

# SUMMARY

— Review & Analysis of —  
Thiel and Masters' Book

## Zero to One

— BusinessNews Publishing —

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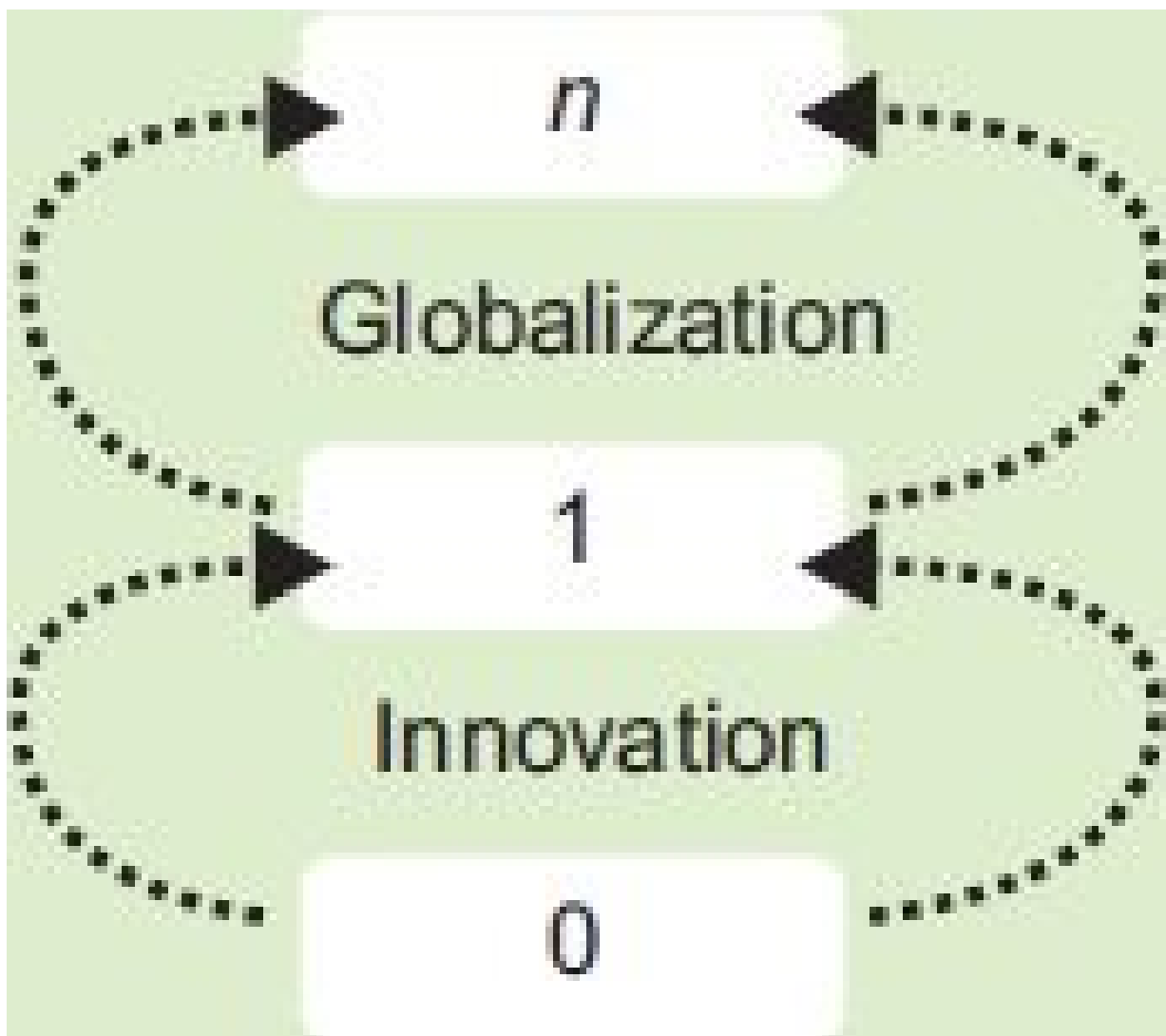
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Book Presentation: *Zero To One* by Peter Thiel with Blake Masters

Summary of *Zero To One* (Peter Thiel with Blake Masters)

# BOOK PRESENTATION: *ZERO TO ONE* BY PETER THIEL WITH BLAKE MASTERS

## BOOK ABSTRACT



Too many companies today think the essence of innovation is to come up with a better Facebook or a new-and-improved Microsoft. Or to fine-tune

and optimize existing lines of business. That's not innovation – that's merely globalization which is the art of going from one to many.

True innovation means going from zero to one – creating new, fresh and probably strange things that have never before been seen. It's usually technology which facilitates these innovations and the underlying theme of advances in technology is most often finding practical ways to do more with less.

