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GOOGLE INC.: NOT JUST A SEARCH ENGINE, BUT AN ENGINE OF STRATEGIC PRODUCT DIVERSIFICATION AND EXCELLENCE IN CORPORATE STRATEGY

Dr. Shaju George*

Abstract: *A company is often known by the products and services it offers. However the product portfolio is often the result of well carved out strategies. Strategies of the company are very crucial for the long term growth of a company and also to remain competitive over a long period of time. It is a direction chosen by the company with a long-term aim to enhance its competitive position and profitability of the company. A good strategy not only helps the company to achieve its goals but also leads organizations to sustainable competitive advantage. The product portfolio of a company plays an important role in the success of an organization. The study incorporates a rigorous and systematic effort to uncover the strategies and its impact on the company's performance by analyzing case studies of Google Inc. and the annual report of the company. The study incorporates the Business Model, Strategic focus and Competitive advantage of Google Inc. This study aims to identify Google's product portfolio and also investigate the main factors and forces behind Google Inc.'s sustainable competitive advantage. The findings of the study indicate that the diversified product portfolio and excellent corporate strategies of Google are primarily responsible for its success as a global IT company. It is also interesting to find, how a number of products and services collectively make Google the most preferred search engine. The study also identifies Google's main competitors and highlights competitive advantage of Google Inc.*

Key words: *Strategy, Sustainable Competitive Advantage, Product Portfolio, Strategic Diversification.*

*Assistant Professor, Department of Management & Marketing, College of Business Administration, University of Bahrain, Kingdom of Bahrain.

INTRODUCTION

A company is known by its products and services it offers and the success of a company largely depends on the products it offers to its end customers. Hence a company's product portfolio along with its corporate strategy plays a very important role in the success of a company. Strategy guides a company in scanning the environmental forces affecting the business and its response to these forces. It is a deliberate path taken by the company with a long-term aim to enhance its competitive position and profitability of the company. A good strategy helps the company to achieve its goals. Strategy is about the most crucial and key issues for the future of organizations. Strategy is also important to explore several options, probing each one carefully before making choices. Strategy matters to all organizations without many exceptions and to everybody working with these organizations. Strategies can exist in 3 main levels i.e. Corporate Level, Business Level and operation level (Johnson, Whittington, & Scholes, 2011).Four of the dependable strategic approaches are striving to be a low cost provider, creating a differentiation based advantage, focusing on a narrow niche and developing expertise and resource strength that remains unmatched by rivals. A winning Strategy is expected to match the company's external and internal situation, build sustainable competitive advantage and improve company performance**.** When strategies fail, it is mainly because of poor execution. Hence the appropriate actions for strategy implementation are very crucial for the success of a strategy. The ability of a company to bring together a talented management team with the right experiences, skills, and the abilities to get things done is fundamental to successful strategy execution(Thompson, Peteraf, Gamble, & Strickland III, 2012).The essence of organizational strategy is to choose one strategic position that it claims as its own or is unique. A strategic position represents the company's targeted customers, its products and services and its efficiency(Markides, 1999). Corporate Strategy, business strategy and functional strategy are the three basic forms of strategies(Henry, 2011).

REVIEW OF LITERATURE

Strategy Defined

A strategy is an integrated and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage. (Ireland, Hoskisson, & Hitt, 2012). A company's strategy consists of all the competitive actions and business approaches employed by mangers to grow the business, attract and please customers, compete successfully, conduct operations and achieve the targeted levels of organizational performance. The company's strategy evolves overtime and is a combination of proactive and reactive strategies(Thompson, Peteraf, Gamble, & Strickland III, 2012)

Strategy isa purposefully developed plan, a ploy to outmaneuver competitors, a pattern in the course of actions taken, defined position in the context of competitors & market and a perspective of the business environment(Mintzberg, 1987).Johnson, Whittington, & Scholes (2011) define Strategy as a long term direction of an organization which implies a more comprehensive and inclusive view. Firstly, the long-term direction of an organization can include both deliberate, logical strategy and more incremental, emergent patterns of strategy. Secondly, long-term direction includes both strategies that emphasize difference and competition and strategies that recognize the roles of cooperation and even imitation among organizations.

