

# Facebook shareholders are getting fed up with Zuckerberg but can't do anything about him

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Judging from the proxy statement issued by Facebook last week in advance of its May 30 annual meeting, the company's shareholders are

starting to get fed up with its leadership by co-founder, Chairman and CEO Mark Zuckerberg.

Four shareholder proposals on the proxy ballot call for slicing away at Zuckerberg's authority over Facebook.

"Facebook operates essentially as a dictatorship," observes the supporting statement for one of those proposals. "Shareholders cannot call special meetings and have no right to act by written consent. A supermajority vote is required to amend certain bylaws. Our Board is locked into an out-dated governance structure that reduces board accountability to shareholders."

One of the four proposals would establish an independent chair, instead of leaving the chair and CEO positions both in Zuckerberg's hands. Another would require majority votes for directors, so they couldn't skate into their board positions purely on Zuckerberg's say-so. The third would call for all shares, whether Class A or Class B, to have a single vote. A fourth calls for the board to consider "strategic alternatives" including a breakup of the company.

Here's my prediction of how these votes will go: Every one will be overwhelmingly defeated.

This requires not a crystal ball, but merely a working knowledge of arithmetic. Mark Zuckerberg owns or controls 88.1 percent of Facebook's Class B shares, which each have 10 votes at the annual meeting—3.98 billion votes overall. There are only 2.4 billion Class A shares, which are the only shares ordinary investors can buy. So any proposal Zuckerberg doesn't like will fail by nearly a 2-1 margin, assuming all Class A investors vote together, which never happens. (Zuckerberg owns 0.5 percent of the Class A shares.)

And that's how all previous proposals like these have fared. Facebook observes in its opposition statements to the three proposals that "our stockholders" rejected the voting change at each of the last five annual meetings and the chair/CEO split at last year's.

This statement is a model of corporate cynicism, if it's meant to imply that Zuckerberg is loved and admired by the entire shareholder base (as it is) - similar to the claim of a Third World dictator that his citizens adore him because he regularly racks up 90 percent majorities on election day.

There are indications that most outside shareholders would like to see a change in the management structure. According to the support statement for the proposal to split the chairman and CEO posts by its sponsor, Trillium Asset Management, a similar proposal received 51 percent of the votes, not counting [board members](#) and other insiders such as Zuckerberg.

Nevertheless, Facebook gives all the governance proposals the back of its hand, advocating a "no" vote on all four. "We believe that our capital structure is in the best interests of our stockholders and that our current corporate governance structure is sound and effective," the company stated in opposition to the proposal to equalize [share](#) votes.

"The vision and leadership of our founder and CEO, Mark Zuckerberg, has guided us from our inception," the company added, sounding like the officiant at a church service.

None of this, of course, can come as a surprise. Zuckerberg's unassailable control of Facebook has been in place since even before its 2012 initial public offering; the IPO merely cemented that control into the by-laws. As I advised investors who managed to snag a few shares during that much-touted IPO, "Congratulations. You're now married to

Mark Zuckerberg."

That seemed to be an ideal marriage for much of the following few years, but it's hardly unusual for even the most heavenly marriages to burst a seam after a time. In corporate governance, the issue is usually money (as in real-life marriages). Facebook's shares consistently have returned a handsome return to shareholders, which keeps their grouching to a minimum. This year, the shares have gained about 33 percent. But they're also trading at about 18 percent below their 52-week high, which evidently makes some holders wonder if their investment is in the best hands.

To justify installing an independent chair, Trillium lists some missteps Zuckerberg has overseen during his monarchical reign. They include facilitating Russian meddling in U.S. elections, allowing the personal data of 87 million users to be accessed by Cambridge Analytica, allowing the proliferation of fake news and "propagating violence in Myanmar, India, and South Sudan," and "allowing advertisers to exclude black, Hispanic, and other 'ethnic affinities' from seeing ads."

That's a partial list. Zuckerberg's arrogance, an offshoot of his unassailable position, is palpable. It accounts for Facebook's chronic insensitivity to its users' privacy needs, and the trouble the company has gotten into with the Federal Trade Commission and European regulators.

Checks on Zuckerberg's whims almost never arise. One teachable moment came in 2016, when Facebook proposed creating a third class of stock, with no voting rights whatsoever. Zuckerberg pretended that this idea had been cooked up by the board of directors so he and his wife could give away their Facebook shares to charity without his losing voting control, but of course the board of directors is effectively him.

The shareholder [vote](#) at the 2016 annual meeting came in

overwhelmingly in Zuckerberg's favor, but he eventually abandoned the plan anyway, thanks to the furious reaction from outside shareholders and a [shareholder](#) lawsuit over the plan that was about to go to trial when Zuckerberg bailed.

But that's an outlier. In almost every other particular, Zuckerberg's position wins. One can admire the persistence of the shareholders who fight every year to defeat him at the annual meeting, but their efforts are a modern-day definition of "quixotic." Of course, they knew that when they bought their shares, so what do they really have to complain about?

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