
Google's Management Change and the Enterprise

Google completed its management shift in April 2011 with several bold moves. The story of founder Larry Page's move to the pilot's seat appeared in most news, financial, and consumer communication channels. American business executives have a status similar to that accorded film and rock and roll stars.

An aspect of the changes implemented in his first week on the job as the top Googler included some surprising, and potentially far reaching shifts in the \$30 billion search and advertising giant.

First, a number of executive shifts took place. Jonathan Rosenberg, the senior vice president of product management, left the company on the day Mr. Page officially assumed Mr. Schmidt's duties. Mr. Rosenberg, a bright and engaging professional, was not a technologist's technologist. I would characterize Mr. Rosenberg as a manager and a sales professional. The rumor that Mr. Rosenberg and Mr. Schmidt would write a book about their experiences at Google surfaced and then disappeared. The idea was intriguing and reinforced the Charlie Sheen-magnetism senior business executives engender in the post-crash US. The echo from the door snicking shut had not faded when Mr. Page announced a shift in the top management of the company. For example, Sundar Pichai <http://www.thechromesource.com/sundar-pichai-chrome-and-chrome-os-vp-being-courtied-by-twitter/> (who has been at Google since 2004 and was allegedly recruited by Twitter) took over Chrome, Google's Web browser and possible mobile device operating system alternative to Android. Andy Rubin, who is associated with the Android operating system reports directly to Mr. Page for mobile. Salar Kamangar (employee number nine at Google) became the go-to person for YouTube.com and video. Rich media appears to be more ubiquitous than text in some key demographics, and Google has a controversial and expensive service which faces formidable competition and friction. Alan Eustace, a 15-year veteran of Hewlett Packard's Western Research Laboratory, slid into the seat of the Bugatti Veyron that is Google's search business. Susan Wojcicki, who holds an MBA from UCLA and joined Google in 1999) and emerged as the alpha dog in advertising. Vic Gundotra who authored the Twitter message "Two turkeys do not make an eagle" in reference to the tie up between Microsoft and Nokia, is the velociraptor for social after the shake up. Jeff Huber emerged as the person responsible for local and commerce which means finding a solution to the Amazon and Groupon disruptions. The enterprise group, managed by David Girouard, appeared to undergo no changes. On the other hand, no one from the enterprise unit received a key card to Mr. Page's inner circle.

Second, Mr. Page made clear the challenge that the shift to social information services pose to Google. In his first week on the job, Mr. Page changed the lucrative Google bonus system. In a nutshell, about 25 percent of an employee's bonus is hooked into social-centric work. A copy of the explanation of the new bonus system was available from State of Search on April 17, 2011. The link for the Google explanation is at <http://www.stateofsearch.com/larry-page-taking-control-reorganizes-google-management-and-bonus-system/>. The details of the bonus change are secondary to the fact that Mr. Page believes that money will buy social network "love". The New York Times published information in March 2011 about Project Oxygen.

The study revealed statistically-valid insights in what makes management effective. There were eight findings, which are obvious to most first-year business students in any four-year university. What is amusing is that the Project Oxygen findings did not include linking a bonus to catching up with Facebook and other social network services. A useful summary of Project Oxygen is available at <http://www.berstein.com/blog/post.aspx?id=2f813315-c4a1-46b0-aa90-ce0d8be2d740> and by running a query for the terms “Google Project Oxygen”. The big question is, “Will a company with a strong engineering culture respond to financial incentives to create successful social network products and services?? In my experience, engineers are remarkably social. What is unknown to me is how “social” engineers will respond to what is a carrot-and-stick incentive at a time when Google’s competitors are just offering a carrot, maybe a new car, and a less bureaucratic approach to doing cool stuff.

Third, Mr. Page demonstrated his approach to Wall Street on the quarterly financial report delivered on his watch. If you have not looked at the document, you can download a copy from <http://investor.google.com/earnings.html>. Google revenues were up “with 27 percent year-over-year revenue growth.” http://investor.google.com/earnings/2011/Q1_google_earnings.html The problem was that Google’s expenses were rising. Costs for hiring, infrastructure like data centers and cash paid to employees to slow their jumping from Google to other employers provide insight into the management challenges Google faces.

Google’s quarterly news release downplayed the cost challenge, saying on March 31, 2011:

Operating expenses, other than cost of revenues, were \$2.84 billion in the first quarter of 2011, or 33% of revenues, compared to \$1.84 billion in the first quarter of 2010, or 27% of revenues.

Xinhua, the Chinese news agency added some color to the cost issue, saying on April 15, 2011:

Google is reported to have paid as much as 150 million dollars in stock grants to retain two key product employees. The company is also reported to make massive stock counteroffers to engineers and managers rivals like Facebook and Twitter are interested in.

http://news.xinhuanet.com/english2010/business/2011-04/15/c_13829513.htm

Google’s share price remains at lofty heights, roughly \$525 per share for Google, compared to \$25 a share for Microsoft. But instead of the cheerleading from the pre-crash era, Google’s financial report did not trigger a celebration like that witnessed after India’s victory in the 2011 cricket world cup tournament. In fact, the aftermath of the Google financial results delivered on Mr. Page’s watch was neutral or downbeat. For example, China Investor said:

Momentum for Chinese internet stocks may run dry after Google's disappointing quarterly report. Baidu.com Inc. (NASDAQ:BIDU) is going to feel the pinch the most. Sina Corp. (NASDAQ:SINA) is vulnerable to a weakness in the internet sector along with Sohu.com Inc. (NASDAQ:SOHU) and NetEase.com Inc. (NASDAQ:NTES), according to the overbought monitor.