If you want to excel as an innovator in the future, don't set out to copy and improve what someone else has already done. Figure out some job that is entirely new and blaze your own trail. Focus on going from zero to one. That's the real challenge and hope of the future of humanity.

*“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. Doing what we already know takes the world from 1 to n, adding more of something similar. But every time we create something new, we go from 0 to 1. Unless they invest in the difficult task of creating new things, American companies will fail in the future no matter how big their profits remain today.”*

- Peter Thiel

## ABOUT THE AUTHOR

**PETER THIEL** is an entrepreneur and investor. He founded PayPal in 1998 and was CEO of the company when it went public in 2002. He was also an early-stage investor in Facebook, LinkedIn, Yelp and dozens of successful technology startups. He is managing partner of the venture capital firm Founders Fund which has invested in SpaceX, Airbnb and many other startups. Peter Thiel leads his own foundation which works to encourage technological innovation and long-term thinking about the future. He is a graduate of Stanford University.

**BLAKE MASTERS** was a student at Stanford Law School in 2012 when he took notes in Peter Thiel's Class: "Computer Science 183: Startup" which formed the basis for this book. He is a co-founder of Judicata, a legal

research technology startup. He graduated from Stanford University and Duke University

## **IMPORTANT NOTE ABOUT THIS EBOOK**

This is a summary and not a critique or a review of the book. It does not offer judgment or opinion on the content of the book. This summary may not be organized chapter-wise but is an overview of the main ideas, viewpoints and arguments from the book as a whole. This means that the organization of this summary is not a representation of the book.



# SUMMARY OF *ZERO TO ONE* (PETER THIEL WITH BLAKE MASTERS)

## 1. THE REAL CHALLENGE

The central challenge for any startup is to question accepted wisdom and rethink business from scratch. Anything else won't have the power to create an entire industry from thin air.

Everybody naturally hopes for a future of progress. When you think about it, however, progress comes in two different forms:



Another way of thinking about this is globalization – taking something which already works in one place and making it work everywhere – is horizontal progress. Technology is more like vertical progress because it focuses on making available new and better ways to do different or novel things.

Most people and many companies assume globalization will be the main driver of the future of the world but that's incorrect. Technology matters more. The key challenge of the future is to develop new technology which will help everyone do more with less. Globalization without this kind of new technology is unsustainable.

New technology always comes from startups rather than from established corporations. The simple reason for this is it's hard for big organizations to develop something new because there is so much inertia to instead optimize what already exists. Startups have no such restrictions and therefore are free to think differently. To develop some new technology, you need a startup which is big enough to get things done but small enough that you can head in new directions.

The 1990s were the perfect example of chasing growth through globalization versus technology innovations. The decade featured the arrival of the commercialized Internet and ended with the infamous dot-com boom which played like a Silicon Valley gold rush. The inevitable dot-com bust followed.

As a result of the dot-com crash, four big lessons were learned which still guide many of today's business thinkers:

- You're better off making safe incremental advances than in pursuing bold steps forward which have the potential to change the world.
- Your enterprise should stay lean and flexible so you can try things out and iterate your way to success rather than make and execute set plans.
- Don't try and create new markets. Instead, you should go after existing markets by improving what is already offered by your most successful competitors.
- Make viral products which will sell themselves. If you have a product which requires marketing, it's not good enough.

If you think about it carefully though, you'll probably agree the opposite of these principles are more accurate today:

- It's better to go after boldness than it is to get caught up in trivialities.

- Even a bad plan which you have to change later is better than having no plan at all.
- Competitive markets always destroy profits.
- Sales matters just as much as product.

*“Brilliant thinking is rare, but courage is in even shorter supply than genius.”*

*- Peter Thiel*

*“No one can predict the future exactly, but we know two things: it's going to be different, and it must be rooted in today's world.”*

*- Peter Thiel*

*“Today, our challenge is to both imagine and create the new technologies that can make the 21st century more peaceful and prosperous than the 20th.”*

*- Peter Thiel*

## 2. BECOME A MONOPOLY

The real goal of any startup is to build a successful company which becomes a monopoly by solving a unique problem for customers. You have to figure out how to rise above your competitors.

The question you should be asking yourself when considering a startup is:

***What valuable company is nobody building at present?***

The fact of the matter is to breathe life into a startup, you have to create value for your customers using a business model which then captures some of that value for yourself. To achieve that, you will have to spark a new entity which is so good at what it does there are no other close substitutes.

