

Analysis of Byte Dance's OKR System Based on Goal-Setting Theory

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Abstract: Goal-Setting Theory was proposed by Locke and Latham in 1990. While OKR (Objectives and Key Results) is formulated in the goal-setting theory by the famous American management scientist Peter Senge in his book *The Fifth Discipline* in 2005. It is mainly used to solve the problem of how an organization achieves the optimal performance. The core of OKR is to set an "O" goal and then set a "KR" around that goal so that everyone in the organization has a clear idea of where they want to work and what to do next. Among Internet companies, the most typical use of OKR is Byte Dance. In 2018, Byte Dance proposed OKR performance management method, which combines management by objectives, self-management, result appraisal and performance management, and motivates employees through OKR objective management method. After Byte Dance adopted the OKR performance management method, its business grew rapidly and got rapid development. This paper will analyze the effect of management by objectives theory on enterprise development by analyzing the implementation of OKR in Byte Dance. At the same time, limitations and future improvement methods will be proposed at the end of the paper.

Keywords: Byte Dance, goal, OKR, motivation.

1. Introduction

Successful enterprises have their own unique management mode, and how to use incentives to manage employees is one of the important aspects. This paper takes the incentive management of Byte dance company as the research object and analyses its management mode with the theory of goal setting. The research of incentive management theory can be traced back to the 1950s. People regard goal setting as an important theory in the study of behaviours process. The so-called goal setting refers to the classification of the state to be achieved among the members of an enterprise or organization according to established standards in order to achieve a specific goal under a specific environment, and the use of various measures and means to achieve the expected goal. According to this theory, when formulating the incentive management system, we should first establish the goals of the organization and the goals of each member. Because only when these two aspects are united can the initiative of all members of the organization be mobilized to work towards a common direction.

2. Background

Byte Dance is one of the most valuable start-ups which has launched popular apps like Tik Toks and has broken growth records in just a decade. An important reason for Byte Dance's success is its SSP strategy. However, many other companies have struggled to achieve success by using this strategy. This is because Byte Dance has added a management style to the organization that helps it overcome barriers to collaboration - the OKR System (Roger and Rui,2022). The OKR system means 'Objectives & Key Results' which was developed by Google. It is a set of management tools and methods for identifying and tracking goals and their achievement. In Byte Dance, everyone in the company can see each other's OKR, including the CEO's. OKR is bottom-up, which means the employees set their own OKR but not the managers set. Compared with the common KPI model, OKR is initiated by

employees themselves. OKR's principle is transparency, so that everyone can see each other's goals and achievements on Lark (the app which the Byte Dance invented to communicate in company) which helps align the whole company's goals. Completing OKR is a major performance of an employee in the Byte Dance. OKR can draw on the wisdom of the masses and eliminates islands of thought.

3. Goal-Setting Theory

Goals themselves have an incentive effect, which can transform people's needs into motivation. One can compare results with goals and adjust methods in time to achieve goals. According to the goal-setting theory of Locke and Latham(1990), when setting goals, the more specific the goal is, the more enlightening it will be. For example, including a requirement to "increase sales performance" can help people achieve their goals and, by setting specific goals, link their abilities to achieving them. People need to choose the most appropriate way to achieve their goals. For example, one might set a goal of "increasing sales by 20 per month". If it's an unfamiliar sales technique, set specific deadlines. For example, start learning knowledge and skills a month before the sale.

When setting a goal, you need to break the goal down into several small goals, and constantly adjust the small goals based on the difficulty level. When people accomplish these small goals, they can achieve big goals at a higher level.

In this process, we need to constantly adjust and improve the small goals. When people complete a big goal, they can add corresponding small tasks to the next big goal, and gradually break the big goal into multiple small goals.

You can also use this method when creating a work plan. For example, if you set a big task of "increasing sales by 20 per month", you can break it down into smaller tasks of increasing sales by 10, 20, 30 per month, etc. After these tasks are completed, they can be evaluated and adjusted. With appropriate tasks and feasible methods in place, people also need to be motivated enough to carry out their plans. Motivation is a kind of positive mental state held by a person

to take the initiative to do something, which can influence people's interest in the activity. When people accomplish small goals, they are more motivated to accomplish more.

