



Exponential Organizations

Why new organizations are ten times better, faster, and cheaper than yours (and what to do about it)

Author: Salim Ismail w/ Michael S. Malone and Yuri Van Geest

Type of book: Business Non-Fiction

Report Author: Ryan MacVoy

Evaluation

This book was recommended to me by Andy Miller of www.bigswifkick.com. Andy was the guest speaker during one of my Vistage meetings and provided my group with great content on the topic of "Grit". After finishing the book, I was compelled to call Andy and thank him for the recommendation. During the call, I informed him that this book has been a catalyst for my continuous learning about exponential technologies. I am constantly communicating the concepts and ideas that are presented in this book with my team members.

At DWM Holdings we are identifying opportunities to implement and exploring ways to constantly improve certain characteristics represented by S.C.A.L.E. and I.D.E.A.S. By thinking BIG, passionately representing our MTP, and persistently rewarding a learning culture, I believe that our organization is well positioned for an exponential transformation.

I am excited to continue my learning through additional personal research, group discussions, and routine personal transformation programs. My first personal transformation program will be this October. I will be attending the Executive Program at Singularity University in Palo Alto. Additionally, I have made a personal commitment to attend a minimum of four events / summits / seminars outside of the lighting industry each calendar year for idea generation and inspiration.

This book has inspired me to grow professionally and personally. Have you read this book? If so, please let me know your thoughts, ideas, take-aways, and what you are doing differently since your completion of the book.

Introduction

An Exponential Organization (ExO) is one whose impact (or output) is disproportionately large – at least 10X larger – compared to its peers because of the use of new organizational techniques that leverage exponential technologies.

While the information-based world is now moving exponentially, our organizational structures are still very linear (especially larger and older ones). We have learned how to scale technology and now it is time to scale the organizational strategy, structure, processes, culture, metrics, people, and systems.

Author

Salim Ismail is a Canadian angel investor, entrepreneur, advisor, speaker, and strategist. He is the founding Executive Director of Singularity University and co-founder of Confabb, PubSub Concepts, and Angstro, acquired by Google in 2010. Ismail most recently founded ExO works and serves as Chairman of the company.

In September of 2008, Ismail was invited by NASA to the founding conference of Singularity University. In October of 2008, Ismail was appointed as the founding Executive Director. Immediately Ismail worked w/ Ray Kurzweil and Peter Diamandis, as well as key partners NASA, Cisco, Autodesk, Genentech, and Google to build out the university through curriculum selection and team member selection. In 2010, Ismail took on the role of Global Ambassador for Singularity University.

Themes: Part 1

Exponential Organizations think BIG! A Massive Transformative Purpose (MTP) is essential for any ExO. By thinking big (MTP), Exponential Organizations pursue a business strategy that forces rapid growth. The ExO's MTP states what the company aspires to accomplish and why it exists.

MTP examples:

- » Singularity University: "Positively impact one billion people."
- » Google: "Organize the world's information."
- » TED: "Ideas worth spreading."

Five external characteristics of an Exponential Organization: S.C.A.L.E

1. Staff on Demand – It is unnecessary, counterproductive, and expensive to have a large internal staff in any information-enabled business. Previously a large workforce would allow a company to do more. However, a large workforce can act as an anchor for an ExO and reduce maneuverability and slow the business down.
2. Community & Crowd – ExOs leverage community and crowd for many functions traditionally handled inside the enterprise, including distribution, design, idea generation, funding, marketing, and sales. Community and crowd represents cognitive surplus that should be tapped into with guidance and direction from strong leadership.
3. Algorithms – The world is running on algorithms. From credit card fraud detection to dynamic pricing for airlines – algorithms are everywhere in modern life. Machine Learning is the ability to perform unseen tasks that are built on properties learned from historical data and based on predication and statistics. Deep Learning is a subset of Machine Learning based on neural net technology. This allows a machine to learn without historical data.
4. Leveraged Assets – Non-ownership is the way of the future. Always access information or commoditized assets versus possessing.
5. Engagement – Creates network effects and positive feedback loops if implemented properly. The use of gamification should be empowering to the users and not exploit them. Dynamics: motivate behavior through scenarios; Components: progress tracking with points, levels, and badges; Mechanics: achieving goals through competitions, rewards, and feedback.

Five Internal characteristics of an Exponential Organization: I.D.E.A.S.

