

# Facebook Strategy Analysis

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## Group Case Study Report

BEMM464- Strategic and HR Analytics



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# Introduction

Facebook is the most popular free social networking website in the world. Founded by Mark Zuckerberg in 2004, the multinational holds 2.91 billion monthly active users as of 2021's third quarter (Statista Research Department, 2021). Despite the massive success of the organization, there has been many drawbacks regarding security, HR, and ethics which has kept away many million potential users.

On the 28<sup>th</sup> of October 2021, Facebook announced Meta, a new company brand that brings together every application and technology created by Facebook (Facebook, 2021). In this paper, we evaluate the firm's current strategy, identify the weaknesses, and develop different strategies and recommendations to take advantage of the rebranding for improving the reputation of the company.

## Why Facebook?

Meta/Facebook is proposing a radical change to its strategy and the way in which users view social media by introducing the Metaverse, a virtual life where people can meet, assist to concerts or play videogames.

Although this work does not assess the Metaverse strategy, we felt like it was the best moment to analyze the current situation of the business' overall and HR strategy.



# Facebook External Analysis

A very effective form of external analysis can be done on an organization by carrying out PESTLE analysis, which is seen as a framework to analyze key factors that impacts the company externally. These are political, economic, sociology, technology, legal and environment, for the case of Facebook these can assist in offering professional understanding of the external factors affecting Facebook.

## Political

Content limitations in various countries like China and North Korea, that have completely restricted access to Facebook for its resident.

## Technological

Growing number of users in developed regions use ad blockers, a threat for the organization.

Out of its 2.9 billion users, about 2.33 use Facebook through mobile phone (82%). This is an opportunity for Facebook to improve the app experience.

## Social

Opportunity to gain from increasing online buying. Facebook improved its marketplace platform to profit from retail sales.

Even though usage varies in each country, the expanding internet access in developing nations led to a rise in Facebook's popularity within these

## Economic

Improved stability in developing nations has allowed Facebook to penetrate untapped markets due to better economic stability.

Revenues decreased during Covid-19, due to a decrease in advertising prices. The reason was the fall of demand for advertising in this period.

## Legal

Improving patent laws around the world has presented Facebook the opportunity to further innovate and introduce new products.




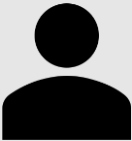


## Environmental

High carbon footprint in data centers, as Facebook datacenters are powered by coal plants releasing high emissions. The company is pressured to move to renewable sources of energy.

# Facebook Competitor Analysis

Competitor Analysis is important for each business to understand their strengths and weaknesses compared with their rivals' strengths and weaknesses. With the help of such analysis, the company can devise their strategies and formulate their visions.

Below is a summary of the competitors' facebook faces in the social media industry:

Comparison Parameters	Snapchat 		
Users 	Snapchat has an average of 230 million daily active users.	Facebook has 1.62 billion active users daily.	Twitter has an average of 322.4 million daily active users.
Content type 	Snapchat is generally involved in ephemeral content, i.e., the snaps last for 24 hours only.	Facebook has permanent posts and stories that last up to 24 hours.	Twitter has permanent posts
Authenticity 	Snapchat has been a combination of creative, ephemeral, and virtual content which is quite authentic.	It has been authentic as well, but now it is moving towards a more mature status.	The blue Verified badge on Twitter lets people know that an account of public interest is authentic



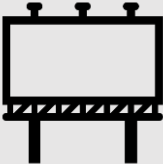
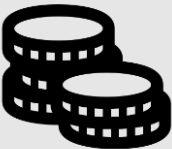

<b>Video views</b> 	Snapchat achieves an average of 10 billion video views daily.	Facebook achieves (in average) 8 billion video views daily.	Twitter achieves in average over 2 billion video views daily.
<b>Chatbots</b> 	Snapchat has not introduced Chatbots yet.	Facebook has a Chatbot in its Messenger application [Based on Artificial Intelligence]	Twitter implemented a Chatbot in 2019 with scope of improving customer support.
<b>Advertising</b> 	Snapchat is new to the field of advertising.	Facebook has established itself in the world of advertising.	Twitter has been proved to be one of the best apps for advertising.
<b>Revenue</b> 	1,715 million US dollars (2019)	70,697 million US dollars (2019)	3,459 million US dollars (2019)
<b>Market Share</b> 	-	72.22%	8.77%

Table 1- Comparing Snapchat, Facebook, and Twitter across many categories. Based on information retrieved from: Ask Any Difference, n.d.; Utz, Muscanell, & Khalid, 2015; and Nadkarni & Hofmann, 2012.

