TRANSCRIPTION OF INTERVIEW WITH MARK ZUCKERBERG
GIVEN BY JAMES W. BREYER AT THE ENTREPRENEURIAL
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MODERATOR: Hello, oh, we’re on. Hello everybody. How’s everyone doing? Great? Great, fabulous. OK, if you don’t know where you are, you are at the Draper Fisher Jurvetson Entrepreneurial Thought Leader Seminar Series. And, this is brought to you by Stanford Technology Ventures Program. And, BASES which is the Business Association of Stanford Engineering Students. And, it is brought to us online by the Stanford Center For Professional Development. And, it is underwritten by Draper Fisher Jurvetson, and you will not be tested on that.

But, I have some special announcements today. First of all, we have some really special guests in our audience today. Ah, we have faculty members, about 70 faculty members from all over the world here in the audience who are entrepreneurship professors who have come to Stanford to participate in the Roundtable on Entrepreneurship Education. So if you are here for REE raise your hand so people can see all the visiting faculty members. Oh, my gosh.
So, I want to give a special hello ah to the students I taught at the European Business School because your faculty member Professor Russo is here in the audience. So while you are watching online in Germany, he is watching live here to keep us honest.

OK, ah, without further ado I want to introduce our guests, and you have, should each have a sheet of paper ah with their complete or at least relatively complete short bios. I’m gonna give just quick introductions.

We have Jim Breyer who is our guest from Accel Partners. He um only a few years ago could have sat in your seat because he’s a Stanford grad with a degree in both Computer Science and Economics, and then went to Harvard to get an MBA.

And then, we have our Facebook fellow, we have Mark Zuckerberg who is a ah was a Harvard student who left to start the Facebook. So, I’ll let you read the rest of the bios.

And I just want to tell you this. Sunday there was a wonderful article about the Facebook in the San Francisco Chronicle. I want to read you just a couple of quick quotes to set the stage.
Ahm, it says first of all that “social networking has become one of the most popular applications on the internet.” And, I’m sure you will learn by the end of this talk why that’s the case. It also says that the Facebook was founded in February 2004 by Mark Zuckerberg, and has grown to 8.3 million users, and is the tenth most visited website on the internet. In addition, the company is close to claiming representation from every college in the country with eighty percent membership among each college population. And as further testament to how exciting this is, Accel Partners made an investment of twelve million dollars. Was it twelve million? Yes, twelve million dollars. So, (garbled) so without further ado, here are our guests.

(applause)

JIM BREYER: Thank you. So I, I’d really like to thank Tina and Tom Byers in particular because they sent a list of questions in advance of this to help me prepare. And, the most interesting one, which I’ll start with Mark is (reading from notes) have there been any plunders along the way?

MARK ZUCKERBERG: (sort of laughs) A-ha-ha-ha-ha sheee.

JIM BREYER: I think they meant blunders.

MARK ZUCKERBERG: Yeah (pause) huh huh huh.
JIM BREYER: Thank you Tom. Thank you Tina. But uh Mark, I think there are a lot of people internationally in the audience who may not know what the Facebook is. Why don’t you start and tell us a little bit about how this all started. What’s it been like? What’s a Facebook?

MARK ZUCKERBERG: Sure. Alright so um, I did two years at Harvard. During my Sophomore year, I decided that Harvard needed a Facebook. It didn’t have one, so I made it. That’s basically how it got started. Um, I think that after about a couple of weeks of it being out, I was hoping that you know, maybe like a couple of different people would sign up or, something but, a lot of people signed off and we started getting requests from people at other schools to watch Facebook at their schools so, we kind of thought of about what’s the best way to do that would be. And came up with a model that we have now and I spend most of the last two years just spreading that across the country and to a bunch of schools internationally. So that’s kind of where we are now with all those users and a lot of college students across the nation.

JIM BREYER: And what is it? For a lot of people in the audience who are from Europe, Asia. Tell us a little bit
about what the Facebook actually is? And why is it growing the way it is?

MARK ZUCKERBERG: It’s essentially an online directory for students. Where people can go and look up other people and find relevant information about them. Everything from what their interested in, to their contact information, what courses their taking, who they know, who their friends are, um what people say about them, what photos they have now, um yeah. I guess it’s mostly utility for people to figure out just what’s going on in their lives and in their friends lives for people they care about.

JIM BREYER: So show of hands in the audience how many people know of the Facebook or, knew of the Facebook prior to this discussion. How many are users of the Facebook? If you can admit that. How many use the Facebook at least once a day? Alright! Well one of the most staggering statistics and Mark, it would be interesting to just get a sense of why this is the daily repeat usage and it does make one wonder what is happening on college campuses today. But the statistics are simply staggering that of the five million users and its continuously increasing. We just had our five million user party. There were 5.5 billion page views in the month of September for Facebook. This is an eighteen month
old company and Mark, you might talk about the usage
statistics because, it’s really about everything we look for
when we’re starting companies or, trying to get involved
with entrepreneurs who start companies. Not in terms of the
initial reach but, that daily usage and that continuous
usage and that we’ve used phrases in the venture business.
Professor Tom Byers, talked about biro affects network
affects but, this is something that embodies that and Mark,
you might talk about the statistics and what matters to you
most relative to the so called financial statistics.

