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## The Pmarca Guide to Startups, part 5: The Moby Dick theory of big companies

"There she blows," was sung out from the mast-head.

"Where away?" demanded the captain.

"Three points off the lee bow, sir."

"Raise up your wheel. Steady!" "Steady, sir."

"Mast-head ahoy! Do you see that whale now?"

"Ay ay, sir! A shoal of Sperm Whales! There she blows! There she breaches!"

"Sing out! sing out every time!"

"Ay Ay, sir! There she blows! there -- there -- THAR she blows -- bowes -- bo-o-os!"

"How far off?"

"Two miles and a half."

"Thunder and lightning! so near! Call all hands."

-- J. Ross Browne's *Etchings of a Whaling Cruize, 1846*

There are times in the life of a startup when you have to deal with big companies.

Maybe you're looking for a partnership or distribution deal. Perhaps you want an investment. Sometimes you want a marketing or sales alliance. From time to time you need a big company's permission to do something. Or maybe a big company has approached you and says it wants to buy your startup.

The most important thing you need to know going into any discussion or interaction with a big company is that you're Captain Ahab, and the big company is Moby Dick.

"Scarcely had we proceeded two days on the sea, when about sunrise a great many Whales and other monsters of the sea, appeared. Among the former, one was of a most monstrous size. ... This came towards us, open-mouthed, raising the waves on all sides, and beating the sea before him into a foam."

-- Tooke's *Lucian, "The True History"*

When Captain Ahab went in search of the great white whale Moby Dick, he had absolutely no idea whether he would find Moby Dick, whether Moby Dick would allow himself to be found, whether Moby Dick would try to immediately capsize the ship or instead play cat and mouse, or whether Moby Dick was off mating with his giant whale girlfriend.

What happened was entirely up to Moby Dick.

And Captain Ahab would never be able explain to himself or anyone else why Moby Dick would do whatever it was he'd do.

You're Captain Ahab, and the big company is Moby Dick.

"Clap eye on Captain Ahab, young man, and thou wilt find that he has only one leg."

"What do you mean, sir? Was the other one lost by a whale?"

"Lost by a whale! Young man, come nearer to me: it was devoured, chewed up, crunched by the monstrousest parmacetty that ever chipped a boat! -- ah, ah!"

-- *Moby Dick*

Here's why:

The behavior of any big company is largely inexplicable when viewed from the outside.

I always laugh when someone says, "Microsoft is going to do X", or "Google is going to do Y", or "Yahoo is going to do Z".

Odds are, nobody *inside* Microsoft, Google, or Yahoo knows what Microsoft, Google, or Yahoo is going to do in any given circumstance on any given issue.

Sure, maybe the CEO knows, if the issue is really big, but you're probably not dealing at the CEO level, and so that doesn't matter.

The inside of any big company is a very, very complex system consisting of many thousands of people, of whom at least hundreds and probably thousands are executives who think they have some level of decision-making authority.

On any given issue, many people inside the company are going to get some kind of vote on what happens -- maybe 8 people, maybe 10, 15, 20, sometimes many more.

When I was at IBM in the early 90's, they had a formal decision making process called "concurrence" -- on any given issue, a written list of the 50 or so executives from all over the company who would be affected by the decision in any way, no matter how minor, would be assembled, and any one of those executives could "nonconcur" and veto the decision. That's an extreme case, but even a non-extreme version of this process -- and all big companies have one; they have to -- is mind-bendingly complex to try to understand, even from the inside, let alone the outside.

"... and the breath of the whale is frequently attended with such an insupportable smell, as to bring on a disorder of the brain."

-- *Ulloa's South America*

You can count on there being a whole host of impinging forces that will affect the dynamic of decision-making on any issue at a big company.

The consensus building process, trade-offs, quids pro quo, politics, rivalries, arguments, mentorships, revenge for past wrongs, turf-building, engineering groups, product managers, product marketers, sales, corporate marketing, finance, HR, legal, channels, business development, the strategy team, the international divisions, investors, Wall Street analysts, industry analysts, good press, bad press, press articles being written that you don't know about, customers, prospects, lost sales, prospects on the fence, partners, this quarter's sales numbers, this quarter's margins, the bond rating, the planning meeting that happened last week, the planning meeting that got cancelled this week, bonus programs, people joining the company, people leaving the company, people getting fired by the company, people getting promoted, people getting sidelined, people getting demoted, who's sleeping with whom, which dinner party the CEO went to last night, the guy who prepares the Powerpoint presentation for the staff meeting accidentally putting your startup's name in too small a font to be read from the back of the conference room...

You can't possibly even identify all the factors that will come to bear on a big company's decision, much less try to understand them, much less try to influence them very much at all.

