Facebook Board of Directors, 2018

Chairs:
Claire Hsu
Wilson Spearman

Letter from the Chairs

Dear delegates,

Welcome to MITMUNC XII and the Facebook Board of Directors Committee! We are eager to see the results of your preparation for this event and for the lively discussions on Facebook's next steps given the current obstacles and ethical questions it faces today. With 2.45 billion monthly active users, Facebook and your committee pose a unique challenge in constructing resolutions that have extremely broad reach while confronting problems that do not have a lot of historical precedent. Throughout the duration of the conference, we encourage you not to shy away from the challenges of debate with your fellow delegates, and to work together to form constructive solutions.

My name is Claire Hsu, and I am a senior majoring in Computer Science and Engineering. This is my third year involved in MITMUNC - I have chaired for the UNSC and DISEC committees in past years and currently serve as the Director of External Outreach on Secretariat. Outside of MUN, I work in the Compilers Group within CSAIL doing sparse matrix optimization research and am the Vice President of my dorm, MIT McCormick Hall.

My name is Wilson Spearman, and I am a sophomore majoring in Computer Science. I was involved in MUN throughout high school and joined MITMUNC my freshman year as chair for the IAEA committee. This year I am serving on Secretariat as Director of Business Outreach. In addition to MUN, I am a member of MIT StartLabs, the undergraduate club for entrepreneurship.

Our topics for debate over the course of the conference are as follows:
I. Data Privacy
II. The Future of Facebook

We expect that you will use the research presented in this background guide as a starting point for your own research on the topics. Specifically, take time in understanding your representative's relationship with these issues. Thorough research will only serve to make the conference more enjoyable for you and your fellow delegates. We also expect that each delegate will submit a single page position paper for each topic to mitmunc-fb@mit.edu.

Good luck in all of your preparations! We look forward to seeing you and all of your great ideas at the conference this February!

Sincerely,

Claire Hsu and Wilson Spearman

Introduction to the Committee

The MITMUNC Facebook Board of Directors Committee will consist of you (the delegates) playing the role of various executives on the Board of Directors (such as Mark Zuckerberg (CEO) and Sheryl Sandberg (COO)) and other members who serve as executives in other companies and firms. Included in the committee will also be other management officers, such as Dave Wehner (CFO), Erin Egan (Chief Privacy Officer) and Make Schroepfer (CTO).

This committee will take place on April 3rd, 2018, a week before Mark Zuckerberg's appearance before Congress addressing the Cambridge Analytica scandal. Delegates are advised to keep this in mind when discussing currently implemented policies by governmental entities or actions already taken by Facebook. For example, Chris Cox at the time of this committee served as the CPO (Chief Product Officer), although he no longer serves in this position today.

Topic I: Data Privacy

Introduction

Data privacy has been one of the hottest topics on the international scale, rooting from conflicts between regulatory agencies, tech executives and companies, and the consumers whose data is at stake. An individual's right to protect their data and know what information has been collected has risen as one of the most pressing issues in light of recent data breaches of big tech companies. Most notably, the recent Facebook - Cambridge Analytica scandal exposed major holes in the way companies currently address the privacy of user data and difficulties in (or lack of) regulation of how companies handle and protect data. The explosive March 2018 exposé released by the Guardian[1] and the New York Times revealed the breach of 50 million Facebook profiles without explicit consent of users, whose data ultimately was sold to Cambridge Analytica for use in voter profiling and, later, influencing the 2016 election via the Cruz and Trump campaigns. Following several immediate policy updates and international outrage, Mark Zuckerberg (CEO) was eventually asked to appear before the United States Congress to address questions and concerns regarding the mishandling of user data, especially in the context of the Cambridge Analytica scandal. The discussions of this committee will follow Zuckerberg's agreement to testify, but before his first hearing in Congress.

