

THE **Brain** Behind **LinkedIn**

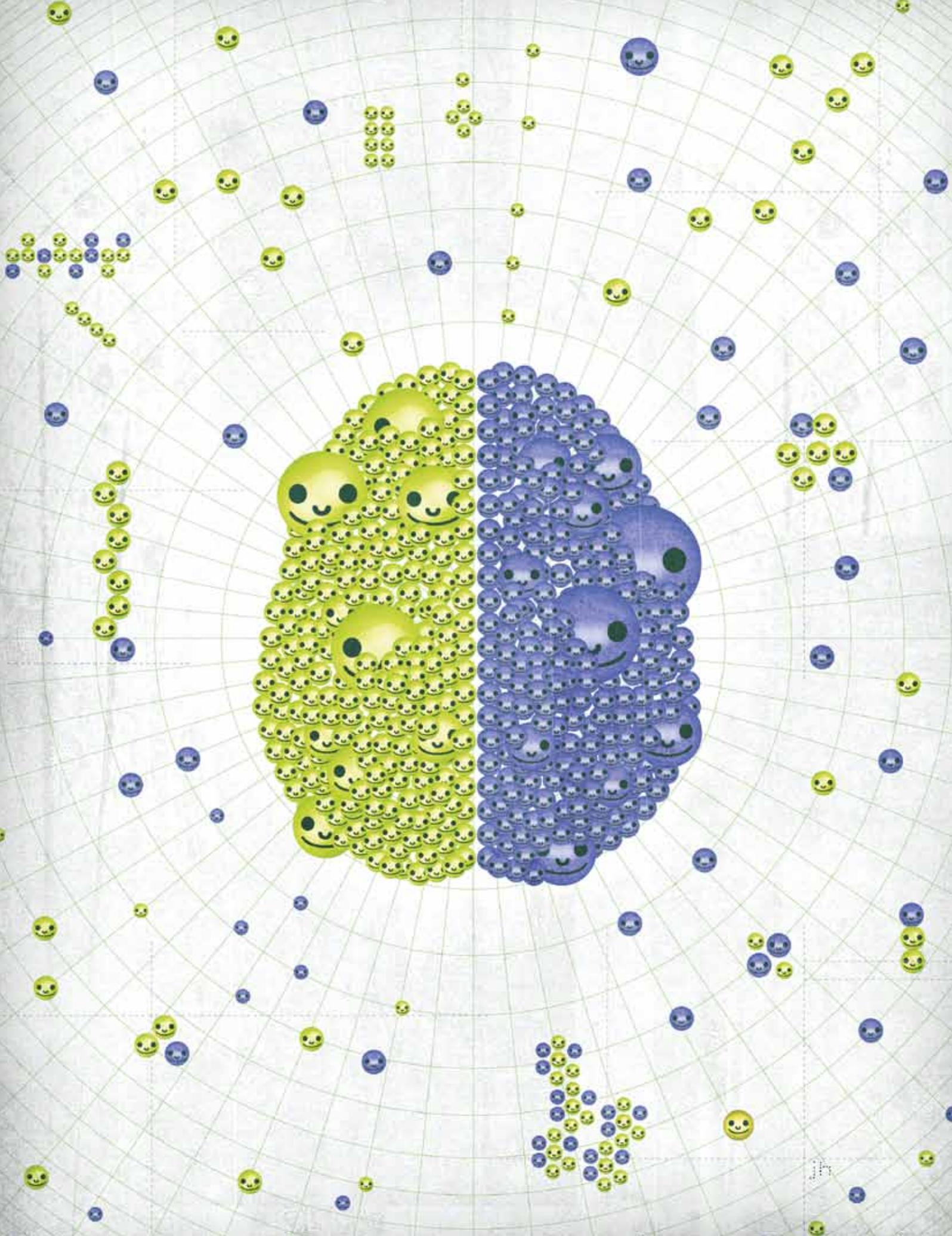
How Reid Hoffman, a philosophy major, born networker and serial entrepreneur, created a tool for connecting

BY LAWRENCE M. FISHER

A feature film about social networks opened Oct. 1, packed with scandal, sex and drugs, and purporting to tell the true story of a popular Web destination that has rapidly gained the kind of notoriety money alone can't buy.

