THE
EXPONENTIAL
ORGANISATION
HANDBOOK

COMPILED BY
LANCE PEPPLER

This eBook has been written by

Lance Peppler

CEO of Idea Storm

lance@ideastorm.co.za

27-83-634-9817

www.ideastorm.co.za

Table of Contents

1. The rise of the exponential organisation

New companies that are 10X better, faster and cheaper

I need to state upfront that the concept of the Exponential Organisation comes from a book by Salim Ismail fittingly called "Exponential Organizations" and this blog features work done by Peter Diamandis - co-founder of the Singularity University, Rob van Alphen – CEO of School of Disruption and Francisco Palao – CEO of OpenExO.

What is an exponential organisation?

Essentially an exponential organisation is a company that grows at an above-average rate – up to ten times faster than comparable companies in the industry – but can make do with considerably fewer resources thanks to new forms of organization and the use of new, especially digital, technologies.

Exponential Organisations are synonymous with digital transformation and the so-called Fourth Industrial Revolution.

Is this just a new management or consulting fad? Absolutely not! The leading companies today are growing exponentially. Examples of these companies are Amazon, Uber, Airbnb, Spotify and Netflix.

In the past it was said that if a company isn't innovating it will fall behind and run the risk of becoming irrelevant. The usual companies like Kodak and Nokia are mentioned here but we have companies in my country South Africa, some of them who have been around for more than 100 years, that are rapidly moving towards extinction. I believe this extends even further today where it is becoming increasingly clear that if a company isn't growing exponentially then it runs the risk of falling behind the competition with terminal consequences.

Exponential Organisations are directly linked to the exponential technology explosion that is taking place. This explosion relates to Moore's law, the 6 Ds of technology disruption and convergence.

Don't worry this blog won't be an intellectual discussion. I personally have to dumb things down so that I understand them and so my hope is that it will make sense to you as well.

Moore's law

To understand the concept of exponential technology we have to start with Moore's law. When you look at Moore's law you might think that it only applies to techies and people in white coats. Please stick with me because you will see how Moore's law applies to technology advancement in general.

Here is Moore's law:

> "The number of transistors on a microchip doubles
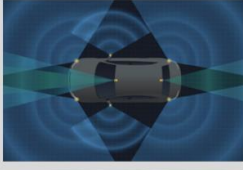> every two years, though the cost of the computers is halved"

Incredibly this law is still true today. You can find the details on the dedicated Wikipedia page found here ➔ https://en.wikipedia.org/wiki/Moore%27s_law.

The thing is that our brains find it difficult to think in an exponential way. Let's look at an example. Let's pretend that my daughter Jessica came and asked me for 1c but requested that I continue to give her money but doubled every day. On the last day of a 31-day calendar month I would need to give her $10,737,418.

Moore's law was introduced in 1965 which was 54 years ago. Divide that in half means that the power of the microchip has doubled 27 times since the introduction of Moore's law. This has resulted in the incredibly powerful computers, phones and technology we have today.

Now I said that Moore's law applies to more than just microchips. Here is a slide taken from a presentation by Rob van Alphen, CEO of School of Disruption, titled "Becoming an Exponential Organization".

...and are becoming faster & cheaper

3D Printing
2007: $10,000
2017: $100

100x price drop

LIDAR Sensors
2007: $20,000
2017: $200

100x price drop

Industrial robots
2007: $500,000
2017: $20,000

25x price drop

Solar
1987: $30 per KwH
2017: $0,015 per KwH

2,000x price drop

Drones
2007: $100,000
2017: <$100

1,000x price drop

Biotech (1 DNA profile)
2007: $10,000,000
2017: <$100

100,000x price drop

Isn't that unbelievable!

We can see Moore's law in everyday life. The cost of television sets for example that continuously gets better but are actually also getting cheaper.

The 6 Ds of technology disruption

Peter Diamandis, a co-founder of Singularity University, studied the exponential growth concept and saw that the growth cycle of technology took place in six key steps: digitization, deception, disruption, demonetization, dematerialization, and democratization.

Let's look at each of the Ds above and use digital photography as an example.

Digitization:

This applies to anything that becomes digitized. Kodak is an often-stated example with their mistake of not pursuing digital photography.
The key element of something being digital is that it becomes easy to access, share and distribute – like photos are today.

Deception:

Because the doubling process in exponential growth takes place slowly at first the growth can initially be disappointing. The doubling is in fact taking place - just from a low base.

Here is a graph that shows this.
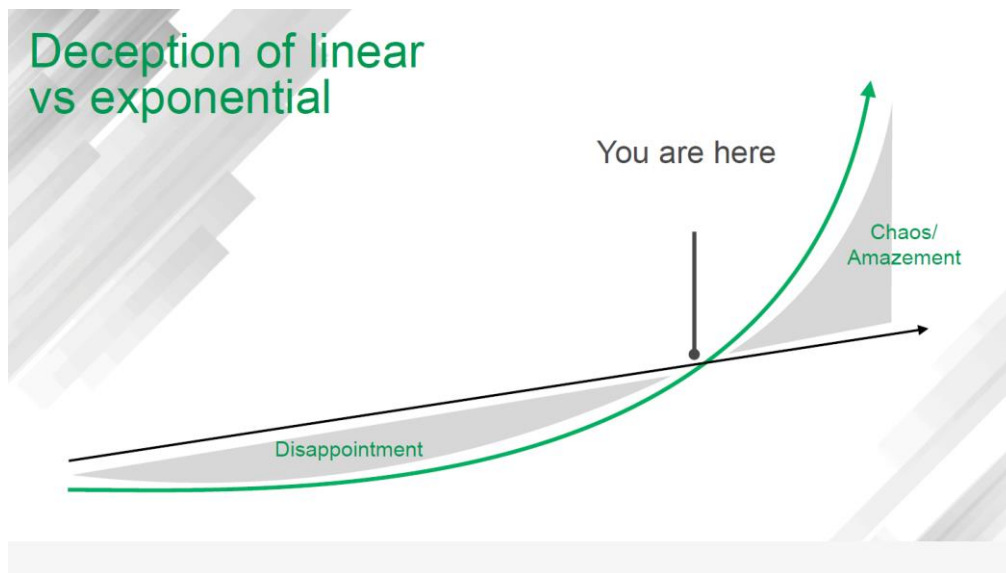
Extracted from Salim Ismail's presentation on Exponential Disruption

Disruption:

Here is where it gets interesting. At a breakthrough point the new digital product exceeds the current product and service in both effectiveness and cost. That was the critical moment in the digital photography example.

Demonetized:

As the exponential growth increases and the costs are reduced the technology becomes increasingly cheaper – often to the point where it becomes free. Think about how much it costs you to take a photograph of your children today.

Dematerialized:

This just means that things become smaller and cheaper. The now common tool of the photographer is the mobile phone. This has shrunk from being the brick in 1973 to an extremely powerful tool that can fit into a person's pocket.

Democratized:

The last D is when the technology becomes commonplace. It has moved from being something that only the powerful and rich can afford to something that almost everyone can own and use.

This shows how the 6 D's of disruption now makes products and services cheaper and easier to use. The new Exponential Organisations take advantage of this and use these digital technology advancements to offer products and services that are 10X more profitable and cost-effective than those of their competitors.

The convergence of exponential technologies

The last thing that will blow your mind is that technologies are not growing exponentially in isolation. There is something called the "Law of Accelerating Returns" or the "Law of Accelerating Convergence".

Here is an extract from a Medium article titled "Progress is about the Convergence of Technologies" produced by Singularity University.

> "The strangest, most interesting and magical-seeming creations of the
> future will occur at the intersection of multiple exponential trend lines. …..
> As technology continues to exponentially accelerate, the interactions between various
> subsets of exponential technology will create opportunities to slingshot past the
> already breakneck speed of accelerating change in ways that are even stranger
> and more difficult to predict than the path of any individual exponential technology."

Here are some examples:
- Self-driving cars: Artificial intelligence, Internet of Things (IoT), big data and others.
- IBM Watson wins Jeopardy. This combined natural language processing, machine learning and big data.
- Siri/Google combining artificial intelligence with speech recognition and natural language interaction.
- Real-life stories consisting of virtual reality and artificial recognition.
- Optimal performance and productivity when you combine mobile and neuroscience.

