

LESSONS WE CAN LEARN FROM MARK

ZUCKERBERG & FACEBOOK

BY JAMIE McINTYRE

THIS BOOK REPRESENTS THE AUTHORS VIEW WITHOUT ANY OFFICIAL CONNECTION TO FACEBOOK OR MARK ZUCKERBERG



**LESSONS WE CAN
LEARN FROM
MARK ZUCKERBERG
AND FACEBOOK**

By Jamie McIntyre

First published October 2012

Published by 21st Century Publishing
Level 9, 222 Kings Way South Melbourne, Victoria, Australia 3205
Tel: 1800 999 270 Fax: (03) 8456 5973
NZ Free Call: 0800 893 302 Fax NZ: (09) 358 7340
Email: membersupport@21stca.com.au

Web: www.21stcenturyeducation.com.au
www.21stcenturypublishing.com.au

Copyright 2012 21st Century Publishing

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or by any information storage and retrieval system, without prior permission in writing from the publisher.

National Library of Australia Cataloguing-in-Publication entry:

McIntyre, Jamie

Lessons We Can Learn From Mark Zuckerberg and Facebook

ISBN 978-1-921458-50-7

Printed and bound in Australia by Griffin Press

For Wholesale Discounts or Reorders e-mail enquiries@21stca.com.au
21st Century Education Holdings Pty Ltd
Level 9, 222 Kings Way South Melbourne VIC 3205
Phone 1800 999 270 Fax (07) 3503 9021
Mail: PO Box 352, Tewantin QLD 4565

Disclaimer - Important Information

This information has been prepared to provide general information only. It is not intended to take the place of professional advice and you should not take action on specific issues relying solely on this information. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any individual person.

Before making an investment decision, you need to consider (with or without the assistance of an adviser) whether this information is appropriate to your needs, objectives and circumstances.

Other books by Jamie McIntyre.

The 21st Century Publishing range of books by Jamie McIntyre includes:

WHAT I DIDN'T LEARN AT SCHOOL BUT WISH I HAD

WHAT I DIDN'T LEARN FROM MY FINANCIAL PLANNER BUT WISH I HAD

WHAT I DIDN'T LEARN FROM GOOGLE BUT WISH I HAD

WHAT I DIDN'T LEARN FROM MY FINANCE BROKER BUT WISH I HAD

THINK AND GROW RICH FOR THE 21ST CENTURY

TIME RICH. HOW TO HAVE A MILLIONAIRE LIFESTYLE INSIDE

12 MONTHS WITHOUT EVEN NEEDING TO BECOME ONE

101 LESSONS I LEARNT FROM RICHARD BRANSON

101 LESSONS THE WORLD CAN LEARN FROM STEVE JOBS

101 WAYS TO IMPROVE AUSTRALIA

INVESTMENT LESSONS THE WORLD CAN LEARN FROM WARREN BUFFET

Contents

Foreword

1	What is Facebook?	1
	What is Facebook?	2
	How Does Facebook Work?	5
	The Facebook Business Model	6
	The Facebook Database	10
	The Secret of Facebook's Success	11
	Who Uses Facebook?	12
	The Playboy Prince	14
	Facebook for Business Marketing	14
	Criticisms of Facebook	15
	Buffett on Zuckerberg	16
	Steve Jobs and Mark Zuckerberg	16
	In August 2012 the Los Angeles Times Ran this Story	17
2	The Facebook IPO	21
	Our Mission and Our Business	25
	The Hacker Way	26
	The Lead Up to the IPO	28
	Filing and Roadshow	30
	Valuation and Price Targets	30
	What Does Warren Buffett say About Facebook?	32
	A Social Event, One with Cultish Undertones, Rather than an IPO?	32
	The IPO: A Cultural Touchstone	34
	The Aftermath of the IPO	36
	Legal Issues from the IPO	37
	Facebook Shares Halve in Price	38
	Facebook, Serious Investors and Share Traders	38
3	Who is Mark Zuckerberg?	39
	Find a Need and Fill It	40
	The Gift Economy	40
	Some Kids Played Computer Games: Mark Zuckerberg Created Them	41

A Sense of Humor	44
Eliminating Desire	47
Bill Gates on Mark Zuckerberg	49
Warren Buffett on Mark Zuckerberg	50
The Mark Zuckerberg Philosophy	50
Social Networks	51
Philanthropy	52
Zuckerberg at the Movies - 'The Social Network'	53

4 The Rise of Facebook 55

Initial Funding	60
First Angel Investment (Series A)	61
Accel Investment (Series B)	62
Angel Investment (Series C)	62
Sales Negotiations	62
Microsoft investment (Series D)	63
Switch to Profitability	63
Acquisitions	64
Monetizing Facebook	64
What is Facebook's Best Mobile Monetization Strategy?	65
How Much is a 'Like' Worth?	67
Facebook can Help You get Hired - Or Fired	68

5 Working for Mark Zuckerberg and Facebook 71

The Facebook Vision	72
Facebook Headquarters	72
Move Fast and Break Things	74
What is it Like Working at Facebook?	76
The Best and Worst Aspects of Working at Facebook	78
The Top Three Reasons to Work for Facebook	79
Working for Facebook in Australia	80
What is it Really Like Working for Mark Zuckerberg?	80
From Facebook CEO Mark Zuckerberg's letter to shareholders	82

6 Legal Disputes and Regulations 83

Saverin Lawsuit	85
Pakistan Criminal Investigation	85
Paul Ceglia	85

	Social Media and the Australian Competition Watchdog	86
	The Biggest Advertising Platform in History	88
7	The Future of Social Media	91
	Is Silicon Valley Coming to an End?	92
	Could Social Media Kill the Newsroom?	94
	Will Facebook (all but) Replace Corporate Websites?	96
	Making Money with Social Networking Sites	97
	Some Tips to Increase Online Followers	98
	Get a Job in Social Networking	98
	Top Social Media Trends from Randi Zuckerberg	99
	Some Facebook Don'ts	101
8	What I Would Do if I Owned Facebook	103
9	The Wisdom of Mark Zuckerberg	107
10	Laying the Blame for Facebook's Share Slump	113
	Knives Out for Facebook CFO	114
	Index	119

Foreword

I have had the good fortune to study, meet and learn from some amazing individuals in my 20 year search for the answer to an overriding question.

Why is it that people can grow up in the same country, have the same opportunities, even the same family, go to similar schools and live in the same economy, yet some individuals can excel and outperform financially, while others, often capable and intelligent people, fail miserably in life?

The search for the answers to this question has led me to seek out outstanding role models and find extraordinary mentors that have helped shape my life and enabled me to outperform in many areas of my life including business and investing.

Modelling a billionaire won't exactly guarantee you will become a billionaire, but it could just be enough to make you a millionaire many times over if you so desire.

I've found that true in my own life.

It was this desire to always learn and improve that led me to study and observe arguably one of the world's youngest billionaire, Mark Zuckerberg.

His success with Facebook has inspired literally millions of fellow entrepreneurs to achieve greater success worldwide with thousands of start up tech companies being founded almost daily .

With this book, *Lessons We Can Learn From Mark Zuckerberg & Facebook*, my goal has been to educate and empower the entrepreneur within you to excel to greater heights.

These lessons although at times simplistic, are incredibly powerful, and I know these lessons have improved myself and others as entrepreneurs, and importantly are proven by the success of Facebook as one of the top-ten brands in the world.

These lessons are from someone with a Ph.D. in results - not theory. They are real life business lessons that should be taught at business school and to corporations worldwide.

If you have an entrepreneurial streak, then this book is an absolute must. If you work for an entrepreneur this book is also a must, as I don't believe everyone should become an entrepreneur and start there own business.

Not everyone is cut out for what it takes to be a success in business. It takes massive courage and willingness to deal with failure in business.

However, I believe that by learning these lessons, many people could become entrepreneurial managers and partner with entrepreneurs to grow their businesses, as well as their own wealth.

In fact, I have entrepreneurial managers in some of my companies who often earn more than myself from those companies.

When Australia's former richest person, Kerry Packer, was alive, he complained that executives in his companies were buying up houses in the same street as his. This highlights that you don't have to be an entrepreneur these days to do well financially.

You just need to have an entrepreneurial spirit. Of course, for some people the desire to be their own boss is strong enough motivation to make them want to branch out and build their own empires.

This book will also serve those in customer service or business development. It certainly should be required reading by management in any organisation, for lessons on how to create a business culture that breeds rapid success.

For instance Mark stated in Facebook's IPO Prospectus, released in 2012 for Facebook's listing on the stock market, "At Facebook we don't make services to make money, we make money so we continue to make services". This completely unconventional philosophy is perhaps what has led Facebook to be a huge success in such a rapid time. However, it now presents itself with many challenges.

Mark clearly stated Facebook was never started to be a company, but a *social mission*, with altruistic goals of making the world a better place. Moving forward, Facebook is now a public company, with shareholders demanding increased profits presenting interesting challenges. Mark believes however that focusing on making the world a better place as a priority will in the long-term lead to companies making better profits.

Many of these lessons turn typical business management practices on their head. Even though they are quite unconventional, they have proven to be highly effective.

A book such as this provides the opportunity to distill the knowledge often locked up in the minds of those that achieve great success, like Mark Zuckerberg.

I trust you will enjoy these lessons from the world's youngest billionaire, who has already left an undeniable mark upon the world.

Jamie McIntyre, October 2012

1.

WHAT IS FACEBOOK?

It's not because of the amount of money.
For me and my colleagues, the most important thing
is that we create an open information flow for people.
Having media corporations owned by conglomerates
is just not an attractive idea to me.

The thing I really care about is the mission,
making the world open..

Mark Zuckerberg

In less than seven years, Mark Zuckerberg managed an incredible feat: he wired together one in eight people on earth into a single network called Facebook, with billions of users every day; in the process creating a social entity almost twice as large as the U.S.

Who would have thought that a person who started a website would have a Hollywood movie made about them, as Zuckerberg has in ~~The Social Network~~? Today there is huge interest in young social media entrepreneurs, whose ingenious ideas have made them millions.

If Facebook were a country it would be the third largest, behind only China and India. Facebook started out as a lark, a diversion, but it has turned into something real, something that has changed the way human beings relate to one another on a species-wide scale.

We are now running our social lives through a for-profit network that has made Zuckerberg a billionaire six times over.

Facebook has merged with the social fabric of human life: nearly half of all Americans have a Facebook account, while 70 percent of Facebook users live outside the U.S. We have entered the Facebook age, it is a permanent part of our global social reality and Mark Zuckerberg is the man who brought us here.

One eighth of the people on the planet has a Facebook account. They speak 75 languages and collectively spend more than 700 billion minutes on Facebook every month. In America the Facebook site accounts for one out of four page views. In 2010 its membership was growing at a rate of about 700,000 people a day.

What is Facebook?

As with many successful products or services Facebook is based on a brilliantly simple idea, sharing information on the Internet. Facebook is the biggest of a number of websites redefining news into something produced by ordinary individuals and consumed by their friends. "I create some news for you; you create some news for me."

Facebook is the largest and fastest growing social platform of all time. Facebook is a website with almost a billion users that allows them to create

their own home page and network within that larger group. After users become Facebook members, they can invite friends and relatives to join their list of friends.

The Internet and its widespread use throughout the world has facilitated a new means for people to communicate and interrelate. Among these new means of communication the most popular, and therefore the most powerful, are the so called social networks. MySpace, Facebook, and Twitter allow users to create personal profiles and share messages, photographs, and videos with their chosen network of friends.

In addition to keeping in touch with friends and relatives, social networks, such as Facebook, have proven to be very useful tools in helping organize and mobilize groups that come together to address social and political issues. The full potential of these technologies is only beginning to become apparent, although they are currently playing significant roles in organizing and broadcasting social protests in many countries of the world.

When users visit their Facebook page, they can update their "status", by sharing what they are doing or what they are thinking. Friends of users will see that update on their pages the next time they visit the site, and they are able to comment on the user's status or send private messages about it.

Users can also share photos, videos, and website links with their friends and see the photos, videos, and links that they have posted. No one but the users selected group of friends will see their updates.

"Facebook has become one of the first places dissatisfied people worldwide can take their gripes, activism, and protests. These campaigns on Facebook work well because its viral communication tools enable large numbers to become aware of an issue and join together quickly," according to David Kirkpatrick in his book, *The Facebook Effect, The Inside Story of the Company that is Connecting the World*.

"At the same time, Facebook's global scale, combined with the quantity of personal information its users entrust to it, suggests a movement toward a more universal connectivity that is truly new in human society," Kirkpatrick says.

Sean Parker is passionate about Facebook's importance in altering the landscape of media, after helping Zuckerberg develop his basic views about the service. Parker says, "Individuals now determine what their friends see as much as the editor at the local newspaper did in simpler times.

“Facebook permits your friends to, in effect, construct for you a personalized news portal that functions somewhat like the portals of Yahoo, AOL or Microsoft. If I see a friend post a link to something in a field I know they’re expert in or passionate about, I am more likely to click it than I am to click something that shows up on my Yahoo home page. And in the inadvertent spirit of a gift economy, in return I frequently post links to things I find interesting, useful or amusing.”

Most Facebook users today use third party Facebook applications to add some fun and personality to their Facebook profile. Their purpose is to generate content that is relevant or of interest to them.

There is an application for virtually everything, ranging from a Facebook application that reminds a user when their favorite band is coming to town to a slide show of a collection of sentimental photos.

The great thing about Facebook applications is that if it is to be added to a profile, the user’s ‘friends’ are sent an option of also using it; the application circulates at such a rapid rate the exposure is viral.

This is how US writer Lev Grossman describes Facebook, “Facebook has a dual identity, as both a for-profit business and a medium for our personal lives, and those two identities don’t always sit comfortably side by side. Looked at one way, when a friend likes a product, it’s just more sharing, more data changing hands. Looked at another way, it’s your personal relationships being monetized by a third party.

“People have to decide for themselves which way is their way. If “liking” an ad the same way you “like” a news article or a photo of your spouse seems creepy to you — it’s more or less the definition of what Karl Marx called commodity fetishism — you don’t have to do it.

“Like everything on Facebook — like Facebook itself — it’s voluntary. But plenty of people are willing, even eager, to make their social lives part of an advertising pageant staged by a major corporation. When Nike put up an ad last year during the World Cup (in 2011), 6 million people clicked on it.”

In Egypt in 2009, demonstrators organized on Facebook to protest a proposed law that would have limited bandwidth consumed by Internet users; shortly afterwards the minister of communications significantly amended the plan to address their concerns. In a country like Egypt, where

public protest can lead to torture and arrest, such successes are especially striking.

In Indonesia, a woman was arrested for the absurd 'crime' of criticizing a hospital in a private email to friends. After tens of thousands joined a Facebook group complaining about this injustice, she was released from prison and the focus of attention shifted to possible malfeasance by prosecutors. These are both countries where, in the past, protesting publicly under your real name was risky.

By late 2008 Facebook was being discussed in the White House Situation Room, where President Bush had his National Security Council staff gathered during crises.

How does Facebook Work?

The original intention of Facebook was to connect college students with each other, and let them stay in touch. However, the website became so popular that today anyone from any part of the world can join it. The purpose of Facebook is to help people connect with other people, and learn things of common interest. You can use Facebook to chat with your current friends, date people, share pictures, and meet new people.

Facebook users are able to create a homepage of their own and network with millions of users all around the world. Once users become a member, they are permitted to send an invitation to friends and relatives to join their network.

Whenever users visit their homepage, they can change and update their current status, and share whatever they are doing with their friends.

Users can also share website links and videos, and take a look at the links, videos, and photos their friends have posted. Users can also create a group where people who share the same interests can join in, and have discussions.

If you know friends from your school or your colleagues who are already on Facebook, you can add them by first searching for them and then sending an invitation. They need to accept your invite and once accepted you can start networking with them by sending messages, pictures, videos, etc.

Once you have created a profile, you can choose to keep it updated so that people know what you have been up to, and what you have been thinking. You can add photos and share the information you want to. You can also set

preferences to share as much or as little information as you want with people who are not in your list of friends.

You can also play a few games on Facebook, such as *Farmville*, *Mafia Wars*, *Crazy Taxi*, and many more.

For many users, Facebook has become an addiction.

For years Facebook, and Zuckerberg, resisted numerous buyout offers or taking the company public, suggesting the company was "definitely in no rush."

Facebook reportedly turned down a \$750 million offer from Viacom in 2006. That same year, Yahoo! attempted to buy the company for \$1 billion but founder Mark Zuckerberg refused. That same year, *Business Week* reported a \$2 billion valuation for the company.

Facebook did accept investments from companies, and these investments suggested fluctuating valuations for the firm. In 2007 Microsoft beat out Google to purchase a 1.6% stake for \$240 million, giving Facebook a value of \$15 billion at the time.

Microsoft purchased preferred stock (which is more valuable than normal stock), which meant that the company's actual valuation would be considerably lower than \$15 billion. That valuation dropped to \$10 billion in 2009, when Digital Sky Technologies bought a stake of just under 2% for \$200 million- a larger stake than Microsoft had purchased at a lower price. By 2011 an investment report valued the company at \$50 billion.

The Facebook Business Model

The Facebook business model is based around advertising on its own user-generated content network. Why do people sign up for Facebook? In most cases to have a good time and connect with friends at no cost (it is also a 'cool' thing to do). This provides Facebook with a huge database (the envy of many organizations, and it is rumored even the FBI) with millions of people to target advertising at. Facebook users do not want or need advertisements, thus Facebook has to balance the divide between advertisers and users.

Facebook has huge amounts of data about hundreds of millions of users in its system, and by targeting advertising to these users it creates revenue. All the data that makes up a user's identity, comments, pictures, likes, and connections with friends, are in effect owned by, and trapped on, Facebook.

Facebook's revenues grew 90 percent in 2011, from a \$2 billion base, with operating profit margins of 50 percent. Five years previously, when Google was growing at a similar pace, its margins were much lower, and remain so. Even Microsoft only touched Facebook's current margin levels in the late 1990s, when revenues were running at \$20 billion a year.

However media pundits point out that Facebook is not adding users or advertisers fast enough to obscure seasonal ups and downs. Advertising revenues – 88 percent of the annual total in the past year – were lower in the first quarter of 2012 than in the fourth in the past two years.

Further, Facebook has to solve the problem confronting all internet media companies: low barriers to entry and fierce competition. For instance, both Friendster and MySpace have disappeared.

Facebook boasted that photo-sharing was a core service, yet in April 2012 it surprisingly spent \$1 billion in cash and shares to buy Instagram, a photo-sharing start-up.

Following this, critics pointed out that low natural barriers to entry might require the constant building of artificial ones out of real money.

While it might be easy to start a social network, it is very expensive to run a big one as hard assets need to be purchased.

Capital expenditures amounted to 30 percent of Facebook revenues, or \$1 billion, in 2011, and burnt up nearly half of revenues in the first quarter of 2012.

Facebook's free cash flow return on assets is strong but Google's, a competitor, are twice as high.

In the lead up to the Facebook float financial analysts noted that return on assets could improve as Facebook grows. However, even if capital expenditure falls as a proportion of revenues, operating cost trends were problematical.

Analysts point out that in spite of annualized sales of well over \$4 billion, there is little sign Facebook is increasing its revenues faster than its cost base.

Management was also a major concern for analysts who pointed out Facebook was controlled by a 28-year-old chief executive, Mark Zuckerberg, who will control more than half the voting shares after the initial public offering (IPO). That level of trust in a single person was troubling argued the analysts, though they stressed nothing was being hidden from investors in this regard.

With almost 1 billion active users, Facebook appears to be a dominant force in its niche. But investors will need to consider the possibility that, like most products, its usefulness (product life cycle) will peak and decline.

As social networks start to carry more 'noise' than information, users will look for something more interesting. Facebook may have inherent stabilizers as it grows, but may also have a big destabilizer - boredom.

As with any growing company, the immutable laws of finance will prevail: stratospheric growth never lasts, returns will fade, and new competitors and threats will emerge.

Analysts are asking, can Facebook carve a niche that covers all aspects of computing and stay there, as Microsoft did – or will it succumb to the next new thing? Business history confirms social networks are unstable in their early years, but once they reach a certain scale they become more resilient. Any communication tool that is already popular has an advantage when attracting new users – the “network effect”. Software designers will aim their best new programs at the biggest platforms, a phenomenon which Apple and Android are benefiting from in mobile computing.

One of the problems confronting Facebook is that as user numbers increase, it becomes less cool, though some analysts argue it does not need to be cool, because once its user base reaches a certain size, it becomes irreplaceable.

Analysts envisage Facebook attaining a stable monopoly on social networking, where searching for information, reading news, watching television, writing a document or talking on the telephone would all be activities conducted on the Facebook platform or given a social dimension imported from and controlled by Facebook.

As with any company, Facebook has the problem of keeping users loyal. Facebook is simply not essential to life or work.

Critics also point out that Facebook was developed at the tail-end of the PC era. As the smartphone ascends, the company is already playing catch-up with competitors born and bred on mobile devices. One market analyst says Facebook “could survive without monopolistic control of the social dimension of computing, but it would need to spend aggressively to protect market share, implying lower margins.”

Engineers are the most richly rewarded among the rank and file at Facebook. One recruiter, says that as recently as 2009, the company gave

options to buy about 65,000 shares at around \$6 per share to an engineer with 15 years experience.

After a 5-for-1 stock split in October 2010, the engineer would have the right to buy around 325,000 shares. At the \$38.23 closing price on the day of the IPO, he could have cashed in for more than \$12 million.

According to a former Facebook employee, it was not unusual for Facebook to offer some executive-level hires up to 100,000 restricted shares as recently as 2008.

Facebook has since cut back on equity compensation for new hires. Managers hired in 2010 received 2,000 to 30,000 restricted shares depending on job function, according to another recruiter who had worked for Facebook.

Facebook apparently has not been as generous in handing out equity to non-core employees, and as a consequence there may not have been as many of the dazzling rags-to-riches stories at the time of the IPO as were commonplace at the time of the Google IPO, when in-house chefs and at least one masseuse struck gold with options.

David Kirkpatrick wrote in his book, *The Facebook Effect, The Inside Story of the Company that is Connecting the World*, "Facebook itself is both a beneficiary and a victim of the dynamics of the gift economy its CEO is so partial to. The more users want to contribute, the more activity they generate and the more page views Facebook can use to display advertising.

"But because Zuckerberg has given Facebook's users such powerful tools to express their views, the company itself has regularly borne the brunt of user dissatisfaction when it took actions people disapproved of. Digital democracy affects life inside Facebook even more than outside it.

"Facebook is changing our notion of community, both at the neighborhood level and the planetary one. It may help us to move back toward a kind of intimacy that the ever-quickenning pace of modern life has drawn us away from.

"At the same time, Facebook's global scale, combined with the quantity of personal information its users entrust to it, suggests a movement toward a more universal connectivity that is truly new in human society. The social philosopher and media theorist Marshall McLuhan is a favorite of the company. He coined the term "the global village." In his influential 1964 book,

Understanding Media: The Extensions of Man, he predicted the development of a universal communications platform that would unite the planet.

“Rapidly, we approach the final phase of the extensions of man – the technological simulation of consciousness,’ he wrote, ‘when the creative process of knowing will be collectively and corporately extended to the whole of society.’

“We are not there yet. Facebook is not what he describes. The world remains fragmented. But no previous tool has ever extended a “creative process of knowing” so widely.

“When there’s more openness, with everyone being able to express their opinion very quickly, more of the economy starts to operate like a gift economy. It puts the onus on companies and organizations to be more good and more trustworthy.

“A world in which each individual has a clear window into the contributions of everyone else, gift-economy style, does not dovetail well with how most companies are run. While employees of just about every company in America are on Facebook in force, its intersection with the classically structured corporation has been awkward and clumsy so far.

