Journey to the (Revolutionary, Evil-Hating, Cash-Crazy, and Possibly Self-Destructive) Center of Google

You've heard the story. Larry and Sergey drop out of school, start a company in a garage, then become billionaires. But will Larry and Sergey ever grow up?

by John Heilemann

On August 19, Going Public Day for Google, and Larry Page and his comrades are eyeing the lavish breakfast laid out before them at the NASDAQ building: poached eggs perched on tiny pedestals, piles of canapés, pots of crème fra"che. In a few minutes, Larry will preside over the ceremonial opening of the market, then he'll troop up the street to Morgan Stanley to watch Google's stock start trading. At 31, Larry is about to cross the threshold into bona fide billionairehood. So you'd think he'd be as high as Courtney Love right now—but he doesn't really look it. Buttoned up in a suit from Macy's, strangled by a stiff white collar, he isn't eating, isn't schmoozing, and is only rarely smiling. Maybe it's the absence of Sergey Brin, his fellow Google founder, who has chosen this morning, unaccountably, to stay back in Silicon Valley. Or maybe he's just exhausted. But even when his elders approach and kiss his ass, Larry's at a loss for words.

"Congratulations, congratulations," says NASDAQ president Robert Greifeld. "This offering is great for all of us. Great for Google, great for the NASDAQ. It's going to be a great success!"

Larry mumbles, "It will be interesting to see what happens."

A few feet away, Google's CEO, Eric Schmidt, is chatting with John Doerr, one of the company's venture-capital investors and a member of its board. At 49 and 53, respectively, they are senior members of the Silicon Valley patriarchy. Schmidt is the former CEO of the software firm Novell and, before that, was a longtime executive at Sun Microsystems. Doerr, the marquee partner in the VC firm Kleiner Perkins Caufield & Byers, is the financier who bankrolled Netscape, Amazon.com, Compaq, and Sun. Between them, Schmidt and Doerr have spent more than fifty years in the Valley. But as both will attest, they have never encountered a pair of founders quite like Larry and Sergey—or an IPO quite like this one.

What started out at the founders' instigation as a grand experiment in popular capitalism has turned into what this morning's *Wall Street Journal* described as "a rather messy affair." There have been inquiries by the Securities and Exchange Commission, acid criticism in the media, and investor skittishness about the price of the stock and about the auction by which it's being sold. (And let us not forget the pièce d'incompetence: a *Playboy* interview with Larry and Sergey that came out during the SEC-mandated "quiet period" and made the Google PR team look like a bunch of, well, boobs.)

So while Schmidt and Doerr must surely be taking comfort in the fact that they're about to make a bundle, they must also be praying silently that nothing else goes wrong. Suddenly, there's a flurry of activity, a scurrying of factotums. Two pretty young women in short black skirts cry out for sparkling water and napkins. Schmidt and Doerr glance around the room, finally clocking the cause of the commotion: Larry has planted his billion-dollar butt in a plateful of crème fra"che.

As the young ladies gamely dab his bottom, trying to rid him of his stain, Larry stands stiffly, his face the color of claret. Schmidt turns to me and rolls his eyes. "These things happen," he says. "We've seen worse."

The rise of Google is a tale often told as a Silicon Valley classic. Two precocious Stanford grad-student nerds swept up in the fever of the Internet boom invent technology that profoundly changes the experience of the Web; they drop out and start a company (in a garage) that achieves iconic status; they stage a historic public offering, achieving vast wealth and fame.

This version of events is accurate in all its particulars. If anything, it understates the case. Arguably the most important technology company to emerge in two decades, Google is as ubiquitous as the Internet itself. By the end of 2004, the controversies that plagued its IPO were long forgotten. Its stock was trading at around $190—more than double the offering price—and Larry and Sergey were worth approximately $7 billion each. They'd even made it onto Barbara Walters's list of the year's "Most Fascinating People."

But beneath these familiar surface details, the Google story is more nuanced and compelling. It's a story about the clash between youth and experience, more a messy ensemble drama than a simple buddy flick—one whose main characters have persistently deviated from any script, resulting in unexpected twists and turns that haven't come to light until now.

Through boom and bust, the prevailing plotline in Silicon Valley has revolved around fathers and sons. And despite the caricature of the Valley as a realm where the latter are constantly cudgeling the former, the relationship has often been more traditional than outsiders assume.