# Facebook Internal Analysis

## McKinsey's 7s:

The Facebook McKinsey 7S framework shows how seven distinct aspects of an organization can be integrated to improve efficiency. **Structure, Strategy, and systems** are hard aspects in the McKinsey 7S model, but **shared values, skills, style, and staff** are soft elements. The McKinsey 7s model is used by Facebook to improve its performance and conduct successful change management processes on a regular basis to ensure that its performance levels are consistently maintained and improved for the offers.

### Structure

Hybrid organizational structure: **hierarchical** and **divisional** models. Multiple reporting structures, employees required to work on many projects and report to multiple managers. Product-based teams on worldwide scale.

**Mark Zuckerberg** is the company's creator, Chairman of the Board, and CEO.

### System

Variety of organizational systems: **HR** systems, **information** systems, **security** systems, and **other** systems.

**Control system** to safeguard its own security against **cyberattacks**, security of its users against the **loss of personal data** and a variety of other threats to their financial, emotional, and physical well-being.

### Style

Leadership style is **participative**. Engage and include its employees in decision-making processes and managerial decisions.

Employees believe they are active members of the organization, and their **opinion is valued**.

Through participation, managers are able to recognize current and potential issues.

### Staff

Employees for various job types and positions are employed both inside and externally, depending on the level of urgency and skill required.

All workers receive **on-the-job training**. For skill level enhancement, both external and in-house training is available.

The business's HR function has a **systematic approach** for identifying possible vacancies or skill gaps. HR department provides recruiting, permanent or temporary.

## Shared Values

**Honesty, Transparency, Trust, Quality, Heritage, Creativity.**

Welcoming environment that values **diversity**. International presence and manufacturing divisions in several countries. Its operations, methods, and strategic approaches are consistent with its basic values.

## Skill

Staff with a wide range of talents and abilities. Personnel hired based on their **qualifications** and **merit**. Facebook hires the best employees and developing them further to help them **grow and develop** by organizing training and workshop, both internally and externally managed.

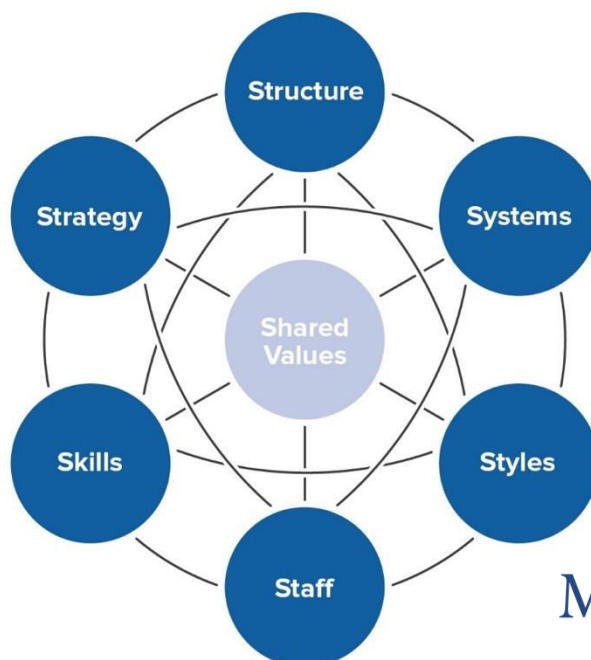
## Strategy

Business plan and strategic direction clearly defined and communicated to all employees and stakeholders. Considers **evolving customer trends and needs**, altering consumer market patterns and consuming behavior.

**Cost-cutting business model** with emphasis on **user experience**.

Always developing new goods and services while improving its current portfolio. **Growth through acquisitions** and discovery of new ways to **monetize** the site.

