

## Facebook: Balancing Growth and Preserving Corporate Culture

*Debapratim Purkayastha\* and Syeda Maseeha Qumer\*\**

This case study is about the corporate culture at Facebook Inc. (Facebook), which is considered to be one of the fastest growing companies in the world. The culture at Facebook was open and transparent with no hierarchies. The company was well-known for its 'hip geek culture' fostered by its founder, Mark Zuckerberg. He tried to attract the best talent in the industry by creating a fun environment wherein employees had the opportunity to work on the best projects with a sense of openness. This case discusses various aspects of its culture including the benefits and perks offered to employees. It also describes how Facebook evolved from a small company to a global corporate icon with thousands of employees. In order to meet growing business needs, Facebook opened new offices globally. However, some analysts felt that balancing growth and preserving its corporate culture was a big issue for Facebook as the company was expanding rapidly and was preparing to shift its global headquarters to a more corporate location.

*Maintaining culture is one of the top priorities we have as a company... We're trying to be really smart and learn about our growth. So we're focused on building a few offices, but making sure they are really tied into the culture.*<sup>1</sup>

– Sarah Smith,  
Head of Facebook's Online Operations in Austin, in 2011.

*Facebook is amazing. Working here offers the best environment I have ever seen in a workplace. The job is all about cooperation, not competition. The Facebook culture, office design, and management styles all support this.*<sup>2</sup>

– A Facebook Operations Engineer in Palo Alto,  
California, in 2010.

<sup>1</sup> Mike Swift, "Facebook Landing Team Transports Company Culture," [www.physorg.com](http://www.physorg.com), April 1, 2011.

<sup>2</sup> "Facebook - 'Awesome Job with Great Opportunities'," [www.glassdoor.com](http://www.glassdoor.com), November 27, 2010.

\* Assistant Professor, IBS Hyderabad. The author can be reached at [debapratim@icmrindia.org](mailto:debapratim@icmrindia.org)

\*\* Associate Consultant, Case Research Center, IBS Hyderabad. The author can be reached at [maseeha@icmrindia.org](mailto:maseeha@icmrindia.org)

## A Corporate Icon

In 2011, US-based social networking<sup>3</sup> utility Facebook Inc. (Facebook) was named as the best company to work for by employees, in the third annual Employees' Choice Awards<sup>4</sup> announced by Glassdoor.com,<sup>5</sup> (Refer Exhibit I for 2011 Best Places to Work). Facebook, which received a score of 4.6 out of 5 points, was rated by most of its employees as a supportive, transparent, energetic, and fun place to work in, where fervor for work and ability to make a difference earned rewards. Employees admired the environment, the management, and the opportunities at Facebook. According to a business analyst working at Facebook, "I really like the pace that we're working at— there's so much going on, and there's a lot of inherent trust in people to run with what they're doing. Policies and red tape in previous companies sometimes left me feeling a bit stifled about what I was able to work on and share, but there really is a sense of openness at Facebook, not only in communication but in the ability to jump into projects that call out to you as well."<sup>6</sup>

Founded in February 2004, Facebook helped people communicate with their friends, family, and co-workers. Its core applications included photos, events, videos, groups, pages, chat, personal messages, wall posts, and status updates. Based in Palo Alto, California, Facebook had five headquarters worldwide. As of March 2011, the social networking site had about 661.5 million active users worldwide and this figure was

Rank	Company	Employee Rating
	Rating	
1	Facebook	4.6
2	Southwest Airlines	4.4
3	Bain & Company	4.3
4	General Mills	4.0
5	Edelman	4.0
6	Boston Consulting	4.0
7	SAS Institute	4.0
8	Stalom Consulting	4.0
9	Overstock.com	4.0
10	Susquehanna International Group	3.9
Employee Ratings Scale: 4.01 - 5.0 = "Very Satisfied" 3.5 - 4.0 = "Satisfied" All Ratings are as of December 1, 2010.		
Source: <a href="http://www.glassdoor.com">www.glassdoor.com</a>		

expected to reach the 700 million mark by the end of May 2011.<sup>7</sup> The company had about 2,000 employees spread across 12 countries. According to Facebook, users from more than 180 countries were members on the site and about 70% of them were from outside the US. The top five countries in terms of number of Facebook users were the US, Indonesia, the UK, Turkey and France.

The company's internal culture was open and transparent and was based on small teams working together and building innovative things. Facebook offered

<sup>3</sup> A social networking service is an online platform that focuses on building social networks or relations among people who share common interests and activities.

<sup>4</sup> Employees' Choice Awards lists the top 50 best places to work based on surveys collected from US-based employees. Ranking of the top companies was determined by taking cumulative average ratings from all the employees who responded to the 20-question survey in the year 2010. The survey addressed workplace topics such as work/life balance, career opportunities, communication, compensation and benefits, fairness and respect, employee morale, recognition and feedback, and senior leadership.

<sup>5</sup> Glassdoor.com is a jobs and career community where people share information and opinions about the places where they work.

<sup>6</sup> Jacquelyn Smith, "The Best Companies to Work For," [www.forbes.com](http://www.forbes.com), December 15, 2010.

<sup>7</sup> Eric Eldon, "Facebook Climbs Toward 700 Million Users Worldwide, with Steady Growth in the USA," [www.insidefacebook.com](http://www.insidefacebook.com), April 21, 2011.

numerous perks and benefits to its employees. Paid vacation days, free food (breakfast, lunch and dinner) and transportation, employee benefit premiums, cash for new parents, laundry services, and photo processing services were some of the perks of working at Facebook. In addition, Facebook employees got paid time-off and gym membership discounts. According to some analysts, employees were drawn to Facebook not just because of the perks offered but also because there was a culture of openness to which the employees soon became addicted. Freedom and the opportunity to make an impact attracted employees to the company, analysts said. "Facebook is about pleasing its users, and employees take great pride in that. That's what makes it the best company to work for,"<sup>8</sup> said Robert Hohman, CEO of Glassdoor.com.

However, some employees felt that the long hours and constant pressure to create an impact were sometimes demanding. Offering free food was part of Facebook's strategy to encourage working long hours, they said. "With the small number of employees, everyone is expected to change the world,"<sup>9</sup> said an employee of the company.

