

Google turns Page on Schmidt, names co-founder CEO (Update)

January 20 2011, By MICHAEL LIEDTKE , AP Technology Writer



Google announced Thursday that co-founder Larry Page, pictured in 2007, would replace Eric Schmidt as chief executive of the Internet giant in April.

When Google Inc. went public in 2004, the three men running the company promised each other they would remain a ruling triumvirate for at least 20 more years.

Although their commitment to work together until 2024 hasn't changed, Google CEO Eric Schmidt and company co-founders Larry Page and Sergey Brin are being reassigned in an attempt to recapture the free-wheeling spirit of the company's youth.

The surprise shake-up announced late Thursday will return Page, 37, to the CEO job he filled in Google's early days. The move ends Schmidt's decade-long reign in a position that also stamped him as the "adult

supervisor" of a company that once seemed like a romper room filled with technological wunderkinds.

Schmidt, 55, will stay on as executive chairman. The new role turns him into Page's consigliere as well as a liaison for Google's business partners and government officials.

Brin, also 37, will be freed up to work on pet projects aimed at expanding Google's empire.

The changes take effect April 4, leaving the current hierarchy intact through the current quarter.

Google can only hope the new pecking order pans out as well as the old chain of command has. The formula turned Google's search engine into a moneymaking machine, with the latest reminder of the company's prosperity coming Thursday with the announcement that it earned \$2.5 billion in the fourth quarter - the most for any three-month period in its 12-year history.

Page started out as Google's CEO when he and Brin started the business in a Silicon Valley garage and kept the top job until the venture capitalists backing the company insisted on bringing in a new leader.

That led to the 2001 hiring of Schmidt, a professorial engineer who was previously chief technology officer at Sun Microsystems Inc. and CEO of Novell Inc., both much bigger than Google at the time. After initially resisting Google's overtures, Schmidt bonded with Page and Brin to form a brain trust that proceeded to build the Internet's main gateway and most powerful company.

Google now boasts a market value of more than \$200 billion, a success story that has placed Page, Brin and Schmidt among the world's

wealthiest people. The three men are Google's largest individual shareholders, stakes that turned them all into multibillionaires.

But as Google has grown into a company with more than 24,000 employees, its decision-making increasingly has bogged down into a bureaucracy. The managerial constipation threatened to put Google at a competitive disadvantage as younger, more nimble Internet services such as Facebook pounce on new trends to lure away users and advertisers. At Facebook, 26-year-old founder and CEO Mark Zuckerberg calls the shots in an entrepreneurial culture that has enticed dozens of engineers to leave Google to work for the social networking company.

"My goal is to run Google at the pace and with the soul and passion of a startup," Page said in a Thursday interview. "I think I will have time to do that given the way we have split up our responsibilities."

Schmidt concurred in the same interview, saying it had started to become clear the company needed to be run more crisply.

"I am not as concerned about the titles as I am winning," Schmidt said. "I am quite certain that this change will result in faster decision making and better value for the shareholders."

Google's stockholders have had little to complain about, not that it would have made a major difference because Schmidt, Page and Brin combined own a controlling stake in the company. Google is coming off a year in which its earnings climbed 30 percent to \$8.5 billion and, although its stock price remains below its all-time high reached in 2007, it has more than doubled from its lows during the recession.

Google shares rose \$8.23, or 1.3 percent, to \$635 in extended trading after Thursday's announcement. In the regular session earlier, the stock fell \$4.98, or 0.8 percent, to close at \$626.77.

The stock peaked at \$747 before the recession.

Although Schmidt has publicly acknowledged bickering with Page and Brin through the years, the management reshuffling appears to be amicable. Both Page and Schmidt heaped praise on each other in Thursday's interview and a conference call with analysts, with Schmidt describing Google's co-founders as his "best friends."

"I believe Larry is ready" to be CEO, Schmidt said during the call. "It's time for him to have a shot at running this."

Page hailed Schmidt as a "tremendous leader" whose contributions exceeded all expectations. "There is really no one else in the universe that could have accomplished what Eric has done," Page said.



In this Nov. 15, 2010 file photo, Google CEO Eric Schmidt speaks at the Web 2.0 Summit in San Francisco. Google Inc. co-founder Larry Page is taking over as CEO in an unexpected shake-up that upstaged the Internet search leader's fourth-quarter earnings Thursday, Jan. 20, 2011. Page, 37, is reclaiming the top job from Schmidt, who had been brought in as CEO a decade ago because

Google's investors believed the company needed a more mature leader. (AP Photo/Paul Sakuma, File)

Although he tried to debunk the idea in Thursday's interview, Schmidt may have been growing weary of all the attention and prosaic duties that come with running one of world's most scrutinized companies.

"I don't think Eric was pushed. I think he jumped," said Ken Auletta, author of "Googled: The End of the World As We Know It." "I think Eric is burned out."

There have been signs Schmidt would prefer doing something else.

For the first time last year, he started to sit out of Google's quarterly calls to discuss its earnings. More recently, he has expressed irritation about how some of his public remarks have been picked apart to support the idea that Google is an arrogant company that can't be trusted to protect people's privacy as its search engine and other services collect vast amounts of personal information.

In October, Schmidt drew fire for responding to a hypothetical question posed at a forum in Washington, D.C., about an implant that would let Google know what its users were thinking. He responded that Google's policy is to "get right up to the creepy line and not cross it," and an implant would cross the line.

He also said that as users voluntarily share information online, it doesn't need users to type in search queries for the company to tailor the results. "We don't need you to type at all. We know where you are. We know where you've been. We can more or less know what you're thinking about," he said.

Such comments have been repeated in online musings that portrayed Schmidt and Google as "creepy."

"The biggest thing I wonder is after a year or so of having various gaffes and statements taken out of context if he decided he no longer wanted to play that front-man role," said Danny Sullivan, the editor-in-chief of the SearchEngineLand news site.

Schmidt's role as a government ambassador could be particularly important because the company is increasingly wrangling with regulators and lawmakers as it tries to expand into new markets even as it faces complaints that it has been abusing its dominance of Internet search to thwart competition.

Schmidt, who has been called upon to give economic advice to President Barack Obama before and after he was elected, could be well suited to defuse the concerns in the U.S. He is also expected to play a key role in identifying Google's takeover targets, which makes sense if he is also going to be addressing antitrust concerns.

Google has plenty of ammunition left to finance its ambitions for this year and beyond. It ended December with \$35 billion in cash.

The change in command seemed long overdue to longtime Silicon Valley analyst Rob Enderle.

"Whenever you have a caretaker CEO, they're supposed to stay in place until the founders have enough experience," he said. "Larry had enough experience about four years ago."

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