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CEO GUIDE TO TECHNOLOGY

By Rachael King

## Social Networks: Execs Use Them Too

Networking technology gives companies a new set of tools for recruiting and customer service—but privacy questions remain

Encover Chief Executive Officer Chip Overstreet was on the hunt for a new vice-president for sales. He had homed in on a promising candidate and dispensed with the glowing but unsurprising remarks from references. Now it was time to dig for any dirt. So he logged on to LinkedIn, an online business network. "I did 11 back-door checks on this guy and found people he had worked with at five of his last six companies," says Overstreet, whose firm sells and manages service contracts for manufacturers. "It was incredibly powerful."

So powerful, in fact, that more than a dozen sites like LinkedIn have cropped up in recent years. They're responding to a growing impulse among Web users to build ties, communities, and networks online, fueling the popularity of sites like News Corp.'s ([NWS](#)) MySpace (see BusinessWeek.com, 12/12/05 "[The MySpace Generation](#)"). As of April, the 10 biggest social-networking sites, including MySpace, reached a combined unique audience of 68.8 million users, drawing in 45% of active Web users, according to Nielsen/NetRatings.

Of course, corporations and smaller businesses haven't embraced online business networks with nearly the same abandon as teens and college students who have flocked to social sites. Yet companies are steadily overcoming reservations and using the sites and related technology to craft potentially powerful business tools.

**PASSIVE SEARCH.** Recruiters at Microsoft ([MSFT](#)) and Starbucks ([SBUX](#)), for instance, troll online networks such as LinkedIn for potential job candidates. Goldman Sachs ([GS](#)) and Deloitte run their own online alumni networks for hiring back former workers and strengthening bonds with alumni-cum-possible clients. Boston Consulting Group and law firm Duane Morris deploy enterprise software that tracks employee communications to uncover useful connections in other companies. And companies such as Intuit ([INTU](#)) and MINI USA have created customer networks to build brand loyalty.

Early adopters notwithstanding, many companies are leery of online networks. Executives don't have time to field the possible influx of requests from acquaintances on business networks. Employees may be dismayed to learn their workplace uses e-mail monitoring software to help sales associates' target pitches. Companies considering building online communities for advertising, branding, or marketing will need to cede some degree of control over content.

None of those concerns are holding back Carmen Hudson, manager of enterprise staffing at Starbucks, who says she swears by LinkedIn. "It's one of the best things for finding mid-level executives," she says.

The Holy Grail in recruiting is finding so-called passive candidates, people who are happy and productive working for other companies. LinkedIn, with its 6.7 million members, is a virtual Rolodex of these types. Hudson says she has hired three or four people this year as a result of connections through LinkedIn. "We've started asking our hiring managers to sign up on LinkedIn and help introduce us to their contacts," she says. "People have concerns about privacy, but once we explain how we use it and how careful we would be with their contacts, they're usually willing to do it."

**BOOMERANGS.** Headhunters and human-resources departments are taking note. "LinkedIn is a tremendous tool for recruiters," says Bill Vick, the author of *LinkedIn for Recruiting*. So are sites such as Ryze, Spoke, OpenBc, and Ecademy (see BusinessWeek.com, 2/20/04, "[The Perils and Promise of Online Schmoozing](#)").

Many companies are turning to social networks and related technology to stay in touch with former employees. Consulting firm Deloitte strives to maintain ties with ex-workers and has had a formal alumni-relations program for years. It bolstered those efforts earlier this year, tapping business networking services provider SelectMinds to launch an online alumni network.

Ex-Deloitte employees can go to the site to browse 900 postings for jobs at a range of companies. They can also peruse open positions at Deloitte. The online network is an extension of an offline program that includes networking receptions and seminars.

Deloitte makes no bones about its aim to use the network to lure back some former employees, or so-called boomerangs. "Last year, 20% of our experienced hires were boomerangs," says Karen Palvisak, a national leader of alumni relations for Deloitte.

**MARKETING NETWORKS.** Boomerangs cost less to train than new hires and they tend to hit the ground running. As the labor market tightens, alumni become an increasingly attractive source of talent. Last year, 13% of employees who had previously been laid off were rehired by their former employers, according to a survey of more than 14,000 displaced employees at 4,900 organizations by Right Management Consultants.

Not only do business-oriented networks help executives find employees, they're increasingly useful in other areas, such as sales

and marketing. When Campbell's Soup ([CPB](#)) asked independent location booker Marilyn Jenett to select a castle in Europe for a promotion, she put a note on business networking site Ryze, offering a finder's fee to anyone who could suggest the right place.

Jenett got seven responses, including one pointing her to Eastnor Castle. "It was the one castle that could suit us for everything which the others could not," she says, adding that she was so pleased with the location that she booked it again for another event. Jenett says Ryze also helped her develop another small business, a personal mentoring program called Feel Free to Prosper.

