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Keeping Google “Googley”

Kim Scott, director of Google’s AdSense online sales and operations, had just returned from one of Google’s quarterly meetings in 2008 and her mind was racing. The company was continuing to launch new products and services at a rapid pace, and it was hard to keep up with the innovation happening around her on a daily basis. Scott had started at Google during the summer of 2004. At the time the company had approximately 3,000 employees, and most were based at the company’s headquarters in Mountain View, California. In just four years, Google’s employee count had grown to over 17,000, and more than 40% were based outside of the U.S. Revenue growth was on an even faster trajectory, with \$3.2 billion annual revenues in 2004 growing to a \$20 billion run rate for 2008.

Scott had pursued a variety of entrepreneurial roles since she graduated from Harvard Business School in 1996, and she joined Google because she was attracted to the innovative culture and the can-do attitude of everyone she met. She was hired to help plan and manage the growth of Google AdSense (“AdSense”), one of Google’s two major advertising services. Scott shared the business leadership with her functional counterparts in product management and engineering. Nearly all important decisions were made together as a leadership team. She explained, “Google is a fast-moving, consensus-based organization. I thought those were mutually exclusive qualities before I got here.”

When Scott started at the company in 2004, she wondered if she would still be there in several years, because she had never been at the same company for more than three years in the past. Yet, now it was the middle of 2008, and she was pleased that Google still had the same entrepreneurial atmosphere it had when she started. Founders Sergey Brin and Larry Page and CEO Eric Schmidt established a culture that rewarded innovation and continuous improvement, and all job applicants were screened for “Googley” qualities that would enable them to thrive in such an environment. Some observers assumed that the increased size would inevitably lead to more bureaucracy, but Scott was pleased that employees throughout the company worked hard to keep the potential negative by-products of rapid growth to a minimum. As Scott walked past some young employees chatting in the courtyard, she reflected on what enabled Google to maintain its culture as the company kept doubling in size. She hoped she would still love working at Google in another four years and asked herself, “What else can we do to ensure that Google remains the same kind of entrepreneurial place that excited me in 2004?”

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Company Overview

When Page and Brin were computer science Ph.D. students at Stanford University, they developed an algorithm that ranked Internet search results based on which sites had the most links directed at them. Early users were impressed with the search results, and in 1998 Page and Brin raised \$1 million from angel investors to turn the idea into a company. By 1999, the software was responding to 500,000 search queries each day, and the company raised \$25 million from two leading venture capital firms to start scaling the business.

In late 1999, Google moved into new headquarters in Mountain View, California, dubbed the Googleplex. Page and Brin established an informal culture from the very beginning – exercise balls were repurposed as movable office chairs; desks were made out of wooden doors; and dogs were permitted at work. In addition, the founders hired top chefs to provide free meals for all employees. The culture was designed to encourage collegiality and to break down barriers to rapid idea development.

By late 2000, Google had established partnerships with leading websites such as AOL and Yahoo! and was responding to 100 million search queries each day. Google had also introduced several new products and services such as the Google Toolbar and had started providing search results for wireless devices. Also in 2000, Google introduced its keyword-targeted advertising program called AdWords. Advertisers could buy keywords, and Google displayed the advertisers' text ads when users entered those words in the search box. Google believed that its targeted advertising software provided click-through rates that were four times higher than the industry average at the time.¹ Google's advertising services enabled the company to start making money, and by late 2001 Google was profitable. Page and Brin hired former Novell CEO, Eric Schmidt, as Google's CEO in 2001, and Page and Brin took the titles of president-products and president-technology, respectively.

Google continued to attract paid advertising to its search services, and the company generated \$440 million of revenues and \$100 million of profits during 2002.² Headcount had reached 680 by this time, nearly all of whom were based in Mountain View. (See **Exhibit 1** for Google financials and headcount statistics.) Google went public in 2004 (ticker: GOOG), raising \$2 billion. The IPO prospectus included a cover letter from Brin and Page that started with "Google is not a conventional company. We do not intend to become one." The letter went on to emphasize Google's "long term focus, even at the sacrifice of short term profits."³ Around the time of its IPO, Google also published "Ten things it has found to be true" as part of its operating philosophy. Number one was "Focus on the user, and all else will follow." (See **Exhibit 2** for Google's ten things.) Google's mission was to "organize the world's information and make it universally accessible and useful."⁴

Google continued to add new search-related products and services at a rapid pace between 2004 and 2007 including Google Book Search, Google News, and Google Finance. Google also introduced a set of communication and collaboration services including Gmail, Google Calendar, Google Docs & Spreadsheets, and Blogger. (See **Exhibit 3** for a screen shot of Google Docs.) Other new products included Google Checkout for online transactions, Google Maps, and Google Mobile. By December 2007, Google was attracting 587.8 million users each month, and had 62.4% market share for searches. In comparison, Yahoo had 12.8% market share for searches and 484.7 million visitors during the same time period.⁵ Google revenues in 2007 were \$16.6 billion, with \$4.2 billion of net income. Approximately half of the company's revenue was generated outside the United States. Google's share price on January 31, 2008, was \$564.30, generating a market capitalization of \$176.8 billion. The share price reflected 664% growth from the IPO price of \$85. The stock price rose to \$108.31 on its first day of trading. (See **Exhibit 4** for Google's historical stock prices.)

Advertising Services

Online advertising generated 99% of Google's revenues, nearly all of which came from two services: AdWords and AdSense. Google referred to these services as the company's "core businesses" and dedicated 70% of the company's research and development resources to their continued success.

AdWords Adwords, the larger of the two businesses, was launched in 2000. It was designed to help advertisers create and deliver ads that were targeted to search queries or other relevant web content. The ads were displayed on Google's own sites as well as on third-party sites, ranging from big sites such as AOL to hundreds of thousands of smaller sites. (The third-party sites were collectively referred to as the Google Content Network.) Advertisers in the AdWords program used online tools that were designed to simplify the process of creating text-based ads, bidding on the keywords that triggered the display of their ads, and setting daily spending budgets. Advertisers paid when a user was shown their ad on a web page ("cost-per-impression") or when a user clicked on their ad ("cost-per-click"), which typically sent the user to the advertiser's website. Although it was more expensive to pay for clicks than impressions, advertisers that were selling goods or services online typically preferred paying for clicks because they were a measurable way to attract users to their own website. Google supported advertisers with software and staff that helped advertisers develop, execute, and optimize campaigns.

AdSense Introduced in 2003, AdSense was designed to help online publishers monetize their content by showing AdWords ads that were relevant to search queries or content on that page. For example, a website about planning children's birthday parties might show ads for party invitations. (See **Exhibit 5** for a sample content page with AdSense ads delivered by Google.) Content publishers signed up online to be part of the Google Content Network, and identified the spaces on each page that the publisher wanted to make available to advertisers. Google's targeting system chose the best ads for the space, and then shared revenues with the publisher based on impressions or click-throughs from the ads delivered to that particular content site. The Google Content Network contained hundreds of thousands of publishers, some of which generated as little as \$10 a month through AdSense, and others that made thousands of dollars or more each month. Google offered AdSense programs for search, content, blogs, and audio files as well as several offline options such as newspapers and print ads. Scott explained, "We have a huge range of publishers, and much of our revenue comes from hundreds of thousands of small accounts that add up to a lot of money." Key metrics for the business included number of registered sites, revenue generated (by Google and paid out to partner sites), and what advertisers were willing to pay in terms of cost-per-click and cost-per-thousand impressions.

