📕 #84: Work Rules

OVERVIEW

> "Work is far less meaningful and pleasant than it needs to be because well-intentioned leaders don't believe, on a primal level, that people are good." (pg. 337)

This ended up changing my thinking much more than I thought it would.

Think of "People management" at Google and what comes to mind? Free lunch, free shuttles, and notoriously hard interview processes? That's all I had. But after reading Work Rules, I realized how complex it is to manage people at scale, and also how Google's values are so unique that adopting their practices without the principles will almost certainly result in failure.

The Google approach is to treat employees as generally good and well-intentioned. This means giving a tremendous amount of freedom, preventing the creation of hierarchy and management authority, and relying on rank and file to identify and solve problems. This means that you end up with amazing products like Gmail. It also means that you have company-wide scandals around the naming of cafeteria pies ("Free Tibet goji berry chocolate crème pie.")

Overall, a lot of great thinking around hiring, compensation, and the that People Ops (HR) should take in an organization.

Other interesting concepts:

- Hiring: tests of general cognitive ability and structured interviews are the best way to identify screen candidates; use great questions from the VA.
- Hiring: "It's almost impossibly difficult to take an average performer and through training, turn them into a superstar." (pg. 59); Even when a mediocre performer finds later success, "most of those successes are a result of changing the context and type of work, rather than a benefit of training." (pg. 59)
- Compensation: "Fairness is when pay is commensurate with contribution. As a result, there ought to be tremendous variance in pay for individuals." (pg. 236)
- The smartest people often have the hardest time learning (Study of HBS grads)

BOOK NOTES

- "Most CEOs are very good at many things, but they come CEOs for being superbly distinctive at one or two, which tend to be matched with a company's needs at that time." (pg. 4)
- "Managers serve the team." - Eric Schmidt (pg. 13)
- Treat your people like owners instead of machines…
    - "Machines do their jobs; owners do whatever is needed to make their companies and teams successful." (pg. 15)

CHAPTER 1 - BECOMING A FOUNDER

> "One of my hopes in writing this book is that anyone reading it starts to think of themselves as a founder. Maybe not of an entire company, but the founder of a team, a family, a culture. The fundamental lesson from Google's experience is that you must first choose whether you want to be a founder or an employee. It's not a question of literal ownership. It's a question of attitude." (pg. 27)

CHAPTER 2 - CULTURE EATS STRATEGY FOR BREAKFAST

- "Having workers meet the people they are helping is the greatest motivator, even if they only meet for a few minutes. It imbues one's work with a significance that transcends careerism or money." (pg. 39)
- "Fundamentally, if you're an organization that says, 'Our people are our greatest asset' (as most do), and you mean it, you must default to open…Openness demonstrates to your employees that you believe they are trustworthy and have good judgement. And giving them more context about what is happening (and how and why) will enable them to do their jobs more effectively and contribute in ways a top-down manager couldn't anticipate." (pg. 46)
- Bureaucracy Busters - Googlers identify their biggest frustrations and help fix them. (pg. 47)
- If you give employees freedom, "…they will also sometimes disappoint you, but if we were perfect we wouldn't be human. This isn't an indictment of freedom. It's just one of the trade-offs." (pg. 53)

CHAPTER 3 - LAKE WOBEGON, WHERE AL THE NEW HIRES ARE ABOVE AVERAGE

- "Offering higher wages just means you get more applicants, not that you get better applicants or can better sift the great from the mediocre." (pg. 57)
- "It's almost impossibly difficult to take an average performer and through training, turn them into a superstar." (pg. 59)
  - Even when a mediocre performer finds later success, "most of those successes are a result of changing the context and type of work, rather than a benefit of training." (pg. 59)
- "At Google, we front-load our people investment. This means the majority of our time and money spent on people is invested in attracting, assessing, and cultivating new hires. We spend more than twice as much on recruiting, as a percentage of our people budget, as an average company. If we are better able to select people up front, that means we have less work to do with them once they are hired." (pg. 61)
- Two big hiring changes

1. Hire more slowly
   - "Only 10% of your applicants (at best!) will be top performers, so you go through far more applicants and interviews. I say at best, because in fact the top performers in most industries aren't actually looking for work, precisely because they are top performers who are enjoying their success right where they are. So your odds of hiring a great person based on inbound applications are low." (pg. 62)
2. "Only hire people who are better than you." (pg. 65)

CHAPTER 4 - SEARCHING FOR THE BEST

- 1-3M people apply for jobs at Google each year and 0.25% of those considered are hired (pg. 69)
- Billboard example - 0 people hired! (Link)
- "Our analyses revealed that academic performance didn't predict job performance beyond the first two or three years after college, so we stopped requiring grades and transcripts except from recent graduates." (pg. 75)
- Built gHire, candidate database
  - "It is now possible to identify virtually every person working in a particular company or industry, and from there decide whom to recruit. We call this a 'Knowable Universe' exercise: systematically locating every person within a universe of job types, companies, or candidate profiles." (pg. 81)

