PPIT FINAL Notes

How India Plans to Protect Consumer Data - Summary Notes

Introduction

Indian government preparing to implement the Personal Data Protection Bill (DPB) to regulate collection, processing, storage, and usage of personal data of Indian residents. DPB has significant implications for global managers due to India's growing digital economy, projected to hit $1 trillion by 2022.

Key Provisions and Implications:

Privacy as a Fundamental Right:

- DPB intends to protect citizens' privacy rights by controlling data collection, security, storage, and exploitation.
- Companies may need to re-evaluate business models reliant on selling user data.

User Consent:

- Explicit user permission required for data collection and subsequent processing stages.
- Challenges for companies in tracking, securing, and obtaining user permissions.

Ownership of Personal Data:

- DPB suggests data providers own their personal data, leading to potential challenges for companies in data erasure and third-party data sales.

Three Classes of Data:

- Sensitive, Critical, and General data categories with specific storage and processing requirements.
- Mandate for local storage of sensitive and critical data imposes added costs on digital companies.
- Sensitive data includes information on financials, health, sexual orientation, genetics, transgender status, caste, and religious belief. Sensitive data may be processed outside but must be brought back to India for storage.
- Critical data includes information that the government stipulates from time to time as extraordinarily important, such as military or national security data. Critical data cannot be taken out of the country at all.
- The third is a general category, which is not defined but contains the remaining data.

Data Sovereignty:

- DPB grants access to locally stored data to protect national interests.
- Digital companies must comply with government data access requests.

National Interests:

- Exceptions in DPB for government agencies, allowing data access without individual consent in certain circumstances.
- Concerns raised over potential misuse of data for political surveillance.

Verification Tag:

- Companies mandated to identify users and categorize them to reduce trolling, posing challenges for companies to verify user identities.
- All digital companies must identify their users and tag them into three categories to reduce trolling (e.g., an anonymous user or a bot trying to incite violence by posting incendiary comments): Users who have verified

their registration and display real names; users who have a verified registration but have kept their names anonymous; and users that have not verified registration.

Compliance and Enforcement:

- DPB proposes steep penalties for noncompliance, emphasizing the need for strict adherence to regulations by companies.

Taxing Digital Companies:

- DPB might enable the Indian government to collect taxes more effectively from digital companies operating in India.

Other Issues:

- DPB applies not only to digital businesses but potentially to any entity collecting personal data.
- Urgent need for data protection regulation in India outweighs potential flaws in DPB.

Splinternet: Refers to the potential fragmentation or division of the internet into separate and distinct regional or national internets, each with its own regulations, restrictions, and boundaries. The term suggests a scenario where the global internet, characterized by open and interconnected networks, becomes more fragmented due to different countries or regions imposing distinct rules, data localization requirements, censorship, or barriers that limit the flow of information across borders.

Factors contributing to the concept of the "splinternet" include:

- Data Localization Laws: Some countries have mandated that certain types of data must be stored within their borders. For instance, India's DPB proposes local storage for sensitive and critical data, creating a divide in data handling practices.
- Regulatory Differences: Varied data protection and privacy regulations across countries can make it challenging for global companies to comply with multiple, often conflicting, sets of rules.
- Censorship and Content Control: Governments implementing strict controls on internet access or content can result in a segmented internet experience for users based on their geographic location.
- Technological Barriers: Some countries develop and utilize technologies that may not be compatible or interoperable with those used elsewhere, potentially limiting cross-border accessibility and functionality.

Data fiduciaries: Refers to entities or organizations that are entrusted with handling and managing personal data on behalf of individuals. These entities are responsible for ensuring the safe, secure, and lawful processing of personal information in accordance with regulations and the expectations of the individuals whose data they handle.

Under various data protection laws, including India's Personal Data Protection Bill (DPB), data fiduciaries are required to act in the best interests of the individuals whose data they process. They are entrusted with specific responsibilities related to data protection, including:

- Data Handling and Security: Ensuring the secure handling, storage, and processing of personal data in a manner that prevents unauthorized access, loss, or misuse.
- User Consent and Permissions: Obtaining explicit consent from individuals before collecting their personal data and explaining the purposes for which the data will be used.
- Data Ownership and Control: Recognizing individuals as the owners of their personal data and allowing them control over their data, including the ability to access, correct, or delete their information.
- Compliance and Accountability: Adhering to data protection regulations, implementing appropriate measures, and being accountable for any breaches or non-compliance with the stipulated guidelines.