Other Products and Services

Google offered over 40 different products, services, and applications, nearly all of which were free to users and supported by advertising sold through AdWords and AdSense. Google classified its product offerings into five categories: Search, Advertising, Applications, Enterprise, and Mobile. (See **Exhibit 6** for a product list as of December 2007.) Search included products that made it easy to search all types of online information such as blogs, desktop files, maps, and books. The advertising products referred to AdWords, AdSense, and their related analytic tools. Applications included popular services such as Gmail (free e-mail), Picasa (photos), Google Docs (compatible with Microsoft Word and Microsoft Excel), and Google calendar. Video-sharing site YouTube (acquired by Google in 2007) was also considered part of Google Applications. Enterprise included products and services

that were designed for corporate users and large organizations such as Maps for Enterprise. The mobile category included products built specifically for mobile devices such as mobile calendar, mobile search, and mobile Gmail.

Google encouraged new product development and often launched new products and services as "beta" versions for users to test. Test periods could last for a year or longer in order to enhance features and work out software bugs before a general release. At times, Google even made products available before the beta phase through its Google Labs group. These products gave developers an opportunity to test new ideas with users at an early stage in the software development process.

Google Strategy

Google was committed to developing "the perfect search engine that would understand exactly what the user means and give back exactly what the user wants" in the form of a fast, accurate, easy-to-use service that could be accessed from anywhere.⁶ Google dedicated the majority of its resources to improving the search experience and developing sophisticated advertising systems designed to benefit both users and advertisers. As Page articulated, "For users, we strive to produce relevant advertising as good as the main content or search results. For advertisers, we provide tools to target and tune their advertising and accurately measure the results of their spending."⁷ In connection with these goals, Google was focusing on newer outlets such as mobile devices, productivity applications, and online video. In addition, Google was expanding globally, reaching into 120 global domains by the end of 2007.

Google Organizational Structure

Google was run as a "triumvirate" with Schmidt, Brin, and Page at the helm. Page described their working relationship in Google's 2004 IPO letter:

Eric has the legal responsibilities of the CEO and focuses on management of our vice presidents and the sales organization. Sergey focuses on engineering and business deals. I focus on engineering and product management... We meet daily to update each other on the business and to focus our collaborative thinking on the most important and immediate issues. Decisions are often made by one of us, with the others being briefed later. For important decisions, we discuss the issue with a larger team appropriate to the task. Differences are resolved through discussion and analysis and by reaching consensus.⁸

Google's senior executives were organized by function, with the largest functions being engineering, product management, product marketing, sales, operations, legal, and finance. Engineering represented the largest functional group, and the founders described the company as "engineering-centric." Products were generally managed as a team, with managers from each of the major functions working together to achieve specific metrics. Profit and loss responsibility resided with Schmidt, rather than at the level of products or business units.

AdSense Organization

The AdSense business was managed by the directors and managers of three functional groups: Kim Scott, director of online sales and operations (OSO); Brian Axe, product management director; and Joerg Heilig and Bhavesh Mehta, engineering directors. Gopi Kallayil, product marketing

manager, also contributed to the management of the business. Scott described the leadership team as a "mesh"; others described it as a matrixed structure. When asked "Who was in charge of AdSense?" Scott answered with a smile, "Nobody." As the director of online sales and operations, Scott was responsible for the sign-up, management, optimization, and payments of AdSense partners. The product management team defined the features and functionality of the product and worked closely with Scott's group to get customer input. Product management also worked closely with engineering, as the engineers translated the product specifications into software code. Marketing worked with both online sales and operations and product management to help identify customer needs and to increase customer awareness. Axe believed, "Our functional organization prevented business unit fiefdoms from developing around the company."

Scott was hired into her role in June 2004 by the vice president of online sales and operations, approximately one year after AdSense had been launched. Scott inherited a team of 90, the majority of which worked in the U.S. as account associates ("associates") facilitating the sign-up of AdSense content sites and managing relationships with content publishers. Most associates interfaced with thousands of publishers, and Scott relied on the associates to gather customer insights that could be used to improve the AdSense business. Over the next four years, Scott added approximately 30 people to her team in the U.S., and another 80 people outside of the U.S., bringing her total team to 200. There were also approximately 100 people working on the AdSense business in Europe, the Middle East, and the African region, but this group did not report directly to Scott. Scott could have hired faster, as AdSense revenues and the number of publishers grew over 500% during those three years, but she opted to keep the team "small and nimble." Russ Laraway, director of online operations and one of Scott's direct reports, explained Scott's approach to adding headcount: "Kim didn't want to overhire. When the hiring faucets were open, some went with buckets, but she went with teacups. Kim believed that keeping the team small would force us to innovate in how we managed the business. She pushes us to change our processes and use technology to automate our work. She wants us to deploy our resources in higher value ways." Scott had eight direct reports who were collectively responsible for managing the current business and developing growth areas. (See **Exhibit 7** for an organizational chart for the AdSense business.)

Recruiting

Google grew from 3,021 employees at the end of 2004 to 16,805 employees at the end of 2007. To achieve this level of growth, Google established a rigorous, data-driven hiring process that permeated the organization. Laraway explained, "Google's hiring philosophy is that we'll do whatever it takes to ensure that every single person hired is an 'A' player." Jason Warner, senior staffing manager, described elements of the process: "As a company, we review millions of resumes that are generated from every source we can find. The resumes are screened for markers that Google has identified as key success factors for doing well at the company. The markers differ based on the specific role being filled, but we always look for general cognitive ability."

Candidates who passed the resume screen were then interviewed over the phone and assessed for other attributes such as initiative, flexibility, collaborative spirit, and "evidence of being well rounded"—all components of what made a candidate "Googley." Laszlo Bock, vice president of people operations, explained, "We hire people who are 'learners' - we want people who can infer meaning from what goes on around them." Jeff Huber, vice president of engineering, believed Google's "heavy filter" was a critical component of the company's success. He explained, "There are many smart people that don't get hired because they don't fit culturally with the organization." Candidates were also vetted with current Google employees who had gone to the same school or had

worked at the same previous employer. A candidate who looked strong at that point was then invited to campus to interview with up to eight Google employees who had undergone interview training. Interviewers gave quantitative interview scores as well as qualitative feedback. Google also requested complete college transcripts and sought numerous references. Staffing managers collected everything in an electronic dossier and made hiring recommendations based on an analysis of all the factors.