Some analysts felt that Facebook was fast becoming a corporate icon and said that its internal culture would be studied by many.<sup>10</sup> In February 2011, Facebook announced that it was planning to relocate to a new campus in Menlo Park in California to meet growing business needs. Though the new location would hold 3000 employees, Facebook planned to hire even more employees since it operated in an open desk environment.

However, some analysts felt that the switch in location may lead to cultural changes at Facebook and the company might face difficulty in retaining its open and coherent culture.<sup>11</sup> Experts said, as Facebook evolved from a small start-up to a global company, extending its open corporate culture to other offices would prove to be challenging for it. Analysts were eager to see how Facebook's culture would develop and evolve over time as the company grew into a much larger organization.

### Background Note

Originally called the 'The Facebook', the site was launched on February 4, 2004, by Mark Elliot Zuckerberg<sup>12</sup> (Zuckerberg), an undergraduate student at Harvard University studying computer science, along with his college roommates Dustin Moskovitz (Moskovitz), Chris Hughes, and Eduardo Saverin. The website was free for users and required a user name and password for registration. Within 24 hours of the launch of the website, 1,200 students had signed up.

In May 2004, Zuckerberg dropped out of Harvard and moved to Palo Alto with Moskovitz and some friends. They leased a small house that served as an office. In September 2004, Zuckerberg met PayPal<sup>13</sup> founder, Peter Thiel, who invested in the company. Sean Parker, an entrepreneur, who was acting as an advisor for Zuckerberg, was appointed president of the company. With an initial investment of US\$500,000, Zuckerberg had big plans for his company. In August 2005, the company dropped 'The' from its domain

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<sup>8</sup> Jacquelyn Smith, "The Best Companies to Work For," [www.forbes.com](http://www.forbes.com), December 15, 2010.

<sup>9</sup> "Awesome Job with Great Opportunities," [www.glassdoor.com](http://www.glassdoor.com), November 27, 2010.

<sup>10</sup> Influx Insights/BSSP, "50 Predictions for 2011," [www.slideshare.net](http://www.slideshare.net), January 2011.

<sup>11</sup> Curt Finch, "Future Facebook Culture Change?" [www.inc.com](http://www.inc.com), February 23, 2011.

<sup>12</sup> Born on May 14, 1984, Mark Elliot Zuckerberg attended Harvard University and studied computer science before dropping out to found Facebook. He was the *Time's* 2010 person of the year.

<sup>13</sup> PayPal, a subsidiary of eBay, is an e-commerce provider allowing payments and money transfers to be made through the Internet.

name and purchased the domain Facebook.com for US\$200,000.<sup>14</sup>

Initially, the website's membership was limited to Harvard students. As the site's popularity grew and it was well-received, Zuckerberg decided to spread it to other schools as well. In March 2004, Facebook expanded to Stanford, Columbia, and Yale University. Gradually, it was opened to all other Ivy League Schools and Boston University, New York University, MIT, and to other universities in Canada and the US. Companies were allowed to have their own networks on Facebook and membership was granted to employees of several companies such as Apple Inc.<sup>15</sup> and Microsoft Corporation<sup>16</sup> (Microsoft). On September 26, 2006, Facebook was opened to everyone over 13 years of age with a valid e-mail address.

Based on its solid features, Facebook quickly gained momentum and went on to become the largest social networking website in terms of number of users. Between May 2006 and May 2007, traffic to the site grew by 89%.<sup>17</sup> Facebook remained a closed network until May 2007, when Zuckerberg announced that it would become the social operating system for the Internet wherein users could integrate all of their Internet activities into their single Facebook profile. In October 2007, Microsoft acquired a 1.6% stake in the company for US\$240 mn.<sup>18</sup> In October 2008, Facebook set up its international headquarters in Dublin, Ireland. The company's primary sources of revenue were

brand ads, sales of virtual goods, and online ads. Facebook turned cash flow positive in the third quarter of 2009. In 2008, its projected revenue was US\$350 mn compared to US\$150 mn in 2007 (Refer Exhibit II for the timeline of the company).

Though Zuckerberg expanded the reach of his social media advertising platform, in 2006, he came under fire for failing to balance the privacy concerns of its users. The safety of its user accounts had been compromised several times, analysts said. Facebook raised a lot of controversy over the years related to collecting and sharing of user data with third parties, as well as deactivating user profiles. In September 2006, the introduction of News Feed<sup>19</sup> and Mini Feed on Facebook attracted criticism from users as they felt that these features contained undesired information and made it easy for other people to track activities like changes in relationship status, events, and conversations with other users... Facebook was blocked intermittently in several countries including Pakistan, China, Vietnam, Syria, Iran, Uzbekistan, Saudi Arabia, and Bangladesh to control the flow of information. In February 2009, when Facebook revised its privacy policy, members protested and made the company announce a proposed 'Statement of Rights and Responsibilities' and 'Terms and Service' by which it would be governed. In December 2009, Facebook altered its privacy settings again, leaving its users fuming. As a result, its brand value took a beating and the company came under

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<sup>14</sup> Sid Yadav, "Facebook - The Complete Biography," [www.mashable.com](http://www.mashable.com), August 25, 2006.

<sup>15</sup> Apple Inc. is an American multinational corporation that designs and markets consumer electronics, computer software, and personal computers.

<sup>16</sup> Microsoft Corporation is a US-based multinational corporation that develops, manufactures, licenses, and supports a wide range of products and services related to computing through its various product divisions.

<sup>17</sup> "Facebook Sees Flood of New Traffic from Teenagers and Adults," [www.comscore.com](http://www.comscore.com), July 5, 2007.

<sup>18</sup> Caroline McCarthy, "Microsoft Acquires Equity Stake in Facebook, Expands Ad Partnership," <http://news.cnet.com>, October 24, 2007.

<sup>19</sup> News Feed was a new homepage feature on Facebook which provided information such as profile changes, upcoming events, and birthdays, among other updates. Mini Feed, an integral part of the News Feed interface, was a news stream on the user's profile page that showed updates about that user.

