

Zuckerberg has iron grip on Facebook

2 February 2012, by Charlotte Raab



Facebook co-founder Mark Zuckerberg, pictured in 2011, will retain an iron grip over the social network even after it becomes a public company.

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Facebook's filing for an [initial public offering](#) reveals that Zuckerberg, who launched the social network from his Harvard dormitory room when he was just 19, owns 28.2 percent of the shares in the [company](#).

At a valuation of \$100 billion for Facebook, Zuckerberg's stock would be worth \$28 billion.

More importantly, the 27-year-old Zuckerberg, Facebook's chairman and [chief executive](#), controls 57 percent of the voting shares after other shareholders granted their voting rights to him by "irrevocable proxy."

"Because Mr. Zuckerberg controls a majority of our outstanding voting power, we are a 'controlled company' under the corporate governance rules for publicly-listed companies," the Facebook filing said.

"Mr. Zuckerberg will be able to effectively control all matters submitted to our stockholders for a vote, as well as the overall management and direction of

our company," Facebook said.

Specifically, Zuckerberg decides on "the election of directors and any merger, consolidation, or sale of all or substantially all of our [assets](#)," Facebook said.

Facebook is not required to have a majority of independent directors on its board, the company said, and Zuckerberg will even decide its fate if he dies.

"In the event that Mr. Zuckerberg controls our company at the time of his death, control may be transferred to a person or entity that he designates as his successor," Facebook said.

"Mr. Zuckerberg is entitled to vote his shares, and shares over which he has voting control as a result of voting agreements, in his own interests, which may not always be in the interests of our stockholders generally," it said.

Lou Kerner, social media analyst at secondshares.com, said potential shareholders need not be worried.

"Investors only want to have a say when things go wrong," Kerner said.

"The pace of innovation that's happening at Facebook is really unparalleled," Kerner said. "And that's because it's being driven by a 27-year-old who's never known any other speed.

"The smartest executives want to maintain control," he continued. "They surround themselves with brilliant people but they don't put themselves at risk by giving up voting control."

In 2008, Zuckerberg lured away a top executive from Google, Sheryl Sandberg, and named her Facebook's chief operating officer.

But Zuckerberg remains "firmly in charge," said Forrester Research analyst Josh Bernoff.

"I think it's pretty clear that Zuckerberg determines what the future is," Bernoff said. "He has delegated power but he has not ceded power to other people.

"It's pretty clear where decisions come from," he said. "Sheryl Sandberg's job is to execute the strategies that he comes up with."

Zuckerberg is also surrounded by allies on the seven-member Facebook board, including three he named himself: Netscape founder Marc Andreessen, Netflix chief executive Reed Hastings and Washington Post chairman and chief executive Donald Graham.

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