

Zero to One: Note on Start Ups, or How to Build the Future

Title of the Book: Zero to One: Note on Start Ups, or How to Build the Future

Authors: Peter Thiel and Blake Masters

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In the words of Peter, this book (or better to say a compilation of notes) is about how to build companies that create new things. Personally, I would say this book gives a good window into the mind of a great entrepreneur like Peter, which may give solace to other entrepreneurs with out of box idea and who are not getting support from near quarters. This is not a book which will detail out the steps in the journey, but it can tell you about what to expect in the journey. And nothing about the destination – that is for each to define as their own.

In the process, there are some gems I collected. Like the contra learnings from the dot com bust –

1. Make incremental advances
2. Stay lean and flexible
3. Improve on competition
4. Focus on product, not sale

OR what Peter professes

- a) It is better to risk boldness than triviality
- b) A bad plan is better than no plan
- c) Competitive market destroys profits
- d) Sales matter as much as the product

Which one to choose – all up to you.

Peter is unapologetic about monopoly – as he views that every business is successful exactly to the extent it does what others cannot, this making monopoly the condition for every successful business. All happy companies are those who have earned a monopoly by solving a unique problem, all failed companies are those who failed to escape competition

In order to get to the monopoly, Peter suggests to analyse the business within some parameters:

- a) Proprietary technology – should be 10 times better than closest substitute
- b) Network effects – an expanding network of users will bring in more users. A product is viral if its core functionality encourages users to invite their friends to become users too.
- c) Economies of scale – the model should have a great potential to scale in its design
- d) Branding – control the customer experience

Peter prefers to start small – target a small group of particular people concentrated together and served by few or no competitors. Dominate a small market than a large one. And then scale up.

Peter also serves some words of caution - some of which may not find universal resonance, like

- a) Don't Disrupt: focus on the act of creation. Disruptors often attract undue attention and take away substantial time

b) Last will be first : Moving first is a tactic, not a goal. Focus on cash flows. It may be better to be the last mover - to make the last great development in a specific market and enjoy years of monopoly profits

c) Full time involvement: Everyone you involve with your startup company should be involved full time – even remote working should be avoided to avoid any misalignment.

d) Do one thing : Make every person in the company responsible for doing just one thing

e) Human beings are irreplaceable: Complementarily between computers and human beings is the path to building a great business (e.g. LinkedIn helping recruiters than aiming to replace them) Using the case of large scale failure of green tech companies, Peter lays out a set of seven questions that every business must answer:

1. The Engineering Question- Can you create breakthrough technology instead of incremental improvements?

2. The Timing Question- Is now the right time to start your particular business?

3. The Monopoly Question -Are you starting with a big share of a small market?

4. The People Question- Do you have the right team?

5. The Distribution Question- Do you have a way to not just create but deliver your product?

6. The Durability Question -Will your market position be defensible 10 and 20 years into the future?

7. The Secret Question - Have you identified a unique opportunity that others don't see?

At the end, Peter addresses the question about the importance of founders. He agrees on the need to have and tolerate founders who seem strange and extreme. They are important as they can bring out the best work from everybody in the company. He also agrees that it can get dangerous when the founder is so certain of his myth that he loses his mind but he feels it is equally dangerous for a business to lose all sense of myth and mistake disenchantment for wisdom.

There are many other areas on which Peter gives his views like control over future, the power law of venture capital, the case for having secrets etc. He focuses on finding singular ways to create new things that will make future not just different , but better – to go from zero to one, for which the essential step is to think for yourself. His closing comment “Only by seeing the world anew and as strange as it was to the ancients who saw it first, can we both re-create it and preserve it for the future”.

The author Peter Thiel was the co-founder of PayPal and has gone on to become a successful venture capitalist having invested in companies like Facebook. His colleagues have gone on to set-up companies like LinkedIn, Twitter, Tesla, etc.

This is required reading for all budding Entrepreneurs. His insights and advice are very useful for, especially high tech entrepreneurs.

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