Compensation

In terms of total compensation, Google offered a base salary, bonus, stock options, and an extensive set of benefits and perks. Its goal was to be competitive relative to other companies in the industry. For employees hired before early 2008, stock option appreciation often far exceeded cash compensation. It was estimated in a November 2007 *New York Times* article "That 1,000 people each have more than \$5 million worth of Google shares from stock grants and stock options ... but it is not 'Googley' to talk about personal fortunes made at the company."⁹ Google's retention levels were considered high in Silicon Valley. Sarah Teng, AdSense account associate, joined Google after graduating from Stanford and celebrated her one-year anniversary with the company in January 2008. She commented, "Many people I know turned down potentially higher paying offers (such as investment banking or consulting positions) to work here, but the quality of work and the quality of life here are so good that it's more than worth it." The company conducted an employee happiness survey in 2007, and the results showed that nearly all Google employees were "satisfied" or "very satisfied" working at Google.

Benefits and Perks

Google was renowned for the benefits and perks it provided to its employees. The company offered top benefit packages as well as on-site health and dental care. In terms of perks, in addition to providing free food for breakfast, lunch, and dinner, Google offered free use of swimming pools and workout facilities. Office hallways were lined with video games and foosball tables, and free classes were offered to all employees. Many employees likened the company environment to a college campus. Megan Smith, vice president, new business development, explained, "Google executives have put a great deal of thought into our physical campus. Areas are created for cross-pollination; we want people from different functions and groups to interact with each other." Bock elaborated, "We keep an eye on metrics such as the length of our lunch lines. We want them to be long enough so that people bump into each other, but not so long that we are wasting employees' time. Our long tables in the cafes were also a conscious decision, as we want to encourage employees to sit with people they don't know. We even limit the size of campus events so that they are small enough to have some social interaction and intimacy."

Google was also known for its company-sponsored ski trips which encouraged community building. In addition, the company provided free shuttles around the Bay Area – another opportunity for cross-fertilization. Google reimbursed employees who purchased hybrid cars. Employees had access to on-site child care and subsidized on-site massages; telecommuting was common; and free laundry machines were available throughout the campus. Scott explained, "Google is respectful of our employees' time, and our perks often help people optimize their time while also encouraging them to meet new people across the company."

Management

Google was considered a "flat" organization particularly in its early years when some engineering managers had up to 50 direct reports. By 2006, the company started hiring more managers with experience, reducing the number of direct reports per manager. Scott Sheffer, director of online operations and another of Scott's direct reports, commented, "Kim has hired a number of experienced managers in the last two years. People made the assumption that the managers would suffocate innovation, but that has not been the case." Scott elaborated on Sheffer's comments: "My philosophy is that middle management should challenge people to do more, not less. Management should lift the organization and make life more exciting." However, there were parts of the organization, particularly in engineering, that have continued to maintain very flat organizational structures. Bock explained, "We believe that we hire people who are well intentioned, curious and aware, and most have the capacity to self-govern with the help of their peers."

Even with more managers in place, Google had a loose organization structure. As Kallayil explained, "Google is a large organization, yet it continues to be very nimble without letting hierarchy, organizational structure, titles, and levels get in the way of creativity and execution. Ideas are most important. Things get done through a common mission, shared goals, and personal responsibility. People are self-managed and self-motivated at every level." Warner added, "Google has a cultural aversion to top-down management." Or as Roxana Wales, training and development manager, explained, "Google employees don't like to be told how to do something ... this is seen as micromanaging. Most employees would prefer to figure out the best way to do something on their own. People would rather be mentored than managed." In fact in a recent Google employee survey, 95% of respondents on Scott's team believed their managers worked for them. Within the AdSense sales and operations team, Laraway described Scott as "someone that gives her employees a lot of leeway. She works with her team to figure out what needs to get done, and then she gets out of the way to let people execute." Scott believed it was important to meet with employees in one-on-one meetings, and she tried to meet with all 90 people on her team individually at some point during the year.

Training

In terms of management training, Suzie Dewey, a relatively new manager in AdSense, believed that in the past "there had not been much formal training, but it was helpful to get tips from good managers." In early 2008, Dewey was getting ready to start a new management training program that emphasized coaching and people development. In fact, both Scott and Scott's manager, Sandberg, were experimenting with new management training programs for the OSO group. Dewey explained, "I feel like I am now given objectives that have to do with how I manage my direct reports. Part of my job is to develop the people on my team." Sullivan elaborated, "We are starting to offer classes to managers about how to coach people and how to help manage someone's career. We know that employees are more likely to stay at Google if they can envision a career path." Nevertheless, some employees at Google did not have a defined career path. For example, among associates, some left for business school, others left for law school, and others stayed at Google and carved out their own paths either in the U.S. or abroad.

New hires received training that consisted primarily of learning about the Google cultural norms and shared language. Google also offered skills training classes to help develop its employees. For example, if a new CSR wanted to know more about computer science, Google paid for classes to help

that CSR be more effective in his or her position. Google also provided free language classes and brought professors to campus to teach employees about topics ranging from finance to sales.

Performance Reviews

Managers were responsible for ensuring that their direct reports were given performance reviews once or twice a year. Reviews were taken seriously, and all Googlers participated in 360-degree review programs in which employees received feedback from managers, peers, and direct reports. In fact, peer reviews were a critical component of performance reviews. Huber explained, "When I first came to Google, the performance review process was one of the areas that impressed me the most relative to other places I had worked. There is a heavy weighting on what peers have to say about their colleagues. The quality of information that comes from peers continues to amaze me." Bock expanded: "Managers may only see one perspective, and the raw input from peers provides a much fuller picture of each employee's contributions to Google. We believe in the wisdom of crowds, and this is one of the many areas in which this philosophy drives our actions."

Dewey believed that performance reviews were becoming more robust, and skills such as people management were being integrated into the feedback. Managers set a high bar for performance. The highest rating was "astounding performance," and two ratings below that was "exceeding expectations." Some employees believed it was difficult to even get "meeting expectations" as a rating. Teng explained, "Googlers have a lot of talent and drive, and we are constantly pushing the envelope. We are encouraged to set stretch goals." Performance reviews were typically calibrated across the company in order to ensure consistency, sometimes resulting in resistance from senior executives on a specific rating.

Promotions

Promotions also happened twice a year, and most employees needed to be in their positions for at least a year to be promoted. Some employees on Scott's team perceived that the promotion process was "opaque." As one junior employee described, "Everyone who gets promoted is qualified, but there seem to be qualified people that are not promoted." Executives and senior managers in the OSO group were aware of this concern, and they were in the process of creating a "professional development framework" for positions at each level detailing what was required in various categories. Categories included customer focus, taking initiative, innovation and creativity, decision making, delivering results, collaboration and teamwork, communication, and "Googliness." Other employees expressed concern that there was less room for advancement because people were being hired directly into management positions. Warner explained, "Hiring people managers is a matter of necessity at Google. In times of hyper growth, an individual often cannot scale his or her skills and capabilities fast enough to keep up with the organizational needs." Sheffer added, "Google has brought in experienced managers, but homegrown talent has also been promoted." Mehta was pleased that promotions seemed "merit based" and that great engineers "move up quickly."

Decision Making

Google's decision-making style was often described as "consensus oriented," and decisions were typically discussed in meetings and via long e-mail strings that outlined the pros and cons of various options. Dewey explained, "When I started at Google three years ago, we used to make decisions by

having all the managers get in one room and talking them through. We still do that, but now the room may have 20 or more people who want to provide input." Building consensus took time, and Scott often spent the majority of her work hours meeting with people in other functions to talk through decisions. She explained, "To do well at Google, you need to build consensus, but not let the process slow you down." (See **Exhibit 8** for a chart of how Scott spends her time.)

