

## Google: searching for value

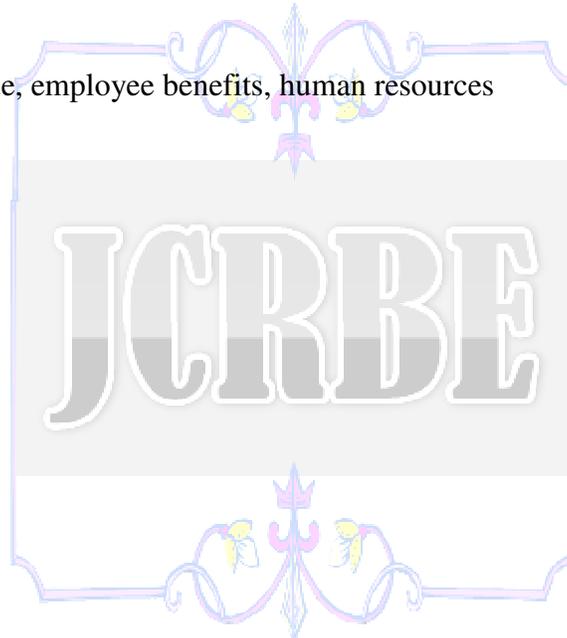
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### ABSTRACT

Google is a company well known for providing a unique work environment for employees that provides plenty of benefits. However, these benefits come at a significantly higher cost structure. Are these costs worth it? How does providing value to the employee also provide value to the firm and to the customer? Can employee value be sustained during recessionary times?

Keywords: Google, value, employee benefits, human resources



## Introduction

The Google search engine has become so popular that it is now listed as a verb in the dictionary (Merriam-Webster 2009). The American Dialect Society members voted “Google” as the most used word of the year 2002 (Google, Google Milestones, 2009). Co-founded by Larry Page and Sergey Brin while students at Stanford University, Google was incorporated as a privately held company in 1998 (Google, Google Milestones, 2009) and is a textbook example of modern ‘employee-centric’ policies and benefits. Google has come a long way from its modest beginnings as a university project called the Backrub (Google, Google Milestones, 2009) to a billion-dollar company; but they have retained the collegiate vision of creative campus-like corporate environs and unparalleled employee perks and benefits throughout this phenomenal growth. The corporate headquarters of Google - Googleplex is located at Mountain View, California and has been a favorite download on YouTube displaying the cornucopia of hard-to-believe fringe benefits the company boasts. Google currently has offices in 14 states and in 36 different countries worldwide, including Australia, India, China, Mexico, Denmark, Finland, Israel, Turkey, and United Arab Emirates (Google 2009).



Google has a wide variety of products and services like web search, image search, and product searches to blogs, online translations, document sharing and remains on the cutting edge of information technologies and services. Millward Brown Optimizer’s Brandz ranks the 100 most powerful brands in the world, and Google has been in the top ten since 2006 and has the position of the most valuable and powerful brand for the years 2007, 2008, and 2009 (Optimer, 2009).

## Google Company Culture

Google is a high-energy, fast paced work environment (About.com, 2009). Google employees (called Googlers, in Google's jargon) work hard, yet have fun at the same time. The Mountain View, CA headquarter has a college campus-like environment where the virtues of creativity and innovation are extolled. Google uses its corporate servicescape and corporate culture and and climate to create an informal ‘value-added’ environment (Murari, 2004). In Googleplex People’s workspaces are full of individuality, and the atmosphere is relaxed. There is neither dress code nor formal daily meetings (Lashinsky, 2007a). Googlers can play beach volleyball, foosball, videogames, pool tables, table tennis, or even roller hockey on the campus, which makes this young population feel like they are still at a college campus rather than being in an office.

Google instills in its employees the credo that it isn’t about the money- rather that theirs is a lifestyle that breeds innovative superiority over the competition. They portray themselves as a company that works towards changing the world through teamwork and creative involvement. Employees feel proud to be part of such a venture and they take immense pleasure in being a part of the brand. Co-founder Sergey Brin says that the fact that Google is fairly engineering-centric has been misinterpreted to mean that somehow the other functions are less important- rather it is the innovative employee that is the bedrock of the culture (Lashinsky, 2007a).

