

Critical Issues in Management – Case study

Facebook – Enabling communication or threatening democracy?¹

In the wake of the 2016 US presidential election, ‘fake news’ emerged as an issue of feverish international attention. In particular, the dispute brought to the fore a bigger issue: what was the role of social media companies in terms of how people consumed and acted upon news? Facebook specifically came under increased questioning, including by its own executives², as concerns grew about whether it played a role in facilitating, deliberately or otherwise, the spread of misinformation. To its CEO and founder’s mind however, the immediate answer was clear. Mark Zuckerberg noted his concern for how Facebook might affect democracy, but stated “personally I think the idea that fake news on Facebook, which is a very small amount of the content, influenced the election in any way — I think is a pretty crazy idea”.³ This defence was almost immediately challenged.

In particular, building on longer-standing arguments concerning its nature, various analysts argued that despite its insistence on being a mere technology company, Facebook had become inevitably far more, with consequences. Subsequent revelations of Facebook developing censorship software to enable its use in China⁴, and seemingly suppressing posts by Rohingya refugees in Myanmar⁵, exasperated the point. As a *New York Times* commentator summarised⁶, “[t]he leaders of these tech businesses say they are neutral platforms that shouldn’t try to police political debates. Facebook explains that it can’t be held accountable for the material shared on its site because it is not a news organization. Nice try”.

The (more than just) Social Network

For a company less than fifteen years old, Facebook has become an almost inescapable part of our collective social fabric. Launched in 2004, it today has some 2.2 billion users worldwide, of which over 1.3 billion access it daily.⁷ David Kirkpatrick described it as a “technological powerhouse with unprecedented influence across modern life”.⁸ A part of the ‘Big Social’⁹, Facebook in particular grew from a repository of one’s social life, to a place where much of one’s life was taking place. This includes getting informed. In May 2016, the Pew Research

¹ This case study was originally written for CIM by Maja Korica, and updated by Rene Wiedner.

² Isaac, M. (November 12, 2016). ‘Facebook, in cross hairs after election, is said to question its influence’, *The New York Times*, <http://nyti.ms/2es3XO3>

³ Newton, C. (November 10, 2016). ‘Zuckerberg: The idea that fake news on Facebook influenced the election is crazy’, *The Verge*, <http://www.theverge.com/2016/11/10/13594558/mark-zuckerberg-election-fake-news-trump>

⁴ Gibbs, S. (November 23, 2016). ‘Facebook develops secret software to censor user posts in China, report says’, *The Guardian*, <https://www.theguardian.com/technology/2016/nov/23/facebook-secret-software-censor-user-posts-china>

⁵ Woodruff, B. (September 18, 2017). ‘See no evil: Facebook silences Rohingya reports of ethnic cleansing’, *The Daily Beast*, <http://www.thedailybeast.com/exclusive-rohingya-activists-say-facebook-silences-them>

⁶ Cohen, N. (November 18, 2016). ‘Silicon Valley helped create Trump, and that’s bad for it’, *The New York Times*, <http://nyti.ms/2f6D0et>

⁷ See <http://newsroom.fb.com/company-info/>

⁸ Kirkpatrick, D. (2010). *The Facebook Effect: The inside story of the company that is connecting the world*. Simon & Schuster.

⁹ Morris, W. and Wortham, J. (December 8, 2016). ‘‘Big Social’ and Facebook’s moral core’, *The New York Times*, <http://nyti.ms/2hoHb6W>

Center, which describes itself as “a nonpartisan fact tank that informs the public about the issues, attitudes and trends shaping America and the world”¹⁰, published its annual report on ‘News Use Across Social Media Platforms’.¹¹ The report highlighted that “a majority of U.S. adults – 62% – get news on social media, and 18% do so often [...]. In 2012, based on a slightly different question, 49% of U.S. adults reported seeing news on social media”.

As they go on to detail, “news plays a varying role across the social networking sites studied. Two-thirds of Facebook users (66%) get news on the site, nearly six-in-ten Twitter users (59%) get news on Twitter, and seven-in-ten Reddit users get news on that platform. [...] It is also useful to see how, when combined with the sites’ total reach, the proportion of users who gets news on each site translates to U.S. adults overall. [On this score], Facebook is by far the largest social networking site, reaching 67% of U.S. adults. The two-thirds of Facebook users who get news there, then, amount to 44% of the general population.” Importantly, “of those who get news on at least one of the sites, a majority (64%) get news on just one – most commonly Facebook”. As such, if questions are to be asked about the possible effects of fake news, the most obvious outlet to question is indeed Facebook.

