1-Page Summary 1-Page Book Summary of Blitzscaling

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 automatically, at nearly no marginal cost, creates situations where a powerful company becomes ever more powerful through positive feedback loops, like network effects and virality.

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 or wasting money - the risk is playing it too safe. If you win, efficiency isn't important; if you lose, efficiency is irrelevant. As in Glengarry Glen Ross, “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.

Business Models that Scale

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 markets that seem small initially can grow to become massive.

2. Distribution
   Many startups focus on product but overlook the importance of distribution. Roughly speaking, there are two general categories: existing networks (paid advertising and SEO) and word-of-mouth/virality.

3. High Gross Margins
   Software companies have high fixed costs and low marginal costs, often above 60%. In contrast, “old economy” businesses like restaurants have low 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.

4. Network Effects
   Network effects apply when a user using the product makes the product more valuable for other users. This is also called “demand-side economies of scale” by economists. Services that benefit from network effects include social networks, two-sided marketplaces, and technology platforms.

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.

Blitzscaling also makes sense in a few other specific conditions:

- Big new opportunity
  - Market size and gross margins create enormous potential value, and there isn't a dominant market leader.
  - Often, this is when a technological innovation upends existing markets, creating large opportunities that incumbents are not well-suited to capture.

- First-scaler advantage
These opportunities often involve positive feedback loops. The mechanisms that confer first-scaler advantage include network effects, returns to data, economies of scale.

Blitzscaling often doesn't work if another company has first-scaler advantage.

**Competition**
- Can somebody else realize this opportunity earlier than me? If yes, moving faster reduces risk of competition.
- 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. Blitzscaling is used for a specific purpose for a limited time, after which you turn to fastscaling or another type of company growth.

You stop blitzscaling when your business it outgrowing your current strategy. Warning signs of when this is:
- Declining rate of growth (relative to market and competition)
- Worsening unit economics
- Decreasing per-employee productivity
- Increasing management overhead

**Managing Teams through Blitzscaling**
As the company grows from a handful of people to 10s, then 100s, then 1000s of people, drastic changes in management need to happen. Here are a few critical ones:

**Generalists to Specialists**
At each stage of a company, different types of people are required to provide what the organization needs at that time. An analogy to the military: “the marines take the beach, the army takes the country, and the police govern the country.”

In the beginning up until 100 people, you should tend to hire generalists. They adapt quickly to the rapidly changing needs of the business in its volatile early days.

At Village stage (100s of people), specialists are critical to scale. They perform functions better than generalists can, and you need them sooner than generalists can learn the job. Thus specialists may need to be hired from outside the org.

**Managers to Executives**
The types of senior team members you need to hire will change.

Managers manage contributors and execute detailed day-to-day plans. Executive manage managers.

Managers can be trained from within, because individual contributors can learn how to manage from good managers. In contrast, executives are initially harder to train because managers in your organization don't have model executives to learn from. Therefore, start by hiring executives from outside.

**Founder to Leader**
You need to step back from fighting fires and day-to-day decisions to the bigger picture. There are three ways to scale yourself:
- Delegation: people do work you previously did
- Amplification: people augment what you continue to do
- Making yourself better

Read the full summary for the complete set of 9 management tips.

...
Here's a preview of the rest of Shortform's Blitzscaling summary:

**Blitzscaling Summary Shortform Introduction**

**Be Aware of the Viewpoints of Venture Capitalists**
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 (e.g. 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). They therefore want to push for fast growth and exit sooner. 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-take-all market, the strategy thesis is correct, the business effectively deploys capital, and the company explodes in value.

In the most punishing case, your market doesn't have huge returns of scale or winner-take-all dynamics, you raised too much capital to burn on strategies that don't return, and...

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**Blitzscaling Summary Introduction**

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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 automatically, 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 and virality.

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

*What Our Readers Say*

This is the best summary of How to Win Friends and Influence People I've ever read. I learned all the main points in just 20 minutes.

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**Blitzscaling Summary Chapter 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 or wasting money - the risk is playing it too safe. **If you win, efficiency isn't important; if you lose, efficiency is irrelevant.** As in Glengarry Glen Ross, "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:

<table>
<thead>
<tr>
<th>Efficiency</th>
<th>Speed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uncertainty</td>
<td>Classic start-up growth</td>
</tr>
<tr>
<td>Certainty</td>
<td>Classic scale-up growth</td>
</tr>
</tbody>
</table>

On one axis, we have either efficiency or speed.

On the other axis, we have either uncertainty or certainty.

These form four quadrants:

- A condition of efficiency with uncertainty is classic start-up growth.
- A condition of speed with uncertainty is blitzscaling.
- A condition of speed with certainty is fastscaling.

A...

Blitzscaling Summary Chapter 2: Business Models that Scale

Business models are how the company makes money by serving its customers. This chapter discusses aspects of successful business models in general, and business models that are especially suited to blitzscaling.

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 markets that seem small initially can grow to become massive.

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. Therefore, don’t fix your sense of market size to the size of the incumbent - this can drastically underestimate how large the market can grow.

- Analogy: Don’t size the car industry off of how many horses there were in 1910.
- Some analysts 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, and ridesharing eventually eclipsed all of taxis.
- 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 company 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 listings on Airbnb.

