

CS183C: Blitzscaling

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September 22, 2015

Today

1. Introductions
2. What you'll get out of the class
3. *Blitzscaling*
4. Class Outline
5. LinkedIn Case Study
6. Organizational Scale 1
7. Prep for Thursday

First, some background.

What You Shouldn't Expect From This Class

What You'll Get Out of this Class

Warning!!

Your Mileage May Vary

“Blitzscaling”

wut?

**The mythos of Silicon Valley is that
startups are what make it really
special.**

The *classic* story:

- a garage (apartment or dorm room)
- technical founders
- new product (the app!)
- capital
- product-market fit: off to races

That's partly true.
Startups are critical.

**The problem with the classic story:
now start-ups are abundant
In Silicon Valley
In the US
In many countries –
Asia, Europe, Global**

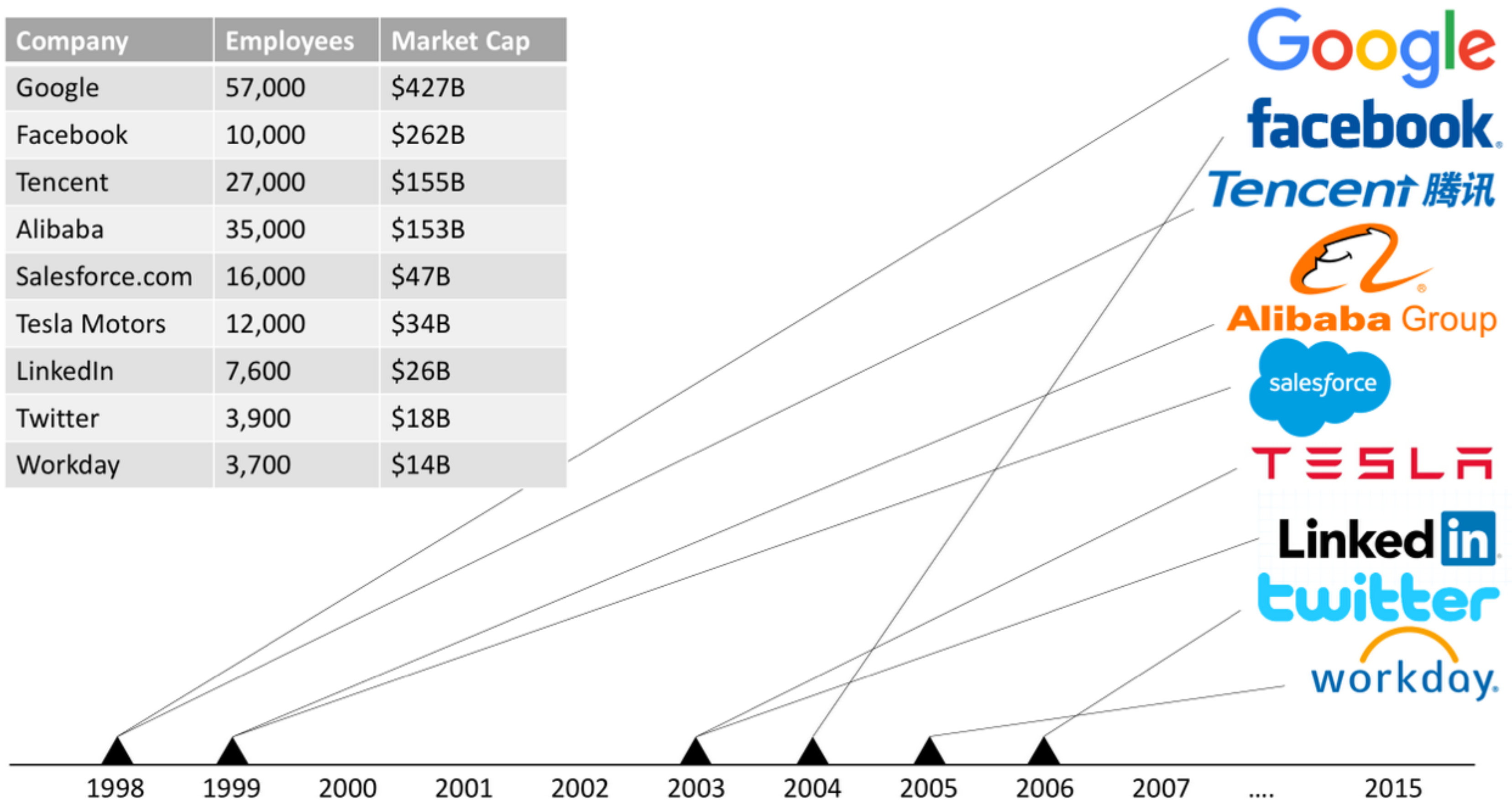
Yet, *SV* still produces many industry transforming companies.

