Google: The Quest to Balance Privacy with Profits

INTRODUCTION

When Sergey Brin and Larry Page created their search engine “BackRub” in 1996, they could not have imagined at the time what the future held for their creation. BackRub was unique in that it used links to rank web pages. Before this time, search engines tended to use algorithms that only took into account key words, so when a certain item was searched, the user might receive links to webpages that were both legitimate and less legitimate (or irrelevant). Brin and Page’s algorithm, which they dubbed PageRank, accounted for links, roughly equivalent to citations, which went into and out of the website. This complex mathematical algorithm worked. Results were ranked according to their relative importance, allowing users to see the most “legitimate” search results first. In 1998, the search engine Google was officially born, named after the term “gogol,” a mathematical term for a 1 followed by 100 zeros.

Google’s ease of use for users propelled the search engine to its number one status, ousting competing search engines such as WebCrawler and Infoseek. As Google gained in popularity, it expanded into a number of different ventures, including advertising, book publishing, social networking, and mobile phones. The company also acquired or owns a number of other well-known sites, such as Orkut (a social-networking site popular in Brazil and India), the photo-sharing site Picasa, and YouTube, the most popular video sharing site in the world. In 2011 it launched Google+, a social networking site being watched carefully by its competitor Facebook. For four consecutive years, Google was considered to be the most valuable brand in the world (although it was surpassed by Apple in 2011). Approximately 2 billion searches a day are performed through Google’s search engine.

As is common with most large companies, Google has experienced its share of ethical issues. Its mantra “Don’t Be Evil” was questioned after it entered China, where it allowed the government to censor some of its sites. Its wide reach and its plans to publish millions of books online has incurred lawsuits from both publishers, who accused the company of violating copyrights, and governments, who feared that Google’s power was violating antitrust laws.

However, the hot topic on many users’ minds is Internet privacy. In order to improve its search engine’s capability, Google keeps information that users have inputted into its web browser without user permission (although its privacy statement on its page informs users about the situation). This has led many people to question whether Google is violating users’ privacy. In light of the increasing amount of cyberattacks, in which even popular search engines have been hacked, and the
government’s determination to crack down on these illegal attacks, consumers worry that their private information might be compromised.

This case analyzes both Google’s efforts to be a good corporate citizen as well as some of the ethical issues in which the company has become involved. The analysis starts off by providing some background on Google, its technology, and its initiatives. Google’s core principles will be discussed as well as its efforts to become a socially responsible company. We will then discuss some of the criticisms levied against Google, including its initial attempts to break into the censored Chinese market, its tracking of users, and changes to its privacy policies. We examine how Google has sometimes clashed with government authorities, resulting in an agreement to submit to privacy audits for the next 20 years. Finally, we will discuss some ways that the government wants to regulate Internet data collection practices and Google’s response to the proposed legislation.

**COMPANY CULTURE**

Google has adopted a decentralized approach to empower its employees. Its corporate headquarters in Mountain View, California, is known as the Googleplex and consists of a campus containing an on-site gymnasium, daycare, and laundry service. When Sergey Brin and Larry Page founded the company, they recognized that employees would have to work hard and put in long hours to make the company not only successful but flexible enough to adapt to the changing environment. Thus, Google employees are provided with benefits to try and make the complex their second home. In addition to the more common perks of bonuses and health insurance, Google employees receive a massage every other week, free gourmet lunches, an outdoor volleyball court, roller hockey, tuition reimbursement, and discounts on solar panels should employees wish to install them on their residential homes. Google employees also have the option to bring their pets to work. Google has strived to make its corporate culture fun and innovative; in fact, two of its core principles, “You can be creative without a suit” and “You don’t need to be at your desk to need an answer,” demonstrate the company’s divergence from a more formal office environment. The company has adopted ten core principles that it has strived to maintain almost since the beginning of its founding. These principles are outlined in Table 1.

