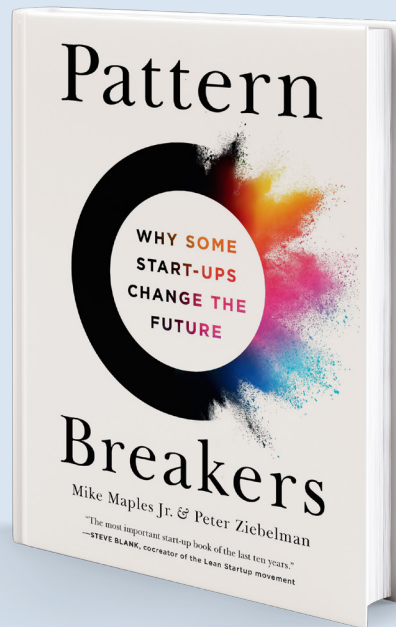


# Book Snaps™

In-depth reviews of best-selling business books.



## Pattern Breakers

### Why Some Start-Ups Change the Future

By Mike Maples Jr and Peter Ziebelman

**Mike Maples, Jr** is an entrepreneur, venture capitalist, podcaster, and the co-founder of FLOODGATE, a leading seed stage fund in Silicon Valley that invested in companies like Twitter, Twitch, Okta, and Outreach at the very beginning of their startup journeys. An eight-time member of the Forbes Midas List of Top Venture Capital investors, he was one of the pioneers of the seed investing movement.

**Peter Ziebelman** splits his time between academia and the business world. He teaches as a lecturer at the Stanford University Graduate School of Business, where he is the principal instructor for the popular graduate school course on entrepreneurship and venture capital. He has also lectured for the Wharton School and the University of Chicago.

*A Book Review by Soundview*

## Break the Pattern to Achieve Success

In their book, *Pattern Breakers: Why Some Start-Ups Change the Future*, authors Mike Maples Jr and Peter Ziebelman set out to explain to readers what it is that makes some start-ups truly revolutionary. They do not focus their attention on start-ups that seek out weaknesses in certain markets and create products that can fill those unmet needs even though these types of start-ups can prove to be successful. These types of start-ups can also be risky as current giants in the markets can capitalize on the successes of the start-up to improve their own companies to meet that same need. No, what Maples and Ziebelman focus on are start-ups that truly revolutionize the way people live their lives and the way tasks are completed. The first half of Maples and Ziebelman's book is focused on pattern breaking ideas while the second half is based on pattern breaking actions.

Maples and Ziebelman begin their book by talking about both the importance of patterns and of pattern breaking. Human beings are naturally inclined to search for and create patterns in their lives. This very human tendency towards patterns, however, does not readily allow someone to suss out an idea that is truly capable of changing the world. This type of revolutionary idea requires someone who is willing to break the rules and to find a different path.

Maples and Ziebelman base their book on what they call inflection theory. This theory revolves around a few key principles. First of all, there must be an inflection point. This is some force that has fundamentally changed something about life that can be capitalized on. An example of an inflection is the fact that the iPhone 4s included gps. Maples and Ziebelman explain how an inflection like this must be some fundamental "turning point in the way people think, feel, and act: a change in what they value, what they believe, what they can do, or what they are willing to do." Start-ups themselves do not create the inflections. The inflection is an outside force that the start-up then utilizes.

What is next required is insight. This simply refers to the insights innovators find into the way this inflection, in this case gps on smartphones, can alter some aspect of society. Next an idea is required. An idea then refers to a potential product that can

capitalize on this inflection and insight. One idea that came from GPS enabled smartphones was Lyft and Uber. The GPS allowed drivers and passengers to find each other instantly, and this revolutionized the way people move about. Oftentimes initial products will fail and innovators must continually change and tweak their ideas until they find something truly groundbreaking. Lastly, people need a movement. This is a group of people firmly committed to the idea who can help propel it forward.

## Inflections and Nonconformity

It is important that start-ups go beyond merely making the present better. Instead, founders must be living in the future, envisioning something completely different from the current status quo. It is not about improvement; rather it is about invention. Start-ups, say Maples and Ziebelman, “use the power of inflections to create a new game with new rules that they define. They force a choice and not a comparison. Technological advances are not synonymous with inflections, but Maples and Ziebelman explain how advances in technology can provide opportunities which can “empower people with radical new capabilities.” Maples and Ziebelman offer a stress test by which to examine whether an idea taps into inflections.” First, founders need to evaluate whether they have chosen a powerful inflection to bring about a previously unimagined possibility. Second, they need to consider who would use this capability and why these people would be highly invested in using it. Finally, they need to consider the circumstances necessary to allow this inflection to change lives. Considering these questions can help founders determine what is and is not worth pursuing.

