

The cost of Google's collaboration with China

The dilemma of political censorship in online business

Is it worth making business with China at any cost? Complying with Chinese government censorship has caused Google a great deal of reputation damage. Google's image as an innovative company with media appeal and firm principles has been tarnished. Google's attempts at justifying its strategy have failed to convince. Instead, Google is facing the consequences of new legislation in its own country and yet further dilemma in China.

Growing in popularity

Larry Page and Sergey Brin founded Google in 1998. Thanks to a successful business model the company grew fast, developing its own culture while maintaining a reputation as free, user-friendly search engine. In 2001, Eric Schmidt was recruited as CEO. In 2004, the company's Initial Public Offering, although controversial, turned out to be immensely successful and valued the company in excess of \$100 billion.

Google's motto, "Don't Be Evil," is often perceived as the root of its popularity. In 2005, Google refused to provide user information to the Department of Justice in the US Government case against child pornography, citing the importance of user privacy.

Google.com vs Google.cn

Following this episode, Google's decision to censor its own content in order to enter the Chinese market was seen at odds with its own motto and principles. A previously adoring press was quick to point out the inconsistency.

Ranked second largest internet market in the World, China represents an enormous market for US companies. The potential for Google is all the greater as a study revealed that Chinese customers ranked Google first in categories such as search quality, image search and reliability.

China, however, offers internet search providers the difficult choice to either censor results or not do business.

China was initially able to access Google.com in a non-censored version, which was then filtered by the government, slowing the results and making it difficult to compete.

Google.cn offers a speed similar to Google.com in the USA. The information is filtered by Google's own servers to remove any official banned content, including topics such as Tibet, Taiwan, Falun Cong and the Dalai Lama.

The criticism

Reporter Without Borders (RWB), a powerful Paris-based public interest group acting as a media watch dog on an international level, established itself as the leading critic of US

companies that agreed to censor their material in order to gain access to international markets. They made Google their top target, declaring that “Google’s statements about respecting online privacy are the height of hypocrisy in view of its strategy in China.” They stressed that this collaboration would help the Chinese government “to control what is being said on the Internet.”

Human Rights Watch (HRW), the largest USA-based human rights organization, with offices around the world, argued that if all search engines acted together in refusing to comply with Chinese censorship rules, they would be in a very strong position to push for free access. The Chinese Government would be unable to carry out its censorship without the cooperation of US search engines.

Top competitors

Top competitors Yahoo! and MSN have also had to deal with negative publicity for complying with Chinese censorship regulations.

Yahoo!: came under fire after providing information to the Chinese Government that was later used to convict Chinese Internet journalists. Yahoo! defended its position by saying that it did not know what the information was for.

MSN: in December 2004, Microsoft complied with a Chinese Government’s order to close the site of a Beijing-based employee of *The New York Times* and one of China’s most popular bloggers. Following this incident, Bill Gates outlined a policy in which government restricted web sites are still available in other parts of the world.

Cisco systems: the Chinese Government relied on the physical networking provider to improve their ability to track internet searches.

On February 1, 2006, Microsoft and Yahoo issued a joint statement to support collaboration with Google, Cisco and the US Government in order to create industry guidelines for handling governmental restrictions.

Google’s defence

Google’s Page, Brin and CEO Eric Schmidt justified their decisions to comply with Chinese Government regulations by arguing that providing no information at all was more inconsistent with Google’s mission than partial information and therefore benefits outweighed the costs.

They suggested further that the Chinese market is simply too important for any major search engine to miss out on. Besides, they consider the internet a powerful engine spurring democratisation.

In a statement, Google also outlined its operation strategy in China, emphasizing the protection features put in place to minimize the harmful effects of their filtering system:

- Chinese users are notified when results have been altered.
- Services that involve the personal information of users, such as Gmail and blogging, are not offered so that the Chinese Government cannot demand information.
- Large investments are to be made to encourage research and development within China.
- Google.com is still accessible.

Legislative action

On February 1, 2006, Google and other major US search engines failed to attend the Congressional Human Rights Caucus briefing held to address “Human Rights and the Internet: The People’s Republic of China.” High tech companies were accused of caving in to Beijing for the sake of profit.

Another congressional hearing was planned on February 15, 2006, for which subpoenas were threatened. All four major companies indicated their plans to attend. Facing harsh



“The decision to censor their Chinese service turned Google, which had been heralded by an adoring press just months earlier for their exceptional stock performance, into the newest poster child for the more controversial elements of competing in the Chinese market.”

questioning and criticism, US internet companies operating in China were compared to American companies collaborating with the Nazis prior to the Second World War.

On February 16, the Global Online Freedom Act of 2006 was introduced. The act would forbid US internet companies from locating content servers inside China or any other country abusing human rights, and from cooperating with officials of such countries in effecting political censorship of online content. Yahoo!, Microsoft and Google have all expressed support for the pending legislation.

Under investigation in China

Google has also faced trouble in China. It was criticized in the *Beijing News* for complaining about being required to follow China law. It is dealing with increasing pressure to remove its “filtered due to government legislation” notification at the bottom of every page, to cut off access in China to the unfiltered search engine and to provide Gmail and blogging services. Google is also facing legal issues for allegedly operating without a proper license.

Comments

This is a review of “Google in China: government censorship and corporate reputation,” by James S. O’Rourke IV, Brynn Harris and Allison Ogilvy. This article describes the ascension of Google to become one of the world’s favourite internet companies and how its decision to comply with Governmental restrictions to enter the Chinese market has damaged its reputation. This is a very clear and straightforward account, essential to any managers with interests in corporate communications.

Reference

O’Rourke, J.S., Harris, B. and Ogilvy, A. (2007), “Google in China: government censorship and corporate reputation”, *Journal of Business Strategy*, Vol. 28 No. 3, pp. 12-22, ISSN 0275-6668.

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