

# Multinational Corporations and Crisis Management: An Evaluation of Facebook-Cambridge Analytica Data Scandal

<sup>1</sup>Chukwurah, Daniel Chi Jnr, PhD, <sup>2</sup>Akam, Benjamin Ekene, <sup>3</sup>Moses Nnamdi

<sup>1</sup>Department of Public Administration, Chukwuemeka Odumegwu Ojukwu University, Igbariam, Nigeria

<sup>2</sup>Department of Political Science, Tansian University, Umunya, Nigeria

<sup>3</sup>Department of Political Science Nnamdi Azikiwe University, Awka, Nigeria

**Email:** dc.chukwurah@coou.edu.ng<sup>1</sup>, akambenakam@gmail.com<sup>2</sup>, Nnamdimoses7@gmail.com<sup>3</sup>

**Abstract:** *The be-all and end-all cum essential element of all organizations is the achievement of set organizational goals or objectives and in order to attain those objectives, organizations must overcome challenges or crisis as they arise. No organization can effectively and efficiently actualize organizational objectives without a robust crisis management techniques and team. The paper been a qualitative study and making use of secondary sources of data generation as well as adopting documentary analysis, investigated one of such crisis involving a Multinational corporation – Facebook Inc., its corporate social responsibility efforts and how the corporation managed the crisis. It also provided a critique of Facebook’s management of the crisis and recommended inter-alia that though Facebook scaled through the scandal, they really should have responded earlier than they did. as well as conduct a steady online survey to determine how best to improve on their services vis-à-vis users’ privacy.*

**Keywords**—Multinational Corporation, Crisis Management, Facebook, Cambridge Analytica

## 1. Introduction

Things might appear to be all rosy for an organization, however, it is expected that such organisation should be at all times, ready to face the worst because things could go off the mark at any point in time. Such unforeseen skew in an organisation’s curve might lead to crisis such as bankruptcy or worse which can effectively be amended only through strong crisis management. In some cases, the skew in the curve could amount to unprecedented criticisms or allegations by the organization’s publics or stakeholders. In recent years, many companies had suffered such despite Corporate Social Responsibility (CSR) efforts and Facebook Inc. was not exempted.

Founded in 2004, Facebook became a social networking site since 2007 and has more than 2.45 billion monthly active users, making it the largest online social network (Jayasekara, 2015; Sehl, 2019). It contains a certain degree of personal information about each user. According to Grimmelmann (2008, p.9), “a fully filled-out Facebook profile contains about 40 pieces of recognisably personal information, including name, birthday, relationship status, favourite books, movies, and so on; educational and employment history; and of course, picture”. Subscribers entrust Facebook with their private information for various reasons and safeguarding such information should be one of the foremost Corporate Social Responsibility of Facebook Inc. However, there was a privacy issue with Facebook which acquiesced third-party app developers to extract personal data about subscribers and their friends from 2007 to 2014 (Wong, 2018) and thus, certain individuals were at that time, possessors of personal data of Facebook users. This privacy issue begot a great scandal in 2018 which involved Cambridge Analytica and how they utilized Facebook users’ private data for politics and Facebook Inc. was considered a culprit.

Facebook had been accused of failing to thwart Russia’s attempts to manipulate the 2016 U.S. election; criticised for enabling the rapid spread of fake news, for allowing the broadcast of shocking murders and suicide through the Facebook Live streaming service; and for having too much market and cultural power but nothing before threatened Facebook like the Cambridge Analytica scandal (Spangler, 2018). This paper therefore discussed this crisis that befell Facebook Inc. and evaluated how they dealt with it.

