Best Summary + PDF: Blitzscaling, by Reid Hoffman

by Allen Cheng

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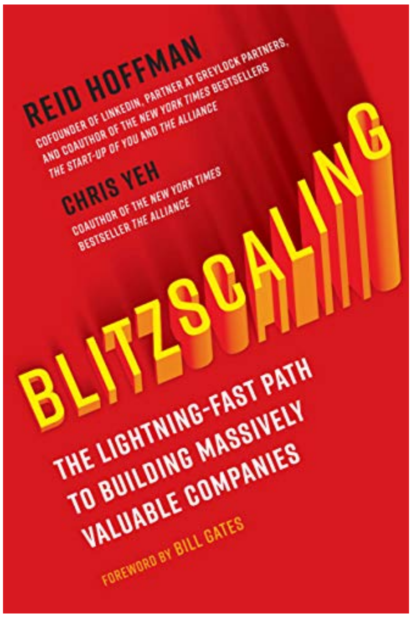

Want to know the growth tactics that Uber, Facebook, and Airbnb used to reach massive valuations in record time?

On the other hand, are you confused by companies that bleed billions of dollars and never seem to care about being profitable? “What in the world are they thinking?”

Blitzscaling gives you answers to both. Written by LinkedIn founder and Reid Hoffman, *Blitzscaling* describes the counterintuitive business strategy of **putting efficiency and confidence aside for pure speed.**

While nominally a business strategy book, *Blitzscaling* is generally relevant for:

- Entrepreneurs who want to build massive companies
- VCs and investors who want to discover the next big company
- Employees who want to know how to work in a hyper-growth company
- Anyone who looks at companies burning money to grow and wants to understand what the heck they're doing

In this Blitzscaling summary, learn:

- Common attributes of today's most successful tech business models
- When it's appropriate to blitzscale, and when it will fail
- The counterintuitive practices of blitzscaling that violate business common sense

Full title: Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies, by Reid Hoffman and Chris Yeh

Caveats

Reid Hoffman spends part of his time as a venture capitalist. Much as with Peter Thiel's *Zero to One*, be aware of the incentives venture capitalists have to push the "take huge risks, move fast at all costs" narrative, and how these incentives might conflict with yours as a founder:

- VCs need outsized returns on a few companies to make up most of the returns of their entire portfolio. They'd prefer for each company to go for broke than to be conservative - for a VC, it's ok for 9 companies to fail if 1 is a blockbuster. In contrast, you only have your one company, and another company's success is little condolence when yours fails.
- VCs need to deploy large amounts of capital if they raise large funds (eg if they raise a $1B fund, they can't write $1MM checks). For you, raising more capital may not be worth the dilution and liquidation preferences if you can't effectively deploy the capital.
- VCs raise funds with a limited lifetime (usually 10 years with extensions) and need to get liquidity

for their equity in your company during that time (sell stock, IPO, acquisition). If you prefer a longer time horizon or want to stay private forever, your interests may conflict.

In many cases, VC performs a valuable function when the stars align. In a superb case like Facebook, everyone's incentives were aligned - the business actually needs capital to grow in a winner-takes-all market, the strategy thesis is correct, the business effectively deploys capital, and the company explodes in value.

In the most punishing cases, your market doesn't have huge returns of scale or winner-takes-all dynamics, you raised too much capital to burn on strategies that don't return, and liquidation preferences for investors sap your returns on exit. In an alternate universe, you might have built a more sustainable, meaningfully successful company and pocketed more returns.

[Caveat: I'm biased as a founder who prefers to bootstrap/self-fund first and raise money only if needed.]

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Finally, like most startup/management advice, *Blitzscaling* focuses more on *operational* best practices, which are repeatable and teachable. It doesn't teach as much on *how to generate the core idea* of the business - the best it gets is describing commonalities of previously successful strategies.

This isn't the authors' fault: vetting good ideas that will work is a *hard* problem, and even professional investors have a low batting average. Plus, many valuable ideas are contrarian and thus by definition unteachable; the more "obviously good" ideas will have been competed away.

