

## 1<sup>st</sup> Round Case Study

Newstalk 106-108fm

Student Enterprise Competition 2010-2011



# facebook – fresh challenges on the horizon for the successful upstart

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## **Introduction**

It was that time of the year again when Facebook's CEO must meet with Facebook's venture capitalists and other stakeholders. Mark Zuckerberg, Facebook CEO, sporting a T-shirt and jeans, as always, sat on the couch ready to be interviewed before Facebook's board of directors. Before even being asked, Mark already knew the questions the board would probe him with - he had been asked these questions many times before. Mark was a toddler in the business world. Facebook's future, valued at about \$9.5 billion<sup>1</sup> a still privately held company, and its ability to generate income, especially in the wake of the financial crisis, was tenuous. Mark knew the potential for his already revolutionary Facebook's services and reflected on the evolution of the company to prepare his answers.

The impact of emerging social networking tools was undeniable and still growing. They had become in a short period of time the world's defacto collaboration and communication tool and a powerful barrier-breaker. No longer were they limited to work, home and the gym, with the evolution of websites like Facebook, Myspace, and Twitter, sharing information to an immediate and extended circle of friends had never been easier.

However, leading a strategically-innovative company like Facebook was a challenging task: Would Facebook require a facelift to stay successful and relevant or would it maintain its course with its current business model? Might the current dorm-room creative culture sustain the formality required for this high-profile organisation's performance?

## **About Facebook**

At the beginning of the journey, Mark Zuckerberg, wasn't planning on creating the biggest online social networking application in the world, his main objective was to build an offline student repository where only Harvard students could share and manage their profiles and schedules.

By providing an information service that was not available offline and within a very restricted community thefacebook.com (the original name) very quickly became the success story at Harvard Business School! Facebook wasn't a new community where one never existed before; rather it provided an important information and communication service to a pre-existing offline community.

The success of Facebook was however not accidental: the management team made important product design decisions rather rapidly that ensured harmony and trust between the offline community and the online service created. Facebook originally limited membership to those users who could verify they had an ".edu" e-mail address for the college they attended. Facebook also placed limits on the ability to search or browse users to the college that the user attended. After the known success, Facebook opened its doors to broad users outside the edu networks by creating "networks" specially adapted for micro communities such as high schools, companies and associations. Clusters of users were also created with geographic, demographic or special interest profiles; it essentially became what colleges were to the original Facebook.

In a short period of time, the firm became an integrated business model offering services, features, highlights and better yet, an invitation to the broad audience to leverage Facebook's benefits by giving them a chance to participate and further span the success of the phenomena. The company created an online collaborative tool integrating values that group people depending on their hobbies, shared values and business interests, in business terms, a company with 'open and porous boundaries ... that ... competes by reaching outside their walls to harness external knowledge'<sup>2</sup>.

## An evolving industry

Social networking is a complex, large and rapidly expanding sector of the knowledge economy. There are as many organizations as there are ways of connecting with people. The social networking ecosystem is rife with companies offering diverse services in different platforms for different target markets. The most notorious, along with Facebook are MySpace, Twitter, hi5 (previously) and many more.

According to Jeremiah Owyang, an analyst at Forrester Research, "The flood in this market is due to low barriers to entry from easy-to-deploy software, an influx of venture money wanting to get in on the 'so-net' action and media frenzy from existing social networks like Facebook, MySpace and others."

It's also an industry that is characterized by very low product shelf time hence the tremendously reducing lifespan of companies which means in the near future, like the [content management system] industry in the late '90s, there are likely to be some major acquisitions from major media and Internet-born companies (such as Google, Microsoft, and Yahoo). Traditional CMS vendors are currently adding 'social features' to their products -- most without success -- and will probably resort to acquiring vendors to fill their suites."

Commentators suggest that surviving companies will become marketing partners for enterprises, not just software providers as Owyang again remarks on the dangers of discounting technology advantages - "Let's not discount technology completely, it can be an edge, but the ones that will stand out will have a *full solution*"<sup>3</sup> In that sense, it is no longer about hooking up online or creating a 'gardening community' instead it is becoming a new mode of production. Social networking is becoming social production.

Facebook has already changed so many lives, so many relationships. Constantly thinking about what users would want and how things should work, the company has created a social utility that helps people communicate more efficiently with their friends, family and coworkers. The company develops technologies that facilitate the sharing of information through the social graph, the digital mapping of people's real-world social connections.

Below are some of the functionalities offered by Facebook.<sup>4</sup>

### Facebook Profiles

A typical Facebook profile consists of a number of different sections, including Wall, Bio information, micro-blog Status updates, list of Friends, Photos, Notes, Groups, and. Most of the sections are self-explanatory but some are specific to Facebook.

### Facebook Photos

With over 3 billion photos uploaded per month, one of Facebook's most popular features has been the ability to upload photos. Users can upload unlimited photos from their cell phone or through its web interface. Facebook is one of the few services to offer an unlimited quota with their only restriction being a 60-photos-per-album limit - this is much appreciated by Facebook's college demographic.

### Facebook Groups

Just like every other social network, Facebook has something called 'groups.' Users can create new ones or join and participate in existing ones. This is also displayed in their profile and is a good indication of hobbies and interests a person might have.

There are two kinds of groups, a normal group and a secret group, which isn't shown on the profile. A normal group is just like any other, but users can also create and invite others into secret groups. These can be used for collaborating on university projects, and provide a way to have closed discussions. About 80% of the groups are 'fun-related' and companies can even sponsor groups - as is the case with, for example, the Apple users group.

### Facebook Events

Another Facebook success is their 'events' feature, which provides the ability to organize, to be part of, and to plan for events. This feature has been extremely successful in matching events, organizers and individuals; it also provides to users an online tool they can use to manage their social calendar.

### Facebook Developers

In August 2006, Facebook offered a free Developers' Application Programming interface (API) called Facebook Developers. This feature essentially provided access to Facebook's internals and allowed programmers create widgets, mashups, tools and projects based around Facebook.

FaceBank for example, is a promising tool which allows users to 'keep track of debts and shared expenses with friends.' Another interesting application is Lickuacious which provides a function for users to 'rank friends by wall popularity.' The Wall, of course, is Facebook's comments feature.

## Facebook Notes

The company's most recent addition is called Facebook Notes, and allows users to write a Facebook blog. All notes are displayed in the user's profile, and other members can add comments.

Notes possesses an important feature 2008, which is the ability to import and syndicate an external blog, although unlike Technorati, doesn't allow users to claim one only for themselves (e.g. it's possible to claim the New York Times syndication feed easily in one's Notes). The service allows HTML to be included in the posts, although JavaScript and Flash are disabled. You can attach photos and also post via cell phone by sending your blogs to notes@facebook.com. The Notes feature has been well received.