At the same time, Google works to ensure that it has top talent at the company. While it is reinventing the office experience, it also has begun taking different tactics in its recruiting to ensure it hires the most creative, talented individuals. For instance, Google recruiters tend to take a bottom-up approach when reading résumés. Recognizing that top items such as education and work experience do not always guarantee that the applicant is innovative, some Google recruiters look at the bottom of the résumé where applicants tend to put personal and more creative information. This type of mentality—in which Google is more concerned with hiring creatives rather than simply those who have excelled in school—is further emphasized by the fact that Google provides its employees with 20 percent of time during the week to pursue their own unique projects. Not only does this make employees feel more empowered, but it also contributes several unique project ideas for Google to pursue. This empowered and innovative company culture is one of the major reasons why Google has become successful in so many different market niches.
TABLE 1: Google’s Ten Core Principles

- Focus on the user and all else will follow.
- It’s best to do one thing really, really well.
- Fast is better than slow.
- Democracy on the web works.
- You don’t need to be at your desk to need an answer.
- You can make money without doing evil.
- There’s always more information out there.
- The need for information crosses all borders.
- You can be serious without a suit.
- Great just isn’t good enough.


PRODUCT AND SERVICES

While Google started out as a search engine, it has since branched out into a variety of fields, including consumer electronics and productivity tools. Its recent acquisition of Motorola Mobility provide Google with access to a wide range of patents and enable it to expand into the handset industry. While it would be too long to list all of Google’s many product and service offerings, some of its more popular offerings are listed below.

SEARCH ENGINE

According to Larry Page, a good search engine “understands exactly what you mean and gives you back exactly what you want.” This philosophy was the founding principle behind the creation of Google and is a top reason for why the Google search engine has surpassed its competitors.

Google could not have gained such prominence if it did not have an in-depth search index of articles, websites, and other content. The company creates this index using programs called “Googlebots,” or crawlers that visit websites, copies the content, and follows its links to other webpages. This process is constantly repeated to ensure that the most updated material is incorporated into the index. Google’s index is one of the most extensive in the world at 100 million
gigabytes. Google uses technology such as PageRank to organize the results according to their perceived relevancy.

When a user types in a search term into Google’s search box, Google’s index matches up the term with what is deemed to be the most relevant materials and creates a list of these materials for the user. Each item of the list is followed by a few sentences describing the web page (called a “snippet”). To maintain a competitive edge, Google must respond quickly to its users’ queries. Response time is approximately one-fourth of a second, ensuring that users can get information almost instantaneously.

**WEB BROWSER**

Google Chrome is an open source web browser that competes with Internet Explorer, Safari, Opera, and Mozilla Firefox. Google Chrome has been praised for its speed, support, and security. The browser loads within seconds and maintains a simplistic design to make it easier for users to navigate. Like other browsers, Google Chrome allows users to open multiple tabs and will alert the user if he or she tries to get on a website considered to be risky (i.e., websites believed to contain malware). Chrome also regularly updates the browser to ensure it has the latest software to combat new malware attacks. Additionally, Google Chrome connects users to its Chrome web store where the user can download apps, extensions, and more.

**EMAIL ACCOUNT**

According to Google, its email account service, called Gmail, has approximately 350 million active users. Gmail is among the top three email service providers that account for more than 1 billion users (the other two are Hotmail and Yahoo!). Users like Gmail for many reasons, especially because of its ability to hold a large amount of data. Gmail has more than 7,600 megabytes of free storage, contains built-in chat functions, and has filters and labels for users to organize their mail. Gmail is also fully integrated with its other products, such as Google Voice, YouTube, and Google Reader.

**YOUTUBE**

In 2006 Google acquired the video sharing site YouTube for $1.65 billion. YouTube is the third most popular site in the world. The site allows users to upload their own original videos of up to 15 minutes in length. Both corporations and the average consumer have used the video sharing site to post short videos ranging from spoofs to corporate messages to news events. YouTube has enabled Google to make millions in advertising revenues, and videos are often preceded by short advertisements.

Although YouTube has opened new opportunities in marketing and entertainment, it has not been without its share of controversy. YouTube has been sued by organizations such as Viacom for copyright infringement after finding copyrighted content on YouTube’s site. YouTube specifically warns users wanting to upload content with the disclosure: "Do not upload TV shows, music videos
or commercials without permission unless they consist entirely of content that you created
yourself.” However, not all users have heeded the warning. To detect and eliminate copyrighted
material loaded onto YouTube, Google uses a system called Content ID to compare files on the site
for similarities. If matches occur, then Google will contact the copyright holder and remove the
video if so desired.

