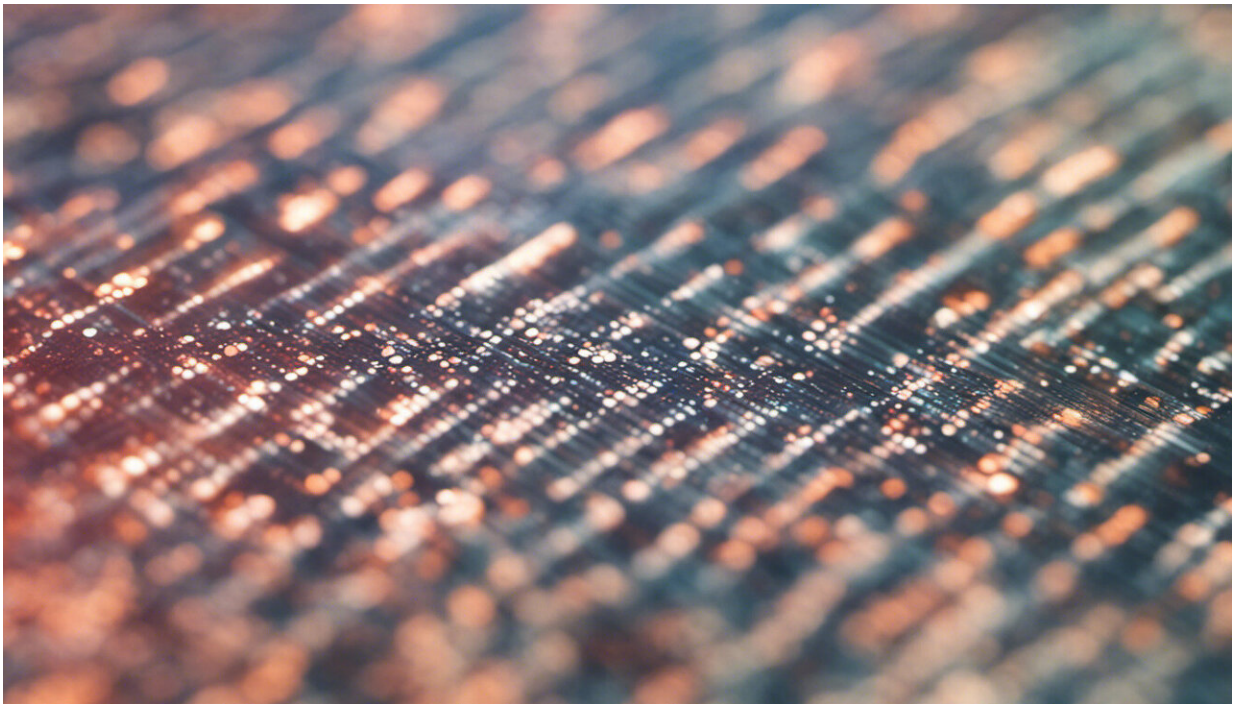


Facebook controversy raises ethical questions for corporations

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Credit: AI-generated image ([disclaimer](#))

This week, Facebook whistleblower Frances Haugen testified about the tens of thousands of pages of internal documents she leaked exposing how Facebook prioritized profits over the public's safety and called on lawmakers to regulate the social media network.

By bringing to light the consequences of Facebook's algorithms, Haugen's testimony has forced corporations to rethink their relationship with Facebook and use of consumer data, according to digital media experts at Olin Business School at Washington University in St. Louis.

"Most advertisers who invest in Facebook or other [social media platforms](#) are aware of the ways in which these technologies collect and use customer data to improve the ROI (return on investment) of advertising dollars. In fact, these capabilities are positioned as a selling point," said Michael Wall, professor of marketing practice and co-director of the Center for Analytics and Business Insights at Olin Business School.

"That said, other aspects of how Facebook and others drive great returns for their advertisers have been hidden within their algorithms. The whistleblower has changed that. Advertisers are now aware, and they will now be faced with decisions related to both the ethical use of data and being values-based."