As a result of these integrated features, the website reached 400 million active users with a rate of about 500,000 new registrations per day (an average new registrations between 9/15/2009 and 11/6/2009). 200 million users log in each day and over 3 billion photos are uploaded each month.<sup>5</sup>

Facebook is now planning to go one step further by integrating a new concept known as targeted marketing allowing marketers target users with ads based on the massive amounts of information people reveal on the site about themselves. In the words of Colm Long, Director of Facebook's headquarters in Dublin Ireland "Over the past 12-18 months, the company has focused on leveraging the engagement opportunity that exists on Facebook - an advertisement you can share with friends, that you can comment on and vote in a poll about - all of which are really valuable for advertisers. We have a phenomenon now where people have begun sharing ads as content as much as they would share a newspaper article - for an advertiser that's really new and again there's nowhere else on the internet you can do that."<sup>6</sup>

## Early Focus on growth, not Revenue

In a November 2008 summit, John Battelle from Federated Media Publishing asked Zuckerberg this: "*Do you need money?*" to which he replied "*No!*". He remarked at that stage that Facebook was not focused on optimizing for revenue but on growing its user base.<sup>7</sup> The primary focus then was to expand the language so that everyone around the world could share information easily. They now have more than 200 languages. Zuckerberg acknowledged that he understated the focus on growth of revenue in the early years. That prompted critics to suggest that Facebook didn't have a revenue strategy. This has now changed. While focusing on the growth of the user base, Facebook also paid close attention to the revenue side of the business. The company had several sources of income: direct brand sales, online sales, working with the top 200 advertisers in the USA, etc. In cities where the penetration rate was high, the increasing desire by companies to make Facebook advertisement part of their growth strategy was motivating the organisation to establish sales offices around the world such as in Paris, London and a new headquarters in Dublin, Ireland. Facebook had also been working with Microsoft on search and advertising which was considered a third line of income.

## Profile of founders & executives

### Early years

Mark Zuckerberg was born May 14, 1984 in Dobbs Ferry, New York and was raised in New York, by his Jewish parents, Edward and Karen Zuckerberg. He started programming when he was in middle school where he enjoyed working with computers and developing new programs, especially communication tools and games. While attending Phillips Exeter Academy, he built a program to help the workers in his father's office communicate; he also built a version of the game Risk and a music player named Synapse. Microsoft and AOL tried to purchase Synapse and to recruit Zuckerberg, but he decided to attend Harvard University instead.<sup>8</sup>

### The Hacker-Preneur

As a student he continually worked on computer projects from his dorm room, even running afoul with the Administrative Board one time. After hacking into student records to create an online directory, he was charged with breaching computer security and violating rules on Internet privacy and intellectual property. The hacking episode occurred when Harvard didn't offer a student directory with photos and basic information, known at most schools as a face book. Zuckerberg wanted to build an online version for Harvard, but the school "*kept on saying that there were all these reasons why they couldn't aggregate this information,*" he says. "*I just wanted to show that it could be done.*" So Mark hacked into Harvard's student records which he then used to build up a basic site called Facemash. Four hours, 450 visitors, and 22,000 photo views later, Harvard banned Zuckerberg's Internet connection. Zuckerberg politely apologized to his fellow students after the incident, but he remained convinced he'd done the right thing: "*I thought that the information should be available*"<sup>9</sup>. An incident that now gives a sense of his current position on online privacy.

Zuckerberg admits to being a hacker, but the word means something different to him. To him, hacker culture was about using shared effort and knowledge to make something bigger, better, and faster than an individual could do alone.

*"There's an intense focus on openness, sharing information, as both an ideal and a practical strategy to get things done,"* he explained.<sup>10</sup>

Zuckerberg realized the power of sharing information very early. There is one episode in his student life that he likes to mention in his interviews. Mark describes a class he took at Harvard called Rome of Augustus:

*For the final exam, we had to learn the historical significance of something like 500 pieces of art from that period. Having not really read that stuff, I was in a lot of trouble, spending my time building Facebook instead of studying.*

Right before the final exam, Zuckerberg went to the course Web site, downloaded all the images and made a new site with a page for each image, along with a box to add comments. Then he forwarded the site's link to the class list. Within an hour or two, a bunch of his classmates visited the site and filled out all the information about the photos.

He then went back and “kind of absorbed it all,” eventually getting an A in the class. He believed that the grades on that final were much higher than they have ever been. "*I did very well in that class. We all did*", was how he summed up the incident.<sup>11</sup>

On February 4, 2004, Zuckerberg launched Facebook. After becoming a success on his own campus, he and his roommate, Dustin Moskovitz, began spreading it to other colleges. By summer, more than 30 universities' students were able to use Facebook.

### *And then Fortune intervened!*

"*We just wanted to go to California for the summer*" uttered Zuckerberg describing his decision, at the end of sophomore year of 2004, to head out to Palo Alto with Moskovitz and Hughes. They sublet a house not far from the Stanford campus, and then fortune intervened.<sup>12</sup>

Out on the street one evening, Zuckerberg bumped into Sean Parker, a cofounder of the notorious file-sharing program Napster. It turned out Parker was moving to Palo Alto but didn't yet have an apartment. "*Basically we just let him crash with us,*" Zuckerberg says.<sup>13</sup>

Parker moved in, bringing with him an irrepressible entrepreneurial spirit. Within a few weeks, Parker introduced Zuckerberg to his first major investor, Peter Thiel, cofounder of PayPal, president of hedge fund Clarium Capital, and managing partner of the Founders Fund. After Zuckerberg's 15-minute pitch on Facebook, Thiel was clearly interested. By the end of the talk, Mark got a commitment for \$500,000 in seed money and an entrée into the exclusive social network of Silicon Valley.<sup>14</sup>

He and his friends had caught the entrepreneurial bug. With the end of summer approaching, Zuckerberg thought back to a presentation he'd heard at Harvard from a well-known dropout. He remembered Bill Gates who came to talk to a computer science class that Mark attended. Gates encouraged the students to leave and go make something, since Harvard lets students take as much time off as they want. With Thiel's money to sustain them, Zuckerberg and Moskovitz decided to follow Gates's advice.

Zuckerberg and a growing group of engineers managed the Facebook site from a series of sublets around Palo Alto, coding together in endless sessions on rickety furniture. "*We never had any money,*" he recalls with a laugh. In November 2004, Facebook passed the 1 million--users mark. Facebook received its first investment of US\$500,000 in June 2004 from PayPal co-founder Peter Thiel. This was followed a year later by \$12.7 million in venture capital from Accel Partners, and then \$27.5 million more from Greylock Partners. He hired a new fleet of engineers and he moved the company into office space, on Palo Alto's University Avenue. By the fall of 2005, there were 5 million active users who visited the site at least once a month<sup>15</sup> However increased revenue didnt necessarily convert into profits in the balance sheet: a leaked cash flow statement showed that during the 2005 fiscal year, the company had a net loss of \$3.63 million.

