

ACTIVISION BLIZZARD

CSR Report: Activision Blizzard

Diversity and Sustainability

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Abstract

Activision Blizzard is often referred to as the juggernaut of the gaming industry. They are the publisher of *Call of Duty* and many more. For years, the organization was highly well-respected until reports came out about sexual harassment within the company. This made Activision Blizzard's stakeholders closely examine how diverse and how well they treat their employees.

As one of the industry leaders, the expectations regarding CSR are incredibly high. Activision Blizzard needs to set the bar and be the industry standard. Most Activision Blizzard employees are men despite roughly half of all gamers being women. This is not the industry standard as companies like Rockstar Games, the creators of *Grand Theft Auto*, have more diverse studios. This is a demographic Activision Blizzard has an issue connecting with. The situation is the same in terms of diversity, white men make up a significant percentage of the company but not the industry as a whole.

Activision Blizzard has taken many steps to improve employee engagement. They significantly increased the number of their ethics and compliance departments and fired employees who negatively impacted the workplace. Activision Blizzard also created a survey system for employees to share their feelings. This is somewhat overlooked due to the number of reports about upset employees.

Introduction

Activision Blizzard is a significant player in the video game industry. They own some of the world's largest franchises, such as *Call of Duty*, *World of Warcraft*, and *Overwatch*. The company was founded on July 9, 2008, when the companies Activision and Blizzard had a merger. In 2022, Activision Blizzard made \$7.53 billion (Activision Blizzard, 2022). On October 13, 2023, Microsoft purchased Activision Blizzard as a parent company. At the end of 2023, Bobby Kotick, Activision Blizzard's longtime CEO, will be stepping down. Kotick decided to finish the year to ensure a smooth transition of power to the next CEO.

Despite the company's success, it had a series of horrific stories. In 2021, Activision Blizzard was sued by the state of California for being a sexist company. "The state claimed that Activision Blizzard 'fostered a sexist culture and paid women less than men despite women doing substantially similar work' (Alim, 2021)." Activision Blizzard is often called out for its lack of diversity and mistreatment of women in the workplace. This lack of diversity led to other issues within the company. In 2022, Activision Blizzard paid \$18 million to compensate victims of sexual harassment and pregnancy discrimination (EEOC, 2022). This issue was not a segmented issue for the company either. In another case, parents sued Activision Blizzard because their daughter allegedly committed suicide due to sexual harassment she experienced working at the company (Winslow, 2023).

Employees and gamers became outraged by these reports and signed petitions to make a change. Other Major game publishers like Sony and Nintendo called out Activision Blizzard for their behavior. Sony went as far as to say it will change how they do business with them. Many believe these cases led to Activision Blizzard being sold to Microsoft. For Activision Blizzard to remain successful, they must evaluate how they handle diversity and Employee Engagement.

Diversity

Much of Activision Blizzard's Environmental, Social, and Governance Report is dedicated to the company's diversity. It is a vital topic to discuss, especially considering all the legal issues and backlash Activision Blizzard faced. This report needs to emphasize drastic changes from prior reports.

While Activision Blizzard features diverse characters in games, the staff needs such diversity. Activision Blizzard is a primarily male-dominated company by a large margin. The company staff consists of 73% men, 25% women, and 2% other (Activision Blizzard, 2022). Recruitment and retention share very similar results. Many believe this is a good ratio, considering this is a video game company, but that is untrue. According to a study done by the Entertainment Software Association (ESA), as of 2022, women make up 45% of all video game players in the United States (NCBI, 2022). This study includes consoles, PCs, and phone games, all of which Activision Blizzard develops and advertises. Rockstar Games, the creators of *Grand Theft Auto* (GTA), which mainly develops console games, has a more diverse workforce, with 61% men and 39% women in 2023 (Zippa, 2023). This ratio difference is ironic considering the nature of GTA compared to a game like *Overwatch*, which focuses on diverse characters.

Things are slightly better regarding management positions within Activision Blizzard. 2022 was the first time the company saw an increase in women's managerial positions. In 2022, women make up 25% of managerial roles, a 4% increase over previous years (Activision Blizzard, 2022). It is a small change, but it is heading in the right direction. A lot of other gaming companies have a similar ratio regarding this topic. Activision Blizzard proudly states in their yearly ESG report that they “saw the most progress between 2021 and 2022, when the

percentage of women in game development leadership roles increased by 58%” (Activision Blizzard, 2022). Unfortunately, the report does not elaborate on this.

Activision Blizzard claims they hope to improve these statistics. In 2021, the company has set a goal of increasing the representation of women and nonbinary employees by 50% over the next five years. This contributed to the increase of women and nonbinary employees in management positions. Activision Blizzard also provided statistics on those who work under them. None improved beyond 3% over the previous year (Activision Blizzard, 2023). Under this category, they mention “Level Up U,” a program to train non-industry professionals. This is strange to mention as it implies a lack of interest from women and nonbinary people to work in the gaming industry.

In terms of diversity among races, there is much room for improvement. The majority of the employees at Activision Blizzard are white. Minority groups make up 39% of the total staff compared to 61% of the total staff that are white (Activision Blizzard, 2022). This is concerning based on the amount of minority workers in the gaming industry. According to the American Gaming Association (AGA), 61% of gaming industry employees are minorities (AGA, 2023). No information is given on the percentage of minorities in managerial positions.

One aspect of diversity Activision Blizzard is universally praised for is its diversity with in-game content. Their game *Overwatch* has won multiple awards for having diverse characters. In 2016, they announced that Tracer, the character in the original box art, is lesbian. They received backlash for this and other gay characters but stood their ground despite the backlash. Characters in the LGBTQ+ community in games are more common now, but this was considered shocking at the time. To continue this effort, they appointed their first-ever Chief Diversity, Equity, and Inclusion officer to continue developing diverse game content.