To set your expectations, *Blitzscaling* answers these questions: "What attributes are common to winner-take-all markets, and to strategies that benefit from blitzscaling? When should you blitzscale? And mostly, *how* do you blitzscale?"

Introduction

In markets where Internet technology is a dominant factor, there are powerful winner-take-all dynamics. The first company to achieve a critical mass can dominate its industry for a long time.

The enabler is the Internet - specifically, its power of zero-marginal-cost distribution. The ability to reach millions (or billions) of users and service their needs in an automated way, at nearly no marginal cost, creates situations where a powerful company becomes ever more powerful through positive feedback loops. These second-order effects include network effects, virality.

While similar positive feedback loops have led to massive organizations for millenia - see the Roman Empire, Rockefeller's Standard Oil, and Microsoft - the **Internet has dramatically shortened the feedback loop iteration time** and enabled unprecedented global scale.

Thus, for companies vying for market dominance, it's imperative to move fast and take on large risk, or forever lose the fight. *Blitzscaling* is a book that covers important questions:

- Why do you need to grow fast?
- In what situations should you grow fast? When do you not?
- How do you grow fast? What problems slow you down, and how do you fix them?

1: What is Blitzscaling?

Traditional business strategy involves gathering information and making decisions with a certain degree of confidence. Take calculated risks that you can measure and afford. Prioritize correctness and efficiency over speed.

But in certain markets today, this is too slow. The risk isn't inefficiency - the risk is playing it too safe. If you win, efficiency isn't important; if you lose, efficiency is irrelevant. "Second prize is steak knives. Third prize is you're fired."

Blitzscaling drives fast growth by prioritizing speed over efficiency, even in an environment of uncertainty. When you blitzscale, you make decisions before knowing exactly how things will play out. You accept the risk of making mistakes and operating inefficiently, in exchange for moving faster.

- The term "blitzscaling" was inspired from the WWII German military technique "blitzkrieg." In contrast to traditional military strategies of moving at a slow pace to secure supply lines and retreat, blitzkrieg pushed speed and surprise at the risk of running out of provisions.
- Blitzscaling goes beyond the simplistic "get big fast" because it purposefully applies effort to hypotheses about how the business will develop.

How does blitzscaling compare to other forms of growth? Consider this table:

Efficiency	Speed
Uncertainty	Classic start-up growth
Certainty	Classic scale-up growth

In typical chronological order for a company/product:

- Start-ups prioritize efficiency in uncertainty. Resource efficiency lets you learn more about your business before you run out of money. This establishes the beach head.

- Blitzscaling sacrifices efficiency for speed, without waiting for certainty on whether the sacrifice will pay off. This tries to achieve critical mass or market dominance.
- Fastscaling sacrifices efficiency for speed in times of certainty. This is used to gain market share or achieve revenue milestones, using proven strategies. The business is in a dominant position and maturing.
- Scale-up growth grows efficiently in certainty. This is classic corporate management, using ROI and DCF analysis to maximize returns in an established, stable market. The business is an established industry leader.

When do you blitzscale? When you have a killer product, a clear and sizable market, and a robust distribution channel.

A company may be made up of multiple products at different stages of the S-curve life cycle. For instance, Tencent had QQ in maturity in 2010 while WeChat was in start-up/blitzscaling mode.

Basics of Blitzscaling

- Blitzscaling is both offensive and defensive.
  - Offensively, it takes the market by surprise. It builds competitive advantages before other players can respond. It opens up access to capital, since investors prefer market leaders.
  - Defensively, it sets a pace that keeps competitors gasping to keep up. They try to mimic your moves but have little time to develop differentiated strategies themselves.
- Blitzscaling thrives on positive feedback loops. The company that grows to scale first reaps significant competitive advantages in:
  - Labor: employees want to work for the market leader for excitement and money.
  - VCs prefer to invest in leaders, and the cash influx further cements the leader's position.
  - Customers: Powered by network effects, buyers get more value as the company grows faster.
- Blitzscaling comes with massive risks.
  - Blitzscaling can proceed so rapidly that the company unravels. The company needs to reinvent its leadership style and strategy at every new phase of scale.
  - "It's like harpooning a whale. The good news is you've harpooned a whale. The bad news is you've harpooned a whale!"