Like every other precinct of the business world, the Valley has long been in thrall to the Serious American Executive, the seasoned CEO, valued for his maturity and credibility with Wall Street. At the height of the dot-com bubble especially, the importing of bosses with top-heavy CVs became the fashion in the Valley, even as the image of the place was centered on its pizza-munching, Rollerblading tyros. At Netscape, Yahoo, eBay, and many other start-ups, twentysomething founders were soon reporting to executives old enough to be their parents. Netscape phenom Marc Andreessen had CEO Jim Barksdale. Yahoo's Jerry Yang and David Filo first had CEO Tim Koogle and later Terry Semel. Frequently, these executives had no experience in technology. They were typically, however patronizingly, referred to as the "adult supervision," and their job was to engender a semblance of corporate sanity and discipline—in other words, to keep the kids in line. Their presence also highlighted where the real power in the Valley rested: with the venture capitalists who had installed them in the first place.

Larry Page and Sergey Brin are, in Silicon Valley terms, of a different generation than Andreessen, Yang, and Filo. Which is to say, they started their company four years later. By then the pair had determined they had no use for many of the Valley's customs. At every stage in their quest to build what Larry describes as "not a conventional company," they have ignored the adamant advice of Google's designated grown-ups. They've accepted a middle-aged CEO but denied him full authority. They've displayed indifference, even contempt, for Wall Street, their stockholders, and the press.

And while the Google IPO provided some of the most vivid scenes so far in the company's patricidal drama, those tense enactments weren't the first, and they won't be the last. Michael Moritz, the other venture capitalist behind Google, once told me, "Most people think that IPOs are the climax of a company's story, but in fact they're just the first chapter." He went on to say that a company's genetic code gets set in its first eighteen months. "After that," he said, "companies are impossible to change; their cultures are hardwired in. If the DNA is right, you're golden. If not, you're screwed."

In January 1996, Larry, a reticent midwesterner who had gained renown in college by building an ink-jet printer out of LEGOs, and Sergey, a Muscovite by birth and an amateur trapeze artist, started working together on technology to search the Internet. At the time, most search engines based their results on the number of times a search-for term appeared on a given Web site. Larry and Sergey, both in the midst of pursuing their Ph.D.'s in computer science, surmised that it would be better to base searches on relevance; they believed popularity mattered—that the more often a site was linked to, the more relevant it was likely to be. Using complex algorithms, they devised a system they called Page-Rank, after Larry, and they put it at the heart of their search engine, first dubbed BackRub and soon thereafter, Google.

Within two years, Google was the rage among the online cognoscenti, and Larry and Sergey were toying with the idea of starting a company. In August 1998, on a porch in Palo Alto, they delivered a demo to Sun cofounder Andy Bechtolsheim, a legend in the Valley for his engineering prowess and his nose for talent. He took one look at the demo and ambled off toward his car, then came back with a $100,000 check made out to Google, Inc.

In Bechtolsheim, Larry and Sergey had found their first big brother. In short order, they found several others, from whom they collected $1 million in seed money. But Larry and Sergey knew that a million bucks wouldn't last long in the boom-era Valley, so they made their way up to Sand Hill Road, where the Valley's venture capitalists cluster in a kind of multimillionaires' ghetto.

For the most part, Sand Hill Road proved inhospitable to Google. The VCs didn't think search was a promising business; the field was already crowded, the leaders (Yahoo and Excite) firmly entrenched. The VCs also recoiled from the price tag on the deal, which valued Google at a brisk $75 million. And they didn't seem to care much for Larry and Sergey, either. "They really had an attitude," one of them recalls. "It was: We're smarter than you, our stuff is great, everyone else's sucks."

But two VCs felt differently: John Doerr, of Kleiner Perkins, and Mike Moritz, of Sequoia Capital. Doerr was arguably the most important venture capitalist in the Valley, and Moritz was the VC who'd backed Yahoo. With Moritz behind them, Larry and Sergey reasoned, Google would have a line into a company they badly wanted to do business with. Similarly, they saw Doerr and his firm as an avenue into AOL, which Kleiner had financed. For their parts, Doerr and Moritz were as smitten with Google's product as Bechtolsheim had been. The absence of a business plan didn't faze them; nor did the price. Indeed, Doerr was known to advise novice VCs, "If you like the founders and you like the technology, price doesn't matter."

By May 1999, Doerr had decided he wanted to invest in Google, and so had Moritz. Given the connections each could provide, Larry and Sergey were keen, even adamant, about snagging both as backers. There was just one hitch: Neither father was inclined to share custody of his new favorite sons.

Before the internet bubble, it was common for venture firms to team up on deals in order to spread risks and defray costs. By 1999, however, the size of many VC funds had swollen to $1 billion or more, and the venture capitalists had more money than they knew what to do with. Not only was collaboration no longer necessary; it wasn't desirable.

