Facebook’s moonshot is a wise move in a time of radical change

BY VIVEK WADHWA March 26 at 12:27 pm

Facebook has taken the proper approach — acting as if it is doomed unless it reinvents itself. (Jeff Chiu/AP)

A few months ago, I wrote that Facebook was doomed: that it could go the way of AOL and MySpace because it wasn’t keeping up with technology changes. Social media is becoming less social as people start using their mobile devices more than their laptops, and as their address books once again become their friends list. People are communicating more in small circles of close friends on messaging apps. Facebook has been adding only small features and cluttering its pages with annoying ads. Its biggest innovation has been in the way it markets user data and photos—and that hasn’t particularly endeared it to its users.

Meanwhile, Google has been testing self-driving vehicles—like those we see in science-fiction movies. It is researching how the brain works so that it can predict what we search for, where we want to go, and what we want to eat. It is aiming to become our
trusted personal assistant just as it has become our librarian. And it has been testing new ways of delivering Internet access and developing futuristic displays embedded in eyeglasses. Companies need to experiment with “moonshots” such as these if they are to survive in today’s era of exponentially advancing technologies—when innovations come out of nowhere and disrupt entire industries.

It seems that Facebook chief executive Mark Zuckerberg has recognized the threat.

**Facebook’s recent acquisition of WhatsApp** for a record-breaking $19 billion offers Facebook a unique advantage in the rapidly growing mobile-social-media space; and its acquisition of virtual-reality headset maker Oculus gives it an edge in the future market for virtual-reality displays. Though Zuckerberg may have missed the opportunity to invent his own technologies, he is now doing the smart thing by using Facebook’s stock as a currency to buy what he needs.

But it’s not that easy.

Integrating acquired technologies into a company when it has been extremely successful is even harder than doing so when it is desperate to reinvent itself. Until their backs are against the wall, technologists always believe that theirs is the best solution, and they resist change. There are always internal battles due to the “not invented here” syndrome and to technological incompatibilities.

WhatsApp is a mobile app known for its culture of “no ads, no games, no gimmicks,” and that is how it became so successful and gained hundreds of millions of users. Facebook’s entire business model is based on selling ads, games, and gimmicks. Perhaps it will find profitable ways of mining WhatsApp user data, but it will be a struggle. As well, the revenue it can gain from users in countries where WhatsApp’s market share is large—such as India, Kenya and Brazil—is very small.

With the Oculus acquisition, Facebook has entered the hardware business. This is a tough business for any company, as Google learned when it acquired Motorola and had to beat an expensive retreat. Hardware necessitates massive capital outlays for manufacturing and inventory management. It necessitates the creation of distribution channels and customer-support mechanisms—all of which are new to Facebook. Microsoft was able to turn Xbox into a success, but only after many years of billion-dollar losses. It still has not been able to succeed in the computer-tablet market despite
massive investments.

Zuckerberg no doubt has a plan to acquire more companies and to diversify Facebook's technologies. Facebook may well be in luck and find its next multi-billion revenue source. It is encouraging to see the company behaving as though it is doomed unless it reinvents itself. This is the same challenge that all Silicon Valley companies now face and that other industries will soon face as technology continues its exponential advance.

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All Comments

bme wrote:

My boys are hard core gamers but absolutely refuse to use or go on facebook/ odd and awkward combo indeed

Like | Reply |

Viz. wrote:

as Google learned when it acquired Motorola and had to beat an expensive retreat.*

You mean selling off the Motorola trademark and keeping everything useful for themselves? That's more like a discount on the purchase of Motorola.

Sweet Jesus though, Facebook and Oculus combined has really messed up my day. I really thought Oculus was going somewhere special. Remember when Google bought Bumptop? Where's that ui now?

Like | Reply |

windroad1 wrote:

Currently, virtual worlds like WOW and Second Life feature only the senses of sight and hearing. But researchers are working hard to add the senses of touch and even smell to virtual reality. (You can only...
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imagine the potential of being able to touch across cyberspace, and it will happen sooner than most people think, probably within a decade. Smell and taste are likely several decades away.) Zuckerberg would be wise to buy Second Life, which could be had for a song even though it is far-and-away the most highly evolved of the non-gaming virtual properties. For better or worse, history’s first trillion dollar company - think The Matrix - is within his grasp.

salesman1 wrote:
3/26/2014 1:49 PM PDT [Edited]
If some people already see Facebook as a place to stay away from, surely he won’t be buying Second Life to help push that idea further. He values going where the cool kids are too much to make that risk.

windroad1 wrote:
3/26/2014 2:30 PM PDT [Edited]
There may be some people who despise Facebook, particularly young guys who essentially don’t get the concept of “social media” generally. But FB has a billion members and growing, so the numbers are on his side. I’d bet that Zuckerberg is quite eager to push the concept further. Besides, he can own a platform without - yet - integrating it with FB.

Desertdiva wrote:
3/26/2014 6:59 PM PDT
Facebook use peaked in America back in 2012. The only direction FB is heading is down. All FB growth is coming from Latin America and Asia. Maybe if we ask nicely Asia can take FB off our hands.

ducknetservices wrote:
3/26/2014 10:13 AM PDT [Edited]
Virtual worlds are also a big problem and I’ve written about this and see people it affects all the time with the “gray” areas it creates. I have no problem with this company existing as long as it is explained to people that this is “virtual” and that’s the issue. Thank goodness we have some maturity in the Silicon Valley, enter Larry Ellison. They create software that gives us efficiencies and helps and sure it may not be exciting but we need the balance by all means. He’s very smart and said it himself to be careful with artificial intelligent pieces of software that’s smarter than you...

http://ducknetweb.blogspot.com/2014/02/larry-ellison-ceo-oracle-hcm.html

We need educated borders on where the virtual world leaves off and when the real world kicks in. Just visit a dating site and look at the the folks sucked in to the queries and expectations. I know I used tons of SQL queries and it’s not that hard to market and suck people in, not my choice of course as I try and educate but I don’t make big money either doing it. The movie HER did a good job showing the gray areas and believe me if we don’t spend more time working on educating the borderlines, we have major problems. My Algo Duping/Killer Algorithms page addresses a lot of this with videos done by people smarter than me.

http://www.ducknet.net/attack-of-the-killer-algorithms/
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