ENLIGHTENED MANAGEMENT SYSTEMS AND NARRATIVES

by John Almandoz
and Carlos Rey

A lot can be said for the popular Management by Objectives management system that operates on the principle of SMART goals. However, organisations interested in developing employee motivation around service-oriented performance will do well to combine the Objectives and Key Results and Management by Missions management systems to achieve their goals.

New management systems emerge regularly, bringing with them innovative and promising ideas that can make a difference in the productivity of an organisation and the meaning employees experience at work. Management systems define how an organisation manages the interrelated parts of its business to achieve its goals. As they are linked to a variety of practices around the organisation, those management systems, in the end, develop a cultural narrative that ends up being taken for granted and spread, often unconsciously, by the members of the organisation. Probably, the most pervasive management system in our contemporary business world is Management by Objectives (MBO). For more than five decades, MBO has spread the SMART (Specific, Measurable, Achievable, Relevant and Time-bound) principles to companies around the world.

Two recent examples of management systems that aim to "enlighten" the MBO system with new and updated principles are "OKR" for "Objectives and Key Results" and "MBM" for "Management by Missions". Based on more than 10 years of research and consulting on management systems development in various countries, we analyse the narratives of OKR and MBM to highlight their strengths and potential complementarity.

Objectives and Key Results (OKR) is a management system designed to focus efforts on what "we as a team agree deserves special attention, and what really matters".[1] The development of OKRs is based on five principles or "superpowers": **focus** on priorities, **alignment** for teamwork, **commitment** to transparency, **tracking** for accountability, and **stretching** for surprising results (FACTS). The system relies on setting **objectives** at all levels "typically longer-term, bold and aspirational" and **key results** that "are aggressive, but always measurable, time-bound and limited in number".[2]

One example of OKR use is Netflix, a prominent player in the streaming service industry. Netflix's CEO, Reed Hastings, implemented

Objectives and Key Results (OKRs) to help the company regain its customers' trust following a period of subpar customer service and loss of customers. Netflix, a company known for its elite sports team culture and emphasis on results, has implemented OKRs tracking software, focusing on goals in three crucial areas: customer experience, growth, and culture.

By analysing data from customer surveys and interviews, Netflix has identified areas of improvement in customer experience. From those insights, they have created OKRs centred around enhancing customer email and phone interactions, as well as ensuring comprehensive training for employees in handling and resolving customer complaints within a 48-hour timeframe. Similarly, by analysing data from surveys and interviews with employees who left the company after a tenure exceeding two years, Netflix learned that many employees quit due to a lack of support or appreciation from their managers, as well as limited opportunities for growth within the company's structure. This led

By analysing data from surveys and interviews with employees who left the company after a tenure exceeding two years, Netflix learned that many employees quit due to a lack of support or appreciation from their managers.

Netflix to develop and track other OKRs to address those gaps.

Management by Missions (MBM)[3] is a methodology that integrates the purpose of the organisation into the management system to provide an inspiring direction to the people of the organisation. The development of MBM is based on three principles: **personal purpose**—encouraging people to find the "why" of their work, **unity**—promoting the connection between the personal and organisational purpose, and **self-management**—giving people the freedom to shape their aspirations at the intersection of personal and organisational purpose.[4] The MBM system is based on **missions**, defined as the contribution towards the main stakeholders of the company (customers, employees, suppliers, shareholders, and society). In MBM, missions are established at all levels of the organisation -corporate, teams, and individuals-, and are the basis for defining employee performance.

One example of the MBM is the Danish company International Service System´s (ISS) facility services.[5]

Through a training programme, they encourage their employees from different areas (cleaning, maintenance, catering, etc.) to find their own purpose in the workplace. Thus, employees are invited to craft the service-oriented meaning of their work and link it with the purpose of the company: "connecting people and places for a better world".

Both OKR and MBM are applied throughout the organisation: at the corporate, team, and individual levels. Both systems promote the empowerment and autonomy of people and encourage frequent *conversations* between "contributors" and managers to talk openly about progress, difficulties, personal development, supportive feedback, etc.

UNDERLYING NARRATIVES

Despite their similarities, there is a fundamental difference between OKR and MBM: the perspective on the meaning of work, what we might call the "gaze". The gaze can change the reality we observe and therefore the motivational capacity of what we do. While Objectives in OKR focus employees´ attention on "what I want to accomplish", Missions in MBM focus attention on "what I want to do for others" (see Figure 1).

Figure 1. MBM and OKR narratives.

MBM[6]	**OKR**[7]
"What I want to do for others"	*"What I want to accomplish"*
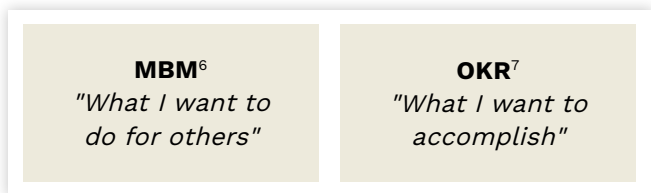
Despite their different nature, these two narratives can lead to similar results. For example, "reducing the world's carbon footprint" can be both "what I want to accomplish" and "what I want to do for others". The difference is not the goal per se, but the narrative behind the goal.