Within the AdSense team, Scott, Axe, Heilig, Mehta, and Kallayil communicated frequently, often daily, on the management of the business. Some Google businesses paired one person from engineering with one person from the product side, and the two were designated to work together as a leadership team along with sales. Axe explained, "We work closely with Kim on decisions that impact AdSense customers, and we can typically reach agreement on our own. On occasion, we might escalate big decisions to the executive Google Product Strategy team, where the founders weigh in. The toughest decisions are the medium-sized ones that are too small to escalate, but too big to just give in when there are differences of opinion."

For example, the sales team wanted certain "small fixes" to be implemented more quickly, without the burden of a cross-functional prioritization process. The cross-functional AdSense team discussed this problem, eventually reaching a compromise. Mehta explained, "The policies are designed to keep us from making mistakes that impact revenue, but we have to make sure the same policies don't keep us from rolling out new products and features. People at Google mean well and they want the best solution. Anyone can appeal a policy if they don't like it, and although we work towards consensus, we can usually move ahead if 80% of the decision makers agree."

Innovation

Creativity and innovation were considered core values at Google, and Google executives sought "continuous innovation" at every level of the company. In the 2005 Founders' Letter, Page wrote, "We devote extraordinary resources to finding the smartest, most creative people we can and offering them the tools they need to change the world. Googlers know they are expected to invest time and energy on risky projects that create new opportunities to serve users and build new markets."¹⁰ The company used both formal and informal mechanisms to encourage innovation, with incentives ranging from compensation to recognition to job improvement. In fact, Google engineers were encouraged to devote 20% of their time (one day per week) to work on anything they wanted. Some of Google's newer products (e.g., Google Mail, Google News) originated during "20% time."

Managers were given discretion to offer "recognition awards" to employees demonstrating innovation. For example, one employee in Scott's group received a recognition award for developing a way to improve work flow so that each CSR could handle more support requests each day. In 2004, Page and Brin introduced the "Google Founders' Awards" which were substantial stock grants that were offered to teams doing "outstanding" work at Google. Some employees received stock grants from these awards that were eventually worth over \$1 million. The founders designed these awards to attract, motivate, and retain top talent.¹¹ Huber explained that "Google's awards provide a great way to help reinforce the kind of behavior we want to see throughout the company."

The AdSense online sales and operations team had its own forums to encourage innovation, including a quarterly "ideas contest" managed by the AdSense "ideas team." Teng was part of the ideas team that reviewed approximately 100 to 200 online submissions each quarter from AdSense employees around the world. The team worked together to prioritize ideas, help submitters get visibility for their ideas, and drive toward implementation. The team also invited finalists to present

their ideas at the quarterly contest. Teng explained, "Kim is a champion of new ideas, and she wants us all to feel empowered to make changes even though we are a small part of a much larger organization." For example, several months after Teng started at Google she drove an initiative to make a repetitive approvals process less onerous. Teng programmed an ergonomic keypad device and determined that the device could increase productivity by 133%. She demonstrated the improvement to her manager, and then suggested they order the devices for the whole team. Her manager supported this idea, and ultimately encouraged Teng to order the devices for her international colleagues as well and to develop a training program for all users. Teng explained, "If you have an idea, you are encouraged to take the initiative and run with it, even if you are just out of college and have been with the company for only a few months." Scott relied on continuous innovation to drive down the costs of operating AdSense. She believed, "One of the reasons for Google's success is our relentless focus on being the low-cost provider of online advertising. We always look at our work and ask what we can eliminate, what we can automate and what we can outsource."

Other quarterly forums within the online sales and operations functional group included a day in which junior employees suggested ways in which management could make Google a better place. Scott also sponsored an activity called "core job palooza" during which managers spent time each quarter with entry-level employees to help come up with ways to improve their jobs. Scott's philosophy was "If you are feeling the pain of a repetitive task, figure out a way to fix it." She expanded, "When I started, it took five minutes for us to approve a new publisher. Now it takes five seconds. Customer satisfaction went up, and it freed up employees to focus on other areas of the business. Innovation is just as important in our function as it is in engineering. In fact, in a recent employee survey over 90% of our team felt as if they were encouraged to be innovative in their jobs." Kallayil believed that Google encouraged creativity as it related to work-life balance as well. He explained, "When I arrived at Google, I wanted to start a yoga practice for and by Googlers. I was encouraged to pursue my interests and it was even highlighted in my performance review."

Google employees often said they felt comfortable taking risks. Heilig expanded: "We are encouraged to offer up new ideas. The good ones will survive and the bad ones will die, but nobody gets in trouble for offering up ideas that don't survive." Employees believed failure was tolerated at all levels of the company. Laraway said, "I know it may sound like a cliché, but failure is really OK here. I have heard our vice president tell a story in which she made a mistake that cost Google in the vicinity of a million dollars. When she admitted the mistake to Larry, he told her that they would rather she make a mistake in moving too fast than make no mistakes and move too slow." Scott believed that it was better for employees to "ask forgiveness instead of permission." She explained, "Everyone moves quickly, and the onus is on the naysayer to stop something." Page and Brin encouraged engineers to take risks as well. Mehta explained, "We are told to move quickly, and if we fail, we can learn quickly and do it better the next time."

Managing the Potential By-Products of Rapid Growth

Google employees enjoyed the opportunities that came from the company's ascent, but some Googlers also voiced concern over the potential cultural and organizational challenges that often accompanied rapid growth. Many Google employees had previously worked at other fast-growing companies where issues such as bureaucracy, slow decision making, lack of visibility, and international inconsistency surfaced. Google employees spent time thinking about how to avoid these common attributes of large companies.

Avoiding Bureaucracy

One of the biggest concerns was the potential for “creeping bureaucracy” stemming from an increase in policies and guidelines required to manage an international company of over 17,000 employees. Scott was on the lookout for what she and others perceived as unnecessary policies or meetings and invited members of her group to participate in a quarterly session she called “Avoiding Dilbertville.” (The name was in reference to a cartoon strip published by Scott Adams poking fun at the office life of a Silicon Valley engineer named Dilbert who worked out of a cubicle and did not seem to get much done.) Scott explained, “As we have grown, I sometimes think to myself, ‘Dilbert has entered the building.’ So I started these ‘bureaucracy buster’ meetings to keep things in check.” (See **Exhibit 9** for a slide from one of the Avoiding Dilbertville meetings.) The meetings resulted in a new online tool designed and built by several OSO employees that provided an outlet to voice concerns. Google employees used the tool to share “incidents” and others commented and rated the incident on a scale from “Dilberty” to “Googley.” The submissions were gathered into actionable items, and employees signed up to be bureaucracy busters for one or more problems that they were committed to solving. Scott hoped that the Avoiding Dilbertville meetings and new tool would also help address the concern that some employees may no longer feel “special” as the company continued to grow.