Exponential Organisations are using, and creating, these converged exponential technologies to introduce products and services that again are better than the incumbent.

The rise of the Exponential Organisation

The continual exponential growth of technology, and the knowledge of how to use it, have given rise to the Exponential Organisations that are now the largest companies in the world. Start-ups, in particular, are using exponential growth.

I conclude this blog with this statement from Francisco Palao, CEO of OpenExO:

> "Not long ago, it took 20 years to make a billion-dollar company.
> The new communication platform Slack did it in 8 months.
> Airbnb and Uber have reached 20 and 50 billion dollar valuations respectively in just 5 years putting the hospitality and transportation industry into panic mode."

2. What makes a company an Exponential Organisation?

Is there a formula?

What do the top companies today have in common? Can we learn these similarities and implement them in our companies?

## *The DNA of an Exponential Organisation*

We saw above how exponential technologies are developing and changing at an increasingly rapid rate. To take advantage of this, companies need to be incredibly agile to be able to take advantage of these technologies and then rapidly change to accommodate both new technologies and converged solutions.

Here is an overview of similarities that Exponential Organisations have built into their DNA (in no particular order):

- Data: Real-time dashboards and data are infused in everything they do.
- Disruption: They actively invest in new products and services that destroy their legacy revenue streams.
- Open: They move away from holding onto proprietary control of products and services and instead actively share their intellectual property within large communities.
- Flat structure: They have a high trust culture and they give autonomy to business units.
- Small teams: Their organisations consist of small teams that operate within a large vibrant ecosystem.
- Rent not own: They use staff on-demand and also leverage assets that they don't own.
- Don't have a five-year plan: They rather have a Massive Transformative Purpose (MTP) that guides the organisation and then they use real-time dashboards to make constant changes.

11 attributes of an Exponential Organisation

Salim Ismail wrote the book "Exponential Organizations" in which he studied exponential companies and identified 11 attributes that shaped these companies. It is important to note that a company doesn't have to have all 11 operating to make it an Exponential Organisation. They must have at least four including having a Massive Transformative Purpose as a mandatory attribute.
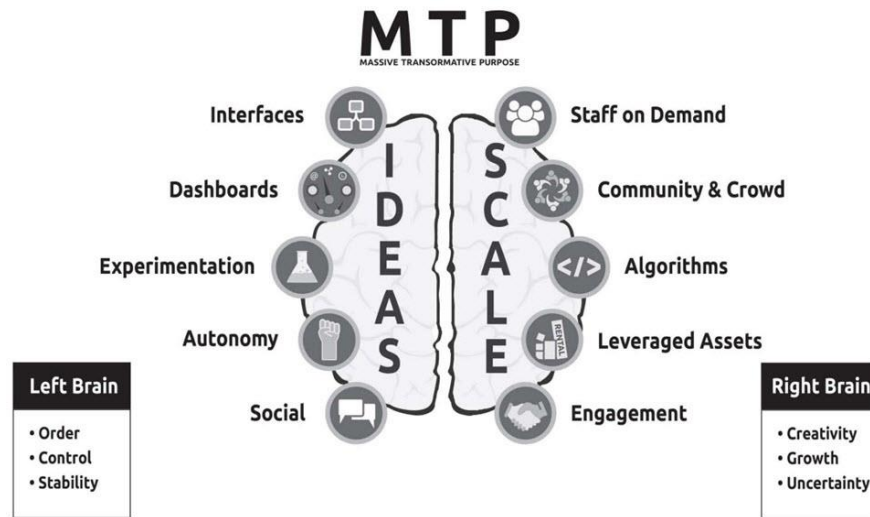
We are going to have a brief look at these 11 attributes as entire blogs can be devoted to examining each individual attribute. I will give you links at the end of this blog where you go to get more information on these attributes.

MTP:

A mandatory requirement for every Exponential Organisation is to have a Massive Transformative Purpose.

MTP is best described by defining each of the three words:
- Massive: Something audaciously big and aspirational.
- Transformative: Can cause significant transformation to an industry, community or to the planet.
- Purpose: There's a clear "why" behind the work being done; something that unites and inspires action.

The MTP acts as a company's "North Star", which directs all people and activity in the same direction.

Other advantages of having an MTP is that it helps direct a company's innovation efforts, attracts the best staff and a community of supporters and will help to sell more products and services.

Examples of MTPs are:
- To accelerate the world's transition to sustainable energy. – **Tesla**
- To make sustainable living commonplace. – **Unilever**
- Organize the world's information. – **Google**

My own MTP is a work in progress and is currently "Coaching companies to be 10X more profitable and efficient so that they can give more".

Does your company or division have an MTP? I would love to know what yours is?

Interfaces:

This is quite a broad area and consists of:
- Interfaces connecting humans to systems.
- All the tools and disciplines around User Experience Design.
- Application Programming Interfaces (API) to enable applications to connect.

An example of the Interfaces attribute is Uber. They have an "Uber Rider App User Interface" for you and me, an "Uber Driver App User Interface" for the drivers and APIs for real-time vehicle and pick-up data.

Dashboards:

This needs to provide a real-time view of the business.

Dashboards provide a company with visibility and transparency, shorter feedback loops, reduces the effort to understand a situation and allows a company to constantly improve and evolve.

Experimentation:

Even the best ideas are just a hypothesis until they are tested. A company needs to encourage freedom to test these through controlled experiments.

In practical terms, this means putting together an experimentation workflow that can be followed where ideas can be put through a proper process that is both quick and cheap.

Autonomy:

Essentially this means breaking the company down into self-organised multi-disciplinary teams that have authority and accountability to make decisions and choose how to accomplish their goals.

This allows companies to more agile, allows for information to be spread quickly through an organisation and also attracts innovative and self-directed people to your company.

Social:

These are tools that allow people in your company to communicate and collaborate quickly and easily. These tools allow for faster conversations, faster decisions and faster learning.

You will see that these five attributes form the acronym IDEAS. The last five form the acronym SCALE.

Staff On-Demand:

The underlying principle is that the brightest people aren't working for you – or any one organisation. Staff On-Demand is the principle of using these people for specific purposes and allowing their expertise to be passed to your permanent workforce.

Of course, it also applies to the Uber model where you use independent workers to either provide the service – in Uber's case – or act as your salesforce.

Community & Crowd:

These are people that are drawn and aligned to your Massive Transformative Purpose. They can consist of employees, partners and people that are interested in supporting your company.

This to me is one of the most important attributes as the Community & Crowd can be nurtured to grow to millions of individuals. Microsoft, for example, saw the Github* community valuable enough to spend $7,5B buying the company.

*A shared repository for over 300,000 developers

Algorithms:

These are a set of instructions that are designed to do a certain task – ideally automated. As a company grows exponentially it assists companies to process ever-increasing amounts of data – in a structured automated manner.

Leveraged Assets:

These are assets that a company doesn't own but instead the company rents, leases, licenses or borrows.

The most used example for this attribute is Airbnb that has millions of leveraged assets – the spare rooms and properties owned by others.

Engagement:

The last attribute is Engagement that is designed to capture, hold and deepen the interest of customers and community members.

Gamification and loyalty schemes are common examples of this where behaviour is rewarded. A good example of this comes from my country South Africa where Discovery, a health insurance company, uses a points system to reward exercise and good health by awarding points on a weekly basis as well as having an annual target to aim for. A

customer who reaches his/her Discovery goals is rewarded with free coffees, meals, discounts at stores and cheaper flights.

Links to additional information

As promised here are some links to additional information:

- [11 secrets you need to know for exponential growth](#) – Salim Ismail
- [How to Create an Exponential Organization and Why You Should Want To](#) – Jacob Morgan
- [Exponential Organizations: How to create them and why they spell success](#) – Menno van Dijk and Saskia Rothuizen

Is your company an Exponential Organisation?

As you have been reading through these attributes, have you been asking how your company rates as an Exponential Organisation?

3. How to become an Exponential Organisation

Is it possible for an existing company to transform into an Exponential Organisation?

The Awake Session

> "Any company designed for success in the
> 20th century is doomed for failure in the 21st"
> – David Rose – CEO of Gust

Before a company embarks on a transformation journey they need to be made aware of what is happening in the world. This should be a session to all those involved in the transformation process and is called an "Awake session".