Social networks also help forge community with, and among, would-be customers. In August, a group of MINI Cooper owners joined the company for its two-week cross-country car rally. Participants took part in company-sponsored events, such as the official wrap party overlooking the Hudson River and the Manhattan skyline in New Jersey.

**FREE HELP.** But they also planned their own side events along the way with the help of the community forums on the MINI Owner's Lounge site, sponsored by MINI USA. Each month, about 1,500 to 2,000 new owners become active in the community. "Our very best salespeople are MINI owners, and they like to talk about their cars," says Martha Crowley, director of consulting for Beam Interactive, which provides various Internet marketing services for MINI USA.

A handful of companies has found creative ways to harness social networks to provide customer service or conduct market research. Intuit tapped LiveWorld to start customer-service forums for its Quicken personal-finance software about a year ago. About 70% of all questions on the Quicken forum are answered by other customers, rather than Intuit employees.

"The most pleasant surprise in the Quicken community has been the desire of the members to help others," says Scott Wilder, group manager of Intuit online communities. In November, Intuit plans to enhance member profiles and will add blogging and podcasting tools.

**THE SECRET SNOOPER.** Social networking technology also can help businesses search employee relationships for possible clients and other key contacts. Ed Schechter, chief marketing officer at Duane Morris, a law firm with 1,200 employees, estimates that about 75% to 80% of all employees' relationships with possible clients are never entered into a customer relationship management system.

Duane Morris saw this firsthand recently, after it began testing software from Contact Networks, which helps businesses study employee communications and other data to pinpoint relationships between staff and potential clients. Within a matter of days, the software uncovered a key connection that the existing CRM software had failed to capture. "It showed a senior relationship that existed in our firm with them," says Schechter. Duane Morris subsequently won the business, thanks in part to the Contact Networks discovery, Schechter says.

As helpful as they may be, networking tools like these can also reinforce executives' worst fears surrounding social networking technology in the workplace. Many employees will find themselves uncomfortable with bosses mining their e-mail and calendaring applications for potential ties.

**SLOWER GROWTH.** Boston Consulting Group has gotten around potential problems by ratcheting up privacy settings. While the system still tracks individual e-mail communication, it doesn't automatically reveal the name of the contact. Instead it points employees to colleagues who may have a desired connection.

The group has been using the software since 2002, and now has about 200,000 contacts in the database. Analysts use those names to make contacts at other companies, primarily for trying to find out about certain industries. "We've done surveys where users say that over 50% of the time they find a useful contact," says Simon Trussler, director of knowledge management at Boston Consulting Group.

Other businesses don't find the issues quite so surmountable. Business networking sites have been much slower to gain members than social networks catering to a younger audience. LinkedIn was founded in May, 2003, two months before MySpace, but as of August, it had fewer than one-tenth the number of registered users. MySpace boasts more than 100 million member profiles. Other business networking sites—such as Ryze, OpenBC and Ecademy—all fell below the Nielsen/NetRatings reporting cutoff in July of 355,000 unique monthly visitors.

**"ALWAYS AT WORK."** Some companies shun social networking sites and tools because, by encouraging user participation, they inevitably force executives to cede control over content. Not only do businesses shy away from creating their own sites, they also put constraints on employee use of non-work-related sites.

Last year, the Automobile Club of Southern California fired 27 employees for work-related messages they posted on MySpace after a colleague complained about harassment. Companies can mitigate risk by clearly communicating expectations for employee conduct online, says Scott Allen, co-author of *The Virtual Handshake*, a book about online business networking.

However clearly the expectations are spelled out, some employees will feel their privacy has been violated, especially if they're maintaining profiles on non-work-related sites on their own time and equipment. "A number of companies are using public social networks to spy on employees," says Danah Boyd, a social media researcher and graduate student fellow at USC Annenberg Center for Communication.

This is particularly a problem when it comes to social networks such as MySpace, where younger workers may spend quite a bit of personal time. "You have to act like you're always at work, and it doesn't necessarily make people happy nor does it necessarily make good workers," Boyd says.

**FINDING BALANCE.** Executives' use of networks can backfire too. "I left LinkedIn because I found I was connected to people I didn't really know," says Richard Guha, a partner at The New England Consulting Group who estimates he was connected to 300 people. Guha later rejoined LinkedIn and is now linked to about 43 people, a number he considers much more manageable.

Encover's Overstreet is another executive who has found a way to make the most of networks. He says LinkedIn gives him a better picture of a job candidate and lessens the likelihood a potential employee can hide past work experiences. The extra reference checks showed Overstreet that his vice-president for sales candidate was not only a great salesman, but that he also had

outstanding character. When eight of the back-door references volunteered information that the candidate had high integrity, Overstreet knew he had found himself a new vice-president. Sometimes, online references pay off.

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Rachael King is a writer for *BusinessWeek.com* in San Francisco

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