On October 24, 2007 Microsoft announced that it had purchased a 1.6% share of Facebook for \$240 million, giving the company a total implied value of around \$15 billion. Microsoft's purchase included rights to place international ads on Facebook.

In order to increase sales, the company introduced virtual shops where gifts were available for purchase and exchange among users allowing them to send virtual gifts to friends for \$1 each. As a result of this addition, Facebook is now making millions of dollars a month on direct virtual gift sales. Recently the company converted gift shop dollars to “credits.” From now on, Facebook virtual gifts will be priced in credits: gifts that were previously priced at \$1 are now priced at 100 credits, but new gifts will be priced differently. Facebook writes:

*One hundred credits can be bought for \$1; we’re making this change without raising or lowering prices on existing gifts. The new system means we can introduce a wider variety of gifts, allowing you greater freedom in expressing appreciation for your friends, just like in the real world. It also makes gift pricing more accessible to people around the world, no matter what their home currency might be.<sup>16</sup>*

The company is now on track for \$30 million in profit in 2010 on \$150 million in revenue. About half of that revenue is expected to come through the advertisement deal with Microsoft Corp. which allows Microsoft sell many of the major display ads on Facebook's U.S. site. The deal will likely bring in \$200 million to \$300 million for through 2011, and potentially much more if traffic grows rapidly.<sup>17</sup>

## **Facebooking around Privacy**

Facebook’s meteoric rise didn’t occur without its set of challenges. In 2007, there was considerable discussion concerning privacy-related matters and violations such as the access that employees had to restricted profiles.<sup>18</sup> This naturally resulted in negative publicity and distrust amongst the user community. It also raised the question of whether 20-year olds could run a large company. In 2008, Sheryl Sandberg, joined Facebook as its COO, and brought some maturity to the company through employee performance reviews, new recruitment procedures, and management training programs.<sup>19</sup>

Employees having “super user” privileges raised questions about governance especially with a mega-information repository like Facebook. Without its online community Facebook would just be another website. Included in the Internet community are small entities such as individual users and organizations, as well as very large entities such as governments and countries.

Facebook Beacon also caused privacy concerns in 2007 because of its ability to track users outside of Facebook through a well-known web exploit. Essentially, Beacon allows Facebook to track users on partner sites even when they are not logged into Facebook explicitly. In response, the company made Beacon an opt-in feature, which calmed the user community.<sup>20</sup>

In February 2009, Facebook stirred up controversy again by changing their Terms of Use. A concern raised by Chris Walters of The Consumerist sparked unrest in the community about Facebook specifically on their use of content published by its users ie users’ posts, pictures, videos, and other intellectual property.<sup>21</sup> In response, the company created the Facebook Principles which are the guiding principles the company aspires to and the Facebook Bill of Rights and Responsibilities to replace the Facebook Terms of Use. This

has made the guiding documents more transparent and democratic.<sup>22</sup> Thus far, the response has been positive. There have also been many other discussions that have materialized because of privacy concerns such as bugs in coding, exploited holes in coding, the use of Facebook pages as memorials, and the publication of information that could be maliciously used. For various reasons some schools, organizations, and even governments have blocked access to Facebook, evidencing that the company poses a concern whether it be privacy or productivity-related. As Facebook is used by more individuals and organisations, there will be increased interest in the privacy and intellectual property governance of Facebook—especially as a for-profit entity.

## Facebook Company Culture

Facebook's headquarters in Palo Alto, California opened in 2009 and was purposefully open and flat with workstations positioned close together without walls to create an environment that encourages collaboration and information sharing. Even the executives do not have their own offices, a physical design that is in keeping with its flat organizational structure; instead executives sit in central areas so that they are easily accessible. The work areas and the relaxation areas including couches, beanbag chairs, game tables, and cafeteria are integrated together. The office was purposefully designed to stimulate employee collaboration and communication and reflects Facebook's company culture as shown in the figure below.<sup>23</sup>



Figure 1: Palo Alto Headquarters - Before and After (Source: Katigbak 2009)

The global phenomenon, Facebook, is powered by a company culture similar to that of other web-based companies like Google and Microsoft. The employees came to work casually and comfortably dressed, and the production floor has the look of a chaotic classroom rather than a corporate office.

### Recruiting and training 'facebookers'

To assure that the culture of the organization is preserved, Facebook place significant emphasis on 'cultural fit' during the recruitment process. The objective is to ensure that new employees share at least the core values of Facebook and that they can also integrate and appropriate that culture and spirit of collaboration and creativity.

Facebook's employees are all young or young at heart: the company culture pairs innovation and passion with cutting loose and having fun.<sup>24</sup> To further stimulate creativity Facebook encourages a 'loose culture' by allowing

*racing around on RipStiks; playing Bughouse chess, a hand of poker, or a game of Risk; rocking out in our music room; and embarking on all-night coding binges for new features and ideas. Our language team rewrites the site in Pirate English, just for kicks. There's also an Ultimate Frisbee team, Nacho Thursday, and all kinds of new fun being invented every week.*<sup>25</sup>

What drives many Facebook employees is knowing that their work has an impact on the world and that they are at the forefront of change.<sup>26</sup>

## **Instilling and Managing Innovation**

### *Inducing a life style to the world: social innovation*

The ambition of Facebook is to change people's lifestyle or to add a "sharing interface to it". Whether a real person or an organization, at some point, Facebook would like to create the thirst for individuals and organisations to share information with others of their choosing whenever, wherever and with whomever they want. The result of this is that many people, almost 50% of subscribers,<sup>27</sup> share on a daily basis information about themselves: what they do, what they think, plans, questions, etc.

With this model, Facebook is enjoying a considerable growth. At the 2009 World Economic Forum, in Davos, Switzerland, Zuckerberg had to address this growing concern when asked rather bluntly: "*will you be around in 5 years time and in what form will you be?*"

The question by itself suggests that there is a view among business commentators that the enthusiasm for Facebook will wane in the medium-term. He answered the question by saying this:

*The core trend is that more and more people are getting access to information and are sharing them. That trend will continue. [...] The real question for us is to know what type of information people want to share, whom they want to share it, where exactly they want to share it and how? [...] People are going to communicate with friends around them and they will want to communicate broadly. They will continue to share the basic information but as well as other things such as photos, videos etc. using other applications like the one that enable them with mobile capabilities.*

The company offers people the ability to communicate which is not that different from other services such as hotmail, Yahoo etc a point raised by Michael Arrington, the founder and editor of TechCrunch:

*you are aware that the general concept of Facebook started with Friendster and has evolved to MySpace then you come along and has grown fairly bigger than MySpace[...] You know that some is going to do the same thing to you in a year or two.*

In Zuckerberg's defence, it is true that the need to share information and communicate with others is timeless, however the question his statement doesn't address is "how do we know Facebook will be the preferred medium/platform". The substitutes are many, the latest ones being Twitter and Flickr.