An Awake session will have the following structure:
- Exponential technology advancement in the world today.
- Competitors and new entrants will use this exponential technology to disrupt your industry.
- Start-ups are increasingly rapidly reaching the billion Dollar market cap.
- The tremendous opportunities exponential technologies bring.
- How to take advantage of these opportunities by building Exponential Organisations.

The result of an Awake session will be to convince as many people in an organisation as possible that change is necessary and that they can assist, not hinder the process. This is a vital step in overcoming a companies immune system which we will look at later in this blog.

ExQ Assessment and ExO Canvas

As your company embarks on the journey it might be difficult to know where to begin and what to focus on. Thankfully there is a tool that you can use to assess your current state. This tool is called an Exponential Quotient Assessment. It consists of 34 questions and will take approximately 30 minutes to complete.

As a consultant working with OpenExO I have access to this tool and have created a specific link for you to use. You can access it here.

Once completed you will be asked to provide your contact details and a report will be emailed to you. To get maximum value from the report it will be best if you meet with a consult, such as myself, who will take you through the results.

Another important tool to assess and understand the Exponential Organisation attributes is something called the ExO Canvas. The ExO Canvas is a 1-page working sheet containing the 11 attributes discussed in the previous blog titled "What makes a company an Exponential Organisation".

Using the ExO Canvas above consists of two steps:
1. Current state: First you identify what exponential attributes your company or division currently uses. The output of the ExQ Assessment will assist you in this.
2. Future state: You now go through the attributes again and identify which attributes you would like to implement within your company.

Once again meeting with an ExO certified consultant is very useful to guide you through this process.

Corporate immune system

Innovation and transformation is very difficult within existing companies. One of the main reasons for this is because it gets attacked by the corporate immune system.

Everything in a company, from sales and marketing through to supply chain management processes, is structured around existing revenue-generating products and services. Employees within the company are also rewarded for achieving goals aligned to the current product and service.

When a new disruptive product or service is introduced to a company there is a good chance that the initial revenue will be negligible, and it will require different processes.

There is a very good chance that people within the company will view this new product as a threat to their bonus. Shareholders might also see their revenue drop as the company accommodates the new product or service.

The corporate immune system is the reason why companies have missed the need to transform and has been the cause of the well-known failures like Blockbuster, Kodak, Nokia and others.

How is the corporate immune system overcome?

ExO Works in their article "Recognizing & overcoming the corporate immune systems" has these four tips:
1. Get the buy-in from the CEO: The Awake session discussed above is used to convince the CEO, C-level suite, management and as many people within a company as possible of the need to transform.
2. Build out, not up: Ideally a new exponential product or service needs to function independently of the existing organisation's structure and systems. As the new division, or company, matures it can then be brought back into the company and will sometimes replace the existing products and services entirely.
3. Embrace the change-makers: Identify the people in the company that are already encouraging change and innovation and provide them with an environment that breaks down the established rules, hierarchies and social constraints.
4. Invest for the long-term: It is often very difficult for companies to have patience with a new product or service but this is what is sometimes needed for it to flourish.

The ExO Sprint

Is there a way that overcomes the corporate immune system?

The book "Exponential Transformation", (written by Salim Ismail, Francisco Palao, Michelle Lapierre, Peter H Diamandis and Francisco Poyatos) is a detailed handbook for applying Exponential Organisation principles to a company. Through working with companies they discovered a process to overcome the corporate immune system. This was to allocate people from across the business to spend at least 50% of their work time, over 10 weeks, working on something called an ExO Sprint.

The idea of the ExO Sprint would for teams to identify projects and then get them started to see if there was potential.

The ExO Sprint has two main purposes. The first is to introduce new exponential products and services to the edge of a company where it can operate independently until it matures. Secondly to evaluate the core processes of the parent company and see which can be transformed by adopting exponential attributes.

Below is the structure of the 10-week ExO Sprint.
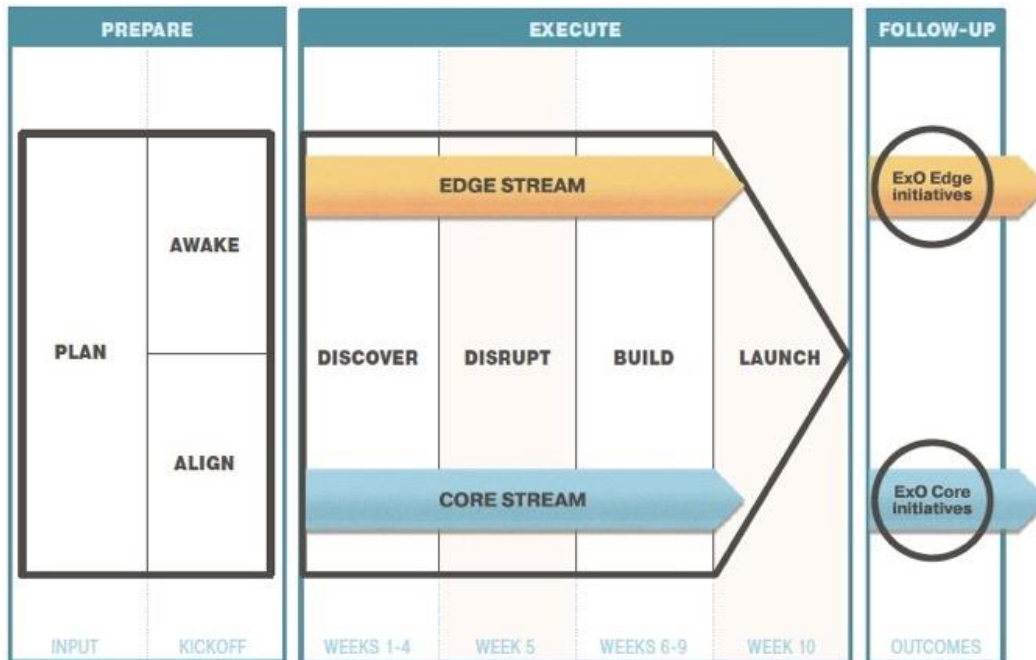
The ExO Sprint is divided into two 5-week periods. The first 5 weeks will be used to identify exponential technologies and ideas that can be used within your industry. At the end of this period the initial ideas will be presented and accessed. Successful ideas will then enter a second 5-week process, a minimum viable product (MVP) built and the product or service actually launched to a very restricted customer base.

At the end of the ExO Sprint the new ventures and their results will be presented to the company's management team. Projects would be assessed and, if approved, would get seed money to pursue.

The ExO Sprint has now been used around the world and successfully used by P&G, Visa, HP, Stanley Black & Decker and many more.
A very good overview of the ExO Sprint has been created by ExO Works and can be found here.

Your company can use this concept to successfully launch new exponential products and services that will hopefully revolutionise your business.

4. Do you have an MTP?

Your first step to exponential growth

OpenExO's founder is Salim Ismail who was also one of the founders of Singularity University and author of the book Exponential Organizations. In the book, Salim has identified 11 attributes that define an exponential organisation and the key attribute is that they all have a Massive Transformative Purpose (MTP).

In this chapter I would like to discuss with you what an MTP is and how you can create one – not only for your business but also for you as an individual.

What is an MTP?

An MTP consists of three words:
- Massive: Something audaciously big and aspirational.
- Transformative: Can cause significant transformation to an industry, community or to the planet.
- Purpose: There's a clear "why" behind the work being done. Something that unites and inspires action.

Why is it important that a company have an MTP?

Innovation and disruption:

The world is changing so fast that companies need to innovate and refresh themselves to stay relevant. During this process new products, and even entirely new business models, can be introduced to a company. An example of this is Apple where the company has regularly gone through radical transformation from selling Apple Macs, to iPods, to iPhones, to iPads and to providing services.

But how does a company innovate and still maintain its identity? The MTP is what will act as a companies North Star and will help them to innovate around their purpose.

An example of this is Singularity University who has an MTP of "Positively impact one billion people". When they look at innovation they will always be looking for new ways of enabling their MTP and to impact more people.

Attractive staff and community:

Do you want to work for a company that is making a huge positive impact on the earth? I do!

