Experiential Activity: *The Social Network*

I. Intro

Harvard University develops many talented students into entrepreneurs. Mark Zuckerberg, CEO of Facebook, is one of the most well-known entrepreneurs who attended, and dropped out of, Harvard University. *The Social Network* is a 2010 film that shares the story of the development and issues that went along with starting Facebook. Facebook is a social networking website that now connects millions of people around the world. Zuckerberg, played by Jesse Eisenberg in the movie, was accused of stealing the idea for the business from other Harvard students. He then found a way to weed his co-founder, Eduardo Saverin, out of the business. He faced lawsuits for both of these actions. The movie highlights various business decisions that Zuckerberg faced. In the end, Zuckerberg settled his lawsuits and remained in control of the business. Just because he was not convicted of any crimes, does not mean he was ethical in creation of the company.

II. How the Business World was Portrayed

In this movie, the business world was portrayed in a very negative light. The cover on the movie says that “You don’t get to 500 million friends without making a few enemies.” This statement just sets the movie up negatively. Many scenes in the movie have dark lighting and slow, dark music. Viewers get the feeling that there is something wrong with the actions of the characters. There are also many scenes filmed in conference rooms with interrogating lawyers. This is also a very negative setting. There are former friends suing one another for millions of dollars over how the business was created which is certainly not a picture perfect way of going about business.

III. Ethical Dilemmas
One ethical issue in *The Social Network* is the hacking into computers and online directories. They hacked into directories to get the information they wanted to start their original website, Facemash. Computer hacking may be illegal, rather than just unethical. Zuckerberg was charged for breach of security and violation of privacy, leading to six months of probation from Harvard. It was clear in this situation that Zuckerberg thinks and operates differently than most people. He actually thought he should be rewarded for pointing out flaws in the university’s security system. He could not help but to smirk when the charges were being placed upon him. He was proud of the data mining he had done. This is an example of Zuckerberg being in stage 2 of Kohlberg’s stages of moral development. He did not care what the university or others thought. He was acting entirely for his own good.

This issue was partially solved by serving the probation and partially by the creation of the popular Facebook site. People enjoyed the end product of Facebook, which helped restore Zuckerberg’s reputation. However, this was certainly not the goal of his final creation, but rather a pleasant side effect.

Computer hacking is certainly not the right way to go about business. There are serious consequences. Zuckerberg’s punishment was rather small because the university handled the issue within and the outcome did not create a profit or affect too many people. A better alternative would have been to go from dorm to dorm or campus to campus and asking for permission to these emails. This is would be difficult as you would have to sell people on the benefits and ensure this is not a scam. Although tough, this is the approach I would take. This is the approach that he ended up taking after he was caught for hacking.

The next ethical issue that is apparent is the stealing of an idea. A group of Harvard students that included the Winklevoss twins claimed that they were the ones who created the idea
for the social media website. They initially reached out to Zuckerberg and shared the idea with him so he could help them with the programming. Zuckerberg continued to email this group repeatedly saying he is too busy to work on it at the moment. All the while, he was really just doing the programming on his own in pursuit of creating the site by himself. This example also shows that Zuckerberg is in stage 2 of Kohlberg’s stages of moral development. The Winklevoss twins proceeded to sue Zuckerberg for stealing intellectual property. This is an interesting issue because the President at Harvard did not even agree with the Winklevoss twins. He basically gave Zuckerberg credit in running with the idea and encouraged the twins to work on their next idea. They were not satisfied with this outcome, so they proceeded to bring it forward into court.

Ultimately, the issue was resolved by a settlement outside of court. Zuckerberg paid this the Winklevoss twins millions. Zuckerberg was advised that he was not likely to win the case outright and it would be best to pay them off and move on. Zuckerberg was not pleased with this because he did not feel he stole or copied anything. He wrote the programming all on his own.

Zuckerberg knows that getting there first is everything when it comes to a business idea. That is why he delayed his efforts with the group by sending emails that excused him. I would have likely handled the situation in a similar way as Zuckerberg. He did not steal and the group did not have a utility patent. It was simply an idea at the group’s initial discussion. It actually seemed more unethical of the Winklevoss twins to sue him than unethical of Zuckerberg stealing the idea, but there may be more to the story than the movie told. Settling out of court probably ended up saving him money. It was the right move that allowed him to move on with operating the business.

