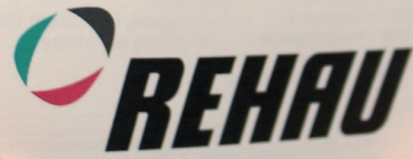


Engineering progress
Enhancing lives



Real Talk with REHAU:

a conversation on leading your team through disruption

Supplemental handout



Stairway to Success

Objectives & Key Results

An agile framework for focusing the steps each of us will take toward our transformation.



Small steps lead to big changes



Our business

Objectives:

- Achieve revenue and profitability targets
- Manage cash flow to finance growth and investments

- » Meet monthly Sales and EBIT targets in all divisions and countries
- » Manage working capital and maintain positive cash flow as we recover inventory levels in all divisions and countries



Our processes

Objectives:

- Drive digitization and automation strategy
- Execute growth projects

- » Start Phase 1 of SAP S4 HANA rollout during Q1
- » Start production at new Window Solutions plant in Buenos Aires during Q3
- » Expand Cullman Building Solutions capacity by end of Q3
- Start building extrusion tools in the new Celaya tool shop during Q2



Our customers

Objectives:

- Meet delivery expectations
- Improve satisfaction

- » Forecast 3-mo sales & capacity at +/-5% for valid lead times in each plant/product group
- » Execute 1st AM customer satisfaction survey with 10%+ response in Q1
- » Improve survey ratings by 25% by year end



Our people

Objectives:

- Build a great corporate culture
- Advance transparency and alignment organization wide

- » Reduce accident rate by 25%
- » Achieve Great Place to Work 70%+ scores in all countries
- » Achieve GPTW certification in 2 more countries
- » Maintain Pulse participation rate of 85%

We are on a sustainable journey toward **Engineering Progress and Enhancing Lives** of our employees, customers and business partners.



REHAU

What are OKRs?

OKR stands for **Objectives** and **Key Results**. They help companies execute their strategy by identifying the most important things they must do (objectives) and measuring their ability to achieve those things (key results). This system played a major role in Google's successful growth and has subsequently been widely adopted by thousands of organizations of all types around the world.

Here's why OKRs are important:

- OKRs facilitate *critical thinking* by challenging organizations to look beyond the numbers each quarter, asking stimulating questions that can often lead to business breakthroughs.
- When used with rigor, OKRs force an *ongoing discipline* within the organization to commit the time and effort necessary to set, monitor and analyze results.
- In best practice implementations, OKRs are transparent across the organization – everyone sees everyone else's OKRs. This transparency fosters cross-functional collaboration and ensures that *employees work together* toward strategic goals.
- Key results are always quantitative, ensuring *measurable contributions* toward strategy execution.
- Ultimately, by using OKRs, individuals drive the company forward by demonstrating success on strategic priorities.

What are they NOT?

- ⊗ OKRs are not, and should never be, considered a master checklist of tasks that need to be completed. The aim of the model is to identify the most crucial business objectives and gauge accountability through quantitative key results. In other words, *focusing our efforts*. They are not a shared to-do list.

OKR basics

What is an objective?

The “**O**” (**Objective**) is a concise statement describing a broad qualitative goal designed to move the organization forward in a desired direction. It asks, “What do we want to do?” A well-worded objective is inspiring and time-bound with a clear action (i.e., doable in a quarter).

- They are set quarterly
- No more than 3 per quarter

What is a key result?

The “**KRs**” (**Key Results**) are quantitative statements that measure the achievement of a given objective. If the objective asks, “What do we want to do?” the key result asks, “How will we know we have met our objective?”

- They are measurable
- Each “O” has 3-5 “KRs” associated with it

Example OKR

Objective: Add more online services to our website in order to reduce phone calls and save money on support

Key Results:

1. Add 2 new forms to the website by the end of Q3
2. Add “customer wizard” technology for self-service by end of Q4
3. Reduce phone calls to support staff from 20 to 15 per day
4. Re-assign 2 out of 5 phone staff to other tasks

Benefits of OKRs

✓ OKRs offer a number of benefits over other more complicated (and less effective) measurement systems. For example, OKRs...

- Are easy to understand and apply.
- Are agile. They are updated each quarter allowing us to react more quickly to changing circumstances.
- Demand a focus on what matters most. OKRs are not a “to-do” list, but instead represent the most important things that must be done in the quarter.
- Encourage us to work together. Since OKRs are visible to everyone, each of us can see how we influence the work of others.
- Promote visionary thinking. OKRs encourage us to stretch beyond what we think is possible.