If your company has a clear purpose then people will be attracted to this energy. You see it all the time where the leading companies in an industry attract the best people. These leading companies all have MTPs.

You will sell more products and services:

I think Harley Davidson's mission statement is close to being an MTP. Their mission statement beings with "We fulfil dreams through the experiences of motorcycling..". People very seldom buy Harley Davidson motorbikes because they are the best bikes on the market. They buy Harley Davidson because they want to be part of this dream and to be part of this community.

How does a company find its MTP?

Here are some questions that the leadership of a company can answer individually and then discuss.

1. What do we really care about? Why?
2. What is our companies' purpose on this earth?
3. What does the world hunger for? Why?
4. What would we do if we could never fail? Why?
5. What would we do if we received a billion dollars today? Why?

From the answers to these questions the leadership team can put together a Massive Transformative Purpose that can be aspirational and unique.

Our individual MTPs

Just as a company needs an MTP so we all need one on a personal basis. What gets you up in the morning? What gives you energy when you think about doing?
A personal MTP can be business related but it can also be focused around your family or your faith.

How do you create your own MTP?

Something called Ikigai, which in Japanese means life worth, can be very helpful here. The diagram below is relatively self-explanatory but essentially it is asking yourself what you love, what the world needs, what you can be paid for and what you are good at.

Ikigai

A JAPANESE CONCEPT MEANING "A REASON FOR BEING"

Satisfaction, but feeling of uselessness

What you LOVE

Delight and fullness, but no wealth

PASSION

MISSION

What you are GOOD AT

Ikigai

What the world NEEDS

PROFESSION

VOCATION

Comfortable, but feeling of emptiness

What you can be PAID FOR

Excitement and complacency, but sense of uncertainty
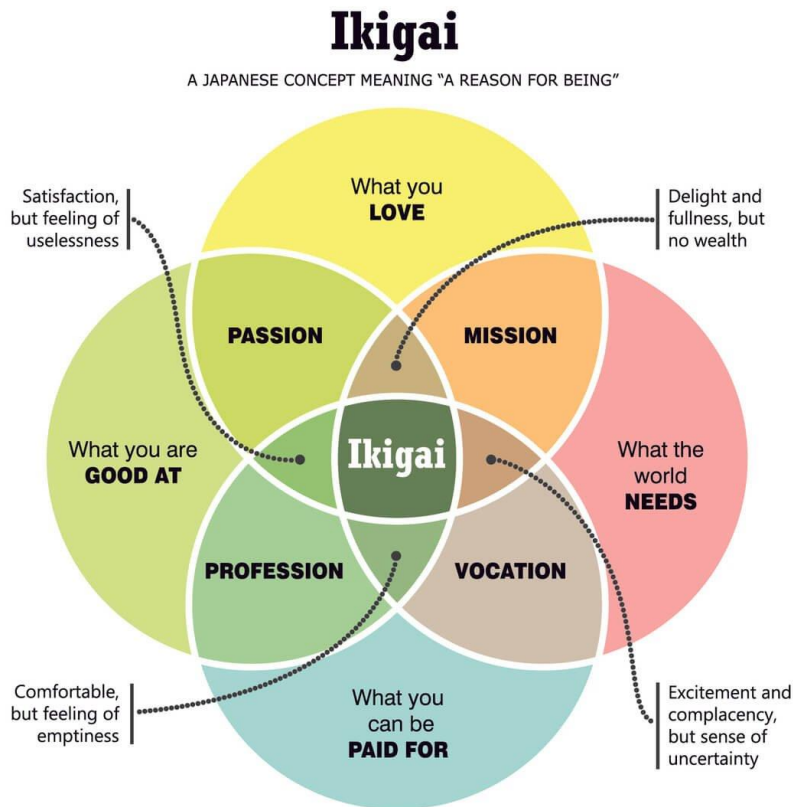
At the centre of these four questions you will find your Massive Transformative Purpose. This should be unique to you and a combination of your passion, mission, vocation and profession.

How do you assess your MTP?

So you have created your company MTP and/or your own individual MTP but how do you determine if it is any good?

A way to determine this is to imagine yourself at a cocktail party. You meet someone for the first time and they ask you the question everyone asks when first meeting. What do you do? Now imagine yourself telling the person your MTP. The determining factor is will they lean in and be interested, or will they move off to talk to someone else.

Of course, once you have held the make believe cocktail party you can try it out in real life and see what result it has on people.

Further reading

If you would like to read more about the Massive Transformative Purpose then here are some links.

- [Singularity University: The motivational power of a Massive Transformative Purpose](#)
- [Massive Transformative Purpose – The Heartbeat of Every ExO](#)
- [Innov8rs – Exponential Growth? Start With A Massive Transformative Purpose](#).
- [Discovering Your Massively Transformative Purpose](#) – www.diamandis.com.
- [Create a Massive Transformative Purpose – thirtthreeemeralds.com](#)

5. The amazing Flywheel Effect

What makes Amazon so successful. There are a number of things but key is their use of the amazing Flywheel effect.

What is the Flywheel Effect?

The concept of the Flywheel Effect was termed by Jim Collins in his book "Good to Great". A flywheel is a massive metal disk, or wheel, that often weighs over 2,000 kgs. It takes a lot of effort to get started but once it starts to turn there are counter weights around the outside of the wheel but start to take effect and it starts to build momentum almost by itself. From that point the same effort can be placed on the flywheel and it will start to turn faster and faster.
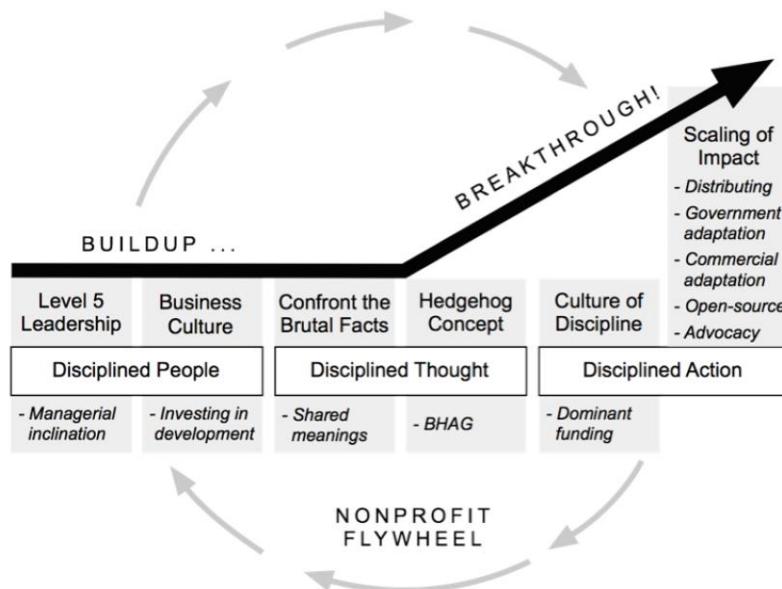
Jim Collins talks in his book about how people can put a great deal of effort into their business without much noticeable effect until one day the flywheel starts to turn. This is

called the breakthrough moment and once the flywheel is in motion it will start to turn faster and faster with increasing returns for the business.