MARK ZUCKERBERG: So, in the three things that I measure
the most are just how often people come back to site. Three
things are, daily, weekly and monthly and I guess we’ve
always just kind of focus on keeping those numbers high. The
daily number is around seventy percent for all students and
weekly is about eight-five percent and monthly is around
ninety-three percent or, so. So, I think that that’s really
important for us because, were not trying to create
something that people use for like a specific purpose. This
is a utility that people can use to just find relevant
information socially to them and I try to make something
that people could kind of look up extensively and just
random things about random people and try to get everyone to
be on there and a lot of relevant information can be on there. So, the fact that people can come back every day for different purposes and kind of keep a browser open on their computer maybe and just go and type in someone’s name and find information about them, is the type of use that we aimed to tune this application towards and can monopolize for it.

**JIM BREYER:** So, I pulled a number of people prior to the meeting on what would be most interesting to discuss and this is like a board meeting by the way. People ask what are Facebook meetings like? How might they be compare to what might a Walmart board meeting might be? There a little bit different. I can promise you! One of the most interesting parts obviously about ownership that I think of the Facebook. What does product development really mean? Mark you might talk about the number of questions, I had yesterday and then earlier today. What is product development at the Facebook? How does that evolve as you evolve the company? How do you think about product development and the product experience going forward?

**MARK ZUCKERBERG:** So, there are two parts in this, one is called, optimizing and making better what we already have and one is adding new things, like the recent photo
application which, we just added. I guess I’ll talk about that and tell you what my thoughts were going into that. Um, we just watched an application for those of you who don’t know. That allows students or, members of Facebook to upload an unlimited number of photos to the site and then browse them by identifying who are in the pictures. So you can go to a friend or, anyone’s profile and see not only pictures that they have taken, but other pictures that people have taken of them. And I used the thought process behind this was, How do we fill out the network in order to make something that is most universally useful? So, I guess in doing so, you realize that maybe ten percent of people would upload photos. And I guess we’ve had this out for about a week now and at the schools we’ve rolled it out were currently testing it, so, only like thirty percent of the schools so far. I think that about ten or, fifteen percent of the people who have this feature uploaded photos. But, more than forty percent of the people on the network have photos taken of them.

[PRODUCT DEVELOPMENT AT FACEBOOK]

So, we’re designing stuff. We look not necessarily just about what any given user is going to experience but, what’s kind of better for the whole community and the whole
product. I mean that’s that a whole lot of these trade-offs are going on all over the place on the product. Probably the most that you see every day is um, that you can’t see the profiles of people at other schools and you know, that’s a really major trade off of the application. For those of you who aren’t familiar with us. We split up the user base by what school they go to and um, and we make it so that people at a given school can only see the profiles and contact information of people at their school. And the reason for this was mostly to because, we realize that um, the people around you at your schools are the people that you’re going want to look up mostly anyway. If we made the space to broad and let anyone see your information, then they will probably be fine and you can look up some people but, you will also, probably wouldn’t put up your cell phone, you know and more than a third of people on Facebook have their cell phone up there and that is something that’s useful for the application. So, in designing it this was a trade-off that we made. Um, I kind of thought about this. What would be more useful? Would be better for people to be able see everyone and maybe not feel like this is a secure environment which, they can share their interests and what they thought, what they cared about. Or, would it be better
that more information and more expression was available?

But, to a smaller audience. Which, is probably the relevant audience right? For some. So, I mean there is a lot of decisions like that, that are getting made and a lot of them are gut level, so I mean we try to be as academic about it as possible in trying to think rigorously through the different results that were getting from different directions. But, I mean a lot of it is just like you define your objectives what you’re going for and in this case to optimize for the best of the whole community and the whole user base and over the long term and that’s important too, long term over short term and then just kind of operate and do what you thing would be best along that line.

JIM BREYER: So, when I first met Mark and we started talking, it was one of the first times certainly in my venture capital career when we went out to dinner. I was not allowed to buy you a glass of wine or, a glass of beer (audience laughs) uh, the Spark was pretty good. It was actually the Village Pub, where uh Tom Byers and others have spent considerable time and they can tell you about that. (audience laughs) Uh, but, Mark um Mark’s team, uh, is younger than most entrepreneurial teams. Mark has turned twenty-one by the way, as of a couple of months ago. So now
we can have wine and beer at dinner when we’re doing brain
storming. But you might talk about how it is to work you and
a founding team many of which, were college friends.

MARK ZUCKERBERG: uh-hmm.

JIM BREYER: Uh, the team has evolved, you quadrupled in
size or, some astronomical number uh, in the last several
months and talk a little bit about what it’s been like for
you as a leader and the CEO and Founder and very much the
long term CEO, (I will add). Uh, what is it like to build a
team? How has it changed? How is your role changing? Give me
some of the most interesting dynamics along the way from
that prospective.

[TEAM DYNAMICS]

MARK ZUCKERBERG: So, I mean when I started off, I was
programming the site and then I wrote the first version. I
mean we haven’t you know, really had a second version, were
just constantly iterating on that. So, I guess for most of
last school year, I just worked on scaling and kind of
trying to make it and keep up with the increasing load and
try to make it so that we can expand more um, more schools
and work out the network construction and all that stuff.
But as that time was going along we’ve also kind of
opportunistically hired people who we thought were really
smart. And just a few guys working around the kitchen table.