**\*\*\*Please see a more detailed McKinsey's 7S Analysis in the Annex\*\*\***



McKinsey&Company

# Strategy Analysis

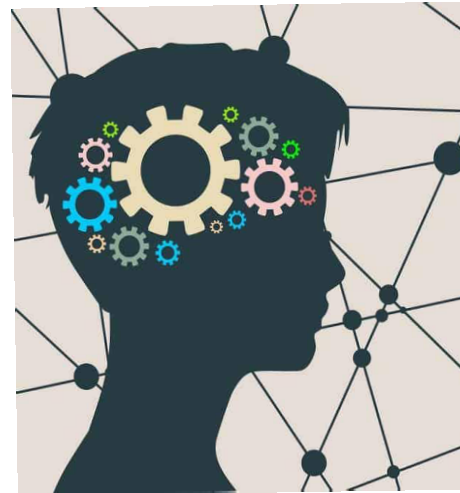
## #1. Data Leaks, Privacy, and Security

Facebook's strategy represents the company's purpose, core values and helps us comprehend the secrets behind their success (Shaw, 2020). Facebook describes their final purpose in the following statement: *"Facebook's mission is to give people the power to build community and bring the world closer together"* (Facebook, 2021). Their plan is mainly oriented to rapid growth, powerful user monetization and clever achievements, which develops Facebook's market penetration (Shukaev, 2019).

However, despite the massive growth of the company, which holds a huge 77% of the social media market share worldwide (Statcounter, 2021); the organization has been incapable of managing the gigantic amount of data under its domain. Facebook has been surrounded by diverse kinds of scandals during the last decade that incite the distancing of the company from their main goal.

### Psychological experiments without consent on users (2014)

Facebook had apologized for secret psychological tests conducted on 700,000 users. Users' news feeds were hidden from 'a small fraction' of emotional terms on the social network. This was done to see if it had any effect on the statuses or likes they posted. After changing the content of people's news feeds, the social network's experts concluded that there was 'emotional contagion'. Four months following the experiment, Facebook adopted a 'research' policy to its terms and conditions (Gibbs, 2014).



### Cambridge Analytica (2016) and User Privacy Violation Sanction (2019)

An estimated 87 million Facebook users may have had their personal data accessed by the data-analytics firm. The information comes from a personality test that was paid for by about 270,000 people and drew data from their friends' profiles as well. Email obtained by NBC shows that Facebook employees were talking about the Cambridge Analytica data breach as early as September 2015. (Price, 2019)

Facebook apologized, CEO Mark Zuckerberg testified before Congress, and the Federal Trade Commission punished the company with a record-breaking \$5 billion fine (Ma & Gilbert, 2019).





## Recommendations

The solution to this problem lies in the strength of the ethical and data security frameworks of the organization.

- The ethical framework will pay attention to how Facebook uses the data stored in their databases by users, posts, or groups. It should be based on Facebook's core values, and include some crucial aspects such as Fairness, Reliability, Inclusiveness, Transparency, or Accountability.

Principle	Definition
<b>Fairness</b>	The ability to treat individuals equally or in a fair and reasonable manner.
<b>Reliability</b>	The ability to be trusted or believed as a result of good work or behavior.
<b>Inclusiveness</b>	The ability to include a wide range of people and treat them all fairly and equitably.
<b>Transparency</b>	The practice of being open and honest with others.
<b>Accountability</b>	The attribute of being accountable for your actions and being able to justify them, or the extent to which this occurs.

Table 2- Definition of Facebook ethical framework desired core values

- Although Privacy and Security issues could be included on the ethical framework. However, due to the various scandals involving Facebook, we highly recommend a well-developed Data Security & Privacy Framework, which protects the company's data against external factors.

We strongly feel that Facebook should make the most of their **rebranding** strategy by considering it as a fresh start and revamp their reputation regarding the vulnerability of the data managed by the tech giant.

Redesigning the ethical and privacy frameworks from scratch will not be enough. There should be a strong willingness to satisfy all guidelines described in the framework. Senior managers should be trained to understand and manage the regulations implemented.

Moreover, investing in **cybersecurity** will be essential to embrace the change. Facebook should derive inspiration from Apple, who offer generous rewards to anyone who finds a security bug (Apple, 2021).

Having the strongest social media security and ethic systems will not change the population's perspective on Facebook without a great **marketing strategy**. If Facebook really aims to make people feel safe when using their applications, they should convince the people about the real change that has been made. Although Facebook could reach millions of users just by internal

channels, external channels should be used to extend the information to those who are not regular Facebook users.

