



Company Profile Recruiters Get LinkedIn in Search of Job Candidates

by [Ed Frauenheim](#) November 14, 2006

Recruiter Tim Farrelly starts his day at his computer getting linked in.

 That is, his Internet home page is the business networking site LinkedIn, where Farrelly, a San Francisco-based executive recruiter, does such things as seek out and contact job candidates. About 15 times a month, he uses the site's new "InMail" feature that lets him send a message directly to one of LinkedIn's more than 7 million members. And 90 percent of the time, he gets a response.

There's "probably no better place out there to find a passive candidate," Farrelly says, referring to the job candidates not actively seeking new employment. "It's really effective."

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Among social and business networking sites, LinkedIn is standing out these days as a tool for recruiters. According to Palo Alto, California-based LinkedIn, the number of recruiters who are registered users of the site has more than doubled in the past year, to more than 100,000. And LinkedIn is actively courting the headhunting set with new services, including the InMail product and job ads targeted to specific types of professionals. Meanwhile, other business networking sites such as ZeroDegrees and Spoke Software have faded or changed course.

Konstantin Guericke, a LinkedIn co-founder and the company's vice president of marketing, says LinkedIn is leading the way when it comes to a critical part of recruiters' work.

"I think we are becoming the main site where people are looking for passive candidates," he says.

But LinkedIn's quest to be a hub for recruiters may still prove difficult. New potential competitors in the social networking arena are emerging. And it remains to be seen whether LinkedIn or other business-focused networking sites will become central to most recruiters.

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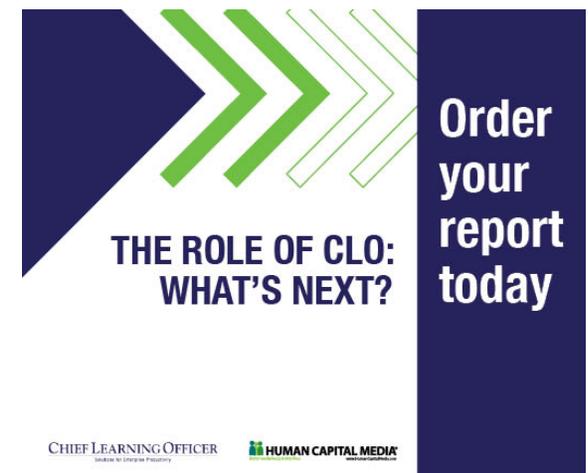
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Kevin Wheeler, a recruiting industry analyst and president of consulting firm Global Learning Resources, says LinkedIn has managed to attract a significant share of recruiters to its site, and he believes that social networking will become ever-more important to recruiters over time. But, he says, that doesn't mean LinkedIn is going to command recruiters' attention—or their dollars.

“We're all signed up” to the site, he says. “But the real question is not how many recruiters have signed up, but what percentage of recruiters is actually using it for recruiting?”

Recruiting recruiters

Statistics from LinkedIn suggest that a fair amount of recruiting is going on at the site. A LinkedIn survey of its users found that a third had been contacted at some point regarding a job opportunity. And most of the “power users” paying LinkedIn \$200 a month for premium services such as InMails are recruiters, Guericke says.

At this point, most recruiters on LinkedIn are using the site for free, Guericke says. He expects that about 10 percent of those recruiters will upgrade to a paid account or post a job on LinkedIn during the next 12 months.

As Guericke sees it, many of the recruiters new to the site are likely to snap up its hiring-related services. As opposed to “networking people” who love the socializing dimension of recruiting, many of the newer members have come to LinkedIn for utilitarian reasons. These business-oriented people appreciate the value of LinkedIn as a database with detailed information and the high response rate the site offers, Guericke says.

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“They weren’t the early adopters,” he says.

It’s hard to gauge exactly what percentage of recruiters have profiles on LinkedIn, given imprecise numbers for the profession. A few years ago, industry publication *Recruiter Magazine Online* estimated there were 200,000 internal, contract and human resources recruiting professionals working full time for corporations throughout North America, as well as more than 100,000 retained and contingency-based recruiters working at some 25,000 firms.

LinkedIn’s attractiveness to this population has a lot to do with not touting its recruiting role to most users. Guericke and four colleagues started LinkedIn three years ago with a vision of making money from professionals such as recruiters, attorneys and management consultants, who could benefit from a network of high-powered people by pitching their services or snaring job candidates.