(that was pretty fun) Um, but, I guess around in February,
we got an office and then we kind of took all these people
who we’ve been hiring and we brought them into one space
which, was interesting, because then for the first time I
kind of looked up and it was like wow! you know, I have a
team of engineers here and a lot of smart people who can
start building a lot of stuff in a different way then it’s
currently being done. You know, right now it’s me or, was me
and my roommate Dustin, just kind of sitting there working
serially on one project and then finishing it and then
coming back and doing the next project and with like little
help from the other the people who were around. But trying
to figure out how to manage the transition for doing that
especially when you’re kind of the people that’s
programming. Just saying ok, we have eight really
intelligent people here. What’s now the most efficient use
of people’s time? Like how can people maybe be working on
stuff, not serially but, I mean say someone is working on
um, launching a High School product over here and someone
else is working on photos and someone else is working on um,
the thing that were going to launch next week. You know. Um,
What’s, like what’s the most sufficient use of people? I
mean, so, that’s kind of an interesting problem and it’s
something that I don’t really have a good insight for you
yet, maybe I’ll check back in a year or, so. But um, I think
that one thing that Jay? [garbled] is getting at is sort of
the dynamics between people and I mean the dynamic of
managing people and being CEO of the company is a lot
different than being college roommates with someone and when
you go into something and um, your expectations are that you
know, this is going to be a site that maybe a few thousand
people are on and they got dropped out of school to come out
to California to work with you. I mean, it just kind of
changes things up and um, I don’t know. I think that it
definitely, it - it you kind of have to think it like a
higher level about how a landscape is playing out in terms
of like you need to novelty have engineers who can directly
work on the product that you’re working on. But, then you
need to start having a Finance Department or, something that
I’d never thought I would ever need. You know, in terms of
growing a website in order to power the infrastructure of
just having a twenty or, thirty person engineering team and
um, then say ok, so you have all these people. And then how
do you kind of watch what they’re doing? And not try to
control too much of what they’re doing. Because, their all
really smart people which, is why we brought them and we want to leverage the fact that they have a lot of really good ideas and can do a lot of the stuff themselves. But, how do you make sure that it’s conforming to standards? You know. Or, that it’s being done well enough. Um, both from product prospective and an engineering prospective. So, um I think that there is a lot more thought. (audience laughs)

JIM BREYER: Now you’ve recruited a lot of Stanford students and you’ve have recruited elsewhere and you still asked me to emphasize and you’re still actively recruiting Stanford students. Those of you in the audience. But, what do you look for in terms of culture? The kinds of students who make it through the process? The kind of graduates that make it through the process? The balance and the experience and IQ. Um, how do think about building the team and evolving the team going forward?

[HIRING THE RIGHT PEOPLE]

MARK ZUCKERBERG: So, I mean that the two most important things that I look for are: number one, is just raw intelligence. So, you can hire someone who’s a Software Engineer, and has been doing it for ten years and if their doing it for ten years, well that’s probably what they’re doing for their life. You know. And I mean that’s cool. But,
there are some things that that person can do. And their
definitely useful within an organization and can do a lot of
stuff. But, if you find who’s raw intelligence exceeds
theirs but, has ten years less of experience then they can
probably adapt and learn way quicker you know, and within a
very short amount of time be able to do a lot of things that
that person may never be able to do. And so, I think that
that’s the most important thing that I look for. Um, and
the second is just alignment with what we’re trying to do.
So, I mean people can be really smart or, have skills that
are directly applicable. But, if they don’t really believe
in it, then they are not going to really work hard and they
are not going. Even if they’re that smart guy who doesn’t
have the relevant experience they’re not going to care
enough to develop their own experience in order to exceed.
So, I mean I think that the best people who I’ve hired so
far, have been people who didn’t really have that much
engineering experience. Um, I mean I’ve hired a couple of
Electrical Engineers out of Stanford to do programming
stuff. Um, and they had very little programming experience
going in. But, just really smart, really willing to go at
it. And I mean, the guy who just wrote photos was one of
those guys. And um, I mean, if you’re willing to just go and
do whatever it takes to get photos out. Then, you know, you’re probably more valuable than someone whose just you know, a Career Software Engineer. So, those are the things that I’m looking for and why I would rather recruit people out of college.

JIM BREYER: Now, I have to ask, it’s a phrase I don’t like but, it’s a phrase that’s supplied to the Facebook all the time. That’s social networking, a Wall Friendster, whatever it might be. And I’m curious to hear how you think about social networking. Is it relevant as you think about the Facebook? And how do you define what Facebook really is?

MARK ZUCKERBERG: Yes, I don’t really call it social networking.

JIM BREYER: No, I know that. Nor do I, but, a lot of people do.

MARK ZUCKERBERG: So, I look for it as an online directory. And I think that their kind of different things and the social network is a community application. And this definitely is a social application. The use of this is definitely aided by the use of friends and people around you using it. But, I really just think that it’s a utility you know. And it’s something that people use in their daily lives to look people up and find information about people.
And then that way it’s not. I mean maybe there’s some form of networking going or, whatever, people would traditionally describe social network as. But, I think to me if you’re drawing the distinction between what we are and what social network is. I think that social networking is or, it seems to me not really like a vertical application but, more horizontal, in terms of that it’s more of a tool set that you use. I mean social networks help you wire up an application really quickly. I mean Friendster, MySpace, Facebook, all very different things. But, I mean you can apply the word social network to them because, they have this model to make friends where you send invitations. And I think that they all kind of use it to achieve the same result which, is getting people to come to the site. Getting people to keep using it for a certain function. Um which, is that social function but, then they kind of (par late) that into different uses. So, I mean we have this directory utility. Friendster was a dating site. Facebook does not in any way need to be a dating site. Even though, maybe some of that goes on.

**JIM BREYER:** Just a bit. Just a little bit.

**MARK ZUCKERBERG:** Um, and who knows what My Space is. (audience laughs) But, um so yeah so. I think that king of
saying something is a social networker in the social
networking space is saying that a company that has factories
is in need of assembly line space.

**JIM BREYER:** So, why is it that the first generation of
so called social networks, Friendster and others plateaued
quite quickly and perhaps have declined games not over. But,
there was a generation social networks that as companies
that were very hot in the Silicon Valley two years ago and
have not achieved the momentum that a My Space or, a
Facebook has. What would be some of the reasons in your
view?

