



NEW YORK UNIVERSITY

# DEPARTMENT OF PSYCHOLOGY

## **Supplemental Industrial/Organizational Psychology Case Study (required for all applicants)**

Below is the required supplemental case study writing sample for applications for September 2024 enrollment (deadline February 15, 2024).

The Business Case Study provides an opportunity for applicants to describe how they might engage in a consultative intervention that improves conditions for employers and employees alike. This is a business case that asks you to write about the company, Meta (formerly Facebook), one of the world's larger social media firms, from an I/O Psychology perspective. The business case will allow you to bring together your psychological knowledge and business acumen and demonstrate your scientist-practitioner skills in helping Meta succeed by means of an HR strategy more suited to their current challenges. In addition, the business case will allow you to demonstrate your written communication and data analytic skills in the expression of your recommended actions.

### **Overview of Meta**

Meta is an American multinational technology conglomerate located in Menlo Park, California. The company owns and operates Facebook, Instagram, Threads, Reels, and WhatsApp. More recently it has committed its business to virtual reality. To that end it acquired Oculus (which was integrated into Reality Labs), Mapillary, and CTRL-Labs. Meta is one of the world's most valuable companies with a market capitalization of \$763 billion on September 1, 2023 and is among the ten largest publicly traded corporations in the United States. It is considered one of the Big Five American information technology companies, alongside Google's parent company Alphabet, Amazon, Apple, and Microsoft.

On October 28, 2021, the parent company of Facebook changed its name from Facebook, Inc., to Meta Platforms, Inc., to "reflect its focus on building the metaverse". According to Meta, the term "metaverse" refers to the integrated environment that links all the company's products and services.

### **History**

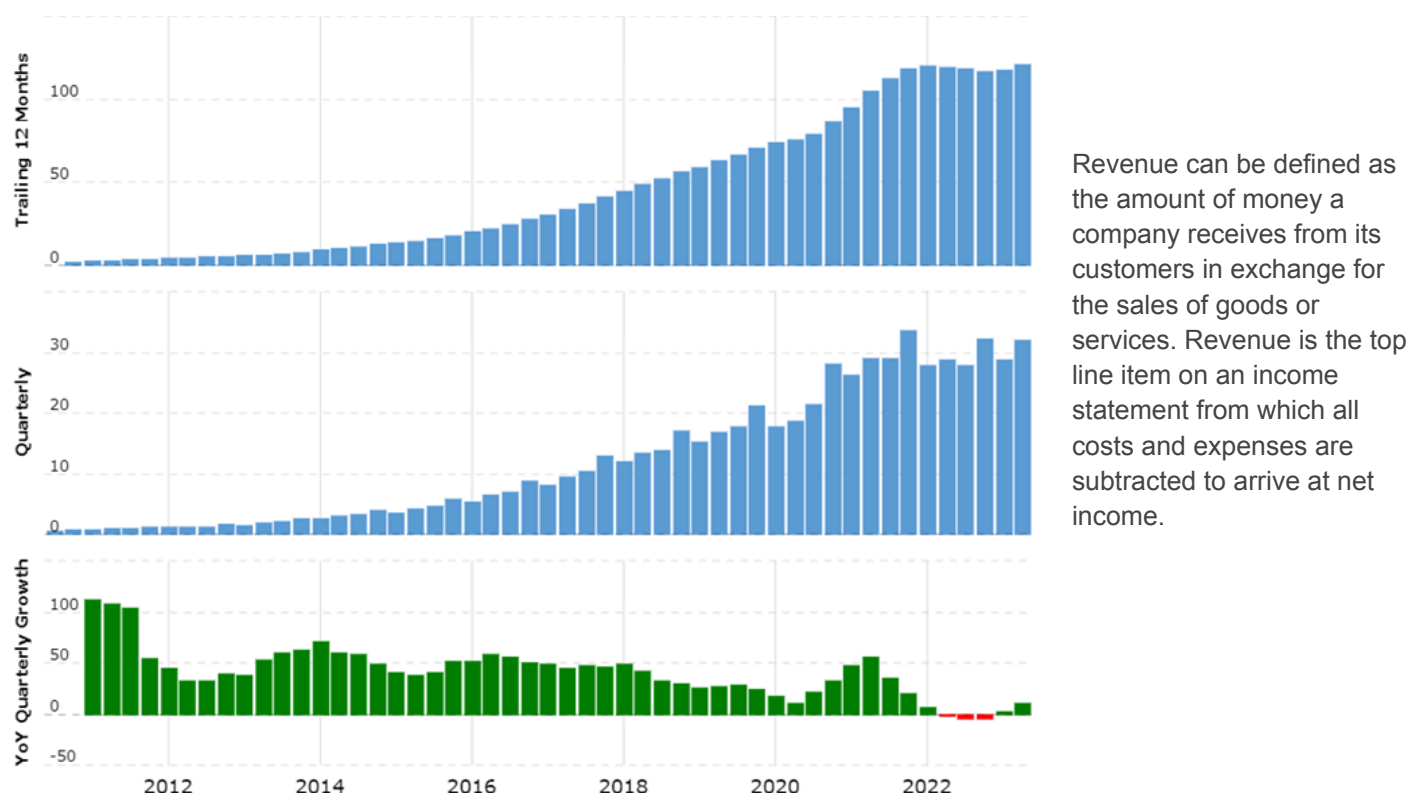
Facebook was founded in 2004 by Mark Zuckerberg and three fellow students at Harvard University. Originally it was limited to Harvard students. The website's membership was gradually expanded to other colleges in the Boston area, the Ivy League, and most universities in the United States and Canada. By September 2006, it was open to anyone with a valid email address and an age requirement of being 13 or older. It quickly became the largest social media network in the world, with nearly three billion users as of 2021. Over time, Facebook added many features to enhance