“Gary Hamel, one of the great theorists of modern management, considers that inevitable. ‘The social transformation now happening on the Web,’ he explains, ‘will totally transform how we think about organizations large and small.’

“Hamel says historically there have been only two basic ways to, as he puts it, ‘aggregate and amplify human capabilities.’ They were bureaucracy and markets. ‘In the last ten years we have added a third – networks. That helps us work together on complex tasks, but it also destroys the power of the elite to determine who gets heard.’”

The Facebook Database

Many commentators claim Facebook has a better database than the FBI does, with a richer, more intimate hoard of information about its citizens than any nation has ever had.

The U.S. government has been known to subpoena some of that information from Facebook. When that happens Zuckerberg says, “We feel like it’s our responsibility to push back on that stuff, so oftentimes someone

will come with a subpoena, and we'll go to court and say, 'We don't think this is enough.' Ultimately I think this stuff gets used for good."

Conversely, some governments fear Facebook's vast database and the ease with which Facebook can be used to form networks and spread information.

China has blocked the site since 2009. Iran, Pakistan, and Saudi Arabia have all banned it at one point or another. That is almost a fifth of the world's population Facebook is not reaching.

The Secret of Facebook's Success

Sharing gossip with friends is 'addictive and arousing'

A psychologist has claimed that one of the reasons for Facebook's phenomenal success, is because its users are 'aroused', and become addicted to sharing stories and gossip, encouraging them to express this to their friends; this coupled with CEO Mark Zuckerberg's ability to tap into the psyche of its users, encourages them to laugh and be happy.

American scientist Jonah Berger of the University of Pennsylvania says Facebook evokes powerful emotions, like happiness and laughter or even anger, which increases the chance of people sharing these feelings with friends online.

Dr Berger believes his study will help businesses and others to understand how to use Facebook to their advantage.

"If something makes you angry as opposed to sad, for example, you are more likely to share it with your family and friends because you're fired up," he said. "In trying to understand why, it seemed like arousal might be a key factor."

Dr Berger carried out two different experiments to test his theory that arousal promotes information sharing.

In one experiment, which focused on specific emotions, 93 students completed what they were told were two unrelated studies.

First students in different groups watched video clips that made them feel high arousal emotions, like being anxious or amused, or low arousal emotions, like being sad or content.

Afterwards, they were shown an emotionally neutral article and video and asked how willing they would be to share it with friends and family members.

The results demonstrated that students who felt high arousal emotions were much more inclined to share with others.

The second experiment dealt with arousal more generally.

Around 40 students were asked to complete what they assumed were two unrelated studies.

First, they either sat still or jogged on the spot for about a minute, a task proven to increase arousal.

Then they were asked to read a neutral online news article and told they could e-mail it to anyone they wanted.

The findings showed that students who jogged in place, and were aroused, were more likely to e-mail the article to their friends and family, as opposed to the students that just sat still.

“There is so much interest in Facebook, Twitter, and other types of social media today, but for companies and organizations to use these technologies effectively they need to understand why people talk about and share certain things,” he said.

“In a prior paper, we found that emotion plays a big role in which New York Times articles make the most emailed list. But interestingly we found that while articles evoking more positive emotions were generally more viral, some negative emotions like anxiety and anger actually increased transmission while others like sadness decreased it.”

Who Uses Facebook?

Vast numbers of people have found Facebook to be an essential addition to their web working toolbox. The Facebook social networking experience can be precisely what you want to make of it. Think of Facebook as a professional tool, and that is what it is. Millions of students use Facebook to get out of doing homework. You can make it into whatever you want, even your own personal media broadcasting channel.

The demographics of Facebook users keep moving, but in 2011 it was claimed 41 percent of Facebook users log in every single day and that 12 percent of users - hundreds of millions - update their status every day.

When it came to gender, 54 percent of Facebook users were male and 46 percent female. In early 2010 the fastest growing demographic on Facebook was women over 55 years of age.

The largest group when it comes to income are people earning between \$26,000 and \$75,000. People earning less than that made up 13 percent of its user base.

General awareness of the service in the minds of the general public is excellent, with 88 percent of people aware of Facebook and 87 percent of people aware of Twitter.

In 2008 a couple, who defaulted on their mortgage, were served legally binding court documents via Facebook.

In what was believed to be a world first, lawyers, from a Canberra law firm, persuaded a judge in the ACT Supreme Court to allow them to serve the documents by Facebook, over the Internet, after repeatedly failing to serve the papers in person.

The lawyer came up with the Facebook plan after it became clear that the couple did not want to be found after failing to keep up repayments on a \$150,000 loan from a mortgage provider. The pair had ignored emails from the law firm and did not attend a court appearance, with the lawyer saying the pair had "vanished".

So he looked to Facebook, "It's somewhat novel, however we do see it as a valid method of bringing the matter to the attention of the defendant," he said. "It's one of those occasions where you feel most at home with what you know and I myself have a Facebook account. We don't know of any other lawyer who has used Facebook in this way. We got the idea ourselves in the course of looking at alternative methods of bringing the matter to the defendants' attention."

The lawyer insisted there was no other way to find the pair. "They weren't available at their residence. They no longer worked at the place given in some documents as the last place of their employment.

"Their Facebook profiles showed the defendants' dates of birth, email addresses and friend lists, and the co-defendants were friends with one another. This information was enough to satisfy the court that Facebook was a sufficient method of communicating with the defendants."

The court decided Facebook was a legally viable way to communicate. However, in granting permission to use the social networking site, the judge stipulated that the papers be sent via a private email so that other people visiting the page could not read their contents.

Following the Australian precedent, in 2011 a British lawyer used Facebook to serve a court summons, in what was believed to be the first such case in Britain.

A solicitor was finding it difficult to get a debtor to attend court to answer questions about their finances after trying all the conventional methods of contacting the debtor.

When all other avenues failed, she recalled the Australian case, in which the Court gave permission for the social networking website to be used for serving legal documents, and wondered if a British court would accept the same principle.

Eventually, court staff accepted her request and the solicitor logged onto Facebook to serve the court order, commenting, "It is great to see that the courts are willing to embrace new technology."

The Playboy Prince

Media reports confirmed Prince Harry removed himself from Facebook amid privacy concerns highlighted by his well publicized naked antics in Las Vegas in August 2012.

Prior to this Prince Harry was said to be a huge fan of Facebook and appeared under the pseudonym Spike Wells.

He deleted his Facebook account after advice from his private secretary.

The Prince was said to be 'terrified' further damaging images would emerge and his concerns intensified after photos of an 'even wilder' week in the British Virgin Islands on Sir Richard Branson's private island of Necker shortly before the Vegas weekend were leaked to a newspaper.

They were originally posted on the Facebook page of one of Harry's friends, to which several hundred people had access.

Facebook for Business Marketing

Facebook has helped many businesses, both large and small, bolster employee morale, provide enhanced customer service, build awareness and affinity, and engaged both employees and customers in the online experience. Facebook represents a unique opportunity for any business requiring a unique strategy.

Here are some quick tips to keep in mind as you investigate and launch your business on Facebook:

- A good first objective is always to listen to what is being said about your business in the space.
- Have a strong digital foundation and a social media strategy in place before reaching out to your audience in social media.
- Don't mistake a social media technology or application for a strategy.
- Empower your employees by asking them to participate in the business page.
- Get a level of workplace commitment that will ensure ongoing success before you even start.

Criticisms of Facebook

Facebook's growth as an Internet social-networking site, as well as its very existence, has created criticism on a range of issues, including online privacy, child safety, hate speech, and the inability to terminate accounts without first manually deleting the content.

Some companies have removed their advertising from Facebook because it was being displayed on the pages of controversial individuals and groups. The content of user pages, groups, blogs, and forums has been criticized for promoting controversial and inflammatory topics, such as politics and religion. There have been several issues with censorship, both on and off the site.

Data mining of Facebook information as a means of surveillance has also raised concerns.

The Facebook privacy policy once stated, "We may use information about you that we collect from other sources, including but not limited to newspapers and Internet sources such as blogs, instant messaging services and other users of Facebook, to supplement your profile."

However, the policy was later updated and now states: "We may use information about you that we collect from other Facebook users to supplement your profile (such as when you are tagged in a photo or mentioned in a status update). In such cases we generally give you the ability to remove the content (such as allowing you to remove a photo tag of you) or limit its visibility on your profile."

The terminology regarding the use of information collected from other sources, such as newspapers, blogs, and instant messaging services, has been removed.

Buffett on Zuckerberg

Legendary investor Warren Buffett, the CEO of Berkshire Hathaway, had this to say about Mark Zuckerberg in a TV interview some time before the Facebook IPO.

“When you get somebody like a, Walt Disney or Steve Jobs or Mark (Zuckerberg) or Bill (Gates), what you do see with those people is a passion. And to some extent they're not thinking solely about the money involved.

“I mean, they are not running their businesses to get extremely rich. They don't mind getting rich, and you know they know how to do that, too, but what really drives them is what they're creating and you saw that with Bill, you see it with Mark and when you get that, when you find that and they've got big ideas and the rest of the world doesn't necessarily understand them very well, but they're doing it. You know, you can get some amazing achievements.”

Steve Jobs and Mark Zuckerberg

Zuckerberg says he asked Steve Jobs about how to build a high-quality team and great products, but denies Apple and Facebook ever talked about an acquisition.

Their conversation emerged as part of an in-depth interview between PBS's (Public Broadcasting Service, a non-profit American public broadcasting television network with 354 member TV stations) Charlie Rose, Facebook founder Mark Zuckerberg and Facebook COO (Chief Operating Officer) Sheryl Sandberg.

“I had a lot of questions for him on how to build a team around you,” Zuckerberg said. “That's focused on building as high quality and good things as you are. How to keep an organization focused, right, when I think the tendency for larger companies is to try to fray and go into all these different areas.”

Zuckerberg professed respect for Apple because, like Facebook, it is out to build a company that will change the world rather than fatten the bottom line.

Rose asked Zuckerberg whether the two companies had ever talked about an acquisition.

“No. I don’t think it ever really got there,” he said. “I mean, nor would I have wanted to sell it.”

Sandberg and Zuckerberg then start talking about how Jobs never raised the issue because he understood that Zuckerberg had no interest in selling. However, many analysts find it hard to believe the two companies never talked about the issue at some level, whether seriously or just in passing.

In August 2012 the *Los Angeles Times* Ran this Story.

On the face of it, the CEO of cool might need some adult supervision.

The deepening slide in Facebook’s share price is fueling talk once considered implausible on Wall Street and in Silicon Valley.

Should Mark Zuckerberg, the social media visionary but neophyte corporate manager, step aside to let a more seasoned executive run the multibillion-dollar company?

In that scenario, Zuckerberg would remain as the creative force propelling Facebook’s technological innovation. But the 28-year-old would cede the chief executive’s title to someone better suited to overseeing operations and building rapport with finicky investors - mundane but essential duties for which Zuckerberg has shown little appetite or aptitude.

“There is a growing sense that Mark Zuckerberg, talented though he may be, is in over his hoodie as CEO of a multibillion-dollar public company,” said Sam Hamadeh, head of the research firm PrivCo.

Doubts about the Facebook founder intensified on Thursday as the stock closed below \$20 for the first time. The shares, which slipped to \$19.87, have shed nearly half their value since Facebook’s disastrous initial public offering three months ago. The slide continued on Friday, with shares losing a further 4.1 per cent to close at \$19.05.

The selling was kicked off by the expiration of provisions that had barred Facebook’s venture capital backers from unloading their shares. Trading volume on Thursday was abnormally heavy, a sign of the haste with which some of the company’s earliest investors ran for the exits as soon as they could.

“This was the most anticipated IPO in many years and it was like an exploding cigar,” said Barry Ritholtz, head of the research firm Fusion IQ.

The danger, Mr Ritholtz said, was that the drooping share price could tag the company itself with a “stink of failure” that could make advertisers less willing to use Facebook.

Facebook’s troubles stem from numerous factors, including investors’ overinflated expectations, the company’s unproven strategy for mobile advertising and a sharemarket float that was mangled by both Nasdaq and Facebook’s investment banks. Its first-ever earnings as a public company, released last month, beat analysts’ expectations as revenue grew 32 per cent. Still, the shares plunged as investors were spooked by rising costs and slowing growth.

Only some of those problems are attributable to Zuckerberg, analysts say. Given that he is the company’s largest shareholder, with ironclad control over all decisions, nothing would happen without his assent.

Still, restless investors blame him for several missteps, such as pricing the IPO at \$100 billion. The enormous valuation left Facebook little room for error.

Zuckerberg’s indifference to traditional corporate etiquette is viewed as disrespectful of the corporate world he needs to win over.

“His behavior is what I would expect of someone his age - the hoodies and everything else,” said Chris Whalen, senior managing director at Tangent Capital Partners in New York. “He’s trying to appeal to his audience instead of being responsible to his investors. His job now is to run the company.”

There is precedent for iconic founders to hand over chief executive duties. Larry Page led Google in its early days but he and his co-founder, Sergey Brin, both in their late 20s, were persuaded to bring in the technology industry veteran Eric Schmidt to provide “adult supervision” in 2001 when the search company was still privately held.

One of the biggest winners from the Facebook float was New York-based investment firm Tiger Global Management, which was an early Facebook investor who sold around \$725 million worth of shares through the IPO.

The firm, controlled by billionaire Chase Coleman and seeded by Julian Robertson, is renowned for its prowess in the technology sector. As well as backing Facebook, it was an early investor in the Russian search company Yandex and social networking group LinkedIn.

Tiger Global Management emerged as an investor in Australian online retailing pioneer Catch of the Day in 2011, joining in the \$80 million funding round that attracted James Packer.

Tiger's quarterly filings show that it still had two million shares in Facebook at the end of June 2012, and that it had invested heavily in LinkedIn.

Many commentators agree a major problem for investors, even at a lower share price, is that Zuckerberg has been quite open in saying that he is more interested in improving his users' experience than in profiting from them.

So, those who subscribed to the IPO and still hold their shares have stock in a \$93 billion company with a CEO who is more interested in a social experiment and mission than in making money. Given the heroic leaps in profit the stock market price assumes, that's an uneasy combination.

How Facebook and its founder Mark Zuckerberg came to be in this situation after incredible exponential growth, which was the envy of businesses worldwide, makes a fascinating tale of 21st century technology business, commercialization of a start-up, vision, technology, entrepreneurship, greed, and altruism.

2.

THE FACEBOOK IPO

Facebook is, in terms of a business, obviously immature, with a crude revenue model..

Finance reporter Steven Bartholomeusz, May 2012

“Facebook, if nothing else, is on a social mission,” Zuckerberg wrote in a personal letter filed within the company’s preliminary prospectus for its IPO.

Zuckerberg’s four-page message to potential investors provided a glimpse into what the then 27-year-old CEO believed were Facebook’s priorities moving forward and detailed the mission and values of Facebook.

For many users, Facebook is simply a space to socialize with friends and raise digital farms. But recreational utility is far from the limits Zuckerberg - and many others - see for the social network, which unites more than 1 billion users worldwide.

Facebook is a space for exchanging ideas, providing a check on authority and pushing boundaries. To create the website that facilitates such grandiose objectives, Zuckerberg wanted investors to know he encourages his employees to constantly take risks, work quickly and focus on potential impact.

Zuckerberg wrote that, “through the power of sharing content, Facebook has the potential to increase understanding of other by people across the planet.

“Facebook was not originally created to be a company. It was built to accomplish a social mission — to make the world more open and connected.

“We think it’s important that everyone who invests in Facebook understands what this mission means to us, how we make decisions and why we do the things we do. I will try to outline our approach in this letter.

“At Facebook, we’re inspired by technologies that have revolutionized how people spread and consume information. We often talk about inventions like the printing press and the television — by simply making communication more efficient, they led to a complete transformation of many important parts of society. They gave more people a voice. They encouraged progress. They changed the way society was organized. They brought us closer together.

“Today, our society has reached another tipping point. We live at a moment when the majority of people in the world have access to the internet or mobile phones — the raw tools necessary to start sharing what they’re thinking, feeling and doing with whomever they want. Facebook aspires to

build the services that give people the power to share and help them once again transform many of our core institutions and industries.

“There is a huge need and a huge opportunity to get everyone in the world connected, to give everyone a voice and to help transform society for the future. The scale of the technology and infrastructure that must be built is unprecedented, and we believe this is the most important problem we can focus on.

“We hope to strengthen how people relate to each other.

“Even if our mission sounds big, it starts small — with the relationship between two people.

“Personal relationships are the fundamental unit of our society. Relationships are how we discover new ideas, understand our world and ultimately derive long-term happiness.

“At Facebook, we build tools to help people connect with the people they want and share what they want, and by doing this we are extending people’s capacity to build and maintain relationships.

“People sharing more — even if just with their close friends or families — creates a more open culture and leads to a better understanding of the lives and perspectives of others. We believe that this creates a greater number of stronger relationships between people, and that it helps people get exposed to a greater number of diverse perspectives.

“By helping people form these connections, we hope to rewire the way people spread and consume information. We think the world’s information infrastructure should resemble the social graph — a network built from the bottom up or peer-to-peer, rather than the monolithic, top-down structure that has existed to date. We also believe that giving people control over what they share is a fundamental principle of this rewiring.

“We have already helped more than 1 billion people map out more than 100 billion connections so far, and our goal is to help this rewiring accelerate.

“We hope to improve how people connect to businesses and the economy.

“We think a more open and connected world will help create a stronger economy with more authentic businesses that build better products and services.

“As people share more, they have access to more opinions from the people they trust about the products and services they use. This makes it easier to

discover the best products and improve the quality and efficiency of their lives.

“One result of making it easier to find better products is that businesses will be rewarded for building better products — ones that are personalized and designed around people. We have found that products that are ‘social by design’ tend to be more engaging than their traditional counterparts, and we look forward to seeing more of the world’s products move in this direction.

“Our developer platform has already enabled hundreds of thousands of businesses to build higher-quality and more social products. We have seen disruptive new approaches in industries like games, music and news, and we expect to see similar disruption in more industries by new approaches that are social by design.

“In addition to building better products, a more open world will also encourage businesses to engage with their customers directly and authentically. More than four million businesses have Pages on Facebook that they use to have a dialogue with their customers. We expect this trend to grow as well.

“We hope to change how people relate to their governments and social institutions.

“We believe building tools to help people share can bring a more honest and transparent dialogue around government that could lead to more direct empowerment of people, more accountability for officials and better solutions to some of the biggest problems of our time.

“By giving people the power to share, we are starting to see people make their voices heard on a different scale from what has historically been possible. These voices will increase in number and volume. They cannot be ignored. Over time, we expect governments will become more responsive to issues and concerns raised directly by all their people rather than through intermediaries controlled by a select few.

“Through this process, we believe that leaders will emerge across all countries who are pro-internet and fight for the rights of their people, including the right to share what they want and the right to access all information that people want to share with them.

“Finally, as more of the economy moves towards higher-quality products that are personalized, we also expect to see the emergence of new services that are social by design to address the large worldwide problems we face in

job creation, education and health care. We look forward to doing what we can to help this progress.”

Our Mission and Our Business

“As I said above, Facebook was not originally founded to be a company. We’ve always cared primarily about our social mission, the services we’re building and the people who use them. This is a different approach for a public company to take, so I want to explain why I think it works.

“I started off by writing the first version of Facebook myself because it was something I wanted to exist. Since then, most of the ideas and code that have gone into Facebook have come from the great people we’ve attracted to our team.

“Most great people care primarily about building and being a part of great things, but they also want to make money. Through the process of building a team — and also building a developer community, advertising market and investor base — I’ve developed a deep appreciation for how building a strong company with a strong economic engine and strong growth can be the best way to align many people to solve important problems.

“Simply put: we don’t build services to make money; we make money to build better services.

“And we think this is a good way to build something. These days I think more and more people want to use services from companies that believe in something beyond simply maximizing profits.

“By focusing on our mission and building great services, we believe we will create the most value for our shareholders and partners over the long term — and this in turn will enable us to keep attracting the best people and building more great services. We don’t wake up in the morning with the primary goal of making money, but we understand that the best way to achieve our mission is to build a strong and valuable company.

“This is how we think about our IPO as well. We’re going public for our employees and our investors. We made a commitment to them when we gave them equity that we’d work hard to make it worth a lot and make it liquid, and this IPO is fulfilling our commitment. As we become a public company, we’re making a similar commitment to our new investors and we will work just as hard to fulfill it.”

The Hacker Way

“As part of building a strong company, we work hard at making Facebook the best place for great people to have a big impact on the world and learn from other great people. We have cultivated a unique culture and management approach that we call the Hacker Way.

“The word ‘hacker’ has an unfairly negative connotation from being portrayed in the media as people who break into computers. In reality, hacking just means building something quickly or testing the boundaries of what can be done. Like most things, it can be used for good or bad, but the vast majority of hackers I’ve met tend to be idealistic people who want to have a positive impact on the world.

“The Hacker Way is an approach to building that involves continuous improvement and iteration. Hackers believe that something can always be better, and that nothing is ever complete. They just have to go fix it — often in the face of people who say it’s impossible or are content with the status quo.

“Hackers try to build the best services over the long term by quickly releasing and learning from smaller iterations rather than trying to get everything right all at once. To support this, we have built a testing framework that at any given time can try out thousands of versions of Facebook. We have the words “Done is better than perfect” painted on our walls to remind ourselves to always keep shipping.

“Hacking is also an inherently hands-on and active discipline. Instead of debating for days whether a new idea is possible or what the best way to build something is, hackers would rather just prototype something and see what works. There’s a hacker mantra that you’ll hear a lot around Facebook offices: ‘Code wins arguments.’

“Hacker culture is also extremely open and meritocratic. Hackers believe that the best idea and implementation should always win — not the person who is best at lobbying for an idea or the person who manages the most people.

“To encourage this approach, every few months we have a hackathon, where everyone builds prototypes for new ideas they have. At the end, the whole team gets together and looks at everything that has been built. Many of our most successful products came out of hackathons, including Timeline,

chat, video, our mobile development framework and some of our most important infrastructure like the HipHop compiler.

“To make sure all our engineers share this approach, we require all new engineers — even managers whose primary job will not be to write code — to go through a program called Bootcamp where they learn our codebase, our tools and our approach. There are a lot of folks in the industry who manage engineers and don’t want to code themselves, but the type of hands-on people we’re looking for are willing and able to go through Bootcamp.

“The examples above all relate to engineering, but we have distilled these principles into five core values for how we run Facebook.”

Focus on Impact

“If we want to have the biggest impact, the best way to do this is to make sure we always focus on solving the most important problems. It sounds simple, but we think most companies do this poorly and waste a lot of time. We expect everyone at Facebook to be good at finding the biggest problems to work on.”

Move Fast

“Moving fast enables us to build more things and learn faster. However, as most companies grow, they slow down too much because they’re more afraid of making mistakes than they are of losing opportunities by moving too slowly. We have a saying: ‘Move fast and break things.’ The idea is that if you never break anything, you’re probably not moving fast enough.”

Be Bold

“Building great things means taking risks. This can be scary and prevents most companies from doing the bold things they should. However, in a world that’s changing so quickly, you’re guaranteed to fail if you don’t take any risks. We have another saying: ‘The riskiest thing is to take no risks.’ We encourage everyone to make bold decisions, even if that means being wrong some of the time.”

Be Open

“We believe that a more open world is a better world because people with more information can make better decisions and have a greater impact. That goes for running our company as well. We work hard to make sure everyone at Facebook has access to as much information as possible about every part of the company so they can make the best decisions and have the greatest impact.”

Build Social Value

“Once again, Facebook exists to make the world more open and connected, and not just to build a company. We expect everyone at Facebook to focus every day on how to build real value for the world in everything they do.

