Objectives and key results are sometimes confused with key performance indicators and outcome-driven metrics. They all serve different purposes. CIOs should use this research to understand how they’re different and when to use each approach.

Overview

Key Findings

- Clients commonly confuse objectives and key results (OKRs) with key performance indicators (KPIs) and outcome-driven metrics (ODMs). They are different, yet complementary concepts.

- This lack of clarity can lead to incorrect usage. For example, an organization may use OKRs for performance management or compensation discussions.

Recommendations

CIOs managing KPIs and executive dashboards should:

- Apply OKRs, KPIs and ODMs for their correct purposes by understanding the fundamental differences between them.

- Use OKRs for setting goals and cascading strategies.

- Use KPIs for tracking and communicating performance on the most important objectives.

- Use ODMs for creating a line of sight between technology operations, technology outcomes and business outcomes.
Strategic Planning Assumption

By 2025, 35% of product management teams at software providers will utilize client business outcome OKRs, up from less than 10% today.

Introduction

Gartner's client interaction volume on OKRs increased by 900% between 2019 and 2021. Gartner attributes this increased interest to several factors — use and endorsement of OKRs by some major technology companies, a general move toward Agile methods, democratization of technology work, and the move to hybrid work. Our client interactions also illuminate a misunderstanding of the OKR concept and how it differs from KPIs or other metrics frameworks such as Gartner's ODMs (see Figure 1).

Figure 1: OKRs, KPIs and ODMs Are Complementary Yet Different Concepts

Clients often mix up, or interchangeably use, these three-letter acronyms. This research will help clients navigate this alphabet soup, help them understand the similarities and differences between these concepts, and clarify when to use each framework.
Analysis

Understand the Differences Between OKRs, KPIs and ODMs

The most basic difference between OKRs and KPIs — which are the two most commonly confused with each other — is in their purposes. OKRs are a goal-setting methodology that helps organizations focus on the desired objectives (what) and the key results (how). KPIs are indicators of performance (how well) against some set expectations. See Note 1 for more details on how OKRs and KPIs often intersect.

*OKRs focus on the what and the how. KPIs focus on how well.*

ODMs are a Gartner framework for creating a direct line of sight between performance measures at different levels. Table 1 provides a comparative analysis of the basic definitions and purposes of these concepts and frameworks.
Table 1: A Comparative Analysis of OKRs, KPIs and ODMs
(Enlarged table in Appendix)

<table>
<thead>
<tr>
<th>OKRs</th>
<th>When They Should Be Used</th>
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<tr>
<td>Objectives — These describe what needs to be accomplished in the future, and focus on identifying the key results needed to achieve a specific objective. OKRs can easily be assigned to state progress and ultimately recognize success.</td>
<td>OKRs should be used as part of the strategy conversation, and to align the IT organization with enterprise-level strategy objectives and priorities.</td>
<td>Gartner How CIOs Can Leverage OKRs That Align and Focus Their Teams</td>
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<td>Key results — These are formalized numerical expressions of progress toward the business objectives.</td>
<td>OKRs provide a means to engage with business partners and clearly define IT’s responsibilities to achieve important outcomes and to improve capability performance.</td>
<td>Gartner How to Assess Performance and Achieve Results that Matter</td>
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<td>OKRs improve the readiness of IT delivery units. A flexible guidance process to continually review changes needed by the business and to adjust IT’s contributions accordingly.</td>
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<td>KPIs is a set of key measures that conveys the performance of a specific activity, initiative or ongoing process.</td>
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<td>KPIs identify measurable technology operational outcomes that directly impact business outcomes, reflecting the readiness of technology to support critical business processes and outcomes. Both technology ODMs and business KPIs shape the IT’s role in facilitating informed conversations with executives to influence priorities and investments.</td>
<td>ODMs identify measurable outcomes that drive business success and help to reflect the health of the business.</td>
<td>Gartner How to Align and Measure the Business Value of Technology Investments and Operational Outcomes Metrics for Cybersecurity in the Digital Era</td>
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Use the Right Tool for the Job, and Apply the Framework That Fits

Ultimately, for any and all of these concepts, it’s how CIOs use them and what decisions they make based on them that matter more than the subtle semantic variations. Let’s use a hypothetical example to illustrate when and how to use OKRs, KPIs and ODMs. Alex is the CIO at ABC Inc. The board and senior management are concerned about stagnating revenues and have decided to generously fund a round of “digital transformation initiatives” with an aggressive target of 10% earnings before interest, taxes, depreciation and amortization (EBITDA) or profit growth over two years. A sizable part of this increased funding is about to land in Alex’s IT budget as well. Here’s how someone like Alex might use the different frameworks for different purposes.