Competitive strategy is about being unique or different. It involves deliberate attempts to choose a set of activities to deliver a unique mix of value to the customers(Porter, 1996).Strategy can be viewed as the organization's match between its internal capabilities and its relationship with different stakeholders. Strategy is the organization's ability to use analytical techniques in order to understand the external environment and thereafter influence its position in the market (Kay, 1993).

STRATEGIC DIVERSIFICATION PERSPECTIVES

Product diversification deals with the scope of the markets and industries in which the firm competes (D.D.Bergh, 2001).Successful diversification is expected to bring in stability in a company's profitability as earnings are generated from various businesses (Wang & Barney, 2006).

Diversification varies according to the levels of diversification and its relationship between various businesses. One single and dominant business denotes relatively low level of diversification; whereas more diversified companies can be classified into related and unrelated diversification. Unrelated diversification refers to absence of direct links between businesses and related diversification is when its businesses share several links like technology and distribution channels (Ireland, Hoskisson, & Hitt, 2012).

Companies that are not diversified and focus on one or few business and markets are more likely to earn profits as they develop useful capabilities for these markets and can provide superior service to customers. Moreover there are very few challenges in managing one or few businesses, allowing them to gain economies of scale and efficient use of resources (Rumelt, 2011).

Growth of a company through concentric or related diversification strategy is more appropriate when the company has a strong competitive position but industry attractiveness is low (Wheelen & Hunger, 2012).The probability of succeeding by moving into a related business is function of a company's position. For companies in leadership position, the chances for success are nearly three times higher than its followers (Zook, 2004)

The company uses its distinctive competencies as a means of diversification. The company attempts to secure strategic fit in a new industry using its existing product knowledge, its manufacturing expertise and the marketing skills (Ilinich & Zeithaml, 1995)

When management realizes that the current industry is unattractive, the most likely strategy is conglomerate diversification by entering into an industry which is unrelated to the current one. This can prove to be a good strategy for a company that is able to transfer its own excellent management systems into less-well-managed acquired companies. The focus in conglomerate diversification is on sound investment and value–oriented management and not the product-market synergy as in the case of concentric diversification. A company which is cash-rich and has very few options to grow in the existing industry can adopt conglomerate or unrelated diversification. General Electric and Berkshire Hathaway are good examples of conglomerate diversification (Wheelen & Hunger, 2012).

Research proves that companies following related diversification strategy perform better and survive longer than companies following concentration strategy (Bercovitz & Mitchell, 2007). It is also found that if the new business gives the company access to new resources and capabilities in a different, but similar, business, the chances of a significant performance improvement is high (Palich, Cardinal, & Miller, 2000). Research concludes that the companies growing through acquisitions do not perform financially better than companies that grow through internal sources (King, Dalton, Daily, & Covin, 2004).

Successful acquirers usually make small, low risk acquisitions before they takeover larger companies (Rovitt, Harding, & Lemire, 2004). Cisco prefers to acquire relatively smaller companies, comparable in organizational culture and physically close to one of the existing affiliates while deciding on the acquisitions (Vermeulen, 2001).

Related diversification strategy helps companies to create value at least in two ways, first by transferring core competence to the new business it eliminates the need for the new business to allocate resources to develop it and second, is resource intangibility, the unit receiving a transferred corporate level core competence often gains an immediate competitive advantage over rivals, as intangible resources are difficult for competitors to understand and imitate(Miller, Fern, & Cardinal, 2007).

Virgin Group Ltd transfers its marketing core competence across other businesses like airlines, cosmetics, music, drinks, mobile phones, and health clubs (Thottam, 2008). Honda has successfully transferred its core competence in engine design and manufacturing to its other businesses like motorcycles, lawnmowers, cars and trucks. Similarly, Johnson & Johnson and Walt Disney Co. have also successfully used related Diversification as a corporate level strategy through which they create economies of scope by sharing some activities and by transferring core competencies.(Volberda, Morgan, Reinmoeller, Hitt, Ireland, & Hoskisson, 2011).