The average LinkedIn member, however, would come to the site and use it for free to keep track of colleagues, arrange deals and otherwise make business connections. So far, the plan seems to be working.

LinkedIn’s membership doubled in the past year, and revenue at the site is growing at twice the rate of membership growth, Guericke says. The privately held company, which employs about 70 people, became profitable earlier this year.



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In the past year or so, LinkedIn has made several improvements designed to help recruiters land passive candidates. Passive candidates typically are preferred over active job seekers, in part for their lower likelihood of job hopping. LinkedIn's InMail service is designed to speed up recruiters' pursuit of passive job seekers. After searching the LinkedIn network for people with particular job titles or experience, recruiters used to have to wait for various intermediaries to approve the forwarding of a message about a job opportunity.

Although contacting someone directly amounts to a kind of cold-call, Guericke says recruiters using InMails tend to have a much higher response rate than the 2 percent to 5 percent typical in the sales world.

"Over 60 percent of people you contact respond to you," he says.

LinkedIn's 7.5 million members have the ability to block InMails or other sorts of contacts. But just a small fraction of members wall themselves off, Guericke says.

LinkedIn also has a job-posting service that will provide the person posting the ad with a list of 10 people in the network who closely match the ad. In addition, LinkedIn members' homepages now display job ads designed to fit their skills and experience.

LinkedIn has various levels of premium accounts allowing for InMails and additional introduction requests. The highest level, a "pro" account, costs \$200 per month and lets individuals send 50 InMails a month.

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Guericke and crew would like nothing better than for more recruiters to follow in Tim Farrelly's footsteps. Farrelly, president of Coit Staffing, requires all 12 recruiters in his company to use the site. He estimates he spends \$7,200 a year on LinkedIn services. But the payback from LinkedIn has been far greater.

"We've probably made at least \$100,000 because of it," says Farrelly, who offers both contingency and retained search services and focuses on industries including technology, biotechnology and health care.

Guericke is confident the recruiting business at LinkedIn will expand, though not as fast as revenue overall. He expects LinkedIn's total revenue to triple or quadruple next year, while revenue from recruiters should about double. Although the recruiting business is important to LinkedIn, recruiters buying premium services account for less than 50 percent of LinkedIn's overall revenue.

Competitive environment

To a large degree, LinkedIn has outlasted its rivals.

Business networking site ZeroDegrees shut down its service September 30. At one point, the site had more than 1 million members, says Jas Dhillon, who founded the company and sold it to media company IAC/InterActiveCorp in late 2003. Dhillon left IAC/InterActiveCorp about a year ago and has taken a position at Microsoft. LinkedIn has done well, Dhillon says.

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“I think they’re in a pretty solid position now,” he says.

IAC/InterActiveCorp, which owns prominent online businesses including Match.com and Evite, did not respond to requests for comment.

Other sites, including Ryze, have lost momentum, says John Zappe, a recruiting analyst with consulting firm Classified Intelligence.

“They’re still around, but they’re a shadow of their former self,” he says.

That’s not to say LinkedIn is a shoe-in for lots of recruiters’ dollars.

Serious questions about the wisdom of spending on business networks were raised in a survey of about 350 recruiters this year by Classified Intelligence and ERE Media, which maintains an online portal devoted to recruiting. The study found that 40 percent of respondents rated business networks as “ineffective” or “very ineffective” in producing hires. Just 24 percent rated them “effective” or “very effective.” National/general job boards and niche professional sites scored higher in terms of their effectiveness than networking/referral sites, according to the survey, which went out to recruiters within organizations as opposed to third-party recruiters.

Networking/referral sites did score higher in effectiveness than executive job boards, diversity sites and regional/general job boards.

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The survey made a distinction between business networking sites like LinkedIn and predominantly social networking sites, such as MySpace.com and Facebook. And it found room for growth in that latter category. Nearly 60 percent of respondents had yet to try using social networks, the study concluded.

The report also found that a large majority of respondents spent less than \$25,000 last year on social networking sites. But 44 percent of respondents expected to spend more on social network sites this year, while just 6 percent expected to spend less.

Conceivably, some of that new spending could bleed into business networking sites such as LinkedIn. But it's not clear that employers will invest heavily in LinkedIn or another business-focused networking site, Zappe argues. That has something to do with the fact that compared with traditional recruiting tactics such as print ads, career fairs and even general Internet job boards, business networking sites are new.

“People are somewhat reluctant to say, ‘Hey, they’re great’ or ‘They’re awful,’ ” he says.

