

## Googling To New Heights

*Laszlo Bock, Google's first vice president of people operations, seems the right mix of leadership skills, respect for smart people and love of fun. But it's uncertain how long the honeymoon will last.*

*By Bruce Shutan*

During his first few weeks on the job as Google's first vice president of people operations, Laszlo Bock was struck by how so closely aligned work is with play.

"People bring their dogs to work," he says. "There's a lot of great water-cooler conversation.

Ping-pong tables in every building and massage chairs. People just love what they're doing, and when I was interviewing, I was just amazed at how much fun people were having. They work incredibly hard at Google, but still somehow manage to have a great time."

The Yale-educated Bock, brought on board in March 2006 to navigate the leading search engine through a period of continued brisk growth, is seen in some circles as belonging to a cadre of seasoned professionals -- grownups, if you will -- who have been recruited to infuse greater seriousness into a spirited workplace that features a T-Rex dinosaur skeleton and SpaceShipOne replica at its Mountain View, Calif.-based campus. (SpaceShipOne was the first privately funded human space flight, launching from the Mojave Airport in Mojave, Calif., on June 21, 2004.)

Will brainy computer engineers be asked to put away some of their toys and focus more on work? Will the nearly decade-long party finally come to an end? It's too soon to say, but certainly one irony is that, at 33, he's one of the youngest HR leaders at a company the size and value of Google Inc.

"It's quite unusual, but not unheard of, to have someone in their early 30s as the head of HR at a Fortune 500 company," says Johnny Taylor, senior vice president of human resources for IAC/InterActiveCorp and chairman of the Society for Human Resource Management. If anyone would know, it's Taylor, a lawyer by training who at 30 was told he needed a little more gray in his hair when applying for a general counsel job at a major corporation.

Bock was recruited from General Electric where, he recalls, he was actually looking forward to building a long career. What piqued his interest in Google was its mission to organize the world's information to make it more accessible for the masses, as well as a culture of innovation and tremendous demand for HR and people support.

"It was an opportunity to help shape the success of what people already built in a company that's still growing dramatically, which was pretty exciting to me," he says.

For a company that grew to 9,378 employees (and climbing) with \$10 billion in revenue since its 1998 inception as a privately held firm with just two people on the payroll, embracing that

growth remains a challenge. The head count has nearly doubled in each of the past few years from 5,680 in 2005, 3,021 in 2004 and 1,628 in 2003.

Working at Google, whose 4 percent turnover rate beats other Silicon Valley firms, is considered such a dream job that more than 1 million resumes flood the HR department per year. Applications have spiked with each new product or service, or office opening. The company was also ranked No. 1 on Fortune's most recent Best Places to Work list.

Also recently, Google became the first Internet stock to crack the \$500-per-share mark. With a \$154 billion market valuation, it's now the nation's 16th-most-valuable company, according to Standard & Poor's.

Future success at Google, whose name is a play on the mathematical term for 1 followed by 100 zeros, has been pinned, to a large extent, on developing the sort of fully functional HR system that was never committed to until today. Whether this change in approach and philosophy can be carried out, and whether Bock is the right person for the job over the long haul, remains an open question among skeptics.

### **Evolution of the HR function**

As with most Google hires, the decision to bring Bock aboard was "totally instinctive," says Martha Josephson, who recruited him. "He had an incredible empathy for people issues and a real understanding of the human factors in decision making." Josephson, who heads the North American HR practice of Egon Zehnder International Inc. in Palo Alto, Calif., a leading senior-executive recruitment firm, also describes him as having the patience of Job.

Bock made his mark in two GE divisions where he served stints from '03 to '05 as vice president of HR for GE Capital Solutions and vice president of compensation and benefits for GE Commercial Equipment Financing.

"We're now at a size where things need to be systematized much more broadly, and there's a recognition that the people side is big enough and critical enough to Google that it requires someone who has worked in the field and can bring in an expertise to focus on it full-time," Bock says of his place along the company's HR continuum (see sidebar).