“Thanks for taking the time to read this letter. We believe that we have an opportunity to have an important impact on the world and build a lasting company in the process. I look forward to building something great together.”

The Lead Up to the IPO

By December 2011 anyone with an interest in share trading, IPO's, technology gadgets, and especially Facebook was aware of excitement surrounding what was touted as the most anticipated IPO in many years. The Facebook IPO was sparking lavish dreams of riches and adventure.

The most anticipated stock market debut of 2012 was expected to value Facebook at as much as \$100 billion, which would top virtually any of Silicon Valley's previous IPO's, from Netscape to Google Inc.

Facebook's founder and chief executive Mark Zuckerberg had for years been unwilling to take the company public. He resisted a number of buyout offers after Facebook's founding. The company did, however, accept private investments from companies - often technology firms. When the number of shareholders crossed the 500 threshold, Facebook had to take the company public. After the IPO Zuckerberg would retain control over the company, despite it being a public entity.

Founded in a Harvard dormitory room in 2004 by Zuckerberg and his friends, Facebook had grown into the world's biggest social network with around 1 billion members and revenue of \$1.6 billion in the first half of 2011.

The media breathlessly reported that as the world's number one online social network prepared for its blockbuster initial public offering, it could create at least a thousand millionaires with the rank-and-file employees reaping millions of dollars.

Facebook was well known for its generous use of equity-based compensation in previous years.

Facebook's earliest employees, who were given ownership stakes, and early venture capital investors - such as Accel Partners, Greylock Partners and Paypal co-founder Peter Thiel - expected the biggest paydays.

The wealth created by the IPO was expected to trickle down to engineers, salespeople and other staffers who had joined the company later, since most employees receive salary plus some kind of equity-based compensation, such as restricted stock units or stock options.

Zuckerberg, then 27, was estimated to own a little over a fifth of the company.

While weak financial markets can postpone or downsize any IPO, even the most conservative market-watchers were convinced Facebook seemed destined to set a new benchmark in a region famous for creating hi-tech fortunes.

Even though securities regulations typically prevent employee stock options from being cashed in until after a six-month lock-up period, Facebook employees past and present were already hatching plans on how to spend their anticipated new wealth.

Facebook's IPO had long been anticipated, but observers of other IPO's said the period after could be fraught with new challenges, claiming some employees could grow jealous over colleagues with more shares, while others might look down on peers who were too quick to sell, questioning their loyalty to the company.

There was always a risk that talented staff would leave with their newfound wealth to make their own mark in the technology world by becoming entrepreneurs or investing in other promising startups.

Before the IPO some Facebook employees had already left the company, selling their shares on private exchanges such as those run by SecondMarket or SharesPost.

Filing and Roadshow

Facebook filed for an initial public offering on February 1, 2012. The preliminary prospectus announced that the company had 845 million active monthly users and that its website featured 2.7 billion daily likes and comments. The filing noted that the company's increase in membership as well as income, were slowing and that the deceleration was likely to continue.

To ensure that early investors would retain control of the company, Facebook in 2009 instituted a dual-class stock structure. After the IPO, Zuckerberg was to retain a 22% ownership share in Facebook and was to own 57% of the voting shares.

The document also stated that the company was seeking to raise \$5 billion, which would make it one of the largest IPOs in technology history and the biggest in Internet history.

The road show got off to a rough start when Zuckerberg raised controversy for wearing a 'hoodie', rather than a customary business suit, to the first meeting with investors.

One analyst called it a "mark of immaturity." A half-hour long video that was played during that meeting also frustrated investors who wanted to discuss more technical details, and it was dropped for future meetings.

Valuation and Price Targets

Facebook's valuation steadily increased in the days leading up to the IPO. In early May, the company was aiming for a valuation somewhere from \$28 to \$35 per share (\$77 billion to \$96 billion). On May 14, just four days before the IPO, it raised the targets to \$34 to \$38 per share.

Prior to the IPO, several investors set price targets for the company. On May 14, before the offering price was announced, one analyst pegged the company at \$46 in an interview. The interviewer cautioned the analyst against what she perceived as his low valuation, suggesting the stock could rise to "60, 70, 80 dollars" and could shoot up to \$60 on the first day of trading.

On May 17, the day before the offering, another analyst suggested that only a 50 percent or better increase on the first day would be seen positively: "anything under that would be underwhelming."

None of the analysts interviewed by Reuters projected a first-day decrease.

Many Wall Street insiders expressed concerns over what they saw as a high valuation. Citing the price-to-earnings ratio of 108 for 2011, critics stated that the company would have to undergo “almost ridiculous financial growth for the valuation to make sense,” and, “That’s a big multiple to live up to, and Facebook will likely need to add bold new revenue streams to justify the mammoth valuation.”

Early investors themselves were said to express similar skepticism. Warning signs before the IPO indicated that several such investors were interested in selling their shares of the company.

One investor said they planned to offload as many as 28% of their shares, while banker Goldman Sachs was ready to sell up to 50% of theirs.

The *Wall Street Journal* suggested that, given insider worries, the public should avoid snapping up the stock. Facebook employees were less concerned, with Mark Zuckerberg planning to sell just 6 percent.

Strong demand, especially from retail investors, suggested Facebook could choose a relatively high offering price. Ultimately the underwriters settled on a price of \$38 per share, at the top of its target range. This price valued the company at \$104 billion, the largest valuation to date for a newly public company.

On May 16, two days before the IPO, Facebook announced that it would sell 25 percent more shares than originally planned due to high demand. This meant the stock would debut with 421 million shares.

The Facebook IPO brought inevitable comparisons with other technology company offerings. Some investors expressed keen interest in Facebook because they felt they had missed out on the massive gains Google saw in the wake of its IPO, and LinkedIn shares which had doubled on its first day.

The *New York Times* predicted the IPO would overcome questions about Facebook’s difficulties in attracting advertisers to transform the company into a “must-own stock”. One analyst described it as “the next great blue-chip”.

Many analysts expressed concern over Facebook’s revenue model; specifically its advertising practices, arguing that, “Although Facebook is very promising, it was an unproven advertising model.”

Some advertisers expressed concern over the value of the advertisements they purchased on Facebook. Just days before the IPO General Motors (GM) announced it would pull its \$10 million campaign from Facebook. GM had asked for “bigger, flashier” advertisements but Facebook refused.

Some Facebook executives were accused of alerting industry insiders to the company's earnings before they were made public. Facebook, Morgan Stanley, and Nasdaq threatened litigation over the matter.

Public interest swelled in the immediate build-up to the IPO. Some said it is "as much a cultural phenomenon as it is a business story." Meanwhile, Facebook itself celebrated the occasion with an all-night 'hackathon' the night before the IPO.

Zuckerberg rang a bell from Hacker Square on the Facebook campus to announce the offering, as is customary for CEOs on the day their companies go public.

What Does Warren Buffett say About Facebook?

This is what legendary investor Warren Buffett had to say about Facebook.

"I'm an agnostic on a company like Facebook. Any time you get a truly extraordinary business, and it's obviously an extraordinary business, but they're the hardest ones to value because the question is, is whether five or 10 years from now that they will be as extraordinary as they are now, or they may keep doing more and more wonderful things. So it's just harder to figure out than, oh, we'll say Coca-Cola.

"I mean, Coca-Cola 10 years from now is going to be bigger and more profitable, in my view, than it is now, but there won't be some quantum change in either direction. So it's much easier for me to figure out what Coca-Cola's worth than Google or Facebook or, you know, you name it."

A Social Event, One with Cultish Undertones, Rather than an IPO?

In the lead up to the Facebook IPO in May 2012, Melbourne based finance reporter Steven Bartholomeusz observed, "The Facebook float has become something of a phenomenon. Demand for the stock has been so strong that its promoters have raised the price range for the IPO from levels that already had sophisticated technology investors scratching their heads.

"With reports that the Asian tranche of the offering already over-subscribed 25 times, and US newspaper reports of 11-year-olds wanting a piece of the action, there is a sense that the float has become more of a social event, one with cultish undertones, than an IPO.

“The original plan was to sell around 10 percent of the company to new investors at a price of between \$28 and \$35 a share, valuing Facebook at between about \$77 billion and \$96 billion. Yesterday the range was shifted upward and narrowed to between \$34 and \$38 a share, lifting the valuation to between \$93 billion and \$104 billion. The listing will now raise about \$12 billion.

“That’s clearly a response to demand rather than fundamentals. Facebook’s first quarter results showed revenues and earnings actually falling relative to its fourth quarter numbers last year. While the company cited seasonality, a stock valued with the levels of growth that the Facebook IPO numbers imply shouldn’t be materially affected by seasonality.

“There are other disconcerting trends within its business. Even as its numbers of users, and its advertising revenues have grown – it has about 1 billion users and had \$3.7 billion of revenue and \$1 billion of earnings last year – the growth in its revenues per user has slowed and its margins have been shrinking.

“That’s partly a function of its size – it has grown such a large user base so quickly that it can’t grow its advertising base fast enough to keep up with them – but there is a structural element to it to.

“More than half Facebook’s users access through its mobile application and Facebook itself has conceded openly that it hasn’t yet worked out how to monetize that mobile usage. Unless it can crack that conundrum the continuing surge in mobile usage will undermine its economics.

“Another potential issue, unless Facebook can devise ways to increase its revenues per user, is the network’s sheer size. It appears inevitable that it will have more than one billion users soon. Given the number of internet users worldwide is estimated at about two billion, there is a ceiling on its eventual size.

“If Facebook is to justify the heady price-tag being placed on it, it will need to get better yields from the advertising that generates almost all its revenue, which means it has to better exploit the extraordinarily deep user engagement and the user data it holds to enable advertisers to target their advertising.

“The other reason to be skeptical about the valuations being placed on the group is that Mark Zuckerberg has made it very clear that he is more

interested in improving the user experience than in building earnings and he will retain control of the group.

“There is no reason to disbelieve him, which means that it is likely that he will continue to build Facebook’s cost base regardless of whether it translates into greater revenue and margin growth. In a listed company, that’s a recipe for tension between management and the market.

“Facebook is, in terms of a business, obviously immature, with a crude revenue model. That suggests there could be significant upside if and when Zuckerberg and his team focus more attention on the commercial potential of the remarkable platform he has built.

“Once listed, he is going to have to do that quite quickly and creatively – whether he likes it or not – because otherwise Facebook is definitely not going to be worth more than \$100 billion, at least not for long.”

The IPO: A Cultural Touchstone

The Facebook IPO finally took place on May 18, 2012. It was one of the biggest in technology, and the biggest in Internet history, with a peak market capitalization of over \$104 billion. Media pundits called it a “cultural touchstone.”

The long-anticipated IPO was ultimately plagued by a series of problems. Trading was delayed for half an hour due to technical problems with the IT exchange, Nasdaq, which suffered a computer malfunction during the first hours of the IPO, leading to tens of millions of dollars in trades being wrongly placed. There were claims that the initial price was too high and too many shares were on offer.

The Facebook IPO was expected to provide significant benefits to Nasdaq; instead it resulted in a strained relationship between Facebook and the exchange, and Facebook subsequently considered moving its listing to a competing exchange.

Initial trading saw the shares trade as high as \$45. However, the early rally was unsustainable as the share price struggled to stay above the IPO price for most of the day, forcing underwriters to buy back shares to support the price. Only the technical glitches and underwriter support prevented the stock price from falling below the IPO price on the first day of trading.

At the close of trading on the first day, Facebook shares were valued at \$38.23, only \$0.23 above the IPO price and down \$3.82 from the opening bell

value. The opening was widely described by the financial press as a disappointment.

Despite this mark Zuckerberg's shares were worth \$19 billion.

Despite the technical problems and a relatively low closing value, Facebook shares set a new record for trading volume of an IPO (460 million shares).

The IPO also ended up raising \$16 billion, making it the third largest in U.S. history (just ahead of AT&T Wireless, and behind only General Motors and Visa Inc.).

The closing share price gave Facebook a higher market capitalization than all but a few U.S. corporations, ahead of giants such as Amazon.com, McDonald's, Disney, and Kraft Foods.

Facebook's share value fell during nine of the next thirteen trading days, posting gains on just four days. The next day of trading after the IPO (May 21), the stock closed below its offering price, at \$34.03.

The stock saw another large loss the next day, closing at \$31.00. The stock increased modestly in coming days, and Facebook closed its first full week of trading at \$31.91.

The stock returned to losses for most of its second full week, and had lost over a quarter of its starting value by the end of May, prompting the *Wall Street Journal* to label the IPO a "fiasco."

The stock closed its second full week of trading on June 1 at \$27.72. By June 6 investors had lost \$40 billion.

Facebook ended its third full week at \$27.10, slightly lower than the previous week. The company finished its fourth full week with an increase to \$30.01, its first weekly gain.

Price targets for the new stock ranged considerably. On June 4, seven of fifteen analysts suggested prices above the stock's price, effectively advising a "buy". Four of fifteen suggested a "hold", while another four of fifteen suggested "sell".

After the IPO, with hindsight a number of commentators argued that Facebook had been heavily overvalued because of an illiquid private market on SecondMarket, where trades of stock were minimal and thus pricing unstable.

(SecondMarket is an online marketplace for buying and selling illiquid assets, including, private company stock and restricted securities in public companies. SecondMarket's participants include global financial institutions,

hedge funds, private equity firms, mutual funds, corporations, and other institutional and accredited investors. It claims it is the world's biggest broker of venture-backed private-company stock by the value of shares traded.)

The Facebook IPO had immediate impacts on the US stock market. Other technology companies took hits, while the exchanges as a whole saw dampened prices and investment firms faced considerable losses because of the technical problems.

One media outlet estimated retail investors may have lost around \$630 million on Facebook stock since its debut, and one financial services company may have lost as much as \$350 million.

The Nasdaq stock exchange offered \$40 million to investment firms who had been plagued by the computer glitches on the first day of the IPO.

Even though this was vastly higher than the usual \$3 million limit on reimbursements, it was unlikely to make up for the large investor losses.

The rival New York Stock Exchange characterized the move as a "harmful precedent" and an unnecessary subsidy in the wake of Nasdaq's missteps. Nasdaq claimed to fix the problems that beset the offering, and hired IBM to conduct a technical review.

The Aftermath of the IPO

The IPO impacted both Facebook investors and the company itself. The IPO had been touted to provide healthy rewards for venture capitalists who would finally see rewards. In contrast, it negatively affected individual investors including Facebook employees, who saw their equity diminish.

The disappointing IPO lowered investor interest in the stock, making it more difficult for Facebook to accumulate cash reserves for large future expenditures and acquisitions. CBS news reported "the Facebook brand takes a pretty big hit for this," mostly because of the public interest that had surrounded the offering. In the long-run, the troubled process "makes it harder for the next social-media company that wants to go public."

Others agreed that valuations and funding for future startup IPOs could take a hit. Online travel company Kayak delayed its IPO roadshow in the wake of Facebook's troubles.

The Facebook IPO had implications for other technology companies as well as the potential to jeopardize profits for underwriters who face investors skeptical of the technology industry.

Legal Issues from the IPO

More than 40 lawsuits were filed in the month following the Facebook IPO. Some of the underwriters and Facebook's CEO and board are facing litigation.

One of the legal issues stems from alleged adjustments to earnings estimates that were passed on to the underwriters by a Facebook financial officer, who in turn used the information to cash out on their position while leaving the general public with overpriced shares.

A class-action lawsuit is being prepared because of trading glitches which led to botched orders, with claims the glitches prevented a number of investors from selling the shares during the first day of trading while the price was falling, forcing them to incur bigger losses when their trades finally went through.

In June 2012, Facebook asked for all the lawsuits to be consolidated into one, because of overlap in their content.

In the weeks after the IPO, government officials called for investigations, while some likened the IPO to a 'pump-and-dump' scheme. ('Pump-and-dump' is a form of micro-cap share fraud that involves artificially inflating the price of an owned stock through false and misleading positive statements, in order to sell the cheaply purchased stock at a higher price. Once the operators of the scheme "dump" their overvalued shares, the price falls and investors lose their money. Stocks that are the subject of pump-and-dump schemes are sometimes called "chop stocks". While fraudsters in the past relied on cold calls, the Internet now offers a cheaper and easier way of reaching large numbers of potential investors.)

On May 22, regulators from the Financial Industry Regulatory Authority announced that they had begun to investigate whether banks underwriting Facebook had improperly shared information with only selected clients, rather than the general public.

Massachusetts Secretary of State, William Galvin subpoenaed Morgan Stanley over the same issue. The allegations sparked anger among some investors and led to the immediate filing of several lawsuits, one of them a class action suit claiming more than \$2.5 billion in losses due to the IPO.

The reputation of both Morgan Stanley, the primary IPO underwriter, and NASDAQ were damaged in the fallout from the botched offering.

Facebook Shares Halve in Price

I was conducting a seminar in Melbourne, Australia in April and when asked what was Facebook worth by a participant, my answer was around \$19 a share.

On 18 August 2012 Facebook shares fell to half their original IPO value, meaning Facebook had lost half its market value since its initial public offering in May of that year. The stock fell 87 cents, or four per cent, to \$19 in afternoon trading a day after the expiration of a 6-month lock-up period.

The end of the lock-up provided some early investors and insiders with an opportunity to sell shares.

Investors had been concerned about Facebook's ability to increase revenue and make money from its growing mobile audience. Many analysts, however, hold positive opinions of the company's long-term prospects.

Facebook, Serious Investors and Share Traders

Despite the disastrous drop in its share price, at around the time the shares touched half their issue price it was revealed that some of the most important investors in the US were buying Facebook shares. Those investors included the legendary George Soros, Steven Cohen of SAC Capital Advisors and Louis Bacon's Moore Capital Management.

How long these investors are willing to keep their Facebook stock remains to be seen. But it's clear that Mark Zuckerberg has some wealthy and very smart investors watching his performance and every move.

3.

WHO IS MARK ZUCKERBERG?

Openness, making things that help people connect and share what's important to them, revolutions, information flow, minimalism.

From Mark Zuckerberg's list of personal interests on his Facebook page.

Find a Need and Fill It

This is the most basic advice for anyone starting a business; either find something that doesn't exist but would improve the lives of those around you, or find an already available product and make it better and cheaper. That is exactly what Mark Zuckerberg, the most famous and richest person in their twenties on the planet did, when he created Facebook.

The Gift Economy

"Are you familiar with the concept of a gift economy?" Zuckerberg asks. "It's an interesting alternative to the market economy in a lot of less developed cultures. I'll contribute something and give it to someone, and then out of obligation or generosity that person will give something back to me. The whole culture works on this framework of mutual giving," David Kirkpatrick wrote in his book, *The Facebook Effect, The Inside Story of the Company that is Connecting the World*.

"Zuckerberg says Facebook and other forces on the Internet now create sufficient transparency for gift economies to operate at a large scale. 'When there's more openness, with everyone being able to express their opinion very quickly, more of the economy starts to operate like a gift economy. It puts the onus on companies and organizations to be more good and more trustworthy.'

"All this transparency and sharing and giving has implications, in his opinion, that go deep into society. 'It's really changing the way that government's work,' he says. 'A more transparent world creates a better-governed world.' This is, for him, a core belief.

"Zuckerberg essentially argues that any individual's public expression on Facebook is a sort of 'gift' to others. That has different manifestations depending on what kind of expression it is.

"When it comes to political activism, Facebook offers a more fundamentally altered landscape. In Zuckerberg's view, you are in essence making a gift into this free-sharing economy of ideas if you comment on Facebook about, for example, President Obama's health-care reform efforts. Think of it as a gift of opinion into the polity, a gift of ideas that ultimately strengthens the polity.

“Our act of expression is less fraught when we are passing on an opinion about commercial behavior — telling what we think about a company or product — or when we are forwarding something like a news story we’ve seen and found interesting.

“Nonetheless, we are making a gesture of friendship and generosity, albeit in a way that Facebook makes routine. And that gesture potentially alters the landscape of business and media by enhancing the relative power of the consumer vis-à-vis the company or large institution.

“In all these sorts of beneficial expressions, you are rewarded for your contribution, typically by the reciprocal contributions of friends, and often by a sort of chain reaction of contributions of others you don’t even know. Facebook is of course not the only service that enables these effects either in business or politics. Twitter notably is another.”

Some Kids Played Computer Games - Mark Zuckerberg Created Them

It is easy to assume that information would abound on the founder of a high-profile, multi-billion-dollar social networking site. Wrong. Information on Mark Zuckerberg is surprisingly scarce. Maybe that is because the Harvard dropout has only ever held one job: CEO of Facebook.

Zuckerberg was ranked 35th on its list of billionaires by Forbes magazine, with a net worth of \$17.5 billion, in early 2012, and 9th on its Powerful People List.

Vanity Fair magazine named Zuckerberg number 1 on its 2010 list of the Top 100 “most influential people of the Information Age”.

He was ranked number 23 on the Vanity Fair 100 list in 2009. In 2010, he was chosen as number 16 in the New Statesman’s annual survey of the world’s 50 most influential figures.

In 2007, Zuckerberg was named to the MIT Technology Review TR35 as one of the top 35 innovators in the world under the age of 35.

In 2010 Zuckerberg was named Time Magazine Person of the Year, “For connecting more than half a billion people and mapping the social relations among them, for creating a new system of exchanging information and for changing how we live our lives, Mark Elliot Zuckerberg is TIME’s 2010 Person of the Year.”

That same year, Facebook added its 550 millionth member.

Since 2010 Zuckerberg has been named among the 100 wealthiest and most influential people in the world by Time magazine's Person of the Year list.

In 2010, a fictionalized account of Zuckerberg creating Facebook while in college and its later start-up phase was made into a movie dramatization, *The Social Network*.

Mark Zuckerberg is part of the last generation of human beings who will remember life before the Internet, though only just.

He was born in 1984 in White Plains, New York, one of four children, the others all girls. (The eldest of his three sisters, Randi, was until recently the head of Facebook marketing and was the 15th employee to join Facebook.) His mother was a psychiatrist and his father, a dentist. Although he was raised in the Jewish faith, he has since described himself as an atheist.

At school Zuckerberg excelled in the classics and won prizes in science (mathematics, astronomy and physics) and classical studies. He was a fencing star and captain of the fencing team. In college, he was known for reciting lines from epic poems such as *The Iliad*.

On his college application, Zuckerberg listed these non-English languages that he could read and write: French, Hebrew, Latin, and ancient Greek.

The young Mark was "strong-willed and relentless," according to his father Ed. "For some kids, their questions could be answered with a simple yes or no," he says.

"For Mark, if he asked for something, yes by itself would work, but no required much more. If you were going to say no to him, you had better be prepared with a strong argument backed by facts, experiences, logic, reasons. We envisioned him becoming a lawyer one day, with a near 100% success rate of convincing juries."

He was a precocious computer programmer, beginning on a Quantex 486DX running Windows 3.1. When he was 12, he created a network for the family home that he called ZuckNet; this was at a time when home networks were not available in a box. (He clarifies, out of both modesty and a compulsion for accuracy that they brought in a professional to do the wiring.) He also wrote computer games: a version of Monopoly set at his middle school and a version of Risk based on the Roman Empire.

His father taught him Atari BASIC Programming in the 1990s, and later hired software developer David Newman to tutor him privately. Newman calls him a “prodigy”, adding that it was “tough to stay ahead of him”.

During his high school years, using a company named Intelligent Media Group, Zuckerberg built a music player called the Synapse Media Player that used artificial intelligence to learn the user’s listening habits, which was posted to Slashdot. The device subsequently received a rating of 3 out of 5 from PC Magazine. Microsoft and AOL tried to purchase Synapse and recruit Zuckerberg, but instead he chose to enroll at Harvard University in September 2002.