Use Case 1: Aligning With and Executing on Strategy (Best Suited: OKRs)
The goal of 10% EBITDA growth won’t achieve itself. The executives (including Alex) will need to build a pathway (strategy) toward that goal. OKRs are perfectly suited for this scenario. This effort will span across time and will require orchestration of multiple teams that must have a common focus and work seamlessly together. OKRs help break down the strategic time frame from multiple years to immediate periods of action — from a three-year strategic journey into a set of years and, ultimately, a set of quarters during each year of the journey. OKRs also help break down the major strategies and initiatives into orchestrated outcomes to be achieved by all teams involved.

At ABC Inc., Alex partners with her peers in the C-suite to cascade the 10% EBITDA growth objective at the CEO level into key results that different executives are accountable for. One of the key results is focused on digitizing the customer experience significantly within the year. This becomes an objective for Alex as part of the OKR cascade, which she can use further with her team to cascade into other key results. These key results then become objectives for her deputies, and so on (see Figure 2).

**Figure 2: Example OKR Cascade for 10% EBITDA Growth Objective**

1. One of the CEO’s key results becomes an objective for the CIO
2. The CIO’s key results become objectives for her deputies

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Source: Gartner

*Figure 2: Example OKR Cascade for 10% EBITDA Growth Objective*
Use Case 2: Linking Technology and Business Outcomes (Best Suited: ODMs)

As part of the digital strategy cascade conversation, Alex and her team are also building a mental model connecting the business outcomes that drive overall growth, such as high customer retention numbers, with business ODMs, such as Net Promoter Score (NPS), and technology ODMs, such as percentage of customer interactions taking place over digital channels. This helps Alex and her team create a direct line of sight between their workflow and the value drivers that matter most to the new strategy (see Figure 3).

Figure 3: Example ODMs for Business Outcome of High Customer Retention Numbers

ODMs measure the effectiveness of a technology investment in terms of both the technology’s operational performance and the desired business benefits achieved. ODMs expand technology teams’ understanding beyond the performance of technology to how it supports the business outcomes that are dependent on the technology. They create a richer set of knowledge for assessing and reporting technology capabilities, as well as for choosing priorities and investments in digital transformation and business change projects.

Use Case 3: Reporting Technology Performance to Business Stakeholders (Best Suited: KPIs)

Reporting to senior executives on how technology is supporting ongoing operations or enhanced business performance is both an art and a science. This involves artful storytelling, as well as backing up the story with the best available evidence. That’s where KPIs come in — as evidence to support the narrative.
At ABC Inc., Alex has been asked to share performance measures with the newly formed technology steering committee every quarter. She focuses on a set of KPIs covering some leading and some lagging measures of value, cost and risk that all committee members have agreed to previously. These include, among others (see Figure 4):

- **Value:**
  - Revenue from digital channels as a percentage of overall revenue
  - Customer growth rate on the digital platform
  - Customer retention rate
  - Average lifetime customer value

- **Cost:**
  - IT spending as a percentage of revenue
  - Average customer acquisition cost

- **Risk:**
  - Percentage of applications past their end of life
  - Percentage of technology positions unfilled
  - Latest phishing campaign reporting rates
The lagging indicators provide stakeholders with a view of what has transpired in the recent past — how much new revenue is coming in, how much spending is taking place, and whether or not any major issues have occurred. The leading indicators help executives make better decisions on where and how to invest their incremental spend, going forward.

Using something similar to Alex’s approach, CIOs can apply the right framework for the right use case and get the most out of their goal-setting and performance measurement discussions.

**Evidence**


**Acronym Key and Glossary Terms**

<table>
<thead>
<tr>
<th>Term</th>
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<td>KPIs</td>
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<td>outcome-driven metrics</td>
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<td>OKRs</td>
<td>objectives and key results</td>
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**Note 1: How OKRs and KPIs Often Intersect at Client Organizations**

“KPI” is a generic term that almost stands in for “something important we need to measure.” Depending on the context, the answer to, “What is a good KPI?” can be very different. Some high-level KPIs discussed in the C-suite and the boardroom could be tracking an organization's overall financial performance, such as revenue growth rate; EBITDA; and earnings per share (EPS). Other KPIs may look at functional performance for finance, sales, marketing or IT. For instance, the CIO could be monitoring (and reporting to the C-suite) a set of KPIs that measure the IT function's performance against expectations. Within IT, there could be different sets of KPIs to measure performance for the infrastructure and operations (I&O), infosec, software engineering, and data and analytics teams, respectively, just to name a few. A “KPI” for an I&O or program management office (PMO) team might come across as an operational IT metric for someone outside IT. That's why context is critical when discussing KPIs — CIOs must ask themselves, “performance at what?”

