A study on how to link OKRs model with incentive compensation

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Abstract. As an emerging tool of Management by Objectives, the Objective-Key Results (OKRs) model has been widely used in management practice in recent years; however, the academic community has not reached a consistent conclusion on whether OKRs should be linked to incentive compensation. The author argues the benefits of the linkage in terms of the common ground of the two concepts, the importance to employees' sense of fairness, and the strengthening effect on key indicators. From a practical point of view, the author believes that OKRs need to take advantage of KPIs in the process of application, using employees' personal KPIs as the basis for determining goals and employees' self-evaluation and score correction as indicators to measure the degree of completion, and the combined KPI+OKR model formed will be able to realize the linkage with incentive pay and play an important reference role in employees' future merit evaluation and promotion. Therefore, this paper proposes a scheme by elaborating the theory, focusing on two aspects, namely goal setting and result measurement, to optimize and improve the operation process of OKRs; and supplemented with practical cases to fully illustrate the promotion of OKRs to employees' initiative and the guiding effect of OKRs on employees' self-growth.

Keywords: OKRs; challenge; self-rating score; employee profiling; incentive compensation.

1. Introduction

In the past two years, the epidemic has had a negative impact on the development of many industries and enterprises in China, with catering, tourism, entertainment and other industries and foreign-owned enterprises suffering considerable losses. In such an environment, state-owned enterprises, which operate relatively stable, have received greater attention. State-owned enterprises have the characteristics that all or major capital is invested by the state and owned by the state. As the lifeblood of the national economy, they have always been the pillar of China's economic development and are of great importance in strengthening the comprehensive national power and guaranteeing people's living standards; therefore, how to reform the operation system of SOEs and enhance their dynamics and traction has become a top priority. In this paper, we propose a new management method from the perspective of performance management, linking OKRs with incentive pay and promoting employees' ability to improve their work ability and self-development, as a supplement to the current KPI-based performance appraisal method of SOEs.

The Objectives-Key Results (OKRs) model, as an emerging management tool designed to promote close collaboration and focus on the results of employee goal execution (Niven and Lamorte, 2016), is characterized by simplicity, flexibility, and transparency compared with the traditional KPI model; the OKRs model encourages the design of challenging and higher goals, and then decompose them into fewer and more precise key results (KRs), and individual employees reap more fulfillment and self-growth by executing the key results they set and holding feedback-themed departmental work discussions in a shorter period of time to adjust the goals in a timely manner based on the accomplished situation, while ensuring that the relevant corporate targets are reached. The origin of the OKRs model can be traced back to the ‘management by objectives’ (MBO) proposed by Peter Drucker in his book The Practice of Management in the mid-20th century, which encouraged employees to self-evaluate and self-manage (Zhu Tao et al., 2022). While it is important to give high priority to goals, goal management has also been found to be problematic in practice, especially when the environment changes and the revision of goals and plans is very costly, and if this time is focused on the implementation of goals, the cost of business operations can be greatly reduced. The first to
improve ‘goal management’ is the IT industry with high uncertainty, and they have proposed the concept of OKRs in response to the weak ability to adjust goals, focusing on the application of its flexibility in setting goals and focus on the business itself (Tong, 2015). (OKRs adjusts the frequency of goal setting in the MBO model to make it more in line with the rhythm of today's times (Yang, 2019); in the face of the uncertain international political situation and the highly unstable economic environment, SOEs need to mobilize flexibility and develop the ability to adjust goals in a timely manner. Therefore, it is necessary to introduce OKRs model into the scope of performance management.

Currently, many scholars have studied the advantages, disadvantages, and applications of OKRs. Tian Wuxing and Wang Haifeng (2017) compared OKRs with KPIs and pointed out that the former has significant benefits: it reminds employees of the process of task completion in a timely manner, urges them to focus on the matters with the highest urgency, and has the dual functions of appraisal and goal management. Zhao Zhen and Ma Kehang (2016) also focused on the difference between KPI and OKR, arguing that the latter is more flexible and simplifies the compensation incentive process while emphasizing the achievement of goals, and promotes the innovation spirit of employees. Regarding the potential defects of the OKR model, Hu, Feng and Qin, Ailing (2020) point out that this management style may bring about the undesirable phenomenon of ‘groupthink’, which leads employees to be risk-averse and set goals for themselves that are lower than the implementation level, thus losing the role of promoting self-improvement. Other scholars pointed out that OKR has a high demand for employees' responsibility and creativity, which may be difficult for ordinary employees to achieve (Zhou and He, 2018).