Zuckerberg and his siblings excelled at taking on projects. One year, on their winter holiday, they decided to film a complete Star Wars parody called *The Star Wars Sill-ogy*. “We took our job very seriously,” Randi says. “Every morning we would wake up and have production meetings. Mark’s voice hadn’t changed yet, so he played Luke Skywalker with a really high, squeaky voice, and then my little sister, who I think was 2, we stuck her in a garbage can as R2D2 and had her walk around.”

Zuckerberg does not possess a physically imposing presence, 173 cm tall, with a Roman nose, a bantam-rooster chest and a close-fitting cap of curly brown hair. He dresses like a US style fraternity boy, in T-shirts and jeans, though his fingernails are fastidiously neat. His most notable physical feature is his chin, which he holds at a slightly elevated angle.

And he wears ‘hoodies’ which is upsetting the corporate world!

He is often described as remote and socially awkward. Associates say holding a conversation with him can be challenging, as he approaches conversation as a way of exchanging data as rapidly and efficiently as possible, rather than as a recreational activity undertaken for its own sake.

He is formidably quick and talks rapidly and precisely, and if he has no data to transmit, he abruptly falls silent. “I usually don’t like things that are too much about me” was how he began one media interview.

Another interviewer said, “He cannot be relied on to throw the ball back or give you encouraging facial cues. His default expression is a direct and slightly wide-eyed stare that makes you wonder if you’ve got a spider on your forehead.

“Most alarmingly, if your signal-to-noise ratio drops below a critical threshold, he will turn his head and look off to one side as if he's hearing noises offstage, presenting you with his Roman-emperor profile.”

“If you're not making compelling points, he kind of just tunes out,” another media commentator said. “He's not trying to be rude. He's just like, ‘Okay, you're not the best use of this time anymore.’ He's going to find a better use of his time, even if you're sitting right there.”

In spite of all that Zuckerberg has a warm presence, not a cold one. He has a quick smile and doesn't shy away from eye contact. He thinks fast and talks fast, but he wants you to keep up. He exudes no anger or social anxiety but a weird calm said one analyst.

“When you talk to his co-workers, they're so adamant in their avowals of affection for him and in their insistence that you not misconstrue his oddness that you get the impression it's not just because they want to keep their jobs. People really like him.”

Despite (or because of it) becoming the world's youngest billionaire at age 23, Zuckerberg has an indifference to money that is almost pathological according to some sources. His lifestyle is modest by most standards but monastic for someone whose personal fortune was estimated by *Forbes* at \$17.5 billion.

In 2010 Zuckerberg was still living near his office in a house that he rents; a sparsely-furnished home in Palo Alto, California.

His study only holds three chairs, a table and two wooden shelving units. Cameras also panned across his open but relatively small kitchen containing an island and light-colored wooden cabinet.

However, he is rarely at home putting in 16-hour days at Facebook headquarters where the open plan office has a fun and creative feel, “there are no offices and work is awesome”. People can be seen riding skateboards, while walls are covered with inspirational phrases like ‘Fail Harder’ and ‘What Would You Do If You Weren't Afraid?’

A Sense of Humor

Despite his nerdy appearance Mark Zuckerberg has a sense of humor and loves pranks. On New Year's Eve 1999 their parents were worried about the Y2K bug, so that night Mark and his sister Randi waited until the stroke of midnight, then shut off the power.

On another occasion, Facebook folk lore has it that, Mark turned to Randi and said, "I bet I can make Donna come upstairs in five seconds." He had set up his sister's computer to announce that it was self-destructing in 5, 4, 3, 2 ... and up the stairs she came.

Zuckerberg voiced himself on an episode of *The Simpsons*, "Loan-a Lisa", which first aired on October 3, 2010. In the episode, Lisa Simpson and her friend Nelson encounter Zuckerberg at an entrepreneurs' convention. Zuckerberg tells Lisa that she does not need to graduate from college to be wildly successful, referencing Bill Gates and Richard Branson as examples.

Mark Zuckerberg became a comedy bulls-eye after the release of the film, *The Social Network*. Even successful Americans are forced to suffer the 'tall poppy syndrome' that is a favorite Australian past time. In the US comedians and late night talk show hosts have taken it upon themselves to knock Zuckerberg down a few pegs.

"Recently, Facebook founder Mark Zuckerberg had his own Facebook fan page hacked into. Zuckerberg immediately ordered the hacker to be tracked down, seized and hired. So this guy knows what he's doing. He's very good."

"Facebook founder Mark Zuckerberg is apparently renting a new five-bedroom house. It's a nice house, except as soon as you get used to the furniture, he rearranges it for no reason."

"Forbes billionaire list is out and CEO and co-founder of Facebook, Mark Zuckerberg is the youngest billionaire on the list at age 25. Betcha his Mother doesn't tell him he's spending too much time on Facebook."

"Facebook founder Mark Zuckerberg is Time Magazine Person of the Year for 2010. For the first time, I wish that there was a "Dislike" button on Facebook."

On October 9, 2010, Saturday Night Live lampooned Zuckerberg and Facebook. Andy Samberg played Zuckerberg. The real Zuckerberg was reported to have been amused: "I thought this was funny."

Just before the Facebook IPO one comedian asked, "What will Mark Zuckerberg, do with the eighteen billion dollars he is expected to earn from Facebook's IPO? Rumor has it he is considering buying Greece, but that would still leave him with eighteen billion dollars."

Another comedian told how Zuckerberg and his new wife Priscilla Chan took a scenic honeymoon in Italy. "Unfortunately for the Facebook CEO, he didn't tip at one restaurant and now has all of Italy judging him. According to

a receipt posted by a waiter at one restaurant, Zuckerberg and his new wife ordered 32 euros worth of food, only for him to leave no tip. Italian newspapers did some digging and found that Zuckerberg also didn't tip at a famous restaurant in Rome the previous night. One restaurant owner told newspapers that the lack of tipping wasn't because of poor service or food: "I asked him 'how was it?' and he said 'very good'", said the owner. "I had gone up to him and said 'Are you ...?' and he said 'Yes'."

"In Zuckerberg's defense, maybe he did tip only to have the tip depreciate in value immediately after it left his hands."

What is the difference between Julian Assange and Mark Zuckerberg another comedian asked? "Julian Assange gives private information on corporations to consumers for free, and he is a villain. "Mark Zuckerberg sells private information to corporations for money, and he was Man of the Year in 2010."

One email post claims ever since Mark Zuckerberg joined the ranks of the ultra-rich, he has been receiving free offers from businesses across the economic spectrum.

"The latest bargain Zuckerberg received was a sweet financing deal from his bank, a 1.05% refinancing rate on the mortgage for his home in Palo Alto, California. While many Americans are struggling to get a half-way decent refinancing rate just in order to keep their homes out of foreclosure, Zuckerberg is the recipient of one of the lowest rates ever to be given to a homeowner.

"News of the low interest rate (possibly the lowest to ever be offered to a rich guy) has other business magnates green with envy.

"Upon hearing the news of the record low rate Zuckerberg received, Donald Trump, who has never been offered an interest rate lower than 2.875% in all the years he's been buying up real estate, was said to be furious.

"'Since when does some little startup punk get a better interest rate than me?' asked Trump when told of Zuckerberg's good fortune. But when he realized the refinance rate was adjustable, Trump settled down.

"'Well, then, why didn't you say so in the first place? That's a whole different story,' said Trump, who claims he's locked in at 3.75% on most of his properties.

“Don’t look at me like I’m an idiot,” said Trump. “It’s a fixed rate. Thirty-year fixed. Just wait’ll the interest rates start climbing again. Then we’ll see who’s the smart guy.”

“President Obama was in San Francisco today, meeting with a group of technology executives, including Facebook founder Mark Zuckerberg. Their goal is to figure out how to create new jobs, to replace jobs that have been lost as a result of everyone spending all their time at work on Facebook.”

Eliminating Desire

One of the interests Zuckerberg lists on his Facebook page is “Eliminating Desire.” “I just want to focus on what we’re doing,” he says. “When I put it in my profile, that’s what I was focused on. I think it’s probably Buddhist? To me I think it would be very easy to get distracted and get caught up in short-term things or material things that don’t matter. The phrase is actually ‘Eliminating desire for all that doesn’t really matter.’”

Contrary to the perceptions of many people, the reality is that Zuckerberg is not alienated, and he is not a loner. He is the opposite.

He has spent his whole life in tight, supportive, intensely connected social environments: first with his family, then in the Harvard dormitories, and now at Facebook where his best friends are his staff.

Zuckerberg loves being around people. He didn’t build Facebook so he could have a social life like the rest of us. He built it because he wanted the rest of us to have his.

As one analyst described, “Facebook is the realization of a dream. but it’s also the death of a dream, one that began in the late 1960s. That’s when the architecture of the Internet was first laid out, and it’s a period piece. The Internet is designed the way it is to accommodate any number of practical considerations, but it’s also an expression of 1960s counterculture. No single computer runs the network. No one is in charge. It’s a paradise of equality and anonymity, an electronic commune.”

Technology analysts say there are other people who can write code as well as Zuckerberg, not many, but some, but none of them understand the human psyche the way he does.

“He has great EQ,” says Naomi Gleit, Facebook’s product manager for growth and internationalization. “I’ll often ask him for advice about, like, a girl

issue that I'm dealing with. And he'll very rationally give me his opinion on the situation."

His mother Karen, a psychiatrist who left the profession to manage her husband's office, attributes what she calls Zuckerberg's "sensitivity" to the fact that he was raised with three sisters.

This acute awareness of how other people's brains work characterizes all of Zuckerberg's projects, even the projects he did before Facebook.

He later enrolled in Harvard, majoring in computer science and sociology. During his sophomore year at Harvard Zuckerberg created the Facemash website, a program he launched from his dormitory room, which allowed students to compare the relative 'hotness' of their peers. Facemash was crude, some even said offensive, but it hooked people and they wanted it.

The site went up over a weekend, but by Monday morning the college shut it down because its popularity had overwhelmed Harvard's server and prevented students from accessing the Internet. Many students complained that their photos were being used without permission. Zuckerberg apologized publicly, and the student paper ran articles stating that his site was "completely improper".

Around the time of Facemash students were requesting the university to develop an internal website that would include similar photos and contact details. Zuckerberg decided that if the university wouldn't do something about it, he would, and he determined to build a site that would be even better than what the university had planned.

Even though Facemash was shut down within days, it became a template for Facebook. With the help of friends, he took Facebook to other campuses nationwide and soon after moved to Palo Alto, California. By 2010, the site had an estimated 500 million users worldwide.

Whereas earlier entrepreneurs looked at the Internet and saw a network of computers, Zuckerberg saw a network of people.

By 2005 one of the most competitive markets on the Internet was photo sharing.

Facebook decided to enter that market and as one analyst noted at the time they took a knife to a gunfight. Bret Taylor, Facebook's chief technology officer later said, "It was possibly the least functional photos product on the Internet. The resolution of the photos was not good enough to print. There were no real organizing capabilities."

What Facebook had though was its huge data base of people, who were offered the ability to put up a photo of somebody and then tag that photo with his or her name.

As history has shown that, more than anything else, was what people wanted. They didn't want to organize their photos by folder; they wanted to organize them by who was in them. As Zuckerberg observed, that's how people analyze the world.

Facebook launched what was considered at the time a poor quality photo-sharing service in late October 2005. By 2007 it was getting more traffic than Photobucket, Flickr or Picasa. Facebook now hosts over 15 billion photos on its site, and people upload 100 million more every day.

Most people think of Facebook as a way to enviously ogle their co-workers' vacation pictures, but what Zuckerberg is doing is fundamentally changing the way the Internet works and, more importantly, the way it feels — which means, as the Internet permeates more and more aspects of our lives and hours of our day, how the world feels.

Lev Grossman

Bill Gates on Mark Zuckerberg

On a TV show just before the Facebook IPO in 2012 Bill Gates was asked about Mark Zuckerberg and his achievements.

GATES: Mark's done an amazing job and he and I have had a chance to talk and, no, it's quite— it's very impressive.

INTERVIEWER: Does he remind you of yourself?

GATES: In some ways. You know, his company is doing a different thing, but he works long hours, he's a Harvard dropout, he's very logical in his thinking and he's willing to pursue his view of the world even when it's not sort of faddishly, you know, popular. And he's got a vision of where he wants to go. So, you know, I hope some of those positive attributes might have some similarities to my equivalent years.

INTERVIEWER: How often do you get to chat with him?

GATES: Well, actually you know, we've got two topics. He's, you know, talked to me about some Facebook things, just to get advice. Facebook and Microsoft are partners on a lot of things and so that comes up and also Mark

is getting into philanthropy at an earlier age than I did, and so talking about philanthropy in general or the educational work that he's doing, you know, that's another topic we've been able to talk about.

Warren Buffett on Mark Zuckerberg

Warren Buffett was played a tape of the Bill Gates interview on a TV show also just before the Facebook IPO in 2012.

INTERVIEWER: Warren, you hear conversations like that. Does Zuckerberg remind you of either Bill Gates or yourself?

BUFFETT: Yeah, there's a certain similarity. And certainly with Bill. They both have this intense focus and I probably have had some of that in the past. I'm maybe calming down a little. They've got a vision for their business and no matter what anybody else thinks they're going to paint the painting the way they see it. And, you know they've both done extraordinary things and they did them at a very early age. So there's some real similarities between the two.

The Mark Zuckerberg Philosophy

"We have this concept of serendipity, humans do," Zuckerberg says. "A lucky coincidence. It's like you go to a restaurant and you bump into a friend that you haven't seen for a while. That's awesome. That's serendipitous. And a lot of the reason why that seems so magical is because it doesn't happen often.

"But I think the reality is that those circumstances aren't actually rare. It's just that we probably miss like 99 percent of it. How much of the time do you think you're actually at the same restaurant as that person but you're at opposite sides so you don't see them, or you missed each other by 10 minutes, or they're in the next restaurant over?

"When you have this kind of context of what's going on, it's just going to make people's lives richer, because instead of missing 99% of them, maybe now you'll start seeing a lot more of them."

In 2010, Steven Levy, who authored the 1984 book, *Hackers: Heroes of the Computer Revolution*, wrote that Zuckerberg "clearly thinks of himself as a hacker."

Zuckerberg said that "it's OK to break things" "to make them better." Facebook instituted "hackathons" held every six to eight weeks where participants would have one night to conceive of and complete a project.

The company provided music, food, and beer at the hackathons, and many Facebook staff members, including Zuckerberg, regularly attended."

The idea is that you can build something really good in a night", Zuckerberg told Levy. "And that's part of the personality of Facebook now ... It's definitely very core to my personality."

In a 2011 interview with PBS after the death of Steve Jobs, Zuckerberg said that Jobs had advised him on how to create a management team at Facebook that was "focused on building as high quality and good things as you are."

Zuckerberg has a metaphoric vision, a big-picture vision, for Facebook. "It's not because of the amount of money. For me and my colleagues, the most important thing is that we create an open information flow for people. Having media corporations owned by conglomerates is just not an attractive idea to me."

He restated these same goals to Wired magazine in 2010: "The thing I really care about is the mission, making the world open."

Only someone as brilliant and blinkered and self-confident and single-minded and social as Zuckerberg could have built Facebook.

"The craziest thing to me in all this," he says, "is that I remember having these conversations with my friends when I was in college. We would just sort of take it as an assumption that the world would get to the state where it is now. But, we figured, we're just college kids. Why were we the people who were most qualified to do that? I mean, that's crazy!

"I guess what it probably turns out is, other people didn't care as much as we did."

Facebook is the way it is because of who Zuckerberg is. The color scheme is blue and white because Zuckerberg is red-green color-blind. There are a lot of colors he can't see, but blue he can see.

Social Networks

Zuckerberg created an account with Google+ soon after the social network was unveiled, saying he sees it as a "validation for his vision" of online social

networking. By July 2011, Zuckerberg had become the most followed user on Google+, outranking Google co-founders Larry Page and Sergey Brin. As of March 6, 2012, his ranking has dropped to 184 on the service, behind Page and Brin. His public profile is minimal with one photo and a bio that reads “I make things”.

Zuckerberg has maintained a private account on Twitter under the username “zuck”, though in 2009 he revealed that the public account “finkd” also belonged to him.

Philanthropy

Zuckerberg donated an undisclosed amount to Diaspora, an open-source personal web server that implements a distributed social networking service. He called it a “cool idea”.

Zuckerberg founded the Start-up: Education Foundation. On September 22, 2010, it was reported that Zuckerberg had arranged to donate \$100 million to Newark Public Schools, the public school system of Newark, New Jersey. Critics noted the timing of the donation as being close to the release of a film, *The Social Network*, which painted a somewhat negative portrait of Zuckerberg.

Zuckerberg responded to the criticism, saying, “The thing that I was most sensitive about with the movie timing was, I didn’t want the press about *The Social Network* movie to get conflated with the Newark project. I was thinking about doing this anonymously just so that the two things could be kept separate.”

Newark Mayor Cory A. Booker stated that he and New Jersey Governor Chris Christie had to convince Zuckerberg’s team not to make the donation anonymously.

On December 9, 2010, Zuckerberg, Bill Gates, and investor Warren Buffett signed a promise they called the “Giving Pledge”, in which they promised to donate to charity at least half of their wealth over the course of time, and invited others among the wealthy to donate 50 percent or more of their wealth to charity.

On May 19, 2012, Mark Zuckerberg and Priscilla Chan married in Zuckerberg’s backyard in a celebration also marking her graduation from medical school. Chan has a medical degree, and, according to some sources,

is planning to begin interning and residencing towards becoming a pediatrician in 2012.

There have been reports of a “relationship contract” that Ms. Chan (the Queen to the King of Facebook) reportedly insisted upon several years ago, guaranteeing her one two-week trip abroad a year, plus spending one date night and 100 minutes together a week, “not in his apartment or at the Facebook office”.

Zuckerberg at the Movies - ‘The Social Network’

The Social Network, a movie based on Zuckerberg and the founding years of Facebook, was released in October 2010.

The film is based on the book *The Accidental Billionaires* by Ben Mezrich, which the book’s publicist once described as “big juicy fun” rather than “reportage”.

At the 2011 Oscar Awards, despite losing Best Picture to *The King’s Speech*, the *The Social Network* won three Oscars, including Best Film Editing, Best Original Score and Best Adapted Screenplay.

The film, which won four awards including Best Picture at the Golden Globes and was nominated for eight Oscars, was definitely the technology crowd favorite but apparently not the Academy’s.

After winning the Golden Globes award for Best Picture on January 16, 2011, *The Social Network* producer Scott Rudin thanked Facebook and Zuckerberg, “for his willingness to allow us to use his life and work as a metaphor through which to tell a story about communication and the way we relate to each other.”

Aaron Sorkin, who won a Golden Globe for Best Screenplay, retracted some of the impressions given in his script: “I wanted to say to Mark Zuckerberg tonight, if you’re watching, Rooney Mara’s character makes a prediction at the beginning of the movie. She was wrong. You turned out to be a great entrepreneur, a visionary, and an incredible altruist.”

When Zuckerberg was told about the film, he responded, “I just wished that nobody made a movie of me while I was still alive.”

After the film’s script was leaked on the Internet and it was apparent that the film would not portray Zuckerberg in a wholly positive light, he stated that he wanted to establish himself as a “good guy”.

According to David Kirkpatrick, former technology editor at Fortune magazine and author of *The Facebook Effect: The Inside Story of the Company That Is Connecting the World*, “the film is only 40 percent true ... he is not snide and sarcastic in a cruel way, the way Zuckerberg is played in the movie.”

He says that “a lot of the factual incidents are accurate, but many are distorted and the overall impression is false”, and concludes that primarily “his motivations were to try and come up with a new way to share information on the internet”.

Although the film portrays Zuckerberg’s creation of Facebook in order to elevate his stature after not getting into any of the elite final clubs at Harvard, Zuckerberg himself said he had no interest in joining the final clubs.

Karel Baloun, a former senior engineer at Facebook, notes that the “image of Zuckerberg as a socially inept nerd is overstated ... It is fiction ...” He likewise dismisses the film’s assertion that he “would deliberately betray a friend.”

On January 29, 2011, Zuckerberg made a surprise guest appearance on Saturday Night Live (SNL), which was being hosted by Jesse Eisenberg, who portrayed him in *The Social Network*, and it was the first time they had ever met.

Eisenberg asked Zuckerberg, who had been critical of his portrayal in the film, what he thought of the movie.

Zuckerberg replied, “It was interesting.”

In a subsequent interview about their meeting, Eisenberg explained he was, “nervous to meet him, because I had spent, a year and a half thinking about him ... Mark has been so gracious about something that’s really so uncomfortable ... The fact that he would do SNL and make fun of the situation is so sweet and so generous. It’s the best possible way to handle something that, I think, could otherwise be very uncomfortable.”

4.

THE RISE OF FACEBOOK

In three years from now we have to figure out what the optimum model is. But that is not our primary focus today..

Mark Zuckerberg in 2008

Facebook's predecessor Facemash, first operated on October 28, 2003. The website was created by Mark Zuckerberg, then a student at Harvard University and three of his Harvard classmates, Eduardo Saverin, Chris Hughes and Dustin Moskovitz.

Zuckerberg wrote the software for the Facemash website when he was in his second year at Harvard. The website was initially set up as a type of "hot or not" game for Harvard students, that allowed visitors to compare two student pictures side-by-side and let them choose who was "hot" and who was "not".

On the first night of Facemash operation, Zuckerberg wrote some blog entries: "I'm a little intoxicated, not gonna lie. So what if it's not even 10pm and it's a Tuesday night? What? The Kirkland dormitory facebook is open on my desktop and some of these people have pretty horrendous facebook pics. I almost want to put some of these faces next to pictures of farm animals and have people vote on which is more attractive."

"Yea, it's on. I'm not exactly sure how the farm animals are going to fit into this whole thing (you can't really ever be sure with farm animals...), but I like the idea of comparing two people together."

"Let the hacking begin."

According to *The Harvard Crimson*, Facemash "used photos compiled from the online facebook of nine Houses, placing two next to each other at a time and asking users to choose the 'hotter' person." In order to accomplish this, Zuckerberg hacked into Harvard's security network and copied the student ID images used by dormitories and used them to populate his Facemash website.

At the time Harvard did not have a student directory with photos and basic information. Amazingly the initial Facemash site generated 450 visitors and 22,000 photo-views in its first four hours online.

Zuckerberg and his friends had hit upon a successful formula as that initial site mirrored people's physical community with their real identities; Zuckerberg and his friends had hit upon the key aspects of what was to eventually become Facebook.

Not surprisingly Zuckerberg had some legal and personal concerns at the time which he expressed in his blog. "Perhaps Harvard will squelch it for legal

reasons without realizing its value as a venture that could possibly be expanded to other schools (maybe even ones with good-looking people...). But one thing is certain, and it's that I'm a jerk for making this site. Oh well. Someone had to do it eventually..."

Zuckerberg expanded on this initial project later that year by creating a social study tool ahead of an art history exam by uploading 500 Augustan images to a website, with one image per page along with a comment section.

He opened the site up to his classmates and people started sharing their notes. "The professor said it had the best grades of any final he'd ever given. This was my first social hack. With Facebook, I wanted to make something that would make Harvard more open," Zuckerberg said in a *TechCrunch* interview.

Years later in October, 2010, FaceMash.com was auctioned off to an unknown buyer for \$30,201.

In January 2004, Zuckerberg began writing the code for a new website, known as 'thefacebook', saying he was inspired to make Facebook as a result of Facemash: "It is clear that the technology needed to create a centralized Website is readily available ... the benefits are many."

Zuckerberg launched "Thefacebook" the next month saying, "Everyone's been talking a lot about a universal face book within Harvard. I think it's kind of silly that it would take the University a couple of years to get around to it as I can do it better than they can, and I can do it in a week."

