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This paper has not undergone formal review or approval of the faculty of the ILR School. It is intended to make results of Center research available to others interested in preliminary form to encourage discussion and suggestions.

Abstract

This paper is a case study/profile describing the evolution of the HR R&D Laboratory at Sun Microsystems, and was researched and written by Patty Woolcock, the Executive Director of the California Strategic HR Partnership (CSHRP).

Sun's HR Labs: Driving Decisions with Data

In August 2000, Sun Microsystems created a function within its HR organization called HR Labs. HR Labs is a research and development group – with all of the data collection, ties to universities, and free-thinking that such a group entails – housed within HR. In contrast to traditional HR functions, this unique group is encouraged to experiment and collect data to drive decisions. As a result, HR Labs has contributed significantly to Sun's strategic business priorities and raised the value and credibility of the HR organization.

HR Labs is a compelling and innovative approach for both Sun Microsystems and other HR organizations. However, the development of HR Labs is as important as its striking results. The people involved have grown by understanding the value that HR Labs adds to the HR function and to Sun as a whole. For other organizations, the story of HR Labs illustrates what one small group can do and offers insight for companies of all sizes that want to drive their decisions with data.

The Concept

The original concept of HR Labs came from Crawford Beveridge, Executive Vice President and Chief Human Resource Officer at Sun. He returned to Sun in April 2000 to head the HR organization, after the group was leaderless for 18 months. With his previous HR roles in a variety of organizations, including an earlier period at Sun, and nine years as CEO of Scottish Enterprises, Crawford had very clear ideas about the kind of HR function he wanted to lead. Rather than the business-as-usual, administrative, transactional HR function, Crawford's vision was of a business-driven HR function, fully integrated with Sun's strategies and goals.

After a few months, Crawford announced a reorganization of HR, and he created a group called HR Strategy and Planning. This group, led by Dee Alcott Rodriguez, included HR Labs. Crawford's vision for HR Labs was a place to experiment and collect data to drive HR programs. He expressed that it was important to do research in HR, to keep the function ahead

of industry trends and not become what he termed a “me too” function. Rather than making decisions based on intuition, Crawford desired a mechanism to collect and interpret data within Sun for the benefit of HR.

As Crawford said: “I got the idea for an HR R&D group as I thought about the marketing and engineering functions. Their focus on external trends and on the future adds to their credibility. Marketing does research. Engineering has their ‘skunk works’ or advanced research. I wanted to create the same kind of focus in HR.”

Preparations

After working in HR at Sun for seven years, heading the HR Strategy and Planning group was a great opportunity for Dee. Although she had held a variety of corporate and line HR roles, the majority of her background was in business disciplines such as operations, marketing and sales, plus some experience in research. This background, coupled with her well-earned credibility within Sun, played an important role in the evolution of HR Labs.

Given the job of starting the HR Labs, Dee pulled Jay Moldenhauer-Salazar into the picture. Jay had been at Sun for two years at this time. With a Ph.D. in organizational psychology from the University of Michigan and a solid research background in the HR organization, Jay was a good choice for HR Labs. In addition, his knowledge of Sun and willingness to try new things were key.

Using Crawford’s vision and his express interest in making sure they had the freedom to experiment, Dee and Jay started with benchmarking. What other companies had HR R&D functions, and what did they look like? After searching and talking to several companies, they determined that most HR organizations defined a ‘research group’ as focused on employee surveys. This focus did not seem to match Crawford, Dee and Jay’s vision of a ‘skunk works,’ and Sun already had an employee survey group (reporting to Dee).

To find guidance for the path they were embarking upon, Dee and Jay turned to traditional R&D functions, including Sun Labs, Xerox, and the former Bell Labs. Dee and Jay

were trying to understand what the labs do, why they do it, how they select projects, and how many of their projects fail. Applying that to HR, Dee and Jay wanted the research at HR Labs to contribute to leading-edge HR programs, products, and services.

Adding Visibility

To ensure external visibility and focus, Dee and Jay created an advisory board. The board included senior leadership from Sun HR, Sun Labs, and other research groups at Sun, including the IT organization's advanced development lab. They also wanted HR Labs to be closely tied to university research, and therefore chose board members external to Sun. John Boudreau from Cornell (CAHRS – Center for Advanced Human Resource Studies) and Ed Lawler from USC (CEO – Center for Effective Organizations) had worked with Sun in the past, and represented HR Labs' first university partners. In addition, both men were well known in both the HR and business communities.

Launching the First Project

HR Labs' initial project was the result of Dee and Jay's brainstorming. At that time, Sun was conducting a work-from-home pilot program, rigorously examining infrastructure issues such as connectivity. The pilot was going well, but no one understood the human factor implications of working from home, for example, how it impacted work relationships.