## #2. Data Content Issues

Other major concerns refer to the content of the information on the social network, and the users registered.

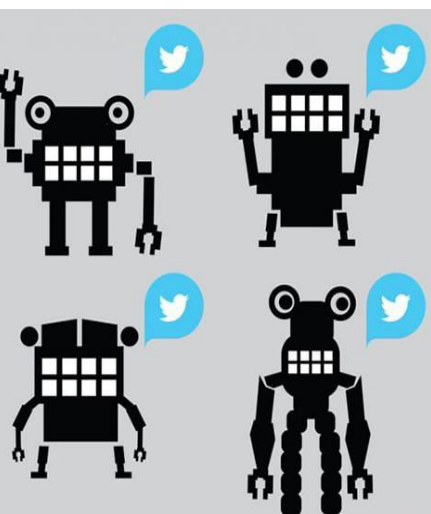


### Fake news outperform real news on Facebook (2016)

On Facebook, the most popular fake election news items received more engagement than the most popular stories from major news outlets. All but three of the top-performing fake election articles found in the study were blatantly pro-Donald Trump or anti-Hillary Clinton. A hoax alleging Clinton supplied weapons to ISIS and a scam claiming the Pope endorsed Trump were two of the most popular bogus hits, both of which were removed after this piece was published. This comes as Facebook faces criticism for allowing fake information to spread freely during the 2016 presidential election (Silverman, 2016).

### Genocide incitation in Myanmar (2018)

People familiar with the Myanmar military's Facebook operation believe it began several years ago. They created fake news pages as well as pages dedicated to Burmese pop stars, models, and other celebrities. Fake accounts with limited followers were used in one method, with caustic comments left beneath posts. Even though the page has been removed from Facebook, the hashtag #Oppositeyes continues to pull up negative remarks. (Mozur, 2018)



### The bot problem (2021)

In the first nine months of the year, Facebook said it had blocked 4.5 billion accounts. Bots, or automated accounts, made up the great bulk of those. Bots have been used to artificially boost specific postings or themes for years. Facebook estimates that 5% of its profiles, or over 90 million accounts, are false. Because manual false accounts appear more real than bots, they can be more dangerous. Such spoofs are used by political operators to disseminate disinformation and conspiracy theories. Criminals have used social media to impersonate celebrities, troops, even Mark Zuckerberg in order to mislead people into paying over money.

## Recommendations

All the mentioned issues share a common characteristic technology can solve. Recent developments in Artificial Intelligence demonstrates that NLP<sup>1</sup> can perform a fake news classifier (George, 2020), detect hate speech in news, articles, and posts (Biere & Bhulai, 2018), and identify fake users (Hao, 2020).

The information required to perform the Machine Learning and NLP techniques will be extracted from the platform. Different APIs will help us gather the data contained in news and posts required for the models.

Technique	AI branch	Data required
<b>Fake News Classifier</b>	Natural Language Processing	News, posts, accounts, groups, texts, etc.
<b>Hate Speech Detection</b>	Natural Language Processing	News, posts, accounts, groups, texts, etc.
<b>Fake User Identification</b>	Machine Learning	Number of followers, follow request, number of posts, time active.

Table 3. Data required to perform the AI techniques to manage the data content issues

Our recommendation to Facebook is to develop their AI research and Data Science departments. Investing in those departments will not be money spent in vain, as the benefits from AI will clean Facebook's community from the inside. This investment will help the organization avoid scandals related to the contents of its posts as well as avoiding influencing people's perspective on different political or global matters.

Moreover, an additional benefit of AI, is that it not only helps in improving current issues, but also in detecting patterns related to problems not raised, thereby preventing their occurrence.

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<sup>1</sup> Natural Language Processing is a group of techniques that have the objective of analyzing and understanding spoken or written language (Manning & Schütze, 1999)

# Human Resources Analysis

## Recruitment and Selection Strategy

With a total number of employees at 58,604 as of 31<sup>st</sup> December 2020 (University of Exeter library), employees in Facebook share curiosity and openness as important traits all employees must have while been guided by five core organization values.