**Exhibit II: Timeline of Facebook Inc.**

<b>Year</b>	<b>Event</b>
<b>2004</b>	
February	Zuckerberg and co-founders Dustin Moskovitz, Chris Hughes, and Eduardo Saverin launch Facebook from their Harvard dorm room.
March	Facebook expands from Harvard to Stanford, Columbia, and Yale.
June	Facebook moves its base of operations to Palo Alto, California.
September	Groups application is added; the Wall is added as a Profile feature.
December	Facebook reaches nearly 1 million active users.
<b>2005</b>	
May	Facebook raises US\$12.7 mn in venture capital from Accel Partners.
	Facebook grows to support more than 800 college networks.
August	The company officially changes its name to Facebook from Thefacebook.com.
September	Facebook expands to add high school networks.
October	Photos is added as an application.
	Facebook begins to add international school networks.
December	Facebook reaches more than 5.5 million active users.
<b>2006</b>	
April	Facebook raises US\$27.5 mn from Greylock Partners, Meritech Capital Partners, and others.
	Facebook Mobile feature is launched.
May	Facebook expands to add work networks.
August	Facebook development platform is launched,
	Notes application is introduced.
	Facebook and Microsoft form strategic relationship for banner ad syndication.
September	News Feed and Mini Feed are introduced with additional privacy controls.
	Facebook expands registration so anyone can join.
November	Share feature is added on Facebook and simultaneously launched on over 20 partner sites.
December	Facebook reaches more than 12 million active users.
<b>2007</b>	
February	Virtual gift shop is launched as a feature.
March	Facebook reaches over 2 million active Canadian users and 1 million active UK users.
April	Facebook reaches 20 million active users.
	Facebook updates site design and adds network portals.
May	Facebook launches Marketplace application for classified listings.
	Facebook hosts F8 event to launch Facebook Platform.
	Facebook Platform launches with 65 developer partners and over 85 applications.
July	Facebook acquires startup Parakey.*
* Parakey is a Web-based computer user interface.	
<i>Contd...</i>	

<i>Contd...</i>	
October	Facebook reaches over 50 million active users.
	Facebook launches Facebook Platform for Mobile.
	Facebook and Microsoft expand advertising deal to cover international markets.
	Microsoft takes a US\$240 mn equity stake in Facebook.
November	Facebook launches Facebook Ads.
<b>2008</b>	
January	Facebook co-sponsors Presidential Debates with ABC News.
February	Facebook is launched in Spanish and French.
March	Facebook updates privacy controls to include Friend List privacy.
	Facebook is launched in German.
April	Facebook launches Facebook Chat.
	Facebook releases Translation application for 21 additional languages.
August	Facebook reaches over 100 million active users.
December	Facebook Connect becomes generally available.
<b>2009</b>	
January	Facebook reaches over 150 million active users.
	CNN Live/Facebook integration.
February	Facebook reaches over 175 million active users.
	Facebook joins OpenID board.
	'Like' feature added.
April	Facebook reaches over 200 million active users.
May	Digital Sky Technologies makes a US\$200 mn investment for preferred stock at a US\$10 bn valuation.
June	Facebook launches Facebook Usernames.
July	Facebook reaches over 250 million active users.
August	Facebook acquires FriendFeed.**
September	Facebook reaches over 300 million active users.
December	Facebook reaches over 350 million active users.
<b>2010</b>	
February	Facebook reaches over 400 million active users.
July	Facebook reaches over 500 million active users.
	Facebook launches beta of Questions.
August	Facebook launches a new feature Places.
September	Facebook reaches 550 million users.
<b>2011</b>	
January	Facebook user base increases to 600 million.
February	Facebook reaches over 650 million users.
** FriendFeed is a real-time feed aggregator that consolidates the updates from social media networking websites, social bookmarking sites, blogs and micro-blogging updates.	
<i>Source: <a href="http://www.facebook.com/press/info.php?timeline">http://www.facebook.com/press/info.php?timeline</a></i>	

intense pressure to streamline and strengthen its privacy tools.<sup>20</sup>

As of 2010, Facebook was one of the largest social networking sites in the world. The total estimated value of the company was about US\$14 mn.<sup>21</sup> On July 21, 2010, it reached the 500 million-user mark. It was estimated that Facebook's revenue had increased from about US\$700 mn in 2009 to US\$1.1 bn in 2010.<sup>22</sup> The value of Facebook's business property had risen from US\$8 mn in 2007 to US\$63.4 mn in 2010.<sup>23</sup>

Facebook was the most popular social networking site in countries such as Canada, the UK, and the US. At the end of 2010, Facebook's penetration was highest in North America (69%), Middle East-Africa (67%), Latin America (58%), Europe (57%), and the Asia-Pacific (17%). The company planned to open more offices globally in order to support its growing operations around the world. As 70% of Facebook users were outside the US, the company felt that the new offices would allow it to serve its customers better. In October 2010, the company opened an office at Hyderabad,

India, as more than 8 million of Facebook's total users were in India as of 2010. During the same month, it also opened another office in Austin, Texas. In 2010, Facebook increased its workforce by 50% to over 1,300 employees compared to 900 at the end of 2009.

Facebook won several awards. In 2007, it secured a place among the "Top 100 Classic Websites" listed by *PC Magazine*<sup>24</sup>. A year later, it received the "People's Voice Award" from the Webby Awards<sup>25</sup>. In 2010, Facebook won the Crunchies<sup>26</sup> "Best Overall Startup or Product" for the third year in a row and was recognized as one of the "Hottest Silicon Valley Companies" by Lead411 Corporation<sup>27</sup>. In 2010, it surpassed Google.com<sup>28</sup> as the most visited website, according to Experian Hitwise<sup>29</sup>. Facebook received 8.9% of all web visits in the US between January and November 2010.<sup>30</sup> Google.com ranked second with 7.19% of visits, followed by Yahoo! Mail (3.52%), Yahoo!<sup>31</sup> (3.30%), and YouTube<sup>32</sup> (2.65%).

Though Facebook's user base was growing rapidly, the growth of employees in the

<sup>20</sup> "Cultural Problems May Kill Facebook," [www.small-business-toolkits.info](http://www.small-business-toolkits.info), May 31, 2010.

