



GOOGLE VS AMAZON: HOW A STRONG CEO BOOSTS INNOVATION

AMAZON IS BEATING GOOGLE AT THE CONNECTED-HOME GAME BECAUSE OF ITS RADICAL APPROACH TO CORPORATE INNOVATION

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Recently, [Google's](#) parent company, [Alphabet Inc.](#), unveiled [Home](#)—its answer to Amazon Echo—making it a player in the growing market of devices connecting the homes of millions.

According to estimates by [BI Intelligence](#), the connected-home market will grow at an annual rate of 67% over the next five years, much faster than the smartphone or tablet market.

Connected-home devices include smart home appliances (such as washers, dryers, and refrigerators), safety and security systems (monitors, cameras, and alarm systems), and energy equipment (smart thermostats and smart lighting). This emerging market is so large that no technology company can afford to ignore it, especially not Google.

Google Home is eerily reminiscent of last year's Amazon Echo. Google Home bills itself as a Wi-Fi speaker and sort of Siri-in-a-tube that will answer users' spoken questions. It weaves together a search engine and artificial intelligence in a funny exterior that looks like an air freshener. The voice assistant supports music streaming. It accesses your Google account for information about your daily schedule. It even reads the weather and traffic before you step out of the house.

"Google on paper is much better positioned to do something like this than Amazon," said Jan Dawson, founder of Jackdaw Research, in a report published by the [Wall Street Journal](#). For all its financial success and world-leading technology, Google has been lagging behind in smart home appliances in a market where it should have dominated. Why?

Decentralization

One of the most admirable traits of Google's structure has been its decentralization. Product groups, from online search to mobile Android, are [given the freedom](#) to work independently. Google's legendary [20% time perk](#) to work on side projects one day a week have resulted in numerous great products like Gmail and Google Maps. And yet, the only reason such tremendous variations did not lead to utter chaos is because Google has a clearly defined strategy: Give away products for free, rapidly expand the customer base, drive consumer usage, mine user data, and then sell advertisements.

Advertising revenue has been in fact the mainstay since Google was founded. At \$60 billion a year, the company is the de facto [world's largest](#) advertising firm by revenue, dwarfing News Corp (\$6.9 billion), Hearst (\$4 billion), and Time (\$2.9 billion). Only [\\$8 billion](#) of Google's 2015 revenue came from non-advertising activities. And any time Google has veered from this successful formula, it gets itself into trouble.

Back in 2012, Google [bought Motorola for](#) \$12.5 billion in an attempt to enter the hardware business, but the company ended up fire-selling Motorola at \$2.9 billion to Lenovo. Its Nexus tablet [never took off](#). Nest, a start-up that Google [bought for \\$3.2 billion](#), has basically stuck to its initial product—the learning thermostat. And the much-hyped Google Glass, which heralded the arrival of augmented reality, turned out to be a [flop](#).

Even its pioneering autonomous-car project, which [Google started early](#), is failing to gain traction, only to be surpassed by [Uber](#) and [Tesla](#). It's as if there's an invisible hand at Googleplex that derails all initiatives that don't fit its advertisement model: "If you can't immediately sell ads on this thing, we'll kill it immediately." This is how decentralized innovation has slowed Google in building the smart connected home.

The self-appointed adult at Amazon

Amazon also has its long list of [failed projects](#), including Amazon Destinations (hotel booking), Endless.com (high-end fashion), and WebPay (peer-to-peer payment). But the chief fiasco is none other than the Fire Phone, which employs a series of cameras to [simulate a 3D screen](#), changing its image as the user moves the phone. This feature is at best a party trick, and all other features are designed [around Amazon's own services](#), with the phone's biggest selling point being how easy it made shopping on Amazon. Adding to consumer skepticism was the small number of apps. A year after launch, CEO Jeff Bezos pulled the plug and took a [\\$170 million](#) hit, with some \$83 million worth of unsold phones collecting dust.

What's remarkable was that the CEO took personal responsibility to publicly justify those projects. "I've made billions of dollars of failures at Amazon.com. Literally," Bezos [recounted](#). "None of those things are fun, but also they don't matter. What matters is companies that don't continue to experiment or embrace failure eventually get in the position where the only thing they can do is make a Hail Mary bet at the end of their corporate existence. I don't believe in bet-the-company bets."

