TITLE:
Business ethics in a global economy; Google’s “do no evil”

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ABSTRACT:

Google Inc. is an internet corporation based in California which is the most used search engine around the world. This paper analyzes its Code of Conduct and the scandals that are known to the public and are related to theories of business ethics and corporate social responsibilities.

The main question is if companies practice Corporate Social Responsibility and if they adopt the ideas of business ethics to their daily lives. For a company whose motto is “Do no evil” everyone expects Google to be an ethical company and to aim for public good. However, in the real world, this is not always the truth. Companies exist through their employees, and employees are human beings. Human beings are prone to scandals and misuse of power. There are quite a few scandals the past few years that assist this theory.

The most well known troubles for Google have been the Golden Shield Project in China, the rivalry with Facebook, the Verizon deal versus net neutrality and of course the privacy issues.

However, Google has managed to remain the number one search engine on the world. It has proven itself to be a smart company and the number one company job seekers want to work for.

This dissertation will analyze the Business Ethics of Google, the corporate social responsibility of the company and the faults in them. It will also examine how Google can refrain from any future mistakes in their CSR and the reasons which kept Google’s income rising despite the missteps.

In the case study chapter the paper analyzes some of the faults of Google and what was the cost for the users, the fans and for the company itself.

The dissertation is divided in five different sections. Each one of them is unique in the things it presents.
Table of contents

Title Page
Abstract
Index

Chapter 1
1.1 Introduction ................................................................. 4
1.2 Statement of the problem .................................................. 5
1.3 Objectives of the study ..................................................... 6
1.4 Scope of analysis ........................................................... 6
1.5 Plan of analysis ............................................................. 7

Chapter 2
Literature Review
2.1 Introduction ................................................................. 8
2.2 Business Ethics ............................................................. 8
2.2.1 Normative and Descriptive dimension ................................ 10
2.2.2 Ethical Theories ......................................................... 11
2.3 Business Ethics Barriers .................................................... 12
2.4 Internet Ethics ............................................................... 13
2.5 Governmental laws and regulations ..................................... 16
2.6 Corporate social responsibility ......................................... 17
2.7 Multinational Corporations ............................................... 17
2.8 Intellectual property ....................................................... 18

Chapter 3
Methodology
3.1 Introduction ................................................................. 20
3.2 Research Method .......................................................... 20
3.3 Sources of data ............................................................. 21
3.4 Nature of data .............................................................. 21
3.5 Justification ................................................................. 21

Chapter 4
Data analysis and discussion
4.1 Introduction ............................................................. 22
4.2 What is Google? ......................................................... 23
4.3 Code of conduct .......................................................... 23
4.4 “You can make money without doing any evil” ...................... 25
4.4.1 Golden Shield Project ............................................. 26
4.4.2 The Verizon Deal ................................................. 28
4.4.3 Privacy Issues ......................................................... 29
4.4.4 Android operating system ........................................ 32
4.5 Why people leave Google? ........................................... 33
4.6 Was Facebook right? ................................................... 35
4.7 How can Google change? .............................................. 36

Chapter 5
Conclusion and recommendations
5.1 Summary ................................................................. 37
5.2 Limitations of study ..................................................... 37
5.3 Recommendations ....................................................... 38

References
Chapter 1

1.1 Introduction

Google is an international public corporation, with its headquarters based on Mountain View, CA. Google entered the business world in 1997, a year after it was established. The first shares were offered in 2004, in an unusual online way. The underwriters of the deal were Credit Suisse and Morgan Stanley. Their assets reached $57.850 billion in 2010. Google’s extremely fast growth is based on many acquisitions, including Keyhole Inc., Aardvark, DoubleClick etc, and many more partnerships. (http://www.google.com/about/corporate/company/history.html) 

The very first time the idea of Google appeared was in 1995, when Larry Page met Sergey Bin at Stanford University. They first started a collaborating on BackRub, a Stanford operate engine.

The name “Google” suited them right, as they are both computer and math geniuses. Googol is a mathematical term for the number 1 followed by 100 zeros (Google.com). They managed to get a check of 100,000$ and Google begun its operation.

Google managed to gain funding from different companies. These companies included Sequoia Capital and Kleiner Perkins Caufield & Byers. Google then started thinking going public. In 2004 Google offered its shares to the public.

The question raised within such big companies, is whether they practice CSR or not. Google is a well trusted, loved search engine. However, their initial motto “Do no evil” is sometimes portrayed as inaccurate. There are numerous ethical dilemmas Google has found itself into. From the Verizon scandal, to the privacy of users and to the Golden Shield Project in China, this shook Google as a business entity. Google is also involved in other ethical issues, which question the CSR of the company as a whole. (David A. Vice, “The Google Story”, 2005)

However, Google has managed to remain the number one search engine in the world. It has proven itself to be a smart company and the number one company for job seekers.
This dissertation will analyze the Business Ethics of Google, the corporate social responsibility of the company and the faults in them. It will also examine how can Google refrain from any future mistakes in their CSR and the reasons which kept Google’s income rising despite the missteps. (Google.com)
The dissertation is divided into five different sections. Each one of them is unique in the things it presents.

1.2 Statement of the problem

Companies are prone to corruption, bribe and misuse of their power. There have been several cases of huge multinational giants engaging in such behavior. The ending is always the same. Bankruptcy.
The problem lies, not only within the companies, but within countries as well and within people’s minds. Corporate social responsibility and business ethics aim to cover this void. Battling the misuse of power might be of vital importance to the survival of a company and its economic growth.
The problem of making the ethics of a company better does not depend entirely on the company. There are several governmental regulations and laws which cover such issues, there is the general public opinion about the company and its rivals. There is also the bad economic situation which drives the public towards a more reluctant opinion against companies.

Google is generally believed to be a company with ethics. It was the first of its kind and it gained popularity very fast. It is the most trusted and even loved search engine around the world. It is quite difficult to capsize/topple it. But this is what happens when gigantic corporations overlook details such as a wrong ethical move. They find themselves in trouble. And this has happened quite a few times with Google. With no significant loses for them.

This paper deals with the CSR of Google and its business ethics. It mentions Google’s known and not ethical issues, and offers some alternatives.

