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-The Growth Path of the World Largest Professional Network-*

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LinkedIn—A Business Summary

LinkedIn is the world's largest professional network with more than 400 million users worldwide. Members create an online profile that consists of information regarding their career, skills, and other business-related items. It enables them to have a relationship with other professionals, to grow their networks, to share knowledge, and to expand their business(es) productively and effectively. LinkedIn also offers hiring solutions, marketing solutions through advertising, and subscription services to enterprises and professional organizations. It uses a freemium business model, and the revenue is mainly from those B2B services and paid services offered to premium members. The company was founded in 2003 and went public on the New York Stock Exchange in 2011.

1. Founding Team

1.1 Background of the Founder

Reid Hoffman, the founder of LinkedIn, studied cognitive science at Stanford University and earned a Master of Studies in Philosophy at Oxford University. After his graduation, he decided to direct his career into the Internet industry, which was gaining momentum and demanding talent, because he questioned if he could impact and change the world with academic research papers. He started his career at Apple Computer on referral from a friend of a friend to see whether he had the skills needed in the tech industry and would be able to build connections there. He was assigned to a user experience group, but shortly after starting the job, he observed that what matters most to a tech company is product-market fit, that is, product management. Then he wrote up his product ideas, which he showed to the head of the product management group while he was working in the user experience group. Receiving feedback and encouragement from the head of the product management group, he had a clear vision of his skills and his intuitions to succeed in the Internet industry. He also

* This paper was written based on Isoda and Taji (2016) (printed in Japanese)

was convinced that product management is vital to technology companies, and being a product strategist was the way for him to succeed in business and make an impact on the world. After two years at Apple Computer, he moved to Fujitsu as a product manager. His product-focused attitude formed then is well reflected in the management policy of LinkedIn.

After he left Fujitsu, he founded SocialNet in 1997, which offered online dating services, and became a board member of PayPal at the same time. In the midst of the dot-com bubble, SocialNet undertook inappropriate financial strategy and failed, but a year before its decline, Hoffman shifted his position to PayPal as a vice-president in 2000.

PayPal is the leading company of online payment services. It became public in 2002 and was acquired by eBay. Hoffman and Peter Thiel, who is one of the founders of PayPal, were college friends, which explains Hoffman's connection with PayPal. Through his experience at PayPal, Hoffman learned how to control the speed of the startup world and how to attract the appropriate talent. After PayPal's buy-out, he decided again to start his own company.

In 2016, he participates actively in the startup world as a portfolio entrepreneur while he works for LinkedIn as the executive chairman. He plays an important role on the boards of many startups and venture capital enterprises and gives advice to young entrepreneurs based on his abundant experience and knowhow.

1.2 Founding Team and the Network

LinkedIn was born in 2003 in the living room of Reid Hoffman, who founded the company. The founding team consisted of five members: Reid Hoffman, Allen Blue, Konstantin Guericke, Eric Ly, and Jean-Luc Vaillant. Two of them were from SocialNet, one was a university friend of Hoffman's, and the other was a colleague from Fujitsu.

A few months prior to LinkedIn's founding, Hoffman was discussing the LinkedIn concept with friends. However, two-thirds of them didn't believe it would work¹, arguing that the value of such an enterprise is proportional to the number of people in a network; it is worth nothing at all when the first person joins. Much the same is true for the second person, and the fifth or the tenth. He accepted their critique, but he believed that this problem could be solved by a viral strategy and that he could set this idea on the road and grow it to the right size once a number of people became interested in the network. If the strategy didn't go, then he was intending to sell or just close the company. The team immediately entered into product development in order to focus on network growth and get the business on track. The world's largest professional network started with only 300 users.

The initiation of LinkedIn happened only five months after PayPal, where Hoffman was a board member, was acquired by eBay. His network as an entrepreneur and an investor supported him

¹ Reid Hoffman, "Surviving the Pivot," Stanford University's Entrepreneurship Corner, <http://ecorner.stanford.edu/authorMaterialInfo.html?mid=1687> (accessed September 2015)

strongly in starting a new company at such speed. Peter Thiel, the founder, and Keith Rabois, the vice-president, of PayPal invested in Hoffman's new business, and his former colleague even provided him with office space.

After eBay's acquisition of PayPal, the executive team members went their own ways and launched new businesses one after another, yet have remained connected. The network is called PayPal Mafia. It is so casual that it doesn't have any obligations or periodical meetings, but the members still exchange information and invest in new projects within the network.

PayPal Mafia is noted for its successful entrepreneurs in Silicon Valley. **Exhibits 4 and 5** show how talents, capital, and information are exchanged within PayPal Mafia. Peter Thiel, who is a cofounder of PayPal with Ken Howery and Luke Nosek, started Founders Fund, which provides support for startups. A PayPal Mafia member and the founder of 500 Startups, Dave McClure, had worked as an investor at Founders Fund. Thiel runs another investment management company where Keith Rabois, who was the Executive Vice-President, had worked at as an entrepreneur in residence.

Rabois engaged in many other activities in PayPal Mafia. He invested in Geni, which David Sacks, who was the COO, founded, and in YouTube, which was founded by Steve Chan, Jawed Karim, and Chad Hurley. As well, he sat on a board of Max Levchin's Slide (acquired by Google) and Yelp, run by Jeremy Stoppelman and Russel Simmons. At LinkedIn he used to be the Business and Corporate Development Vice-President. After that he became the COO at Square, which developed the equipment for credit-card transactions. While he worked as COO, Roelof Botha, who was the CFO of PayPal, was welcomed as a board member. Rabois also entered his name as a partner of the venture capital whose founder is Jawed Karim, a co-founder of YouTube.

