

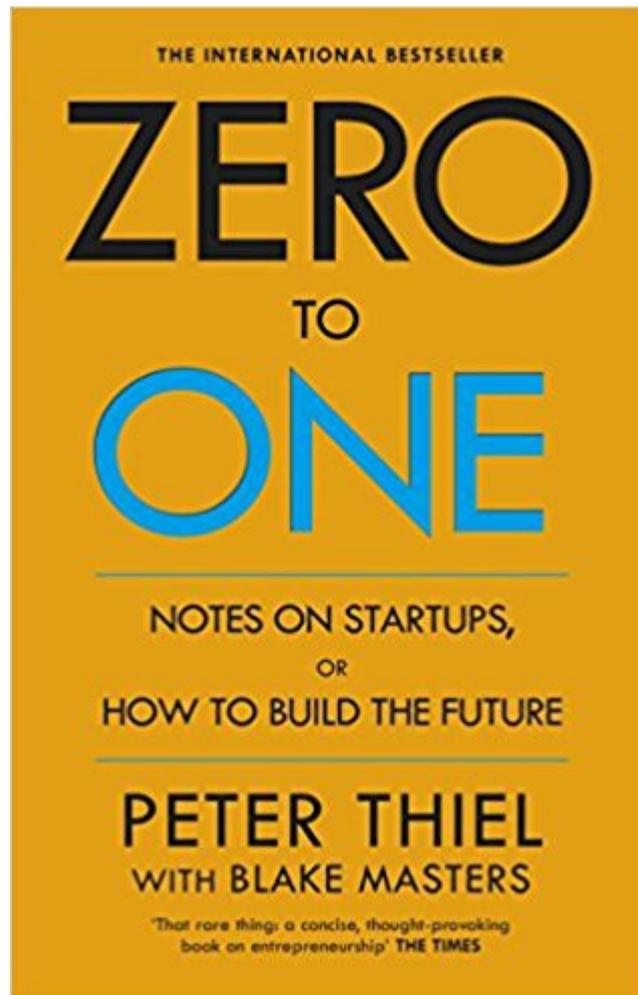
"Zero to One" by Peter Thiel. Review and deconstructing a bestseller.

Good ideas, bad ideas and some "WTF" graphics.



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PayPal is one example of a startup company that *made it*. Founded before the dotcom crash of 1999, the company has prevailed in its idea of providing online payment services, now serving almost 200 million users.

Peter Thiel, one of the founders of PayPal, held regular lectures at the University of Stanford in 2012. In cooperation with a student of this class, Blake Masters, Thiel took those class notes and published them as the book "Zero to One".

The book has become an international bestseller, sporting the subtitle "How to Build the Future". It's recommended reading for startups, entrepreneurs and innovators, which is why I picked it up.

Alas, I didn't like it. There were some interesting morsels of wisdom and insight to be found, but also a lot of dogmatism and irrelevant information, padded by the truly awful use of visualizations and graphics.

The good, the bad and the ugly, let's see what we can find.

The book does have chapters, but no arc or concept, so I'll be picking out some things that I noticed.

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The good

I wholeheartedly agree with the core idea and basic premise: it's probably better to build a company/ product with a value proposition that no one else has, than to copy what is there. A unique solution, a new way of thinking old problems and the ability to question established patterns should be at the heart of an innovation. After all, that's what innovation is all about.

Thiel writes:

[...] that is what a startup has to do: question received ideas and rethink business from scratch.

So far, so good. This is his "Zero to One", meaning creating solutions where there were none before.

A bit later, there is a caveat offered as well: just because your business is unique, doesn't mean it's useful. I think that is a good point.

It helps to think about the value proposition, the actual value that you can offer to potential customers. There are an infinite number of unique ideas, few of them are valuable enough to build a business.

He stresses the point that startups aiming for success need to build monopolies, in order to be by far ahead of the competition. This ties in with the first point of *being unique*. **The less competition you have to face, the more likely you are to focus on development instead of marketing wars.** Thiel defines several “Characteristics of Monopoly”.