3 Key Techniques of Blitzscaling

1. Business model innovation: how the company makes money
    - It’s not just about technology. If it were, federal research labs would produce billion dollar companies on a regular basis.
    - Technology can develop new ways of earning money.
2. Strategy innovation: find novel ways to grow
    - Combine new technology with effective distribution, a scalable and high-margin revenue model, and a financing strategy.
3. Management innovation: scaling the organization

Anecdotes:

- In 2011 Airbnb faced pressure from the German Samwer brothers, who raised $90MM to take on Airbnb in Europe (when Airbnb had just raised $7MM). The Samwers demanded 25% of Airbnb’s company to merge. Airbnb dug their heels in and fought. “They forced us to scale faster than we never would have.”
- PayPal was giving away $20 for every new user to grow at 5% a day but losing millions, before they figured out how to cut their losses.
- Why are so many valuable tech companies located in Silicon Valley? The obvious answers are its concentration of tech talent and venture capital. But more subtly, it’s the appetite for risk, blitzscaling techniques, and intense competition promoting rapid growth relative to less competitive geographies.

2: Business Model Innovation

Business models are in essence how the company makes money by serving its customers.

Four Growth Factors

There isn’t a universal business model that works for every company, but most great business models overlap with these four growth factors.

1. Market Size

A big market has a **large number of potential customers** and **efficient channels for reaching those customers**. Ideally, the market is also growing quickly, meaning smaller markets become more attractive.

Sometimes the market size for an innovative company is underestimated, because the potential to grow the market and the potential for the company to expand are underestimated.

- “Sizing the market for a disruptor based on an incumbent’s market is like sizing the car industry off how many horses there were in 1910.”
- Some once found Uber’s valuation ridiculous since it represented a sizable percentage of the global taxi market. It turns out Uber’s superior customer experience grew the market beyond what taxis did.
- Airbnb grew to carry more rooms than the entire hotel industry.
- Amazon grew far beyond its early beachhead in books, which now accounts for less than 7% of sales.

2. Distribution

Many startups focus on product but overlook the importance of distribution. Roughly speaking, there are two general categories: existing networks and word-of-mouth.

Existing networks

- Traditional web models include paid acquisition and SEO.
- Companies also get exposure from existing platforms like Facebook, app stores.
- Scrappy startups can find ways to co-opt existing networks.
  - PayPal made it easy for eBay sellers to add a “Pay with PayPal” button to listings
  - Airbnb sent requests to Craigslist posters to replicate their listing on Airbnb.

Word of mouth/virality

- A virality strategy requires good retention, to better increase the number of referrals made.
- Virality usually requires a free or freemium product. The authors can’t recall a company that grew to massive scale with the virality of a paid product.
- Examples
  - Linkedin built address book scrapers to invite contacts; added public profiles which users started integrating in their email signatures.
  - For each referral, PayPal paid the referrer $10 and the new user $10.
  - Dropbox gave perks (extra storage) for inviting friends.

3. High Gross Margins

Gross margins = Revenue - cost of goods sold. This is a good measure of long-term unit economics.

Software companies have high fixed costs and low marginal costs, often above 60%. In contrast, “old economy” businesses like restaurants have low gross margins. [Part of the reason is that the low upfront costs of “old economy” businesses lower the barrier to entry, thus driving down prices; plus moving in meatspace costs money.]

Benefits of high gross margins:

- For a fixed amount of revenue, higher margins create more funds for companies to reinvest in R&D and growth to ward off competitors.

- Operations scale with revenue or sales volume moreso than with earnings.Fixing profit, a company can have lower lower operational complexity with higher gross margins - it’s easier to service customers who generate $15MM in sales and $10MM in margins, than $100MM sales with the same $10MM in margins.

4. Network Effects

In sum, network effects apply when a user using the product makes the product more valuable for other users. AKA “demand-side economies of scale.”

