



Stanford eCorner

Core Ideas for a Social Networking Company

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Using LinkedIn as an example, Hoffman talks about the three main ideas which drive a successful social networking company. They are: Building a business profile, having a network for search and building an application on top of it. Such a concept not only helps employers to reference check prospective employees, but the other way as well.



Transcript

There are basically three core ideas in LinkedIn. So you think, all right, everyone's going to become a publisher. What does that mean? Well, some people are going to blog, some people are going to photo-share, some people are going to share videos. All of that is good. There are good businesses on that. I've invested in some of them, am on the boards on some. But I think one of the things that meant professionally is every professional is going to have a professional profile out to the Web. It makes economic and rational sense because, who knows what might find me? If I'm looking for a job, the job may find me. If I'm an investor and looking for investment, a good investment may find me. If I am, say, for example, an expert on online payments and a consulting gig finds me, that might be interesting too, or a board of directors gig or a board of advisors gig.

So, profile, that was one of the ideas. And then the other idea is, well, what's the key glue to separate signal from noise? Because, of course, with my profile, like for example, when I signed up with Rise in 2001 and put I've been in PayPal, I got a long list of, "I've got the next PayPal idea! Come meet with me!" I'm like, "OK." How do you sort between the people who are crazy, the people who are well-meaning but fundamentally don't know what they're talking about, and the people that actually, in fact, is an investor you would want to talk to. And the answer in part was trust at web relationships. So the way that actually all professionals work, everyone who actually in fact has assets that they can deploy, say, for example, a job at Google, an investment, that sort of thing, they use personal referral. If you come, for example, walking up to me and saying, "Hey, look at my business," in this venue, is a very bad way to reach me. Yes, we're at Stanford. Stanford's a smart place. But I don't know how to sort that out from the other 15 approaches I have this week, and I'm not even a professional investor. I have a day job. It's called LinkedIn.

The best way to reach me or any other investor is coming through someone who will say, "This person rocks! They've got a great idea. They're sensible. They're smart." It's worth your time to take 30 to 60 minutes, of which I have personally a maximum of three of those slots a week, because I normally do this on Sundays. And it's time from me, time away from my wife. But, for example, if I'm a venture capitalist, I get maybe 50 to 100 business plans minimum per week, probably 300 or 400. They show up through the mail. And they get dumped in my lobby. I don't look at any of those. I don't know of a VC who spends any time looking at those whatsoever. Sometimes you have associates who say, "Hey, you're not busy."

Go read those things. See if there's anything interesting. I'm particularly interested in online gaming. Is there anything in that there?" That sort of thing. Best way is to get an introduction. Because even if, for example, your idea is half-baked, if someone that an investor, for example, trusts says, "Pay attention to this one, they're smart," they pay attention. Because one

investment strategy is invest in people. There's a whole line of Silicon Valley investing that's "I invest in people," and that's what I do. So LinkedIn was profile, network of trust for searching, for reaching, and for filtering out from being reached, and then the applications built on top of it. So for example, we recently launched LinkedIn Answers, and actually for most entrepreneur stuff, if you're not paying attention or using LinkedIn Answers, you are technologically out-of-date.

Basically, a lot of the questions you would have about customers, markets, that kind of stuff, if you have a network built in on LinkedIn, you can go ask them there and you will be stunned at the quality of answers that you can get.