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A SEVEN-STEP OKR MODEL FOR STRATEGY EXECUTION: UNDERSTANDING THE COMPLEMENTARY ROLES OF KPIS AND OKRS

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ABSTRACT

This paper explores the complementary relationship between Objectives and Key Results (OKRs) and Key Performance Indicators (KPIs) in driving strategy execution. It begins by addressing the differences between OKRs and KPIs, emphasizing their distinct purposes and methodologies. While KPIs monitor strategy execution, OKRs focus on achieving ambitious objectives. The paper highlights key contrasts, such as adaptability, transparency, and application in performance management. It introduces a seven-step OKR model that integrates both tools effectively, guiding organizations from strategy formulation to execution and monitoring. By combining KPIs and OKRs, organizations can balance operational stability with transformative progress for successful strategy execution.

A SEVEN-STEP OKR MODEL FOR STRATEGY EXECUTION: UNDERSTANDING THE COMPLEMENTARY ROLES OF KPIS AND OKRS

Effective strategy execution remains one of the most persistent challenges facing contemporary organizations. Despite substantial investments in strategic planning, many firms struggle to translate strategic intent into operational reality, resulting in performance gaps, missed opportunities, and diminished competitive advantage. Management control instruments play a vital role in bridging the divide between strategic ambition and organizational behavior. Among these instruments, Key Performance Indicators (KPIs) and Objectives and Key Results (OKRs) have gained significant attention for their ability to guide performance, foster alignment, and stimulate organizational learning. However, although both concepts are widely used in practice, their distinct purposes, underlying logics, and complementary roles in strategic execution are often misunderstood.

KPIs traditionally function as critical metrics for monitoring organizational health, tracking operational performance, and evaluating progress against predefined strategic targets. Their strength lies in stability, measurability, and their capacity to embed strategic priorities into daily operations. By contrast, the OKR methodology is designed to focus attention on transformative goals, promote transparency, empower teams, and drive substantial performance improvements. Emerging literature and organizational experience increasingly suggest that OKRs and KPIs are not substitutes but synergistic tools that, when effectively combined, provide a powerful framework for executing strategy in dynamic environments.

This article examines the complementary relationship between KPIs and OKRs and argues that integrating both frameworks enhances an organization's ability to manage ongoing performance while simultaneously driving strategic change. Drawing on established literature and empirical insights, it clarifies the conceptual differences between the two instruments and introduces a seven-step OKR model that positions KPIs as the foundation for continuous monitoring and OKRs as a targeted mechanism for addressing performance gaps or accelerating strategic priorities. By articulating when and how to apply each tool, this article contributes to the growing body of knowledge on strategy execution and offers a practical approach for organizations seeking to balance operational control with adaptability and innovation.

SIMILAR BUT CERTAINLY NOT EQUAL

KPIs are a set of performance indicators that capture the most critical performance aspects for an organization's current and future success (Parameter, 2015). KPIs are a fundamental management tool that bridges an organization's vision, strategy, and daily operations to drive targeted performance. They measure organizational and departmental progress, highlighting significant improvements or declines. KPIs also enable benchmarking against past performance and competitors, revealing strengths, weaknesses, and opportunities for added value. Additionally, they form the basis for setting divisional and individual targets, while their outcomes help guide rewards and consequences, motivating employees and promoting positive behavior (Setiawan & Purba, 2020).

OKR is a management methodology that *helps to ensure that throughout the whole organization, the focus is on the same issues* (Doerr, 2018). A more detailed definition states that *OKRs is a critical thinking framework and ongoing discipline that seeks to ensure that employees work together, focusing their efforts to make measurable contributions that drive the company forward* (Niven & Lamorte, 2016). OKRs depend on KPIs, and you use them for areas where things are not going as expected. KPIs are like the gauges on a car dashboard. If a red light starts flashing, you should fully commit to solving that problem. To do this, you formulate an OKR. If the issue is resolved, close the OKR and track the status again from the KPI dashboard. OKRs help prioritize initiatives and allocate resources effectively. KPIs offer a clear, data-driven approach to monitoring progress and guiding decision-making (Kuznezov, 2024). A typical form of an OKR is a qualitative Objective, such as "become the most appealing large bank to clients," with its achievement measured by quantitative Key Results like "Increase the number of new-to-bank clients from x to y" and "Increase the NPS from x to y."

One reason OKRs are often confused with KPIs is that both are used in a strategic context to measure progress. However, the differences between them far outweigh the similarities. Organizations are so accustomed to KPIs that OKRs are often perceived as "a new form of KPI" (Niven & Lamorte, 2016). Based on four years of experience within a large Dutch bank (ABN AMRO), I can confirm this.

The relationship between KPIs and OKRs, or the lack thereof, is often a topic of discussion. Organizations often ask if they should replace their KPIs with OKRs. This question reflects a deep misunderstanding of the methodology (Lamorte, 2022). Although KPIs and OKRs may appear to be similar, there are clear differences as shown in the table below.