- Move Fast-
- Focus on Impact-
- Be Bold-
- Be Open-
- Build Social Value-

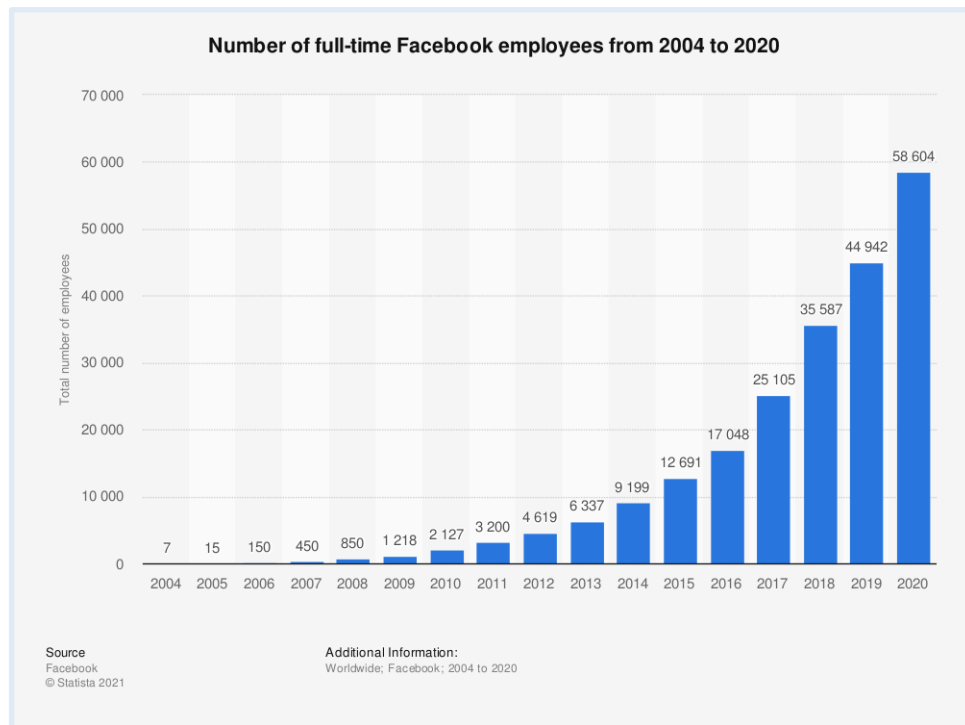


Figure 1- Facebook total number of employees 2004-2020.

Potential recruits typically go through four or five interviews depending on the role and department to determine their talent and cultural fit (Suleymanova, 2017).

## Training and Development Strategy

Facebook commits to helping their employees develop new skills and grow their career through world class professional development programs like

- Facebook Bootcamp for Engineers and Project Managers
- Facebook Leadership In Practice program (FLIP) addressing leadership best practices
- Managing Unconscious Bias program
- Engage coaching programs for new managers (Suleymanova, 2017).

Other professional development benefits available to employees include learning and development stipend, mentor programs, shadowing opportunities and access to online courses (The Muse, 2021).

## Reward and Compensation Strategies

Reward and compensation strategies define the impacts and behaviors that the firm appraises and rewards. Facebook has in place rewards and compensations both financial and non-



financial.