As of now, data privacy is still largely undefined and not well-regulated. In the context of Facebook, the world's leading social media platform with 2.45 billion active monthly users, data privacy is largely self-regulated, with the company policy constantly evolving. One of the most widely known breach of data privacy (and very likely a point of discussion in this committee) is the

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[1] https://www.theguardian.com/news/2018/mar/17/cambridge-analytica-facebook-influence-us-election

Cambridge Analytica scandal. The scandal started with an app called "thisisyourdigitallife," which was developed under the premise of academic use, but the app was eventually provided to Cambridge Analytica, a British political consulting firm. The app involved paying several hundreds of thousands of participants to complete a survey - however, Facebook's API also allowed the app to access the information of these participants' friend networks, who did not explicitly consent to their data being used. The extent of the data breach rocketed to 87 million accounts.

Despite the Guardian article being released in early 2018, Facebook had been aware of the issue since 2015 - upon learning that the harvested data had been shared with Cambridge Analytica, Facebook CEO Mark Zuckerberg claimed "we immediately banned Kogan's app from our platform, and demanded that Kogan and Cambridge Analytica formally certify that they had deleted all improperly acquired data. They provided these certifications." Despite this, Cambridge Analytica proceeded to use such data to influence political campaigns, most notably in Ted Cruz's 2016 presidential campaign[2], Donald Trump's 2016 presidential campaign, and Leave.EU's campaigning during the UK referendum on EU membership[3]. Such data fed into psychological profiles that geared advertising towards specific voter profiles, and investigations are currently ongoing to determine their exact role in influencing these elections.

Following the report, CEO Mark Zuckerberg posted an update on his Facebook page, stating "we will investigate all apps that had access to large amounts of information before we changed our platform to dramatically reduce data access in 2014.....we will restrict developers' data access even further to prevent other kinds of abuse......we want to make sure you understand which apps you've allowed to access your data"[4] as some of the company's future policy changes. These

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[2] https://www.theguardian.com/us-news/2015/dec/11/senator-ted-cruz-president-campaign-facebook-user-data
[3] https://www.npr.org/2018/03/20/595338116/what-did-cambridge-analytica-do-during-the-2016-election
[4] https://www.facebook.com/zuck/posts/10104712037900071

changes were implemented a week later, most notably including tools to find, download, and delete Facebook data as well as making privacy controls easier to find[5].

In light of the scandal, Facebook also withstood various legal and political claims. Congressional committees (Commerce, Judiciary, and Intelligence Committees) met with Facebook executives like Rob Sherman (Facebook's deputy chief privacy officer).[6] Mark Zuckerberg was called to testify in front of Congress. The date of the hearing would later be set to April 10, 2018 (so with respect to the timing of this committee, this hearing still has not happened). At this point, the FTC also began investigating Facebook's use and handling of data. Several lawsuits raised concerns about Facebook's management of data privacy, such as claims that Facebook violated the Electronic Communications Privacy Act or that Facebook enabled user tracking outside the social media site, via "like" buttons on third party pages.[7]

Media Coverage

Despite the public outrage over the leak, there had already been several concerns with Facebook and data privacy in the past, as well as actions to remedy breaches and satisfy new regulatory policies. In 2011, the FTC settled a complaint against Facebook[8] claiming that they had deceived users on what data could be made private and what data was kept private. The charges came from 2009, when Facebook made data like friends lists public while failing to notify users who had originally kept such information private. Facebook also failed to have sufficient restrictions in the data third party apps could access from users. (After the Cambridge Analytica scandal broke out, the FTC began its investigation to determine whether this 2011 settlement was breached.) Following

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[5] https://about.fb.com/news/2018/03/privacy-shortcuts/

[6] https://www.nytimes.com/2018/03/27/technology/facebooks-zuckerberg-said-to-agree-to-testify-before-congress-over-data-privacy.html

[7] https://www.nytimes.com/2018/03/26/technology/ftc-facebook-investigation-cambridge-analytica.html?action=click&module=RelatedCoverage&pgtype=Article&region=Footer

[8] https://www.ftc.gov/news-events/press-releases/2011/11/facebook-settles-ftc-charges-it-deceived-consumers-failing-keep

this, Facebook also ran into various bugs that exposed private user information (2013) and began enforcing restrictions on third party app usage of its API (2015). In January 2018, Facebook posted an update[9] discussing its commitment to data protection with regards to the GDPR (General Data Protection Regulation), regulations set up by the EU that define and enforce data protection.