This paper tries to be as objective as possible.
1.3 Objectives of the study

This study aims to analyze the wrong ethical steps of Google as defined from the literature review. Its objective is throughout the literature review, the case study chapter and the conclusion to underline how corporations may engage in missteps. Always both sides involved in the scandal are equally illegal and guilty.

The study will also try to show that developed countries are also corrupted. Corruption is not a phenomenon which is met only in under developed countries and nations. It is also met in places and governments of high opinion.
According to “Huffington Post” newspaper (28/01/2011), the most unethical companies include Total SA, Syngenta, Ryanair Holdings, Monsanto etc. On another article posted on 17/03/2011 Microsoft won the most ethical company award. Google did not make the list. According to the Ethisphere Institute, "the World's Most Ethical Company designation is awarded to those companies that have leading ethics and compliance programs, particularly as compared to their industry peers."(Smith, C. (2011) Huffington Post, Microsoft Wins 'Most Ethical' Award--Google, Facebook, Apple Don't Make The List, 17 March).

This study also presents some alternatives and ideas for Google to regain the trust it has lost the past two years. Google has gone through antitrust probe in the European Union and in the U.S.

1.4 Scope of analysis

The literature review covers a period of the mid 20th century until the 2011. The specific time period was chosen as the most recent and important years on books and contributions towards the subjects analyzed in chapter two. This is helpful to focus on the recent world wide interest in business ethics subjects.
1.5 Plan of analysis

This dissertation is divided into 5 different chapters. Each chapter represents a unique contribution to the overall thesis.

Chapter 1 focuses on general matters of the dissertation. It analyzes the problem, the objectives of the study and the scope of analysis.

Chapter 2 concentrates on the literature review. Books, articles, surveys, are used to analyze the theoretical background. It expands from the theories of business ethics to internet ethics, CSR.

Chapter 3 describes the methodology used to write this paper.

Chapter 4 is the main problem, which includes details about the scandals Google found itself into and its implications.

On the last chapter, the thesis focused on alternative ways to approach business ethics, and suggestions of how can Google and every corporation improve their ethics.
Chapter 2

Literature Review

2.1 Introduction

This second chapter examines the key concepts of the related literature. It focuses on the ideas of business ethics, corporate social responsibility, and internet ethics. Alongside the explanation of ethics, this chapter provides a review of other concepts related to the subject such as governmental laws, intellectual property law and the idea of multinational corporations.

2.2 Business Ethics

In general “ethics” is defined as how people live their lives, based on a “right” and “wrong” behavior. It also includes the concept of how we treat other people and how we want to be treated. There is one rule, which is the same for all religions; the Golden Rule. 

*Do unto others as you would have them do unto you.*

According to a research done by Raymond Baumhart, 50% of the people questioned describe ethics as what their inner self tells them is right. Half of the rest described it in religious terms.

Business ethics focuses on moral issues that arise within a business environment. Businesses and corporations are treated as entities which are prone to immoral actions, like humans. Richard T. De George (1999) has pointed out that if we want to consider an action immoral it should be done on purpose.

Business ethics apply primarily to economic institutions. And that is mainly because economic institutions are the most influential entities in today’s society. Economic institutions provide the public with easy production and distribution of goods and services (Velasquez, M. (1997) Business Ethics). The newest type of institutions is multinational corporations. For example GE, Tesco, IBM, etc. Economics scandals happen often in the business world. There is none in the economics field who is not aware of the Enron
scandal. Or the most recent scandal in UK involving News Corporation. Corporations are prone to unethical behavior. That is because they are consisted of humans. And humans make mistakes (unwillingly). Or take unethical decisions (knowingly).

Business ethics focus on how moral standards apply to these institutions and to the people working in them. The study of business ethics includes both the moral norms and the outcome made by the analysis applied to institutions and organizations. According to Manuel Velasquez, business ethics analyzes three different issues that arise within a business organization. These three issues are the systemic, the corporate and the individual. It makes it easier to divide the business ethics issues into these three categories. According to Velasquez’s theory, the systemic issues are about the social-economics environment the organization operates in. The corporate issues refer to the specific organization or institution we examine, and the individual issues are obviously referring to individuals within a company. There are times where an unethical behavior or a scandal involves all three of these dimensions. Like the scandal of Siemens. It was witnessed in several countries, in which the environment urges companies to bribe politicians or individuals. It also included specific individuals within the company.

Business ethics are essential today, if we want the economy to function well. We see quite often, different types of scandals within a corporation’s environment. From bosses treating employees unfairly, to money laundering and bribes. Most theorists believe that corporations are indeed moral entities. Just like a human being, they are following rules and laws and pay the price. Sometimes, the price is a lot less than someone would expect. Cases like that include the Bristol-Myers-Squib accounting scandal in 2002, which was settled for some million dollars without the company admitting to the guilt. Other big companies caught in scandals include Exxon, AOL, American Airlines, Floxtex etc. For some companies the scandals and the unethical behavior did not have any consequences on their revenue. Interestingly enough, each time the world experiences a financial crisis, business ethics become more important to all. Scientists from Ivy League institutions (Harvard, MIT)
Encyclopedia and Google, created a database based on the electronic library Google has. If someone types the words “business ethics” the diagram you get is this one:

This diagram shows how often the phrase “business ethics” was used during these years. People become more interested in ethics during a crisis. After the crash of 1929, the use of the phrase reached a peak. From that moment on, more people were interested in business ethics. There is a massive increase of interest after the 1990. That makes sense, as the books published on the subject are much more than 50 years ago. Now colleges and universities offer degrees and specialized classes on business ethics and corporate social responsibility.

2.2.1 Normative and descriptive dimension

There are two dimensions on business ethics. The first one, the normative, is how things should be. The descriptive dimension is how things really are. Academics and writers perceive business ethics from their descriptive dimension. While, corporations act in a normative way. The following subchapter of this chapter focuses on the most well known ethical theories.
2.2.2 Ethical theories

For the reader to get a deeper understanding of what business ethics represents, it is essential for this paper to examine some of the most influential ethical theories.

