

## Meg Whitman's Greatest Achievement, Networks and Your Career

By [Harrison Barnes](#)

A few years ago a woman who was working for me sent me a long letter asking for an extreme raise—four times what I was currently paying her. Without going into too much detail, the woman was incredibly accomplished and had a background that was absolutely astonishing. For example, she had been a clerk at the United States Supreme Court and I think she might have stood first in her class at one of the top two or three law schools in the country.

I liked the woman and wanted to give her a raise (she was good at her job) but I simply could not afford to do so at the time. She would have been great to work with.

The letter said that if I gave her a raise and brought her on full time at the salary she was seeking, she would be able to open doors for me because she was friends with various important people. One of her best friends was Meg Whitman, the Former CEO of eBay. I remember thinking a lot about that at the time. Hanging out with Meg Whitman and discussing job search and online job sites sounded like a lot of fun.

Meg Whitman is very well known. I am sure that if I knew and networked with Meg Whitman, it would have paid off to some extent. But the more I thought about it, the less impressed I was with Meg Whitman. Meg Whitman has a lot to teach about how to get a job; however, I was not sure that Meg Whitman was someone who could have really helped me. You see, Meg Whitman knows an incredible secret that I am going to share with you in a moment—but she does not necessarily have a lot to teach about what I do (starting businesses).

Meg Whitman ran for Governor of California in the past (and lost). She joined eBay when the company had around 30 employees and ended up making over a billion dollars. She has been putting tens of millions of dollars into her campaign for governor and she may win.

She is very wealthy and I think the idea of her campaign was that her association with eBay and its growth would give her the skills to run California. This may be the case. However, I do not believe the fact that she ran eBay was something that would have entitled her to be the governor.

There needs to be something else there.

Meg Whitman joined eBay in 1998. By 1997, I already knew tons of people who were using eBay to trade one nick-knack or another. In fact, tons of people were flocking to eBay on a daily basis to sell this or that. The company was gaining users like crazy. Since it was the “only game in town” (in terms of auction sites at the time) people were willing to buy all sorts of stuff on the site.

I remember that in 1997 I put an advertisement for an old rug on the site. I did not even know how to upload images at the time so I just described the rug. I admit that I wrote a very good description and the description culminated with a statement (true) that the seller of the rug had cried when he sold it to me because he felt it was so beautiful and was sad to part with it.

To my astonishment, this silly rug got like 36 bids and the final bid was over \$1,000. Keep in mind that there was not even a picture of the rug! I did not even know what kind of rug it was! Nevertheless, people bid wildly on the rug. The rug was not worth more than a few hundred dollars.

With thousands of new people coming to eBay on a daily basis to sell things, with people all over the world buying and selling stuff on eBay and with the company experiencing meteoric growth, you would have had to be an idiot not to understand that this company was surely going somewhere and going to be something very significant.

When Meg Whitman joined eBay, all she really was doing was hitching herself to a “shooting star”. This shooting star made her over a billion dollars and her association with it has now made her very, very famous. I am not saying that Meg Whitman is not a brilliant manager, or was not good at her job (she was exceptional at it and managed its growth with world-class skill and made a ton of good decisions). What I am saying is that Meg Whitman made a very, very smart career move joining eBay: *Regardless of her involvement with the company, the company was already going somewhere and was going to be an industry leader by the time she joined it.* All Meg Whitman needed to do was show up and make sure the gravy train did not fall off the tracks.

The reason eBay was going to be successful, no matter who was leading it, was because it had formed a huge network with no incentive for people to “switch” networks. eBay was the first auction site on the scene—and as a “first mover” it immediately gained tons of users. If someone went to another auction site they simply would not get as many bids on whatever they were selling. Because they would not get as many bids, it would be far more difficult for them to sell something. Similarly, if you wanted to buy something you would see far fewer things on any competing sites than you would on eBay. In 1998 eBay was the only game in town and people had no real incentive to trade anywhere else.

The company had developed a “network” that was virtually unassailable. Even a well funded competitor like Yahoo! Or Amazon (both tried) could not overtake it in the auction space because it had already scaled and there were few incentives for users to use another auction provider.

Every time a new user joined eBay the site got better and better—it meant an additional bidder, an additional seller and so forth. The economies of scale of the network simply continued to get better and better the more people used the site. This made competing with eBay much more difficult. There was no motivation for a user to “switch” from eBay to another auction site. Doing so would not be worth it for anyone because (1) they would get fewer bids on whatever they were selling (and a lower price), or, (2) they would not find as much selection (if they were buying something). It was as if eBay was the only seller of water in the middle of a village in the desert: if people wanted to trade things online they really had no choice but to use eBay.

Because Whitman joined a business that had a pre-established and rapidly growing network, she was not faced with the issues that most businesses are faced with. She did not have to worry too much about things like

- Competition
- Decreasing revenue
- Becoming technologically obsolete
- Attracting new users
- Holding on to current users
- Differentiating the product from competitors

As the Internet spread and became more adopted, more users continued to join the site and the site became more and more profitable and its network more and more entrenched. This made competition more and more difficult.

Whitman joined a growing business that had formed a virtual monopoly by creating a network as a “first mover” in the auction space. Users of this network had very high “switching costs” if they wanted to use another auction site.

Historically, successful businesses like eBay, television, radio, the fax machine, railroads, Microsoft, Apple, Google, video game consoles, and others - all have a lot in common: They have created networks with high switching costs.