So by themselves, startups are not only what makes this place, and this way of doing things, *really* special.

**Silicon Valley is special because it
enables companies to get very large,
very quickly.**

Not just to start up, but to scale up.

Company	Employees	Market Cap
Google	57,000	\$427B
Facebook	10,000	\$262B
Tencent	27,000	\$155B
Alibaba	35,000	\$153B
Salesforce.com	16,000	\$47B
Tesla Motors	12,000	\$34B
LinkedIn	7,600	\$26B
Twitter	3,900	\$18B
Workday	3,700	\$14B



Google

facebook.

Tencent 腾讯



Alibaba Group



TESLA

LinkedIn

twitter

workday.

And lately:



Private Unicorns by Region (via CrunchBase)

	Bay Area	China	LA	India
Top 10	5	2	2	1
%	50%	20%	20%	10%

Uber
Xiaomi
Airbnb
Palantir
Didi Kuaidi
Snapchat
Flipkart
SpaceX
Pinterest
Dropbox

Private Unicorns by Region (via CrunchBase)

	Bay Area	China	LA	India	NYC	Europe	Elsewhere
Top 10	5	2	2	1			
%	50%	20%	20%	10%			
Top 60	28	11	3	4	3	5	6
%	47%	18%	5%	7%	5%	8%	10%

Private Unicorns by Region (via CrunchBase)

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Top 60	28	11	3	4	3	5	6
%	47%	18%	5%	7%	5%	8%	10%
Population	7M	1.4B	19M	1.3B	8M	750M	lots

Why the intense concentration?

Why does it persist?

Everyone talks about scaling.

**What we're talking about is a type of
scaling that's very particular to
technology & Silicon Valley startups.**

The special sauce is that scaleups here depend greatly on **networks** (capital, talent, users, etc) that exist outside the startup itself.

The network age: speed, global markets, global competition

So:

Blitzscaling

Themes we'll talk about over & over this quarter

1. Networks

2. Positive feedback loops

3. Distribution advantage

**4. Organization Scale, Revenue Scale,
Customer scale**

Some questions we'll discuss this quarter

What's the role of the founder? CEO? Team? Board?

How does hiring change as you scale? Who? How? Onboarding?

How do you find product-market fit? How do you know? How evolves?

How should you think about competition? Other threats?

What're the key decisions & questions you should be asking? When?

How should you think about partnerships & business development?

How does your strategy change as you grow?

How do you think about global – markets, competition, scale?

Lots more...

Class Structure: Organizational Scale

	Org Scale (employees)	User Scale (B2C users)	Customer Scale (B2B)	Business Scale (rev)
OS1: Family	1s	10,000s	0	<\$10M
OS2: Tribe	10s	100,000s	1s	10M+
O3: Village	100s	1,000,000s	10s	100M+
OS4: City	1,000s	10,000,000s	100s	\$1B+
OS5: Nation	10,000s	100,000,00+	1,000+	\$5B+

We'll spend ~2 weeks on each stage.