*“If you want to create and capture lasting value, don't build an undifferentiated commodity business.”*

*- Peter Thiel*

People may love and romanticize the idea of competition and being in competitive markets but the brutal reality is when you have perfect

competition, all profits get competed away. You've got to fight hard to survive and squeeze out every efficiency that's available to you. Companies in competitive markets are so busy focusing on today's margins they can't afford to invest or plan long-term. Monopolists, by contrast, can afford to think about other things.

The main reason why monopolies are vilified in the business world is they can generate outsized profits by charging customers more than market value. That only happens, however, in a static world where nothing ever changes. In the dynamic world which exists now, it's possible to invent new and better things. Creative monopolies give customers more choices by making available new options and choices. From this perspective, it's clear creative monopolies are good for society because they are powerful engines for making it even better.

Some good examples of the value of new monopolies are easy to identify:

- In the 1960s and 1970s, IBM had a hardware monopoly in the computer industry.
- Microsoft came along with the release of the personal computer and then enjoyed a decades long software monopoly thanks to its operating system.
- The rise of mobile computing in more recent times has seen Apple's iOS come to the forefront, supported by the software cell phone manufacturers are using for their devices.

*"If the tendency of monopoly businesses were to hold back progress, they would be dangerous and we'd be right to oppose them. But the history of progress is a history of better monopoly businesses replacing incumbents. Monopolies drive progress because the promise of years or even decades of monopoly profits provides a powerful incentive to innovate."*

*- Peter Thiel*

It's clear even governments understand this dynamic. That's why one of its departments works hard to create monopolies (by granting patents to new inventions) while another department hunts monopolies down (by prosecuting antitrust cases). It's even easy to question why some company

should be awarded a legally enforceable exclusive right to sell something simply for being the first to think of it. The truth is companies have to be rewarded when they do things that create greater abundance which is, after all, the end goal of every startup.

*"If your industry is in a competitive equilibrium, the death of your business won't matter to the world; some other undifferentiated competitor will always be ready to take your place. In the real world outside economic theory, every business is successful exactly to the extent that it does something others cannot. Monopoly is therefore not a pathology or an exception. Monopoly is the condition of every successful business."*

- Peter Thiel

*"Positively defined, a startup is the largest group of people you can convince of a plan to build a different future."*

- Peter Thiel

### 3. THE APPEAL OF COMPETITION

Most people believe competition is good and monopolies are wrong. The reality is the more we compete, the less we end up gaining. It's time for a massive rethink.

Competition is a concept which pervades society. The world is obsessed with it and everyone lauds its benefits. The only problem is once you start enacting its commandments, you end up getting trapped.

The perfect example of this is Microsoft vs. Google. When both companies were in startup mode, they were perfectly content to do their own thing and prosper independently. Microsoft built operating systems and office applications. Google developed a search engine. There was no overlap involved.

As both companies grew, however, they started to focus on each other instead of working to create more value for their customers. The result was an ongoing series of battles:

- Windows vs. Chrome OS

- Bing vs. Google Search
- Explorer vs. Chrome
- Office vs. Docs
- Surface vs. Nexus

While Google and Microsoft were fighting each other, Apple overtook them both. In January 2013, Apple's market capitalization exceeded \$500 billion whereas the combined valuation of Microsoft and Google was only \$467 billion. That was in marked contrast to comparative valuations just three years earlier when both Microsoft and Google were each more valuable than Apple. War is always a costly business.

Most startups today are engaging in what can be termed "imitative competition" – they are slavishly copying what others are doing rather than trying to genuinely innovate. You see this in all kinds of fields. For example, consider the recent proliferation of mobile credit card readers which has gone like this:

- In October 2010, a startup called Square released a small, white, square-shaped device which plugs into a smartphone and lets the user swipe and accept credit cards.
- Very soon thereafter, a Canadian company called NetSecure launched its device which had a half-moon shape rather than a square.
- Intuit then released its version which did the same thing but used a cylindrical-shaped card reader.
- In March 2012, PayPal launched its card reader which, creatively, was shaped like a triangle.

*"Competition can make people hallucinate opportunities where none exist. The crazy 90's version of this was the fierce battle for the online pet store market. It was Pets.com vs. PetStore.com vs. Petopia.com vs. what seemed like dozens of others. Each company was obsessed with defeating its rivals, precisely because there was no substantive differences to focus on. Amid all the tactical questions – Who could price chewy dog toys most aggressively? Who could create the best Super-Bowl ads? – these companies totally lost sight of the wider question of whether the online pet supply market was the right space to be in. Winning is better than losing, but everybody loses when the war isn't worth fighting. When Pets.com folded after the dot-com crash, \$300 million of investment capital disappeared with it."*

- Peter Thiel

The tech world in particular is filled with all kinds of personal vendettas and rivalries which are more weird than logical. There are also times when it makes more sense to merge than to compete. PayPal found itself in that situation in late-1999 when it was locked in an intense battle with Elon Musk's X.com for ascendancy in online payment processing. While the two companies were going head-to-head, it became clear a financial crash would ruin both before a winner could be crowned. With that in mind, the two companies called a truce and negotiated a 50-50 merger. The newly unified company was then better able to weather the dot-com crash.