In the current practice of OKR related to compensation incentives, some scholars' case companies do not link OKR to performance and compensation, but only as a concept to guide employees (Xi Nan et al., 2020); while Wei Ligang (2015) elaborates Google's practice that OKR in their appraisal system will be linked to bonuses, but not directly as a criterion for employee promotion; Deng Yujin (2022) argues that the feature that OKRs are not linked to promotion and salary makes employees more willing to design challenging goals. From this viewpoint, there is no unified determination and answer to the question of whether OKRs are linked to incentive pay; however, the author believes that OKRs are of great value when linked to incentive pay, and in practical application, the solution of combining KPIs with OKRs and linking them to incentive pay can solve some drawbacks of OKRs itself and amplify its positive guiding effect on employees. Therefore, this paper follows to discuss this idea from both theoretical and practical aspects.

2. Reasons why OKRs should be linked to incentive compensation

2.1 Similarity in concept

Incentive compensation includes material and spiritual incentives, among which material incentives are mainly in the form of bonuses. Bonuses are generally given to employees to compensate and encourage them for the results of their work beyond the quota or for their special contribution to the company according to the management orientation of the company. The OKRs model incorporates critical thinking and is designed to encourage employees to set challenging goals and to think deeply about what they can contribute to the company, especially in creative and R&D challenges. Goal-setting theory tells us that human’s behavior always has a purpose and is guided by personal goals (Deshon and Gillespie, 2005); at the same time, organizational motivation can only elicit positive output behavior when it is translated into personal goals, i.e., the combined effect of motivation and goals improves employee performance (Locke and Latham, 2002). This is a testimony to a psychological point of view that incentive compensation and OKRs model are related, and if the two can be reasonably linked, they have the effect of goals and motivation.

On the other hand, bonuses, sometimes as annual rewards, are characterized by clear orientation, reflecting differences, and performance strength, and are issued with delay, generally at the end of a year as work summary, so employees do not have timely access to information related to bonuses,
and the conditions for selecting the bonus are often known only when the bonus is paid. In contrast, when OKRs are implemented, the cycle is usually quarterly or monthly, and a top-down and bottom-up dual-channel communication model is advocated (Xu, Yunchao, 2019), i.e., employees can obtain information about bonuses in the process of talking with department leaders, so as to adjust their own goals, having more chances and convenient way to get bonuses. At the same time, employees will set more challenging goals for themselves with the guidance of the bonus, which also improves the quality of OKRs operation.

Spiritual incentives may be a difficult part of the traditional compensation system, but some employees value spiritual incentives more than material rewards, such as public praise, honorary titles, and training opportunities for outstanding employees (Li, N. and Zhang, D., 2005). As a result, the number of motivated employees rises and the compensation system becomes inclusive, diverse and flexible. Therefore, the dual promotion effect of OKRs and incentive compensation can stimulate employees' creativity in two directions: goals and results, respectively.

### 2.2 The importance of equity

Management originated from the cooperative work of many people, and due to the limited resources, all people want to get more compensation, so the definition and research of fairness emerged; the fairness theory of human resource system mainly contains three aspects: auto-fairness, internal fairness and external fairness. J.S. Adams, an American behavioral scientist, pointed out that employees' motivation for their work is not only related to the actual amount of compensation they receive, but also related to their sense of fairness in pay distribution, that is, employees will compare the work they put in and the rewards they get with the contributions and gains of others to perceive whether it is fair or not; therefore, ensuring fairness in pay distribution is an effective way for pay incentives to work (Fu Juyan. 2014). If employees seriously implement OKRs and find that there is no incentive compensation system corresponding to them, or find that they get the same compensation and rewards regardless of whether they implement OKRs or not, the guiding effect of OKRs will be weakened, its intention of motivating employees will be undermined, and employees will lose the sense of fairness.

