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TECH

Facebook's Messing With Instagram Prompted Co-Founders' Departure

Conflicts included Facebook's tweaks seen as promoting the social network's growth at the expense of the photo-sharing app



Kevin Systrom, who planned to be on leave from Facebook until next month, hadn't conveyed his plans more broadly to Instagram employees when the news broke Monday that he was stepping down. PHOTO: JEFF CHIU/ASSOCIATED PRESS

By *Deepa Seetharaman*

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When Facebook Inc. [FB -0.30% ▼](#) bought Instagram in 2012, the app's executives say, they operated under a simple understanding with the parent company: "Don't mess with Instagram."

Over the past year, that began to change.

Instagram's co-founders Kevin Systrom and Mike Krieger frequently clashed with Chief Executive Mark Zuckerberg over a range of issues, including the extent to which Messrs. Systrom and Krieger could chart their own course, according to people familiar with the relationship. The co-founders also were upset about some product tweaks to the photo-sharing app that seemed designed to promote Facebook growth at Instagram's expense, some of the people said.

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Many Instagram executives were caught off guard in May when a management shake-up appeared to give Mr. Systrom less access to Mr. Zuckerberg, according to a person familiar with the matter. Until then, Mr. Systrom often discussed product plans directly

with Mr. Zuckerberg. The change appeared to insert a layer between Messrs. Systrom and Zuckerberg, the person said.

The tension played out against a backdrop in which Instagram was emerging as a more popular product among certain market segments—including young people, and many key influencers in media and tech—than the core Facebook platform that Mr. Zuckerberg built and developed into a commercial behemoth.

Within Facebook, Mr. Zuckerberg saw his increased involvement with Instagram as indicative of his recognition of the app's growing role in the company's future, according to a person

familiar with his thinking.

But since late last year, and particularly in recent months, Instagram and Facebook officials disagreed over issues including Instagram's autonomy within the larger organization and Facebook's growth tactics, according to people familiar with the matter.

Facebook teams began exerting more control over their Instagram counterparts, prompting some top executives to leave, some of the people said. A few weeks ago, for example, Instagram's marketing division was subsumed into Facebook's marketing team, they said.

Mr. Systrom and Mr. Zuckerberg frequently butted heads, including as recently as a few weeks ago, over Facebook's shifting growth strategies, people familiar with the relationship said.

Instagram officials argued that some of Facebook's product changes undercut the app's ability to add and retain users, according to people familiar with the matter. After years of supporting Instagram's growth, Facebook appeared to be diverting users' attention to its main app from Instagram, where ads still don't command the same prices as those that appear in Facebook's news feed.

Some of the product tweaks appeared subtle. For example, content shared from users' Instagram to Facebook previously was clearly labeled as coming from the Instagram app. It was easy for a user's Facebook friends to tap a link back to Instagram from the news feed.

This year, designers tweaked the Facebook app to remove many references to Instagram, ranking Messrs. Systrom and Krieger, according to people familiar with the matter.

Still, few at Facebook's Menlo Park, Calif., headquarters were prepared on Monday when Messrs. Systrom and Krieger's said they would be leaving Instagram, the company they had launched from scratch a decade ago when they were both just out of Stanford University. Mr. Systrom, who planned to be on leave from Facebook until October, hadn't conveyed his plans more broadly to Instagram employees when the news broke.

"These departures come at a critical time for [Facebook], as it faces multiple significant legal and regulatory issues around the world, and is trying to support growth and margins while investing substantially," Scott Kessler of CFRA Research said. "We think Systrom's and Krieger's departures are a notable negative."

Messrs. Systrom and Krieger sold Instagram to Facebook in 2012 for roughly \$1 billion at a time when the app had no revenue and only 13 employees, prompting many to posit that Mr. Zuckerberg had overpaid for a momentarily hot product with no business strategy around it.

Now Instagram has become such a foundational piece of Facebook's dominant position in social media that many analysts and observers have said antitrust regulators would likely not approve the transaction if it were proposed today.

The two men formally joined Facebook six years ago this month. Facebook shares typically vest over a four-year period, so thanks to Facebook's strong stock performance in recent years, Messrs. Systrom and Krieger will likely leave with hundreds of millions of dollars and few remaining ties to the parent company.

Instagram has been a major bright spot for Facebook, which has faced a barrage of bad press in the last two years for allowing misinformation, violent live videos and other bad actors to exist and, in many cases, thrive on its platform. Facebook is facing a slowdown in user and revenue growth.

Instagram has remained largely above the fray. It is viewed by many users as less political and divisive, with a focus on travel, fashion and celebrity culture that has become less a central part of the Facebook experience as the site has emphasized more news. It also has continued gaining strength, topping more than a billion monthly users in June, helped by younger users who held Facebook accounts but weren't using them as much.

This spring, another internal rift emerged over the rollout of Instagram's long-form video hub called IGTV. The service launched this summer as both a stand-alone app and a section of the primary Instagram app to allow users to post high-definition videos.

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Ahead of the launch, some Facebook executives argued that the product would compete with Facebook Watch, another long-form video hub within the primary Facebook app that launched in August 2017, a person familiar with the dispute said.

Mr. Systrom prevailed, but the fight took its toll, according to the person familiar.

In recent months, Mr. Zuckerberg and other Facebook executives started preparing for the possibility that the Instagram co-founders would leave, according to a person familiar with his thinking.

In May, Facebook confirmed that one of its top product executives, Adam Mosseri, would move to Instagram to oversee product, as part of an extensive overhaul of Facebook's executive ranks. Messrs. Systrom and Krieger recruited Mr. Mosseri, who was running Facebook's news feed, to the new position, people familiar with the situation said. Mr. Zuckerberg approved Mr. Mosseri's move partly on the belief that he would be part of the app's new leadership, if needed, according to a person familiar with his thinking.

As part of that broader shuffle, Mr. Systrom would report to Chris Cox, a longtime friend and ally of Mr. Zuckerberg's who became head of product for all of Facebook's properties, including Instagram and WhatsApp.

Mr. Systrom had previously technically reported to Mike Schroepfer, Facebook's chief technology officer, but that reporting structure wasn't widely known. Some within Instagram believed the new structure would give Mr. Systrom much less access to Mr. Zuckerberg, with whom he previously interacted frequently. "It was always Kevin and Mark," said a person familiar with the situation.

The leaving of Messrs. Systrom and Krieger follows the departures of the co-founders of Facebook's other big acquired properties, such as the co-founders of virtual-reality device maker Oculus VR and the messaging service WhatsApp. People familiar with their relationship said Messrs. Systrom and Krieger are close allies and were always expected to move in lockstep. One was unlikely to stay if the other left, the people said.

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