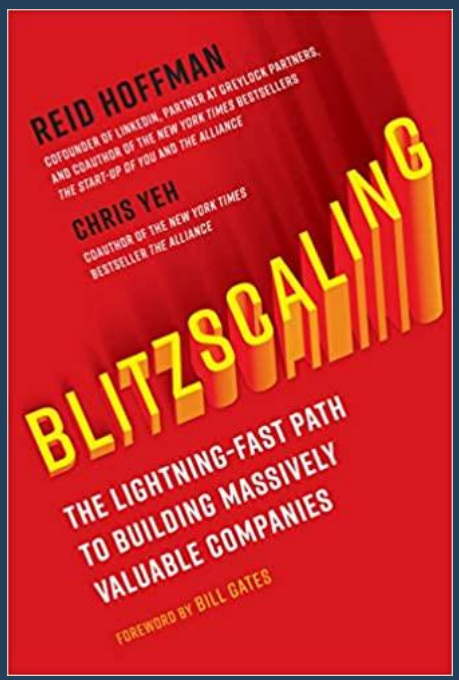

Blitzscaling

Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies
Year of publication: 2019
Author: Reid Hoffman and Chris Yeh
336 pages
Link for purchase: https://amzn.to/2HCMQZe

Do you have a startup and would you like to see it grow quickly?

The secret is blitzscaling, a set of techniques for scaling up at a fast pace that will eliminate competitors from your path. The goal is not to go from zero to one, but from one to a billion as soon as possible.

Reid Hoffman and Chris Yeh teach the practical aspects of blitzscaling, when and why to use it, and the global impact of the companies that practice it.

It doesn't matter if your company has five or five thousand employees, blitzscaling is the best technique to beat a world in which speed is the biggest competitive advantage.

Score

9

10 Aplicability
8 Inspiration
9 Innovation
10 Impact on results
9 Structure

Main ideas of the book

- A startup that develops to the point that it has an excellent product and a good distribution channel becomes a “scale-up”;
- The way to become a "scale-up" is the overgrowth produced by blitzscaling;
- One of the main challenges is to prioritize efficiency in the face of uncertainty;
- One of the principles of blitzscaling is to focus on work to solve the problems that are needed;
- There are 5 stages of blitzscaling and each is based on a community;
- Blitzscaling can also be adopted in large companies.

To whom is this book indicated?

The book "Blitzscaling" is indicated for entrepreneurs, company founders, and anyone who is interested in optimizing the growth of their business.

Overview of the book

Overview: Principles

The blitzscaling can be defined as a “strategy and set of techniques to drive and manage extremely rapid growth, which prioritizes speed over efficiency amid uncertainty”.
In other words, it is an accelerator that allows your company to grow at a furious pace, which removes competition from its path.
When you adopt it, you need to make decisions and commit to them even if you are not 100% confident.
Blitzscaling requires not only the entrepreneur's courage but also an environment willing to finance smart risks with financial and human capital.
Many may wonder why someone would adopt this strategy to take so many risks, mainly because you will need enough reserve capital to recover from the many mistakes you will make along the way.
According to authors Reid Hoffman and Chris Yeh, even with all the risks, blitzscaling remains a powerful tool for entrepreneurs.

Blitzscaling strategies

Blitzcaling is an attack and defense strategy. Regarding the attack, you surprise the markets, ignoring well-defended niches to take advantage of opportunities. Furthermore, it facilitates access to capital, as investors prefer to invest in market leaders.
Regarding defense, due to the fast pace, your competitors will have little space and time to counterattack.
Despite its incredible advantages and potential returns, blitzscaling also carries enormous risks. You will have a lot of problems, make sure of that. Sometimes, you will spend more time correcting errors and problems than gaining speed with advancement.

Overview: The five stages

Authors Reid Hoffman and Chris Yeh use a community metaphor to describe the main stages of blitzscaling, based on the number of employees the company employs:

1. **Family:** from 1 to 9 employees;
2. **Tribe:** 10 to 99 employees;
3. **Village:** from 100 to 999 employees;
4. **City:** from 1000 to 9999 employees;
5. **Nation:** over 10,000 employees.

When you are the head of a family, you have a closer relationship with all members. On the other hand, when you are head of a nation, you will be responsible for a multitude of officials and you will not even know the majority.

The three main techniques of blitzscaling

1. Business model innovation: the first technique is to design an innovative business model that can, in fact, grow. With this innovation, startups surpass already established competitors.

2. Strategic innovation: to achieve your goals, you need to know what you need to do and what you shouldn't do. Blitzscaling is much more than just aggressive growth. It is important to implement a financial strategy that supports aggressive investments.

3. Innovation management: the critical transitions made during blitzscaling mean that innovative management needs to hire people "good enough" for the job, in addition to launching incomplete and imperfect products, uncovering problems, and avoiding angry customers.

Overview: Growth and limitations

A company's business model describes how it generates financial returns by producing, selling, and supporting its products.

According to Reid Hoffman and Chris Yeh, an excellent business model is one that maximizes the four main growth factors and minimizes its two limitations.

The four growth factors

1. Market size: a large market has both a large number of potential customers and a variety of efficient channels to reach them. The ideal is to predict it correctly and know how to invest while others are stopped by fear. Airbnb and Uber did just that.

2. Distribution: Distribution is very important for a growing company. A good product well distributed outperforms an excellent product poorly distributed. Distribution techniques fall into two categories: leveraging the network and going viral.