**MARK ZUCKERBERG:** Well I think the thing we focus on
most is utility time. I’ve said that like a few times so
far. But, I mean I think that making the site useful and
keeping utility there is the thing that I focus on most. And
I mean even then something like the photo application that
is an entertaining feature. But, it’s also really useful
because, you see people in different contexts. You can see
photos of people that other people are putting up for them.
You can tell the contexts around them and I guess like next
week you’ll be able to tell the contexts more. But, um you
know, like um. I think that the utility is pretty important.
I think that a lot of the reason why some of it failed is
because the horizontal social network piece works really well at programming and stuff. And that provides a technical challenge to people who are creating these things as their networks and user bases scale up really quickly um, to kind of keep up with that. Um, and especially if your using sort of friend graph-type structure to compute anything. And a lot of those don’t scale nicely and if you’re not doing stuff well, then you can’t really support millions of users. So, I mean we’ve gone through periods where we didn’t have enough hardware and we weren’t doing stuff as well as we could and that and then the site got a little slow. And I think that now were maybe more in a stable position. My Space has also had issues with their technical structure. I think that was a big problem for Friendster. And why they were the first people in the space who kind of plateaued there.

JIM BREYER: I have one more question and then I want to be sure to take questions for Mark from the audience. Um, there is a large international group here and watching. And how do you think about the relevance of Facebook internationally? Um, as you think forward. I know there is an international piece of it today. But, maybe project a couple of years forward and an international aspect of
Facebook. And how will it fit culturally? Whether it’s Europe, Asia, or other parts of the world?

MARK ZUCKERBERG: So, I mean one of the things that I’ve been certain hesitate about in terms of expanding outside the U.S. We have a bunch of colleges, like um Oxford and Cambridge and a bunch of schools over there. I mean there are large populations of colleges and countries like China. But, I’m not quite sure what are other culture on Universities is there. Is similar enough such as, the same application works. Localization is definitely necessary and they speak of different language, so we need to have the application in that language in order to have it be relevant. But, for me there is not a question of whether there is more there. I mean this is not Microsoft Word you know. Where it’s. I mean I keep on going back to the fact that I think it’s a utility and I think that it is a social utility. So, I mean it’s a different kind of utility than word. And I think that it might be pretty relevant but, it requires some thought about what those specific cultures are and maybe the density of students in those cultures or, the amount of percent of the population that goes to a University. I mean these are all kind of factors that go into play. Whether or, not something like this would be
relevant in those places. And I think that as time goes on we will definitely invest. Um, I guess like the time and researches into doing that. I think that right now stuff like launch a High School product was more efficient use of our time. It was very something that we could do really quickly. And the High School model was very similar to the college model that we had. And I mean there is more High School students than college students and it just seemed like a very effective use of our time. And as time goes on we are looking to expand further and it’s something that we going to look to do. Although it’s definitely outside of our core confidence. So, we’ll see. Hopefully we can do it all.

**JIM BREYER:** If there are questions and I see some hands coming up. Why don’t we start questions right over here in the blue shirt. Please use the mike and I’ll repeat the question. And if the mike is not working, I’ll do my best to repeat the question.

**AUDIENCE QUESTION:** Not being a user of Facebook, I’m curious and these are two related questions. What happens when you finish college and you are no longer a student? Do you get dropped from the system? Is there some kind of alumni legacy thing that goes on? Or, what have you. Especially, since your focusing on a school all if you will.
I’m not sure if alumni makes a whole lot sense. But, I’m sure Mr. Breyer doesn’t like to see a lot of customers leaving your application as well. And then secondly, What kind of migration path are you [garbled] to a little bit. You have some High School students going to colleges. There are many more High Schools than there are college students. Are you able to save all that information and roll it over easily? Or, is it just a nightmare and you keep it separate? So, if you could share some information on that. I mean, I’m familiar totally with your application. I’d like to know.

MARK ZUCKERBERG: Yeah, so I mean, I think that I’m going to approach this for more of a meta level and I mean the most important thing that we should be doing as a business is prioritizing. In figuring out what the right things are for us to be approaching now. And worrying what people are going to be doing eight months from now or, six month from now or, whatever, that is that people are going to be graduating and moving off the network. When that’s something that we can solve in and you know, a couple of weeks, by throwing something together. I don’t have the solution yet. And we’ll definitely figure it out by then. But, I mean I just kind of wanted to throw there like prioritizing and working on stuff that’s really important
now is always like the best use of our time. But, that said,

um we currently I mean last year we had a full year of
college students who graduated. It was almost eight hundred
thousand people who left college. And I mean we’ve always
been open to alums registering for the site. And I think
that recent alums definitely makes a lot of sense. I mean,
if you’re a senior and you graduate, you still have plenty
of friends in college.

JIM BREYER: People like me, recent alum’s.

MARK ZUCKERBERG: Yeah, of course. Breyer loves, you
know, browsing around. (audience laughs) So, um alright, um
and so the end of last year what I did to approach that
problem or, type of problem, was I created a geography base
version, so that people could not only be out of school at
Stanford and see the profiles of the other people at
Stanford. But also, say I’m in San Francisco or, New York
and then see the people around them. That was fine for eight
hundred thousand people. This year we are going to start
having more a larger population because, we are going to
graduate a second year which, is going to be even larger.
Things are growing this year. And we’re definitely going to
make something. And I mean I’m working on it now. But, I’m
not really sure what it’s going to end up looking like.
AUDIENCE QUESTION: How about the High School College part?