*"If you can recognize competition as a destructive force instead of a sign of value, you're already more sane than most."*

*- Peter Thiel*

## 4. THE LAST-MOVER ADVANTAGE

Everyone raves about the first-mover advantage but that is only temporary at best. Moving first is a tactic, not a goal. The real money is made by the last-mover if they can enjoy years of monopoly profits.

*"Escaping competition will give you a monopoly, but even a monopoly is only a great business if it can endure in the future."*

*- Peter Thiel*

When Twitter went public in 2013, it was valued at \$24 billion – more than 12-times the market valuation of the New York Times Company. Yet Twitter lost money whereas the New York Times earned \$133 million in 2012. How can that be?

The answer is cash flow – or to be more correct, the present value of future cash flows. Technology companies like Twitter are well known for losing money initially and then making huge money later on when scale kicks in. Investors understand that and factor it in to the market value of technology companies.

The logical flow-on effect of that dynamic is for a technology-based startup to increase in value, it must grow and endure until the time when the company will rise in value quickly. Many entrepreneurs lose sight of that and instead concentrate on short-term growth. That's a side-issue – the long-term revenue is what really counts.

*"Growth is easy to measure, but durability isn't. Those who succumb to measurement mania obsess about weekly active user statistics, monthly revenue targets, and quarterly earnings reports. However, you can hit those numbers and still overlook deeper, harder-to-measure problems that threaten the future viability of your business. If you focus on near-term growth above all else, you miss the important question you should be asking: will this business still be around a decade from now? Numbers alone won't tell you the answer."*

- Peter Thiel

So what does a company which will have large cash flows in the future thanks to its monopoly look like? It will probably have four characteristics:

1. Some kind of proprietary technology which is difficult or ideally impossible to replicate.
2. Network effects – the more people who use it, the more useful and valuable it becomes.
3. Economies of scale so the business becomes stronger as it gets bigger.
4. A strong and well-known brand.

To build a monopoly which has appreciable future cash flows, your strategy should look something like this:

- *Start with a small market* – which you completely dominate and monopolize. You're better off serving one thousand people who really need what you have than to try to compete for the attention of millions.
- *Scale up* – once you dominate one niche market, then start expanding into related and slightly broader markets. Amazon started out selling books online and expanded into other products only once it dominated its niche.
- *Don't disrupt* – by trying to introduce a low-end product at very low prices. PayPal didn't try and challenge credit card companies – it



expanded the marketplace for online payments and gave cards even more business.

## 5. SUCCESS IS NOT A LOTTERY

If success is a matter of luck, why is it some individuals have built several multi-billion-dollar companies? The simple fact is your career path is not a lottery ticket. You can control your destiny with a startup.

*"Success is never accidental."*

*- Jack Dorsey, founder of Twitter and Square*

*"Shallow men believe in luck, believe in circumstances. Strong men believe in cause and effect."*