Managers help in the transfer of corporate level core competence by transferring key mangers into new management positions. (Thang , Rowley, Quang, & Warner, 2007)

An unrelated diversification strategy can create value by efficient internal capital allocation and also by restructuring the acquired assets (Ng, 2007)

While choosing a strategy, firms make choices among various competing alternatives as a pathway for deciding how they will pursue strategic competitiveness. Hence the chosen strategy indicates what the firm will do and what the firm will not do (Ireland, Hoskisson, & Hitt, 2012).

OBJECTIVES OF THE STUDY:

1. To examine the product portfolio of Google Inc.
2. To study the Business Model of Google Inc.
3. To identify the strategies adopted by Google Inc.
4. To identify the competitive advantage of Google Inc.

METHODOLOGY

This study relies on secondary data mainly sourced from published books, case studies, annual reports and academic journals.

An examination of the strategies adopted is expected to reveal the strategic dimensions along with the firm's ability to sustain its competitive advantage.

The methodology adopted in this investigation can be described as the development of typology of case designs and the replication of logic which is essential to multiple case analyses (Yin, 1989).

This exploratory study is based on case studies of Google Inc. Archival data from company annual reports were also researched to gather information of the company.

COMPANY BACKGROUND

Overview

In 1996, Larry Page and Sergey Brin who were both students of Stanford University, created a web search engine called BackRub which later was changed to Google. Google was incorporated in 1998. In 2001 Eric Schmidt was appointed as the Chairman of Board of Director and CEO. (Archer, Dunphy, Carter, Ludwick, Nosack, & Qadeer, 2013)

Google is a global technology leader focused on enhancing the experience of millions of people who need information. Google's mission is to organize the world's information and make it accessible and useful throughout the world. Google's innovations in web search and advertising have made its website the most preferred choice of the users globally. The Google brand is one of the most recognized in the world; in fact Google is synonymous with searching information. Google's Motorola business is comprised of two operating segments. The Mobile segment focuses on mobile wireless devices and on the other hand; Home segment focuses on technologies and devices that provide video entertainment services to consumers.(Google Inc., 2012).

Business Model

Google's business model has evolved over the years, which now includes revenues beyond licensing fees. The development of keyword targeted advertising expanded its business model to include revenues from placement of highly targeted text-only sponsor ads adjacent to its search results (Gamble, 2012).

Google generates revenue primarily by delivering relevant, cost-effective online advertising. Various businesses use Google's AdWords program to promote their products and services with targeted advertising. In addition, the third parties that comprise the Google Network use AdSense program to deliver relevant ads that generate revenues and enhance the user experience. It also generates revenues from Motorola by selling hardware products. Google's business is primarily focused around the following key areas: search, advertising, operating systems and platforms, enterprise and hardware products. Most of AdWords customers pay on a cost-per-click basis, which means that an advertiser pays only when a user clicks on one of its ads. Google also offer AdWords on a cost-per-impression basis that enables advertisers to pay based on the number of times their ads appear on our websites and Google Network Members' websites as specified by the advertiser. Google shares the majority of the revenues generated from the ads of AdSense program with the Google Network Members that display the ads(Google Inc., 2012)

Google's business model made it possible for advertisers to bid on search terms that would describe their product or services on a cost-per-impression (CPI) or cost-per-click (CPC) basis. New initiatives and ventures is a growing priority for Google as it is important to sustain its very high rate of growth. (Gamble, 2012).Most of Google's revenues come from advertising through Google AdWords(Teye-Kofi, Mockler, & Gartenfeld, 2010). Google's strategy to focus on mobile market has also paid rich dividends. Android is an open –source (free) operating system. Google's strategy of providing excellent services to end users free of cost has helped them to retain their users. (Archer, Dunphy, Carter, Ludwick, Nosack, & Qadeer, 2013).