The third main ethical dilemma faced the Facebook co-founders throughout the movie. Zuckerberg and Saverin lacked strong and steady communication. The lack of communication
left them frustrated with one another. It is extremely unethical to run a business without sharing all pertinent information to every owner. Zuckerberg decided to move the business to Palo Alto, California, and even found a place to move the business there without telling Saverin. He then allowed Sean Parker, an outside mentor who Saverin did not get along with, to move into the Palo Alto place without informing Saverin. Saverin’s non-communicated move was to freeze the bank account of the company. He did so to get Zuckerberg’s attention, but did it behind his back. At the end, Zuckerberg went out and gained a large investment for the company. With that investment, he chose to not increase the number of shares that his co-founder owned, which diluted Saverin’s ownership to a very small percentage. He basically handed him his “death papers”.

These events led to the falling out between Zuckerberg and Saverin. Saverin sued Zuckerberg and also settled for millions out of court. Saverin had his name removed from the website for a little while, but now that has been restored. Saverin does still own a small percentage of the company, but certainly not the thirty percent he initially owned. Saverin, as most others in the movie, is in stage 3 of Kohlberg’s stages of moral development. He was trying to be a part of the Phoenix fraternity and trying to work as a team on the Facebook website. He used law and order to help restore what he lost, but is not completely in stage 4. Although Zuckerberg sometimes pretended to be in stage 3 by acting for the good of the group, but he always had his next step in mind that would benefit him. He was withholding information from Saverin for his own good that continued to show him in stage 2.

The lack of communication is understandable, but not acceptable. It is hard to inform all parties of all information when the company was trying to grow at such a fast pace. However, I would have set up a method of communication that kept everyone on the same page. It could
have maybe been a daily email, a weekly conference call, or anything similar that would keep both sides informed on the important issues. It was terrible of Zuckerberg to weed Saverin out of the business the way he did. Personally, I would have taken an entirely different approach. I would have made it obvious to my co-founder that he was not performing at an adequate level. This would let him know where I stand and also let him know that he needs to improve. If the behavior continued, Zuckerberg should have taken a more formal approach of demoting him. He should have had the board of directors tell Saverin he is being demoted. Since Zuckerberg had majority control of the company, it was not unethical of him to demote or fire anyone. It is his company. However, he should not have done it silently or behind his partner’s back like he did. Being more open and honest may have led to a more graceful separation between the two.

IV. Other Business Ethics Issues

There were other ethical issues in the movie that followed the negative light of the previous issues. Many of the scenes involved workers drinking alcohol while working. They were not client facing and not in a public setting, but there are still endless issues that can arise when you mix alcohol and work. Some employees may make poor decisions and emotions may be more strongly exposed.

Animal cruelty was another issue that was shown in the film. Saverin got himself in trouble by feeding chicken to a chicken in a Harvard cafeteria. This display of cannibalism made the newspapers and left a mark on Saverin’s record. This was something that stayed with Saverin throughout the movie. This was even used in court by Zuckerberg as a reason how Saverin hurt Facebook and did not deserve a large financial sum.

The movie also told the story of how Sean Parker operated his music business before he joined the Facebook team. Parker even admits in the movie that his company, Napster, was a
business that pissed a bunch of people off. He ripped off artists by allowing for free downloading for consumers. Similar to Zuckerberg, he went behind people’s backs to steal and hack into things that did not belong to him.

V. Summary

Overall, I learned that communication is the most important thing in business. Businesses should have proper communication between founder, owners, managers, and everyone else. Hiding pertinent information from each other is unethical. It can be solved by creating a communication plan that satisfies all stakeholders. I also learned that you need to be aware of the repercussions of your decisions. It may be easy to do things one way now, but will cost you in the long run. In The Social Network, a few of Zuckerberg’s decisions came back to cost him millions of dollars. It is best to do the due diligence up front and do the ethical thing up front. These actions will save you and the business in the long run. There were some issues displayed in the movie were certainly not handled properly. Some of them even push past being unethical into being illegal. Both unethical and illegal activities can hurt a business.

References