After some laughter, Mark answered the question saying that the only way to stay in business is for Facebook to continue to pursue the development of the company as a platform to strongly support application development. He believes that the key concept of the platform is information sharing even as applications are replaced by newer applications: the company's future is dependent and geared toward facilitating and fostering its users' creativity.

### Working & enabling talents: an open innovation concept

Unlike several companies that develop proprietary application and run on non standardized concepts, Facebook's approach of community development of applications taps into the concept of 'open innovation'. It is a concept that is gaining ground and that is viewed as the panacea for open source development of software. Large corporations such as IBM are using this model through the support to community development of applications essentially known under Apache label. With that in mind, Facebook currently has more than 400,000 developers around the world working and developing with Facebook Connect.<sup>28</sup>

This is an approach in which, given a list of specifications, developers are free to develop applications that integrate with Facebook if not embedded in it. They work to create different applications to fit the growing demand of users. Doing this, Facebook exploits the innovation concept of 'Free Agent Nation' (FAN) to get very cheap, if not free, pieces of work done. The applications range from simple text display, game and video sharing to things like fund raising and other social mass events.

Pushing even further the notion of FAN, Facebook has launched the program called "Facebook Connect". "Facebook Connect" is the next evolution of the original platform enabling people to share information using creative applications that represent a unique way to share specific types of information on the Web. For the founder, Facebook is going to be a platform that maps people to their friends, a place where people are going to share information with people that they know.

The web is shifting from a vast encyclopedia of information to a social environment that reflects Facebook's real identities and the relationships and information it cares about. The company is at the forefront of that change. As it grows quickly in every way, each of the employees has the opportunity to have an enormous impact. This is why it looks for dynamic people that get excited by big questions and unsolved problems. This is also the reason Sheryl Sandberg favoured Ireland for Facebook's headquarter base because of the reputation of its capital city Dublin in attracting knowledge workers from around the globe and the presence of many of the leading international software and ICT companies.

### Creating the right climate to support innovation

Facebook's Human Resource division proudly declares as policy its intention: “*We make life easy*”. It claims to offer a range of great benefits and perks to make sure life is as satisfying as work for employees. The following are some of the benefits that the organisation offers its employees to encourage them to work collaboratively and motivate them to achieve high performance.<sup>29</sup>

**Food:** At the Palo Alto headquarters, it offers free breakfast, lunch and dinner at the Cafe. Whether you're looking for healthy salads, or hearty world cuisine from Belize, India, etc., or just a couple slices of pizza, Chef Josef and his team of culinary geniuses in Palo Alto make it happen every day.

**Health:** to make employees' life easier, Facebook pays 100% of employee benefit premiums and 50% of any dependent premiums in the United States. This includes medical, dental, vision, life insurance and disability coverage, as well as the Employee Assistance Program. It also provides 50% reimbursement of most monthly gym fees. Facebook complies with local regulations in all non-U.S. locations.

**Paid Parental Leave and Baby Cash:** Facebook offers all eligible full-time employees, U.S. employees up to 4 months of Paid Parental Leave to attend to the birth or adoptive placement of their child. While an employee is on Paid Parental Leave, Facebook will continue his/her health benefits, stock vesting, 401 (k), gym membership and Purple Tie as if he/she had continued to work full-time. Facebook also will provide \$4,000 baby cash to all new custodial parents who are full-time U.S. employees at the time of birth or placement.

**Day Care:** all full-time regular employees who have one or more children age 5 or under at any point during the calendar year (incurred after their start date) are eligible to be reimbursed for up to \$3,000 toward day care/babysitting assistance per year.

**Paid Time Off (PTO) and Sick Time and Holidays:** Facebook knows that passion and commitment has to be paired with rest and balance, so they offer 21 days of paid vacation to make sure that employees take a break once in a while. Facebook has unlimited sick days policy with 11 days paid holidays.

## **The Brand Facebook**

For Facebook, being entrepreneurial is part of the corporate DNA, and the long term strategy is to convert their success in the social media to other related categories. One of their key assets is the power and reputation of its brand which is remarkably strong and popular. Thanks to Facebook, the terms below are now common parlance in popular culture:

1. “I’ll Facebook you later” which means “I’ll communicate with you on Facebook”;
2. “Generation Facebook” abundantly used to describe the legion of young volunteers who were supporting Obama in his quest for the White House;
3. “Facebocker” to identify users of facebook.

Despite this sudden popularity of Facebook's brand, its awareness and value are still limited to a specific community albeit very active core group. In their study of successful brand management, the consultancy Roland Berger and the popular marketing magazine *absatzwirtschaft* divides brands into the following 3 categories:

1. Community brands which are not particularly widespread, but have a distinct profile: they are very popular among a specifically defined customer group (community).
2. Power brands which enjoy major market share in their product group. They are highly recognizable, have a clear profile and set themselves apart from the competition by constantly innovating.
3. Democratized mass brands are attractive for a broad, heterogeneous consumer group, and therefore have considerable market share and are easily recognized. With that said, their broad, democratized profile is not particularly well-defined. The challenge is to avoid brand erosion.

It remains to be seen what strategic brand management program Facebook would employ to elevate its brand value from a level that is relevant in one target community to a 'power brand' that is recognizable across demographic and other boundaries.

## **A Test of Strategic Leadership, What Next!**

The concept of staying in touch with loved ones and sustaining relationships with circles of friends will never become outdated. Facebook's aspiration and challenge, as stated clearly in their mission is to be that place, where "people communicate more efficiently with their friends, family and coworkers"<sup>30</sup> while obviously making some money along the way.

So far so good. With a little bit of luck, Zuckerberg has spearheaded a revolution in social networking and developed a global corporation with an enviable brand recognition and distinct identity. Intrinsic to that success is the fact that Facebook understood very early on that running a proficient social networking corporation would be based on i) core values that resonate with ordinary people and ii) technology, but more importantly using it to develop and nurture a successful community.

Zuckerberg is also aware that clearly, this is where the fork hits the road because going into this meeting, no longer are venture capitalists and stakeholder going to be content with the success of the past. The entrepreneurial fever that has driven Facebook thus far would be tested in the near future.