Competition

Google operates its business in an extremely competitive and dynamic environment.Google facesformidable competition in every aspect of its business, particularly from companies that facilitate information search and provide them with relevant advertising. Itparticularlyfaces competition from the following areas: Search engines, such as Yahoo and Microsoft's Bing, Vertical search engines and e-commerce websites, such as Kayak (travel queries), Monster.com (job queries), WebMD (for health queries), and Amazon.com and eBay (e-commerce), Social networks, such as Facebook and Twitter, advertising through mass media like TV, newspapers, etc., Mobile applications on various smartphones used for searching information, various providers of online products and services. Google competes to attract and retain users. It also competes to attract and retain content providers (Google Inc., 2012)

Google's growth initiatives undoubtedly took the company to great heights, but also led to competition with huge companies like AT & T, Microsoft & Apple Inc. (Gamble, 2012). Though, the main competitors of Google were MSN, Yahoo,and AOLthey soon lagged behind due to Google's supremacy in user loyalty and brand identity(Teye-Kofi, Mockler, & Gartenfeld, 2010).Google leaped ahead of Yahoo within 5 years of its operations and captured around 70 % of the market by 2009(Archer, Dunphy, Carter, Ludwick, Nosack, & Qadeer, 2013).

An overview of Google's diversified products and Services (Extracts from https://www.google.com)

- Web Search: Search billions of web pages
- Google Chrome: A browser built for speed, simplicity and security
- Mobile: Get Google products on your mobile phone
- Image Search: Search for images on the web
- News: Search thousands of news stories
- Docs: Open, edit, and create documents
- Translate: Instantly translate text, web pages, and files between over 50 languages

- Groups: Create mailing lists and discussion groups
- Blog Search: Find blogs on your favorite topics
- Scholar: Search scholarly papers
- Alerts: Get email updates on the topics of your choice
- Code: Developer tools, APIs and resources

Advertising	Publishing	Managing	Business essentials
AdWords AdWords Express Learn with Google Google Offers Google Partners	AdSense DoubleClick +1 Button Webmaster Central Website Optimizer	AdWords AdWords Express Learn with Google Google Offers Google Partners Chrome for Business Google Payments	Google+ for Business Google Ads Google Apps for Business Google Analytics

Source: (https://www.google.com.bh/about/company/products/, 2014)

STRATEGIES ADOPTED BY GOOGLE INC.

Expansion of Product Portfolio

Google consciously decided to expand its product offering which enhanced the experience of users. The addition of services like YouTube, Android operating system, Google Apps, Gmail etc has undoubtedly helped the company to retain its users and also to increase its reach to millions of users worldwide, overcoming all barriers (Gamble, 2012).

Google's new ventures into mobile devices, television search and cloud computing is considered as a natural extension of its mission and would allow the company to organize the world information on any device and in any way convenient to the user. Google expanded its website features beyond search functionality to include Gmail software, a web based calendar, web-based document and spreadsheet application, its Picasa Web photo albums and a translation feature that accommodates 51 languages. The company also introduced services for mobile phone users like Mobile Web Search, Blogger Mobile, Gmail, Google News and Maps for Mobile. (Gamble, 2012) .

Culture and Employees

Google has 53,861 full-time employees. All full-time employees are also equity holders, with significant collective employee ownership. Google shares very good relationship with its employees. Google's U.S. employees are not represented by labor unions. Competition for qualified employees in the industry is intense, particularly for software engineers, computer scientists, and other technical staff (Google Inc., 2012).