In 2002, while still working for PayPal, Hoffman shared his wide experience and advice with Mark Pincus, the cofounder of a social game company called Tribe. Free- and vigorous-spirited Pincus and Hoffman, the fastidious strategist, were entirely different types of entrepreneurs, but that's why they got along so well. They bought the concept patent developed by SixDegrees, which was vital for a social networking platform.

SixDegrees.com is the first social networking website and was launched in 1997 (Boyd and Ellison 2007). As the name describes, it is based on the concept of "six degrees of separation," which postulates that you can be connected to anyone in the world via six intermediaries. This theory was established by Stanley Milgram, a psychologist at Yale University. He conducted an experiment to determine how many people you need as intermediaries to send a letter to a target. The result varied from two to ten intermediaries, with the median at five, so he concluded that everyone in the world can be reached in less than six steps (Milgram 1967).

SixDegrees was acquired in 1999 for \$12,500K by a network called YouthStream. However, since the Internet population back then was not large enough, the service was shut down in 2000. An effective processing system for handling social network data was invented and patented by

SixDegrees, and is known as the “six degrees patent.” YouthStream put it up for auction in 2003, since they did not use it in their business operations. Hoffman and Pincus learned about it from Andrew Weinreich, who is one of the cofounder of SixDegrees, and acquired the patent with a bid of \$700,000. They believed that it was seminal for online social networking. Hoffman said “The general attitude among entrepreneurial people is that they think that they were first and that there is no history to what they are doing ...Both Mark and I tracked six degrees as an intellectual precursor to our own businesses.”²

2. Growing Process

2.1 Growth Policy

The executive team of LinkedIn didn’t immediately get cracking on the company’s growth. It was in 2002, right after the burst of the dot-com bubble and they saw many companies withdrawing from the market with heavy debt. “They have borrowed a lots of money. There have been a lot of investments in companies which didn’t have effective business models.” Allen Blue said³.

SocialNet, Hoffman’s first company, had bitter experience with its financial strategy. From 1997 to 1998, many companies entered the social networking market. While his rivals made their pretentious business models appealing and raised huge amounts of money, Hoffman directed his attention to the establishment of a sound business model, but which could not catch investors’ interest so much. Despite the possibility of raising the necessary funds, he couldn’t identify the financial climate at that time and adopted an inappropriate strategy. However, this failure was due to an unusual situation: the frothy financial market. After the bubble burst, he focused on a new business within the shrinking market and again quickly tried to prove its business value.

His attitude towards startup business and its success is well expressed in two metaphors Hoffman often uses to explain what entrepreneurship is like. The first one is: “jumping off the cliff and assembling the plane on the way down.” He says, “Frequently you find that you’ve left key elements out.” Entrepreneurs have to get off the ground to create new value. Another metaphor is scuba diving. When he taught entrepreneurship at his alma mater, he said, “When you’re underwater with an air tank, the air will run out; if you do not get back to the surface, you’re dead. So in entrepreneurship, you’re trying to figure out which way is the surface and how much oxygen you have to get there. Financing? It’s additional oxygen. It’s not success to raise money. It only gives you a longer runway. As a matter of fact, it makes the hurdle at the end higher. You raise \$50 million? You now have to make a really good exit. It’s not really a success metric. And it’s really funny because sometimes I listen to some entrepreneurs say, ‘You want to hear about how successful I’ve been? I’ve raised \$100 million.’ OK. Raising money is only a step that enables you to try to be successful. It gives you

² New York Times (2003), “Idea for Online Networking Brings Two Entrepreneurs Together,” December 1

³ Allen Blue, interview by authors, Mountain View, California, September 3, 2014.

enough runway. And if you raise a lot of money, then the bar at the end is much higher.⁴”

LinkedIn’s founding team members exerted themselves to realize the concept of product services. While Hoffman studied philosophy back in school, Allen Blue, one of the cofounders, majored in drama. However, what he did at the beginning of LinkedIn was design the logo and the product, write code, test the software, help fund-raising, and hiring. Team members did everything needed and struggled to solve problems, irrespective of their areas of specialization.

Since LinkedIn set its business domain as professional services, the company could expect users to pay for it. The founders were confident to grow their business large enough to succeed, if they could get growth at the very beginning. However, growth was the biggest challenge for LinkedIn. In an interview Blue said, “One rule for startups, if you’re lucky enough to follow it, is to make sure you only have one hard problem to solve. And our hard problem was growth.⁵”

Two weeks after the product launch in May 2003, the number of users was increasing 2,000 per week. Although it reached 4,000 at the end of the month, the growth rate wasn’t fast enough. This sluggish growth is actually the reason why they avoided hasty expansion. Since sales of LinkedIn is directly proportional to the number of users, it was unlikely to grow over its slow user increase pace. They slowed hiring way down until they would be able to obtain an increase in growth rate.

Sooner or later, most startups experience the “Valley of Shadow,” and that for LinkedIn was quite early, from May to December of 2003, after they launched the first product. To break the plateau, they introduced the epochal system: A user uploads his email address book on LinkedIn, then the system automatically shows him who his friends are in the network. He also can send an invitation to friends via email. It boosted the number of registrations from 2,000 per week to 20,000 per week. At the end of 2003, the number of users totaled 81,000, and the number of employees increased to 14. Hoffman says he doesn’t know if he would have succeeded without the system⁶.

