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YOUTUBE

# How to Replay Success?

## SUSAN WOJCICKI HAS BUILT A CAREER TAKING RISKS – from joining Google after it had been a startup in her garage, to persuading the tech giant to acquire YouTube. Now, as she considers which way YouTube should go next, will she be able to repeat her success in a fast-moving, volatile environment?

Google Video may ring few bells nowadays, especially among younger millennials, but it wasn't so long ago that it was one of the most important projects on the tech giant's front burner. But just when it was ready to launch in 2004, a new startup came along and stole its thunder – much like Google had done to rival search engines a few years earlier. The startup's name was YouTube, and it seemingly came out of nowhere to take pole position in the emerging internet video market.

The executive in charge of Google Video, Susan Wojcicki, was left with an unenviable choice: either stick to her guns, believing that Google Video would eventually catch up; or recognize that YouTube had beaten Google to the punch, and focus on acquiring YouTube instead. With other bidders moving in, the decision had to be made fast.

"I had to go to our funders and our board and tell them the product that we had spent so much time building – Google Video – was losing, and we would have to spend over \$1.5 billion to fix the mistake," recalls Wojcicki. "It was painful, it was public – it was one of the hardest decisions that I've had to make."

And yet that decision – Google spent \$1.65 billion to acquire YouTube in 2006 – paid off handsomely. By 2015, YouTube's market value had soared to \$70 billion and it boasted more than a billion unique visitors each day. The video-sharing site consolidated its position as a universal platform for people to "entertain, dance, sing, laugh, love and learn," as Wojcicki puts it, helping to launch the careers of celebrities and contributing to political change in countries as far and wide as Egypt, Ukraine and Venezuela.

Despite its market dominance and growing revenues, a decade after its acquisition by Google, YouTube was still struggling to break even. This is one of the main reasons why Wojcicki was named CEO of the company that she had persuaded Google's board to acquire. Her job was to turn revenues into profits, just as she had done years earlier at Google, by helping to create AdWords, Google Analytics and AdSense.

### Facing New Competition

This time, however, Wojcicki faced a more daunting competitive environment. Two market heavyweights – the music industry and Hollywood – both regarded YouTube as a rival.

Music labels vilified the company, complaining that its online streaming ate into their music video margins and that user uploads infringed upon copyright laws.

Some music labels had begun devising new strategies to challenge YouTube's dominance of music content. Vevo, the music video streaming service owned by Universal and Sony, was developing a new business model aimed at the higher end of the market to differentiate itself as "a specialty store for music," rather than being "a very successful flea market," as Vevo CEO Erik Huggers has described YouTube.

In the movie industry, video service companies such as Netflix and Amazon were staking new ground in film production and distribution. And with Facebook and Vessel emerging as increasingly prominent viral video competitors, YouTube needed to innovate – and fast.

Upon her arrival at YouTube, Wojcicki began expanding the site as well as luring TV advertisers. During her first year, innovations included introducing subscriptions, original content, 3-D and virtual reality. As Wojcicki told the *Financial Times*, virtual reality might start off by being a novelty, but it had attractive prospects of becoming "really compelling."

Her biggest challenge was to transform YouTube into a credible, competitive content provider that is at once global, social, cuts across divides, and is available on demand. To that end, in February 2017 Google launched YouTube TV – a \$35-a-month TV service that would package programming from the main U.S. broadcast networks (ABC, CBS, Fox and NBC) with several cable channels. It was a risky play, especially in a saturated market where more established competitors like Amazon, Netflix and Hulu enjoyed higher perceived value.

However, in a world where change is constant and accelerating, "there is no better strategy than to embrace change," insists Wojcicki. Based on her track record, almost every time Wojcicki has embraced or driven change, YouTube's parent company, Google, has benefited. But could her winning streak run out? Is she the right person to lead YouTube in the current environment?

Doubts remain as to whether taking the battle to YouTube's biggest rivals on their own turf, or betting the farm on virtual reality, is the right sort of change for the world's biggest internet video service provider. Is the value proposition competitive enough? □

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The case study "**YouTube CEO Susan Wojcicki: Can She Deliver Again?**" (SM-1649-E), by Isabel Villamor and Marta Elvira, holder of the Puig Chair of Global Leadership Development, is available as an online case from IESE Publishing at [www.iese.com](http://www.iese.com).

YouTube is at a watershed moment. When designing a growth model for change, I find four areas to be crucial.

## Change While You're Ahead



by **Alberto González Pascual**  
Director of  
Transformation, Prisa

CAN A COMPANY'S SENIOR EXECUTIVES LEAD DISRUPTIVE GROWTH? All too often, even if they want to do it, they are rarely able to pull it off. That's because general management, by nature, leans toward incremental innovation, designing low-risk strategies that at best complement, but never do anything too radical to undermine, the main lines of business.

A company is far more likely to see a change of direction, experiencing the kind of cultural transformation that can give rise to disruption, when the company owner or founder is put in charge of the process. Founders have a clear advantage in that they have the political influence and trust necessary to persuade others to move in a new direction and leverage the opportunities arising from a process of radical change.