From the perspective of needs theory, a person is motivated to do something if he experiences a specific need that can be satisfied directly or indirectly by performing some action (Mawoli, 2011). Employees are motivated when they have a need for incentive compensation and the implementation of OKRs enables the need to be met by linking contributions to rewards so that employees' autopoietic equity can be achieved. Conversely, if OKRs have nothing to do with performance, bonuses, or promotions, and are only used as an add-on model, then they are like a wood without a foundation, leaving employees without pressure and without motivation to challenge.

Although OKRs are based on the Y theory of human nature, which treats employees as "social beings" and assumes that employees have great creative enthusiasm and initiative (Chen, 2015), in practice, the real needs of employees for performance appraisal and pay equity cannot be ignored. According to Maslow's hierarchy of needs theory and Herzberg's two-factor theory, it can both be concluded that human needs have leapfrogging nature, and only when the lower-level needs are satisfied, people will explore the higher-level needs. For example, in the pyramid of needs, when the first level of physiological needs and the second level of security needs are satisfied, only then can one step towards self-actualization (Hu Wanzhong, 2000); so when employees can be rewarded by executing the goals they set and ensuring that their physiological needs are satisfied, only then will they pay attention to the challenging tasks guided by OKRs and thus seek higher levels of personal growth and development; it has been pointed out that the material and resource support given by the organization strengthens employees' sense of competence, based on which they voluntarily design high level goals (Cerasoli and Fode, 2014).
2.3 Help to strengthen the key indicators

OKRs help leaders and employees focus on the most important tasks, clarify what work must be done with high quality, and integrate the goals of all staff, so that all departments work together and spend sufficient time on what needs to be done most; This feature is particularly prominent in public goods SOEs, which support people's lives and provide public goods. These enterprises usually supply water, gas, electricity, and other daily necessities. The quality of their products is related to the people's livelihood, they have varying degrees of monopoly in the industry, and they have no pricing power over their own products, and most importantly, their social benefits outweigh their economic benefits. Therefore, they need to pursue the goal of 100% supply guarantee and reduce the incidence of safety accidents to 0%, which is very demanding for the employees' work results; if OKRs are linked to incentive pay, such as the "1000 days of safe production" bonus, employees can be motivated to set higher goals for themselves and strengthen the importance of key indicators. If OKRs are linked to incentive pay, for example, with the "1000 days of safety" bonus, employees can be motivated to set higher goals for themselves and reinforce the importance of key indicators, so that they will pay high attention to them and will not relax their strict requirements in their work, thus improving the safety of production and the social benefits of the enterprise.

3. Compensation incentive system under KPI+OKR concept

In the current performance appraisal system of SOEs, KPI is still the mainstream, and its advantages and applicability cannot be denied; however, the "indicator is king" idea of KPI makes the personnel of enterprises neglect the long-term interests in order to achieve the short-term indicators, which may trigger the short-term behavior of employees and adopt some negative practices in order to achieve the data. The authenticity of KPI and the effect of rewards and punishments are gradually weakened, not to mention the spirit of innovation (Yang, Linjie and Zhang, 2015). This is the last result that managers would like to see when employees work for the sake of indicators rather than for the sake of the company. In such a situation, can KPI be replaced? Considering that KPI can clearly present corporate goals using quantitative methods and the current reliance on them formed by most companies' performance appraisals, they cannot simply be eliminated; therefore, a model that places more emphasis on employee autonomy and weakens data is needed to supplement them. The author believes that OKRs linked to incentive compensation can serve this purpose.

The benefits from a practical point of view: First, OKRs are not directly linked to performance appraisal and do not undermine the implementation of the KPI system; second, OKRs are linked to incentive compensation, which means "more work, more pay" and "better pay for better work" motivate employees to challenge themselves with material or spiritual rewards, which is beneficial to OKRs to play its role more effectively. Several scholars have pointed out that the biggest problem of combining OKRs with incentive compensation is that employees may set unchallenging goals; therefore, the author believes that if this problem can be solved, OKRs will become a highly motivating management tool. Therefore, this paper proposes a compensation incentive system that incorporates the advantages of KPI and compensates for the potential risks of OKRs, and integrates the two theories to better suit the current economic environment and the needs of employees' own development.