Today, Facebook has a Data Policy on its website to describe what information it collects, how it uses the information, and how it shares this information with others, most notably third party companies. Lastly, the policy also details how users can manage and delete their own data. It is clear that data privacy has risen as one of the pillars of ethics associated with tech and social media, and companies such as Facebook have placed a much larger emphasis on complying with new regulations and making it clear to users what data protections they have.

In addition to the ethical concerns that this committee will have to face in determining next steps or handling the ongoing crisis, the board should also consider how current events and possible resolutions influence Facebook's growth and stock, as well as that of the rest of the tech industry. Some fear that this data privacy issue would cause the tech bubble to burst, and incoming government regulation promise future increases on corporate taxes as society must now reconsider how the commercial use of data is counted.[10] Financially, in the wake of the Cambridge Analytica scandal, stock prices dropped from 185.09 (3/16/2019) to 156.11 (4/3/2019), and Facebook was estimated to have lost $70 billion in 10 days, as advertisers pull out and the FTC investigation continues.[11] On a broader scale, Facebook's actions will also undoubtedly affect the trust of consumers in the entire tech industry.

9 https://www.facebook.com/business/news/facebooks-commitment-to-data-protection-and-privacy-in-compliance-with-the-gdpr
10 https://finance.yahoo.com/news/facebooks-troubles-beginning-another-dot-com-bubble-bust-economists-warn-133949338.html
11 https://business.financialpost.com/technology/u-s-ftc-investigating-facebooks-privacy-practices

Because the Board of Directors all have different backgrounds, it may be interesting for delegates to take this into account and tie this into their opinions on data privacy. For example, Reed Hastings (CEO of Netflix) has a markedly different background than Susan Desmond-Hellman (pharmaceutical background, now CEO for the Gates Foundation) and may have different approaches to the challenges Facebook faces today. All these members may have their own ulterior motives in influencing Facebook's policy towards data privacy, and their role will also be very different from that of Facebook executives like Zuckerberg and Sandberg. Each executive will also have their own challenges to keep in mind - for instance, Schroepfer (CTO) will likely be concerned with the engineering cost of modifications towards data storage, whereas Wehner (CFO) will be interested in the financial impact of any possible resolutions.

Data privacy is not just limited to Facebook - all companies at this time will deal with this issue and implement their own solutions. It would be interesting for delegates to look at other apps like Signal or Telegram (which pride themselves in user privacy) or other tech companies like Google and Microsoft and explore their approaches to addressing data protection.

Questions to Consider:

- How will Facebook immediately address the current Cambridge Analytica scandal and Zuckerberg's upcoming Congressional hearing as well as continue to implement long-term policies to prevent future data breaches?
- What are the financial and ethical implications of possible solutions? How do you balance them?
- What are the current positions on data privacy that various board members hold, and how would their past actions in their industry motivate or influence their opinions towards data protection policy now?

- Consider the actions Facebook did take post-2018. What would you change? What actions were better well-received, and what actions received heavy criticism?

Relevant Sources:

A full timeline of Facebook's data privacy issues, with an emphasis on the Cambridge Analytica scandal - https://www.techrepublic.com/article/facebook-data-privacy-scandal-a-cheat-sheet/
https://www.nbcnews.com/tech/social-media/timeline-facebook-s-privacy-issues-its-responses-n859651

A list of board members at the time of this committee - http://web.archive.org/web/20180403035604/https://investor.fb.com/corporate-governance/default.aspx
(As a note, web.archive.org is a great resource for seeing the state of websites or policies at a specific point in time.)

