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# Let Me Introduce You...

For investors and entrepreneurs, networking sites offer an efficient way to find each other

*By Jeanette Borzo Special to The Wall Street Journal*

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For entrepreneurs and venture capitalists, finding the right deal often isn't just about whom you know. It's also about the people whom those people know.

Business owners and investors alike are discovering they can reach those people through online networking sites.

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THE JOURNAL REPORT

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As a tool, networking sites are better known as a way to meet people socially. Sites like Friendster.com let users meet new people through their friends on the network -- in effect, a mutual friend provides an introduction. As the

popularity of these sites has boomed, more people have realized that online networking can also be useful for business purposes. Job seekers started using online networks to make connections, and now such networks have caught on among venture

capitalists looking for deals and entrepreneurs looking for financing or other help for their businesses.

Making new business contacts is the third-most-popular feature of online networks -- after contacting friends and looking for jobs -- says Nate Elliott, an analyst at Jupiter Research, a unit of Jupitermedia Corp. of Darien, Conn. A total of 15% of all online users are interested in using networks to make business contacts, Jupiter's research shows.

Using Ryze.com, a business networking site run by Ryze Ltd. of San Francisco, is "like going to a business networking party," says Steve Vachani, managing partner of Serendipity Ventures LLC, a seed-stage venture-capital firm also based in San Francisco. "I've been contacted by many people for investments and partnerships through Ryze."

From the entrepreneur's side, online networks "are a great place to find resources and others who will share information about investors" and perhaps provide a critical introduction, says Craig Elias, founder and chief executive of InnerSell Inc., a San Francisco start-up that runs a Web site where salespeople exchange leads. "Without that introduction, it's not likely you're going to get an investor."

## **Powerful Links**

The premise of business-oriented social networks is simple. Users create profiles that typically describe what they do, where they work and what they hope to accomplish on the network -- for instance, find a particular kind of investment, attract an investor, recruit a board member, get advice, etc. The full power of the network comes from the links that users who know each other form among their profiles, providing a key entrance for people to find and meet their contacts' contacts.

Depending on the network and each user's privacy preferences, contacts among users who aren't already linked to each other can be made directly or through a mutual network acquaintance. So, for example, if an entrepreneur wants to attract funding

from Acme Venture's Jane Smith, he can see whether they have a mutual connection who could provide an introduction, or act as a reference.

"When there's a VC I want [to meet or work with] I go to LinkedIn to see who we know in common," says Scott Rafer, president and chief executive officer at Feedster Inc., an online news search engine founded last year. LinkedIn.com is a business-networking site run by LinkedIn Ltd. of Mountainview, Calif.

"It's helpful to know who knows who," and online networks make that "faster and easier" than trying to make similar connections offline, says Mr. Elias, of InnerSell. "Online social networking has become a powerful tool for me."

To add connections, which can only be made by mutual consent, users either look for people they already know on the network -- many sites let you search by name, previous employer, market sector and so forth -- or invite people they know to join the network.

The search functions also help people find the type of person they're looking for. For example, a venture capitalist could search for a Chicago-based entrepreneur working on telecommunications services for online gamers.

Last fall, Marc Goldberg, managing partner at Paris-based venture firm Occam Capital SAS, was searching LinkedIn for local CEOs and was intrigued by the profile of Thomas Serval, founder and CEO of Baracoda SA, a company just outside of Paris that makes wireless bar-code devices. After he established a connection with Mr. Serval through a third party on LinkedIn, the two had lunch and developed a mutual appreciation. An investment may follow. "We will probably one day look at putting some money with Baracoda," says Mr. Goldberg.

## Snagging a CEO

Of course, the more people who join these networking sites, the more the sites have to offer. And their growing popularity with entrepreneurs and venture capitalists is

evident among the 1.5 million members of LinkedIn.com. The number of users identifying themselves as entrepreneurs grew more than tenfold from January to November, to a total of 83,000, LinkedIn says, while the number of venture capitalists, at 15,000 in November, was 13 times the total in January.

