



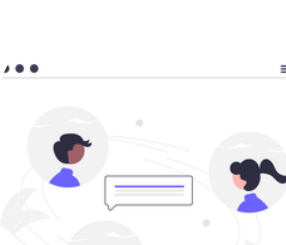
# Nine Implications of ExOs Transcription




So, if you look at the characteristics of exponential organizations, these 11 attributes, and you look at the broader implications of what's happening around this, we ended up with kind of nine, implications of ExO's as this new model starts to pervade the ecosystem. Let me run through those very quickly.




Number one information accelerates everything. And you can kind of get a sense of that now where you can take an information based environment or track or find a new source of information and now you can copy paste, you can scale it, you can apply machine learning to it, you can analyze it and so on.



Okay. Number two, we call drive to demonetization, meaning that everything is, we turn it into information, this traditional scarcity models disappeared, the money leaves the system and we Demonetize things. The way that we demonetize smartphones are there are a number of apps that demonetize faxes and all the other equipment that we used to carry around.



Number three, the disruption is the new norm. Pretty much every industry that we can spot today is being disrupted. People think the construction industry is kind of immune to disruption, except that every time the Olympics rolls around every four years, you have to build 60,000 hotel rooms. And the construction industry used to send teams of people to the city where the Olympics was happening to figure out where to build hotels, who to bribe, etc, etc. Except in Rio the last Olympics, the city has no space for that and just partnered with Airbnb. And 60,000 hotel rooms didn't get built. Right? So it's not obvious, but it was disrupted. And so this is happening in even traditional industries. Okay. Number four is beware of the the expert Peter is fond of saying that the expert will tell you how you can not do something.



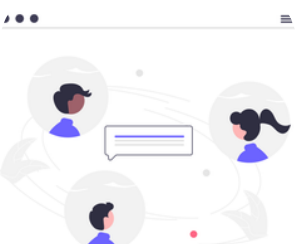
And all of our companies are filled with experts that 10, 20, 30 years of experience, who will basically be stuck in the old models. And therefore can't leapfrog to where the world is today. Sebastian Thrun who created the Google car and now runs Udacity will talk to you and say he hires not for experience, but for imagination.



And this is a fundamental shift in how we think about expertise and skills in the new world. You need to hire for that new pattern, not for deep expertise because of the changes, the change is happening so fundamentally. The shelf life of an expertise is now less than a few years old, and there are lots of different areas.



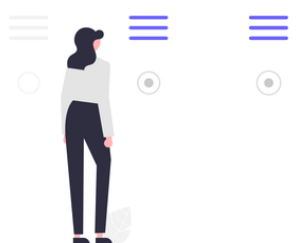
And so watch out for the experts who will traditionally go linearly as we saw earlier. Number five is death to the five year plan. Today, by the time you finish your five year strategic plan, the plan is out of date. And so you spend all your time with that rather than actually doing what the business needs.



What we're seeing ExO's do today is they have an MTP to point and keep them aligned to the North star and where they should be going. And a one year operating plan that's updating in real time so they can constantly keep the ship pointed in the right way. Number six is smaller beats bigger. It used to be that you, a big company had access to resources and could have lower transactional costs, but now a small company has access to the same capabilities and is way more flexible. And so therefore, smaller beats bigger in this new world. Number seven is rent and don't own. If you have a huge workforce that you own or employ, or a huge asset base, you have to spend a lot of time managing that and as much easier if you can kind of offshore that or outsource that, and then you can be much more flexible and nimble.



A Hyatt has 45,000 employees that they have to manage. Whereas Airbnb has a few thousand and managing that and becomes much more easy if you can outsource it out of the ExO completely.



Number of six, maybe one of the most important, trust beats control and open beats closed. An open environment because you have feedback loops from the outside of the community can help, will always be a closed environment over time, time. And trust beats controls is a really key one. Google found that if you let the employees decide the employee expense policy by themselves, it's way easier and cheaper than paying people to oversee it, force a submission of receipts and force kind of all sorts of processes around it.





And so trust, beats control. And finally, the last one is that everything is measurable and anything is knowable. As we deploy a million and trillion and whatever sensors out in the world, we can basically have access to any real source of data that we want and you can track everything. And a huge amount of value is created today by information enabling in existing domain.



Like ways to do all the GPS systems on smartphones and tracking that or creating new sources of information that you can then track. And so these kinds of nine headlines give you a fundamental pattern on what's happening in the world and how fundamentally ExOs's are changing into a totally new economy.