The major types of network effects are:

- Direct: Usage directly increases value
  - Messaging apps like WeChat, social networks like Facebook
- Indirect: Usage encourages consumption of complementary goods, which increases the value of the original product
  - Tech platforms invite developers to build applications on the platform
    - Operating systems like Windows, iOS, Android
    - Gaming consoles like Playstation
- Two-Sided Network Effects: Usage by one set of users increases value to a different set of users
  - Marketplaces like eBay, Uber, Airbnb, Steam, Adwords
- Local Network Effects: Usage by a small subset of users increases the value for a connected user
  - Unlimited cell phone calls to “favorites”
- Compatibility and Standards: Use of one technology encourages use of compatible products
  - More people using the MS Word .doc makes rivals like WordPerfect less useful

Network effects generate positive feedback loops: more users makes the product more valuable, which attract more users. Inversely, a network with relatively fewer users is useless relative to substitutes.

The game is thus to be the first to gain a critical mass of users, thus kicking of the virtuous cycle. Companies like Uber are willing to subsidize users in the belief that you can capture more value once you’re the winner in the space.

The Internet has enabled faster acceleration of network effects, because of low marginal cost of reaching more users. Building phone lines to connect people was one pace of growth; allowing a user to instantaneously invite 100 friends, who can join within minutes, is another.

Avoid Two Growth Limiters

Design around these two obstacles.

Lack of Product/Market Fit

Product/market fit is having a product that can satisfy the market. If you don’t build what the market wants, then you won’t succeed, no matter how much money you throw at it.

Ways to improve product/market fit:

- Get your product in the hands of users and iterate
- Use your network and talk to smart people with relevant knowledge

Inability to Scale Operations

This is a Maserati problem, but it can’t be ignored if you’re growing quickly.

This includes

- Human limitations
    - As your team grows, communication and coordination become exponentially more complicated, since (n choose 2) explodes. Team growth requires significant overhauls of management methods (explored later in the book)
    - Mitigation: Design a business model with as few human beings as possible.
        - WhatsApp supported 500 million users with 43 employees
    - Mitigation: Outsource work to contractors or automate it.
        - Note: Per Michael Porter, do not outsource anything that is key to your competitive advantage.
- Infrastructure limitations
    - You must avoid degradation of service when you have more users. Otherwise, a better executing competitor will steal your users.
        - Friendster was a social network phenomenon, but its servers couldn’t handle the growth. Profiles might take 40 seconds to load.
        - Tesla has more demand than it can service now.
    - Outsourcing logistics to large providers helps with scaling.
        - AWS for software, hardware contracting to China.

Proven Business Model Patterns

Some business models are more likely to scale to large businesses than others. Open-source software has been successful on some counts - user count, technology improvement, network effects - but has rarely resulted in large businesses, with Red hat being an outlier.

Blitzscaling cites these patterns as provably capable of generating massive businesses:

- Bits rather than atoms
    - Being mostly software lets you scale with low marginal costs, increasing gross margin. It increases virality and speeds up product iteration. Global expansion is much easier.
    - Working with atoms raises marginal cost, thus slowing growth and reducing gross margins.
    - AdWords lets small businesses pay $5 for a small search ad campaign. Forget doing this with TV commercials.
    - Netflix can maintain a huge back catalog of tens of thousands of content pieces, available on demand. TV stations and physical rentals come nowhere close.
- Platforms
    - Build technology that enables others to build on top of yours and service users themselves.

    You capture some of the value you create.
    - Includes operating systems like Windows and iOS, like social networks like Facebook and WeChat, software platforms like Unreal Engine for gaming or AWS.
- Free or Freemium
    - Set the price free to grow through virality and network effects. Capture some value by charging premium users for extra features or by serving ads.
    - Ad-supported products (like Google, Facebook) are free for users. Dropbox, many SaaS companies are free to use with limits.
- Marketplaces
    - Match buyer and seller. Network effects are at play.
    - Larger marketplaces achieve liquidity better, which increase the number of successful transactions and create more value.
    - eBay, Airbnb, Uber, Steam, Google AdWords.
- Subscriptions
    - SaaS was an innovation beyond traditional on-site software deployment, which required costly installation and servicing. Because of subscription's lower servicing costs, it allowed targeting smaller businesses.
    - Subscriptions tend to have more predictable revenue (as opposed to large software releases), allowing more aggressive long-term investments [assuming you have good accuracy on retention].
- Digital Goods
    - Digital goods have no literal value, but do have emotional value to its users. They tend to have nearly 100% gross margins.
    - LINE's stickers, cosmetics items in video games.
- Feeds
    - Present a constantly updating set of information to increase engagement. Learn what the users like or dislike to improve the feed, and to target more compelling ads.