Nowhere was the every-VC-for-himself ethos more ingrained than at Sequoia and Kleiner Perkins. Two of the oldest venture firms in Silicon Valley, they were also the most powerful and influential. But in outlook and demeanor, they were diametric opposites. Kleiner was flashy, promotional, profligate; Sequoia was low-key, gritty, frugal. In the words of one Kleiner partner, William Randolph Hearst III, "KP is Athens; Sequoia is Sparta."

Doerr and Moritz were as different as their firms. Doerr: midwestern, Catholic, schooled as an engineer at Rice University. Moritz: Welsh, Jewish, schooled in history at Oxford. Doerr's introduction to Silicon Valley was selling microchips at Intel. Moritz's intro was covering the Valley for *Time.* Where Doerr was an enthusiast prone to hyperbole ("the largest legal creation of wealth in the history of the planet" was how he famously described the Valley during the boom), Moritz was a skeptic and a cynic (his view of the Valley in 1998: "There's going to be a lot of flesh on a lot of windshields").

And although no overt animosity existed between them, they were rivals who only rarely worked together.

Taking on the task of getting the VCs to commingle were a pair of Google advisers, Ram Shriram and Ron Conway. Shriram, a former Netscape executive and one of Google's seed-money suppliers, had known Doerr for years; and Conway, a Silicon Valley angel investor (one who puts small sums into start-ups before they're ripe for VC funding), was friendly with Moritz. Day after day, Shriram and Conway wheedled and romanced the venture capitalists, all to no avail. "You had to convince both sides that Larry and Sergey were really serious about wanting two VCs," an early Google insider says. "John and Mike both wanted to do the deal alone. It turned into a fight. They didn't realize how headstrong the founders were."

Larry and Sergey couldn't believe what was happening. Neither could Doerr or Moritz. During the dot-com melee, the VCs were constantly confronted with money-hungry children wanting to be taken care of. But here the kids were saying, "You guys have to learn to share."

About a month into the standoff, Larry and Sergey called Conway and said, "Get a list together of your angel friends—we might just do the whole deal with angel money. KP and Sequoia don't get it.... We're gonna give them another couple of days, and then it's over."

Conway and Shriram delivered the message. The next Saturday morning, Conway was sitting in a Starbucks parking lot when he got a call from Shriram. "The fight is over," Shriram said. "They're both going to invest, and it's going to be fifty-fifty."

On June 7, 1999, Google announced the financing: a $25 million infusion, led by Kleiner Perkins and Sequoia. The VCs each now owned roughly 10 percent of Google, and Google now had all the money it would need to pursue its ambitions. But Larry and Sergey had acquired something more valuable than money, and potentially more problematic: a sense that, unlike so many young founders before them, they could defy the grown-ups' wishes and not be punished for it.

Despite their differences, Moritz and Doerr agreed emphatically about one thing: Google needed to hire an A-list CEO, and quickly. Before investing, they had elicited a verbal commitment from Larry and Sergey that they would do just that.

But while Larry and Sergey had assured the VCs that they agreed, they did nothing about it. To be fair, they were busy moving Google and its sixty-odd employees into a new headquarters in Mountain View, which they dubbed the Googleplex; they were coping with skyrocketing popularity, to the tune of 4 million queries a day; and they were striking their first major licensing deal, to provide Web search for AOL/Netscape.

Still, as months rolled by and 2000 approached with no CEO on the horizon, it was clear that the boys were balking about bringing in someone above them. Eventually, they began to make the case ardently against adult supervision, citing Bill Gates, Jeff Bezos, and Michael Dell as precedents. "They saw the founders who had retained control as CEOs as the best, most creative, and most successful," says Dave Whorton, a venture capitalist who was then Doerr's protégé. "What they didn't see were all the others who had failed. That wasn't in their data set."

Moritz monitored the situation with mounting frustration. Suspicious by nature, he'd doubted all along that Larry and Sergey would honor their commitment. Confronting them, he threatened to pull Sequoia's money if they refused to yield. "It was not a pleasant conversation," Moritz recalls. "In the heat of things, I rattled my saber loudly."

Doerr told me at the time that he, too, was contemplating such a threat. But instead he chose a different tack. What Doerr was hearing from Larry and Sergey was a combination of the engineer's demand for logic and the adolescent's impulse to challenge parental authority. "Because we say so" or "because that's how it's done" would never convince the boys of anything, and that was what the VC's arguments sounded like to them.