Employee Resource Groups (ERGs) provide valuable feedback on Google's HR programs and policies. This program provides valuable opportunities to grow personally and develop professionally (Google, The Best Place to Work, 2009). It is also interesting to note that Google has many international communities that help them communicate across the organization, as well as Gayglers (the lesbian, gay, bisexual, and transgender [LGBT] affinity network), and Greyglers (Googlers over 40 years old) (Google, The Best Place to Work, 2009).

Googlers proudly say they work for the best company in the world (Murari 2004) and that they are a part of something important and believe the work they do is remarkably satisfying (About.com, 2009). Rather than describing their work as "coding" or "selling ads," they claim they are "organizing the world's information and making it universally accessible and useful" which is the company's mission statement (Murari 2004).

## Google Benefits

Google provides its employees a wide range of benefits to make sure that employees are satisfied and are loyal to the company. These benefits include:

- **Free Food (Gourmet Cafeterias & Snack Rooms).** Google offers free gourmet meals to all its employees at any of the company's 11 gourmet cafeterias, at its Mountain View and New York campuses as well as satellite offices. The rule at Google is that no staff member should ever be further away than 100 feet from a source of food (Lashinsky 2007b), so various snacks, fresh fruit and drinks are a stone's throw away.
- **Onsite Childcare Facilities.** Google offers child care service in its Mountain View campus and also back-up child care to help California parents when their regularly scheduled child care falls through (About.com 2009).
- **Healthcare Services.** Google provides 100% health care coverage for its employees and their family. In addition on-site physicians and dentists are available at Mountain View and Seattle campuses (Google.com 2009).
- **Transportation Services.** Google operates free, Wi-Fi-enabled shuttle services to several San Francisco, East Bay, and South Bay locations (About.com 2009).
- **Laundry & Dry Cleaning Services.** Employees can do laundry for free in company washers and dryers and also drop off dry cleaning in the Mountain View campus (Google.com 2009).
- **Sport Facilities.** Google Mountain View campus contains a swimming pool, beach volleyball court, a climbing wall, running trails. Employees can work out in the gym, attend subsidized exercise classes, and get a professional massage (Google.com 2009).
- **Pets Allowed.** Google is very unique in its policy that allows employees to bring their pets to work on condition that pets are reasonably well behaved and house trained. However, the pet will have to be taken home upon the first complaint (Cosser 2008).
- **20% Creative Time Program.** Google encourages all of its engineers to spend 20% of their work time on projects that interest them. This program not only makes engineers enjoy what they do and keeps them challenged, but also provides some good business opportunities for the company. Gmail, Google News, Orkut, and AdSense are Google services that were all started as individual projects (About.com 2009).
- **Environmentalism.** Google is very enthusiastic about environmental conservation and makes every effort to be as energy efficient as possible (Cosser 2008). Google subsidizes

employees who buy hybrid or electric cars and who install solar panels in their homes (Google.com 2009).

- Numerous Holidays and Leave Days. Googlers can get 25 leave days and 12 holiday days a year. New mothers get 18 weeks of paid maternity leave and new dads get 7 weeks of paternity leave (Google.com 2009).
- Other Services. Google Mountain View campus also includes services such as hair dressing, car wash, and oil change. The company also offers its employees personal development opportunities like foreign language classes (Google.com 2009).

In an effort to maintain the company's unique culture, Google has designated a Chief Culture Officer in 2006, who also serves as the Director of Human Resources. The purpose of the Chief Culture Officer is to develop and maintain the culture and work on ways to keep true to the core values that the company was founded on in the beginning—a flat startup organization with a collaborative environment (Mills, 2007).

### **Google is Not Perfect**

Google has succeeded in attracting the best talent by offering them some outstanding benefits and an extremely fun and unique working environment. Employees have been known to completely sever ties with their previous company to join the Google bandwagon. But all is not well in Googleplex. After all the effort and expense, there is no guarantee that Googlers will remain with the company. Outside research indicates that almost none of the APMs (Associate Product Managers) see themselves at the company in five years (All, 2007), and there have been several articles and web-sites devoted to a growing number of unhappy and ex-employees. The following are some drawbacks of Google, from the point of view of ex-employees who were unhappy enough to resign (Arrington 2009).

