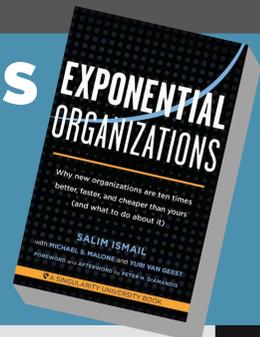


# EXPONENTIAL ORGANIZATIONS

WHY NEW ORGANIZATIONS ARE TEN TIMES BETTER, FASTER, CHEAPER THAN YOURS (AND WHAT TO DO ABOUT IT)

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## Linear → Exponential Growth

Kurzweil's Law of Accelerating Returns says that:

Once something is digitized & info-enabled (e.g. digital photos), it gets on the **accelerated growth** path of Moore's Law. Prices are halved and/or performance is doubled every 1-2 yrs.

As more accelerating technologies emerge, they **intersect** to create even more explosive changes.



## Traditional → Exponential Organizations

Our new environment calls for new types of organizations:

Traditional organizations & linear thinking can no longer work in face of massive, disruptive changes. To thrive in face of exponential change, you need to build and scale **Exponential Organizations (ExOs)**.

ExOs rely on info tech (thus follow Moore's Law) and think/operate in a way that supports **exponential growth**.

# EXPONENTIAL ORGANIZATIONS (EXOS)

= organizations whose impact/output are  $\geq 10x$  larger than their peers, due to how they leverage accelerating technologies.



## ATTRIBUTES OF EXOS

To get  $\geq 10x$  results, an ExO has an MTP plus  $\geq 3$  of 10 attributes that accelerate their growth.



MTP = the ExO's higher, aspirational purpose. It positions the brand, attracts talent, gets people in times of change/uncertainty, and creates a cultural movement and ecosystem around the ExO.

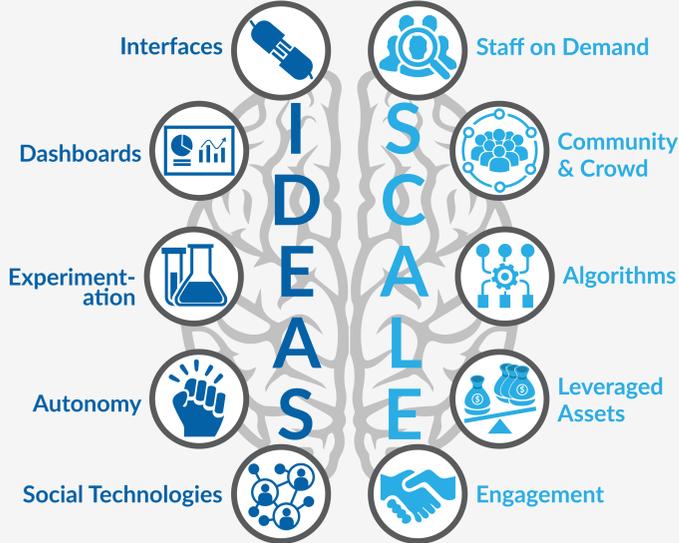
### Internal Attributes

Left Brain: Order, Control, Stability



### External Attributes

Right Brain: Creativity, Growth, Change



### 9 Ecosystem Dynamics

- Exponential growth from **info-enabled technologies**
- Abundant free resources on the internet → **demonetization**
- Disruption** = the new norm
- Experts** are seldom the best source of innovation
- Thrash the **5-Year Plans**. Use 1-yr plans & iterate toward your MTP
- Small triumphs big**. Go for agility and flexibility (not size/scale)
- Rent, not own**
- Trust & openness** support fast info flow, decisions & evolution
- Anything is now **measurable and knowable**

### 5 INTERNAL ATTRIBUTES (IDEAS)

- Interfaces**: SCALE generates tons of external data/activities, which must be filtered & matched to internal goals. Interfaces form that bridge. They usually begin as manual processes & are progressively automated.
- Dashboards**: Define your Objectives and Key Results (OKRs). Collect and analyze key data to track external & internal performance real-time, and put the metrics on a live dashboard that's accessible to everyone.
- Experimentation**: Use the Lean Startup approach to quickly test/filter lots of ideas at minimal costs/risks. Research customer needs → test if an idea fulfills those needs → refine & test next iteration. Do this throughout the organization. Accept failure as a part of the process.
- Autonomy**: Autonomy = having small, self-organizing, multi-disciplinary teams that operate with decentralized authority. Use peer-accountability, organize people & resources around competencies/results (not job titles) and innovate/evolve rapidly.
- Social Technologies**: Use digital mediums & platforms to improve transparency & connectedness, so you can (i) close the gap between info & decision-making, (ii) get info to flow to you automatically, and (iii) leverage communities for ideas. Speed up the process from the time an idea is conceived till it's reviewed & implemented.

### 5 EXTERNAL ATTRIBUTES (SCALE)

- Staff on Demand (SoD)**: Instead of hiring lots of permanent staff, ExOs use SoDs (e.g. Uber's network of drivers). This lowers fixed costs, gives them the flexibility to scale up/down or change the skills-mix quickly, and get diverse ideas.
- Community & Crowd**: ExOs' customers are often part of an active *community*. Find/attract people that share your MTP → nurture the community → create a platform to facilitate peer-to-peer exchanges. Use the community to reach *crowds* for creativity, validation and funding.
- Algorithms**: Algorithms, e.g. Machine Learning (ML) and Deep Learning (DL), help improve decision-making via complex modelling & reduce human biases/errors. Apply them in 4 steps: Gather data → organize the data → apply ML/DL tools → share the data with the community for further applications.
- Leveraged Assets**: Where possible, rent assets (don't own them). This lowers the marginal cost of supply, removes the need for assets management, and offers flexibility to scale up/down quickly.
- Engagement**: Use gamification, competitions or other methods to create positive feedback loops. These improve loyalty, ideation, collaboration & learning to build network effects in both internal & external ecosystems.



## BUILDING AN EXO

You can start an ExO from scratch or within an existing organization, or try to transform an established organization.

### Starting an ExO

Tech & market risks are now negligible for new info-enabled businesses. The key startup risk = execution risk. Use these steps to improve your chances of success:



### Transforming Existing Companies

It's harder for established corporations to change. There's no fixed formula—you must adapt depending on your circumstances.

#### Mid-Market Companies



- Use **what you already have** as a base for transformation. The right approach will vary from case to case.
- Success hinges on a highly **adaptable culture and visionary leadership**.

#### Large Organizations



Use 4 strategies to shift to ExO thinking while retaining core businesses:

- Transform Leadership**: Educate the board & senior leaders, create diversity and match the right people to roles.
- Track & respond to ExOs**: Create internal ExOs, acquire ExOs or partner with external ExOs.
- Leverage disruptive tech**: Incubate ExOs, create Black Ops Teams, start your own lab or partner with accelerators/incubators.
- Implement ExO Lite**: Minimally move toward an MTP + explore a few key ExO attributes.