Career Focus

Competing with Social Networks is a Strategy class targeted at students considering careers in high technology, entertainment, social media or consumer packaged goods. It will be useful for students considering consulting careers, careers inside companies as well as for students who are planning to start their own Web 2.0 companies. Frequent protagonist visits will help students establish relationships required to be effective in this space.

Educational Objectives

The course introduces the network failure framework to help companies that use social networks to build and sustain their competitive advantage. Such companies face two unique strategic problems. First, they compete against a very powerful substitute-real world social network-which potentially undermines their value proposition. The network failure framework addresses this problem by identifying where real-world social networks fail and how to step in to help people establish new relationships, or change their existing relationships. Second, introduction of commerce to social relationships often undermines the latter, implying that firms competing in social industries often run into monetization problems. The network failure framework identifies the kinds of monetization that are viable.

Course Content

The course is composed of three modules. The first module establishes the network failure framework using the example of on-line social networks and examining while some succeeded while others failed. Here we examine: LinkedIn, Friendster, Twitter and mixi. We then focus on successful on-line social networks and examine monetization challenges and opportunities by comparing MySpace and its music venture to Facebook Connect and Google's Friend Connect. The second module uses the network failure framework to establish conditions under which adding social networks helps or hinders competitive advantage of existing business models. Among others, we consider a matchmaking company, eHarmony, a peer-to-peer lending company, Zopa, an on-line
reviews company, Yelp, and finally, Wikipedia Contributors. In the third module, we apply the network failure model to community management. Here, among others, we examine the Presidential campaign of Barack Obama, Young Presidents' Organization and P&G.

**Requirements**

There are three requirements for this class. First, you should come to every session and actively participate in the discussion. Second, during the course you should complete all JavaPolls (linked on the course platform). Third, you should submit a final paper which should thoroughly explore a theme raised through class discussion. Details of what the paper should contain are enclosed in a separate document on the course platform.

Your final grade will be calculated as follows

- class participation: 45%
- polls: 5%
- final paper: 50%
In the first class, we will document the different types of social networking failures and look for their source. To do that, we will draw on your own experience and use this courseware to examine the history of your relationships with your friends and family. The courseware is composed of three sections:

(i) In the first section, we will establish the history of your real-world social network from your childhood until now. To help you remember who you were friends with in different stages of your life, the courseware will first ask you a few questions about the different schools you attended, places where you worked or volunteered and different locations where you lived. The courseware will then ask you about friends you made during the different life stages and how long these relationships lasted. At the end of the survey you will get a printout summarizing the evolution of your network.

(ii) In the second section, we will focus on your existing network. The courseware will ask you how close you feel to the people in your network and whether your friends know each other. I will e-mail you within 24 hours of completing the survey with a diagram summarizing your current network.

(iii) In the final section, we will take a sample of your family members and friends and ask what kinds of activities you engage with them and ask you for your satisfaction with different facets of these relationships. At the end of the survey you will get a printout summarizing your network satisfaction.

Please print out and hold on to your three printouts. They will help you in answering the JavaPoll questions.

The courseware will take you approximately 120 minutes to complete, but you do not need to complete it in one sitting. You will be able to log in again and resume exactly where you left off. If you have any questions or encounter any problems as you fill out the survey, please e-mail me at mpiskorski@hbs.edu.

Assignments


- Your Network Over Time, Harvard Business School Courseware
eHarmony is an on-line personals site targeting marriage-minded individuals, with a successful differentiation strategy. It offers a unique product, which combines an extensive relationship questionnaire, a patented matching system and a guided communication system. Despite charging a substantial premium for its services, eHarmony experienced phenomenal membership growth while its competitors stalled. As a consequence, it was able to increase its paying membership base to roughly half of its largest competitors, even though it entered the market six years after they did. The company’s strategy was replicated by its competitors. To make matters worse, free personals sites and online social networks were exploding in popularity, challenging the viability of the entire paid personals industry. The case puts us in the shoes of Greg Waldorf, the CEO of eHarmony, who in late 2007 needs to decide how to respond to competitors copying the company’s unique features.