Can Facebook Ever Be Fixed?

Introduction: Facebook's Persistent Issues

- <u>Overview of Facebook's Troubles:</u> Numerous privacy scandals, data leaks, and security lapses have plagued Facebook in recent years.
- <u>Zuckerberg's Attempted Solutions:</u> Zuckerberg's proposed solutions and their potential shortcomings.
- <u>Ritual of Promising Change:</u> Facebook's recurrent promises to rectify issues and the significance of dissecting Zuckerberg's latest proposals.

Zuckerberg's Proposals:

- <u>Content Regulation:</u> Clarification of harmful content online for better takedown procedures.
- <u>Political Advertising:</u> Expanding regulations on political interference in advertising.
- <u>Standardizing Privacy Regulations:</u> Implementing global privacy standards like GDPR.
- <u>Data Portability:</u> Enabling easier data transfer between services.

Critique of Zuckerberg's Proposals:

- <u>Redundancy and Existing Practices:</u> Many of Zuckerberg's proposals are already in practice or mandated in various regions.
- <u>Lack of Sacrifice and Atonement</u>: Absence of meaningful sacrifice or acknowledgment of past mistakes.
- <u>Potential Benefit to Facebook:</u> Suggestions might inadvertently favor Facebook's long-term interests.

Core Predicaments for Facebook:

- <u>Business Model Conflicts:</u> Balancing user engagement with data monetization.
- <u>Scale vs. Responsibility:</u> Overwhelming user base versus inadequate staffing for governance.
- <u>Cultural Issues:</u> Lack of prioritization regarding user security and privacy.

Larger Technological and Societal Implications:

- <u>Broader Technology Issues:</u> Beyond Facebook, tech companies grapple with similar challenges.
- <u>Rapid Adoption and Lack of Understanding:</u> Society's quick adoption of technology without full comprehension of its risks.

The Path Forward:

- <u>Regulatory and Legislative Solutions:</u> Crafting new legislation to enhance privacy and security standards.
- <u>Limiting Company Power:</u> Restricting data aggregation and potentially disaggregating services like WhatsApp and Instagram.
- <u>Evolution of Facebook's Business Model:</u> Shifting towards a trust-centered model prioritizing user privacy and security.

Short-term Outlook and Challenges:

- <u>Facebook's Current State:</u> Acknowledging that Facebook is far from achieving a trust-centered business model.
- <u>Resistance to Depth of Problems:</u> Zuckerberg and others yet to fully grasp the depth of the issues.

Conclusion:

- <u>Continued Reframing of the Bargain</u>: Facebook and its users renegotiating their relationship.
- <u>Proposals as Part of a Larger Struggle</u>: Zuckerberg's proposals signify a minor episode in the ongoing struggle for reshaping Facebook's role.

General Observations:

- Societal Responsibility: Not solely Facebook's problem but indicative of broader societal issues in embracing technology hastily.
- Long-term Evolution vs. Immediate Challenges: The need for both immediate regulatory actions and a gradual evolution of Facebook's business model for sustained change.

Key Themes:

- Facebook's Persistent Struggles: Privacy, data leaks, and security lapses.
- Zuckerberg's Proposals: Critique of superficial solutions.
- Core Predicaments: Conflicting interests, scale challenges, and cultural issues.
- Broader Societal Implications: Rapid tech adoption and the need for deeper understanding.
- Path Forward: Legislative, regulatory, and business model changes needed for a more secure and trustworthy platform.
- Short-term Outlook: Current challenges and lack of depth in addressing fundamental issues.
- "Stickiness" refers to the quality of a digital platform or service that retains users and encourages them to spend more time on the platform. It represents the ability of a product or service to keep users engaged, interested, and coming back for more.

