Reputation Crisis?
The Case of Facebook Cambridge Analytica
Introduction

On May 6, 2020, Facebook announced the first members of its Oversight Board – a new system for content governance and enforcement. These members, coming from different countries and backgrounds, would exercise independent judgments over Facebook’s most important content decisions.¹

The establishment of the Oversight Board followed vehement criticism over Facebook’s data handling, especially in connection with the 2016 U.S. election and the Brexit. In both cases, Facebook had allegedly colluded with the political advertising firm Cambridge Analytica to manipulate and influence voters. Even more so, many of political ads published on Facebook were not fact-checked, which enabled companies such as Cambridge Analytica to produce ads that were based on untruthful information – fake news – and target them to people who they researched it would resonate with the most.

The exposure of the scandal led to an uproar online as well as offline. For the first time in history, governments and the public started to seriously examine the issue of data privacy and take measures to protect it.

The scandal also shook up the tech industry. In October 2019, Twitter banned all political ads altogether, and in the following month, Google limited targeting of political ads to broad categories only, such as sex, age, or postal code. Facebook, on the contrary, announced in January 2020 – in defense of free speech – that it would not ban political ads on its platform nor limit how such ads could be targeted to specific groups of people, nor fact-check them.² Facebook declared that it aimed to balance the commitment to free expression with values of privacy, authenticity, safety, and dignity.³ Its stance was, at the very least, deemed controversial. Critics alleged that Facebook’s effort might “serve a troubling purpose: to cover up the need for meaningful reform with a high-priced fig leaf.”⁴ Could Facebook really achieve a balance between free expression and privacy protection with the Oversight Board? What else could the company do to be socially more responsible? Could it regain reputation and become a respectable company again like before the scandal?

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This case is based on published sources. It is written to provide material for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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About Facebook

The Rise of Facebook

Founded in 2004 by Mark Zuckerberg and his four college roommates, Facebook is a social media platform operated on the premise of connecting people. After rapidly gaining momentum on the Harvard University campus where it first started, Facebook expanded to other Ivy League universities. Only two years after its inception, Facebook was opened to anyone over the age of 13, and quickly overtook MySpace as the most popular social network in the world.5 6 In 2012, Facebook acquired Instagram, the mobile photo sharing app and one of Facebook’s key competitor, for US$1 billion. After a few weeks, Facebook went public, and became one of the largest companies in the world with the highest-valued IPO for an internet company until that time.6 In 2014, Facebook reached an agreement to buy WhatsApp for US$16 billion, a highly influential instant messaging app – and therefore a direct competitor to Facebook – that had almost 1 billion users at the time. As of 2019, Facebook’s revenue was US$70.7 billion with a net income of nearly US$18.5 billion.7

Facebook’s success was largely contingent on its business model. On Facebook, users registered for free and share messages, photos, and other multimedia. They could also join common-interest groups, sell and buy goods at the marketplace, play virtual games, and more. Each action – from “likes” and comments, to the time users spend on certain videos – was closely monitored and stored in the database, and this information was later used for optimizing paid advertisements posted on Facebook. Advertising was Facebook’s core revenue stream.8 In 2019, US$69.66 billion of its revenue came from advertising – over 98% of its total revenue.

Facebook not only collected data directly from users’ activity on its platform, but also combined it with data from other websites that were either using its advertising pixel, or using features linked back to Facebook, for instance the “like” or “share” buttons, which tracked what people were browsing on sites that would normally be outside Facebook’s reach.9 10 In 2020, Facebook was able to collect massive data from its 2.6 billion monthly active users worldwide.11 7

“Move fast and break things”

As Facebook’s popularity grew, so did that of its CEO, Mark Zuckerberg. Having come from a middle-class family and achieved great success in his career, Zuckerberg was looked up to by many, and was announced as the person of the year by Times magazine in 2010.

Facebook’s culture was largely influenced by its co-founder, Mark Zuckerberg, who had been no stranger to controversial innovations since the very start of his career. Around a year before releasing Facebook (then “the facebook”), Zuckerberg hacked Harvard’s system to take students’ photos and created Facemash, a website were students would rate each other based on their attractiveness. Harvard University accused Zuckerberg with breaching security and violating students’ privacy rights, and some students were upset that their photos were used without their consent, which made him shut down the site. However, by then, Facemash had already become a campus sensation, which signaled to Zuckerberg how popular the concept of a similar social media networking site could potentially be.6
With the release of Facebook a year after, the company’s college atmosphere was soaked in enthusiasm, not being afraid of making mistakes, and preparedness to put in the time needed to turn their innovative ideas into reality, all reflected in the motto: “Move Fast and Break Things”. Some of the vastly popular additions to the social network, such as the “like” button, were a result of the regular hackathons, during which employees would gather for all-nighters and would brainstorm and try to develop ideas that they would not spend time in their day-to-day work.\(^\text{10,6}\)