Guest Speaker

- Greg Waldorf - CEO of eHarmony

Readings


Assignment Questions

1. What are the different ways people find spouses and long-term partners in the off-line world? Where do these processes go wrong?

2. How structurally attractive is the on-line personals market?

3. Does eHarmony have a competitive advantage over Match and Yahoo! Personals? (You will not be able to construct complete income statements for these firms, but you will be able to figure out the realized revenue per member and the size of the per member advertising cost, which largest cost driver. These data points will give you a rough idea of the firms' cost structures and hence competitive advantages).

4. How serious is the competitive threat of Chemistry to eHarmony?

5. Which of the four options should Waldorf pursue?
By the summer of 2005 LinkedIn attracted 5 million members, but generated very little revenue. The company leaders are considering two options of generating revenue. The first option entails charging premium membership for new features. The second option entails profoundly changing the original design principle. Specifically, in the past members were able to contact each other only through friends of friends up to 4th degree, now they would be able to contact anyone beyond that for $10. Now the company leaders need to figure out which of the two options to pursue.

**Guest Speaker**

- Adam Nash - Sr. Director, Product of LinkedIn

**Readings**


- Piskorski, Mikołaj Jan. 2007."LinkedIn (B)" Harvard Business School Case 9-707-407 (post class distribution)

**Assignment Questions**

1. Who or what is LinkedIn competing with? What are the substitutes?

2. What are the reasons for and against adopting revenue option (A)?

3. What are the reasons for and against adopting revenue option (B)?

4. Which revenue option should LinkedIn adopt?
The case describes history of Friendster, the first successful on-line social network established in 2003. Despite its initial success, the company was hit with many strategic and technological snags which drove US users away and led them to competing websites. The case examines the actions of the company's five CEOs in its first 3 years to illuminate some of the reasons behind the company's problems. At the end, the case brings us to early 2006, when the company’s new CEO, Kent Lindstrom, has to make a decision on how to rescue the company.

**Guest Speaker**

- Kent Lindstrom - Chairman of Friendster

**Readings**

- Piskorski, Mikołaj Jan & Carin-Isabel Knoop. 2007.”*Friendster (A)*” Harvard Business School Case 9-707-409
- Piskorski, Mikołaj Jan & Carin-Isabel Knoop. 2007.”*Friendster (B)*” Harvard Business School Case 9-707-410 (post class distribution)

**Assignment Questions**

1. Evaluate Abrams’ idea of Friendster as an on-line social network used for dating? Why didn’t this idea take off?

2. Evaluate Koogle’s idea of using Friendster as an on-line social network used for better internet search? Why didn’t this idea take off?

3. Evaluate Katz’s three product options: (i) Trusted product referral, (ii) City-Centric and (iii) Personal media strategy. Which one of these options should Friendster have introduced?

4. Which of the two options should Lindstrom choose?

5. As you reflect on Friendster’s problems, was their root cause (i) strategic, (ii) technological, (iii) related to leadership, or (iv) related to poor corporate governance?
mixi is the most successful Japanese on-line social network. It is profitable but the profitability because most of its traffic is moving to mobile access, where the rates are much lower. In addition, another company GREE seems to be winning in the mobile space. mixi must now decide how to handle these challenges. In addition, the company is deciding how best to leverage its existing network into other applications.

Readings


Assignment Questions

1. What made mixi so successful? What limitations do these success factors put on mixi?

2. Would mixi's choices succeed in any other countries?

3. How should mixi respond to the growth in mobile access and GREE?

4. Which of the two monetization options should mixi choose?
Facebook has become the most successful network in the world, but now needs to monetize more. There are two options. First, deepen commitment to advertising, particularly by using profile data to better target ads. The other revenue option entailed helping other businesses develop new on-line applications that used Facebook Connect—a second-generation platform released in late 2008. Which one should it emphasize?

**Guest Speaker**

- Joe Marchese - CEO of SocialVibe

**Readings**

- Eisenmann, Thomas, Mikolaj Jan Piskorski, Brian Feinstein & David Chen. 2009 “Facebook’s Platforms.” Harvard Business School Case 9-808-128

**Assignment Questions**

1. What do you think was the one key factor that made Facebook so successful?

2. Why did Facebook Platform generate so little difference in the use of Facebook? Is Facebook Connect going to be any different?