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## PLEASED TO MEET YOU

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The percentage of surveyed Internet users who are interested in online networking for a given purpose:

Communicate with existing friends	20%
Look for job opportunities	17%
Make new professional contacts	15%
Make new friends	15%
Communicate with existing professional contacts	10%
Look for professional services	8%
Look for housing	8%
Look for new customers	7%
Look for dates or romantic relationships	6%
Look for personal services	6%

**Source: JupiterResearch**

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Already, the numbers of people using these sites are big enough to pay off for many. LinkedIn "is a terrific database," says Alex Slusky, managing partner at Vector Capital, a San Francisco venture-capital and private-equity firm. Vector has found that online social networking is "a great way to discover...companies and reach out," he says.

Beyond finding one another, investors and entrepreneurs are also using online networks to find and then get introductions to potential board members, clients and business partners.

InnerSell's Mr. Elias, for example, hopes to snag the CEO of a high-profile online retailer for his board. After meeting a venture capitalist at an industry event, Mr. Elias looked the investor up on Spoke.com, a site run by Spoke Software Inc. of Palo Alto, Calif., and discovered that the investor is closely connected to the very CEO Mr. Elias

wants for his board. Mr. Elias has asked the investor to arrange a meeting for him with the executive.

In the meantime, as he pursued other online connections to the CEO, Mr. Elias raised interest in his company -- which now has a business deal in the works with the retailer. And if that comes through, Mr. Elias thinks his chances for getting the CEO on his board will be strong.

Tristen Langley, an analyst at Redwood City, Calif., venture-capital firm Draper Fisher Jurvetson, says she's used LinkedIn.com to help find potential customers for her firm's early-stage investments -- in particular, well-known customers that could help build her clients' businesses by acting as references.

Some even use the networks to explore beyond the references a potential business partner gives them. "You can use this to do a more exhaustive background check," says Jas Dhillon, president and CEO of ZeroDegrees Inc., the IAC/InterActiveCorp company that runs the networking site ZeroDegrees.com.

For instance, a venture capitalist who wants to check out an entrepreneur who is soliciting funds can look at his or her profile online to see if there are connections listed that weren't given as references. Or, by using the networking sites' search functions, the investor might be able to find people who used to work with the entrepreneur at another company.

Achim Lederle, a director at 3i Deutschland GmbH in Munich, says he regularly uses LinkedIn to check out entrepreneurs who submit business plans, as well as to track down lost contacts who are on the network. "It's much easier doing it this way" than offline, he says.

Mr. Lederle also recommends that entrepreneurs use online networks to check up on potential investors. "Look at LinkedIn and see if the investment manager is well connected," he suggests.

Others warn against expecting too much from online networks. For all the potential value of these networks in making connections, it's still up to the users to make those connections pay off, says Joichi Ito, founder and chief executive of Tokyo venture-capital firm Neoteny Co.

## Following Through

"Most VCs are very busy, and social networks are one way to get their attention briefly," Mr. Ito says. "Entrepreneurs still need all of the traditional skills of making pitches and getting attention" that will last and result in an investment.

A networking site is "not an electronic deal broker," adds Scott Allen, Austin, Texas-based co-founder of the Web site OnlineBusinessNetworks.com, a guide to online networking. "It takes being engaged and being aware. It's still networking."

Users of online networks also counsel patience. Building up a list of connections that can get you widely noticed takes time. And simply adding everyone you know to your list of connections isn't the most effective approach; the more impressive your connections are, the more impressive your profile will be. "Fewer but better connections are better," says Chip Hazard, Boston-based managing general partner of IDG Ventures, a global network of venture-capital funds backed by publishing company International Data Group Inc.

Similarly, it may not pay to join too many networks. "By the time you are on two or three sites, you're too busy to be active on any others," says InnerSell's Mr. Elias. And on the sites you do choose, the more specific you can be about what you're looking for, the better. For example, are you looking for funding, or for someone to screen your business plan, or for potential business partners or board members? "You have to figure out what you need to accomplish," says Tim Draper, principal at Draper Fisher Jurvetson, the investment firm. "You need an end goal."

And of course, ultimately it still pays to meet the old-fashioned way -- face-to-face. Some online networks -- such as Ecademy.com, run by Ecademy Ltd. of Haslemere,

England; OpenBC.com, run by Open Business Club GmbH of Hamburg, Germany; AlwaysOn-Network.com, run by AlwaysOn LLC of Woodside, Calif.; Tribe.net, run by San Francisco's Tribe Networks Inc., and Ryze.com -- sponsor events where members meet and mingle, and several have features for members to organize into interest groups and advertise events.

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