



**Competing with Social Networks**  
**MBA EC 1217**  
**Winter 2010**

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Location:	Aldrich 210	Coursepage:	<a href="http://cp.hbs.edu">http://cp.hbs.edu</a>
Class times:	Y schedule; Section 1: 8:30 – 9:50 AM & Section 2: 10:05 – 11:25 AM		

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### **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%

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**Session: I.**  
**Session: II.**  
**Date: January 26 & 28, 2010**  
**Subject: Your Social Network over Time**

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The first two classes of CSN are very different from the rest. Normally, we will have a case and more often than not, a visitor. However, in the first two classes we will look at our own networks and their evolution to try and understand various sources of network failures. Fixing network failures is critical to the success of companies we will study, such as Facebook and eHarmony, so understanding where these failures come from is critical to the course.

To understand these failures we will be using courseware, which I specifically designed for CSN. 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 link to print out your social history timeline.
- 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. At the end of the survey you will get a link to a diagram of your current social 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 link to a table summarizing your network satisfaction.

The courseware will take you between 90 and 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](mailto:mpiskorski@hbs.edu).

### **Readings/Courseware**

- Piskorski, Mikołaj Jan & Andreea Gorbatai. 2009. *Your Network over Time*. Harvard Business School Case N9-709-476
- Your Network Over Time, Harvard Business School Courseware

## **Assignment**

1. Skim the Your Network over Time note. It will provide you with more detail on the survey.
2. Take the courseware.
3. Please print out the output and head out to answer JavaPoll questions.
4. Bring your output to class.

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**Session: III.**  
**Date: February 4, 2010**  
**Subject: Meetup**

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Meetup organized face-to-face meetings for hobby and support groups, local community clubs and organizations. By mid-2009, the site had become very successful, attracting 5.7 million users, who participated in more than 45,000 groups scattered around 11,500 cities around the world. In its seven year history, Meetup had gone through two changes that fundamentally transformed it as a business.

First, having offered many of its services at no charge for many years, the company started to charge its users in 2005. In 2007, Meetup undertook drastic re-organization, abandoning its hierarchical structure to organize around employee “meet ups”. Under this new arrangement, managers could no longer dictate what the priorities for the company were. Now Meetup wanted to grow its user base.

Two options were identified. The first one sought to increase the awareness of the service among population as a whole. The second option downplayed investing in bringing new members to the site, but instead focused on engaging existing members more deeply. Though both options seemed attractive, Meetup’s financial and human resources allowed only for one of them to be implemented fully.

### **Guest Speakers**

- Scott Heiferman, Chief Executive Officer of Meetup
- Douglas Atkin, Chief Community Officer of Meetup

### **Readings**

- Piskorski, Mikołaj Jan & David Chen. 2010. “*Meetup*” Harvard Business School Case N9-710-408

### **Assignment Questions**

1. Evaluate Meetup's success so far. What are the biggest problems the company is facing?
2. What are the costs and benefits of organizing the company as a set of meetups?
3. What explains differences in popularity of meetups across categories, geographies and time?
4. Which of the two options should Heiferman choose?

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**Session:** IV.  
**Date:** February 5, 2010  
**Subject:** Twitter

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In December 2009, Twitter signed multi-year search deals with Google and Microsoft, together worth \$25 million, marking a watershed in its almost four-year existence. Twitter was a San Francisco-based micro-blogging company offering its users the ability to send 140-character text updates, called “tweets,” which could then be read by their followers. The service proved vastly successful—by the end of 2009 it attracted 60 million unique monthly users, more than 10 times the number of users one year before.

The users included individuals, businesses, celebrities, government officials and non-profits from across the globe. Having proved its value in domains as different as interpersonal communication, organizing political protests, helping first-responders to attend to victims of a natural disaster, or allowing businesses to advertise and generate sales, Twitter had also received very positive media attention.

Despite its popularity and the initial revenues, many questioned whether Twitter could become really profitable. All of its services were free and one of its features—the ability to send and receive tweets via text messages—generated substantial costs for the company. The company had considered charging for commercial accounts targeted at business users, as well as offering advertising embedded in tweets. Industry pundits doubted, however, that these revenue sources would be sufficient to make Twitter profitable in the long run, leaving it to the company to develop new sources of monetizing its user base.

### **Guest Speaker**

- Anamitra Banerji, Product Manager at Twitter

### **Readings**

- Piskorski, Mikołaj Jan & David Chen. 2009. “*Twitter*” Harvard Business School Case N9-709-495

### **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?

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**Session:** V.  
**Date:** February 11, 2010  
**Subject:** eHarmony

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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.

### **Readings**

- Piskorski, Mikołaj Jan, Hanna Hałaburda & Troy Smith. 2008 "eHarmony". Harvard Business School Case 9-709-424

### **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 do eHarmony's choices address these failures?
3. Evaluate eHarmony's success vs. Match and Yahoo! Personals in terms of its per-member comparative economics (you will not be able to construct the entire set of financials, but you will be able to get at the average revenue per member, and the average cost for the largest cost driver). The poll will ask you to input numbers for one of the companies.
4. Which of the four options should Waldorf pursue?

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**Session: VI.**  
**Date: February 12, 2010**  
**Subject: LinkedIn**

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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, Vice President, Search & Platform Products at LinkedIn

### **Readings**

- Piskorski, Mikołaj Jan. 2007. “*LinkedIn (A)*” Harvard Business School Case 9-707-406
- 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?

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**Session: VII.**  
**Date: February 18, 2010**  
**Subject: Zopa**

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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**

- Piskorski, Mikołaj Jan, Isabel Fernandez-Mateo & David Chen. 2009. “*Zopa: The Power of Peer-to-Peer Lending.*” Harvard Business School Case N9-709-469

### **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?

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**Session:** VIII.  
**Date:** February 19, 2010  
**Subject:** Friendster

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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?