David Hume, a Scottish philosopher, firstly spoke about “utilitarianism”. What does utilitarianism say? Consequences determine the actions. If your goal is to do good, then none is to blame for what it took to get the outcome you wanted. ¹ John Stuart Mill, a great philosopher of the mid 19th century, wrote a book on “utilitarianism” back in 1863. His book had the biggest impact on this theory, and it still has. John Stuart Mill believed that all humans are seeking unity. We all want to live peacefully and in harmony. He also states that actions are right, in proportion to their tendency to promote happiness or the lack of pain. (J. S. Mill, 1863)

Utilitarianism aims to maximize the good. Corporations nowadays have adopted this idea and have developed different tools and strategies to achieve that. Utilitarianism is still widely used. An example of these tools is the cost benefit analysis and the risk management. (Beauchamp, T. (2008) Ethical Theory and Business).

2.3 Business Ethics Barriers

These are the few sectors of ethical consequences that firm would come across throughout the exercise of Business Ethics. The two main barriers an organization may encounter are:

- Bribery and corruption
- Counterfeiting or the production of fake goods

Corruption is essentially dishonest and at times completes illegal, inducing damage to the economy, individuals and public life, and, if conventional, may support planned misdeed in the Co-op these kinds of elements are not exist and they should be careful regarding these kinds of elements which will be harmful for the management point of view (William, 2006). Counterfeiting or the production of fake goods, that is the cause of the theft of

rational property, is one more region of ethical distress in the firm with the barriers above, deference for the unfeigned brand drops when multitudes of counterfeits are produced that conduct to low execution by the organization.

When business people speak about “business ethics” they usually mean one of three things: (1) avoid breaking the criminal law in one’s work-related activity; (2) avoid action that may result in civil law suits against the company; and (3) avoid actions that are bad for the company image. Businesses are especially concerned with these three things since they involve loss of money and company reputation. In theory, a business could address these three concerns by assigning corporate attorneys and public relations experts to escort employees on their daily activities. Anytime an employee might stray from the straight and narrow path of acceptable conduct, the experts would guide him back. Obviously this solution would be a financial disaster if carried out in practice since it would cost a business more in attorney and public relations fees than they would save from proper employee conduct. Perhaps reluctantly, businesses turn to philosophers to instruct employees on becoming “moral.” For over 2,000 years philosophers have systematically addressed the issue of right and wrong conduct. Presumably, then, philosophers can teach employees a basic understanding of morality will keep them out of trouble. However, it is unlikely that philosophers can teach anyone to be ethical. The job of teaching morality rests squarely on the shoulders of parents and one’s early social environment. By the time philosophers enter the picture, it is too late to change the moral predispositions of an adult. Even if philosophers could teach morality, their recommendations are not always the most financially efficient. Although being moral may save a company from some legal and public relations nightmares, morality in business is also costly. A morally responsible company must pay special attention to product safety, environmental impact, truthful advertising, scrupulous marketing, and humane working conditions. This may be more than a tight-budgeted business bargained for.

We cannot easily resolve this tension between the ethical interests of the money-minded businessperson and the ideal-minded philosopher. In most issues of business ethics, ideal moral principles will be checked by economic viability. To understand what is at stake, we will look at three different ways of deriving standards of business ethics.
Business Ethics is perhaps the one area of business development that is given its own unique genre of priority. In order to be successful, the necessity of a strong Code of Ethics is undeniable for any organization (Shaw, W. (2007) Business Ethics). As William H. Shaw notes in his thought provoking book, *Business Ethics*, the code of ethics of an organization contributes to the eventual success or failure of that organization. Over time, several books, papers and articles have been written upon Business Ethics and countless examples exist that strengthen the notion that the success of an organization is directly related to the achievements that the company accomplishes.

Business Ethics is considered to be a part of applied ethics since a vast aspects of ethics related to business are rooted in practicality. Business ethics deal with the transparency of the functions of a business in a manner such that the information, services and products that an organization provides to its clients are based upon truth and honesty (DesJardins, J. (2008) An introduction to business ethics). A breach in business ethics would mean that the organization has either misguided its clients through false information, or provided services to its clients that are not equivalent to those that were promised earlier, or provided products to its clients that were of a quality inferior than that which had been either promised or quoted earlier.

### 2.4 Internet Ethics

“Consider a device in which an individual stores all his books, records, and communications, and which is mechanized so that it may be consulted with exceeding speed and flexibility. It is an enlarged intimate supplement to his memory. a sort of mechanized private file and library.”

(Bannevar Bush, *As we may think*, 1945.)

Internet was invented in 1973. Since then, it has turned out to be the most used type of communication. The users are now billions, with millions of information on a daily basis. As R. Severson notes, the “information” is not something new. The value of this
information is what is more important and its accessibility. (Severson, R. (1997) The principle of information ethics). It can either be information shared by media or an email between two friends.

Internet ethics is a new field of science, which begun when computers started to store information. (Langford, D. (2003) Internet Ethics). There are various ethical questions around the use of the internet, computers, stored data, etc. Each one of us will come up in a Google search. The biggest problem for Google has always been the stored data and privacy. It is easy to track someone’s life down by simply googling his name. You may get an email address, a university paper, their address, etc. There are a lot of different disciplines which are involved in such a research.

The privacy of the information shared on the internet is a debate that has been going on for more than half a century now since the development of the electronic technology. This type of technology is usually linked to the creation of models which control people. The way we use the internet or even Google, reflects our personality. It is easy for someone to gain access to the website or the searches of one person and figure out what this person likes, what he is interested into etc. Someone might read a newspaper online, and share it through his email or through social network sites such as Facebook, LinkedIn, or Google +.

As Andrew Ghillyer points out, “anything that can be digitized can be sent through a fiber optic cable”. There are a few memorable incidents that took place the last decade which prove the harm the documents in our computers could do. For example, the Xerox corporation which fired employees because they were watching pornographic websites at work. (Ghillyer, A. (2006)).

A very interesting approach is that one of the Computer Ethics Institute. They created the ten commandments of internet ethics².