## 2. The Facebook-Cambridge Analytica Data Crisis: A Summary

In early 2018, the news about the illegal manipulation of Facebook data by a British political consulting firm named Cambridge Analytica during the Trump’s 2016 election campaign became viral and it raised concerns and questions concerning the privacy and security of personal information of Facebook users among others. According to Granville (2018) Cambridge Analytica reportedly gained access to the data or personal information (names, gender, locations, Facebook “likes” and so on) of over 50 million Facebook users and misused that data for political influence during the 2016 presidential election. The central accusation was that at least, one Facebook board member was aware of the real ongoing purpose of the data harvesting almost two years before the company claimed to have learned the facts from the press (Doffman, 2019). According to Blackburn et al. (2018), below is a breakdown of what happened:

1. In return for \$1 – \$2, roughly 270,000 people downloaded a Facebook app called “thisisyourdigitallife.”
2. With users’ consent, the app pulled information from their and their friends’ Facebook profiles.

3. The researchers who created the app then passed the data to Cambridge Analytica without users' permission — a violation of Facebook policy.
4. The data was then allegedly used by Cambridge Analytica to build psychographic profiles of users and their friends, to help the Trump campaign identify voters for targeting, to provide advice on where to focus campaign efforts, and even what to say in speeches.

The strategy Cambridge Analytica adopted for Trump's campaign is called Microtargeting which according to Borgesius, et al. (2018, p.82) is "a type of personalised communication that involves collecting information about people, and using that information to show them targeted political advertisements." Research suggests that Facebook personal data such as "Likes" or "shares", can be used to predict personality, political persuasion, age, gender, and a long list of other traits and intentions (Blackboard, et al., 2018; Bennett, 2018). So, they Combined psychographic and demographic data of Facebook users to determine voter-targeting strategies for Donald Trump's presidential campaign. (Henriksen, 2019). It is important to note that the data acquired was not without the knowledge of Facebook Inc. because they agreed that from 2007-2014, they allowed researchers access to data for academic purposes but the Cambridge University researcher, Aleksandr Kogan mishandled or as claimed, sold or transferred the data he had legally acquired and therefore, birthing the Facebook-Cambridge Analytica scandal (Granville, 2018).

When all these came into limelight, Republican leaders of the Senate Commerce Committee of America and the Parliament of the United Kingdom, distinctly, sent letters to Mr. Zuckerberg asking him to appear before Congress and the Committee, respectively, to answer questions on Facebook's links or ties to Cambridge Analytica and demanding answers to questions about how the data was collected (Granville, 2018). Kogan on the other hand, filed a lawsuit against Facebook for defamation, for faking ignorance and for using him as a scapegoat when they were aware of events all along (Doffman, 2019). In line with the foregoing, Doffman (2019) cited the Observer who claimed that Facebook executives had insight into what Cambridge Analytica was planning but successfully covered up the extent of its relationship with the firm. And ultimately, the #DeleteFacebook campaign began to trend and a lot of users, including celebrities and personalities, deleted their Facebook accounts/pages and deleted their Facebook app (Spangler, 2018).

### **3. Facebook Inc. and its CSR Efforts: A Synopsis**

The genesis of Facebook began in February, 2004 when Mark Zuckerberg with the help of Andrew McCollum and Eduardo Saverin lunched a website "The Facebook" which started as a community of 1200 Harvard University students (Croft, 2007). Its traffic grew by 97% by May, 2007 after it had gotten registered as Facebook.com in August, 2005 and right now, Facebook is the leading social network in the world based on page views and visitors (Sehl, 2019). "As a conversation medium for users which search for people in the Internet, personal data of the users can appear in the search result from the search engines. The direct usage and communication in Facebook requires a sign up for the user. The users have an average 130 friends and spend all together over 700 billion minutes per month on Facebook", (Facebook, 2011 cited in Linke, 2011, p. 4). It has been a social networking site for over 2 decades and had been making lots of profits through advertisements, mainly due to the user traffic on the website. Serrano (2018) argued that since we do not pay to use Facebook, then someone is utilizing our personal information, which has become a valuable source. He called this act of feeding on data, "covert data mining" and it is a lucrative business for companies such as Facebook that position segmented content (like adverts) on our Facebook feed.

