

Google's Dilemma in China

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This case explores whether we should use one set of universal ethics that is applicable to all cultures or multiple ethical standards situated in the diverse legal, cultural, and social contexts of various nation states. In an era of globalization, it raises questions about how global companies should deal with conflicting ethical views from divergent stakeholders around the world. The case also seeks to examine the dilemmas of aligning organizational values and practices in other parts of the world that may not share such ethics.

The process of globalization is fundamentally changing the ways corporations do business today (Castells, 1996). While there is a lack of consensus on the causes, conceptualization, and effects of globalization, Held, McCrew, Goldblatt, and Perraton (1999) identified the following four aspects as its defining characteristics: (1) the extensity of the networks that connect different countries, people, and organizations in the world; (2) the intensity of the interaction in these networks; (3) the speed with which information, capital, people, and products move around the globe; and (4) the impact of these trends on different communities.

Within the organizational realm, scholars have been examining two concurrent trends by which globalization has affected today's organizations: convergence and divergence (Stohl, 2001). The convergence approach emphasizes how the social, economic, and technological infrastructures of the global market lead organizations to operate and communicate similarly in the global context. On the other hand, the divergence perspective focuses on the heterogeneity of organizational practices that are brought about because of different cultures around the world. At the center of this tension is the dialectical relationship between globalization and localization. Great attention has been paid to examining how today's organizations globalize or localize their practices and communication to be successful in this new era of globalization.

As corporations are increasingly integrated into the global marketplace, stakeholders such as governments, international nongovernmental organizations, employees, and customers have scrutinized the ethics applied to their practices. The concept of ethics is problematized by globalization as different cultures bring different concepts of ethics (Scherer & Palazzo, 2008). What constitutes ethical practices for today's corporations? Should there

be one set of universal ethics that is applicable to all cultures or multiple ethical standards situated in the different legal, cultural, and social contexts of different nation-states? How should global companies deal with conflicting ethics and requirements from their different stakeholders around the world? Should they adhere to their own ethical standards developed in the context of their home country and culture or adapt their ethical standards to meet the local social and legal environments?

Caught in this dilemma is Google, the largest search engine in the world. Google has no doubt influenced our use of the Internet as a source of information. According to market research source Experian Hitwise (2010), Google accounted for over 70% of total Internet searches in the United States during June 2010. Along with the success of its business, Google has presented itself as a highly ethical company. Its corporate philosophy features the statement, "You can make money without doing evil" (Google, 2011).

Despite Google's official stance toward this philosophy, the company's behavior—specifically, the 2006 launch of its China-based search engine, Google.cn—has drawn skepticism from human rights organizations and the U.S. government. Since the launch, Google has conceded to China's censorship laws by agreeing to filter out politically sensitive terms, such as *Falun Gong*, *democracy*, and *Tiananmen*, from its search results. Human rights activists and political leaders have, in turn, accused Google of betraying its espoused ethical standards by ignoring the value of freedom of expression and information access. In the years that have followed, Google has responded in various ways, shifting its rhetorical strategies as it has attempted to address changing needs.

Google has not faced such ethical challenges alone. Technology firms such as Yahoo!, Microsoft, Cisco Systems, and Sun Microsystems have all faced similar criticisms by congressional leaders and human rights organizations, who criticized the technology companies for lacking integrity and urging them to take a stand for human rights when doing business abroad. While the ethics of any of these companies would be worth further examining, Google presents a particularly interesting case because the company has staunchly defended its business practices as ethical in spite of opposition by some stakeholders. This case introduces the controversy around Google's China-based search engine Google.cn and how Google and different stakeholders have addressed and negotiated this controversy. Excerpts from Google's official statements, such as company blogs and testimonies before the U.S. Senate and Congress, are presented to bring to light the ethical dilemmas the company has faced between 2006 and 2010.

THE LAUNCH OF GOOGLE.CN

On January 27, 2006, Google published a blog explaining that Chinese users of Google.com were experiencing slow and often unavailable service. The blog stated that Google was not proud of the service it was able to provide and argued for the need to create a local search engine, Google.cn, based in China. The company acknowledged that Chinese law would require that search results on this local version of Google be censored, which would violate the company's commitment to free information access. Nonetheless, Google used the blog as a forum for aligning the decision to launch Google.cn with the fulfillment of its corporate mission:

We ultimately reached our decision by asking ourselves which course would most effectively further Google's mission to organize the world's information and make it universally useful and accessible. Or, put simply: how can we provide the greatest access to information to the greatest number of people?