Organizational Scale & Functions: part of the grid that we will fill in

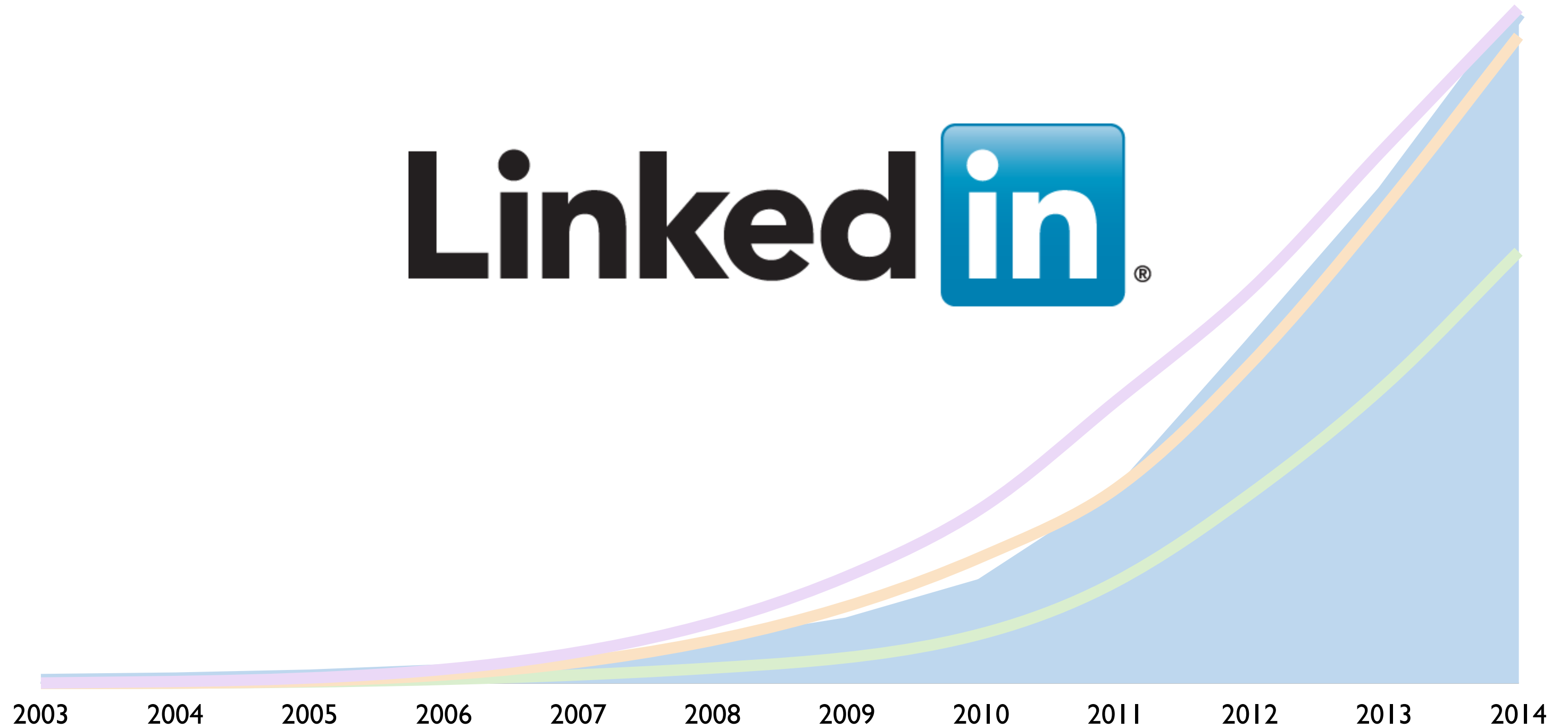
	OS1	OS2	OS3	OS4	OS5
People					
Product					
GTM					
Tech					
Strategy					
Operations					
Finance					
Hiring					
Management					
New Functs					

We will focus intensely on OS2 and OS3 to OS4

General observations

1. When Blitzscale? (Preparation, Judgment)
2. Generalists to Specialists
3. Doers to Doer-Manager to Managers to Execs
4. Scale and innovation
5. Choice on adaptation vs. operational excellence
6. Global reach
7. Capital requirements
8. Speed is relative - but competition is global
9. Up-market and down-market

