

The successful business of google inc commerce essay



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The aim of this study is to explore the features of an organization that contribute towards successful technological innovations. We would use a case study approach to analyze the same, with company in focus being Google Inc.

We would use the book *Managing Innovation* by Joe Tidd and John Bessant as the base for our literature review. This would be supported by the following articles: *The Innovation Value Chain*, *The Ambidextrous Organization*, *Innovation Management in context: Environment, Organization and Performance*, *Managing Innovative R&D teams and Leadership* and *Innovation: Relations between Leadership, Individual Characteristics and the Functioning of R&D teams*.

The study showcases that there is no single 'best' structure that facilitates innovation. An organization needs to develop the most suitable 'fit' between the structure and the operating contingencies. There are numerous things that affect the innovative performance of the company and innovation should not be looked at in isolation but as a whole cross-functional system.

Literature Review and Case Study:

Tidd and Bessant (2009) state that an innovative organization needs to align itself with the external environment and build internal structures, processes and culture that enable innovation to flourish. Innovation depends on a range of factors and the innovation process should change itself with changes in the business environment. There is no single best measure of innovation and some indicators work well for certain sectors while others don't. In short, fostering innovation is a lot more complex than it sounds.

A set of components, which appear to be linked with success, have been drawn out by Tidd and Bessant (2009). Let us examine these components in greater detail.

Shared Vision, Leadership and the Will to innovate:

Leadership is perhaps the most critical ingredient in any successful company. Without this, an organization cannot move forward. Not everybody is able to recognize opportunities. Leaders need to have an alert mind to spot them and have the risk taking ability, ability to motivate others in the team and the will to innovate and exploit the opportunity. Stoker et al (2001) state that the role of leaders keeps changing according to different stages of innovation. The leadership style also keeps evolving, from being visionary at the initial stage and take the first step, to involving employees and then to facilitating self-managing teams. A leader has to exercise a style that fits not only the team, but also the environmental characteristics and individual characteristics of the team members. It has been observed that empowering people is directly related to the quality of work and it also enhances the loyalty of employees.

Top management's commitment and shared sense of purpose among the employees/team members are key features of a successful organization.

The founders of Google Inc., Larry Page and Sergey Brin, had the mission to organize the world's information and make it universally accessible and useful (Corporate Information). It is this mission of theirs that motivated them and provided them with the courage to take it forward. They struggled quite a lot to get initial funding to get the venture started (Casey, 2007). It

was due to their will and leadership qualities that Google took off and now adds value to the whole world.

Appropriate Structure:

If an organization wants to thrive, its structures and processes need to enable technological change. As innovation does not happen in isolation, smooth flow of information and cross-functional co-operation are required to foster innovation. An innovation is like a fragile flower that needs right kind of environment to flourish. It does not take long for a potentially great innovation to simply die out.

Tidd (2001) argues that complexity and uncertainty of the environment affects the degree, type, organization and management of innovation - the greater the fit between these factors, the greater the performance of the innovation. Organizational structures are influenced by the nature of task to be performed and by the business environment. Increasingly, innovation is becoming a corporate-wide task, involving not only R&D but also production, marketing, administration and other external entities such as customers, suppliers, consultants, etc.

It is important to note that not always do loose models/structures for innovation work and appropriate balance needs to be sought between the flexibility and rigidity of the structure. Thamhain (2003) states that the key challenge is not so much of generating ideas in the R&D department, but effective transfer of technology from the inception to the market. Here, an appropriate structure is required to enable the transfer.

One of the toughest challenges faced by companies is to balance current/present opportunities with future ones (O'Reilly & Tushman, 2004). Under such circumstances, it is suggested that an organization has separate structure/process/culture for new innovations as the existing system might cause hindrances for the new ones.

According to the book, *The Google Story*, the initial employees of the company were actually friends who studied at the Stanford University with Larry Page & Sergey Brin. Due to this, the environment in Google was always casual and had little hierarchies. Even though the environment has always been casual, the co-founders still hold a tight grip on many of the company's decisions (Smith, 2007). It is this casual atmosphere and horizontal management style that forms an appropriate structure to foster innovation.

Key Individuals:

As there are various uncertainties and complexities involved with innovations, it is helpful to have a key individual (or a group) who is passionate and enthusiastic about the innovation and is willing to take it through the organizational system. These key individuals may be product champions or the leaders of the organization. Through their passion, they motivate others in the organization to look at their innovative idea / invention that could add value not only to the customers but also the organization. They have to have the ability to solve problems that could arise during the development / commercialization process and should be committed towards it. Even if they do not have detailed technological knowledge, they need to strongly believe in the potential of the innovation.

Key individuals would also need to face other issues such as procuring resources, convincing skeptical or hostile critics elsewhere in the organization. Their faith in the potential should be so strong that they manage to overcome all the barriers.

Larry Page & Sergey Brin have been the leaders and key individuals behind Google. They had a complete understanding of the technology. They faced a lot of challenges initially, especially with regards to funding, but they stuck to what they believed in and overcame all the barriers. Now, they encourage their employees to embrace the role of key individuals with regards to their respective innovative idea (Weldie, 2009) and take their ideas forward.

High Employee Involvement in Innovation:

Just like the saying, 'The more the merrier', the more the number of people involved in an innovation, the chances are that feedback and suggestions provided by them would help to improve the offering. Innovation is no longer confined to specialists in R&D, Marketing or IT departments. It should be realized that creative skills and problem-solving abilities are possessed by almost everybody in the organization. Although each individual may only be able to make limited, incremental innovations, the sum of these efforts can have far-reaching impacts. Continuous improvements, involving large number of motivated individuals and taken over an extended period of time, has the potential to significantly impact the strategic development of the organization. This could also turn out to be an inimitable source of competitive advantage over the long term.