Although Susan Wojcicki didn't technically invent YouTube, she has earned some legitimacy as being like a founder in the sense that it was she who realized its potential and convinced her superiors that Google's best move was to acquire it.

Behind every major success lies a good story, reflecting the passions of its protagonists. Early on, Wojcicki appreciated the value that Google could gain from being linked to a platform like YouTube, which would facilitate the production and distribution of online content while at the same time positioning it as a major player in the social media space that was taking the internet by storm. With that same passion and conviction, Wojcicki has focused on accelerating the streaming revolution that conventional television is undergoing.

YouTube is now at another watershed moment. When designing a growth model for change, I find these four areas are crucial.

First, initiate change while business is on the rise – in other words, before it becomes necessary for survival. For example, YouTube ad revenues were up 30 percent in 2016. When your growth trajectory is as strong as this, that's a good moment to try new things.

Second, surround yourself with talented experts who can help guide you in the right direction. That would seem to be the thinking behind Wojcicki's 2015 recruitment of Susanne Daniels, a top executive famous for shaking up the television industry with culture-defining youth entertainment.

Third, when venturing into new areas, give those alternative operations plenty of autonomy so they can be developed and marketed without too much interference. YouTube's Red subscription service for ad-free viewing of content, including original movies and series, and its Community feature, which enables users to share their social content with followers, are both experiments that are being rolled out on a limited basis, as the company plays in the space for subscription video on demand (SVoD) occupied by the likes of Netflix and Hulu, as well as other social media platforms.

Finally, train your sales, marketing, tech and developer teams on the importance of creating and promoting new products and services. Change and disruption won't spring from an organization with no proclivity for it.

So far, Wojcicki seems to have navigated these four areas brilliantly. Above all, she keeps a flexible mindset that recognizes, like the Google board did, that even when you're already successful, it sometimes makes sense to change course.

**FAST FORWARD TO CHANGE**

- 1. Initiate change when your growth trajectory is strong**
- 2. Surround yourself with experts in the new direction you want to take**
- 3. Give alternative operations sufficient autonomy**
- 4. Cultivate disruptive mindsets in your teams**

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Any future business strategy is closely tied to the ability of the leader to deliver it.

## Trust in Diversity



by **Laura I. Gómez**  
CEO & Founder,  
Atipica

IN 2006, I FOUND MYSELF WORKING AT YOUTUBE. It was apparent to me even then that this platform was something different that would shake up the way we produced and consumed content.

I wasn't the only one who thought so: it was also apparent to Google's Susan Wojcicki, who was then acting fast on her own instincts about YouTube's disruptive potential. Within a month of my being there, Google had bought the company, in what has become known as one of the master strokes in Google's corporate history.

The other thing I noticed in my time at the early stages of YouTube was that I was the only Latina in the company, the only one speaking Spanish to the security and cleaning staff. Diversity of gender and ethnicity has long been something that tech companies need to do better. It's one of the things that motivated me to found my own company, Atipica, which focuses on connecting underrepresented candidates to positions they will excel in.

I've noticed that Wojcicki – who was pregnant with her first child when she joined Google – has been doing her part to promote diversity in the tech industry ever since. Her efforts have included granting 18 weeks of parental leave (one of the most generous in the country), tackling gender discrimination in tech companies, and supporting initiatives in schools to get more girls interested in computer science and coding.

These subjects are close to my own heart and business vision. Increasing parental leave has halved the number of women who leave Google. Given the costs of turnover to a company, such results are to be applauded.

The question of where YouTube should go next cannot be separated from the question of whether Wojcicki is the right

person to lead it. After all, any future business strategy is closely tied to the ability of the leader to deliver it.

For clues about YouTube's potential, I would probe its management logic regarding diversity. For me, diversity is not just "the right thing to do." It makes business sense. Think about it: if your client base is diverse, composed of men and women of different races in different parts of the world, then your company should be likewise diverse. Fresh insights, whether linguistic, gendered, cultural or racial, are only going to improve your offering.

Thankfully, the tech world is starting to take this seriously. It can be an emotive subject, which is why you should have respectful conversations, and that requires credible, empathic leadership. You can't just hit the diversity button. Change starts by really understanding what might be keeping certain groups out of tech: Is it parental leave? Are women risk-averse and that's why they don't want to join early-stage startups? Unless you really know what's going on, you won't be able to address the issues in any meaningful way.

In the tech world, we have the advantage of data. Wojcicki had the data behind her when she went to her board and convinced them to buy YouTube. She also knew when it was time to pull the plug on Google Video and go all-in on YouTube. She continues to demonstrate the same data-driven, admit-your-mistakes and go-big approach when fighting for more diversity in tech.

In my work with Project Include (to make the tech industry more accountable in diversity assessments), I've learned that to really make a difference, you must be able to get people to listen to you, and for that, you need credibility in the eyes of your peers. Wojcicki seems to have earned that, which strengthens her ability to take YouTube in new directions.



1. >>>

Examine the organizational culture and quality of leadership

2. >>>

How are diversity issues treated in your firm?

3. >>>

Take time, and use data, to really understand the underlying issues

4. >>>

Have respectful conversations, rooted in credible, empathic leadership

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