Technology and the truth: An evolution

Importantly, the matter of Facebook and fake news must be considered in the context of a bigger story: how getting informed changed over time, and with what effects. Namely, as *Guardian’s* chief editor wrote,¹² today “we are caught in a series of confusing battles between opposing forces: between truth and falsehood [...] between the open platform of the web as its architects envisioned it and the gated enclosures of Facebook [...]. What is common to these struggles – and what makes their resolution an urgent matter – is that they all involve the diminishing status of truth. This [...] means [truths exist, but] that we cannot agree on what those truths are, and when there is no consensus about the truth and no way to achieve it, chaos soon follows. Increasingly, what counts as a fact is merely a view that someone feels to be true – and technology has made it very easy for these “facts” to circulate with a speed and reach that was unimaginable [...] even a decade ago”.

In particular, as Viner continued, “in the digital age, it is easier than ever to publish false information, which is quickly shared and taken to be true [...] Sometimes [such] rumours spread out of panic, sometimes out of malice, and sometimes deliberate manipulation [...Furthermore,] algorithms such as the one that powers Facebook’s news feed are designed to give us more of what they think we want – which means that the version of the world we encounter every day in our own personal stream has been invisibly curated to reinforce our pre-existing beliefs. When Eli Pariser [of Upworthy] coined the term “filter bubble” in 2011, he was talking about how the personalised web – and in particular Google’s personalised search function, which means that no two people’s Google searches are the same – means that we are less likely to be exposed to information that challenges us or broadens our worldview, and less likely to encounter facts that disprove false information that others have shared. [...] But asking technology companies to “do something” about [this] presumes that this is a problem that can be easily fixed – rather than one baked into the very idea of social networks that are designed to give you what you and your friends want to see”.

¹⁰ Pew Research Center, ‘About Pew Research Center’, <http://www.pewresearch.org/about/>

¹¹ Gottfried, J. and Shearer, E. (May 26, 2016). ‘News use across social media platforms 2016’, *Pew Research Center*, <http://www.journalism.org/2016/05/26/news-use-across-social-media-platforms-2016/>

¹² Viner, K. (July 12, 2016). ‘How technology disrupted the truth’, *The Guardian*, <https://www.theguardian.com/media/2016/jul/12/how-technology-disrupted-the-truth>

Importantly, these trends wouldn't perhaps be as much of a problem if the reach of such companies, and thus the scale of their power, wasn't what it was. In Viner's words, social media organisations like Facebook have become "dominant in ways that would have been impossible to imagine in the newspaper era. As Emily Bell [the director of the Tow Centre for Digital Journalism at Columbia University] has written: "social media hasn't just swallowed journalism, it has swallowed everything. [For Bell, this clearly meant that] the future of publishing is being put into the "hands of the few, who now control the destiny of the many". News publishers have lost control over the distribution of their journalism, which for many readers is now "filtered through algorithms and platforms which are opaque and unpredictable". In particular, as Bell herself wrote¹³, "with billions of users and hundreds of thousands of articles, pictures, and videos arriving online every day, social platforms have to employ algorithms to try and sort through the *important* and *recent* and *popular* and decide who ought to see what. And we have no option but to trust them to do this. In truth, we have little or no insight into how each company is sorting its news. [...] This is an unregulated field. There is no transparency into the internal working of these systems."

As Viner stressed, it is important to acknowledge that "Facebook does not decide what you read – at least not in the traditional sense of making decisions – and nor does it dictate what news organisations produce. But when one platform becomes the dominant source for accessing information, news organisations will often tailor their own work to the demands of this new medium". In her words, the most "extreme" example of this tendency are "fake news farms, which attract traffic with false reports that are designed to look like real news, and are therefore widely shared on social networks". However, news organisations also participate. This is for an obvious reason: clicks mean increased ad revenues, and so survival.

