

Social Networks & the Entrepreneurial Reality: Fertile Platform or Investment “Nutworks”?

Background

The following remarks were delivered to the Caltech/MIT Enterprise Forum at the California Institute of Technology in Pasadena, California on January 12, 2008. The remarks were part of a panel presentation. Other panelists were

- Joe Jasin, VP for Corporate Development, SK Telecom International
- Stuart MacFarlane, Managing Director, Momentum Venture Management
- Tony Karrer, Ph.D., CEO/CTO, TechEmpower

<http://www.entforum.caltech.edu>

Source

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Remarks by Andy Shaindlin, Executive Director, Caltech Alumni Association, to the Caltech/MIT Enterprise Forum, January 12, 2008:

Social Networks & the Entrepreneurial Reality

“Good morning, and thank you.

Tony Karrer referred in his comments just now to **‘brands with a defined audience.’** That’s a great description of an alumni population. The brand is the institution (not the Association itself), and the defined audience is the population that graduated from that institution.

Alumni associations’ market segments are brand communities with some interesting characteristics. In one sense there’s only one path *in* to the community (attending our institution), and there’s no way out. Once you’re an alumnus, you remain an alumnus forever.

There is an much-quoted comment by Peter Drucker, which was published in *Forbes Magazine* about ten years ago. Drucker said that physical campuses would disappear, and in thirty years only virtual institutions would exist. If he’s right, we only have twenty years left. But to whatever extent his prediction is true, we are then talking about *digital customer relationships*, perhaps creating alumni associations for individuals who have never met one another.

At Caltech we started thinking in 2005 about the *closed* nature of alumni networks – “walled gardens” in the current terminology. They are closed compared with the open public sites such as LinkedIn, Facebook, and the others.

We made a strategic decision to actively help alumni bridge their closed alumni networks with the larger public networks, in a way that would connect the two kinds of networks. But we also recognize that **we need to preserve the exclusive nature of the alumni network so it retains its unique value as a separate entity**, and its connection to the parent institution, Caltech.

We soon realized it wasn't enough for us to just tell alumni, 'Go to this outside commercial networking website and start to network.' There are two reasons for this:

First, *alumni will go to the networking web sites anyway*, given enough time. When we launched the Caltech LinkedIn Group in mid-2005, LinkedIn informed us there were some 700 alumni (from a base of 19,000) who claimed a degree from Caltech and who had an existing profile on LinkedIn. In other words, they were starting to use the site before we established an institutional presence.

Second, *users generally won't know what to do when they get there*. When you talk to users about business networking sites, they will often say, 'It doesn't work. I joined the site and created my profile and nothing has happened.'

In reference to this point, author Jason Alba has capitalized on people's tendency to sit back and wait for the network to do something *for* them. He's written two books: *I'm On LinkedIn – Now What?* and the forthcoming *I'm On Facebook – Now What?* In any case, these are the factors that started us thinking about **how to activate the alumni network and link it to the external networks**.

Everything I've mentioned so far is grounded in the idea that *individual alumni* are network members. But I believe that **for organizations, value-creation depends on the existence of groups**. You quickly go from talking about Metcalfe's Law, where the utility of the network is the square of the number of members, to talking about Reed's Law.

David Reed pointed out an important thing about social networks: within them, *groups can form*. **Groups of groups become the important actors in the**

network, and the growth can be exponential; it's proportional to the number of potential groups. *The larger the network, the faster its value increases.*

If we are going to understand as a profession what networks really are, so we can help alumni use them, we have to go deeper than just asking 'How does this web site work?' We need to understand *what networks are and how they work.*

To do this *we need data.* We need data about alumni *in* the network, and their behavior *on* the network. **We need to benchmark basic metrics:**

- How many alumni are in our official group? We know this now, but it's the *only* thing we know.
- What is the average number of connections our alumni have on the site?
- What is the median number of connections?
- What portion of these is *inside* the alumni group, versus connections to non-alumni?
- How frequently do alumni log in?
- How many have made changes to their profiles? How recently?
- How many requests to connect have they sent? How many of those were to other alumni?
- Are alumni more likely to accept connection requests from other alumni? How *much* more likely?

This is just a sample of the basics that would help us derive value from the group functions on these kinds of sites. This wouldn't directly help the alumni using the sites – but **it would help us as administrators to market and position these services more effectively.**

I wanted to mention that until now, groups haven't really been used by the social networks like LinkedIn to market their sites to organizations. Groups have

been promoted primarily as something current site members can join. But for someone running a membership organization, Groups are potentially a strong marketing tool. We can reach out to a lot of people at once who *already* belong to a group (our association) and then help to create groups of groups on the social networking sites. Remember, this is what makes Reed's Law so valuable.

The Big Ten and Pac-10 schools combined have maybe five million alumni already...I haven't added the totals, I'm just estimating. But whether it's four million or six million, 10% of it means a lot of new members joining a commercial third-party network almost all at once. All it would take is **a co-branded membership drive, with the site and the schools working together.**

Finally, I personally am moving away from the stretch goal of a majority of alumni signing up for some service, even if it links the closed alumni network to the open public network. Ultimately, it's probably fine if, say, 10% of an organization's audience joins up, as long as the vast majority of them are using the site – and the tools it provides – to solve a problem they have.

At Caltech, this means alumni sharing knowledge and expertise among themselves to solve each other's problems. Our job as an association is to educate our members about what to do, now that they've connected their closed alumni network with their open professional network, and all the other networks connected to that in turn. And this is where we will turn our attention in the coming year.

Thank you very much."