Maintaining Rapid Decision Making

Google employees also noted that the consensus decision-making style could become more challenging, particularly when decisions needed to be made across multiple locations. Wales explained, “Managers work hard to get buy-in from all the different people affected by a decision. This can take a long time, particularly when scheduling meetings across time zones. Sometimes it seems that all of the consensus building can lead to no decision being made, because people are reluctant to dictate how something should be done. That could come across as ‘not-Googley.’” Bock believed the need for long consensus-building processes was less prevalent among experienced managers because “They developed consensus mechanisms in their heads that enabled them to think about decisions from multiple perspectives without having long conversations. If you understand what is important to Google, you have tremendous range to make decisions.”

Heilig explained, “The Google decision-making model breaks down if people are not collaborative—someone who is very opinionated has a hard time working here without getting frustrated. We do spend a lot of time coordinating with other functions. Joining Google can be a difficult transition for someone that came from another company where it was acceptable to make decisions on your own.” Typically, the bigger the business within Google, the more communication required. Within AdSense, many important decisions required input from all the functional groups. Heilig explained, “Sales operations and engineering are at two different ends of the product life cycle, and we have different styles, but we make it work. However, there are some engineers that gravitate to the new products where they feel like they can work in a smaller group and be more impactful, but we still need talented engineers on our core revenue-generating businesses.”

Ensuring Visibility

Another potential challenge associated with rapid growth related to employee visibility across the company. As one CSR explained, “I know I’m supposed to get buy-in from other functions, but sometimes I don’t know who to contact.” Axe expanded, “Cross-functional organization has become increasingly difficult as we have grown. In fact, Kim and I were just thinking that we should plan a

social gathering for people in both of our groups to get to know each other better. It makes it harder to be nimble when you don't have interpersonal relationships to fall back on." In early 2008, Google employees worked out of 15 buildings in Mountain View. The majority of the engineers were located in buildings 40–45, and the other functions were scattered throughout the other buildings. Scott and the OSO team worked at buildings that were approximately one mile away from the buildings where most of the engineers worked. Members of the 300-person global AdSense OSO team were located in 17 cities around the world.

The lack of visibility across the company also manifested itself in terms of replication of effort. Tanya Koshy, an AdWords OSO account strategist, believed that "People are encouraged to come up with new projects. But that also means we might have multiple people working on the same thing. We run the risk of reinventing the wheel." Axe expanded: "It can be difficult to figure out who is working on what—particularly when it comes to how engineers are spending their twenty-percent time. Google's philosophy is to let a thousand flowers bloom, and then sometimes we have to pick the best flowers and then stuff them back down in the ground somewhere else and help them grow again."

Google managers were aware of the potential lack of visibility and introduced a series of tools designed to provide more transparency. For example, the engineering team used a project database that contained information about all of the different engineering projects being worked on across the company. Employees could search the database to learn from others and to find colleagues with similar interests. The database also enabled employees to be thoughtful about redundancy. As Scott explained, "Our goal is not to eliminate all replication of effort, as sometimes it makes sense to tackle a challenge from multiple vantage points." In 2007, a new set of features was added to the database that gave Google employees fictitious dollars to place bets on which projects were likely to be most successful. The "winning" projects were often able to gather more resources because of their popularity in the project database. Bock explained, "The project database has scaled with the company and has evolved into a means for all of us to sift through the massive set of ideas generated within Google. The market dynamics have been fascinating and have allowed us to benefit from everyone's input."

International Consistency

Google's international expansion added another layer of complexity. As Kallayil described, "We started with one large product in one large market in one language. Today, Google offers many products, some of them in over one hundred languages and international domains." Communication and consistency was a challenge, as was codifying Google's culture and transporting it outside of California. Google seeded its international offices with "Googley" employees from Mountain View, a practice that was designed to help international employees connect with those in the U.S. For example, when AdSense decided to start operating in India, one member of the AdSense OSO team who had worked in California for a year moved to India to launch that office. Executives spent time thinking about what else could be done to ensure that Google's new offices had the same "cultural feel" as the offices in Mountain View, with a distinctly local flavor. As Huber explained, "We hire local people for each of our international offices, and we help them interpret Google's culture for that location. We don't want to export our culture directly, because then we would miss out on the unique perspectives that come from that region." Google employees spoke of finding the appropriate balance between cultural diversity and cultural homogeneity among Google offices around the world.

Conclusion

Scott witnessed tremendous growth and opportunity during her four years at Google. She was particularly energized by the opportunities to create products and services that were used by so many people. She explained, "When I ran my own start-up, I could innovate every day, but very few people used our products. At Google, it might take a little longer to get things done, but once our software is out there, it gets used by millions of people. I actually feel more entrepreneurial here than I did at my own company."

Some employees wondered if Brin, Page, and Schmidt might feel obligated to tighten controls over experimentation if growth in revenues and/or profits slowed down. As noted by Luis Arbulu, finance manager, "Historically, Google has not had scarcity, so prioritization has not been a pressing issue." As one executive explained, "We know that growth can hide real problems. We have executive meetings where we ask ourselves, 'If it all came to a screeching halt, what would we do differently? Should we do that now?'" Scott wondered what kind of adjustments Google would need to make, particularly now that the economy was starting to show some signs of slowing, and she thought about how all the current employees would react to them. She was reassured by her confidence that "Google has a number of core elements that keep the company in balance. Each of these elements supports the others, creating a system that reinforces itself. We will all do whatever we can to ensure the company maintains these elements and stays balanced."

As Scott walked back to her office, she thought about all the great suggestions coming out of the meeting she attended that morning. She marveled at how the founders had created the kind of work environment in which all employees felt comfortable speaking their minds. Scott considered the future of her team and the company overall, and she found herself comparing Google to a network. "For most networks, the bigger the size, the better the network." she explained. "Why can't Google be the same way? Adding more people should lift the organization as a whole, making us even better at what we do. Big does not have to mean bureaucratic." Scott had seen the recent newspaper articles questioning whether Google could continue its unique work practices in an environment of slower growth, tightening margins, and increasing size. She was determined to help Google rise above the potential challenges stemming from the company's growth trajectory. As Scott head back to her desk, she wondered what other steps she and her colleagues could take to help keep Google "Googley."

Exhibit 1 Google Financials and Headcount Statistics (\$ in thousands)

