

## Can You Learn How to Grow a Billion Dollar Company by Going to the Movies? Well, Yeah!

Richard C. Harris, PhD

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When David Thomson published [Blueprint to a Billion: 7 Essentials to Achieve Exponential Growth](#) in 2006, Facebook was just 2 years old. Today revenue estimates for closely-held Facebook are pushing 2 billion dollars. Facebook is clearly a poster child for exponential growth. So here is an opportunity for a unique field test of Thomson's insights. As Thomson was sifting through reams of interview and statistical data about exponential growth companies, a future whale of a company was swimming just below the surface, growing virally from college campus to college campus, crashing servers in its wake. Does the growth of Facebook confirm or refute Thomson's 7 Essentials?

Rather than spend a lot of time and effort with a complex research project of my own, I went to the movies. "The Social Network" is generally thought to be an accurate description of how Facebook was founded and how it morphed into what it is today. Sure there's been some quibbling about what Mark Zuckerberg's real motivations were, or when Sean Parker actually got busted for coke. But to anyone working in a start up, what you saw was pretty close to the truth. Founders get a good idea, their personalities clash, they have a falling out, sometimes they sue each other, and sometimes in spite of all the turbulence, the company is a raving success. (For the reactions of one of the major players in Facebook's founding, check out this [story](#) about Divya Narendra.)

Back to David Thomson. How did the 7 Essentials that Thomson uncovered in his research on growth companies play out in the founding and growth of Facebook? (I'm going to assume that anybody reading this has seen the movie and knows who the players are. And, I know it was fiction...no more disclaimers.) Let's take the Essentials one at a time.

**Essential 1—The Big Idea: A Breakthrough Value Proposition.** Clearly Facebook has had a breakthrough value proposition from the beginning. The value of the proposition was made all the more apparent in the movie by the lawsuit brought by the Winklevoss brothers and Divya Narendra. They claimed that the value proposition was *theirs*. Now with more than half a billion members (customers?), the debate's over. Facebook is a BIG idea.

**Essential 2—Exploit a High-Growth Market Segment.** What's interesting about this Essential is that FB exploited the market segment by frustrating it. They used the buzz from one school to create interest on other campuses. What the film doesn't show, but what we know now, is that the market segment continues to grow. Facebook started with college students in select universities and migrated to anyone with a .edu email address. That's as far as the film gets. Since then it has reached down into high schools and junior high schools, picked up an unexpectedly large number of Boomers and X-ers, and is now getting set to absorb any group with an internet connection.

**Essential 3—Marquee Customers.** The movie shows that selection of exclusive schools was a deliberate decision designed to build momentum. They started at Harvard and traded on that cache by admitting other exclusive schools only. Their global expansion began with Oxford and Cambridge. By the time they opened enrollment to your average State U, the buzz was deafening.

**Essential 4—Leverage Big Brother Alliances for Breaking into New Markets.** There is no evidence provided in the movie that this Essential was crucial to their success. In fact, Facebook seems more in the mode of Apple: the more you can control, the more you can control your destiny. Mark's condescending attitude to anyone other than Sean Parker implies that alliances would not have gone very well. (Recent rumors about a Yahoo/Facebook combination may yet bring this Essential into play, although ya gotta wonder now which one would be the Big Brother.)

**Essential 5—Become the Masters of Exponential Returns.** Speed of growth was an important point of conflict between Mark and Eduardo. Throughout the movie, however, Mark does not appear to be concerned so much with exponential *returns* as exponential *membership growth*. In the movie, as in real life, there seems to be a lot of smoke and mirrors about just how fast Facebook profits are growing. (See, [“Why Twitter is Massively Undervalued Compared to Facebook”](#) by Naval Ravikant and Adam Rifkin.)

**Essential 6—Build an Inside-Outside Management Team.** The film chronicles the inability of Mark and Eduardo to build a strong Inside-Outside management team. Mark regularly overrode decisions that Eduardo felt were his to make. And once, in a fit of pique, Eduardo froze company bank accounts, leaving the company dangerously close to insolvency. This was a dysfunctional team made all the more dysfunctional by the emergence of Sean Parker. Parker becomes Mr. Outside by introducing Mark to investors and legal counsel. Once Eduardo's ouster is engineered, Parker becomes President to formalize the role he's been playing informally. You'd have to say that the movie provides a negative example—how not to do it. But nevertheless, it illustrates how important it is to have a leadership *team*.

**Essential 7—A Board Comprised of Essentials Experts.** There is no indication in “The Social Network” that Facebook had any adult supervision in its formative stages. In fact the deposition scenes often show Mark ignoring his lawyer's advice. If Facebook did have Essentials Experts, they weren't present in the script. And clearly they might have been of some use in helping the leadership team keep its testosterone focused on raising money and writing code.

For an entrepreneur looking for guidance on how to create escape velocity, “The Social Network” provides valuable insight into four of Thomson's essentials for exponential growth: boffo value proposition, high-growth market segment, marquee customers, and inside/outside management team. In fact the first three Essentials appear so strong that they compensate for weakness or absence of the other four Essentials. Thomson, of course, built his thesis on meticulous analysis of hundreds of companies, and he didn't go to the movies to get his data. So for entrepreneurs building a company the one thing I'm most confident about is make sure you get those first three Essentials right. As for the other four, ignore them at your peril. You may not be as lucky as Facebook.

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PS. Since publishing *Blueprint to a Billion*, David Thomson has gone on to create the Blueprint Growth Institute, which has become something of a growth company itself. Check out their [website](#).