



**BY: DANIEL EK**

# **An Update on December 2023 Organizational Changes**

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## News

(<https://newsroom.spotify.com>)

Earlier today, CEO **Daniel Ek** shared the following note about the company's organizational changes with all Spotify employees.

### Company

Team,

Over the last two years, we've put significant emphasis on building Spotify into a truly great and sustainable business – one designed to achieve our goal of being the world's leading audio company and one that will consistently drive profitability and growth into the future. While we've made worthy strides, as I've shared many times, we still have work to do. Economic growth has slowed dramatically and capital has become more expensive. Spotify is not an exception to these realities.

This brings me to a decision that will mean a significant step change for our company. To align Spotify with our future goals and ensure we are right-sized for the challenges ahead, I have made the difficult decision to reduce our total headcount by approximately 17% across the company. I recognize this will impact a number of individuals who have made valuable contributions. To be blunt, many smart, talented and hard-working people will be departing us.

For those leaving, we're a better company because of your dedication and hard work. Thank you for sharing your talents with us. I hope you know that your contributions have impacted more than half a billion people and millions of artists, creators, and authors around the world in profound ways.

I realize that for many, a reduction of this size will feel surprisingly large given the recent positive earnings report and our performance. We debated making smaller reductions throughout 2024 and 2025. Yet, considering the gap between our financial goal state and our current operational costs, I decided that a substantial action to rightsize our costs was the best option to accomplish our objectives. While I am convinced this is the right action for our company, I also understand it will be incredibly painful for our team.

To understand this decision, I think it is important to assess Spotify with a clear, objective lens. In 2020 and 2021, we took advantage of the opportunity presented by lower-cost capital and invested significantly in team expansion, content enhancement, marketing, and new verticals. These investments generally worked, contributing to Spotify's increased output and the platform's robust growth this past year. However, we find ourselves in a very different environment. And despite our efforts to reduce costs this past year, our cost structure for where we need to be is still too big.

When we look back on 2022 and 2023, it has truly been impressive what we have accomplished. But, at the same time, the reality is much of this output was linked to having more resources. By most metrics, we were more productive but less efficient. We need to be both. While we have done some work to mitigate this challenge and become more efficient in 2023, we still have a ways to go before we are both productive and efficient. Today, we still have too many people dedicated to supporting work and even doing work around the work rather than contributing to opportunities with real impact. More people need to be focused on delivering for our key stakeholders – creators and consumers. In two words, we have to become relentlessly resourceful.

I know you will all be anxious to hear the next steps about how this process will work. If you are an impacted employee, you will receive a calendar invite within the next two hours from HR for a one-on-one conversation. These meetings will take place before the end of the day on Tuesday, and while **Katarina** will provide more detail on all of the specifics, please know the following will apply to all of these bandmates:

- *Severance pay:* We will start with a baseline for all employees, with the average employee receiving approximately five months of severance. This will be calculated based on local notice period requirements and employee tenure.
- *PTO:* All accrued and unused vacation will be paid out to any departing employee.
- *Healthcare:* We will continue to cover healthcare for employees during their severance period.
- *Immigration support:* For employees whose immigration status is connected with their employment, HRBPs are working with each impacted individual in concert with our mobility team.
- *Career Support:* All employees will be eligible for outplacement services for two months.

For the team that will remain at Spotify, I know this decision will be difficult for many. Please know we are focused on treating our impacted colleagues with the respect and compassion they deserve.

(<https://newsroom.spotify.com>)

## Looking Ahead

### Company

The decision to reduce our team size is a hard but crucial step towards forging a stronger, more efficient Spotify for the future. But it also highlights that we need to change how we work. In Spotify's early days, our success was hard won. We had limited resources and had to make the most of every asset. Our ingenuity and creativity were what set us apart. As we've grown, we've moved too far away from this core principle of resourcefulness.

The Spotify of tomorrow must be defined by being relentlessly resourceful in the ways we operate, innovate, and tackle problems. This kind of resourcefulness transcends the basic definition – it's about preparing for our next phase, where being lean is not just an option but a necessity.

Embracing this leaner structure will also allow us to invest our profits more strategically back into the business. With a more targeted approach, every investment and initiative becomes more impactful, offering greater opportunities for success. This is not a step back; it's a strategic reorientation. We're still committed to investing and making bold bets, but now, with a more focused approach, ensuring Spotify's continued profitability and ability to innovate. Lean doesn't mean small ambitions; it means smarter, more impactful paths to achieve them.

Today is a difficult but important day for the company. To be very clear, my commitment to our mission and belief in our ability to achieve it has never been stronger. I hope you will join me on Wednesday for Unplugged to discuss how we move forward together. A reduction of this size will make it necessary to change the way we work, and we will share much more about what this will mean in the days and weeks ahead. Just as 2023 marked a new chapter for us, so will 2024 as we build an even stronger Spotify.

– Daniel