




Transforming into an ExO Transcription




So people out from ask. Okay, great. The ExO model is great, fabulous. What do I do if I have an existing or legacy company or organization? And actually that was the reason I wrote the book kind of analyzing the hundreds of unicorns and figuring out how they're scaling so quickly was, was great. But the real intellectual challenge is how do you adapt this to a legacy environment?



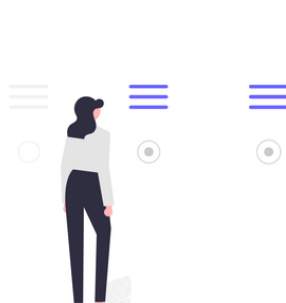
How do you retrofit this thinking? And so we spent a big chunk of the course and the work that we do now on that piece of work, and there's kind of four major components to what we suggest to legacy environments. Number one, update your leadership that we are in a new world, right? If you're a C suite and even that, not just them, but your board is not fundamentally aware that we are kind of in a fundamentally transformed space you have existential threat. Take the company, BMW. Their tagline is we're the ultimate driving machine. Which is great, except that we're pretty clear nobody's going to be driving. And so that's a huge transformation to make .



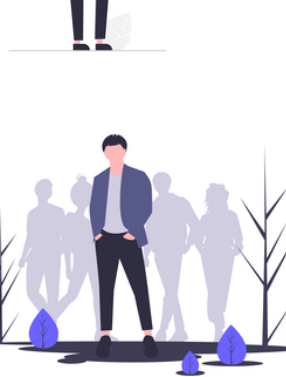
Think about that company, every manufacturing process, every engineering specification, every design aesthetic, and hundreds of thousands of employees and processes and so on is saying optimize for the driver and the world is going 180 degrees the other way. So if you're kind of, education has to be a key component of the, and the starting point of where this goes. Number two. is, if you go back to the, example, the ExO example of local motors, if you're a legacy car company, you cannot compete with that.



You have our suggestion, there is partner invest, acquire ExO's and figure out what they're doing, and then leave them at the edge and then learn what they're doing and bring it back into your organization. The third idea is to implement some of these characteristics internally into your organization.



We found that in a legacy organization, if you apply fully four out of the 10 characteristics, depending on your industry and size of company and so on, four out of 10 will give you a 10X ,a deployment capability.Number four is kind of do this disruption for yourself, but do it at the edge of the organization pointing outwards.



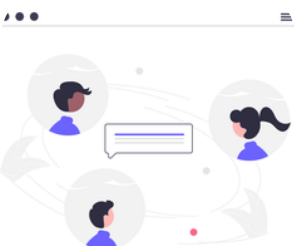
For example, Larry Page came to me a few years ago and said, Hey, your unit at Yahoo is really successful. Should I do that at Google? And I said, no, because you'll have this immune system response, but do something like it, keep it stealth pointed away and you see the result. There are lots of other pieces to it, but he, he took that on to some extent, we have see the result with Google X, where they have their core ability to manage information and they use hardware to go into adjacent spaces.



Google car, Google contact lenses, Google loon and so on. The master of that technique, by the way, is Apple, a hyper successful company and yeah, they have a great design capability and a great technology supply chain. I will argue that Apple's core capability and core value add and core disruption is actually organizational.



Because what they do, unlike anybody else in the world is they'll form a small team that's really disruptive. They'll take them to the edge of the organization. They'll keep them completely stealth. And they'll say to them, go disrupt another industry. Right. And nobody does this. So they started with what music and then phones and then tablets.



And now. Retail watches, payments, cars. There's literally no limit to their market cap. They can just keep knocking over industry after industry by creating new, disruptive things at the edge and folding it back into the iTunes platform. So today, if you're not the disruptor, you're disrupted. And pretty much, you have to make a binary choice as to which side you will be on.



And so the two, several suggestions for larger organizations, do this education, do the ExO at the edge, put four characteristics inside your core mothership and invest in these things is a critical piece of how you adapt your old organization to a new one. In the book, we have this ExO diagnosis survey where you can actually score how flexible and [00:04:00] adaptable your own organization is.



And we actually went on CNBC three years ago and ranked the fortune 100. We took all of the fortune 100 companies and scored them on how adaptable and flexible and how exponential, they are. Here's the full list, as you can see.



And we now have really interesting evidence, Hult business schools did an academic research project and found that your stock market performance correlates to how flexible and adaptable your organization is.

Which makes sense, right? As the external world becomes more volatile, your ability to adapt is going to drive market value. Even more interesting if you had invested it in the top 10, most flexible and adaptable organizations on our index over the last two, three years, you would outperform the S&P by more than three times.

And so there's very compelling numerical and money evidence, value evidence, stock market performance evidence that having an ExO model fundamentally has you outperformed the status quo?