OS1	(probably) a legal company tiny, close-knit team with ability to only focus on product-market fit no specialists, all doers, very adaptable
OS2	a legal company, (most likely) some financing full team with ability to launch product and engage customers (generally) select specialists
OS3	hiring first internal lawyers, HR team, real accounting many teams with ability to work on parallel threads and projects critical specialists, many functions
OS4	global company, many offices teams of teams with ability to work in new products, new regions many specialists
OS5	huge, global company essentially multiple companies with ability to play multiple product-market fits armies of specialists





Stage I: The Household



Stage 2: The Tribe



Stage 3: The Village



Stage 4: The City



Stage 5: The Nation

OS1: “Family”

OS1: Key Functions

1. Product
2. Product-market fit
3. Role of founders
4. Hiring & company culture/values
5. Staying solvent/financed

OS1: Important, but not as key

- 1. Board of Directors**
- 2. Analytics & dashboards**
- 3. Strategy**
- 4. Everything else**

Finding fit

The screenshot shows a web browser window with the address bar displaying 'paulgraham.com'. The page features a navigation menu on the left with links to Home, Essays, H&P, Books, YC, School, Arc, Lisp, Spam, Responses, FAQs, RAQs, Quotes, RSS, Bio, Twitter, Search, and Index. The main content area displays the title 'DO THINGS THAT DON'T SCALE' in a large, bold, red font. Below the title is an orange banner with the text 'Want to start a startup? Get funded by [Y Combinator](#).' The article is dated 'July 2013'. The text of the article begins with 'One of the most common types of advice we give at Y Combinator is to do things that don't scale. A lot of would-be founders believe that startups either take off or don't. You build something, make it available, and if you've made a better mousetrap, people beat a path to your door as promised. Or they don't, in which case the market must not exist. [1]' The article continues with 'Actually startups take off because the founders make them take off. There may be a handful that just grew by themselves, but usually it takes some sort of push to get them going. A good metaphor would be the cranks that car engines had before they got electric starters. Once the engine was going, it would keep going, but there was a separate and laborious process to get it going.'

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Quotes
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DO THINGS THAT DON'T SCALE