1. Having or developing a proprietary technology that outperforms what is currently available.
2. Developing a network (or platform) so that users are more likely to use your product
3. Potential to scale and operate in large markets and with lots of users
4. Creating a strong brand that touches every point of the customer experience

Later on, Thiel uses some of those points to make an interesting case about biotech startups and compares them side-by-side with IT startups. I can buy into the theory that is much easier to control the development of software-based businesses than “messy” biotech.

I don’t really understand the last line in that table, but it shows an example of how Thiel apparently sees the people around him (we’ll get to that later).

	Biotech Startups	Software Startups
Subject	Uncontrollable organisms	Perfectly determinate code
Environment	Poorly understood, natural	Well understood, artificial
Approach	Indefinite, random	Definite, engineering
Regulation	Heavily regulated	Basically unregulated
Cost	Expensive (> \$1B per drug)	Cheap (a little seed money)
Team	High-salaried, unaligned lab drones	Committed entrepreneurial hackers

We have agreed on innovation as asking new questions and the book goes further into what Thiel calls secrets—ideas that can be uncovered in order to see new opportunities. In the end, the chapter stresses what we have seen earlier: think for yourself, question old ways, find new solutions.

Next, there is a very mixed bag of how Thiel thinks company building works, especially about teams. **I agree with the point that it's better to have people who agree with the core mission of the team and the way things work, instead of hiring purely by talent.** The rest of the ideas on how to get the right people for your idea are quite thin and indeed, you as the reader better look to other books for more concise information.

In a chapter on sales, Thiel shows a valuable idea, although I'm not totally convinced that it applies universally. **His assessment is that the startup needs to find the right way to make sales: if each sale volume is small, you need a lot of customers, which translates to a big marketing effort or the (arguably predictable) use of viral growth engines.** If each sale volume is big, you need a lot of personal sales which will take more time.

Writes Thiel:

The challenge here isn't about how to make any particular sale, but how to establish a process by which a sales team of modest size can move the product to a wide audience.

With this sentence, he starts to list some of the processes, none of which go into useful detail. Again, for the topic of sales, I advise you to look for other sources.

Sort of as a conclusion, Thiel then offers seven indicators for successful startups.

1. **Technology:** Can you create breakthrough technology?
2. **Timing:** Is it the right time to start now?
3. **Monopolies:** Are you starting with a big share of a small market?
4. **Team:** Do you have the right team?
5. **Sales:** Do you have a way to deliver the product?
6. **Future:** Will your market be defensible 10 –20 years in the future?
7. **Secret:** Have you identified a unique opportunity?

As I said, these are indicators, not absolutes. But the more boxes you can tick here, the more fundamental things you have thought through for your business.

There is quite some useful advise in this book, ways to look at your startup and confirm or question believes and values.

Sadly, there are quite some passages that I think should be handled with care and distance.

. . .

The bad

Yes, Thiel has been widely successful with PayPal and it made him a rich man and venture capitalist. **Paradoxically, PayPal started in 1998, the startup environment was vastly different than in 2012 (when the lectures were held) or even in 2018 (when this book is still standard reading).** Yet Thiel takes PayPal’s early years as an example on which he builds his theories. There is a long chapter on how the dotcom crash went down and how PayPal rode it out, but again, this was 20 years ago—an eon in the technology world.

In order to support the “monopolies are the only way”-theory, Thiel writes about Google:

Since they don’t have to worry about competing with anyone, it has wider latitude to care about its workers, its products and its impact on the wider world.

It seems weird to me that a company needs to be a monopoly first in order to be able to care for its workers.

I think that the companies we are building today need to focus and enable all workers from the start. The same holds true for impact on the wider world, for instance corporate social responsibility.

Having positive social values ingrained in the fabric of the company seems to me to be a far more sensible approach than scaling up first and later looking at what can be salvaged.