LinkedIn conducted its Series A in November 2003, the year of founding, and raised \$4.7 million from Josh Kopelman (angel investor) and Sequoia Capital. This funding and the expansion of the network through address book upload let the company break away from the “Valley of Shadow.” The results were small but successful. In 2004, the company broke the 500,000 user mark and raised \$10 million with Series B. At the end of that year, the network had 16 million users with half of them from outside of the United States, and the number of employees rose to 33. When the product launched, 13 countries were registered, but about four months later the list included all countries on earth because new users called for their own countries and the team added them to the list. Starting with the local market in Silicon Valley allowed them to expand the business smoothly. They shared

⁴ Reid Hoffman, “Choosing the Entrepreneurial Path,” Stanford University’s Entrepreneurship Corner, <http://ecorner.stanford.edu/podcasts/1650/Choosing-the-Entrepreneurial-Path>, accessed September 2015

⁵ Allen Blue, interview by authors, Mountain View, California, September 3, 2014.

⁶ Reid Hoffman, “Surviving the Pivot,” Stanford University’s Entrepreneurship Corner, <http://ecorner.stanford.edu/authorMaterialInfo.html?mid=1687>, accessed September 2015

information through the global network of entrepreneurs; connections began between Silicon Valley and the United States, then between the United States and the world.

In March 2005, they launched the first premium service, LinkedIn Jobs, by which users could find hiring opportunities by taking advantage of the network. In August, they also started a subscription service. The next spring, news feed was introduced, allowing users to know the activities of connected people on a real-time basis. In 2006, the company turned profitable, and had 110 employees and five million users. Yet it didn't generate enough revenue to support a large organization, so they set an immediate goal to increase profit and operate the company without firing people for a period of time, even if the expected earnings were not reached.

The \$12.8 million that LinkedIn raised with Series C in January 2007 was assumed to be used in part to expand the company's presence in non-English-speaking countries, since it was open to international competition as a professional network service company. The main competitors were Xing AG (Xing), The Viadeo Group (Viadeo), and Monster (Brochet and Weber 2012). XING is a Germany-based company that offers a professional network service. It went public in 2006, only three years after its foundation. It also has presence in Austria and Switzerland and is known as "European LinkedIn." Its aggregate market price was about \$347 million and had \$85 revenue as of 2012. Viadeo is a French professional network company founded in 2004 and is second largest after LinkedIn. It has 65 million members and is available in eight languages. Monster.com used to be the world's largest search engine for jobs. More than 63 million job seekers used it per month and registered more than 150 million resumes. Since the company was founded in 1995, it has been jointly owned by multiple companies and has grown with the cooperation of more than 10,000 websites, including newspapers and portal sites. However, in spite of such competitors and their stay in Silicon Valley, LinkedIn had continued growing throughout the world. The company finally opened its first international office in London in 2008, when it reached 15 million member registrations.

2.2 Two CEOs

LinkedIn has brought two CEOs on board from outside the company. One is Dan Nye, and another is Jeff Weiner, the present CEO.

Nye was hired as the CEO in February 2007, right after Series C. The number of employee was about 110 in 2006.¹⁴ Generally, as a company grows with more than 150 workers, the role of the CEO changes from being a member of the team to administrative operation of a complex organization with multiple functions. Hoffman had been working as CEO since its foundation, but his level of the interest in operation was not so high. He said, "I'm an innovator, a problem solver...I don't want to be a massive organization leader. I get a lot more satisfaction out of generating

strategies and coming out with new things.” in the *Daily Deal*’s interview⁷. Hence, they judged that hiring a CEO from outside is better than Hoffman forcing himself to play the role. He is not an operational CEO, but an entrepreneurial strategist. While Hoffman assumed the business strategy, Nye ran the operation of the company.

After Nye’s assignment, LinkedIn conducted closed fundraising and intensively developed many products. First, they introduced a profile picture to assure reliability for information that users generate. Second, they developed the open application platform and allowed people to introduce LinkedIn into their original applications. Users also can build their applications into LinkedIn in the same manner. Furthermore, the company launched LinkedIn News, which showed particular news from companies and fields that users were interested in and helped them gather information productively and effectively. In January 2008, the team developed a product for recruiters and launched it at the same time as the mobile version. The mobile version was available on all OSs and had basic functions such as finding profiles, sending invitations, receiving notifications in English, French, German, Spanish, Japanese, and Chinese.

Nye’s operation style was much more focused on sales and business than product development, and it gradually caused the gap between his attitude and Hoffman’s policy. Nye primarily came into the company for operations, but it turned out that for a technology company like LinkedIn, where the product is central, it was really important that the CEO have product experience as and lead the company from the product rather than sales. “Product/market fit — the focus of product management — mattered more than user experience or design” is the basic attitude that Hoffman has kept since his days at Apple.

After Nye left LinkedIn, Hoffman took up the position again, but they were looking for a talent for the same reason as before. They spotted Jeff Weiner in a venture capital company with which they had a partnership and they took him on board. The standard imposed on CEO candidates by the team, unlike in the case of Nye, was to have product experience. “In Jeff Weiner, we found someone who not only was an excellent operator but was also very sensitive about the product we needed to build,” Blue said in the interview⁸.

It was June 2008 when Jeff Weiner retired from the position of executive vice-president of Yahoo’s network division and changed his career to venture capitals. He worked as an executive in residence at Accel Partners and Greylock Partners, which held a stake in LinkedIn, so he was working closely with the LinkedIn team. Hoffman invited him to his company, and in January 2009, Weiner joined LinkedIn as interim CEO, and in June Weiner was promoted as CEO. Around this time, the network had more than 40 million professionals, and the business went on a world scale. Users from India reached one million, and Spanish, French, and German versions were launched.