The motto was also reflected in the company’s mergers and acquisitions (M&As). Having secured a number of acquisition deals, such as with Instagram, Facebook once again strengthened its reputation in the technology world as the place to work at for the best talent. As Facebook’s former director of global business marketing wrote in *Becoming Facebook*:

> And therein lies the priceless value of the Instagram story: proof of existence that Zuckerberg can turn visions of growth and impact into reality without undue meddling, [...] a clear message to the best builders in the world that if you want to play truly big, come work with Facebook.\(^\text{12}\)

The culture that enabled Facebook to grow rapidly was not overlooked by Facebook’s competitors. In 2006, Yahoo offered to buy Facebook for US$1 billion, which was turned down by Zuckerberg. It was followed by MTV’s offer of US$1.5 billion, which was also rejected by Facebook. In 2020, Facebook was still majority-owned by Zuckerberg, its longtime chairman and CEO\(^1\), who managed to retain the control of the company despite gaining a number of high-profile, influential investors.\(^6,13\)

While proceeding with his successful business and career, Zuckerberg also made sure to give back to the community. For example, he was one of the billionaires, alongside such people as Bill Gates and Warren Buffet, who had signed “The Giving Pledge,” which indicated that they would be giving at least half of their fortune to charities. In 2015, Zuckerberg and his wife Chan donated over US$1.6 billion to various causes (San Francisco General Hospital, one of the recipients, even named the hospital after Zuckerberg), and promised to transfer 99% of their Facebook shares, worth about US$45 billion at the time, to the Zuckerberg Chan Initiative that focused on health and education.\(^\text{14}\)

### How Facebook Met Cambridge Analytica

**Harnessing Data**

The user data collected on Facebook were immensely powerful in predicting user behaviors. A study conducted in 2015 had shown that with only ten likes, a computer could predict a person’s behavior more accurately than that person’s colleague; with 150 likes, more accurately than a family member; and with 300 likes, better than that person’s spouse.\(^8\)

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\(^1\) All other four co-founders had left Facebook to work on other projects before Facebook went public in 2012. As of 2020, they were all still among the shareholders of Facebook (stakes ranging from 1% to 7.6%).
Reputation Crisis? The Case of Facebook – Cambridge Analytica

Such potential of Facebook data did not go unnoticed by the researchers. In 2013, Cambridge University researchers published a paper, explaining that Facebook likes were a powerful tool in predicting people’s personalities, warning that such information could “pose a threat to an individual’s well-being, freedom, or even life.” At the time, Facebook data was freely accessible to third-party app developers, as Facebook saw this as a great opportunity to attract high-quality application creators who would link their games, quizzes, and other engaging content on Facebook, and in return would receive access to a pool of potential consumers and their data. This proved to be very successful for Facebook – for example, the game Farmville was so popular that at one point 20% of Facebook users were playing it. Even though impossible to estimate, it was thought that this game also heavily contributed to Facebook’s growth. To quickly proceed in the game, users were prompted to invite their friends to the game by joining Facebook, and at the peak of its popularity, the number of Facebook users grew from 200 million in April 2009 to 750 million in July 2011.

In 2014, a British data analytics firm called Cambridge Analytica came across this research paper published by academics in Cambridge University and decided to utilize the opportunity offered by then easily accessible Facebook data, which would allow them to analyze people’s behaviors at an even more granular level. Even though the academics who published this research did not want to get involved, Cambridge Analytica reached an agreement with their colleague Aleksandr Kogan, an academic at Cambridge University, whose firm agreed to harvest the data, given they could keep the data. His company Global Science Research (GSR) created an app “thisisyourdigitallife” for Cambridge Analytica, and paid 300,000 users to answer questions in a form of a personality quiz to then harvest their (and their Facebook friends’) personal data for what users were told was academic use.

At the time, having access to such a vast pool of profiles was made possible due to the Friends API feature, which allowed external developers (third-party apps) to access not only personal data of Facebook users who logged into their app, but also of their Facebook friends. If users accepted this request, apps could access their (and their friends’) name, gender, location, birthday, education, political preferences, relationship status, religious views, online chat status – even if these friends never accessed the app. With additional permissions, their private messages could be accessed too.