3. Which of the two monetization options should Facebook pursue?

4. If you chose advertising, please spend 15 minutes thinking about the best way of improving revenues from advertising on Facebook and input your idea into pre-class poll (closes at 8am on Friday).

5. If you chose Connect, please spend 15 minutes thinking about the best application of Facebook Connect and input your idea into pre-class poll (closes at 8am on Friday).
Today, we will host Mendel Chung from Google who is leading the Friend Connect initiative at Google. Friend Connect is very similar to Facebook Connect. Mendel will walk us through the mechanics of Friend Connect and outline Google's plans for taking this forward. After Q&A with Mendel we will then talk about pros and cons of Friend Connect and we will again think about what social functionalities it could power.

**Guest Speaker**

- Mendel Chuang - Product Marketing Manager, Google Friend Connect
In March 2009, Courtney Holt, the president of MySpace Music, and a former MTV executive, is reflecting on the first five months of operation of the new venture he led. Users were engaged and a lot of them were not MySpace Network users. Now Holt needs to decide whether to tighten the integration with MySpace Network or make it even looser.

**Guest Speaker**

- Angela Courtin, SVP of Marketing, Content and Entertainment at MySpace

**Readings**


**Assignment Questions**

1. Why was MySpace so successful? How important was it for MySpace not to make explicit use of social networking functionality?

2. Did it make sense for MySpace to join OpenSocial?

3. How does MySpace monetize its community?

4. Does MySpace have competitive advantage in the music business?
In March 2009, Courtney Holt, the president of MySpace Music, and a former MTV executive, is reflecting on the first five months of operation of the new venture he led. Users were engaged and a lot of them were not MySpace Network users. Now Holt needs to decide whether to tighten the integration with MySpace Network or make it even looser.

Readings

- Piskorski, Mikołaj Jan & David Chen. 2009.”Yelp.” Harvard Business School Case 9-709-412

Assignment Questions

1. How attractive is the local reviews industry? Is Yelp well positioned in this industry?

2. If you were to name a single factor that you consider to be most important in generating so many reviews on Yelp, what would it be?

3. Which of the two monetization options should Jeremy choose? Are there any other options he should pursue?
In October 2006, Jimmy Wales was stepping down from the position of the Chairman of the Board of Trustees of the Wikimedia Foundation, which oversaw Wikipedia that Wales had started. Just as he was stepping down, the editor community was voting on whether to close down an informal association of Wikipedia editors, Esperanza. The association aimed to strengthen community between the editors through a number of different volunteer programs. Some Wikipedia editors really enjoyed the programs, others firmly believed that community undermined Wikipedia.

Wales did not have a privileged vote or the final say in deciding the fate of Esperanza. He knew, however, that his view on Esperanza will influence many editors. As he pondered on what he should say about Esperanza, he thought carefully about the implications or sustaining the huge community of editors contributing so much content for free.

Readings

- Wikipedia Editors, Harvard Business School Courseware

Assignment Questions

1. What are some of the key similarities and differences between Wikipedia and Yelp?


3. Do you think that Esperanza makes Wikipedia less effective or actually addresses some of its key shortcomings? Would you vote for or against Esperanza?
Business Networks is a company whose primary product is the establishment of groups or “networks” of similar businesses and the facilitation of each network’s biannual meetings. Owners of individual firms, called networkers, met to tackle each other’s business problems and share solutions. The networks are formed of like-sized remodeling contractors that specialized in similar lines of business. During the case we will examine how Business Networks sets up these networks. Unlike our previous cases, this case and YPO are predominantly about establishing off-line relationships by off-line means.

Readings


Assignment Questions

1. Evaluate the situation at Meninger Construction Co. What is at the core of the company’s success and at the core of its problems (if any)? (Exhibits 7, 13 and 14)

2. Is the Business Networks process likely to help Meninger Construction to address the issues (pages 8-12)? Are there any parts of the process that are likely to impede changes?