MARK ZUCKERBERG: I assume that will work. But, I don’t have a problem with that at all.

JIM BREYER: You might talk about how you launched High School though because, it was a very defined set of interactions and thoughts around how you wanted to launched the High School.

MARK ZUCKERBERG: Yes, so the only amount of fifty percent of High Schools have authenticated e-mails and .edu’s and .orgs. So, I mean that was one of the best things that college site is. I mean you can bucket people pretty easily you know. And authenticate that and make sure no one was on the Stanford Facebook who didn’t belong there. That doesn’t really exist for a lot of High Schools. Or, it did exist for some. Um, so we decided to do an invite only. But, the problem with that is that you need to seed it. Because, we don’t have anyone in these High Schools then you can’t have people invite people to them. So, I guess what we did was we took the um, I guess like structure data that we had in the college site about where people went to High School and took all the incoming Freshman and you know, like just signed up five months before they get to college. For some
reason. And um, like were like alright give them all your
High School friends and proceed it that way. And Sunday was
the first day of the High School networks grew larger than
the college networks grew, so. Smart.

JIM BREYER: You want to talk about how many users per
day or, per week you’re at it. Or, give a quarter of
magnitude. Just to get people to think about how quick the
growth actually is.

MARK ZUCKERBERG: Yeah, and it’s over twenty thousand a
day.

JIM BREYER: Quite astounding. Twenty thousand a day and
accelerating. Right here in the red.

AUDIENCE QUESTION: How does the Facebook make money?

[GENERATING REVENUE]

MARK ZUCKERBERG: Good question. So, I mean when you’re
running a site and your core people are the kitchen table,
your operating expenses are relatively low. So, um
traditionally what we’ve done was we kind of have a small
sales force and we sell some ads. You might see them on the
site. And we just kept our operating expenses low so far and
by doing that we’ve been able to stay cash flow positive for
basically the entire system’s company. After we took money
from these guys um, we decided that it was ok to go a few 
months in cash flow negative while. Um.

    JIM BREYER: But, very narrowly cash flow negative.

    MARK ZUCKERBERG: Yeah well like you know, using like 
$100,000, not like millions. So, um and then but, now were 
back. We do a lot of page views. I think that it’s not 
something that you really think about um because, you 
probably just think about this like a Stanford site. But, I 
mean every day we do more than two hundred million page 
views. I think recently we’re up to two hundred and thirty 
million. Um, by the end of probably two weeks from now or, 
so were going to pass Google and Page Views. And like um, 
that’s a lot and you don’t really think about in that kind 
of application like you know, I was pretty surprise when I 
heard that. But, um when you have that many page views and 
that many people spending that much time on the site, you 
can monetize it pretty easily. Like I mean the revenue we’re 
generating over $1 million a month in revenue. And a lot 
more and that way covers our expenses and we are not even 
doing anything cool yet, so. Um, I mean yeah, it’s all good.

    AUDIENCE QUESTION: [unintelligible]
JIM BREYER: The question was. What are the most important entrepreneurial skills acquired in college or, elsewhere? For the Facebook. Good question.

[ENTREPRENEURIAL SKILLS LEARNED]

MARK ZUCKERBERG: So, I just studied psychology at Harvard. Not computer science. Although I love computer science. Um, I’ve been programming since I was like ten. And I think that it kind of like went just kind of a reached a point where, went into my intuition and I wasn’t really thinking that much about it consciously. Um so, that was pretty good. And then I mean when I started thinking about all the people issues and doing psychology and just like in a University interacting with a lot of people. It just kind of occurred to me that this would be something that was interesting and like, I knew how to do it. So I just did. It took me like a couple of weeks to throw together the site. And I remember that by the time that I was done throwing together the site, I had no idea how successful it would end up being and I was actually thinking that after day eight or, day nine, I had a different idea that I wanted to do. And I was going to scrap and not do that site. Um, so I’m happy that I didn’t do that. But, um so, I think that it’s more like how you spend your time doing stuff type of
question or, type of answer then like something that I learned specifically from college. Um, like I made a ton of random things when I was at Harvard and most them no one ever saw. A lot of them just weren’t meant for other people to see. And there were just things that I made for myself because, I thought that would be cool. Used to make stuff like Natural Language and (Ginger Face too)?. Play my MP3’s you know. Or, um the thing I made before this was a (Hot-or-Not program?) out of everyone’s ID’s at Harvard that almost got me kicked out. (audience laughs) But um, like so I don’t know. I just spend a lot of time making random stuff you know and I think that definitely made it. So, by the time it came time to like make this random project I was pretty well chain towards making that, you know. In terms of managing this whole process, nothing. Like I have no idea what I’m doing. You know. (audience laughs)

[LISTENING SKILLS IN AN ENTREPRENUER]

JIM BREYER: I’ll add a couple of comments. Um, Mark has a skill which, a number skills which one rarely sees in an entrepreneur no matter what the age is. He’s a great listener and you’ll learn by listening. I’m still stun to see how many entrepreneurs come to our offices in Palo Alto and it’s all output and there’s no thoughtfulness and it’s
amazing that the very best entrepreneurs are very proactive, their very courageous, they deal with tension but, their great listeners and then they translate that into interactive learning and the organizations tend to be great listening organizations and Mark um, Mark is extraordinary that way. As are many of the best entrepreneurs or, executives that we’ve met. There is also, a constant creative tension around experimentation and making sure everyone in the organization feels it’s better to experiment, fail and then move on and experiment again, then to not do that. And in something like a consumer internet company like Facebook, that constant real time interaction and experimentation is something that the very best entrepreneurs do. They just, they have the passion, they have an innate feel for it and it happens organizationally. It happens from a leadership standpoint. That’s something that can to some extent be taught. But, those are some of the skills for a consumer and internet company and one that is growing this quickly that is just essential and it needs to be embodied in the entrepreneur. That’s something that uh, we see again and again and it’s remarkable how little common sense is often applied. If somebody just steps back
and truly listens and watches the customers and then rapidly iterates uh, good things tend to happen.