Being Contrarian

It's hard to find an opportunity in a hot space. If an opportunity is obvious, the chance you'll be the one who succeeds is low. Furthermore, obvious opportunities will be chased by strong incumbents.

Pursuing an opportunity that conventional wisdom ignores gives you time to refine your strategy. There were plenty of reasons for Google, Facebook, Airbnb, Uber to not work - and in fact many investors passed on them.

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

3: Strategy Innovation

This chapter of *Blitzscaling* discusses the choice of whether to blitzscale and when.

When do you start to blitzscale?

The only time it makes sense to blitzscale is when speed into the market is *the* critical strategy to achieve massive outcomes.

You should not blitzscale if you’re not at product/market fit, your business model doesn’t work, or if the market conditions aren’t right. If taking on cost, risk, and speed don’t actually confer an advantage, it’s better to follow traditional business rules and wait for the time that blitzscaling becomes appropriate.

More specific conditions for blitzscaling:

- Big new opportunity
  - Market size and gross margins create enormous potential value, and there isn’t a dominant market leader.
  - Often, a technological innovation upends existing markets [per Porter, it allows creation of new value chains].
- First-scaler advantage
  - Often includes positive feedback loops. Mechanisms include network effects, returns to data, economies of scale.
  - Blitzscaling often doesn’t work if another company has first-scaler advantage.
    - Amazon and Yahoo! attacked eBay but failed due to the strong network effects.

        - Amazon, Microsoft attacked Google's search engine.
    - Don't confuse first to market or significance, with first to scale. You could be the inventor of a product, but a rival can take the reins and scale to make you insignificant.
- Competition
    - Can somebody else realize this opportunity earlier than me? If yes, moving faster reduces risk of competition.
    - Geographic boundaries have dissolved - your competition can now be global.
    - Startups who act quickly can evade incumbents who aren't focusing on the space.

When should you stop blitzscaling?

Blitzscaling are like fighter jet afterburners - you don't switch them on and never turn them off.

You stop blitzscaling when your business it outgrowing your current strategy. Warning signs:

- Declining rate of growth (relative to market and competition)
- Worsening unit economics
- Decreasing per-employee productivity
- Increasing management overhead

All of these tend to signal that you've reached the ceiling of the market. When you're moving fast, it's easy to overshoot, as Groupon did when its daily deals model suffered, and as Twitter did when it overstaffed.

Do I have to blitzscale?

No. The French Laundry is still a single restaurant. If it's antithetical to your mission, or you don't want to deal with the headaches of a larger size, you don't need to blitzscale. If you own the company, it's up to you to do what you want with it.

Your industry may also not have a winner-takes-all dynamic. This can be true if the industry is very fragmented, has low margins, or little economy of scale.

Likewise, your business model may not be permissive of massive scale.

How Blitzscaling works

Not:

1. Do things that don’t scale
2. Achieve scale
3. Do things that scale.

Rather:

1. Do things that don’t scale
2. Reach the next stage of blitzscaling
3. Figure out how to do one set of things that scale, while somehow also finding a way to do a completely different set of things that don’t scale.
4. Reach the next stage of blitzscaling.
5. Repeat until you dominate the market.
6. [Repeat 1-5 for the next market you want to take.]

Examples

- Apple did this first with iPod, then iTunes, then iPhone, then iPad.
- Facebook did this first with desktop, then mobile.

4: Management Innovation

[This is the longest chapter of Blitzscaling, I suspect because creating successful business models is the least predictable and formulaic part (even professional investors have a hard time spotting winners), while management and operations is relatively predictable.]

The company progresses through five orders of magnitude:

1. Family: 1-9 employees
2. Tribe: 10s of employees
3. Village: 100s of employees
4. City: 1000s of employees
5. Nations: 10000s of employees

The management approach must change with each of these stage. What used to work will cause chaos in the future.