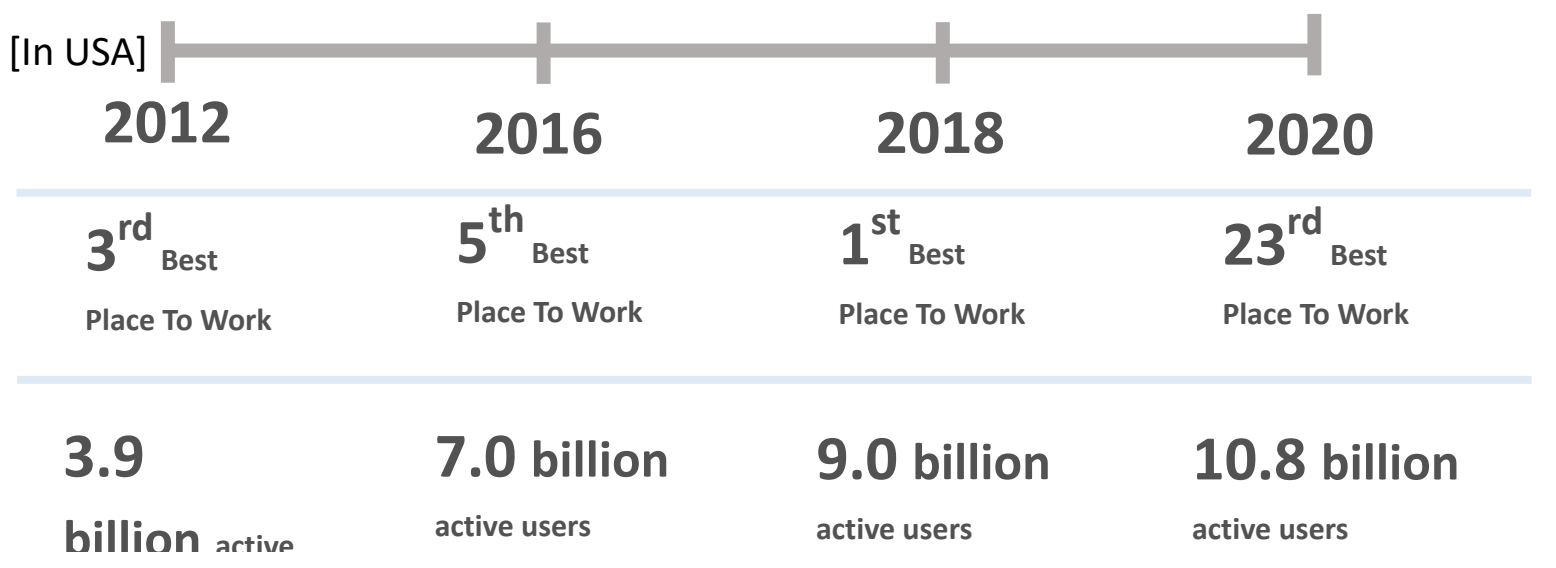
The rewards and compensations are implemented after a biannual performance review system comprising of a stack ranking performance and peer review systems. Employees are given one of seven grades with a companywide limit on the number of employees which can receive a grade (Rodriguez, Inside Facebook's 'cult-like' workplace, where dissent is discouraged and employees pretend to be happy all the time, 2019)

Overall, the organization's traditional HR activities have been enhanced and complemented with the adoption of data driven methods with decisions regarding employee's salary and duration of parental leaves, amongst others being backed up by regression data models (Janic & Warga, 2017). The tools have been used to improve process efficiency, lower environmental impacts, for fair and accurate recruitment and selection as well as employee engagement. Although, the organization's performance has improved with the adoption of data-based tools, a lot more can still be achieved (Gittings, 2019).

### #3. HR Challenges

After the Cambridge Analytica scandal, Facebook has seen a decline in its job offer acceptance rates with startups finding it increasingly easier to poach employees from the organization. Facebook's former recruiters associate this with the organization's lack of transparency and skewed values as job candidates are apprehensive of the company's privacy issues and would rather work for a company whose values align with their personal values

In addition, in the last decade, Facebook's reputation of being one of the best places to work in Silicon Valley is beginning to experience a decline. According to Glassdoor which lets employees anonymously review their workplaces, Facebook fell from being best workplace in the US in 2018 to 7<sup>th</sup> position in 2019 and 23<sup>rd</sup> in 2020 (Glassdoor, 2020).



**The more users, the more information.  
The more information, the more responsibility**

Facebook drop in rankings may be directly correlated to opinions of former employees on the leadership and performance review system of the organization described in Table X.

The stack ranking performance system does not take into consideration the long-term negative impacts on the user experience or privacy. This system is oriented just to increase the user engagement and revenue growth.

Peer reviews put pressure on employees to build relationships with colleagues to develop their careers according to a report by CNBC.

Employees believe their voices has been stifled from critical feedback or challenging leadership decisions discouraging the 'authentic self' mantra the organization claims to promote **(Rodriguez, Inside Facebook's 'cult-like' workplace, where dissent is discouraged and employees pretend to be happy all the time, 2019).**

Table 4- Facebook performance review system..