The secret of the flywheel

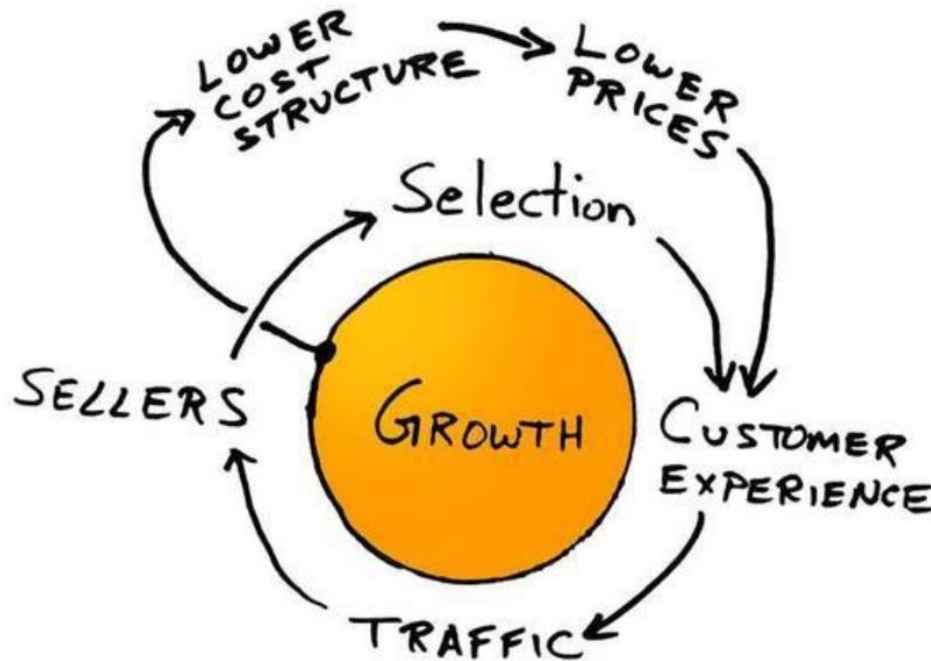One of the most successful companies to use the flywheel concept is Amazon. Below is a diagram that legend says Geoff Bezos wrote on a napkin.

Here is how it works.
1. Customer experience is key and every Amazon employee has this as their number one principle.
2. Excellent customer experience would drive traffic to Amazon.com.
3. Sellers would be attracted to put their products on Amazon.com.
4. This would create a greater selection of products for customers to choose from. At the same time the increased sales on Amazon.com would allow Amazon to lower their cost structure and reduce prices. This along with customer experience would increate the traffic on Amazon.com.

Using this principle once the sales cycle – or Flywheel – started to take effect they would all start to increase and take a life of their own. Traffic would increase leading to more sales leading to lower prices etc. All of this would result in the shown accelerated growth of Amazon.com.

Amazon has taken the Flywheel concept and are using it in all their businesses. Amazon Web Services (AWS) for example has used it to accelerated their business growth.

Public cloud market share

Source: Gartner; Goldman Sachs   Insider Inc.
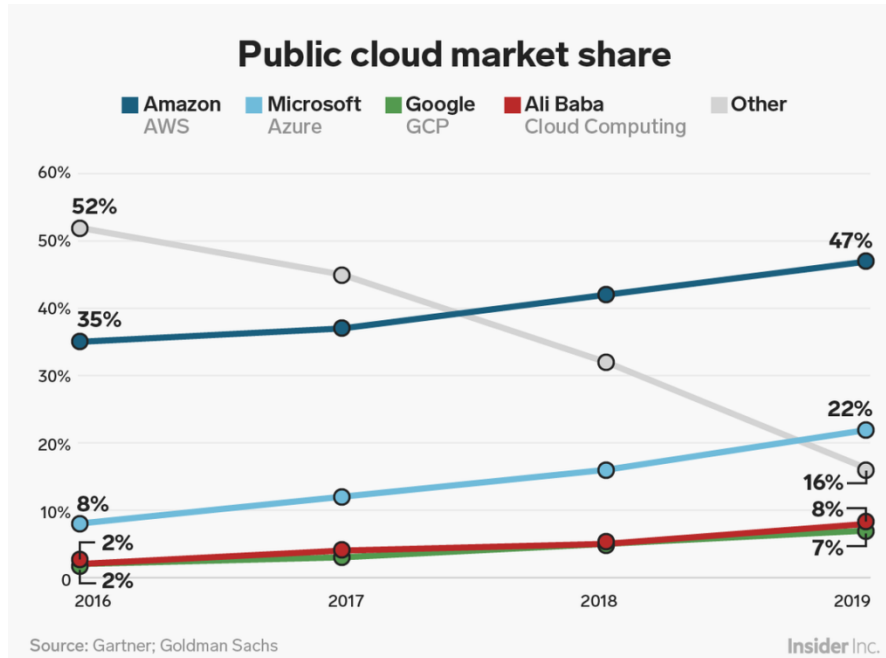
The table above shows that AWS is increasing their overall growth from 35% in 2016 to 47% in 2019. Remember this is off an increasing base and in 2018 the AWS revenue was $26.6 Billion. What happens is AWS grows even faster in the future? What will their revenue be in 2025?

A wheel within a wheel

So we have seen how a company that uses the Flywheel approach can have a breakthrough and then start to accelerate their revenue. This is just the beginning. There can be dozens of Flywheels that start to have an effect within a company, or group of companies, that start to not only accelerate themselves but also have a positive effect on other flywheels within the company or group.

I would again like to use Amazon Web Services as an example. The company operates in territories and countries across the world and also has multiple product and service offerings. I was listening to Geoff Brown, MD of AWS for Sub-Saharan Africa, being interviewed on a podcast called Cloud Over Africa. Geoff said that the growth of AWS in South Africa has followed a very similar trajectory that AWS in other countries in the world. Looking at AWS in South Africa you can clearly see the Flywheel Effect.

The flywheel is something like this:
1. AWS start in South Africa and, based on their performance elsewhere, attracts partners.
2. These partners have employees who get AWS certified developing skills within the country.
3. Customers adopt AWS. In South Africa both Standard Bank and Vodacom have announced in the last few months that they are adopting AWS.
4. This leads to more demand for skills – which attracts more companies becoming partners or existing partners growing their skill base.
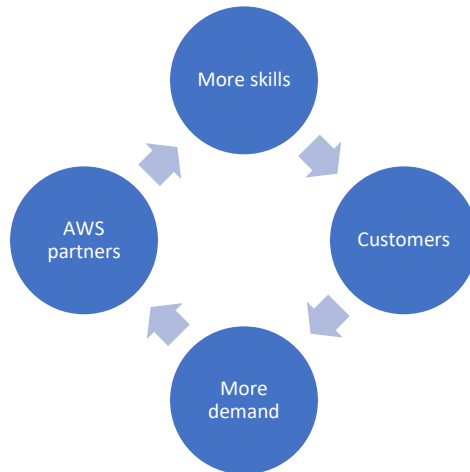
Not only are the different countries accelerating their Flywheels but this also gets fed into the other Amazon Flywheels. AWS provides profit for Amazon.com to lower prices further. Amazon Prime grows their subscriber base and feeds sales through to Amazon.com.

How to get the Flywheel to spin?

So the million, or billion, Dollar question is how do you get the Flywheel to spin the first place.
According to Jim Collins here are three areas to focus on consistently to get the Flywheel to start:
1. Disciplined people:
    a. Level 5 leadership: having the right leader.
    b. Having the right people working for your company.
2. Discipled thought:
    a. Confronting the brutal facts about a situation and rectifying it.
    b. Implementing the Hedgehog Concept. In a nutshell this means deciding what your company does that is the best in the world (or country) and then sticking with it.
3. Discipled action:
    a. Culture of discipline: Fanatical adherence to the Hedgehog Concept and refuse to do anything that is not inline with this or pursue other opportunities that can divert the company.
    b. Technology accelerators: They look for new technologies that can increase their performance.

These can be found in Jim Collin's book "Turning the Flywheel" which can be found on Amazon here.

What stops the Flywheel

The single biggest way to stop the momentum of a Flywheel Effect is to change direction. A Flywheel can shift direction slightly but to go in a completely new direction the momentum of the Flywheel needs to either slow right down or stop entirely.
You must have heard of companies, or are currently working for a company, that change their strategy regularly, have different focus every year, do an annual restructuring, chop and change their sales teams and people etc.
Another term created by Jim Collins is called the Doom Loop.
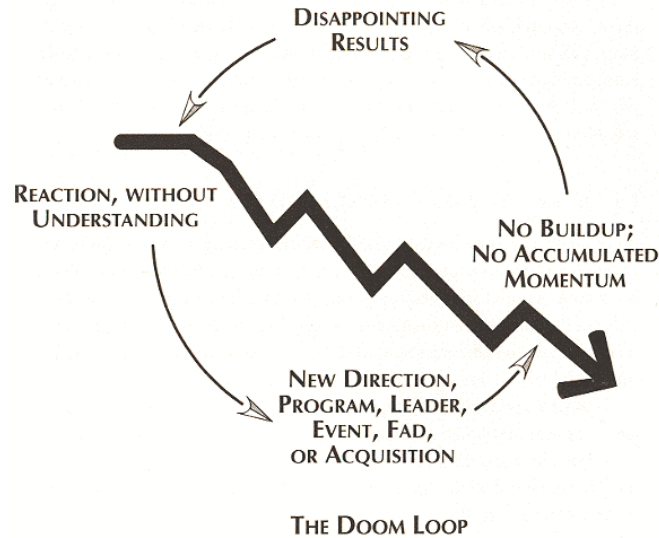
The elements of the Doom Loop are self-explanatory but the scary thing is they either result in flat or disappointing results. Like the Flywheel Effect the Doom Loop can unfortunately accelerate and in a short period of time a company can accelerate towards disaster.