**ANDROID**

In 2005 Google acquired the startup firm Android Inc. Android Inc. had been working on mobile
phone technology, and Google hoped to use this technology to break into the smartphone market. In
2008 the Android Operating System was released by the Open Handset Alliance, a team of
organizations led by Google. The Android operating system is an open source platform in which the
source code is available for outside users to view (rather than protected under copyright). The
Android operating system is most often used in mobile devices and tablet computers but can also
be used in smartbooks and other devices.

The Android operating system has been used in HTC, Samsung, Motorola, T-Mobile, and Sony
mobile phones. Android phones have become the most popular smartphone, with market share at
around 50 percent, making it a strong competitor with the Apple iPhone. The number of Android
apps that have been downloaded since Android’s release has surpassed 10 billion. The Android has
come far in its few years on the market and has successfully increased Google’s reach into
electronics.

**ADVERTISING**

Google’s main source of revenue comes from advertising. In 2011 the company earned more than
$36.5 billion in advertising revenue. The primary form of advertising for Google is Google AdWords,
introduced in 2000. Google AdWords differs from traditional advertising in that companies only
pay when users click on the link or advertisement. The pay-per-click advertising is beneficial to
companies because it offers a more targeted way of reaching their audience. After the ads are
created, companies can choose keywords related to the business. When users type in these words,
the company’s ad will appear along with the search results. Pay-per-click results will appear at the
right of the screen. By using AdWords, companies can increase the effectiveness of their advertising
dollars because they only pay for advertising to consumers who are interested enough to click on
the advertisement.

Google also offers display advertising and mobile advertising. Display advertising provides
companies with the choice to display their ads through text, videos, images, and interactive
displays. Video ads and banner ads on YouTube have become a popular advertising venue for
businesses, particularly as YouTube is the third most accessed site in the world. Its Google Display
Network gives companies the choice to place ads on related websites to target those consumers
that might be more interested in the company’s product or service. Google’s Mobile Advertising
seems to be gaining in popularity. Mobile advertisements, or ads that appear on mobile phones,
tablet computers, and apps, might soon revolutionize the advertising industry. In 2011 mobile ad
spending was estimated at $1.45 billion. Hence, mobile advertising has a great opportunity to transform Google’s advertising offerings.

GOOGLE WALLET

If Google has its way, then carrying wallets will become a thing of the past. Google has developed a new mobile application called Google Wallet that substitutes for credit cards. First, users of phones with the Google Wallet app register their credit cards. At the checkout counter, users simply wave their phones in front of the payment terminal and enter a four-digit password for the transaction to go through. Many users like the convenience of Google Wallet. However, as of this writing Google Wallet only works in stores that offer MasterCard PayPass, and only about 15,000 merchants currently do so. Yet as paying with mobile technology continues to gain in popularity, more and more merchants will likely purchase the technology to process mobile payments. Google Wallet may soon become a common sight on smart phones.

OTHER PRODUCTS

Google has a number of other product offerings that it offers to businesses and consumers. Its Google Analytics is a market research tool that can help businesses analyze their website and mobile traffic. Google Analytics is one way to make statistical analysis easier for businesses. Currently, Google Analytics holds 82 percent market share among analytics companies. Google Docs is a storage site that allows users to store and share documents with other users. Google Docs provides spreadsheets that allow users to compile data and even provides tools to aid in quick data analysis. Google+ is a social networking site that allows friends to communicate with one another and post updates. Although initial enthusiasm for the site was high, Google+ is still way below Facebook, with users spending an average of 3-5 minutes on Google+ monthly. Most of Google’s free offerings are easily accessible through a user’s Google account.