- Long work hours. It is not unusual to see an engineer in the hallways at 3 a.m. discussing a project with his colleagues. This after-hours activity is one way the company justifies the expenses of benefits (Lashinsky 2007b); but has been criticized as a 'constantly on the clock' culture- where 60-hour work weeks are common.
- Low pay. Most Google employees have base salaries that are significantly lower than the industry average, even when those base salaries are supplemented by stock options (About.com 2009).
- Unstructured Work environment. Many employees find the work environment far too much fun and perhaps even an 'overload' of happiness. Most workers are able to find their focus and sanctuary at work, but for some, a more professional and structured work environment is necessary (Arrington 2009).
- Lost in the crowd. With more than 20,000 + people working for Google, some people feel their ideas are lost in the crowd. It is a highly competitive environment with everybody trying to make the next "in" thing (Hardy 2007).
- Poor management. Not everybody in management boasts a 'fun' attitude. Some people might try to bring structure in their working styles. People who expect a more open and friendly environment might not appreciate that kind of structure. Also, Google's hiring process has been a disappointment to many people. It is said to be painfully long and arduous (Arrington 2009) with applicants suffering through as many as a dozen interviews and nine months of hiring process.

- Unfair reward structures. Page and Brin gave "Founders' Awards" in cash to people who made significant contributions. The idea was to replicate the windfall rewards of a startup, but it backfired because those who didn't get them felt overlooked. Google rarely gives Founders' Awards now, and awards are limited to executives, not all employees (Hardy 2007).

**Costs vs. Benefits**

Google’s operating costs exceed \$1.5 billion per quarter (Kafka 2009). Payroll-related benefits account for about 50% of revenue, which is very high compared to other firms in Google’s industry sector (Kafka, 2009). Food expenses alone exceed \$63 million for just its US employees per year (Mergent Online 2009), which translates into \$5,000 per year per employee (Sridharan, 2008) per year. Google has been subsidizing employee childcare to the tune of \$37,000 per child (Young, 2008).

Why do companies like Google spend so much money for these kinds of benefits? Every company has to measure the cost of benefits compared to the increase in productivity and efficiency of the organization. The goal is to have the best people in the right jobs and to have low turnover (Your People Professionals, n.d.). The assumption is that satisfied employees equates with satisfied customers and enhanced firm profitability and market share (Berry, 1999; Andersen & Mittal, 2000). Google has always correlated its success directly to employee satisfaction. Google has considered its employees their main asset and the employees have responded very well to this philosophy (Goo 2007). Basic people management practices including selective hiring, employment security, reduction of status differences, benefits and compensation provide high performance have resulted in increased productivity, innovation and cost reduction (Pfeffer 1998); Google's benefits and corporate culture contribute to this success (Pfeffer n.d.).

Every year, Fortune Magazine reveals the “Fortune 100 Best Companies to Work For” list. In preparing the list, the magazine relies on two criteria: the culture and the policies of each company and the opinions of the company's own employees. Employee responses constitute the two-thirds of the total score, and the remaining one-third of the score comes from Fortune's evaluation of each company's benefits, compensation, and culture (Inc, 2009). Google took over the first place in Fortune’s “Best Companies to Work For” list from Genentech in 2007. Genentech is the only biotech company which has appeared on Fortune’s list for eleven consecutive years, but more important than that, Genentech is the company Google has chosen as their role model for culture building (Lashinsky, 2007). Google topped the Fortune’s list in 2007 and 2008. In 2009, however, the company slipped to number four (CNNMoney.com 2009).