What can you do?

Fortunately if you search the web you can find a great deal of resources that will help you to assess your company and to build the mechanism of the Flywheel Effect.
One that I found is on the Jim Collin's website itself called the "Good to Great Diagnostic Toolkit". https://www.jimcollins.com/tools/diagnostic-tool.pdf. This toolkit has worksheets that will help you to identify your strengths and weaknesses and hopefully identify what needs to be done to get the Flywheel turning.

The most important thing though is to identify what your counter weights are. What can be on either side of the Flywheel that will feed into each other can get the Flywheel to turn. Refer back to the Jeff Bezos example of the beginning of this blog.

You might need a consultant to take you and decision makers through a Flywheel Effect assessment and to form an action plan to get the momentum going.

Conclusion

What do you think of the Flywheel Effect concept? Can you see it working within your company or can it be used within your company? Or your company currently caught in the Doom Loop?

The scary thing for any company is that the Flywheel Effect is real and is being used by the leading companies of the world to accelerate their growth. It seems to me that for a company today to compete they also need to be using this concept – perhaps just to keep up.

Interview with Craig Terblanche

Introducing Craig

Craig is an Openexo.com Advisor and Coach and is passionate about the future of digital and how individuals and corporates will remain relevant, given digital disruption.

His Massive Transformative Purpose is – "make entrepreneurship easy in Africa!".

Craig is the Chief Transformation Advisor at ExoSystems where he focuses on helping clients transform exponentially. Continuous digital improvement is linear, exponential transformation requires radical thinking about business models, innovation and most importantly people, practices, and mindset.

He believes that Digital Transformation is more about people, practices, and mindset than it is about technology. Once we've trained on the technology we find that the Exponential Transformation Sprint brings the right critical thinking to bear to effect the fundamental change necessary to drive exponential growth.

Craig how did you get introduced to the Exponential Organisation concept?

Technology won't change the business model

"I was researching business transformation because I was really frustrated with the view that technology will somehow magically change a company's business model and change the outcome of what their business achieves without them thinking through what the business is doing and what the business is focused on and how they are getting what they have always got".

Salim Ismail's book "Exponential Organizations"

"In doing my research I came across Salim Ismail's book "Exponential Organizations" and literally read it three times. It probably takes three reads of the book for the real nuggets to sink in and start to work in your mind. We are all on this path of linear thinking and changing your mindset is a critical part of this."

Changing your mindset

"In early February this year I attended an event where Salim Ismail was speaking and after meeting him and his team and I was impressed by the notion of changing your mindset and having a Massive Transformative Purpose (MTP), not just for individuals but for the organisation. The MTP is more about impact, outcome and changing your environment entirely".

What does the term "Exponential Organisations" mean to you?

A holistic approach to business transformation

"When you first look at the material it doesn't immediately 'hit you between the eyes'. It takes a bit of time to experience some of the thinking and seeing some of the impact of the sprints. Initially you just think it is just another methodology but as your mindset starts to shift, as you start to understand the elements of Exponential Organisations and getting to the IDEAS and SCALE attributes but fundamentally overarched by the Massive Transformative Purpose. You start to realize that this is actually a much more holistic approach to business transformation and is end-to-end."

A transformative capability

"Initial impressions were just another methodology but now it is really clear to me that this is a transformative capability that you can entrench in your organisation."

What particularly stands out for you?

Business leadership waking up

"The Exponential Sprint process is great because it deals with business and it doesn't necessarily deal with the technology people in the business. It is more about business leadership waking up to the realities of the upcoming tsunami of exponential change. This is based on what Tony Saldana calls "The exponential five". What the implications of that really are to their industry and to related industries".

Disruption and creating new markets

"The process goes much further to actually creating ideas and looking for ways to deal with disruption from an internal point of view. It also looks for ways to build on the edge, disrupt yourself or create new markets".

Multiple exponential technologies at the same time

"We have the situation at the moment where it is not just one technology changing one industry but that there are multiple technologies coming out of the deception phase where

they are actually making an impact in markets at the same time. This is a big thing. In the next five years as these technologies increase in price-performance all at the same time. They are going to impact multiple industries at the same time".

Massive change

"These exponential technologies are going to destroy existing business models and perhaps organisation market structures. I think there is a massive change coming and you need a way to think about dealing with that completely differently

Do you think a lot of companies are going to fail? Is Thomas Cook the first of many?

Major disruption

"I believe so. I am of the opinion that there is going to be a quite massive market failure. There could be major disruption to market structures, politics and even to countries. It is not just another market cycle."

Do you think Exponential Organisations are directly linked to technology?

New generations coming through

"In many ways it is but is also linked to new generations approaching the world differently. They blame us 'baby boomers' for messing everything up. They approach the world with a different mindset that says abundance is obvious and you can do things completely differently. Nothing is impossible. Let us fix things that are broken and let's change everything for the better. ".

Tribes bringing change

"It is not just about technology it is about a movement. Tribes that are driving for change. Look at movements like 'Burning Man'. The changes are fundamental and massive".

How do you see the world in 2 to 5 years' time?

Some get it

 "There are regions in the world that will just embrace the possibilities. If you look at what China is doing. They get it. They have realised the potential of the exponential technology. They are building skyscrapers from giant Lego sets in a week. They are deploying kilometres of solar at a time. Every time they deploy a kilometre of solar the cost of electricity goes down".

Some don't

"The institutional and traditional countries like the UK and the US are not getting it yet as far as I can see. They are going to fall behind. There will be pockets of industry that gets it – Tesla, Amazon, Google, Facebook etc. Countries and companies that stick to traditional business models, traditional upgrading models, traditional economic models are going to lag behind very quickly and in many cases are going to collapse".

Turmoil along the way

 "The world in 5 years is going to look very different and there is going to be a lot of turmoil along the way".

Are you optimistic or pessimistic about the future?

Drive positive change

"You have to look at it optimistically. What is the art of the possible? How can we create jobs? How can we make everything better? How can we leverage abundance? This is what technology is doing. Exponential technology is creating incredibly cheap access to education, communication and all of the fundamental building blocks of society. Things are becoming increasingly cheaper if you remove the limiters of regulation. You have to approach it positively and drive positive change or you will just be left behind."

Interview with Colin Iles

Introducing Colin

Colin shows leadership teams of entrenched organisations what steps they can take to hedge themselves from new entrants who are benefiting from easy access to disruptive exponential technologies.

He has worked with clients across multiple industries including MiWay | Thomson Reuters | Ab InBev | Korn Ferry | University of Cape Town | PepsiCo | Afrocentric | Betterlife | Old Mutual | Absa.

He owns his own company "The Innovation Catalysts" and is a Global Ambassador for OpenExO

Colin, can you tell us about the XPRIZE?

Solve the worlds grand challenges

"The Xprize is run by Peter Diamandis and is a competition and is using competition theory to incentivise to come up with new ideas. It is an incredibly efficient way of doing this because if you put up a prize of 5-10 million Dollars to win, and set a challenge to achieve, then there is a multiplier effect where people invest huge amounts of time to win the prize even though everyone who enters knows they are unlikely to win it. It is used to incentivise teams across the globe to solve the worlds grand challenges."

Presenting and funding of ideas

"This year's prize was handed out by Elon Musk and was awarded to a team who have managed to extract water from air in a carbon neutral manner and under 2c a litre. The Xprize will bring together 300 to 400 wealthy people and get them to have conversations. They then start to design the competition for the following year. As these individuals chat they start to form teams around ideas and on the last day of the three-day conference they start to present their ideas. Even during the current conference the best ideas start to get funding already of hundreds of thousands of Dollars."