CHAPTER 5 - DON'T TRUST YOUR GUT

- Thin slices - "small moments of observation that are then used to make bigger decisions." (pg. 87)
- Confirmation bias - "the tendency to search for, interpret, or prioritize information in a way that confirms one's beliefs or hypothesis." (pg. 88)
- "There's no correlation between fluid intelligence and insight problems like brainteasers, and in part because there is no way to distinguish between someone who is innately bright and someone who has just practiced this skill." (pg. 89)
- Work sample tests...
  - Best predictor of how someone will perform in a job, "but for many jobs there are too many variables involved day-to-day to allow the construction of a representative work sample." (pg. 91)
- "Second best predictors of performance are tests of general cognitive ability." (pg. 91)
- "Tied with tests of general cognitive ability are **structured interviews** where candidates are asked a consistent set of questions with clear criteria to assess the quality of responses." (pg. 93)
  - Hard to develop and lots of work!

- Great questions from the VA: https://www.va.gov/pbi/questions.asp
- Four attributes that predict success at Google (pg. 99)
  - General cognitive ability
  - Leadership
    - Emergent leadership - "a form of leadership that ignores formal designations"
  - Googleyness
  - Role-related knowledge
- Rule of four - "Every additional interview after the fourth added only 1 percent more predictive power." (pg. 103)
- "To this day, we never assume we get it right each time." (pg. 103)
  - "In 2010, we ran 300,000 rejected software engineer resumes through this system, revisited 10,000 applications, and hired 150 people."

CHAPTER 6 - LET THE INMATES RUN THE ASYLUM

- "The less formal authority [managers] have, the fewer carrots and sticks they have to lord over their teams, and the more latitude teams have to innovate." (pg. 124)
- "If you have facts, present them and we'll use them. But if you have opinions, we're gonna use mine." - Jim Barksdale, Netscape CEO (pg. 128)
- "Hierarchy in decision-making is important. It's the only way to break ties and is ultimately one of the primary responsibilities of management." (pg. 146)
- "Decisions should be made at the lowest possible level of an organization. The only questions that should rise up the org chart are the ones where given the same data and information more senior leaders would make a different decision than the rank and file." (pg. 147)

CHAPTER 7 - WHY EVERYONE HATES PERFORMANCE MANAGEMENT, AND WHAT WE DECIDED TO DO ABOUT IT

- On changing from 41 point rating scale...
  - "One of our challenges at Google is that because we afford Googlers so much freedom, because we are so data driven, and because Googlers care about fairness and how we treat one another, changes like this are Herculean efforts." (pg. 159)
- Never combine performance evaluations and people development! (pg. 170)
- "People don't like being labeled, unless they are labeled extraordinary. But they love useful information that helps them do their jobs better. It's this latter piece that most companies miss. Every company has some kind of evaluation system that is then used to distribute rewards. Few have equally disciplined mechanisms for development." (pg. 176)

CHAPTER 8 - THE TWO TAILS

- Gaussian vs. power law distributions (pg. 180)

- "Human performance in organizations follows a power law distribution for most jobs."
  - "Instead of massive group of average performers dominating…through sheer numbers, a small group of elite performers [dominate] through massive performance." (pg. 182)
- Behaviors of Google's best managers (Project Oxygen)
  1. Is a good coach
  2. Empowers team and does not micromanage
  3. Creates an inclusive team environment, showing concern for success and well-being
  4. Is productive and results-oriented
  5. Is a good communicator – listens and shares information
  6. Supports career development and discusses performance
  7. Has a clear vision/strategy for the team
  8. Has key technical skills to help advise the team
  9. Collaborates across Google
  10. Is a strong decision maker

CHAPTER 9 - BUILDING A LEARNING INSTITUTION

- Pancake recipe (pg. 204)
  - Mix 2 cups flower, 1 tbsp baking power, 1 tbsp sugar and 1/2 tsp salt
  - Mix 1 egg and 2 cups of milk
- "It's not about how much time you spend learning, but rather how you spend that time." (pg. 206)
- Deliberate practice - "intentional repetitions of similar, small tasks with immediate feedback, correction, and experimentation." (pg. 206)
- "Training is, quite simply, one of the highest-leverage activities a manager can perform." - Andy Grove (pg. 212)

CHAPTER 10 - PAY UNFAIRLY

- If you pair "fairly"…
  - "The perverse result is that if you are an exceptional performer, you will get a series of big increases that then get slower and eventually stop entirely as you approach the upper end of the permissible salary range." (pg. 234)
- More compensation inequality as, "the best people become increasingly discoverable and mobile, and therefore more able to claim a greater share of the value they create for their employers." (pg. 235)
- "The rational thing for you to do, as an exceptional performer, is to quit." (pg. 235)
- "Fairness in pay does not mean everyone at the same job level is paid the same or within 20 percent of one another." (pg. 236)