So Doerr proposed that the boys take a little tour around Silicon Valley. He would arrange for them to meet and discuss the matter with some of the industry executives they had long admired. The names on Larry and Sergey's itinerary comprised a high-tech murderer's row: Intel chairman Andy Grove; Amazon.com's Bezos; Sun chairman and CEO Scott McNealy; Intuit founder and former chairman Scott Cook—the list went on and on.

Doerr discreetly kept tabs on the meetings as they stretched out over several weeks. At one point, he asked Bezos what he thought of the boys' obstinacy.

"Hey, some people just want to paddle across the Atlantic Ocean in a rubber raft," Doerr recalls Bezos replying. "That's fine for them. The question is whether you want to put up with it."

The prospect of putting up with it became more palatable when Doerr heard back from Larry and Sergey. Having gotten Socratic with their heroes, they were finally prepared to acquiesce in the hiring of a CEO. Their definition of acquiescence, however, was neither unconditional nor expeditious. "If Larry and Sergey were given clear instructions by a divine presence, they would still have questions," Moritz says.

For more than a year, in fact, Doerr and Moritz would continue to tear at their hair. But Larry and Sergey refused to be rushed; they took their own sweet time.

"Most young people starting companies are afraid," says Joe Kraus, who at 21 was a founder of Excite. "They're afraid of failing. Afraid of getting it wrong. Afraid of missing their chance. Afraid, especially, of saying no to John Doerr. But these guys weren't afraid."

When Google announced in early 2001 that Eric Schmidt was becoming its chairman—a move followed a few months later by his installation as CEO—Silicon Valley was puzzled. For the past four years, Schmidt had served as CEO of Novell, and for nearly fifteen before that he was a senior executive at Sun. So his decision, in the midst of the NASDAQ meltdown, to join a dot-com start-up—a search-engine start-up, no less—simply did not compute.

Actually, it did. Schmidt's tenure at Novell had been decidedly less than joyful. Novell was a company in steep decline when he arrived, and his labors had only modestly reversed it. Worse, hardly anyone gave a damn if Novell lived or died; its software was boring even to software freaks.

For Schmidt, working at Google was an ideal solution to a high-tech midlife crisis. It put him back at the center of the action while letting him kick it with the boys. Describing his attraction to Larry and Sergey, Schmidt says, "We're not just three random guys. We're all computer scientists with the same interests and backgrounds. The first time we met, we argued for an hour and a half over pretty much everything—and it was a *really good* argument."

Schmidt met all of Larry and Sergey's stringent criteria. He had a credible name, a Ph.D. (from Berkeley), and he promised not to push the boys aside or dismantle the quirky culture they'd engendered. "The board members told me, basically, 'Don't screw this thing up!' " Schmidt says. "They said, 'It needs some infrastructure, some growing, but the gem here is very real.' "

At a glance, the culture Schmidt pledged not to replace seemed a relic of the just-bygone era: The Googleplex looked like a dot-com wax museum. There were lava lamps, beanbag chairs, an on-site masseuse. But beneath the comically clichéd trappings, Google was becoming something interesting—and powerful. Having cut deals with an array of companies, most critically Yahoo, Google was processing more than 100 million searches a day and indexing an unprecedented 1 billion Web pages. Fueling this growth was a relentlessness about innovation. Larry and Sergey were openly, brutally elitist when it came to hiring engineers. (Job applicants, no matter their age, had to submit their college transcripts.) In software and hardware, Google's innovation was remarkable. Using off-the-shelf components, the company was building what was, in effect, the planet's largest computing system. And its official mission—"to organize the world's information and make it universally accessible and useful"—extended far beyond searching the Internet.

"I did not understand when I came to the company how broad Larry and Sergey's vision was," Schmidt says. "It took me six months of talking to them to really understand it. I remember sitting with Larry, saying, 'Tell me again what our strategy is,' and writing it down."

At the same time, the boys had fostered an environment that was flamboyantly idealistic. Search was all, profit peripheral, "Don't be evil" the corporate motto. (Asked later what the slogan meant, Schmidt would say, "Evil is what Sergey says is evil.")

In short, Larry and Sergey had already encoded the DNA of the company Schmidt was supposed to run. The character they instilled in Google could be summed up in three phrases: Technology matters. We make our own rules. We'll grow up when we're damn good and ready.

The boys' reality took some getting used to for Schmidt. It wasn't just the dot-com fripperies that fazed him or the dogs trotting up and down the halls. It was the squatter in his office. (The interloper was an engineer frustrated with the bustle in his own shared quarters. After first attempting to evict him, Schmidt gave up and endured the situation for several months.) He also found himself frequently occupied with grounding Larry and Sergey's flights of fancy. There was the time the boys suggested having Google enter the business of low-cost space launchings. And the time Larry reportedly tried to ban telephones from a new Google office building.