user experience and engagement. These include Timeline, a space on each user's profile page where users can post their content and friends can post messages; Status, which enables users to alert friends to their current location or situation; and News Feed, which informs users of changes to their friends' profiles and status.

Facebook filed for an initial public offering (IPO) on January 1, 2012, seeking to raise \$5 billion. The IPO raised \$16 billion, making it the third-largest in US history. The stock price left the company with a higher market capitalization than all but a few U.S. corporations—surpassing companies such as Amazon, McDonald's, Disney, and Kraft Foods—and made Zuckerberg's stock worth \$19 billion. In 2012 Facebook had 845 million monthly active users, and a website accruing 2.7 billion likes and comments daily. After the IPO, Zuckerberg would retain a 22% ownership share in Facebook and would own 57% of the voting shares.

Historically Meta has had strong quarter over quarter revenue growth (Figure 1). For example, recently, for the quarter ending June 30, 2023, Meta's revenue was \$32B, which was an 11.02% increase year-over-year. The revenue for the twelve months ending June 30, 2023 was \$120.5B, a 0.93% increase year-over-year. However, the annual revenue for 2022 was \$116.6B, a 1.12% decline from 2021 when the annual revenue was \$117.9B, which was a 37.18% increase from 2020. Meta relies on advertising for a vast majority of its revenue, which in 2022 made up 97.5 percent of its revenue.

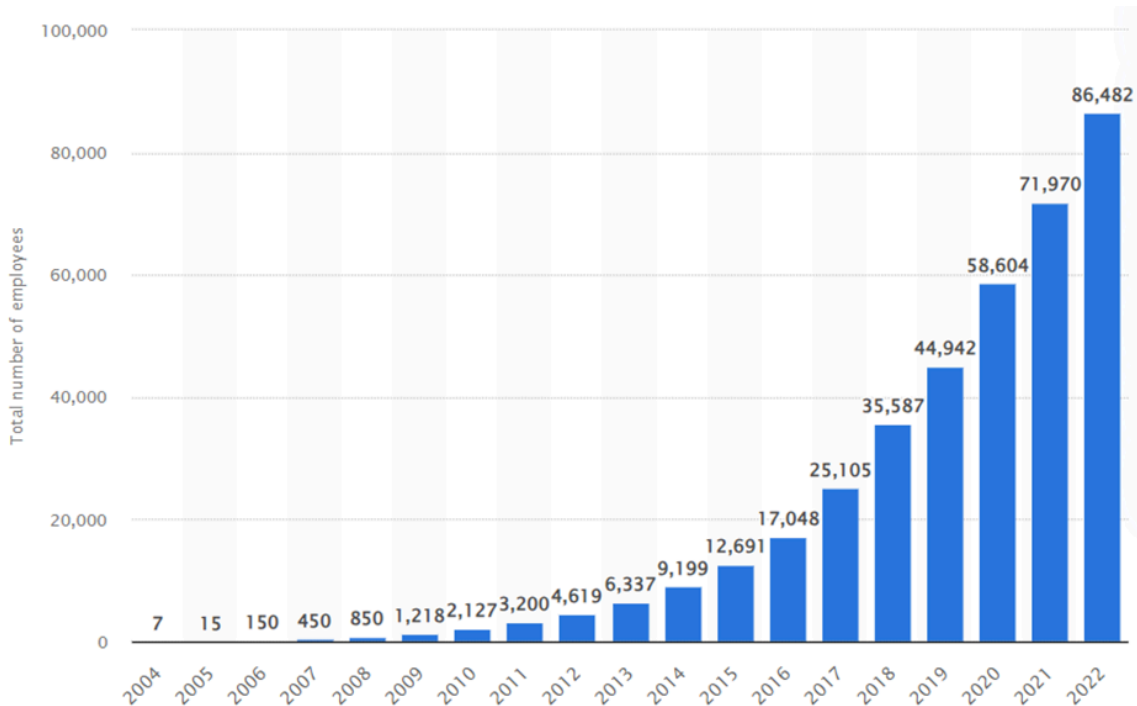
**Figure 1 - Meta Platforms annual/quarterly revenue history and growth rate from 2010 to 2023.**