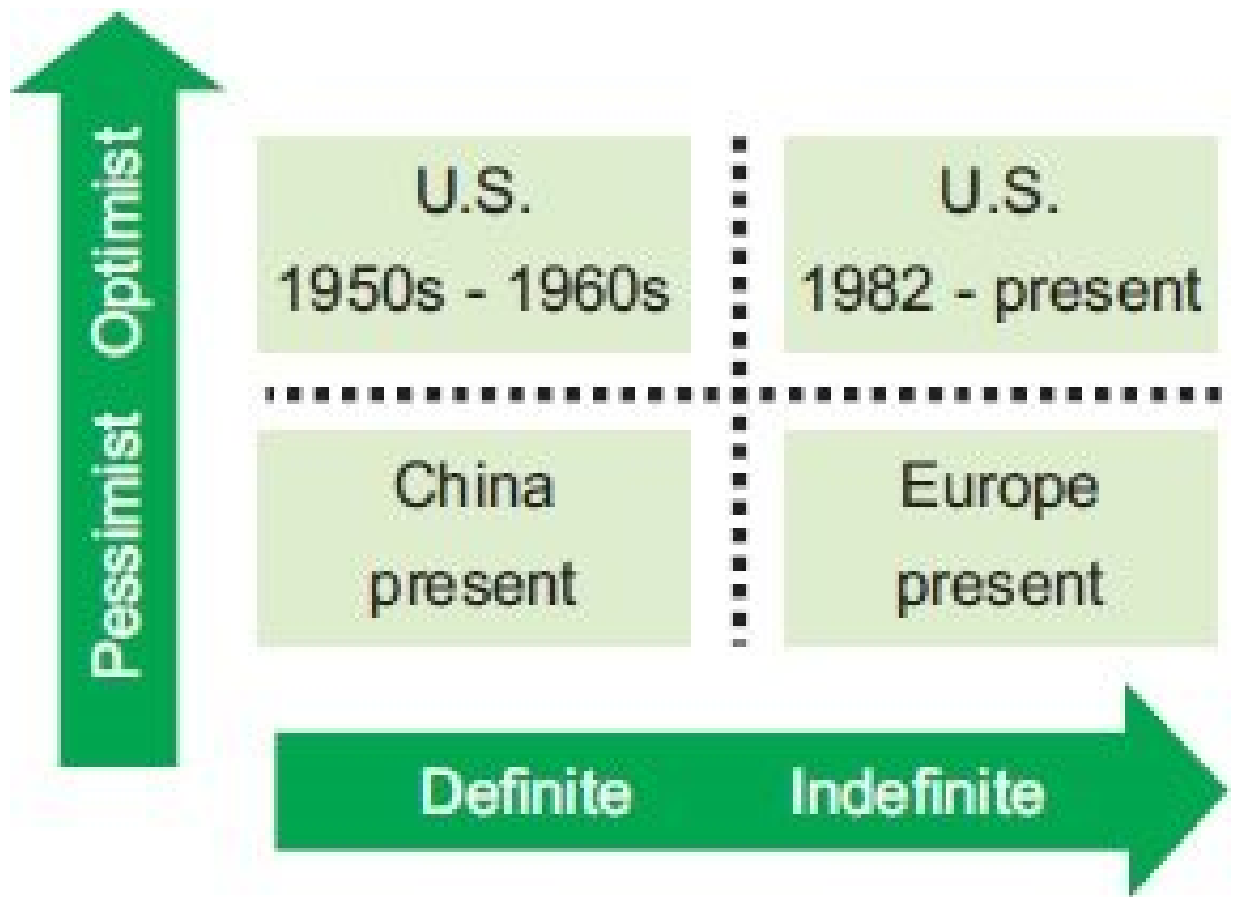
*- Ralph Waldo Emerson*

*"Victory awaits him who has everything in order – luck, people call it."*

*- Roald Amundsen, first explorer to reach the South Pole*

Whether or not success in business is a matter of chance or design, one thing you can know for sure is you'll always do better if you go after a definite goal rather than some hazy uncertainty.

There are several ways to view the future:



Optimists welcome the future whereas pessimists fear it.

You can either expect the future to take a definite form – which you can work to shape – or an indefinite form – which is ruled by randomness.

- An *Indefinite Pessimist* looks to a bleak future but has no idea what to do about it. That pretty much sums up what is happening in Europe at present where nobody seems to be in charge.
- A *Definite Pessimist* believes the future can be known but it is bleak. China is like that. Its leaders understand Chinese living standards will never catch up to the West but they keep relentlessly copying what worked in the West in the past.
- *Definite Optimists* believe the future will be better than the present if they plan and work to make it happen. This kind of thinking dominated the United States in the 1950s and 60s.

- An *Indefinite Optimist* is confident the future will be better but doesn't know how exactly and therefore won't make any concrete plans. This style of thinking has dominated the United States since the 1980s.

From a startup perspective, Indefinite Optimists will try and rearrange already-invented products rather than build something new from scratch. The majority of current thinking in finance, politics and philosophy all tend to be mired in this quadrant at present.

*"Indefinite optimism seems inherently unsustainable: how can the future get better if no one plans for it?"*

- Peter Thiel

The key point is to go from 0 to 1, you have to prioritize design over chance. In other words, you have to become a Definite Optimist rather than building something which evolves and hopefully will iterate its way to success. You have to do some long-term planning for moving forward rather than slavishly cloning what others are doing or by merely asking customers what they want.

*"We have to find our way back to a definite future, and the Western world needs nothing short of a cultural revolution to do it. A startup is the largest endeavor over which you can have definite mastery. You can have agency not just over your own life, but over a small and important part of the world. It begins by rejecting the unjust tyranny of Chance. You are not a lottery ticket."*

- Peter Thiel

*"Long-term planning is often undervalued by our indefinite short-term world."*

- Peter Thiel

## 6. THE POWER LAW

Regardless of whether you realize it or not, we all live in a power law world where a small few will radically outstrip all rivals. This is the law of the universe and it applies to startups in every way.

When economist Vilfredo Pareto stated the "Pareto Principle" or 80-20 rule in 1906, he thought it was a local phenomenon which applied to Italian landowners. The idea that a small minority (the 20%) should achieve stand-out results (80% of the total) turns out to be the law of the universe. It applies everywhere you look.