This is not that film. This is a story about another hugely popular social media site, one that stays out of the headlines, a "boring" one that, as some Silicon Valley wit put it, "won't get you a date, but might get you a job." That would be LinkedIn.

John Hersey (all)



It's hard to imagine a Hollywood feature starring Reid Hoffman, the unselfconsciously cerebral, and corpulent, founder of LinkedIn, but it would have to begin at Stanford University, where he earned a B.S. in symbolic systems, a multidisciplinary major that focuses on computers and minds: artificial and natural systems that use symbols to represent information. The major pulls as many faculty members from philosophy and linguistics as it does from computer science, but its unofficial sensei, and Hoffman's adviser, was Terry Winograd, an enfant terrible turned eminence grise of the artificial intelligence movement, and an early entrepreneur in social media technologies.

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the changing world of work,

Perhaps not coincidentally, Winograd was also the adviser to the founders of Google, Sergey Brin and Larry Page, and it was he who suggested that they pursue some kind of Web index for their doctoral work. Winograd recalls the undergraduate Reid Hoffman as a personable young man already thinking in entrepreneurial terms, although unsure of how to proceed.

"The whole point of that program is you have the technology side and the philosophy side working together," Winograd said. "He was more of a networking, people person than a lot of the others who go through that major. So something centered around person-to-person communication and coordination suited him."

For Hoffman, his undergraduate years were less a linear progression toward a chosen career than a chance to discover his own identity and true vocation. "When I went to Stanford, I didn't really know what I wanted to be when I grew up," Hoffman said. "I knew I was very interested in how people communicate with each other and reach conclusions, how you come to agreement, how we can collectively get to truth." That is how we gradually improve as a species, he added.

"But I always want to be as effective as possible, so as an undergrad, I thought, Let me be a scientist; I'll use computers as tools and metaphors to think through this. Ergo, symbolic systems," he said. "My conclusion was we were modeling thinking when we didn't know what thinking was. So while I was interested in psychological experiments, what I was most curious about was how do we live and make our lives meaningful."

The scene shifted to Oxford University, where Hoffman pursued a master's degree in philosophy. "I thought maybe philosophy was the answer, but what happened at Oxford was, within about six months I realized the academic game didn't really resonate with me. It's all about being a very nar-

row scholar, and writing books that maybe 50 other scholars read. I was most motivated by 'how do I change the lives of millions of people?' and I realized the academic podium is really kind of antithetical to that."

Hoffman completed his master's at Oxford, but he also spent some time at the Massachusetts Institute of Technology, where he read, and wrote a lengthy analysis of, *Understanding Computers and Cognition*, a seminal text by Winograd and a co-author, the Chilean philosopher Fernando Flores. As Mitch Kapor, the founder of Lotus Development, put it, this was "the first book to provide a grounded account about computers, language and mind which informs the theory and practice of