## More Recent Times

While Meta has had an impressive history of revenue growth accompanied by an equally rapid growth in the number of employees (see Figures 1 and 2 respectively), they have not been free from financial challenges and controversies regarding their operations. For example, Meta is banned by numerous governments in the world. It is illegal for citizens of Armenia, North Korea, Myanmar, Russia (145 million people), Turkmenistan, Syria, Iran, China (1.4 billion people) and Uganda to use Facebook. This represents almost one-quarter of the world's population.

Figure 2



There have been long standing concerns about hate speech present in Facebook's social media platform. Meta faces numerous hate speech lawsuits including a 2021 suit brought by Washington, D.C. Attorney General Karl A. Racine. The lawsuit charges that Meta deceived lawmakers and falsely claimed the company removes harmful content such as hate speech and anti-Muslim rhetoric. And in Africa, Meta is facing a lawsuit in Kenya's high court accusing the company of failing Africans by amplifying hate speech and incitement to violence on Facebook and calling for about \$2 billion in restitution.

Perhaps it is not surprising that in August 2023, the European Union passed the Digital Security Act (DSA) which places broad and significant responsibilities on Meta and other social media platforms to ensure the safety of their users. DSA requires Meta and others to be legally accountable for everything from fake news to manipulation of shoppers, hate speech, Russian propaganda and criminal activity including child abuse. Failure to achieve due diligence in preventing abuses results in fines equal to as much as 6% of their global revenue. For Meta this amounts to a fine of \$7 billion.

As stated previously, over 97% of Meta's revenue comes from advertising. In June 2020, Apple released a change in its operating systems that is estimated to have reduced Meta's advertising revenue by \$10 billion. The change in the iOS consists of popups that ask users whether they want to be tracked when opening up an app. If the user says no, the app developer can no longer access a component in the device that's used to target and measure the effectiveness of online ads. A study from an ad measurement firm suggested that 62% of iPhone users were choosing to opt-out of sharing their ad tracking information.

A major challenge to Meta future growth is the arrival of Tiktok, a ByteDance owned company. Tiktok is a short-form video hosting service which grew very rapidly. Tiktok went global in 2018 and in October 2020, TikTok surpassed 2 billion mobile downloads worldwide. Today Tiktok has over 3 billion downloads which is one-third of the social media market. Needless to say, this has had a significant adverse impact on Meta's revenue. While Tiktok has experienced its own difficulties with challenges from government authorities, it's estimated that Tiktok's growth came at Meta's expense. Studies show that TikTok has higher user engagement than Instagram, as measured by the average time spent per user and the number of daily active users. For example, TikTok users spend an average of 52 minutes per day on the app, compared to 29 minutes for Instagram users, according to a 2020 study. TikTok also surpassed Instagram in terms of daily active users, reaching 689 million in July 2020, compared to 500 million for Instagram. This means that TikTok's high user engagement will attract more advertisers and generate more revenue from in-app purchases and sponsored content. TikTok has generated \$205 million more than Facebook, Instagram, Snapchat and Twitter combined, via in-app purchases revenue, so far in 2023. Some encouraging news for Instagram is that the launch of Reels, a video platform to compete with Tiktok, has increased viewing time on Instagram by 24%.

Finally, critics argue that Meta's focus on its new virtual reality business strategy has been unsuccessful. Meta's Reality Labs is the business and research unit of Meta that produces virtual reality (VR) and augmented reality (AR) hardware and software, such as Quest, Ray-Ban Stories and Horizon Worlds. Reality Labs has received positive reviews from users and critics for its VR headsets, especially the Quest 2, which offers high-quality graphics, wireless freedom, intuitive controllers and a large library of games and apps. However, critics point out that Reality Labs is an almost insignificant part of Meta's revenue, accounting for only 2.3% of the total in Q4 2022 it is losing a lot of money, reporting an operating loss of \$4.28 billion in Q4 2022 and \$9.4 billion for the first three quarters of 2022. Additionally, sales have declined by 17% year over year in Q4 2022, due to lower demand for the Quest 2 headset and the high price of the Quest Pro headset. Finally, critics argue that Reality Labs is diverting resources and attention away from Meta's core social media apps, which are still growing and have more potential for monetization.