He's charged with making HR part of the business fabric and deeply connected to every manager's job. His aim is to develop an HR function that's robust enough to help guide more thoughtful quarterly performance review conversations that build on employee strengths and reduce weaknesses as part of a more holistic view of the business. "Our managers take great responsibility for training and developing people, but they get a tremendous amount of support from the HR team," he says.

Bock traces the strong impact on how talent and growth are managed to a "three-thirds HR" hiring model in which one-third of his staff are traditional HR generalists and specialists, one-third have strong consulting backgrounds and one-third have exceptional analytical skills with doctorate or master's degrees in organizational psychology, industrial organization, statistics,

mathematics or physics. "We actually have a fair number of people in each of those areas, and we're getting closer to an ideal balance," he says.

Several hundred people are involved in HR-related tasks, though Bock would not specify further. He's looking to grow his department faster than the rest of the business, noting that Google is understaffed in every part of the HR area relative to its dizzying growth.

"We're looking to hire as many people as we can to help build the HR function," he says. His wish is to have twice as many HR staffers to keep up with the annual doubling of two career tracks that he describes as always being in short supply: world-class compensation and leadership-development talent.

At the current rate of growth, people who joined the company a year ago would today face a doubling of their responsibility while those who joined, say, two years ago would have seen a fourfold increase in tasks. This means being able to hire people, including HR staffers, who can grow as fast as the business.

"It's important that people have a lot of trajectory in their careers, and I'd like for the people I hire in the HR department to think they can one day move into my job or [become] the head of staffing, benefits or comp," Bock says.

Among the traits he's looking for amid HR up-and-comers: intelligence, curiosity, business acumen, outside interests, comfort with a fast-paced organizational structure and solid track record of initiative and achievement. "We're a very independent, entrepreneurial company and we want people to take things and run with them."

Bock recalls how Google CEO Eric Schmidt told him early on that one of the company's top strategic priorities is to develop leaders. Plans include enhancing leadership curricula to help managers cope with a staggering growth rate by shortening learning cycles and feedback loops.

"Having the most talented, capable and committed people over the long run will make a difference between whether our business performance reverts to the mean or we continue to grow," Bock says. "HR adds tremendous value to the company and the thinking always has been that we need more support in this area. We're sort of viewed as the front end for growing the company."

### **Battling Bureaucracy**

When seen in a larger business context, Bock's appointment eight years after Google's founding isn't necessarily surprising. The lion's share of organizational resources in Silicon Valley typically are focused on research and development, as well as technical issues and sales activity, rather than administrative or operational functions such as HR, whose role is viewed as secondary, says Homa Bahrami, a senior lecturer in the Haas School of Business at the University of California-Berkeley.

She says Google is similar to other growing technology firms when it comes to developing an effective recruiting function within the context of nurturing young talent. Where it differs, from an HR perspective, is in the influence of co-founders Larry Page and Sergey Brin, whose ideas for building a better online search engine took root in their Stanford University dorm room.

Like other rising stars who missed out on the mainstream corporate experience, Bahrami says, their pragmatic view of managing people is part of an effort to eschew the structured approach of old-line companies -- something entrepreneurs associate with bureaucracy.

Stephen Arnold, author of *The Google Legacy: How Google's Internet Search is Transforming Application Software*, sees Bock's hiring as an attempt to help organize the company. He describes the workforce as comprised of roughly 8,000 extremely bright "nerds" with core competencies in mathematics, physics and network theory who respect other brilliant people, and another 2,000 "touchy-feely" people who attempt to ingratiate themselves with this group of employees.

Google now finds itself at a critical crossroads, needing to keep alive its algorithmic and engineering spirit while also trying to pursue a more adult-oriented approach to business.