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In the context of social media platforms like Facebook, "stickiness" encompasses various factors that contribute to user engagement, such as:

- Content Relevance: Providing content tailored to individual users' interests, keeping them engaged and interested in the platform.
- User Experience (UX): Offering a seamless and enjoyable experience through intuitive design, ease of navigation, and accessibility.
- Interactivity: Encouraging user interaction through comments, likes, shares, and other engagement features, fostering a sense of community and participation.
- Notifications and Alerts: Using notifications effectively to draw users back to the platform by notifying them about new content, messages, or activities related to their profile.
- Personalization: Tailoring content, recommendations, and features based on user behavior, preferences, and past interactions to make the experience more relevant and compelling.

For platforms like Facebook, stickiness is crucial because it directly correlates with user engagement, the amount of time users spend on the platform, and ultimately, the platform's success in retaining its user base.

Dolce & Gabbana: Racism, Stereotypes, Or Being Funny?

The Dolce & Gabbana incident that occurred in November 2018 in Shanghai, China, was a controversial event that stirred widespread debate and criticism regarding racism, stereotypes, and cultural insensitivity in the fashion industry. Here are detailed notes explaining the incident:

Background:

- Dolce & Gabbana (D&G): An Italian luxury fashion brand known for its high-end clothing, accessories, and fragrances.
- Shanghai Event: D&G organized "The Great Show," a significant fashion event scheduled in Shanghai to promote their brand in China, a crucial market for luxury goods.

The Incident:

- Racially Insensitive Campaign: D&G released a series of promotional videos featuring an Asian model attempting to eat Italian food using chopsticks. The videos were perceived as culturally insensitive, reinforcing stereotypes and implying a lack of understanding of Chinese culture.
- Offensive Social Media Posts: Stefano Gabbana, one of the co-founders, allegedly posted derogatory and offensive comments on Instagram, referring to China with racial slurs, which further aggravated the situation. Although Gabbana claimed his account was hacked, the damage was already done.

Public Outcry and Boycott:

- Social Media Backlash: The videos and comments sparked outrage on Chinese social media platforms (Weibo, WeChat, etc.) and globally, with users condemning D&G for its insensitivity and racism.
- Celebrities and Influencers React: Many Chinese celebrities and influencers withdrew their support and canceled their attendance at the D&G event, while urging others to boycott the brand.

Repercussions and Damage Control:

- Cancellations and Fallout: As a consequence of the controversy, the planned Shanghai fashion show was canceled, leading to substantial financial losses and damage to the brand's reputation.
- Apologies and Attempts to Rectify: D&G issued apologies, including a video apology from the founders, but these were met with skepticism and were deemed inadequate by many critics and consumers.

Broader Implications:

- Industry Reflection: The incident raised broader questions about cultural sensitivity in the fashion industry and the responsibility of luxury brands in respecting diverse cultures and avoiding offensive stereotypes.
- Consumer Sentiment and Impact: The backlash highlighted the power of social media in influencing consumer sentiment and brand loyalty, emphasizing the need for companies to be mindful of their actions and messaging.

Aftermath:

- Continued Impact on Brand Image: The incident continued to impact D&G's reputation in China and globally, affecting sales and consumer trust in the brand.
- Lessons Learned: The controversy served as a cautionary tale for other brands, emphasizing the importance of cultural awareness, sensitivity, and crisis management in an increasingly interconnected world.

This incident serves as a reminder of the significant repercussions that insensitivity and racism can have on a brand, especially in today's digital age where information and opinions spread rapidly through social media. It underlines the necessity for brands to prioritize cultural understanding, diversity, and inclusivity in their marketing strategies to avoid alienating their audience and damaging their reputation.

Cult of Personality: Refers to a situation where an individual, typically a political leader or public figure, cultivates an excessively devoted or worshipful following among the people. This concept is characterized by the elevation and glorification of the leader's personality above all else, often accompanied by propaganda, manipulation, and the suppression of dissenting opinions or critical thinking.