He also stated his intention to create a universal website that could contact people around the university. According to his former roommate, Dustin Moskovitz, "When Mark finished the site, he told a couple of friends ... then one of them suggested putting it on the Kirkland House online mailing list, which was ... three hundred people." Moskovitz continued to say that, "By the end of the night, we were ... actively watching the registration process. Within twenty-four hours, we had somewhere between twelve hundred and fifteen hundred registrants."

Just six days after the launch of the site, three Harvard University seniors, Cameron Winklevoss, Tyler Winklevoss, and Divya Narendra, accused Zuckerberg of intentionally misleading them into believing that he would help them build a social network called HarvardConnection.com, but instead using their idea to build a competing product.

The three complained to the Harvard daily newspaper the *Crimson*, and an investigation began. Zuckerberg knew about the investigation so he used TheFacebook.com to find members in the site who identified themselves as members of the *Crimson*.

Zuckerberg examined a history of failed logins to see if any of the *Crimson* members had ever entered an incorrect password into TheFacebook.com. In the cases in which they had failed to login, Zuckerberg tried to use them to access the *Crimson* members' Harvard email accounts, and he was successful in accessing two of them. Three *Crimson* members filed a lawsuit against Zuckerberg which was later settled.

Membership was initially restricted to students of Harvard University and within the first month, more than half the undergraduate population at Harvard had registered on the service.

Eduardo Saverin (business aspects), Dustin Moskovitz (programmer), Andrew McCollum (graphic artist), and Chris Hughes soon joined Zuckerberg to help promote the website. In March 2004, Facebook expanded to Stanford, Columbia, and Yale.

This expansion continued when it opened to all Ivy League and Boston-area schools, and it gradually reached most universities in Canada and the United States.

Facebook was incorporated in mid-2004, and the entrepreneur Sean Parker, who had been informally advising Zuckerberg, became the company's president.

In June 2004, Facebook moved its base of operations to Palo Alto, California. The company dropped 'The' from its name after purchasing the domain name *facebook.com* in 2005 for \$200,000.

A month after Facebook launched in February 2004, i2hub, another campus-only service, created by Wayne Chang, was launched. i2hub focused on peer-to-peer file sharing. At the time, both i2hub and Facebook were gaining the attention of the press and growing rapidly in users and publicity.

In August 2004, Zuckerberg, Andrew McCollum, Adam D'Angelo, and Sean Parker launched a competing peer-to-peer file sharing service called Wirehog, a precursor to Facebook Platform applications.

In October 2005, Facebook expanded to twenty-one universities in the United Kingdom, Mexico Puerto Rico and the U.S. Virgin Islands.

Facebook launched a high school version in September 2005, which Zuckerberg called the next logical step. At that time, high school networks required an invitation to join. Facebook later expanded membership eligibility to employees of several companies, including Apple Inc. and Microsoft.

In December 2005, universities in Australia and New Zealand were added to the Facebook network, bringing its size to 2,000+ colleges and 25,000 + high schools throughout the United States, Canada, Mexico, the United Kingdom, Australia, New Zealand, and Ireland.

In September 2006 Facebook was opened to everyone aged 13 and older with a valid email address.

In May 2007, Zuckerberg announced Facebook Platform, a development platform for programmers to create social applications within Facebook. A number of applications had been built within weeks, and some already had millions of users. It grew exponentially with more than 800,000 developers around the world building applications for Facebook Platform.

In November 2007, Zuckerberg announced Beacon, a new social advertising system, which enabled people to share information with their Facebook friends based on their browsing activities on other sites.

For example, eBay sellers could let friends know automatically what they have for sale via the Facebook news feed as they listed items for sale. The program came under scrutiny because of privacy concerns from groups and individual users.

Zuckerberg and Facebook failed to respond to the concerns quickly, and in December 2007, Zuckerberg wrote a blog post on Facebook taking responsibility for the concerns about Beacon and offering an easier way for users to opt out of the service.

In July 2008, Zuckerberg announced Facebook Connect, a version of Facebook Platform for users.

In October 2008, Facebook announced that it would set up its international headquarters in Dublin, Ireland.

In April 2009, Zuckerberg sought the advice of former Netscape CFO Peter Currie about financing strategies for Facebook.

In July 2010, Zuckerberg reported that Facebook had reached the 500 million-user mark. Around that time Zuckerberg was asked if Facebook could

earn more income from advertising as a result of its phenomenal growth, he explained:

“I guess we could ... If you look at how much of our page is taken up with ads compared to the average search query. The average for us is a little less than 10 percent of the pages and the average for search is about 20 percent taken up with ads ... That’s the simplest thing we could do. But we aren’t like that. We make enough money. Right, I mean, we are keeping things running; we are growing at the rate we want to.”

In 2010, Facebook began to invite users to become beta testers after passing a question-and-answer-based selection process, and a set of Facebook Engineering Puzzles where users would solve computational problems which gave them an opportunity to be hired by Facebook.

By February 2011, Facebook had become the largest online photo host, being cited by Facebook application and online photo aggregator Pixable as expecting to have 100 billion photos by summer 2011.

By October 2011, over 350 million users accessed Facebook through their mobile phones, accounting for 33% of all Facebook traffic.

On March 12, 2012, Yahoo! filed suit in a U.S. federal court against Facebook weeks before the scheduled Facebook IPO. In its court filing, Yahoo said that Facebook had infringed on ten of its patents covering advertising, privacy controls, and social networking. Yahoo had threatened to sue Facebook a month before the filing, insisting that the social network license its patents.

A spokesperson for Facebook issued a statement saying “We’re disappointed that Yahoo, a longtime business partner of Facebook and a company that has substantially benefited from its association with Facebook, has decided to resort to litigation.”

The lawsuit claims that Yahoo’s patents cover basic social networking ideas such as customizing website users’ experiences to their needs, adding that the patents cover ways of targeting ads to individual users.

Initial Funding

Facebook was initially incorporated as a Florida LLC (limited liability company). For the first few months after its launch in February 2004, the costs of the website operations for thefacebook.com were paid for by Mark Zuckerberg and Eduardo Saverin, who had both taken equity stakes in the

company. The website also ran a few advertisements to meet its operating costs.

Former PayPal CEO Peter Thiel is often touted as the first investor in Facebook, because he led the first formal Facebook round in September of 2004 with a \$500,000 investment at a \$5 million valuation.

However, the real "first investor in Facebook" claim to fame should belong to a Harvard classmate of Zuckerberg's named Eduardo Saverin who was involved in Facebook's earliest days, as a confidant of Mark Zuckerberg.

Saverin was a larger than life character who would wear a suit to class. He liked to give people the impression that he was rich, and maybe somehow connected to the Brazilian mafia. At one point, in an IM (internal memo) exchange, Zuckerberg told a friend that Saverin, "head of the investment society", was rich because "apparently insider trading isn't illegal in Brazil."

Eventually, Saverin agreed to invest \$15,000 in a company that in April 2004, was formed as Facebook LLC. For his money, Saverin would get 30 percent of the company.

A later lawsuit filed by Eduardo Saverin against Facebook and Zuckerberg was settled out of court. Though terms of the settlement were sealed, the company affirmed Saverin's title as co-founder of Facebook. Saverin signed a non-disclosure contract after the settlement.

First Angel Investment (Series A)

Facebook now worth \$5 million post-valuation

In mid-2004, former Napster and Plaxo employee Sean Parker, who at the time had assumed the title of 'President' of Facebook, was seeking investors for Facebook.

Parker approached Reid Hoffman, the CEO of work-based social network LinkedIn. Hoffman liked Facebook but declined to be the lead investor because of the potential for conflict of interest with his duties as LinkedIn CEO.

Thiel met Parker and Zuckerberg and they got along well, with Thiel agreeing to lead Facebook's seed round with \$500,000 for 10.2% of the company and joined Facebook's board. Hoffman and Mark Pincus also participated in the round. This was the first outside investment in Facebook.

The investment was originally in the form of a convertible note, to be converted to equity if Facebook reached 1.5 million users by the end of 2004.

Although Facebook narrowly missed the target, Thiel allowed the loan to be converted to equity anyway. Thiel said of his investment: "I was comfortable with them pursuing their original vision. And it was a very reasonable valuation. I thought it was going to be a pretty safe investment."

Accel Investment (Series B)

Facebook now worth \$98 million post-valuation

In April 2005, Accel Partners agreed to make a \$12.7 million venture capital investment in a deal that valued Facebook at about \$98 million post-valuation. The deal was finalized in May 2005. As part of the deal, Jim Breyer, a partner at Accel, joined Facebook's board, and the board was expanded to five seats, with Zuckerberg, Thiel, and Breyer in three of the seats, and the other two seats currently being empty but with Zuckerberg free to nominate anybody to those seats.

Angel Investment (Series C)

Facebook now worth \$500 million post-valuation

In April 2006, Facebook closed its Series C funding round. This included \$27.5 million from a number of venture capitalists, including Greylock Partners and Meritech Capital, plus additional investments from Peter Thiel and Accel Partners. The valuation for this round was about \$500 million.

A leaked cash flow statement showed that during the 2005 fiscal year, Facebook had a net loss of \$3.63 million.

Sales Negotiations

Following the sale of the social networking website MySpace to News Corp in July 2005, rumors surfaced about the possible sale of Facebook to a larger media company. Zuckerberg had already stated that he did not want to sell the company, and denied rumors to the contrary.

In March 2006, BusinessWeek reported that a potential acquisition of Facebook was under negotiation. Facebook reportedly declined an offer of \$750 million from an unknown bidder, and it was rumored the asking price rose to as much as \$2 billion.

In September 2006, serious talks between Facebook and Yahoo! took place about the acquisition of Facebook, with prices reaching as high as \$1 billion.

Thiel indicated that Facebook's internal valuation was around \$8 billion based on their projected revenues of \$1 billion by 2015, comparable to Viacom's MTV brand, a company with a similar target demographic audience.

In July 2007, Zuckerberg said that selling Facebook was unlikely because he wanted to keep it independent. "We're not really looking to sell the company... We're not looking to IPO anytime soon. It's just not the core focus of the company."

In September 2007, Microsoft approached Facebook, proposing an investment in return for a 5% stake in the company, offering an estimated \$300–500 million. The same month, other companies, including Google, expressed interest in buying a portion of Facebook.

Microsoft Investment (Series D)

Facebook now had an implied value of around \$15 billion

In October 2007, Microsoft announced it had purchased a 1.6% share of Facebook for \$240 million, giving Facebook a total implied value of around \$15 billion. However, Microsoft bought preferred stock that carried special rights, such as "liquidation preferences" that meant Microsoft would get paid before common stockholders if the company were sold. Microsoft's purchase also included the right to place international ads on Facebook. In November 2007, Hong Kong billionaire Li Ka-shing invested \$60 million in Facebook.

These rounds of investment capital raisings, from very smart and experienced technology investors, saw the implied value of Facebook increase from \$5 million to \$15 billion (much of that increase was attributable to the Microsoft investment) in just over three years - all this while operating at a loss.

Switch to Profitability

In August 2008, *BusinessWeek* reported that private sales by employees, as well as purchases by venture capital firms, were being done at share prices that put the company's total valuation at between \$3.75 billion and \$5 billion.

In October 2008, Zuckerberg said "I don't think social networks can be monetized in the same way that search did ... In three years from now we have to figure out what the optimum model is. But that is not our primary focus today."

Facebook hired Sheryl Sandberg as its Chief Operating Officer in March 2008. Sandberg is reported to have held a number of brainstorming sessions with Facebook employees on their long-term monetization strategy, which led to the conclusion that advertising would be the main source of monetization.

Under Sandberg's leadership, Facebook made a number of changes to its advertising model with the aim of achieving profitability. In September 2009, Facebook stated that it had turned cash flow positive for the first time.

In early 2012, Facebook disclosed that its profits had jumped 65% to \$1 billion in the previous year when its revenue, mainly from advertising, had jumped almost 90% to \$3.71 billion.

Facebook also reported that 56% of its advertising revenue comes from the US alone, and that 12% of its revenue comes from Zynga, the social network game development company. Payments and other fees were \$557 million up from \$106 million the previous year.

Acquisitions

In August 2009, Facebook acquired social media real-time news aggregator FriendFeed, a startup created by Gmail's first engineer Paul Buchheit. In February 2010, Facebook acquired Malaysian contact-importing startup Octazen Solutions.

In April 2010, Facebook announced the acquisition of photo-sharing service called Divvyshot for an undisclosed amount. In June 2010, an online marketplace for trading private Facebook stock reflected a valuation of \$11.5 billion. On April 12, 2012, Facebook acquired photo sharing service Instagram for approximately \$1 billion in cash and stock.

Monetizing Facebook

Facebook had \$3.7 billion in revenue in 2011, an 88 percent increase from the previous year. According to its IPO filing, Facebook posted a profit of \$1 billion the previous year, with the bulk of that coming from advertising.

One analyst said Facebook was far from realizing its potential as an advertising platform. It could use data on users, for instance, to serve them advertising on other Web sites, not just its own. It could also create a more "intelligent system", as he put it, to match marketers to the right consumers.

“There are ways to invisibly deliver marketing messages,” the analyst said. “You don’t have to hit people on the head and say, ‘Your friends liked it, so we think you’ll like it.’ Facebook can, change the way online marketing works.”

What is Facebook's Best Mobile Monetization Strategy?

Shortly before the Facebook IPO Dan Rowinski, a Boston based, self-confessed ‘tech-geek’ offered these suggestions to monetize Facebook.

“One of the beautiful (or creepy) things about Facebook ads on a desktop browser is that they are targeted straight to the user. Facebook knows where you are, what you are sharing, who your friends are and what they are doing. If you “Like” pages, it knows what brands you like, what books you read, what TV and movies you watch. With the Open Graph and Timeline, it also knows other verbs associated with your lifestyle, such as when and how far you run when exercising, what you eat and what music you listen to. All of this, of course, if you choose to share it.

“It has been pointed out several times after Facebook filed its S-1 that the key to the company’s billions has been the “Like” button. The Like button turned a mammoth but disorganized social graph into a skeletal body that permeates both the front and back end of the Internet.

“Facebook was then able to correlate users’ interest graph and advertising against that. If you think about it, the Like button is the most brilliant inventions of the Web 2.0 era. The Like button organized the social Web, gave it backbone, structure and money.

“One of Facebook’s challenges will be to take the data it already has through the Like button and burgeoning Open Graph ecosystem and apply it to mobile. What will this look like? Will we see the same banner and targeted ads that we see on our desktop? How does Facebook do this without ruining the mobile user experience and angering its most dedicated users?

“On the other hand, targeted advertising actually has larger potential when it is taken off the desktop and put into the pockets of users. Smartphones are sophisticated sensors that recognize the world around them.

“The capability of knowing where a person is, what they are doing and who they are with will only grow as devices evolve over the next several

years. The social Web in the physical world. This is where Facebook's biggest opportunity is.

"Geo-fenced push notifications, proximity alerts when near something or someone on your interest graph, location-based deals. To a certain extent, you have heard it all before. Startups have been working on how to bring push advertising and messaging to mobile since smartphones became location aware. Yet, none of those startups have the user base that Facebook has.

"Google will also likely turn to more of a messaging-based mobile advertising strategy in the future. With an Android in 50 percent of smartphone users pockets, Google has the potential to know more about you than any other company on Earth. It probably already does.

"Facebook could also set up a platform, much like AdMob for Facebook, which serves as a real-time bidding (RTB) exchange for keywords based on the social and Open Graph. By making it an ad platform, Facebook takes a lot of the work out of building its own internal ad infrastructure. Google has employed the RTB method to great success. Or, it could be a mixture of all of these avenues.

"There is also the idea of payments through the app ecosystem. Mobile Web-based games built on top of the social graph with in-app payments. This harkens to the so-called "Project Spartan" that Facebook was rumored to be working on last year. It does not have to be only games either.

"Brands could create Facebook Page mobile Web apps and tie incentives and payments through Facebook Credits. The ability to turn Pages into mobile advertising or payment revenue could be a huge vertical for Facebook.

"As you can see, there are a lot of opportunities and avenues for Facebook to take when monetizing its mobile user base. What is the likeliest choice? What will be the best money maker for Facebook in the mobile realm?"

An online poll conducted by Rowinski asking, "What Is Facebook's Best Mobile Monetization Strategy?" came up with these results:

Interstitials and Banner Ads	4.17%
Social Graph Targeted Ads	23.33%
Location-Aware Push Advertising	26.67%

Real-Time Bidding Exchange Based On Open Graph	10.83%
Advertising in Mobile Web Apps	12.5%
Payments in Mobile Web Apps	22.5%

How Much is a 'Like' Worth?

At the time of publication the going rate for 1000 Australian Facebook "likes" was \$90 according to one operator who sells 'likes' on a high ranking website.

Critics of buying 'likes' say it's not worth paying for them as they are often not valuable, though others disagree. "There are a lot of stigmas attached to buying Facebook 'likes' and many are simply not true," one critic said.

NSW Fair Trading said it was not unlawful to buy or sell social media followers but it might breach the contractual terms and conditions of using a social network. Australia's competition watchdog, the Australian Competition and Consumer Commission, said concerns could arise when an artificial social media fan base was used to influence consumer choice.

There are a growing number of websites selling online followers. Outsourcing websites like Fiverr, Freelancer, Odesk, and Elance have long had people posting on them wanting to buy or sell popularity.

Another critic claimed the services were a "waste of time and money" and said she would never recommend 'like' services to clients. "Some companies that do it just want to look bigger and more important by having tens or hundreds of thousands of fans," she said. "But when you buy fans, you get little to no interaction. From a social media management point of view it is better to have 1000 highly engaged fans who interact with your business, than 50,000 fans with zero comments or likes on your posts."

Melbourne search engine optimization specialist Jim Stewart, said about 20 percent of a room of 30 to 40 people at a recent online retailers workshop put up their hands when he asked if their companies had purchased popularity online. "They said the value was pretty pointless," he said.

A Sydney digital advertising agency said they were amazed that some of their clients wanted to pay for Facebook 'likes' and said their company never agreed to participating in the buying and selling of them. "We try and grow a client's followers organically," they said. "The value of a 'like' from somebody that you've just bought has nowhere near the worth of somebody that you've earned, certainly for our brands."

A simple answer as to why a company might want to purchase popularity – is that some brand managers are scared that their brand does not have as many likes as their competitor.

Facebook can Help You get Hired - Or Fired

For Facebook users the best advice is to lock down your personal profile so that only friends you approve can see anything on that profile. Then, create a second, public profile on Facebook purely for professional use. This profile functions like an online resume, and should only contain information you would be comfortable telling your potential employer face to face. Having a social networking profile is a good thing; it presents you as technologically and professionally savvy. Just make sure your profile is helping to present your best side; not the side that got drunk at your mate's New Year's party.

Six Career-Killing Facebook Mistakes

With hundreds of millions of active visitors, Facebook is arguably the most popular social networking site. While the site is known for its casual social aspect, many users also use it as a professional networking tool. With that kind of reach Facebook can be a valuable tool for connecting with former and current colleagues, clients, and potential employers. Many employers are using Facebook to screen potential employees. Don't make these Facebook blunders, they might cost you a great opportunity.

1. Inappropriate Pictures

It should go without saying, but prospective employers or clients don't want to see pictures of you downing a bottle of wine or dressed up for a night at the bar. Seemingly innocent pictures of your personal life will likely not help to support the persona you want to present in your professional life.

2. Complaining About Your Current Job

While everyone complains about work sometimes, doing so in a public forum where it can be found by others is not the best career move. Though it may seem innocent, it's not the kind of impression that sits well with a potential boss.

3. Posting Conflicting Information to Your Resume

If your resume says your degree is from UNSW, but your Facebook profile says you went to Harvard, you are likely to be immediately cut from the interview list. These types of disparities will make you look at worst like a liar, and at best careless.

4. Statuses You Wouldn't Want Your Boss to See

Everyone should know to avoid statuses like "Marcus plans to call in sick tomorrow so he can get drunk on a Wednesday," or, "Who cares that my project is behind schedule?" You should also be aware of less flamboyant statuses like, "Tiffany is watching the netball game online at her desk." Statuses that imply you are unreliable, deceitful, and basically anything that doesn't make you look as professional as you would like, can seriously undermine your chances of landing that new job.

5. Not Understanding Your Security Settings

The security settings on Facebook have come a long way since the site started. It is now possible to customize lists of friends and decide what each list can and cannot see. However, many people do not fully understand these settings, or don't bother to check who has access to what. If you are going to use Facebook professionally, and even if you aren't, make sure you take the time to go through your privacy options. At the very least, your profile should be set so that people who are not your friends cannot see any of your pictures or information.

6. Losing by Association

You can't control what your friends post to your profile, although you can remove it once you see it. Nor can you control what they post to their own profiles or to those of mutual friends. If a potential client or employer sees those late night pictures your friend has tagged you in where he is falling down drunk, it reflects poorly on you, even if the picture of you is completely innocent. It's unfortunate, but we do judge others by the company they keep, at least to some extent. Take a look at everything connected to your profile, and keep an eye out for anything you wouldn't want to show your mother.

5.

WORKING FOR MARK ZUCKERBERG AND FACEBOOK

Facebook has always tried to push the envelope.

And at times that means stretching people and getting them to be comfortable with things they aren't yet comfortable with. A lot of this is just social norms catching up with what technology is capable of.

Move fast and break things. Unless you are breaking stuff, you are not moving fast enough.

Mark Zuckerberg

The Facebook Vision

“At Facebook, our vision is to give people the power to share and make the world more open and connected. We think this is having a profound impact on the way we relate to people, communities and institutions around us.

“As such, Facebook offers a powerful way for companies to reach consumers and advertise their products and brands, leveraging the power of word of mouth recommendations.”

Mark Zuckerberg

Facebook Headquarters

Until recently Facebook occupied two Palo Alto office buildings a few minutes apart. On the outside, they were brutalist concrete bunkers. On the inside, they were decorated in a quirky, postindustrial Silicon Valley style you might call ‘Flourishing Start-Up Chic’ with high ceilings, concrete floors, steel beams and lots of windows. There was a giant chessboard, and the word hack has been doodled and graffitied everywhere. The halls were littered with RipStiks, two-wheeled skateboards that you move by wiggling, which Zuckerberg doesn’t ride. (He tried once and fell off; that was enough.)

Facebook keeps on outgrowing its offices and this was its seventh headquarters in almost as many years. After scouting for a Microsoft-style campus for Facebook, Zuckerberg began building a new campus in Menlo Park, where staffers can stroll or ride bikes and RipStiks between buildings.

Facebook designed its own Main Street, putting in storefronts that will cater only to Facebook employees, whether they are in the mood for a haircut or gourmet food and bringing retail shops onto its sprawling private campus, where there are few commercial establishments other than fast-food joints.

The company has subsidized the construction and handpicked merchants will offer discounts to employees.

Facebook is breaking new ground in employee perks, something for which Silicon Valley is already famous.

Early pioneers such as Hewlett-Packard Co. gave gifts to newlyweds and new parents, hosted annual picnics and showered staffers with free snacks

and coffee. The practice got a big boost in the 1980s when Steve Jobs began offering his Macintosh team at Apple extras such as unlimited fresh orange juice and twice-weekly massages.

Other high-tech superpowers such as Google are engaged in an escalating race to pamper employees with free food and luxuries such as complimentary laundry and dry-cleaning services.

The new Facebook site is so isolated - a suburban outpost at the edge of tidal mud flats and salt marshes cut off from the rest of Menlo Park by a six-lane highway - that when former tenant Sun Microsystems occupied it, the campus was nicknamed "Sun Quentin".

According to one architect, the remote location put Facebook at a definite disadvantage. "So bringing in outside merchants in a Main Street format is actually an inventive idea."

Facebook hopes to make employees, who were accustomed to the lively street life near its old buildings in Palo Alto, feel as if they are in the middle of everything - not far from it. Staffers can forget about their errands and focus on cranking out code and creativity.