² http://computerethicsinstitute.org/publications/tencommandments.html
“Ten Commandments of Computer Ethics

Created by the Computer Ethics Institute

1. Thou Shalt Not Use A Computer To Harm Other People.

2. Thou Shalt Not Interfere With Other People’s Computer Work.

3. Thou Shalt Not Snoop Around In Other People’s Computer Files.


5. Thou Shalt Not Use A Computer To Bear False Witness.

6. Thou Shalt Not Copy Or Use Proprietary Software For Which You have Not Paid.

7. Thou Shalt Not Use Other People’s Computer Resources Without Authorization Or Proper Compensation.

8. Thou Shalt Not Appropriate Other People’s Intellectual Output.

9. Thou Shalt Think About The Social Consequences Of The Program You Are Writing Or The System You Are Designing.

10. Thou Shalt Always Use A Computer In Ways That Insure Consideration And Respect For Your Fellow Humans. “

We all agree that the Internet and the World Wide Web are two of the most significant developments of technology. According to Deborah Johnson (Ethical Theory and Business, 2006), there are those who are in need of an information and those the information is about. For Deborah Johnson, what is important, are the arguments in favor of privacy that balance the goods of gathering information. In 2006, Napster – free music downloading company – was forced to change the way they worked due to copyrights law. The company soon declared bankruptcy. There are many similar stories with companies or website that used to offer free music or movies downloading. The emerge of the properties law the past few years has made it very it difficult for such companies to flourish online.

Congress asked Google, Yahoo, Cisco, Microsoft to testify before Congress about their understanding regarding the Chinese government’s efforts to censor the internet. (Ethical Theory and Business). Yahoo had exposed a Chinese journalist who was fighting against
censorship. He was found guilty by the Chinese government and was sentenced to jail. This was characterized as “sickening collaboration”. (Tom Zeller, *Webfirms are grilled on Dealings in China*, NY Times, 2006, Feb 16).

Governments have taken actions against the free sharing of information online, against free downloading, etc.

### 2.5 Government regulations and laws

Google is obliged to follow U.S. laws and international laws where applicable. For corporations to function in a globalised environment they need to be able to comply with regulations and laws and to provide evidence of that. There are many different laws that Google is obliged to follow. Under the United States Securities and Exchange Commission, Google needs to follow laws regarding: “user privacy, freedom of expression, content, advertising, information security and intellectual property rights are being debated and considered for adoption by many countries throughout the world”. Of course, there are many more besides these. For example, in China, Google was forced to follow the Chinese Government rules regarding censorship. In this paper, Google lawyers point out that the company is in favor of net neutrality and they even fear that they might face risks if the government could not sustain the internet neutrality. Later on, we see that the Verizon – Google deal, a deal which might end net neutrality, was heavily criticized along with Google.

On Google’s website [http://investor.google.com/corporate/code-of-conduct.html](http://investor.google.com/corporate/code-of-conduct.html) they clearly state how seriously they take the law. The laws that they believe are easily violated are these:

*Trade Controls*

*U.S. and international trade laws control where Google can send or receive its products and/or services. These laws are complex, and apply to:*

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- imports and exports from or into the U.S.;
- imports and exports of products from or into other countries, especially when those products contain components or technology of U.S. origin;
- exports of services or providing services to non-U.S. persons; and
- exports of technical data, especially when the technical data is of U.S. origin.

Google products are essentially important. They tend to pay much attention on trade, especially trade in and out of the U.S. land.

2.6 Corporate Social Responsibility

“Corporate Social Responsibility refers to the obligations of the firm to society, or more specifically, the firm’s stakeholders that are affected by corporate policies and practices”. N Craig Smith, California Management Review, 45, 4, 2003.

CSR undeniably plays a very important role in Business Management. Its major responsibility is to build a sustainable development for the business. Andrew Ghillyer, Business Ethics (2006), divided Corporate Social Responsibility into three subgroups.

a) Ethical CSR. Companies have a clear target of pursuing a social conscience in managing their financial responsibilities. They also focus on their legal responsibilities against the community and the stakeholders.

b) Altruistic CSR. Companies take a step further and donate to charities or organizations. To whom they will donate, it is a choice made by the company, not the stakeholders.

c) Strategic CSR. In strategic CSR the company aims to donate to programs which will have as a return goodwill or good publicity.

Rushton (2002) defines Corporate Social Responsibility as the positive actions a company takes to give back to community.
2.7 Multinational corporations

Google is a multinational corporation. Those corporations operate in more than one country. As a logical consequence, each office applies the regional laws as well. It is said that when multinational corporations operate in less developed countries, they tend to act a bit immoral as well. It is not always easy to control such a corporation. Let along how difficult it gets for a less developed country. The cultural differences that take place have been noted excessively by some management theorists such as Kluckhorn (1955), Hofstede (1980).

Milton Friedman, believes that corporations are amoral. However, the target is the maximization of profit. And therefore, multinational corporations have social responsibilities.

2.8 Intellectual Property

De George has pointed out three major characteristics of Intellectual Property. Those are: a) if one has the right to share, then others do as well b) if there is a new idea, it builds on previous knowledge and that means that this creation is none’s specifically property c) things change and grow, so does intellectual property. De George believes that copyright exists in the sense that it urges people to create things.

There are many organizations who deal with the legal basis of intellectual property. There is the EPO for the European Union, each country has its own patent office, and in the U.S. there is a paragraph I the Institution; Article 1 Section 8 which points out that “The power to promote the progress of science and useful arts is done by securing for limited times to authors and investors the right to their writings and discoveries”.

Regarding Google’s infringements, it has been said that Google has found itself in trouble quite a few times in the past. One very distinct incident was the one with Viacom back in

2006. Viacom filed a suit against Google in the Court of New York, complaining that thousands of videos are available on YouTube, and for that reason Google owns some 1$ billion to Viacom for financial damages. Each year, Google delivers a report of financial risks to their stakeholders. It faces thousands of complains for copyrights, infringement etc. Not only for the Google the search engine, but for features such us YouTube, Google Books, News, Videos, etc.

There have been some other well known copyrights issues with Google. A Chinese female sued Google for copyright infringement so have many others.

Google has set up the Digital Millenium Copyright Act, which was established by the U.S. Government. This act among other things, it states that:

“Regardless of whether we may be liable for such infringement under local country law or United States law, our response to these notices may include removing or disabling access to material claimed to be the subject of infringing activity and/or terminating subscribers.”