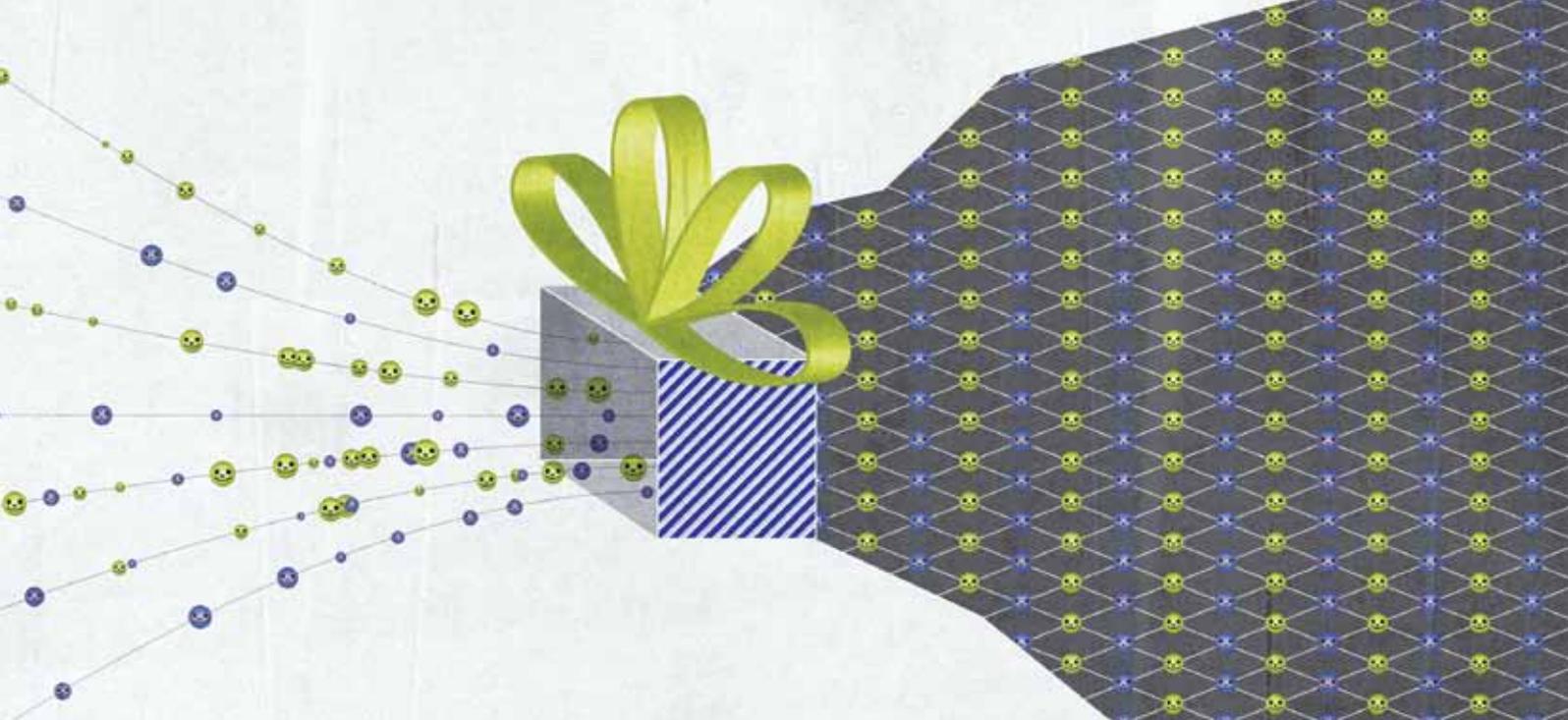
making computer programs that work for, not against, people."

While Winograd and Flores started a company in the early 1980s and created a software program to put their ideas to work, it was 20 years ahead of its time and gained only a small, yet fiercely loyal, customer base. Nevertheless, that program, which they called the Coordinator, is now often cited as a forerunner of today's ubiquitous social media platforms. Indeed, when a user clicks on the accept or ignore buttons in response to a LinkedIn invitation, she is unknowingly adopting the speech act conventions that informed the Coordinator.

"I found that if I broadened my definition of what the work is that a public intellectual does — from writing articles for *Atlantic Monthly* and *The New York Review of Books* to writing software — all of a sudden the palette of tools for building stuff to affect lives had a path I could take," Hoffman said.

He returned to northern California filled with entrepreneurial zeal, and ready to start a company that would affect lives in a positive way. But while the venture capitalists on Menlo Park's famed Sand Hill Road were happy to talk to him, they all asked a question that Hoffman stumbled over. They wanted to know if he had ever shipped a product. The answer, of course, was no; indeed he'd never worked at any "real" job, except for a summer internship at Inglenook, a Napa Valley winery.