While patiently waiting for Marc to address formally the questions in all the board members' minds, how can he turn Facebook into the next Google or Microsoft, a consistently performing corporation? Or would interest in, and popularity for Facebook wane over time.

Preparing himself for this vital encounter, Marc has further broken down the above concerns into the following main points for consideration:

- The challenge of balancing privacy requirements and the need to leverage the data capital at their disposal.
- How to sustain innovation at the technology and business level.
- How to create a new equilibrium in the social media market where the hub is the Facebook platform.
- How to leverage the value of the Facebook brand and turn into a powerful differentiator to boost competitive advantage.

These were key questions for which answers were not readily available. It would be some time before other firms would achieve such brand recognition in the marketplace but there were was no room for complacency. As he entered the boardroom, Zuckerberg was only too well aware of the fresh challenges facing his firm and the need for new insights to further grow and sustain the company's leading position in the market.

#### **Case Study Questions:**

- 1. What entrepreneurial traits does Zuckerberg display that convince you he can lead the company into the next phase of development for facebook.**
- 2. How would you leverage the value of the facebook brand going forward?**
- 3. Instilling and managing innovation has been a critical factor in the success of facebook to date, discuss.**

# **EXHIBIT 1: Statistics**<sup>31</sup>

## **General Growth**

- More than 400 million active users
- 50% of our active users log on to Facebook in any given day
- More than 35 million users update their status each day
- More than 60 million status updates posted each day
- More than 3 billion photos uploaded to the site each month

## **User Engagement**

- Average user has 130 friends on the site
- Average user spends more than 55 minutes per day on Facebook
- Average user becomes a fan of 4 Pages each month
- Average user writes 25 comments on Facebook content each month
- Over 300,000 users helped translate the site through the translations application

## **Applications**

- More than 850 million photos uploaded to the site each month
- More than 10 million videos uploaded each month
- More than 1 billion pieces of content (web links, news stories, blog posts, notes, photos, etc.) shared each week
- More than 2.5 million events created each month
- More than 30 million active user groups exist on the site

## **International Growth**

- More than 70 translations available on the site, with more than 40 in development
- About 70% of Facebook users are outside the United States

## **Platform**

- More than 950,000 developers and entrepreneurs from more than 180 countries
- Every month, more than 70% of Facebook users engage with Platform applications
- More than 52,000 applications currently available in the Facebook Application Directory
- More than 100 applications have more than one million monthly active users
- More than 10,000 websites have implemented Facebook Connect since its general availability in December 2008

## **Mobile**

- There are more than 100 million active users currently accessing Facebook through their mobile devices.
- People that use Facebook on their mobile devices are almost twice more active on Facebook
- There are more than 200 mobile operators in 60 countries working to deploy and promote Facebook mobile products

## **EXHIBIT 2: Executive Bios**

### **Mark Zuckerberg**

Founder & Chief Executive Officer

Mark Zuckerberg is the CEO of Facebook, which he founded in 2004. Facebook is a social utility that helps people communicate more efficiently with their friends, families and coworkers. Mark is responsible for setting the overall direction and product strategy for the company. He leads the design of Facebook's service and development of its core technology and infrastructure. Mark attended Harvard University and studied computer science before moving the company to Palo Alto, California.

### **Christopher Cox**

VP of Product

Christopher Cox is the Vice President of Product at Facebook, where he is responsible for organizing Facebook's product strategy and overseeing the product management and design functions. Christopher joined Facebook in 2005 as a Software Engineer and was instrumental in implementing first versions of key Facebook features, including News Feed and Inbox. He then became Director of Human Resources where he drove the development of Facebook's mission, values, and people strategy. Christopher holds a bachelor's degree in symbolic systems with a concentration in artificial intelligence from Stanford University.

### **Lori Goler**

Director of Human Resources

Lori Goler is the Director of Human Resources and is responsible for all aspects of Facebook's people strategy including growing, developing and retaining the Facebook team. Lori joined Facebook following five years at eBay, where she led consumer marketing with responsibility for marketing strategy, brand management, advertising, and consumer promotions. While there, she also served as General Manager of the eBay Stores business. Lori was a founding member of the executive team at babystyle.com where she led operations and merchandising. In that role, she led the roll-out of babystyle.com which became a leading online retailer in the category. Lori started her career at The Walt Disney Company focused on strategy and business planning for the consumer products businesses. Lori holds a bachelor's degree from Yale University, a master's degree in business administration from Harvard Business School and a master's degree in public policy from the Kennedy School of Government.

### **Chamath Palihapitiya**

VP of Growth, Mobile and International

Chamath Palihapitiya is the Vice President of User Growth, Mobile and International Expansion at Facebook and is responsible for spreading Facebook throughout the world through new growth initiatives, mobile strategy and internationalization. Previously, Chamath was the executive responsible for overseeing Facebook's Platform as well as launching Facebook's online advertising channel. Chamath joined Facebook from The Mayfield Fund, a leading venture capital firm in Silicon Valley where he was focused on consumer Internet, advertising and technology investments. Prior to Mayfield, Chamath spent five years with AOL, most recently as the Vice President and General Manager of AIM and ICQ, where he oversaw two of the most popular instant messaging businesses on the Internet. Chamath began his career as a derivatives trader before leaving finance to work for Internet music pioneers Spinner.com and Winamp. Chamath grew up in Canada and graduated first class honours in electrical engineering from the University of Waterloo.

## **Jonathan Heiliger**

VP of Technical operations

Jonathan Heiliger is the Vice President of Technical Operations at Facebook, where he oversees global infrastructure, site architecture and IT. Prior to Facebook, he was a technology advisor to several early-stage companies in connection with Index Ventures and Sequoia Capital. He formerly led the engineering team at Walmart.com, where he was responsible for infrastructure and building scalable systems. Jonathan also spent several years at Loudcloud (which became Opsware and was later acquired by HP) as the Chief Operating Officer. Earlier in his career, Jonathan was the CTO of Frontier GlobalCenter, and later founded Global Crossing's corporate venture capital group.

## **Mike Murphy**

VP of Global Sales

Mike Murphy is the Vice President of Global Sales at Facebook where he leads media strategy, advertising sales and account management. Mike joined Facebook from Yahoo!, where he was Vice President of Media Sales for the Western region. Prior to Yahoo!, Mike founded the company TAG that provided outsourced sales, marketing and business development services to established technology and early-stage start-up companies. Mike began his media career at Ziff-Davis Publishing and CMP Media where he was Publisher, Associate Publisher and Managing Director. Mike holds a bachelor's degree from the University of North Texas.