Creating OKRs

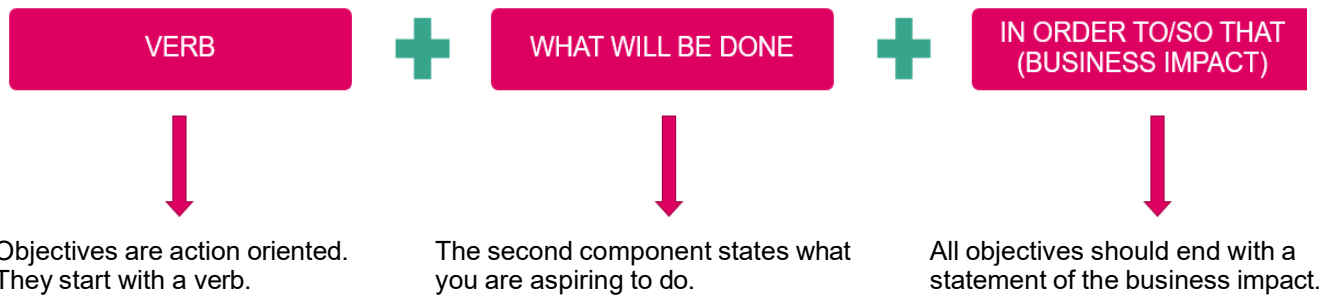
Who creates OKRs?

All OKRs are to be defined in a top-down cascade. OKRs are based the direction defined by higher management/owners. Employees will define their targets based on their managers. All managers should review OKRs written by their reports to support and provide guidance for adjustment when necessary. All targets should align with employee target agreements.

Setting objectives

The objective asks: "What do we want to do?"

Formula for Objective:




Characteristics of an effective objective	
Meaningful	A well-written objective should compel you to a higher standard of performance based on the inspirational power of the message.
Attainable	While you always want inspiring and ambitious objectives, they must be attainable.
Important	The objectives should reflect your top priorities for the quarter.
Doable in a quarter	Try to create objectives you can achieve in a quarter. If you have an important objective that takes more than one quarter, update your key results to encompass the quarter in which you plan to start and the quarter in which you
Valuable to the business	Your objectives should align to your overall business strategic goals and create tangible business value
Qualitative	Objectives should represent what you hope to accomplish, and therefore, be expressed in words, not numbers.

Defining key results

A key result asks: "How will we know we have met our objective?" There are two types of key results: **Metric** and **Milestone**.

Metric key result:


 A **metric** key result is anything with a number, which could be a dollar amount, percentage or raw number.

Formula for metric KR:



The X to Y portion shows the level of stretch in your key result. You may not always have the "X" or baseline. If not, you may choose to make establishing the baseline one of your key results or include a metric key result with no baseline.

Milestone key result:

 A **milestone** key result converts actions into key results. Most objectives will require at least one milestone key result. The date (the milestone) is how you introduce stretch to the key result.

Milestone key results are perfectly acceptable on two conditions: 1) They include a date for completion, and 2) They are accompanied by a metric key result that demonstrates the impact of achieving the milestone. In the example cited below (Create business proposal...), what is the reason for that activity? Maybe the business proposal is for new equipment that can help drive production or increase efficiency or improve safety or save money. There should be a metric key result that provides the eventual business result expected from the milestone activity.

Formula for milestone KR:



Example of a milestone and metric key result working together

- Create business proposal on cost saving proposition and present to Senior Leadership by March 1. (**milestone** key result)
- Reduce operating costs from 30M to 25M. (**metric** key result)

Characteristics of effective key results	
Quantitative	Objectives are always qualitative, representing a desired action. Key results are quantitative, so that we can determine whether or not we have met the objective. It could be a raw number (number of new visitors to your website), dollar amount (revenue from new products), percentage (percentage of repeat customers) or any other form of number.
Specific	Use numbers to make the end-point as specific as possible. Drive the right behavior: As the saying goes, "You get what you measure." So when setting a key result, think carefully about what behavior it will drive.
Key, not all	The point of OKRs is not to show how busy you are by listing everything you have to accomplish. On the contrary, with OKRs you are highlighting the most important things that must be accomplished to move you (and the company) closer to executing your strategy.
Describe results, not tasks	Related to the item above, your goal is to isolate key results, not create a list of tasks or activities. To clarify, when we say task, we are referring to something that can typically be accomplished in a day or two and would reside comfortably on a to-do list. "E-mail a prospect" or "Meet with the new VP of Sales," are tasks, not key results. Whereas, "Increase qualified opportunities to the pipeline from 25 to 50" is a key result.
Simple and clear	Minimize the use of acronyms or complicated language. Everyone should be able to understand the key result.