Even so, Schmidt now looks back fondly on the genesis of the relationship. "Our roles evolved quickly," he says. "Sergey is the master dealmaker, Larry is the deep technologist, and I make the trains run on time." Seizing on a different analogy, he adds, "We developed the equivalent of what's known in basketball as a run-and-shoot offense: Larry and Sergey's only goal is to run to the other end of the court as fast as possible, so they're always ahead of everyone else, strategically, technologically, culturally. I'm the not-running-ahead person. I stay back and get the rebounds."

Others, however, viewed the apparent anarchy at Google more skeptically. Stewart Alsop, a venture capitalist and former journalist, recalls interviewing Schmidt onstage at an industry conference. "I asked him, 'How the hell do you make decisions? From the outside, it seems crazy.' Eric spent forty-five minutes trying to answer, but he couldn't describe it. And the thing was, he was proud of that. He said it was a new way of doing business. There was no hierarchy; they acted as a triumvirate of equals. They were breaking all the rules. I thought it was a disaster in the making."

Doerr's views were less apocalyptic, but he harbored some concerns. "The company wasn't falling apart," says one of his Kleiner partners, "but it could have been headed in the wrong direction. The situation was unstable."

Seeking to stabilize it, Doerr picked up the phone and sought an intercession from Bill Campbell. Campbell, former CEO and current chairman of Intuit, as well as an Apple board member and Steve Jobs confidant, was one of the most respected executives in Silicon Valley. His nickname was the Coach—a reference both to his past as a college-football field general and his present sideline as an informal management adviser.

Now, in late 2001, Campbell started logging hours at Google, visiting the company several times a week, playing mentor to Larry, Sergey, and Schmidt—a relationship that has only grown over time, though it has never been publicly disclosed before in any detail. "Don't overdramatize my role," Campbell urges me. "I'm just another set of eyes, another person in the room."

Hardly. "I think John Doerr would say Bill Campbell saved Google," says Kleiner partner Will Hearst. "He coached Eric on what it means to be a CEO—not the CEO of Novell but of a company like Google. He taught Eric it's a lot like being a janitor: There's a lot of shit you have to do. And he spent a lot of time with Larry and Sergey, explaining the difference between being a cool company or a smart company and being a successful company. It didn't happen overnight, but Bill Campbell won."

"God bless that man" is what Doerr says. "I don't know where the company would be without him."

Moritz concurs: "He is the quiet, behind-the-scenes, unsung hero in this whole epic."

Even Schmidt, who might have felt undermined by Campbell's presence, has nothing but praise for him. "At first we tried to integrate him just a little bit, but we eventually decided our only goal was to get as much of Bill's time as possible. Our basic strategy is to invite him to everything. He's priceless beyond belief."

Google's embrace of Campbell marked a turning point for Larry and Sergey. It was a symbol of their dawning awareness that they had some things to learn—and that with age occasionally comes wisdom. Campbell's arrival also signaled Google's transition from a glorified research lab into a proper company, one that cared about management and, yes, even making money.

Since its founding, Google's financial condition had been, as Moritz describes it, "lots of cash outgoing, very little incoming, and we were trying to pin the tail on the donkey as to what the business was."

In 2000, Google started experimenting with advertising. Because Larry and Sergey had long been vehemently opposed to banner and pop-up ads, the company's approach was minimalist: unobtrusive, text-based messages on the right side of the page. Late the next year, the company unveiled a program called AdWords, which let advertisers bid for keywords, with higher bidders getting better placement and being charged a fee only when users clicked on the ads. (In much of this, Google was following a path blazed by rival Overture Services, which later sued for patent infringement. The case was ultimately settled out of court.) In 2003, Google launched AdSense, a program extending its ad system to non-search sites, in effect making Google a media broker for Web operators ranging from *The New York Times* and AOL to countless humble bloggers.

Advertising turned Google into a commercial juggernaut. In 2001 the company had $87 million in revenues and was barely in the black; two years later, its sales had soared to $1.5 billion and its operating profit to more than $340 million. The company had introduced Google Image Search, Google News, and Froogle, and its name made the syntactical leap from noun to verb. The only question now was when, not whether, the company would cross the Rubicon. All eyes in the Valley and on Wall Street turned to the Google IPO.

Larry and Sergey were never wild about going public. The main rationale for doing it was to raise money, and Google already had plenty. The boys knew that past IPOs had unleashed tidal forces of greed and envy that wreaked havoc on promising start-ups. They also knew that being a public company meant acquiring a new and demanding set of masters: Wall Street analysts, shareholders, securities regulators, the press. Your ability to keep commercial secrets diminished dramatically. If this was what it meant to be an adult company, who wouldn't prefer perpetual adolescence?