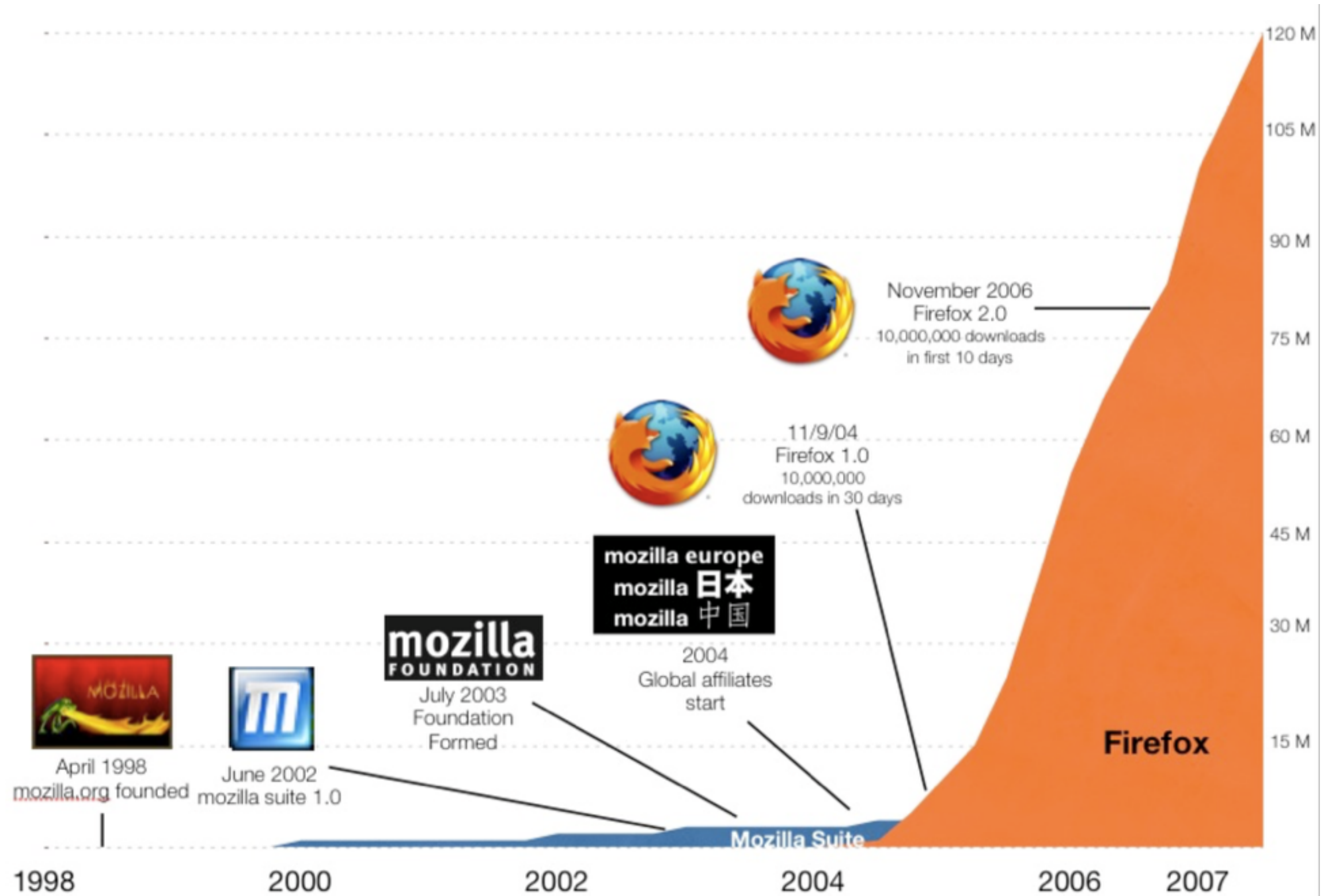
Want to start a startup? Get funded by [Y Combinator](#).

July 2013

One of the most common types of advice we give at Y Combinator is to do things that don't scale. A lot of would-be founders believe that startups either take off or don't. You build something, make it available, and if you've made a better mousetrap, people beat a path to your door as promised. Or they don't, in which case the market must not exist. [1]

Actually startups take off because the founders make them take off. There may be a handful that just grew by themselves, but usually it takes some sort of push to get them going. A good metaphor would be the cranks that car engines had before they got electric starters. Once the engine was going, it would keep going, but there was a separate and laborious process to get it going.