Google’s code of conduct mentions about intellectual property that the trademarks, the logos, copyrights, trade secrets, patents and all the know-how are the most valuable assets of the company. Unauthorized use can lead to their loss or serious loss of value. (Google.com)

5 http://www.zdnet.com/blog/micro-markets/google-copyright-infringement-lawsuit-risks-could-be-substantial/1065
Bogatin, D. (2007) Google; Copyright Infringement lawsuits risks ‘could be substantial’. Zdnet, 13 March

6 http://www.chinadaily.com.cn/china/2009-12/16/content_9184029.htm

7 http://www.google.co.uk/dmca.html
Chapter 3

Methodology

3.1 Introduction

This chapter presents the methods and procedures used to do the research. It also provides details about the reasons why the specific research method was used, how the material was chosen, and how was the data collected. It also presents problems encountered while doing the research, conclusions and justification of why these data were chosen.

3.2 Research Method

The research method chosen to do the research for this paper is case study. There is an examination of a single event; Google’s do no evil approach and its missteps. As mentioned by Bell (1999) case studies put flesh in the bones of an initial research. It is crucial for scandals to be analyzed within the frames of a case study analysis. It is essential for unethical behaviors, scandals and troubles for a company to be analyzed within the frames of a case study analysis. The reason why is because a case study analysis provides an in depth and longitudinal aspects of specific incidents. To achieve that, a case study examines in detail the behaviors of the company and those of the employees. This type of research sheds light into details and provides information of what went wrong and how we can avoid the same mistakes in the future. As Johnson (1994) stated finding the right type of methodology for conducting a research paper, is a ‘crucial element’. Yin in 1993 illustrated three different ways of doing a case study analysis. Those are: the exploratory way, the explanatory and the descriptive way. According to his research, choosing the right type of a case study has an impact on the outcome of the research. These include a description of the real life framework in which the case happened, the explanation of bonds in real life interference, explaining and describing the incident itself. The desirable outcome of this paper is a case study analysis which will explore and explain
the incident, the unethical behaviors in our case, and will illustrate the parameters around the scandal using different sources in order to achieve the desirable results.

3.3 Sources of data

The data used in this case study are obtained from Business ethics institute. Charts and graphs from the above were used to illustrate business ethics. Facts, events, details, confessions, were gathered after detailed examination and comparison of the sources, including different accurate sources such as books, newspapers, magazines, and websites.

3.4 Nature of data

Use of appropriate material for a case study is crucial for its development and outcome. The data borrowed from
The data in the case study chapter used are very recent. Articles and websites that were written in the previous couple of days were used.

3.5 Justification

Google’s do no evil versus Google’s scandals. It is impossible to analyze all of these events within a book. It will take thousands of pages to go through each detail and each event which is connected to the scandal.
For this paper, the most important parts of the scandals are discussed.
The author of the paper is aware that new things are coming to light as we speak.
Chapter 4

Case Study

4.1 Introduction

This chapter will focus on problems that Google has encountered since 1997. The most major and well known troubles for Google have been the Golden Shield Project in China, the Verizon deal, the privacy issues and of course the rivalry with Facebook.

In the first part of this chapter, the Code of Conduct and the meaning behind “you can make money without doing any evil” are analyzed.

This chapter also includes suggestions of how can Google change and an analysis of the reasons why people leave Google. Even though Google is one of the dreamiest companies for job seekers, it also is a company that many people want to quit.

Even though those incidents are well known to the public, there are many more not so known. The Huffington Post published an article by M. Liedtke and G. Steinhauser on 30th November 2010, which emphasizes on the search results of Google. Google uses algorithms to determine the rank of the results. Obviously, it keeps this procedure private.

Google has faced antitrust investigations in many European Countries including Italy, Germany, Belgium. Google’s stock dropped 4,5% when the investigation was announced (The Huffington Post)\(^8\).

In the European market Google has the 90% of the market share in some countries. The investigation is done by the European Commission. Even though it is not certain that Google has broken any antitrust laws, it still causes trouble to the Californian company.

Google’s defense is that it is inevitable for an algorithm not to push some websites down the ranks. (The New York Times, December 1 2010)

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4.2 What is Google?

Google is not only the world’s largest search engine. They have managed to build an extremely high-tech production quality system. It is one of the most recognizable brands around the world. According to The Guardian, Google is world’s number 1 brand. Peter Walshe, global account director, states in the newspaper that "Google's rank has been driven by fantastic financial performance and equity value," (Sweney, M. (2008) The Guardian, 21st April).

It has only been a few months now that Apple has become the world’s most valuable brand. (Brandz.com) Apple managed increase their value by 84%. The reason is obviously all the new gadgets they produced last year including the ipods, Ipads, iphone. Google lost 2% and dropped the value to $111.5 billion. (Bloomberg May 9 2011)

4.3 Code of conduct

Google’s code of conduct is easily accessible by their website. The first thing they mention is the “don’t be evil” policy. All employees are obliged to follow this rule. It’s the way Google transfer the don’t be evil policy into reality.

“Google Code of Conduct: Table of Contents

1. Serve Our Users
   1. Integrity
   2. Usefulness
   3. Privacy and Freedom of Expression
   4. Responsiveness
   5. Take Action

2. Respect Each Other
   1. Equal Opportunity Employment
   2. Positive Environment

3. Drugs and Alcohol
4. Safe Workplace
5. Dog Policy

3. Avoid Conflicts of Interest
   1. Personal Investments
   2. Outside Employment and Inventions
   3. Outside Board Memberships
   4. Business Opportunities
   5. Friends and Relatives; Co-Worker Relationships
   6. Gifts, Entertainment and Payments
   7. Reporting

4. Preserve Confidentiality
   1. Confidential Information
   2. Google Partners
   3. Competitors; Former Employers
   4. Outside Communications and Research

5. Protect Google's Assets
   1. Intellectual Property
   2. Company Equipment
   3. The Network
   4. Physical Security
   5. Use of Google's Equipment and Facilities
   6. Employee Data

6. Ensure Financial Integrity and Responsibility
   1. Spending Google's Money
   2. Signing a Contract
   3. Recording Transactions
   4. Reporting Financial or Accounting Irregularities
   5. Hiring Suppliers
   6. Retaining Records

7. Obey the Law
   1. Trade Controls
   2. Competition Laws
   3. Insider Trading Laws

The code of conduct focuses on users, respect, avoiding conflicts, confidentiality, financial stability and obeying the law. Google pays attention to the users. They believe that if employees are happy and encouraged to work, they will perform better and they will assist users better. They obviously also focus on the company’s assets and financial stability, as well as obeying the law. It is worth mentioning that in the code of conduct, it is mentioned
that Google does not want to possess confidential information about rivals. As it stated in the conduct they want to “compete fairly”.