In the end, for Bell, the crux of the matter was this: "there are huge benefits to having a new class of technically able, socially aware, financially successful, and highly energetic people like Mark Zuckerberg taking over functions and economic power from [...] gatekeepers we have had in the past. But we ought to be aware, too, that this cultural, economic, and political shift is profound. We are handing the controls of important parts of our public and private lives to a very small number of people, who are unelected and unaccountable".

Facebook and fake news: It's (been) complicated

Despite such analyses, Facebook's fake news problem remained, including in the lead up to the election. As a *Fortune* journalist summarized¹⁴, "if you spend any time on Facebook then you've probably seen them, either in your main news feed or in the "trending topics" section — clearly fake news stories, many focused on the latest conspiracy theory about the 2016 election. These are the kind of stories that Facebook's editors used to weed out, but then the company fired them all¹⁵ after a controversy over allegations of political bias [originally reported by the tech blog Gizmodo¹⁶]. Since then, the site has used algorithms to choose what shows up and when. According to a recent experiment by the *Washington Post*, however,

¹³ Bell, E. (March 7, 2016). 'Facebook is eating the world', *Columbia Journalism Review*, http://www.cjr.org/analysis/facebook_and_media.php

¹⁴ Ingram, M. (October 12, 2016). 'Facebook still has a fake news problem', *Fortune*, <http://fortune.com/2016/10/12/facebook-fake-news/>

¹⁵ Wong, J.I., Gershgorn, D. and Murphy, M. (August 26, 2016). 'Facebook is trying to get rid of bias in Trending news by getting rid of humans', *Quartz*, <http://qz.com/768122/facebook-fires-human-editors-moves-to-algorithm-for-trending-topics/>

¹⁶ Nunez, M. (May 9, 2016). 'Former Facebook workers: We routinely suppressed conservative news', *Gizmodo*, <http://gizmodo.com/former-facebook-workers-we-routinely-suppressed-conser-1775461006>

eliminating the human beings isn't working that well [...Despite this,] Facebook has made a point of denying that it is a media company, and its response to the Trending Topics controversy — getting rid of its human editors — can be seen in part as a desire to reject the media-entity status that some believe it deserves. Regardless of what it calls itself, however, the reality is that Facebook is doing its best to host and distribute an increasing amount of news from companies through features like Instant Articles [...] In that kind of news-consumption environment, Facebook arguably bears a responsibility to ensure that the news it is providing is accurate. But so far, it seems to be failing”.

The US election: It's even more complicated

Unsurprisingly, given such existing debates, the recent US elections quickly sparked yet another frenzied round of questioning. As Hannah Kuchler of the *Financial Times* reported¹⁷, “the role played by Facebook in disseminating news during the presidential campaign [has come] under scrutiny. [In particular, some suggest a] high number of users [...] were swung by fake news on the site, [which] would have been weeded out by editors at a more traditional media company. Others say the algorithm behind Facebook's news feed encourages people to read only views they agree with, which contributed to the shock of many when they discovered the US electorate did not mirror the views of their Facebook friends”.

As Kuchler highlighted however, “Mark Zuckerberg, Facebook's founder and chief executive, denied that fake news on the site had influenced the election result, insisting that it accounted for a very small amount of information shared [... Indeed,] Facebook has long said it is a technology company, not a media company, using engineers to write algorithms that encourage people to read posts via its platform — rather than editors to curate stories with any traditional notion of balance and accuracy. [...However], ascertaining the veracity of a news story is tricky, Mr. Zuckerberg admits: “Identifying the ‘truth’ is complicated”.

‘Digital denial’ or arbiters of truth

Despite Mr. Zuckerberg's initial resistance to the idea, Facebook's very scale, and the targeted nature of fake news facilitated by its technology, meant that the potential effect was hard to deny. As cited in another *Guardian* opinion piece¹⁸, “the 20 top performing false US election stories – all but three of which were pro-Trump and/or anti-Clinton – from hoax sites and “hyper-partisan” blogs generated 8,711,000 Facebook shares, reactions and comments. The figure for the 20 best-performing election stories from 19 major news websites, by contrast, was 7,367,000.” As Sir Martin Sorrell argued, “the measurement, fake news and extremist content issues highlight that new media or social media companies are not technology companies; they're media companies. They are responsible for the content in their digital pipes”. It was clear, in the words of a New York tech investor quoted in Waters' *FT* report, that “we have a problem in the tech industry we have to deal with. These platforms are central to our democracy. Something has started to go wildly wrong.”