Human Rights

The satisfaction of employees is critical to a company's success and brand reputation. Activision Blizzard has a team of 13,000 employees and is growing their development team by 25% yearly (Activision Blizzard, 2022). Their teams constantly update existing games and yearly releases to the *Call of Duty* franchise, one of the most profitable franchises in history.

To understand where Activision Blizzard stands with its employees, they launched ABK Upward in 2021. ABK Upward is an anonymous survey-driven application that allows employees to give direct feedback to their managers. Of the eligible employees, 72% used ABK Upward (Activision Blizzard, 2023). This system can be beneficial for employees to express how they feel about their work. This system has not specified perimeters, such as who is considered eligible. Of those eligible, 71.1% of the workers indicated they are excited to stay with the company next year. This implies that over one-fourth of the workforce is unsatisfied. Activision Blizzard claims they want feedback but have tried to silence criticisms from within the company. The Communications Workers of America (CWA) filed an unfair labor practice charge against Activision Blizzard. According to the press release, Activision Blizzard cut off channels for employees to discuss hours, working conditions, and wages (CWA, 2022). They also claimed that they used illegal surveillance to monitor a walkout to end gender inequity. This makes it difficult to accept the progress made with the ABK Upward report.

Wages and hours are a significant issue for many employees at Activision Blizzard. As mentioned, *Call of Duty* is released yearly and has a demanding development cycle. In 2021, Polygon, an entertainment outlet, interviewed 15 current and former *Call of Duty* development team employees. When asked about their pay, they reported rates as low as \$12 an hour, and some employees worked seven days a week (Carpenter, 2021). The disbelief here stems from

these unfair pay rates coming from one of the world's largest Video Game publishing companies. They should have no issue paying their employees based on their profits. When asked about overtime, the employees felt uncomfortable saying no as they needed the money. In 2022, Raven Software, another company that develops *Call of Duty*, had a strike for the same reason. This gets more alarming, considering Activision Blizzard's ESG report highlights competitive compensation for individual impact and creativity (Activision Blizzard, 2022). They had good intentions with the concept, but it can be misunderstood.

The most significant issue concerning human rights Activision Blizzard needed to work on is the treatment of women in the workplace. The sexual harassment cases have negatively impacted them financially and significantly damaged their brand's reputation. Because of the events in 2021, Activision Blizzard quadrupled the size of their ethics and compliance team (CNBC, 2022). This was done to help prevent future sexual harassment issues within the company. Beyond that, the company has fired over three dozen employees and disciplined 40 employees for their behavior regarding sexual harassment (Wallstreet Journal, 2022). This report shows improvement compared to the frat-like work environment described in the past. Microsoft's acquisition of the company will also significantly impact how things are run. At the end of 2023, a new CEO will be put in charge of Activision Blizzard, ideally establishing a change to the reputation the current CEO carries with him.

Conclusion

Activision Blizzard is synonymous with video games. Their games have revolutionized the industry and set quality and content standards. *Overwatch*, one of its flagship games, has set the standard with a highly diverse cast, including different ethnicities and sexualities represented by characters in the game. The company received much praise for this, but things are different behind the scenes in terms of the company's diversity and employee engagement.

A series of sexual harassment cases emerged in 2021, forcing Activision Blizzard to analyze their CSR approach to ensure they retain stakeholders. Ironically, the creators of *Grand Theft Auto* have a more diverse development team in terms of gender. This is extremely ironic considering the nature of games like *Overwatch* to *Grand Theft Auto* to increase the diversity in the company, they launched “Level Up” emphasizing it helps train women in the industry and aims to increase the number of women working for Activision Blizzard by 2025. This implies women are not interested in games, but this is untrue, as multiple studies show they make up roughly half of gamers.

In terms of employee engagement, a lot of Activision Blizzard employees are unhappy. The news surrounding the company gave disgruntled employees a platform to voice their frustrations. Despite Activision Blizzard taking drastic steps to diminish an unsafe work environment regarding sexual harassment, other employees are frustrated with pay and working overtime. This is especially criticized considering the size of a company like Activision Blizzard. Thankfully these issues might be fixed in the future now that Microsoft has purchased the company and the current CEO of Activision Blizzard is resigning.

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Activision Blizzard made some successful moves regarding CSR despite having a rocky past few year. Increasing their team's ability to deal with harassment and creating a system for employees to share grievances with the company was a good step. Regardless of its intentions, the company being bought by Microsoft with a new CEO on the horizon creates the image of new leadership; they must live up to that.

The challenge here is what Activision Blizzard represents: doing just good enough is not enough they need to be the example, which is expected from a company of this size. In a sense, they represent gaming as a whole and reflect poorly on other companies and how people who play games are perceived. This can impact many stakeholders drastically and fits the frame of the CSR hierarchy in every aspect. Activision Blizzard needs to continue their efforts of employee engagement and make sure situations of harassment do not happen again, especially now that the company has been given a second chance. To really help the efforts and how much they changed as a company, they should stop censoring employees trying to speak about such topics. This shows they are confident in the changes they have made. This will drastically help with the company being made up of primarily men. Once women see that the company has changed, they will feel more comfortable working for Activision Blizzard.

Activision Blizzard can also start distributing its wealth differently. Many of their games feature in-game shops using real-world currencies to get a weapon or gun of a different color. This means it is a low effort and makes them much money. They can afford to pay workers above minimum wage without a doubt based on the prices of these microtransactions. The only thing preventing it is greed, essentially. This will become a massive issue for Microsoft if the issue is not resolved within Activision Blizzard.