But the end of Google's adolescence wasn't optional. The boys had obligations to their investors and underlings. Doerr and Moritz, both sitting on funds that had been hammered by the collapse of the bubble, were keen to cash in their Google chips, while employees who'd been slaving for years were eager for a payday that would put rental housing behind them. On top of that, there was an SEC rule that would require Google (due to the number of shares it had given out) to start publishing its financials in April 2004. Public or private, the veil of fiscal secrecy was about to be lifted.

In the fall of 2003, the Google high command began discussing the IPO in earnest. Almost immediately it was apparent that Larry and Sergey had no intention of staging a traditional offering where Wall Street underwriters ran the show—setting the price of the shares and doling them out to favored investors, who could then expect a windfall from a first-day run-up in the stock. Instead, the boys wanted to conduct the IPO through a Dutch auction, a novel process allowing anyone who wanted to own a piece of the company to bid for its newly minted stock in the days before it started trading. They also wanted to issue two classes of shares, giving Larry, Sergey, and Google's executives and directors ten-to-one voting power over ordinary investors. And they wanted to make it clear that Google wouldn't accede to Wall Street's congenital short-termitis. Its executives would focus on the long term, not be slaves to quarterly profits.

Each of these positions had its virtues. Dutch auctions promised to let small investors in on the IPO action; to reduce the power of underwriters to game the system, as they had done so flagrantly during the bubble; and to maximize the financial return from the offering to Google—as opposed to Wall Street. Dual-class voting structures, too, had advantages, which is why they were used by media giants like *The New York Times* and by the sainted Warren Buffett's Berkshire Hathaway. With two share classes in place, the chances of a hostile takeover of Google would be virtually nil. As for short-termitis, who could deny that pressure to "make the quarter" had led to much corporate mischief?

"None of this was ill-considered," says maverick San Francisco banker William Hambrecht, a vocal proponent of Dutch auctions and an underwriter of the Google IPO. "They had talked to Buffett, talked to Steve Jobs, talked to lots of people. They were trying to do the right thing for the company—to avoid the mistakes of the past."

But taken together, Larry and Sergey's plans sent a different message: They intended for Google to be a public company that operated as if it were private. "They said, 'If we have to go public, we'll go public,' " says a pre-IPO Google investor. "'But we're going public on our terms—we're going to have our cake and eat it, too.' " The Wall Street bankers who would wind up leading the deal, at Morgan Stanley and Credit Suisse First Boston, privately issued dire warnings about proceeding with an auction. They argued that unsophisticated individual investors might bid up the stock on opening day to a stratospheric level—to a market value as high as $100 billion, they said—only to have it come quickly crashing down, a costly embarrassment.

Moritz, who had done an auction IPO previously with Hambrecht, thought these warnings were overblown. But Doerr and others were swayed. The fear that the IPO might "run away from us," as Doerr put it, led to various maneuvers designed to dampen demand from individual investors: an offering in August, when the market was usually slow; a complex registration process for bidders; a high price on the stock. The result was a kind of bastard deal, a compromise between Larry and Sergey's mold-breaking aspirations and the conservative instincts of the grown-ups, forged in an atmosphere suffused with Sturm und Drang.

"We said, 'If you want to do an auction, do a fucking auction,' " says a partner in one of the VC firms. " 'But why don't you also try listening to us? We're not new to this, you know. Warren Buffett is your guru? Is this the same Warren Buffett who doesn't want anything to do with tech stocks? Are we talking about the same Warren Buffett?' "

Apparently, yes. Early in the last week of April, just days before Google was set to file its IPO paperwork, Larry told the board he'd decided to write an open letter, à la Buffett, to be included in the document. Nervously, the board consented, but time was running short. The night before the deadline, Doerr drove to the Googleplex. It was after midnight, and Larry was laboring like a college student on speed crashing a term paper. Doerr read Larry's manifesto: " 'An Owner's Manual' for Google's Shareholders." And then, as gently as possible, Doerr said, "We need an editor."

Even after being edited, the letter, like the IPO itself, debuted to mixed reviews. From Wall Street, with its antipathy toward auctions, came a torrent of unattributed sniping. Corporate-governance mavens pilloried the dual-share structure, which seemed starkly at odds with the populist tone of Larry's letter. Then came the news that, of the 24.6 million shares being offered, 10.5 million were being sold by Google insiders, including Larry and Sergey. For the first time in the boys' careers, they were tarred by the brush of greed.

