



Stanford eCorner

Startup Successes: Comparing Zip2 and Paypal

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Musk talks about the common themes between zip2 and PayPal. Both companies had software and internet technology at the heart, were in Palo Alto, CA, took similar approach to growing (building small talented teams), and had a typical silicon valley flat structure. These companies did not worry too much about IP and paperwork - they were focused on building a great product. Often it is better to pick a path and do it than to vacillate on which path to follow, Musk notes.



Transcript

Common themes between Zip2 and Paypal? Well, I guess, both of them involved software as the heart of the technology. Even though Zip2 was servicing the media sector. And obviously, Paypal was servicing the financial sector. The heart of it was really software and internet related stuff. So, certainly that's a huge commonality. They're both in Palo Alto, where I live. I think we took a similar approach to building both companies. Which was to have a small group of very talented people and keep it small. I think Paypal had, at it's height, probably 30 engineers for a system that, I would say, is more sophisticated than the Federal Reserve clearing system. I'm pretty sure it is actually because the Federal Reserve clearing system sucks.

So, what else is there? Generally, I think the way both Zip2 and Paypal operated was, it was really your canonical "Silicon Valley" start up. You know, pretty flat hierarchy, everybody had it, roughly, some like you. And anyone could talk to anyone. We have to go for the best idea when's as oppose to a person proposing the idea winning because they are who they are. Even though there are times when I thought that should have been the way it could. Obviously, everyone was an equity stake holder. If there were two paths that, let's say, we had to choose through one thing or the other. And one wasn't obviously better than the other. Then rather spend a lot of time trying to figure out which one was slightly better, we would just pick one and do it. Sometimes we'd be wrong.

And we'd pick ourselves from our path. But often it's better to pick a path and do it than to just vacillate endlessly on a choice. We didn't worry too much about intellectual property, paperwork or legal stuff. We were really very focused on building the best product that we possibly could. Both Zip2 and Paypal were very product-focused companies. We were incredibly obsessive about how do we evoke something that is really going to be the best possible customer experience. And that was a far more effective selling tool than having a giant sales force or thinking of marketing gimmicks or twelve-step processes or whatever.