Recognizing that he would have to serve a proper Silicon Valley apprenticeship, he went to work at Apple Computer, and followed his time there with a stint at Fujitsu America's operation in Sunnyvale. With this experience behind him, he returned to the venture capitalists, answered "Yes" to the crucial question, and received backing to start his first company, SocialNet, in the summer of 1997. But although SocialNet



and the value of networks in work and life.

ultimately returned capital to investors, Hoffman said, it was less than a success.

“I had a good product idea, but only a partial business idea,” he said. “We designed a really great product for bi-directional matching. But I realized you have to have a plan for how to get to millions of people. ‘A looking for B, B looking for A’ worked well in situations of symmetric interest — dating, roommates, tennis playing partners — but in the professional world, would-be connections tend not be looking for another person just like them.”

Although SocialNet did not succeed, during his time there Hoffman was asked by two old Stanford friends to join the board of their start-up company, which became PayPal. After selling SocialNet to an online dating site, he joined PayPal as a full-time employee, and was executive vice president at the time of its sale to eBay in 2002 for \$1.5 billion. PayPal’s strength, he said, was that it introduced a logical banking service — secure online payments — that banks had not imagined.

“I prefer to do things where there really isn’t any competition,” Hoffman said. “Second best is slothful, stupid competition. Banks, if you can compete with them without being a bank, are great to compete with. Innovate against no competitors, or bad competitors. If you’re going up against an aggressive, smart competitor who’s already in the market, you either have to be really good or not care if it all blows up.”

Hoffman’s take from PayPal’s sale was sufficient that “I could retire to a middle class life without a salary, so I had accomplished my first personal goal,” he said. “If you don’t need a salary, you can concentrate on doing what’s most important to you. I realized I wanted to continue to build ecosystems that could transform people’s lives in a positive way. I wanted to

make their interconnections more mutually beneficial, more relevant.”

Our film would now flash through a quick sequence of jump cuts to signify a start-up business: Hoffman and his co-founder, Allen Blue, drafting a rough business plan; their anxious first meeting with the venture capitalists; early hires pounding out code in a cheap rented space; the creation of the LinkedIn Web site; the first million users. But even in Silicon Valley, reality moves a bit more slowly than a Hollywood movie, with more stumbles and missteps along the way.

“I wanted to do something that could bring about massive change, but then I had to take three steps back and ask myself, now how do I start a start-up that can move in that direction, because I had learned that you don’t just have something spring from your brow like Athena,” Hoffman said. “It’s more like building with Legos.”

And while it is possible to build a model of Paris or the starship Enterprise with Legos, Hoffman knew it would be best to start with a one-room cabin. “Take the easiest, simplest problem that’s solvable, that works and scales,” he said.

Hoffman aimed for the convergence of two trends, which between them amounted to a solvable problem with a scalable solution: the changing world of work, and the value of networks in work and life.

“The notion of a career ladder is broken; everyone is in the business of themselves,” Hoffman said. “All of the attributes of a small business now apply to you as an individual: the brand of you, your competitive differentiation, how do you generate new opportunities. Coupled with that, we all are now working in a networked society, even if we have no concept of what that means. You are potentially connected to

Using Social Media

In all likelihood, any one of the many LinkedIn books can tell the reader how to create a profile, establish a network and make the most of the site's functionality. But none of them describe how Reid Hoffman — presumably the ultimate power user — takes advantage of his own creation.

Just as a talented author doesn't need StoryWeaver, Dramatica Pro or, for that matter, Microsoft Word, to write a compelling novel, a diligent networker doesn't need LinkedIn to maintain a contact base. It just makes the job easier. By his own and others' accounts, Hoffman was always a good people person, but he said he finds ways to reach out with LinkedIn that would be awkward or time-consuming without it.

"One vector for how I use these tools is, our brains don't work like computers," Hoffman said. "Say I've got some interesting ideas about how education should be reformulated, and I wonder who I should talk to about them, I'll do a search on LinkedIn. I do that for everything from my

projects to projects helping other people. One of the reasons you search LinkedIn is you don't know which of your 100 connections knows the right person. You're not going to call all of them."

