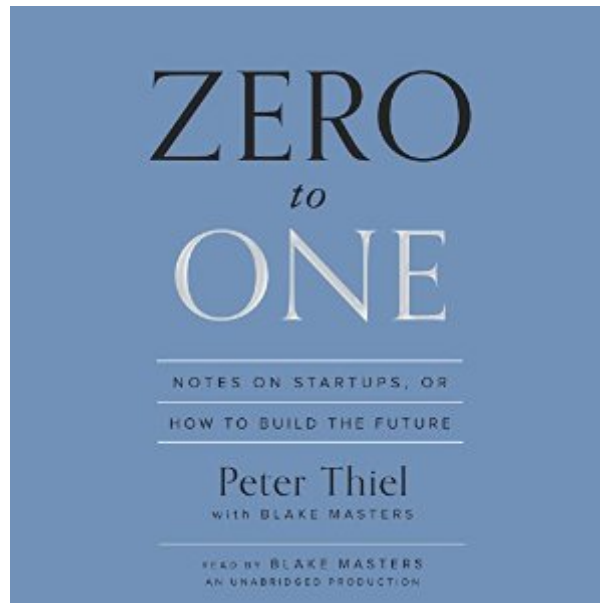




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Zero To One: Notes On Startups, Or How To Build The Future



Synopsis

Every moment in business happens only once. The next Bill Gates will not build an operating system. The next Larry Page or Sergey Brin won't make a search engine. And the next Mark Zuckerberg won't create a social network. If you are copying these guys, you aren't learning from them. It's easier to copy a model than to make something new: doing what we already know how to do takes the world from 1 to n, adding more of something familiar. But every time we create something new, we go from 0 to 1. The act of creation is singular, as is the moment of creation, and the result is something fresh and strange. Progress comes from monopoly, not competition. If you do what has never been done and you can do it better than anybody else, you have a monopoly - and every business is successful exactly insofar as it is a monopoly. But the more you compete, the more you become similar to everyone else. From the tournament of formal schooling to the corporate obsession with outdoing rivals, competition destroys profits for individuals, companies, and society as a whole. Zero to One is about how to build companies that create new things. It draws on everything Peter Thiel has learned directly as a co-founder of PayPal and Palantir and then an investor in hundreds of startups, including Facebook and SpaceX. The single most powerful pattern Thiel has noticed is that successful people find value in unexpected places, and they do this by thinking about business from first principles instead of formulas. Ask not, what would Mark do? Ask: What valuable company is nobody building?

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Customer Reviews

Zero to One is a refreshing intellectual deep dive into the motives behind entrepreneurship. It's full of unique, practical insights, and discusses success in terms of human nature and culture. Along with business strategy, Thiel outlines how successful innovation shapes society and shares an intriguing vision. Bottom line: This book was worth my time and refined several core beliefs. It made me ask hard questions which, as an entrepreneur, I believe are critical if you want to be honest and prepared. I like the organized format which reads well linearly, but also allows you to read chapters in the order they interest you most, making key takeaways accessible to review and share. It's short enough to finish in a week, and deep enough to cover the entire lifecycle of a company. Here are the seven questions Thiel writes "Every business must answer:" 1. Can you create breakthrough technology instead of incremental improvements? 2. Is now the right time to start your particular business? 3. Are you starting with a big share of a small market? 4. Do you have the right team? 5. Do you have a way to not just create but deliver your product? 6. Will your market position be defensible 10 and 20 years into the future? 7. Have you identified a unique opportunity that others don't see? These are from the "seeing green" chapter on profitability, and form a basis for much of the content. Rather than offer scripts or formulas, Thiel discusses the logic of starting a company that will make a truly meaningful and unique impact on the world. Blake did a great job of adapting and presenting the contents, many of which were delivered when Thiel taught at Stanford. Most startups fail. Keeping in mind that companies growing 1000x often carry entire portfolios, Peter gives a good argument for successful moonshots and grand visions. He also highlights the dangers of trying to disrupt entrenched competitors and avoid extra resistance and burn rates on marketing. This was one of the many reasons Tesla was successful; it didn't initially aim to compete directly against the big 3. Rather, Tesla began by making powertrains, then started with high end luxury models to which no solid alternative existed. It also serves as an OEM for other manufacturers, which is a nontraditional strategy that has worked well. There are further arguments against competition where Thiel shares his inner thoughts for merging PayPal and Elon Musk's X.com. His strong argument for monopolies are both for novelty and to develop early market dominance should competitors arise later. This strategy goes beyond first mover advantage in several interesting ways. I found a Monopoly Index by Forbes that showed these types of companies outperforming the Dow and S&P by 33%, which was a pleasant result of some due diligence. The title means "create true newness." If you go from 1 to n (n being an integer), generally, you create incremental value (like faster solar charging or curved screens). Even

if you make a product that's a 3x improvement over a market leader, you aren't creating anything truly new, and well funded competitors are likely to catch up. Going from 0 to 1 means starting at ground zero and building a new foundation. This is similar to Blue Ocean Strategy, but discussed at a more fundamental level.