Google's main raw materials are technical proficiency and innovativeness of its employees. Google has very stringent standards for recruitment. It continuously recruits many people throughout the year. A team of recruiters screen the resumes, which are submitted online for further screening. Interviewing at Google can take months of grueling process. The company also organizes annual code jams where programmers from all over the world compete for cash prize. The winners are also offered a job.The key to Google's continuous success is its ability to set up appropriate administrative mechanism to successfully recruit good quality and technically proficient employees. The environment at Google is informal and round the clock free food, which encourages employee to work beyond stipulated office hours. Corporate hierarchy is not a deterrent to innovation and employees are involved in various functions. Google's hiring policy is aggressively non-discriminatory. It always emphasizes and gives preference to ability and skill over years of experience. As a result Google today has employees from various parts of the world with different backgrounds. Google also recruits local staff for its various offices throughout the world. As Google expanded its operations and grew, it continues to look for employees who are obsessed with creating search perfections and enjoy doing it. (Teye-Kofi, Mockler, & Gartenfeld, 2010).

Google takes great pride in their organizational culture. They encourage collaboration and creativity, and encourage the iteration of ideas to address complex technical challenges. Transparency and open dialog are considered to be very important to Google. Despite Google's rapid growth, they still cherish their roots as a startup company and give employees enough freedom to act on their ideas irrespective of role or function within the company. Google continuously attempts to hire the most talented employees, with diverse backgrounds and perspectives. Google provides an environment where these talented people can have fulfilling and meaningful careers working on some of the biggest challenges in technology, and have a strong, positive impact on the users of its products throughout the world (Google Inc., 2012).

Google's Human resource strategy has the following features: Google has a very stringent hiring policy and only employs exceptionally talented people, Google is a very flat and radically decentralized organization, it is highly democratic and employees are empowered at every level, Employees work in small self-managed teams and leadership within the team is rotated, Employees are continuously involved in rapid, low cost experimentation. The result of these strategies is a constant impetus towards creativity, innovation and entrepreneurial initiative which makes Google one of the most respected global companies (Hamel, 2010)

Sales and Marketing

Google continues to develop and grow its sales and support infrastructure. Google has 15,306 fulltime employees working in sales and marketing.The global sales and support infrastructure has specialized teams across vertical markets. Google brings businesses into the advertising network through direct, remote, and online sales channels, using technology and automation wherever possible to improve its customers' experience and to grow business cost-effectively. (Google Inc., 2012).

The main strategy in advertising sales is to deliver cost-effective, targeted, relevant ads that are useful to the end users (Archer, Dunphy, Carter, Ludwick, Nosack, & Qadeer, 2013). Google's brand is well known globally. Google's marketing, promotional, and public relations activities are designed to promote Google's brand image and differentiate it from competitors (Google Inc., 2012).

Research

Google aggressively continues to develop new products and services and to enhance its existing ones through research and product development and the licensing and acquisition of third-party businesses and technology. Google has 19,746 fulltime employees working in research and development. Google's investments in research and development were $3.8 billion, $5.2 billion, and $6.8 billion in 2010, 2011, and 2012, respectively, which included stock-based compensation expense of $861 million, $1.1 billion, and $1.3 billion, respectively. Google expects to continue to invest in building the employee and systems infrastructures needed to support the development of new products and services and to improve existing ones(Google Inc., 2012).

Intellectual Property

Google has over the years assembled a portfolio of patents, trademarks, service marks, copyrights, domain names, and trade secrets covering its products and services. Google's proprietary technology is not dependent on any single patent or copyright or groups of related patents or copyrights(Google Inc., 2012).

Strategic Alliances

Google's success in maintaining its competitive advantage is also due to its ability to maintain very strong and cordial relationship with internet users, advertisers and websites. It is world's most-visited internet site (Gamble, 2012)Google entered into an agreement with Arris Group, Inc. and certain other persons providing for the disposition of the Home segment in 2012. Google is working closely with the Open Handset Alliance, a business alliance of more than 75 technology and mobile companies, (Google Inc., 2012). In 2009, Google entered into agreements with Acer, Hewlett-Packard and Lenova to produce netbooks that would allow use the Chrome OS AND Chrome browser to access. As a result Google's worldwide Browser market share increased substantially. Google also entered into strategic alliances with Intel, Sony, DISH Network, Logitech and other companies to develop the technology and products to launch Google TV (Gamble, 2012).