⁷ Daily Deal (2007), “LinkedIn, Metacafe raise ante,” February 9.

⁸ Allen Blue, interview by authors, Mountain View, California, September 3, 2014.

The first thing Weiner undertook when he joined the company was to enlarge the overall value of LinkedIn and to get prepared for a period of hyper growth. He served to accelerate the speed of expansion. Four months after his becoming CEO, new sign-ups recorded one million within 12 days, and user number hit 50 million. Also, the number of employees increased to 500 in October 2009 from 380 at the point he came into the company. Starting at 2009, the employee bases doubled every year; In April 2016, about 9,200 people work at LinkedIn.

2.3 Recruitment Strategy and Corporate Culture

The hiring strategy employed around the time LinkedIn was just founded consisted solely of introductions from acquaintances. The hiring process started with talking to the person who recommended a candidate for employment. If the team perceived that the person who made the referral was excited about the candidate, then they set an interview with a couple of employees. This interview included cooperative problem solving; if the candidate performed well, he or she was welcomed to the company. It may be that there is always a personal relationship behind the reason someone comes into a startup. This casual process, however, was changed around 2007, when the number of employees rose over 150.

After Nye became the CEO, they boosted hiring. New staff members introduced themselves before assembled employees, giving their names, what they were going to be working on in LinkedIn, something interesting about them that was not on their LinkedIn profiles, and performed a talent or skill or imitated an animal cry. Since the company has grown and hires 50–60 people a week, two or three new people at a time go through the same introductory ritual during a company-wide meeting held every two weeks.

LinkedIn states its mission and vision clearly—“to connect the world’s professionals to make them more productive and successful”—and instills employees with this aim. What is difficult about LinkedIn’s business is that the products are for both individual users and companies, so benefits for and from these two don’t always agree. When they conflict, the company’s first priority is always individual users. “We believe that prioritizing the needs of our members is the most effective, and ultimately the most profitable, way to accomplish our mission and to create long-term value for all of our stakeholders.” They say in the mission statement.

They believe the vision “to create economic opportunity for every professional in the world” is the fundamental power of their network. The team effectually manages the company and makes decisions in full compliance with this mission and vision; the entire company knows these company credos.

2.4 The Period of Rapid Growth

Starting with the foundation of the London office, LinkedIn’s globalization increased momentum.

They added three languages in quick succession and assigned a country manager in Australia and New Zealand. An International office was opened in India and Amsterdam in the Netherlands. As the number of users in Canada passed the two million mark, they got prepared to establish a local office there. The network was expanded all over the world with 65 million users, and the number of employees supporting the network reached 700.

At the same time as global expansion, LinkedIn concluded partnerships with many companies such as Amazon and Google for applications. *The New York Times* introduced a platform on Business and Technology pages online for readers to share articles and discuss stories with LinkedIn members. After Weiner's assumption, Twitter formed an alliance with LinkedIn to link contents; when a user updates his or her status on LinkedIn, it will be tweeted on Twitter simultaneously. Conversely, users' tweets will be shared on LinkedIn. This alliance addressed the situation when a user wanted to share and circulate an article with followers or asked questions related to business on a real-time basis. Partnerships were also forged with BlackBerry and Microsoft, which aided users' productiveness and effectiveness.

LinkedIn acquired three startups in the half-year period before it went public. One of the reasons why the company continued Series C in 2007 even after it became profitable in 2006 was to prepare for key acquisitions. Although it was producing surplus income, it didn't have enough money to play with, thus obtaining funds for coming acquisitions by receiving venture capital investments.

The first acquisition they made was a startup called mSpoke, which offered an adoptive, personalized engine that employs recommendation technology to generate relevant media content. The startup was run by only two engineers at the time. It can be deduced that this was a key purchase to gain talent. The second acquisition was ChoiceVender, whose product allowed companies to rate and review business-to-business service providers such as accountants and call centers. A startup LinkedIn acquired right before IPO was CardMunch, which offered a mobile business card transcription service that captured business cards and created contacts in a user's phone. For LinkedIn, whose primary characteristic is professional networking, management contact is an essential perspective. Evernote took over the position of CardMunch and carries the function of business card scanning in 2014.

Two months prior to listing, in March 2011, LinkedIn opened a local office in France with 100 million members all over the world and 1,500 employees. They speeded up the hiring pace and welcomed 500 new workers in three months. One of the reasons they decided to go public was to expand their business by acquisitions.

2.5 Fundraising and The Initial Public Offering

Table 1 shows the financial history of LinkedIn (See **Exhibit 1 and 2** for LinkedIn's financial history). Venture capitals in Silicon Valley are listed for Series A, B, and C. Goldman Sachs, which

is familiar as investment funds, invested in series E. You can tell that these investments do not even come close to stock market results from and after the IPO. These funds were invested in large acquisitions LinkedIn made, as can be inferred from **Exhibit 3**. After the IPO in May 2011, the number of acquisition increased.

LinkedIn indicated its intention to go public in January 2011 and became listed on the New York Stock Exchange on May 19 of that year. It was the eighth year after the foundation.

Initially the team took no thought of going public when they started the business because they were occupied with establishing an innovative business model. Nye's assumption as CEO led to speculation that the appointment was for preparation toward IPO or due to pressure from investors in 2007. However, Hoffman responded to press inquiry and denied it. "I think going public is the most likely outcome for the company, but we're not trying to rush towards it."⁹ Investment banks and potential acquirers had approached the company, but he said he would prefer to build out the company before exploring any exit strategies. "What we've told people is that we're very bullish on the long-term prospects of the company," he said. "We're not seeking an acquisition. We're really convinced we have a platform for creating a large business."