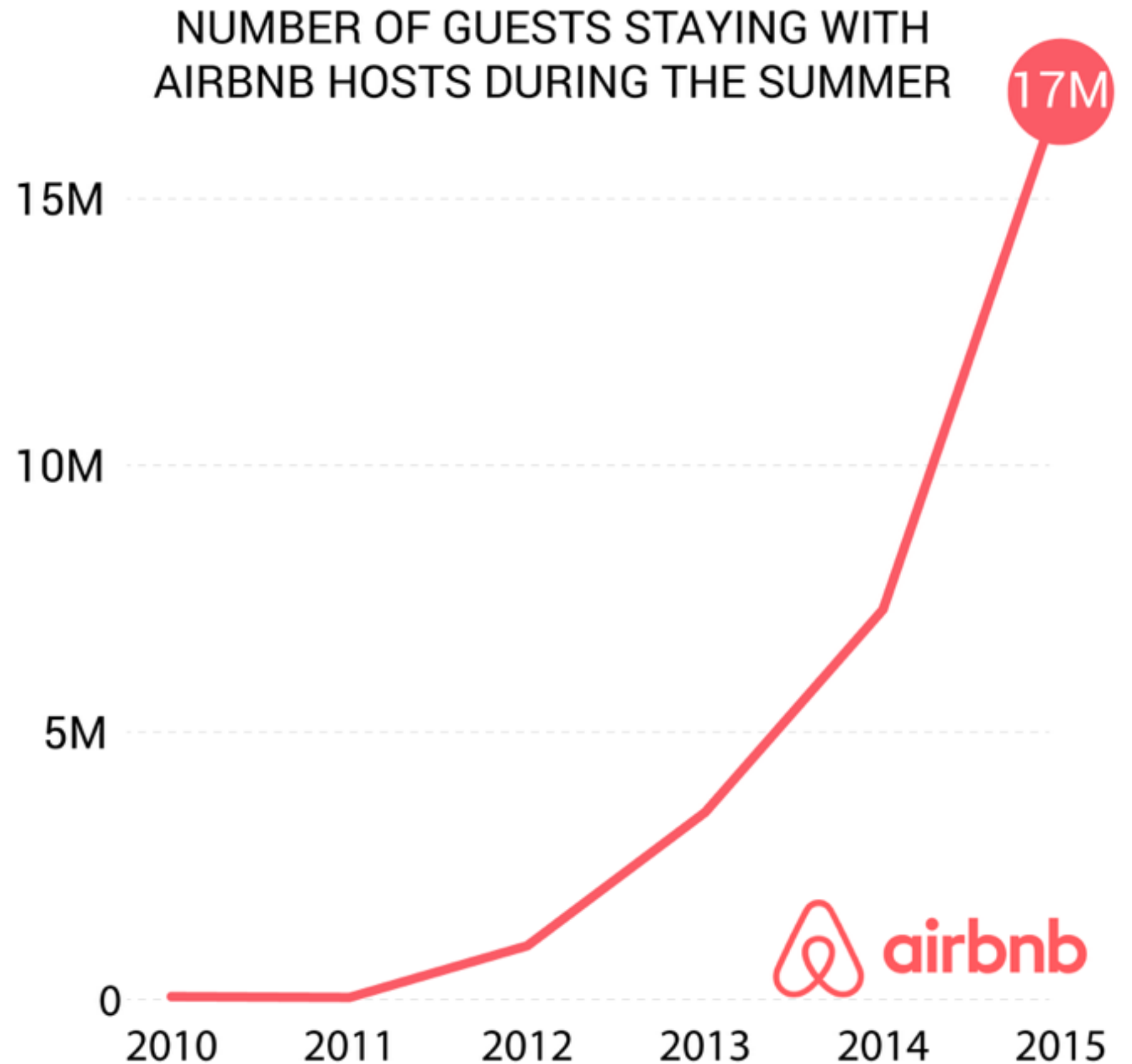
Finding fit



Mostly things start slow
(the left side is often long)

Then, sometimes, they
start to work

And in some special cases,
they really, really work



First 2 weeks (OS1)

9/22: Introduction

9/24: Sam Altman, Y Combinator

9/29: Michael Dearing, Harrison Metal

10/1: Ann Miura-Ko, Floodgate

Sam Altman

President, Y Combinator
Founder, Loopt
CS @ Stanford



Sees thousands of new ventures; helps hundreds

Assignment: reading & forum discussion

Mechanics, sites, logistics

LinkedIn Group (private to class)

- you'll receive an invitation to the group via e-mail
- we'll post content, reading assignments, questions
- you'll post questions, answers, etc

Medium (open to public)

- we will collect your Medium user names
- optional (but recommended) you will post assignments to Medium
- we'll curate & re-post the best each week

Questions, Assignments, Readings

- you'll receive an invitation to the group via e-mail

Readings For Thursday (will post to LinkedIn group)

Do Things That Don't Scale, by Paul Graham

www.paulgraham.com/ds.html

Startup Advice, Briefly, by Sam Altman

blog.samaltman.com/startup-advice-briefly

Why Silicon Valley Works, by Sam Altman

blog.samaltman.com/why-silicon-valley-works