Consultant Wheeler is convinced networking tools in some form will grow increasingly important, replacing newspaper ads, cold-calling and job boards. “More and more, it’s going to be who you know that gets you the job,” he says.

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In any event, LinkedIn faces new or revamped competitors.

Spoke Software, for example, has shifted its business model from social networking alone to a combination of social networking and data about people and companies. That information comes from sources including Web research and the signatures from e-mails sent to Spoke members who in effect “validate” data about people’s job titles and companies, Spoke CEO Frank Vaculin says. Spoke now says it has data on 32 million people, which should aid recruiters seeking passive candidates.

“These are people below C-level,” Vaculin says. “These are the kinds of people you can’t get off the Web.”

Vaculin, who took the reins of the company a year and a half ago, says Spoke’s e-mail validation system offers recruiters more current data on people than LinkedIn does, and he argues that LinkedIn members aren’t exactly passive.

“People publish information about themselves, and in fact become an active candidate,” he says.

As a gauge of LinkedIn members’ “passivity,” Guericke says less than 10 percent visit the site’s job listings. He also says LinkedIn members have uploaded more than 300 million contacts. But he says that because of privacy concerns, LinkedIn doesn’t make that data visible until the contacts themselves have opted in to

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It's also possible social networking players could elbow into the business networking scene. The wildly popular MySpace site says that one of its target audiences is "Business people and co-workers interested in networking." The U.S. Marines Corps has a MySpace site, with a prominent "Contact a Recruiter" button.

Facebook, the social networking site that until recently was largely geared to college students, also allows people to connect to company networks. Launched in early 2004, Facebook currently has more than 10 million registered users.

Guericke, though, doubts the latest social networking sites will move in on his turf. A key, he says, is the low-key, formal nature of LinkedIn versus the fun-first feel of Facebook and MySpace. Guericke says LinkedIn has consciously avoided photos on the site in part to prevent attractive members from receiving inquiries that have less to do with business than hoped-for pleasure.

"When you mix personal and business networking, business goes right down the tubes," he says.

Then there's online recruiting service Jobster. The site, which combines elements of social networking with job posting capability, said in July that it snagged another \$18 million in funding from investors. That brings the company's total capital raised to \$48 million since 2004. Jobster said its second-quarter sales doubled from the first quarter, and that it now counts 15 of the Fortune 100 companies as customers.

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Dave Lefkow, Jobster's vice president of professional services, says Jobster helps companies tap into networks of talent through a mix of social networking, permission marketing and customer relationship management tools. Among the products Jobster offers, he says, is software that makes it easy for a firm to ask its employees for the names of the top colleagues they've worked with in the past, as well as technology for asking those referrals if they'd like to learn more about the company. Jobster software also is designed to help companies distribute job ads via e-mail—messages that can be forwarded easily to others and tracked by the employer in what Jobster refers to as a “targeted job announcement.”

Lefkow says Jobster and LinkedIn don't compete directly. But a new focus on consumer use of the Jobster Web site could amount to a challenge to LinkedIn. So far, Jobster hasn't invested heavily to lure job seekers to its site, Lefkow says. But the firm is on the verge of going after consumers more aggressively. It hopes to persuade more people to create profiles on Jobster.com in part by offering new tools such as “superstar tags” designed to capture a person's unique qualities better than a résumé can.

“This is going to be a big push for us in the next few quarters,” Lefkow says.

Wheeler portrays Jobster as a major threat to LinkedIn's recruiting business. Recruiters can use Jobster's site to post jobs to major job boards, see if candidates have applied to open jobs and conduct searches.

“They want to become the portal for recruiters,” Wheeler says.

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Jobster has a better shot of succeeding than LinkedIn does, in part because the site and its services can help employers go after a wider range of employees than the white-collar professionals typically found on LinkedIn. Jobster is “much more versatile,” Wheeler says.

Guericke responds that LinkedIn isn’t concerned with Jobster as a competitor. Its push with job seekers still misses the Holy Grail for recruiters, he says.

“You’re not really attracting the passive candidates, which is what recruiters want,” Guericke says.

Maybe not. But it could be that neither LinkedIn nor Jobster, nor any other networking site, will emerge as *the* dominant place for recruiters. As Wheeler sees it, recruiters aren’t likely to put all their eggs in one networking basket. Smart recruiters will use a combination of tools and tactics, such as niche job boards, their own career site, Jobster and LinkedIn.

“All of these networks will have a minor role in the sourcing process,” he says. “There’s no magic bullet.”



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