In the venture capital industry, for example, it's well known that for an investment portfolio:

- Most companies in the portfolio will fail and the money invested will be lost
- A few will break even and return their funding
- If you're lucky, one will have exponential growth spurts, start to scale and generate massive returns

*"Even seasoned investors understand this phenomenon only superficially. They know companies are different, but underestimate the degree of difference. The biggest secret in venture capital is that the best investment in a successful fund equals or outperforms the entire rest of the fund combined."*

- Peter Thiel

While the Pareto Principle certainly applies to venture capital and other investors, it's also just as applicable to startups as well. Whenever you start a new venture, you also become an investor. If nothing else, you are investing your time and money in working at your own company rather than working for someone else. The key question you have to focus on is how you're going to make your startup successful and therefore valuable in the future.

Specifically, when you understand the power law, the two questions you need to ask about your startup are:

1. Should we dabble in lots of markets or concentrate just on those which will scale?

In a startup, there is always the temptation to develop products for lots of different markets and see which ones take off and which do not. Diversification is often viewed as a hedge against the future.

However, the power law states one market will probably be better than all the others combined. If you can figure out what that best market is early on and then commit all your resources to maximizing your footprint in that market, your company will soar.

## 2. Should I start my own company or should I join the best company which is growing fast?

Even if you're extraordinarily talented, that doesn't necessarily mean you should start your own company. You might be more successful if you join the best company as it enters its rapid growth phase.

*“The power law means that differences between companies will dwarf the differences in roles inside companies. You could have 100% of the equity if you fully fund your own venture, but if it fails you'll have 100% of nothing. Owning just 0.01% of Google, by contrast, is incredibly valuable (more than \$35 million as of this writing.)”*

- Peter Thiel

*“The most important things are singular: One market will probably do better than all the others. One distribution strategy usually dominates all others, too. Time and decision-making themselves follow a power law, and some moments matter far more than others. In a power law world, you can't afford not to think hard about where your actions will fall on the curve.”*

- Peter Thiel

## 7. THE ROLE OF SECRETS

Secrets are the key to building a valuable company which nobody else is building at present. You have to think about secrets and get busy finding them to position yourself to excel in a startup.

*“Every one of today's most famous and familiar ideas was once unknown and unsuspected. What valuable company is nobody building? Every correct answer is necessarily a secret: something important and unknown, something hard to do but doable. If there are many secrets left in the world, there are probably many world-changing companies yet to be started.”*

- Peter Thiel

Much of society believes there are no significant hard secrets left to be discovered yet. The reasons for this conclusion are easy to see and describe:

1. There are no places on the planet which remain unexplored or unmapped by satellites. Parents don't really expect their kids to grow up to be explorers anymore.
2. Incrementalism reigns supreme. Right from an early age, everyone is taught to do things one step at a time. Follow the prescribed program and don't rock the boat.

From a startup perspective, however, the truth is there are loads more secrets left to be found yet. Some of society's most cherished goals are within reach:

- Finding ways to cure cancer and other diseases.
- Coming up with new ways to generate free energy.
- Inventing better and faster ways to travel.

A large number of successful startups are even coming up with better ways to harness spare capacity which is already there but untapped. Companies like Airbnb, Lyft, Uber and others are emerging to tap into opportunities which are hidden in plain sight. Many more startups will come along to uncover new secrets and do more with less.

*"The best place to look for secrets is where no one else is looking. Natural secrets exist all around us; to find them, one must study some undiscovered aspect of the physical world. Secrets about people are different: they are things that people don't know about themselves or things they hide because they don't want others to know. So when thinking about what kind of company to build, there are two distinct questions to ask: What secrets is nature not telling you? What secrets are people not telling you?"*

*- Peter Thiel*

Note that you're more likely to be in a position to uncover valuable secrets if you get the foundations of your startup right.

*"As a founder, your first job is to get the first things right, because you cannot build a great company on a flawed foundation. Now when I consider investing in a startup, I study the founding teams. Technical abilities and complementary skill sets matter, but how well the founders know each other and how well they work together matter just as much. Founders*

*should share a prehistory before they start a company together – otherwise they're just rolling dice."*

*- Peter Thiel*

Building a solid foundation for a startup is primarily a matter of getting three factors aligned correctly:

1. *Ownership* – who legally owns the company's equity, provides capital and will benefit from any subsequent results.
2. *Possession* – who actually runs the company on a day-to-day basis.
3. *Control* – who governs the company's affairs and sets course for its future.