3.1 Set goals based on personal KPIs

The theoretical basis of KPI method is the ‘Pareto's Law’ in economics, which is the ‘Law of Two and Eight’, which states that 80% of the tasks in an enterprise are completed by 20% of the key behaviors, and if the completion of 20% of the behaviors can be measured, the core of performance management is captured (Wang Mengjun, 2016). Based on the A-SMART principles (i.e., recognition, specificity, measurability, achievability, relevance, and time duration), the KPI method is used to decompose enterprise indicators, project indicators, and job indicators based on key performance
indicators layer by layer, and to clarify the responsibilities of each department and job. For the indicators decentralized to each department, they can be divided into performance-based indicators (about 70%) and personal development-based indicators (about 30%). The development of performance indicators can follow the idea of Balanced Scorecard (BSC), mainly divided into financial perspective, customer perspective, internal business process perspective and learning and growth perspective, while the personal development category can be developed from two perspectives of management behavior and personal behavior, as shown in the table below.

**Table 1. Example of indicator system design**

<table>
<thead>
<tr>
<th>Tier 1 Indicators</th>
<th>Secondary indicators</th>
<th>Tertiary indicators</th>
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</thead>
<tbody>
<tr>
<td><strong>Performance Indicators</strong></td>
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<td></td>
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<tr>
<td>Financial Perspective</td>
<td></td>
<td>Target profit completion rate</td>
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<td></td>
<td></td>
<td>Financing cost control rate</td>
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<td></td>
<td></td>
<td>Asset Utilization</td>
</tr>
<tr>
<td></td>
<td>Customer Perspective</td>
<td>Net cash flow contribution margin</td>
</tr>
<tr>
<td>Internal business</td>
<td></td>
<td>Market share share</td>
</tr>
<tr>
<td>process perspective</td>
<td></td>
<td>New customer acquisition rate</td>
</tr>
<tr>
<td></td>
<td>Learning to grow</td>
<td>Customer Satisfaction</td>
</tr>
<tr>
<td>perspective</td>
<td></td>
<td>Project schedule deviation rate</td>
</tr>
<tr>
<td></td>
<td>Management behavior</td>
<td>Organizational system construction</td>
</tr>
<tr>
<td></td>
<td>Personal behavior</td>
<td>Science and Technology Project Results</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Personal Development</strong></td>
<td></td>
<td></td>
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<tr>
<td>Category Indicators</td>
<td></td>
<td>Employee Satisfaction</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Creative suggestions adoption</td>
</tr>
<tr>
<td></td>
<td>Work plan execution deviation rate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Team internal operation management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Frequency of giving guidance to subordinates, sharing experience with subordinates</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Individual performance completion deviation rate</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Completion of personal study plan</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled by the author based on internship information

After determining the departmental performance indicators, the department holds a group meeting to translate the departmental performance indicators into core objectives (O) according to the characteristics of departmental production and the responsibilities of each position. In the case of science and technology research and development department, the core objectives may be science and technology achievement objectives, key work objectives and product quality objectives, and then the core objectives are broken down into sub-objects (O1...On), as shown in the table below.

**Table 2. Examples of objectives for the science and technology R&D department**

<table>
<thead>
<tr>
<th>Core Objectives (O)</th>
<th>Sub-targets (O1...On)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science and Technology Achievement</td>
<td>Completed x patents</td>
</tr>
<tr>
<td>Goals</td>
<td>x core papers published</td>
</tr>
<tr>
<td>Key Work Objectives</td>
<td>Solving x technical challenges</td>
</tr>
<tr>
<td>Product Quality Objectives</td>
<td>Training employees’ research capabilities</td>
</tr>
<tr>
<td></td>
<td>External communication on behalf of the company</td>
</tr>
<tr>
<td></td>
<td>The acceptance rate of the results reached x% or more</td>
</tr>
<tr>
<td></td>
<td>Product satisfaction of x% or more</td>
</tr>
</tbody>
</table>

