

Google Is Restructuring Under a New Company Called Alphabet

Photo



Larry Page, co-founder and chief executive of Google. Credit Jeff Chiu/Associated Press

SAN FRANCISCO — **Google** was born as a company that did Internet search. Over time, it has broadened its interests into everything from drones to pharmaceuticals to venture capital.

Now Google is changing its corporate structure to reflect that it has essentially become a holding company with a disparate collection of businesses.

Larry Page, co-founder and chief executive of Google, said in a blog post on Monday that he was creating a new company named Alphabet that he would run along with **Sergey Brin**, the other co-founder of Google.

Alphabet is to act as a parent company, with several other companies operating under the structure. The biggest among them would be Google. In addition, Alphabet is to house several other entities such as Nest, the smart thermostat maker, and Calico, a company focused on longevity, among others.

“For Sergey and me this is a very exciting new chapter in the life of Google — the birth of Alphabet,” wrote Mr. Page in the [blog post](#). “We liked the name Alphabet because it means a collection of letters that represent language, one of humanity’s most important innovations, and is the core of how we index with Google search.”

For Mr. Page, the decision to shake up Google’s structure is driven by the desire to reinvigorate the company with an entrepreneurial culture and to give operating divisions more leeway to make their own decisions. The structure is reminiscent of that of Berkshire Hathaway, Warren Buffett’s industrial empire, a giant conglomerate that includes railroads and Fruit of the Loom underwear.

Over the past few years, investors have expressed concern that Google has become distracted from its core web search business, instead pursuing projects fancied by its founders like self-driving cars or a pill to detect cancer. The new structure formalizes the different initiatives under a portfolio-like approach.

The move also provides more financial transparency. Starting in the fourth quarter of this year, Alphabet, the holding company, will break out financial results for Google Inc., as well as the overall company. Investors will not be able to see individual results for other companies, but it will make it easier to get a sense of how Google’s core business is doing. Wall Street has been pushing for more details on how Google’s advertising business is faring, as well as how much money it is plowing into new, more speculative areas.

Under the new structure, Google will be run by Sundar Pichai as chief executive; Mr. Pichai has been Google’s senior vice president in charge of

products. Google will encompass most of the company's Internet businesses such as search, maps, YouTube and applications like Gmail.

Ruth Porat, chief financial officer of Google, will remain in that role and also be chief financial officer for Alphabet.

Other entities under Alphabet will include Google Fiber, a provider of ultra-fast Internet service. There will also be two financial businesses, Google Ventures, the venture capital arm, and Capital, which does private-equity-like deals.

Google X, which includes projects like self-driving cars, a drone delivery service and an attempt to make Internet-connected balloons, will also be managed separately and be run by Mr. Brin.

“We've long believed that over time companies tend to get comfortable doing the same thing, just making incremental changes,” Mr. Page wrote. “But in the technology industry, where revolutionary ideas drive the next big growth areas, you need to be a bit uncomfortable to stay relevant.”