With all this data on hand, Cambridge Analytica were able to assemble “monster databases” that held between 2000 to 5000 individual data points on every individual (over the age of 18) in the U.S., which amounted to approximately 240 million people. This data came not only from Facebook – they continuously bought and supplemented their data with new data sets on the Americans that were available from an array of resources, every time these people clicked “yes” and accepted electronic “cookies,” or clicked “agree” on a website, as well as information from the data brokers. They then analyzed this data using methods from behavioral psychology to understand personalities of individuals by giving them OCEAN (“Openness,” “Conscientiousness,” “Extraversion,” “Agreeableness,” “Neuroticism”) scores, and in-house psychologists determined what motivated these individuals according to their results.
Behavioral Microtargeting
Cambridge Analytica was not an ordinary data analytics firm. It was created as an American spin-off by the SCL Group – a government and military contractor that used psychological operations to complete communication assignments for such institutions as NATO and U.S. State Department. SCL Group founded Cambridge Analytica in order to enter the U.S. election market, with Alexander Nix (one of the directors of SCL Group) taking the lead role as CEO.

Robert Mercer, a hedge fund billionaire and a Republican donor, was a major investor in Cambridge Analytica who injected US$15 million into the company. Highly successful in using artificial intelligence to predict investment decisions, Robert Mercer hoped that Cambridge Analytica’s technology would help him predict future events with even more accuracy. SCL Group was introduced to the Mercers by Steve Bannon, who, after the creation of Cambridge Analytica, became its board member. After the election of Donald Trump, Steven Bannon moved on to work as the chief strategist to the president Donald Trump (Exhibit 1).

Exhibit 1: Key players connected to Cambridge Analytica

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2 Robert Mercer and his daughters Jennifer and Rebekah Mercer were all involved in Cambridge Analytica.
Cambridge Analytica successfully collected data on Facebook that allowed it to micro-target certain individuals and make them “think, vote, and act differently from how they had before.” The company called this method “behavioral microtargeting,” a term that Cambridge Analytica trademarked. Behavioral microtargeting was easily done on Facebook because the platform enabled advertisers to select particular types of people to reach, and which ensured that only the specific type of people they wanted to see the particular ad would have seen it.

The Scandal of Data Breaches

Brexit and the 2016 U.S. Election

One of the key allegations made regarding Cambridge Analytica was their involvement in campaigns backing the “leave” vote leading up to the historic Brexit referendum in June 2016, when the majority of the British voted they no longer wanted the UK to be part of the European Union. During the preparation for this referendum, two parties emerged as key backers of the “leave” vote – UKIP and Leave.EU. The latter was fronted by Nigel Farage, who knew the Mercers, who in turn introduced him to Cambridge Analytica.

Although Cambridge Analytica denied doing any work for Leave.EU, evidence suggested that its actions could have been largely influential during the campaign. In 2015, Brittany Kaiser, director of Cambridge Analytica, appeared in a press conference as part of the Leave.EU panel. Less than year later, Alexander Nix wrote the following in the Campaign magazine: “We have already helped supercharge Leave.EU’s social media campaign by ensuring the right messages are getting to the right voters online, and the campaign’s Facebook page is growing in support to the tune of about 3,000 people per day.”

At the same time, across the Atlantic, Cambridge Analytica was pitching its services to parties preparing for the 2016 U.S. presidential elections. After a very successful round with Ted Cruz, Steve Bannon arranged for the Cambridge Analytica’s team to be involved in Trump’s presidential campaign, where they focused on profiling the voters and micro-targeting them with individually crafted messages on social media. In all, the Cambridge Analytica team ran more than 5,000 individual ad campaigns, with 10,000 creative iterations of each ad, which resulted in 1.4 billion impressions on Facebook such as likes, comments, and shares.

Media and Whistleblowers

After its wildly successful work on Ted Cruz’s campaign back in 2015, during which Ted Cruz went from the lowest-rated candidate to being the Republican party’s choice of nominee after Trump, Cambridge Analytica took every opportunity to talk about it publicly in hopes to attract potential corporate and political clients. For instance, in a presentation given in the 2016 Concordia Annual Summit, Alexander Nix, CEO of Cambridge Analytica, claimed that through data collection and analysis using the OCEAN method, they were able to predict personality of every single voter in the U.S.
The issue was quickly picked up by the media. Already in December 2015, The Guardian reported that Cambridge Analytica used Facebook data of millions of users to create psychographic profiles of voters for Ted Cruz’s campaign, who paid Cambridge Analytica at least US$750,000 that year.\textsuperscript{23} Even though most of America did not pay much attention to this story, Facebook started its investigation of the matter. They banned Kogan’s app that he used to collect the data, suspended SCL, Cambridge Analytica, Wylie and Kogan from the Facebook platform, and demanded both Kogan and Cambridge Analytica to delete the improperly acquired data. Cambridge Analytica certified the data was deleted, and Facebook chose to not actually investigate whether this was done before giving the company access to Facebook accounts again. Neither the affected users, nor the shareholders were notified about what had happened.\textsuperscript{24, 25, 26} Facebook removed the Friends API feature so that third-party apps were no longer allowed to access users’ friends data; however, the changes were not imposed retrospectively, therefore those who had already amassed such datasets could still keep them.