**JIM BREYER:** Will go right here in the middle.

**AUDIENCE QUESTION:** Mark, From the very beginning. Day one or, maybe week one. Was this a business idea with the target market and revenue for factual projections and revenue model? Or, is this more kind of a cool programming thing that you might do with you and your friends?

**MARK ZUCKERBERG:** That’s fine. No, no. Um, it actually wasn’t a business thing until like six months after we started it. I mean we. I guess like I programmed the original version um and launched it in February 04. And then we spent, I guess like after a couple of weeks of me being at Harvard, people started requesting it at other schools. I was taking a pretty heavy course load that term so, I wasn’t sure how I was going to do that. You know but, technically and like how I was going to have the time to do it. So, um one of my roommates was like, I’ll help you and I’m like dude you can’t program (audience laughs) um so, he went home for the weekend um, bought the book Pearl for Dummies. And then came back and was like alright I’m ready. I’m like dude the site is not ready for Pearl. (audience laughs) But, um so we were working on it together for a while and then we
came out to Palo Alto for that summer, where I kind of got stuck. But, um we came out here mostly because, this was a place that a lot of start-ups have been from and it seemed like a pretty fun place to be in some place that made sense for us to be at some point in our lives. And also, because I had a couple of friends who were working at EA and I wanted to hang out with them. And um, it was out here that I kind of learned a lot of the stuff and um met a couple of people who go us started.

**AUDIENCE QUESTION:** My name is Mike and uh Mark I have a question about the utility aspect. You mentioned that Facebook is a utility not a social networking software or, anything like that. But, when you talk about the utility, I’m curious about what your actually having the people do. Because they’re browsing around and it seems as if it’s an essentially a stalking tool. If I’m not mistaken. So, what are the sort of ethical implications when it comes to developing a tool? Where you know you’re reading enough of the user views. You’re not saying you know, it’s like the gun manufacturers make the gun they don’t tell you to point it at people. But, uh ultimately when you have a tool like this, there are sort of ethical implications and possibly...
you know, uh legal implications in the future. How are you taking approach to that?

MARK ZUCKERBERG: So I mean we do a lot of stuff with the data that is selected and a lot of that is aimed towards proactively defending the user base and making sure that. I mean, we have analyzed a pattern which, is a typical user heartbeat. Right. Or, like what their use looks like. And we can identify relatively quickly when someone doesn’t match that and do whatever we need to do. Um, probably within like you know, like twenty page views or, so. So, um so yes. I mean that’s mostly what we do. We have like an automated system for identifying stuff like this and taking whatever action we need to. But, I mean in terms of like the ethical implications of creating this I mean what I kind of saw this as is uh, enabling of free year flow of information. You know what I mean? People are interested in this stuff. We’re not asking anyone to put anything out there that they wouldn’t be comfortable putting out there. We’re not forcing anyone to publicize any information about themselves. We give people pretty good control of their privacy. I mean you can make it so that no one can see anything or, like no one can see your profile unless their your friend. And I think that we encourage people to use that stuff. And I mean we
point people to it. We make people not use their school password when they register. Just because that’s like the most security thing. I don’t know, I think that just like putting people in control of what they put out there. We are kind of putting it in their hands. But, we are not necessarily putting in the hands of the person who will misuse it. We’re putting in the hands of the person who could be potentially the victim, if it ever came to that. But, I mean we are not really finding that much.

AUDIENCE QUESTION: Jim, could you respond to this as well? Also, when it comes to minors now in a case of high school students. How does this control uh, filter down for those sort of users?

JIM BREYER: I’ll take on the privacy question and the ethics question and let Mark talk about High School. Um, in many ways, I think our challenges from a business prospective in a usage standpoint would be similar to how Ebay evolved. Uh, we certainly spent a lot of time thinking about what are the privacy issues uh, at the same time we want to enable the user base to. When all said and done it’s a validated user base. It’s very different from ninety-nine percent of the sites out there. And we feel that’s the true power of the experience so, we don’t want to get in the way
of that. There is no doubt however, we think medium and long
term about privacy issues, security issues and perhaps the
closes model out there. In my view would be how EBay had to
make some fundamental decisions along the way relative to
the democratization. If you will, their user base. You might
talk about High School. We had long discussions about that.
You can talk part about that.

**MARK ZUCKERBERG:** Yeah, so I mean in High School, we do
kind of the same thing that we do in college. Although, we
have scripts that just constantly scrawl to the site. And
you know, from using it that some people have fake profiles.
Right. And as a human you can tell that there some things
about that are different and why they are fake and just
immediately obvious to you. And it’s obvious because it
doesn’t fit a normal usage pattern. You know, either they
don’t put up a lot of information about themselves. But,
they are viewing a lot of profiles. Or, they have no friends
but, are viewing a lot of profiles. Or, the classes that
they are putting in are fake. You know or, the information
their putting in is fake. Or, their name is (Kaggie the K)?
You know and um, you know, I mean there is just a lot of
signs. And like you can just apply really simple pattern
matching stuff to a lot of this to figure out like who these
people are really quickly.

JIM BREYER: In coming back to college just one
statistic which, is quite extraordinary. Mark you might just
mention to the audience how the predicted nature of some of
the usage may work. In particular regarding relationships
and it’s a fascinating statistic. One of many.

