffing problems, with some even shutting down operations due to a shortage of qualified personnel. In September 2023, Work.ua, one of Ukraine's most reputable online job search platforms, recorded a record number of vacancies since the beginning of the full-scale invasion, amounting to 105,809 offers [18].

Given the challenging conditions of the ongoing war in Ukraine, domestic companies struggle to survive. They attempt to maintain their market share while finding competent employees capable of achieving the company's goals and objectives.

It is essential to acknowledge that a substantial cohort of employees are not presently equipped to return to Ukraine from countries in which they have taken refuge from the ongoing war.

Objectives and Key Results (OKR) is a popular management system that aims to enhance productivity, labor efficiency, and employee satisfaction measurement.

Implementing OKR can enable Ukrainian companies to remain competitive and sustain operations despite the ongoing human resource challenges caused by the war. This approach will ensure that companies can navigate the complexities effectively and achieve their goals with the utmost precision and efficacy.

Analysis of recent research and publications.

Implementing effective management systems is an essential element of organizational success. OKR is one such system that has recently gained popularity. It involves setting clear objectives for teams and employees, which are communicated to employees, monitored using measurable indicators, and compared with results achieved by the company during a specified period.

The prerequisites for the emergence of the OKR were initially the MBO method developed by P. Drucker [1]. It involved a mutual process of defining goals by management and employees, setting goals, and monitoring their achievement. To replace the MBO method, companies began to use the key performance indicator (KPI) method and the SMART-goal method, which were introduced to the management community by George T. Doran [2]. The founder of Objectives and Key Results was J. Doerr, who introduced the OKR system to Google as an idea he first learned about at Intel Corporation, which modernized goal setting [3].

Both foreign and domestic researchers have extensively studied the topic of goal-setting and evaluation for improving staff efficiency. However, despite the widespread application of OKR management system in Western companies such as Google, Intel, Amazon, etc., in Ukraine, this method is often equated with Key Performance Indicators (KPI), complicating the rapid implementation of the OKR in Ukrainian companies and, consequently, the utilization of all its benefits. This observation extends to recent studies as well. For instance, V. Maltiz and Y. Tarasenko [4] highlight certification, assessment centers, testing, interviews, and business games as the most common methods of personnel competency assessment while considering the KPI method as a personnel evaluation system that allows for determining the effectiveness of employees in achieving the company's strategic and tactical goals. On the other hand, O. Yeliseyeva and N. Kutova [5] define KPI standards as a set of indicators that characterize the effectiveness of personnel stimulation to some extent. T. Bilyorus and A. Gonzel [6], based on the analysis of modern evaluation methods, identify criteria influencing the process of rational choice of personnel evaluation methods, including the probability of success of the measure, level of implementation costs, employee perception level, implementation time, complexity level, profitability, and riskiness. V. Sokolovska, O. Babchinska, and H. Ivanchenko [7] mention the goal management method, similar to OKR but not yet the same. L. Syvolap and A. Galitsyna [8] consider 17 diverse evaluation methods and systematize scientific and methodological approaches to employee evaluation, mentioning KPI and Management by Objectives (MBO) methods and exploring their advantages and disadvantages. In our opinion, the most thorough research is conducted by scientists T. Vonnberg, H. Smalychuk, A. Vasylyk, and O. Bilyk [9], who extensively analyze the uniqueness of the OKR system and its distinctive features compared to the MBO and KPI systems. The researchers conclude that this management

system allows involving all company employees in setting their goals through the prism of the company's strategic vision. Adherence to the basic principles of the system enables timely response to changes in the external and internal environment, adjusting goals and tasks, enhancing individual employee productivity, and overall company efficiency.

J. Doerr [10] emphasized that OKR is centered on two fundamental questions: what does the company hope to achieve, and how will it determine the best way to achieve its objective? J. Doerr [10] identified the superpowers of OKR as carefully developing priorities, synchronizing team efforts, ensuring accountability, and designing goals with a margin of expansion.

Numerous scientific studies have been conducted on the OKR management system, as we have shown. Still, key issues such as OKR usage principles, OKR's impact on employee productivity and satisfaction, and OKR's effects on customer relationships require a comprehensive analysis to fully understand. To leverage the benefits of the OKR management system more effectively, it is essential to comprehensively understand the highlighted issues, the solution of which is aimed at this article.

Objectives of the article is to investigate the impact of implementing the OKR management system on enhancing work efficiency and achieving the company strategic goals of the Sales department of LLC "Financial Company "Hope Ukraine", using it as a case study, one of Ukraine's leaders in the financial market.