Pros: Blake's succinct, direct writing style. Little fluff; you get to the point quickly. Good amount of evidence, examples, stories, and visualized data. No streams of consciousness and minimal filler, if any. This book is very credible. You see into Thiel's investment logic as he discusses the reasoning behind VC decisions in depth. This is helpful for anyone who wants to be better prepared for a successful raise; it's good to see deeply into both sides of the story.

Con: Zero to One has a variable scope and can feel like multiple books in one. It looks at economics, globalization, artificial intelligence, and historical trends along with founder characteristics and the qualities of great salespeople. In some areas, I would have liked to see more connection between micro and macro. Others were strongly linked, but went into slightly less depth. The shifting balance isn't that big of a deal, especially if you find variety refreshing.

Variable: Philosophy over formulaic. If you want to become a more savvy entrepreneur and learn how to make more effective decisions, read this book. If you're at the stage where you want a more prescriptive "how-to" guide, check out Lean Startup or Paul Graham's essays. If you like diving really deep into the mind of a founder across many life experiences, check out Tony Hsieh's Delivering Happiness. Zero to One definitely has high merit to join the ranks of many respected thought leaders. This book teaches you more how to think, less what to think. Given that, its usefulness will be compounded and, in many cases, timeless.

A better title for this book would have been "Six ideas Peter Thiel wants to put out there" but that admittedly sounds less catchy than "Zero to One". Two of the ideas are HUGE and the rest are filler. The first infuriated me and the second inspired me. The remaining four ideas were not exactly news to me because I once founded and ran a startup. There's also a couple rants, one against biotechnology and one against green tech, which to my ears sounded tribal. After the ideas and the rants comes some rather embarrassing stuff that probably should not have made it into print. For example "we never invest in entrepreneurs who turn up for the interview in a suit" or "four of the founders of PayPal had built bombs as children." Memo to Peter Thiel: you are successful despite your prejudice against people who don't share your sartorial taste, and your partners made it to adulthood despite having been poorly supervised as children.

Idea number one is that "Monopolies are Good". Not just for the monopolist (that would hardly have been a contribution) but also for

everybody else. The general idea is that competition hurts profits and the lack of profits leads firms to an existential battle which does not allow them the scope to innovate. Monopolies are good because they have the power and scope to bring innovation to everybody. So Bill Gates brought the computer to every home. He was not beaten by a better provider of software, he was superseded by a shift in technology toward powerful mobile devices, tablets and the cloud, all of which, in turn, were motivated by other entrepreneurs' desire to obtain monopoly profits. So Steve Jobs dominated many of these arenas for long enough to enjoy monopoly profits and other people will some day take this all further. Even the government is in on the act, Peter Thiel claims, or else it would not be granting patents to inventors or freedom from competition from generic drugs to the pharmaceutical companies that first develop new medications. Erm, where do I start? My mom taught me that "necessity is the mother of invention:" GM did not develop the Volt till it was up against the wall, Archimedes discovered how to screw water upwards during the Roman siege of Syracuse, the Germans developed jet propulsion, the swept wing and the rocket we later sent to the moon when they had pretty much already lost WWII. Intel gave us the messed-up Pentium when it was as close to a monopoly as it will ever be, Steve Jobs gave us the Newton when he was feeling comfortable, Ford gave us the Edsel when profits were still huge, Coke gave us New Coke when its only true competition came from water; Peter Thiel has 99% of human history against him on this one. Now, I will be the last to contest that Pericles' Athens gave us the Parthenon when he were sitting on half of Greece's treasure, that the Medici sponsored some fantastic art when they were at their apogee or that Peter Thiel could make some fantastic contributions to philosophy in the years to come, but that's beside the point. Pericles and the Medici both came to an end I would not wish upon Peter Thiel, let's put it that way. Bottom line, he's hanging with far too many courtesans who are telling him what he wants to hear and too many fellow "job creators" and he needs to get out more. The really painful thing is that Economics deals with all these issues, and Peter Thiel should read some Economics. Many fields of endeavour, for starters, relate to limited markets. Example: the size of the market for flat bread in New York State. Meeting in the McDonalds car park with the heads of the other three major bakeries that make flat bread to fix the price of flat bread should be illegal, period. Buying out the other three makers of flat bread so you can regulate the price by yourself should also be illegal. Provision of mattresses across the North American continent springs to mind: A US king size mattress is twice the price of a UK king size mattress and it only has 3 inches extra on each side and I'll leave that one right there. I can see how an ocean and different sizes benefit the mattress industry in the US, but I really don't see how Americans will one day benefit from paying double for their mattresses. Dunno, maybe they will discover a different way to sleep. And