One of the greatest pushes (and wealth creators) in history was the railroads. The people who built the railroads and operated them made a ton of money. Why? Because if you wanted to travel you had to use their network of rails in order to travel. There was a tremendous investment made in the tracks and labor to install them. Once this network of rail lines was installed, the people who operated the trains could charge whatever they wanted.

They made a ton of money. There are huge barriers to enter the rail business. It may be no surprise, then, that Warren Buffet recently purchased a railroad. A recent *USA Today* article relates:

In Matt Rose's 10 years at the helm of [BNSF Railway](#), he'd heard plenty of investors talk about quarterly performance. A few would even talk about the railroad's annual performance.

Then on Feb. 12, he answered a call from [Warren Buffett](#), the legendary investor who looks for long-term return and whose [Berkshire Hathaway](#) holding company had just closed on its \$26 billion purchase of the 77% of BNSF shares it didn't already own.

"Warren called me and said, 'I'm looking forward to our first century together,' " Rose says. "I'd never heard an investor use the word 'century' before."

When the deal — the largest purchase in Berkshire's history — was announced in November, there was plenty of second-guessing. Was age finally catching up with the “Oracle of Omaha?” Railroads, after all, generally are viewed as 19th-century technology, and they've suffered big drops in shipping and revenue in the recession. And the 79-year-old Buffett is talking about an investment that pays off throughout the 21st century?

Buffett chuckles at the suggestion that buying the nation's second-biggest railroad is a sign of senility. He argues that railroads represent the future. They're best-positioned to haul the raw material and finished goods for a nation and economy that he insists are bound to grow. Unlike trucks, trains don't have to compete on congested highways. Nor do railroads depend on strapped governments to maintain infrastructure.

What Warren Buffet was purchasing was a network. A network is where all of the value is. It is too difficult for others to compete with.

The history of the telephone is a similar one. The telephone at one time required wires to be strung all over the country and world, and the companies who first operated them (AT&T in the United States) had the luxury of being able to charge practically whatever they wanted for phone calls. They had created networks with high switching costs.

The successes of this day and age are really no different. For example, businesses like Facebook have succeeded in creating huge networks of users. If you were a competitor of Facebook it would be very difficult to compete with them since they have so many users. In order to go to a competing service, you would have to import all of your friends, reestablish new users and get a new “history” and so forth on the site. This is simply not something that most people are interested in doing at all. The value of Facebook is in its users and the fact that there is a “high switching cost” for them to try something new.

The value of a business has a lot to do with the size of its network (this is called “Metcalfe's Law”). eBay, railroads, telephone company monopolies, Microsoft's operating system (or Microsoft Word, for that matter)—and so forth, all rely on Metcalfe's law for their success. It would be very difficult for someone to overtake them because of the number of users they have. The difficulty of overcoming an established competitor due to switching costs is another factor in terms of how difficult it is.

A few months ago someone sent me an email containing a Word Perfect document attachment. I could not open it with my computer. Ten years ago a lot of people used Word Perfect; however, in this day and age very few people do. Word Perfect is no longer a standard. Imagine how difficult it would be to overtake Microsoft Word if you wanted to come out with a word processing program now. You would have an extremely difficult time in all respects. In fact, it would be next to impossible. Nevertheless, Google and others are trying.

I was at the Ted Conference this year and Google gave out the new Google Android Nexus One phone to everyone at the conference. I got one and so did many others there. What Google was trying to do was to create a network. They wanted a network of cellular phone users on their system—just like they have on their search engine. Notwithstanding, Google has had a tremendously difficult time getting the phone off the ground because it is competing with so many entrenched networks out there.

One of the keys to your success in anything—and the success of businesses and most institutions—is the power of networks. Networks are something that makes all of the difference. It has been this way for a very long time.

Meg Whitman joined a business with a good and expanding network that would be incredibly difficult for people to “switch” out of. If you joined Facebook on the way up it would have been the same thing. If you joined AT&T on the way up it would have been the same thing.

What do these “networks” have to do with your career and life?

First of all, if you are seeking to start a business and you start one where you can build an “unassailable network” like this, you are going to do phenomenally well. The more entrenched people become in whatever you are selling or doing, the better off your business is going to be.

Secondly, and most importantly, you should seek out jobs and opportunities that either (1) are building huge “unassailable” networks or (2) have huge unassailable networks in place. The reason for this is that the larger and “firmer” the businesses’ networks are, the harder it will be for competitors to overtake them. If a competitor cannot overtake the business then that means you are going to be working for a business that has a good long-term future and is likely to have opportunities and be around for a long time.

Meg Whitman's greatest achievement was joining a business with an unassailable network. You should do the same thing. It could make you a billionaire and governor—Meg Whitman's greatest achievement was joining eBay when she did. Look for companies that are growing an unassailable network in your job search.

### **THE LESSON**

Building an “unassailable network” is the key to business success; seek out companies are either building such networks or already have them in place. Such networks help establish businesses, and make it more difficult for competitors to overtake them. If you are in a business that is unassailable by its competitors, then both you and the business can look forward to a positive long-term future.

**Read More About The People Who Leave Your Company Are Just as an Important Network as the People Currently at Your Company:**

- [Finding Jobs Through Contacts](#)
- [You Need Connections to Make the Most of Your Career](#)
- [Informal Networks and Referrals](#)

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