"I don't think they can pull it off," says Arnold, president of Arnold Information Technology in Harrod's Creek, Ky., who thinks the company might enjoy another eight or 10 years of success before reaching a plateau -- much like the length of IBM's track record prior to Microsoft's dominance. His sense is that the ongoing Herculean effort to manage growth will eventually turn Google "into a toothless dinosaur."

He adds that Bock must "prove to the 8,000 people who are smarter than he is that he warrants some of their limited attention, and if he can't, it will be like he's not there." No doubt his MBA from the Yale University School of Management will help convince employees he's on their intellectual level and worth listening to.

But Arnold offers a more cynical assessment of Bock's future with the company: "He's got Google stock units, will go to meetings and stick around for three years, and then cash in and do something else. Maybe he's the greatest HR person on the planet since Jesus or Mohammed, but you don't get anywhere with Google just because you're pretty and smile. You have to be probably the smartest person among your cohorts."

On the "Turning Away From Conventional Media" Web site, one blogger going by the name Grendel offered a recent critical look at some job-interview questions credited to Bock about a candidate's past, personality and work style.

He said Bock's GE background could tarnish Google's trailblazing image among prospective "Googlers" (as employees are known internally) by showing the company "has indeed morphed into a big business from a high-flying startup."

Bock describes typical Googlers as "scary smart," but says working with them is no different than others in terms of meeting their needs and solving their problems. Since joining Google less

than a year ago, he has greater tenure than up to 40 percent of the workforce, which means there's not much seniority to get through when attempting to earn people's trust.

He is also getting up to speed on computer programming and what it means to be a software engineer so he can intelligently converse with employees and fully understand the business.

"Having high IQ and EQ aren't necessarily mutually exclusive," Bock says about Googlers, who are known more for their deep intellectual, rather than emotional, capacity. "Part of the reason our offer rate is low relative to the number of people who apply (for instance, only 6,000 of 1 million job applicants were added to the payroll in 2006) is because we want to make sure people are successful here. Having a high cognitive ability and being intellectually curious is essential, but coupled with that, we also screen for people being engaged, taking responsibility and caring about their environment. When you put that together, you find that people are pretty good at working with one another."

Josephson describes Bock as "a very smart guy who could sit around and match wits with the best of them at Google, even though his background was in a non-engineering function. Google appeared to be ready for a different kind of intelligence so long as it's really good." She adds that Google's culture values people over anything else.

Another point worth mentioning is that when Ivan Ernest came on board nearly two years ago as HR leader in the engineering and operations function, his hiring initially was greeted with skepticism. But after about a year on the job, the senior vice president of engineering told Bock he wanted 10 more people just like him. "I had no idea how much value the HR function could have," Bock says.

Ernest has been able to drive positive change and growth through that part of the organization, whose culture is more consensus-based, transparent and adaptive than most other work environments. The kudos, Bock adds, came by way of building trust, improving operations and seeing around corners on a wide range of people issues.

### **Rethinking the Interview**

Bock was hired more than a year after Brin acknowledged to analysts that the bar for hiring had been raised so high it was interfering with expansion plans -- a situation that's already said to be improving. In June, the company conducted an employee survey that served as a tool for helping identify key variables that could shape future recruiting.

For example, answers to roughly 300 disparate areas featured in the survey were analyzed against 30 or 40 job-performance factors. Google mathematicians were called into action, feeding data into a series of complex formulas designed to calculate a score that predicts a candidate's cultural fit.

The new automated approach to trolling for talent emphasizes the need for well-rounded candidates and downplays the traditional one- or two-time interview, which Bock considers a poor predictor of performance.

Where Google once obsessively balked at hiring engineers whose grade-point averages were less than 3.7 and hazed prospects with brain teasers, the company now wants to know what kinds of pets or magazines someone has or whether their work space is neat or chaotic. The reasoning: Academic performance doesn't always correlate to success at the company.

Now, when people apply for a job at Google, they're asked to fill out a job application and questionnaire examining their attitudes, behavior, personality and biographical information, which are evaluated alongside a resume and academic performance portfolio.

