

Exponential Organizations

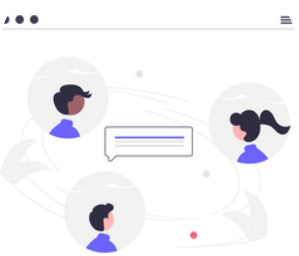
Transcription



So now that we have the four D's, we can see that we have heavy disruption happening on the outside. If you look inside our organizations, we're also seeing each of our business functions transform us all as well. Sales and marketing is almost completely digital today. There's no analog component left to it, right?



But this quote from David Rosa has been stuck in my head now for quite a few years. He makes the point that all of our organizations are top down command and control hierarchical structures designed for scarcity, designed to optimize squeeze every last ounce of profitability out of our models. But today we're seeing a new breed of organization appear.



We call them exponential organizations. They're designed to create business models around abundance. Airbnb is tapping into an abundance of extra bedrooms, lying around, Uber with cars. And this is a totally new paradigm. Started in about 2006, 2007 when Amazon web services first appeared and you could take computing off the balance sheet and we're seeing a new breed of business where they can keep a very small footprint and scale very, very quickly out of that. The definition of an exponential organization or ExO for short is that it's delivering minimum 10 X better, faster, cheaper than its competitors in the same space. A typical combustion engine car has about 800 moving parts on the drive train, a Tesla has 17. Okay. And so that's fundamentally disruptive, same thing in all of these different models.



Even in traditional industries, we're seeing this happen. Let me give you an example of an ExO. A good one is Ted. A Ted 10 years ago was a nice conference, about a thousand people bring the Monterey. Chris Anderson takes it over and he does three things. He applies a huge purpose, ideas worth spreading.



Great. And then he gives all the Ted talks away, puts them on YouTube shoot so that they're free and anybody can use them leveraging rich media on social media. And then he allows anybody to go create a TEDx event.



And in 10 years he's created a global media brand and nobody has ever created a global media brand, certainly not that quickly, and his cost of doing so was almost zero. So you can take in this existing environment and apply a set of techniques and bloat open to a global level with almost zero costs. That is what is magical today.

And so you are a four metrics on which they're blowing away the status pool by multiple orders of magnitude each.



How do you compete with that? Right. And so what we're finding today is a completely new breed of organization, even in traditional industries that are designed to operate on abundance and leveraging abundance of different areas so that they can scale effortlessly using a whole set of techniques to manage their internal control frame in a completely new way, and they're completely blowing away the status quo .



And maybe the, the kicker on all of this is GitHub which was the highest rated startup that we've seen in the ExO model. We are tracking an index of over a hundred such startups, you can find those at this link here. GitHub was the highest rated one ever using all of the characteristics that we'll talk about in a minute and now sold for \$7.5 billion.



So you can take a new model, apply the set of techniques and totally blown open.