Facebook has paved over a central artery of the campus, which Sun Microsystems had filled with manicured greenery, and sprinkled it with gourmet eating places dishing up free food. It operates two gourmet cafes and dispatches food carts around the complex so hungry employees never have to roam far.

It also has smaller food outlets, such as Lightning Bolt's Smoke House, which grills pork, ribs and chicken every morning on an open flame. Big Tony's pizzeria serves up New York-style slices, while the burritos and nachos at Teddy's Nacho Royale are made to order. At the time of writing Facebook was about to open a burger shack that some quickly dubbed Zuckerberger's. A noodle bar and a sweet shop stocked with frozen yogurt, candy, and pastries are also planned.

"Our general approach is to offer things that are essential to employees' daily routine so they can do their best work and not be distracted by having to leave campus," according to Everett Katigbak, Facebook's environmental design lead.

Hacker Square - the open-air courtyard where staffers gather each week for Zuckerberg's question-and-answer sessions - will be home to two new mum-and-dad tenants: an old-fashioned barbershop and a branch of a traditional

Japanese sushi restaurant that's a favorite of Zuckerberg and wife Priscilla. A shop that repairs and sells bikes and a health clinic are also planned.

Facebook has to give employees something more to like if it wants to catch the best and brightest, who might be drawn to new opportunities at up-and-comers such as Pinterest.

"It's just a great perk: 'My company has created a little city for me,'" said Harvard Business School Professor Teresa Amabile, co-author of *The Progress Principle*, who studies how everyday life inside organizations can influence people and their performance.

"It makes employees feel valued, and that means they are more likely to be creative and productive," she said.

Facebook employees are treated well. Three free, good meals a day; unlimited snacks; free dry cleaning, but the main attraction is Zuckerberg's vision.

All the key engineers tell the same conversion story. "I was like, I'm not interested. I'm working on a serious problem. Facebook is a complete waste of time," said Chris Cox, Facebook's vice president of product, who was doing a master's in artificial intelligence at Stanford at the time. "And the interview completely changed my mind. I saw the vision. I came in, and I saw it on a whiteboard."

Move Fast and Break Things

Many analysts claim Facebook is still a start up in terms of company culture. In 2010, *Fast Company* named Facebook 'the most innovative company in the world', ahead of Apple, Google and many other very innovative companies.

Analysts and finance writers agree the challenge ahead for Facebook will be to remain an autonomous and innovative environment to work in.

In May 2011 the business media reported that Facebook was suffering a mass exodus of employees. Was it because the company was starting to stagnate? No, the employees in question had started work there before Facebook gave staff 'restricted' shares, meaning they were all able to sell their shares on secondary markets and become very wealthy.

A few days after that report, Joe Hewitt, a Mobile Developer at Facebook, who had left the company, wrote on his blog:

"Facebook was the longest I ever worked at one company, and the best employer I've ever had."

“You’ll often hear Zuck and others talk about how they want Facebook to keep its startup mentality. And the way they do it is to constantly encourage people to try new ideas and run with them, without any meddling from above. While some projects ultimately require approval before they ship, you can go very long stretches with total autonomy.”

Hewitt also noted that some of his previous employers talked the talk when it came to innovation in the workplace, but they ultimately gave employees a very short leash to work on and would constantly reshuffle teams and give orders that sucked the motivation out of people. Facebook was different:

“Facebook always made me feel like the company was driven from the bottom-up, with the engineers and designers having the responsibility to drive the company forward, rather than waiting for management to tell them what to do. Who knows if that will change as the company grows, but as they grew from 250 employees when I started to over 2,000 now, I felt they did a good job of maintaining that atmosphere.”

Hewitt isn’t alone in his assertions that Facebook is an environment that encourages innovation and development.

Mark Slee, a Software Engineer who started work at Facebook in January 2006, agrees that Facebook is a great place to work because of the attitude with which the company approaches product development: “Since its inception, Facebook has been driven by a culture of prototyping, shipping, and iterating. The result is an environment where the biggest limit on innovation is our own ability to get ideas implemented.”

Slee notes that one of the biggest challenges is choosing from a surplus of possibility, which he feels can be frustrating at times.

“Even though Facebook is a technology company, we lead our decision-making with people, not code. Rather than developing technology for its own sake and then figuring out how to package it up into products that users might want, we start by imagining the most powerful ways we could improve people’s lives, and then drill into what technology we are going to need to realize that vision.”

An Engineering Manager at Facebook, Pedram Kevani, started work in August 2007. His first impression was that Facebook was engineering-driven and was focused on moving fast to build innovative products. He was most

surprised to find that Facebook's motto of 'Move fast and break things' was very much real:

"From the open-floor plan to quick turnaround from internal tests to production traffic, Facebook has always been obsessed with moving fast and iterating on ideas."

A big part of Facebook's ethos is about being bold, making mistakes in the process and learning from them. Keyani notes:

"I learned a lot of lessons in that first year as manager, and made my fair share of mistakes along the way. But because of our emphasis on moving fast and being bold, my peers and mentors gave me a lot of support and helped me use mistakes as learning experiences to improve my skills."

"During my time at Facebook I was never gated by the company but rather my own ability to grow and adapt. That's what I really think sets Facebook apart from any other company I have worked at, it is an environment that really encourages people to take on big challenges and step outside of their comfort zone."

Before joining Facebook Keyani worked at Google as an engineer for two years. His reasons for leaving Google to join Facebook were, "I began to realize that I wanted to have more autonomy to build and work on larger, higher impact projects than was possible there at Google."

What is it Like Working at Facebook?

What about Facebook the workplace? Analysts agree this is a crucial question for Facebook's long-term viability, since it needs more engineers to sustain user growth and many more advertising sales people to capitalize on it.

For a long time, Facebook had a reputation in Silicon Valley for being a place that, despite its white hot user growth, still somehow had a hard time recruiting top talent to join the company. The gossip was, Facebook workers had to deal with an overly-political workplace and amateurish management.

The Best and Worst Aspects of Working at Facebook

Employee-reviews site Glassdoor.com listed the 20 best and worst things about working at Facebook shortly before the IPO.

The best aspects of working at Facebook:

- Stock (share) options.
- Flexible work hours, work from home, 21 days of PTO (paid time off).
- The food is awesome.
- Work is very social - no cubicles, you can walk over and talk.
- More work than there are people to do.
- Great opportunity to grab what you can and shine.
- Everyone seems to genuinely be invested in making the product better.
- The world sees the impact of what you're working on. All my friends and family use the product and it's rewarding to work on something that keeps us all connected.
- The culture is very open internally where projects are discussed and ideas flow.
- The most valued benefit of working at Facebook is the ability to basically set your own hours, freedom to work from home when you want and as much as you want/can, and all this with little to no interference from management.
- You really learn a lot, since you get thrown into the mix quite quickly.

The worst aspects of working at Facebook:

- No amount of 'potential' earnings once they go IPO is worth being treated like second class citizens or just a fancier sweat shop.
- Politics are heating up as the pressure to succeed increases.
- Ripsticks hurt a lot when they hit you.
- The open-desk style doesn't work for everyone, some find it hard to concentrate and end up working at home more than I would like to, just to catch up.
- Palo Alto kinda sucks; "[it's] a bit suburban for city dwellers."
- "Sometimes there needs to be a clearer product vision earlier in the process."
- Some of the younger folks here (and there are many) have never worked anywhere else and they have no idea how good the place is.

This often leads to a sense of entitlement which would never fly at another company.

- The company is getting too big to let it grow freely. We need a bit more organization now.
- Management is inexperienced - typical for a company growing from a startup mode towards a more mature company.

The Top Three Reasons to Work for Facebook

A recruitment company associated with Facebook provided these reasons to work for Facebook.

“Whether you’re a software developer, web designer, marketing guru, or graphic designer there are dozens of reasons to make your next career move a job at the world’s leading information technology company: Facebook.

“While it’s not unusual for an expert developer, DBA, tech writer or Internet marketing professional to consider employment with Facebook on the basis of salary, the ability to make top dollar is just one of the reasons software engineering professionals consider Facebook not only a top workplace, but one of the best employment opportunities to work on web 2.0 applications.

“Here’s 3 of the Top Reasons workers at Facebook see their job as one of the best career opportunities in the tech sector:

Influence

When you work at Facebook as a developer, you’re choosing a career at the world’s largest social network. Facebook has more than 1 billion active users who spend more than 700 billion minutes a month on facebook.com. In this line of work, no other position offers any similarity in the ability reach a global audience. There’s no other job which offers the same thought leadership or ways of influencing users of the web on such a massive scale.

Financial Potential

With Facebook’s IPO earlier this year, there’s never been a better opportunity for developers to advance their career and earn top dollar at the same time. It doesn’t take a degree in business management to understand why getting the chance to participate in one of the greatest technology success stories is the opportunity of a lifetime.

Fun

Want to live the hacker dream? The Facebook workplace is one of the best in the world, where experts in subjects ranging from database management to SEO and SEM to Internet security to graphic design to programming work together in a fast-paced, exciting environment to develop bleeding edge Web 2.0 applications for the world's leading web site.

Working for Facebook in Australia

If you fancy working for Facebook in Australia as 'Head of Sales Australia & New Zealand' here are the expectations Facebook has:

"Facebook is looking for a strong, experienced leader to help build and manage a team of Sales and Services Professionals to sell and deliver Facebook's marketing solutions to large online and offline advertisers. In this role, you will lead a highly talented team who serve our advertisers and partners on a daily basis.

"You will assume general management responsibilities while serving as a cross functional liaison; working with product, engineering, sales, business development, marketing and finance to drive Facebook's most important strategic priorities.

"You will serve as the primary spokesperson and public face of Facebook in Australia and New Zealand. In this fast-paced environment, you will wear many hats, providing guidance and direction in multiple functional areas. You should be comfortable with change and passionate about general management and process improvement. This position is located in our Sydney office."

Responsibilities

- Play a critical role in building, training and managing a talented, motivated, highly consultative sales and services team.
- Build and manage a team of Client Partners and Account Managers, providing mentorship, guidance and career development to members of your team.
- Build c-level relationships to help penetrate large organizations to develop full-funnel marketing solutions.

- Exceed sales, pricing and yield goals, develop scalable operations solutions and improvements to support Facebook's continued advertiser growth.
- Work seamlessly between sales channels and business functions to continue revenue growth.
- Execute projects involving quantitative analysis, industry research and strategy development.

Requirements

- Passion for Facebook, marketing and social media.
- 10+ years of media sales experience and 5+ years of management experience, online or advertising sales is a plus.
- Knowledge of social media, reseller channels, and vertical markets a plus.
- Strong analytical and strategic planning background.
- Knowledge of the ANZ market is strongly preferred.
- Ability to effectively operate with high energy and flexibility in a fast-paced, constantly evolving team environment; ability to effectively influence and communicate cross-functionally; proven track record of reaching and exceeding sales revenue goals; consulting experience a plus.
- BA/BS degree with outstanding academic performance.
- Great team player.

What is it Really Like Working for Mark Zuckerberg?

According to insiders, during Facebook's early days Zuckerberg the boss (Zuck to those working with him) was cut-throat, comfortable leading others, and sometimes awkward about sharing success. It seems he expects debate, he isn't sentimental, he experiences things contextually, and he pushes people.

Has Zuckerberg's leadership style matured over the years? Is Mark Zuckerberg an autocratic CEO with whom no one wants to work? Is he a pain to work with?

Former Facebook employee Yishan Wong recently posted some answers to these questions.

"Zuckerberg is not a 'pain', even if he 'does have a touch of the Asperger's.'" (an autism spectrum disorder, ASD) that is characterized by significant difficulties in social interaction, alongside restricted and repetitive patterns of behavior and interests.)

"If your confidence in your own abilities is self-generated and emotionally secure, and you are seeking someone who will pose to you ever-greater challenges to surmount, then Mark Zuckerberg is a pretty good fit for you. However, he is not there to 'develop' you – that's your own job.

"There are plenty of people who are happy to work with him, though there are also plenty who find it difficult.

"He is not some sort of ideally charismatic person whose primary quality is that he's easy to get along with. Rather, he's a demanding CEO with a monomaniacal focus on making Facebook succeed in its mission. This is not to say that he's mean – he's a perfectly nice guy on a personal level; it's just that professionally, he is focused on getting it done, and has a limited tolerance for emotional fragility in the people he needs to help him execute on that mission.

"In my study of business leaders, I've yet to come across one who was considered 'great' who didn't also have a significant body count of ex-employees claiming that they were autocratic and mean. Examples include Jack Welch, Steve Jobs, Bill Gates, and Larry Ellison.

"My theory is that the level of personal demandingness needed to drive a global enterprise to a position of world-changing leadership is one that can be too much for some people. Such leaders don't tend to provide much in the way of emotional coddling, and Mark Zuckerberg is like that.

"He does have a touch of the Asperger's; in my experience this is primarily manifested in that he does not provide much active feedback or confirmation that he is listening to you.

"I have had multiple experiences where he will ask for my opinion on something and even when we're the only two people in the room, I wasn't sure if he had really comprehended or cared about what I was saying (he doesn't do the usual 'oh, all right!' or 'hmm, I see!' that most people do; he just *listens*, sometimes while looking away from you), until later when some strategy change was announced that integrated some or all of my opinions.

"I think this leads many people to think that he's thoughtlessly autocratic, but it turns out he is actually listening *all the time to anything that anyone is saying to him*, but you will simply not receive confirmation or acknowledgement until later when he announces his conclusion or decision, whereupon you can observe that he has integrated all his streams of information and advice together.

"I would characterize him as 'tough but fair'. He's not a pain in the ass to work with if you're the type of person who is looking to achieve greater and greater things in life, but if you just want to get something good done once and then take a break, then he's probably not the guy for you."

From Facebook CEO Mark Zuckerberg's Letter to Shareholders:

By helping people form these connections, we hope to rewire the way people spread and consume information. We think the world's information infrastructure should resemble the social graph - a network built from the bottom up or peer-to-peer, rather than the monolithic, top-down structure that has existed to date. We also believe that giving people control over what they share is a fundamental principle of this rewiring.

"It's about the idea that most applications are going to become social, and most industries are going to be rethought in a way where social design and doing things with your friends is at the core of how these things work. If the last five years was the ramping up, I think that the next five years are going to be characterized by widespread acknowledgment by other industries that this is the way that stuff should be and will be better."

Mark Zuckerberg

6.

LEGAL DISPUTES AND REGULATIONS

“His (Mark Zuckerberg’s) motivations were to try and come up with a new way to share information on the internet.”

**David Kirkpatrick,
author of The Facebook Effect:
The Inside Story of the Company
That Is Connecting the World**

Mark Zuckerberg and Facebook have been involved in various legal disputes initiated by others who have claimed a share of the company's profits due to their help in setting it up.

The primary dispute around Facebook's origins centered around whether Zuckerberg had entered into an "agreement" with the Harvard seniors, Cameron and Tyler Winklevoss and a classmate named Divya Narendra, to develop a similar web site for them, and then, instead, stalled their project while taking their idea and building his own.

In 2007, Massachusetts Judge Douglas P. Woodlock called their allegations "tissue thin". Referring to the agreement that Zuckerberg had allegedly breached, Woodlock also wrote, "Dorm room chit-chat does not make a contract." A year later, the end finally seemed in sight: a judge ruled against Facebook's move to dismiss the case. Shortly thereafter, the parties agreed to settle.

After Facebook announced the settlement, but before the settlement was finalized, lawyers for the Winklevosses suggested that the hard drive from Zuckerberg's computer at Harvard might contain evidence of Zuckerberg's alleged fraud. Specifically, they suggested that the hard drive included some damning instant messages and emails.

The judge in the case refused to look at the hard drive and instead deferred to another judge who went on to approve the settlement.

It was re-filed soon after in federal court in Boston. Facebook counter sued in regards to Social Butterfly, a project put out by The Winklevoss Chang Group, an alleged partnership between ConnectU and i2hub. On June 25, 2008, the case settled and Facebook agreed to transfer over 1.2 million common shares and pay \$20 million in cash.

In November 2007, confidential court documents were posted on the website of 02138, a magazine that catered to Harvard alumni. They included Zuckerberg's social security number, his parents' home address, and his girlfriend's address. Facebook filed to have the documents removed, but the judge ruled in favor of 02138.

Saverin Lawsuit

A lawsuit filed by Eduardo Saverin against Facebook and Zuckerberg was settled out of court. Though terms of the settlement were sealed, the company affirmed Saverin's title as co-founder of Facebook. Saverin signed a non-disclosure contract after the settlement.

Earlier while classmates at Harvard, Zuckerberg told a friend that Saverin, "the head of the investment society", was rich because "apparently insider trading isn't illegal in Brazil."

Pakistan Criminal Investigation

In June 2010, Pakistani Deputy Attorney General Muhammad Azhar Siddique launched a criminal investigation into Zuckerberg and Facebook co-founders Dustin Moskovitz and Chris Hughes after a "Draw Muhammad" contest was hosted on Facebook. The investigation also named the anonymous German woman who created the contest.

Siddique asked the country's police to contact Interpol to have Zuckerberg and the three others arrested for blasphemy. On May 19, 2010, Facebook's website was temporarily blocked in Pakistan until Facebook removed the contest from its website at the end of May. Siddique also asked its UN representative to raise the issue with the United Nations General Assembly.

Paul Ceglia

In June 2010, Paul Ceglia, the owner of a wood pellet fuel company in Allegany County, New York, filed a lawsuit against Zuckerberg, claiming 84% ownership of Facebook and seeking monetary damages.

According to Ceglia, he and Zuckerberg signed a contract on April 28, 2003, that an initial fee of \$1,000 entitled Ceglia to 50% of the website's revenue, as well as an additional 1% interest in the business per day after January 1, 2004, until website completion.

Zuckerberg was developing other projects at the time, among which was Facemash, the predecessor of Facebook, but did not register the domain name thefacebook.com until January 1, 2004. Facebook management dismissed the lawsuit as "completely frivolous". Facebook spokesman Barry Schnitt told a reporter that Ceglia's counsel had unsuccessfully sought an out-of-court settlement.

Pursuant to the contract, Ceglia agreed to pay Zuckerberg \$1,000 for StreetFax and \$1,000 for PageBook. The contract also refers to The Face Book, a project that was to be completed by January 2004. Ceglia offered a receipt for \$1,000, dated six months after the contract, to prove he paid Zuckerberg, but it was not the full amount due, and the contract did not specify what occurs in the event of a default.

In an interview with ABC World News, Zuckerberg stated he was confident he had never signed such an agreement. At the time, Zuckerberg worked for Ceglia as a code developer on a project named "StreetFax". Judge Thomas Brown issued a restraining order on all financial transfers concerning ownership of Facebook until further notice; in response, Facebook removed the case to federal court and asked that the state court injunction be dissolved. According to Facebook, the injunction would not affect their business and lacked any legal basis.

When one media source asked Facebook about its litigation problems, the company had the following comment:

"We're not going to debate the disgruntled litigants and anonymous sources who seek to rewrite Facebook's early history or embarrass Mark Zuckerberg with dated allegations. The unquestioned fact is that since leaving Harvard for Silicon Valley, Mark has led Facebook's growth from a college website to a global service playing an important role in the lives of millions of people."

Social Media and the Australian Competition Watchdog

In August 2012 Julian Lee reported in the Fairfax press under the headline, 'Watchdog clamps down on Facebook,' "A landmark ruling that Facebook is an advertising medium - and not just a way to communicate - will force companies to vet comments posted by the public to ensure they are not sexist, racist or factually inaccurate.

"In a move that could change the nature of the social networking site forever, companies could be fined or publicly shamed for the comments that appear on their Facebook "brand" pages.

"Last month the advertising industry watchdog issued a judgment in which it said comments made by "fans" of a vodka brand's Facebook page

were ads and must therefore comply with industry self-regulatory codes and therefore consumer protection laws.

“A media lawyer is warning that the Advertising Standards Board’s ruling on Smirnoff’s Facebook page will put the onus back on companies to be more vigilant about the nature of the comments people are posting to their company pages.

“Large advertisers such as Qantas, Telstra and Coles are increasingly reliant on their Facebook pages to get consumers to “like” them and get free referrals to their network of friends.”

A partner at one large law firm, said the board’s ruling “turned people’s opinions into statements of fact.”

In a note to clients, the law firm warned that the standards that govern regular TV, radio or billboard advertising might now apply to third-party posts on Facebook pages.

And because the competition watchdog is cracking down on claims made by companies in social media - principally by people who are paid to do so - Mr Swinson warns that advertisers could end up in court.

Misleading and deceptive advertising is covered by Australian consumer law and each month the advertising regulator publicly censures errant advertisers.

Although the Advertising Standards Board dismissed the original complaint about Smirnoff, which centred on sexism, under-age drinking and obscene language, it ruled industry codes applied not only to what a company was posting on its Facebook page but to the user-generated comments that followed.

The board’s determination also cited a recent case of a health company, which was fined for allowing misleading and deceptive “testimonials” to remain on its Facebook and Twitter pages.

The board’s comments threatened to have “far-reaching ramifications for social media, which thrived on people’s ability to share information quickly,” according to a media consultant.

“The likes of Qantas and Telstra might be in a good position to regulate what goes on their pages but I can’t see how anyone can possibly moderate the comments that come after it.”

He also questioned the preparedness of corporate Australia to ensure comments on their pages are legally compliant.

The Biggest Advertising Platform in History

Many analysts assert Facebook has one of the biggest platforms in the history of advertising. A survey released in February 2012 by the research firm eMarketer, showed Facebook had the largest share of display advertising on the Web, although Google, with its many more outlets for ads, including on mobile devices and search pages, makes nearly 10 times more from advertising.

Facebook, as the world's largest social network, faces intense scrutiny from consumers, courts, and regulators worldwide over how it handles the data it collects from its hundreds of millions of users.

The scrutiny is at its most intense in Europe where Facebook is already constrained. Regulators in Ireland, where Facebook has its European headquarters, have already demanded that it give users greater control over their information.

In an agreement signed in December 2011 with the government data protection agency in Ireland, the company promised to tweak the Facebook site for users across Europe. Among other things, it promised to clarify how user data is employed to deliver advertising and to keep users' ad-click data for no more than two years.

A proposed Europe-wide law goes much further by requiring Facebook, along with every other online business, to expunge every bit of personal data at a consumer's request.

German regulators have clashed with Facebook over companies using its "like" button to target advertising, as well as over some of its photo features. Europe's proposed data protection regulation presents far larger worries. It would compel all online companies to honor a consumer's so-called right to be forgotten, by deleting an individual's data at his or her request. The proposed regulation would also require sites like Facebook to obtain users' explicit consent for every morsel of data that they share.

Facebook, in its written response to the European Commission, suggested that constant requests for such permission would annoy users. "There would be a high degree of user frustration if they were to be repeatedly asked for consents for something that is evident to them," the company wrote.

It went on to warn European lawmakers that too many rules would hurt the ability of Facebook and other companies to grow in Europe, saying that "there is a risk that an excessively litigious environment would impede the

development of innovative services that can bring real benefit to European citizens.”

One rule in Europe is already impossible to enforce. Consumers are now required to give consent every time a tracking tool known as a cookie is deployed by a Web site. Even European government web sites have been unable to comply.

Facebook faces plenty of scrutiny in the United States also. One lawsuit in California charges that Facebook deploys user’s preferences -“likes” - in ads without their consent. Another one says that the company ignored warnings from users who pointed out that Facebook was tracking users’ activities on the Internet even after they had logged off the social network. It faces similar claims from users in individual states. Facebook stopped that practice in September 2011 and said in a statement that the cases were “without merit”.