Thiel is obsessed with the idea of “never competing”, but I’m not sure if that is applicable in all situations. **It hints at one of my main criticisms of the book: it’s quite dogmatic. Rarely there is a middle**

ground, an alternative solution or a different way of doing things.

It's either Thiel's way or the wrong way.

There is a larger passage on his world view and different ways of looking at the future, which I'm unsure how they actually tie into the rest of the book. Maybe it's to support the idea that we need bigger and bolder ventures, or maybe it's to interject a passage about how miserable he thinks the European Union is at the moment. **Again, there is this dogmatism which discredits a large share of successful entrepreneurs and their ideas: they are not making billions and that means that they failed.**

He even addresses the idea of dogmatism and cults, saying that

The biggest difference is that cults tend to be fanatically wrong about something important. People at a successful startup are fanatically right about something those outside have missed.

I won't pass judgement on this statement, but I'm bothered by the fact that he cites *actual, successful companies only* as examples—a clear case of confirmation bias/ survivorship bias. No one remembers those companies that have been fanatical about something unique and failed anyway!

By the way, Thiel is an Apple fanboy and I'm not sure if we should count Apple as startup, it having been a technology company since the 1980s.

The black-and-white view also bothers me when Thiel is talking about people. He is hating on "hipsters", categorizes people in biotech startups as "high-salaried lab drones", while those working in IT are "committed entrepreneurial hackers", then generalizes that

"[...] nerds are skeptical of advertising, marketing and sales because they seem superficial and irrational."

It seems important to him that there need to be people with extreme personalities at the top—maybe that should be an excuse for something? **It is true that we connect dazzling people with their companies, on the other hand there are plenty of startups with rather "normal" founders and CEOs, none of which needed to be extreme in order to be successful.**

It's hard to criticize Thiel because in the end, he did have success (in his own terms) by building a multi-billion-dollar company. **Yet in "Zero to One", he offers a narrow worldview, one that fits into his own**

narrative. I think the reader should be careful in separating "facts" and "opinions" which are often mixed without concern.

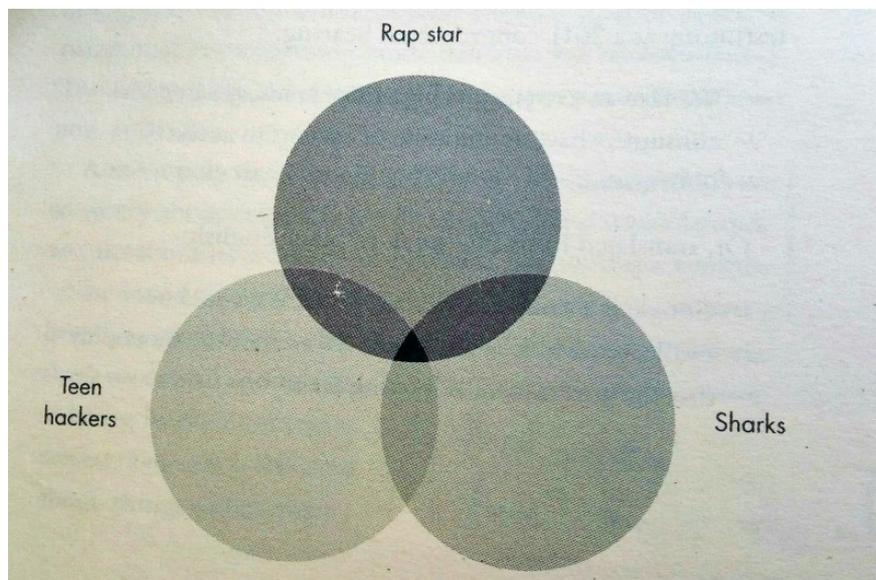
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The ugly

I have no clue who was responsible for some of the visual examples in the book, but they are... garbage. I understand they tried to lighten up the text with some images, but they crop up in weird places.

