

Rita McGrath, Acclaimed Management Expert at Columbia Business School, Reacts to Facebook Meta's Business Challenges

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EINPresswire.com/ -- Lying – or at least not telling the whole truth - as a business model seems to haunt Meta.

When a major inflection point passes through, institutions and the environment take a long time to catch up. But when they do, the consequences can be swift. Facebook's current troubles illustrate this principal.

Source: <https://thewire.in/film/the-social-dilemma-netflix-media-review>

Rita McGrath's, Acclaimed Management Expert at Columbia Business School, editor reacted with shock when she handed in Chapter 1 of her most recent book Seeing Around Corners. The reason? McGrath said, back in 2018, that she believed Facebook (now Meta) was overdue for a reckoning. "You think Facebook is going to get into trouble?" McGrath's editor asked. McGrath said she believed surely that it was.

Here's what McGrath wrote at the time: "The business model underlying this vast revenue source is completely opaque to many who, the data brokers argue, willingly give up their information to obtain the benefits of using these platforms for free. Most of us, however, are oblivious to the specifics of how our most personal data is being used in ways that never were economically or physically feasible before the digital revolution."



Rita McGrath



McGrath continues, "Just logging on to the internet creates a digital footprint that tells interested parties about users' on-line behavior. While users are faintly aware that web sites track them using cookies, what many are not aware of is what are called third party cookies. For instance, if users are logged onto a news site and that site has a Facebook 'like' button on it, a cookie is placed on that computer that Facebook can access. So even if a user has never visited Facebook or doesn't have an account, the social network still receives information about what they have been doing on the web.

McGrath also wrote: "From its founding in 2004, to its current ability to reach over a third of the world's population, Facebook's growth has been exponential and its influence eye-popping. Its attitude toward its use of personal data, however, has not changed much since its founding. Facebook seems to be failing to recognize that eventually the public, regulators, competitors and others could catch on to what the social network was doing."

Raising alarms:

What McGrath wrote about then was that the business practices of data brokers in reality far exceeded regulators' and others ability to understand and deal appropriately with the implications. For a while, all the social media companies that use targeting to derive profits from ads, Meta included, benefitted from the fact that the general public had no idea how pervasive the tracking was.

McGrath wasn't alone. Shoshana Zuboff's well-researched book [The Age of Surveillance Capitalism: The Fight for a Human Future at the New Frontier of Power](#) also came out in 2019. It expressed dismay at how large tech firms manipulate factors such as choice architecture to mislead us into giving them permission to use information about us any way they choose. R "Ray" Wang's excellent Everybody Wants to Rule the World lays out just how powerful the business models of digital giants are, but also how they could well unravel given a loss of social legitimacy and a rise of powerful regulations.

In a growing chorus, ex-Facebook associates have also taken issue with the societal effects of the platform. Chamath Paliapitiya, now a former Facebook executive, bemoans the addictive nature of what Facebook created, blaming it for "ripping society apart." The dramatic documentary [The Social Dilemma](#) in 2020 gave people a behind-the-scenes look at how social networks are programmed to hijack human emotions and get us to pay attention to what they are offering, to the exclusion of all else.

Some ex-tech executives have gone even further than issuing verbal critiques. In founding the Center for Humane Technology, ex-executives at places like Google and Facebook are trying to create a unified institutional response to what they see as the negative social consequences of social media addiction.

Apple's privacy move:

Despite all the calls for the pervasive and unwelcome tracking to stop, not a lot appears to have really changed. That is, until Apple decided to get involved. Since Apple doesn't make its money with advertising supported revenue, it has no reason to allow others to benefit by tracking its users. In one fell swoop, in the second quarter of 2021, Apple introduced App Tracking Transparency, (ATT), non-optional code that any developer who wants to sell their apps on i-devices is required to use.

As a Fast Company report noted, "Turns out iOS users doesn't much like being monitored while they're using apps: Only 16% give Meta's apps permission to track them. Consequently, Facebook and Instagram ads have a harder time finding receptive ears, and for businesses the ad spend needed to find new customers on the platform goes way up. Meta's ad revenue growth began declining the very quarter Apple implemented ATT."

The Comeuppance arrives

The Fast Company article on Apple's move and its impact on Facebook, now Meta, sums it all up beautifully. "Like many capitalist success stories, Meta was built on an inconvenient truth. Throughout the company's history it's talked endlessly about "connecting the world" and very little about how its ad business, which has always accounted for almost all its revenue, really works. Now that people and regulators know, the Wild West data grab that made Meta what it is today appears to be ending."

Just this month, Meta announced that it would lay off 11,000 people (about 13% of its staff) to cut costs. Just as with McGrath's observations about the long likely timeframe for autonomous driving, the metaverse concept Meta's CEO Mark Zuckerberg has invested heavily in, shows no sign of maturing any time soon.

The metaverse in many forms already exists. There are lots of applications in which digital technologies and humans interact to do things they could never do before. See this piece on engineering firm Ulteig and its use of Hololens technology to safely address engineering issues amidst the pandemic. Such early stepping stones are always how entirely new ecosystems get started. But more companies than Meta have regretted jumping too early into such markets, hoping to establish a first-mover, dominant position.

What happens next?:

The research on companies that, like Facebook, experience a growth stall is not encouraging in McGrath's opinion. McGrath states, "What's often needed is a change in senior leadership, a change in business model, or some other kind of major transformation. Here's the problem with Meta, however. As Jeff Pfeffer shows, powerful people can act to consolidate their power. Mark Zuckerberg can't be fired. Not by anyone. He's unlikely to be giving a lot of time to those who

challenge his metaverse optimism. My guess is that people trying to advise him to shift direction are not being welcomed."

"I'd put Facebook somewhere around where Blackberry was in 2011 – still relevant, still powerful, still incredibly rich, but absent some significant strategic shift, likely to evolve to be a shadow of its former self. Time will tell," concludes McGrath.

For more on [Rita McGrath](#)'s insights and tools go to:

<https://www.valize.com>

Aurora DeRose
Boundless Media Inc.
+1 951-870-0099
[email us here](#)

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