**Word of...**

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Jerry McPhee

Blitzscaling Summary Chapter 3: Do I Blitzscale or Not?

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

When Do You Start to Blitzscale?

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Blitzscaling also makes sense in a few other specific conditions:

- **Big new opportunity**
  - Market size and gross margins create enormous potential value, and there isn't a dominant market leader.
  - Often, this is when a technological innovation upends existing markets, creating large opportunities that incumbents are not well-suited to capture.

- **First-scaler advantage**
  - These opportunities often involve positive feedback loops. The mechanisms that confer first-scaler advantage 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 with their own auction marketplaces, but they failed due to eBay's strong network effects.
    - Amazon and Microsoft attacked Google's search engine, but they failed due to Google's strong advantage in aggregated data and user experience.

- **Don't confuse first to market or first to 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.
  - Note that your competitor might not be in the same country as you. Geographic boundaries have dissolved - your competition can now be global.
  - Startups who act quickly can evade incumbents who aren't focusing on...

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Blitzscaling Summary Chapter 4: How to Manage Teams Through Blitzscaling
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 stages. What used to work at one stage will cause chaos in a bigger stage.

The founder also has to evolve through each stage of the company.

1. Family (1-9): Founder personally pulls levers of hypergrowth
2. Tribe (10s): Founder manages people pulling the levers
3. Village (100s): Founder designs an organization that pulls the levers
4. City (1000s): Founder makes high-level decisions about goals and strategies
5. Nations (10000s): Founder figures out how to start blitzscaling new business units

**Nine Key Transitions**

A company that is growing rapidly needs to transition its approach along 9 different dimensions.

**Transition 1: Small Teams to Large Teams**

Naturally, as your company grows, the size of the team grows. With larger teams, it becomes harder to communicate, make decisions, and align everyone on the same mission.

In growing organizations, hierarchy is important so people know what the reporting structure is and have clear HR practices. Despite the recent popularity of flat organizations, the authors argue that flat cultures have a poor track record of results. People in flat hierarchies don't know where to turn for conflict resolution, which slows down decision making.

**Transition 2: Generalists to Specialists**

At each stage of a company, different types of people are required to provide what the organization needs at that time. An analogy to the military: “the marines take the beach, the army takes the country, and the police govern the country.”

In the beginning up until 100 people, you should tend to hire generalists. They adapt quickly to the rapidly...

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**Blitzscaling Summary Chapter 4-2: Nine Counterintuitive Rules of Blitzscaling**

Blitzscaling also requires counterintuitive actions that contradict common business sense and will feel unnatural.

**Rule 1: Embrace Chaos**

This is a mindset thing. Get comfortable taking action in uncertainty. You'll rarely have as much information as you want, and you need to make decisions before you get to that point. Believe that things will get figured out as you take action.

Once you know chaos will happen, be prepared for a variety of outcomes. Have a Plan A, Plan B, and Plan Z (fallback for worst-case scenario).

**Rule 2: Hire People You Need Now, Not Later**

It's tempting to keep waiting to hire someone who will be great at a later stage in the company. Then when you reach that stage, that person will be around.

But you don't need that person now. That's premature optimization. You need the right person for your current situation. Without the right people here, you might never make it to the later stage.
People tend to have a preferred stage of company they like working in. Few people can excel across the board at being an individual contributor, a manager, and an executive. See if the hire is self-aware of this.

**Rule 3: Be a “Bad” Manager**

Be OK with breaking best practices of standard management. You might need to restructure the hierarchy of the company 3 times a year, churn through management teams, have unclear career progression for new hires, and retain confusing job titles. This feels like chaos to the team, but having this flexibility keeps the company nimble. You risk the organization in exchange for focusing wholly on growth.

**Rule 4: Launch Products Before You Feel They’re Ready**

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...

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**Blitzscaling Summary Chapter 5: Blitzscaling Outside of Startups**

We’ve talked up to this point about blitzscaling in the context of technology startups. But can blitzscaling work outside of technology? Can it work in companies that aren’t startups? And if you’re not a blitzscaler, how do you deal with a competitor who is?

**Blitzscaling Outside Technology**

The concept of blitzscaling generally means preferring speed and responsiveness over efficiency. This can happen in a variety of industries.

- 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. (Shortform note: though this doesn’t describe blitzscaling necessarily if Zara isn’t opening new stories at rapid pace - just a model around having fast operations.)
- When fracking was invented, Chesapeake Energy moved faster than rivals to secure land rights. The company borrowed money to lease land at higher prices, until the 2008 recession killed it.

Blitzscaling can also be applied to nonprofits, who can borrow concepts from business like market/impact size, distribution, gross margin, and product/market fit (especially concerning the match between what donors want and what the organization offers).

- Barack Obama’s election campaigns are 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 these places 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 over startups:

- Scale - they can use existing distribution channels and customer relationships to introduce new products.
- ...

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Blitzscaling Summary Chapter 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 of the past that cornered markets and artificially inflated prices. If consumers dislike any single company like Google, 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. Consumers are better off when companies scale to massive sizes.
- Any country that restricts company growth will see its companies moving...

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