Only a year later, in November 2016, Trump won the U.S. Presidential Election. This was the breaking point for the former Cambridge Analytica employee, Christopher Wylie, who had previously tried reaching out to Facebook employees to warn them about Cambridge Analytica’s involvement in highly influential political campaigns but did not receive the reaction he thought he would. He claimed that the vice president of Facebook even told him that if he had a problem with it, he should simply set up a rival firm so that he could monetize it, like Lyft did to Uber.\textsuperscript{8}

The first detailed article, for which Wylie acted as an anonymous source, did not get much attention in the public. As readers were skeptical about these claims, Carole Cadwalladr, journalist at The Guardian, convinced Wylie to become a whistleblower for this story. Even though he worried about his safety, he began consulting with lawyers, and agreed to share his story with The Guardian, The New York Times (so that The Guardian did not back down), and Channel 4. Through Lord Strasburger, a Liberal Democrat and founder of Big Brother Watch, he was able to secure funding for his legal fees from an “exceptionally wealthy individual” who “knew the history of Europe” and therefore “knew what happens when everyone is cataloged.”\textsuperscript{8} In November 2017, he received photos of himself going to his lawyer’s office – someone had been following him and wanted him to know that.\textsuperscript{8} When the report was due to come out in a few weeks, Wylie started meeting with officials, for example the Information Commissioner’s Office (ICO) in the UK who wanted to prevent Cambridge Analytica from deleting the evidence by conducting a raid before everything went public; and with UK’s Digital, Culture, Media and Sport Committee (DMCS), with whom he agreed on testifying in public two weeks after the report is published.\textsuperscript{8} He left all the key evidence at Alistair Carmichael’s (Liberal Democrat MP for Orkney and Shetland, UK) safe, who agreed to help as he had parliamentary immunity and could safeguard the evidence and release it if needed.\textsuperscript{8} Therefore, as Wylie stated, without the financial and moral support of his friends and acquaintances, he would have not been able to come forward.\textsuperscript{8}

After these stories were published, Brittany Kaiser, former director to Cambridge Analytica who officially left the company in the end of January 2018, spoke out as well. She showed emails, correspondence and other documents to The Guardian,
which proved Cambridge Analytica’s involvement in Trump’s campaign, Leave.EU campaign, and many others — something the company was still not admitting to have done. Later, when giving evidence to the UK authorities, she informed them that Cambridge Analytica had in fact used the data they had claimed they had deleted, and admitted that the true scope of the abuse was greater than the 87 million accounts. In the beginning of 2020, she anonymously released over 100,000 documents relating to Cambridge Analytica’s work in 68 countries on Twitter. As she moved on to become an advocate for recognizing data rights as human rights, she said she was fearful of what was going to happen with the 2020 U.S. election, as well as what had already happened with the British elections, and said it was clear that the electoral systems were still widely open to abuse.

Stakeholder Reaction

Governments and the Public

After the scandal broke in March 2018, Facebook’s market value decreased by US$134 billion in just over a week, its stock market plunged, and its investors announced they were suing Facebook for false and misleading statements. Facebook also saw a 66% decline in confidence of its users within a week after the news came out, compared to the numbers of 2017, and even though the confidence increased slightly after a week, it went back to almost the same level after Mark Zuckerberg gave testimony to Senate committees in relation with influencing American voters (Exhibit 2).

Exhibit 2: Users’ Trust in Facebook, 2011-2018

Losing trust
Percentage of respondents who agree that Facebook is committed to protecting the privacy of their personal information.*

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66% decline

27% 33% 28%

Source: Ponemon Institute
The testimony was just one of the actions the U.S. officials took in response to the scandal. A number of governmental institutions in the U.S., UK, Canada, Germany, Italy, and Australia also started investigations into Facebook and Cambridge Analytica as nationals of these countries were among the users affected by the scandal, and some institutions held hearings for key employees of both companies.