<http://www.chinavestor.com/technical-analysis/overboughtoversold/72902-china-internet-stocks-feel-googles-pinch.html>

Fourth, after more than a decade of trumpeting the success of Google, the horn players were sometimes off key. Real Clear Markets pointed out:

Google is ramping up efforts to supplement its core search advertising business with revenue from display and mobile ads. The company is increasingly focused on social networking and the local ad market, where Facebook and online coupon service Groupon rule the roost. The increasing regulatory scrutiny of Google has also become a greater concern for investors.

http://www.reclearmarkets.com/news/reuters/finance_business/2011/Apr/14/google_first_quarter_report_to_kick_off_era_under_new_ceo.html

Such sour notes, not harmony, accompanied Google through the spring of 2011. One subject almost completely ignored in the tsunami of Google management information is the firm's enterprise strategy.

On the surface, the management changes announced focus on the hot spots or the significant competitive challenges Google faces. These include mobile, social, operating systems, YouTube.com, search, advertising, local services and online commerce. No mention of Google's enterprise business. Based on the information I have gathered over the last couple of years, Google's enterprise unit is making progress. One person asserted that Google had placed more than 35,000 Google Search Appliances. If this estimate is accurate, Google has more enterprise search licensees than Autonomy Ltd. Autonomy has more than 20,000 licensees, but the comparison may be unfair. Google offers a low-cost search appliance and then spikes the price of its GB-7007 and GB-9009 so that few organizations can use the Google Search Appliance without entering into six figure licensing deals which work like a taxi meter. The more documents an organization must process, the more Google Search Appliances the licensee must lease.

Technical innovations in Google's enterprise applications have been flowing from the firm at a steady pace. Postini, for example, provides useful electronic mail services which are priced competitively and appear to be exempt from some of the glitches that surface in Google's advertising-supported and free services. In April, information surfaced that pegs Android as an enterprise mobile device solution. I learned about the shift in Laptop Annex in mid April

2011. <http://www.laptopannex.com/?p=112> Google is emulating features associated with Research in Motion's BlackBerry and also the Apple iPhone. One example is a method for implementing policies for specific devices, a must when a busy professional leaves a mobile phone when rushing to board an airplane. I have also noticed Google advertisements for enterprise application developers. The volume of information on the firm's enterprise-centric sub-site continues to expand and change. If you have not looked at the massive amount of information for partners, developers, and licensees, navigate to <http://www.google.com/enterprise/>. There is detailed information which requires considerable time to locate and analyze. The Google search functionality's age surfaces when I try to winnow technical documentation required to hook a Google Search Appliance into a third-party enterprise application like FileNet or SAP R/3 but not a partner or reseller who may or may not know how to achieve this integration. Parsing by content type, date, and related terms are features that the Google search system do not deliver in a manner I find satisfactory. I try to look at the Google enterprise information on a weekly basis, and I have yet to get a useful mental map of what information is where on this sub site. Your experience may differ from mine, however.

The recent management shake up at Google leaves me with several questions for which I need answers.

First, "What is Google's enterprise strategy in light of the recent reorganization?" I had hoped that the enterprise unit would be elevated to the "inner circle" Mr. Page has set up. On the surface, it looks to me as if it is either the status for the Google enterprise unit or a de facto marginalizing of the firm's efforts to compete with IBM, Microsoft, Oracle, SAP, and other entrenched enterprise product and service providers. I hope I am wrong, but the Google Search Appliance looks more and more like an unwanted child as Google pushes hosted services and its new points of concentration.

Second, "How will Google's on-going legal problems affect procurement in organizations?" Google faces a number of legal challenges, and I have been in meetings in which some Google competitors have asked procurement teams looking for an alternative enterprise search system such questions as "What is your view of Google's taking legal action against Fish & Wildlife?" A leading question may be out of bounds in court, but in today's rough financial waters, sales and marketing professionals use various persuasive methods to land a deal.

Third, "Will Google be able to maintain its engineering excellence?" At first glance, enterprise initiatives may not require the shake-them-up innovation that is essential in the mobile or ecommerce sector. But if Google suffers a brain drain, it may be a legitimate concern for some organizations to raise. Customer and technical support at Google has some bright spots such as getting a person from the local advertising unit to take a call and then follow up. However, there are a number of resellers who are facing an increased demand for Google-savvy technical support. Google does not put the same customer contact mechanism I experienced with Google Local behind its enterprise offerings.

The net net of Google's management shift is uncertainty. I can spot the business sectors where Google's new boss wants progress. I can also identify areas where attention is likely to

be diffused. One hopes for the sake of Goggle Search Appliance licensees and other enterprise applications, that Google delivers on the promise of its approach to solving information problems in the enterprise. Google has money and time, but Mr. Page's initial management actions did not boost its enterprise unit to the first rank. I hope my impression is incorrect.

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