Key points regarding the cult of personality include:

- Leader Worship: A cult of personality revolves around the adoration and glorification of a specific individual. The leader is often portrayed as an iconic figure, exalted to near-mythical status, and portrayed as infallible or beyond reproach.
- Propaganda and Image Control: To maintain the leader's image, propaganda and media manipulation are common tactics. This can involve controlling the narrative through selective information, controlling the press, or spreading exaggerated or false information to build an idealized perception of the leader.
- Personality Over Policies or Institutions: In such contexts, the leader's personality takes precedence over policies, governance, or institutions. Decision-making is often centralized around the leader, sidelining or weakening existing systems of checks and balances.
- Curtailment of Dissent: A cult of personality may suppress dissenting voices or critical opinions. This suppression could range from censorship and intimidation to more extreme measures such as imprisonment or elimination of opposition.
- Long-Term Societal Impact: Cults of personality can have far-reaching consequences, impacting governance, societal values, and the rule of law. They may foster a climate where the leader's whims or desires are prioritized over the needs and rights of the population.

Recognition of the dangers associated with such cults of personality underscores the importance of promoting critical thinking, institutional checks and balances, and the cultivation of a society that values transparency, accountability, and individual rights over blind adoration of any single figure.

Q: What mitigation strategy or actions could D&G undertake to repair damage done its reputation?

To repair the damage done to its reputation after the controversial incident in Shanghai, Dolce & Gabbana (D&G) could consider several mitigation strategies and actions:

Public Apology and Acknowledgment:

- Issue a sincere and unequivocal public apology, taking responsibility for the offense caused by the insensitive campaign and remarks made by the founders.
- Acknowledge the impact of their actions on the Chinese community, customers, and stakeholders, demonstrating empathy and understanding.

Transparency and Accountability:

- Conduct an internal investigation into the incident, ensuring transparency about what went wrong and who was involved.
- Hold individuals accountable for their actions, whether through disciplinary measures or personnel changes, to show a commitment to rectifying the issue internally.

Engagement and Dialogue:

- Engage with affected communities, particularly in China, through direct communication channels, town hall meetings, or forums to listen to grievances and demonstrate a willingness to learn from the feedback received.
- Collaborate with cultural experts or advisors to gain insights into cultural nuances and sensitivities, ensuring future campaigns are respectful and inclusive.

Actions Speak Louder Than Words:

- Beyond apologies, demonstrate a commitment to change through concrete actions, such as investing in diversity and cultural sensitivity training for employees, especially those involved in marketing and communications.
- Show support for initiatives or organizations that promote cultural understanding and diversity.

Rebuilding Trust and Relationships:

- Rebuild trust by consistently delivering on promises made during the reconciliation process.
- Collaborate with influencers, opinion leaders, or organizations within China who align with values of inclusivity and cultural sensitivity to showcase genuine efforts at change.

Revisiting Marketing Strategies:

- Rethink and revamp marketing strategies to ensure they are culturally sensitive, respectful, and reflective of diverse perspectives, avoiding stereotypes or cultural insensitivity.
- Involve diverse voices and perspectives in the creation and approval of future campaigns to prevent similar mishaps.

Long-term Commitment to Change:

- Implement a long-term plan for cultural competence and diversity within the company culture, ensuring these values are embedded in all aspects of the organization.
- Regularly assess and review internal practices and external communications to prevent recurrence of such incidents.

Consistent Communication and Monitoring:

- Maintain open communication with stakeholders, updating them on progress made and steps taken to prevent similar issues in the future.
- Continuously monitor public sentiment and feedback through social media, surveys, and other channels to gauge the effectiveness of implemented changes and address any concerns promptly.

Facebook—Can Ethics Scale in the Digital Age?

Company Overview (February 2021):

- Valuation: $750 billion, 6th most valuable globally
- User Base: 2.8 billion users, 7 million advertisers, 9 million third-party apps, 60 million businesses across 54 countries
- Usage: Users spent an average of 58 minutes daily on the platform
- Data Metrics: Enormous data accumulation, including 350 million photos, 55 million status updates, and 100 million hours of video daily

Critical Ethical Issues:

Data Privacy Concerns:

- Cambridge Analytica Scandal: Obtained personal data from 87 million Facebook accounts without consent for targeted ads during the 2016 U.S. election.
- Default Settings: Users largely accepted default privacy settings despite discomfort, raising questions about consent and data mining within Facebook's business model.

Anti-Competitive Practices:

- Acquisition and Imitation: Criticism regarding Facebook's acquisition strategies (e.g., Instagram, WhatsApp) and replicating competitors' features, potentially stifling competition.
- Antitrust Violation Allegations: Calls for investigations into whether Facebook violated antitrust laws by limiting market competition.

