Salim's Notes: The ExO Attributes

1. Massive Transformative Purpose

   a. Framework of Exponential Organizations (ExO)
   b. All ExO's have new paradigm that we call an MTP
      i. Not a mission statement
      ii. Provides focus, direction and is working to solve a major global issue
   c. Examples:
      i. Google - organizes the world's information
      ii. TED - ideas worth spreading
      iii. Corky - making invention accessible
      iv. Singular university - positively impact a billion people
   d. Why it is important:
      i. Inspires a community to form around their massive vision
      ii. Tracks and retain top talent
      iii. Orients the organizations towards external impact rather than internal politics
      iv. Supports a cooperative nonpolitical culture
      v. Provides focus during rapid growth
      vi. Enables agility and learning

2. Staff on Demand

   a. Critical mechanisms – when possible, do not own your employees
   b. Examples:
      i. Airbnb vs. Hyatt
         1. Airbnb is one of the biggest hotel chains in the world
            a. About 15,000 employees total, all generally in one place
         2. Hyatt has about 45,000 employees around the world without agility
            a. Have to manage, control and track all employees
      ii. ANP - big Australian insurance company
         1. 50% of its' workforce are contractors
         2. Can constantly cycle through fresh skills in a fast changing environment
      iii. Uber
         1. Consists of subcontractors
   c. Like IT, If you own all of your own employees they can become outdated quickly
   d. Access to platforms like Gigwalk, TaskRabbit or Kaggle
      i. Gigwalk: a community of about a half a million workers with smartphones
      ii. What used to take an incredible effort for a big company can now be done with these platforms for very little cost
   e. Can outsource mission critical functions

    f. Why it's important:
        i. Enables learning
        ii. Encourages agility
        iii. Forms cohesion within core team

3. Community and Crowd

    a. Examples:
        i. TED
        ii. Kickstarter
        iii. DIY Drones
            1. Chris Anderson's community (40,000 enthusiasts) has ability to create 98% functionality of $5Million US military drone for about $300
    b. ExOs leverage community and crowd to scale outside their organizational boundaries
    c. Community vs. Crowd
        i. Community: your employees, customers, fans, vendors, suppliers, and people associated with your organizations
        ii. Crowd: everybody else; the general environment
        iii. Community: essential to help scale
            1. Use loyalty mechanisms to keep the community attracted and engaged
            2. Use incentive to keep bringing crowd into the community
            3. Community is where you go and create your environment around the MPT
    d. Why it's important:
        i. Increases loyalty to the ExO
        ii. Drives exponential growth
        iii. Validates new ideas and learning
        iv. Allows agility and rapid implementation of new ideas
        v. Amplifies your ideation

4. Algorithms

    a. Algorithms are used to make sense of the world
    b. An ExO has the ability to leverage data and algorithms to scale outside its' own boundaries
    c. Examples:
        i. Google's page rank algorithm
            1. Earning half a billion dollars every three days
            2. Low cost to run

3. Able to scale outside their boundaries and achieve world dominance
   ii. UPS uses algorithm for truck routes
      1. 55,000 trucks around the world
      2. Saves almost a billion dollars per year by using algorithms to properly and efficiently route their trucks
   iii. Facebook, LinkedIn, Twitter, Google, Palantir: all have algorithms and data analytics at their core
   d. Why it is important:
      i. Allows for fully scalable products and services
      ii. Leverages the connectivity that you get from sensors and other data sets
      iii. Lowers your rate of error
      iv. Easily updated

5. Leveraged assets
   a. Similar to staff on demand – when possible, do not own your own assets
   b. Try and retain agility and minimize fixed cost
   c. Taking traditionally owned assets and turning them into a service
   d. Examples:
      i. Apple- mission critical functions like manufacturing and supply chains are outsourced to FoxConn
      ii. Amazon Web Services – allows today's software startups to use servers for about $100,000
      iii. Uber - transportation
         1. Gives employees the ability to take their own car and convert it into a transportation service
      iv. Airbnb doing the same with hotels
   e. Why it is important:
      i. Allows scalable products and minimal cost
      ii. Lowers marginal cost of supply
      iii. Removes having to manage assets and increases agility

