

Google turns a page with Alphabet (Update)

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The surprise reorganization of Google under newly formed parent Alphabet gives the tech giant the ability to focus on its core business, while offering startup-like flexibility to its other projects

Google's reshaping under newly formed parent Alphabet gives the tech giant more ability to focus on its core business, while offering startup-like flexibility to long shot, trailblazing projects.

The announcement Monday of the new corporate structure was generally welcomed in Silicon Valley and on Wall Street, where Google shares closed with a robust gain of 4.3 percent at \$660.78.

Alphabet will be the corporate parent, overseeing the Google unit for search and a handful of other operating firms created for projects in health, Internet delivery, investment and research.

"This is a long overdue move by Google," said Larry Chiagouris, professor of marketing at Pace University.

"It allows them to incubate these other businesses in a way that doesn't detract from its core revenue."

While Google is best known as the dominant player in Internet search, it has launched a variety

of projects in recent years that are marginally related at best to its core operation.

The projects include self-driving cars, Google Glass, Internet balloons, drones, health care, Google TV, mobile payments, home automation and its Google+ social network, among others, none of which have become successful.

"They don't want to see the Google brand associated with failure," Chiagouris told AFP.

"They have so many moonshots. Most of them will fail, but they only need one to succeed."

'Science projects'



Sundar Pichai, pictured on March 2, 2015, will become CEO of the search unit Google under the new parent company Alphabet

Roger Kay, analyst at Endpoint Technologies Associates, said the restructuring gives Wall Street the transparency it wants on the core Google operations.

"It's important from a Wall Street perspective not to have the performance of the main company obscured by these other entities," Kay told AFP.

"Google really only has one business, which is search and advertising. The rest is what I call science projects."

The new structure means that "if they are not making money in drones, they can merge that with something else or spin it off," Kay said.

Chief executive Larry Page unveiled the plan to create Alphabet in a blog post, saying he would hold the same position at the new parent group, with executive chairman Eric Schmidt doing the same.

The Google unit, to be headed by current company vice president Sundar Pichai, will include search, ads, maps, YouTube, Android and related technology infrastructure.

The new units will include Google X (for self-driving cars and other new technologies), Calico (for research on aging), Nest (for home automation), Fiber (for high-speed Internet) and others.

The new operating structure "will be introduced in phases over the coming months," according to Google's regulatory filing, and will mean separate financial statements from the Google unit and its parent.



Google unveiled a new corporate structure Monday, creating a parent company dubbed "Alphabet" headed by chief executive Larry Page, pictured on May 21, 2012

Jan Dawson at Jackdaw Research said that with the transformation, "it will finally become clear quite how large and unprofitable all the non-core initiatives at Google are, which might well increase pressure from shareholders to exit some of those businesses."

A personal mission

Dawson said the move is also "personal" for Page and his Google co-founder Sergey Brin, who becomes president of Alphabet.

"Larry and Sergey have quite clearly been increasingly uninspired by merely running a search engine and advertising business, and this finally aligns their job titles with what they actually want to spend their time doing," Dawson said in a blog post.

Ben Thompson, a technology analyst and consultant, said on his Stratechery blog that Page "is not a strategy and business nerd" but "for lack of a better description, a change-the-world nerd, and it seems clear that he found the day-to-day business of managing a very profitable utility to be not only uninteresting but a distraction from what he truly wanted to do."

The reorganization comes amid concerns that Google's dominance of the tech sector may have peaked as the landscape evolves.

Kay said the reorganization suggests that Google is ready for change.

"This is a healthy sign that Google is being dynamic about managing its business," he said.

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