Based on the above opinions, the company overhauled its review system moving from focusing on growth to a change-oriented focus by tying employees' bonuses to a new criterium. This new criterium focuses on making progress on the major social issues facing the internet and company, building new experiences, and supporting businesses that rely on Facebook (Rodriguez, Facebook will now evaluate employees on whether they help solve 'social issues', 2019).

## Recommendations

The recent revamp of the review system may have solved some of the flaws in employees' appraisal resulting in an improvement in Facebook rankings: 11<sup>th</sup> according to Glassdoor's survey (Glassdoor, 2021).

Keeping employees happy and satisfied is vital for any organization. Therefore, Facebook still needs to aim to move up to the top positions on the Glassdoor rankings. However, Glassdoor is not as reliable as internal surveys, due to the bias and fake account aiming to manipulate rankings. Facebook should find a way to receive honest feedbacks from employees: anonymous surveys is the solution we suggest to the organization. The anonymity in the feedback survey is crucial to attain honesty.

The data that will help us reach the goal of achieving employee satisfaction which should constitute in the survey is listed below.

<b>Topic</b>	<b>Examples of questions raised</b>
<b>Employer</b>	Is the management supportive? Am I recognized for my daily tasks?
<b>Coworkers</b>	Are my coworkers able to work as a team? Are my coworkers supportive?
<b>Salaries</b>	Is the salary adequate for my position?
<b>Rewards</b>	Do my rewards motivate me?
<b>Promotion</b>	Am I satisfied with my chances of promotion?
<b>Schedule and workload</b>	Is the amount of work reasonable? Am I satisfied by the amount of time that I work?
<b>Company</b>	Do I agree with the values of the company? Is Values, infrastructure and organization

Table 5. Questions that Facebook surveys should raise in employee surveys.

By listening and understanding the employees, we might be able to achieve the ultimate goal of pleasing them in every aspect lying under Facebook's control. Moreover, some of the scandals faced by Facebook could have been avoided just by listening to the personnel.



# Conclusions

Facebook, which was founded on February 4<sup>th</sup>, 2004 in Cambridge, has now become the most valued social media platform with annual revenue of 85.9 billion dollars in 2020. For Facebook the market was set, thanks to increased broadband availability and increased Internet usage by a more diverse audience. Consumers were already conditioned by early social networks to the idea of social networking. They also presented a long list of technological and business blunders that Facebook should avoid. Facebook appears to be learning quickly in this area and reducing the time it takes to obtain above-average returns in a short period of time. Even though Facebook made over \$5 billion in 2012, it still relies on advertising and other monetization activities from its vast global consumer base. The success of Facebook is largely due to its strategic leaders and strategic acquisitions from other organizations. Users, advertisers, and stockholders of Facebook are all eager for the company to build a more lasting competitive advantage to reap above-average returns. It is critical for any company to keep its staff happy and satisfied. As a result, we recommend that Facebook find a strategy to gather honest feedback from employees: anonymous surveys are recommended to the company. In order to achieve honesty, the feedback survey must be anonymous.

Lastly, recommendations presented in this are by no means exhaustive. One limitation of this case study is the omission of the human resource challenge of diversity and inclusion in Facebook.

As can be seen from the ranking in Figure 3, Facebook despite its success over the years is not ranked among the top 10 employers of women in US in the year 2020. The organization therefore needs to do more in the area of HR diversity and inclusion.

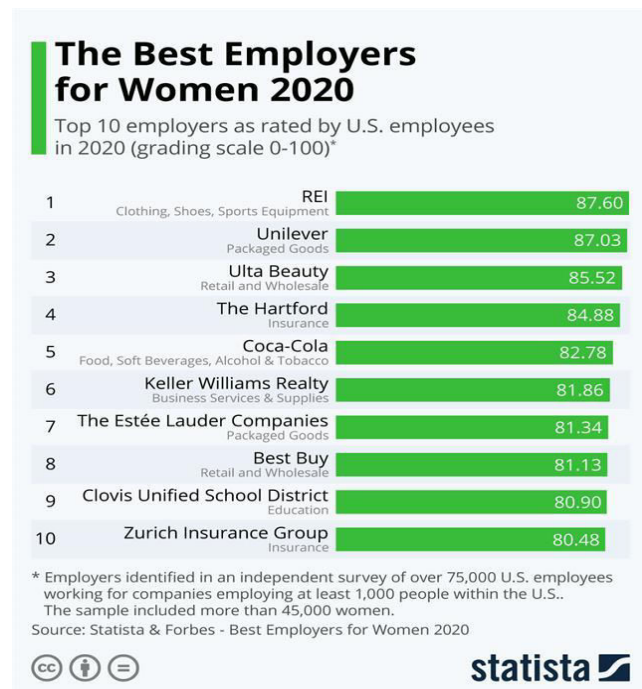


Figure 3- Best Employers for Women 2020.

