

## **LinkedIn**

### **I. Executive Overview:**

LinkedIn is a dotcom company that specializes in business networking. Started in 1997, LinkedIn quickly grew in size and by 2004 the company had 550,000 registered professionals in their network. This report analyzes LinkedIn's proposed transition from a beta test site to a full-fledged profit generating venture.

### **II. Critical Issue:**

The critical issue for LinkedIn, as isolated by this report is maintaining a competitive advantage in its industry while simultaneously transitioning from a beta test site to a profit generating venture. Considerations tangential to this issue are methods to continue rapid network growth, diversification of services, and an evaluation of the value of the service provided.

### **III. Analysis:**

In order for LinkedIn to successfully transition to a profit generating site, the company must maintain an advantage over its competitors and provide a continuing value to its customers. The competitive advantage can be maintained via a diversification of services and a rapidly growing network. Value can be provided to customers by facilitating interactions between unfamiliar parties, the original purpose of the site.

#### *A. Network Size Considerations*

The most important asset for networking sites such as LinkedIn is their network, obviously. Sites with a large registered user base are inherently more useful than sites with a smaller user base because users can find more contacts on a larger network. For the most part, the determining factor in the success of a networking site is the diversity and size of their network. This concept operates in a cyclical manner, for example, small networks are perceived as not very useful, so users don't register while large networks are perceived as useful, facilitating even more registrations. LinkedIn has a registered used base of 550,000 professionals and in order for the transition from beta testing to go smoothly, this base must continually grow. This base growth allows customers to see the value that they gain from the service. Thus, it is critical for LinkedIn to keep growing their customer base in order to maintain a competitive advantage in their industry.

### *B. Diversification of Services*

In the technological age, it is not difficult to believe that hundreds of competing networking sites have popped up in recent years. With the rapid growth of the internet in the last decade, networking sites have found a new method to connect customers, buyers, sellers, and service providers. In order to differentiate their product from all the other networking sites, LinkedIn must add advanced features and prevent itself from becoming like every other networking site with the same tools and methodologies.

### *C. Customer Feedback*

As with most businesses, the service provided by LinkedIn is very, very customer driven. The success of the business depends on how well the company gives the customer the options, tools, and information that they desire. Throughout beta testing, LinkedIn has provided options that the customers have wanted and it is important for them to continue doing so, even after the beta testing period ends. In order to maintain a competitive advantage, LinkedIn must *quickly and efficiently* implement new features that the customers ask for. It is critical to make the changes quickly because of the high level of competition in the area. It is reasonable to assume that a proposed change is being worked on by multiple competitors and often the first company to implement a change will benefit the most from the change.

## **IV. Recommendation:**

This report recommends a three-pronged plan of attack to maximize the efficiency and effectiveness of LinkedIn's transition to a profit generating organization. First, the company must facilitate the growth of its network to make it one of the largest networks available. Second, LinkedIn must diversify the services they provide and innovate to provide services that other competitors do not. Third, LinkedIn must create a plan for *continual* innovation to make sure it remains on the cutting edge of the industry.

### *A. Network Growth and Maintenance*

As highlighted in section III.A of this report, LinkedIn's network is its most important asset. LinkedIn must maintain their network size and grow it rapidly in order to remain competitive. It is important to either keep new registrations 100% free, or to make them very inexpensive. This will encourage more registrants and grow the network. Profit does not need to be generated by merely gaining new signups, but instead, by creating connections and when business connections are actually made. Additionally, promotions such as free referrals or free monthly subscriptions can be given to new registrants in order to facilitate new registrations.

## *B. Diversify Services*

Many networking sites provide services exclusively around networking. Diversifying services to include other things will allow LinkedIn to maintain a competitive advantage over its competitors. This report recommends 2 specific strategies for diversification.

- **Advertisements/Classifieds** – The purpose of LinkedIn’s service is to provide connections to businesses and consumers in order to maximize profit for each side. Advertisements on the site would generate revenue for LinkedIn, as well as provide consumers with suggested options for service providing. This would make network searches less of a necessity and more of a convenience. Advertisements could be targeted to ensure that only interested parties view specific advertisements geared towards them.
- **Auction Service** – In addition to providing ways to network with prospective business partners, an auction system would serve to increase the number of ties in the network. In other words if a company wishes to auction off a service, they can provide it to the highest bidder. If the bidder is satisfied with the transaction, they can in turn create a business tie with the service provides creating more bridges in the network and increasing its effectiveness. This has a dual functionality in that it also provides a service to a consumer in addition to strengthening network ties.

## *C. Continual Innovation*

Section III.C of this report isolates the necessity for swift change implementation. This report recommends the creation of a swift change implementation policy. This policy would call for developers to work in implementing changes based on customer needs as soon as the need is identified. The change should be rolled out as soon as possible to designated customers that wish to beta test new features. After analyzing feedback from the beta testers, LinkedIn can determine whether the change should be committed or rolled back. This allows for swift movement on changes but allows for a rollback of hastily implemented features.