<sup>21</sup> "Michael Arrington, "Facebook Valued at \$14 bn on SecondMarket," <http://techcrunch.com>, January 20, 2010.

<sup>22</sup> Eric Eldon, "Facebook Revenues Up to \$700 mn in 2009, on Track Towards \$1.1 bn in 2010," [www.insidefacebook.com](http://www.insidefacebook.com), March 2, 2010.

<sup>23</sup> Dean Takahashi, "Can Facebook Keep Its Cool Urban Culture if it Moves to Sun's Old Headquarters?" <http://venturebeat.com>, January 31, 2011.

<sup>24</sup> *PC Magazine* is an online computer magazine published monthly in the US.

<sup>25</sup> A Webby Award is an international award presented annually by The International Academy of Digital Arts and Sciences for excellence on the Internet with categories in websites, interactive advertising, online film and video, and mobile.

<sup>26</sup> Crunchies is an annual competition and award ceremony that recognize the most compelling startups, Internet and technology innovations of the year. The Crunchies is a collaboration project between GigaOm, Read/WriteWeb, VentureBeat and TechCrunch.

<sup>27</sup> Based in the US, Lead411 Corporation provides company profiles, business news, sales leads, business addresses, and daily lead alerts.

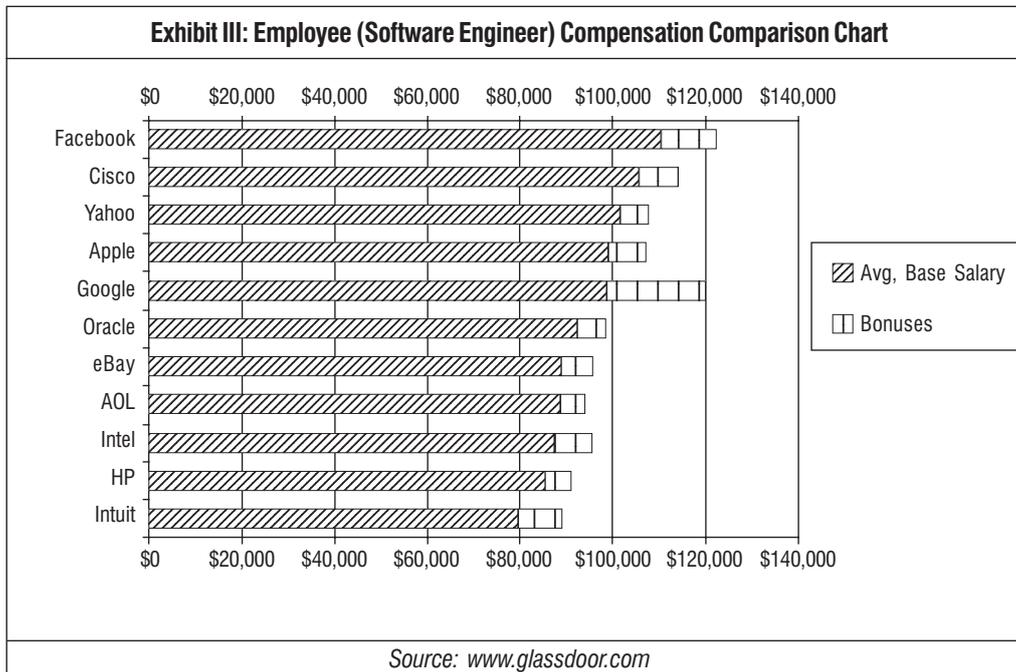
<sup>28</sup> Google.com is the most widely used search engine on the web owned by Google Inc. Google Inc. is a US-based global technology company that provides a web-based search engine through its website. The company offers a wide range of search options, including web, image, groups, directory, and news searches. In the year ended 2010, the company's revenues were US\$29.321 bn.

<sup>29</sup> Experian Hitwise is an Internet tracking firm.

<sup>30</sup> "Facebook was the Top Search Term in 2010 for Second Straight Year," [www.hitwise.com](http://www.hitwise.com), December 29, 2010.

<sup>31</sup> Yahoo! is a popular search engine and web portal owned by Yahoo Inc. Yahoo! Mail is a free web mail service provided by Yahoo!

<sup>32</sup> YouTube is a video sharing website owned by Google Inc.



company was slow compared to other typical startups. But over the years, as the number of users and revenues began to increase, the company started increasing its employee count. In 2008, about 10% of Google Inc. employees mostly from engineering and product departments shifted to Facebook even though Google was trying to counter Facebook offers. According to Glassdoor.com, Facebook was offering an all-round better package than Google. For instance, in 2010, Google's average salary for a software engineer was US\$98,800 while Facebook was offering US\$110,500 on an average.<sup>33</sup> (Refer Exhibit III for Employee Compensation Comparison Chart). While the average rating given by a Google employee to his/her company was 3.9 out of 5, Facebook scored 4.6 out of 5 points. In 2009, Facebook expanded its staff by 40% to 50% as it benefitted from a surplus of engineers owing to the global economic

recession. As of February 2011, there were more than 2,000 employees working at Facebook compared to about 1,000 in August 2009. The largest groups were Engineering and Operations, each with around 400-500 employees.<sup>34</sup>

#### **Work Environment and Culture at Facebook**

According to Facebook employees, Facebook was a great place to work as the company's internal culture was open and cooperative. It had a very solid and distinct company culture which emphasized freedom and autonomy inside the company, they said. Some industry observers opined that Facebook offered immense opportunities to people who wanted to build something big and new. At Facebook, the culture was based on small teams working together and building innovative things. Analysts opined that it was the independence that Facebook granted its employees that set it apart from

<sup>33</sup> Jay Yarow and Kamelia Angelova, "Chart of the Day: Facebook Paying the Most in Tech," [www.businessinsider.com](http://www.businessinsider.com), November 19, 2010.

<sup>34</sup> "How Facebook Ships Code," <http://framethink.wordpress.com>, January 17, 2011.

other companies. Employees were free from meddling management, office politics, and department distinctions. There were no cubicles and employees shared desk space, sometimes even with management and executives. Zuckerberg himself shared desk space on the engineering floor, occasionally retreating to the conference room for meetings. Facebook's headquarters in California had make-shift conference rooms and creative spaces to get people together. The company adorned its office walls with paintings of well-known graffiti artist, David Choe. There was a basketball court and even a game room which had everything from Rock Band to Wii<sup>35</sup> (Refer Exhibit IV for images of Facebook Office).