The progression of the founder:

1. Founder personally pulls levers of hypergrowth
2. Founder manages people pulling the levers
3. Founder designs an organization that pulls the levers
4. Founder makes high-level decisions about goals and strategies
5. Founder figures out how to start blitzscaling new business units

Eight Key Transitions

- Small teams to large teams
    - Hierarchy needs to be built. Flat orgs haven't worked.
- Generalists to specialists
    - **"The marines take the beach, the army takes the country, and the police govern the country."** The types of people needed at each stage change.
    - In the beginning up until 100 people, you should tend to hire generalists.
    - At Village stage, specialists are critical to scale. They perform functions better than generalists can, and you need them sooner than generalists can learn. Thus specialists may need to be hired from outside the org.
        - This can cause resentment from people who have stayed from the beginning. Set expectations clear from the beginning - just because they're running engineering now doesn't guarantee they'll be VP of engineering at 1000 employees.
        - Use "tours of duty" model partly to help explain away why they won't be promoted. They advanced their careers and can now do great things elsewhere.
    - But keep hiring generalists to be the undifferentiated stem cells of your org to handle the riskier and undefined problems.
- Managers to executives
    - Managers manage contributors and execute detailed day-to-day plans; executive manage managers.
    - Managers can be trained from within because contributors learn from good managers.
    - Executives are initially harder to train because managers in your org don't have model executives to learn from. Hire from outside, preferably execs who've been in similar stage companies before and dealt with similar issues. Then, as you have a successful exec model for managers to learn from, promote within.
    - To decrease resentment for outside hires, 1) hire someone who's known to a member of the team, 2) bring exec in at a lower level and let her prove herself before promotion.
    - Company-specific "secret sauce" items may need to be grown from the inside, if few execs have the specialty.
- Dialogue to broadcasting
    - At some point you can no longer have 1-on-1s with everyone, or even fit everyone into the same room. But you need to **continue getting input from smart people, making everyone feel heard, and conveying key messages** to people you don't work with directly.
    - Have weekly all-hands, transitioning to monthly/quarterly as you get into village stage.
    - Communicate at scale. Write thoughtful weekly emails about challenges. Record videos.
    - For remote team members, consider 24/7 videoconference, async tools.
- Inspiration to data
    - Focus on 3-5 metrics that form the core of your business. Otherwise, improvisation can lead to aimless riffing.
    - Make the metrics easy to access and provide clear context. A commonly accessible dashboard helps.
    - Avoid vanity metrics that are always up and to the right (views, installs). Use cohort metrics instead.
    - Be careful about the implications of your metrics.

        - On your homepage, increasing CTR for low performing CTAs may mean nerfing stronger CTAs at the expense of overall conversions.
        - Focusing on pages per viewer might incentivize more confusing and fragmented content.
- Singlethreading to multithreading
    - As an early startup, you must have a laser focus on what you're doing. This allows you to evade larger rivals who have your product as a #35 priority.
    - Eventually (around City stage) you need to focus on more things, like:
        - New product expansions
        - New marketing channels
        - New business lines
    - Think of each thread as a different company with its own incentives, but make sure the thread ties back to the company and the thread doesn't go rogue.
        - Present the opportunity as "building an app on top of a platform" so leaders don't lean toward building their own company.
- Pirate to navy
    - You can start by brazenly breaking laws and common rules, but eventually you need to respect the rules.
    - How do you tell if you're an ethical pirate? Ask "**am I trying to change the rules for everyone, or just trying to get a personal exemption**?
- Offense to defense
    - Think "how can we lock out the competition? If we were trying to defeat ourselves, what would we do? As a startup? As the large incumbent?"
    - Consider acquisitions.
    - Consider diversionary attacks to distract competitors, while you focus on your core.
- Founder to leader
    - You need to step back from fighting fires and day-to-day decisions to the bigger picture. Three ways to scale yourself:
    - Delegation: people do work you previously did
        - A person won't do as well as you do it now, but they'll learn over time.
        - Picture the hire as a specific person rather than a role. "I don't know if a product director can do as good a job, but Jeff from Airbnb probably could."
    - Amplification: people augment what you continue to do
        - Chief of staff can triage important decisions, brief people meeting with you, and make lower decisions for you.
        - Researchers can process information for you.
    - Making yourself better
        - Talk to other smart people. Other entrepreneurs, domain experts.
        - Seek feedback. Get a personal board of directors who can fill in the gaps.