They found three faculty members at New York University's Stern Business School whose expertise was in this area and successfully involved these three in the work. The faculty members' role included contributing to the design of the study, assisting in the data collection stage, and analyzing the results.

This first project produced results after about three months, and Crawford presented the data to Sun's senior executive staff. This was a great opportunity for Crawford to use HR Labs' data to discuss the merits of the work-from-home concept and for the work to gain visibility at the highest level.

This presentation to the executive staff proved to be an important milestone for HR Labs. It raised the bar and set a new tone for what executives could expect from the HR function. In addition, it demonstrated that HR could make decisions based on solid data, rather than intuition, thus increasing HR's credibility as a strategic player at Sun.

Creating a Greater Perspective

Although Dee and Jay were very excited about their progress and HR Labs' potential, they felt there was a need for an external perspective, and the input of someone with significant experience doing research, and setting up research organizations. They wanted someone to help them think through their evolution and to produce a richer HR Labs research agenda. Additionally, they knew that Jay's talent, capabilities, interests, and time largely defined the lab. Thus the concept of the Visiting Director was born.

Advisory Board member John Boudreau worked with Dee to define the role and its advantages to both HR Labs and the person involved. As he did so, he talked himself into becoming the first Visiting Director.

Similar to Dee and Jay, John's background contributed significantly to the development of the lab. John's position as a well-known academic added credibility to the group, both within and outside the HR function. John also had a history of examining research start-up ideas from his work with CAHRS and CSHRP, to name a few. Finally, John was the sort of thoughtful person HR Labs needed to help work through ideas, meanings, and next steps.

John's time and energy as Visiting Director were divided among HR Labs, other Sun business, and outside obligations. The first semester of his sabbatical he worked with Dee and Jay from his home in Ithaca, NY. John's role as Visiting Director was very well defined, with three major responsibilities: 1) to do original research that contributed strategically to Sun, 2) to provide guidance in HR Labs' direction, processes, etc., and 3) to foster additional university partnerships. John played a major role, and continues to play a major role, in planning for HR Lab's future.

Incorporating Volunteers

Jay made a presentation to a Sun HR All Hands meeting, requesting both volunteers and research project proposals. The response was overwhelming. Between 30 and 40 people volunteered, and Jay entered their skills and interests into a database to call upon as needed. Although Jay has limited each volunteer's involvement to one project, he has to date not yet exhausted this original list of volunteers.

The volunteers' work has taken two to four hours a week, and it typically involved the data-gathering phase of the research project. Volunteers took notes during interviews, transcribed tapes, entered data, and sometimes analyzed results.

Using volunteers has greatly benefited both HR and the volunteers. Jay has gained additional resources, and HR staff members have learned about research methods. Volunteers have had something new and exciting to work on, and they have been exposed to parts of the organization and executives that they might not encounter in the normal course of their work. In addition, the experience potentially has increased the volunteers' commitment to Sun. As one volunteer wrote in an evaluation, "This was a GREAT project to be a part of!!!! I loved it all... During my regular job I would never have had the opportunity to learn and know this side of Sun."

Proposal Selection

Dee, Jay, and John realized that rather than picking projects based on their own interests, they should seek input from outside HR Labs. They defined a proposal submission process and, at the Sun HR All Hands meeting previously mentioned, Jay announced that they were seeking proposals. Before long, the proposals started pouring in. Sun's HR organization, other groups within Sun, and university faculty submitted a total of 35 proposals.

To whittle this list down to just ten, they examined whether proposals were strategically important to Sun, future looking, global in scope, and approved by the HR Labs Advisory Board.

Jay and John then reviewed the ten remaining proposals, saw significant overlap, and redefined them as five proposals.

At the same time that these proposals were being considered, HR Labs acquired some additional help. Sun hires many HR people with master's degrees and puts them through a rotation of six months in each functional area within HR. The people in the rotation program can request their next assignment, and one, Jill Damery, chose HR Labs. Her assignment was to take one project, own it, and complete it within the six-month rotation.

One of the five remaining proposals was social network analysis—for example, understanding information flow as a knowledge management tool. Jill selected this topic as her rotational project. As a result of her work, Sun now has a social network analysis toolkit that is available on the HR Labs internal Web site.

Jill wrote in her evaluation of the rotational program, "Working in HR Labs is a great experience for gaining exposure and insights into future vision for HR... It allows for a great learning around big picture/strategy focus for HR, no matter what you may end up doing later."