Like every other company, Facebook has its stakeholder groups whom they work for or work with and owe it to them to involve in corporate social responsibility programmes. These Facebook stakeholder groups include: Users, advertisers, employees, governments and communities (Kissinger, 2018). According to Piper (2015), Facebook does not have an official CSR programme or provide CSR reports but still participate in a lot of activities of a CSR nature for their stakeholder groups in order to satisfy their interests. However, the company dedicated a Facebook page called "Green on Facebook", and a website at [www.sustainability.fb.com](http://www.sustainability.fb.com) where its charitable programmes and CSR activities are announced regularly (Dudovskiy, 2017).

Facebook educate and empower its workers by placing them in roles that empower their strengths and encouraging them to criticize their managers (Gillett, 2015); they focus on employees' safety by providing free food, a healthy work/life balance and a doctor, chiropractor, physical therapist on the work premises (Piper, 2015). Ultimately, they are known to have an employee satisfaction of 93% due to competitive pay (Dudovskiy, 2017).

The company also helps local communities. As observed by Dudovskiy (2017), one of such philanthropy is that the company sponsored solar installations on homes in Belle Haven and also built the Belle Haven Community garden through its partnership with Menlo Spark and Grid Alternatives. Piper (2015) also identified how Facebook CSR extends indirectly to various sects in the globe such as the support given to Australia anti-bullying by partnering with Australian anti-bullying initiative called "Speak Up Against Cyber-bullying"; aiding the Ebola campaign by promoting health education posts by UNICEF at the top of newsfeeds in places affected with Ebola.

Users or subscribers of Facebook are very essential in the company's schedule for CSR because the company's progress depends on how active they are or how frequently they visit their website. As stakeholders, users are interested in the ease if using the firm's social media services and in the privacy and security of personal information; therefore, Facebook's CSR on the part of the users is to continue to improve its social networking website and mobile apps to make it easier for users to protect the privacy

of their accounts (Kissinger, 2018). It was on this aspect that Facebook was found wanting and was called out by the press for being careless and possibly, an accomplice in the illegal and unethical use of subscribers' personal data for political campaign in 2015.

#### 4. Facebook's Management of the Crisis

In the face of the scandal, the strength of Facebook's public relations or crisis management team was tested. Facebook did not turn a blind eye on the allegation but the response to the allegation did not come as promptly as expected. Spangler (2018) observed that it was evident that Facebook did not immediately know how to respond and bad public relations would blow over. On the fourth day of the scandal exposure which was on the 21<sup>st</sup> of March, 2018, a response to the allegation emerged (Seth, 2018). Mr. Zuckerberg, communicated to Facebook users, the company's own side of the story, apologised and promised users a better privacy on his Facebook wall and a handful of media outlets including a televised interview with CNN (Wong, 2018). Facebook took responsibility of what went wrong because the misused data was obviously from their platform but denied having knowledge of the leak because they had earlier asked Kogan to get rid of the data he had acquired from Facebook during his research and that sharing people's information was a breach of Facebook's terms and conditions (Frenkel and Roose, 2018).

Additionally, during the second session of the hearing before the committee on energy and commerce house of representatives one hundred fifteenth congress headed by Greg Walden in April 11, 2018, Mr. Zuckerberg promised that the management was doing their best to:

- Safeguarding the platform in such a way that developers like Kogan who got access to a lot of information in the past cannot gain access to as much information going forward.
- Investigate other apps that had access to a large amount of information before locking down the platform in 2014 and ban them if anyone is found using data improperly. Everyone affected would also be notified.
- Build better controls by making it easier to understand which apps users have allowed to access their data and provide an easy way to revoke the apps permissions to their data through privacy settings improvement.

Serrano (2018, p.2) cited exactly what the company did or was doing to improve users' privacy settings thus, "In its official blog the company states: 'We've heard loud and clear that privacy settings and other important tools are too hard to find and that we must do more to keep people informed.' The company is announcing a 'New Privacy Shortcuts menu' where users can control their data 'in just a few taps, with clearer explanations of how our controls work. The experience is now clearer, more visual, and easy-to-find'."