Source: Compiled by the author based on internship information
After decomposition into several sub-goals, the department head leads the team members to interpret and learn the goals so that the group members can fully understand the strategic meaning behind the goals. The group members then select sub-goals based on their job responsibilities and quantify each sub-goal into three to four key results (KRs) (Jiaqi Wang, 2018). The key outcomes are oriented to how well employees accomplish their goals and contribute to the organization, serving the goals and adjusting them to the actual situation (Qingling Ou, 2020). Giving employees the authority to select and set goals can transform external drive into internal drive. Since these goals are decomposed from the enterprise's KPIs, employees can clearly know the items they must accomplish and also have a clear knowledge of the boundaries of quota and overage, so employees can set goals oriented to accomplish overage labor, plan with their own strengths, and stimulate their creative potential. OKRs emphasize teamwork and guidance from superiors to subordinates, so in departmental meetings, the department head should encourage subordinate employees to step out of their comfort zone and make suggestions on their goals and key tasks, and guide them to write "personal performance commitments" to draw their attention to the OKRs model in the process. Finally, the OKRs and the Individual Performance Commitment should be made public to promote collaboration among members.

3.2 Timely adjustment to assessment

The development and iteration cycle of OKRs is generally quarterly. The frequency of holding departmental meetings can be weekly or monthly depending on the actual situation, and if necessary, a mid-quarter meeting can be held in the middle of the quarter. In the meeting, members first report the progress of completing their key results, the problems they encountered, and the reasons for the problems, the department team leader checks the completion of each employee's goals and key results; for the problem raised by members, the team leader can first judge the probability of reaching the OKRs, and if it is felt that there is some difficulty in completing them under the current conditions, it is necessary to discuss them through the meeting If it is felt that it is difficult to complete under the current conditions, it is necessary to discuss the solutions and coordinate resources through meetings; draw up the plan for the next phase and replace the achieved goals with new ones according to the situation; if it is a very important OKRs, it should continue to be implemented in the next phase. Combined with the current reality of a predominantly online office, OKRs facilitate knowledge sharing among employees during meetings (Stray et al., 2021). OKRs need to be kept open and transparent during their implementation, so it is necessary to establish an OKRs progress record system or database; After each meeting and discussion, verification of completion, and adjustment of goals, employees can track the records in their OKRs files, summarize and update them in a timely manner.

3.3 Classified discussions to give incentives

At the end of each quarter, employees will score their own key results according to their own OKRs, with a score range of 0 to 1. Since the OKRs model encourages employees to set challenging and creative goals, a self-scoring range between 0.6 and 0.7 is reasonable (Leung, Yun-Yan, 2015). After receiving employees' self-scoring scores, the team leader should first screen them, focusing first on employees with scores greater than 0.8 and less than 0.4, and verify their key results and completion and perform score correction to restore the quality of completion, and then analyze the reasons why these extreme conditions occur. For example, scores below 0.4 may be the result of the negative impact of the general environment leading to the failure of the ability to play, and above 0.8 may be the result of their own goal setting is too simple, risk-averse tendency, both cases need to communicate with employees in a timely manner to help them in the next quarter to adjust the goal setting or change the program. In addition to focusing on the score, it is also necessary to link with the performance appraisal situation, that is, to pay attention to the actual contribution of employees. If the percentage of people with excellent performance is too low, it means that employees' goals are
generally lax, and even if the self-score of OKRs is high, it does not mean that employees put in a lot of effort.

Because the difficulty of the goal is relative, it is difficult to accurately define and compare between different employees. Therefore, the author believes that the self-assessment score is a more easily distinguishable indicator. By removing employees with too high and too low self-scoring scores in the above way, in the remaining more reasonable score range, combined with the actual labor contribution indexes of employees, employees can be divided into four categories: ① high OKR score with large actual contribution; ② high OKR score with small actual contribution; ③ low OKR score with small actual contribution; ④ low OKR score with large actual contribution, as shown in the following matrix.

| ③Low OKR score and little actual | ①High OKR score, small actual | ②High OKR score, small actual | ④Low OKR score, high actual contribution |

**Figure 1. Four-quadrant distribution of OKR scores combined with actual contributions**

By placing employees with different combinations of scores and contributions into the four quadrants and discussing them in categories, we can derive their characteristics and help build a 'employee portrait'.