In fact, "wanting to accomplish something" and "wanting to do something for others" are not the same thing. They are not exclusive, but they are different. Missions and objectives provide a distinct narrative of the "why" of work. In MBM, missions transcend the narrative of accomplishment: "What I want to do for others" comes first, and accomplishment is contingent on being a means to better serve others. OKRs, however, focus employees' aspirations on "what I want to accomplish" and contingently, serving others is a means to achievement. In this sense, the risk with missions is that they may not define the specific outcomes necessary for the organisation to succeed. On the other hand, the problem with accomplishments is that they can become detached from purpose and easily become an end in themselves. With the accomplishment narrative, you can hit the target but miss the point. For example, you may meet the short-term sales goals, but ultimately undermine your relationships with customers by selling defective products.

The following examples illustrate the OKR and MBM in practice (see Figure 2). The first is an objective developed by John Doerr when he worked at Intel Corporation. The second is a mission created by an ISS janitor at a school in Denmark. In both cases, the employees define their aspirations, but their underlying narratives are quite different.

Figure 2. Examples of MBM and OKR.

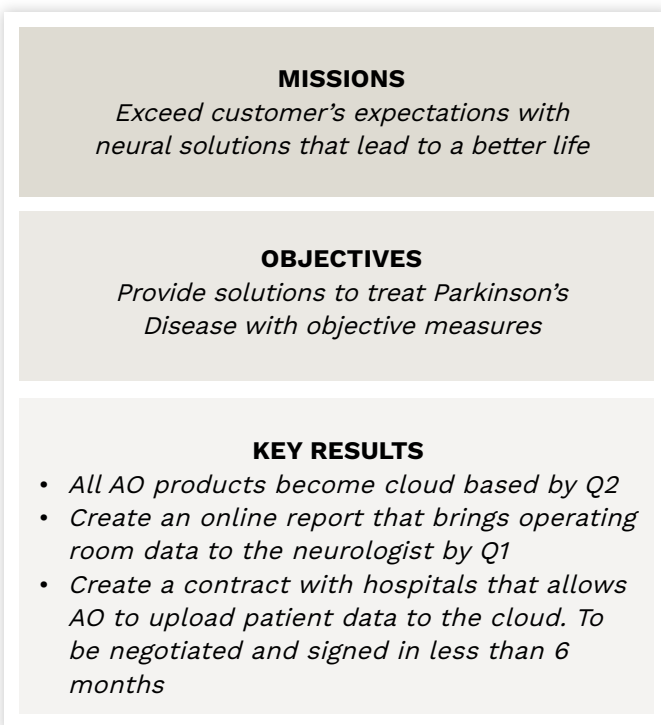| **MBM's MISSION**[8]	**OKR's OBJECTIVE**[9]
"By keeping the school clean, I help students learn and develop their talents"	*"Demonstrate the Intel 8080's superior performance as compared to the Motorola 6800"*

COMBINING MISSIONS AND OBJECTIVES

In our experience, missions and objectives are potentially complementary: "An objective without a mission is a blind objective, but a mission without objectives is a dead mission."[10] By combining their narratives, missions can be the answer to the "why" of objectives. Objectives, in turn, can help streamline and operationalise the missions. This is why, in our work with companies, we have found that many organisations practice a combination of OKR+MBM.

This is the case, for example, at Alpha Omega (AO), an Israeli company that makes high-tech medical devices that help treat brain disorders such as Parkinson's disease. Employees combine OKR and MBM systems. When setting their goals, employees first define their missions and then set specific objectives and key results for each of their missions (see example in Figure 3).

Figure 3. Example of a combination of MBM+OKR in Alpha Omega.

MISSIONS
Exceed customer's expectations with neural solutions that lead to a better life

OBJECTIVES
Provide solutions to treat Parkinson's Disease with objective measures

KEY RESULTS
- *All AO products become cloud based by Q2*
- *Create an online report that brings operating room data to the neurologist by Q1*
- *Create a contract with hospitals that allows AO to upload patient data to the cloud. To be negotiated and signed in less than 6 months*

Every quarter, AO´s management agrees on the objectives to be achieved that serve its missions towards the different stakeholders (company, customers, and employees). Then each team or department, based on their own shared missions, sets their objectives and key results, and then each employee sets their objectives and key results in line with their own personal missions at the service of their team and the company´s missions on behalf of its stakeholders. In this way, they connect the personal mission and the corporate mission of each employee at AO.