Mergers and Acquisitions

Google used its huge cash reserves to make strategic acquisitions which could enhance their ability to develop new internet applications. Google Earth was introduced in 2005 after the company acquired Keyhole, a digital mapping company which allowed users to search and view satellite images of any place in the world. Google also acquired Applied Semantics in 2003, Picasa Inc a digital Photo Management company, YouTube in 2006, Adscape which producer of in-game advertising, DoubleClick in 2007, JotSpot in 2008. (Gamble, 2012).

The main aim of Google's multiple acquisitions since its 2004 IPO and its research and development activities is to increase the company's dominance in internet advertising. Acquisitions undoubtedly helped the company to diversify its internet advertising, however, not all acquisitions and innovations have resulted in meaningful contribution to the company's revenues. Google's strategy to dominate internet advertising also helped them to be the top search engine through the world(Gamble, 2012).

Google has made more than 142 mergers and acquisitions since its inception including Nest and Impermium in January 2014. Its largest acquisition was Motorola Mobility a mobile device manufacturing company, for $12.5 billion on 15th August 2011. Many Google products originated as services provided by companies that Google has since acquired. (http://en.wikipedia.org/wiki/List_of_mergers_and_acquisitions_by_Google, 2014).These strategic acquisitions enabled Google to transform itself from just a small and simple search engine company to a massive web enterprise today (Archer, Dunphy, Carter, Ludwick, Nosack, & Qadeer, 2013).

Google's Strategic focus

When competitors were focusing and spending millions on building a brand, Google focused on constantly developing a better search engine. Google continuously worked hard to achieve objectivity, global access, user friendly products, right information, multiple access platforms and also improving the web. Google increased its capital spending towards these areas which resulted in appropriate infrastructure, better and easy to use products increase in traffic, attracted more advertisers. Google's strategy to focus on mobile market has also paid rich dividends. Android is an open –source (free) operating system. Google's strategy of providing excellent services to end users free of cost has helped them to retain their users. (Archer, Dunphy, Carter, Ludwick, Nosack, & Qadeer, 2013).

Google's management focused on continued growth as a leading internet search company as well as striving to further expand beyond. Google also want to diversify itself to remain an enduring entity. The company also wants to develop its international reach. (Teye-Kofi, Mockler, & Gartenfeld, 2010).

Google's Competitive Advantage

Google consistently utilized its core competencies to challenge the strategies of world's leading technological companies. Google's ability to provide services to end users free of charge and through various platforms also is its competitive advantage. The search services are available in more than 130 languages and Google owns over 160 localized country / regional domains. Google's Android has made a remarkable increase in market share by often providing better features than its competitors. (Archer, Dunphy, Carter, Ludwick, Nosack, & Qadeer, 2013). Google's search based ads are priced using auction system and allows advertisers to pay only the rate quoted by the next highest bidder, and on cost-per-click basis, which makes it cost effective and cheaper (Thompson, Peteraf, Gamble, & Strickland III, 2012).

Google participated in the bidding of Federal Communication Commission's auction of 700MHz wireless spectrum. The interesting feature was that Google had no desire to win the auction. Google lobbying ensured that whoever developed the portion of spectrum will have to allow users to download any software application and use it on any mobile device on that wireless network. Ultimately AT & T and Verizon won the auction, bidding a total of $16 billion. However the real winner was Google as it would be able to offer its Android system and mobile internet services without any cost, while AT & T and Verizon will bear the cost of developing the 700MHz wireless spectrum (Grant, 2010).

Google's main strength is the fact that it has established itself using excellent Internet search technology and it is way ahead of its competitors (Teye-Kofi, Mockler, & Gartenfeld, 2010).Google's success in maintaining its competitive advantage is also due to its ability to maintain very strong and cordial relationship with internet users, advertisers and websites. It is world's most-visited internet site (Gamble, 2012). Google's strategy of providing excellent services to end users free of cost has helped them to retain their users. (Archer, Dunphy, Carter, Ludwick, Nosack, & Qadeer, 2013). Google's main strength is its technically proficient and innovative employees (Teye-Kofi, Mockler, & Gartenfeld, 2010). Google's search engine is very easy to use and users remember Google whenever they need information.