About four or five in-person interviews are typically set up for each candidate so management and prospective new hires are both exposed to what Bock describes as enough "data points" to make an informed decision. Sometimes, additional interviews are scheduled, so that it's not unusual for anywhere from five to eight such interviews to be conducted per person in Silicon Valley.

While Google has a reputation for hiring the best and brightest on the engineering side of its business, the search for top-level employees has extended to finance and sales professionals as well as human resources.

The company has sought to broaden its search for talent so it doesn't miss any perfect matches and has built a significant sourcing capability in the process -- one that does not outwardly include raiding the bench of competitors but, increasingly, will transcend the high-tech arena and target companies known for having great talent pools in general.

Google recruiters also troll the Internet for candidates who might have published papers or given presentations, and post messages on the alumni boards of consulting firms.

"What we found is some of the best people don't apply or return recruiter calls because they're doing great work at amazing companies and having a wonderful time doing it," Bock says. "At the end of the day, it's about finding the right fit, and finding great people is our biggest constraint to growth."

Other creative avenues for recruiting organized by Bock and a team of HR staffers involve competitions that invite people to solve difficult computer-programming problems with the lure of prizes and a job offer, as well as a partnership with Teach for America, described on the group's Web site as "a national corps of outstanding recent college graduates of all academic majors."

To help grow its massive online sales organization, Google held an essay contest in India for its local hires there because writing skills are so critically important when e-mailing advertisers. More than 15,000 people in that country participated in the first round, leading to the hiring of a large number of outstanding candidates there.

### **Fine-Tuning the Function**

Once onboard, employees enjoy the freedom to nominate themselves for promotions -- a request that's reviewed through the proper channels as part of an approach that puts the onus for training, career development and growth on the individual. They receive written feedback twice a year from a supervisor and four to six peers, as well as a quarterly performance review.

There also are opportunities built into Google's culture that enable employees to rub elbows with members of the senior-management team at internal meetings on a range of topics dealing with product development, marketing and remote offices.

A flat hierarchical structure allows for accessibility across job title and department. Early on, the company's founders held court during a weekly event named "TGIF" during which they reviewed key events of the week and opened the floor to discussion on any topic.

In addition, there are internal listservs and anywhere from two to five informal educational presentations at the company at any given time of day on various innovative ideas by staffers or outside experts -- a program that has since been expanded to include discussions about women's issues and participation from authors.

Is there room for improvement in the HR department at Google? Absolutely, says Bock. "People here have done some amazing things, but I think we can get so much better in every single thing we do," he says. A huge challenge will be preserving the unique culture amid further growth in such a way that the additional investment in communicating "across a bigger footprint with a more heterogeneous population" pays off.

For example, when new offices open, the trick is balancing the over-arching Google culture with the local culture, whether it's in a region of the United States or overseas. Bock is also concerned with helping new hires prepare for their new jobs more quickly and efficiently so they can begin contributing immediately to the company. Some of the approaches mentioned above should help with that, he says.

In terms of measuring the effectiveness of HR practices, Google conducts a number of annual surveys that target different segments of the employee population in addition to a companywide "happiness" survey, smaller-scale surveys, benchmarking and focus groups.

Specific processes are subject to rigorous measures. Recruiter performance, for instance, is based on 17 metrics that include how quickly candidates are responded to, what their experience was like and the proportion of people who get hired versus those who do not get hired.

"We measure everything and this gives us a sense of what's working and what's not working," Bock says, "and we're constantly asking what we can improve. In fact, Googlers are not shy about telling us what we can do better."

According to him, Google doesn't outsource any part of its HR function because "it's so closely tied to everything we do" and it's doubtful that an outside provider will understand the company and its unique corporate culture as well as internal staffers.

"I think outsourcing these pieces would cause a fair amount of damage," he says.

**March 2, 2007**