**Industry and Investors**

Users of Facebook and prominent tech figures also took action to show their disappointment in Facebook. Brian Acton, co-founder of WhatsApp, instant messaging application that was sold to Facebook for US$16b in 2014, started the #deletefacebook movement on Twitter (Exhibit 3). Elon Musk announced that he deleted both Tesla and SpaceX Facebook accounts. Tim Cook, CEO of Apple, criticized Facebook for invading privacy of users, highlighting that privacy is a "human right".30 Even though the scandal did not affect the number of users significantly which continued to grow in the following years, it was reported that usage of Facebook, such as likes, shares, and posts, had decreased by 20% as of April 2019 (Appendix 6) – a sign that users became more cautious about their actions and interactions on the platform.

Exhibit 3: Brian Acton’s tweet

![Brian Acton’s tweet](https://twitter.com/brianacon/status/1044626718046476037)

Source: Twitter

Amid this political scrutiny and consumer backlash, Facebook’s investors were angered too. One of the investors sued Facebook for misleading its shareholders by not warning them of the problem when they first learned about it back in 2015, while a number of others started reassessing their investments in the company and called for more transparency and better corporate governance. It was also proposed to have a higher shareholder voting threshold amid concerns of Facebook becoming a "corporate dictatorship" due to Zuckerberg’s ability to have the ultimate say at an obviously tremendously influential company.32, 33

**Facebook’s Responses**

**Official Replies**

Before breaking news of the scandal, The Guardian notified Facebook about the report they were going to publish a week before the due date. Facebook used this extra notice to try and to undermine the story in order to save their reputation. They issued a letter to Christopher Wylie, the person they were previously in contact with over the Facebook data Cambridge Analytica had access to, demanding to hand over all of his devices so they could inspect them, attempting to intimidate him with
criminal liability; they legally challenged The Guardian over its claim that there was a data breach; and suspended Cambridge Analytica, SCL Group, Dr. Kogan, and Christopher Wylie from the Facebook platform, which also made it impossible for the officials to track any of these accounts later on.8

After the scandal broke out, the world was anxiously waiting for Mark Zuckerberg to respond, who took 5 days to react, even declining to meet with his employees, and prompting the hashtag #whereszuck. Finally, on March 21, 2018, Zuckerberg broke the silence and posted a message on Facebook: “We have a responsibility to protect your data, and if we can’t then we don’t deserve to serve you. I’ve been working to understand exactly what happened and how to make sure this doesn’t happen again.” Zuckerberg announced that Facebook would conduct an audit of all its apps and developers who could access large amounts of data, remove developers’ access to users’ data after three months of inactivity, and limit information users were required to provide to such developers.34 This was followed by an interview with CNN and full-page ads in a number of British and American newspapers, apologizing for a “breach of trust.”18 After a few days, Zuckerberg also announced that Facebook was making privacy settings more easily accessible for its users and was ending its partnership with data brokers.31

At the same time, Facebook strongly held to its position that there was no data breach on its side. The company published in a statement: “People knowingly provided their information, no systems were infiltrated, and no passwords or sensitive pieces of information were stolen or hacked.”31 In response to Tim Cook’s criticism, Zuckerberg argued that unlike Apple, Facebook was trying to serve as many people as possible, not just the rich – therefore, its advertising-based model presents it with different implications from those that Apple was facing.34 Facebook also made clear that most of the actions it took to tighten the privacy measures were to be released anyway in response to EU’s General Data Protection Regulation (GDPR) which was coming into force in May 2018 and that the scandal just accelerated the process.34

Dissident Voices
The scandal also prompted some of the former Facebook employees to speak out. Sandy Parakilas, who worked as a Facebook platform operations manager between 2011 and 2012, said he had raised the issue about the Friends Permission feature, due to which users might have had their data unwittingly harvested by third party developers, while he was still working at Facebook. However, his concerns were brushed aside by managers, “Do you really want to see what you’ll find?” Parakilas said that Facebook was in a stronger legal position if it “didn’t know about the abuse that was happening”35 and that he saw such harvesting of data unethical and left the company because of it.19

One of Facebook’s earliest investors, Roger McNamee, shared a similar experience. He said that he brought up the cracks in the system and the potential of users’ data being used against them with Mark Zuckerberg first, as he thought he would be happy to fix such issues. Instead, Zuckerberg wanted nothing to do with it, and passed him off to lower-level employees. McNamee said that both Zuckerberg and COO Sheryl Sandberg ignored his warnings – as long as Facebook was growing, they did not seem to care.19
The Aftermath

Data Privacy Protection
Ensuing backlash from different quarters meant that Facebook could no longer continue business-as-usual. Growing concerns with privacy gave a much-needed boost for regulators to try to understand and tackle the issue of how private information is handled online. In May 2018, GDPR was finally enforced, after being a few years in the making, which allowed fines of up to 4% of a company’s annual global turnover in case of data breaches.