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# Annex

## Internal Analysis: McKinseys' 7S

### **Structure**

Facebook Inc. features a hybrid organizational structure that combines key elements of both hierarchical and divisional models. In the workplace, a hybrid organizational structure is a framework that employs multiple reporting structures, employees are required to work on many projects and report to multiple managers under a hybrid organizational structure. The presence of several levels of management in the corporation expresses components of hierarchical structure, whilst the establishment of product-based teams on a worldwide scale expresses elements of matrix organizational structure. Mark Zuckerberg, the company's creator, Chairman of the Board, and CEO is the company's principal driving force and ultimate operational and strategic decision maker.

### **Strategy**

Facebook's overall business plan and strategic direction are clearly defined and communicated to all employees and stakeholders. One of the most essential aspects of Facebook's strategy is that it constantly considers evolving customer trends and needs, as well as altering consumer market patterns and consuming behavior. Facebook employs a cost-cutting business model with a special emphasis on user experience. According to its motto, "1% is finished," the social media corporation is always developing new goods and services while also improving its current portfolio. Growth through acquisitions and ongoing discovery of new ways to monetize the site with desirable results for the bottom line are also major parts of Facebook Inc.'s business strategy.

### **System**

The business activities of Facebook Inc. rely on a variety of organizational systems. HR systems, information systems, security systems, and other systems are among the most important for a social media organization. The corporation has put in place a control system to safeguard its own security against cyberattacks, as well as the security of its users against the loss of personal data and a variety of other threats to their financial, emotional, and physical well-being.

## **Shared Values**

Facebook's core principles are created and conveyed in order to promote a creative and supportive organizational structure that allows people to perform at their best. Facebook's key values includes: **Honesty, Transparency, Trust, Quality, Heritage, Creativity.**

Facebook promotes a welcoming environment that values diversity. It has an international presence and manufacturing divisions in several countries; as a result, the corporation ensures that its organizational culture is supportive of diversity and that internal measures to combat discrimination are in place.

Facebook ensures that all its operations, methods, and strategic approaches are consistent with its basic values and do not divert from them. This is done to maintain a consistent and trustworthy brand image.

## **Style**

Facebook's leadership style is participative. Facebook is able to engage and include its employees in decision-making processes and managerial decisions. This also allows the leadership to communicate with employees and other managerial groups on a frequent basis in order to identify and resolve any possible disputes, as well as receive feedback on strategic approaches and operations. This is also extremely effective in accomplishing the organization's commercial goals and vision. Employees believe they are active members of the organization, and their suggestions, feedback, and contribution are valued. Furthermore, through participative leadership, Facebook leaders and managers are able to recognize current and potential issues inside the company and try to address them as quickly as feasible.

## **Staff**

Across its global operations, Facebook has enough staff. Employees for various job types and positions are employed both inside and externally, depending on the level of urgency and skill required. As a result, it's clear that Facebook has people who are proficient in their respective job tasks and positions. To familiarize themselves with the organization and its ideals, all workers receive on-the-job training. For skill level enhancement, both external and in-house training is available. The business's HR function has a systematic approach for identifying possible vacancies or skill gaps that involve all other divisions. The HR department provides recruiting, which may be permanent or temporary, as well as training sessions for the current staff, depending on the nature of the requirement.

## **Skill**

Facebook has a fantastic staff with a wide range of talents and abilities. All personnel are hired based on their qualifications and merit. Facebook takes pleasure in employing the best employees and developing them further to help them grow and develop. Facebook places a strong emphasis on developing its employees' skills and capabilities. It organizes frequent training and workshops for its staff, both internally and externally managed, to provide possibilities for growth and development. Facebook places a high value on its workers' personal and professional development and works with them to achieve it.