However, to pay 6,000 employees, they needed to grow the company to a certain scale. Also there is a rule stated by the US Securities and Exchange Commission that once a company passes a certain number of shareholders, it has to go public. The team wasn't insistent on any specific day to do it, but most importantly, they knew that there would be a series of IPOs, starting in 2012. Facebook and Twitter were also expected to do an IPO around that time. If LinkedIn would have gone public in 2012, the company would just have been a part of the IPO rush. The team wanted to make sure that they had ability to set the tone of their own merits rather than being branded as just another social network stock, so they decided to get a start on the series of IPOs as the first large social networking company in the United States.

The share price performance received much attention from investors. Private shares of the company traded at an implied valuation of \$2.5 billion on SharesPost, a secondary market. When they announced their IPO, they planned to sell more than 7.84 million shares. The underwriters of the offering had the option to sell an additional 1.176 million shares, depending on investors' demand. A rush of orders occurred, as expected of the first large listing of social network stock, and roughly 95 percent of the investors who wanted a position did not get the quantity they desired.

LinkedIn originally set its offering price at \$32 to \$35 and expected roughly \$300 million funding. However, receiving increased attention from investors, they raised the price sharply at \$42 to \$45 at the last minute and became the fifth largest IPO for Internet software and service sector in the United States, with a fund of \$352.8 million.

⁹ Daily Deal (2007), "LinkedIn, Metacafe raise ante," February 9

On May 19, the shares opened on the market at \$83, significantly exceeding expectations, and rose to \$122.7 at the highest. The first day on the New York Stock Exchange closed at \$94.25, which made some people foresee return of the dot-com bubble. At the point, the company was valued at about \$9 billion and raised about \$600 million, representing 578 times the company's earnings and 35 times its sales as of 2010.

LinkedIn set the stage of IPO for subsequent social network platform companies and became the cornerstone of the market, as the team purposed.

3. Globalization and Localization in Japan

3.1 Advancing into Japanese Market

LinkedIn established LinkedIn Japan in Shibuya, Tokyo¹⁰, in the summer of 2011 and launched the Japanese-language version in October. The number of users in Japan was about 1.1 million as of June 2015, with enrollment increasing. However, its visibility is not as high as other social networks such as Facebook and Twitter. The key to its growth in Japan is flexible localization, which is responding to the Japanese labor market, business practices, and unique culture and career view.

Influencers, company page, and college page are pillars of LinkedIn's popularization in Japan. Influencers are business leaders invited by the LinkedIn editorial team to publish long-term posts about business related topics such as leadership, management, and hiring and firing. The sales team of LinkedIn Japan visits companies as a part of fieldwork and gives lectures on how to utilize LinkedIn in business. They also appeal college page to higher education with emphasis on its competence as a PR and communication tool.

The company does not run mass-scale advertising. "We might earn consumers' awareness by practicing a transient campaign, but it would just lead to misunderstanding. We believe that the most important thing is to communicate our core value." Rei Hasegawa, the head of corporate communication of LinkedIn Japan, said in the interview¹¹. It is essential for LinkedIn to promote service to those who appreciate its usefulness and to make them feel its value. When LinkedIn entered the Japanese market, it was given the cold shoulder, since it was considered a website for job seekers, but due to constant efforts and patient promotion, now it is building a strong position as a social network platform for professionals.

3.2 As a Media Tool

LinkedIn, whose concept is social networking for professional business people, is often used as a tool for job transfer. Not only in Japan, but even in the U.S. people thought it was a job information website rather than a networking tool. However, this image has been changing through aggressive

¹⁰ The office has moved in Marunouchi, Tokyo in 2012.

¹¹ Rei Hasegawa, interview by authors, Chiyoda-Ward, Tokyo, June 12, 2015.

repositioning. The “Innovation Report” that *The New York Times* published in March 2014 featured LinkedIn among the competitive, emerging media, which also included online publishers such as BuzzFeed and Huffington Post. In other words, there is widespread recognition that LinkedIn is an effective social network platform.

Let’s look into some cases that imply the significance of LinkedIn as a network platform. In October 2013, Angela Ahrendts, who was the CEO of Burberry, stated that she was going to change her career into Apple. After a few months, she uploaded a long-form post on LinkedIn about her new job in Apple. *The Observer*, *Daily Telegraph*, and even *VOGUE*, cited the post and related its content.

When LinkedIn acquired Lynda.com, which offers an e-learning platform, in April 2015, it was a LinkedIn blog written by the CEOs, where they express their personal outlook, that many media cited, rather than the press release. In the press page of the each company, hyperlinks to LinkedIn blogs owned by Jeff Weiner and Lynda Weinman (the CEO of Lynda.com) were strategically included, and they led to the related articles. “It is powerful, because (different from press release) a blog has a message that presents an emotional appeal to individuals. It can be an effective way for announcement, as it shows who is talking to you and appeals to your heart directly, much more than just a declaration like ‘we are doing this and this as a company.’” Hasegawa said¹².

3.3 Influencer

The long-form post used to be a special service provided only for certain members known as Influencers. General members were not authorized to make this type of post. Influencers are approximately 500 leaders in their industries who are also LinkedIn members. You can’t be one of them without invitation from LinkedIn’s editorial office. They are responsible for expressing their opinions and discussing topics such as leadership, management, hiring, and how to succeed in Business, as a LinkedIn’s official content that brings benefits to users. To maintain the high service quality, the list of Influencers is regularly evaluated and revised as needed.

