



Stanford eCorner

Facebook Refused to Sell

Chi-Hua Chien, *Goodwater Capital*; Dan Rosensweig, *Chegg*

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A billion dollars were on the table, but still Facebook refused to sell itself to Yahoo!. In this clip, Yahoo!'s then COO (and current Chegg CEO) Dan Rosensweig discusses the deal that he failed to seal, and what that path has meant for both Facebook and Yahoo!. Rosensweig also discusses every great entrepreneur's reluctance to be acquired.



Transcript

So, there's a pretty big one that got away. Yes. You're the only person who ever got Mark Zuckerberg to sign a letter to sell you his company for \$1 billion. How did you do that and what happened? Clearly not as successful as you just made it sound. He signed a letter he didn't actually end up doing. Mark will tell you this, which is he was a reluctant seller from day 1. And every great entrepreneur that I have ever met at one point in time feels like, "Wow! Maybe I can't do it." So, if you think about the history of Silicon Valley, like eBay almost sold several times to Yahoo! Yahoo! almost sold for \$2 million to AOL. AOL almost sold several times including to Ziff Davis back in the day when we were there. Intuit almost sold to Microsoft. You can just go through this day in and day out.

And so, there's a moment in time where you say to yourself, "I think I can, I think I can, I think I can." A billion dollars sounds like a lot of money. I was very fortunate to meet Mark. And we had a very strange sort of connection, which is a number of his earlier employees were people that used to work for me and I remain friends with and actually helped sign on to go over there. And then, both Mark and I were born in the same hometown several years apart. And if you don't think that six degrees of separation, is where the guy who made the Facebook movie, Aaron Sorkin and I graduated high school together. Ask yourself which of those three is the loser in that crowd. So, I get Chi-Hua and I love them. So, I spent a year getting to know Mark and getting to understand the business and working with him as frequently as he was willing to talk about his vision and his dream. And I got ridiculously inspired, to be frank with you. And it became more and more obvious to me that what Facebook was going to be wasn't what it was.

So, I think I met Mark with over 4 million users or something like that. We kept modeling the company as if it was going to be 18 million users, which is pretty much 100% of college kids. And Mark just kept saying, "It's not for college kids. It's just where it started." And so, what became evident to me was the most successful companies in the Internet really are services. Email is a service. Search is a service, Travelocity, Expedia. Just keep thinking about it. Chegg is a service. eBay is a service. Amazon is a service.

Apple is a service, right? It's services. And so, he had viewed Facebook not as a media company or not as any of those historical definitions but more as a utility that everybody could use. And that everybody at some point would want to be connected to somebody else. Now, did he know how he was going to do all that? No. But he was very clear. And so, I kept thinking, there are 6.5 billion people in the world, 300 million Americans. So, the world's a very big place, much bigger than United States. China was going to become the biggest Internet country in the world. They have more Internet users than we have citizens. So, you can see all this happening.

Fifty percent of all new users were connecting through mobile devices. And by the time my tenure was going to be done at

Yahoo!, over half the world was going to be connected to the Internet. And so, it just sort of felt right. And so, I think because I was as excited about his vision, the stuff that he knew and the stuff that he didn't know, as he was, I think he felt I needed to ask him that he could have confidence at somebody who was just going to let him run with his dream. He was reluctant from day 1 and I think when we gave him the opportunity to not do the deal, I think he just cheered. I think he was feeling pressure from his board. And at the end of the day, he turned out to be right. I think it would have been transformative for us at Yahoo! I think we don't know the road not taken. So, we don't know if we would have messed it up or it would have become even bigger. You'll never know.

But I feel very fortunate to have built that relationship. And watching him build his dream, now that I'm not at Yahoo!, is more exciting to see him build it there. But we'll never know.