3. What are the general two principles we can derive out of Business Networks for generating learning and commitment?
YPO is a U.S.-based non-profit with a global reach. Its membership is limited to company presidents and chief executive officers, who joined to become better leaders through education and idea exchange. Historically, members interacted largely within geographically-defined chapters and forums. In 2005, YPO embarked on the Network Initiative to connect members globally based upon their common interests and passions. Within three years, a half of the networks obtained a positive evaluation within YPO. Some changes to the Network Initiative were required to ensure that all of the networks obtained a positive internal evaluation. There were competing views on what these changes should be. Some believed that the Networks Initiative was fundamentally well designed, but hampered by insufficient funding. To remedy this problem, YPO should fund networks better and allow outside sponsors to fund the networks. Others opposed outside funding arguing that YPO should obtain these funds internally, either by increasing dues by 5% for every YPO member, or by charging members for every network they wanted to join. These funds could then be used to make heavy infrastructure and staff investments needed to make all the networks reach their potential.

**Guest Speaker**

- George Weathersby, CEO of YPO

**Readings**


**Assignment Questions**

1. Evaluate the success of the Networks Initiative. Are there any identifiable patterns regarding which networks were successful and which ones weren't?

2. Which of the two options should YPO pursue?
Zopa is a U.K.-based peer-to-peer lending company which brought individual lenders and borrowers together through an on-line interface. Zopa offers two different platforms: Marketplaces and Listings and it charges a small fee for completed loan transactions, to cover for identity and credit score verification as well as for loan payment servicing. Since its launch in 2005, Zopa has not turned profit. Giles Andrews, the CEO, sets out to achieve that goal by the end of this year.

Readings


Assignment Questions

1. How attractive is the industry in which Zopa Markets operates?

2. What is Zopa's Markets value proposition? Does it position Zopa Markets well in the industry?

3. Evaluate the Listings product. Why did it perform not as well as Prosper did? Should Zopa abandon Listings now?

4. Evaluate the Social Finance product? Are there any other social products that Zopa could implement?
Twitter has attracted tremendous attention from the media and celebrities, but there is much uncertainty about Twitter's purpose. Is Twitter a communications service for friends and groups, a means of expressing yourself freely, or simply a marketing tool?

**Readings**


**Assignment Questions**

1. What social processes is Twitter tackling? What are the failures in this process? How is Twitter stepping in to help these failures?

2. Who is likely to produce updates on Twitter? Who is likely to follow? Who will likely avoid Twitter?

3. How is Twitter like MySpace? How is it not?

4. What monetization strategies would work best for Twitter?
Less than a week before Barack Obama was due to be sworn in as the 44th president of the United States, Obama for America (OFA), the president-elect’s official campaign organization, sent an e-mail message to supporters announcing the formation of a post-election organization, Organizing for America (OFA2.0). With that announcement, Obama made it clear that he intends to partially by-pass the traditional political system and use his supporters to pressure Washington lawmakers to advance his administration’s goals. The question remained whether these unconventional tools will upset politicians in Washington and even alienate potential allies.

Readings


Assignment Questions

1. What were the key elements of the OFA campaign and what social failures did they tap into?

2. How sustainable is this model for future elections? Where else could it be applied?

3. Will OFA2.0 have equally big effect on politics as OFA did? What needs to change for OFA2.0 to have a big effect?
We will have two visitors - Charlene Li - who is the *go to* consultant in the field, and Clara Shih who wrote a book on connecting Facebook and B2B. Both are going to be *video visitors*.

**Guest Speakers**

- Charlene Li
- Clara Shih

**Readings**


Today, we will look at a selection of final papers. Here's how I propose we do this. I would like to ask everyone to update the wiki with the title of their final paper. If you have not done so, please update the wiki by Thursday 6pm, if possible. If you have already updated the wiki, please visit it briefly to note if you're interested in presenting your paper or have strong reasons against presenting it. Once you have done that, please upload 3-5 slides describing your paper to the wiki by 8am on Friday. All links are below. If you have any questions, please do not hesitate to get in touch with me.