Yet, as some Facebook insiders admitted, the problem itself may be a reflection of, and therefore limited by, Facebook's business model. In particular, “one former Facebook staffer [noted] the way the company is run may have exacerbated the distribution of fake news. Its

¹⁷ Kuchler, H. (November 14, 2016). ‘Facebook faces questions over role in Donald Trump's rise’, *Financial Times*, <https://www.ft.com/content/e6b627ac-aa60-11e6-a0bb-97f42551dbf4>

¹⁸ Harris, J. (December 8, 2016). ‘A challenge of Facebook's reach and power is long overdue’, *The Guardian*, <https://www.theguardian.com/commentisfree/2016/dec/08/challenge-facebook-reach-power-overdue-mark-zuckerberg>

engineers focus on improving engagement — clicks, likes, comments, shares — as the primary measures of success of any new feature. New projects are typically released after six-month “sprints”, during which pressure to increase those metrics is intense. “Engagement is a dangerous drug,” [added] a former Facebook manager. “Nobody is incentivised to think critically about unintended, often long-term consequences”¹⁹. In other words, in a game of volume, content always comes second. In addition, it may reflect Facebook’s underlying values — or at least at that moment. As Zuckerberg himself wrote in his post on November 16¹⁹, “we believe in giving people a voice, which means erring on the side of letting people share what they want whenever possible. [...] We do not want to be arbiters of truth ourselves, but instead rely on our community and trusted third parties”.

Facebook’s “Frankenstein moment”

Given the internet and social media are largely unpredictable and unregulated²⁰, such debates could only intensify. After first announcing its intention in December 2016²¹, in March 2017 Germany introduced a draft law proposing to fine €50 million any social networks that do not delete hate speech or fake news in a timely manner. Indeed, in a paper tracing connections between anti-migrant violence and Facebook use, Karsten Müller and Carlo Schwarz, two Warwick PhD students, found a direct correlation between exposure to Facebook posts and subsequent physical attacks²². In the words of Germany’s justice minister, “we need legal regulations in order to make the companies more accountable”.

They weren’t the only ones. UK parliamentarians also accused Facebook, Google and Twitter of not doing enough during a parliamentary inquiry into hate crime on social media, suggesting a clear lack of “social responsibility”. The implications for Facebook, as well as on international debates regarding free speech, were clear. If they weren’t, Facebook’s internal guidelines for content moderation, published by *The Guardian* in May 2017, reignited the public interest. For example, it revealed that Facebook’s moderators “often have just 10 seconds to make a decision”²³. That July, an *FT* commentator went on to wonder if Facebook (and its Silicon Valley ilk) were today’s Wall Street, stuck in a similar pre- 2008 Financial Crisis “cognitive bubble” that didn’t allow it to see itself as a problem.²⁴

Its US issues were still there too. As Bloomberg reported²⁵, “in early September, Facebook disclosed that it sold \$100,000 in political ads during the 2016 election to buyers who it later learned were connected to the Russian government. [Worse yet, leaders in] the Senate Intelligence Committee [...] said they are considering holding a hearing, in which Zuckerberg could be asked to testify. Meanwhile, special counsel Robert Mueller has made Facebook a focus of his investigation into collusion between the Russian government and Donald Trump’s

¹⁹ See <https://www.facebook.com/zuck/posts/10103269806149061>

²⁰ Taplin, J. (December 13, 2016). ‘Forget AT&T. The real monopolies are Google and Facebook’, *The New York Times*, <http://nyti.ms/2hHTD1x>

²¹ Chazan, G. (December 16, 2016). ‘Berlin looks at fines for Facebook with fake news law’, *Financial Times*, <https://www.ft.com/content/bf1f1b64-c387-11e6-81c2-f57d90f6741a>

²² Jacobs, J. (September 24, 2018). ‘Does online hate drive anti-migrant violence?’, *Financial Times*, <https://www.ft.com/content/a3d4b800-9bf3-11e8-88de-49c908b1f264>