As a result of Jill accepting one of the final five proposals, there were only four remaining. The final two projects selected by the Advisory Board are strategic in nature, broad in their business applications, and bring Dee and Jay in direct contact with many senior executives, including Sun's CTO, a few of whom are project sponsors.

A Variety of Impacts

As HR Labs grew and progressed, its research methods and results influenced many different aspects of Sun. Illustrating this point are the outcomes of the M&A (merger and acquisition) case studies and the growing use of research methods by the HR organization as a whole.

M&A Case Studies

Sun Microsystems had made several acquisitions over the past few years, as had many companies in Silicon Valley. And, just like other companies, Sun conducted acquisition team

debriefs. But many questions remained unanswered. Why were some acquisitions successful and others not? What did success really mean? Was Sun acquiring the people or the technology?

Jay started compiling merger and acquisition (M&A) case studies about a year ago. These are in-depth stories of each acquisition, based on interviews of groups such as the acquisition team, the newly acquired employees, and the people who work on integration. The result was a set of small booklets, containing an outside perspective of each acquisition.

The M&A case studies were presented this spring to Jonathan Schwartz, Executive Vice President and Chief Strategy Officer, and the Deal Review Board (the group that decides which companies to acquire). This is reputed to be an extremely tough audience, whose job it is to be critical. Jay's expectations were to be "eaten up into little bitty pieces and spit out."

Luckily for Jay, it didn't turn out that way. His half-hour time slot turned into a two-hour discussion, and he received a flood of emails afterward. Participants commented that it was the most interesting discussion they had experienced, and they requested that he compile more case studies.

Jonathan Schwartz said it best himself: "The work of the HR Labs goes well beyond what we have traditionally expected from our HR function. They know the strategic priorities of the business. They are very data driven. They produce insightful, thought-provoking, business-relevant results. This just goes to show what you can do when you get a small group of really smart people together."

Development of HR Staff

During HR Labs' evolution thus far, Jay had been called upon for "research consulting" by many. Typically, employees in the HR organization requested help with one or more phases involved in conducting a study. Jay was frequently asked to help HR employees with data collection questions: How do you design a survey or focus group? What do you do with the information once you have it? How do you interpret interview results done a year ago by someone else? Answering these questions is what they called "consulting," because it involved

helping out with data collection and analysis techniques (the assumption being that HR people are asked to collect and analyze data all the time).

Increasing HR's overall data competency wasn't part of the original HR Labs "plan"--the number of requests Jay received surprised them all. It was only when they realized that about 40% of his time was being used in this "consulting" that they explicitly decided that one of HR Labs' roles in HR was to contribute to competency building.

Now Jay has been able to limit his research consulting to one hour for any given phase of a project. If the person needs additional help, Jay calls on others who have become familiar enough with research to be good resources. In addition, Jay is designing a one-day class in research methods and planning to add tools to the HR Labs Web site.

These activities have increased the ability of HR staff to collect data and contribute to good decision-making. At a time when Sun is embracing "Six Sigma" and the entire company is becoming more data driven, HR is not being left behind.

The Launch of Event-Based Research

Last fall, the tragic events of September 11 took place. Everything in HR Labs ground to a halt. In addition, Sun was facing its first ever downsizing and senior HR staff was tied up in meetings. Because Jay was looking for executive sponsorship for research projects from senior HR staff members, nothing was moving forward.

Jay sat idly thinking about what he should do. He thought, "This is probably one of the most significant things that has happened in Sun's history, and we should probably collect data to understand it." Jay wrote and presented a formal proposal to study the attitudes of those remaining after the layoffs. Crawford and his staff approved the proposal, sending HR labs into a project that would consume the next two months.

Embracing Strategic and Situational

Although everyone felt the layoff study was important, no one predicted its impact on Sun employees and HR Labs. The employee survey group designed and conducted a survey,

and Jay led the interview portion of the research. The research was conducted quickly so that Crawford and other members of senior staff could review the results in a timely manner.

The results of the survey showed that Sun did a good job during the layoffs, and the attitude of the remaining employees showed an eagerness to return to productivity. The astounding part, however, was the employee reaction to participating in the survey and interviews. Crawford and Scott McNealy, Sun's co-founder and CEO, received many emails from employees expressing their gratitude for the company asking how they felt about the layoff. The employees appreciated the time Sun invested in conducting the survey and the questions that were asked. What's more, this research was the best publicity HR Labs had experienced to date.

The question of whether to respond to the layoff was an important one. Could the group remain strategic and still do event-driven research? Dee, Jay, and John decided that HR Labs must be flexible enough to respond to urgent, short-term business needs, yet not lose focus on the strategic, long-term vision. Straddling these seemingly contradictory stances of strategic vs. situational has served HR Labs well.