Content Moderation Challenges:

- Fake News and Election Interference: Concerns over the spread of fake news during elections and Facebook's role in moderating content.
- Efforts for Moderation: Implementation of content moderation policies, fact-checking initiatives, and quarterly statistics publication on content removal.

Debates and Questions Raised:

Corporate Responsibility and Growth Model:

- Growing concerns about Facebook's approach - "growth-at-all-costs/apologize-later" - and its impact on society and user well-being.
- Should Facebook reconsider its strategy, shifting from a focus solely on user engagement and numbers to a more balanced approach that considers broader stakeholder impacts?

User Consent and Management:

- Questions about informed consent among users, especially regarding default privacy settings.
- Should Facebook take a more proactive role in managing its ecosystem and user permissions?

Regulation and Governance:

- Calls for stronger regulatory actions by U.S. and EU regulators and privacy advocates, even in the absence of overwhelming public demand.
- Concerns about the role and responsibilities of the board, CEO Mark Zuckerberg, and COO Sheryl Sandberg in managing societal impact.

Shareholder and ESG Concerns:

- Evaluation of the role of shareholders, NGOs, and advisory firms in addressing Environmental, Social, and Governance (ESG) issues.
- How effectively is Facebook managing its societal responsibilities while maintaining shareholder value?

The Evolution of Facebook into a User-Centric Product

Inception and Expansion:

- Launched in February 2004 by Zuckerberg, initially for Harvard students.
- Rapid growth: Expanded to other elite universities, attracting one million users by 2004 end.
- Competition: Battling against Myspace and emerging threat Twitter.

Key Developments:

- News Feed Launch (2006): Algorithm-generated personalized summary of friends' posts. Initially faced disapproval but revolutionized user experience.
- Share Button (2006): Enabled sharing of external content, further enhancing News Feed.
- Mobile Access (2007): Expanded accessibility through a mobile site, free to use without ads, focusing on user growth.
- Transition to Mobile (2011-2012): Shifted attention to smartphones, leveraging addictive engagement, triggering dopamine release.

Monetization and Advertising:

- Facebook Platform (2007): Introduced applications within Facebook, creating an ecosystem attracting users, partners, and advertisers.
- Microsoft Partnership (2007): Microsoft acquired a share and rights for international ads on Facebook.
- Beacon and Pages (2007): Beacon shared users' partner site activities on News Feeds. Pages enabled famous figures and brands to connect.
- Sheryl Sandberg's Involvement (2008): Sandberg joined as COO to drive revenue strategies, focusing on advertising.
- Introduction of "Like" Button (2009): Users could indicate interest in content, sharing more personal data.
- Open Graph API (2010): Gave access to detailed user data for third-party apps, raising concerns about privacy and data access.

Expansion and Dominance:

- Acquisitions: Instagram in 2012 and WhatsApp in 2014, expanding Facebook's user base and data access.
- Digital Duopoly with Google: Together, they dominated global digital advertising spending and user influence.
- Attention Merchants: Facebook and Google essentially monetized user attention, becoming influential forces in news distribution and advertising.

User Base and Financial Success:

- User Demographics (2018): Wide user base across age groups, especially strong among young adults.
- Financial Growth: Rapid increase in revenue, particularly from mobile ads, leading to significant shareholder rewards and stock market success.

Recent Developments and Concerns:

- 2020 Performance: Continued revenue growth amidst challenging times, emphasizing future product innovation.
- Future Plans: Consideration of an Instagram version for children under 13, sparking concerns regarding safety and age limitations.

Key Points Summarized:

- Early Growth: Rapid expansion from a Harvard-based network to an elite university-focused platform.
- Innovations: Introductions of News Feed, Share Button, Mobile Access, and various monetization strategies.
- Monetization Strategy: Transition from a free, ad-free platform to one heavily reliant on targeted advertising.
- Dominance and Influence: Facebook's acquisitions and market dominance, creating a duopoly with Google.
- Financial Success: Revenue growth, particularly in mobile advertising, leading to significant stock market success.
- Recent Controversies: Concerns around privacy, data access, and potential introduction of Instagram for children.