²³ Hopkins, N. (May 21, 2017). ‘Revealed: Facebook’s internal rulebook’, *The Guardian*, <https://www.theguardian.com/news/2017/may/21/revealed-facebook-internal-rulebook-sex-terrorism-violence>

²⁴ Foroohar, R. (July 3, 2017). ‘Echoes of Wall Street in Silicon Valley’s grip on money and power’, *Financial Times*, <https://www.ft.com/content/3d5425ac-5dbf-11e7-b553-e2df1b0c3220>

²⁵ Chafkin, M. and Frier, S. (September 21, 2017). ‘Mark Zuckerberg’s fake news problem isn’t going away’, *Bloomberg*, <https://www.bloomberg.com/news/features/2017-09-21/mark-zuckerberg-s-political-awakening>.

campaign. [...] On September 21, Zuckerberg said the company would turn over the ads to Congress and would do more to limit interference in elections in the future”.

So, after all this, what to do? In one *New York Times* piece, its journalist likened Facebook to Frankenstein’s monster, in that the company had created “something it can’t fully control”. In his words, “Facebook was simply not built to handle problems of this magnitude. It is a technology company, not an intelligence agency or an international diplomatic corps. Its engineers are in the business of building apps and selling advertising, not determining what constitutes hate speech in Myanmar. And with over two billion users, including 1.3 billion who use it every day, moving ever greater amounts of their social and political activity onto Facebook, it’s possible that the company is simply too big to understand all of the harmful ways people might use its products. [Either way,] now that Facebook is aware of its own influence, the company can’t dodge responsibility for the world it has helped to build. In the future, blaming the monster won’t be enough”.²⁶ As Bloomberg put it on its cover page, “it’s not easy being Mark Zuckerberg right now”.

²⁶ Roose, K. (September 21, 2017). ‘Facebook’s Frankenstein moment’, *The New York Times*, <https://nyti.ms/2ygt9fR>

Assignments

You have been invited to present an analysis of social media trends with a focus on Facebook at a session at the Social Media Week conference in London, whose theme this year is “the intensifying conflict between individualism and community”²⁷. You have been informed that members of Facebook’s executive team are among this year’s conference delegates and that they will attend the session.

Team A are members of a boutique strategy consultancy with academic expertise in intra- and inter-organizational power and politics. Specifically, you have been asked by the conference organizers to focus your presentation on using your academic expertise to address the following questions:

- Who are the most relevant and/or influential stakeholders for Facebook to consider as it formulates its policies in response to accusations of potentially unhelpful influence in how people are informed?
- Given your stakeholder analysis above, how should Facebook go about deciding how to balance these different interests in its decision-making?”
- What are your suggestions for Facebook’s management concerning Facebook’s strategy of handling news, and what concrete short-, medium- and long-term actions do you propose to implement your new strategy?

Team B are experts employed by an international strategy consultancy specializing in the digital economy. Specifically, you have been asked by the conference organizers to focus your presentation on using your academic expertise to address the following tasks:

- Examine, and outline a summary of, academic/theoretical and media arguments regarding the nature of the firm, including your informed view on what kind of company Facebook is/ought to see itself as, and the subsequent consequences for its accountability/responsibility relationships
- Present three notable examples of challenges Facebook faced regarding fake news, as part of which you should explain their relevance for determining Facebook’s accountabilities and responsibilities
- Present a set of academically-informed recommendations to Facebook’s senior management regarding appropriate systems that should be put in place to ensure proper accountability and responsibility regarding ‘fake news’ issues in the future (i.e. an operational corporate accountability and responsibility plan).

Both teams have been notified that although Facebook has already launched a number of responses to the issue of fake news, and to broader recent challenges regarding its nature as a company, its executives remain open to considering alternatives. Your analyses are intended to offer fresh contributions to issues already being addressed, and certainly widely debated within the company. While neither Team 1 nor Team B are receiving fees for this work (apart from travel expenses), both hope that exposure at the conference will lead to social media companies commissioning income-generating consulting projects in the near future.

Note: Though you are expected to familiarize yourself with developments since, both groups should approach the case as if their presentation is to take place in the present.

²⁷ See <https://socialmediaweek.org/london/>