6. Engagement
   a. Digital feedback
      i. Can track how a user is interacting with our product or service
      ii. A/B testing
      iii. Launching half-baked products – use feedback loops to integrate and improve quickly
   b. Gamification
      i. To engage the community

   ii. Attributes:
    1. Ranking transparency
    2. Self- efficacy
    3. Peer pressure
    4. Eliciting positive emotions to drive long-term behavioral change
    5. Instant feedback
    6. Clear authentic rules, goals, and rewards
  c. Why it is important:
   i. Increase loyalty
   ii. Amplifies ideation
   iii. Converts crowd to community
   iv. Leverages marketing
   v. Provides digital feedback to continually improve product or service

7. Interfaces

  a. Large number of external factors need new mechanisms to handle what you bring into the organization
  b. Customize processes and algorithms created to decide how and what you bring into the organization
  c. They have very specific and clear rules on how do things
  d. Examples:
   i. Uber - customized mechanism that which it deals with all its drivers
   ii. Quikry – with its inventors
   iii. Apple – with its ecosystem
   iv. TED – rules for how to run TEDx events
  e. Interfaces are the boundary condition and the layer between all of the chaos on the outside and what happens on the inside
  f. Why it is important:
   i. Filter external abundance into internal value
   ii. Bridge between external growth drivers and internal stabilizing factors
   iii. Automation allows scalability

8. Dashboards

    a. How you control, measure and track everything going on in ExOs

    b. Comprised of 2 pieces of tracking information:

        i. External information about the business

        ii. Internal performance metrics

    c. Lean metrics have created a live set of active metrics that we track in real time

    d. Examples:

        i. focus@will - tracks 15 metrics in real time - every stakeholder in the business knows exactly what is going on

        ii. Walmart – started tracking all of their inventory and credit card transactions in real time

            1. The single real time data advantage gave Walmart about a 15% operating edge over other chain stores and retailers

    e. Why it is important:

        i. Track critical growth drivers in real time

        ii. OKRs create control framework to manage fast Growth Institute

        iii. Minimize exposure from errors because of short feedback loops

9. Experimentation

    a. Constantly tweak and iterate on processes

    b. Taking risks

    c. If you're not taking a big risk you're not going to succeed

    d. Experimentation is to encourage you to take risks and test the boundaries

    e. Examples:

        i. Proctor and Gamble – Hero Rewards

    f. ExOs are implementing rapid experimentation, very fast feedback loops, fast customer cycles, very fast product development cycles

    g. Why it is important:

        i. Measurement and tracking experiments

        ii. Maximizes value capture

        iii. Faster to market

        iv. Learn about environment and market

10. Autonomy
   a. Old model with multiple layers loses value of intermediary levels and takes a long time
   b. Autonomy allows you to distribute authority levels right down to the edges as much as possible
   c. Examples:
      i. Zappos - employees have the obligation and mandate to do whatever it takes to keep the customer happy
   d. Why it's important:
      i. Increased agility
      ii. More accountability at customer face
      iii. Faster reaction and learning times
      iv. Better morale

11. Social Technologies
   a. Using social activities fostering online collaborative social networks reduces the distance between people
   b. 3 reasons to use social technologies
      i. Reduce the distance between obtaining information and decision-making
      ii. Migrate from having to look up information to having it flow through your perception
      iii. Leverage community to build out ideas
   c. Why they are important:
      i. Faster conversations
      ii. Faster decision cycles
      iii. Faster learning
      iv. Stabilizes team during rapid growth – live conversations across organization

12. Linear vs Exponential Growth Companies

    a. Linear Orgs Characteristics:
- i. Structured by top-down and hierarchical in its org
- ii. Driven by financial outcomes
- iii. Linear, sequential thinking
- iv. Innovation primarily from within
- v. Strategic planning largely an extrapolation from the past
- vi. Risk tolerance
- vii. Process inflexibility
- viii. Large numbers of FTE's
- ix. Controls/owns its own assets
- x. Strongly invested in status quo

    b. ExO Characteristics
- i. Structured by autonomy, social technology
- ii. Driven by MTP and dashboards
- iii. Experimentation, autonomy for day to day activities
- iv. Community & crowd, staff on demand, leveraged assets, interfaces (innovation at the edge)
- v. MTP, experimentation, less time on operation
- vi. Experimentation and risk encouraged
- vii. Constant process updating autonomy and experimentation
- viii. Algorithms, community & crowd, staff on demand for employees
- ix. Leveraged assets
- x. Progressing in a learning mechanism to learn new skills

    c. Example:
- i. Netflix – algorithm contest