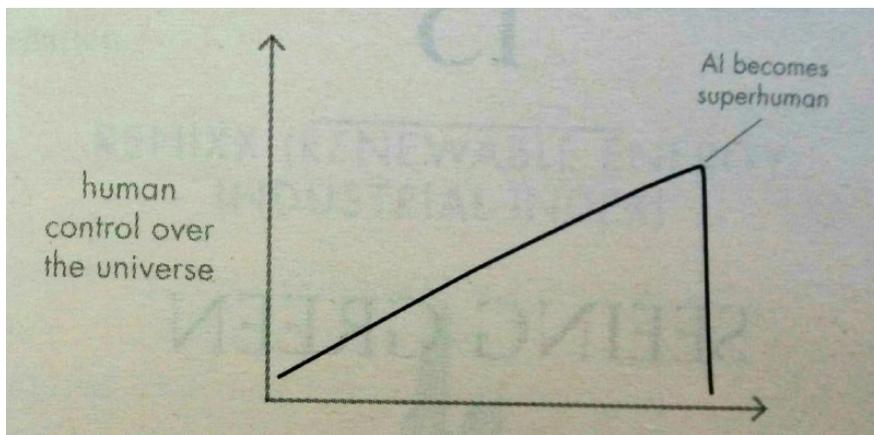
Take this example:

This Venn diagram is supposedly illustrating how a unique movie script can be thought up (by combining different basic ideas), but honestly, what is the value of this? It's referenced in one sentence only and the concept is not that hard that we need to visualize it.



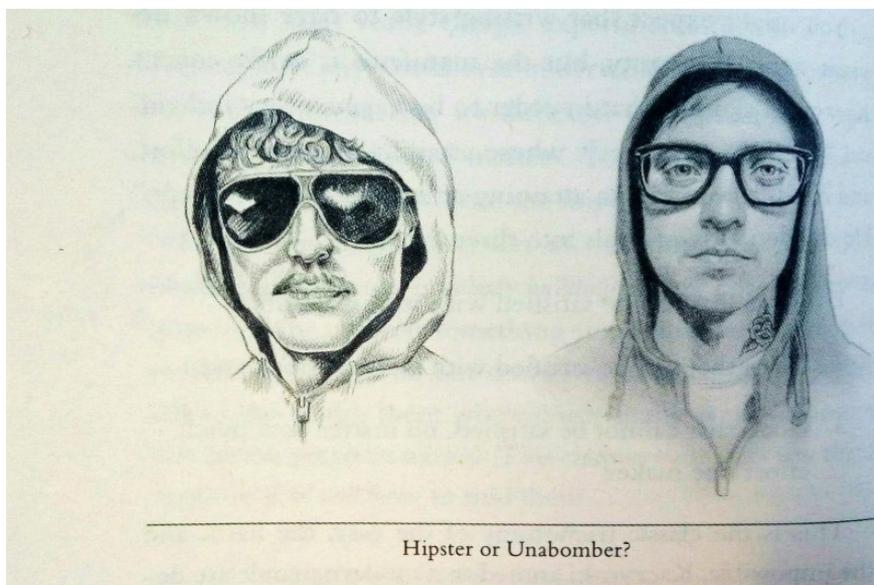
Let's draw some circles

The same holds true for later diagrams, which try to make a point, but are rather hilarious in their vagueness. If I'm missing a profound insight let me know in the comments.



Ah yes, we all know the measure of "human control over the universe"

And for good measure, we have some portraits thrown in, first of "The Unabomber" and of a hipster (hipster-bashing see above), later of people whose faces you might have forgotten, such as Bill Gates, Steve Jobs or Lady Gaga.



There is a connection, I'm just not sure where. Maybe the hood?

Conclusion

Don't read "Zero to One" as your first book on startups. Read it as an account of someone who did found a successful startup 20 years ago and extract whatever ideas you might find useful.

The core idea is "do unique and useful things", but it is drowned in rather a lot of noise and vague allusions.

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Thanks for reading this review. Let me know if you would like more in this style.

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