In Japan, the Influencer program was introduced in July 2013 for the first time in an Asian region as a part of marketing strategy. The first invitations were sent to Japanese Prime Minister Shinzo Abe, Yoshito Hori, the CEO of GLOBIS, and Oki Matsumoto, the CEO of the Monex Group. Today Yoshiharu Ueki (Representative Director and President of Japan Airlines), Manabu Miyasaka (CEO of Yahoo! JAPAN), and Nobuyuki Idei (Founder and CEO of Quantum Leaps, and Former Chairman and Group CEO of Sony) have been added and play an active role as Influencers. Their blog posts are published not only for Japanese but also for users in the world and earn “likes” or comments. The post Ueki made last summer about his open office was popular enough to have received compliments throughout the world.

¹² Rei Hasegawa, interview by authors, Chiyoda-Ward, Tokyo, June 12, 2015.

3.4 Steady Sales Activity

LinkedIn Japan offers lectures for companies as a part of fieldwork. When Japanese companies increase dependence on foreign production and sales and require marketing to overseas customers, LinkedIn's appeal is its effectiveness as a networking and brand-building tool.

LinkedIn offers services called Company Page, Career Tab, and Showcase Pages. On a Company Page an organization can illustrate their business and company, and Career Tab on the page leads you to job information that the company offers. Showcase Pages specialize in brands and business projects and allows organizations to promote their products. Through the lectures, LinkedIn Japan emphasizes that a company can build a well-integrated brand by combining these three services: PR, human resource, and marketing.

Toshiba is the first Japanese company that embraced LinkedIn in marketing strategy, in February 2014. At that time, though Toshiba promoted its Smart Community¹³ business globally, raising world awareness and enriching the web content were the challenge for the company. To solve the problem, they established a Showcase Page on LinkedIn and tried to increase the company's visibility and acquisition of prospective customers with the use of the network. As a result, Toshiba has won prospective customers not only in Asia but in India and North America, and it led to practical negotiation in some cases. Toshiba Smart Community Page now has nearly 350,000 followers. LinkedIn's platform that specializes in B2B can facilitate the marketing STP process.

Panasonic uses LinkedIn for international intermediate recruitment, and the Global & Group Recruitment Center controls an entire HR process. LinkedIn allows them to use just one global platform, so the company can hire hidden talent promptly with an effective approach to potential job seekers. Because Panasonic has presented company information through the Company Page and developed a recruitment brand, 80 percent of hiring they make in North America is through LinkedIn as of 2014. Hiring with the platform also makes achievement in India and Brazil.

In addition, Rakuten, ANA, SATO (a RFID maker) use LinkedIn for sales and marketing, recruitment, and enhancement of their brand image.

3.5 College Page

Emphasis on the College Page is one of the unique, localized approaches to the Japanese market, a PR page that universities place on LinkedIn. The program was launched in August 2013, and more than 24,000 universities in the world are registered as of March 2015.

Tokyo University is the first Japanese university that established a College Page in Japan.

¹³ A smart community is a community where various next-generation technologies and advanced social systems are effectively integrated and utilized, including the efficient use of energy, utilization of heat and unused energy sources, improvement of local transportation systems and transformation of the everyday lives of citizens. (<https://www.smart-japan.org/english/index.html>, accessed March 2016)

LinkedIn originally planned to have only 200 university College Pages when the program launched, so LinkedIn Japan recommended that Tokyo University be one of them and negotiated with the product team in the U.S. Shortly thereafter, any university was allowed to establish a page freely, so an additional 22 Japanese universities opened their own pages in December 2013.

Because LinkedIn doesn't have a high level of recognition in Japan, the LinkedIn Japan team visits PR departments of universities and encourages them to establish and utilize the College Page, appealing that it helps communicate with alumni and prospective students on their own LinkedIn page. They also hold seminars for students, aiming to be their information portal for job-hunting and planning study abroad.

4. Discussion Point and Silicon Valley Eco System

Silicon Valley is the mecca of social network platforms that has enjoyed its heyday since 2010. The success of LinkedIn is an excellent example for understanding the Silicon Valley eco system, which supports growth of startups.

In LinkedIn's case, the appropriate acquisition of management resources for each stage of growth is apparent. The injections of talent and funds were done at the right time. The organization hired a CEO from outside the company twice, a course that stems from the managerial philosophy of the founder. General employment was guided by specific rules. Much effort has been directed into sharing the company philosophy, thus avoiding its weakening. Fund raising and financing arrangements were based on the planning of the experienced founder from lessons he learned in his first business.

Generally startups develop a new service that will be the second pillar of the business when a certain size is reached. However, LinkedIn used a different strategy and stayed in the professional networking business. It doesn't necessarily mean they haven't changed; the use of LinkedIn has varied from a network that optimizes personal benefit to a holistic professional information portal. The business model was modified in response to customers' needs. It is worth noting that these services are modified to fit the local market as their business expands globally.

To wrap up the discussion, we spotlight Silicon Valley's eco system. Silicon Valley has long maintained its position as the world's foremost entrepreneurial environment, providing support to startups with investors, skillful engineers (a large percentage of whom are immigrants), lawyers and accountants specializing in entrepreneurship, and universities that offer technical seeds and support (Saxenian 1994; 2005).

Many researchers note the existence of serial entrepreneurs in Silicon Valley (Saxenian 1994, Taji 2010). By contrast, those who just start to run their own business for the first time are novice entrepreneurs. Silicon Valley opens a door widely not only for serials but also for novices, whose first business may exit with either IPO or buyout. Then again, novices may found a company and become serial entrepreneurs. Even when the business doesn't generate a satisfying result, they try new ideas.