Filtering our search results clearly compromises our mission. Failing to offer Google search at all to a fifth of the world's population, however, does so far more severely. Whether our critics agree with our decision or not, due to the severe quality problems faced by users trying to access Google.com from within China, this is precisely the choice we believe we faced. By launching Google.cn and making a major ongoing investment in people and infrastructure within China, we intend to change that. (McLaughlin, 2006)

On February 15, shortly after the official launch of Google.cn, the Committee on International Relations of U.S. Congress held a hearing in which private companies, scholars, and government leaders were invited to make statements regarding Internet freedom in China and the roles to be played by American technology firms. Eliot Schrage, Google's vice president for corporate communication and public affairs, presented a testimony that further rationalized Google's decision to launch the China-based search engine. Schrage (2006) first defended Google's interest in maintaining a business relationship with China and explained that Google had lost market share in China because of its commitment to maintaining the uncensored Google.com for Chinese users:

Operating without a local presence, Google's slowness and unreliability appears to have been a major—perhaps the major—factor behind our steadily declining market share. According to third-party estimates, Baidu has gone from 2.5% of the search market in 2003 to 46% in 2005, while Google has dropped to below 30% (and falling).

However, Schrage (2006) also acknowledged that the company's desire to compete with its Chinese counterparts like Baidu created an ethical dilemma:

There is no question that, as a matter of business, we want to be active in China. . . . It would be disingenuous to say that we don't care about that because, of course, we do. We are a business with stockholders, and we want to prosper and grow in a highly competitive world. At the same time, acting ethically is a core value for our company, and an integral part of our business culture. Our slowness and unreliability has meant that Google is failing in its mission to make the world's information accessible and useful to Chinese Internet users. Only a local presence would allow Google to resolve most, if not all, of the latency and access issues. But to have a local presence in China would require Google to get an Internet Content Provider license, triggering a set of regulatory requirements to filter and remove links to content that is considered illegal in China.

Schrage (2006) then framed Google's dilemma in terms of two choices:

[1] stay out of China, or [2] establish a local presence in China—either of which would entail some degree of inconsistency with our corporate mission. In assessing these options, we looked at three fundamental Google commitments:

- a. Satisfy the interests of users,
- b. Expand access to information, and
- c. Be responsive to local conditions.

Based on the previous considerations, Schrage presented Google's decision, which entailed three parts. First, the company had opted to launch Google.cn and censor the search results according to Chinese law. Second, Google had begun to disclose the fact that it was filtering the results "in a step toward greater transparency." Third, Google had promised not to launch a Chinese version of Gmail and Blogger so that the company would not be faced with requests by China's government to release private and confidential information sent and posted by users.

Despite Google's attempts to align its business practices and ethical standards, representatives of human rights organizations presented a very different picture of Internet access in countries such as China. Timothy Kumar of Amnesty International directly accused technology companies of complying with foreign governments' censorship laws at the expense of human rights:

Several international companies provide Internet services in China, and many have headquarters within the United States. Some of these companies, including Cisco Systems and Sun Microsystems, have helped to build the infrastructure that makes Internet censorship possible while others, including Yahoo!, Microsoft, and Google are increasingly complying with government demands to actively censor Chinese users by limiting the information they can access. (Kumar, 2006)

Speaking directly to Google, Kumar drew attention to the recent launch of the company's Chinese search engine. Quoting Secretary General Irene Khan, Kumar pointed out discrepancies between Google's practices in China and its stated commitment to free information access:

Whether succumbing to demands from Chinese officials or anticipating government concerns, companies that impose restrictions that infringe on human rights are being extremely short-sighted. The agreements the industry enters into with the Chinese government, whether tacit or written, go against the IT industry's claim that it promotes the right to freedom of information of all people, at all times, everywhere. (Kumar, 2006)

Tom Malinowski, representative for Human Rights Watch, another influential human rights organization, also protested the actions of technology companies. In Malinowski's

(2006) testimony, he presented common arguments made by the Internet corporations in defense of censorship and then attacked them:

[An] argument made by some companies is that censorship is acceptable if Chinese Internet users are honestly told what is happening. This is the argument that Google is making, because the Chinese Google site includes a disclaimer at the bottom informing users that some information is being censored. But is Google really being honest and open about what it is doing? Google is not disclosing a crucial piece of information—it is not saying how its censorship system works. It is not telling users what material—what sites, words, and ideas—the Chinese government is telling it to block. [Another] argument that companies, including Google, make is that the sites they remove from their search engine results are in any case blocked by the Chinese government, and thus that their Chinese users are not being denied anything to which they previously had access. But this is not entirely true. If you punch in the words “human rights” on Google, you will find links to literally millions of websites, from the home pages of NGOs, to government sites, to newspapers, universities, and blogs in scores of countries around the world.

THE END OF CENSORSHIP?

Despite the challenging remarks made by human rights organizations at the hearing, Google went about business as usual until 2010, when an attack on Gmail accounts of human rights activists in China forced executives to change strategies. On January 12, Google's senior management published a blog entry in response to these attacks, announcing the company's plan to end the censoring of search results. David Drummond, senior vice president of corporate development, stated, “We have decided we are no longer willing to continue censoring our results on Google.cn” and indicated that Google would exit China if the Chinese government would not agree to loosen its Internet censorship and filtering requirements (Drummond, 2010a).

On March 2nd, at the U.S. Senate hearing on Global Internet Freedom and the Rule of Law, Nicole Wong, vice president and deputy general counsel of Google, redefined the relationship between business and ethics. While in the 2006 testimony, business and ethics were framed as contradicting each other, at least in the context of Google's operation in China, Google's 2010 testimony positioned the two as indispensable to one other. Censorship could indeed hurt business and human rights simultaneously:

The debate on Internet censorship is, of course, not only about human rights. At issue is the continued economic growth spurred by a free and globally accessible Internet. . . . When a foreign government pursues censorship policies in a manner that favors domestic Internet companies, this goes against basic international trade principles of non-discrimination and maintaining a level playing field. Local

competitors gain a business advantage, and consumers are deprived of the ability to choose the best services for their needs. And when a government disrupts an Internet service in its entirety—e.g., blocking an entire website because of concerns with a handful of user-generated postings—the government is restricting trade well-beyond what would be required even if it had a legitimate public policy justification for the censorship. (Wong, 2010)

Wong (2010) also reiterated Internet censorship as a global problem and called for the collaboration of the U.S. government and corporations in promoting an international code of conduct to respond to foreign governments who demanded censorship:

Ultimately, governments that respect the right to online free expression should work together to craft new international rules to better discipline government actions that impede the free flow of information over the Internet. We need forward-looking rules that provide maximum protection against the trade barriers of the new technology era. On the multilateral human rights front, enforcing and supporting the mechanisms of the International Covenant on Civil and Political Rights and others under the UN system (e.g., the UN Human Rights Committee) to demand accountability from governments for Internet censorship is helpful. At the very least, these mechanisms can be better used to shine light on government abuses.

Beginning March 23rd, Google.cn visitors were automatically redirected to the uncensored Google.com.hk. Drummond commented on this new approach:

We believe this new approach of providing uncensored search in simplified Chinese from Google.com.hk is a sensible solution to the challenges we've faced—it's entirely legal and will meaningfully increase access to information for people in China. We very much hope that the Chinese government respects our decision, though we are well aware that it could at any time block access to our services. We will therefore be carefully monitoring access issues, and have created this new web page, which we will update regularly each day, so that everyone can see which Google services are available in China. (Drummond, 2010b)

Various human rights organizations, such as Human Rights Watch, now praised Google for its stance on censorship and freedom of expression and urged other Internet companies to follow in Google's footsteps. Human Rights Director Arvind Ganesan declared the following:

Google's decision to offer an uncensored search engine is an important step to challenge the Chinese government's use of censorship to maintain its control over its citizens. . . . This is a crucial moment for freedom of expression in China, and the onus is now on other major technology companies to take a firm stand against censorship. (Human Rights Watch, 2010)

However, other commentators were less optimistic that Google's decision would have any real impact on improving human rights regarding information access. Cynthia Wong, an attorney at the Center for Democracy and Technology in Washington responded, "Google's move is really commendable but I don't think it will have a major impact on China's system of filtering" (Farrell, 2010).