The original Guardian and NYTimes article - https://www.theguardian.com/news/2018/mar/17/cambridge-analytica-facebook-influence-us-election
https://www.nytimes.com/2018/03/17/us/politics/cambridge-analytica-trump-campaign.html?module=inline

Topic B: The Future of Facebook

Introduction

April of 2018 is a pivotal time for Facebook as the Cambridge Analytica scandal explodes and Mark Zuckerberg is gearing up to testify to the United States Congress. As Facebook prepares to face the world, it is also an important opportunity for the social media giant to look inward and evaluate what the future will be for Facebook. Many critics believe that Cambridge Analytica was a natural result of Facebook's advertisement based business model that generates more profit when users engage with ads and spend more time on the platform[12]. Given such criticism, the Facebook Board of Directors may want to consider the future of Facebook's business model, what technologies are important for Facebook's future, and how Facebook will continue to address tough questions such as those centered around privacy or "fake news". Delegates' task as a member of Facebook's Board of Directors or as a Facebook executive is to give guidance and share their opinions on how to move forward. It is important for delegates to consider personal motives and interests alongside the interests of the company.

For years, Facebook has thrived and grown to be the largest social media platform in the world by following a business model based on advertisement. Facebook has always been a free service that has made money by using user data to allow targeted ads to reach the demographics and groups companies want to reach. This model was effectively implemented by Chief Operating Officer Sheryl Sandberg, who is often credited as the person who was able to turn Facebook into a profitable company[13]. In April of 2018, however, many are wondering if this business model has had unintended consequences that led to a failure by Facebook to effectively protect user data or

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[12] https://www.nytimes.com/2018/03/19/opinion/facebook-cambridge-analytica.html
[13] https://www.newyorker.com/magazine/2011/07/11/a-womans-place-ken-auletta

complete its mission of "bringing the world closer together"[14]. It is important to consider if this is still the best model for Facebook or rather if Facebook should consider alternatives such as a "freemium" model based around subscriptions[15] or if Facebook should expand its business model and revenue stream to include new markets like selling hardware or other software. Facebook has always sought to provide a free service to its users, but it is important to consider at what cost this will be to users' private information and how it affects the platform[16].

Business Model

Facebook also has a long history of acquisitions[17] that include companies such as Instagram, Oculus, and WhatsApp. These acquisitions have been essential in allowing Facebook to continue to innovate. Each acquisition, however, makes Facebook a larger and more complicated company that can present challenges in terms of management, scaling new products, and facing regulation. The acquisition of Oculus, for instance, has not generated the explosion in value Facebook has seen after other acquisitions[18]. It also led to issues regarding management with the co-founder of Oculus, Palmer Luckey, eventually leaving Facebook following the acquisition[19]. The acquisition of WhatsApp and Instagram, however, are regarded as great successes that helped Facebook establish its position as the king of social media and paid off well[20]. Mergers and acquisitions are an important factor to think about in any analysis of Facebook's business model. In evaluating the current business model for Facebook, consider the challenges of shifting to another model, the drawbacks

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[14] https://www.facebook.com/zuck/posts/10154944663901634
[15] https://techcrunch.com/2018/02/17/facebook-subscription/
[16] https://hbswk.hbs.edu/item/what-should-mark-zuckerberg-do
[17] https://www.techwyse.com/blog/infographics/facebook-acquisitions-the-complete-list-infographic/
[18] https://www.cnbc.com/2017/10/11/facebook-2-billion-bet-on-oculus-not-paying-off-commentary.html
[19] https://www.pcmag.com/news/356759/palmer-luckey-cant-really-talk-about-oculus-facebook
[20] https://techcrunch.com/2018/01/31/whatsapp-hits-1-5-billion-monthly-users-19b-not-so-bad/

of the current and other potential models, and what Facebook ultimately seeks to accomplish as a company and as a product.

When thinking about how Facebook will develop its business model going forward, it is also essential to analyze the technologies that Facebook will invest in and implement. Facebook was built as a social media platform for college students, but has since expanded well beyond this in the scope of the technologies they are involved with. Most notably, Facebook has made serious moves in the virtual reality space through the acquisition of Oculus and is also gearing up to be the first major corporation to get involved in the blockchain and cryptocurrency space. Unbeknownst to the public in April of 2018, Facebook has formed a small team of elite developers who are working on a top secret cryptocurrency product. The company is considering moving David Marcus, head of Messenger and former CEO of Paypal, to the blockchain division. (Note that Marcus was officially moved in May of 2018[21], after this committee takes place. This means the decision is in the committee's hands and does not need to reflect what actually happened.) While there are immediate decisions to be made about what direction this team should make, Facebook must also consider the long term in terms of technology investments. What will blockchain and virtual reality mean to Facebook today and in the future? Are there other technologies that Facebook should invest in? These are questions the Board should be prepared to weigh in on. It is important to think about how these technologies will allow Facebook to survive in the long run and which of them will allow Facebook to remain relevant.