- » Interfaces – Filter and match processes from S.C.A.L.E. externalities to internal I.D.E.A.S. control frameworks. Using algorithms and automated workflows that coordinate the output of S.C.A.L.E. externalities to the correct people and during the correct time within the business.
- » Dashboards – Provide data visualization that allows for immediate action and decision making. Previously data was tracked monthly, quarterly or annually due to length of time required to collect the data and the cost of collecting said data. ExOs are leveraging wireless broadband, the internet, cloud software, and sensors to track data in real time.
- » Experimentation – Implementing the Lean Startup methodology of testing assumptions and continuously experimenting with controlled risks.
- » Autonomy – Freedom from external control or influence; independence. By hiring talented, innovative self-starters, who determine which projects to work on, ExOs can increase idea generation and encourage a culture of empowerment and engagement. However, every project must align with the Massive Transformative Purpose.
- » Social Technologies – 3 key objectives: 1. Time reduction between obtaining and processing information and making decisions. 2. Instead of looking up information, have it flow through team member perception. 3. Embrace community and crowd for idea generation and validation. 7 key elements: 1. Social objects 2. Activity streams 3. Task management 4. File sharing 5. Telepresence 6. Virtual Worlds 7. Emotional sensing

Ecosystem:

- » Information acceleration: The ability to access an amazing amount of information at an unbelievable pace is upon us. An unimaginable amount of sensors are being added to every device, person and process to create not only Big Data but also Smart Data when ExOs properly use I.D.E.A.S.
- » Demonetization: The ability to provide increased value more efficiently which allows for increased market share is at the core of the ExO ecosystem. The Internet has allowed ExOs to market and sell products and services with virtually a \$0 cost. Increased exponential technologies will create abundance which will tip the scale towards access

versus ownership.

- » Disruption: As technology becomes more and more information based democratization is created and costs drop exponentially. Products and services are created and provided that are greatly better than the previous alternatives and continue to become better and better due to community and crowd.
- » Traditional business plan thrown out the window: Multi-year plans are viewed as counterproductive to ExOs. The Massive Transformative Purpose should be the guiding light along with a balanced scorecard approach to metrics that are able to be viewed through a dashboard. Additionally, a one-year, at most, plan that is visualized through the dashboard.
- » Renting instead of owning: Exponential technologies are creating the possibility to attain pay-by-the-drink assets instead of capital intense internal business units.
- » Trust and Transparency: Putting complete trust into team members and providing an open view of the business through transparency to team members drives culture for ExOs. Automating everything predictable through code, AI, or bots allows team members to work on creative, unpredictable, and exceptional situations.

Themes Part 2

Starting an ExO:

Massive Transformative Purpose selection (MTP):

Start with a real problem that if solved could provide incredible value. Once the problem is determined and vetted a Massive Transformative Purpose must be formed. This MTP should align with the founder's personal purpose as well to ensure that passion exists. Think long-term by embracing community that aligns with your MTP and always make decisions that benefits this community even if does not immediately benefit the company.

Team member selection:

Cognitive diversity should be the goal. Founders must resist the urge to hire carbon copies of themselves.

- » Finance / Business
- » Design: UI/UX
- » Engineering
- » Programming (coding)
- » Vision Setting / Dreamers

Two separate skill sets:

- » Delivery: Execution – implement, plan, analyze while

being detail oriented

- » Discovery: Idea generation – questioning, experimenting, observing, and networking

Breakthrough:

3 Success factors:

- » 10X improvement over the competition or alternatives
- » Radical demonetization by leveraging information based technology
- » A real life problem is being solved – multiple use daily by users, Larry Page: “toothbrush test”

Planning for future growth:

Because a multi-year traditional business plan is counterproductive to such a rapid growth organization a Business Model Canvas should be created

Business model selection:

Consider the below concepts when selecting a business model

- » Immediacy – Being the first to know or experience something
- » Personalization – Product or service customized just for you
- » Interpretation – Free product or service w/ added value for using it better
- » Authenticity – Guarantee that the product or service is real and safe
- » Accessibility – Providing value by assisting with improving the ability to locate by organizing
- » Embodiment – The value of providing digital information in a physical format that we prefer
- » Patronage – The desire to pay creators long as the payment process is easy and seamless
- » Findability – Providing a clear path for your users to locate the service or product

Minimum Viable Product (MVP):

Through experimentation the company can create a product or service in the simplest form that allows for user response by getting to market quickly and cost efficiently. The user response can then be utilized to drive the future enhancements to the product or service that are truly desired versus perceived value by the company.

Marketing and sales:

An acquisition funnel needs to be created to drive new potential customers to the product or service to create users and convert those users into revenue-generating, long-term customers.

- » Acquisition growth metric: How are users locating your product or service?
- » Activation value metric: Do users enjoy their first experience with the product or service?
- » Retention value metric: Do users return again and again?
- » Revenue value metric: How do you monetize the product or service?
- » Referral growth metric: Do users tell others?

S.C.A.L.E & I.D.E.A.S:

Implementing and constantly improving the characteristics represented by S.C.A.L.E. and I.D.E.A.S. are crucial to achieving the rapid growth needed to outpace competition / alternatives by 10X.

Culture:

A great line from the book is a quote by Chip Conley, “Culture is what happens when the boss leaves.”

Effectively tracking, managing, and rewarding performance is the foundation for creating a culture that promotes constant learning, fun, and empowerment.

Asking questions:

There many questions that founders should ask themselves and their team members and game-changing conversations should be ignited. Internal and external communication is extremely important to improve and understand true value desired by users. Some examples of these questions are listed below.