"The larger whales, whalers seldom venture to attack. They stand in so great dread of some of them, that when out at sea they are afraid to mention even their names, and carry dung, lime-stone, juniper-wood, and some other articles of the same nature in their boats, in order to terrify and prevent their too near approach."

-- *Uno Von Troil's Letters on Banks's and Solander's Voyage to Iceland In 1772*

Back to Moby Dick.

Moby Dick might stalk you for three months, then jump out of the water and raise a huge ruckus, then vanish for six months, then come back and beach your whole boat, or alternately give you the clear shot you need to harpoon his giant butt.

And you're never going to know why.

A big company might study you for three months, then approach you and tell you they want to invest in you or partner with you or buy you, then vanish for six months, then come out with a directly competitive product that kills you, or alternately acquire you and make you and your whole team rich.

And you're never going to know why.

The upside of dealing with a big company is that there's potentially a ton of whale meat in it for you.

Sorry, mixing my metaphors. The right deal with the right big company can have a *huge* impact on a startup's success.

"And what thing soever besides cometh within the chaos of this monster's mouth, be it beast, boat, or stone, down it goes all incontinently that foul great swallow of his, and perisheth in the bottomless gulf of his paunch."

-- *Holland's Plutarch's Morals*

The downside of dealing with a big company is that he can capsize you -- maybe by stepping on you in one way or another and killing you, but more likely by wrapping you up in a bad partnership that ends up holding you back, or just making you waste a huge amount of time in meetings and get distracted from your core mission.

So what to do?

**First**, don't do startups that require deals with big companies to make them successful.

The risk of never getting those deals is way too high, no matter how hard you are willing to work at it.

And even if you get the deals, they probably won't work out the way you hoped.

"'Stern all!' exclaimed the mate, as upon turning his head, he saw the distended jaws of a large Sperm Whale close to the head of the boat, threatening it with instant destruction; -- 'Stern all, for your lives!'"

-- *Wharton the Whale Killer*

**Second**, never assume that a deal with a big company is closed until the ink hits the paper and/or the cash hits the company bank account.

There is always something that can cause a deal that looks like it's closed, to suddenly get blown to smithereens -- or vanish without a trace.

At day-break, the three mast-heads were punctually manned afresh.

"D'ye see him?" cried Ahab after allowing a little space for the light to spread.

"See nothing, sir."

-- *Moby Dick*

**Third**, be extremely patient.

Big companies play "hurry up and wait" all the time. In the last few years I've dealt with one big East Coast technology company in particular that has played "hurry up and wait" with me at least four separate times -- including a mandatory immediate cross-country flight just to have dinner with the #2 executive -- and has never followed through on anything.

If you want a deal with a big company, it is probably going to take a lot longer to put together than you think.

"My God! Mr. Chace, what is the matter?" I answered, "we have been stove by a whale."

-- *"Narrative of the Shipwreck of the Whale Ship Essex of Nantucket, Which Was Attacked and Finally Destroyed by a Large Sperm Whale in the Pacific Ocean" by Owen Chace of Nantucket, First Mate of Said Vessel, New York, 1821*

**Fourth**, beware bad deals.

I am thinking of one high-profile Internet startup in San Francisco right now that is extremely promising, has great technology and a unique offering, that did two big deals early with high-profile big company partners, and has become completely hamstrung in its ability to execute on its core business as a result.

**Fifth**, never, ever assume a big company will do the obvious thing.

What is obvious to you -- or any outsider -- is probably not obvious on the inside, once all the other factors that are involved are taken into account.

**Sixth**, be aware that big companies care a lot more about what other big companies are doing than what any startup is doing.

Hell, big companies often care a lot more about what other big companies are doing than they care about what their customers are doing.

Moby Dick cared a lot more about what the other giant white whales were doing than those annoying little people in that flimsy boat.

"The Whale is harpooned to be sure; but bethink you, how you would manage a powerful unbroken colt, with the mere appliance of a rope tied to the root of his tail."

-- *A Chapter on Whaling in Ribs and Trucks*

**Seventh**, if doing deals with big companies is going to be a key part of your strategy, be sure to hire a real pro who has done it before.

Only the best and most experienced whalers had a chance at taking down Moby Dick.

This is why senior sales and business development people get paid a lot of money. They're worth it.

"Oh! Ahab," cried Starbuck, "not too late is it, even now, the third day, to desist. See! Moby Dick seeks thee not. It is thou, thou, that madly seekest him!"

-- *Moby Dick*

**Eighth**, don't get obsessed.

Don't turn into Captain Ahab.

By all means, talk to big companies about all kinds of things, but always be ready to have the conversation just drop and to return to your core business.

Rare is the startup where a deal with a big company leads to success, or lack thereof leads to huge failure.