One of Google’s newest products is meant to challenge the iPad and Kindle Fire tablet computers. In 2012 Google unveiled the Nexus 7 tablet. The Nexus 7 tablet computer was built by the computer company Asus but was designed by Google. The tablet will try to undergird the Apple iPad’s price with a selling point of $199. It could be a formidable competitor to Amazon’s Kindle Fire, which sells at the same price. The Nexus 7 will allow users to read books and magazines or watch movies. Whether Google’s Nexus 7 tablet will succeed in taking market share away from the iPad or the Kindle Fire remains to be seen.

GOOGLE’S INITIATIVES

Like all major corporations, Google is expected to act with integrity and give back to the communities in which it does business. No longer is it acceptable for major multinationals to pursue profitability without taking into account consumers, employees, communities, and the environment. Google has therefore invested in a number of initiatives that supports economic development, environmental awareness, and charitable endeavors.
GOOGLE VENTURES

In 2009 Google formed Google Ventures as a separate entity to provide funding for startup firms. The company created a $100 million fund to invest in startup companies that are at the forefront of technological innovation. The company does not just invest in firms that market Internet-based technologies or consumer electronics, but has also invested in green technology firms, biotechnology companies, and more. Google Ventures' goal is to invest in entrepreneurs that can change the world through technology by having "a healthy disregard for the impossible."

GOOGLE GREEN

Google has recognized the business opportunities from adopting greener operations and technologies. Greener technology not only saves Google money in the long run with decreased energy costs, but it also enables it to create greener products for consumers. According to Google, using its servers for one month uses less energy than leaving a light on for three hours. Google purchases carbon offsets to reduce its emissions to zero. (Purchases of carbon offsets go toward carbon reduction projects. Therefore, a company that cannot reduce its carbon emissions any lower can purchase carbon offsets to help reduce carbon emissions in other areas.) For its employees Google offers a shuttle system run on biodiesel, an on-campus car sharing program, and the largest electric vehicle charging station in the country. Google has also invested in alternative energy projects, such as SolarCity's initiatives to place solar panels on residential homes. Other green successes for Google include a solar installation on its campus, energy-efficient data centers, and buildings that are LEED certified.

GOOGLE.ORG

Google.org is the charitable arm of the organization. The purpose of Google.org is to create “technologies to help address global challenges and supports innovative partners through grants, investments and in-kind resources.” Google.org contributes grant money, develops tools for nonprofits, and provides disaster relief. Some of the tools Google.org offers include Google for Nonprofits and Google Dengue & Flu Trends. Google for Nonprofits provides resources such as discounts on certain Google products and free AdWords to nonprofit organizations. Google Dengue & Flu Trends collects updated data on flu and dengue diseases and shows a map of the areas where they are currently active. Google has also partnered with the National Center for Missing and Exploited Children to provide tools to help the nonprofit fight against global child exploitation.

Google also encourages its employees to get involved in giving back to their communities. For instance, Google will match employee contributions to nonprofits. In June each year Google encourages its employees to take a day and donate their time to volunteer in their communities. Google also sponsors the Dollars for Doers Initiative to encourage employees to volunteer at nonprofits. Google pledges to donate $50 to a nonprofit for every five hours that a Google employee volunteers there.
As such a large company, Google has many risks and ethical issues that it must constantly address. In many ways Google has helped to advance ethical conduct in the web and technology industry. It has been a recipient of Ethisphere’s World’s Most Ethical Companies for its contributions to the community and the environment. It consistently ranks among Fortune magazine’s “100 Best Companies to Work For” due to its fun and innovative work environment.

At the same time, Google has also been accused of questionable activity, from antitrust issues to copyright infringement to accepting illegal ads from Canadian pharmaceutical firms. For instance, Google’s proposal to digitize books sparked outrage from publishers who still owned the copyrights. Although Google reached a settlement with the publishers, a judge threw out the agreement. Google has also faced intense antitrust scrutiny from the European community, which tends to have stricter antitrust laws than in the United States. Its recent acquisition of Motorola Mobility, while finally approved, received intense scrutiny from antitrust regulators in the United States. As Google continues to grow and expand into other industries, it will likely face more pressure from those who fear that Google might be gaining too much power. The company must carefully reflect upon these issues when considering new ventures.