> **"Fairness is when pay is commensurate with contribution. As a result, there ought to be tremendous variance in pay for individuals."** (pg. 236)
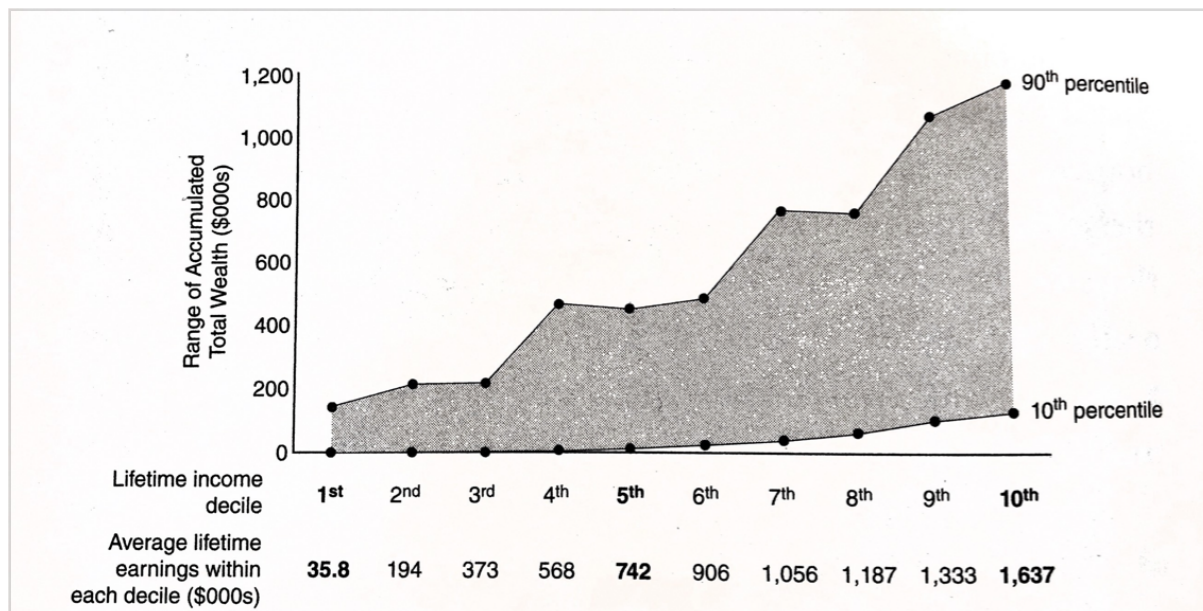
- "Equality matters tremendously when you're talking about personal rights or justice, but paying everyone equally–or close to equally–results in overpaying your worst people and underpaying your best." (pg. 236)
- Study of HBS grads 10 years after graduation...
    - "By and large, they got stuck in middle management, when they had all hoped to become CEOs and captains of industry. What happened? Argyris found that when they inevitably hit a roadblock, their ability to learn collapsed." (pg. 256)
    - "Those members of the organization that many assume to be the best at learning are, in fact, not very good at it. I am talking about the well-educated, high-powered, high-commitment professionals who occupy key leadership positions in the modern corporation."
    - "Because many professionals are almost always successful at what they do, they rarely experience failure. And because they have rarely failed, they have never learned how to learn from failure." (pg. 256)

CHAPTER 11 - THE BEST THINGS IN LIFE ARE FREE (OR ALMOST FREE)
- "No one should be more than 200 feet away from food." - Sergey Brin (pg. 270)
- "[Howard] Schulz saw a need for a 'third place' beyond the home and office, where people could relax, refresh, and connect with one another." (pg. 270)

CHAPTER 12 - NUDGE...A LOT
- Nudge - "any aspect of a choice architecture that alters people's behavior in a predictable way without forbidding any options or significantly changing their economic incentives… to count as a mere nudge, the intervention must be easy and cheap to avoid. Nudges are not mandates, Putting the fruit at eye level counts as a nudge. Banning junk food does not." (pg. 289)
- Relationship between lifetime income and wealth accumulation (pg. 304); see study, Choice, Chance, and Wealth Dispersion at Retirement

Lifetime income decile	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th
Average lifetime earnings within each decile ($000s)	**35.8**	194	373	568	**742**	906	1,056	1,187	1,333	**1,637**

- Delboeuf illusion - justification for using smaller plates (pg. 314)

CHAPTER 13 - IT'S NOT ALL RAINBOWS AND UNICORNS

- "Your right to swing your arms ends just where the other man's nose begins." - Zechariah Chafee Jr. (pg. 318)
- "A crisis is an opportunity to have impact. Drop everything and deal with the crisis." (pg. 327)
- "Put more wood behind fewer arrows." (pg. 328)

CHAPTER 14 - WHAT YOU CAN DO STARTING TOMORROW

- "Work is far less meaningful and pleasant than it needs to be because well-intentioned leaders don't believe, on a primal level, that people are good." (pg. 337)
- The ten steps
  1. Give your work meaning
  2. Trust people
  3. Hire only people who are better than you
  4. Don't confuse development with managing performance
  5. Focus on the two tails – your absolute worst and best employees
  6. Be frugal and generous

7. Pay unfairly
8. Nudge
9. Manage rising expectations
10. Enjoy! And then go back to No 1 and start again