3. Good gross margins: Gross margins are represented by the number of sales less the cost of goods sold. The higher the gross margin, the more valuable each dollar of sales is, as it means that the company has more money available for growth and expansion funds.

4. Network effects: *"a product or service is subject to positive network effects when increased use by one user increases its value for other users".*

The book exemplifies all of the above through four companies that have carried out blitzscaling: LinkedIn, Google, Amazon, and Facebook.

The two growth limiters

1. Product shortage / Market Fit: product/market fit means being in a good market with a product that meets your needs. To do this, employers must conduct research and structure their business model to maximize the chances of finding it as quickly as possible.

2. Operational Scalability: designing a scalable economic model is not enough if you do not expand your operations to meet demand. Many operational problems arise due to human limitations, or infrastructure limitations.
After all, it doesn't matter how much demand you generate if your infrastructure or your human resources don't support it.

Overview: Proven business model standards

Reid Hoffman and Chris Yeh explain some patterns of business models that exploit growth factors and avoid constraints. Although they do not guarantee an innovative business model, they are good options for the entrepreneur.
The first standard is to use electronic bits instead of physical materials, such as Facebook and Google. Electronic businesses serve a global market and make it easier to bypass growth constraints because you produce faster with software products than with physical products.
The second proven standard is the use of technology platforms like Windows. Today's software-based platforms reach global distribution almost immediately.
The third standard is to create free and premium products. The idea of the free product is a strategy to attract and acquire a critical mass of users, while the paid version allows the company to capitalize on these users, as long as this value is adequate.

Overview: When to start using blitzscaling?

Blitzscaling should only be used when you have determined that speed in the market is your critical strategy for achieving significant results. There are a few factors that you should watch out for if it's the right time to do blitzscaling.
First, a new big opportunity is needed. The risk and pain of doing blitzscaling are not worth it if the opportunity is tiny, so make sure of that before implementing this strategy.
Check the competition. Ask yourself, "Can anyone see this opportunity before me?" If the answer is yes, then, in order to eliminate competition, it compensates for the increase in failures resulting from rapid transformation.

Overview: When should I stop blitzscaling?

This strategy is not permanent. You practice blitzscaling when your market is large or growing fast. On the other hand, when your market is already stagnant or has reached a limit, you should stop using it.
There are also other factors that warn of a stagnant strategy: decreasing growth rate, reduced employee productivity, and increased management overhead.
An example of a company that should have stopped blitzscaling before is Groupon, as it sought growth without efficiency, which overheated and weakened the market.
You have complete freedom to implement blitzscaling or not, it is not compulsory. So, analyze your goals well before making any decisions.

Overview: Innovation management

The authors reveal nine decisive transitions that guide the company through the stages of blitzscaling:

1. From small to large teams: as the team grows, an organization in larger groups is necessary;
2. From generalist to a specialist: the more the company grows, the need to hire specialists also increases;
3. From managers to executives: from the Village stage, the company already needs executives;
4. From dialogue to diffusion: as the company grows, face-to-face meetings become more difficult and it is advisable to hold videoconferences or send regular emails to employees;
5. From inspiration to data: acquiring a dashboard is valid to monitor and inform changes;
6. From centralized to diffuse: as the company grows, it is important to start managing multiple product lines or even business units;
7. From pirate to a sailor: initially startups are pirates in the attack, have no formal processes, and are willing to break the rules. As they grow, they assume a maritime stance, following rules and considering defense;
8. From Captain to Admiral: thinking like Admiral requires implementing a team of managers globally responsible for their markets;
9. From founder to leader: the founder needs to acquire some skills to become a leader: delegation, expansion, and improvement.

Nine controversial blitzscaling rules

In this strategy, it is necessary to follow new controversial rules in relation to globally accepted practices.

1. Embrace chaos;
2. Hire who is suitable at the moment;
3. Tolerate “lame” management;
4. Launch a product that bothers you because it is imperfect;
5. Let it happen naturally;
6. Implement non-scalable actions;
7. Ignore your customers;
8. Raise as much capital as possible;
9. Develop your company's culture.

Overview: Blitzscaling in large companies

Blitzscaling can also be implemented in large companies. However, it is important to consider the advantages and disadvantages. The main advantages are the scale that the company already has, longevity, mergers, and acquisitions.
On the other hand, the main disadvantages may be the incentives that favor more cautious expansion than aggressive growth, unrealized investments, and pressure from publicly traded companies.

What do other authors say about it?

In "Hacking Growth", Sean Ellis and Morgan Brown present an innovative strategy through analysis, ideation, prioritization, and testing, selecting a qualified team to generate the feeling of "must-have" in potential customers.
You will see how this growth philosophy can help you to boost your business.

In the book “Zero to One”, the author Peter Thiel gives the following tip: when there is competition, companies do not have power over the market. Therefore, they must sell their products at the price regulated by the market or they will be slaughtered by the competition. When you have a monopoly, you're the one who dictates the rules.

The author Leigh Gallagher, in “The Airbnb Story”, discusses the company's trajectory, since its foundation in 2008, going through the accelerated development and the challenges that its founders had to overcome over the years and the prospects for the future of the brand Airbnb.

Okay, but how can I apply this in my life?

Blitzscaling has redefined numerous sectors, being the main standard by which the main new technologies and companies establish themselves and replace their predecessors.
It also allows established companies to anticipate and adapt better to changes in the market scenario.

According to the authors, "a better understanding of the positives and negatives of blitzscaling will help governments not only make appropriate adjustments to encourage them, but also improve the chances of achieving adequate social results".

Remember that speed and uncertainty are the new constants in the era of blitzscaling.

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