To do both, Dee and Jay decided that they need a "volunteer fire department" consisting of people they have trained to handle the urgent, short-term projects. Although HR Labs has not yet implemented this plan, volunteers will be ready when it moves forward.

Redefining the Scope and Charter of HR Labs

At each stage of development, Dee and Jay, with John Boudreau's help and guidance, have asked themselves: What have we learned? What are the implications for who we are and what we do? What do we need to change as a result of who we are?

While examining this stage in the development of HR Labs, they realized that something unexpected and profound had happened. In the beginning, their charter was to develop research that would contribute to leading-edge HR programs and policies. Crawford had been the messenger between HR Labs and executive staff. As a result of the layoff research, the

strong reaction to the Merger and Acquisition case studies (and the request for more), as well as the results and feedback from other research projects, the boundaries between HR Labs and the executive team were gone. Now, everyone on the executive staff knew Jay and made time for him when he called. The significance of the results of relevant research was not lost on these seasoned executives.

Dee, Jay, and John redefined the charter of the HR Labs as a true “talent” lab—not solely a lab for HR. Now the lab would tackle projects related directly to Sun’s talent issues. Accordingly, the client groups would most likely be outside of HR.

New Projects

“HR Labs’ whole evolution has been about going where the energy is,” explains Jay. “Here the energy is really about fundamental questions for the business that everyone is concerned about, but no one has the time or skills to figure it out.”

John Boudreau noted, “You can say that the work of Sun’s HR Labs is about trying to create thought leadership that helps people at Sun make great talent decisions when needed.”

“Our current lens for filtering potential project ideas is really built around the strategic future needs of the business,” added Dee.

Keys to Success

The keys to the success of Sun’s HR Labs are numerous and important to understand for other companies contemplating a similar idea:

1. Support of a key executive – HR Labs would not be possible without Crawford Beveridge's continual support. In addition to creating HR Labs, Crawford has reinforced the need to make mistakes and experiment. He also protected HR Labs from the effects of the layoff.
2. Competencies of the director – Dee Alcott Rodriguez was the perfect choice to lead HR Labs. With her background and significant experience within HR at Sun, she was positioned to “sell” HR Labs to others at Sun and connect HR Labs closely with the business. In addition,

Dee has a high tolerance for risk, and starting this group was perceived as very risky indeed. Her excitement about starting something from scratch (which applies to her entire HR Strategy and Planning group) was also significant.

3. Experience of the lab researcher – Jay was a great choice as lab researcher, with his recent Ph.D., strongly grounded research methods, knowledge of Sun, and willingness to try something new.

4. Room to experiment – Although Dee and Jay felt that there was some risk associated with starting the lab, Crawford reiterated that they needed space to experiment, make mistakes, and learn.

5. Sun's move toward more data-driven decisions – With Sun's move toward Six Sigma and an overall acceptance of the importance of data, the results of the projects from the lab were well accepted. In a company with a different mindset, it might be more difficult to find such acceptance.

6. Tendency to do, rather than just think or plan – Although Dee and Jay were very thoughtful in their approach to HR Labs, they realized that the best way to learn was by doing and then analyzing the results. Some projects failed, some succeeded, but all were a learning experience.

7. Feedback mechanisms – As mentioned earlier, Dee and Jay asked themselves every step of the way questions such as: What did we learn? What does this mean? What are the implications for our charter and projects? A group focused on maintaining a charter would not be as open to the ambiguity built into these questions or to the exploration of the answers.

Ideas for Improvement

Sun's HR Labs has come a long way in the short time it has been in existence, and it is difficult to identify improvements. In asking Jay if there is anything he wishes were done differently, he expressed a desire to have another person to share all his ideas with. As it is currently structured, no other person knows all the projects to the level of detail that Jay does.

However, there are distinct advantages to staying small, including the ability to make small mistakes rather than large and highly visible mistakes, move quickly to respond to new directions, and the greatly leveraged use of resources, including the Visiting Director, other university faculty, and the volunteers.

Other companies would need to decide for themselves what the ideal structure should look like, but at least one full-time researcher, who is an expert at research and can focus on it completely, should be a minimum requirement.

The Rest of the Story

Looking to the future, the possibilities for the rest of the HR Labs story are endless. There will definitely be more changes in the charter and the nature of the work, as HR responds to different needs at Sun with relevant research and data. Dee and Jay stated that there is every indication that over the next few years HR Labs will continue on its current trajectory: increasingly high-impact projects with Sun's senior executives and top university researchers and an increasingly close link to Sun's overall business strategy.

Crawford Beveridge sums it up: "Although the group is still evolving, it has already demonstrated a new level of value that the HR function provides to our business."