The first quadrant on the right: high score and high contribution, indicating that the employee can complete the tasks in high quality, has a clear understanding of the upper limit of his own ability, organizational goals, planning and execution ability is strong, they adopt the attitude of "jumping and reaching" towards the goals, and works hard to get close to the goals in his work, with the quality of being practical and earnest.

The second quadrant from the top left: high score but low contribution, indicating that such employees have the ability to get the job done, tend to be risk-averse when setting goals, tend to be conservative in estimating their own level, may not be innovative and challenging enough, and are more cautious when making judgments; they need to be encouraged, self-confident, and focused on tapping their potential.

The organization should provide timely help and support, pay attention to whether the employee understands the organization's goals and can clearly perceive himself or herself, and guide the employee to set goals based on his or her own strengths.

Lower right quadrant IV: low score but high contribution indicates that the employee is a strong worker and has set high goals for himself/herself but has not been able to reach the current level, has high expectations for himself/herself and is most likely to be ambitious and innovative. Innovation is a more complex process with multiple factors (Miron-spektor and Beenen, 2015), and it is not easy to develop employees with innovative thinking. Organizers should therefore pay attention to their innovative ideas, as well as analyze the reasons for low completion by talking to them and, if it is due to a lack of resources, provide them with a platform and opportunities to solve the problem.

The different characteristics of different employees in terms of work goal setting and execution reflect their differences in creativity and innovation (Hirst et al., 2009). By combining employees' OKRs scores and actual contributions for problem-specific analysis, it makes employees present not
only a performance indicator but also other factors such as their own strengths, weaknesses, preferences, and skills. At the same time, each OKRs score and contribution of the employee will be included in the file, and as the number of data increases, multi-dimensional analysis of the employee will be conducted, and the personal characteristics of the employee will be gradually visualized, and the ‘employee portrait’ will be more real (Cao, Fang, 2020). According to the trait activation theory, employees can only perform better in an environment that matches their traits (Naseer et al., 2016). Therefore, classifying employees and constructing ‘employee portraits’ can make it easier for managers to identify the work characteristics of employees; when delegating different work tasks such as professional and technical research and management decision making, arranging personnel with matching traits required for the task can strengthen the match between people and jobs, enhance the rationality of division of labor, and improve the work efficiency of employees. The teamwork efficiency is improved. In addition, when giving spiritual incentives such as learning opportunities, training opportunities and sense of achievement and honor, it can be more closely matched with employees' needs and make the connection between employees and incentive pay closer.

4. Research findings and practical applications

4.1 Theoretical significance

OKRs require the participation and support of leadership, management and employees at all levels, and are a PDCA cycle (Plan, Do, Check, Action) and a continuous improvement process. OKRs enables employees to set goals independently on the premise of understanding the enterprise strategy, guides employees to pay attention to the most critical work tasks, and adopts the bottom-up and top-down dual-channel mode to communicate, feed back and solve problems in a timely manner during the execution process. Compared with indicators under the external driving force such as KPI, OKRS greatly stimulates the internal driving force and initiative of employees. If OKRs can be linked with incentive compensation to motivate employees to be challenging in terms of both goals and results, respectively, employees can be more focused on accomplishing goals and overcoming difficulties for them. However, the potential risk of this is that it can lead to ‘groupthink’, where employees believe that higher scores mean better performance and avoid setting challenging goals in pursuit of higher scores. Therefore, when setting goals and decomposing key results, the bottom line and reference are the KPIs issued by the hierarchy, so that employees can be clear about ‘what they need to achieve at least’; in the process of plan promotion, weekly or monthly meetings are held to discuss the degree of completion and answer questions for employees, and a database of OKRs is established to follow up on employees’ implementation. At the end of the quarter, after the employees' self-assessment scores, the scores are divided into three ranges: less than 0.4, more than 0.8 and between 0.4 and 0.8, of which 0.6 to 0.7 is the most ideal, and then the scores are linked to the actual contributions of the employees and divided into four categories, and personalized help and incentives are given according to the characteristics of each type of employees, so that this will encourage employees to give full play to their strengths, from risk aversion to innovation, and to fully develop their talents. Finally, the data from OKRs will be included into the employee's profile to create an ‘employee portrait’ that can be used as a more accurate reference for promotions and job changes.