How did you learn about the concept of Exponential Organisations?

Exponential technologies developing simultaneously

"I started by reading the book "Exponential Organizations" by Salim Ismael which is a must read for anyone in business. I then found out about Abundance 360 which is another Peter Diamandis community where he brings together 360 entrepreneurs each year to have a look at some of the latest technologies. When you go to these events you get blown away because you have very important influential people presenting about some of the crazy things that are happening on the technological front. You then start to think that you are in a world where things are moving so fast and we have gone from linear progress to exponential progress. You then realise that it not just one technology it is probably a dozen, or two dozen, technologies that are all developing simultaneously."

Companies are in jeopardy

"You realise that in 5 to 10 years the world is going to look radically different because these technologies are enabling it to be radically different. The only conclusion you can draw is that for incumbent organisations that don't catch that wave they really are in jeopardy. This is because it is becoming so easy for companies to go and set up competing products and services and go to market in radically different ways.

How do you assist leadership teams?

Start thinking differently

"When you look at things it is more about people than technology. The first phase is to make the leaderships teams aware of the exponential technologies. Introducing them to how technology is going to disrupt industry in the next four or five years. Getting leadership teams to start thinking differently on where to focus their attention. The pessimistic side is just to really scare them into action. More positively you can introduce them to opportunities that technologies are likely to bring and it is no longer good enough to just sit on the side-lines and wait for them to occur. Companies need to work out how they can be leading in that space."

Purposeful leadership

"Secondly is to start introducing leadership teams into the concept of purposeful leadership. Analysis has shown that companies that are just pursuing profit are perversely not likely to find the profits, and super profits, that their competitors are finding – especially competitors that are driving their strategy according to a sense of purpose."

Why is purpose important?

Big is no longer enough

"In many ways it is actually common sense. Five to ten years ago it didn't feel like purpose was something to pursue because you could probably get away with just being big, being able to protect your IP, protect your distribution network and your competitors weren't moving that quickly. Now you just can't do that. A person can setup a startup with internet access, they are able to find funders, experts to help them develop and build products and services, and so things are moving incredibly quickly."

Winning companies have purpose

"In this age where there are so many competitors you have to look at companies that are constantly winning. 99 times out a 100 they seem to have some altruistic purpose that they are driving towards."

How do you see the world in 2 to 5 years' time?

Things will accelerate

"Things are going to continue to accelerate. When you look at the technology improvement a lot of them are on exponential curves. It is very difficult for us as humans to understand how much is going to change. A simple example is that ten years ago there wasn't an iPhone. Humans are very good at accepting change but not so good at deliberating and investing in it. When we look at the change that it is coming it is quite unbelievable. There are companies out there that are working on making us live longer and get younger. There are companies that are trying to interface the brain with artificial intelligence."

Interview with Mike Lingle

Introducing Mike

Mike is an experienced executive focused on helping global organizations achieve exponential transformation through the lens of emerging technologies and disruptive innovation. He is a successful entrepreneur, experienced software developer, and mentor running accelerator programs for startups. He co-founded SlideRocket.com, a SaaS-based platform for sales and marketing presentations that was acquired by VMWare in 2011.

Mike works as the Chief Growth Officer and Crypto Lead at ExO Works

Mike, how did your journey around Exponential Organisations start?

Growth of his startup

"I was a software developer for a number of years and started a bunch of companies. I spent a lot of time trying to figure out how to grow faster. I was lucky enough to be involved in a team where we raised venture capital with a company called Sliderocket that was presentations in the cloud and we were early in taking that to the cloud. We started around 2006-2007 and launched in 2008-2009 and so it was early in the cloud era. We had to explain the cloud concept to people. We were already using Amazon Web Services and really seeing the power of not having to have our own server but to be able to use virtual servers to scale up and down where needed. We could launch a global product with just a few team members on the development staff. We managed to grow quickly and sold the company in 2011."

Meeting Salim Ismail

"I moved down to Miami and got very involved in the tech community. I started working with entrepreneurs to assist them to grow quickly. I ran a few accelerator programs in Miami and one of those was for a place called Rocker and Salim Ismail, the author of Exponential Organizations, hangs out at Rocker and is a part of the board. I met Salim and started to talk to him. In 2017 Salim was running a project in Miami called The Fastrack focused on how to solve traffic in Miami. I got involved in one of the teams on the project and our team ended up winning with using the ExO Sprint methodology and using the Exponential Attributes to figure out how to solve traffic. That was my first real exposure to the Exponential model. From this we funded a company that is doing the idea that we came up with and it is piloting in Miami right now."

Starting at ExO Works

"I saw how effective the ExO approach was and I also met the folks at ExO Works. Salim Ismail has an umbrella of companies of which on is Fasttrack, focusing on cities, and another pillar is ExO Works which is focused on large organisations to apply the ExO attributes. It helps to assist the parent organisation to be more exponential, so that they are more resistant to disruption, and so to help them experiment with new business models at the edge of the business. The edge initiatives have the potential to be bigger than the parent company. ExO Works works with companies like P&G, Visa and other large companies. I joined ExO Works almost two years ago."

What is an ExO Sprint?

What do fast-growing companies have in common?

"A good start is to read the book Exponential Organizations by Salim Ismail. Salim was working at Singularity University running their executive program and he kept seeing executives who were learning about technology and that their companies were dominating their peers. He started to ask himself what shared attributes these fast-growing companies had. What Salim lays out in his book is an ingredient list."

The Exponential Organisation attributes

"It starts with a core purpose which is something both inside and outside the organisation are passionate about. The purpose also helps guide a company by asking people if what they are working is helping fulfil the purpose of the company. Then there are ten more ingredients that these companies use. What the word exponential refers to is how quickly the price/performance ratio of technology is doubled. The most common example of this is Morse law."

Exponential growth of technologies

"What we are seeing is the doubling principle not just in computers but in other forms of technology. An example of this is solar panels. These are actually chips, based on silicon, and they are double in performance. Solar energy then becomes cheaper and cheaper and more abundant. The doubling principle for solar is about ever 22 months. There is a catch though in that batteries aren't improving quite as fast which is the reason we aren't all on renewable energy quite yet.

Doubling at the same time

"Technologies are doubling at the same time which is creating abundance. We have an abundance in information, in computing power, we are starting to have an abundance in energy and we are starting to have an abundance of biological resources."

SCALE and IDEAS

In the book Exponential Organizations Salim Ismail gives us a way to tap into these abundant resources. How do we tap into smart people all over the world? How do we tap into other peoples assets, like AirBnB? How do get other people to do the work for us, like Uber? Five of the ExO attributes – SCALE – helps us to tap into the abundance that these exponential technologies are creating, and five of the ExO attributes – IDEAS – help organise that abundance. It is a playbook for the shareable economy and to build platforms and ecosystems which is really where the world is heading right now".

Getting left behind?

"Part of the magic of what Salim Ismail talks about is that he is not talking about technologies of the future – he is talking about technology available now. People think that when you learn about technology that you are going to hear about what is happening in ten years but it turns out that the future is already here and that things are changing. If you aren't changing with them then you are getting left behind already."

What to do?

"When Salim Ismail gives his speeches then people get it but ask what do I do now? How do I bring this into my organisations? The ExO Sprint is the answer to that question. It is a 10-week process that is designed to bring the answer and to help the organisation to figure out it's own solutions using the ExO methodology. We don't consult. We want companies and cities to come up with their own solutions. ExO Works forms teams from the company itself and assists them to use the 10-week sprint. During the ten week process the client learns as much as they can and we push them as far they can. They through a bunch of stuff against the wall to see what sticks. Everyone comes together in the middle of the ten-weeks and we do a kind of shark tank/dragons den presentation of half-baked ideas. We tear these ideas apart and we help put them back together. We then spend the next five weeks really focusing on what is likely to work, validating it with customers, creating prototypes, iterating, creating business cases and then bringing those business cases to management in the final presentation. At this point management funds the appropriate business cases on the spot. Business cases come in two flavours. The first is Core and focuses on building exponential processes into the core business and the second stream is how you begin to experiment with new business models on the edge of the organisation. The edge projects relate to where the next success for the company is going to come from."