Facebook faces government audits in the US for the next 20 years about how it collects and shares data, along with an assortment of lawsuits that accuse the company of tracking users across the Web. Even the White House stepped into the fray in early 2012, demanding that web companies give users more say in how their personal data is used.

Facebook is not the only company dealing with these issues, but it is especially vulnerable because its very business model relies on the huge amount of information its users willingly share.

Among the risk factors listed in Facebook’s filing ahead of its IPO was the prospect of “adverse changes in our products that are mandated by legislation, regulatory authorities, or litigation, including settlements or consent decrees.”

In effect, Facebook’s greatest achievement is also the source of its greatest challenge. It has persuaded its users to voluntarily share a great deal of information about themselves: who they are, where they live, whether they follow football or surfing, even what their children look like.

All that data could make Facebook a game-changing advertising platform. Advertisers can tailor messages on Facebook on the basis of demographics like age and gender, and on the preferences and affinities of its users. If Facebook users click the “like” button for a particular business chain, for instance, their name and sometimes their picture can appear as part of an advertisement for the chain on the Facebook pages of their friends.

Lessons We Can Learn From Mark Zuckerberg & Facebook

The same can be done when users read a news site connected to Facebook, or a song they stream from one of Facebook's many entertainment partners, though users can tweak their settings to prevent Facebook from using such information for advertising.

The rich and varied pool of data is Facebook's greatest asset, giving the company a lot of ways to get creative with ads and sponsorship.

7.

THE FUTURE OF SOCIAL MEDIA

Whereas earlier entrepreneurs looked at the Internet and saw a network of computers, Mark Zuckerberg saw a network of people.

“The thing I really care about is the mission, making the world open.”

Is Silicon Valley Coming to an End?

Have Silicon Valley's entrepreneurs run out of world-changing ideas? Is its string of new transformative companies "coming to an end?" This question was posed by David Sacks in August 2012, just after he sold his start-up Yammer to Microsoft for \$US1.2 billion.

Sacks wrote on Facebook, "I think Silicon Valley as we know it may be coming to an end. In order to create a successful new company, you have to find an idea that (1) has escaped the attention of the major Internet companies, which are better run than ever before; (2) is capable of being launched and proven out for ~\$5M, the typical seed plus series A investment; and (3) is protectable from the onslaught of those big companies once they figure out what you're onto. How many ideas like that are left?"

These comments brought to mind the apprehension surrounding progress and new ideas that has existed since time immemorial. Back in the fifteenth century, in the time of Christopher Columbus when he was looking for backing for his voyages, the advisory committee to Ferdinand and Isabella of Spain wrote: "So many centuries after the Creation, it is unlikely that anyone could find hitherto unknown lands of any value."

It is fascinating to observe that Silicon Valley can trace its roots back to the subsequent travels of Christopher Columbus.

A number of Silicon Valley entrepreneurs weighed into the debate.

Marc Andreessen, the serial entrepreneur who created the first mainstream web browser, Mosaic, co-founded Netscape, founded and sold Opsware to Hewlett Packard and created the social networking platform Ning, was quick to hose down Sacks' remarks in the comments below his post.

Andreessen's venture capital firm is still investing heavily in start-ups and he sits on the board of directors of some of Silicon Valley's biggest incumbents including Facebook and eBay.

He wrote that there are only a few "competent incumbents" who can only do so many things "before you get B and C teams screwing up". Start-ups continually drain talent out of incumbents, impairing their ability to innovate.

“As the incumbents become more powerful, they increasingly prioritize stability over change ... betting on incumbents over time equals betting against technological change,” Andreessen wrote.

In other words, big companies - like Microsoft - often struggle to innovate because they do not want to cannibalize their existing products - like Office and Windows - with disruptive innovation.

Sacks' other investor and entrepreneur friends soon entered the fray. Jonathan Abrams, who in 2002 created Friendster and now is the co-owner of Slide nightclub in San Francisco, said the new big companies today might be Twitter and Facebook, “but they will someday be as big and old as Yahoo and AOL are today.”

Some pointed out the irony in the fact that Sacks' start-up Yammer sold for \$US1.2 billion despite being at first dismissed as a “Twitter for business”. Google was just another search engine when it launched and Facebook was a social network for universities.

“The transformative things often don't look transformative at the start,” wrote Andreessen, to which Sacks replied that if big tech companies were constantly being disrupted, why invest in them at all?

Sacks clarified that Silicon Valley could still produce innovative software start-ups but these would be exceptions to the rule because the big existing companies would copy their ideas or acquire their companies.

This is what some Australian entrepreneurs and investors added to the debate.

Niki Scevak, founder, Startmate – “I think it's along the lines of Bill Gates saying ‘640kb is all the memory anybody would ever need on a computer’ and is simply a function of a lack of imagination rather than any reality.”

Anthony Goldbloom, founder, Kaggle – “The biggest lesson I've learned from Kaggle is that big companies are very slow and reluctant to change. This is particularly problematic for technology companies, where the environment is changing so fast, and process of creative destruction happens that much more quickly.

“Who's ever heard of Silicon Graphics (other than in books about the history of Silicon Valley)? Silicon Graphics (SGI) was making \$7b a year in 1995. As it declined, many of its top engineers left to build Netscape, another now-defunct company. Today, the old SGI campus is occupied by a large search engine... by the name of Google.

“Fast forward to today, and companies like Dell and HP, which rely heavily on their server businesses, are under threat from Amazon Web Services. Companies like SAP and Oracle are starting to face competition from Software as a Service (SaaS) businesses.”

Brett Welch, co-founder, SwitchCam – “Massive respect for the guy as a business man, but it’s bullshit. As long as the world is changing and people are being creative, there will always be big, new opportunities that big companies won’t spot.”

Geoff McQueen, founder and CEO, HiveSystems – “Disagree - but share concern of others that there’s a lot of investment and energy going into stuff that isn’t particularly innovative.”

Matt Barrie, CEO, Freelancer.com – “It’s rubbish. In all the hype around consumer internet people have forgot that to go the distance you need a sustainable competitive advantage. That is, something that others can’t replicate easily.”

Jonathan Barouch, founder, Roamz – “Major Internet companies don’t have a monopoly on ideas or innovation and even if they did they often aren’t able to execute as well as a nimble startup. Companies are now able to create a product and test a market very cheaply ... so I think this arbitrary \$5 million value is meaningless. There have been many examples of companies that have formed over the last 10 years where the big incumbents figured out what the little startup was up to but for whatever reason wasn’t able to either start a similar service or execute in the same way.”

Could Social Media Kill the Newsroom?

Charis Palmer asked this question on 1 August 2012 on *Business Spectator*.

“As traditional media organizations look to subscription revenue as a saviour, social media sites are shifting away from subscriptions in favor of data-rich advertising, according to Gartner’s latest social media revenue forecast.

“The analyst group is predicting total global social media revenue will reach \$16.9 billion in 2012, up a massive 43 per cent on 2011, with advertising driving the majority of revenue. Meanwhile, revenue from subscriptions is expected to total just \$278 million as social sites move toward lower subscription fees and shift focus to other revenue sources.

“So what do social media leaders know that mainstream media groups don’t?

“Making money from subscriptions might be difficult, but some companies are making it work. The subscriptions story is a positive one at *The New York Times*, which last week posted a 12 percent increase in paid digital subscriptions in its second quarter. Just a year or so since launch, digital subscriptions have tipped over 500,000.

“Meanwhile, marketers are continuing to increase their marketing budgets for social media over the next five years, thanks largely to the targeted advertising opportunities on offer.

“According to Gartner, social media sites will continue to become more innovative in developing new ad products, and ramp up ad sales efforts with new sales offices and activities designed to get international brands on board.

“It’s clear that social media sites will also be eating into the mainstream media’s advertising pie as they continue to attract viewers with user-generated content that comes at a fraction of the cost of original content developed by a newsroom full of journalists.

“Social media groups are also expected to benefit from local merchants looking to sell products and services via social media sites, says Gartner, opening up opportunities for commission revenue.

“This could be the answer to Facebook’s mobile advertising problem, as more merchants embrace mobile applications rich with location-based spending data. If Facebook could find a way to track every online purchase, the same way Apple does, it could crack mobile revenue without resorting to clunky, and in most cases unwanted, mobile advertisements.

“Probably the biggest lesson social media can offer the mainstream media is how it delivers social advertising. When Facebook posted its inaugural quarterly result last week, chief Mark Zuckerberg discussed his vision for a social platform that can be integrated into many sectors.

“‘We can imagine a day where you buy a car and by logging in to the car’s computer with Facebook you can...have it immediately light up with music, addresses, restaurants and stores and other destinations targeted specifically for you based on your friends and your interests.’

“Zuckerberg says social dynamics are starting to transform industries, such as music, where recommendations and friend sharing are driving music

consumption. The same can be said for media as social sharing becomes more popular, and yet the media sector spends very little time talking about the role of social for driving revenue.

“Targeted advertising is the obvious starting point and yet this is only in its infancy in the media sector.

“Earlier this month Twitter launched targeted Tweets, a service pitched at major brands that allows them to market to people based on location, and device. And, as is the case with Google ads, advertisers only pay when consumers engage with their ads.

“For Facebook, Twitter, Google and LinkedIn the vast majority of revenue is coming from advertising, and Gartner believes it’s likely to stay that way for the next five years, with social media leaders ramping up their offering and heavily targeting major brands.

“That can only be bad news for mainstream media players hoping for a resurgence in digital advertising, or at the very least, a soft landing while they work out their paywall strategy.”

Will Facebook (all but) Replace Corporate Websites?

US based web developer Martin Kelley posed that question back in 2009. The same question is posed even as I write, as many organizations question their returns from both websites and social media. For many large organizations poorly planned social media campaigns and controversial content have produced negative results that have backfired badly and become a major embarrassment.

Kelley wrote, “Over the next few years, we’re going to see official institutional websites become less important. They will cease functioning as the only point of web interaction between businesses and customers and will become merely the official storefront. The main “conversion goal” of these retooled portal sites will be to drive interactions onto the third-party social networking sites.

“The goal of most websites is to extend the interaction with the visitor beyond this one visit: we seek to sell them a product, join our mailing list, buy tickets to our event or subscribe to us in a news reader.

“Facebook is quickly becoming the most important email list and news reader. If it continues to innovate (and borrow ideas from innovative competitors) it could quickly become a major commercial portal as well. As

its adoption rate climbs within the ranks of our target audiences, it becomes an effective way to extend visitor relationship and build more intimate brand identities.

“This will change company’s interactions with customers, who will start to expect and then demand real-time interaction. This can take many forms--status updates, calendars, videos--but the emphasis will be on immediacy.

“The style will shift from slickly-produced mass marketing to a one-on-one responsive back and forth. Smart marketers will think less in terms of selling and more in terms of relationship building.

“Analytics and constantly-rolling A/B tests will give us a near real-time gage with which to measure the success of these relationships. The recession is bringing a new urgency for measurable results and might actually help shift corporate and non-profit budgets away from high-price opinions and toward this new style of social-network-mediated marketing.

“The carnival barkers have been claiming a ‘Web 3.0’ is around the corner ever since ‘Web 2.0’ was coined. But if Facebook replaces email as the main way corporations interact with customers, and if Twitter continues to evolve into a real-time search as important as Google, then I think we’ll find ourselves agreed that a major upgrade milestone has been passed.”

Making Money with Social Networking Sites

Entrepreneurial types can't help but envision dollar signs when they think of the immense popularity of social networking sites like Facebook. Here are a few ways you can leverage their success into your own. By thinking outside the box and being savvy about the latest technology, you can take advantage of trends in social networking to maximize your profitability.

Develop a Popular Facebook Application

Indian brothers Jayant and Rajat Agarwalla developed the wildly popular Facebook application Scrabulous, which in October, 2007 was bringing in \$18,000 a month from advertising, according to the Wall Street Journal. At its peak it was rumored to be bringing in \$25,000 a month in ad revenues.

The brothers ended up having some legal difficulties because of copyright issues with the Scrabble board game that resulted in the game being shut down in July 2008, but monetizing Facebook applications remains a viable opportunity.

The recent success of gaming company Zynga is a good example. Its social network applications such as Mafia Wars, FarmVille, Texas Hold'em and YoVille had over 60 million active monthly users at one stage. Besides selling advertising, social network applications have raised millions in venture capital and charged users real-world money to purchase virtual goods that enhance the gaming experience.

Use Facebook Marketplace

This application "lets you sell, give away, buy, ask or search for anything you want," according to Facebook. You can also search the marketplace's job listings or advertise your own services as a job seeker. It is free to post a listing on Marketplace, as long as you are a Facebook user.

Build Your Fan Base

If you are your own brand, as is the case for many sporting heroes, social networking tools can put you in closer contact with your fans and make you more of a real person to them. For some sports stars their followers know they can get uncensored and amusing insights into what it is like to be a sporting hero that they might not get otherwise. Some lucky followers even get the chance to interact with them. If you decide to use social networking to promote yourself, make sure to create a separate professional profile to keep your personal life separate from your work life, and keep an eye out for impostors.

Some Tips to Increase Online Followers

- Post good content that encourages people to share it.
- When you have a new product, share it on your page.
- Do not censor posts.
- Be transparent with customers.
- Integrate your site with Facebook.

Get a Job in Social Networking

If you have high levels of computer programming skills, you might gain a job working for a social networking company. If the prestige isn't enough, consider the perks: in the US Facebook pays 100% of your premiums for

medical, dental, vision, life insurance, and disability, 50% of premiums for dependents, and 50% of monthly gym fees for its full-time employees. It also offers four weeks of paid parental leave, \$4,000 in "baby cash," \$3,000 a year in daycare assistance, 21 days of paid vacation, unlimited sick days, 11 paid company holidays, free snacks, and a superannuation plan.

Top Social Media Trends from Randi Zuckerberg, Former Head Of Facebook Marketing

Randi Zuckerberg was one of the earliest employees to start working for the Facebook organization, which her older brother started up. According to Randi, big brother Mark constantly harassed her to help out and come on board. She says he, "stooped as low as getting their mum to influence her to join what at that time was some small Internet company called Facebook."

Randi went on to become the Head of Marketing at Facebook introducing several of its main products and she was also nominated for an Emmy Award for Facebook's political coverage.

Randi travelled to Australia to speak at the September 2012 Financial Education Summit held at the Brisbane Convention Centre, in front of over 1,000 budding entrepreneurs and investors where she shared the story of Facebook and its trajectory from a start-up to what it is today.

Randi carried out immense research in order to provide many Australian specific examples, and taught the top social media trends, which she says can help any individual or business, whether large or small, to boost their income thanks to the power of social media.

I found many of her ideas very clear and effective, and my team are already working on implementing her ideas. After all, her insight and connections in the social media industry are perhaps unparalleled!

Randi mentioned how she's had several calls from the White House with President Obama wanting to utilize some of the relevant social media strategies, especially now, since many elections around the world are won or lost from the sheer power of Facebook and social media.

It has been rumored that Randi is also looking for start-up companies to invest in and make them more valuable.

Here are a few of the top social media trends Randi Zuckerberg suggested we should all be aware of and tap into. These are just a few of the trends

Randi shared that are shaping our world today. Being aware of them gives anyone a chance to jump ahead of the curve and prosper significantly.

1. Luxury living without luxury prices. People these days want to live like a millionaire without needing to become one. I even wrote a book on this trend titled, *Time Rich: How to Have a Millionaire's Lifestyle Inside 12 Months Without Needing to Become One*.

Tim Ferriss in his, *The 4-hour Work-week*, taps into this trend as well. Ashton Kutcher invested into Airbnb for this reason. It is a classic example of an Internet business that enables people to stay in some luxury places but at non luxury prices. In the US you can sometimes get to fly on private jets for as little as \$499 per person when they have backstops they wish to fill.

2. Mobile First. This is the focus now for all social media companies. Everyone is accessing the web via mobile or smart phones making it a fast growing trend. As a result, business ideas using technology to capture this trend present enormous opportunities.

For instance, Chase Bank in the US has just released a service where you can take a photo of a cheque you receive and they will instantly deposit the funds into your bank account.

We have found that SMS marketing is becoming very effective as well, since most people have smart phones and can receive a text and click on the web link to access the information often making it more effective than email.

3. Crowdsourcing. With the rise of Kickstarter and other crowdsourcing sites it has becoming a huge trend to raise money. In fact, one start-up company raised \$10 million in pre-order sales for a unique watch.

Another person posted that he wanted to travel from America to Australia to photograph the country and he needed \$1400. He quickly raised \$1700.

Crowdsourcing has caught the eye of ASIC who recently warned people they must not offer shares in a company without a prospectus as it is a breach of securities laws.

However, Crowdsourcing works best by offering pre-sales of products to use the money to create the product. With sites like Crowdrise, charities are finding it a very effective way to raise funds, more so than traditional ways.

Some Facebook Don'ts

Randi Zuckerberg also suggested some don'ts and turn-offs when using Facebook:

- The cat blogger who is obsessed with his or her pets and blogs about them non-stop.
- The food blogger who blogs incessantly about food photos.
- The humble bragger.
- Bragging, but trying to disguise it in a post.
- The fruitless celebrity tweeter who tweets to celebrities pretending to be their friend.
- The depressed person posting about how bad life is thus seeking sympathy.
- The motivational quote bloggers who incessantly post motivational quotes often accompanied with pictures of dolphins.

8.

**WHAT I WOULD
DO IF I OWNED
FACEBOOK**

A lot of companies can go off course because of corporate pressures... I don't know what we are going to be building five years from now. I don't know what we are going to be building three years from now.

Mark Zuckerberg on Facebook, March 2010

In my opinion, if Facebook were smart it would take advantage of its high valuation and buy into quality, profitable businesses that are currently undervalued.

It is one of the smartest ways a company can instantly profit.

Think back to the dotcom days when companies with no sales were valued in the billions.

They could have taken their sky-high valuations and bought profitable, traditional companies (even mining companies that were valued very low back then) and acquired them cheaply.

Then they would have secured quality assets and profits for a low price and when the dotcom bubble burst they would have had quality assets remaining on their balance sheet.

Am I saying Facebook is another dotcom bubble?

Not quite.

But its \$104 billion valuation at the time of its IPO has proven to be unsustainable in the following months.

The market wasn't fooled though. It realized it was over-valued and at the time of publication the Facebook share price has since dropped to below \$20 a share, from a listing price of \$38 in just three-months.

The shares were originally going to be priced at around \$28 a share before Morgan Stanley and Co. became greedy and listed Facebook shares at \$38 each, leaving nothing on the table for new or early investors, and selling more shares than initially planned.

Which simply highlighted the people responsible for the IPO knew \$38 was the best price they would see for a while.

I estimated that Facebook shares were going to drop to about \$19 a share at my April 21st Century Event in Melbourne, before its IPO, and within 4 months this had occurred and was where they bottomed.

Even then that is still a \$50 billion valuation and almost 50 times its profit.

To think... Mark Zuckerberg had agreed to sell to Yahoo for \$1 billion, until Yahoo's share price dropped making the deal worth \$800 million, so he walked away.

If Yahoo hadn't been greedy and offered more, they could have acquired Facebook for a little over \$1 billion. The same price Facebook recently paid for Instagram, a photo-sharing application that is yet to make a profit and has only 12 staff.

One reason to go public is to make acquisitions easier.

However, Facebook was already trading on the secondary markets at \$44 a share, giving it a valuation in excess of \$110 billion.

So Facebook didn't really need to list to make acquisitions because it already had a high valuation, a liquid secondary market, and less scrutiny.

Regardless of all this, acquisitions are key for Facebook moving forward.

However it cannot afford to just pay sky-high prices for non-profitable start-ups like Instagram. It needs to buy some undervalued companies with large revenues.

Personally, if I owned Facebook, I'd be looking to snap up companies like RIM, maker of Blackberry, if they could get it at a steal. Many analysts have written RIM off but I believe it's too early to sound its death knell. After all, it still turns over \$18 billion in sales.

Even though the company is losing market share, and sales are dropping, they still have a huge client base. And when Blackberry 10 finally arrives, (expected in the first quarter of 2013) sales should grow again.

RIM does not ever need to grow market share; it just needs to remain a solid niche player to the corporate market, which an improved phone can deliver.

The point is, Facebook's revenues would jump immediately with an acquisition like this.

RIM could also be made very profitable by cost cutting. It owns thousands of patents, which are very valuable. This is also the main reason Google recently paid \$12 billion for Motorola.

Facebook needs to monetize mobile phone advertising and it needs a mobile platform to do so.

There are massive synergies with RIM, and Facebook needs an addition like this to its business to compete with Apple and Google.

Facebook plans to build its own smart phone (as reported recently and by hiring ex-Apple engineers); that is risky because it can take a long time and a lot of capital. Plus people will not buy a smart phone just because its branded Facebook.

Whereas if they were to own RIM, they would pick up a large legion of keen Blackberry fans, and a division that despite its static sales would add \$18 billion to Facebook's revenues, which are expected to be less than \$5 billion this year.

Facebook's profits could be quadruple quickly and its high valuation could soon be justified with cost cutting and synergies.

The key to this proposed deal is picking RIM up for a bargain, which with its shares currently down 75 percent is more than achievable.

Especially because Facebook is likely to report falling revenues and profits, which will put downward pressure on its share price.

Critics will say an acquisition attempt of RIM would punish investors. However I would suggest Facebook investors are already being punished and it will get worse when lower revenues are reported.

Buying quality assets with obvious synergies, below value, combined with acquiring them with stock that has a sky-high valuation, means not only gaining an asset cheaply, but doing it with paper money that is currently way over-valued.

9.

THE WISDOM OF MARK ZUCKERBERG

People have really gotten comfortable not only sharing more information and different kinds, but more openly and with more people and that social norm is just something that has evolved over time.

I think there's confusion around what the point of social networks is. A lot of different companies characterized as social networks have different goals - some serve the function of business networking, some are media portals. What we're trying to do is just make it really efficient for people to communicate, get information and share information.

When you give everyone a voice and give people power, the system usually ends up in a really good place. So, what we view our role as, is giving people that power.

It's not because of the amount of money. For me and my colleagues, the most important thing is that we create an open information flow for people. Having media corporations owned by conglomerates is just not an attractive idea to me.

It occurred to me that building a company was the best way to align a group of people towards building something great. And it's really... it's a good organizational structure where you can really reward people. If they're building something that's good, you can you work with partners and reward them if the product that you're developing work well. It's a good way to get the best people involved to build something very good.

It's tough to say, exactly, what things will look like in three to five years, but there's a lot of work to do in just moving along the path that we've already set out.

Move fast and break things. Unless you are breaking stuff, you are not moving fast enough.

By giving people the power to share, we're making the world more transparent.

I just think people have a lot of fiction. But, you know, I mean, the real story of Facebook is just that we've worked so hard for all this time. I mean, the real story is actually probably pretty boring, right? I mean, we just sat at our computers for six years and coded.

I think a simple rule of business is, if you do the things that are easier first, then you can actually make a lot of progress.

The question isn't, 'What do we want to know about people?'; it's, 'What do people want to tell about themselves?'

I think that people just have this core desire to express who they are. And I think that's always existed.

The real question for me is, do people have the tools that they need in order to make those decisions well? And I think that it's actually really important that Facebook continually makes it easier and easier to make those decisions... If people feel like they don't have control over how they're sharing things, then we're failing them.

The thing that we are trying to do at Facebook, is just help people connect and communicate more efficiently.

Right now, with social networks and other tools on the Internet, all of these millions of people have a way to say what they're thinking and have their voice be heard.

When you give everyone a voice and give people power, the system usually ends up in a really good place. So, what we view our role as, is giving people that power.

I mean, we've built a lot of products that we think are good, and will help people share photos and share videos and write messages to each other. But it's really all about how people are spreading Facebook around the world in all these different countries. And that's what's so amazing about the scale that it's at today.