You have to get these three factors aligned correctly right at the outset in order for a startup to prosper and move towards creating new and valuable things. If your startup gets these factors messed up when it is being founded, it won't be able to be fixed later on. Job #1 for any founder is to get the first things right and then everything else will follow.

## 8. CULTURE AND SALES

The best startups are more like cults than anything else. People who work there get immersed in what's going on. You also need to make marketing and sales the centerpiece of what you're doing.

*"No company has a culture; every company is a culture. A startup is a team of people on a mission, and a good culture is just what that looks like on the inside."*

*- Peter Thiel*

If you were to look inside some of history's most successful startups, you'd be struck by how fanatical they were – their strong sense of mission. If you're doing something that no one else has ever done, that will attract the people you need more than anything else including stock options.

In a good startup, everyone is different in the same way. In other words, startups work best when you have a group of individuals who are sharply

distinguished by what they do. You need people who are responsible for doing one thing insanely well which nobody else can do. Assemble a dedicated group of people who draw on each other's skills to create something impressive and you have the makings of a strong startup culture.

Part of the allure of working at a startup is to be right about something important and to be able to contribute towards a viable solution. Go on a mission to change the world and your culture will grow organically without any other external guidance.

That being said, most startups massively underrate the importance of sales and marketing. There is typically a bias toward making cool stuff rather than selling it. Engineers, in particular, have the mindset if you make a cool enough product, it will sell itself.

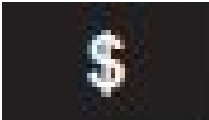
*"It's better to think of distribution as something essential to the design of your product. If you've invented something new but you haven't invented an effective way to sell it, you have a bad business – no matter how good the product. No matter how strong your product – even if it fits easily into already established habits and anybody who tries it likes it immediately – you must still support it with a strong distribution plan."*

*- Peter Thiel*

Most of what sales and marketing does gets hidden. The reason for that is customers don't like being reminded they are being sold something. Therefore, salespeople call themselves "account executives", "business development specialists" or even "investment bankers." Regardless, the fact remains the true superstars in any startup are the salespeople who know what they're doing.

The two key sales metrics which drive everything are:





What is the lifetime value  
of a new customer?

How much are we spending to  
acquire a new customer?

- If the lifetime value of a new customer exceeds \$10 million or more, you won't need salespeople. Instead, buyers will want to be dealing with the CEO directly.
- If the lifetime value of a new customer is in the \$10,000 to \$100,000 range, then you'll need a personal sales team who have the tools to sell to end users who will benefit.
- For a product priced around \$1,000, you end up in a dead zone where you can't afford a sales team but traditional advertising won't work either. That's a very hard spot to be in.
- For relatively low-ticket items with mass appeal, marketing and advertising works best. You advertise using whatever channels you can afford and market to prospects in mass.
- If you're lucky, you might have some viral marketing opportunities – where the core functionality of your product encourages users to sell their friends.

The Power Law dictates that one of these methods will be far more powerful for your startup's product than all the others combined. Your challenge is to find it before you run out of money. Look around. If you don't see any salespeople, you're it.

## 9. MAN AND COMPUTERS

The most valuable businesses of the coming decades will be built by entrepreneurs who seek to empower people with better computers and those who have the right elements in place. They will soar.

One of the enduring questions IT always faces is: "Will machines supercede people and make them redundant?" Thirty years from now, will there be anything left for people to do or will machines handle everything? The problem here is an incorrect premise – computers are complements for humans, not substitutes.

While it is true computers have underpinned globalization which taps into the global supply of workers who are willing to do repetitive tasks for low wages, it is also true computers and humans are fundamentally different. Computers excel at efficiently processing vast amounts of information but they struggle to make basic judgments which are incredibly simple for humans. Simply put computers are tools, not rivals.

*"Complementarity between computers and humans is the path to building a great business."*

*- Peter Thiel*

Smart companies today use a hybrid man-machine approach to tackle their thorniest problems with great success. PayPal, for example, was losing \$10 million a month to credit card fraud. It was impossible for the company to review every transaction individually so PayPal developed software which flagged suspicious transactions which were then reviewed by human operators who used their judgment to ascertain legitimacy. This man-machine symbiosis worked well and enabled PayPal to become profitable.

Better technology today enables most professionals to do their jobs better. Startups which focus on helping people take advantage of man and machine working together in smart ways will do well.