The theory of small gifts

One of the ironies of the Internet era is that while contact information for a Reid Hoffman, a Joi Ito or a Steve Jobs is now readily available, gaining access to such people is not easy. Indeed, without a mutual reference, it may be completely impossible. Hoffman said LinkedIn helps seekers find points of common interest or colleagues in common, while also helping the sought-after individual filter the barrage of requests for his or her attention to identify those people who truly have something of interest or merit.

"Opportunities are created by positive, warm connections with other people," Hoffman said. "You do small things for people that are really valuable to them, and

they remember it. Even if they forget, you're still creating value. Take introductions. You have to apply some intelligence, but when both people thank you for being introduced, you've increased your karma with both," he said. "That's key to how you build a set of relationships for living in a networked world. What LinkedIn does is make that easy; it takes me in aggregate maybe three minutes for each introduction."

Establishing a network presence

"A second theme to my LinkedIn use is — and this is part of the 'how do you live and work in a networked world' — is to establish a good brand and footprint in my network," Hoffman said. "I pay attention to how my profile is established. It should communicate 'this is why you want me as an investor; these are the kinds of things I'm interested in.' Then I can use my network as a filter to sort out who are the ones I want to spend time with. It's all about establishing a presence, in order to

millions of people. You just don't know how to navigate that."

These were not new insights. The British management guru and social philosopher Charles Handy first wrote about portfolio careers in the 1980's; Tom Peters has been a one-man ad campaign for the "brand of me" for just about forever, and Flores, this time writing with the British sociologist John Gray, stressed the critical importance of online identity and networks of trust in "Entrepreneurship and the Wired Life: Work in the Wake of Career."

But Hoffman's singular contribution was to develop a simple tool that addressed all of these issues at once, accessible to anyone with an Internet connection and, in the grand tradition of all Web applications, mostly free. "We knew we had to start with the bare bones — a profile, a network, an ability to get referrals and to invite people in," he said. "That's what we launched with."

For casual users, that's what LinkedIn remains: a place to post an online résumé, communicate with professional contacts, and a simple search tool to match your needs with those of others in the network. Sounds easy enough, but enter "LinkedIn books" at Amazon.com and the site returns nearly 400 how-to-use texts. This is partly a result of the publishing

industry's tendency to pile on, but also partly due to LinkedIn's strategy of veiling advanced capabilities and add-ons behind its uncluttered facade. Some of these features require a paid subscription; others are free but you have to hunt for them.

Hoffman said that the tiered layers of services are how LinkedIn can make money while still offering substantial value at no cost, but that there is also an appreciable ongoing public learning curve when it comes to creating and managing an online identity. By making the opening page of LinkedIn very simple, like Google in its early days, he also made it very accessible.

"We're profitable, while we also offer a robust free account," Hoffman said. "So we actually hide most of the things, other than advertising, where we make our economics, like subscriptions and job listings. The only time you encounter that is when you're trying to get in touch with someone, or vice versa, and then we ask you to subscribe."

Since the earliest days of the Internet, individuals have acquired online identities incrementally; you are what you post, you are what you do. But, unfortunately, you are also what other people post about you, or capture you on film doing in an inebriated moment. Hoffman said LinkedIn returns the

build the right relationships and attract the right business opportunities.”

Proactive problem solving

“The third vector is a set of proactive uses,” Hoffman said. “How do I solve a problem? How do I get to the right person to solve that problem? Almost all of these problems are solved by connecting with the relevant person — someone with knowledge and expertise, with access to resources. All of these what, where and how come through a who when it’s in the arena of how business is done,” he said. “You get a competitive advantage based on how well you know how to do that.”