Lessons We Can Learn From Mark Zuckerberg & Facebook

All of my friends who have younger siblings who are going to college or high school - my number one piece of advice is: you should learn how to program.

There are people who are really good managers, people who can manage a big organization, and then there are people who are very analytic or focused on strategy. Those two types don't usually tend to be in the same person. I would put myself much more in the latter camp.

My goal was never to just create a company. A lot of people misinterpret that, as if I don't care about revenue or profit or any of those things. But what not being just a company means to me is not being just that - building something that actually makes a really big change in the world.

People have really gotten comfortable not only sharing more information and different kinds, but more openly and with more people - and that social norm is just something that has evolved over time.

We're running the company to serve more people.

I started the site when I was 19. I didn't know much about business back then.

Our goal is not to build a platform; it's to be cross all of them.

The basis of our partnership strategy and our partnership approach: We build the social technology. They provide the music.

In terms of doing work and in terms of learning and evolving as a person, you just grow more when you get more people's perspectives... I really try and live the mission of the company and... keep everything else in my life extremely simple.

Facebook was not originally created to be a company. It was built to accomplish a social mission -- to make the world more open and connected. Simply put: we don't build services to make money; we make money to build better services.

Phones are inherently social devices and the industry is just beginning to discover what's possible.

The web is at a really important turning point right now. Up until recently, the default on the web has been that most things aren't social and most things don't use your real identity. We're building toward a web where the default is social.

Every application will be designed from the ground up to use real identity and friends.

Advertising on the Web is less about just hitting someone with a message... It's about engagement (with that user).

There's lots of stuff none of us have ever seen before. That's good in some ways, but limiting in other ways.

People are learning how to use the site and what's OK to share. As time goes on, people will learn what's appropriate, what's safe for them — and learn to share accordingly.

In reality, we wouldn't share your information in a way you wouldn't want ... The trust you place in us as a safe place to share information is the most important part of what makes Facebook work.

Creating channels between people who want to work together toward change has always been one of the ways that social movements push the world forward and make it better.

Both U.S. President Barack Obama and French President Nicholas Sarkozy have used Facebook as a way to organize their supporters. From the protests against the Colombian FARC, a 40-year old terrorist organization, to fighting oppressive, fringe groups in India, people use Facebook as a platform to build connections and organize action.

10.

**LAYING THE BLAME
FOR FACEBOOK'S
SHARE SLUMP**

Three months after the IPO, Facebook
has lost more than \$US50 billion.

Knives Out for Facebook CFO

In September 2012 Andrew Ross Sorkin reported in *The New York Times*, "David Ebersman signed off on Facebook's IPO. As the share price plummets, he - more than anyone - has much to answer for.

"It is David Ebersman's fault. There is just no way around it. Ebersman is Facebook's well-liked, boyish-looking 41-year-old chief financial officer. He's not as well known as Mark Zuckerberg, Facebook's founder and chief executive, or Sheryl Sandberg, its chief operating officer and recently appointed director.

"But when it came to Facebook's catastrophe of an initial public offering - the stock reached a new low on Friday (1 September 2012), closing at \$US18.06 - it was Ebersman, not Zuckerberg or Sandberg, who was ultimately the one pulling the strings.

"Now, three months after the offering, the company has lost more than \$US50 billion; to put that in perspective, that's more market value than Lehman Brothers gave up in the entire last year before it filed for bankruptcy.

"A lot of ink has been spilled over Facebook's IPO, with investors and pundits mostly pointing the finger at the Wall Street banks, particularly Morgan Stanley, which led the offering, and at Nasdaq, whose numerous computer glitches on Facebook's first day of trading undermined confidence in the stock. They clearly deserve blame.

"Ebersman's name, however, is mentioned only occasionally, usually in passing and typically only among Silicon Valley's cognoscenti.

"And yet if there is a single individual more responsible than any other for the staggering mispricing of Facebook's IPO, it is Ebersman. He signed off on the ever-increasing offer price, which ended up at \$US38 a share after the company had originally planned a price range of \$US29 to \$US34.

"He pushed to flood the market with 25 per cent more shares than originally planned in the final days before the offering. And since then, as the point person for investors, he has done little to articulate how or why the company's strategy will lift the share price any time soon.

"At a time when investors are looking for some semblance of accountability on Wall Street and in corporate America, it is remarkable that nobody - no

10. Laying The Blame For Facebook's Share Slump?

bankers, no one at Nasdaq, no one at Facebook - has been fired for botching the offering.

"Zuckerberg reportedly told his employees after the IPO, 'So, you've heard we're firing David?' But it was only a joke.

"Facebook's falling share price is not just a problem for investors; it is quickly creating real questions inside the company about its ability to retain and attract talented engineers, the lifeblood of any technology company.

"Employees who joined the company starting in 2010, for example, are now holding onto restricted shares that were granted at a higher price - \$US24.10 - than the current trading price. (It should be noted that these are restricted stock units, not underwater stock options, so they do still have real value but not nearly what the employees had expected.)

"Employees with some 2 billion shares will have the opportunity to begin selling them soon, which is one reason Facebook shares have been depressed lately.

"A spokesman for Facebook, Elliot Schrage, declined to comment and would not make Ebersman available.

"Ebersman appears to have badly misjudged the demand for Facebook's IPO. He was aided by errant advice from a cadre of banking advisers, who all had an incentive to sell as many shares as possible at the highest price possible. Morgan Stanley liked \$US38 a share, JPMorgan Chase thought the shares could be sold for even more, while Goldman Sachs thought they should be sold for slightly less - but all of them quickly jumped on board when Ebersman made his final decision.

"Determining the price of an IPO is as much an art as a science. After a company's roadshow presentations, investors indicate how many shares they plan to buy. They typically ask for more shares than they expect to receive, sometimes twice as many. But in the case of Facebook, investors, anticipating huge demand, put in requests for triple or quadruple the number of shares they expected to get.

"The bankers - and Ebersman - did not seem to appreciate what was happening. They seem to have believed their own hype and took those orders as real, giving them the misplaced confidence to push the IPO to the highest possible price and issue more shares.

"None of this is meant to suggest that Ebersman is dumb or unqualified. A graduate of Brown who was the chief financial officer of Genentech when he

was just 34, Ebersman is bright, perhaps even brilliant. He was recruited to Facebook by Sandberg, which was considered quite a coup at the time. He should clearly be given credit for negotiating favorable and extraordinarily large credit lines - some \$US8 billion worth - with Wall Street banks, which could provide the company with an important lifeline should the economy and the company's fortunes suffer.

"The disclosures in the company's IPO prospectus, which were Ebersman's responsibility, were, for the most part, pretty transparent, giving investors a good sense of the business, despite all the hype. And the IPO, for all its failures, filled Facebook's coffers with some \$US10 billion.

"Still, Ebersman has his work cut out for him as he tries to regain the trust of shareholders. He recently came to New York to talk with big investors, including hedge funds and institutional investors. Some invitations for meetings were oddly sent out on Thursday night for meetings on Friday. Given that it was summer, some investors sent their junior analysts.

"When Facebook's IPO first started to appear troubled in May. Frankly, I thought it was too soon to judge.

"But we have passed the pivotal three-month mark.

"Statistically, the three-month mark is a much better predictor of a company's future share price than any of the closing prices in the first week or two. According to Richard Peterson, of Capital IQ, 67 per cent of technology companies whose shares lagged their IPO price after 90 days were still laggards after a year. Until Facebook's stock rebounds, Ebersman will be feeling the pressure."

There are salutary business and ethical lessons for all entrepreneurs and start-ups in the Facebook saga. Readers can be the judge of what went wrong with the IPO, which was touted with great fanfare as an exciting offering with great prospects. Just three months later Facebook has cost investors US\$50 billion as the share price more than halved. Was it plain greed, incompetence or a combination of factors?

It is worth recording that while the Facebook share price was losing vast amounts of money, another technology company, Apple, hit its highest ever share price and became the world's most valuable company.

In conclusion

My prediction of what Facebook would be worth back in April 2012 before it even listed on Nasdaq was \$19.00 a share (it listed at \$38 a share and briefly hit \$42 on its first day of trading) proved to be remarkably accurate .

However to come up with such an estimate was based on what I felt for a company turning over \$3.7billion at the time and making \$1billion in profit and growing would be worth.

Even at \$19 a share it's still valued at close to a \$50 billion dollar company and trading at approximately 50 times last years earnings, which is still a high valuation but justifiable due to its large growth prospects.

However at \$38 a share, close to a \$100 billion valuation and close to 100 times earnings I clearly saw it overvalued especially since its business model is still not yet developed in areas other than advertising, which is under threat from the increased use of smart phones to access Facebook.

Therefore, \$19 a share was the price I thought it was worth, and also it was then that well-known large investors also started to buy into Facebook at just under \$19 a share, would I consider becoming an investor.

No matter where the short term share price is at for Facebook it's clear it has a huge future not only as a company to produce profits for its investors but more importantly because of its ability to reshape the world in a more open connected place that allows greater sharing of ideas and providing a voice to many who would otherwise have no power.

It clearly has put the power back in the hand of not only consumers but individuals and voters to express their perspective more effectively.

It also has given everyone a level playing field to promote themselves, their company or services and enabling many with little or no outlay to create large entrepreneurial success.

More importantly the greatest lesson I have personally learnt whilst researching Mark Zuckerberg's remarkable story as well as Facebook's, is that all great business leaders are dedicated to the larger goal of positively reshaping the world they live in, whether that be Steve Jobs or Richard Branson. Mark is focused on his vision for Facebook and not even Facebook becoming a public company has prevented him from remaining dedicated to what Facebook's social mission is all about.

Lessons We Can Learn From Mark Zuckerberg & Facebook

It is a valuable lesson for companies, large or small, to consider that as important as profits are if the focus is on continually adding value and striving to make the world a better place, long-term profits will automatically flow.

Mark says, "at Facebook we don't make services to make money, we make money to be able to make better services".

Imagine how much better the world would be if all companies and entrepreneurs had this as a priority and level of dedication to making a difference.

This would explain why Mark, despite being offered \$1million while still a teenager for one of his first creations by Microsoft and later, when he was offered tens of millions for Facebook, then hundreds and eventually billions, he refused to sell when almost every other individual on the planet would have taken the money and let go of their vision.

For this reason I think Mark deserves credit regardless of what happens to the future of Facebook and social media.

However with his traits and dedication I can only see Facebook growing and becoming one of the most significant companies in world history.

I trust you've enjoyed learning about Mark Zuckerberg's incredible story and that of Facebook and I hope you can apply some of the many distinctions you learnt to make your career, business or future career and business a great success and more importantly, make the world a better place.

Jamie McIntyre,
October 2012

- 2011 World Cup 4
2hub 84
- A
Sense of Humor 44
Social Event, One with
Cultish Undertones,
Rather than an IPO? 32
- Accel
Investment (Series B) 62
Partners 29, 62
- Acquisitions 64
- ACT Supreme Court 13
- AdMob 66
- Aftermath of the IPO, The 36
- Agarwalla, Jayant and
Rajat 97
- Amabile, Teresa 74
- Amazon.com 35
- Andreessen, Marc 92
- Android 8
- Angel Investment
(Series C) 62
- AOL 4, 43
- Apple 8
- ASIC 100
- Assange, Julian 46
- AT&T Wireless 35
- Australian Competition
Watchdog 86
- Bacon, Louis 38
- Baloun, Karel 54
- Barouch, Jonathon 94
- Barrie, Matt 94
- Bartholomeusz, Steven 32
- Be
Bold 27
Open 28
- Beacon 59
- Berger, Joannah 11
- Berkshire Hathaway 16
- Bill Gates on Mark
Zuckerberg 49
- Blackberry 105, 106
- Booker, Cory A 52
- Branson, Sir Richard 14, 45
- Breyer, Jim 62
- Brin, Sergy 18, 52
- Buchheit, Paul 64
- Buffett
on Zuckerberg 16
Warren 16, 32, 50, 52
- Build
Social Value 28
Your Fan Base 98
- Bush, President 5
Business Spectator 94
BusinessWeek 62, 63
- Capital IQ 116
- Catch of the Day 18
- CBS news 36
- Ceglia, Paul 85
- Chan, Priscilla 45, 52
- Chang, Wayne 58
- Chase Bank 100
- China 11
- Christie, Chris 52
- Coca-Cola 32
- Cohen, Steven 38
- Coleman, Chase 18
- Coles 87
- Columbus, Christopher 92
- ConnectU 84
- Could Social Media Kill the
Newsroom? 94
- Cox, Chris 74
- Crazy Taxi 6
- Criticisms of Facebook 15
- Crowdsourcing 100
- Cultural Touchstone, A 34
- Currie, Peter 59
- D'Angelo, Adam 58
- Data mining 15
- Develop a Popular Facebook
Application 97
- Diaspora 52
- Digital Sky Technologies 6
- Disney 35
- eBay 92
- Ebersman, David 114
- Egypt 4
- Eisenberg, Jesse 54
- Elance 67
- Eliminating Desire 47
- Ellison, Larry 81
- Facebook
can Help You get Hired -
Or Fired 68
CEO Mark Zuckerberg's
letter to shareholders 82
Connect 59
Don'ts, Some 101
Engineering Puzzles 60
for Business Marketing 14
Headquarters 72
Platform 59
Shares Halve in Price 38
Serious Investors and
Share Traders 38
Facemash 48, 56
FaceMash.com 57
Farmville 6, 98
Fast Company 74
FBI 6, 10
Filing and Roadshow 30
Financial
Industry Regulatory
Authority 37
Potential 78
Find a Need and Fill It 40
First Angel Investment
(Series A) 61
Fiverr 67
Focus on Impact 27
Forbes 41, 45
Freelancer 67
FriendFeed 64
Friendster 93
Fun 80
Fusion IQ 17
Galvin, William 37
Gartner 94, 95
Gates, Bill 45, 49, 52, 81
General Motors 31, 35
Get a Job in Social
Networking 98
Gift Economy, The 40
Giving Pledge 52
Glassdoor.com 76
Gleit, Naomi 47
Goldbloom, Anthony 93
Google 6, 7, 31, 63, 96
Google+ 51
Greylock Partners 29
Grossman, Lev 4, 49

- Hackers: Heroes of the Computer Revolution* 50
- Hamadeh, Sam 17
- Hamel, Gary 10
- Harvard 48
- HarvardConnection.com 57
- Headquarters, Facebook 72
- Hewitt, Joe 74
- Hewlett Packard 72, 92
- Hoffman, Reid 61
- How
 - Does Facebook Work? 5, 40
 - Much is a 'Like'Worth? 67
- Hughes, Chris 56, 58
- Humor, A Sense of 44
- In August 2012 the Los Angeles Times Ran this Story 17
- Indonesia 5
- Influence 78
- Initial
 - Funding 60
 - Public Offering 22, 34
- Intelligent Media Group 43
- IPO 22, 34
- Iran 11
- Is Silicon Valley Coming to an End? 92
- Jobs, Steve 16, 51, 73, 81
- Ka-shing, Li 63
- Katigbak, Everett 73
- Kayak 36
- Kelley, Martin 96
- Kevani, Pedram 75
- Kickstarter 100
- Kirkpatrick, David 3, 9, 40, 54
- Knives Out for Facebook CFO 114
- Kraft Foods 35
- Kutcher, Ashton 100
- Laying the Blame for Facebook's Share Slump 113
- Lee, Julian 86
- Legal Issues from the IPO 37
- Lehman Brothers 114
- Letter to shareholders 82
- Levy, Steven 50
- Lindekin 31, 61, 96
- Los Angeles Times* 17
- Luxury living without luxury prices 100
- Mafia Wars 6, 98
- Making Money with Social Networking Sites 97
- Mara, Rooney 53
- Mark Zuckerberg's letter to shareholders 82
- Marx, Karl 4
- McCollum, Andrew 58
- McDonald's 35
- McLuhan, Marshall 9
- McQueen, Geoff 94
- Mezrich, Ben 53
- Microsoft 4, 6, 7, 43, 63, 93
- Microsoft investment (Series D) 63
- Mission 22
- Mobile First 100
- Mobile Monetization Strategy 65
- Monetizing Facebook 64
- Moore Capital Management 38
- Morgan Stanley 32, 37, 38
- Moskovitz, Dustin 56-58
- Motorola 105
- Move Fast 27 and Break Things 74
- MySpace 3, 62
- Narendra, Divya 57, 84
- Nasdaq 18, 32, 36, 38
- National Security Council 5
- Netscape 92
- New York Stock Exchange 36
- New York Times* 31, 114
- Newark Public Schools 52
- News Corp 62
- Nike 4
- Ning 92
- NSW Fair Trading 67
- Octazen Solutions 64
- Odesk 67
- Open Graph 66
- ecosystem 65
- Opsware 92
- Our Mission and Our Business 25
- Packer, James 18
- Page, Larry 18, 52
- Pakistan 11
 - Criminal Investigation 85
- Palmer, Charis 94
- Parker, Sean 3, 58, 61
- Paypal 29
- PBS 51
- PC Magazine 43
- Peterson, Richard 116
- Philanthropy 52
- Philosophy, The Mark Zuckerberg 50
- Pincus, Mark 61
- President
 - Bush 5
 - Obama 47
- Price Targets 30
- Prince Harry 14
- PrivCo 17
- Public Broadcasting Service 16
- Pump-and-dump 37
- Qantas 87
- RIM 105
- Ritholtz, Barry 17
- Roadshow 30
- Robertson, Julian 18
- Rose, Charlie 16
- Rowinski, Dan 65, 66
- Rudin, Scott 53
- SAC Capital Advisors 38
- Sacks, David 92
- Sales Negotiations 62
- Samberg
 - Andy 45, 64
 - Cheryl 16, 114
- Saturday Night Live 45, 54
- Saudi Arabia 11
- Saverin
- Lawsuit 85
- Eduardo 56, 60, 61
- Scevak, Niki 93
- Schmidt, Eric 18

- Schrage, Elliot 115
 SecondMarket 35
 Silicon Valley 17, 28, 72, 76, 86, 92, 93, 114
 Six Career-Killing Facebook Mistakes 68
 Slee, Mark 75
 Smirnoff 87
 Social
 Butterfly 84
 Media and the Australian Competition Watchdog 86
 Networks 51
 Some
 Facebook Don'ts 101
 Kids Played Computer Games: Mark Zuckerberg Created Them 41
 Tips to Increase Online Followers 98
 Sorkin
 Aaron 53
 Andrew Ross 114
 Soros, George 38
 Start-up: Education Foundation 52
 Steve Jobs and Mark Zuckerberg 16
 Stewart, Jim 67
 Strategy, Monetization 65
 Sun Microsystems 73
 Switch to Profitability 63
 Synapse Media Player 43
 Tangent Capital Partners 18
 Taylor, Bret 48
TechCrunch 57
 Telstra 87
 Texas Hold'em 98
 The
 Accidental Billionaires 53
 Best and Worst Aspects of Working at Facebook 78
 Biggest Advertising Platform in History 88
 Facebook Business Model 6
 Facebook Database 10
 Facebook Effect, Inside Story of the Company that is Connecting the World 3, 9
 Facebook Vision 72
 Gift Economy 40
 Hacker Way 26
 Harvard Crimson 56, 58
 IPO: A Cultural Touchstone 34
 Lead Up to the IPO 28
 Mark Zuckerberg Philosophy 50
 New York Times 31, 114
 Playboy Prince 14
 Progress Principle 74
 Secret of Facebook's Success 11
 Simpsons 45
 Social Network 42, 45, 52, 53
 Top Three Reasons to Work for Facebook 79
 Winklevoss Chang Group 84
 Wisdom of Mark Zuckerberg 107
 worst aspects of working at Facebook 77
 Thiel, Peter 29, 61
 Tiger Global Management 18
 Time Magazine Person of the Year 41, 45
Time Rich: How to Have a Millionaire's Lifestyle Inside 12 Months Without Needing to Become One 100
 Top Social Media Trends from Randi Zuckerberg 99
 Trump, Donald 46
 Twitter 3, 96
Understanding Media: The Extensions of Man 10
 Use Facebook Marketplace 98
 Valuation and Price Targets 30
 Vanity Fair 41
 Viacom 6, 63
 Visa Inc 35
 Vision, The Facebook 72
 Wall Street insiders 31
Wall Street Journal 35, 97
 Warren Buffett on Mark Zuckerberg 50
 Web 3.0 97
 Welch
 Brett 94
 Jack 81
 Whalen, Chris 18
 What
 Does Warren Buffett say About Facebook? 32
 I Would Do if I Owned Facebook 103
 is Facebook's Best Mobile Monetization Strategy? 65
 is Facebook? 2
 is it Like Working at Facebook? 76
 is it Really Like Working for Mark Zuckerberg? 80
 White House Situation Room 5
 Who Uses Facebook? 12
 Will Facebook (all but) Replace Corporate Websites? 96
 Winklevoss
 Cameron 57
 Chang Group, The 84
 Tyler 57
 Wired 51
 Wong, Yishan 81
 Working for Facebook in Australia 80
 Yahoo 4, 60
 YoVille 98
 Zuckerberg
 at the Movies - 'The Social Network' 53
 Mark 2, 3, 6, 7, 9, 10, 11, 16-19, 22, 28-35, 38, 40-54, 56-63, 72-74, 80-82, 84-86, 95, 99, 104, 114, 115, 117
 Mark, The Wisdom of 107
 Randi 99
 Zynga 98



Randi Zuckerberg, Mark Zuckerberg's sister & Author Jamie McIntyre

AS WE QUIETLY CARRIED ON WITH OUR LIVES AN AMAZING PHENOMENA TOOK PLACE IN THE WORLD. IN LESS THAN SEVEN YEARS MARK ZUCKERBERG WIRED TOGETHER A SOCIAL NETWORK THAT IS CURRENTLY BINDING TOGETHER CLOSE TO 1 BILLION PEOPLE ON THE PLANET AND GROWING. FOR YEARS ACADEMICS HAD PREDICTED THE WORLD BECOMING A 'GLOBAL VILLAGE.' THIS IS THE TOOL THAT MADE THE PROPHECY COME TRUE MORE THAN ANY OTHER.

This intriguing book reveals the innovative secrets of the world's youngest billionaire, Mark Zuckerberg, while delving into how his revolutionary method of communication affects society.

Discover how Facebook is giving people amazing social fighting power, and opening communications from Colombia to Iran, while touching politics from small villages to the inner sanctuary of the White House

"When you give everyone a voice and give people power, the system usually ends up in a really good place. So, what we view our role as, is giving people that power."

Mark Zuckerberg

Learn about the top trends of social media and how to make it work for you in ways you never thought possible.

This enjoyable read is infused with humorous anecdotes from Mark's life - a practical joker who created computer games while other kids played them! Read the facts and judge for yourself the sometimes controversial 'face behind Facebook.'

You will certainly 'like' this fascinating read!

What you will learn from this book:

- Business and life lessons from one of the world's greatest entrepreneurs
- **How to model the world's most successful young business leader**
- How Zuckerberg keeps his business a fun, dynamic and growing enterprise
- **How to use social media to benefit your career**
- How to transform ideas into reality
- **How to make money with social networking sites**
- How to increase followers
- **Valuable lessons to jumpstart your business**
- Whether Facebook will kill the newsroom and how even you can be an Editor
- **The top ten trends of social media**
- What happens behind the scenes of your personal Facebook account

Jamie McIntyre has been featured in:



The Courier-Mail

THINKS GROW RICH

2GB

Herald Sun

thinkBIG

Wealth

YAHOO!

The West Australian

THIS BOOK REPRESENTS THE AUTHORS VIEW WITHOUT ANY OFFICIAL CONNECTION TO FACEBOOK OR MARK ZUCKERBERG

RRP \$19.95



Every reader qualifies for the following DVD Pack
Visit www.FinancialEducationPack.com.au

www.21stCenturyEducation.com.au