

Frontiers

The network strength

Metcalfe's Law applies not only to computers, but to human beings as well, both online and offline

...The usefulness and value of a network are equal to n^2-n , where n stands for the number of users. **Metcalfe's Law** (in the picture: Robert Metcalfe)

THE MARKET OF ideas

by **MARCO MAGRINI**

The world needs to know. Gerson Lehrman Group offers 200 thousand experts

Angelo Prete, 35 years old, has been in the solar energy business since 2001. Today he is general manager at Solar Green Technology of Milan. When investors throughout the world contact him, he responds to their questions about Italian law, technology, and the necessary resources for the modest sum of \$300 per call. But thanks to his answers, a US investment bank and an Asian fund (their names may not be disclosed) have decided to bet "at least €700 million" in the abundant solar energy of southern Italy.

In the economy of such a global and interconnected world, supply and demand meet every day. In other words, billions of times a day, at each deal, each buy/sell transaction. But where do questions and answers meet? Where are the answers to the millions of questions that are posed every day, how it should be in the modern knowledge economy?

In New York there is a company founded by 20-year olds, now 30-year olds, who have transformed this dilemma into a business. In less than ten years, Gerson Lehrman Group, also known as GLG, has put together a network of more than 200,000 experts in almost all fields of human intellect, ready to shoot out answers. On the other side, it has a portfolio of a thousand customers – investment funds, companies, associations – who ask questions. In between, there is an electronic platform that puts the two sides in contact, according to the rules of Web 2.0.

GLG vice-chairman Andrew Goldman, stopping by in Milan, explains, "In many cases, these are interdisciplinary research projects that produce reports that accumulate in our network, making it increasingly intelligent and adaptable." On the opposite side, there is a rating system where customers give their rankings on the individual experts. Those with the top rankings become "GLG Leader – Top 5%", like Angelo Prete. The young solar energy manager says, "I have spoken with investors from the United States, China, Japan, Europe, but no one from Italy. Many ask to stay in touch. The consulting accounts always pass through the GLG platform", but not future business opportunities.

Mr Prete adds, "The nice thing about this system is the capacity to network, including with experts from other disciplines."

In reality, the GLG platform – of which we have seen a demonstration via webcasting from New York – does not look like a Facebook of this ocean of experts, as if one could be freely contacted by old friends. The customers and experts see two different sites. But the ease of use, to create the right mix of experiences, is undeniable. Mr Goldman says, "There have been those who

needed all the information to invest in salmon breeding in Norway or to start up in viticulture in Romania. We have found it for them.”

But, to make a simpler example, there are also some Apple investors who, when Steve Jobs became ill, quickly consulted with pancreas tumor experts present on the network.

In reality, when in 1998 Mike Gerson and Thomas Lehrman, two recent Yale graduates, went into business with family money, they had a publishing company in mind: very technical and very expensive books for the financial community.

But Alexander Saint-Amand, Gerson Lehrman Group’s CEO, tells us by phone, “Nine months later, we had not sold one book. But we saw a new opportunity and we went to work to make it happen.”

And only through a long reasoning process and experiments, together with some fate, they came up with the idea of putting into contact people from medicine with hedge funds and private equity companies. This was the starting point of a real business.

Last year, GLG did \$284 million in turnover on average volume of 20,000 questions & answers per month. From medicine, the industries in this global market of ideas has expanded to finance and technology, from energy to real estate.

Mr Goldman says that GLG’s giant network of experts “is growing at a pace of 200 per day”, in part through references provided by experts already onboard, in part through an internal recruitment system with 200 of GLG’s 700 employees. There are lawyers from major law firms, scientists from famous research institutes, and more than 20,000 business managers. The company has 17 offices throughout the world, the latest of which have opened in Beijing and Dublin. Two years ago, Silver Lake Partners bought 25% of GLG for more than \$200 million. According to the appraisal at the time, this online and offline market of ideas was worth \$875 million.

A completely new business? Or a business which will erode that of the traditional consulting companies?

Mr Saint-Amand responds, “Consulting firms are voracious consumers of expertise, so they make great clients as well, and we co-exist successfully.”

But the financial crisis? Hasn’t it drastically reduced business?

Mr Saint-Amand says, “In the beginning, we lost clients who went out of business. But our business is growing again this year, in terms of both projects started up and revenue.”

The reason is clear: there is no end to the possible questions that go around in such a complex and never before so interconnected world. From the heights of the Top 5%, Angelo Prete knows this better than most.

Common ground between demand and...answer

In order to provide an answer to the questions raised by modern knowledge economy, the Gerson Lehrman Group, based in New York and established as a publishing company, turned into a real «expertise market». A worldwide network of experts is ready to answer both to simple and difficult questions, which are essential to investment decisions.

EXPERTS

Over 200 thousand experts, including scientists, managers, analysts and experts from almost every discipline.

CUSTOMERS

Industrial companies and institutional investors are among the almost 10 thousand customers, asking 20 thousand questions a month.

THE PLATFORM

An advanced web-based platform, subscribers to the service can rely on tailor-made experts. They can reach them by phone (with experts earning \$300-500) or ask for a more complex and interdisciplinary working group. Customer satisfaction determines an expert ranking: the top 5% is the «leader».