Facebook was well-known for its 'hip geek culture' fostered by founder Zuckerberg. He tried to attract the best talent in the industry by creating a fun environment and engaged in some unique practices, such as working on open desks and banging a gong whenever someone finished a big coding project.

Some employees said that the environment at Facebook was fast paced and it was an amazing place where one would get an opportunity to work with some of the smartest people in the industry and solve some real hard problems. Facebook had a fast and dynamic culture with a passion to move fast and break things, they said. It offered amazing growth potential for employees. Management was approachable, open, and focused on employee satisfaction. According to an employee of the company, "Every employee has the ability to change the world everyday. It's an exciting place to work, with the smartest professionals in the industry, and awesome perks. Management is very hands off. If you are proactive, you can work on any project that adds value to the company. The culture is awesome, my job is

#### Exhibit IV: Images of Facebook Office



Source: <http://www.businessinsider.com/what-is-it-like-working-at-facebook-2009-12?op=1>

fun, and I am friends with the people I work with...I think that says a lot!"<sup>36</sup>

Employees loved the culture, freedom, environment, benefits, and flexibility. Facebook offered flexibility in work hours and freedom to work from home. Employees had fun while working in an exciting environment. They were recognized for their efforts.

The company's culture was based on open communication and transparent decision making. As Facebook was into networking, the culture was more oriented toward improving user experience rather than revenue generation. With a strong leader like Zuckerberg at the top, the culture was young and performance-oriented. It was a developer-driven culture wherein the management structure comprised only developers with no hierarchies. Project allocation was done on a voluntary basis and engineers got access to a live database. They could modify code base, re-order work projects, and incorporate new ideas anytime. The culture of the company was such that everyone felt responsible for the product. Teams worked in groups of three to five on small, short projects. The company did not

<sup>35</sup> Wii is a home video game console from Nintendo.

<sup>36</sup> "By Far the Best Place to Work," [www.glassdoor.com](http://www.glassdoor.com), March 1, 2011.

face the problem of decisions having to flow up and down management, while implementing a project. "We don't have the layers of management approval! We don't pass things up and down the chain. The team working on the product development makes the decisions. If there's a problem or if they think it merits it then they will talk to Mark [Zuckerberg] directly. We try to do a good job of setting out the context of the task and release people to get on and do it. People are pushing new features and code to the site every day. It's really about trying to remove barriers and reduce friction in development,"<sup>37</sup> said Mike Schroepfer, Vice-President of engineering at Facebook.

### **Way to the Employees' Heart**

Facebook employees enjoyed several perks and benefits. Paid vacation, free food and transportation, US\$4,000 in cash for new parents, dry cleaning, day care reimbursement, and photo processing services were some of the perks of working at Facebook.

One of the most attractive perks was food. Facebook provided microkitchens and free snacks at all its major worldwide locations. According to some analysts, the company was following in Google's footsteps<sup>38</sup> by hiring its own chef and providing three meals a day to its workers. Facebook hired one of Google's top chefs, Josef Desimone (Desimone), to dish out meals to its employees. At its headquarters, it offered free breakfast, lunch, and dinner including healthy salads, pizzas, and cuisine from countries such as Belize and India. At lunch and dinner, employees were served a vegetarian dish, two main courses of meat, chicken or fish, a salad bar, two types of soup, and two desserts. Snacks which were served

between 3 p.m. and 4 p.m. were very popular. Mini-kitchens were set up throughout the building from which employees could pick up snacks.

Desimone and his culinary team posted daily menus at the cafeteria which featured delicacies such as Thai-spiced cilantro chicken, salmon with red curry sauce, roasted quail, a variety of chocolate-infused treats, and the signature dishes of some of the top chefs of New York. The chef served about 12,000 meals a week including five days of breakfast, lunch, dinner, and a daily snack, each with a different ethnic theme. Desimone used mostly organic, sustainable products in his dishes. According to him, all of the meals at Facebook used the freshest ingredients. The kitchen team procured meat from animals that had not been exposed to antibiotics or genetically modified feed; organic produce; milk and butter from local purveyors and sustainable fish.

At times, Desimone invited celebrity chefs to prepare special meals for the employees. For the employee who happened to eat the 400,000<sup>th</sup> or 500,000<sup>th</sup> meal, Desimone would prepare a seven-course gourmet meal complete with wine, white tablecloths, and an appetizer. Talking about his experience at Facebook, Desimone said, "I love this gig. I get to change the menu every day. I get to make everything from scratch. I get holidays and weekends off. There aren't a lot of chefs in that position."<sup>39</sup> Analysts said that the quality of the food played an integral role in attracting employees and was considered as one of the best perks at Facebook.

For food lovers in its workforce, Facebook offered cooking internships, where employees spent a day with the 50-member

<sup>37</sup> Charles Arthur, "Life Inside Facebook: How Head of Developers Organises 500 People," [www.guardian.co.uk](http://www.guardian.co.uk), November 22, 2010.

<sup>38</sup> The tradition of offering free food to employees was initially started by IT giant Hewlett-Packard (HP) in 1950s. In 1999, Google took a step further in corporate sponsored dining by appointing a resident Chef to cook meals for its employees.

