

Google execs discuss regulation, innovation and bobble-heads

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Eric Schmidt and Jonathan Rosenberg help run Google, one of the world's best-known, most successful - and most controversial - companies. They've just published a new book, "How Google Works," a guide to managing what they call "smart creatives," the technically proficient, innovation-savvy workers whom companies in every industry are trying to recruit and retain.

Google is best known for its ubiquitous and highly profitable search engine, but the company's interests include operating systems (Android for smartphones, Chrome for computers); productivity applications (Gmail, Google Docs); cutting-edge products (Google Glass); and applied research (smart contact lenses, driverless cars). For many smart creatives, getting hired by Google is considered a badge of honor.

The company, however, finds itself constantly in the midst of controversy involving regulators and politicians concerned about data privacy, and censors in places like China, where open data and political stability don't mix.

Schmidt, now 59 and a tech industry veteran, was brought in as "adult supervision" in 2001 to help the young company's then-college-age founders, Larry Page and Sergey Brin. In 2011, Page took the CEO job, while Schmidt remains executive chairman. Rosenberg, 53, a Google executive since 2002, currently serves as advisor to Page.

Schmidt recently sat down with the Los Angeles Times at Google

headquarters in Mountain View, Calif., to talk about the book. Rosenberg joined on speaker phone. Below is a transcript, edited for length.

Q: Why does the world need another management book?

Schmidt: Well, it's my first management book.

Rosenberg: Traditional management books don't address the fact that the balance of power has shifted from companies to consumers. That's made building superior products the paramount issue for companies today. So the key thing that they need to figure out is how to attract what we in the book call the new breed of employee, the "smart creative." Those are the people who have mastered the tools of the current age to build superior products. We don't think anyone has told that story before.

Q: What can any company - not just a young tech company - learn from Google? And what's a 'bobble-head yes'?

Schmidt: In the book we talk about how lots of people have experience in business meetings where the (boss) runs the meeting, nobody ever actually says anything interesting, there's no new data presented, everyone just says yes and then they leave and do whatever they want. We call that the 'bobble-head yes.'

From a management perspective you've got to have the data, you have to have a conversation, you have to have a debate, you have to hear all different points of view, and you have to have buy-in.

Rosenberg: The biggest thing that almost any company needs to do (to attract smart creatives) is maintain complete transparency about the sharing of information. Today it's very easy to get information to employees through email, through their intranet, but most companies

still maintain that hierarchical 20th century structure where limited amounts of information flow down.

And any company can implement our approach by starting meetings with data, really arguing internally about the data.

You believe in five-year plans. That seems a long time in the technology industry.

Schmidt: Usually things change over a five-year period and you have to be ready to address those with some new business or business insight. But you're better off operating with the headlights on and the eyeglasses on or whatever metaphor as to what your future is really going to look like. If you can't answer it, you're not doing your job as a leader.

Most businesses don't seem to have a credible long-term five-year plan. They accept the current situation and expect it will be true for the next decade.

Q: How does Silicon Valley's tech culture differ from LA's?

Schmidt: They're very similar. There are much larger differences outside of America, and some differences between East Coast and West Coast and Midwest.

But my experience dealing with the tech people in LA is that they're fantastic.

The people in Hollywood that I have dealt with are all on board with the fact that the primary viewership is moving to Internet-based solutions. There are plenty of issues of monetization and rights and so forth, but there are no Internet digital deniers. Whoever they were they're no longer in power. People understand the scale of the Internet now, in a

way they didn't 10 years ago.

You look at the studio model, the structure by which the creative process works in Hollywood, it's highly efficient, in the sense that it's very Darwinian. You have strong entrepreneurs who are the directors and producers - they're trying to put a deal together, they're trying to generate traffic. Notice it's not being done top down, it's being done sideways or bottom up. There are many similarities between that model and the model we talk about in our book.

Q: Your company is facing increasing government scrutiny and regulation. How do managers deal with that?

Rosenberg: The main thing I suggest is that people simply build better products that consumers are so excited about. Then consumers will help drive an appropriate political and legislative discussion that will allow us to fix regulations where regulations are problematic.

A positive example is Uber. They've leveraged many of the specific trends we talked about in our book - information connecting people with providers in a very clever and seamless way with a deep technical insight - yet they're running headlong into requests for regulation.

Schmidt: Uber is the easiest one to understand because everyone understands what Uber is. Imagine Uber said, 'Oh, we don't want to have any lawsuits, so we have to always be integrated with everybody else' (such as the taxi industry) and it would have followed a less innovative path. And that ultimately would have produced a less beneficial product to the Uber customers. I should say Google is an investor in Uber, for full disclosure.

Rosenberg: The way to deal with the regulation is for people to tell their government that they want these better products and services.

Schmidt: We're always on the winning side when we're on the user side. ... It works in most countries. There are some countries which you can essentially think of as non-democracies, where they're just not organized around citizens, they're organized around other things, and there the issues are much harder.

What I say to people internally is don't censor your own innovation, let me do it. If you build a fantastic product we'll figure out if it's going to work in some legislative or regulatory world that's unfamiliar to Americans. In other words, build a great product and if we have to hobble it let (top management) choose to do that, separate from your brilliant invention.

Q: What do the media get wrong about Google?

Rosenberg: The level of importance of the unique perks. It's easy to take pictures of people walking around with their dogs, it's easy to take pictures of the food in the cafeteria, and it's easy to talk about the massages and the other benefits, but fundamentally, that's not what attracts people to the company.

What attracts people is the ability to work with other brilliant people and to work on really, really big problems. And the media tend to be suspicious of some of the biggest moonshots that we're interested in taking: the smart contact lens, the cars, the fiber effort, the (data-delivery) balloons. Those are the kind of things I think are the most exciting and empowering to bring great employees and not the more obvious surface-level things.

Schmidt: For the kind of people we're talking about, they have an idea that Google provides the resources and the scale for them to achieve it. If they had the money themselves, they would just do it themselves.

But many things of consequence are hard, they take a lot of time, they take a lot of resources and very smart people, and Google has turned out to be a place where such people gather.

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