For the sake of brevity, this case will analyze one major ethical issue that Google has continually wrestled with as it seeks to expand its reach: privacy. The advent of the Internet and mobile technology has provided so many opportunities for stakeholders that many do not realize that the cost for this information might be privacy. Consumers are shocked to find that web companies such as Google and Facebook track their online activity and often use this information to tailor advertisements or sell to marketers. For Google—which offers so much free content and which gets most of its revenue from advertising—this information is valuable to its continued business operations. Some consumers also feel that use of their personal information is a small price to pay in exchange for using Google’s superior services. Google’s privacy page details what information it collects and how it will use that information. For instance, Google shares information with its partners but claims that this information is non-identifiable. According to Google, any information that could identify users must have user consent to be shared with outside parties.

Despite Google’s attempts to be transparent, there are many ethical gray areas regarding the collection and use of data. Because there is still so little legislation to regulate how Internet companies can gather and use user information, it is tempting for firms to push the limits on privacy. Going too far, however, could create problems in terms of reputation and legal entanglements. Google has sometimes appeared to take a cavalier attitude toward privacy in the past. For instance, former CEO Eric Schmidt was quoted as saying, “If you don’t want anyone to know, don’t do it.” In 2007 Google was given a “hostile to privacy” rating by Privacy International. Although Google is the most popular search engine, 52 percent of Google users have some concerns about their privacy on the site. This could be a potential obstacle for Google as consumer trust plays a big role in how they will interact with a company. The following sections will discuss some of the major privacy issues that Google has experienced.
One of the major privacy criticisms levied against Google is the fact that the company keeps track of users’ search terms. Consider all of the things you have ever searched for using Google’s search engine. Then consider how comfortable you would feel if a company recorded and stored all those search terms...forever. To be fair this practice is not limited to Google—many other Internet firms do the same. However, because Google is the most popular search engine in the world, it is being more heavily scrutinized.

The big question users ask is whether their search terms could be traced back to them personally. Google claims that although it stores users’ search terms, after 18 months the data becomes “anonymized.” Theoretically, it becomes untraceable. However, some critics debate this claim because anonymized data from other search engines have been used to locate users. Google claims that it treats this information with respect, using it to refine its search engine. Yet under the Third Party Doctrine and the Patriot Act the U.S. government could subpoena this information if it is deemed necessary for national security. Needless to say, Google’s storage of users’ search terms has been an uncomfortable and controversial topic.

Google has had a tough time in China. When Google decided to enter the world’s most populous country, it faced an ethical dilemma. On the one hand, Google did not want to miss the opportunity to tap into a market consisting of more than 1 billion consumers. On the other hand, entering China would require Google to allow the government to censor its users’ searches, something which appeared to conflict with Google’s mantra “Don’t Be Evil.” Based upon this principle, businesses should not engage in conduct that could benefit the firm at the expense of the interest or welfare of society. Allowing the government to monitor search results—while common in many countries—is considered to be a violation of user rights to privacy in the United States.

Despite criticism, Google applied the principles of utilitarianism to the situation and concluded that the benefits of doing business in China outweighed the costs. It decided that it could do more good by providing Chinese citizens with “the greatest amount of information,” even if some of that information would be censored. Google began self-censoring some of the more controversial search terms to placate Chinese authorities. However, the company began to encounter problems in China almost from the onset. The government often blocked user access to certain sites, which sometimes caused computer outages. Google claimed that the Chinese government sometimes interfered with their site. After intense pressure and cyberhacking from Chinese hackers, Google stopped its practice of self-censorship and moved its operations to Hong Kong. Google saw its market share in China plunge, giving its Chinese rival Baidu the upper hand.

In 2012 Google announced that it would provide a mechanism for its website that would warn users when a search term might encounter censorship. This way Google hopes to prevent the site from shutting down should a user run afoul of Chinese government censorship. This might be helpful for users because when their search results are censored by the Chinese government, they
are not informed about it. Rather, it looks as if the website is experiencing a technical glitch.
However, by informing users about which search terms are likely to be restricted, Google itself
might run afoul of Chinese authorities. Internet restrictions are not available to consumers or
companies, but are government secrets. Calling attention to terms that are clearly restricted might
go against Chinese government policies. Chinese censorship and privacy will likely remain
significant issues that Google must regularly address in the oncoming years.