Accounting& Financial analysis

Over 8 thousand

Financial & Business services

Over 22 thousand

Energy

Over 33 thousand

Consumer goods & services

Over 30 thousand

Healthcare

Over 58 thousand

Legal & Regulatory Affairs

Over 10 thousand

Real estate

Over 10 thousand

Technology, media, telecom

Over 47 thousand

CEO. Alexander Saint-Amand, 36 years old

Source: Gerson Lehrman Group

144 thousand telephone calls per year

Telephone is the most used way to connect experts and customers: Gerson Lehrman estimates that 12 thousand telephone calls take place on average each month. Meetings at the customers' headquarters are also arranged.

5,500 thousand meetings per year

Customers may also request individual meetings with an expert or a team of experts. The Glg group also organises seminars and round table discussions open to customers and network experts as well.

60 thousand reports per year

There are thousands of documents drafted by one or more experts which reply to customers' needs. They represent an artificial intelligence source which is increasing year after year on Glg's web platform.

>Glg network>case history>1>**Sap**

How to spot market trends

Customer identity is, obviously, secret. However, on the Gerson Lehrman website (www.glggroup.com) you can find some case studies, obviously for advertising reasons. Here they are.

The motto of Sap, the German company software giant, sounds like this: «Make each customer a business leader». A wonderful objective, but difficult to achieve. By working arm-in-arm with Glg expert network, Sap has made a significant breakthrough. According to Stephanie Marley, Sap, «Glg opened us the door to software decision makers. Glg helps us to test our solutions in order to be sure to achieve the best possible results».

Sap is a German software company with a customer base of over 39 thousand businesses and over 39 thousand employees.

Glg network>case history 2>**Gbc**

How to speak to Ukraine companies

Global Business Coalition was founded in 2001 by 200 large companies and at the request of former UN Secretary General Kofi Annan, with the purpose of fighting against HIV, malaria and tuberculosis. Two years ago, Transatlantic Partners Against Aids – enjoying a dominant position in the Russian and Ukraine market – was merged into Gbc. Celina Gorre, manager at Gbc, explains: "Out of the blue we found ourselves promoting social responsibility services in the Ukraine market without having the foggiest idea on the situation of that country". But allies came: they were experts from the Gerson network. "It was like employing fixed-term staff with specific know-how on the project we were dealing with". "In a few weeks", she explains in a Glg promotional message, "we received the detailed report needed to speed up the project".

220 large companies take part into the **Global Business Coalition** against AIDS.

Glg network>case history 3>**Cubist**

How to find the next drug

Following a significant success in 2003 with the launch of Cubicin, a more efficient injectable antibiotic against bacteria resistant to traditional drugs, Cubist Pharmaceutical, a young company based in Massachusetts, faced a problem: how to find the new *blockbuster drug* – as people working in this sector say – i.e. a new drug worth billions of dollars in sales.

On this front, Gerson Lehrman Group made use of all its resources: more than 58 thousand experts among doctors, scientists and directors of healthcare companies. When the need arises, Cubist asks for a collective advice to a relevant panel of healthcare experts saving time and money. "It is infinitely better to make use of Glg's services rather than search for experts by

ourselves" Aaron Pelta, manager at Cubist, explains. "GLG is highly integrated with our research and development process".

Cubist Pharmaceutical is a pharmaceutical company based in Massachusetts.

A new business > expert network > competition

THE COMPETITION AMONG "expert networks" BECOMES WHITE-HOT

*On the wave of GLG's success, the rivals spring up like mushrooms
At last count there were 24 of them*

The expert network, the network of brains, it's the latest trend.

In the competitive world of investment research, i.e. the business of helping companies and institutional investors to decide, the idea successfully introduced by Gerson Lehrman Group (GLG) has met with a lot of people ready to imitate it. According to Integrity Research Associates, which has compiled a report to help companies choose the right expert network, GLG has at least 24 competitors.

The report reads, "In a few years, the number has increased from no more than five to 25, some of which specialized in particular industrial sectors or geographical areas." There are also others who aspire to it, but the Integrity survey does not count all those that define themselves as expert networks just because they have experts who cooperate in their research.

The report concludes with the names of the five best expert networks in 2008, by category. In the "generalist" category, with the widest range of action, **Gerson Lehrman Group** wins.

For technology, **Primary Global Research** wins, headquartered in Mountain View, not far from Google's head office: a lighthouse stands on its site, parting the darkness in the night of the financial crisis.

In health, the industry where GLG began to take its first steps, the winner is **Guidepoint Global** of New York.

Geographically, **ExpertView** of London was voted the most adapt network for those betting on Europe.

As for Asia and other emerging markets, the winner is **Nitron Circle of Experts**, which has merged with **Evalueserve** in the meantime.

If the rankings had been based on the number of experts, Gerson Lehrman would have won, with more than 200,000. Andrew Goldman, vice-chairman of GLG, admits, "The competition is fierce, but we have an advantage: we started first and it is hard to built an expert network as wide and deep as ours." According to Wikipedia, the network with the next higher number of experts is **Vista Research** with 90,000.

But not everything is beer and skittles. With the suspicion of some conflicts of interest among members of the GLG Council who work for companies that manage various types of confidential information, the expert network industry come under accusation.

The New York Attorney General opened an investigation into GLG, but nothing else is known about it. In the meantime, both Gerson Lehrman and the competitors have adopted tighter codes of conduct, with the explicit aim of avoiding this type of risk.

In the meantime the competition is spreading. The expert network model is pursued also by investment banks, especially after the conflict of interest cases between their investment and research segments. Not by chance, last year GLG signed an agreement with Credit Suisse: the bank's analysts partially enter the GLG expert network and the bank uses the GLG network in its research. It is worth betting that this too will soon become a trend. (*m.mag.*)