4. OKR system with Byte Dance

Starting in 2020, Byte Dance's business units are being managed using OKR. OKR stands for Objectives and Key Results. OKR stands for Objectives and Key Results.

First pioneered by Google, OKR has been widely used by Silicon Valley giants such as Intel and Microsoft, and now it has become one of the most popular performance management tools in the world.

OKR consists of two words, Key Results and Measures, corresponding to targets and key results respectively. Key Results are targets and key results, which refer to the results that should be achieved within a specific time frame, such as the goal of growing users by 100 million by 2019. Measures are job-related goals and key outcomes, and the current target for this year is 10 million more users.

Within Byte Dance, OKR is referred to as "a kind of organizational behaviours," specifically for setting directions, finding key points, and making decisions. Zhang Yiming, founder of Byte Dance, once said in a speech, "We divide the people who do things in our company into three types. The first type is good at doing things but not good at direction; Second, those who are good at setting directions, but can't do things; The third is people who are good at both direction and doing things." Based on this theory, Byte dance introduced OKR management tool.

Different from the traditional performance appraisal, OKR will break the barriers of "individual combat", "department wall", "internal resource consumption" and so on. Through a clear and clear goal and key results, all departments and employees can quickly enter the "combat state".

Within Byte Dance, OKR is more of a "performance management paradigm" -- one that closely aligns corporate strategy with each employee's individual goals and key outcomes.

In a nutshell, Byte Dance's OKR works like this:

1. Set annual and quarterly targets between superior and subordinate management;
2. Formulated key results of the company and submitted them to superiors;
3. Each person sets his or her own key results for the work he or she is responsible for;
4. Assign key results to teams and individuals;
5. Report the completion to the supervisor weekly.

5. Analyse the case by Goal-Setting Theory

Byte Dance's OKR system basically conforms to the main points of the goal setting theory. In terms of the difficulty of setting goals, Byte Dance emphasizes the rationality of goals and believes that if the goals are right, the resources and abilities can always catch up. They encourage employees to challenge the impossible by setting high goals with only 50% chance they can achieve as behavioural traction and documented in their OKR. This is consistent with the goal setting theory that goals should be challenging and achievable. According to the theory, easy goals are not enough to arouse great interest and effort. However, goals with an appropriate degree of difficulty can sustain people's high effort and achieve goals can generate satisfaction. While goals

exceeding the range of personal achievement will reduce motivation by generating feelings of disappointment and inefficacy. OKR allows employees to achieve their maximum performance and satisfaction with personalized and challenging goals.

In terms of clarity of objectives, OKR differs from KPI in that it makes everyone's objectives transparent. When setting goals, all employees can make their own OKR according to the OKR of their superiors, subordinates, and peers to ensure the consistency of goals (Helmold,2021). The CEO of Byte Dance said, everyone's OKR in the company is aligned on Lark. This ensures that all members in Byte Dance follow the same clear direction. Employees can set their own clear goals by comparing them to others' goals. This satisfies the requirement of goal setting theory that objectives need to be specific and clear.

On the self-efficacy side, Byte Dance attaches importance to training employees' 'self-drive' and builds teams through 'learning on the job' and 'heuristic environment'. And for those who have the ability to make decisions, they can make it independently. Byte Dance also encouraged employees to self-activation and self-driven learning. Leaders just act as facilitators and let employees monitor themselves. According to Bandura's theory, when workers' self-efficacy is high for a task, commitment to that task increases. Company delegates authority to employees can increase employees' confidence that they believe that they are trusted. Employees who are assigned to achieve the centre's goals increase their self-efficacy and contribute to long-term efforts to stick with a project.

In terms of goal commitment, the basic principle of Byte Dance's OKR is transparency, so that everyone can see each other's OKR. According to the theory, commitment to a goal increases if there is a strong need for achievement. In Byte Dance, workers need to put their OKR on the social media app Lark. It means their goals are public. It can enhance the need for achievement. OKR makes everyone disclose their goals, which makes employees work harder to achieve the goals set.

As for feedback, Byte Dance attaches importance to the motivation of real-time feedback to employees. When an employee uploads his completed work on Lark, others can click 'like' on his post. More likes can motivate employees. In this way, employees can receive positive feedback or suggestions from their leaders or colleagues to improve their work. Feedback is a push process between goal setting and an individual's response to goal achievement (performance). Through feedback, employees can be motivated to improve their work.

