

Google grows on people

Bottom-up leadership and minimalist management inspire innovation

How do companies organize for successful innovation in periods of rapid change? In 2010, only 12 years after it started, Google was generating almost US\$30 billion in annual revenue. By 2011, it was the world's most valuable brand. This success was based on a stream of new and innovative products - some acquired, but many developed in-house. Can Google's experience reveal organisational characteristics essential for continuous innovation? And will other firms be able to copy their approach?

Faced with this question, researchers decided to ask the company directly. Google proved very willing to talk about their success and how the business works, giving them unprecedented access. Face-to-face interviews with 28 Google employees covering a range of functions and product areas were held over an eight-month period in 2010. Most people were based at the company's headquarters at Mountain View, the remainder in Europe, Asia or elsewhere in the USA. The sample included two non-managers and two vice presidents - the remaining interviewees were all at director level.

Being "Googley"

Google is known for creating new products and entering new business areas. In open-ended discussions, these individuals ranked seven organisational elements in order of importance for innovation at Google. Innovativeness here means success in launching new products and business models – but not necessarily success for all market launches.

These "Googlers" ranked culture and the strength of Google's people jointly as the most important factors behind its success, with shared beliefs, values, norms and priorities crucial for innovativeness. From the outset the company's founders wanted to change the world – organising information and making it universally accessible and useful. Google has had a Chief Cultural Officer since 2005, with culture teams worldwide to see that it stays true to its core values.

Most people interviewed saw individuals – their talents and diversity – as the key factor in Google's innovativeness. The hiring process identifies prospective employees by asking questions on:

- cognitive ability;
- role-related knowledge;
- leadership; and
- the ability to be "Googley" – acting according to the company's values.



Leadership encourages and sustains innovation

After culture and individuals, the most important influence on Google's innovativeness was the quality of its leaders. Some saw the company as mainly self-organised, while others considered leadership important for creating an environment in which creative individuals can excel. All agreed on the characteristics of good leaders, who would:

- act as cultural ambassadors and connectors;
- quickly absorb and diffuse in information to their team;
- serve as facilitators in the innovation process;
- empower, trust and support employees in new projects; and
- minimize obstacles to innovation.

So leaders should set the vision and direction for their teams and make the team's role clear in the organization – bottom-up leadership in parallel with the overall direction from top management.

Internal infrastructure needs to be flexible

After culture, individuals and leadership, Google insiders rated three aspects of internal infrastructure as important:

1. organization;
2. the performance and incentive (P&I) system; and
3. organizational learning.

Google believes that innovations only flourish with a degree of flexibility and freedom. So they have an open, flat structure, a thin layer of management and a very productive workforce. The balance between structure and chaos is managed by using heuristic rules to back up essential organizational processes. With organizational values such as "openness" and "share as much as you can", these rules of thumb support and speed up innovation.

The P&I system uses key performance indicators, evaluation processes and awards that recognise and reward creative people. But respondents saw the real motivation for innovation as:

- the possibility of developing world leading solutions;
- working with talented colleagues on technically demanding assignments; and
- the chance to put forward and develop your own ideas.

According to the interviewees, organizational learning has more to do with improving current products and processes than with new innovations. Maybe this is why it took Google some time to treat social media as a focal development area. Even so, virtual cross-functional or cross-product teams meet every week to share and exchange knowledge. And in the engineering function it is a regular work practice to test new products or features on team members, employees or customers. The company aims to have a rapid innovation cycle, launching new concepts quickly and seeing what works and what does not before improving

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and iterating once more. Google keeps 50 different development units close to markets around the globe, which also enables rapid learning.

The whole organization becomes an innovation system

External interaction with customers, suppliers and researchers or personal networks mattered least to interviewees as an innovation driver. Even so, Google co-operates with leading university researchers and has its own venture capital business and spin-off process. An aggressive acquisition strategy helps to balance the focus on internal innovations – and in a rapidly growing company, increasing employee numbers necessarily brings in new ideas.

So organising for continuous innovation can be represented as a dynamic and open corporate system for innovation, with five main building blocks:

1. Key drivers: an innovation-oriented culture, with competent and committed individuals with a passion to innovate.
2. Facilitators: empowering and coaching leaders who remove obstacles to innovation.
3. Hygiene factors: a semi-structured organization; an innovation-oriented performance and incentive system; and continuous learning. These factors can support innovative behaviour, or inhibit it if you get things wrong.
4. Foundation: a top management and board who expect and encourage change.
5. Knowledge transfer: achieved through open innovation and cooperation, together with external interaction, spin-offs and acquisitions.

Google has grown quickly from a start-up to a very large company. The company was founded in the expectation of change, has an active acquisition strategy and recruits competent, committed individuals who are eager to innovate. To make this work – and keep on working – demands greater flexibility than many companies achieve. As the main revenue-generating business moves towards maturity, Google will have the added challenge of balancing its organizational requirements against those of other areas that are more like start-ups. Whether the current culture and emphasis on constant renewal can continue to support high levels of innovation in an even bigger company remains to be seen. As does whether other organizations are able – or indeed want – to copy Google’s approach to continuous innovation.

Keywords:

Google,
Innovation,
Organizational design,
Employees attitudes,
Organizational culture,
Product innovation

Comment

This review is based on “A corporate system for continuous innovation: the case of Google Inc.” by Annika Steiber and Sverker Alänge. With unprecedented behind-the-scenes access, the researchers compiled an account of the factors that people within the company considered were important to Google’s ability to innovate. Comparing this with earlier research on the organisational characteristics that support continuous innovation they reveal significant differences, which suggests considerable scope for further research in this area.

Reference

Steiber, A. and Alänge, S. (2013), “A corporate system for continuous innovation: the case of Google Inc”, *Journal of Innovation Management*, Vol. 16 No. 2, pp. 243-264.

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