**TRACKING USERS**

Tracking users has become a major issue for Google. A storm of criticism was unleashed when
government regulators and consumers learned that the company’s phones were tracking users’
locations. It was revealed that Android phones contained location-logging features that enabled the
firm to collect GPS coordinates of its users as well as the coordinates of nearby WiFi networks.
Similar tracking features were found on the Apple iPhone. The revelations spurred some legislators
to write letters to Google asking for more clarification about how they track users and use this
information.

Privacy advocates claim that these tracking features violate users’ right to privacy, particularly as
most users did not know about the feature. Google defended its phone tracking feature, stating that
this information was necessary to build Google’s location-based network and allow it to effectively
compete against competitors. It also claims that this data is often necessary for certain mobile
applications and websites to work.

Google also tracks users on the Internet. Such tracking is not uncommon among Internet search
engines. For Google it is often necessary to generate revenue by tailoring ads to users based upon
where they have gone on the Internet. Many privacy advocates do not like this policy, and
regulators have also become concerned over how Google uses the information it collects. Google’s
privacy policies allow users to opt out of certain tracking functions for advertisement purposes, but
users must make the decision to opt out. Google also added a “do not track feature” on its Google
Chrome.

On the other hand, supporters of Google tracking maintain that the tracking is necessary to provide
the best services to users. These services are often free of cost because Google is able to generate
revenue through advertising. Consumers must therefore be proactive in deciding whether they
place greater value on their privacy or Google’s free services.

Although some people do not appear to mind having their web activity tracked in exchange for
Google’s free services, Google received heavy backlash for bypassing anti-tracking mechanisms. In
2012 security analysts revealed that Google was bypassing default privacy settings on the Safari
browser. The Safari browser, developed by Apple, is used by 6 percent of Internet users for desktop
browsing and 50 percent for mobile browsing. It is the only major browser to date that has a
default setting that blocks third-party cookies. Cookies are streams of data installed on a user’s
computer when he or she visits certain sites. When the person revisits the site, the cookie can
inform the website about the user’s web activity.
Security analysts realized that Google was using loopholes in the system to track users on the Safari browser. Google tried to offer rationales for bypassing the browser policies but stopped the practice after an article was published in *The Wall Street Journal*. The Federal Trade Commission (FTC) launched an investigation to determine if Google violated its agreement to stop misrepresenting its privacy practices to the public. Google agreed to pay $22.5 million to settle charges by the FTC. U.S. state attorneys general also launched investigations to determine whether to levy fines against Google. Although Google might have legitimate reasons to track user activity, bypassing default mechanisms appeared deceptive and underhanded.

More recently, Google has been accused of another privacy violation, this time in the U.K. In 2010 Google made the announcement that it had accidentally scanned data from users’ wireless networks. Google uses vans with special detection equipment and cameras to drive around collecting data and photos for its location-based services. Unfortunately, due to software that had inadvertently been uploaded into the company’s equipment, its vans also scanned wireless networks of some nearby residences, including their emails. Google promised the Information Commissioner’s Office in the U.K. that it would destroy the data it had inadvertently collected from U.K. users. A later investigation in 2012 revealed that Google still retained some of this user data, placing the company in noncompliance and in breach of their agreement. Although Google apologized and called this retention of data an error, its many violations have likely increased its image of being a firm that disregards privacy. The company must work hard to reestablish trust in its data collection techniques.

**Hacking Attack**

In 2011 Google released some disturbing information regarding the privacy of user accounts on Gmail. The company claimed that a wide-scale phishing attack had broken into the Gmail accounts of hundreds of users, including politicians, political activists, and military personnel. Google claimed the cyberattack was launched from somewhere inside China. Although government officials are not supposed to send emails containing secret information from their Gmail accounts, many use Gmail for both work and personal purposes. The chance that hackers might gain access to top secret information in emails is a serious concern for the U.S. government. The Chinese government denies that it had anything to do with the attack.