	Full Year					
	2002	2003	2004	2005	2006	2007
REVENUE						
Revenues	\$439,508	\$1,465,934	\$3,189,223	\$6,138,560	\$10,604,917	\$16,593,986
<i>Y/Y growth rate</i>	409%	234%	118%	92%	73%	56%
<i>Q/Q growth rate</i>	NA	NA	NA	NA	NA	NA
Google websites	306,978	792,063	1,589,032	3,377,061	6,332,797	10,624,705
<i>Y/Y growth rate</i>	359%	158%	101%	113%	88%	68%
<i>Q/Q growth rate</i>	NA	NA	NA	NA	NA	NA
Google network websites	103,937	628,600	1,554,256	2,687,942	4,159,831	5,787,938
<i>Y/Y growth rate</i>	NA	505%	147%	73%	55%	39%
<i>Q/Q growth rate</i>	NA	NA	NA	NA	NA	NA
Total advertising revenues	410,915	1,420,663	3,143,288	6,065,003	10,492,628	16,412,643
<i>Y/Y growth rate</i>	514%	246%	121%	93%	73%	56%
<i>Q/Q growth rate</i>	NA	NA	NA	NA	NA	NA
Licensing and other revenues	28,593	45,271	45,935	73,558	112,289	181,343
<i>Y/Y growth rate</i>	47%	58%	1%	60%	53%	61%
As % of revenues						
<i>Google websites</i>	70%	54%	50%	55%	60%	64%
<i>Google network websites</i>	24%	43%	49%	44%	39%	35%
<i>Licensing and other revenue</i>	6%	3%	1%	1%	1%	1%
COST						
Cost of revenues^a	132,375	634,411	1,468,967	2,577,088	4,225,027	6,649,085
<i>As % of revenues</i>	30%	43%	46%	42%	40%	40%
Traffic acquisition cost	94,457	526,533	1,228,677	2,114,942	3,308,777	4,933,878
<i>As % of revenues</i>	21%	36%	39%	34%	31%	30%
Other cost of revenues^a	38,118	107,878	240,290	462,146	916,250	1,715,207
<i>As % of revenues</i>	9%	7%	8%	8%	9%	10%
Research and development^a	40,494	229,605	395,164	599,510	1,228,589	2,119,985
<i>As % of revenues</i>	9%	16%	12%	10%	12%	13%
Sales and marketing^a	48,783	164,935	295,749	468,152	849,518	1,461,266
<i>As % of revenues</i>	11%	11%	9%	8%	8%	9%
General and administrative^a	31,190	94,519	188,151	386,532	751,787	1,279,250
<i>As % of revenues</i>	7%	6%	13%	6%	7%	8%
Settlement of dispute with Yahoo	NA	NA	201,000	NA	NA	NA
<i>As % of revenues</i>	NA	NA	6%	NA	NA	NA
Contribution to Google Foundation	NA	NA	NA	90,000	NA	NA
<i>As % of revenues</i>	NA	NA	NA	1%	NA	NA

	Full Year					
	2002	2003	2004	2005	2006	2007
Total costs and expenses^a	253,042	1,123,470	2,549,031	4,121,282	7,054,921	11,509,586
<i>Y/Y growth rate</i>	235%	344%	127%	62%	71%	69%
<i>Q/Q growth rate</i>	NA	NA	NA	NA	NA	NA
PROFITABILITY						
Income from operations	186,466	342,464	640,192	2,017,278	3,549,996	5,084,400
As % of revenues	42%	23%	20%	33%	33%	31%
Net income	99,656	105,648	399,119	1,465,397	3,077,446	4,203,720
As % of revenues	23%	7%	13%	24%	29%	25%
EPS (as reported)						
Basic	\$0.86	\$0.77	\$2.07	\$5.31	\$10.21	\$13.53
Diluted	\$0.45	\$0.41	\$1.46	\$5.02	\$9.94	\$13.29
Number of shares ('000)						
Basic	115,242	137,697	193,176	275,844	301,403	310,806
Diluted	220,633	256,638	272,781	291,874	309,548	316,210
BALANCE SHEET AND CASH FLOW STATEMENT						
Cash and marketable securities	146,331	334,718	2,132,297	8,034,247	11,243,914	14,218,613
Accounts receivable	61,994	154,690	311,836	687,976	1,322,340	2,162,521
DSO (in days, using ending AR)	51	39	36	41	46	48
Property and equipment, net	53,873	188,255	378,916	961,749	2,395,239	4,039,261
Total assets	286,892	871,458	3,313,351	10,271,813	18,473,351	25,335,806
Cash flow from operations	155,265	395,445	977,044	2,459,422	3,580,508	5,775,410
Capital expenditures	37,198	176,801	318,995	838,217	1,902,798	2,402,840
Cash & marketable securities	146,331	334,718	2,132,297	8,034,247	11,243,914	14,218,613
SUPPLEMENTAL INFORMATION						
Stock-based compensation	21,635	229,361	278,746	200,709	458,100	868,646
Int'l revenues as % of total revenues	22%	29%	34%	39%	43%	48%
Ending permanent headcount	682	1,628	3,021	5,680	10,674	16,805
Sequential headcount growth rate	140%	139%	86%	88%	88%	57%
Stock-based compensation	21,635	229,361	278,746	200,709	458,100	868,646
Int'l revenues as % of total revenues	22%	29%	34%	39%	43%	48%
Ending permanent headcount	682	1,628	3,021	5,680	10,674	16,805
<i>Sequential headcount growth rate</i>	140%	139%	86%	88%	88%	57%

Source: Google company website.

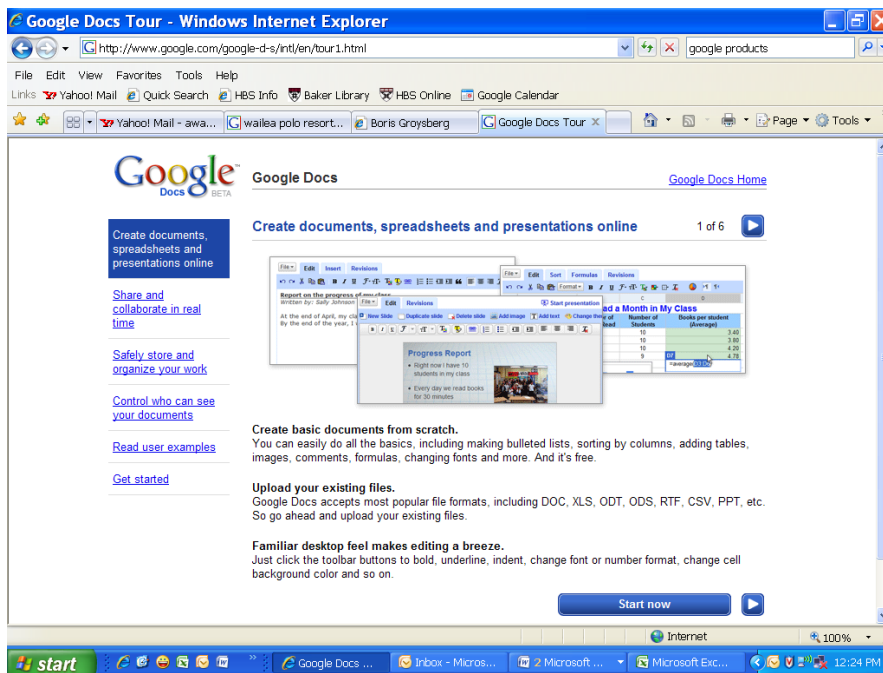
^aIncludes stock-based compensation charges.

Exhibit 2 Google's "Ten Things"

1. Focus on the user and all else will follow.
2. It's best to do one thing really, really well.
3. Fast is better than slow.
4. Democracy on the web works.
5. You don't need to be at your desk to need an answer.
6. You can make money without doing evil.
7. There's always more information out there.
8. The need for information crosses all borders.
9. You can be serious without a suit.
10. Great just isn't good enough.

