

Case Study

GOOGLE'S EXIT FROM CHINA

A CASE STUDY

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IN our management classes, we used to listen to the statements from our Professors that if you want to be successful in this competitive arena then you should mould yourself according to the changing needs of the customers. These customers may range from an individual, a group, a state or even a country. Earlier we used to believe these statements by nodding our heads in consent without any counter-questioning. But now after hearing the case of Google's exit from China, one definite question that comes to mind is how much a company can change? What a company should change in a different country; its products, language, features, designs or the most important its Moral values? Should the company continue to change just for the profits that it can earn from a market as big as china (384 million net users) to the extent that the confidentiality of its clients is at a stake? (Economic Times) This case explains the censorship process enforced in China and the extent to which an authoritative government like China can go to take advantage of this surveillance? This case again calls for a strong need of PESTLE analysis especially the Legal component of it. It also tells us how submission to a legal censorship by a company can put the confidentiality of its clients at stake. Is it ethical to invade the privacy of the clients of world renowned company by taking the name of legal censorship? Who can be benefitted if Google exits from China?

Has observant dragon engulfed the censored evil? Before answering the question, we need to look at the Internet censorship in the People's Republic of China and journey of Google in China. Internet censorship in China is conducted under number of laws and administrative regulations. More than sixty Internet regulations have been made and implemented by the Chinese government. The government not only blocks website content but also monitors the internet access of individuals. Several government bodies are involved in reviewing and enforcing laws related to information flowing within, into, and from China, but the most powerful monitoring body is the Communist Party's Central Propaganda Department (CPD), which coordinates with GAPP and SARFT to make sure that content promotes and remains consistent with party doctrine.

Google, the world's largest internet search engine company has been facing the Chinese bites since 2000. In 2000, the company developed the Chinese interface for its google.com website. In 2002, the company search engine became unavailable for Chinese users. In 2005, Google hired the ex- CEO of Microsoft Lee Kai Fu as head of Google China. Microsoft sued Google saying that Lee will disclose the propriety information to the company. In December, 2005 both the companies reached at the settlement. In 2006, Google rolled out google.cn, china based search page that censors the results as per the Chinese rules. (Economic Times)

Critics viewed announcement of Google to comply with the internet censorship laws in China as the submission to the Golden shield Project (a censorship and surveillance project operated by the Ministry of Public Security (MPS) division of the government of China in 1998 and implemented in 2003.). Due

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to this censorship, whenever people search for prohibited Chinese keywords on a blocked list maintained by the Chinese government, google.cn will display the “In accordance with local laws, regulations and policies, part of the search result is not shown”. Or “Search results may not comply with the relevant laws, regulations and policy, can not be displayed”.

In August, 2008 Google launched the free music downloads to the users to better compete with the market leader Baidu.cn. In March, 2009, China banned the Google’s YouTube. In June, 2009, Gmail, google.com and other online services of Google became unavailable and Chinese government accused Google of spreading obscene content over the internet. In September, 2009, Lee Kai Fu resigned from the post and in October, 2009, many of the Chinese authors accused Google of violating the copyrights with its digital library. Finally in January, 2010 the company said it’s no longer willing to censor the results in the country and may pull out of the country.

A blog posted by Google explained exactly that like many other well-known organizations it faces regular cyber attacks. In the middle of December it detected huge and deep hacks into the “corporate infrastructure” resulting in “theft of intellectual property”. Google uncovered a “highly sophisticated and targeted attack” designed to steal information from its Gmail service of a few human right activists advocating for freedom of speech in China and at least 20 other large companies. Basically some very sophisticated attackers were trying to get into Google’s code – possibly with the intention of using it to power their own search technology. Google also revealed similar attacks on at least 20 other companies in the financial, technology, media, and chemical industries. The issue was not at all small and attracted the attention of Secretary of State Hilary Clinton – who issued a brief press memo on the topic to air her “very serious concerns”.

Although Google has fixed the security issues but it has chosen to air the problems in public to shine a spotlight on them – which is a pretty unusual move. Answering to the question why Google decided to reveal the problem publically the chief legal officer David Drummond said, “We have taken the unusual step of sharing information about these attacks with a broad audience not just because of the security and human rights implications of what we have unearthed, but also because this information goes to the heart of a much bigger global debate about freedom of speech”. But this reason is not as unusual as the next one. Google has decided to call off its business in China after these attacks and the surveillance that they have uncovered. That decision means Google is “no longer willing” to censor Google.cn results in accordance with the strict censorship demands of China’s government. The “evil” corporate giant Google is saying “no more!” to a domineering governmental regime. And, it’s clear from the tone of the piece (and particularly the loaded word “surveillance”) that it’s actually blaming the Chinese authorities for the cyber attacks and Gmail hacks.

Google’s decision of leaving China would give a massive blow to the revenue stream of the company as it will cost around \$ 600 million of the company sales this year. China was one of the largest Asian markets where Google was creating inroads. The company’s market share in China increased to 36% in the fourth quarter of year 2009 as compared to 31% in the third quarter. Baidu, the main competitor and local search engine in China had 58.6% share of country’s online search market. Google is very popular and strong player in western countries like UK, Germany and France where it claims 75% market share, but in Asia the story is not very impressive. Company handles less than 50% searches in Japan, 8% in Korea and 27% in Taiwan. Although in India, company has a remarkable record of having 88% market share. Asia accounts for \$ 23.7 billion in annual revenue for the company. So, parting from the biggest market by users, China is a costly affair for Google. But this bold step may enhance the image of the company in other markets because of its moral stance against censorship.

Chinese government downplays the Google’s threat of exit by saying that this is the latest manifestation of western imperialism – this time a private player. They can also blame company for not having the potential to compete with the domestic player Baidu.cn. Chinese government holds its point that there are many ways to resolve a problem but every foreign company including Google will have to abide by Chinese laws. (Reuters) But I think for a company like Google, it could hardly be a reason as

it also competes with Navor.com in South Africa but nobody is talking about that. Actually the reasons are that company is feeling frustrated in doing business in a country whose ethos are vitally contradictory with the company's moral values. The company is agonized about the extent to the right to control the information by the Chinese government. The company believes that the attacks that it has faced in the country are sponsored by the government. (ET Bureau)

Google's exit from china would be valuable for another fast developing economy of the world and that economy is India. (Business Standard) India can make its position strong by demonstrating that we are different from an economy where there is a high degree of call for the control over information. Here in India, main focus is on transparency rather than focusing on control over information or hiding the information. The scale of transparency in India has been stamped by the decision taken by High court in which it has said, no one in India not even its peers on Supreme court are exempt from the needs for transparency (Economic Times). This is such an example that China can't display.

This case throws an uncomfortable spotlight on all the other companies, particularly those involved in the information and knowledge industries, who are complying with Chinese control. What makes the situation very interesting is the status of China in world economy and its relationship with US. As China is one of the major global player it has to balance the need for more information with their goal of controlling content as a means to maintain power. Chinese government is in a state of confusion about censorship policy as it goes back and forth, test the line, they know they need freedom related to content, press etc but worried about opening the door to the type of freedoms that could lead to the regime's downfall. US is unhappy with its second largest trading partner (trade of worth \$409 billion in 2008) and accuses China of selling US weapons to Taiwan and violating human rights. Given the array of issues this Google's incident may act as a catalyst in fueling growing tension between US and China.

Questions

1. "Fulfilling the needs and requirements of Chinese Surveillance is not a matter of choice but it's a compulsion for companies". Comment.
2. "Ethics, Efficiency and Accountability are most important for long term survival and prosperity of an organization". In the light of the statement, is the decision of Google's exit from China justified?

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