Table 1. Differences Key Results and KPI I adapted it from (Doerr, 2018) and (Lamorte, 2022)

Factor	KPI	OKR
Purpose	Measure to monitor	Measure to move forward
Transparency for all staff	(Very) limited	Fully transparent
Prescriptive/permissive	Prescriptive	Permissive
Intended to increase alignment	Rarely	Often
Performance Management	Used for remuneration	Preferably not
Targets	Tendency to set goals cautiously due to the link to the reward component	ambitious goals that do not necessarily have to be fully achieved
Adaptability	Tied to the annual planning process, making it hard to adapt throughout the year	Easily adaptable
Defined in the context of an objective	Sometimes	Always (OKR)
Focused on maintenance work and health metrics	Often	Rarely

The main purpose of KPIs is to monitor the execution of the strategy. KPIs represent a set of measures focusing on those aspects of organizational performance that are the most critical for the current and future success of the organization (Eladio Domínguez, 2019). OKRs are used to focus the organization on the most important priorities and make considerable progress on them.

Strategic KPIs are often confidential, but OKRs are shared widely and transparently. This way, the entire organization knows what the management considers important at that moment and how the realization is progressing. You establish transparent goals that are connected to your company’s top priorities (Gray, 2019)

In OKRs, management only describes the objectives and how measurements are made. The organization then determines how that goal is achieved. It provides agency for individuals (Gray, 2019). With a KPI, the management often also determines how the goal should be achieved. An example: if the goal is to increase sales, a good key result is formulated, such as: 'Increase sales by 15% from x to y.' For a KPI, this is: 'The number of customer visits per week should be at least 7 per relationship manager.' With a KPI, the management directs the organization to conduct specific actions, without real self-determination. OKRs thus harness the power of an agile organization.

You achieve a KPI by doing the things you do a little better. With OKRs, that is not enough; Major improvements and changes are necessary. The management usually sets an ambitious goal for an OKR. As a guideline, the goal should be close to impossible. An OKR invites the organization to think outside the box. The OKR owner only accepts such targets if the target is not included in performance management. If that is not the case, people would rather opt for a more defensive goal (such as with a KPI). Lamorte (2022) argues that OKR-related questions can be included in performance reviews. E.g., what impact did you have on the key results? How did you use OKRs to focus on high-priority work? But avoid using targets for OKRs in performance management.

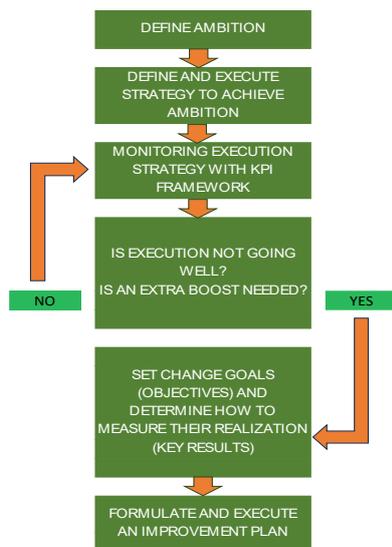
KPIs are part of the annual planning process. After determining the ambition and the strategy to achieve that ambition, KPIs are established. This often takes place in Q3 of the preceding year. The KPIs, including targets, are set in stone, and deviating from them is a complex process. Often, KPIs are used externally and/or for performance management. OKRs, on the other hand, are solely used internally and not for performance management. This makes adjustments much easier.

Finally, key results are by definition linked to an underlying objective. KRs measure the achievement of the objective. With KPIs, it is not always clear which underlying goal is being measured. A KPI could be “number of product X sold.” The reason this is important is not always evident. The combination of objective and key results prevents this.

Usually, KPIs are used much more often than OKR for foundational matters. For example, the number of audit findings is more likely to be a KPI than an OKR. Only when the organization cannot fix the basics can an OKR be used to solve this foundational problem.

SEVEN-STEP OKR MODEL

Now that the differences between KPIs and OKRs are clear, we come to the question of when to use an OKR. For this, you can use the following seven-step OKR model, which I developed.



1. Ambition	Define a longer-term ambition.
2. Strategy	Determine the strategic actions that will realize the ambition (or: determine your strategy).
3. KPI	Set up your KPI framework and determine the KPIs.
4. Monitor	Monitor strategy execution using KPIs.
5. OKR	If necessary, formulate an OKR.
6. Improvement plan	Make an improvement plan and implement it to realize the OKR.
7. Return to 'business as usual.'	After completing an OKR, the realization is monitored again via an existing KPI.

Figure 1. Seven-step OKR model

It starts by formulating the ambition. Then you determine the strategy you want to use to achieve that ambition. To measure whether the strategy is being executed properly, you define a set of strategic KPIs to monitor strategy execution. If the implementation of the strategy is unsuccessful, the management may decide to formulate an OKR. First, the goal (objective) is formulated, and how it is measured (key results). The management then asks the organization to use all its inventiveness and creativity to achieve the objective. Once that is successful, the OKR will be closed, and monitoring will resume via KPIs.

CONCLUSIONS

An OKR is fundamentally different from a KPI and serves a different purpose. KPIs are necessary for good business operations and are an essential part of the management control cycle. When something does not go as desired, management can choose to use OKRs to move things forward. If they succeed, the KPI will eventually turn 'green' again. OKRs are indispensable for making real progress, but should always be used in conjunction with a solid strategic KPI framework as a foundation. Together, they make it easier to successfully execute your strategy.

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