The Ultimate Surveillance Machine

Leveraging Personal Data:

- Research Exploitation (2015): Researchers used Facebook likes to predict personality traits, surpassing even family or friends' accuracy.
- myPersonality and GSR Collaboration (2014): GSR's 'This Is Your Digital Life' quiz harvested data from 87 million users via friend connections, shared with Cambridge Analytica for targeted political advertising.

Data Breach and Outrage:

- Cambridge Analytica Scandal (2018): Mass data collection revealed, sparking user outrage and calls for Facebook's accountability in data protection.
- #DeleteFacebook Movement: WhatsApp co-founder, Elon Musk, and others joined the movement, criticizing Facebook's mishandling of user data.
- Tech Leaders' Criticism: CEOs like Tim Cook and other industry leaders criticized Facebook's approach to privacy and exploitation of user data.

Broader Impact and Previous Instances:

- Political Influence and Data Mining: Instances of data mining for political purposes existed before, including Obama's campaign using Facebook's API for voter outreach in 2012.
- Access to User Data: Reports revealed that device manufacturers, including Huawei, accessed friends' data without explicit user consent for nearly a decade.

Facebook's Responses and Plans:

- Six-Point Plan (2018): Introduced to prevent further abuse, involving reviewing the platform, turning off unused apps, and putting more control in users' hands.
- Partner Categories Phased Out: Ended third-party data broker access for better targeting capabilities.
- Privacy Focus and Integration (2019): Zuckerberg announced a "pivot to privacy," aiming to integrate and encrypt communications across Messenger, Instagram, and WhatsApp.

Debates and Concerns:

- Public Square vs. Privacy: Zuckerberg's shift to privacy raised skepticism, with questions about its motives – whether a genuine commitment to privacy or a strategy to prevent breaking up the company's applications.

Key Points Summarized:

- Data Exploitation: Facebook's platform used for predictive analytics and targeted advertising based on user data.
- Cambridge Analytica Scandal: Massive data breach and misuse, leading to user outrage and global criticism.
- Political Influence and Data Mining: Instances of political campaigns leveraging Facebook's data mining capabilities.

- Facebook's Responses: Introduction of plans and measures to address privacy concerns and prevent future data abuses.
- Debates over Privacy Pivot: Skepticism regarding the genuineness of Facebook's pivot towards privacy, raising doubts about the company's intentions.

Platforms and Antitrust:

Control and Market Domination:

- Digital Duopoly Concerns: Facebook, Google, and Amazon accused of market control, sparking suggestions of split-ups or prevention from acquiring competitors.
- Acquisition Strategies: Facebook identified and acquired potential threats like Instagram and WhatsApp. Strategies included copying competitors' features (e.g., Snapchat).

Antitrust Debates and Perspectives:

- Missed Opportunities: Some felt the government overlooked antitrust concerns in Instagram's acquisition, citing the market's history of toppling tech giants.
- Antitrust Law Interpretation: Judge Bork's rulings in antitrust law focused on consumer harm (e.g., notably higher prices), making it difficult to apply to free services like Facebook.
- Monopoly Argument: Lina Khan argued Facebook's monopoly through data collection, asserting users essentially paid by surrendering personal data, igniting calls for Facebook's breakup.

Antitrust Investigations and Legal Actions:

- Antitrust Probes and Lawsuits: FTC, multiple state attorneys general, and the EU launched investigations into Facebook's antitrust practices.
- German Court Ruling: Facebook found guilty of violating antitrust laws due to data harvesting across platforms and third-party sites.
- Federal Lawsuit (2020): Federal government and state attorneys filed an antitrust lawsuit against Facebook, focusing on Instagram and WhatsApp acquisitions, alleging neutralizing potential competitors.

Facebook's Responses and Regulatory Interaction:

- Acquisitions and Regulatory Scrutiny: Facebook had made numerous acquisitions; proposed assisting a potential competitor by sharing proprietary code, which regulators rejected.

Key Points Summarized:

- Market Dominance Concerns: Accusations of Facebook's control, leading to debates over antitrust measures.
- Acquisition Strategies: Facebook's identification and acquisition of potential competitors like Instagram and WhatsApp, resorting to copying features from rivals like Snapchat.
- Antitrust Debates: Interpretations of antitrust law, monopoly arguments based on user data, and legal actions against Facebook.
- Regulatory Interaction: Facebook's attempts to mitigate concerns, including proposing assistance to potential competitors, facing regulatory rejection.