A REVISED APPROACH

In a June 28, 2010, blog, Google announced that it was rescinding on its strong position toward redirecting users of Google.cn to Google.com.hk. Believing that the renewal of its operating license was at stake, representatives posted a blog explaining that the company had relaxed its policy and that instead of automatically redirecting users to Google.com.hk, they would be taken to a landing page, at which time they would be given the option to continue on to the censored Google.cn or opt for the uncensored Google.com.hk:

It's clear from conversations we have had with Chinese government officials that they find the redirect [to the uncensored Google.hk] unacceptable—and that if we continue redirecting users our Internet Content Provider license will not be renewed . . . we have started taking a small percentage of [users] to a landing page on Google.cn that links to Google.com.hk . . . which we can provide locally without filtering. This approach ensures we stay true to our commitment not to censor our results on Google.cn and gives users access to all of our services from one page. (Drummond, 2010c)

Google updated its blog on July 9, 2010, to announce that the Chinese government had indeed granted its request for a renewal of the Internet content provider (ICP) license based on the condition that users would not automatically be directed to Google.com.hk but would be given the choice between the Hong Kong version of Google and the censored Google.cn.

MOVING TOWARD A THEORETICAL APPROACH OF CORPORATE SOCIAL RESPONSIBILITY

Google's move demonstrates its attempt to be accountable to multiple stakeholders simultaneously. The company's initial decision to launch the China-based search engine can be interpreted as the company's attempt to be accountable to its shareholders. However, when this practice attracted criticism from other stakeholders, such as the general public in the United States, human rights organizations, and the U.S. government, the company adapted both its business and rhetorical strategies to respond to these stakeholders. How about Google's users in China? What has the company done to be accountable to them?

In examining Google's practices and rhetoric regarding Internet censorship, the company appeared to face several dilemmas. Carroll (1991) proposed a widely used model describing corporations' social responsibility. At the most basic level, the corporation should focus on economic goals: maximizing profits, minimizing losses, and streamlining for efficiency. At the legal level, corporations are ensuring that while they are maximizing profits they are also abiding by local, state, and national laws and working cooperatively with regulatory agencies to avoid engaging in practices that society considers wrong. At the legal level, the business is fulfilling its contract with society but going no further. The third level focuses on the corporation's ethical responsibilities to its stakeholders and to society to produce goods and services that do not cause harm and that are produced through fair and just means. At this level, the corporation chooses not to engage in certain practices even though they may be legal if doing so would cause societal harm. Carroll's model depicts the highest set of goals as philanthropic pursuits. These transcend mottos such as Google's well-known "Don't be evil" mantra and actually improve society, the community, or the environment in ways that transcend the core service or goods that the business provides. In managing the controversy around Internet censorship, Google addressed several levels of social responsibility in Carroll's model, namely economic responsibility, legal responsibility, and ethical responsibility.

One challenge Google faced was how to make compatible its economic, legal, and ethical goals. In particular, Google sought to increase profits by exploiting the vast market in China but also felt bound by the ethical responsibility of adhering to values such as human rights and freedom of expression. Another dilemma that Google faced was deciding how best to manage the contradiction between its ethical standards for Internet freedom with calls for censorship from the Chinese government.

Google has clearly faced ongoing difficulties during its tenure in China. No choice has been straightforward, and with every decision the company has made, it has risked alienating one group of stakeholders in order to satisfy another. The case highlights the importance of attending to multiple definitions of ethical responsibility simultaneously and the inherent difficulties in doing so. Moreover, organizations face new obstacles when seeking to apply ethical standards from their local culture in an international setting, as such standards are not always held universally. Organizations such as Google must be mindful of these challenges not only because of how they might affect their reputation and business but also in the ways they impact the people they purport to serve through their corporate missions.

DISCUSSION QUESTIONS

1. Did Google make the right choice initially—to launch Google.cn and censor the search results?
2. How has Google's rhetoric regarding ethics, human rights, and business changed over time?
3. What perspective(s) on ethics form the basis for Google's decisions?
4. Does Google's rhetoric match its behavior? What implications does this have for Google? For Chinese users of its services?

5. What responsibilities do companies like Google have in promoting human rights internationally?
6. Is it ethical for Google to base its decision regarding censorship on what competitors like Yahoo! and Microsoft are doing?
7. How important is it for an organization to stand by its values, even when they clash with the local values of a foreign nation in which the organization is operating?

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