While pushing to innovate in terms of business and technology, Facebook must also put in considerable effort to restore trust and prevent detrimental regulations in the future. Facebook has had considerable trouble responding to fake content on its platform and dealing with data privacy,

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[21] https://www.theverge.com/2018/5/8/17332894/facebook-blockchain-group-employee-reshuffle-restructure-david-marcus-kevin-weil

and it is important that the Board start developing answers and charting a path for the future on how to appropriately handle these issues. If Facebook is unable to solve these problems itself, it may be the target of governmental investigations that could lead to fines and a damaged reputation, as well as regulations that could make Facebook's ad-based business less profitable. Facebook so far has looked to technology and new policies regarding advertising as a method to curtail fake news on the platform and has developed a unique approach to each different problem it faces[22]. Facebook has already decided to spend a considerable amount of resources in response to the 2016 Presidential Election to protect users from explicitly false content generated by malicious state actors by hiring AI and people both to combat the issue[23]. This will be an expensive solution and may cut into profit margins. At the same time, however, Facebook must also deal with a more complicated type of fake news. News that is in a grey zone of truth and mistruth can be a complicated thing for a platform like Fakebook, which doesn't want to decide what is true and false on behalf of users[24]. The response so far has been to stop more controversial content from spreading fast on the platform. The Board should give guidance on strategies for combating fake news and lay out a strategy for addressing this problem in the future. United States regulators are closely watching how Facebook deals with this problem and many others when considering potential regulations to put into place and whether or not Facebook is responsible enough to regulate itself. Thus, decisions made by the Board will have serious consequences for the company if they are not effective.

In developing an understanding of how Facebook should think about the future at this pivotal point in April 2018, note that there are an extremely large number of options that each have their own tradeoffs. Each person in the room will have a unique perspective and objective regarding deciding on the best course of action. Understanding what has actually happened to Facebook post-

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[22] https://www.vox.com/technology/2018/4/3/17188332/zuckerberg-kinds-of-fake-news-facebook-making-progress
[23] https://www.cnbc.com/2017/11/01/facebook-says-costs-will-rise-to-go-after-fake-news.html
[24] https://www.vox.com/technology/2018/4/3/17188332/zuckerberg-kinds-of-fake-news-facebook-making-progress

April 2018 can be helpful for analyzing what went right and wrong at this key moment, but do not allow it to restrict potential options. The Board can push the company to move in any direction to uniquely address the future of Facebook.

Questions to Consider:

- What will be the future of Facebook's business model? Will ads continue to dominate? What will be the primary sources of revenue for the company over the next year, decade, and beyond?

- What areas of technology does Facebook believe will be important in the future? What should resources for Research and Development go towards?

- How will Facebook deal with fake news, false information, and political campaigns? Specifically consider the 2020 Presidential Election.

- What role will companies acquired by Facebook play in Facebook's future? Consider examples like WhatsApp, Instagram, and Oculus.

- How will Facebook continue to compete with other social media both today and in the future?

Relevant Sources:

The New York Times Opinion article about Cambridge Analytica and its relation to Facebook's business model- https://www.nytimes.com/2018/03/19/opinion/facebook-cambridge-analytica.html

Harvard Business School article analyzing Facebook's business model-

https://hbswk.hbs.edu/item/what-should-mark-zuckerberg-do

CNBC article discussing the acquisition of Oculus- https://www.cnbc.com/2017/10/11/facebook-2-billion-bet-on-oculus-not-paying-off-commentary.html

Types of Fake News and how Facebook deals with them-

https://www.vox.com/technology/2018/4/3/17188332/zuckerberg-kinds-of-fake-news-facebook-making-progress

CNBC Article about the cost of tackling fake news-

https://www.cnbc.com/2017/11/01/facebook-says-costs-will-rise-to-go-after-fake-news.html