## **Dan Rose**

VP of Business Development and Monetization

Dan Rose is VP of Business Development and Monetization at Facebook. As head of global business development and corporate development, Dan is responsible for Facebook's worldwide strategic partnerships and M&A. As head of product marketing for the company's monetization efforts, Dan leads marketing strategy for Facebook's innovative advertising products. Dan joined Facebook in 2006 after seven years at Amazon.com where he held various positions in business development and general management, including his last role where he helped incubate and develop the Amazon Kindle. Dan earned a bachelor's degree at Harvard University and attended the University of Michigan Business School for one year before joining Amazon.

## **Sheryl Sandberg**

Chief Operating Officer

Sheryl Sandberg is Chief Operating Officer at Facebook. She oversees the firm's business operations including sales, marketing, business development, human resources, public policy and communications. Prior to Facebook, Sheryl was Vice President of Global Online Sales and Operations at Google, where she built and managed the online sales channels for advertising and publishing and operations for consumer products worldwide. She was also instrumental in launching Google.org, Google's philanthropic arm. Before Google, Sheryl served as Chief of Staff for the United States Treasury Department under President Bill Clinton where she helped lead the Treasury's work on forgiving debt in the developing world. Earlier, she was a management consultant with McKinsey & Company and an economist with the World Bank. Sheryl received a B.A. summa cum laude in Economics from Harvard University and was awarded the John H. Williams Prize for the top graduating student in economics. She received an MBA with highest distinction from the Harvard Business School. Sheryl serves on the boards of Starbuck, the Brookings Institution, Women for Women International, V-Day, and the Ad Council. Sheryl was named as one of the 50 Most Powerful Women in Business by Fortune and one of the 50 Women to Watch by The Wall Street Journal.

## **Elliot Schrage**

VP of Global Communications, Marketing and Public Policy

Elliot Schrage is the Vice President of Global Communications, Marketing and Public Policy, where he is responsible for developing and coordinating key messages about products, corporate business and partnerships. He also oversees the company's public policy strategy worldwide. Elliot joined Facebook from Google, where he was the Vice President of Communications and Public Affairs. He helped broaden and coordinate the company's messaging from a focus on product PR to include all aspects of corporate, financial, policy, philanthropic and internal communications. Prior to Google, Elliot was the Bernard L. Schwarz Senior Fellow in business and foreign policy at the New York-based Council on Foreign Relations. Earlier in his career, Elliot served as the Senior Vice President of Global Affairs for Gap Inc. and an adjunct professor at Columbia University and Columbia Law School. He has been a contributor to the Harvard Business Review and the Financial Times. Elliot holds a bachelor's degree from Harvard University, a master's degree in public policy from the Kennedy School of Government and a J.D. from Harvard Law School.

## **Mike Schroepfer**

VP of Engineering

Mike Schroepfer is the Vice President of Engineering at Facebook. Mike is responsible for harnessing the engineering organization's culture of speed, creativity and exploration to build products, services and infrastructure that support the company's users, developers and partners around the world. Before coming to Facebook, Mike was the Vice President of Engineering at Mozilla Corporation, where he led the global, collaborative, open and participatory product development process behind Mozilla's popular software, such as the Firefox web browser. Mike was formerly a distinguished engineer at Sun Microsystems where he was the Chief Technology Officer for the data center automation division ("N1"). He was also the founder, Chief Architect and Director of Engineering at CenterRun, which was acquired by Sun. Mike worked with several startups at the outset of his career, including a digital effects software startup where he built software that has been used in several major motion pictures. Mike holds a bachelor's degree and a master's degrees in computer science from Stanford University and has filed two U.S. patents.

## **Ted Ulyot**

VP and General Counsel

Ted Ulyot is Vice President and General Counsel at Facebook, where he leads the company's legal team. Ted was formerly a litigation partner in the Washington, DC office of Kirkland & Ellis LLP. Before his time with Kirkland, Ted was EVP and General Counsel of ESL Investments, Inc., a private investment firm. Earlier, he was SVP and General Counsel of AOL Time Warner Europe. Ted has also held a number of appointed positions in the Federal government, including serving in the White House as a Deputy Assistant to President George W. Bush, and at the Justice Department as Chief of Staff. He began his career as a law clerk for U.S. Supreme Court Justice Antonin Scalia. Ted holds a bachelor's degree from Harvard College and a J.D. from the University of Chicago Law School.

## **EXHIBIT 3: Facebook Principles**<sup>32</sup>

Effective November 26, 2008

We built Facebook to make it easy to share information with your friends and people around you. We understand you may not want everyone in the world to have the information you share on Facebook; that is why we give you control of your information. Our default privacy settings limit the information displayed in your profile to your networks and other reasonable community limitations that we tell you about.

Facebook follows two core principles:

1. You should have control over your personal information.

Facebook helps you share information with your friends and people around you. You choose what information you put in your profile, including contact and personal information, pictures, interests and groups you join. And you control the users with whom you share that information through the privacy settings on the Privacy page.

2. You should have access to the information others want to share.

There is an increasing amount of information available out there, and you may want to know what relates to you, your friends, and people around you. We want to help you easily get that information.

Sharing information should be easy. And we want to provide you with the privacy tools necessary to control how and with whom you share that information. If you have questions or ideas, please check out our privacy help page.

## **EXHIBIT 4: Statement of Rights and Responsibilities**<sup>33</sup>

Effective May 1, 2009

This Statement of Rights and Responsibilities ("Statement") derives from the Facebook Principles, and governs our relationship with users and others who interact with Facebook. By using or accessing Facebook, you agree to this Statement.

1. Privacy

Your privacy is very important to us. We designed our Privacy Policy to make important disclosures to you about how we collect and use the information you post on Facebook. We encourage you to read the Privacy Policy, and to use the information it contains to help make informed decisions.

2. Sharing Your Content and Information

You own all of the content and information you post on Facebook, and you can control how we share your content through your privacy and application settings. In order for us to use certain types of content and provide you with Facebook, you agree to the following:

1. For content that is covered by intellectual property rights, like photos and videos ("IP content"), you specifically give us the following permission, subject to your privacy and application settings: you grant us a non-exclusive, transferable, sub-licensable, royalty-free,

worldwide license to use any IP content that you post on or in connection with Facebook ("IP License"). This IP License ends when you delete your IP content or your account (except to the extent your content has been shared with others, and they have not deleted it).

2. When you delete IP content, it is deleted in a manner similar to emptying the recycle bin on a computer. However, you understand that removed content may persist in backup copies for a reasonable period of time (but will not be available to others).
3. We always appreciate your feedback or other suggestions about Facebook, but you understand that we may use them without any obligation to compensate you for them (just as you have no obligation to offer them).