Unlike at Google, Jeff Bezos personally set the trajectory for his company's myriad experiments. Bezos, insiders say, was "[the product manager](#)." At Lab126, Amazon's Silicon Valley-based R&D group that is best known for developing the Kindle e-reader, Bezos told employees [not to feel bad](#) about the Fire Phone's performance, because the company had learned valuable lessons from it. Nonetheless, he set out to break down silos as various programs at Lab126 grew from mere skunkworks into a formidable hardware maker of more than 3,000 employees.

To seamlessly blend hardware and software demands an interdisciplinary approach to product design. Bezos stayed close to the development team: "I would see him brainstorming wild ideas with the industrial design team, or discussing font sizes and interaction flows with the UI team," [recalls a former topflight designer](#). Bezos continued to play the role of the self-appointed adult, imposing ever-loftier demands on the smart creatives at his company. "Jeff had a vision of full integration into every part of the shopping experience," [said another employee at Lab126](#).

The silo buster

All this is not to suggest Amazon will always dominate the connected-home market. But a defining characteristic of Amazon has been its ability to expand into new areas that diverge from the company's past. From Amazon Web Services (AWS) to the Kindle e-reader to Fire TV, each business operates with different resources, working processes, and profit formulas to deliver a compelling value proposition to end users. Bezos is the mobilizing hand that breaks all the rules to keep corporate resources fluid.

Sometime back in 2012, the CEO began to insist that all Amazon services be built in a way that they could easily communicate with each other and external parties over Web protocol. Bezo's instructions on this point were written in an email that finished with a characteristic signature, 'Anyone who doesn't do this will be fired. Thank you; have a nice day!' Such authoritative tactics would seem unthinkable at Google, but it's precisely the kind of intervention that breaks silos inside a large company.

The CEO Deep Dive

In an increasingly turbulent business environment where companies need to act fast, a purely decentralized innovation model won't suffice. What is needed is an exact combination of knowledge and power among the rank and file, and the right level of power stems from corporate leaders. This doesn't make the case for micro-management or corporate interference. But there are times when strategic intervention from the very top can prove critical.

Jack Welch, former chairman and CEO of General Electric, understands this intuitively. "One of my favorite perks was picking out an issue and doing what I called a 'deep dive.' It's spotting a challenge where you think you can make a difference...then throwing the weight of your position behind it. I've often done this—just about everywhere in the company."

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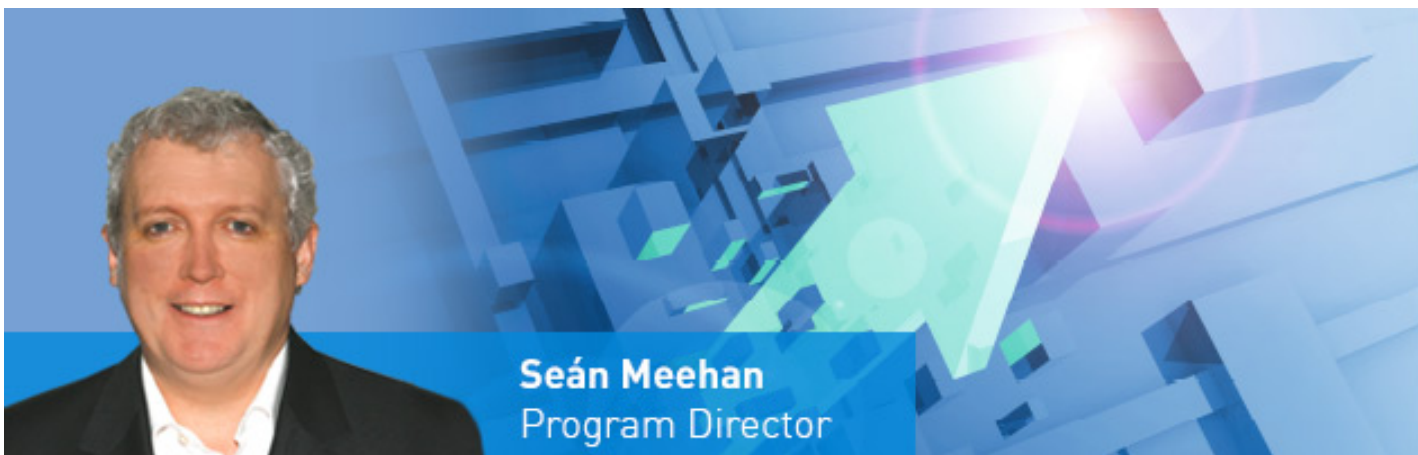
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