Facebook announced that it chose to apply GDPR-compliant rules to all countries that it operated in, not just the EU. However, after that, Facebook moved 1.5 billion users out of reach of the European privacy laws by shifting the responsibility for all users based outside the EU, U.S. and Canada from their Ireland HQ to the Californian HQ, so that US laws instead of the EU laws would apply to them. This was done shortly before GDPR came into effect. This did not help to escape strong regulation for too long. In January 2020, California strengthened its privacy laws so that companies would pay up to US$55 billion in case of data breaches, making its privacy-related regulation the strongest in the U.S.

Soon after, a number of governmental institutions around the globe issued record fines for Facebook for not only deceiving its users as it promised their data was kept private, but also for misleading the public for saying they did not have any evidence of wrongdoing, when they in fact had. The first fine Facebook received was a £500,000 imposed by the Information Commissioner’s Office (ICO) in the UK, which Facebook appealed against, despite Mark Zuckerberg advocating for stronger internet regulation. Later, it received another US$5 billion fine imposed by the Federal Trade Commission and US$100 million by the Securities and Exchange Commission in the U.S. Facebook agreed to pay all fines, but neither confirmed nor denied any of the claims. Mark Zuckerberg simply shared the following: “We’ve agreed to pay a historic fine, but even more important, we’re going to make some major structural changes to how we build products and run this company.” The news increased Facebook’s value by 3.6% the same day – it was seen as a good sign by the investors and everyone in Silicon Valley.

Aside from the fines, there were very few consequences for Facebook. It refused to hand over the full details of what actually happened on its platform during the Brexit campaign, or which voters had been affected by the illegal campaign’s targeted messages. Mark Zuckerberg was requested to testify before the British Parliament three times to no avail. Afterwards, 15 national parliaments jointly requested to interview Zuckerberg, even over the phone, and he still refused to do it, despite being asked to do so twice. Eventually, in 2019, Facebook sent Mike Schroepfer, chief technology officer, to testify before the British Parliament, but he failed to fully answer 40 questions during this inquiry.

A Lost Paradise for Workers
By 2020, Facebook had not made much progress on policing fake news, has not fixed algorithms that prioritize false information, and did not start blocking bad actors from targeting users on their platform. They only made cosmetic fixes, such as ability to
better see data and labeling of political ads and edited creative content. Its new employee Ya’el Eisenstat, who had worked with counterterrorism and counterpropaganda before, quit her job after six months, refusing to take any salary or shares for her time, as she said that Zuckerberg and Sandberg would not implement any of her recommendations to protect its users ahead of 2020 elections.19 Having been named the top place to work at in 2017, Facebook fell to being the 23rd in the list produced by the Glassdoor, while Mark Zuckerberg’s ranking fell from the 10th place in the top bosses’ Glassdoor list, to the 55th in the same timeframe.59

**In Defense of Free Expression**

Facebook oscillated between its position to defend the freedom of expression and be responsive to widening criticism of its practices. In a memo written by Facebook executive Andrew Bosworth, he admitted that Facebook was responsible for Trump’s victory, but said it was because “he ran the single best digital ad campaign I’ve ever seen from any advertiser. Period.” He then said that Facebook should not try to block Trump’s reelection in 2020:

> I am confident we must never do that or we will become that which we fear. [...] If we change the outcomes without winning the minds of the people who will be ruled then we have a democracy in name only. If we limit what information people have access to and what they can say then we have no democracy at all.40

Mark Zuckerberg stood by this view in one of his Congress hearings in 2019, as he reassured the Congress that they decided not to factcheck political ads not because of money they got from such advertising, but because Facebook promoted freedom of speech, and ads, especially in the political context, gave an opportunity for people to see information and thus decide for themselves what politicians were saying.41 In an article released in The Financial Times in February 2020, Zuckerberg called for more regulation for tech companies, saying that Facebook was already doing much more than any other major tech company in being transparent in terms of political advertising, as users could check who exactly paid for them, how much money was spent on them, or how many people had seen the ads. According to Zuckerberg, Facebook was also working with governments in France and New Zealand and advising them on how regulations could look like and showing regulators how platforms like Facebook worked so that they could make more informed decisions regarding such regulations. Despite that, he said, clearer rules for everyone could make sure all companies were kept to the same standard and would help such companies to better navigate many of complicated issues regarding privacy, transparency and openness, so that both businesses and society benefits.42