In the end, there were fines to be paid. Facebook was forced to pay a fine of \$5 billion by the Federal Trade Commission because they failed to safeguard the users' information and that it failed to be transparent about how data was harvested by others (Hern and Pegg, 2018; Kang, 2019). The Information Commissioner's office in the UK also issued a fine of £500,000 for the same reason (Waterson, 2018) Cambridge Analytica bore more of the brunt and announced their closure on the 2<sup>nd</sup> of May, 2018 because of concerns over legal fees and the loss of clients following the data scandal (Keach, 2018) but Facebook still stands.

#### 5. Critique of Facebook's Management of the Crisis

It is worthy to note that even though Facebook scaled through the scandal and still running till date, there were good and bad criticisms about how they responded to such a huge scandal. Some critics applauded Facebook's response. According to Seth (2018) the one thing Facebook did extremely right was that they accepted the mistake and took full ownership of the incident. In Mr. Zuckerberg's words during the hearing in the US Congress, "Facebook is an idealistic and optimistic company but it is clear now that we didn't do enough to prevent these tools from being used for harm as well. That goes for fake news, foreign interference in elections and hate speech, as well as developers and data privacy. We didn't take a broad view of our responsibility and that was a big mistake. It was my mistake, and I'm sorry. I started Facebook, I run it and I'm responsible for what happens here" (Rushe, 2018). He also described what happened as a breach of trust between Facebook and the people who share their data with them and said in an interview with Anderson Cooper 360, "we have a responsibility to protect your data, and if we can't, then we don't deserve you" (Wong, 2018). Facebook equally made strong promises to retrace their steps and do the needful...such that would make people trust them again. This is evident in the testimony of Mr. Zuckerberg during the hearing before the United States House of Representatives Committee on Energy and Commerce on the 11<sup>th</sup> day of April, 2018, pp. 10-16.

Nonetheless, some other critics argued that Facebook's response to the scandal was not enough. For Serrano (2018, p. 2), "Mark Zuckerberg took longer than he should have to offer his first noncommittal – and clearly insufficient – explanation on his Facebook wall", because by the time he made the statement, U.S. and British authorities were already asking him to testify before Congress and a parliamentary committee. Due to this delay, the momentum behind the #DeleteFacebook movement gained steam and when Mr. Zuckerberg finally came out to address the public, some users were not convinced (Spangler, 2018). Additionally, some aggrieved Facebook users, in an interview as cited by Frier (2018) observed that Facebook's response, particularly, the solutions he proposed was only about the known (outside developers that have accessed Facebook user details through login tools) and did not account for the main problem – systematic problems, which would have helped people understand why the data harvesting occurred in the first place.

## 6. Conclusion and Recommendations

Undoubtedly, the crisis that befell Facebook Inc. was a huge one because it did not just awaken the fury and disappointment of the users who had been promised that their personal data would be protected, it sparked up legal proceedings and thorough investigations involving the government of two powerful countries: The United States of America and the United Kingdom. The data had been used for a political campaign by Cambridge Analytica and to understand how the data was harvested from Facebook was pertinent. Taking responsibility of what happened was one of the first communication strategies Facebook used in response to the scandal because, safeguarding users' personal information is one of most important CSR of the company. But they clearly denied being part of the misuse of data and claimed being ignorant of the whole process. The next step was apology and then, the promise for better privacy for subscribers. The scandal caused the closure of Cambridge Analytica but Facebook still stands despite being fined heavily by authorities of the US and the UK.

Even though they scaled through the scandal, they really should have responded earlier than they did. A quick response to such crisis is enough to weigh the readiness of a company's crisis management or public relations team. The delay did not portray Facebook as ever ready to face such crisis, so, they need to work on the section responsible for almost instant communication when faced with crisis. A steady online survey will help Facebook team to determine how best to improve on their services especially as regards users' privacy which is the genesis of the Cambridge Analytica scandal and may yet cause another if not well addressed.

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