4.2 actual cases

OKRs are not only used in the IT industry, but also in some state-owned enterprises to control key indicators. For state-owned enterprises, which are related to the electricity consumption of all people, safety and stability are fundamental to high-quality development, and the indicator of ‘power supply reliability rate’ is the first of the ten commitments of the SOEs. In order to improve the reliability of power supply, a power supply company adopted OKRs in the key performance indicators related to safety production, with the aim of unifying the goals of all employees and enhancing collaboration between departments. In one quarter, the company's goal at the organizational level was to achieve a full-caliber power supply reliability rate of 99.99% or more, and the goal at the departmental level
was to have 4,300 planned outage hours per year; after employees understood the goals at the organizational and departmental levels in depth, they set personal goals based on their own work, such as revising the ‘Power Supply Reliability Improvement Assessment Measures’. The personal goals and key achievements are shown in the table below.

Table 3. Examples of OKRs at the employee level

<table>
<thead>
<tr>
<th>Employee Name</th>
<th>Objective (O)</th>
<th>Key Results (KR)</th>
</tr>
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</table>
| Wang          | Revise the "Power Supply Reliability Improvement Assessment Measures" and control the assessment in strict accordance with this provision | ① Study the relevant documents on the reliability of power supply by the end of April  
② analyze the current state of the company’s power supply reliability by the end of April, focusing on fluctuating periods and situations  
③ Draft the revision plan of the Measures by the end of May, including the organization, line operation, reward and punishment mechanism, etc., and submit it to the leading group for consideration after completion |

Source: Compiled by the author based on internship information

The employees' KRIs are set with few and precise characteristics, and the completion time of KRIs is clear and the completion results can be checked. The department then holds a regular meeting every month where employees report on the progress of completion of key results and obstacles encountered, and the department head makes a public announcement on the progress of the employees' OKRs and adjusts to develop the program for the next month. At the end of the quarter, the department will hold an evaluation meeting where employees submit their KRIs completion status and self-score; when the score is greater than 0.8 or less than 0.4, the department will organize employees to correct the value and re-examine the challenge of KRIs. Finally, a special file of OKRs assessment score records is established for the employees as a reference for job competition. This power supply company finally achieved the cumulative power supply reliability rate of 99.9934% through the OKRs model; for such projects with particularly high standard requirements that require full mobilization of employees' subjective motivation to complete, OKRs can make up for the shortcomings of KPI as a mandatory and passive assessment index.

4.3 Research limitations and future prospects

The limitation of this study is that the proposed solution system is theoretical, especially the aspect of ‘the classification of employee traits can promote employees' own development’ has not been tested in practice and needs to be supported by a large number of sample data. At present, most state-owned enterprises still apply KPI as the standard for performance appraisal, and the concept of OKRs has not been truly understood by most companies. Therefore, for companies that want to reform their performance and compensation systems, how to combine the actual situation of the company with this emerging appraisal system is a problem that needs to be solved in practice, and the combination of KPI + OKR proposed in this paper is only a direction.

For theoretical research, there are few studies on whether OKRs should be linked to incentive compensation, and most scholars give their conclusions based on the actual application in enterprises. This paper mainly focuses on three perspectives, namely, the commonality between OKRs and bonuses, employees' perception of fairness and the reinforcement of key indicators, and argues that it is reasonable and important to link OKRs to incentive compensation, but whether it is convincing is still open to debate. There are also some related issues, such as how much weight and how far OKRs can be linked to incentive pay in the compensation system, and how OKRs can be coordinated with performance appraisal, etc., which need to be discussed more deeply. All in all, there is still a lot of...
room for progress and research on how to convert OKRs concept into a handy management skill for SOEs.

References