By early August, when Larry, Sergey, and Schmidt set off on the IPO road show, the offering was reeling. With the NASDAQ down 15 percent from its January high, the stock price—projected by the company at $108 to $135 a share—looked excessive. Wall Street piled on the criticism; mistakes piled up left and right. Investors attending the road show described the Google troika as unprepared, uncommunicative, and smug. As the press turned nasty, Google, throttled by the quiet period, could do nothing to stanch the bleeding, which only grew more profuse with the appearance of the *Playboy* interview. Though what the boys said in the interview wasn't controversial, its appearance at a time when they were required to be silent indicated either disregard for the rules or screaming incompetence.

Was the backlash fair? Bill Hambrecht thinks not. "The biggest frustration among institutions was that they weren't getting inside information from Eric, Larry, and Sergey. Normally, a company says, 'We can't give you forward projections, but talk to our bankers.' But Google didn't do that. They followed the rules. They got a bum rap."

Bum or not, the rap took its toll. On August 13—a Friday, note—Google opened its auction. For five days, bids flowed in across the Internet. Soon it was clear that the efforts to tamp down retail demand had worked all too well; more than 80 percent of the buyers turned out to be institutions. What those institutions wanted, naturally, was a first-day pop in the stock. With striking consistency, they bid just below the price range Google had initially set. In effect, the institutions were demanding a discount—and they got one. On August 18, Google announced it was scaling back the offering to 19.6 million shares and selling them for $85, 37 percent below the top of the original range.

The next day, Google's stock opened trading just before noon at $100. Among the Googlers surrounding Larry and Schmidt on the Morgan Stanley trading floor, the sense of relief was palpable, the celebration muted. Within a half hour, the Google guys were gone, and I found myself asking Doerr if he considered the IPO a success. "Absolutely," he replied. "We raised $1.6 billion for the company—a record for a technology IPO—and the investors all made money."

But what about the pummeling of Google in the press? The damage to its image? "I think six months from now the bad press will be forgotten. The company, its merits, what it's doing, how it's doing, will be the only things that matter."

Have Larry and Sergey learned anything? I asked. Have they been humbled, even humiliated?

Doerr thought for a minute. "I don't know," he finally said. "They may feel humbled and humiliated—or they may feel differently as of the last half hour. What I don't think will change is how they run the company. They both have—" he chuckled "—incredibly strong points of view. But I do think they're learning all the time. I also think they're growing. Not growing up—I hate it when people call them 'the boys.' Please don't ever put those words in my mouth. I don't think of them that way. And if I ever did, I sure don't anymore."

Today, there's no disputing that Doerr was right about one thing: Google's affliction with negative press was temporary. Since the IPO, headlines have heralded an avalanche of Google products and projects, each intriguing, some truly thrilling: Google Library. Google Print. Google Scholar. Google Desktop Search. Wall Street, meanwhile, has embraced Google as if it were the new Microsoft—and maybe it is. In the first three quarters of last year, its sales surpassed $2 billion, and its operating profit margin, of more than 60 percent, was greater than that of the Beast from Redmond at its zenith.

Even so, a corps of doubters remains. Skeptical moneymen point out that the company's market value, of roughly $50 billion, is possibly a mirage, artificially inflated by the scarcity of tradable Google stock. In November, December, and January, fresh tranches of shares hit the market as company insiders were gradually allowed to sell their holdings. But by far the biggest flood of new shares, 177 million, were unlocked on February 14. (Larry and Sergey plan to sell roughly 19 percent of their holdings in the next fifteen months.) At the same time, Google's rivals are swarming. Amazon has plunged into search. Yahoo has redoubled its efforts. And Microsoft makes no bones of its aim to turn Google into the next Netscape.

But to those who know Google best, these are not the stickiest issues. John Battelle, author of a forthcoming book on the company, observes, "I'm not saying that Microsoft—or AOL, or Yahoo—can't prosper, or even 'win' in the long term. But crush Google à la Netscape? No friggin' way. The only thing that can kill Google is Google itself."

In Silicon Valley, few people think the ungainly triumvirate at Google is heading off a cliff. The perception instead is that they've figured out an agreeable modus vivendi. "If you gave Eric sufficient alcohol," says Stewart Alsop, "he would tell you, 'I'm not here to run the company; I'm here to get along with Larry and Sergey. I'm here to make the trains run on time, collect my money, and go home.' " Alsop adds, "Eric doesn't have a huge ego. He's willing to suffer the myriad small indignities of being a pet CEO."