<sup>39</sup> "With High-End Meal Perks, Facebook Keeps Up Valley Tradition," [www.thefacebookforum.net](http://www.thefacebookforum.net), December 25, 2009.

kitchen staff learning how to cook. The cooking internship, which drew 40 applicants in the first six minutes after it was announced on the cafe's Facebook fan page, allowed selected employees to suggest a menu and then cook it. For instance, Oliver Louie (Oliver), an in-house lawyer chosen for the program, under the guidance of chef Desimone and Dana Shepard, the kitchen Manager, learned to sauté chicken breasts, barbecue sausages, chop basil, fry textured vegetable protein wheat balls, and arrange condiments in just five hours. Facebook hosted many hot dog and hamburger outings at the back of its main building.<sup>40</sup>

Facebook was famous for its regular 'hackathons', where employees had to stay up all night and work on programs and codes which were not part of their regular assignments. During the 'hackathons', the kitchen staff prepared new dishes which were served at midnight, 3 a.m., and at breakfast time. According to Kathleen Loughlin, spokeswoman from Facebook, "The thinking for us is, what can we do to make our employees' lives easier so they can focus on the job? They come into work and don't have to worry about packing a lunch."<sup>41</sup>

The company also offered Paid Time-Off (PTO) wherein employees were offered 21 days of paid vacation and could take a break from work. There were unlimited sick days and also 11 paid holidays observed at Facebook. Facebook offered all its full-time employees in the US up to 4 months of paid parental leave and continued to give them other benefits even while they were on leave. Facebook also offered US\$ 4,000 cash to all new parents provided they were full-

time US employees at the time of birth or placement.

Moreover, all full-time regular employees who had more than one child aged five or under were eligible to be reimbursed up to US\$3,000 toward care and babysitting assistance per year. In the US, Facebook paid 100% of employee benefit premiums and 50% of any dependent premiums. This included medical, dental, vision, life insurance and disability coverage, as well as the Employee Assistance Program. The company also offered 50% reimbursement of monthly gym fees. The company offered a Saving & Retirement Facebook 401(k) Plan.<sup>42</sup> It also provided a self-directed brokerage account from Fidelity Investments<sup>43</sup> to give employees other investment choices.

Transportation was free for employees. To reach Palo Alto, a free shuttle service was provided to and from San Francisco. Free Caltrain<sup>44</sup> passes were also given, which allowed unlimited access to the Caltrain. For employees who came from other locations and used public transportation, reimbursement of up to US\$450 per month was provided. Every Facebook employee who opted to rent living space within a mile of the company headquarters at Palo Alto Office received a monthly housing subsidy of US\$600. This benefit especially attracted young employees who were unable to spend money on rents. Moreover, the initiative also boosted Facebook's image as an environmental-friendly company that encouraged employees to cut down on travel times and reduced emissions by giving them incentives to live close to the office.

<sup>40</sup> Dean Takahashi, "Can Facebook Keep Its Cool Urban Culture if it Moves to Sun's Old Headquarters?" <http://venturebeat.com>, January 31, 2011.

<sup>41</sup> "With High-End Meal Perks, Facebook Keeps Up Valley Tradition," [www.thefacebookforum.net](http://www.thefacebookforum.net), December 25, 2009.

<sup>42</sup> A 401(k) plan is a type of a retirement savings plan in the US offered by a corporation to its employees. It allows employees to set aside tax-deferred income for retirement purposes, and in some cases, employers will match their contribution dollar-for-dollar.

<sup>43</sup> Fidelity Investments, is one of the largest mutual fund and financial services groups in the world.

<sup>44</sup> Caltrain is a California commuter rail line on the San Francisco Peninsula and in the Silicon Valley.

Facebook employees were also provided the Purple Tie laundry service<sup>45</sup> wherein they had to just drop their laundry off at work and get it delivered right at their desk. Besides the laundry services, it also offered photo processing and leather repairing services for its employees. The employees were offered discounts from companies such as Microsoft, Dell Inc.,<sup>46</sup> Apple, and AT&T Inc.<sup>47</sup> Every week at its office, Facebook invited people from different walks of life to share their experiences with the employees (Refer Exhibit V for Perks and Benefits offered by Facebook).

In 2010, Facebook received about 250,000 job applications. According to analysts, the number which was four more times more than the previous year, clearly indicated that though Facebook was a smaller company with fewer positions, people considered it to be one of the best places to work for. According to a Facebook employee, "The work environment is certainly fast-paced and often chaotic, but everyone manages to keep a level head and make logical, yet innovative decisions, even when under pressure. Most people are pretty young as is reflected in the culture of t-shirts, jeans, video games, and ripsticks.<sup>48</sup> The food is awesome and definitely makes it easier to work longer hours and actually enjoy them. Working cross-functionally is not only accepted, but expected. You won't be confined to your own team, which is nice. Overall, it's definitely the best job I've had so far."<sup>49</sup>

### **Preserving the Corporate Culture**

Analysts felt that Facebook had built up a strong, self-sustaining culture from the very

early days and used that foundation to recruit and retain the best talent in the industry. The company tried to instill its culture and values in new hires and reinforced a unique culture of individual contribution among new employees right from the beginning. In 2008, the engineering team at Facebook started the Engineering Bootcamp program under which every new engineer who joined Facebook had to go through an intensive six-week program which involved hands-on problem solving and cross-team work with an experienced mentor. The program was meant to absorb the new recruits into the company's work culture while giving them adequate flexibility in choosing a project.

According to some employees of Facebook, the idea of learning from mentors and peers, and then choosing the team that best fit was unique compared to other traditional training programs. The training program was the best way to propagate the culture of the company in a scalable way and get new hires to connect across the organization, they said. According to Ben Gertzfield, a newly joined engineer at Facebook, "It's not just new hires like me that learn and grow from Bootcamp: observing the typical roadblocks encountered by newbies is a great way to identify and refine all sorts of systems that need improvement, which helps the entire organization. My mentor worked closely with me to clear away any roadblocks like that and make sure folks didn't run into them in the future, which made me feel empowered in turn to identify and resolve the major pain points of my future teammates. Bootcamp is a great way to build and maintain a strong foundation

<sup>45</sup> Based in California, Purple Tie provides laundry, dry cleaning, photo processing, and leather repair services.

<sup>46</sup> Dell Inc. is a US-based multinational information technology corporation that develops and sells computers and related products and services.

<sup>47</sup> AT&T Inc. is the largest provider of telephone, broadband, and subscription television services in the US.

<sup>48</sup> A ripstick is similar to a skateboard with two narrow platforms known as decks adjoined by a rubber or aluminum coated metal beam with a strong spring. On each platform there is a caster with a wheel which allows the boards to twist and turn.

<sup>49</sup> "Awesome Place to Work," [www.glassdoor.com](http://www.glassdoor.com), July 18, 2010.