- » Who is your customer?
- » What is the customer problem that requires solving?
- » What is the 10X solution to this problem?
- » How will you market and sell the product or service?
- » How will you drive the costs of supply towards zero?

Platform:

Gather: Via sensors, people, and/or public datasets to collect data to start the algorithmic process

Organize: ETL – extract, transform, and load
Apply: Algorithms (Machine Learning, Deep Learning) remove insights, create new algorithms, and identify trends from the accessible data.

Expose: Presenting the data in the form of an open platform

Mid-Market Companies:

Mature, mid-market companies can be supercharged to demonstrate and sustain exponential growth. These companies need to scale their organizational strategy, structure, processes, culture, metrics, people, and systems by implementing and constantly aligning with a MTP along with embracing S.C.A.L.E. and I.D.E.A.S. to move exponentially rather than linearly.

Examples of mature, mid-market companies that transformed into exponential organizations:

- » TED
- » GitHub
- » GoPro

Themes: Part 3

Large Organizations:

Reducing risk and building to scale often runs contradictory to new ventures w/ exponential growth potential. With corporations encouraging the concept of new business creation, the messaging may be confusing due to their constant risk reduction and scale focus. Another barrier for new business creation is the extreme importance that large, mature companies place on organizational charts. Disruptive new business ideas do not typically, and almost never, map onto the traditional org chart. However, there are some rare cases when large companies successfully transition and transform into an exponential organization. One of those rare examples being Apple.

Four strategies to deploy while maintaining core operational business intact:

- » Transform leadership
- » Partner with, invest in, and/or acquire ExOs
- » Disrupt[X]
- » Implement ExO Lite internally

Leadership Transformation:

- » Education: Leadership must understand exponential technologies and learn how to scale the organization for disruptive success using S.C.A.L.E. and I.D.E.A.S. while implementing a MTP w/ a focus on culture and talent selection
- » Board Management: Board members must be educated in order to create buy-in for the CEO's plan for radical change.
- » Implement Diversity: Cognitive, gender, and experience diversity is a potential cure for group think and promotes new ideas for disruption
- » Skills and Leadership: Leadership skills should

constantly be reviewed, leadership members should routinely run through personal transformation programs, and removing anyone who puts his or her own career ahead of the success of the organization must be removed

Partnering with Incubators and/or Accelerators:

- » No should be replaced with everything is possible and the question needs to be “WHY” would we do that instead of “CAN” we do that
- » This mentality will create friction for managers to immediately state no to new ideas and instead ask their team members why. This encourages a culture of learning and experimenting to provide reasons why a new idea can be a BIG winner

5 Likely Breakthrough Technologies:

- » Sensors and Internet of Things (IoT):
 - » An estimated 8 billion internet-connected devices by 2020
 - » Anything and everything will possess embedded sensors including wearables and packages
 - » Potential for free infinite computation and storage
 - » Potential new business models due to connected products
- » AI, Data Science & Analytics
 - » Use of Machine Learning and Deep Learning algorithms to process vast amounts of information
 - » Potential for more and more business decisions being driven by algorithms
 - » Potential for AI to replace a large percentage of “knowledge workers”
- » Virtual & Augmented Reality
 - » High-quality VR & AR improving year over year: Oculus Rift, High Fidelity, and Google Glass
 - » Potential for remote viewing while centrally located experts provide guidance and direction
 - » Potential for improved quality and training
- » Bitcoin and Block Chain:
 - » Extremely low-cost transactions that are secure powered by a public ledger that logs everything
 - » Potential for third-party validation functions becoming automated – multi-sig contracts, voting, auditing, etc.
- » Neuro-Feedback:
 - » Feedback loops to enhance the brain to a high level of precision
 - » Potential stress reduction and sleep improvement

Through these technology breakthroughs it is likely that the following five meta-trends will appear:

5 Likely Meta-Trends:

- » Perfect Knowledge:
 - » The ability for users to know anything they want, anywhere, and at any time due to IoT, sensors, Neuro-Feedback, and satellite systems
- » Virtual Worlds:
 - » W/ near perfect VR coming soon the transformation of retail, travel, and living / working environments / experiences is possible
- » 3D Printing:
 - » Displacement of some traditional manufacturing processes
 - » Major impact on warehousing and transportation due to local 3D printing centers
- » Exponential Payment Systems:
 - » PayPal, Square, Bitcoin and mobile / social wallets provides evidence that traditional payment systems will be completely transformed
 - » The potential for secured micropayments using the blockchain
 - » The potential for new business models due to the traditional payment system transformation
- » Autonomous Vehicles:
 - » Cost reduction in transportation
 - » Fewer traffic accidents – injuries and fatalities (health care insurance implications)
 - » Increased sustainability potential through ridesharing
 - » Urban planning transformation (fewer and smaller parking lots)

Ryan MacVoy
ryanm@polemfg.com
586.218.6338
@RyanMacvoy
linkedin.com/in/ryan-macvoy
dwmholdings.com
voyletcapital.com