TOP 100 Most Valuable Global Brands 2009			
#	Brand	Brand Value 09 (\$M)	% Brand Value Change 09 vs. 08
1		100,039	16%
2		76,249	8%
3		67,625	16%
4		66,622	20%
5		66,575	34%

Another way to measure the value employees give to the firm is their productivity rate, which can be translated into profit

per employee. Google had \$209,624 in profit per employee in 2008, beating all other large tech companies in the sector, including big hitters like Microsoft, Apple, Intel and IBM, and competitor Yahoo! (at \$31K per employee) (Pingdom 2009).

Brand value and equity is an extremely important virtue in today’s competitive world. The brand value of company represents its value in the market. Beyond building customer loyalty, successful brands have the power to enter the customer unconscious, weaving their way into the fabric of everyday life (Seddon, 2009), becoming cultural and social icons. Google was rated the number one brand in the world for 2009 (See Table) (Milward Brown Optimer 2009).

**Google in Recessionary Times**

The recession has kicked in and no firm is spared from the effects of it, even a company that seems as insulated and cutting edge as Google (Weber 2007, Masnick 2009). As a result of the challenging financial times, Google has tried to cut down on some of its benefits to better manage costs. In 2008 they announced a price increase of their in-house day care to charge employees 75% more, but this news did not go down well with employees who had children and relied on the service, and stories of Google parents actually weeping at the news appeared on blogs (MM 2008). Google has since decided to more slowly phase in the cost adjustment over the next two years. Google continues to trim down “frivolous” expenditures, like bagels on Monday, to reduce costs (Pentilla 2009).

Google had set the standard for extravagance in holiday blowout bashes. In 2007, about 10,000 people attended the company's party at the Shoreline Amphitheater, near Google headquarters in Mountain View, California (Strott 2008). Now the company is part of the trend toward more economical celebrations. The company will host smaller, more-team-focused parties within its departments, including volunteer activities, museum visits and smaller dinner events, a company spokeswoman said (Strott 2008).



Companies that place workers at the core of their strategies produce higher long-term returns to shareholders than their industry peers, according to a recent study (Huselid, Becker, Beatty 2009). Based on the survey conducted in a sample of 3452 firms representing all major industries, one standard deviation increase in high-performance work practices is associated with \$18,641 and \$3,814 more in market value and profits, respectively (Huselid, Becker, Beatty 2009). When Google began cutting employee perks in 2008, its employee productivity and stock prices both fell (Yahoo Finance 2010). Google responded in early 2009 by reducing its number of employees for the first time since its August 2004 initial public offering, and stock prices rebounded.

Google has already dismissed 140 employees in 2009 and plans to lay off 200 more workers (Helft 2009). This strategy, along with significantly decreasing new hires is obviously an unexpected shock to the Googlers and may affect productivity negatively.

Google presents an excellent case study for students about to graduate in many business disciplines. An analysis of this unique firm allows students to discuss the relationship between gaining and retaining outstanding and innovative employees with competitive market advantages, creating customer value, and balancing profitability. In viewing Google as a cutting edge technology company, students discover the need the firm has to garner technologically savvy employees. As graduates, they are themselves drawn to the benefits and perks the firm offers. On the other hand, as business students, they are challenged to understand all the costs associated with this unique strategy. The recent recession further sharpens the analysis as students must balance realistic costs against the potential creative gains from this strategy. Below are discussion questions utilized in marketing, management, and entrepreneurship classes that have been used in analyzing Google:

### **Discussion Questions**

1. What are the top things you look for in a potential job offer?
2. What do you think about Google as a work place? Would you work there?
3. How does the workplace environment benefit or distract the employees' focus and creativity?
4. Do Google's benefits and perks attract employees more than the other traditional companies?
5. Assume that you are working with Google and you are paid a salary of \$70K per year. The industry average for your profession is \$75K per year. You are offered a position with a competitor company who is willing to pay you \$85K per year, but without perks. Would you prefer to stay with Google or accept the new offer?
6. What else would employees expect from Google?
7. What can Google do to counter recessionary times and still retain their corporate culture and employee loyalty? Develop creative strategies that save the firm money; yet retain the innovative spirit of the firm.
8. As a result of the recession, if Google decides to charge a modest fee for services like company carwashes, child care, medical services, or laundry services, would you still want to work for Google? Which services would you prefer to be cut? Are there other options?

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