But when I had lunch with Schmidt last fall at the Googleplex, it didn't seem quite that simple. He had just returned from attending the Forstmann Little conference in Aspen. Though he's been going for the past ten years, he explained, this was the first time he'd been seated for dinner at the head table—next to Elizabeth Hurley. "I guess I've finally made it," he said with a grin.

As it happened, the boys were away on a round-the-world business trip. The previous day, Schmidt said, they had been in Dublin, where they'd met Ireland's Deputy Prime Minister Mary Harney—and presented her with a Slinky. "We are in the presence of greatness here," Schmidt remarked in perfect deadpan. "Even if we can't always see it."

With evident trepidation, a Google PR specialist asked if Larry and Sergey were going to participate in the upcoming third-quarter-earnings call to analysts, the company's first chat with Wall Street since going public. Schmidt replied that the boys were planning to "lurk" silently on the call with him and the chief financial officer. "They said they'd only interject if something 'interesting' is said. I told them, 'Larry, Sergey, the whole thing is going to be scripted and vetted by the lawyers—that's our new world. Nothing *interesting* is going to be said. Is that clear?' "

Two weeks later, on the call, Larry and Sergey gave detailed presentations that were as lengthy as Schmidt's.

The truth is, Schmidt finds himself in a supremely confounding, if not impossible, position. All along, he's been torn between wanting to run with the boys and wanting to take away their allowance. But now that Google is public, this balancing act is immeasurably more difficult.

"The question is, What's the best way to run a company?" he says on a balmy January afternoon in Mountain View. "In the last ten years, we had this notion of the all-knowing celebrity CEO, with his picture on the magazine covers. And I don't think that's the right way. There's a book by this guy James Surowiecki. It's called *The Wisdom of Crowds,* and he's got, like, 500 examples of how, if you look at the decisions of big groups and individuals, the groups do far better on average. So the way we actually run the company is, we get everyone in the room, we encourage discussion and dissent, and then someone, usually me, pushes for an outcome, even if I disagree with it. That's how we get velocity, and velocity is what matters in companies of size. You want to always be pedaling faster."

As for the workings of the triumvirate, Schmidt says, "We have agreed to collaborate, and we collaborate in a specific way: If one of us feels strongly about something, the others can't cut and run—they can't just go and do whatever the hell they want." He adds, "Every successful company has ultimately had multiple decisionmakers, at least in their formative stages: Bill Gates and Steve Ballmer at Microsoft. Bob Noyce, Gordon Moore, and Andy Grove at Intel. Scott McNealy and Vinod Khosla at Sun. The difference is, we're telling the truth about it."

Even so, formally, legally, Schmidt is the man in charge; he's the one who will be the target of Wall Street's ire or any lawsuits filed by pissed-off shareholders. But Larry and Sergey plainly hold all the cards at Google. They each have more than twice the voting power Schmidt has as well as the loyalty of the engineers. (A telling reflection of this CEO's status can be found in the official corporate history posted on Google's Web site: In a document of 3,756 words, which mentions Doerr, Moritz, Ram Shriram, Andy Bechtolsheim, and others, Schmidt's name appears not once.) Even if he takes away the boys' allowance, they have their own credit cards.

Which brings us back to Larry and Sergey and the question of what they've learned. Having repeatedly ignored the prevailing wisdom in Silicon Valley—inventing a search engine when everyone knew search was dead; building a business on Internet advertising when everyone knew it was impossible; antagonizing two revered VCs whose rings they should have been kissing—the boys have undoubtedly learned that conventional wisdom often isn't wisdom at all. But salutary as that lesson is, there's also a danger to it. As Excite founder Kraus puts it, "The risk is, they'll think the hallmark of a good idea is that everyone says it's dumb." Similarly, it would be easy for the boys to conclude that dissing Wall Street carries no penalty. In the IPO, they told investment bankers and investors to go pound sand—and they wound up happy billionaires. Today their message to shareholders remains: Trust us, or put your money elsewhere.

All of that is fine for now. As long as Google is growing like gangbusters and making money like the U.S. Mint, Wall Street, investors, and employees will be infinitely indulgent.

But if the history of the technology industry teaches us anything, it's that no one is ever that lucky—at least, not for long. Every important high-tech company has at some point stumbled and fallen on its face. Microsoft, Intel, Oracle, Sun, Apple, Cisco—all have made severe mistakes, paid a price, and then survived in large part because they understood what being a public company is about. They learned that Wall Street matters. That investors like transparency. That "trust us" isn't enough.

When crisis eventually comes to Google—and it will—the company's fate will depend on whether they have absorbed a handful of lessons that apply as much to life as they do to business: Adulthood happens. You can't make all your own rules. And everyone fucks up.

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