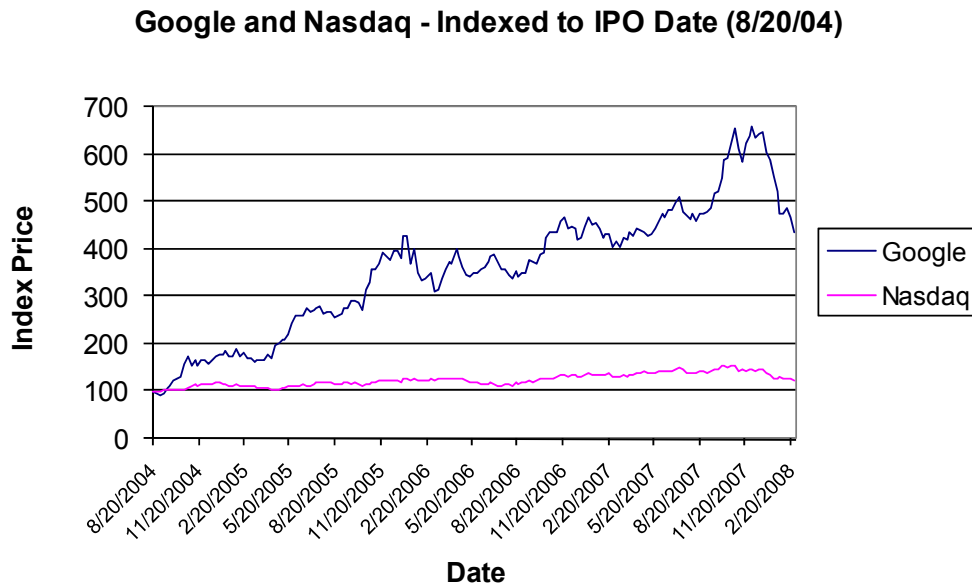
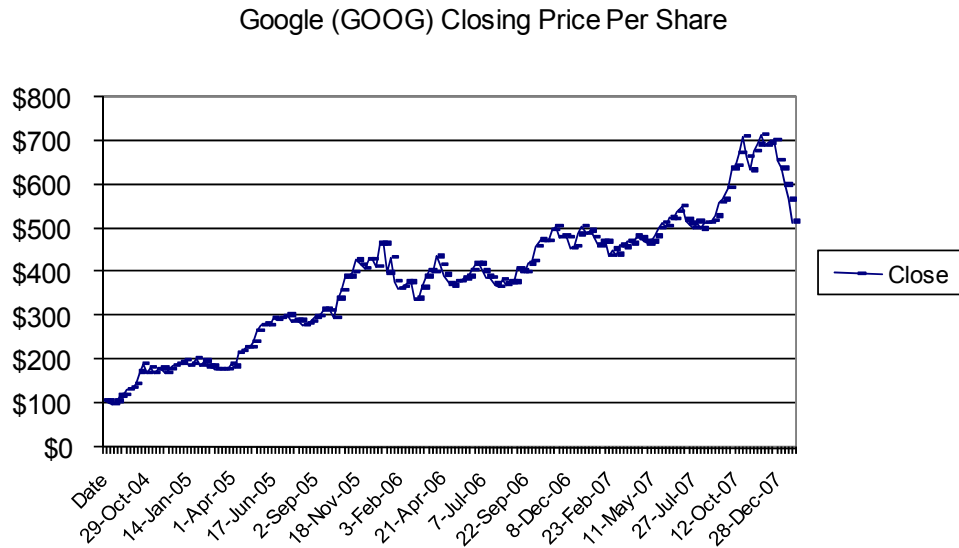
Source: Google company website.

Exhibit 3 Google Docs Product Screen Shot



Source: Google company website.

Exhibit 4 Google Historical Stock Prices (August 2004–January 2008)



Source: Google stock quotes.

Exhibit 5 Sample AdSense Content Page



Source: <http://www.birthdaypartyideas.com>, accessed May 2008.

Exhibit 6 Google Product List

Search

- Alerts
- Blog Search
- Book Search
- Catalogs
- Custom Search Engine
- Desktop
- Directory
- Earth
- Finance
- Gears
- Images
- Language Tools
- Maps
- Personalized Search
- Product Search
- Scholar
- SketchUp
- Toolbar
- Web Accelerator
- Web Search
- Images
- Language Tools

Ads

- AdSense
- AdWords
- Analytics

Enterprise

- Earth for Enterprise/Google Earth Pro
- Maps for Enterprise
- Mini
- Search Appliance
- SketchUp Pro

Applications

- Apps
- Blogger
- Calendar
- Checkout
- Code
- Docs & Spreadsheets
- Gmail
- Groups
- Labs
- News
- Notebook
- orkut
- Pack
- Picasa
- Picasa Web Albums
- Reader
- Talk
- Translate
- Video
- Webmaster Tools
- YouTube

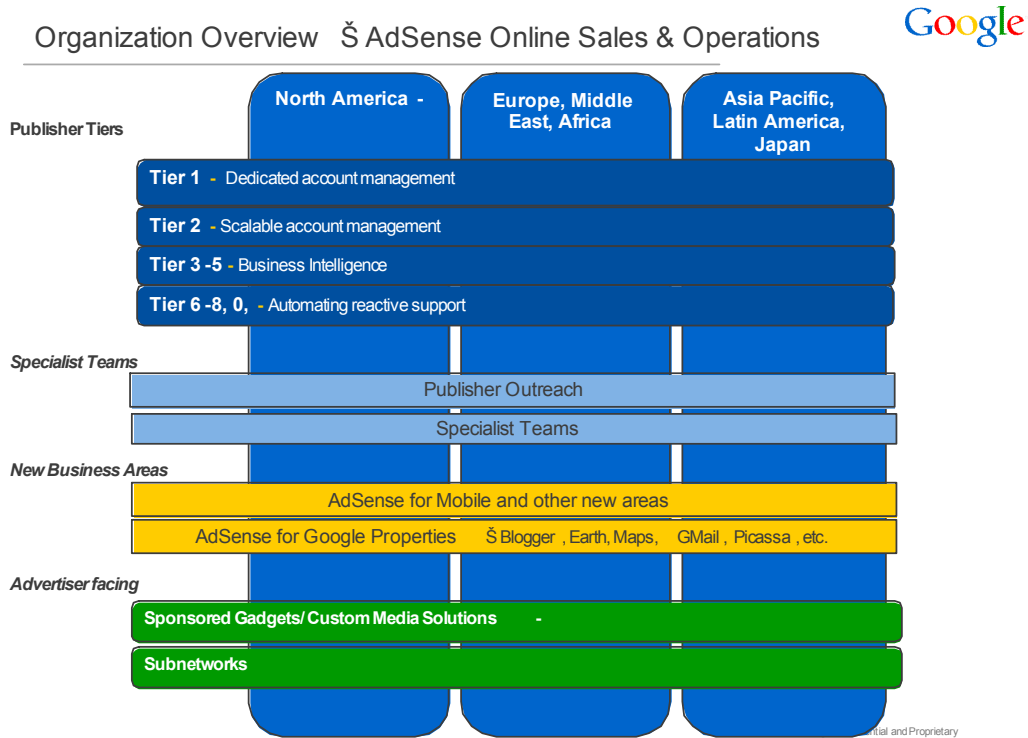
Mobile

- Mobile
- Dodgeball

Source: Google company website.