then we have the cases where, as the author says, it's clear that you need to incentivize people to innovate (drugs spring to mind, where the US has a lead) and that's where patents come in. Again, though, it's crystal clear that there is a limit to how long these monopolies should last. And it was crystal clear to everybody with a modicum of common sense that both Intel and Microsoft were not helping the world along when they used dirty tricks to hurt AMD and Netscape. All that said, monopolies are fantastic for you if you can set them up, and the four pieces of advice on how to set up a monopoly sound pretty sensible: 1. Proprietary Technology 2. Network Effects 3. Economies of Scale and 4. Brand. Duly noted, and well worth remembering. Most important piece of advice: start with a small monopoly you know you can get (example: launch Facebook among your Harvard classmates, launch Paypal among the 20,000 eBay power users) and take things from there. The number two idea is that you need a Plan. Things do not just work out if you put together optimism, good people, hard work, capital and buy a lottery ticket. The author takes us on a (rather gratuitous) trip from Plato and Aristotle to Nozick and Rawls via Epicurus, Lucretius, Hegel and Marx to discuss when optimism is and isn't warranted and the bottom line is that you're only allowed to be an optimist if you have "definite optimism" based on a specific Design (my capital D) for a business. Peter Thiel takes a massive swipe at the Malcolm Gladwells of the world who overemphasize chance, serendipity and fate with facile arguments about the similarity in Steve Jobs' and Bill Gates' birthdates. Bottom line, fortune smiles on those who have a design. After the fact they might look lucky, but only then. Thiel considers Steve Jobs to have been a designer, first and foremost. In his words "The greatest thing Jobs designed was his business. Apple imagined and executed definite multi-year plans to create new products and distribute them effectively." I LOVED this. Loved it, loved it, loved it. Please somebody email this thought to Mariana Mazzucato and her tribe of nihilists. The third idea is that our world is best described by the extremes rather than what happens in the middle. It's the Nassim Nicholas Taleb idea, and he duly appears on the back cover to endorse the book. The relevant insight here is that when you invest in startups, like the author does, the performance of your entire fund is a function of your one best investment; the rest of your investments, even if they kinda do OK, are neither here nor there, deserve none of your time and get none of it if you're doing your job right. The lesson if you are involved in a startup is "what are the chances that this venture will be the one?" This is not a novel idea. For the best book on the subject I'd swerve around NNT's work and turn to Benoit Mandelbrot's masterpiece, "The (Mis)behaviour of Markets." The fourth idea is no more original, but Thiel puts it well: "there are many more secrets left to find, but they will yield only to relentless searchers." A company that's based on having solved a hard problem, either a "secret of nature" or a "secret about people" is going to have

a much better chance of succeeding than one that adds a twist to an already existing business model. That said, the author is quick to mention that some entrepreneurs (for example Richard Branson) do very well from doing exactly that. It's just that this is not his type of company. The fifth idea is you need to pick your partners i.e. your investors, your fellow managers and your (ideally 3) directors very carefully in order to make sure you all want the same thing out of the company (and it had better not be immediate rewards). As a former entrepreneur, I can vouch for the fact that this is a "good problem to have." For my series 1 I saw 42 potential investors and chose the 2 who were prepared to give me money, I hired as managers and engineers best guys I could find and I had no say regarding the idiot my investors put on my board. But if you can afford to follow Peter Thiel's advice, it's not controversial. And neither is "idea 5.5" that the people who work at a startup will belong to a cult, not to an army of consultants. Outside of a bubble environment that's precisely who will join anyway. You won't get any consultant types banging on your door, unless they are putting together their CV to get into B-school. The sixth idea is that marketing is extremely important. If you build it they won't come. You need to sell it. True. But not all startups have the funding to sell it, so it's not a total disaster if it somehow does sell itself. But point taken. The closing chapter is a vomit-inducing hagiography of founders. The question is posed: are founders different because they founded a firm or did they found a firm because they are different. Answer: nobody cares. For the record, I think a successful entrepreneur is a guy who does not know how to give up. That's what they all have in common. But once they have their first billion and don't need to run their ideas by anyone else to get them funded they very often go do something stupid (dunno, like go mine asteroids) with exactly the same fervour they previously applied to the sensible endeavour that made them rich. The more grounded ones keep their further investments close to home and direct their creativity toward giving lectures and writing books. Peter Thiel, fortunately for himself, falls in the second category.

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