Even in the conclusion of the code of conduct, it is mentioned that *don’t be evil, and if you see something that you think isn’t right -- speak up!*


### 4.4 “You can make money without doing any evil”

Google’s famous motto is on questioning. The company has showed off their slogan for many years now. It was firstly suggested by Paul Bucheit¹⁰ and Amit Patel. As Bucheit stated he wanted something that once you *put it there, it will be difficult to take it out*. The motto was a jab at a lot of other companies, mainly the competitors, which were not treating the employees’ right.

On an article published on the register.co.uk 1st February 2010, Cade Metz sheds light on the rivalry between Apple and Google. Google has entered the phone market, after Apple did. However, Apple never created a search engine. This is what drove the late Steve Jobs to question in a harsh way, the motto of Google. As mentioned in Daring Fireball Steve Jobs said “*Don’t be evil*’ is a load of crap.” Apple had the Google chief executive in its board for a few years. But ever since Google decided to become Apple’s competitor in phones and computers with Chrome OS, Eric Schmidt¹¹ was dismissed from Apple’s board.

It is mentioned in many articles and blogs, that even though the motto Don’t be Evil is a very catchy one and very promising, Google has grown to be far from it. Users used to be the number priority for Google. Nowadays, the users come second for Google. They tend to be arrogant, due to the fact that they are the number one search engine and one of the best companies worldwide. People know Google is not as angelic as they present

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¹⁰ Paul Bucheit is the creator of Gmail

¹¹ Former chief executive of Google 2001-2011, and former member of the board of Apple
themselves. This is why every time something happens, the press insults Google and especially their slogan. In 2008, Eric Schmidt said to Reuters: “Don't be evil" is meant to provoke internal debate over what constitutes ethical corporate behavior, rather than representing an absolute moral position. We don't have an 'Evil meter' we can sort of apply -- you know -- what is good and what is evil."  

Google has caused controversy with the privacy issues, the rivalry with Facebook, the Verizon deal but especially with the Golden Shield Project in China.

### 4.4.1 Golden Shield Project

The Golden Shield Project started on 1998 but started its operations on 2003. It is run by the Ministry of Public Security, which is part of the Chinese Government. Greg Walton, of the International Center for Human Rights and Democratic Development published a report, where among other things he stated in 2001:

“Old style censorship is being replaced with a massive, ubiquitous architecture of surveillance: the Golden Shield. Ultimately, the aim is to integrate a gigantic online database with an all-encompassing surveillance network – incorporating speech and face recognition, closed-circuit television, smart cards, credit records, and Internet surveillance technologies”

The Golden Shield Project was first mentioned by Deng Xiaoping in 1980s. The Chinese ministry of Public Security first started controlling and censoring the Internet in 1997. In the CRS Report For Congress “Internet Development and Information Control in People’s Republic of China” some rules established by the government are presented. It is worth mentioning articles 4-6:

“Individuals are prohibited from using the Internet to: harm national security; disclose state secrets; or injure the interests of the state or society. Users are

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prohibited from using the Internet to create, replicate, retrieve, or transmit information that incites resistance to the PRC Constitution, laws, or administrative regulations; promotes the overthrow of the government or socialist system; undermines national unification; distorts the truth, spreads rumors, or destroys social order; or provides sexually suggestive material or encourages gambling, violence, or murder. Users are prohibited from engaging in activities that harm the security of computer information networks and from using networks or changing network resources without prior approval”

The Chinese Government has been very tough on websites and on the general use of the Internet. Users are prohibited from opening specific websites, and all websites are obliged to register with the Government. In 2005 among other rules added by the Government, they also prohibit online news services from showing illegal marches or demonstrations. Along with this measure, they prohibit any activity done by illegal civil groups.

There are many different ways to censor online search and websites or to control what the people should watch or not. Such ways include IP block, URL filter, DNS redirection, Connection reset, etc. Google had added computers which tried to connect to the Internet and access online content outside the country. Even though users could access Google, most of its content was blocked due to censorship. In 2006 Google announced they will comply with the censorship and they created Google.cn. The mission for Google was to stay in the fast growing economy of China and not to back out losing millions of dollars.

Baidu, a Chinese search website, had the biggest market share in China in 2006. Google was not satisfied with this and they tried to stay in the market in order to win the customers. It was going to be damaging for Google to pull out. That decision led to bad criticism and frustration over Google’s policies.


In 2009, 4 years since the establishment of Google China, the Chinese chairman of Google resigned. The reason why being the uneven competition with Baidu and the continuous problems with the Chinese government. Even though Google had complied with the regulations, the Chinese restricted the access to YouTube in 2009. A few months later Google announced they will leave China. Google’s brilliant idea to redirect searches to uncensored google.com.hk was welcomed by the world but eventually led to full ban from the Chinese Government. Anyone living in mainland China, was and is not able to use any Google site anymore.

The British Newspaper “The Telegraph” questions Google’s decision to get out of China. On an article published on 13th January 2010, Matt Warman believes that there are only two reasons behind this decision. Google is either acting “like a state that can unilaterally threaten sanctions against any neighbours with whom its relations sour” or they just turned their back to China.

4.4.2 The Verizon Deal

In 2010, Google was in talks with Verizon to prioritize internet traffic. It is well explained at techcrunch.com by Nicholas Deleon on August 5 2010. He explains what the deal is about. If a company wants to show up first in Google search they have to pay an amount to Verizon. If another website wants to load first, they will need to pay the double amount to Verizon. Such a deal would kill net neutrality. The users will eventually end up paying


more and the internet will turn out to work like Cable Television. Edward Wyatt from the New York Times characterized the deal as a deal which will “allow Verizon to speed some online content to Internet users more quickly if the content’s creators are willing to pay for the privilege.”

The meaning of net neutrality is to promote equality among companies online. When this equality will be disturbed, it will be a doomsday for the Internet. Large companies will end up loading faster and smaller ones will be doomed on internet searches. And of course, this is against any ethics. If it was not for net neutrality, Google would have never succeeded. (Daily Finance, 08-09-2010).

Despite the problems that occurred during the negotiations and the frustration from users and companies, Verizon and Google reached an agreement on 9th of August.

