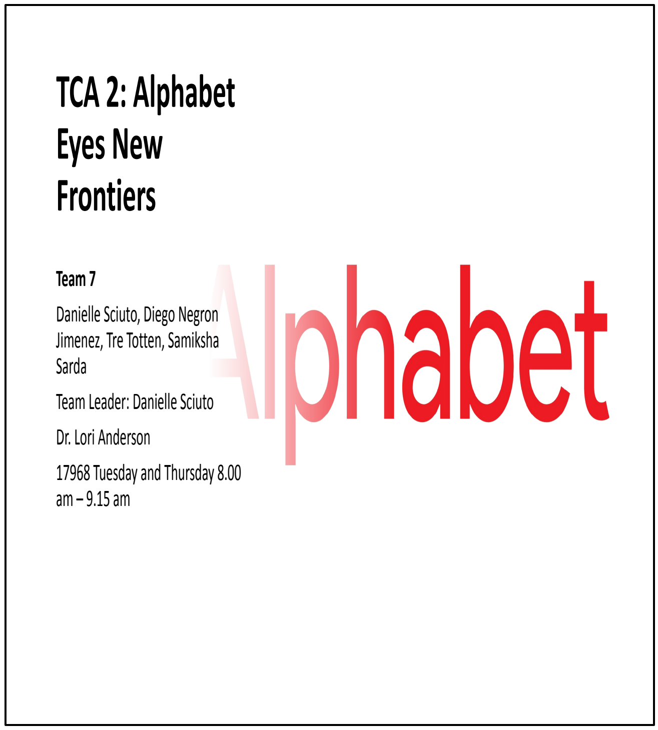
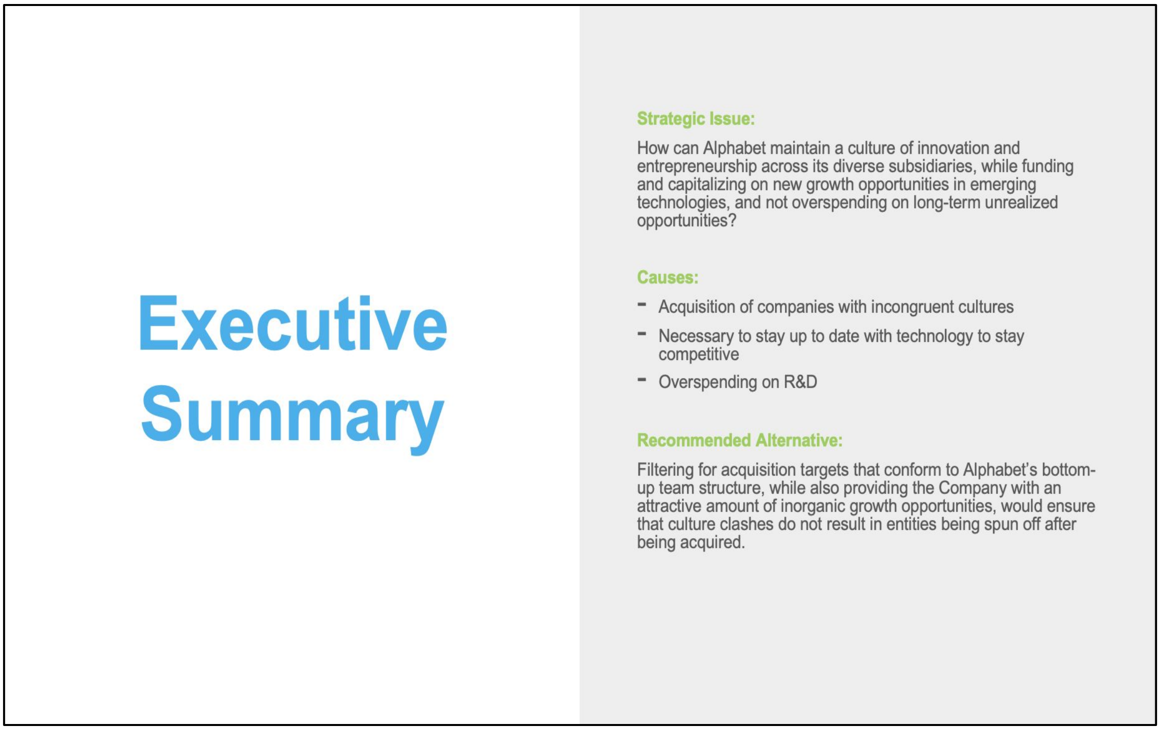


Printed copy submission: Samiksha Sarda
Soft copy submission: Diego Negron Jimenez



We have found that the strategic issue of your company pertains to trying to maintain a competitive advantage in the industry. Specifically, how can Alphabet maintain a culture of innovation and entrepreneurship across its diverse subsidiaries, while funding and capitalizing on new growth opportunities in emerging technologies, and not overspending on long-term unrealized opportunities? Alphabet is the leading competitor in the industry, and in order to maintain its position, it is necessary to focus on this now.

We have concluded that these are Alphabet's focus areas since performing multiple analyses, including PESTEL, Porter's 5 forces, VRIO, and SWOT (all presented on upcoming slides). Due to acquisitions of companies with incongruent cultures in the past, it is essential to take into account a company's culture before proceeding with an acquisition. Many past and present employees have commented on Alphabet's workplace environment and how supportive it is, especially compared to competitors, which is why it is important to acquire companies with congruent culture to be successful. In order for Alphabet to stay the leader in the industry, it is crucial to stay up to date with technological advances. Since technology is constantly changes, Alphabet needs to ready to adapt and to the technological changes, to do this, plans need to be put in place. In comparison to competitors, Alphabet spends more on R&D and they are just a successful in certain aspects. Alphabet needs to be aware of their spending on R&D, as this could be detrimental in the future, and see where spending can be cut back. Alphabet can use competitors as guide of where to cut back spending.

We have come up with three alternatives for you to pursue, however, we recommend that you filter for acquisition targets that conform to Alphabet's bottom-up team structure, while also providing the Company with an attractive amount of inorganic growth opportunities, would ensure that culture clashes do not result in entities being spun off after being acquired. If there is no action taken, other competitors will have the possibility to move into the leading company of the industry.

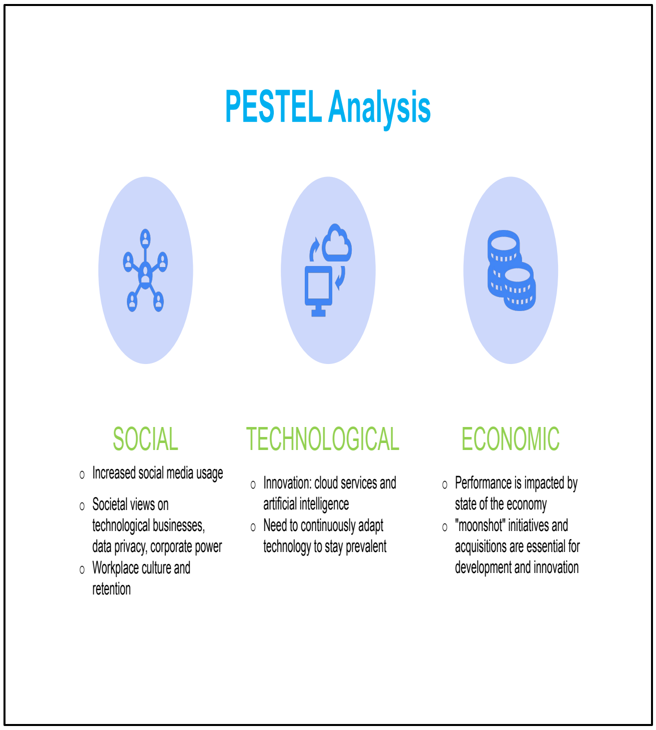
Company Financials

Year-Over-Year Income Statement Analysis						
				Common-Sized		
	2013	2014	2015	2013	2014	2015
Revenue						
Google	$55,507	$65,674	$74,541	99.98%	99.50%	99.40%
Other Bets	12	327	448	0.02%	0.50%	0.60%
Total Revenues	**$55,519**	**$66,001**	**$74,989**	**100.00%**	**100.00%**	**100.00%**
% Growth		*18.88%*	*13.62%*			
Segment Operating Income (Loss)						
Google	$16,260	$19,011	$23,425	29.29%	28.80%	31.24%
Other Bets	(527)	(1,942)	(3,567)	0.95%	2.94%	4.76%
Admin. Costs & Other Items	(330)	(573)	(498)	0.59%	0.87%	0.66%
Total Income from Operations	**$15,403**	**$16,496**	**$19,360**	**30.83%**	**32.61%**	**36.66%**
% Growth		*7.10%*	*17.36%*			
Capital Expenditure						
Google	$7,006	$11,173	$8,849	12.62%	16.93%	11.80%
Other Bets	187	501	869	0.34%	0.76%	1.16%
Reconciling Items	165	(715)	197	0.30%	1.08%	0.26%
Total Capital Expenditure	**$7,358**	**$10,959**	**$9,915**	**13.25%**	**18.77%**	**13.22%**
CapEx Refresh Change		*48.94%*	*-9.53%*			

Quarter-Over-Quarter Income Statement Analysis				
			Common-Sized	
	Q3 2015	Q4 2015	Q3 2015	Q4 2015
Revenues	**$18,675**	**$21,329**	**100.00%**	**100.00%**
% Growth		*14.21%*		
Costs & Expenses				
Cost of Revenues	$7,037	$8,188	37.68%	38.39%
Research & Development	3,230	3,510	17.30%	16.46%
Sales & Marketing	2,223	2,679	11.90%	12.56%
General & Administrative	1,477	1,572	7.91%	7.37%
Total Costs & Expenses	**$13,967**	**$15,949**	**74.79%**	**74.78%**
Income from Operations	**$4,708**	**$5,380**	**25.21%**	**25.22%**
% Growth		*14.27%*		
Other Income (Expense), Net	183	(180)	0.98%	0.84%
Income from Operations Continuation before Taxes	4,891	5,200	26.19%	24.38%
% Growth		*6.32%*		
Provision for Income Taxes	912	277	4.88%	1.30%
Net Income	**$3,979**	**$4,923**	**21.31%**	**23.08%**
% Growth		*23.72%*		

As can be seen from Alphabet's financial performance, the Company has identified a pocket of the market where it has cemented its position as one of its leaders, resulting in the 18% and 13% growth rates experienced in 2014 and 2015, respectively. This growth flowed through Alphabet's operating section, which experienced an increase in growth from 7% in 2014 to 17% in 2015, all while operating margins expanded, starting with 30.83% in 2013 and ending with 36.66% in 2015. This highlights the fact that Alphabet is not experiencing financial difficulties; however, looking at those sections also leads one to observe occurrences which might be dragging those numbers down from achieving even greater growth. In other words, Alphabet is facing a strategic issue. In particular, one should refer to the "Other Bets" line item in the segmented operating income section to see how that segment went from operationally losing $527 million to a drastically worse $3,567 million. This particular line item denotes anything related to Alphabet's practice of separating the financial results of any firms it operates in sectors different than and with business models unlike Google.

Given that the aforementioned loss exists in the operating section, we can observe that this is related to Research and Development costs increasing drastically throughout the examined time period, which is substantiated by the fact that, in Q3 2015 and Q4 2015, Alphabet spent $3,230 million and $3,510 million on R&D, respectively. Indeed, R&D makes up the largest operating expense based on the percentage of revenue it composes on a common-sized basis - 17.30% in Q3 2015 and 16.46% in Q4 2015 - as cost of revenues is a direct expense and would not be considered an operating expense. Although this demonstrates that Alphabet is certainly focused on innovation, the issue becomes further entrenched by the fact that this has simply not paid off. While the "Other Bets" increased their revenue from $12 million in 2013 to $448 million in 2015, the acceleration at which costs rose from this segment substantially muted these gains. Furthermore, based on the common-sizing exercise conducted, we can observe that the percentage of revenue composed by these "Other Bets" has not even breached 1%. This allows us to identify the strategic issue as one that involves overspending on opportunities which may take too long to penetrate their respective markets. - Diego Negron Jimenez

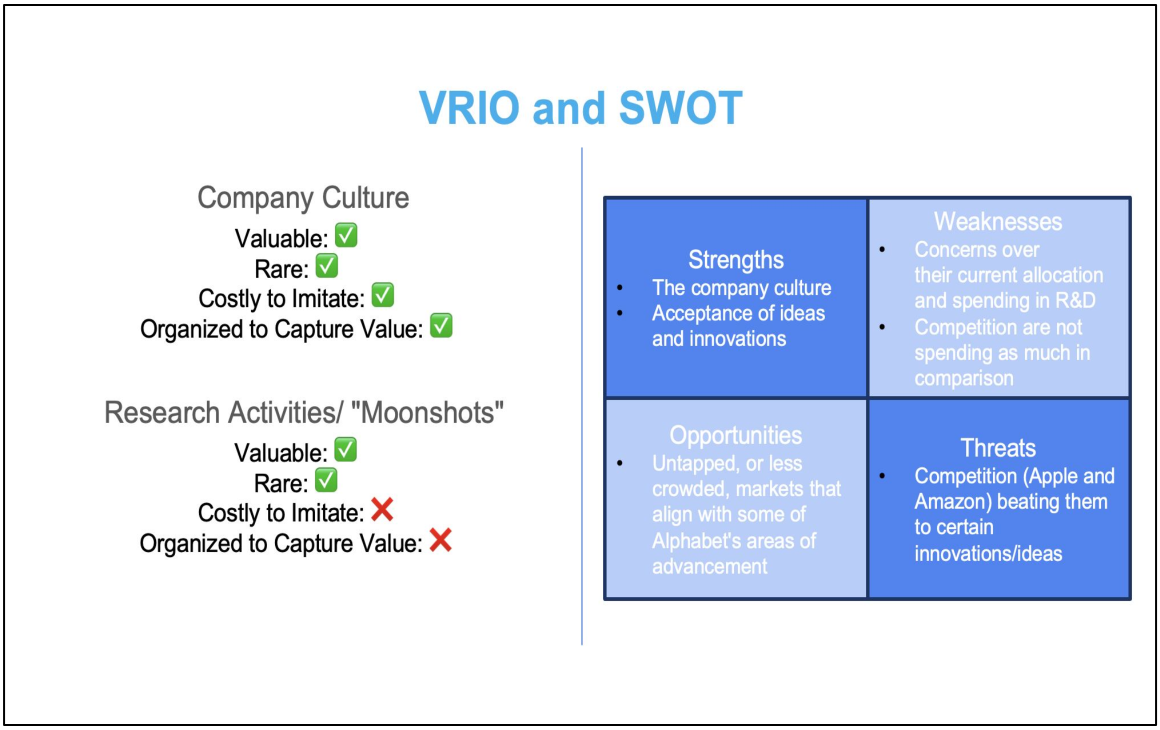


We ran PESTEL analysis and also found the relationship between the most important elements:
Social: Alphabet's competitive position is maintained through workplace culture and talent retention, despite societal perceptions of technological businesses, data privacy, and corporate power.
Technological: Alphabet's competitive advantage and long-term performance are heavily reliant on its ability to innovate and stay ahead of the curve, utilizing specialized research departments like Google X and investing heavily in R&D, particularly in AI.
Economic: Alphabet's performance is influenced by the economy, market opinion, and financial availability. Recessions impact advertising budgets, while market opinion influences financing for moonshot initiatives.
Social and Economical: Views of technology business in society affected investor sentiment and money availability for Alphabet's "moonshot" initiatives. Competitive pay and benefits packages, as well as an exciting work environment, were essential to Alphabet's success in luring top personnel. Also, "Millennials want to truly understand a company's purpose, align with it, and work with others to propel the organization's performance".
Technological and Social: Society opinions and perceptions of Alphabet were strongly influenced by the company's innovative spirit and the speed at which technology was developing. It's audacious "moonshot" initiatives, such as self-driving cars, contributed to the company's "growing halo" and perceived as a "place where magic happens" by luring creative talent. Concerns about privacy have been raised by technology advancements like AI and data analytics, which may limit Alphabet's freedom to innovate.
Technological and economic: We recognized that how crucial technological innovation is to Alphabet's bottom line. In contrast to advertising, investors were worried about Alphabet's technical initiatives, such as self-driving cars, and their potential for profit. Financing technological moonshots requires a combination of investor sentiment and financial availability. One of the most important economic factors for long term success for Alphabet is its capacity to draw in engineering talent and spur innovation.

Threat of substitute: There is a moderate threat of substitution for Alphabet's main offerings, which include search, advertising, and consumer technology. As previously stated, "Google's products have become deeply embedded into people's daily lives, making it difficult for substitutes to gain significant traction," even when there are other possibilities.

The instance does, however, demonstrate how disruptive technological advancements may someday provide a different kind of threat. This implies that, despite Alphabet's current supremacy, the business needs to keep up with technology advancements that might render its current goods and services outdated. In order to foresee such alternative risks, the case references Google's own "moonshot" initiatives in fields like artificial intelligence and self-driving cars.

Rivalry of industry competitors: The competitive rivalry is high. Notable competitors include tech behemoths like Amazon, Microsoft, Apple, Facebook (Meta), and Alibaba, as well as up-and-coming players in niche areas like ByteDance (TikTok). "Winner-take-all" dynamics are present in many of Alphabet's sectors, including search and online advertising, where the dominant firm gains an excessive market share and profit margin. The product portfolios of large IT businesses are becoming more and more diversified, which is boosting direct competition across different industries and segments. Promising businesses and technology are regularly acquired by corporations such as Alphabet, Microsoft, and Amazon in order to enhance their capabilities and drive out possible competitors.Network effects and data-driven insights can be used by businesses with sizable user bases and extensive data access to sustain their competitive edge.



(VRIO) Company Culture: A strong company culture is valuable in any organization. It is the backbone of the business and helps ensure that all members of the organization are getting the environment they deserve. Your culture gains the rare aspect due to the aspects of their culture. The culture of Alphabet is one that is very inclusive and accepting of ideas and innovations. This lends itself to also be costly to imitate. By being open to all kinds of ideas and innovations, and even funding many of these ideas, there is a good amount of capital that is being spent on R&D of said ideas. A company, like Alphabet has the capital and resources to take risks on projects and not have much worry of any failure. This is a great way for your company to gain value even with some ideas that you would have never thought would bring any. **Research Activities/ “Moonshots”:** Your moonshots find themselves to be valuable and rare. These tie into the culture mentioned above. The moonshots are a result of the open acceptance of many ideas. If successful, they can be very valuable to you and can be the piece that puts you ahead of the competition on a technological or innovative standpoint. Like mentioned before, they can be rare as well. Not many companies have the openness to allow the research and development of so many ideas to happen at once, which can make this type of research activity rare. At the same time, the idea of doing research and development into a new idea is not necessarily costly to imitate. Most to all companies have some sort of R&D funding, and the cost behind it varies depending on the scale the company deems fit. **(SWOT) Strength:** Company culture, as mentioned in the VRIO and social section of PESTEL, is shown as a major strength for the company and is a big differentiating factor between you and the competition. **Weakness:** The spending habits of Alphabet are a large area of concern. The great concern is due to the comparison of your spending to that of their competitors. This is gone into more detail in the economic section of the PESTEL analysis. **Opportunities:** A large opportunity arises in the possibility of entering certain untapped markets that have alignment with some of Alphabet’s technological advancements. This is described more in the technological section of the PESTEL analysis. **Threats:** The main threat is that of competitors/substitutes. This industry is all about getting to certain developments before your competitors to ensure greater and faster success. This is described in more detail in the Porter’s analysis.

Strategic Issue: How can Alphabet maintain a culture of innovation and entrepreneurship across its diverse subsidiaries, while funding and capitalizing on new growth opportunities in emerging technologies, and not overspending on long-term unrealized opportunities?

Strategic Alternatives /Criteria	the degree to which it resolves the issue	consistency with external environment	consistency with existing or needed capabilities that create a competitive advantage	strategic fit with their generic competitive strategy (and vision/mission)
Filtering for acquisition targets that conform to Alphabet's bottom-up team structure, while also providing the Company with an attractive amount of inorganic growth opportunities, would ensure that culture clashes do not result in entities being spun off after being acquired.	2	1	1	2
Search for nascent geographical markets that are not as crowded in the areas Alphabet is developing technological advancements such that an efficient market penetration strategy can be undertaken, while also helping the Company diversify its revenue streams.	3	2	3	1
A Decentralized Management Strategy somewhat like Berkshire Hathaway, Alphabet may continue to grant a great deal of operational autonomy and independence to its subsidiaries and "Other Bets" businesses. As a result, each business would be able to keep its culture of entrepreneurship, seize fresh chances with speed, and stay away from bureaucracy. Alphabet would, therefore, need to set up strong governance procedures to keep an eye on spending, performance, and strategy congruence.	1	3	2	3

Note: Rating from 1-3; 1 being the highest

1. Alternative 1: Through thorough screening of acquisition prospects that fit with Alphabet's decentralized team structure, this strategy seeks to reduce cultural clashes. Alphabet can promote a more seamless merger and lessen the possibility of spin-offs because of conflicting beliefs or misaligned objectives by acquiring businesses with compatible cultures and favorable growth prospects.
2. Alternative 2: In order to promote Alphabet's technology advancements into markets free from fierce rivalry, this strategy entails looking into unexplored geographic regions. Alphabet can implement effective market penetration tactics, diversify its revenue streams, and even get an early-mover advantage in attractive regions by carefully choosing these markets.
3. Alternative 3: This alternative suggests using a management strategy similar to Berkshire Hathaway, which gives Alphabet's subsidiaries and "Other Bets" companies a great deal of operational independence and autonomy. With this decentralized approach, every organization could continue to foster an entrepreneurial culture, seize new possibilities with agility, and avoid bureaucratic lethargy. To oversee expenditure, performance, and strategic alignment across its varied array of businesses, Alphabet would need to put in place strong governance systems.

Implementation Plan

Assumptions:

- Alphabet's interest sectors will continue to provide appealing purchase targets.
- There is no significant growth in acquisition activity by competitors, which would raise valuations.
- Customers accept new products and services from businesses that Alphabet has purchased.

Time frame:

- 0–6 months
  - Form an interdisciplinary M&A team of individuals from strategy, finance, HR, and legal.
  - Create cultural fit evaluation standards in line with Alphabet's guiding ideas and values.
  - Update financial models with predictions for inorganic growth.
- 6-12 months:
  - Analyze prospective targets carefully and thoroughly, paying attention to culture and finances
  - Negotiate and try to acquire the best candidates.
  - Dependable sources of funding (cash reserves, debt issuance if necessary)
- 12 months or longer:
  - Integrate purchased businesses with an emphasis on change management.
  - Keep an eye on the financial results and the state of culture.
  - Give acquisitions operational autonomy and growth resources

New Resources:

- A $10–20 million acquisition integration budget (including HR, IT, facilities, and consultants) is necessary which are financed by cash flow from operations
- M&A team of 50–100 workers including new hiring and internal transfers

Changes to Value Chain and Capabilities:

- Robust M&A assessment and integration procedures
- Go-to-market assistance for acquisitions and commercial growth plan
- Knowledge of organizational design and change management

Infrastructure/Systems Changes:

- Tools for cultural evaluation included in diligence procedures
- M&A team incentives and KPIs based on acquisition performance metrics
- Standardized integration practices for HR, finance, and IT systems

Alphabet is well-positioned to buy creative, fast-growing businesses, with over $70 billion in cash on hand. But there are cultural issues from previous M&A integrations that need to be resolved.

Targets will be filtered according to:

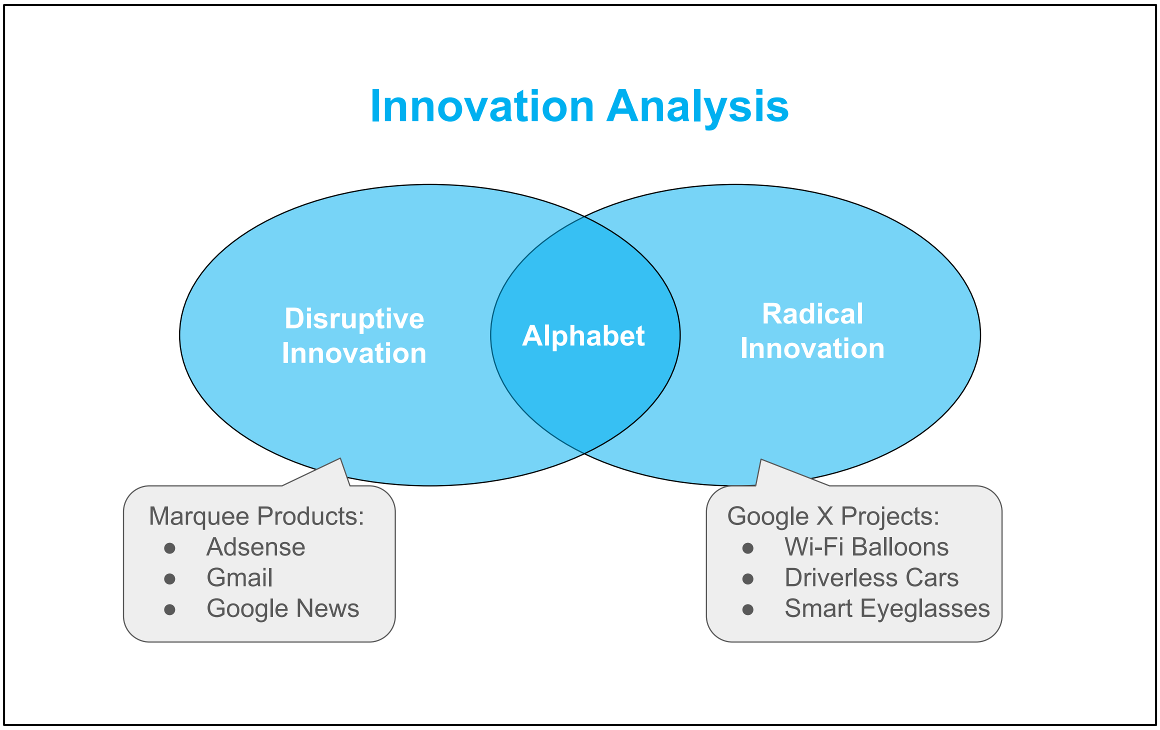
1. Alignment with the bottom-up, entrepreneurial culture of Alphabet
2. Capacity to access novel growth markets and prospects
3. Thorough cultural and financial due diligence will be important assessment factors.

Cross-functional integration teams will give access to Alphabet's operational resources and scale while maintaining the cultural fabric of acquired enterprises.

With this program, Alphabet will be positioned as the go-to acquirer for entrepreneurs looking for a relationship that will safeguard their intellectual heritage while accelerating expansion.

You can keep growing into areas that look to the future by putting in a lot of work up front and having strong post-merger integration. Acquisitions need to be profitable as well as culturally beneficial.

This strategy makes use of our advantages -innovation, subject-matter knowledge, and international platforms to seize fresh chances for expansion that rivals have passed on.



One of the qualities that separates Alphabet from other technology companies is their culture focused on innovation through entre- and intrapreneurship, the presence of which is so strong that it has ultimately led to the Company's substantial growth, which shows how imperative it is that it protect this particular aspect of the Firm; this has been particularly captured through the discussion of the strategic issue and recommended alternative in Slide 2. Principally, this aforementioned success can be attributed to the fact that the Company focuses on both disruptive and radical forms of innovation. The former is based on introducing new technologies to penetrate existing markets, while the latter presents new technologies that are used to create new markets.

In the case of Alphabet, the Company's disruptive innovation is led by its marquee product offerings, which include Adsense, Gmail, and Google News. All of these products have introduced new technologies, especially when they were released, while addressing existing markets. For example, online news sources have always existed, and people have thus always read them, but Alphabet attempted to innovate by leaning on Company synergies when it introduced Google News, which aggregates news sources from across the Internet on whichever topic one chooses to look up.

The above differs from Alphabet's other practice of radical innovation, which is the result of the Company's strides in producing various new products which would then create new markets. This is primarily done through projects completed by Google X entities, such as those focused on driverless cars, Wi-Fi balloons, and smart eyewear. Through this particular practice, the Company has continually attempted to become a first mover in nascent industries, some of which require a considerable allocation of research and development capital, but which may also not payoff in an appropriate time frame, leading to the strategic issue. - Diego Negron Jimenez