### 3. Safety

We do our best to keep Facebook safe, but we cannot guarantee it. We need your help in order to do that, which includes the following commitments:

1. You will not send or otherwise post unauthorized commercial communications to users (such as spam).
2. You will not collect users' information, or otherwise access Facebook, using automated means (such as harvesting bots, robots, spiders, or scrapers) without our permission.
3. You will not upload viruses or other malicious code.
4. You will not solicit login information or access an account belonging to someone else.
5. You will not bully, intimidate, or harass any user.
6. You will not post content that is hateful, threatening, pornographic, or that contains nudity or graphic or gratuitous violence.
7. You will not develop or operate a third party application containing, or advertise or otherwise market alcohol-related or other mature content without appropriate age-based restrictions.
8. You will not use Facebook to do anything unlawful, misleading, malicious, or discriminatory.
9. You will not facilitate or encourage any violations of this Statement.

### 4. Registration and Account Security

Facebook users provide their real names and information, and we need your help to keep it that way. Here are some commitments you make to us relating to registering and maintaining the security of your account:

1. You will not provide any false personal information on Facebook, or create an account for anyone other than yourself without permission.
2. You will not use Facebook if you are under 13.
3. You will not use Facebook if you are located in a country embargoed by the U.S., or are on the U.S. Treasury Department's list of Specially Designated Nationals.
4. You will not use Facebook if you are a convicted sex offender.
5. You will keep your contact information accurate and up-to-date.
6. You will not share your password, let anyone else access your account, or do anything else that might jeopardize the security of your account.
7. You will not transfer your account to anyone without first getting our written permission.

### 5. Protecting Other People's Rights

We respect other people's rights, and expect you to do the same.

1. You will not post content or take any action on Facebook that infringes someone else's rights or otherwise violates the law.
2. We can remove any content you post on Facebook if we believe that it violates this Statement.
3. We will provide you with tools to help you protect your intellectual property rights. To learn more, visit our [How to Report Claims of Intellectual Property Infringement](#) page.
4. If we removed your content for infringing someone else's copyright, and you believe we removed it by mistake, we will provide you with an opportunity to appeal.

5. If you repeatedly infringe other people's intellectual property rights, we will disable your account when appropriate.
  6. You will not use our copyrights or trademarks (including Facebook, the Facebook and F Logos, FB, Face, Poke, Wall and 32665) without our written permission.
  7. If you collect information from users, you will: obtain their consent, make it clear you (and not Facebook) are the one collecting their information, and post a privacy policy explaining what information you collect and how you will use it.
  8. You will not post anyone's identification documents or sensitive financial information on Facebook.
6. Mobile
1. We currently provide our mobile services for free, but please be aware that your carrier's normal rates and fees, such as text messaging fees, will still apply.
  2. In the event you change or deactivate your mobile telephone number, you will update your account information on Facebook within 48 hours to ensure that your messages are not sent to the person who acquires your old number.
7. Payments

If you purchase or use Facebook Credits, or make direct payments, you agree to our Payments Terms.

8. Special Provisions Applicable to Share Links

If you include our Share Link button on your website, the following additional terms apply to you:

1. We give you permission to use Facebook's Share Link button so that users can post links or content from your website on Facebook.
  2. You give us permission to use such links and content on Facebook.
  3. You will not place a Share Link button on any page containing content that would violate this Statement if posted on Facebook.
9. Special Provisions Applicable to Developers/Operators of Applications and Websites

If you are a developer or operator of a Platform application or a website using Connect ("application") or otherwise use Platform, the following additional terms apply to you:

1. You are responsible for your application and its content and all uses you make of Platform. This includes ensuring your application or use of Platform meets our Platform Guidelines.
2. When users add your application or connect it to their Facebook account, they give permission for you to receive certain data relating to them. Your access to and use of that data will be limited as follows:
  1. You will only use the data you receive for your application, and will only use it in connection with Facebook.
  2. You will make it clear to users what user data you are going to use and how you will use, display, or share that data.
  3. You will not use, display, or share a user's data in a manner inconsistent with the user's privacy settings without the user's consent.
  4. You will delete all data you received from us relating to any user who removes or disconnects from your application unless otherwise permitted in our Platform Guidelines.
  5. You will delete all data you received from Facebook if we disable your application or ask you to do so.
  6. We can require you to update any data you have received from us.
  7. We can limit your access to data.
  8. You will not transfer the data you receive from us without our prior consent.
3. You will not give us data that you independently collect from a user or a user's content without that user's consent.
4. You will make it easy for users to remove or disconnect from your application.

5. You will make it easy for users to contact you. We can also share your email address with users.
  6. You will provide customer support for your application.
  7. You will not show ads or web search boxes on Facebook profiles.
  8. We give you all rights necessary to use the code, APIs (along with all content and data received), or tools we provide to you, but only in connection with your application.
  9. You will not sell, transfer, or sublicense our code, APIs, or tools to anyone.
  10. You will not misrepresent your relationship with Facebook to others.
  11. You may use the logos we make available to developers or issue a press release or other public statement so long as you follow our Platform Guidelines.
  12. We can issue a press release describing our relationship with you.
  13. You will comply with all applicable laws. In particular you will (if applicable):
    1. have a policy for removing infringing content and terminating repeat infringers that complies with the Digital Millennium Copyright Act.
    2. comply with the Video Privacy Protection Act ("VPPA"), and will obtain explicit, opt-in consent from users prior to sharing with Facebook user data subject to the VPPA. You acknowledge Facebook has no obligations under the VPPA.
  14. We do not guarantee that Platform will always be free.
  15. You give us all rights necessary to enable your application to work with Facebook, including the right to:
    1. incorporate your content into streams, profiles, and user action stories;
    2. link to or frame your application; and
    3. place content, including ads, around your application.
  16. We can analyze your application, content, and data for any purpose, including commercial (such as for targeting the delivery of advertisements and indexing content for search).
  17. To ensure your application is safe for users, we can audit it.
  18. We can create applications that offer similar features and services to, or otherwise compete with, your application.
10. About Advertisements on Facebook

Our goal is to deliver ads that are not only valuable to advertisers, but also valuable to you. In order to do that, you agree to the following:

1. You can use your privacy settings to limit how your name and profile picture may be associated with commercial or sponsored content. You give us permission to use your name and profile picture in connection with that content, subject to the limits you place.
  2. We do not give your content to advertisers.
  3. You understand that we may not always identify paid services and communications as such.
11. Special Provisions Applicable to Advertisers

You can target your specific audience by buying ads on Facebook or our publisher network. The following additional terms apply to you if you place an order through our online advertising portal ("Order"):

If you are placing ads on someone else's behalf, we need to make sure you have permission to place those ads, including the following:

1. When you place an Order, you will tell us the type of advertising you want to buy, the amount you want to spend, and your bid. If we accept your Order, we will deliver your ads as inventory becomes available.
2. You will pay for your Orders in accordance with our Payments Terms. The amount you owe will be calculated based on our tracking mechanisms.
3. Your ads will comply with our Ad Guidelines
4. We will determine the size, placement, and positioning of your ads.
5. We do not guarantee the activity that your ads will receive, such as the number of clicks you will get.