Content Moderation and Politics:

Russian Interference and Spread of Misinformation:

- Mueller Investigation: Accusations against Russian entities for interfering in the 2016 U.S. presidential election via Facebook ads. Russian groups spent minimal amounts compared to the official campaigns but impacted voter perceptions.
- Spread of Falsehoods: Research demonstrated the rapid spread of false information on social media, affecting political polarization globally.

Tech Companies' Evolving Role and Challenges:

- Regulatory Evolution: Facebook and Google initially avoided regulation as neutral platforms but later played integral roles in global communication.
- Business Opportunity: Rise of startups specializing in detecting and combating false campaigns, aiding social media platforms in managing bad actors.
- Content Moderation Challenges: Facebook's struggles with AI detecting pornography and spam but failing to reliably identify hate speech. Varying laws across countries posed challenges in content moderation.
- Human Moderation Efforts: Facebook aimed for error-free moderation, seeking to review all reported content within 24 hours.

Facebook's Multifaceted Challenges:

- Diverse Criticisms: Criticisms from various fronts - conservatives for perceived liberal bias, liberals for allowing hate speech, governments for fake news, human rights groups for facilitating harassment.
- Legal Ruling and Company Response: The Court of Justice of the European Union ruled Facebook should globally remove hateful content. Facebook responded by investing in safety measures, hiring thousands of moderators, and creating a content moderation "Supreme Court."

Ongoing Challenges and Response:

- Content Takedown and Transparency: Facebook removed fake accounts and spam, publishing transparency reports on content moderation efforts.
- Financial Investment in Safety: Significant spending on safety measures, hiring more moderators and contractors to address content issues.
- Livestreaming Challenges: Stricter rules imposed after violent events were livestreamed on Facebook Live, indicating ongoing challenges in regulating content.

Key Points Summarized:

- Russian Interference and Disinformation: Impact of Russian ads on the US election, rapid spread of false information on social media.
- Tech Companies' Role Shift: Evolving from neutral platforms to content curators, facing challenges in moderating content.
- Content Moderation Challenges: AI limitations in detecting hate speech, diverse legal landscapes across countries posing difficulties.
- Facebook's Multifaceted Criticisms: Accusations from various sectors - political bias, allowing hate speech, fake news proliferation, and facilitating harassment.
- Response Efforts: Facebook's investment in safety measures, hiring thousands for content moderation, and implementing stricter rules for livestreaming, yet persistent challenges remain.

Potential Forces for Change and Their Implications

Stakeholders' Perspectives and Regulatory Concerns:

- Growing Regulatory and Investor Concerns: External stakeholders expressing concerns, but other industry players, competitors, and advertisers remained relatively silent.

Business Model Considerations:

- Subscription-based Model: Debate on transitioning to a subscription-based business model from an advertising-focused one, contemplating how to replace lost ad revenue.

Internal Disagreements and Dissent:

- **Voices of Dissent within Facebook:**

- o Key Individuals and Their Concerns: Sandy Parakilas, Andrew Bosworth, Alex Stamos, Elliot Schrage, and Chris Cox expressed dissenting opinions about privacy, growth strategy, security, and moderation.

Public Sentiment and Societal Impact:

- User and Societal Sentiment: Surveys and studies reflected growing concerns about privacy, lack of regulation, and social media's negative impact on society.
- Concerns about Psychographic Profiles: The shift toward psychographic data raised concerns about user vulnerability and data sharing practices.

Legal and Regulatory Responses:

- Informed Consent and Legal Actions: Challenges related to informed consent, highlighted by legal actions in Germany and concerns about privacy policies' complexity.
- Regulatory Responses Worldwide: Efforts by various countries like Egypt, India, and Germany to regulate social media platforms and data privacy.

Regulatory Proposals and Challenges:

- **Proposed Regulations and Their Challenges:**
  - o GDPR and Its Impact: Speculation about replicating GDPR in the US but concerns about enforcement's effectiveness.
  - o California Consumer Privacy Act (CCPA): Enacted to offer consumer privacy protections, creating a potential model for other states.
  - o Calls for Digital Protection Agency: Suggestions for new regulatory bodies to oversee tech companies' practices.
  - o Antitrust Measures and Breakup Proposals: Proposals to break up Facebook and considerations of antitrust investigations and regulations.