Strategic Leadership

Google undoubtedly is the product of its strategic leadership. Chief Executive Officer, Co-Founder and Director (Principal Executive Officer) Larry Page, Executive Chairman, Eric E. Schmidt and Co-Founder and Director, Sergey Brin play a very important role in the management of Google, as well as the development of technologies, culture and the strategic direction of the company. These three leaders share the responsibility of determining the strategy and running the company. (Archer, Dunphy, Carter, Ludwick, Nosack, & Qadeer, 2013).

Google Inc.		
CONSOLIDATED BALANCE SHEETS		
(In millions, except share and par value amounts which are reflected in thousands, and par value per share amounts)		
	As of December 31, 2012	As of December 31, 2013
		(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$14,778	$18,898
Marketable securities	33,310	39,819
Total cash, cash equivalents, and marketable securities (including securities loaned of $3,160 and $5,059)	48,088	58,717
Accounts receivable, net of allowance of $581 and $631	7,885	8,882
Inventories	505	426
Receivable under reverse repurchase agreements	700	100
Deferred income taxes, net	1,144	1,526
Income taxes receivable, net	0	408
Prepaid revenue share, expenses and other assets	2,132	2,827
Total current assets	60,454	72,886
Prepaid revenue share, expenses and other assets, non-current	2,011	1,976
Non-marketable equity investments	1,469	1,976
Property and equipment, net	11,854	16,524
Intangible assets, net	7,473	6,066
Goodwill	10,537	11,492
Total assets	$93,798	$110,920
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$2,012	$2,453
Short-term debt	2,549	3,009
Accrued compensation and benefits	2,239	2,502
Accrued expenses and other current liabilities	3,258	3,755
Accrued revenue share	1,471	1,729
Securities lending payable	1,673	1,374
Deferred revenue	895	1,062
Income taxes payable, net	240	24
Total current liabilities	14,337	15,908
Long-term debt	2,988	2,236
Deferred revenue, non-current	100	139
Income taxes payable, non-current	2,046	2,638
Deferred income taxes, net, non-current	1,872	1,947
Other long-term liabilities	740	743
Stockholders' equity:		
Convertible preferred stock, $0.001 par value per share, 100,000 shares authorized; no shares issued and outstanding	0	0
Class A and Class B common stock and additional paid-in capital, $0.001 par value per share: 12,000,000 shares authorized (Class A 9,000,000, Class B 3,000,000); 329,979 (Class A 267,448, Class B 62,531) and par value of $330 (Class A $267, Class B $63) and 335,832 (Class A 279,325, Class B 56,507) and par value of $336 (Class A $279, Class B $57) shares issued and outstanding	22,835	25,922

Class C capital stock, $0.001 par value per share: 3,000,000 shares authorized; no shares issued and outstanding	0	0
Accumulated other comprehensive income	538	125
Retained earnings	48,342	61,262
Total stockholders' equity	71,715	87,309
Total liabilities and stockholders' equity	$93,798	$110,920

Source: (http://investor.google.com/earnings/2013/Q4_google_earnings.html, 2014).

Google Inc.