It is common that entrepreneurs repeat this cycle with the same management team members. In the case of Hoffman, he did not lead his first company to success, but after that failure, he founded LinkedIn with several members from SocialNet.

An executive team and employees move from startup to startup as a team, just like flock of migrant birds. The authors have studied the semiconductor industry and life science industry as well as IT, and this practice was seen in all business fields. Executive teams catch up with cutting-edge technology and enhance their negotiation skills during their trips (Taji 2010; 2011; Taji and Niiya2015).

Silicon Valley keeps producing success examples, such as spinoffs from Apple, Google, and Facebook. LinkedIn was also a spinoff from PayPal. The chain of spinoffs (Fukushima 2013) builds an entrepreneur network. You can see management resources shared and moving within PayPal Mafia. These networks are what back up Silicon Valley as the mecca of entrepreneurship and keep generating new businesses.

Acknowledgement

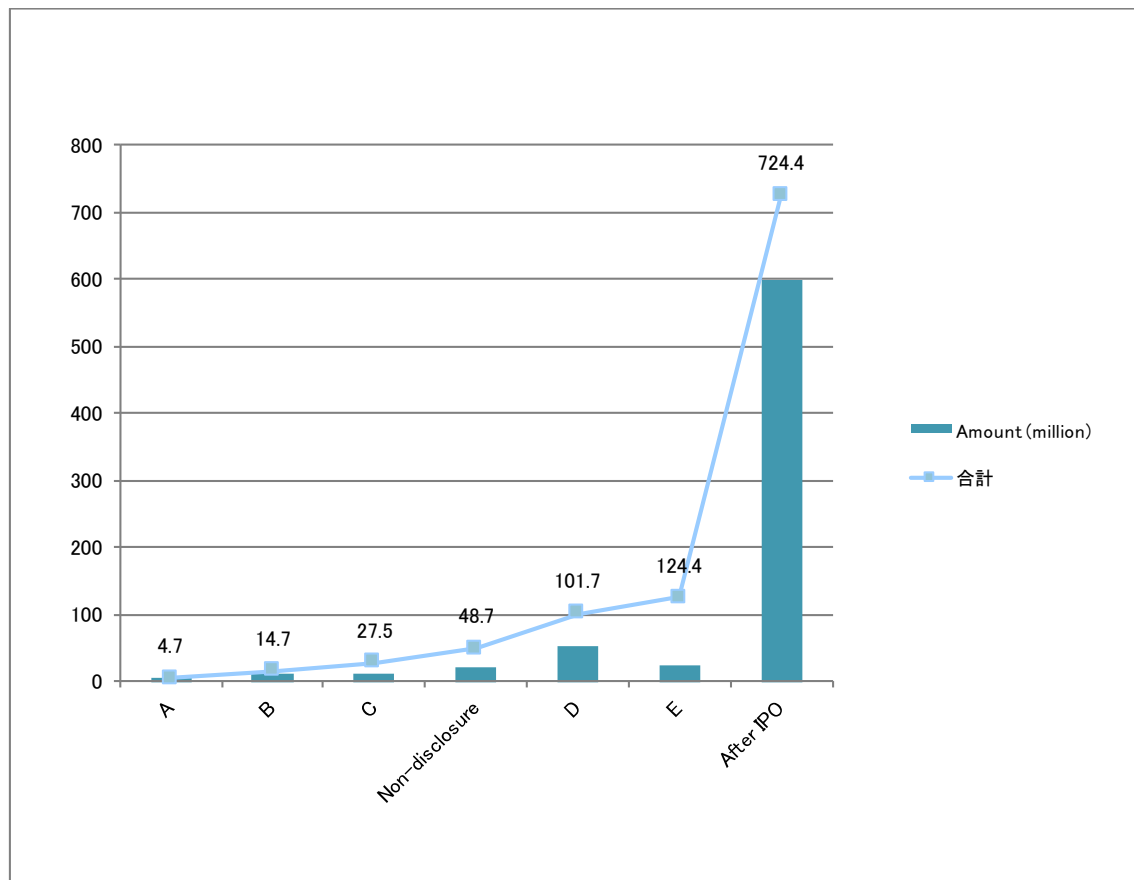
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Exhibit 1 LinkedIn's financial history

Series	Date	Amount (million)	Investor
A	2003/11/1	4.7	Josh Kopelman Sequoia Capital
B	2004/10/1	10	Greylock Partners
C	2007/1/29	12.8	European Founders Fund Bessemer Venture Partners
Non-disclosure	2007/3/20	21.2	
D	2008/6/17	53	Bessemer Venture Partners Sequoia Capital Greylock Partners BainCapital Ventures
E	2008/10/22	22.7	MacGrew-Hill Companies Goldman Sachs Sapphire Ventures Bessemer Venture Partners
After IPO	2013/5/1	600	
Gross amount		724.4	