The agreement suggests that there will be no prioritizing in search results. The proposal was published in both Verizon’s and Google’s websites. It clearly states that “wireline broadband providers would not be able to discriminate against or prioritize lawful internet content, applications or services in a way that causes harm to users or competition.”

The F.C.C., the Federal Communication, could not interfere to this agreement. The same had happened with Comcast in 2010 when Comcast blocked their users from using BitTorrent. After the agreement was known, the reaction from FCC and Internet users was negative and immediate. Michael J. Copps, F.C.C. commissioner, stated that the authority of FCC should be reasserted and they should guarantee net neutrality. He also underlined the importance of the customers’ needs. For the F.C.C. customers comes before corporations. Google’s CEO Schmidt reassured the public that they will follow F.C.C.’s guidelines and the Internet will not change as we know it.

Most important of all, Google’s motto “Don’t be evil” was largely questioned and sometimes mocked as well. Even if Schmidt sounded trustworthy to some, there are many

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23 http://www.wired.com/epicenter/2010/08/google-verizon-propose-open-vs-paid-internets/all/1

more who believe that the Internet will change and big corporations will control what the users need to know or find. Huge corporations find it easier to control the internet. If more deals like this one come up, the users will eventually lose their privileges and the Internet will be more expensive than cable.

4.4.3 Privacy Issues

One of the major problems Google faces is the privacy issues. Many issues have been raised throughout the years concerning the privacy. Among others, these include issues with Google Library, Google Buzz, Google maps, and private data in search results. Google maps and street view have gotten many bad critics and many people chose the legal and sued Google. In April 2010, the Canadian Privacy commissioner Jennifer Stoddart, contacted Google by a letter explaining to them the issues around Google Buzz and Street View. The Commissioner managed to get the letter signed by other countries as well. She pointed out that Google needs to find new fundamental privacy policies. She attacked Google by saying that they forget about user’s and their privacy and they focus on producing new technologically advanced applications. (www.bbc.co.uk). Even though the commissioner requested for a reply, Google said they have nothing to add. Later than year, Alan Eustace, admitted that following the inspection of regulators, some data were fully captured including emails and passwords. (www.usatoday.com). Following such complaints, Google’s spokespeople ran to cover the incident and to add that Google’s first priority is the privacy of the users.

In 2009, Google was taken to court by the Swiss data protection agency. The first thing Google said was that they might leave Switzerland. Peter Fleischer reassured the public


26 Google’s senior vice president of engineering

27 Google’s global counsel of privacy
that nearly all faces on street view are not recognizable. However, the Federal Administrative Tribunal does not accept “nearly all faces”. They require that none is recognizable.²⁸

Eric Schmidt, Google’s CEO at the time, commented on the privacy issues by saying that people should not complain about privacy. If there is something they do not want the rest to know, maybe they should not do it at all.²⁹

Privacy International³⁰, has attacked Google numerous times regarding their privacy issues. On a report they made in 2007, they called Google “hostile to privacy”³¹ and was placed at the bottom of the rankings. Privacy International explained that the reason they put Google last, is because the Californian Corporation collects too much information about their users. As always Google responded in a cheeky way. “We are disappointed with Privacy International’s report which is based on numerous inaccuracies and misunderstandings about our services”.³² A better reply for Google could have been their intention to listen to such comments and try to improve their privacy problems.

The world of internet is a harsh and competitive world. Most of the internet companies steal secrets from other companies, and try to harm others. Like when Facebook hired Buston-Marsteller to spread rumors about Google. On the other hand, Ebay and PayPal sued Google in May 2011 for stealing their trade secrets.³³

Google has been sued quite a few times over privacy issues. They always give the same answer. That users, come first. Every time they face privacy issues, they come with a


³⁰ British NGO


“beta” version of the same problem, which they believe tackles all the problems. For a company whose motto is “Don’t do evil”, Google has managed to gather many sues and many bad reviews from thousands of newspapers around the world.

### 4.4.4 Android operating system

What is the Android system? The Android Operating system is a software for mobile phones. In the picture below, the main components of the system are shown in detail.

Source: www.android.com

It is a complex software, which includes sms, email, contacts, maps, etc. Any developer who wishes to applications for Android should use the API system, the Application Platform Interface. All applications are created using Java. Anyone who owns a Smartphone today is probably one with Android operating system.
Google acquired Android in summer 2005. In 2010, the Android market faced a crisis. The download counts dropped enormously within a weekend and developers of applications had a go at Google. Apart from that, Android applications started disappearing.\footnote{http://android-developers.blogspot.com/2010/06/download-count-problems.html} Even though Google fixed the bug, developers remained angry and requested from the corporation to be more communicative with them.\footnote{http://www.macworld.com/article/152010/2010/06/androidmarket.html}

Google is planning to create an Android application which will identify people’s faces.\footnote{http://www.cnn.com/2011/TECH/mobile/03/31/google.face/index.html} Mark Milian of CNN posted an article on March 31\textsuperscript{st} 2011, in which he explains his perspective. For Milian, Google is making this step in order to make it easier for Internet users to exchange details. It will be easier to use than a business card. Hartmut Neven of Google explained that they are being too cautious with this. His exact words were:

“we are taking a sort of cautious route with this. In particular, women say, ‘Oh my God. Imagine this guy takes a picture of me in a bar, and then he knows my address just because somewhere on the Web there is an association of my address with my photo.’ That’s a scary thought. So I think there is merit in finding a good route that makes the power of this technology available in a good way.”

Google needs to be too careful with this application and not cause any more privacy issues and troubles to users. With the Google Buzz application, Google ended up paying a fine of $8.5 million for violating users privacy.\footnote{http://www.androidapps.com/tech/articles/7406-google-s-face-recognition-app-raises-privacy-concerns}

4.5 Why people leave Google?

Another crucial question to ask is why people leave Google? Google Inc. is on the top 10 companies to work for as published by The Times each year.\footnote{http://www.top100graduateemployers.com/employers} Not only the users of

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\footnote{http://android-developers.blogspot.com/2010/06/download-count-problems.html}
\footnote{http://www.androidapps.com/tech/articles/7406-google-s-face-recognition-app-raises-privacy-concerns}
\footnote{http://www.top100graduateemployers.com/employers}
internet have started losing their faith in Google, but also the employees. Most employees leave Google to start their own companies or to join a start up. They reason why is most likely the fact that in startups they move upwards quite faster than in Google. Google has thousands of smart employees who are trying to be promoted from associates to assistants. The competition is very intense as the company tries to hire people from Ivy League universities. In smaller companies, employees find it easier to implement their theoretical knowledge and to get promoted to managers quite faster.\(^{39}\)

It is undeniably fascinating to work for a huge innovative and respected company like Google. They lure potential employees by advertising about the fantastic life someone working in their offices experiences on a daily basis. From bikes inside the office to having a personal chef. Headhunting company Binc listed a few reasons why they believe people quit.