In other words, KPIs need to reflect the objectives against which performance is being measured. Some objectives are part of business-as-usual performance, such as maintaining existing business capabilities at a certain expected level. OKRs usually come into the picture when clients need to go beyond business-as-usual activities and create a roadmap for change (manifested through key results), culminating in the achievement of their desired objectives. OKRs can help break down big strategic objectives into smaller tactical interim outcomes and multiyear strategic horizons into quarterly milestones.

To remove subjectivity from the question of whether or not an organization has achieved its objectives, the CIO naturally wants to try to attach certain quantifiable measures to these objectives. These “metrics” help make objectives (and by extension OKRs) easier to track and evaluate for success. Some of these “metrics” might be the same as KPIs used for performance measurement in another context. In the OKR context, the metrics or KPIs become an extension — or a byproduct — of the OKR process, but should not be confused with the objectives or the key results. Theoretically, the CIO can create OKRs for an entire organization without attaching any metrics or KPIs to them — though it is not advisable. In practice, a lot of the key results are, in fact, articulated as activities to be completed or milestones to be crossed (such as create a sales training deck, hire a designer, and launch this new system or tool).
KPIs, on the other hand, should be measurable. “Qualitative KPIs” is an oxymoron that we often come across in our conversations with clients. Business-as-usual KPIs are often quite standardized across organizations, and therefore, are easier to benchmark. Change-oriented KPIs are much more difficult to compare. In the same way, OKRs can also be very unique to an organization, because they reflect the specific path (key results) that an organization is taking toward its desired destination (objective). This makes OKRs — even those with good measures attached — almost impossible to benchmark between different organizations. While the OKR process could be one way to arrive at KPIs for an organization, it’s not the only method. There are other methodologies and techniques through which an organization can focus on a set of “key” measures they need to track to evaluate whether they’re performing at expected levels.

**Recommended by the Authors**

Some documents may not be available as part of your current Gartner subscription.

- Value-Based Performance Measurement: How to Build Effective KPIs
- How CIOs Can Use Objectives and Key Results to Drive Execution Success
- Outcome-Driven Metrics for the Digital Era

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| | **Objectives** — These describe what needs to be accomplished in the future, and focus on identifying the key results needed to achieve a shared objective. OKRs are framed so CIOs can easily know how to make progress and ultimately recognize success. **Key results** — These are formed as numerical expressions of progress toward the success of objectives. | OKRs should be used as part of the strategy conversation, and to align the IT organization with enterprise-level or strategic objectives and priorities. They provide a means to engage with business partners and clearly define IT's responsibilities to achieve important outcomes and to improve capability performance. OKRs are not for business as usual and should be used when a major strategy or critical priority requires multiple teams to be involved. As such, focus, alignment, and the ability to track and adjust are vital to success. OKRs improve the nimbleness of IT delivery, using a flexible guidance process to continually review changes needed by the business. | **How CIOs Can Implement OKRs That Align and Focus Their Teams**  
Quick Answer: When Should OKRs Be Used?  
Quick Answer: What Are the Top Reasons for OKR Program Failure?  
Quick Answer: What Should an OKR Program Checklist Include?  
Webinar: How CIOs and Technology Leaders Can Adopt OKRs to Drive Business Results |
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| Operational metrics with a direct line of sight to business outcomes are referenced as “technology ODMs.” The business outcomes that they support become drivers for priorities and investments in the technology, while failures of the technology drive impacts to the supported business outcomes. Similarly, business ODMs are business metrics with a direct line of sight to business outcomes. | - ODMs identify measurable technology operational outcomes that directly impact business outcomes, reflecting the readiness of technology stacks to support critical business processes and outcomes.  
- Both technology ODMs and business ODMs should be used to facilitate informed conversations with executives to influence priorities and investments. | - Research Roundup for Digital-Outcome-Driven Metrics for Industries                                | - Use Digital-Outcome-Driven Metrics to Quantify the Business Value of Technology Investments |
|                                                                     |                                                                                                         |                                                                                          | - Outcome-Driven Metrics for the Digital Era                                          |
|                                                                     |                                                                                                         |                                                                                          | - Outcome-Driven Metrics for Cybersecurity in the Digital Era                          |
|                                                                     |                                                                                                         |                                                                                          | - An Outcome-Driven Approach to Cybersecurity Improves Executive Decision Making        |

Source: Gartner (October 2021)