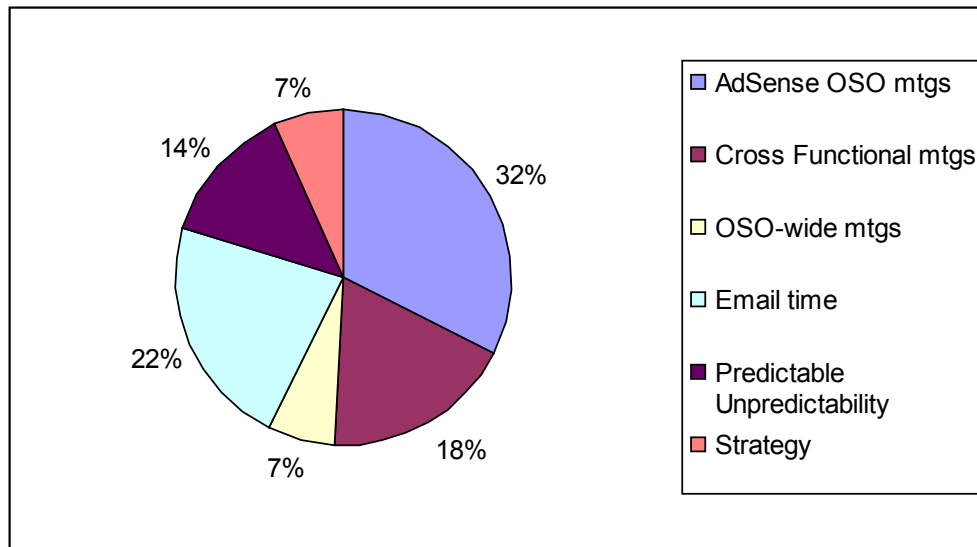
Exhibit 7 AdSense Online Sales and Operations Organizational Chart

Scott structured her organization more like a network than a hierarchy. Each team owned a key aspect of the business, collaborating across regions. For example, Tier 1 focused on providing world-class account management to the largest publishers, and operated as a global team. The Tier 1 team shared best practices and grew AdSense revenue; at the same time, the regional team managed issues specific to the regions.



Source: Google.

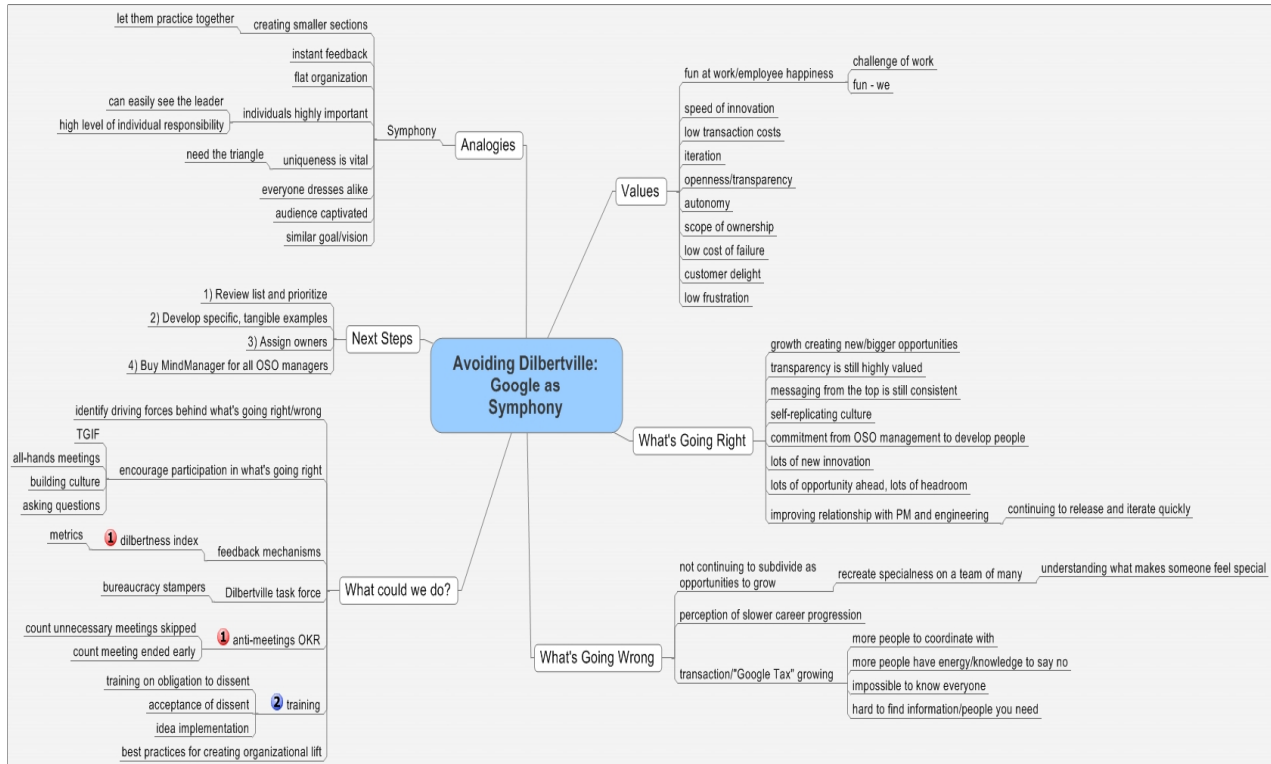
Exhibit 8 Scott's Time at Work – Breakdown by Activity



Source: Google.

Note: OSO = Online Sales and Operations.

Exhibit 9 Slide from Scott's Avoiding Dilbertville Presentation



Source: Google.

Endnotes

¹ "Google's Targeted Keyword Ad Program Shows Strong Momentum with Advertisers," Google press release, August 16, 2000.

² http://investor.google.com/fin_data.html, accessed January 2008.

³ http://investor.google.com/ipo_letter.html, accessed January 2008.

⁴ Google, Inc., 2006 Form 10-k, p. 1.

⁵ Kevin J. Delaney, Robert A. Guth, and Matthew Karnitschnig, "Microsoft Makes Grab for Yahoo," *The Wall Street Journal*, February 2, 2008, p. A1.

⁶ "Google Corporate Philosophy," <http://www.google.com/corporate/tenthings.html>, accessed April 2008.

⁷ "Google 2007 Founders' Letter," http://investor.google.com/2007_founders_letter.html, accessed April 2008.

⁸ "Letter from the Founders," Google S-1 statement, August 18, 2004, http://investor.google.com/ipo_letter.html, accessed February 2008.

⁹ Katie Hafner, "Google Options Make Masseuse a Multimillionaire," *The New York Times*, November 12, 2007, <http://www.nytimes.com/2007/11/12/technology/12google.html>, accessed February 2008.

¹⁰ "Google 2005 Founders' Letter," http://investor.google.com/2005_founders_letter.html, accessed February 2008.

¹¹ Katie Hafner, "New Incentive for Google Employees: Awards Worth Millions," *The New York Times*, February 1, 2005, <http://query.nytimes.com/gst/fullpage.html?res=9B06EFDD123BF932A35751C0A9639C8B63>, accessed February 2008.