Nine Counterintuitive Rules of Blitzscaling

- Embrace Chaos
    - This is a mindset thing. Get comfortable taking action in uncertainty. Believe that things will get figured out as you take action.
    - Have a Plan A, Plan B, and Plan Z (fallback for worst-case scenario)
- Hire Ms. Right Now, Not Ms. Right
    - Don't prematurely optimize for someone who will be great at a later stage in the company. You need the right person for your current situation. Otherwise you might never make it to the later stage.
    - People tend to have a preferred stage and few excel at being an individual contributor, a manager, and an executive. . See if the hire is self-aware of this.
- Tolerate "bad" management
    - Be OK with breaking best practices of standard management. You might need to reorg the company 3 times a year, churn through management teams, unclear career progression, and having confusing job titles. This keeps the company nimble. You trade organizational risk in exchange for focusing wholly on growth.
    - "Internal chaos normalizes radical change for your team, which means they're better able to adjust to radical changes thrown at you." [paraphrased. I suspect employees don't appreciate this logic.]
- Launch a product that embarrasses you
    - Lean startup style [tk link]. Always launch before you feel the product is fully ready. Otherwise, you'll waste time building things no one cares about.
    - Don't cross the line so far into having fatal flaws that endanger your customers or reputation. Hoffman says paid consumer products have the least room for error, since they'll expect products to be nearly perfect and will complain publicly about flaws.
    - Once you launch, listen to the data more than anecdotal user feedback. People are bad at articulating what they want.
- Let fires burn
    - Triage fires. Deal with urgent systemic risks (like an Airbnb house trashed). For important but not critical problems, put in a hack fix, committing to solving it later. Punt all other issues.
    - If someone wheels into the ER with a gunshot wound, you don't excise a suspicious cancer you find along the way.
    - Hoffman considers issues in this order of descending importance: Distribution > Product > Revenue model > Operations > Competition > What's next?
        - In general, each top one solves all the other bottom problems.
    - Which issues will be *impossible* to fix later? (Cultural problems might count)
- Do things that don't scale
    - Paul Graham's original point here is that the founders need to put in a lot of elbow grease to recruit users, hire, run operations, understand what makes a delightful customer experience. (Airbnb founders taking photos of rooms themselves).
    - Hoffman extends this to mean do things that temporarily fix the issue that might have to be fixed later, in the case of a success. Write throwaway code. Don't build QA tools. Don't prepare for the Maserati problem of having a million users.
- Ignore your customers
    - Customer complaints may be one of those fires you let burn so it doesn't slow you down.
    - Offer light support, or possibly self-service support only.

    - [This is pretty controversial advice, since your early customers might make a huge difference in long-term reputation and virality.]
- Raise too much money
    - Subject to the planning fallacy, you'll underestimate the number of difficulties you'll run into. You'll raise for a best case scenario, and not having enough money might kill your company.
    - "Act like you've got half the amount you have in the bank."
    - At the same time, spend money only to fix things on the critical path to reach the next phase of scale.
    - [Note again the incentives of a VC telling you to take more money.]
- Evolve your culture
    - Culture is a shared way of doing things. It helps people make the right decisions autonomously. Unclear, hazy cultures get in the way of implementing strategy.
    - Every employee should have answers to these questions:
        - What is your org trying to do?
        - How are you trying to achieve those goals?
        - What acceptable risks are you incurring to achieve those goals more quickly?
        - When you have to trade off certain values, which ones take priority?
        - What kind of behavior do you hire, promote, or fire for?
    - The company is like a Ship of Theseus - all the people may change, but the company should stay the same culturally. Employees should be aware they have responsibility for re-creating the culture as it grows.
    - Consider office design, written memos, communication channels (eg weekly emails, Netflix culture deck) to encourage your cultural values.
    - Don't hire so narrowly to fit a stereotype that you end up having groupthink. Hire people who are additive to your culture.