After the attack was detected, Google worked to secure user accounts and notify those that it suspected were victims of the attack. One security analyst believes that the attacks might have been occurring for at least a year before discovery. The chances that a foreign government entity could use illegally obtained Internet information for harmful purposes has become such a concern that the U.S. government has stated that such a cyberattack could be equivalent to a declaration of war. Although Google did not seem to be heavily criticized for the attack, the company should continue to safeguard user information through updated security measures.
GOOGLE PRIVACY AUDITS

Although Google has faced lawsuits from consumers who claim the company violated their privacy rights, a lack of Internet legislation has enabled Google to continue many of its practices. However, Google found itself in trouble with government authorities after allegedly violating its privacy policies. In 2010 Google launched the failed social networking platform Google Buzz. Users with Gmail accounts received an email that gave them the option of either joining Google Buzz or not joining. Those that clicked on Google Buzz were largely unaware that the identities of their frequent contacts on Gmail would be made publicly available on the Internet through Google Buzz. Additionally, although users could opt out of having this information released, they claimed that the opt out features were difficult to locate. The Federal Trade Commission also alleged that even those users who opted out of joining Google Buzz complained that they were still enrolled in certain features of the social network. Also, they claimed that those who wanted to leave the network were not fully removed.

Although Google worked to fix these problems after massive user complaints, the Federal Trade Commission launched an investigation. It found that Google had acted deceptively and violated its privacy policies. Google agreed to settle with the FTC by allowing third parties to conduct biannual privacy audits regarding how the company uses user information. These audits will take place for 20 years. Facebook agreed to a similar deal after allegedly violating users’ rights to privacy. If Google is found to be in violation of the agreement, the FTC could impose fines of $16,000 for each violation each day.

These audits are a blow to Google’s operations. As one of the first Internet companies to have these kinds of audits imposed against them, the company will now have to tread more carefully regarding how it collects and uses user information. On the other hand, Google might choose to see this as an opportunity to improve its internal controls and privacy policies to ensure that users’ information is respected. Doing so could gain the trust of users and prevent future legislative action against the company. As the world’s largest Internet company, the actions that Google takes in this area will significantly impact the future activities of other companies.

CHANGES TO GOOGLE’S PRIVACY POLICY

In early 2012 Google announced new changes to its privacy policies. The company notified users of the change through email. According to the email, Google was taking all of the information it had on its users and combining it. This means that instead of having separate privacy policies for each of its offerings (Gmail, Google+, Chrome, etc.), Google created one privacy policy that applies to all of its service offerings equally. Users were initially not happy about the new privacy policy. They feared that some of the things they had been discussing privately, such as through their Gmail accounts or Android phones, might show up in the form of ads on the search engine. Google claimed this simplified the privacy policy process as now users only have to read one privacy policy rather than privacy policies for each if its services. Many analysts also state that the policy is not new; Google
was already able to do these things. Users could be reassured that Google’s new policy will not enable it to gain any more information than it already collects.

Once again the question comes up as to whether this new privacy policy is invasive. Supporters argue that Google uses this information to create improved services for users. It also helps the firm remain competitive with strong rivals such as Apple and Facebook. Critics are concerned that the ease with which Google appears to change its policies could spell trouble for users and their rights to privacy. These concerns become more serious due to the fact that so many users are dependent upon some aspect of Google, whether it be Gmail, Google+, Android phones, or other services.

The changes in privacy policies concerned government officials in the United States and the European Union (E.U.). Congressional officials notified Google and asked it to explain the changes to its privacy policies in more detail. Google drafted a 13-page letter to answer government questions. According to Google, users still have the ability to turn off certain features that collect data. The company also stated that the new policy would not impact the amount of data it would collect or delete and that it remained highly committed to user privacy.

The E.U. Justice Commissioner questioned the legality of Google’s new policy according to E.U. law. French data regulators launched an investigation concerning the new policy, believing that the policy might not be adhering to E.U. Internet transparency laws. Google maintains that its new policy adheres to E.U. regulation. Due to the multinational nature of Google, it must continually exert caution when making major changes as these changes might conflict with the legal requirements of certain countries. Google has learned time and again that activities which are legal in one country might not necessarily be legal in another country.

