



Stanford eCorner

Critical Early Decisions with Long Lasting Results

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The pivotal points that changed the direction of Baidu's emergence, says its CEO Robin Li, include fewer extravagant expenditures (and planning for six months of capital to last for over a year), a switch from a back-end to a consumer-oriented interface, and a conscious decision to outshine the competition. In addition, Li recalls the ten months he spent micromanaging the engineering team to quickly turnaround the best quality technology the team could muster. He credits all of these early-term risks with the long-term sustainability of the enterprise.



Transcript

Think back to the first few years of Baidu. What were the three strategy decisions--or pick any number--that you now recognize in hindsight were both pivot points of inflection points that really changed the trajectory of the company? Robin Li: Sure. That's a very good question. It's very critical for any startup, I think. When I reflect on the first couple of years of Baidu's operation, I think there are three things that's very critical. First is, as you know, we started at the height of Internet bubble. When we brought US\$1.2 million back to China, it was like peanuts comparing to a lot of other Internet startups in China. And our engineers constantly hear from other friends working for other Internet companies in Beijing--they living the most flashiest office spaces in Beijing and their salary is raised three times a year. But our engineers work in a three-star hotel, not very flashy, not on the spotlight, and I only promised them to raise their salaries twice a year. So they thought, "Alright, if the company is so great, if we have such a bright future, why you don't do a better job for your employees than the other Internet companies?" It was a tough call for me.

I really thought as an entrepreneur, as a startup, you really cannot spend money like hell without thinking about tomorrow. So the first critical decision I made is that when I raised the money, \$1.2 million, I told our investors that money would last for about six months. But when I actually start to spend the money, I told my people, "We need to spend this over the next 12 months. We cannot just run out of money six months later." What happened was, six months later, Internet bubble burst. It was much, much harder to raise money. But I was not worried because I still have more than half of the cash in my bank account. So I started to talk to the VCs and asking for \$10 million at a very, very difficult time in Internet history. Many of the VCs passed on that opportunity. They thought we were too expensive. We only had about 20 people at that time.

So if you divide by \$10 million, that's a lot of money for each employee. Especially many of them haven't really graduated from college. It's quite really an achievement for them. So I think the first critical decision I made is don't spend money as you promised it to your investors. The second critical decision is during the summer of 2001. Internet industry was in a very difficult time at that time, at that period, and we gradually realized that this company cannot really survive if we stick with the backend technology providers thing. So I made the decision to switch gear and become a consumer-oriented search site. The risk for that is you basically start to compete with every single one of your customers. They pay you money, we had a lot of very famous, very prominent customers, but all of a sudden, we started to compete with every one of them. It's quite risky.

We had a lot of arguments within the management, within the board, and among the investors, and I finally decided that's the way to go. Because if we don't do that, a year from now I don't see the company doubles in revenue and I don't really see

the future of this company. So we made that decision and moved on. This decision is also hard to make because when you are a backend technology provider, it's like selling a piece of commodity. You just need to be as good as everyone else on the market. When you decide to become a front-end consumer-oriented service, you really need to be better than your competition. Not just a little bit better, but significantly better than your competition, because you are a latecomer. There are already a number of Chinese search services on the market. And in order to stand out, you really need to come up with a much better technology, a much better product, and much better user experiences. So that's the risk I took.

But I'm really glad I took that risk. Now Baidu has become one of the best-known Chinese brands in the world because of that decision. The third decision I made, I actually also mentioned that, was Project Blitz. Shortly after we decide to become a consumer brand, I realized that our technology was not as good. So I went back to Engineering and told them, "OK, guys, we need to work harder. And I'm not under CEO. Don't consider me as CEO. Consider me as your project manager. You guys are engineers. You are used to come to the office 10 am in the morning.

No. Starting from today, you need to come 9 am in the morning and have a meeting with me." And I'm holding meetings twice a day with the engineers and pushing them to move faster and come up with better quality search services. I did that for about 10 months of period, and that without it being a better or the best Chinese search technology. So I think that's the three very critical decisions I made during the early days of Baidu.