As Imad Younis, the company's founder, explains, "In my view, MBM and OKR complement each other. It is not ´either or´. MBM focuses on why I am trying to accomplish certain objectives, and OKRs is a way to assist the management and the employees to define objectives or measurable key results that help everyone in the organization (each person, each team and the entire company) see clearly what everyone is striving for. Thus, each goal has a reason. There are no abstract goals. Every goal ends up serving someone or something, otherwise there is no point in trying to achieve it. There is a big difference between meeting sales targets because you want to win, or because you want to improve more lives. In both cases the motivation is related to a sense for challenge, but the sense of purpose in them is very different."

ELECTING YOUR MANAGEMENT NARRATIVE

From more than 50 years of research[11], we know that achieving goals can be a very important source of motivation. For example, the competition to be the first to develop a COVID-19 vaccine was critical to solving the problem. Impressive results can be achieved through a motivation for achievement. The difficult and challenging can motivate great commitment and have a great impact on society, especially when that achievement is directed towards high-impact missions. However, the intrinsic value of achieving goals does not always have a positive impact. A dramatic example is the excellent technical coordination of the transportation structures that brought millions of Jews to the concentration camps.

It was a technically very sophisticated organisation but with disastrous goals.

On the other hand, we know from research that the **need of others** can also be a very powerful source of motivation in itself[12]. A dramatic example is the free choice of hundreds of firefighters who approached the World Trade Centre after the terrorist attack on September 11, 2001, knowing that they were risking their lives. Another example is the patriotic defense of Ukraine, and the efforts of its citizens to continue working, despite the risk, to sustain the country's economy.

A dramatic example is the free choice of hundreds of firefighters who approached the World Trade Centre after the terrorist attack on September 11, 2001, knowing that they were risking their lives.

From a practical perspective, OKR and MBM may seem very similar, but their narratives are different. Both models have a place in organisations, and both can have positive results. It is best for each organisation to choose the narrative that best suits its purpose. If you want to focus employee motivation solely on performance, you don't need to go beyond the OKR. But if you want to develop employee motivation around service-oriented performance, a combination of OKR and MBM may be the way to go. The choice you make will lead you to the success you want. ᴇʙʀ

REFERENCES

1   Doerr, J. (2018). *Measure What Matters: The Simple Idea that Drives 10x Growth.* Penguin UK.

2   https://hbr.org/2018/05/how-vc-john-doerr-sets-and-achieves-goals

3   Cardona, P., & Rey, C. (2022). *Management by Missions: Connecting People to Strategy through Purpose.* Palgrave Macmillan (Open Access).

4   Rey, C., Velasco, J. S. C., & Almandoz, J. (2019). The New Logic of Purpose within the Organization. In Purpose-driven Organizations (pp. 3-15). Palgrave Macmillan (Open Access).

5   Rey, C., Chinchilla, N., & Pitta, N. (2017). Objectives are SMART, Missions are WISE: Employees with Purpose. *IESE Insight*, 33, 45-51.

6   Cardona, P., & Rey, C. (2022). *Management by Missions: Connecting People to Strategy through Purpose.* Palgrave Macmillan (Open Access).

7   https://hbr.org/2018/05/how-vc-john-doerr-sets-and-achieves-goals

8   Rey, C., Chinchilla, N., & Pitta, N. (2017). Objectives are SMART, Missions are WISE: Employees with Purpose. *IESE Insight*, 33, 45-51.

9   Example of OKR developed by John Doerr at Intel Corporation presented in the book: Doerr, J. (2018). *Measure What Matters: The Simple Idea that Drives 10x Growth.* Penguin UK, (p, 27).

10 Cardona, P., & Rey, C. (2022). *Management by Missions: Connecting People to Strategy through Purpose.* Palgrave Macmillan (Open Access).

11 Locke, E. A., & Latham, G. P. (2019). The Development of Goal Setting Theory: A Half Century Retrospective. *Motivation Science,* 5(2), 93.

12 Grant, A. M., & Berry, J. W. (2011). The Necessity of Others is the Mother of Invention: Intrinsic and Prosocial Motivations, Perspective Taking, and Creativity. *Academy of Management Journal,* 54(1), 73-96.

ABOUT THE AUTHORS

John Almandoz is a professor in the Department of Managing People in Organisations at IESE Business School and holds the Juan Antonio Perez Lopez Chair. He holds a joint PhD in Organisational Behaviour and an M.A. in Sociology from Harvard Business School/Harvard University. Almandoz teaches courses in leadership, human resources, organisational behaviour, and self-management in the MBA, Executive MBA, and Global Executive MBA programmes.

Carlos Rey is a professor of Strategic Management and Director of the Chair Management by Missions and Corporate Governance at Universitat Internacional de Catalunya (UIC Barcelona). Founder of DPMC, he has collaborated as a consultant in the development of purpose with companies such as Coca-Cola, Sony, Repsol, ISS Facility Services and Bristol Myers Squib.