**GOVERNMENT RESPONSE TO PRIVACY ISSUES**

Consumer concerns over privacy issues has prompted the government to consider new legislation regulating what information Internet companies such as Google can collect and how they can use it. As a result, many firms have instituted “do not track” features that users can click on if they wish to avoid being tracked. Google has installed this feature in its Google Chrome. Such self-regulation is an attempt to ward off federal legislation that could seriously limit Google’s tracking activities.

Some of the ideas that regulators have been discussing include a User’s Bill of Rights and a Do Not Track mechanism that would be mandatory for Internet companies to use. The Bill of Rights would make sure that companies adhere to certain privacy practices. Its intent would also be to make Internet privacy policies easier for users to understand. A Do Not Track mechanism would be similar to Do Not Call legislation. Companies cannot sell to consumers over the telephone if those consumers are on the national Do Not Call registry. Doing so can subject companies to fines. Something similar for the Internet could seriously impact how Internet companies collect information.

Because legislation could become a serious threat to Google, the company spends millions in lobbying and employs 11 lobbyists for its staff. Google hopes to stave off regulation that it feels could restrict its ability to coordinate targeted advertising or offer customized services to users.
The company joined with other Internet firms to protest and eventually defeat two bills that were being considered, the Stop Online Piracy Act and the Protect IP Act that would restrict how websites use material that might be subject to copyright. However, with privacy issues and Internet breaches becoming a growing concern, chances for increased regulation is likely. Although Google might not be able to forgo legislation restricting some of the activities of Internet firms, it can work with regulators to consider legislation that might have less of a negative effect on its operations. Google’s lobbyists will have a profound impact on the passage of laws safeguarding Internet security.

CONCLUSION

Google’s success story is unparalleled among search engine providers. The company started off as a small search engine and ranking system and has become one of the most profitable Internet companies in the world. Today the company is the owner or provider of products and services that go above and beyond its search engine, including Google+, YouTube, Android, Motorola Mobility, the Nexus 7 tablet computer, and Google Wallet. While there might be a risk of Google overextending itself, the company seems to have a talent for making highly profitable acquisitions that increase its global reach.

Google has made itself into the epitome of a “best company to work for.” The benefits that Google offers its employees are extensive, and Google empowers its employees to embark upon projects and make decisions to improve the company’s operations. The company has taken a strong stand on green initiatives and in supporting technologies to address global challenges. Google’s ten core principles provide a blueprint for how employees should conduct themselves within the company. Its “Don’t Be Evil” mantra has become a popular phrase to guide Google’s actions and determine where it should draw the line.

On the other hand, Google has faced many challenges in privacy, many of which continue to this day. From its controversial move of entering China to tracking users’ Internet and smartphone habits, Google has been highly criticized for what many privacy advocates believe are infringements on users’ rights. Google has been forced to draw a fine line between using user information to generate revenue and violating user privacy. Because Google is able to generate targeted advertising through its collection of information, the company has been able to offer quality Internet services to its users for free. Yet at the same time Google has committed questionable actions that seem to infringe on users’ rights, such as bypassing Apple Safari’s default no tracking mechanism. Google has also encountered resistance from governments, both in the United States and outside of the country.

The privacy issue that Google faces will not be solved anytime soon. With the threat of new regulation, Google has taken measures such as lobbying to make sure legislation is not passed that will prove unfavorable to the company. Because Google depends on tracking and other activities to maintain profitability, it has a large stake in the privacy issue. Yet rather than seeing this solely as a liability, Google might instead choose to improve its privacy practices and increase transparency into its operations. Google has the responsibility to ensure that the rights of stakeholders are respected. Although Google has made great strides in social responsibility, both the company and
society know that there is room for improvement. Google is in the unique position to positively impact how companies interact on the Internet.

**QUESTIONS**

1. How can Google use its power to improve the lives of its stakeholders?

2. Do you feel that there is any way that Google can respect privacy and yet still maintain its profitability?

3. What are some of the effects that government regulation of the Internet might have on Google’s operations?

**Sources:**


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