According to Wall, [business leaders](#) should be thinking hard about how their firms—many of whom have become dependent on platforms such as Facebook for business growth—will use customer data responsibly.

"Certainly, the amount of users on these platforms is appealing in that it enables marketers the ability to reach a lot of consumers. That said, the real value is driven by the algorithms within these platforms that track everything we say and do to pinpoint which of those users should see our content, when and how many times," Wall said.

This raises ethical questions about what is appropriate to not only track, but also share with third parties—some of whom use the data to advertise and track consumers beyond the original platforms. It's easy to focus on Facebook given its behemoth size, but any company using

consumer data is at risk of causing harm to its consumers.

"Every organization with access to rich consumer data, using Facebook as an advertising vehicle or not, must at least from time to time confront the dilemma: should some information be used to improve the profit line in the short run even though it might not be in the best interest of a consumer?" said Yulia Nevskaya, assistant professor of marketing at Olin Business School.

"It is a difficult situation to manage for a brand, given that the interests of a particular manager might not always align well with a long-term success of a brand. Implementing data-driven and values-based culture and decision-making is key."

Consumers are demanding change

This is not the first time Facebook has found itself in the hot seat for its handling of user data, misinformation and other threats to American democracy. The more customers, companies and government have learned about [social media](#), the more pushback has been generated from each stakeholder, Wall said.

Change is already underway. For example, Apple's recent feature with its iOS 14.5 update notifies customers that apps are tracking their data and gives consumers the ability to block said tracking.

"This was a massive blow to Facebook, among others, who rely on that tracking to drive more advertising revenue," Wall said. "Apple isn't the only one. Google is also preparing to block third-party cookie tracking. These industry actions, coupled with government policies such as GDPR (General Data Protection Regulation) and the California Privacy Rights Act, will make the use of [customer data](#) more difficult in years to come."

Companies have a choice: Short-term profits or long-term growth

Limiting the use of consumer data or cutting ties with Facebook altogether may seem like an unfathomable choice for businesses. However, taking a stand now could pay dividends down the road.

"Research over the last several years has shown that customers prefer buying from companies that are aligned with their personal values," Wall said.

In 2018, Nike was one of the first major brands to take a controversial stand with its Colin Kaepernick commercial. Since then, many more companies have taken stands on social issues that align with their brand values, such as racial injustice, voting rights, gun laws, climate change and LGBTQ rights.

"As a marketer, my position is that brand equity is ultimately not driven by advertising. Furthermore, it is something we certainly cannot control. Instead, our brand is something we steward," Wall said.

"This stewardship is driven by choices we make, which drive the actions we take, and together they lead to consequences in the market. Leaders must make tough choices about near-term growth and long-term growth. The wrong choices today may enable more profit today but may also lead to decreases down the road."

Consumers literacy is essential

Social media are new, powerful and complex players and we, as a society and as individuals, have to get tooled very quickly to live with them, Nevskaya said.

"Social media shapes our world, our information bubble and our choices. We now know that our Facebook feed is carefully calculated by algorithms that decide which political opinions, sources of information and products are most likely to elicit a response from us," she said.

Facebook and other social media companies—possibly with the help of regulators—have a responsibility to confront the ethical dilemma of their business. At the same time, [consumers](#) need access to reliable information about the ways in which social media impacts their lives.

"Consumer literacy should be taken seriously and implemented in a comprehensive way, starting at an early age," Nevskaya said.

"Over the last two decades, as the situation with Facebook illustrates, companies and organizations developed extremely sophisticated tools to advertise and promote their products and ideas," Nevskaya said. "Gone are the days when a television ad for a major brand consisted of mostly repeating the name of the brand many times in a loud voice, which marketers believed would make the consumer remember the product and buy it.

"Consumers are smart, but they need to be fully aware of the new methods, how exactly their personal information is used by organizations and to be offered very concrete tips on navigating modern marketing."

Provided by Washington University in St. Louis

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