To ensure a thorough analysis, we have chosen to address the following essential questions:

1. What is the fundamental basis for applying a company's OKR management system?
2. What essential principles should a company adhere to to optimize the OKR framework's effectiveness?
3. How does the OKR methodology differ from other performance management frameworks such as Management by Objectives (MBO) and Key Performance Indicators (KPI)?
4. How does OKR affect staff efficiency improvement?

The research methods encompass analysis and synthesis, comparative analysis, and systematization, collectively contributing to realizing the article's intended aims.

Summary of the main results of the study. OKR is a management system that facilitates employees' realization of an organization's strategic vision [11]. By providing a structured approach, OKRs ensure that employees focus on the company's most crucial teamwork and measurable contributions, thereby driving the company forward [12].

The OKR framework employs a standardized process. Objectives are qualitative and time-bound, while key results are quantitative and measurable, indicating whether the objective has been achieved [13].

OKR is an effective tool for aligning individual employees and team objectives with the organization's goals. This approach enables the team to work towards common goals, ensuring all employees move in the same direction. Furthermore, OKR enables organizations to track progress, identify areas for improvement, and establish a culture of accountability for controlling the process of completing tasks.

The methodology involves setting definite goals (objectives) and defining key results to measure success

in achieving the established goal. Goals are set for the whole company and each employee, facilitating the synchronization and enabling the harmonization of interaction between different departments (horizontal interaction) and vertical management (vertical interaction).

We concur with Wodtke’s [13] and Koptelov’s [14] perspectives on the fundamental principles of utilizing the OKR, which will allow the company to leverage the full potential of its management system:

- **Publicity and accessibility:** all company employees can see each other’s goals. Employees must have an opportunity to familiarize themselves with the goals of their immediate supervisor and their department employees, allowing them to formulate their own goals logically;

- **Ambition:** most goals are practically unattainable, but achieving the planned goal by 60–80% is defined as successful. This approach is primarily applied to provide additional motivation for company employees to search for new ways of non-standard problem-solving;

- **Systematic feedback on the process and results of employees’ work and department performance:** According to OKR, synchronization should occur at least once every two weeks. Otherwise, the system will not be able to promptly demonstrate to supervisors what needs to be corrected in the process of achieving goals;

- **Focus:** concentration only on the most important goals and tasks. A smaller number of goals and key results is the key to success;

- **Lack of attachment to the company’s motivation system:** ambitious personal goals for employees can be formed only if their non-achievement does not affect income levels. Otherwise, the goals will be simplified to the maximum achievable, and the whole idea of this system loses its meaning;

- **Frequency of goal setting:** The company establishes goals and coordinates them for the quarter and one year. This allows for a combination of flexibility and clarity, as the company can promptly respond to market changes while planning over a short period;

- **Indicators as coordinates for achieving goals:** Indicators in the OKR management system help employees follow a common path, regulate speed, and change tactics in time so that the entire company works as a coherent but flexible and adaptable organism [13; 14].

Implementing the OKR management system in the company can be conditionally divided into four steps (Figure 1): setting goals at the company level as a whole

and by each employee and ending with regular feedback. Each cycle should assess the achievement of the goal and promptly provide feedback to make necessary adjustments to the OKR plan for the next cycle.

Proper goal setting promotes accountability and coordination among teams, as they understand what needs to be achieved, when it needs to be done, who will be responsible for it, and how they plan to work together to accomplish it. If the goal-setting process is done correctly, it becomes a powerful mechanism for increasing work productivity. Each team member can align their goals with corporate objectives, understanding that individual contributions directly impact the company’s success [15].

OKR represents a critical thinking framework and an ongoing discipline that promotes employees’ realization of an organization’s strategic vision [16].

The deployment of OKR in a company entails a thorough understanding of its salient characteristics, which determine its benefits and drawbacks. Consequently, companies must make an informed decision regarding using OKR based on a comprehensive analysis of its analogs, such as Management by Objectives (MBO) and Key Performance Indicators (KPI). To this end, we have developed a comparative analysis of the characteristics of these management systems, which is presented in Table 1.