MARK ZUCKERBERG: Yeah, so one of the things that we do.
We actually compute how like the percentage of a realness
that a person is and if they fall below directional then
they are gone. Right. So, I mean, like so it’s actually
pretty funny. This is something that my friends and I like
to do. We just go through and like see how real certain
people are. Who we know are actually real people. Your only
seventy-five percent real. (audience laughs) Um, by using
the information that we have we can predict a lot of stuff.
Find stuff that’s interesting to you. In terms of events
that are going on with the network. One of the things that
we originally thought would be cool was you know, we have
this photo thing and we have some new stuff that’s going to
be coming out soon. Like we all be user posting content. How
do you filter it for people? you know. How do you know for
them or, help them filter through. What’s going to be most
interesting to them? I mean you can’t just like. Who your friends are and look at their photos you know because, some people have three hundred friends, some people have one hundred friends. But, if you have one hundred friends and they are all posting a lot of photos albums or, updating their profiles a lot or, whatever people do you know, then like that’s just a lot of stuff to sort. I mean. You kind of figure out the strength of a lot of those relationships and how um what actually matters to each person on a more granular level. And I mean one of things that uh one of my friends and I were messing around the other night was seeing who could use the information that we had to compute. Who we thought were going to be in relationships. So, we tested this about a week later and we realize that we had over a third chance of predicting whether two people were going to be in a relationship a week from now. (audience laughs). So, we can use stuff like that to filter out.

JIM BREYER: Good. Let’s go to the back here.

AUDIENCE QUESTION: Yeah, I think you said that um you started this because, you got to go Harvard and you perceived a need for this. I mean obviously it is a need. But, what were the specific instances that made you kind of see the need? Was it personally or, friends?
MARK ZUCKERBERG: Um, yeah, I don’t know. How many of you guys have aim? Like, do you guys like checking away messages? Like, I don’t know. I mean I just find information about people in aggregate interesting. You know what I mean? One of the things that I wrote before this was something that just like looked and kind of tracked what different people away messages were at different times. It’s kind of interesting you know, I mean um like not publicized that information. But, I mean you know, like but, it’s just sort of basic information. And I kind of figure that like everyone else around me likes checking away messages and would think that something like that would be cool and like maybe I’m not alone in thinking that it would be cool. If I could type into a box someone’s name and get a bunch of information about that person or, be able to look up where they are now or, where they live or, what their phone number is or, who they know or, what people are saying about them. So, yeah.

[JINVESTING NEW IDEAS]

JIM BREYER: One of the most interesting question we continuously ask ourselves over the last year and nine months. Why didn’t we see a Facebook earlier? It’s a remarkable. I think it’s a remarkable dynamic that Mark
started this company in 2004. And that first generation, the
first nine or, ten years of the internet did not have a
Facebook-like company that was thinking through it in a
simple way. Sometimes it’s remarkable for all of us, as we
try to be very prepared-mind oriented, very proactive
around, where the most interesting opportunities. It’s often
these very simple but, powerful ideas that really take off.
And there are some other ideas like that where we step back
and really try to understand as investors and hopefully
partners with entrepreneurs. Where do we see the most
compelling next generation ideas and it’s usually something
that’s very simple that’s embodied in the personality of an
entrepreneur?

JIM BREYER: Right here in the blue and please use the
mike. Thank you.

AUDIENCE QUESTION: Yeah um, so there is a lot of social
networks out there and a lot of them have [garbled] silence
um and I think that is the number one reason why they have
plateaued over the last few years also. Um the Facebook is
not a social network, it’s a utility. So. Have you actually
thought about um instead of building all the applications on
your platform it has? Um have you ever thought about opening
up uh the Facebook over a secure web services? Or, something
and have hundreds of people go build hundreds of utility
applications on the Facebook and just have a side of a
button that says the power button Facebook or, something?

**MARK ZUCKERBERG:** Yes, and any of you guys have studied
operating systems, languages or, compilers, come help me do
it.

**JIM BREYER:** Exactly. It’s a resounding yes. Right
behind.

**AUDIENCE QUESTION:** This is kind of an interesting
question. To a certain extent Mark, you might not even
follow this. But uh it’s about exit strategy and uh there’s
an old school company called Harris? Publishing and um they
are from the alumni market. They pretty much print all the
alumni records and all the Universities around here and that
seems to me to be the succession model from the Facebook.
Have you thought about your exit strategy? And given the
fact the Harris? Publishing is pretty much an old line
company in printing something and their likely not a very
good succession target. Have you thought about and Jim you
might be able to answer that question. How you best monetize
as an exit strategy?

**MARK ZUCKERBERG:** Um, I spend my time thinking about how
to build this and not how to exit. Um, I think that what
we’re doing is more interesting than what anyone else is doing. And that that this is just a cool thing to be doing. And I mean yeah I don’t spend time thinking about that that much. Sorry.

JIM BREYER: And I actually don’t either. I think it’s uh (audience laughs). We’re long term oriented investors. I think what we are seeing it’s going to be a fascinating time in what the traditional media business might look like. Uh, I think we are all aware this is one of the few times where there has been strong resurgesences in the overall advertising market. But, many if not most of the traditional media companies have not seen a rebound in their advertising dollars. Whether is New York Times, Dow Jones, Washington Post, many of the newspaper companies. There is something fundamentally going on. It’s not necessarily just a shift along line. That’s a small part of it. But, something has fundamentally shifted in terms of how these companies have rebounded and there no doubt certainly in the heart of Silicon Valley. Our view is three to five years from now there will be a new generation of media company that embodies some of the best of some of the great older line media companies. But, will absolutely at its heart have many
of the flavors of what a Facebook represents. That’s
certainly the investors’ view. Tina.