Investor and Advertiser Dynamics:

- Investor Influence and Perspectives: Institutional investors expressing concerns about governance and ESG issues, yet unclear about their impact on Facebook's governance.
- Advertisers' Responses and Shifts: Advertisers seeking more transparency and safeguards, yet continuing to spend on digital platforms due to better returns compared to traditional media.

Key Considerations Summarized:

- Regulatory Dilemma: The push for regulations amid challenges in balancing privacy, free speech, and platform responsibilities.
- Internal Discord: Dissent within Facebook regarding privacy, growth strategy, and ethical concerns.
- Public and Societal Concerns: Surveys reflecting user dissatisfaction, privacy concerns, and societal impact.
- Legal and Regulatory Responses: Global actions highlighting the complexity of regulating social media and protecting user privacy.
- Investor and Advertiser Dynamics: Concerns about governance, but advertisers continuing to invest due to superior digital ad performance.

Potential Forces for Change

Post-Congressional Testimony (April 2018):

- Regulatory Statements: Zuckerberg and Sandberg open to regulation, emphasizing the importance of finding the right type of regulation for the internet.
- Stock Reactions: Facebook's stock gained 5% post-testimony; user engagement returned to pre-crisis levels; #DeleteFacebook campaign had minimal impact; momentum returned with the stock hitting an all-time high.

July 2018 Crisis and Aftermath:

- Earnings Miss: Second-quarter earnings missed projections due to public perception about data leaks and fake news; GDPR implementation in Europe affected user growth; stock plummeted over 17%, losing $130 billion in market value.
- Subsequent Recovery: Share price rebounded to $190, achieving a $500 billion market cap; strong financial metrics: 27% year-over-year revenue growth, 34% EBITDA, $33 billion net cash from operations for the 12 months ending June 2019.
- User Metrics: Continued user growth and engagement, focusing on cross-selling among various applications, reaching 2.8 billion global users.

Additional Initiatives and Challenges:

- LIBRA Announcement: Introduction of LIBRA as a global payment network; withdrawal of high-profile partners like MasterCard, Visa, and PayPal.
- Management Style Criticisms: Speculations about Sandberg's management style hindering issue resolution; reported significant turnover in her immediate team.

Reevaluation and Challenges Ahead:

- Mission Realignment: Reconsideration of Facebook's mission in the context of how social media networks are being used; questions on prioritizing trust restoration and user privacy.
- Employee Turnover and Leadership Concerns: Increased executive-level turnover; scrutiny on Zuckerberg's and Sandberg's approaches and priorities.
- Revisiting Values and Legacy: Need for Zuckerberg, Sandberg, and Facebook's stakeholders to reexamine core beliefs and focus areas; calls for balancing growth, safety, security, and free speech.

Exhibit 7 Facebook's Six-Point Plan to Crack Down on Platform Abuse, March 2018

- **Review our platform.** We will investigate all apps that had access to large amounts of information before we changed our platform in 2014 to reduce data access, and we will conduct a full audit of any app with suspicious activity. If we find developers that misused personally identifiable information, we will ban them from our platform.
- **Tell people about data misuse.** We will tell people affected by apps that have misused their data. This includes building a way for people to know if their data might have been accessed via "thisisyourdigitallife." Moving forward, if we remove an app for misusing data, we will tell everyone who used it.
- **Turn off access for unused apps.** If someone hasn't used an app within the last three months, we will turn off the app's access to their information.
- **Restrict Facebook Login data.** We are changing Login, so that in the next version, we will reduce the data that an app can request without app review to include only name, profile photo and email address. Requesting any other data will require our approval.
- **Encourage people to manage the apps they use**. We already show people what apps their accounts are connected to and control what data they've permitted those apps to use. Going forward, we're going to make these choices more prominent and easier to manage.
- **Reward people who find vulnerabilities**. In the coming weeks we will expand Facebook's bugbounty program so that people can also report to us if they find misuses of data by app developers.