**Great Power, Great Responsibility**

Back in 2013, Chris Hoofnagle, Director of Information Privacy Programmes at the University of California Berkeley, said:
In most situations, where company does something that’s unpopular, they have blowback, they lose the ability to do something. But in Facebook’s case, we have something I call blow-forward, where they take two steps forward, there’s some type of public reaction, and they just take a little step back. So, over time, they have been able to open up profiles more and more.\(^6\)

Seven years and a major privacy scandal later, this was still true to Facebook, as their key metric for measuring success – the number of users – continued to grow steadily (Exhibit 4).

**Exhibit 4:** Facebook Monthly Active Users, 2018-2020

With the upcoming US presidential election 2020, Facebook once again reappeared in the spotlight regarding their stance on handling misinformation and hate speech, especially in political and social issues, and electoral posts and ads. Facebook reiterated at the end of 2019 that it would not be policing content in order to protect free speech on its platforms, and would leave it for people themselves to decide what they think is right or wrong, or what (or who) to believe in. However, as the topic was of growing interest to the public, and therefore to the companies who advertise through social media channels, Facebook encountered some significant changes during January-August 2020, from both within and outside.

**The Oversight Board**

Believing that “Facebook should not make so many important decisions about free expression and safety on our own,” Mark Zuckerberg outlined the blueprint for a new
governance system that was further developed into the Oversight Board. On May 6, 2020, Facebook announced the first 20 of its 40 Oversight Board members. The board members, including journalists, politicians, scholars, activists, and etc., were selected by four co-chairs who were appointed by Facebook. They would have final say over some of the most difficult and significant decisions around Facebook’s and Instagram’s content, such as hate speech, harassment, and protecting users’ safety and privacy. Facebook said that it would “implement the board’s decisions unless doing so could violate the law,” and would “respond constructively and in good faith to policy guidance put forth by the board.” Since the board members were not Facebook employees but contracted directly with the board, they could not be fired by the company.

Facebook Ad Boycott: “StopHateForProfit”

In the summer 2020, Facebook yet again became the focus of public backlash due to the company’s approach to misinformation and hate speech. Amid huge protests against racism and racial inequality happening the country, President Trump has taken to his social media sites to post seemingly violent and hateful posts. While Twitter reacted to their users’ requests and flagged them as “glorifying violence,” Facebook decided to take no action in terms of them. This prompted a Facebook ad boycott initiated by civil rights organizations, asking advertisers to stop paying for ads on Facebook for the month of July.

By the beginning of July, more than 500 companies have joined, including companies such as Microsoft, Starbucks, Coca-Cola, and Unilever — some of the biggest advertisers on Facebook. Many of these companies decided to stop advertising on Instagram (owned by Facebook) as well. After the news broke, shares of Facebook fell by 8.3%, eliminating $56 billion from its market value, and Mark Zuckerberg fell from the third to the fourth place in the ranking of the world’s richest people.

Inaction of Facebook caused unrest within the company, with some employees suggesting that this was the most serious challenge to the leadership of Mark Zuckerberg since the start of the company. After making the decision to not delete the President’s posts, Zuckerberg hosted a live session to explain the decision to his employees, hundreds of whom expressed opposition by posting comments alongside the session, criticizing his “weak leadership” due to comparing hate speech to free speech. Internal poll showed that over 1,000 employees voted against the decision, while only 19 voted in favor of it. Afterwards, a number of petitions were circulated among the company, and many employees protested by refusing to work.

Still, this did not seem to change Zuckerberg’s opinion on how the company should (or should not) handle misinformation on the platform. He reportedly said that “all these advertisers will be back on the platform soon enough,” while Facebook spokesperson told CNN Business that they “make policy changes based on principles, not revenue pressures”. Zuckerberg promised to review the policies of the company, however, and said that the company would start labeling political posts, and would consider giving an option for people to opt out of seeing political, social-issue, or electoral ads in their feeds. All in all, data suggested that the boycott would have had a limited financial impact on Facebook’s revenues – reportedly, even if a hundred
biggest advertisers would have joined the boycott, it would have accounted only for 6% of company’s annual ad revenue, as most of it comes from medium or small-sized companies.\textsuperscript{49}