6. Limitation

However, Goal Setting theory has its limitations and the OKR system also has its shortcomings. According to caveats with goal setting theory, it can lead to unethical behaviours or unfair competition to achieve goals (Tosi,1991). According to the interviews Byte Dance employees have given to the media, Byte Dance's internal competition is fierce (Chang, 2022). Many people will brag about even minor tasks on Lark in order to complete OKR. At the same time, how to flatter the boss has become a compulsory course for employees. They need to learn how to win the boss's favour by posturing about their work in a group. The OKR was designed so that employees could encourage each other to achieve goals, but it became a tool for formalism in the real world. The target is

too difficult, may cause the company's internal fraud, vicious competition, and other ills. The same problem with OKR is crazy involution behavior. After the news of a ByteDance employee's sudden death on February 23, more and more employees spoke out about Byte Dance's work on social media. According to interviews, overtime is part of the company culture at Byte Dance (Chang, 2022). Although the company does not mandate working hours, the design and workload of bi-monthly OKR dictates that employees must work overtime to complete their work. OKR sets tough goals that motivate employees to achieve them, but if they don't achieve them, it will reduce the satisfaction of their leaders. It can be explained by the difficult goal paradox that performance is up, but the satisfaction is down.

7. Recommendation

The greatest limitation of the OKR system is that it becomes formalized and becomes a tool for evolution. To improve, we must first change formalism. Instead of setting lofty goals that are out of reach, keep your feet on the ground. Companies need to focus more on personalizing the recipe of OKR, rather than pursuing difficulty and quantity. The difficulty of setting goals should be commensurate with the abilities of the employees, neither too easy nor too difficult. In performance appraisal, we should also pay attention to the balance between the difficulty of the goal and the degree of achievement. According to the establishment of OKR monitoring department, the company can conduct a review of OKR and help employees to remove some unrealistic or low level OKR. In addition, the use of the Lark application should be reformed. Lark needs to be restored to its original purpose of being a better communicator of information, not a tool to please leaders and revolutions. Establish rules and regulations and set levels of work: important work should be communicated through Lark, but small work can be communicated privately through Wechat, avoiding the vicious competition of Lark for employees. At the same time, it is also necessary to attach importance to the assessment of managers, requiring managers to strengthen the guiding role rather than some bureaucratic reports. Byte dance's most significant change is also a cultural one. Companies should stop the "overtime culture" and the "progressive culture". They should set up an overtime application system to prevent vicious competition like those who have been with the company for longer. In 2022, a 28-year-old Byte Dance employee died of sudden death on the job, causing much discussion. There has been a lot of discussion about the high pay of Internet companies like Byte Dance, but the intensity and pressure of work are extremely high. One of the big problems is the vicious competition among employees. Working overtime has become the norm. On the contrary, those who don't work overtime will be considered as not working hard and not making progress. This is also a great limitation of the management by objectives theory, because the goal setting, after the completion of the existing goals, people will set more unrealistic and high-intensity goals for

competition, which damages the most basic labor rights of employees. So stopping internalization is a priority for ByteDance.

8. Conclusion

ByteDance's OKR system basically conforms to the proposed goal setting theory, so it also has theoretical advantages. ByteDance's OKR system, which is used primarily among top managers in a company, emphasizes the company's culture, mission, and values. These ideas are formed in the minds of employees and transmitted to their daily behaviours. Top managers must have a clear vision and clear strategy when setting corporate goals, and share this information with the rest of management.

Although senior managers must take employees' opinions into account when formulating corporate goals, in practice, companies often share senior managers' goals with employees, because these goals are what senior managers need to take into account when determining and implementing corporate strategies.

This conforms to the requirements of goal-setting theory: Top managers should be told what their superiors want and should share with their subordinates what is expected of them. It can help employees set clear goals and increase motivation. Communication among employees has also increased, helping them get timely feedback. It also has a positive effect on the transparency of information within the company in order to achieve common goals. However, goal setting theory also has its limitations, which can lead to vicious competition and fraud. This requires the company to make full use of the advantages of the goal-setting theory, while accepting opinions and suggestions to overcome its own weaknesses, so as to better play the role of the management by objectives theory in the management of various dimensions of the company.

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