Maples and Ziebelman consider timing to be one of the biggest risks founders face because as they write, “If you act too quickly to harness it [the inflection], you’ve got a science project... If you act too slowly, you’ve got what is now a conventional idea, embraced only after it became obvious to too many others – leaving your idea to compete against a crowded field.” Because of this, Maples and Ziebelman are not as concerned with whether an idea was tried before. Rather they are concerned with the question of what current inflection has emerged that could make an idea appropriate for the current time. They note that inflections do not have to occur before the birth of a start-up because sometimes inflections come along that can change the trajectory of a start-up still in its infancy. Part of this is why the stress test they previously advocated for is important. It is not enough to come up with an idea that sounds good; that idea must be based on an inflection to be truly revolutionary.

Maples and Ziebelman prefer to see product demos as opposed to slide presentations about new ideas. These demos should be a “tangible mock-up for early customers – and investors.” The demo provides a few key insights. First it shows what founders believe is important and what is less important. Furthermore, it lets customers and investors know whether the product is actually viable or if it is just a hope for the future.

## Insights

Maples and Ziebelman move on to discuss insights which they define as the connection between the inflection and the

eventual product. They state, “an insight is a nonobvious truth about how to harness one or more inflections to change human capacities or behaviors in a radical way.” After all, the presence of new or improved technology does not guarantee that this technology will be used in innovative and effective ways. For an insight to be effective, it must both be right and non-consensus. When insights are right, people want them. Being non-consensus is important because consensus products likely have numerous obstacles including “new competitors, pricing pressure, longer sales cycles, [and] faster retaliation from incumbents.” Furthermore, if there is instant consensus, it is likely that the insight is too similar to other ideas that have already been developed. Despite the benefits non-consensus insights provide, they are difficult to follow because many people will not understand the insight at first. Non-consensus has the benefit, however, of giving founders time to test and learn because there is no immediate competition. This is important to a vulnerable and resource-strapped startup.

Just as Maples and Ziebelman advocate for stress-testing inflections, they also insist on the importance of stress-testing insights. There are four criteria they insist are of value. First, a founder needs to determine whether an insight is actually true. Second, the insight must not be obvious. Third, it must be based on inflections. Fourth, founders need to consider timing and understand why now is the best time for this insight to come to fruition. When it comes to timing, Maples and Ziebelman maintain that the best insights combine both established inflections with new ones “to create something radically different.”

Insights are prone to failure. This can happen for a number of reasons. First an idea needs to be prompted by a new insight. Second, an insight can fail when the founder’s prediction of the future is not accurate. A third reason an insight could fail is if the powers that be can easily compete with it and come out victorious. Maples and Ziebelman believe, however, that the biggest reason for failure is “a lack of specificity.”

## The Present and The Future

Maples and Ziebelman maintain throughout the book that it is important that founders live in the future rather than in the present. They must be “immersed in the process of cultivating new patterns of thinking, feeling, and acting through ongoing interaction with new, empowering technologies and with other people who are also living in the future.” Breakthrough ideas, they maintain, are not about having a better vision of the future; rather they are about “living in the future and interacting directly with what’s new about it.” This is so important because someone wishing to innovate must be able to move past the assumptions inherent in their own time. Maples and Ziebelman insist that the way the world looks now is not the only conceivable way it could look. People wishing to harness the power of inflections need to join with other future-lookers to tinker with the other available options. While living in the future, however, it is important that founders avoid attempting to solve a non-existent problem. Maples and Ziebelman claim that this usually happens when a founder has fallen so in love with their chosen solution to a problem that they fail to see whether it actually



## *Visionaries create their own boundaries rather than live by the ones already in place.”*

solves the given problem. What founders need to do, then, is to instead fall in love with the actual problem. This requires an honest understanding of what the future is likely to entail.

The authors understand that many would consider the development of any new product as living in the future, but this is not the case. Living in the future requires founders to ask themselves two key questions. “Should I build my start-up based on the assumption that the future will be a continuation of the present, following similar patterns and rules? Or do I build for a future that I believe will be radically discontinuous, where the norms of today shift dramatically?” It is easier to find investors when a founder assumes the future will be a continuation of the present, but the very rules that create the present climate will restrict a founder’s ability to create true and meaningful change and innovation. Visionaries create their own boundaries rather than live by the ones already in place. Living in the future can also be difficult because people do not know the obstacles inherent in that future, and therefore there are scant resources and solutions to be found. Founders can help themselves, therefore, “by getting familiar with the unfamiliar.” Another way innovators can live in the future is by seeking other like minded people, and this can be done, in part, through online forums like Reddit which Maples and Ziebelman consider to be “an ideal testing ground for innovative concepts.”

### **Implementation Prototypes**

Maples and Ziebelman quote theoretical physicist Richard Feynman as saying “We are trying to prove ourselves wrong as quickly as possible, because only in that way can we find progress.” They warn that founders can make the mistake of creating a minimal viable product that is less than successful if they do not do a stress test. One reason the stress test is important is because of the local maximum. Maples and Ziebelman explain the local maximum by having their reader imagine a mountain climber. This mountain climber may climb the mountain, excited to reach the top, only to get to the summit and realize there are still higher peaks to climb.