**Ongoing Regulators’ Concerns**

On top of everything, the big tech players — Facebook, Google, Amazon, and Apple — continued facing the growing concern of the regulators regarding the power and influence these firms had. At the end of July 2020, the chief executives of the four companies faced congressional hearings during which they were presented with mounting evidence that their actions were monopolist and therefore hindered healthy competition in the field of tech. For example, it was highlighted that Facebook had a tendency to buy out potential rivals by convincing them that they would be crushed otherwise.\textsuperscript{51} As Chairman Cicilline concluded: “This hearing has made one fact clear to me. These companies as they exist today have monopoly power. Some need to be broken up. All need to be properly regulated and held accountable ... their control of the marketplace allows them to do whatever it takes to crush independent business and expand their own power. This must end.”\textsuperscript{51}

**Moving Forward**

Was the Oversight Board the start of a fundamental change at Facebook or was it only a politically correct shield for the company? With more and more companies taking corporate social responsibility issues seriously and seeking to disassociate themselves from wrongdoing, could Facebook sustain its ad revenue and protect its core business in the long run? Was it enough to try to rebuild trust among its users and the governments, given the upcoming 2020 US elections, or could Facebook do more? Could the social media giant adhere to its stance on retaining what they see as “free speech” on its platforms, or would it have to adapt to the changing political and social landscape? If yes, how?
Appendices

Appendix 1: Facebook – Cambridge Analytica Key Events (timeline)

- **1990**
  - **SCL Group**, British behavioural research and strategic communications company, established

- **2004**
  - **Facebook** established

- **2010**
  - **Facebook** starts allowing third-party apps to request access to users' (and their friends') personal data

- **2013**
  - **Cambridge Analytica** established

- **2014**
  - **Facebook** no longer allows third-party apps to access users' friends' data without gaining their permission first, but the changes are not imposed retrospectively

- **2015**
  - **Cambridge Analytica** works on Ted Cruz's presidential campaign, during which Cruz went from being lowest-rated candidate to the first after Trump to get the nomination

- **2016**
  - The British vote to leave the European Union

- **2018**
  - **Cambridge Analytica** certifies the data is deleted. **Facebook** chooses not to notify affected users and does not actually investigate whether this data is deleted as promised

- **2019**
  - **Cambridge Analytica** shuts down following the scandal

- **2020**
  - The Guardian reports about **Cambridge Analytica's** involvement in Ted Cruz's campaign, and their use of **Facebook** data to create psychographic profiles of voters

- In just over a week, **Facebook's** market value decreases by $134bn

- **Christopher Wylie** exposes that 50 million **Facebook** profiles have been harvested by **Cambridge Analytica**, which helped to target pro-Donald Trump material online

- **Donald Trump** wins the election to become the President of the United States

- **Mark Zuckerberg** testifies in the United States Congress

- **2020**
  - **GDPR** is enforced in the EU
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Facebook report on their app developer investigation: millions of apps investigated, tens of thousands suspended, and a few lawsuits filed.

Cambridge Analytica parent company, SCL Elections, fined £15,000 for failing to respond to David Carroll’s request to provide him with the data they hold on him.

Twitter announces it is banning all political ads from their platform.

Facebook is fined $5bn by the Federal Trade Commission (FTC) and $100m by the Securities and Exchange Commission (SEC) in the US. The news increase Facebook’s market value by 3.6%.

UK fines Facebook £500,000 for data breaches.

Google starts limiting targeting of political ads to broad categories only, such as sex, age, or postal code.

Facebook announces it will not be limiting, nor banning, nor fact-checking political ads published on their platform.

Facebook announces the formation of the 20-member Oversight Board that will rule on difficult content issues.

2020
Brittany Kaiser starts anonymously releasing over 100,000 documents revealing Cambridge Analytica’s work in 68 countries.

Mark Zuckerberg calls for more regulation for big tech companies.

Upcoming 2020 presidential election in the US.

Facebook-related events
Cambridge Analytica-related events
Global trigger events
Appendix 2: Facebook’s Total Cumulative Return, 2014-2019

Source: Facebook.

Appendix 3: Facebook’s Stock Performance

Source: Business Insider.
Appendix 4: Examples of Cambridge Analytica’s (and affiliate’s) ads

These Brexit ads were released through AggregateIQ, Canadian firm, which was indirectly tied to Cambridge Analytica.
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Appendix 5: Backlash on Twitter

Source: Cambridge Analytica.

Source: Twitter.
Appendix 6: Facebook Usage

Facebook usage has collapsed since Cambridge Analytica

The number of actions on Facebook, such as likes, shares and posts, has plummeted since Cambridge Analytica broke in Spring 2018

Facebook actions, April 2018 = 100

Guardian graphic | Source: Mixpanel

Source: The Guardian; Mixpanel.
Endnotes

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