CONSOLIDATED STATEMENTS OF INCOME

(In millions, except share amounts which are reflected in thousands and per share amounts)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2012	**2013**	**2012**	**2013**
	(unaudited)			
Revenues:				
Google (advertising and other)	$12,905	$15,707	$46,039	$55,519
Motorola Mobile (hardware and other)	1,514	1,151	4,136	4,306
Total revenues	14,419	16,858	50,175	59,825
Costs and expenses:				
Cost of revenues - Google (advertising and other) (1)	4,963	6,253	17,176	21,993
Cost of revenues - Motorola Mobile (hardware and other) (1)	1,250	1,185	3,458	3,865
Research and development (1)	1,935	2,111	6,793	7,952
Sales and marketing (1)	1,751	2,126	6,143	7,253
General and administrative (1)	1,126	1,261	3,845	4,796
Total costs and expenses	11,025	12,936	37,415	45,859
Income from operations	3,394	3,922	12,760	13,966
Interest and other income, net	152	125	626	530
Income from continuing operations before income taxes	3,546	4,047	13,386	14,496
Provision for income taxes	639	666	2,598	2,282
Net income from continuing operations	2,907	3,381	10,788	12,214
Net income (loss) from discontinued operations	(21)	(5)	(51)	706
Net income	$2,886	$3,376	$10,737	$12,920
Net income (loss) per share - basic:				
Continuing operations	$8.83	$10.10	$32.97	$36.70
Discontinued operations	(0.06)	(0.02)	(0.16)	2.12
Net income (loss) per share - basic	$8.77	$10.08	$32.81	$38.82
Net income (loss) per share - diluted:				
Continuing operations	$8.68	$9.91	$32.46	$36.05
Discontinued operations	(0.06)	(0.01)	(0.15)	2.08
Net income (loss) per share - diluted	$8.62	$9.90	$32.31	$38.13
Shares used in per share calculation - basic	329,363	334,836	327,213	332,846
Shares used in per share calculation - diluted	334,977	341,003	332,305	338,809
(1) Includes stock-based compensation				

expense as follows:							
Cost of revenues - Google (advertising and other)	$101		$127		$359		$469
Cost of revenues - Motorola Mobile (hardware and other)	4		4		14		18
Research and development	364		482		1,325		1,717
Sales and marketing	130		159		498		578
General and administrative	109		130		453		486
	$708		$902		$2,649		$3,268

Source:(http://investor.google.com/earnings/2013/Q4_google_earnings.html, 2014).

RESEARCH FINDINGS AND THEORETICAL IMPLICATION

Google decision to expand its product offering enhanced the experience of users and undoubtedly helped to increase its reach to millions of users worldwide. Google generates revenue primarily by delivering relevant, cost-effective online advertising. Google shares very good relationship with its employees. Google's real assets are technical proficiency and innovativeness of its employees. Google has very stringent standards for recruitment. It always emphasizes and gives preference to ability and skill over years of experience. As a result Google today has employees from various parts of the world with different backgrounds and perspectives. Google has a rich and unique organizational culture. They encourage Transparency, collaboration, creativity, and teamwork at every level. The result of these Human resource strategies is a constant impetus towards creativity, innovation and entrepreneurial initiative which makes Google one of the most respected global IT companies. The main strategy in advertising& sales is to deliver targeted, relevant ads that are useful to the end users at a very low cost. Google's marketing, promotional, and public relations activities have helped to enhance Google's brand image. Google aggressively continues to develop new products and services and to enhance its existing ones through research and product development and the licensing and acquisition of other companies. Google continuously invests heavily in Research and Development. Google's success in maintaining its competitive advantage is also due to its ability to maintain very strong and cordial relationship with internet users, advertisers and websites. Google used its huge cash reserves to make strategic acquisitions which could enhance their ability to develop new internet applications. These strategic acquisitions enabled Google to transform itself from just a small and simple search engine company to a massive web enterprise today. Google focused on constantly developing a better search engine. Google's strategy to focus on mobile market has also paid rich dividends. Google's management focused on continued growth as a leading internet search company as well as striving to further expand beyond. Google consistently utilized its core competencies to challenge the strategies of world's leading technological companies. Google's ability to provide services to end users free of charge and through various platforms also is its competitive advantage. Google undoubtedly is the product of its leaders. Chief Executive Officer, Co-Founder and Director (Principal Executive Officer) Larry Page, Executive Chairman, Eric E. Schmidt and Co-Founder and Director, Sergey Brin play a very important role in the management of Google, as well as the development of technologies, culture and the strategic direction of the company.

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