- Google used to be hot to work for a couple of years ago. Now it is getting older and people need new vivid start ups. Facebook, twitter and linkedin are social networks who are currently drawing the attention of the bright minds.
- Throughout the years Google became a traditional corporation. Despite the fact that their offices look pretty amazing on the outside, inside it is all about corporation culture.\(^{40}\)

In 2008, the company asked former employees why they left. The results showed that employees did not find their jobs and the environment interesting enough to stay. They characterized it as too much bureaucracy and poor management.\(^{41}\)

Some might argue that people do change jobs and it is natural to leave a job for another one. But when your job offers food, laundry, fun, good money, why would you leave? The


answer might be that employees do not want to be treated as kids and maybe they need a more fascinating job than all the rest of the fun.

4.6 Was Facebook right?

Facebook and Google are two prominent and innovative companies. They both have millions of users and fans. Even though Google is primarily a search engine, Facebook is a social network. The past few years many Googlers left for Facebook and recently Google created its own social network Google +. They both attract intelligent people and brilliant minds. However, being part of a competitive world, these two companies engaged themselves in an ongoing rivalry. In November 2010, Google blocked a Facebook feature which allowed the users to import contacts from gmail and find them on facebook. 42 (Reuters, 12th November 2010).

In May 2011, the rivalry became more intense as Facebook hired Burson Marsteller, a prominent public relations company, to harm Google. The goal was to attack Google's privacy issues in blogs and news. Larry Smith of Crisis International commented that the company which will be seen as a bully will lose the battle. (NZ News, 13th May 2011). Facebook stepped up and said that they only hired Burson Marsteller to boycott Google and its Social Circle service. 43 They also added that they did not intend to create a hostile environment with Google or to attack them directly. Burson Marsteller started sending emails to around the web and accused Google for privacy issues. One of these emails was sent to well known blogger Christopher Soghoian. BM offered to assist him with an article which was going to be published in top newspapers and online media including The Huffington Post. 44 (CNN, 12th May, 2011) When Soghoian asked who is behind this move, BM did not give an answer. Soghoian then decided to publish Burson Marsteller’s email


43 Social Circle is a service which provides users with contents from their contacts and online friends.

and exposed them online. Few days later, then news were all over the internet, and Facebook had to admit that they did not handle the matter well.

4.7 How can Google change?

Ethical issues are a major concern for corporations nowadays. The customers, the stakeholders, the media judge a company by its ethics and its corporate social responsibility. There are many reasons why a company will try to promote ethics or not. The unethical behavior of employees can have a catastrophic impact on the company. Such an example is used by Sims; “greed overtook concerns about human welfare when the Manville Corporation suppressed evidence that asbestos inhalation was killing employees, or when Ford failed to correct a known defect that made its Pinto car vulnerable to gas tank explosions following low speed rear-end collisions” (Sims, 1992, p. 3)

There have been many scandals in the corporate world the past few years. In a study conducted by Ernst & Young “13% of corporation employees was asked to pay bribes to win or to retain business” (E&Y, 2008, pg 601) Bad behavior of employees could harm a company. It can cost them money, fines, lawsuits, loss of customers, etc. It is estimated that in the U.S. unethical behavior costs $600 billion per year. (Kinicki and Kreitner, 2008, p. 25). What can influence ethical or unethical behavior? More important of all, the company’s culture. Therefore, the size of the company, the goals, the financial means, etc. Each and every company is expected to have a clear code of conduct. Another major player in the field of ethics for a company is its manager. Managers influence the rest of the employees who look up to them and follow their orders. Top managers establish and reinforce cultures, have an impact on lower level employees and give an idea on how the company is supposed to react when ethical dilemmas arise. (Sims, 1992, p. 7).

The founders of Google had an established goal; don’t be evil. They had their ups and downs as a company, but the users remained loyal to them. After years of presence online, they are the most used search engine. Google’s new CEO and co-founder Larry Page stated that he wants Google to return to its roots. He believes that his company will have a better
chance to stay number 1 if they go back to their roots (www.wired.com, 4 April 2011). He wants to see his company like a start-up again.
Chapter 5

Conclusion and recommendations

5.1 Summary

This paper has examined the business ethics of Google, the scandals around them and the impacts they had on the company’s profile. An attempt to describe the consequences of these scandals to the business ethics code of Google was made. The Code of Conduct is a well written piece of paper which includes each detail for employees and employers. Despite the reputation of the company, it finds itself in the bottom of the ethical companies’ lists. There are definitely worse scenarios and unethical behaviors than Google’s. But for a company with a worldwide reputation and number 1 in its field, this has a bad impact on users’ eyes.

This paper has shed light into the well known scandals of the Golden Shield Project, the deal with Verizon, the rivalry with Facebook and the privacy issues which seem to be one of the major problems for Google if not the most serious one.

5.2 Limitations of study

The major limitation of this study was the difficulty in finding any literature review linked directly to search engines and more specifically to Google. The field of business ethics and corporate social responsibility around the internet is still narrow. Another limitation was the different opinions on the same matters from newspapers and articles.

5.3 Recommendations

Business ethics are becoming more and more important for businesses. People want to see their local businesses participating in the community and doing well. Another important aspect of ethics in business is the care for the environment. There is an increasing aspect of
ethics in business is the care for the environment. There is an increasing interest worldwide for the good of the planet. But ethics are determined by people themselves. For ethics to work, we need to understand that some actions will always be unethical as it is impossible to change the nature of people. If Governments establish a way to favor ethical companies, and increase the fines for the unethical ones, then maybe companies will have to reconsider their actions and act accordingly.

Since the CEO of Google has recently changed, it is essential to wait and see his impact on the employees and the users. After all, he admitted that Google has to return “to its roots”.

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40


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