Effective Team Work:

The only factor that equals Leadership of the organization to achieve successful innovation is an effective team work. It is the team that is at the heart of the innovation activity. If innovation is primarily about combining different perspectives in solving problems, then teams/groups have more to offer than individuals in terms of fluency of idea generation and in flexibility of solutions developed. Cross-functional teams can bring together different knowledge sets required to take the innovation forward. They also represent a forum where deep rooted differences in perspectives can be resolved. As an innovation is not confined to a single department, a cross-functional team can help other departments understand different perspectives and help facilitate smooth flow of information and integration between different departments. With this in mind, teams are increasingly being seen as a mechanism for bridging boundaries within an organization and in solving inter-organizational issues.

In order to develop an effective, high-performance team, tasks and objectives must be clearly defined, there should be effective team leadership, there should be a good balance of team roles and it should be matched to the individual's behavioral style and a continuous interaction with other factors that could affect the innovation.

It should be noted that such teams rarely happen by chance. They result from a careful selection which is aligned with the needs and requirements of the innovative idea in hand. An effective team is a critical determinant of the project's success and the corporate management should be responsible for putting together a capable, cross-functional team. As the team members
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may come from varied backgrounds, a mechanism should be in place to resolve conflicts as soon as possible so that the speed of the innovation process is not hindered.

Soon after launching, the founders realized that if they want to grow, they need to bring in professional management. In 2001, they appointed Eric Schmidt as the CEO to bring to table the capabilities that they lacked (Casey, 2007). It was then they started their process of building professional/experienced team with defined tasks.

Creative Climate and Culture:

Creativity of individuals needs to be fostered through the right environment. An organization needs to set up conditions within which innovative ideas can flourish. Under this, a firm needs to put its people at the heart of innovation. The structures and processes should be designed around people and not the other way round. In the knowledge economy, it is about managing the minds of individuals by providing them with right infrastructure suited for growth.

Culture is a complex concept which mainly refers to shared values, beliefs and agreed norms which shape behavior of individuals. Changing the culture of an organization is one of the toughest things for the management as it is path dependent. But by bringing about alterations in the structure or processes, an organization can gradually move towards the desired culture. However, this is a time consuming process and requires acceptance by the employees. One way to facilitate this is by rewarding / incentivizing employees based on the new structure.

In an organization with a supportive and innovative culture, individuals with bright ideas can progress them with support and encouragement from the system. Management needs to ask itself whether the current structure is supporting or acting as a hurdle to innovation. Also, do employees have all the resources and freedom required to innovate. Innovation is inherently uncertain and will often involve failures as well as successes. The management needs to understand this and build a culture where people take risks and failures are accepted as an opportunity for learning and further development. The biggest barrier lies in the minds of individuals, who are reluctant to innovate due to risks associated with failures. Failures should not be looked down upon and the senior management and leaders should clearly communicate this to the organization. Managerial leadership style, both at R&D and senior management, has significant impact on creativity (Thamhain, 2003).

Google's organizational culture provides enough space for employees to learn, experiment and grow. The casual and friendly environment promotes interaction between employees which results in enhanced knowledge base and thus promotes innovation. In each of its offices, Google has a big cafeteria with large tables and maximum seating capacity. Managers have observed that people like to talk while having their food. People from different product teams sit together for meals and interact with each other. As people from different product teams come together, the interactions become quite diverse. This mechanism of knowledge sharing leads to collective learning and thus benefits the organization as a whole (Merrill, 2007).

Looking Inwards and Outwards for Innovative Ideas:

An organization can no longer just look inwards for innovative ideas. As innovation is increasing becoming an open process, collaboration with external parties is gaining importance. This includes associations with suppliers, customers, consultants, etc. the top management needs to ensure that the organization does not face the 'Not invented here' syndrome (Hansen and Birkinshaw, 2007) and looks forward to exploit relevant innovative ideas thrown at them by the external partners.

The leaders also needs to provide opportunities for its employees to be part of various conferences, seminars, networking events, etc and tap into the knowledge base of those outside the organization. Knowledge accumulation is a slow and steady process and idea generation does not happen overnight. Keeping this in mind, the management should not pressurize it employees to come up with innovative ideas just after being a part of a single workshop, for example. Hansen and Birkinshaw (2007) argue that companies need to assess whether they are sourcing enough ideas from outside the company or even outside the industry. Many firms do this poorly, resulting in missed opportunities.

Clear Understanding of User Needs and User Involvement:

The base of every business is its understanding of user needs. It is this point that determines the success or failure of the organization. Any user-focused innovation needs to know exactly what the user wants, how he wants it and how much is he willing to pay for it, among others. Having the end point in mind, the organization can draft its strategies accordingly, in order to meet the customer's needs.

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Increasingly, companies are involving customers in the innovations process. This sort of arrangement is helping organizations develop more personalized offerings while creating a sense of loyalty in the minds of the customers. Involving the users also provides great insights into how the user uses the product or service, how is their experience like, what they expect at the end of the usage journey, etc. All these insights can highlight areas that require further innovation and this can be a source of competitive advantage for the company.

Understanding of the Macro and Micro Environment:

An organization needs to analyze its Macro environment in order to understand the changes that are taking place in the Political environment, Economic situation, Society, Technological arena, Ecological and Legal frameworks. This would provide a sense of direction - where the world is heading, and based on this, potential areas of innovation can be explored.

Analysis of the Micro environment is useful in providing a clear picture of the industry the company operates in. It would showcase the position of competitors in the market, bargaining power of customers and suppliers, threats from substitutes and threats from new entrants into the market. Based on this, an organization can draft its differentiation strategy and establish a foot hold in the market.

Conclusion: