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‘Connecting the World Through Games’: Creating Shared Value in the Case of Zynga’s Corporate Social Strategy

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"Connecting the World Through Games": Creating Shared Value in the Case of Zynga's Corporate Social Strategy

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Abstract. When using cases to teach corporate strategy and ethical decision-making, the aim is to demonstrate to students that leadership decision-making is at its most effective when all affected stakeholders are considered, from shareholders and employees, to the local, national, and global societies in which the company operates. This paper challenges the obstructive perception of many Corporate Social Responsibility (CSR) advocates that the interests of private organizations in the alleviation of social problems should not be vested, but instead should originate from charitable purposes. We evaluate an alternative approach to the role of business in contributing to social progress - Creating Shared Value (CSV), and present a case study that illuminates key features of CSV. We share pedagogical strategies for a classroom discussion of the Zynga.org case that encourage students to investigate the merits and hurdles of CSV as a pathway to harmonize the twin goals of economic value creation and social change.

Keywords: corporate social responsibility, creating shared value, corporate social strategy, social gaming, social networking, teaching business ethics, Zynga Game Network.

1. Introduction

1.1. Corporate Social Responsibility's Vicious Circle

In contemporary business studies, students are often taught to accept the thesis that corporate responsibility extends beyond the enhancement of profit margins for its shareholders. As multinational corporations are increasingly perceived by the public as pursuing profits with a disregard for the broader needs of society,[1] support for Milton Friedman's (1970) oft-cited admonition that the scope of corporate activity should be limited to profit-maximization, and related insistence that profit creation is a sufficient contribution for societies to expect from private enterprise, has dwindled.[2] In response to rising public criticism of big business, many corporations have sought to improve their reputations by embracing the platform of Corporate Social Responsibility (CSR) theory. Advocates of CSR propose that, in addition to complying with legal obligations, corporations should prioritize social objectives such as environmental sustainability and fair working conditions in their strategic decision-making processes and, when feasible, contribute to society through programs of philanthropy.

However, even as an increasing number of firms have expanded corporate giving initiatives and issued annual reports detailing contributions to community outreach and sustainability, these efforts to shift negative public perceptions of business have often been poorly received. Firms that adopt and publicize their adherence to CSR principles risk being accused of using philanthropy as a marketing strategy to manage their corporate image (sometimes termed "greenwashing" when linked to environmental efforts), creating a vicious circle in which CSR compliance risks an abandonment of CSR. To the extent that contributing value to society through CSR adherence has been conceptualized as opposed to the creation of value for shareholders, originally termed the "separation thesis" (Freeman et al. 2006, 2008), this accusation often has merit. Within the traditional CSR model, business and society tend to be cast as contrary entities engaged in a zero-sum game in which businesses are called upon to voluntarily sacrifice economic growth in order to fulfill their responsibility to benefit society, and perceived as inadequately responsible if image management—rather than an acceptance of moral duty—motivates corporate giving.

Yet, the origins of the moral duty to which traditional CSR advocates appeal are elusive. It remains merely tautological to claim that a corporation has no more ethical obligation than the legal duty to "give back" to society only that which the

1. For example, the 2010 Edelman Trust Barometer reports that, despite small upticks in public trust in business in the wake of regulatory reform, "[g]lobally, nearly 70 percent of informed publics expect business and financial companies will revert to "business as usual" after the recession" (4).
2. As Hill et al. (2007) remark, "this position has few adherents, especially among the scholarly community interested in practical ethics, moral maturity and/or the intersection of business and society" (p. 165). Increasing numbers of large companies have adopted CSR programs, demonstrating that the business community, as well as the scholarly community, has moved away from Friedman's shareholder-centric conception of corporate responsibility: "By 2005, reporting on business-related social, economic, and environmental matters had become mainstream within the annual reporting practices of the top 250 companies of the Fortune 200, and was approaching mainstream acceptance by the Top 100 companies in more than 15 countries" (Horrigan 2010, p. 185).

law requires. Most business ethicists agree that ethics, by definition, are not obligatory, that is, not motivated by fear of formal sanction. If we were to claim that a greater corporate "responsibility" is a mandate to contribute social value, then we should be able to point to some legally enforceable duty surrounding that mandate. However, ethical commitments are not always reducible to legal duties and, as a consequence, adherence to ethical corporate strategy may require motivations irreducible to legal parameters. Nevertheless, the personal moral commitment of corporate leaders provides an unstable foundation for ethical corporate strategy, due to leadership succession, and reputation management motives alone, which clearly are vulnerable to public backlash or other sentiment. In contrast, if an alternative motivation for incorporating ethical social objectives could be articulated, a motivation that transcends morals or duties, and could be sustained through corporate succession, then not only would we respond to the reputational challenge faced by today's companies, but also to the intense needs of all affected stakeholders.

Is it possible for corporations to escape the vicious circle that results from the perceived opposition of economic and social interests, and in its place, install a virtuous circle that generates both social value and economic profit? The purpose of this article is to present a case that demonstrates how a vested interest—shared value—on the part of all stakeholders is a necessary element to successful social strategy.

1.2. Creating Shared Value: Generating a Virtuous Circle

Adherents to the concept of "Creating Shared Value" (CSV)—sometimes presented as a variant of CSR, and sometimes as an alternative to CSR's core framework—have proposed that a virtuous circle is possible, provided that we are willing to rethink the presumption of an inherent conflict between society and business. According to Michael Porter and Mark Kramer (2011), the primary architects of the CSV approach, this presumption is symptomatic of an overly narrow view of capitalism that fails to see the extent to which the interests of business and society are intertwined. "The solution", Porter and Kramer contend, "lies in the principle of shared value, which involves creating economic value in a way that *also* creates value for society by addressing its needs and challenges" (p. 63). Though satisfying Friedman's critique of CSR, by encouraging businesses to prioritize the creation of economic value, the CSV approach redefines economic value to also comprise social purpose:

> Not all profit is equal—an idea that has been lost in the narrow, short-term focus of financial markets and in much management thinking. Profits involving a social purpose represent a higher form of capitalism—one that will enable society to advance more rapidly while allowing companies to grow even more.

> The result is a positive cycle of company and community prosperity, which leads to profits that endure. (Porter & Kramer 2011, p. 75)

The CSV approach, in contrast to that of CSR, does not seek to redistribute the economic profits of business to society, but rather to develop business strategies that generate profit by improving social conditions. Companies adopting CSV might invest in community development in the geographical areas where their businesses operate, as Wal-Mart has done by increasing its purchase levels of locally-grown produce for its stores (Porter & Kramer 2011), or firms might target issues relevant to their business goals, as Nestlé has done by identifying access to clean water as a core element of its corporate social strategy (Nestle n.d., Porter & Kramer 2011). Honda's introduction of its Prius line (Porter & Kramer 2006) and, in the case examined in this article, Zynga's introduction of "virtual social goods", offer examples of another CSV strategy, which involves creating marketable products that draw on the specific area in which a business has expertise in order to create a direct impact on entrenched social problems.

> CSR programs focus mostly on reputation and have only a limited connection to the business, making them hard to justify and maintain over the long run. In contrast, CSV is integral to a company's profitability and competitive position. It leverages the unique resources and expertise of the company to create economic value by creating social value. (Porter & Kramer 2011, p. 76)

Integrating a company's corporate strategy with its social objectives allows for the creation of a social strategy—that is, a corporate strategy that creates economic value by pursuing its social objectives, in a virtuous cycle that locates profit potential in the project of social benefit itself.

Another way of considering this alternative perspective is to examine the concept of "value" itself. Freeman, Harrison and Wicks (2007) suggest that we are too quick to presume that value translates into dollars only. Instead, we should be more imaginative and understand that different stakeholders are "paid" in transactions through different "currencies" (p. 130).

The true underlying value that emerges is that which is created when the resources of all stakeholders are brought together and a sustained synergy occurs. In the case of traditional charity, or philanthropy, upon which original CSR was based, contributions were made by an organization on the basis of *available* funding, a sense of moral duty or obligation, or perhaps even the passion of a particular leader. When we discuss CSV, none of these elements need to be present (though, of course, they are not mutually exclusive). Instead, there is recognized strategic value created in the partnership for all stakeholders involved, benefit to the intended recipients, and strategic gain to the corporation. Corporate social strategies guided by CSV diverge sharply from those based on CSR in their use of the criteria of value-creation for all stakeholders, rather than the fulfillment of moral obligation, to evaluate their success. While at first view, this approach might draw us back to the concerns of reputation and image management, it is precisely this interest and value that will *ensure* the long-term sustainability of the commitment well after a single advocate has left the firm, after the surplus funding is no longer available (because CSV strategies aim at self-funding partnerships, rather than donations), and long after particularly passionate executives have moved on. "Businesses acting as businesses, not as charitable donors, are the most powerful force for addressing the pressing issues we face" (p. 64), Porter and Kramer (2011) explain.

When using cases to teach ethical corporate strategy in the classroom, the aim is to foster students' awareness that corporate decision-making is at its best when all affected stakeholders are taken into consideration, from shareholders to employees, to the local, national, and global societies in which the company operates. The purpose of this case study is to introduce students to an innovative concept of corporate social strategy and examine its merits as a pathway to harmonize the twin goals of economic value creation and social change.

1.3. Social Gaming, Social Networking: Opportunities for a New Social Strategy

This synergy between the creation of social value and the creation of economic value is illustrated by an innovative brand of corporate social strategy developed by the popular social gaming company, Zynga. As an innovator and market-leader in the online gaming sector, Zynga's unique resources and expertise involve its ability to create and/or improve online games that connect people through play using their social networks. Launching a corporate social strategy to create shared value required that Zynga integrates social objectives with its corporate mission "to connect the world through games". That integration expanded upon the company's reputation for enabling social connections through games by offering new products within existing games that not only generated significant and sustainable funding sources for social causes, but also encouraged Zynga's user base to develop an interest in producing social value through online gaming. This interest has helped Zynga to remain at the forefront of a highly competitive, growing market.

Partnering with nonprofit organizations through many of its online gaming franchises, Zynga has contributed substantial amounts of funding (more than $10 million) to a number of global and US-based causes while simultaneously increasing its market share and strengthening relationships with its player base. This approach, managed by an intra-company sector called Zynga.org, prioritizes sustained, meaningful relationships with nonprofit partners that are both replicable and scalable. Zynga.org focuses on carefully selecting partnerships that simultaneously strengthen the traditional metrics of success—profitability, competitive advantage, and growing market share. It accomplishes this value creation by offering players desirable virtual social goods that carry meaning for use during in-game play that, as explained below, increase gaming benefits for the player, while contributing to social causes, such as poverty alleviation in Haiti or emergency relief efforts after the earthquake and tsunami in Japan.

When analyzing the Zynga.org case, students should be encouraged to consider how Zynga.org, with its international and social networked user base, conceptualizes its geographic operations. The selection of several of the globally-recognized and -oriented Millennium Development Goals as the target subject matter for these Zynga.org virtual social goods, reflects the company's commitment to "connecting the world through games", while also broadening this connection to include partnerships between its international user base and nonprofit organizations working to improve living conditions in vulnerable communities across the globe. Arguably, the corporate social strategy described in this case study not only creates social value by offering profit-generating products that directly impact social needs, but also by developing the "community" where Zynga operates (the online community of social gamers) and targeting social issues of directly related to the company's mission. Moreover, Zynga.org innovates beyond the traditional corporate donation model, forming long-term sustainable partnerships with selected nonprofit organizations.

In order to understand the following discussion of the dilemmas and challenges faced by Zynga's CEO and other decision-makers in developing and launching Zynga.org, it is important to have clarity surrounding the games themselves. They are accessible online for free using any one of several platforms, including Facebook. Players enter the game and achieve higher levels by reaching goals and by interacting with friends such as sending them virtual gifts and helping them with their games (whether by growing their crops, constructing their building or visiting their café, for instance). A player can play as long as she or he wishes without ever spending any money but may also choose to enhance the online gaming experience through small online purchases that allow them to move more quickly through the game, to earn points or rewards, or to purchase special limited edition items. When players choose to spend real money on their game play, it is called "monetizing" in the industry. In other words, at a current estimated market value of more than $10 billion, Zynga apparently has figured out how to monetize (Pepitone 2011).

Zynga.org, in particular, produces special, limited edition "virtual *social* goods" that are designed to be attractive *both* for their benefits to game play, as well as for their clear link to a social cause. One of the unique elements of contributing through Zynga.org is that, once a player contributes, she or he has the opportunity (if they wish) to post a "feed" to Facebook letting all of her or his friends know that the contribution was made. This social capital may serve as an additional incentive that is particularly strong in the realm of social network-based contributions, though it does occur in other formats. Proceeds from the sale of these virtual social goods were originally shared with nonprofit partner recipients (in a 50/50 split) and later given to those partners entirely. In the first case of the 100 percent contribution, Zynga made the decision to do so because it involved the Haiti earthquake; but it later found that the other measurable returns to the Zynga game studios were so great that it could offer 100% contribution to the partners and each studio would still have plenty of incentives to engage in the campaigns.

The decision to sell virtual social goods, which allow players of Zynga's online games to participate in the creation of social value through their gaming practices, was an innovation by Zynga. Online games requiring multiple players do not represent a new phenomena. CEO Mark Pincus founded Zynga[3] in 2007, long after multiplayer online games emerged in the 1980s and became mainstream through Xbox Live in 2002. However, Pincus's company revolutionized social gaming by bringing multi-player games to social networking sites.[4] Although the first social networking site was launched as early as 1997, the phenomenon did not catch the attention of the mainstream press until 2003, when the Friendster site began to attract attention. Inspired by Friendster's rapid growth in user adoption—and taking advantage of that site's equally rapid decline—other social networking sites proliferated, including Tribe.net, one of Pincus's early ventures. By 2010, more than half the world's internet users spent time on Facebook, the most popular of today's social networking sites (Nielsen Company 2010). With the increasing popularity of Facebook, as well as other sites, such as MySpace, Bebo, and LinkedIn, Zynga's social games provide users with the opportunity to extend their online social networking practices through a variety of game choices available on, and integrated with, their preferred social networking site.

According to Zynga's vice president of business development, Hugh de Loayza, Zynga's average players "go to spend time within social networks—and not a lot of time at that. You're going to come in for 5 to 10 minutes to see what your friends are doing, play for a few minutes, and you're off" (Chaim & Mendelson 2009). In other words, a member of a social network, such as Facebook, would sign into his or her Facebook account and, during a brief time on the network, would go to a social game and, after five to ten minutes of game play, log off. During this time, Zynga players engage in gaming activities that range from harvesting crops to slicing apples, from playing poker to strategic (and virtual) "board games", depending upon which of Zynga's many game franchises they have chosen. Although the games can be played by several users at the same time, social games allow for asynchronous playing where, most of the time, games are not played in real-time.

The Zynga.org case provides an excellent opportunity to examine the potential for social benefit of for-profit enterprises that engage with social

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3. Pincus named the company after his late American Bulldog, Zinga.
4. Social networking sites are "web-based services that allow individuals to (1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users with whom they share a connection, and (3) view and traverse their list of connections and those made by others within the system" (Boyd & Ellison 2007, p. 211).

networking platforms. The most important feature of Zynga's corporate strategy is its integration of gaming with social networking media: players encourage and assist friends with gaming goals by sending virtual gifts or leaving messages and by inviting non-participating friends to join. Building on this business innovation, the Zynga.org sector of the company leverages the horizontal and network-friendly ethos of social gaming to raise funds for social causes, while providing interested players with a product that has both social and economic value to them. Economically, the product has value to the player in its improvement of the gaming experience. Students examining this case study should be asked why Zynga.org has not yet experienced "donor fatigue" on the part of Zynga game players. What strategies has Zynga.org employed to make players feel like participants in, rather than donors to, the project of addressing key social needs? Have these strategies been successful in creating a partnership among Zynga's primary shareholders, players, nonprofit organizations, and their beneficiaries? What role might Zynga's choice of recipient partners play in this strategy or its frequency of .org campaigns?

Reflection on the degree to which the absence of donor fatigue in the Zynga.org case is due to the economic value of the virtual social goods themselves should push students to consider a further set of questions regarding the significance of motivation in corporate social strategy. Should we be concerned with the question of whether purchasers of Zynga.org's products are motivated by (1) a desire for social change, (2) a desire for the product itself (with its in-game benefit, reward, points or other value), regardless of its social benefit, or—relevant to the medium of social networking sites—(3) the desire to share with others through a Facebook post the fact that they have contributed to this particular social cause? Why does motivation matter—or does it?

1.4. CSV as Social Strategy: The Zynga.org Case

Before reviewing the benefits analysis section of the case, students might consider what alternative value measurements an organization such as Zynga might use in measuring success of a venture such as Zynga.org, since the income received from the players for virtual social goods is contributed directly to the recipient organizations. What types of benefits could possibly be sufficient to a firm such as Zynga that would warrant a 100% giving rate and still be considered "profitable" to the firm? Moreover, students should be asked to deliberate about Zynga.org's efforts to institute a virtuous circle, in the sense described by Porter and Kramer, which unites profit with social benefit. What challenges might companies that embrace this model of socially beneficial profit face from primary stakeholders, or from publics skeptical of business as a resource for social change? How did Zynga.org overcome these challenges?

The unique aspects presented by Zynga.org pose important questions about the CSV approach itself, which can be raised in the classroom by differentiating this company's approach from traditional philanthropic or charitable ventures. To some, it may appear as if Zynga either is simply raising money and giving it to a chosen third party (i.e. engaging in traditional charitable giving), or using the lure of a charitable cause to reap significant benefits through CSV.[5] Staging a discussion of these two alternative interpretations of Zynga.org's corporate social strategy brings into relief the specific dilemmas faced by managers and corporate leaders who seek to adopt CSV strategies.

In response to the first alternative, recall that the CSV model directs that each firm "identify the particular set of societal problems that it is *best equipped to help resolve* and from which it can *gain the best competitive benefit*" (Porter & Kramer 2006, emphasis added). Zynga's area of expertise is the creation and development of online games that connect people through the integration of game play with social networking. Through Zynga.org, it has developed a process to "create economic value by creating social value", as Porter and Kramer direct (Porter & Kramer 2011, p. 76). Contrary to a philanthropic model, the objective of Zynga.org's social strategy, therefore, is to give greater meaning to the connections forged by Zynga games by providing Zynga players with the opportunity to "transform the world" (Zynga 2011). Zynga.org does not claim expertise in the substantive issues to which its players have contributed (such as poverty, hunger, clean water, or others). Instead, Zynga.org's strategic focus has been on what it does most effectively—to draw players into games and encourage engagement. In addition, though each studio's participation in a .org campaign does demand internal resources (and there have been some contributions from the office of the CEO), generally the funds contributed are exclusively player dollars and not from Zynga itself, again differentiating Zynga from a traditional charitable donor and instead identifying it as a new and effective mechanic for strategic partnering.

The second interpretation, which imputes a sinister intent to profit motivation, invokes the neoclassical picture of the opposed interests of business and society. It is specifically this perspective based on the separation thesis that the underlying logic of incentives inherent to Porter and Kramer's formulation of CSV aims to challenge. Porter and Kramer (2006) explain that "[w]hen a well-run business applies its vast resources, expertise, and management talent to problems that it understands and *in which it has a stake*, it can have a greater impact on social good than any other institution or philanthropic organization" (emphasis added). It is therefore precisely that vested interest—not necessarily in the form of income received, since the player contributions go to the recipient organization, but through other benefits, such as increased market share, competitive advantage, and player loyalty—that secures the sustained

5. The authors are grateful to an anonymous reviewer for raising these critical issues, to which we here respond.

commitment on behalf of Zynga, or any for-profit organization. Without it, one is left again with traditional philanthropy, finite and unsustainable.

As mentioned above, the underlying question for students in analyzing the case is predominantly whether Zynga.org's choice of societal problems to which it responds results in metrics sufficient to justify the shared investment in the activity. Zynga could have continued to grow and prosper quite successfully without ever having introduced its Zynga.org concept of virtual social goods. However, it opted to do so. The ultimate question for the students is whether it has created value for each of its stakeholders, including the firm, itself. Indeed, that is the question for any CSV concern.

1.5. A New Kind of Capitalism

The corporate social strategy developed by Zynga.org's integration of social gaming, social networking, and nonprofit partnerships illustrates several decision-making arenas faced by companies that adopt the CSV approach. Students should consider the criteria used by Zynga.org to select partner organizations from the non-profit sector, in order to reflect on how businesses might maximize the impact of their corporate social strategy. How important were the prior relationships and issue expertise of key Zynga.org executives to the success of the mission to raise funds to alleviate poverty in Haiti? Is the Zynga.org model replicable, and if so, in which aspects? How might these aspects be adapted to other organizations, and with what parameters and guidelines? Further, the Zynga.org case encourages students to consider the decision-making process regarding the distribution of profits between the corporation and its non-profit partners. What considerations impacted Zynga.org's decision to apportion such a high percentage of proceeds—and then even all proceeds—to its partner organizations, relative to the corporate social strategies of other companies? Were these considerations unique to the social networking environment or to Zynga, or are they generalizable to other market sectors?

Finally, the Zynga.org case provides a pedagogical opportunity to raise important questions about the relationship between business and society, and to examine the claim of CSV advocates that a new, and broader approach to capitalism is needed today. What other challenges did Zynga face in its efforts to integrate traditional business objectives with goals related to social change? Was Zynga.org successful in its effort to install a virtuous circle of social betterment *and* profitability at the heart of the Zynga corporate strategy? What metrics would you suggest to evaluate this objective? What other kinds of corporate strategy innovations might be fostered by re-conceptualizing profit to support and be supported by social purpose?

Porter and Kramer (2011) recently explained their concept as follows; students might consider which features of the Zynga.org case manifest this approach:

> It is not philanthropy but self-interested behavior to create economic value by creating societal value. If all companies individually pursued shared value connected to their particular businesses, society's overall interests would be served. And companies would acquire legitimacy in the eyes of the communities in which they operated, which would allow democracy to work as governments set policies that fostered and supported business. Survival of the fittest would still prevail, but market competition would benefit society in ways we have lost. (p. 77)

2. The Case Study: Zynga.org

2.1. Mark Pincus and Zynga's Development

After receiving his M.B.A. from Harvard Business School, Mark Pincus co-founded a series of Internet start-ups, including the social networking site Tribe Networks and the software service-based companies FreeLoader and SupportSoft, the first of which he sold for $38 million in 1995 and the second of which went public in 2000. He was also an early investor in successful Web 2.0 initiatives including Napster and Facebook. When he launched Zynga in January 2007, in an old potato chip factory in San Francisco, Pincus brought his entrepreneurial interest in social networking to bear on his experiences with casual games and Facebook's flexibility, and used the Facebook platform as a foundation for code. He felt that someone needed to answer the question, "What am I going to do while I'm hanging out on Facebook?" Pincus developed his first Zynga game, Texas Hold 'Em (later called Zynga Poker), and soon found that he had 400,000 monthly active users (MAUs) in just four months while, at the same time, he refined and optimized Zynga's potential to actually make money (called "monetization potential" in the industry) (Chaim & Mendelson 2009, p. 3).

By January 2008, Zynga had 27 employees and was known for its innovative social networking approach to classic games such as poker and Risk that allowed people to play games online while also connecting—or reconnecting—with friends (Stone 2008). By November of the same year, the company had grown to 150 employees and had received an infusion of cash from various backers, including venture capital firm Kleiner Perkins. In January 2009 the media started a round of speculations about Zynga's worth that reached estimates of $5 billion by July 2010 (Hopkins 2010, see also Takahashi 2010) and over $10 billion by April 2011 when rumors of an IPO began to surface (Pepitone 2011).

At the same time Pincus sat down for a lunch with his sister, DePaul University Vincent de Paul Professor of Business Ethics, Laura Hartman.

Hartman describes that afternoon as a possible tipping point of a new direction for Zynga, which had by then become one of the most successful and popular social gaming companies in the world. (For a list of names and roles of individuals involved in this case, please see Exhibit 1.)

> [I]n January of '09, Mark had reached a point in his career where he was ready…to move forward with a greater impact on the world, in terms of what role Zynga would play, because Zynga was really a culmination of a lot of his business efforts. So, we had lunch and both of us brainstormed about what that could look like. Mark had been thinking about this for a long time, about what to do and how to place his social vision into practice. Our backgrounds and experiences complimented each other because I had spent years working with corporations, trying to encourage them to do something. So it came together. (Author interview March 19, 2010)

Exhibit 1: List of named individuals in case

- Mark Pincus, CEO, Zynga
- Laura Pincus Hartman, Vincent de Paul Professor of Business Ethics, DePaul University *and* Director of External Partnerships, Zynga.org
- Virginia McArthur, Director of Operations for Zynga.org and one of Zynga's Executive Producers
- Bim Majekodunmi, Producer of FarmVille, Zynga
- Bill Mooney, was vice president and general manager of FarmVille (has now moved on to another studio)
- Scott Koenigsberg, general manager of Mafia Wars
- Hugh de Loayza, Zynga's vice president of business development

Although these ideas had been germinating with Pincus for some time, that discussion with his sister was the initial step in an effort to build a new brand of corporate social strategy that would avoid the "vicious circle" of unsustainability that has plagued the traditional philanthropy model, and also leverage the unique resources of social media. However, the stakes of this social strategy, tied up as they would be in the non-profit partners with whom Zynga wanted to develop relationships, were equally linked to the company's pre-existing corporate strategy. For this young and unabashedly successful company, the new social strategy that Pincus would develop, culminating in the successful launch of Zynga.org, represented an intentional tangent from what Zynga had done overwhelmingly well—develop highly profitable interactive social games.

As Mark Pincus sat in his office at the end of January 2009, weighing his interest in a new kind of social strategy against the arguments of Zynga's studios and vice presidents, he was forced to confront the stakes of making the most wise and effective decision for Zynga's present and future shareholders. Based on the company's success, his corporate strategies had worked thus far. Pincus had an eagle-eye focus on effective productivity and scalability, "you've got to find some way to keep everybody going in productive directions when you're not in the room" (Bryant 2010). His answer was a leadership style that encouraged each of his employees to take responsibility and become decision-makers within their own autonomous units.

> I'd turn people into CEOs. One thing I did at my second company was to put white sticky sheets on the wall, and I put everyone's name on one of the sheets, and I said, "By the end of the week, everybody needs to write what you're CEO of, and it needs to be something really meaningful." And that way, everyone knows who's CEO of what and they know whom to ask instead of me. And it was really effective. People liked it. And there was nowhere to hide.

However, in a firm filled with CEOs, how does the real CEO add a new direction? Pincus needed to make a decision about whether to expand Zynga's fulfilled mission to include a new kind of social engagement and, if so, how to help his game studios to see the bottom-line value in participating in this engagement of their own accord.

2.2. The Evolution of Zynga.org

By June 2009, Mark Pincus's already highly-successful company Zynga, whose employees now numbered over 700, introduced FarmVille, a game that soon reached 70 million users a day and posted the highest monthly active users (MAUs) in the industry (Coelln 2010). FarmVille asked players to build virtual farms, in which they planted and harvested crops, bought and tended to animals, and furnished their farms with buildings and other decorations (Exhibit 2 below). Players invited friends to be their FarmVille neighbors using their Facebook social network and, once connected, could send gifts of animals and other items, fertilize their neighbors' crops, and support award-based farming projects through the co-op feature launched in April 2010. FarmVille, like all of Zynga's social games, was free but players could buy specialty items in the market, or purchase other mechanics that would accelerate their rate of farm growth, allow them to "level up" (access higher levels in the game) or offer them rewards or points. Virginia McArthur, Director of Operations for Zynga.org and one of Zynga's Executive Producers, who played and spent money on FarmVille, described her own motives for spending actual money in the game, or "monetizing".

> [Monetizing] to me is the efficiency when you have two children and you don't have to play all the time. And the unwither tool on FarmVille [which allows you to revive crops that have died for lack of tending] hands down was my saving grace. Because people can come to my farm and it always looks happy and healthy. (Author interview, April 1, 2010)

Exhibit 2: Zynga's Farmville

Source: Laura P. Hartman. Used with permission.

Like other social games, FarmVille's most valuable segment of the market demographic included those players—primarily women and older adults—disinclined to access other gaming platforms. Pincus accounted for the market's shift in virtual gaming development strategy by explaining, "Gaming is a fundamentally social experience, not a single-player experience, and not a technology experience. We are bringing gaming back to its roots" (Bagga 2009). The innovative core of Zynga's corporate strategy consisted of this integration of the essential sociality of gaming with the opportunities for connecting with friends, and making new connections, through social networking platforms.

2.3. The Formalization of a New Social Strategy: Zynga.org

The ideas that had inspired both Pincus and Hartman as brother and sister for much of their lives, and which they had discussed during their 2009 lunch, evolved over the next few months into concrete plans: a new intra-company sector called Zynga.org. In establishing its vision, Zynga.org had settled on a shared global and domestic focus on supporting the Millennium Development Goals (MDGs) since it was felt that these Goals represented universal values relevant to all players in all countries where Zynga games were played. Because the MDGs embody a significant undertaking, and because Hartman's prior expertise in the area, the Zynga.org team determined that, to begin, contributions would focus on Goals 1, 2 and 3—the alleviation of global poverty and hunger, universal education and gender equality.

It became a priority that Zynga.org proceed with the highest possible levels of integrity and knowledge. Hartman's preexisting relationships with two grass roots organizations in rural Haiti, among others, were a key consideration in the initial selection of nonprofit partners. The co-directors and Pincus decided to make use of these relationships to focus the nascent project's efforts; an entry-level breadth of knowledge became one of the team's core criteria for Zynga.org (Author interview with Virginia McArthur, April 1, 2010). Zynga.org reflected on what such a partnership might look like, given the organizations' focus on families and self-reliance, and what Zynga franchise would be most compatible with these particular organizations.

Because FarmVille represented Zynga's largest user base, it was the natural platform for Zynga.org's official launch. Although the company had engaged in community partnerships before the creation of Zynga.org, FarmVille would be the first venue in which the company considered using this emerging social strategy on a macro scale while serving Zynga.org's developing mission.

2.4. Moving Forward

With Zynga.org established, and with the specific focus on implementing social changes through the sale of virtual social goods, the social vision that Mark Pincus and his sister Laura Hartman had discussed over lunch in January was on the way to becoming a reality. It was time for implementation, and projects in earthquake-torn Haiti would be Zynga.org's first venture.The plan started to take shape. McArthur and Hartman proposed an innovative strategy to the FarmVille team, whereby the users would be offered a limited time, special edition item within the game: "Sweet Seeds for Haiti". Through FarmVille, Zynga would contribute 50% of all proceeds from each sale ($5.00, in the "Sweet Seeds" case) to two partner organizations: FATEM and Fonkoze. FATEM is a community organization based in both Haiti and Boston dedicated to the education of Haiti's youth. FATEM's central project at this time was its partnership with Zynga in the creation of a K-12 education institution with a focus on quality education, income generation and financial literacy. Starting with the May 2010 Sweet Seeds Zynga.org campaign, all campaign monies raised for FATEM went entirely towards the construction of FATEM's K-12 school L'Ecole de Choix, or "School of Choice" (Zynga, n.d.).[6] Fonkoze is one of Haiti's few truly grassroots

6. For a video discussion of this evolution and the resulting project, please see http://www.youtube.com/watch?v=lhNvF1cxEN4

microfinance institutions as well as Haiti's largest with more than 40 branches covering every region of the country (Fonkoze 2010c). With a vision "to provide the means for all Haitians, even the poorest, to participate in the economic development of the country", Fonkoze established its target group as women because, "women are the backbone of the Haitian economy and the doorway into the family unit" (Fonkoze 2010b). As of July, 2010, Fonkoze was serving more than 45,000 women borrowers, most of whom lived and worked in the countryside of Haiti, and more than 200,000 savers (Fonkoze 2010c). Fonkoze's primary function had been to organize solidarity groups, small groups of women who, through shared mentorship and oversight, pursued literacy, healthcare, and business skills as they worked with Fonkoze to apply for small- to medium-sized loans.

As the co-directors introduced the FarmVille team to these partners, Zynga staff took interest in and ownership over the creative possibilities of the campaign. The first Sweet Seeds for Haiti campaign was launched on October 1, 2009, offering players a two-week window to exchange 25 FarmVille Cash in game currency (as mentioned, equivalent to $5.00) to buy and plant the special edition sweet potato seeds. Players were informed through the purchase process that Zynga would contribute 50% from the sale of all Sweet Seeds for Haiti products to support "sustainable and healthy meals for children and their families," with 25% going to FATEM and 25% going to Fonkoze (Exhibit 3 below).

During regular game play, FarmVille players purchase and plant seeds, selling the crops grown for game currency once they could be harvested. The Sweet Seeds sweet potatoes, selected for being indigenous to Haiti (Fonkoze 2009), had special properties. Once players purchased the license, they unlocked the ability to buy the new "high-return" sweet potato crop for nominal in-game currency. The seeds were inexpensive relative to other seeds, grew quickly, and the sweet potatoes sold for much more game currency than comparable FarmVille crops. In addition, Sweet Seeds were the first FarmVille crops to be "unwithering". Usually, once a crop was full grown, players had a limited amount of time to harvest their crop before it withered, wasting the game currency and time spent growing the withered crops. However, the Sweet Seeds sweet potatoes never withered, allowing a player to plant the seeds without the fear that, should they not return to their farm in a timely manner, their investment in the crop would be lost.

Exhibit 3: Sweet Seeds for Haiti

Source: Zynga. Used with permission

These built-in features, designed by the FarmVille franchise to make this limited edition product more attractive, were supported by additional strategies. During the two-week campaign, Sweet Seeds was the top featured marketplace item, prompting players to either buy or renew their license upon signing in, and also appeared as the first and most prominent item in the FarmVille Market. With the Sweet Seeds campaign, Zynga.org made clear its intention to foster and maintain a long-term connection between players and non-profit partners, allowing players to forge a vested interest in specific aid projects. In McArthur's words, "we are [committed] to letting users track where their funding is going and at what point the funding is being used," and the company's website and press releases were designed to make this clear (Author interview, April 1, 2010). A self-sustaining feedback loop between players, non-profit partners, and the communities assisted by the funds was central to the Zynga.org expansion of Zynga's mission to "connect the world through games".

The campaign received an exceptionally positive reception among its user community, and throughout the media (Ashby 2009, Takahashi 2009, Nash 2009, Gunnin 2008). Pincus debriefed the implementation of the fall 2009 Sweet Seeds campaign, which raised more than $1 million.

> We experimented with SFSPCA-branded virtual goods. We found that people that wouldn't normally participate would buy them if it went to a cause. We went from a test to full-scale deployment with Sweet Seeds for Haiti. It opened my eyes to the potential of social gaming and how we'll see virtual goods raise amazing amounts of money for great causes in a scalable way. (Cutler 2010)

Subsequent to this first launch, Zynga.org partnered with Zynga's game studios to offer campaigns on a regular basis throughout multiple studios with varying in-game elements in order to find the most effective features for users and results. (Exhibit 4 below)

During this start-up period, the Zynga.org directors began to develop the Zynga.org criteria that would help them in the decision-making that would confront them on a daily basis. These criteria addressed issues such as the organizational focus on worldwide rather than solely domestic challenges in determining the causes or recipients to support, which became particularly important following the success of the original Zynga.org campaign. Reflecting Zynga's user base of socially networked players around the world, Zynga.org would not be identified with a single geographical region or nation, but with nonprofit partners that could have a direct impact on entrenched problems about which most Zynga game players were likely to care. The success of that first campaign in October, 2009 led to an influx of "fifteen to twenty requests a week from organizations about partnering with us and Zynga," as McArthur described it; so having these articulated standards was as much for the directors' peace of mind, in the difficult task of turning away important organizations doing meaningful and urgent work, as it was in providing a satisfactory explanation for the rejected partner (Author interview, April 1, 2010). Other criteria included quality measures such as rankings by Charity Navigator and the Better Business Bureau, transparency, the ability to provide a detailed and accurate accounting of Zynga-specific contributions by program, among other metrics.

Exhibit 4: Table of Zynga's External Partnerships - Zynga.org Campaign Dates

Date	Game	Campaign	Recipient Organization
Mar. 28 2009	YoVille	SFSPCA: Dog/Cat	SFSPCA
Oct. 1	FarmVille	Sweet Seeds 1/Haiti	FATEM/Fonkoze
Nov. 11	Mafia Wars	Dog/Tags	Fisher House
Nov. 13	FarmVille	Sweet Seeds 2/Haiti	FATEM/Fonkoze
Dec. 15	FishVille	Holiday Promotion: Glitter Globe	World Food Programme
Dec. 16	Mafia Wars	Holiday Promotion/Haitian Drum	FATEM
Dec. 16	Poker	Holiday Promotion/Chip Package: Fonkoze	Fonkoze
Dec. 17	YoVille	Holiday Promotion: Cameroon Platter	World Food Programme
Dec. 18	Coaster	Holiday Promotion: Cameroon Cups	World Food Programme
Jan. 14 2010	Mafia Wars	Haiti Relief Fund: Haitian Drum	World Food Programme
Jan. 14	Poker	Haiti Relief Fund: 2$ Chip Package	World Food Programme
Jan. 15	FarmVille	Haiti Relief Fund: White Corn	World Food Programme
Jan. 15	FishVille	Haiti Relief Fund: Haiti Wrasse	World Food Programme
Mar. 10	Mafia Wars	Exploding Teddy Bear	HDSA
Mar. 22	FishVille	Water Week; Water Wrasse	Water.org
May. 4	FarmVille	Sweet Seeds 3/Haiti - New School	FATEM
May. 27	Mafia Wars	Memorial Day Sale - Discounted items	Fisher House
JUNE. 11 - 20	FishVille	Audubon Sea Turtle and baby turtle	Audubon
April, May, June	YoVille	SFSPCA: Dog/Cat	SFSPCA

Source: Zynga. Used with permission.

Zynga.org made a deliberate choice to differentiate itself as something of its own franchise within the company and McArthur connected this decision to the company's interest in sustainability and core fortification.

> I know that we are in our infancy at Zynga and not associat[ing Zynga.org] to a business wouldn't get the attention that I feel like it deserved…I realized that if I did not have metrics to prove the success of the campaign, I would not get the attention or the resources from the teams in which to make that happen….I needed to basically say, "Here are my metrics…to prove that I am a viable entity within this company. (Author interview, April 1, 2010)

This metric assessment along with the other nuances of implementation and back-end evaluation were at the center of McArthur's operations directorship.

Hartman's role, as the director of external partnerships, was to establish a rigorous vetting process in connection with due diligence, to manage these relationships once formed, and to participate on the ground once the projects were in the implementation phase in order to ensure that the ultimate fund recipients received a true benefit. The identification of partners who, by virtue of size, could accommodate this kind of field-level participation and assessment was crucial (Author interview with Virginia McArthur, April 1, 2010). Recalling once again Zynga's mission, "connecting the world through games", it was vital that Zynga.org's organizational partners and all resulting campaigns would have a significant impact on fund recipients.

As Zynga.org evolved and focused on its own sustainability, the directors continued to refine these core criteria—to focus interests and efforts—and to articulate more specific criteria for potential partners. Again referencing scale and its ability to provide users a pipeline to the concrete use of funds raised—e.g. FarmVille players could now receive periodic updates about the application of recent funding—McArthur elaborated on Zynga.org's chosen values.

As Hartman dealt with the external criteria for the selection and validation of partners, McArthur had to negotiate reasonable internal expectations in the selection of franchise partners. With more than twenty game studios active at various times, Zynga ran games that ranged from those in beta mode, to just-launched games that were still struggling to go viral, all the way to industry giant FarmVille, with almost 60 million MAUs in July 2010 (AppData 2010). When assessing how and when to introduce a possible Zynga.org campaign, McArthur noted that the key question for a potential franchise partner was, "Do I even have the resources to support this in my game right now?" (Author interview, April 1, 2010). Together, the directors established a benchmark of games with one million daily active users (DAUs) for the introduction of a Zynga.org campaign; this threshold limited the base of potential Zynga.org franchise partners to FarmVille, YoVille, FrontierVille, Mafia Wars, FishVille, PetVille, Poker, and Café World (Author interview with Virginia McArthur, April 1, 2010). Of those eight, five had already launched their own Zynga.org campaigns by June 2010.

The relationships between franchises and their potential partners developed organically from the implementation of these criteria. For example, following the success of Zynga.org's Sweet Seeds campaign, Pincus forwarded an email to the co-directors introducing Water.org, which seemed precisely appropriate for the FishVille studio. Water.org presented as a potential partner organization that allowed for manageable scale, proved thematically relevant to the franchise, and was also saleable to the user from an operational and content-based perspective. Moreover, the compatibility of the Water.org partnership with the pre-established Haiti partnership supported Zynga.org's evolving goal of establishing "a centralized theme, a centralized effort, such that we could make the biggest impact" possible"(Author interview with Virginia McArthur, April 1, 2010). Their mission was fulfilled, at least in part, by the fact that a user of both

FarmVille[7] and FishVille could, by connecting these efforts, be sufficiently confident to monetize in both games with this increased impact in mind.

2.5. Expectations

Bim Majekodunmi, producer of FarmVille, joined Zynga in September of 2009, less than a month before Zynga.org's first in-game launch. The expectation that Majekodunmi join that studio, maintain its success, and simultaneously sort out the orientation of the Zynga.org project in the studio's roadmap, raised an important challenge in this synergy: there was no question that Zynga's exponential growth imposed a continuous challenge for both existing staff as well as for new employees to adapt quickly. By integrating the Zynga.org social strategy into the company's mission, Pincus risked distracting these employees from the already arduous and high stakes task of learning and implementing Zynga's standards for success. As Bim reported,

> [m]y first week, they told me to incorporate the idea for [the first Zynga.org campaign] Sweet Seeds into FarmVille's plan. It was hard to go live [placing the first Zynga.org campaign products online] with that so quickly…because I just got there.[8] I had to incorporate the opinions of people I barely knew and stick to the timing.(Author interview, April 1, 2010)

Even Pincus questioned whether the Zynga.org strategy would be successful in the long run because of the question of economic sustainability from the studios' perspectives. If any venture, such as a studio, would be measured based on traditional bottom line metrics, Zynga would have to consider the impact of a Zynga.org campaign on those metrics.

> If you have only a set amount of time and you have to hit your numbers, are you going to work on that item that has money going elsewhere or are you going to give your attention to the item that brings the most money back to your studio? (Author interview with Mark Pincus, April 1, 2010)

Pincus was concerned not only for questions surrounding employee motivation, but also for perspective of Zynga executives who were responsible for setting company-wide, rather than studio-level, goals. Bill Mooney, the 30th employee of a now 700+ base of workers, was vice president and general manager

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7. FarmVille was the franchise partner for FATEM and Fonkoze during the Fall 2009 Zynga.org campaigns, Sweet Seeds for Haiti I and II. See also, www.zynga.org
8. Like other social games, FarmVille was in real-time, allowing online users to sign in at their convenience and, through personal avatars, work on their unique simulated farm. Because the game was always available, studios had to "go live" with new features and market items without a lapse in availability, raising the stakes for Majekounmi to understand FarmVille's culture in order to introduce a game-appropriate item the first time around that would launch the brand new company-wide social strategy.

of FarmVille. Mooney was introduced to Zynga.org while serving as GM of the Mafia Wars studio. His response to Pincus's proposition, though supportive "in theory", was much more critical.

> I believe in "do-gooder" stuff; I was an organizer before I came to this business. But how often we do [a Zynga.org campaign] is the real question. The most important thing is *sustainability.* We have to measure sustainability against the risk of cannibalizing other revenue. (Author interview with Bill Mooney, April 1, 2010)

Scott Koenigsberg, general manager of Mafia Wars, expressed a similar concern about campaign cadence, saying that it might be "hard to strike the balance of establishing a regular cadence versus getting into a cycle of donating that exhausts [user] goodwill" (Author interview, April 1, 2010). Both additional challenges as well as new opportunities arose in considering how the interaction between the play of the games and the .org campaign would impact on Zynga's financial returns. As with all social games, Zynga's games rely on players' repeated use, which results from a number of in-game elements, ranging from the possibility that one's crops may wither, to missed chances to earn in-game benefits, to a sense that you are disappointing your friends if you do not send gifts that your friends need to level up in the game. A Zynga.org campaign has the potential to increase revenue for the host studio, by offering players an additional level of connection with each other, and with their gaming experience. However, if the campaigns were experienced by players as a call for contributions, this potential could fail to pan out, resulting in revenue sacrifice.

As Majekodunmi told it, however, her team's genuine excitement about the project mitigated any potential conflict or disorientation. "It was a new challenge but it gave us such a good feeling to do it that it didn't matter" (Author interview with Scott Koenigsberg, April 1, 2010).

Pincus concluded that the final measures of a campaign's suitability for Zynga.org were its place in what he called the "virtuous circle" (Author interview, April 1, 2010) as well as its measurable impact. "We have millions of players that raise millions of dollars to reach millions of people. But then again, this makes these people, these millions of people playing our game, happy" (Author interview with Virginia McArthur, April 1, 2010).

2.6. The Original 50/50 Profitable Partnership Model

At its inception, McArthur and Hartman had to determine how to apportion funds raised through Zynga.org campaigns. What should be the percentage split between the recipient organization and the partnering studio? After much consideration by the Zynga.org co-directors, pursuing and analyzing alternative models of corporate giving, the company originally settled on a fifty-fifty split. For Pincus,

> [s]omething feels right about [settling on] fifty-fifty. First of all, it feels more like that's a partnership. It's like, "Okay, we're partnering with Fonkoze or whoever." I think the user can understand that we need to sustain the program. At seventy-five percent, I think the studios are less motivated and it would all of a sudden be a tax again and a more traditional charity. So I think we would be giving away so much of the revenues that our group…would have a hard time justifying it as a business operation. (Author interview, April 1, 2010)

Although they later opted to go well beyond, it was this critical balance that the co-directors initially sought in order to be both intra-organizationally justifiable and externally market-sustainable.

The co-directors examined a variety of corporate social strategy models in connection with many widely known corporate humanitarian campaigns. For instance, some corporations maintained a completely separate foundation for their giving operations, such as Salesforce.org or Google.org. Other corporations partnered with the (RED) initiative, a network organized for the purpose of eliminating AIDS in Africa (Exhibit 5). According to the (RED) fact sheet,

> [(RED)] works with the world's best brands to make unique (PRODUCT) RED-branded products and direct up to 50% of their gross profits to the Global Fund to invest in African AIDS programs with a focus on the health of women and children. (RED) was not a charity or "campaign". It was an economic initiative that aims to deliver a sustainable flow of private sector money to the Global Fund.(RED, n.d.)

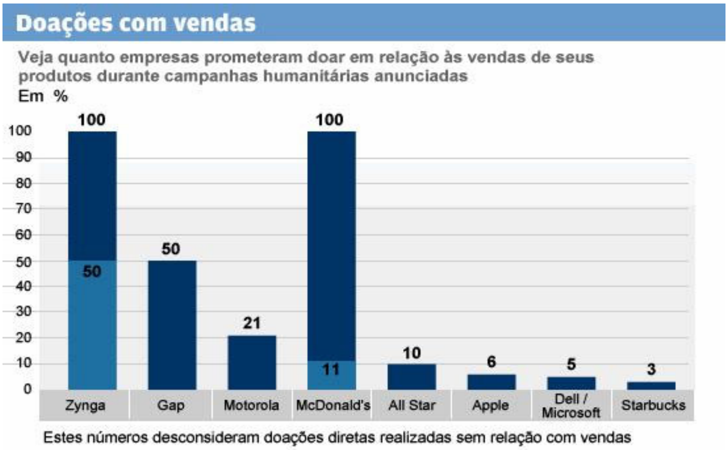
Exhibit 5: (RED) Initiative Giving Models

- Bugaboo Strollers: donates 1% of all company proceeds.
- Nike: donates 100% of the proceeds from the sale of (PRODUCT) RED items.
- Gap, Inc.: donates 50% of the proceeds from the sale of (PRODUCT) RED items.
- Armani: donates 40% of the gross profit proceeds from the sale of (PRODUCT) RED items.
- Converse: donates between 5% and 15% of the proceeds from the sale of (PRODUCT) RED items.
- Apple: donates between $10 and 10% of the proceeds from the sale of (PRODUCT) RED items.
- Hallmark: donates 8% of the net wholesale proceeds from the sale of (PRODUCT) RED items.
- Starbucks: donates between 5 cents and $1 of the proceeds from the sale of (PRODUCT) RED items.

Source: http://www.joinred.com/aboutred/about_red__partners

Most firms would term their orientations in this arena "corporate social responsibility" (CSR) or philanthropy. However, Zynga.org explicitly worked toward a process of creating shared value (CSV), which strives to ensure a return —whether financial or otherwise—to each stakeholder involved. In this way, each participant has a significant stake in the success of the campaign. However, the variability in corporate giving models led to confusion over Zynga.org's original fifty-fifty strategy, particularly following its campaign to raise funds immediately following the January 2010 earthquake, when it shifted permanently to a strategy of 100% contribution to recipient organizations. In an effort to provide disaster relief as quickly and as significantly as possible to those in desperate need, and because Zynga was already on the ground in Haiti, the firm decided to offer 100% of all proceeds from the five-day launch for that singular purpose. Although well intended, this modification did lead to misunderstandings. In an attempt to place Zynga within the matrix of corporate contributions, Brazilian newspaper *Folha* published a chart comparing Zynga.org's percentage of giving against other high visibility corporations with long-term humanitarian campaigns (Exhibit 6). Because metrics justified its continuation, all subsequent campaigns remained at the 100% level.

Exhibit 6: Folha Pledge Comparison



How companies pledged in relation to sales of products linked to humanitarian campaigns

Source: Mauricio Kanno, "Doações não devem depender de lucros, diz especialista sobre 'FarmVille,'"*Folha Online* (Mar. 24, 2010), http://www1.folha.uol.com.br/folha/informatica/ult124u711295.shtml

2.7. Monetization, and Reputation Management

In addition to monetizing through direct payment for in-game virtual goods and virtual social goods, Zynga and other social gaming companies had used "lead generation offers", allowing users to sign up for virtual offers, such as text message subscriptions or video rentals, in exchange for game credits. Players who were not able to or preferred not to spend money on the site for Zynga "cash" had the option of responding to these offers instead, and these lead-generating transactions then monetized players who might otherwise not have provided revenue in the traditional pay-to-play model. This form of monetization came under scrutiny in the fall of 2009, only a few weeks after the October 1st launch of Zynga.org's Sweet Seeds campaign, when *TechCrunch*'s Michael Arrington (2009a) published a scathing critique of Zynga's lead generation practices in the much discussed article, "ScamVille: The Social Gaming Ecosystem of Hell". While lead generation offers in themselves were considered relatively benign, Arrington accused Zynga of accruing as much as one-third of its income, with the tacit support of Facebook, by knowingly working with scam advertisers who would place deceptive offers. Arrington claimed that the offers would manipulate users into downloading software and accepting pricey, recurring mobile subscriptions, both constructed in a way that prevented the average user from removing these features.

As critics and users joined in the criticism, Zynga had a quick turn-around time on its reply; Pincus responded by immediately announcing in his November 2, 2009 blog post that the company would remove all mobile offers of any kind from the site, that it had already terminated its relationship with its principal cell phone subscription offer provider, and that it planned to screen all lead generation offers moving forward before placing any new ones on the site (Pincus 2009). Arrington was not satisfied, though, and on November 6, 2009 he answered Pincus:

> Zynga CEO Mark Pincus said earlier this week that he intends to make sure his company's games don't include scammy offers in the future…But what he didn't say in that blog post is that Zynga has been scamming users from the beginning quite intentionally as part of their revenue model. (Arrington 2009b)

Arrington (2009b) was armed with Pincus's own words; he linked his article to a video of the CEO speaking at a StartUp@Berkeley bar mixer in which Pincus explained his early strategy by saying that he "funded [Zynga] myself but did every horrible thing in the book to, just to get revenues right away. . . We did anything possible just to get revenues so that we could grow and be a real business." Pincus was perfectly willing to eat his words. "I didn't mean to be so crass," he said, sighing. "But I was talking in a *bar*." He later clarified, "I respect companies that build a service that can scale *and* make a lot of money" (Hendrickson 2010).

Under separate circumstances, and long after Arrington's articles and the revival of the Berkeley video, the company's relationship with principal platform, Facebook, became strained. Facebook suspended Zynga's brand-new game FishVille for a few days on claims of advertising violations (Arrington 2009c).

Facebook clearly explained that its decision was unrelated to Arrington's article, and all seemed to have been settled since the two companies announced a five-year deal to work together (Ware 2010). Social gaming insiders noted that each organization faced significant challenges at the time: Facebook was confronted by claims of privacy violations, while both Zynga and Facebook were subject to several lawsuits specifically related to shared issues (Swartz 2009, Tate 2009).

In February 2010, Pincus was interviewed by CNN and "acknowledged not being vigilant enough with the automated ads that appeared on Zynga games during the company's early days." Pincus explained, "[w]e were playing Whack-a-Mole. Every time we found one of these or got a complaint, we would take them down. Eventually…we realized we had to take a much more aggressive stance than a normal web site" (Gross 2010). While the simultaneity of the Zynga.org launch with the ScamVille crisis posed strategic challenges during the start of a new and developing social strategy, the overlap was absent from media analyses of the company through November and December 2009. More specifically, as a part of their public relations strategy, the company chose not to capitalize on the Zynga.org venture in support of reputation management.

The special nature of Zynga's social strategy forced Pincus, Hartman and McArthur to consider shareholder accountability, as the company pursued a course that produced measurable benefits in exchange for those resources directed toward extra-corporate purposes. Their decision to avoid engaging Zynga.org during the time when Zynga was taking the greatest public heat over "ScamVille" was not necessarily black and white. Pincus reflected that, "in retrospect, staying away from PR [at that time] may not have been the best strategy" (Piskorski & Chen 2009). Yet, it is highly likely that drawing on the .org campaign for reputation management purposes during the early stages of the campaign's development—before its partnerships with nonprofits and players had taken root —would have backfired, as Zynga.org could have been perceived merely as a short-term reputational fix, rather than a long-term committed corporate social strategy that predated the scandal.

In January 2010, Mark Pincus was voted Crunchies CEO of the Year by a group of Silicon Valley's most influential blogs.[9] As a part of his acceptance speech, Pincus said of Zynga.org's most recent fundraising campaign, "[i]t opened my eyes to the potential of social gaming and how we'll see virtual goods raise amazing amounts of money for great causes in a scalable way" (Cutler 2010). As he further invested Zynga's resources in its evolving social strategy, and the company's growth and reputation could set up the firm for the possibility of increasingly media attention, he would have to determine if and how Zynga.org could intervene in the media discourse before future assaults, and how the project

9. Kim-Mai Cutler (2010), a blogger with *VentureBeat*, explains: "Every year, Silicon Valley's biggest blogs (including us) put together the Crunchies, an event where the tech community puts the spotlight on the best entrepreneurs, startups and investors."

might contribute to the most effective PR strategy once Scamville-like campaigns had already happened.

2.8. Benefits Analysis

2.8.1. Zynga

Zynga's interests in virtual social goods have been manifold; one of the traditional challenges to encouraging campaigns of this nature has been demonstration of bottom line benefit from historically soft metrics. For instance, the benefit of Hartman's preexisting relationships with the Haiti partners was evident following each of the more than a dozen campaigns. After seven months refining Zynga.org's efficiency, they had a "Zynga speed" precision in turning around detailed progress reports to Zynga's user base. Following the third Sweet Seeds campaign in May 2010, which was the 17th launch for the organization, the funds raised were put directly and immediately into Zynga partner FATEM's L'Ecole du Choix project (the "School of Choice," a school in Mirebalais, Haiti that Zynga has helped to establish); only weeks after purchasing Sweet Seeds, users received pictures and reports on their money at work. McArthur described this feedback loop as a key tenet in the .org's mission, expressing their commitment to show the user how their participation in Sweet Seeds:

> [p]ut food in the hand of someone in Haiti who didn't have it…And [for any given campaign], I can come back and show you exactly where those funds went. I can show you video of food being distributed and then continuing for the next couple months what the [partner] will do with those funds. (Author interview, April 1, 2010)

Hartman's field expertise, due diligence and relationships eliminated the time consuming tasks of locating a focus and cultivating working partnerships with viable community organizations; as director of external partnerships, Hartman's preexisting familiarity with the organizations' missions and projects had, after seven months in operation, permitted a level of precision and transparency that posed a challenge for organizations with longer tenure but without the benefit of this experience. Leveraging Hartman's expertise made the task of constructing a new social strategy in a young company achievable, and brought Zynga.org that much closer to self-sustainability following the implementation of this inaugural campaign.

However, these measures translated directly into more conventional metrics, evidencing realized gains for Zynga and providing the business case for the .org. There was an expansion of users who opted to monetize. Users who would not normally monetize would be comfortable purchasing if the funds went to a cause;

perhaps they saw a more meaningful purpose to the connections beyond gaming to *gaming for good*.

Further, retention—a measure of whether uses returned to keep playing—was enhanced with an increase in user playing time ("engagement") comparing pre- and post-campaigns, and a high retention rate. Users seemed to have more reasons to come back. Finally, there was an interaction from a communications perspective. Not only was virality enhanced, since the social cause encouraged player sharing across social networks, but Zynga found that those users who opted to participate in the Zynga.org campaigns were already highly social; they had significantly more in-game friends than other players.

Following May 2010's Sweet Seeds campaign, Zynga announced that:

> In just one week, more than 45,000 FarmVille users raised $110,000 through the purchase of virtual social goods…This most recent Sweet Seeds program marks the first of several campaigns Zynga will launch to raise funds for the school…To check products and updates on the school's development, please visit Zynga.org. (Zynga 2010a)

The .org's ability to impact the bottom line in these visible and significant ways, and to conduct, if inadvertently, reputation management through media accounts of this work, joined to Zynga.org's regularly updated web reports, met the interests of shareholders and stakeholders. User access to details on and accounts of the material impact of their original $5 Sweet Seeds investment through the Zynga.org Facebook page and other mechanisms (Exhibit 7) created a "feel good" loop that subverted donor fatigue while the "percent of buyers [go] way up" (Author interview with Mark Pincus, April 1, 2010).

Exhibit 7: Facebook Page

2.8.2. Partners

The fiscal and extra-fiscal benefits to the partner organizations could be demonstrated through the example of one of its partners, FATEM.

Since November 2009, with Zynga contributions, FATEM continued to establish itself as an agent of change in the Plateau Central region of Haiti. Its outcomes by 2010 included:

- The provision of a daily meal to 225 children and a nutrient-rich snack bar to over 2,500 school children, which made a difference in their ability to concentrate and learn in class. For many of these children, the meal or the snack bar was all they ate for the day.

- Intervention in the week following the 2010 earthquake and assistance to over 200 households with food and hygiene kits. Each of these families was hosting several internally displaced individuals or entire additional families fleeing Port-au-Prince; as many as 25 people in one home, in some cases.

- Partnership with 1000 Jobs/Haiti, through the opening of its Mirebalais office, which made it possible for 53 young men and women to earn an income between February and July 2010.

- A contribution of $15,000 to the construction project of a municipal library and technology center. The library project would raise academic achievement among Mirebalais area's students, extend literacy efforts to include professionals and the community at large, and provide technological opportunities to bridge the digital divide in Mirebalais.

- Fund the development of Ecole de Choix in partnership with Zynga, a K-12 school and community center, intended from its inception to meet the most pressing and critical needs of those living in extreme poverty in Haiti, with a focus on quality education, income generation and financial literacy.

2.9. The Outlook for Zynga.org

As 2010 proceeded, Zynga remained a wildly successful company, with more than 230 million monthly active users (MAUs) as of July 2010, and led the next application developer by more than 400% (AppData 2010). The company certainly saw competition: Playdom, a 2008 start-up that was acquired by Disney in July 2010, led on MySpace with its most popular game, Mobsters, and housed three of the network's four most popular applications; its games Social City and Sorority Life had boasted increasing margins of user growth on Facebook (Playdom 2010). Electronic Arts acquired Playfish in the winter of 2010 and had experienced growing MAUs in games such as Pet Society and Restaurant City (Chang & Mendelson 2009). These companies, joined by a few smaller social gaming firms, had grown so large that the 2009 projection of a market-wide 250 million players was almost satisfied by Zynga's 235 million MAUs, alone (Lacy 2009). By 2010, the market for social gaming was estimated at a potential $5 billion industry (Zacks Equity Research 2010).

In September, 2010, FarmVille ran one of its most successful campaigns ever on behalf of Haiti and Ecole de Choix (the School of Choice), second only to the launch immediately after the earthquake. In a new and novel partnership with Facebook through its Facebook Credits online payment structure, both Facebook and Zynga donated 100% of all player contributions to the school, while Zynga realized inspiring numbers of "likes" on its game and Facebook fan pages, reaching well into the millions.

An otherwise young company, according to traditional measurement standards, not only established itself as successful along conventional objective metrics, but also has placed itself at the sometimes precarious edge of its volatile market through this work. Yet, Mark Pincus and his team at Zynga and Zynga.org had all eyes forward. As market analysts anticipate a possible public offering for Zynga—and certainly its status may change over the next few years—how will this increased pressure on results impact Zynga.org's activities, decisions and metrics?

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