To explore OKR’s potential as a tool for enhancing personnel efficiency, we have studied its application by the LLC “Finance Company Hope Ukraine”. It should be mentioned that the LLC “Finance Company “Hope Ukraine” is a part of the international organization “HOPE International” and carries out its mission by providing loans to small and medium-sized businesses. The company employs 31 staff members and is in the SME sector. Until 2022, the Company exclusively used KPIs to set goals and evaluate employee performance. Considering the challenges the company faced with the full-scale invasion of the Russian Federation into Ukrainian territory (70% of the company’s assets were lost due to the occupation), the decision was made to implement the OKR system to achieve rapid recovery. Considering the system’s core principles, several OKR were established, one of which was directly related to personnel efficiency (Table 2).

Based on the company’s stated strategic OKR, each sales department employee in Region A established their own OKRs. The company’s sales department manager and senior management continuously reviewed

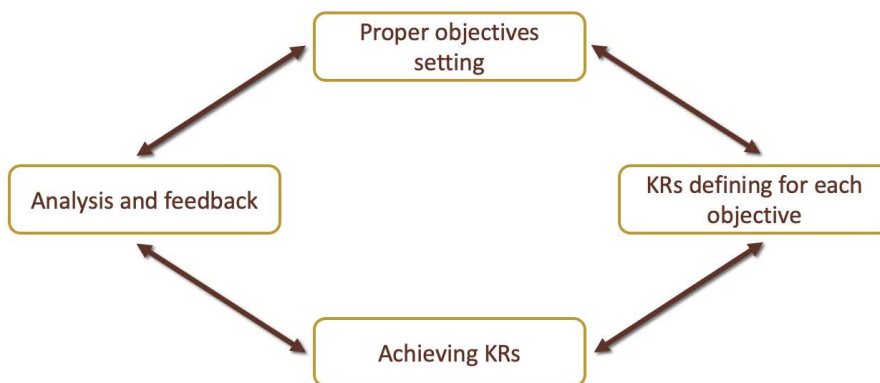


Figure 1. The main stages of OKR implementation

Source: [9]

Table 1

Comparative analysis of MBO, KPI, and OKR

Management System	Description	Focus	Key Metrics	Pros	Cons
MBO (Management by Objectives)	Setting company goals, delivering information about goals to employees, providing them with resources, and distributing roles and responsibilities for achieving goals by employees. Rewarding staff accomplishments.	Setting and achieving specific, measurable, and time-bound objectives. Focus on measuring past performance. Oriented on the results. An annual time period.	A set of metrics to evaluate a company's and its employees' performance. It involves comparing actual productivity to standards to identify shortcomings and gaps for improvement.	Achieving specific goals can increase motivation, engagement employees, and align employees' objectives with company objectives.	It can be too rigid, lacks flexibility, and may not adapt to changing circumstances. Measuring intangible or subjective goals can be challenging.
KPI (Key Performance Indicator)	Measuring company progress toward achieving key objectives in the context of the strategic vision. Management system covers goals, objectives, assessment timeframe, metrics, and key results. Rewarding staff accomplishments.	Setting and achieving specific, measurable, and time-bound objectives. Focus on measuring current performance. Oriented on the results. Six months and an annual time period.	A set of metrics (quantifiable indicators) for measuring the achievement of long-term objectives relevant to different company departments to evaluate an employee's performance and productivity.	Enables tracking of employees' progress over time and data-driven decision-making with clear, transparent, and quantifiable performance measures.	Metrics cannot fully capture company performance, which may lead to a narrow focus on them. The key performance indicators can be hard to measure.
OKR (Objectives and Key Results)	Goal-setting and alignment tool that ensures that company employees work collaboratively on relevant goals for the company. Do not tie up with rewarding staff accomplishments. It is designed from the bottom up and top down to setting objectives.	Setting and achieving ambitious goals and tracking progress with key results. Focus on measuring future achievement. Oriented on the process.	There are lead metrics (which help teams estimate future outcomes because they are predictive measurements) and lag metrics (retroactive metrics that assess prior performance).	Transparent goal setting facilitates the alignment of individual and company goals and enables progress tracking over time. It encourages employees to set high goals and avoid boundaries in achieving them.	Aligning employee and team objectives with company goals may be problematic. Overloading with unattainable goals will create an inefficient use of time and resources.

Source: the authors developed and composed based on data from [9; 10; 12; 14–17]

Table 2

OKR of Company for 2023 (Region A)

Objective We will	We will improve the effectiveness of our sales department
Due date	December 2024
Key Results	Each loan officer will issue loans of at least 20 million UAH. The minimum number of active clients per loan officer is 70 clients

Source: Created by authors based on the data of LLC “Finance Company “Hope Ukraine”

and analyzed these. Analysis of the results at the end of 2023 demonstrated the effectiveness of the OKR management system. Specifically, four of the five loan managers using the OKR system significantly increased their work efficiency. Plans that seemed ambitious at the beginning of the reporting period turned out to be feasible, and even achieving a minimum key result at 93% by one manager should be considered a successful outcome when the maximum is 158% and 124%.