Source: Crunch Base, Interview with Allen Blue 3 September 2014

Exhibit 2 LinkedIn's financial history



Source: CrunchBase, LinkedIn website

Exhibit 3 Companies acquired by LinkedIn

	Company	Date	Amount (million)	Business description
1	mSpoke	2010/8/4	\$0.60	offers an adaptive personalization engine that employs recommendation technology to generate relevant media content
2	ChoiceVender	2010/9/22	\$3.90	allows companies to rate and review business-to-business service providers
3	CardMunch	2011/1/26	\$1.70	a mobile business card transcription service that captures business cards and creates contacts in user's phone
4	Connected	2011/10/5	Not-disclosed	Connected is a web-based contacts manager that unifies the user's contacts across their emails and social media into one interface
5	IndexTank	2011/10/11	Not-disclosed	a real-time, hosted search engine that enables developers to build search-based applications efficiently
6	TrustHop	2012/00/00	Not-disclosed	offers an online social search and hiring platform that enables users to hire local individuals to carry out services
7	Rapportive	2012/2/7	\$15M	email add-on that displays social media info about contacts inside the users' inbox
8	SlideShare	2012/5/3	\$119M	an online community that allows users to upload and share PowerPoint presentations, documents and infographics
9	Pulse	2013/4/13	\$90M	Pulse is a news reading app that provides users with news from multiple RSS feeds on a single interface
10	Bright.com	2014/2/3	\$120M	uses artificial intelligence (AI) to connect job seekers to their best opportunities, and employers to their top prospects
11	newsle	2014/7/14	Not-disclosed	a web application that allows users to follow real news about their Facebook friends, LinkedIn contacts, and public figures
12	Bizo	2014/7/22	\$175M	a marketing platform enabling B2B marketers to identify, reach and engage their target audiences online

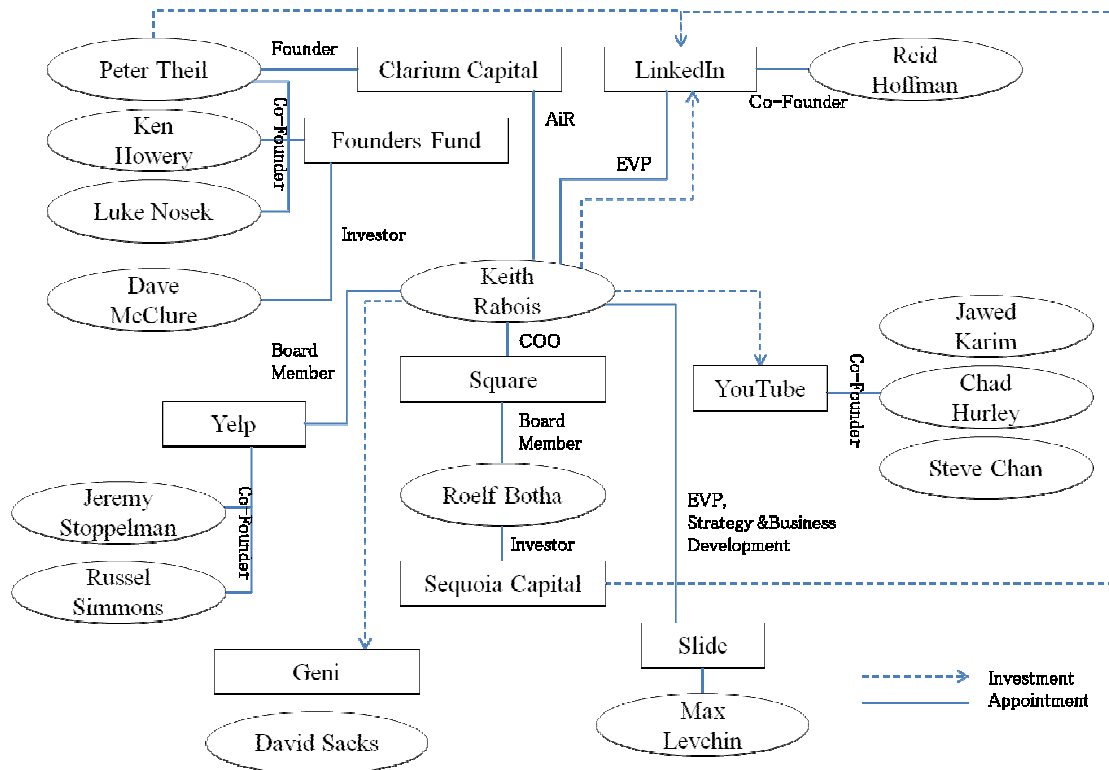
Source: CrunchBase

Exhibit 4 Paypal Mafia

Name	Position at PayPal	Main activity after sell out
Peter Thiel	Co-founder, CEO	Founders Fund (Managing Partner) Clarium Capital (Founder, President) Facebook (Board of Director)
Max Levchin	Co-founder, CTO	Slide (Founder, CEO) Affirm (Founder, CEO)
Elon Musk	Co-founder, Director	Tesla Motors (Co-founder, CEO) SpaceX (Founder, CEO)
David Sacks	COO	Geni (Founder, CEO) yammer (Co-founder, CEO)
Roelof Botha	CFO	Sequoia Capital (Partner) YouTube (Board of Director) Square (Board of Director)
Keith Rabois	Executive VP Business Development	Clarium Capital (Entrepreneur in Residence) LinkedIn (VP, Business & Corporate Development) Square (COO)
Reid Hoffman	Executive VP	LinkedIn (Co-founder, Executive Chairman) Greylock (Partner)
Premal Shah	Product Manager	Kiva (Co-founder, President)
Dave McClure	Director of Marketing	Founders Fund (Investor) 500 Startups (Founder, Partner)
Jeremy Stoppelman	VP Engineering	Yelp (Co-founder, CEO)
Russel Simmons	Engineer	Yelp (Co-founder) Learnirvana (Founder, Chief)
Chad Hurley	Designer	YouTube (Co-founder, CEO) mixbit (Founder, CEO)
Steve Chen	Engineer	YouTube (Co-founder, CTO) AVOS (Co-founder)
Jawed Karim	Engineer	YouTube (Co-founder) Y Ventures (Founder)

Source: The Start Up of You, LinkedIn profiles of each person, accessed March 2015

Exhibit 5 Correlation chart of Paypal Mafia



Source: LinkedIn profiles of each person (accessed March 2015)

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