While these connections can be narrow cast, like finding the right person and messaging him or her a single question, Hoffman often taps the collective knowledge of his broader network. Recently, in a query on LinkedIn Answers, he asked: Other than tax code and availability of technical talent, what are the considerations I should look at when opening a European headquarters? “We ended up in London, even

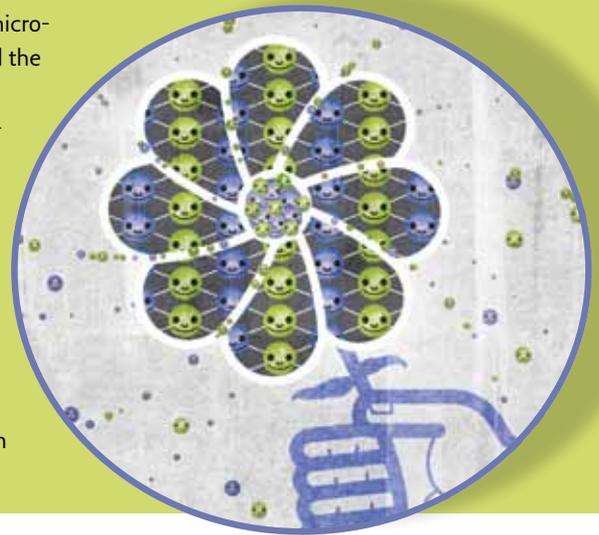
though it’s expensive,” he said, “because the common language and availability of plane flights were compelling reasons to locate there.”

Blending the for-profit and non-profit worlds

Hoffman said LinkedIn also helps him leverage his position in the for-profit world to benefit his interests in the nonprofit world, where he sits on several boards. He tells the story of how Danny Rimer, managing partner of Index Ventures’ London office, became intrigued with the micro-finance organization KIVA and asked the president and co-founder, Premel Shaw, if he would speak to a gathering of chief executives that Index was planning.

“Premel did what he should do, which is to think, ‘I don’t know this guy,’ and say, ‘I can only do it if you fly me business class and you donate \$250,000 to KIVA.’” Hoffman said. “Danny said, ‘I can’t do that.’ But he went on

LinkedIn, typed in KIVA and saw that I was on the board and sent me a message. I said: ‘Let’s get on the phone. I can tell him that you guys are great people and your CEOs will be great people to know, but you still have to make some kind of donation because he’s flying away from a full-time executive position.’ I suggested \$50,000; in my view that’s reasonable. Ultimately, Premel was the keynoter. That’s the kind of thing I can do by being in both for- and nonprofit. That’s why you blend them.”



creation and management of an online identity to the owner.

“The majority of people don’t understand, still, how to take more rigorous control of their profile in a networked world,” Hoffman said. “But for most people, the following line of questioning works: ‘Do you Google other people?’ ‘Yes.’ ‘Do you Google yourself?’ ‘Maybe.’ ‘So what do you do to put up the best possible presence for when other people Google you?’” he said. “Greater than half of the interesting opportunities come to you rather than you looking for them.”

The digitally adept took to LinkedIn immediately. Indeed, for many of them, it was a transparent extension of the way social networks have worked in Silicon Valley since the days of Jobs and Woz in the garage, if not Hewlett and Packard. But, just as e-mail-enabled asynchronous messages transformed daily communication, LinkedIn expanded networking beyond the constraints of direct personal connection. Six degrees of separation no longer applies.

“I don’t think there’s any question that LinkedIn has completely transformed the way people think about communicating and connecting with each other,” said Sunil Paul, a serial entrepreneur and founding partner of Spring Ventures, a San Francisco-based fund that invests in and incubates

clean energy companies. “It’s carved out a unique space in the professional world, and it’s just a matter of time before it’s a regular part of social interaction.”

And with more than 73 million users in 200 countries, LinkedIn’s reach has spread far beyond the digerati of Silicon Valley. It’s now the go-to site for people on both sides of the job search-recruitment continuum, and developing an appropriate LinkedIn profile is a strategic priority for professionals and companies alike. Help is as easy to come by as a copy of *LinkedIn for Dummies*, which like most titles in that series is actually very clear and concise, and there is “expert” advice available at every scale and price level.