5: The Broader Landscape of Blitzscaling

Reid Hoffman goes extends to address blitzscaling outside the realm of the tech startup.

The concept of blitzscaling generally means preferring speed and responsiveness over efficiency.

- Zara takes this into fashion, hiring an excess of designers, manufacturing clothes in Europe, and shipping fully racked clothes - all normally cost-inefficient moves, but worthwhile for the speed advantage. [Though to nitpick, this doesn't describe blitzscaling necessarily if Zara isn't opening new stories at rapid pace - just a model around moving fast.]
- When fracking was invented, Chesapeake Energy moved faster than rivals to secure land rights. However, the company borrowed money to lease land at higher prices, until the 2008 recession killed it.

Blitzscaling can be applied to nonprofits as well, using concepts like market/impact size, distribution, gross margin, product/market fit (esp for donors).

- Barack Obama's campaign is a good example of a nonprofit blitzscale.

Finally, Hoffman opines on how companies have blitzscaled across the US, in Europe, India, and of course China. He argues that Silicon Valley still has an edge over all places (including China) for its institutional knowledge, more open collaboration and intermixing of ideas.

Blitzscaling within a Larger Organization

Can larger organizations blitzscale? Surely. Google pushed Android to 80% of worldwide phones; Amazon's sales continues to grow exponentially especially through acquisitions of large retailers like Whole Foods; Facebook acquired Instagram and WhatsApp.

Large orgs have the following advantages:

- Scale - they can use existing distribution channels and customer relationships to introduce new products
- Iteration - large companies have enough capital to shake off failed attempts
- Longevity - large companies have longer time horizons than startups, which need to show results to keep raising money.
- M&A - Companies have the funds to acquire other companies.

And these disadvantage:

- Bureaucracy and size generally make it move more slowly
- It tends to ignore smaller business lines until it’s too late to compete, which is particularly dangerous for disruptive technologies
- Companies face pressure from shareholders and press for short-term financial results, and get blamed for public failures
- Unlike founders, employees gain little from a new project working and aren’t as driven
- Unstaged commitment - companies may spend too much on failed experiments without tranching investments like startups do

Tactics for orgs:

- Leverage people with prior blitzscaling business.
    - GM invested in Lyft and acquired Cruise
- Treat the initiatives as a company within the company. Insulate it as a skunkworks project so the exec can run it effectively without too many comparisons to the base business.

Defending Against Blitzscaling

What do you do as an incumbent against a blitzscaler?

- Sit it out. If the growth factors and limiters of the business model don’t make sense to blitzscale, then don’t overreact. Let the startup wear itself out, then swoop in and pick up the spoils.
    - Webvan died and left Safeway stranded customers.
- Blitzscale with them, or acquire them.
    - Why not acquire them? If they have excited funders, they’re likely to be too expensive to acquire.
- Avoid them. Cede control of the new market to them, and develop your own new strategy.
    - IBM ceded control of hardware to new companies like Dell, repositioning it as a technology consultant.
    - Bookstores have refashioned themselves from bestseller stockers to literary communities

and eclectic collections.

6: Responsible Blitzscaling

The final chapter of *Blitzscaling* is Reid Hoffman opining about the inevitability of blitzscaling and our country's need to collaborate on it rather than suppress it out of fear. His points:

- Large modern companies that spark concerns of being monopolists (Google, Facebook, Amazon) are clearly improving consumer welfare. Contrast this to the more exploitative monopolies cornering markets and artificially inflating prices. If consumers dislike any company, there are plenty of alternatives to use.
- Scale creates wealth for everyone. Look at how cheap TVs and mobile phones are today, how much more value Netflix gives relative to a cable subscription. [He doesn't go so far as to prop the usual SV talking points of guaranteed basic income and more wealth redistribution.]
- Any country that restricts company growth will see its companies moving offshore to more hospitable grounds, taking jobs with it.
- Companies should self-regulate to avoid government intervention.
- People have complained about changes for millennia. Socrates warned that the written word would harm memory; another argued that printing presses would cause too much confusing information. Social media and smartphones is just another iteration of this.

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