#### Exhibit V: Perks and Benefits at Facebook

- ❖ Health Insurance Premiums—100% of employee benefit premiums and 50% of any dependent premiums.
- ❖ Four months of Paid Parental Leave, child care reimbursement for up to US\$3,000 per year.
- ❖ Twenty-one days of paid vacation per year.
- ❖ 401K Savings \$ Retirement Plan.
- ❖ Laundry, dry cleaning, photo processing, and leather repair services.
- ❖ Free food and snacks.
- ❖ Baby Cash.
- ❖ Shuttles from San Francisco, Caltrain.
- ❖ Purple Tie.
- ❖ Nacho Wednesday.
- ❖ Ice cream socials.
- ❖ Facebook backpacks.
- ❖ Facebook schwag (promotional items given to employees).
- ❖ Meeting celebrities, politicians, musicians, authors, business leaders who speak regularly on various topics.
- ❖ Ripsticks.
- ❖ Launch parties.
- ❖ Game Day.
- ❖ IT walk-up services.
- ❖ Vendor fairs.
- ❖ Gym membership discounts.
- ❖ Choice of Windows or Mac laptops and iPhone or Blackberry along with paid cell service.
- ❖ Being paid to be on Facebook all day.

*Compiled from various sources*

of motivated, top-tier talent who can build the future of the company.”<sup>50</sup>

Facebook was one of the fastest growing organizations in the corporate world. In order to tap the local talent and to build its presence closer to the users who used its

products, it opened new offices worldwide. As of March 2011, it had more than 20 offices globally. In order to seed its culture in new offices, Facebook created Landing Teams comprising a group of experienced employees who would move from the company’s headquarters at Palo Alto to the new office for a set period. During that period, the team would be responsible for setting up the office, recruiting and hiring new workers, and inculcating the Facebook culture and values in them, while doing their own job. After setting up the office, the team members would have the option of either staying back or returning to headquarters.

For instance, when Facebook opened a new office in Austin in 2010, it sent a Landing Team to Austin for a period of one year. “You’re transitioning your life somewhere new, where you don’t know anybody except your landing teammates. And beyond that, it’s pushing you in every single professional direction: Learning how to be an amazing (hiring) interviewer for every single team in operations, not just your own team. Learning how to mentor and empower people. Learning every in and out of Facebook, in the context of the history of Facebook. I think that’s the biggest challenge when you have an office of new hires ... how do you get them to understand what it means to be at Facebook?”<sup>51</sup> said Nicci Ciranna, a member of the Landing Team at Austin.

#### The Other View

Though Facebook was synonymous with innovation and unprecedented opportunity, some employees felt that there was no real career path at Facebook and that one had to look out for oneself and do things independently. The company hired and fired people for no reason, they said.

<sup>50</sup> “Bootcamp: Growing Culture at Facebook,” [www.facebook.com](http://www.facebook.com), January 19, 2010.

<sup>51</sup> Mike Swift, “Facebook Landing Team Transports Company Culture,” [www.physorg.com](http://www.physorg.com), April 1, 2011.

Some employees complained about the long working hours while others were not satisfied with their pay. They said that though the company's revenue had been increasing steadily over the years, employees were not being paid enough. Moreover, some employees also had trouble achieving a work life balance. "The pace can be a little crazy—one of our values is moving fast, and we definitely do that—and generally that's a huge pro to working here, but at times, it can be a little much. There are definitely good policies around PTO, and the environment is understanding about balancing work and personal life, but that's ultimately up to the individual to carry out, which can be difficult to do in practice,"<sup>52</sup> said a business analyst at Facebook.

Some employees felt that people who worked in sales and operations were not valued by senior management. Moreover, some employees reported that Facebook was cutting costs by chipping away some perks. For instance, it had reportedly done away with the monthly housing subsidy offered to employees who were living within proximity of the company's headquarters. However, the company said that it was checking costs to deal with rising hardware costs and decreasing ad revenues.

Some analysts opined that the housing stipend given to employees was actually a ploy by the company to shorten their commutes and make them spend more time in the office working on projects. Offering free food was also a part of Facebook's strategy to encourage employees to work long hours, they said. "If you make work too convenient,

too appealing, that becomes your life. It could be seen as this odd kind of golden cage that pulls people into work and keeps them totally tethered to it. Whether that's a drawback or not depends on people's perspective,"<sup>53</sup> said Jan English-Lueck, a professor of anthropology at San Jose State University.

When the debate on Facebook's privacy policies was at its peak, the company's culture also came under attack. Some observers were of the view that the internal culture at Facebook was an ego-centric culture of "we will tell the consumer what's best for them, even if it's actually what's best for us."<sup>54</sup> Zuckerberg's ego was compared to that of Apple's CEO Steve Jobs.<sup>55</sup> Some analysts opined that Zuckerberg had given users a raw deal again and again over privacy issues and did not value them. As a result, Facebook had lost its core of what had made it popular among its users—trust and security, they said.

### Looking Ahead

Analysts noted that Facebook had grown and evolved rapidly to become one of the most sought-after enterprises in the corporate world. The social networking giant was valued at US\$65 bn as of March 2011.<sup>56</sup> The US continued its lead on Facebook with the country contributing to around 25% users across the globe followed by Indonesia and the UK (Refer Exhibit VI for Facebook users by country). In January 2011, Goldman Sachs<sup>57</sup> invested US\$450 mn in Facebook in a deal which valued the company at around US\$5 bn. Alongside, a Russian investor Digital Sky Technologies<sup>58</sup> also invested

<sup>52</sup> "Facebook - 'Lots to Dive into!'," [www.glassdoor.com](http://www.glassdoor.com), October 8, 2010.

<sup>53</sup> "With High-End Meal Perks, Facebook Keeps up Valley Tradition," [www.thefacebookforum.net](http://www.thefacebookforum.net), December 25, 2009.

<sup>54</sup> Paul O'Flaherty, "Facebook Culture and You: Zucker Up Or Get Lost!" <http://pauloflaherty.com>, May 12, 2010.

<sup>55</sup> According to some analysts, Steve Jobs was bigger than life and a visionary who broke new ground with his innovative products. He was the driving force behind Apple's success. However, Jobs' temperamental response to his critics threatened to undermine all that he had achieved for Apple.