Trained people

"The ExO Sprint is also about training skills. Not only do we provide an education for the employees of these companies, but we actually run them through 200 hours of using those skills. When they come out the don't have just intellectual knowledge but they also have practical experience of running this process. The idea is that as companies run more and more ExO Sprints that it becomes the core of their innovation process."

Culture change

"The third thing an ExO Sprint is that it helps drive culture change. A lot of times it is culture that prevents a company from innovating - even when the break through ideas are great and will work."

What successes have you seen from the ExO Sprint?

Procter and Gamble (P&G)

"They invited Salim Ismail to do an awake session that melted everyone brain. They then said that they got it but what do we do now? P&G were already best in class, and so it wasn't like they were in trouble, the question was how do we evolve from here? There wasn't a traditional playbook to allow them to evolve further so they needed a new approach. They setup a "Super Innovation" division that only looks at 10X initiatives. They wanted this team to think bigger and specifically focus on IT shared services – supply chain, payroll, finance etc. He setup this division called "Next Generation Services" and they actually helped create the ExO Sprint process. They ran 25 pilots in three years and generated at least $400M in value."

INTERproteccion

"A second story is where we worked with the largest insurance company in Mexico. We ran a ExO Sprint with them and part of the process was that they setup an innovation lab to generate and execute the Exponential Attributes. The following year after the ExO Sprint there was a horrible earthquake in Mexico City that did a ton of damage. A lot of Mexico was not insured at the time and this created a ton of fear, and lots of financial loss and every insurance company in Mexico stopped offering insurance for two weeks. What INTERProteccion did was that they put their ExO Sprint teams back together and worked on how they would help in this situation. In 72 hours they created a new product , got it underwritten and launched it into this market where everyone else had stopped offering insurance. The product was free after shock insurance for 2 months. They helped a lot of people in Mexico City that were under insured so that they felt safer financially. After the free 2 months they saw almost a 40% conversion rate of people taking policies. Many of these people had never had insurance before. It was a win all the way round."

Are you seeing an increase in companies interested in Exponential Organisations?

OpenExO

"The answer is yes and there are a couple of different pieces. The umbrella organisation is www.openexo.com and they are in charge of building the community and driving the

ExO Movement forward. They bring people in and certify them. This community has grown to over 2,000 specialists who are available to help companies, citied and start-ups around the world. OpenExO is growing very rapidly. At the same time we had done a ton of great work with cities and organisations around the world. We have case studies, great client references and so a combination of this and OpenExO is pushing interest levels higher at an exponential rate."

Interview with Ignacio Martín Maruri

Thoughts on implementing change

Today's blog is linked to the Podcast "Exponential Organisations" and is a loose transcript of the interview I had with Ignacio Martín Maruri. It won't be a word-for-word transcript of the interview but will rather be me highlighting some key things that Ignacio said during the interview. I hope you enjoy it.

Introducing Ignacio

Ignacio is a leadership and organizational development consultant, working for CLA in Chile, Spain and Latin America. He is also a fulltime professor at the Universidad Adolfo Ibañez UAI in Chile, where he teaches courses in Adaptive Leadership and Organizational Transformation.

Ignacio is a member of OpenExO and is looking at assisting organisations to transform to accommodate the exponential model. Change and change management is an important element of this and this was the topic we focused on.

Ignacio, how did your Exponential Organisations journey start?

Transformation and change management

"I have been working in change for organisations for the past ten years. In Chile, and everywhere in the world, organisation change has come and clients started to ask me how to perform digital transformation. I started to research this and came across Salim Ismail's book – 'Exponential Organizations'. The book made a lot of sense to me. I am now pursuing the certifications offered by OpenExO (www.openexo.com) – I have done

the consultant certification and will also do the coaching certification. I am putting technology together with change management and adding the ExO Sprint model."

How are you finding the certifications with OpenExO?

Certifications have been practical

"So far it has been great. I have just finished the consultant certification and I am really looking forward to the coaching certification which will give me more practical experience – although the consultant certification was also very practical."

How do organisations respond to change and how does the corporate immune system work?

Change always brings a reaction

"The immune system is a great analogy. In the immune system in the body every time something new and strange is introduced the body will react to that. The analogy reminds us that there will always be a reaction when we try and pursue change. This is important because we might be so enthusiastic with our idea that we get naïve and we think that everyone will embrace our idea and that everyone will be happy about it. We need to be very strategic around this reaction and prevent what is going to happen. We need to have some perspective around what this new idea will cost. We need to be very strategic so that the idea is not killed off by the immune system."

Observe and understand

"In my opinion there is also a downside to the analogy of the immune system. In the body there is an immune system that will guard the body against germs. This isn't the case in an organisation where there isn't a police force that guards against change. The people that stop change is the employees and so we need to be very strategic about who is going to react and why they are going to react. What is it that will make them stop what I am purposing. To do this we need to observe the system and try to understand the impact of what we are doing. From there we need to define what is the best strategy, implement it, learn from it and figure out how to overcome the immune system."

What are some strategies that could be used?

Observe, understand, act and modify

"It is important to understand the potential reaction and why it will happen. We need to make a great diagnosis before we intervene. We need to really understand the customer. We need to know what their needs, dreams and fears are. When it comes to implementing change within an organisation we need to do it in the same way. First

observe the system and try to understand who the people are that are involved and their potential reaction.   We need to make a systemic map of them and then go into the system and see how they react.   Based on the result of result we then need to change our approach until the system starts to change."

What do you think are the main reasons that people are resistant to change?

Humanity isn't resistant to change

"You said something that is often said that I don't actually believe.   You said that people resist change and this is something that I hear all the time.   When we say that we believe that it is part of our DNA that we are resistant to change.   I would say that it is actually the opposite.   If we look at the world we humans are promoting change all the time.   We always want change from something as basic as having different meals to eat.   Our human nature actually pushes us to change.   I would say that humans don't resist change – they seek change."

We resist change that brings loss

"This doesn't mean that we like all change.   We humans want change but only if the change makes us better off.   If we see a change that brings us progress then we humans will go for it but if we see change that is bringing us loss then we will resist.   We need to understand if the change we want to introduce is making better off or do the people consider that there is a risk of losing to much.   There will be some people within the organisation that will think that the change is great and they will push for it.   On the other side there will be people who will resist the change because it will effect them negatively.   There will also be further groups of people who won't care about the change and even another group who will be confused about the change.   People will react depending on how the change will impact them.   First you need to understand the impact of the change that you are proposing on the people.   Who will perceive the change as a benefit and who will see it as a loss.   What can I do with the people who perceive the change negatively that they can get onboard with what we are promoting otherwise they will always fight against it."

What strategies could be used to convince people to change?

Different strategy for each group of people

"First you need to understand who are the people that are going to be against it, you then to observe these people and make a hypothesis on what will work for them.   You make a map of the different grouping of people within a company and then you need to have a strategy for each group of people.   What we normally do in change is we try and sell the benefits to everybody but not everybody sees the same benefits and the same loses.   We need to come up with creative strategies that reduces the loss for the people that believe they are going to be negatively affected.   Sometimes a company needs be

accommodating to the groups effected and introduce change slower. This might not give the company the maximum benefits but it will reduce the loses of the people negatively affected."

Have you seen situations where change has been successfully implemented?

Core inside and edge outside

"Yes absolutely. Companies are continuously changing. The success will depend on a number of factors, for example, how big the impact. This is why at OpenExO we say that if we want to do a core initiative we can do it inside an organisation but if it an edge initiative then we have to do it outside. Why? Edge is much more disruptive and there will be more loses for people within the company and so a lot of the company might be against the change."

Link change to purpose

"If there is a big purpose that brings people together then people will accept changes that are in line with the Massive Transformative Purpose (MTP). This is because it is very fulfilling for them. Purpose will keep people together during change."

What are your plans while you are in Spain?

Link change to purpose

"I am keen to understand the human side of change. Technology is just a means and it all comes down to people. This is why the MTP is so important. While in Spain I am getting involved in start-ups, and the digital exponential ecosystem in general, and see what changes they have from a cultural and leadership perspective. I want to learn as much as I can so that I can my learning back to Chile."

Thank you Ignacio for being my guest in this blog and podcast. If you would like to contact Igancio then here is his Linkedin profile.