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**Session:** IX.  
**Date:** February 24, 2010  
**Subject:** mixi

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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**

- Piskorski, Mikołaj Jan, Masaru Nomura & Kanako Miyoshi. 2008. "mixi"  
Harvard Business School Case 9-709-413

### **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?

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**Session: X.**  
**Session: XI.**  
**Date: February 25 & 26, 2010**  
**Subject: Facebook's Platforms**

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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. The other revenue option entailed helping other businesses develop new on-line applications that used Facebook Connect. Which one should it emphasize?

### **Guest Speaker**

- Kevin Colleran, National Director of Sales at Facebook

### **Readings**

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

### **Assignment Questions**

#### **Day 1:**

1. What key factors allowed Facebook to amass so many users?
- 2a. If you are on Facebook, find an application that has the potential to generate revenues (App Directory). What functionalities do you like about this application?
- 2b. If you are not on Facebook, refer back to the case to consider how applications change users behavior on Facebook (if at all).
3. Consider Facebook advertising and Facebook Fanpages. For what kinds of products will these advertising methods work, such that advertisers would be willing to pay substantial amounts of money for them?

#### **Day 2:**

1. Check out the various data buckets that are available through Facebook Connect. As you examine these buckets, please identify a set or sets of data that you think would be useful to improve existing business functions.
2. Think about the Expedia example in the case, and briefly discussed in the first class of #CSN10. Now take 10-15 minutes to think how to use the FB Connect data you identified in Q1 above to define a complete business model and improves profitability over and above what the business model could do without using FBC.

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**Session:** XII.  
**Date:** March 4, 2010  
**Subject:** MySpace Music

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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. 2009. "MySpace Music" Harvard Business School Case N1-709-498

### **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?

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**Session:** XIII.  
**Date:** March 5, 2010  
**Subject:** Zynga

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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**

- Eric Tilenius, General Manager of Mafia Wars

### **Readings**

- Piskorski, Mikołaj Jan, David Chen. 2009. "Zynga" Harvard Business School Case N1-710-464

### **Assignment Questions**

1. Evaluate FarmVille's various game and viral mechanics: (i) which ones make people better friends with each other while generating business? (ii) which ones generate business while failing to meet the social test of making people better friends?
2. What should Pincus do regarding: (i) product, (ii) corporate strategy, (iii) relationship with Facebook?

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**Session:** XIV.  
**Date:** March 10, 2010  
**Subject:** Yelp

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Yelp is a popular on-line destination for reviews of local establishments like restaurants, shops and beauty salons. The reviews were written by volunteer Internet users who contributed content for free. Twenty million people read Yelp reviews every month.

Despite the site's popularity, its revenues were low—estimated by industry observers at a meager \$2–6 million—and the company was a long way away from profitability. The slowdown in advertising spending that accompanied the financial crisis of 2008 made the situation even direr: Yelp booked most of its revenue from advertising and sponsorship. Jeremy Stoppelman, the CEO, now needs to make a decision to improve the company's financial situation.

### **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. What was the key factor in helping Yelp generate so many reviews?
3. To what extent do you think Yelp biases the order in which reviews are displayed depending on whether the establishment pays it a subscription.
4. Which of the two monetization options should Jeremy choose? Are there any other options he should pursue?

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**Session:** XV.  
**Date:** March 11, 2010  
**Subject:** Wikipedia: Esperanza

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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 of sustaining the huge community of editors contributing so much content for free.

### **Courseware**

- Wikipedia Editors, Harvard Business School Courseware

### **Assignment Questions**

1. What are some of the key similarities and differences between Wikipedia and Yelp?
2. How successful is Wikipedia as compared to Yelp? Where does Yelp fall short of Wikipedia? Where does Wikipedia fall short of 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?

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**Session:** XVI.  
**Date:** March 12, 2010  
**Subject:** Summary before Spring Break

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Last week we finished our deep dive into "friend" products and thought about how "friend" products can be used to design social products, which exploit basic "friend-get-a-friend" or "friend-improve-functionality-for-a-friend" dynamics.

This week we move away from thinking about social products to thinking about social inputs. Specifically, we explored how our basic "meet" and "friend" products can be used to elicit content from individuals for free which could be sold to others.

Next week, we will leave social inputs behind and will think about social operations and think about how "meet" and "friend" products can be used to make people more effective and efficient inside organizations.

The week after, we will start integrating everything into designing complete social strategies that span social products, social inputs and social operations. At that point, I will ask you to come up with ideas yourselves and present them to the class.

As you go off for your Spring Break, I thought it would be appropriate to provide you with a summary of all of the insights from the many cases we have done on "friend" products. I will also talk about so that when you go on your Spring Break you can start thinking about your favorite Social Strategies.

During this class, I would also like to address any questions that you may have about the content so far. To that end I would ask that if you have any such questions, you put them into the pre-class poll as soon as possible. I will answer your questions in class.

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**Session:** XVII.  
**Date:** March 25, 2010  
**Subject:** Business Networks

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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**

- Zuckerman, Ezra & Margot Sutherland. 2000 “*Business Networks.*” Stanford Graduate School of Business Case OB-62

### **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?

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**Session:** XVIII.  
**Date:** March 26, 2010  
**Subject:** Young Presidents' Organization

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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**

- Piskorski, Mikołaj Jan, John Macomber & David Chen. 2009. “*Young Presidents’ Organization.*” Harvard Business School Case N9-709-444

### **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?

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**Session: XIX.**  
**Session: XX.**  
**Date: March 31 & April 1, 2010**  
**Subject: Paper Presentations and Course Wrap-Up**

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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 on course platform. If you have any questions, please do not hesitate to get in touch with me.