Maples and Ziebelman suggest creating implementation prototypes to determine the “most important benefit” their idea can provide as well as to help a founder determine which customers to pursue. To explain what an implementation prototype is, they describe Textbookflix. The founders of Chegg created this prototype to determine whether they could rent out textbooks online. Textbookflix was only an implementation prototype because it was only meant to test the viability of the idea. Potential customers could put items in their cart, but they were never allowed to check out. This is because Chegg did not have all of

the infrastructure in place to make this site viable at the time. They wanted to make sure that people would be willing to use the service before they took that next step. Ideally this prototype will just go beyond confirming expectations and should actually provide surprising results. For example, Chegg realized that students were willing to pay far more to rent textbooks than they originally assumed, making it easier for Chegg to get funding.

There are a few things to keep in mind with implementation prototypes. First, it is important that people pay attention to both positive and negative surprises. Negative surprises are helpful because they can alert innovators to whether the implementation or insight was wrong or if they are seeking out the wrong people. It is important that the target is desperate for the product. Most people will not be desperate, but these people who are desperate are the ones who will be most likely to spread the news about the idea. In addition, it is important not to include too many benefits when presenting new products because these benefits can blunt the message of the most important points. Paradoxically, too many benefits actually make it harder for customers to process the decision of whether or not to purchase. It is important, then, that the implementation prototype is created to answer the most important questions founders want to validate. In order to stay on track, Maples and Ziebelman recommend creating a limited amount of time within which this process takes place to avoid procrastination and to help people stay focused. Lastly, it is important that founders do not settle. Not all ideas need to be pursued even if they prove viable.

### **The Team**

Maples and Ziebelman write about the importance of finding true believers. These include the “start-up team, initial customers, and collaborators, and even investors.” It is important that all of these people are passionate and feel empowered to help bring the proposed future to fruition. They call these people co-conspirators. One reason these people are so important is because of pushback from people who do not share the founder’s vision for the future. Maples and Ziebelman explain how start-ups often work differently from well-entrenched organizations. They compare start-ups to a jazz band rather than a marching band. Start-ups are less focused on a clear chain of command because all people need to be on board and be a part of numerous or all different aspects of the start up. People must be willing to give everything they have to make the start-up a success. There are certain things Maples and Ziebelman recommend looking for in co-conspirators. First, start-ups should work to find people who can help mitigate the largest risks the start-up faces. In addition, chemistry between people is significant because of the importance

of trust in a start-up. This does not mean that people cannot argue, merely that people are able to work together to achieve the desired outcome. Maples and Ziebelman also believe it is vital that all start-ups have a superbuilder, someone who is capable of rapidly implementing any necessary changes.

It is not just the start-up team that is important, however. Start-ups also need to find passionate believers to be their early adopters. This is about quality more than it is about quantity. These customers need to share a founder's belief in the future, not just be interested in purchasing a product. These people need to be living in the future, and they will be key promoters of the product if they get fully onboard. The same is true for investors. Maples and Ziebelman write that "just as you want an early start-up team and customers who buy into your insight and want to co-create a different future with you, you need the same in your early investors." When investors do not believe from the beginning, it is very difficult or impossible to change their mind until the idea is already proven. Therefore, it is best for founders to just move on and find people who believe from the beginning.

## Movements

Maples and Ziebelman discuss the importance of developing a movement. They state, "you need to pull real people in the real world toward the future you're living in." This is difficult because at this point the start up does not have any products or customers yet. To get people on board, Maples and Ziebelman believe it is best to change the rules rather than to try to compete with incumbents on their terms. Simply said, "a movement is a group of people with a shared belief in moving together toward a different future." This requires people to function outside of the set system. To overcome incumbents, many use the advantages of established organizations and turn their advantages into disadvantages. An example of this is Airbnb. Hotels used to capitalize on the fact that a person staying in their hotel in one city will have nearly the same experience as those in another country or even on another continent. Airbnb was able to use this against hotels by emphasizing how Airbnbs can allow travelers to live like local people do. Viewed through this light, the hotel's previous advantage is now a disadvantage.

Part of starting a movement is telling a compelling story. These stories can be passed from person to person quickly. An important step in crafting a story is knowing what it is the start-up wants to say which is often more important than how it is said. Still, wording is important as it helps to prompt action in people. One way to craft the story is to determine where a product stands in relation to the status quo. In addition to positioning a product against the status quo, a good story often also appeals "to a higher purpose."

Through convincing readers to start with inflections before moving on to insights and ideas, Maples and Ziebelman help their readers conceive of truly compelling futures that break the status quo and create what has never before been imagined. This is difficult and requires founders to be able to stand up to the status quo and push on when many do not

believe in the vision. Knowing that many start-ups fail can make this process more daunting, but throughout their book Maples and Ziebelman provide guidelines and recommendations that can help founders determine whether or not to take the risk required to move forward.