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Creative tension

The internet giant seeks new ways to foster innovation

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FEW companies are as creative as Google, which serves up innovations almost as fast as its popular search-engine serves up results. This week the firm unveiled a new version of its

Illustration by Claudio Munoz

Chrome web browser and launched Fast Flip, which lets users scroll through the contents of an online newspaper in much the same way that they leaf through its pages in print. On September 30th the company will roll out another fledgling product, Google Wave, for a test involving some 100,000 people. Billed as a revolutionary way to collaborate online, Wave is also the product of a new, more structured approach to innovation within the company.

For years Google has had a fairly informal product-development system. Ideas percolated upwards from Googlers without any formal process for senior managers to review them. Teams working on innovative stuff were generally kept small. Such a system worked fairly well while Google was in its infancy. But now that it is a giant with 20,000 employees, the firm risks stifling potential money-spinners with a burgeoning bureaucracy.

To stop that happening, Google has begun to hold regular meetings at which employees are encouraged to present new ideas to Eric Schmidt, the firm's chief executive, and Larry Page and Sergey Brin,

its co-founders. It has also given some projects more resources and independence than in the past. Both moves are designed to ward off the conservatism that can set in as companies mature. "We are actively trying to prevent middle-agedom," explains Mr Schmidt.

Google Wave has benefited from this anti-ageing treatment. The new software allows people to create shared content that is hosted on Google's servers online, or "in the cloud". When they open Google Wave, users see three columns on their screens. The left-hand one contains folders and address books, while the middle column is a list of "waves"—online conversations users have initiated or signed up to. Clicking on a wave displays its contents in the right-hand column. People can post text, photos, web feeds and other things into a wave and exchange comments with one another instantly.

The software excites tech folk, some of whom reckon it poses a threat to Microsoft's SharePoint collaboration package. Inside Google the project has generated much enthusiasm too, plus some controversy. The Wave team deliberately distanced itself from Google's headquarters, choosing to be based in the company's Sydney office. And it insisted that its work be kept secret for a long time so its nascent idea was not subject to nit-picking criticism. Some Googlers felt this was a betrayal of the firm's open culture. "Not everyone inside the company thought that this was super cool," admits Lars Rasmussen, one of the two brothers leading the project, which was allowed to recruit dozens of software engineers to its ranks.

That has not dented Google's enthusiasm for creating more such teams. Mr Schmidt wants the number to grow from a dozen or so today to perhaps 50. The challenge, he says, is to find leaders with the calibre of Mr Rasmussen, who previously worked on an initiative that evolved into the successful Google Maps.

Some Google-watchers see a much bigger challenge. "Google has been masterful at coming up with a lot of ideas, but none of them has matured to become something that moves the revenue needle," says Gene Munster of Piper Jaffray, an investment bank. In fairness to the

company, that is partly because many of its popular innovations, such as Gmail, have been given away to boost search-related advertising, which accounts for almost all of Google's revenues. But search has been suffering in the downturn: in the second quarter of 2009 Google's revenues were $5.5 billion, barely 3% higher than the same period in 2008. Time, then, for the company to find new ideas that can make a big splash.

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