Figure 2 shows that the LLC “Finance Company “Hope Ukraine” has successfully implemented the OKR management system to achieve its set goals effectively. The use of this system resulted in a positive effect on customer loyalty and satisfaction. The analysis of customer satisfaction using a chatbot revealed that the company’s

services have shown a 10% increase in customer loyalty and satisfaction. This positive impact on customer loyalty and satisfaction can be traced directly to achieving the main goal using the OKR management system. Therefore, it can be concluded that the OKR management system could be used as a marketing tool to manage customer loyalty. However, further research is needed to identify more definite patterns of the positive impact of the OKR system on customer loyalty.

Conclusions. OKR is a potent management system that facilitates the achievement of strategic objectives within the company. By implementing OKR, the company can establish a corporate culture of excellence and continuous improvement that fosters innovation, growth, and success. This management system provides a framework that

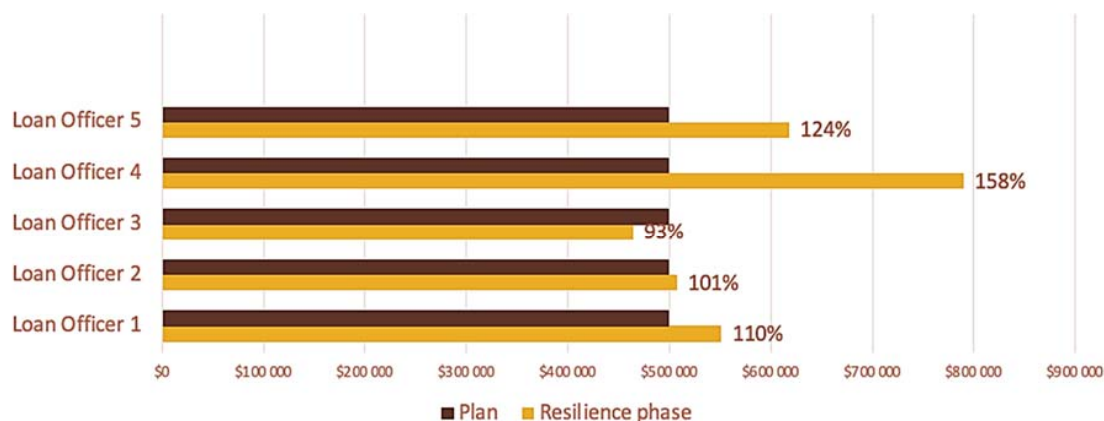


Figure 2. The results of implementing the OKR system

Source: Created by authors based on the data of LLC “Finance Company “Hope Ukraine”

involves setting measurable goals and tracking progress toward their attainment. By employing OKR, the company can align its efforts towards a common goal, enhance the transparency of the work environment, and enable efficient communication among employees. Furthermore, OKR encourages regular check-in results, feedback, and accountability, allowing for timely adjustments and improvements in the organizational process for employees. Overall, OKR represents a valuable tool for companies that aim to enhance their performance and achieve their long-term goals.

Based on the results of the conducted research, the following conclusions can be stated:

1. The current situation in Ukraine’s labor market necessitates implementing new goal-setting and performance evaluation methods for personnel to improve the effectiveness of each employee’s work.

2. OKR is a highly effective management system that Ukrainian companies and the public sector can employ.

3. OKR improves horizontal and vertical interaction within the organization, positively impacting the company’s atmosphere and the formation of corporate culture.

4. Implementing the OKR method in actual conditions within a company belonging to the SME sector has demonstrated its effectiveness.

5. Through experimentation, it has been found that achieving the company’s strategic goals is influenced by proper goal-setting and the ability to align each employee’s goals with the company’s strategic objectives. In a case study, the sales department employees in Region A established their own OKRs based on the company’s stated strategic OKR. These were continuously reviewed and analyzed by the company’s sales department manager and senior management. At the end of 2023, analysis of the results demonstrated the effectiveness of the OKR management system. Specifically, four of the five loan managers using the OKR management system significantly increased their work efficiency. At the end of the reporting period, the manager’s ambitious plans were successfully executed, even with one key minimal result achieving 93%, when the maximum result -158%.

Our further research will study the relationship between applying the OKR management system and increasing consumer loyalty.

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