Perhaps not surprisingly, Meta's revenue growth slowed and flattened during 2021 and 2022 (see Figure 1). In fact, year-over-year quarterly growth was negative during 2022. Its stock price dropped precipitously from a high of \$377 per share in September of 2021 to \$97 per share in November 2022. While the revenue was declining and stock prices were falling, the headcount at Meta continued to grow. Between 2020 and 2022, the number of employees increased by 28,000.

## The Layoffs

Faced with these many legal, competitive, and financial challenges Meta's leadership including Marc Zuckerberg, founder and CEO, and Janelle Gale, PhD, VP of HR, strongly encouraged managers to use the performance management process to classify more employees as unsatisfactory performers. They hoped that this would signal to these unsatisfactory employees that they should find another job. Subsequently, these evaluations were used to implement two rounds of workforce reductions in 2022 and 2023. These layoffs affected a total of 21,000 employees, or about 25% of its workforce. The first round of layoffs, announced in November 2022, eliminated approximately 13% of its staff, or more than 11,000 employees, mainly in the Reality Labs division.

The second round of layoffs, announced in March 2023, cut another 10,000 employees, mostly in the business groups that include operations, project management, marketing, policy, communications and risk analytics. The layoffs were part of Meta's "year of efficiency", as the company faced repeated revenue declines, heightened competition, concerns about user growth and big losses in its Reality Labs division with its focus on building the metaverse.

Meta employees who survived the layoffs reported a morale crisis that set in after losing their teammates and perks. An employee survey conducted by the company found that just 26 percent of employee respondents expressed confidence in leadership — a five percentage point drop from October 2022. And 43 percent of responsive employees said they felt valued — a 15 percentage point drop. One top performer said, "You've shattered the morale and confidence in leadership of many high performers who work with intensity. Why should we stay at Meta?" This question referred to comments Zuckerberg made in 2022 urging employees to work with more "intensity" to meet the Facebook and Instagram parent company's business challenges.

Since the layoffs, the financial picture at Meta has stabilized, at least for now. Janelle Gale, VP of Human Resources, must now worry about how to retain top performers, rebuild trust in leadership, repair a damaged performance appraisal system used to accomplish the layoffs, and improve morale and employee engagement. She must control hiring and avoid fixing problems by raising salaries and handing out large bonuses lest the "year of efficiency" be for naught. Janelle Gale is seeking advice and guidance. More specifically, Janelle wishes to obtain recommendations targeted at two questions.

1. How to identify and retain top performing employees fairly and without simply raising wages. This is not an option because that step has already been taken.
2. How to evolve the year of efficiency into a year of employee engagement that improves morale and productivity?

Janelle Gale provided you with additional information about Meta to assist in guiding your recommendations. The information is a dataset (see Excel spreadsheet) containing employee demographics and engagement survey results for a sample of 7,500 Meta employees collected in September and October, 2023.

## **Case Study Guidelines:**

Write a 1,500 word business case study describing how you would advise and help Janelle Gale achieve the goals reflected in her questions. As a consultant, your business case is your “pitch” to Janelle Gale which is intended to answer her questions and gain her business for your consulting firm.

Your business case study must be unique and an original work of your own creation. The document submitted must not exceed 1,500 words, not including references. The solution offered should be solely of your own writing and ideas. You may cite research, or other ideas by including references for any external sources paraphrased or copied.

Evidence that this business case study has quoted material or ideas obtained without proper reference or written by third parties or AI tools will result in application rejection. This assignment is designed to engage and reflect your understanding of models of psychology, business, science, and analytical methods in the service of applied problem solving.

In addition, please create a short video (5 minutes in length) of yourself addressing two topics:

1. An executive summary of your approach to the case study and recommendations for a course of action. The approach and recommendations should be your presentation to Janelle Gale and her staff - in a business format and context.
2. Explain your career goals and interests as they relate to the approach presented in the case study.

**You will find detailed instructions for uploading your written case study and the URL link to your video in the online application. (When you are logged in to the online application, click “Psychology” in the list of links on the left, then scroll down the page to “Industrial/Organizational Applicants Only”).**