

Groupon, Twitter, other tech companies grapple with hypergrowth

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Mark Johnson is something of a miracle worker for Groupon. No, he isn't a Master of the Universe salesman, nor a code-slinging prodigy. What he does is just as important.

Johnson is in charge of coordinating the mind-bending task of moving bodies and equipment into a bigger satellite office that houses 75 people in nearby Palo Alto, Calif. [Groupon](#) has signed a lease for a more polished space in 2012.

"We have employees sitting in the kitchen and holding vertical meetings in the stairwell, but they still get an amazing amount of work done," says Johnson, Groupon's chief data officer. "We're kind of enjoying the scrappy atmosphere. It feels like a start-up. (And) we still have room for the dog." As the larger economy swoons amidst a downgrade in the U.S. credit rating and an extremely volatile stock market, some tech companies are bucking the trend. Perhaps no tech start-up has grown as fast as IPO-bound Groupon: to more than 1,700 workers in North America from 300 in March 2010. Since July, [Facebook](#) has moved 500 workers to a sparkling, 1-million-square-foot campus in nearby Menlo Park. The company employs more than 2,000 worldwide.

Technology businesses large and small are trying to manage what [LinkedIn](#) CEO Jeff Weiner and others call hypergrowth, or onboarding. In the midst of a hiring frenzy in [Silicon Valley](#) and other tech hotbeds that has put a premium on talent and swelled workforces, the kerfuffle for some companies is how to add new workers without gumming up

operations and fracturing the corporate DNA.

The stampede for tech talent, whether through hiring or acquisition, has been well documented. Established companies and start-ups alike are courting top talent in engineering, social media, website and product design, data crunching and analysis, and management with money and stock options - even goodies such as iPads, nifty work spaces and shuttle service.

But landing a prized recruit may be the easy part. The real work comes in finding a suitable, larger workplace, packing and moving computer and networking equipment, then integrating new people and equipment - all while trying to preserve a company's culture, says Christine Comaford, an executive coach and serial entrepreneur who has started and sold four tech companies. "You don't want to lose your (corporate) soul," she says.

If not handled adroitly, the transition could be a major hiccup and impair the company's financial and cultural mind-sets.

"Onboarding is a huge challenge," says Tina Sharkey, chairman of BabyCenter, a community website in San Francisco that is hiring.

"If companies don't take the time to hire carefully and educate new employees about the culture, it can erode quickly," says Bill Clerico, CEO of payment service WePay, which has doubled to 30 workers the past three months in Palo Alto.

Accelerated growth is even harder for smaller companies, because they often don't have the human resources or operational infrastructure to handle a quick infusion of workers.

Finding a new headquarters was "a challenge," says Chad Bockius, CEO

of Socialware, whose company helps financial services companies such as Morgan Stanley Smith Barney use social media. In June, Socialware moved into an 11,000-square-foot facility in Austin - four times the size of its previous digs - to handle its workforce, which has more than doubled to 40 over the last six months.

"We were literally tripping over each other" at the previous office, says Bockius, who wanted an open space where executives could sit among employees and collaborate. The company looked at 20 locations.

"We decided on a place that accommodated our hypergrowth and our culture," he says.

What's happening in tech is an economic anomaly. While most of the country grapples with a jobs crisis, tech companies are dipping into their ample funding and cash reserves to build out existing facilities, move into larger spaces, and produce programs and services to accommodate the infusion of new workers.

"It's as crucial a part of my job as financial results and our services," Weiner says. LinkedIn, the No. 2 social network, has grown to nearly 1,300 employees from 500 in early 2009.

Taking a page from the heady days of the dot-com bubble in the late-1990s, tech companies have adopted several strategies to assimilate new employees:

-Use of open office spaces. It often comes down to something that simple - with no executive offices - to foster collaboration. It is a tack followed by online payment service Square, social-networking site Tagged and mobile-video-calling service Tango. Conference rooms are available for meetings and interviews, says Tagged CEO Greg Tseng, surveying employees and moving boxes shoehorned into the company's

new building.

-All-hands meetings. Social-gaming giant Zynga, maker of FarmVille and CityVille, plans to soon move into a gleaming new 270,000-square-foot facility in the South of Market neighborhood of San Francisco to house its 2,000 employees - 500 more than it had six months ago.

And, every week, Zynga CEO Mark Pincus or another executive introduces each new hire.

Square has taken the concept further. It asks new hires to jot down 140 characters about themselves, and they are read by [Twitter](#) creator and Square CEO Jack Dorsey on Friday afternoon. It recently held a rooftop concert during lunch.