<sup>56</sup> "CNBC: Investment Firm Values Facebook at \$65 bn," [www.latino.foxnews.com](http://www.latino.foxnews.com), March 4, 2011.

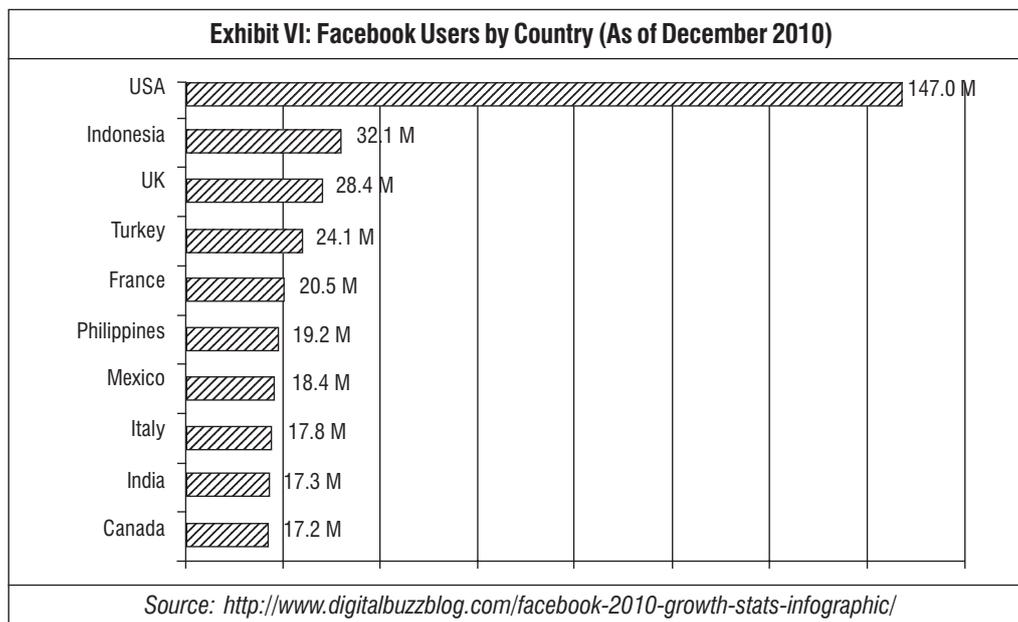
<sup>57</sup> Goldman Sachs is a US-based full-service global investment banking and securities firm.

<sup>58</sup> Digital Sky Technologies (DST) is an international investment firm focused solely on the Internet sector.

US\$50 mn in Facebook. As part of its deal with the company, Goldman Sachs was expected to raise about US\$1.5 bn from investors for Facebook. Analysts felt that this investment could help Facebook in strengthening its brand. Experts opined that the investment would help the company develop new products and recruit more employees. The investment would also allow some former shareholders, including Facebook employees, to cash out some of their stakes. “Facebook is a juggernaut, a fast-moving, adaptive company that will register its 700 millionth member in the coming months, making it bigger than all but two countries of the world (China and India). Ensuring its users are able to access the social network quickly and securely, from a range of different devices are among Facebook’s top priorities, but that’s not so easy when your user base is nearing a billion registered

members. To ensure it can scale its operations, remain operational worldwide 24 hours a day, and add new features to retain users, Facebook needs to employ some of the top engineering talent,”<sup>59</sup> said Matt Brian, Editor of nextweb.com.<sup>60</sup>

In February 2011, Facebook announced that the company was making its biggest move by shifting from its Silicon Valley headquarters to a huge 57-acre campus in Menlo Park, California, to accommodate its growing business and business needs. The move was to take place in June 2011 starting with a group of 500 employees. The new campus formerly owned by Sun Microsystems Inc.<sup>61</sup> was like an urban streetscape with cafeterias designed by Roman and Williams Buildings and Interiors.<sup>62</sup> With more office space, Facebook planned to hire more people in 2011. The Menlo Park location would



<sup>59</sup> Matt Brian, “The Numbers, Growth and Evolution of the Behemoth that is Facebook,” <http://thenextweb.com>, April 23, 2011.

<sup>60</sup> The Nextweb is an international blog on Internet, technology and culture.

<sup>61</sup> Sun Microsystems, Inc. was a multinational vendor of computers, computer software and hardware, and information technology services. On January 27, 2010, Sun was acquired by Oracle Corporation for US\$7.4 bn.

<sup>62</sup> Founded in 2002, Roman and Williams Buildings and Interiors is a design firm based in New York City.

accommodate 3000 employees, though Facebook planned to hire even more employees since they functioned in an open desk environment. According to a Facebook spokeswoman, "Our new campus provides us with the necessary room to continue growing, and we look forward to what's ahead."<sup>63</sup> The company, however, would retain its offices in Palo Alto till 2012.

Some analysts were of the view that if Facebook moved to the distinctly corporate location in Menlo Park, it might become difficult for the company to retain its hip geek culture. Facebook's culture might change if it moved and the young-feel might go away due to being in a more serious

environment, they said. They pointed out that even companies such as Google and Apple had found it challenging to sustain certain aspects of their culture as they grew at a fast pace. Some experts said that Zuckerberg would have to manage this transition smoothly. According to Dean Takahashi, a lead writer at VentureBeat,<sup>64</sup> "Balancing growth and preserving corporate culture is a big issue for Facebook. It has to become bigger to keep up with its runaway growth. But it also has to be perceived as a cool place to work to attract the best talent."<sup>65</sup> ▶◀

*Reference # 12M-2011-07-07-02*

<sup>63</sup> Sharon Gaudin, "Facebook Buys Old Sun Campus for Elbow Room," [www.computerworld.com](http://www.computerworld.com), February 8, 2011.

<sup>64</sup> VentureBeat is an independent company in the US whose stated mission is 'to define innovation for forward-thinking executives'. (Source: <http://venturebeat.com>)

<sup>65</sup> Dean Takahashi, "Can Facebook Keep Its Cool Urban Culture if it Moves to Sun's Old Headquarters?" <http://venturebeat.com>, January 31, 2011.