

● ● ● CASE 1-1 BA-ZYNGA! ZYNGA FACES TROUBLE IN FARMVILLE

In late 2011, Zynga's employees were showing serious frustration with long hours, high-stress deadlines, and especially the leadership of the company. Responses to a quarterly staff satisfaction survey provided lots of criticism of both the company culture and Mr. Mark Pincus—the CEO. One individual was so disenchanted that he openly

expressed his intent to “cash out” and leave after the company's initial public offering (IPO) in December 2011.

Zynga was one of the fastest growing web-based companies at that point in time. It operated with an almost military command-and-control structure, with autonomous units in charge of each game (most of you will recognize

the games FarmVille and CityVille). At times, it was “a messy and ruthless war.”⁴⁸ Employees worked long hours while “managers relentlessly track[ed] progress, and the weak links [were] demoted or let go.”⁴⁹ The entire environment could be described as intense.

There were serious concerns about the long-term viability of this culture, though. “While some staff members thrive in this environment, others find it crushing. Several former employees describe emotionally charged encounters, including loud outbursts from Mr. Pincus, threats from senior leaders, and moments when colleagues broke down [in] tears.”⁵⁰ A number of former employees spoke about how the high-pressure culture might become a major liability as the company continued to grow. The consensus of these former workers appeared to be that the company might not continue to be able to attract and retain the top engineering and programming talent that they would need going forward.

“While from the outside Zynga may have the fun and whimsy of the Willy Wonka chocolate factory, the organization thrives on numbers, relentlessly aggregating performance data, from the upper ranks to the cafeteria staff.”⁵¹ Everything was measured and mapped, and results were used to identify the top performers along with the “not-so-top” performers and their groups. (Top teams had been known to be rewarded with vacations for the entire team, with spending money provided by the company!) Mr. Pincus personally tracked large amounts of data showing performance levels for the 3,000 employees and their work teams.

It wasn’t that Zynga was failing, or even that there was an open fear of failure. Zynga was one of the rare Internet startups that were actually making money. Zynga had garnered \$828.9 million in revenue in the first nine months of 2011 and had earned \$121 million since the start of 2010. However, the company culture was purely performance driven. The

best employees were rewarded very well, while people who couldn’t “hit the numbers” were likely to disappear.

Other local companies and their human resources managers were looking on in anticipation. They also had talent acquisition problems, but many had a much more collaborative culture than Zynga did, and they thought they would be able to use these cultural attributes to steal talent from Zynga after the IPO concluded. They knew that most of Zynga’s early employees who had some type of stock or options in the company would not be likely to leave until the IPO was finalized, but that many would be looking around soon after.

Questions

1. Imagine you are the new HR director at Zynga. What do you think you might do in this situation to limit the potential loss of a large number of very talented employees?
2. Are there any benefits or incentives that you can think of that might make more people want to stay on at Zynga after the IPO is complete and they can “get their money”?
3. HR managers frequently have to teach other senior managers how to deal with their employees better. What do you think you would do about Mr. Pincus? Is there anything you *could* do? Could you coach him concerning his management style? Do you think this would be effective?
4. Do you think that big cash and stock rewards for top performers and “the boot” for poor performers is the appropriate way to manage talent in this type of high-tech business? Why or why not?