“I think LinkedIn is really all about making it so much easier for connections to be made, not just between recruiters and candidates but for potential candidates to look for potential employers, so it becomes more of a two-way street than ever before,” said Suw Charman-Anderson, a London-based social media consultant. “The ease changes the quality of candidate that you can find, but also the number of candidates you can look through.”

Charman-Anderson said that while big companies like I.B.M. are the most visible potential employers on LinkedIn,

smaller firms have the most to gain because they could never afford professional recruiting services. "From the point of view of small businesses, LinkedIn is just the biggest godsend ever," she said. "Even if you're a two-person or a 10-person firm, you have access to 73 million people. It totally opens up your reach without your having to spend a fortune on advertising."

Two notable strengths of LinkedIn are that it has so far avoided both the invasion-of-privacy issues that have dogged Facebook and stayed remarkably free of the rude or just plain random postings that plague nearly all online forums.

"LinkedIn has managed to find the right balance between access and exclusivity," said Paul Saffo, a technology forecaster based in Silicon Valley, and consulting professor in the School of Engineering at Stanford University. "It has maintained a professional demeanor, and the way they manage adding contacts works very well. The signal-to-noise ratio is a lot more favorable than most social media."

LinkedIn's mannerly behavior is in part by design, and in part a reflection of its creators' intent. LinkedIn is a licensee of the TRUSTe Privacy Program and adheres to its key privacy principles, including: never rent or sell personal information to third parties for marketing purposes; never share contact information with another user without consent; and declare that any sensitive information will be secured with all indus-

try standards, protocols and technology.

Technical safeguards are important, but LinkedIn seems to have benefited just as much from an unspoken etiquette that colleagues say is very much an extension of Reid Hoffman.

"Social network services are like the founder's brain on servers," said Joichi Ito, an activist Japanese entrepreneur and chief executive of the Creative Commons. "Reid is focused on utility and helping change the way people work and interact in a productive way. Reid likes to have fun, but LinkedIn is focused on providing utility and value. It can be fun to use, but the function is to help you find the right contacts in your network to get something done."

One weakness of LinkedIn is that the site has been slow to upgrade clunky functions and often adds potentially useful new capabilities without informing its users. For example, the company has a powerful application called Answers, which allows any registered user to query his or her network, or the extended user base, with questions large and small. Hoffman said he uses this feature almost every day, but you will search in vain for it at linkedin.com. Instead, it is segregated off in its own URL at linked.com/answers, for no apparent reason.

"What's quite odd about LinkedIn is how slow to market it can be at times," Charman-Anderson said. "For ages, all you could do was pull your blog pages in, and even that didn't work half the time. I'm just looking at the site right now, and there's a bunch of stuff I hadn't been aware of. They're actually quite good at e-mailing you your updates, but quite poor about spreading the word about new developments on the site."

Hoffman said he is well aware of such issues, and though he doesn't talk in terms of cause and effect, they may have played a role in his return to an operational role at LinkedIn at the beginning of 2009, after the resignation of Dan Nye as chief executive. Jeff Weiner, previously an executive in residence at Accel Partners and Greylock Partners, was named chief executive of LinkedIn in June 2009, after joining the company as interim president in December 2008. Hoffman is now executive chairman of LinkedIn, as well as a venture partner at Greylock, where he spends one day a week. But he has said he has no intention of taking over daily management again.

"I believe that you are only truly world class at things that you're deeply passionate about," Hoffman said. "Other things, you can be good, but not world class. What I'm passionate about is, how do we improve these human ecosystems. I'm not particularly passionate about building organizations. I'm not fond of staff meetings. What's fun for me is the insight that I can suddenly make something better, whether it's a product, a business deal or a business model. That's what I do: I build, design and improve human ecosystems, through technology, finance and entrepreneurship." 

Lawrence M. Fisher has written for *The New York Times*, *Strategy + Business* and many other publications. He is based in San Francisco.

INTERESTING...

10 percent of families with children under 12 who charged holiday gifts in December were still paying off those bills as of the following October.

(Source: Consumer Reports)