AUDIENCE QUESTION: Thank you. Uh, I’m wondering if you
could tell us a little bit about the idea generation process
in the company. There are companies like Google where people
have this uh process of everyone gets 20% of their time to
come up with new ideas. Do you have a formal process of idea
generation?

[FREE TIME FOSTER FREE THINKING]

MARK ZUCKERBERG: A lot of the stuff that goes on with
the company is really organic right now. And isn’t
necessarily formalized. Although, maybe it will be in a
short period of time as we continue to grow. Um, I think
that like as organizations grow a lot of the issues and
structure that’s put into place is put there because, a
comfort level breaks down and people communicating freely in
a way that they can when their friends. You know and if you
are working with your friend you can tell him or, her like
whatever your thinking and it’s not going to offend him or,
her and like. And they will probably comprehend it similarly
to how you imagined it. I mean language isn’t really a
perfect idea transmission vehicle. And um, I think that a
lot of the stuff like saying take twenty percent of your
time to go to put into action an idea that you might have is
necessary in a large organization where people can
necessarily speak the same language or, ideas can get out
freely. So, I mean I think that one of things that I do
focus on at Facebook is making sure that the culture is very
friendly. You know, and that people hang out. You know,
instead of having 20% of people’s time spent working on
their own projects. I make people hang out with each other.
And I make people like I mean I don’t make people be friends
with each other. But, I mean you know. So, I think that by
doing that I mean I can’t force people to hang out side of
work. But, I mean I can make it so that people are more
comfortable with each other and can communicate more freely.
So, um this isn’t really a formal thing that I put in place.
This is just like kind of my answer at the top of my head.
So, I guess like by doing this we kind of created a culture
where people just talk to each other about stuff and get
what each other is thinking more clearly than they would if
the organization was more bureaucratic. Or, if like people
wouldn’t be heard. And then I mean since people are always
talking, ideas get bounced off each other and then
eventually like someone starts making something you know,
and then were done.
JIM BREYER: We have time for a couple more questions.

Back in the middle here.

AUDIENCE QUESTION: Uh, question interesting

conversation. When you told you parents, I’m not going to
back to Harvard. Because, I’m going to do this thing called
the Facebook. Um can you comment on what your parent’s take
on this is?

MARK ZUCKERBERG: So, after I almost got kicked out for
the thing that I did before this (audience laughs) that also
had to do with faces. Um, their first reaction was um no. Um
but, that’s when I made Facebook and I was like no this is
different and this is actually legit. I’m not going to get
kicked out for this. It will be fine. Um, it kind of got
pass that. I stayed in school and finished up my semester
and then went out to California. Fully expecting to go back
to school again in the fall. That didn’t happen but, I mean
by the time that that didn’t happen, we already had hundreds
of thousands of people using the site and um Peter Thiel,
who was the Founder of PayPal, who was our first investor
put some money in. And that sort of made my parents think
OK, this is something that could be cool. But, I mean I
think that when I first started doing it they were like what
possible value could this have for you. I was no, it will be
cool. So, then um after it started doing an all-day stuff, they stopped trying to suggest something.

JIM BREYER: Right here in the front.

AUDIENCE QUESTION:

Um, just wondering. What do you see as the biggest challenge for Facebook? What’s kind of keeping you up at night right now?

JIM BREYER: Question of course, is what keeps you awake at night? What’s the biggest challenge? And what’s the number of challenges that would be the top three or, four be?

[CHALLENGES GOING FORWARD]

MARK ZUCKERBERG: So, I mean the two things that you focus on are maintaining what you have now that’s good and growing. Right? And what we have now is like a pretty good utility. And going back to the first question that you asked me. What’s the thing that I measure the most? And it’s that seventy percent of the people come back to the site every day. And making sure that that remains. Not just because we are doing some sort of thing. But, I mean if you want your feature obviously retention is going to go up. Right? So, I mean retention has been recently because of photos. You know. Um but, focusing on things that are sustainable and
skill-able and so that when we launched more skills or, go
on to the next market or, whatever we do. We are going to
set ourselves up to have the same success that we’ve had
without hurting ourselves in the current position. So, I
mean that’s a very vague answer so I do apologize. But, um I
mean it’s not one thing. You know, it’s basically
maintaining the utility while growing.

**JIM BREYER:** Mark is incredibly good at keeping the bar
very high on new hires. When you’re quadrupling in size in
terms of people there is always a tendency. We see it again
and again and I know uh Tom Byers and many of you in the
audience always talk about quality of people uh and
maintaining the bar. But in practice it’s real easy to say
this person doesn’t match up in there. But, does match up
along so many dimensions. It would take six months to find
the right person and Mark has been extraordinary as a leader
in maintaining a very high bar and at times walking away
from people who are receiving outstanding recommendations.
But, they either don’t fit from a cultural standpoint. Or,
they don’t they are not going to scale and they’d be the
wrong person a year or, two from now. Uh, and that is
certainly an investor and board member an ongoing challenge.
How do you deal with that trade off? Where you absolutely
need an ad sales force but, at the same time uh, it’s one person at a time. You just can’t say let’s go out and hire five good engineers or, five good ad sales people and not have them be great. Because the B plus or, A minus people. You know it. They’ll hire B’s and B minuses. And this is a time in the company where you just have to aspire with each hire to get an A or, A plus person and it’s easier said than done. I think that is one of the fundamental ongoing challenges.

[END VIDEO RECORDING]