6. We cannot control how people interact with your ads, and are not responsible for click fraud or other improper actions that affect the cost of running ads.
7. You will not offer any contest or sweepstakes ("promotion") without our prior written consent. If we consent, you take full responsibility for the promotion, and will follow our Promotions Guidelines and all applicable laws.
8. You can cancel your Order at any time through our online portal, but it may take us seven days before the ad stops running.
9. Our license to run your ad will end when we have completed your Order. You understand, however, that if users have interacted with your ads, your ads may remain until the users delete it.
10. We can use your ads and related information for marketing or promotional purposes.
11. You will not issue any press release or make public statements about your relationship with Facebook without written permission.
12. We may reject or remove any ad for any reason.
13. You warrant that you have the legal authority to bind the advertiser to this Statement.
14. You agree that if the advertiser you represent violates this Statement, we may hold you responsible for that violation.

#### 12. Amendments

1. We can change this Statement so long as we provide you notice through Facebook (unless you opt-out of such notice) and an opportunity to comment.
2. For changes to sections 7, 8, 9, and 11 (sections relating to payments, application developers, website operators, and advertisers), we will give you a minimum of three days notice. For all other changes we will give you a minimum of seven days notice.
3. If more than 7,000 users comment on the proposed change, we will also give you the opportunity to participate in a vote in which you will be provided alternatives. The vote shall be binding on us if more than 30% of all active registered users as of the date of the notice vote.
4. We can make changes for legal or administrative reasons upon notice without opportunity to comment.

#### 13. Termination

If you violate the letter or spirit of this Statement, or otherwise create possible legal exposure for us, we can stop providing all or part of Facebook to you. We will generally try to notify you, but have no obligation to do so. You may also delete your account or disable your application at any time. In all such cases, this Statement shall terminate, but the following provisions will still apply: 2.2, 2.3, 3-5, 8.2, 9.1-9.3, 9.9, 9.10, 9.13, 9.15.1, 9.18, 10.3, 11.2, 11.5, 11.6, 11.9, 11.10, 11.13, 11.14, and 13-16.

#### 14. Disputes

1. You will resolve any claim, cause of action or dispute ("claim") you have with us arising out of or relating to this Statement or Facebook in a state or federal court located in Santa Clara County. The laws of the State of California will govern this Statement, as well as any claim that might arise between you and us, without regard to conflict of law provisions. You agree to submit to the personal jurisdiction of the courts located in Santa Clara County, California for the purpose of litigating all such claims.
2. If anyone brings a claim against us related to your actions or your content on Facebook, you will indemnify and hold us harmless from and against all damages, losses, and expenses of any kind (including reasonable legal fees and costs) related to such claim.
3. **WE TRY TO KEEP FACEBOOK UP, BUG-FREE, AND SAFE, BUT YOU USE IT AT YOUR OWN RISK. WE ARE PROVIDING FACEBOOK "AS IS" WITHOUT ANY EXPRESS OR IMPLIED WARRANTIES INCLUDING, BUT NOT LIMITED TO, IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, AND NON-INFRINGEMENT. WE DO NOT GUARANTEE THAT FACEBOOK WILL BE SAFE OR SECURE. FACEBOOK IS NOT RESPONSIBLE FOR THE ACTIONS OR CONTENT OF THIRD PARTIES, AND YOU RELEASE US, OUR DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS FROM ANY CLAIMS AND DAMAGES, KNOWN AND UNKNOWN, ARISING OUT OF OR IN ANY WAY CONNECTED WITH ANY CLAIM YOU HAVE AGAINST ANY SUCH THIRD**

PARTIES. IF YOU ARE A CALIFORNIA RESIDENT, YOU WAIVE CALIFORNIA CIVIL CODE §1542, WHICH SAYS: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR." WE WILL NOT BE LIABLE TO YOU FOR ANY LOST PROFITS OR OTHER CONSEQUENTIAL, SPECIAL, INDIRECT, OR INCIDENTAL DAMAGES ARISING OUT OF OR IN CONNECTION WITH THIS STATEMENT OR FACEBOOK, EVEN IF WE HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. OUR AGGREGATE LIABILITY ARISING OUT OF THIS STATEMENT OR FACEBOOK WILL NOT EXCEED THE GREATER OF ONE HUNDRED DOLLARS (\$100) OR THE AMOUNT YOU HAVE PAID US IN THE PAST TWELVE MONTHS. APPLICABLE LAW MAY NOT ALLOW THE LIMITATION OR EXCLUSION OF LIABILITY OR INCIDENTAL OR CONSEQUENTIAL DAMAGES, SO THE ABOVE LIMITATION OR EXCLUSION MAY NOT APPLY TO YOU. IN SUCH CASES, FACEBOOK'S LIABILITY WILL BE LIMITED TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW.

15. Definitions

1. By "Facebook" we mean the features and services we make available, including through (a) our website at [www.facebook.com](http://www.facebook.com) and any other Facebook branded or co-branded websites (including sub-domains, international versions, and mobile versions); (b) our Platform; and (c) other media, devices or networks now existing or later developed.
2. By "us," "we" and "our" we mean Facebook, Inc. and/or its affiliates.
3. By "Platform" we mean a set of APIs and services that enable applications, developers, operators or services to retrieve data from Facebook and provide data to us relating to Facebook users.
4. By "content" we mean the content and information you post on Facebook, including information about you and the actions you take.
5. By "post" we mean post on Facebook or otherwise make available to us.
6. By "use" we mean use, copy, publicly perform or display, distribute, modify, translate, and create derivative works of.

16. Other

1. This Statement makes up the entire agreement between the parties regarding Facebook, and supersedes any prior agreements.
2. If any portion of this Statement is found to be unenforceable, the remaining portion will remain in full force and effect.
3. If we fail to enforce any of this Statement, it will not be considered a waiver.
4. Any amendment to or waiver of this Statement must be made in writing and signed by us.
5. You will not transfer any of your rights or obligations under this Statement to anyone else without our consent.
6. All of our rights and obligations under this Statement are freely assignable by us in connection with a merger, acquisition, or sale of assets, or by operation of law or otherwise.
7. Nothing in this Agreement shall prevent us from complying with the law.
8. This Statement does not confer any third party beneficiary rights.

\* If you would like us to notify you of any future changes to this Statement, visit our Facebook Site Governance Page and become a fan.

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