*"The most valuable companies in the future won't ask what problems can be solved with computers alone. Instead, they'll ask: how can computers help humans solve hard problems?"*

*As we find new ways to use computers, they won't just get better at the kinds of things people already do; they'll help us to do what was previously unimaginable."*

*- Peter Thiel*

The seven questions which every startup must answer are:

1. Can you create breakthrough technology, not something which is incremental
2. Is now the right time to start your particular business
3. Are you starting with a big share of a small market, not vice versa
4. Do you have the right team assembled, or can you get it
5. Do you have a viable way to not only create but also deliver your product
6. Will your market position be defensible in 10 or 20 years' time
7. Have you identified a unique market opportunity that nobody else sees

*"Whatever your industry, any great business plan must address every one of these elements. If you don't have good answers to these questions, you'll run into lots of 'bad luck' and your business will fail. If you nail all seven, you'll master fortune and succeed. Even getting five or six correct might work."*

*- Peter Thiel*

## 10. THE FOUNDER'S PARADOX

Successful startups tend to be created by unusual people. It's always more powerful – but also more dangerous – for a startup to be led by a distinctive individual rather than by an interchangeable manager.

Are all founders unusual people? As a general rule, startups tend to be put together by distinctive individuals who want to make a difference in the world so it's not really surprising to find them described as "unusual", "extreme" or "different."

Whether they are unusual or not, there is one distinctive quality that almost all founders share – they tend to have opposing character traits simultaneously. For example:

- Founders tend to be insiders and outsiders in their field at the same time. They are often impressively experienced in a field but willing to step outside the norms and do something different.
- Startup CEOs can be incredibly cash poor at the same time as they are paper millionaires.
- Examples of startup CEOs who alternate between being absolute jerks and having amazing charisma are the stuff of business legend.
- Highly successful founders can attract both fame and infamy, sometimes in equal measure.

The three founders who epitomize this effect in action are Howard Hughes, Bill Gates and Steve Jobs:

1. Howard Hughes was legendary for his domination of Hollywood and then aviation. He had made nine commercially successful movies by age 30 as well as setting world records for top airspeed, fastest transcontinental flight and fastest flight around the world. When he suffered his third plane crash in 1946, Howard Hughes became obsessive-compulsive and withdrew from public life into self-imposed solitary confinement. He became an object of pity rather than awe.
2. The career of Bill Gates shows how highly visible success can attract highly focused attacks. The absolute dominance of Microsoft Windows attracted the attention of the U.S. Department of Justice who won a court order in June 2000 that Microsoft should be broken apart. Bill Gates had stood down as CEO six months earlier but he spent years responding to legal threats rather than building new technology. Microsoft stagnated and today Gates is better known as a philanthropist rather than a technologist.
3. Steve Jobs was kicked out of his own company in 1985 when he clashed with the professional CEO he had bought in to Apple. In a classic insider/outsider dynamic, his return to Apple twelve years later and demonstrated beyond doubt that the creation of new value can never be reduced to a formula which can be applied by professional managers. In one of the greatest second acts in the history of business, Jobs drove Apple to become the most valuable company in the world on the strength of his vision.

*"The lesson for business is that we need founders. If anything, we should be more tolerant of founders who seem strange or extreme; we need unusual individuals to lead companies beyond incrementalism. The lesson for founders is that individual prominence and adulation can never be enjoyed except on the condition that it may be exchanged for individual notoriety and demonization at any moment – so be careful."*

*- Peter Thiel*

When you look at the big picture, there are probably only four likely options for the future of humanity at large:

1. Society will periodically progress and then collapse – Ancient philosophers saw history constantly alternate between prosperity and ruin. Today we dare to hope the future will be bright without some catastrophe like a nuclear war or global pandemic.
2. All countries will become like today's rich nations – Others believe the world will plateau as the poorer nations reach the same level as today's rich countries. In this scenario, the world of the future will look a lot like it does at present.
3. Society will face extinction – Some believe that given today's interconnectedness and the destructive power of modern weaponry, a large-scale global disaster is inevitable and we won't survive it as a species.
4. Technology will progress and generate breakthroughs – The fourth option is that the world will accelerate towards a much brighter future and that all kinds of breakthroughs will come along. The world of the future will be different and better.

Which of the four are most likely to come about? We'd like to think we have enough knowledge available today that we can avoid periodic collapses or extinction. It's hard to see how the world could permanently plateau either when economic competition comes face-to-face with the limits of some physical resources.

Only the fourth option – the creation of new technologies which create a much better future for everyone – makes sense. Some people term this "the Singularity." This embraces a future where exponential growth is achieved

in dozens of fields and new and better technologies come along which we can't even visualize yet.

*"But no matter how many trends can be traced, the future won't happen on its own. It's up to us. We cannot take for granted that the future will be better, and that means we need to work to create it today. Our task today is to find singular ways to create the new things that will make the future not just different, but better—to go from 0 to 1. The essential first step is to think for yourself. Only by seeing our world anew, as fresh and strange as it was to the ancients who saw it first, can we both re-create it and preserve it for the future."*

*- Peter Thiel*

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