-Amenities. When it zoomed from 90 to 150 employees in a few months, ZocDoc expanded its New York headquarters and installed a "playpen" with a video game machine, hammock, bean bag chairs and games. An artist created murals, including one of TV doctor House high-fiving CNN's Dr. Sanjay Gupta.

The challenge was to "maintain a lighthearted, fun atmosphere," while designing a bigger space that required construction crews to knock down walls, move people around, install Internet connections and phones - all during work hours, says Dr. Oliver Kharraz, co-founder of ZocDoc, a site for booking doctors' appointments.

Twitter, which is planning its second major move to new headquarters in San Francisco within three years, is up to 600 employees, from 350 in January. It retains its employees and its culture through a number of means. There's Friday Tea Time, when CEO Dick Costolo and other members of management give updates and take questions; social clubs for running, French and rock climbing; and an orientation program that

gives new employees a look into how every organization works. A custom screen saver displays employee avatars and @names on a rotating basis, so people can put names and personalities to faces.

Some companies, such as Tango, offer new employees "buddies," or mentors, to work with.

-Finding the right people. Tango moved into new offices in Palo Alto in June after it gobbled up 25 engineers in three months and opened an office in China. The company plans to add 75 employees this year, increasing its workforce to 100.

Its interviewing process is about "looking for those with passion, trust and drive," says Eric Setton, chief technology officer. Hiring so many people so quickly "can be like jumping onto a moving train, so we pair new folks with (current workers) who act as mentors," he says.

While serial entrepreneurs are best equipped to ramp up young companies, they need help, management experts say.

Fast growth can make or break a company, depending on its ability to add structure and delegate authority, says Ethan Mollick, an assistant professor of management at the University of Pennsylvania's Wharton School.

"What companies don't like to talk about is the role of middle managers in making this happen," Mollick says. "Despite their egalitarian image, companies are not self-organizing and need process. Middle managers need to make things scalable. That is not easy to do." If a company adds too many layers of management, however, it runs the risk of creating bureaucracy and stifling ideas and internal communication, Mollick warns.

Start-ups need look no further than Cisco Systems, which grew too aggressively the past few years and is now scaling back. Last month, it announced 6,500 job cuts in an effort to slash \$1 billion in operating expenses.

To keep information flowing internally, Groupon uses a mix of chat tools and videoconferences and town hall meetings with CEO Andrew Mason, says Dan Jessup, head of people strategy and the company's first recruiter.

"It's so easy as you get bigger to fall prey to corporate messaging," he says, pointedly mentioning emails that say, in all caps, ATTENTION STAFF.

"The more often we say 'we' instead of 'you' is always welcome," Jessup adds.

At LinkedIn, "One challenge is managing the sheer scale of engineering and sales teams," says Steve Cadigan, vice president of talent. "In Silicon Valley, there is an overemphasis on culture and de-emphasis on building leadership capability. It is so crucial to invest in the right leaders."

Soaring rent at the same time, fervent demand for office space has had a ripplelike effect on real estate and local businesses. The commercial land grab has jacked up rent in tech-heavy pockets of San Francisco and Palo Alto.

In San Francisco's South of Market neighborhood, the core of tech in the city, rent per square foot is \$35 to \$40 a year, compared with \$24 to \$30 a year ago, says Justin Bedecarre, technology broker for commercial real estate firm Cushman & Wakefield.

Reading app maker Flipboard is bursting at the seams of its cozy Palo

Alto offices and looking for more space as it adds to its 40-person staff. CEO Mike McCue thought he had a lease agreement for a nearby space, only to learn at the last moment that another company swooped in and made a deal at a higher rate per square foot and for more years.

Flipboard continues to ponder new sites with ample parking, transportation options and proximity to its current location.

Sometimes the act of moving is the hardest part. "It's just a pain, lots of physical work," says Morgan Missen, head of talent at Foursquare. "Boxes are unpacked, a couch is missing an end table." Employees of the mobile check-in service are still unpacking after moving into bigger digs in San Francisco's South of Market neighborhood.

With escalating real estate costs and so much competition for coveted workers, is there a temptation to skip town and save costs? Not for SlideShare, a service for sharing digital presentations that has expanded in San Francisco and India. SlideShare CEO Rashmi Sinha says the area is too fertile with talent and venture capital.

"With growth comes challenges," Sinha says. "It beats the alternative" of cutting back.

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