

How to Build an Exponential Organisation

Author: Benjamin Sombi . February 2020

Every creative and smart business leader or executive is looking for ways to make their company stand out of the crowd. This is not about beating the competition but dominating the market and make competition irrelevant. But how does that happen? It is about creating an exponential organisation through exponential value.

How do these executives deliver exponential value? The answer may not be what you think. It is about creating an exponential mindset. It is about divorcing from the incremental mindset that focuses on creating incremental linear achievements.

What is an exponential organisation anyway? According to the former Head of Innovation at Yahoo and founder of Silicon Valley innovation hub Singularity University, Salim Ismail, "An Exponential Organization is one whose impact or output is disproportionately large -- at least 10 times larger -- compared to its peers because of new organizational techniques that leverage accelerating technologies. In other words, it grows faster, bigger and cheaper than its competition because it has a Massive Transformative Purpose and scales as quickly as tech does."

Most business leaders have an incremental mindset. They plan and see a clear path where they have to move from one point to another. The steps are well structured or arranged with one leading to the next. There is nothing wrong with this way of thinking. Most probably, that's what enabled many organisations to be where they are today. But, real growth and dominance come through taking exponential leaps. It is about thinking exponentially.

Exponential thinking is about discovering how to make a vertical leap in growth. It is about creating increasingly greater achievements at a faster rate. As the Harvard Business Review explained, "The incremental mindset focuses on making something better, while the exponential mindset is makes something different. Incremental is satisfied with 10%. Exponential is out for 10X."

We living in exponential times. Most of the things, technologies and industries are changing at an exponential rate. Research has shown that; the cost of computing, bandwidth and storage continues to decline exponentially; the cost of renewable sources of energy such as solar and wind is declining exponentially; Human Longevity has doubled the last 100 years; education and literacy has grown exponentially, becomes everywhere available and cheaper; world poverty is declining exponentially and today small companies are able to do things that in the past only governments or big multinationals could do, for example, Space X versus NASA, Facebook, Instagram with 13 employees had a valuation of 1 billion).

I heard about the time when having a photograph was expensive. From the cost of the film, mailing or hand-delivering the film and then processing the film was about a dollar or more in USD terms. This is

the time when people had to conserve and manage their photos and film rolls to make sure there are no wasted shorts. Well, something revolutionary happened. Today, the marginal cost of taking an extra photograph is zero. Using the linear improvement model or mindset, it would have just diminished slightly. Like it's not enough, even the storage of the photos themselves became all but free.

We are living in exponential times but our mindset is thinking linearly. According to the co-founder and executive chairman of Singularity University Peter Diamandis, human beings are programmed to think locally and in a linear format. He said we have a biological shortcoming of seeing the world as linear even though current change is exponential. Although this biological shortcoming is not our fault, the world and technology do not feel sorry.

This linear thinking is evident in many predictions done by well-known industry experts. For example, a well-known consulting firm McKinsey & Company predicted that there would be fewer than 1 million cellular phones in use by 2000 and advised AT&T not to enter the mobile telephone business. AT&T missed out on one of the biggest business opportunities as by 2000, there were one hundred million mobile phones manufactured and being sold to people.

Gartner Group in 2009 predicted that by 2012, Symbian would be the top operating system for mobile devices, with a 39% market share. They predicted that Android would hold just a 14.5% market share. What happened? From the end of 2012 up to date, Android has overtaken even the Apple iPhone OS and today dominates the mobile world, with over 1 billion Android OS shipments just in 2014. Symbian shut its doors at the end of 2012 after shipping only 2.2 million units in Q4 in 2012.

A venture capitalist Vinod Khosla conducted research to review the predictions that leading mobile industry experts and analysts on the growth of mobile phones from 2000 to 2010. The research showed that the collective estimates of the experts in 2004 predicted a 16% growth but by the end of 2004 the increase was 100%. In 2006, the analysts estimated sales would increase just 12% and they doubled again. The research indicated that, despite the previous failures, in 2008 these very same experts predicted a stingy 10% growth, only to see the number double yet again. What! Another 100% leap again.

How come all these mobile experts whom corporations and governments worldwide relied upon their long-term strategic planning were wrong with those huge margins. It goes back to the way we think. We are programmed to think incrementally as Peter pointed out.

What are some of the ways business leaders and executives use to create exponential growth?

- 1. Set an ambitious vision and get comfortable with uncertainty.**

The former IBM CEO Ginni Rommety once said, "Growth and comfort do not coexist."

Think about it. Imagine if Steve Jobs had not applied an exponential mindset. Apple would probably still be a two-man operation running out of a garage if they didn't "think different". Look at Amazon's vision, "to be earth's most customer-centric company and a place where people can come to find and

discover anything they might want to buy online,” Facebook’s vision, “make the world more open and connected,” Google’s vision “to organise the world’s information,” and Airbnb vision “to create a world where all 7 Billion people can Belong Anywhere.”

These were all ambitious visions. The leaders applied an exponential mindset. They all wouldn’t be where they are without setting those visions and get out of their comfort zone to bring that to reality. Exponential strategies have in-built uncertainty. There is no step by step plan. You can’t really draw a straight line. As HBR explained, the exponential mindset helps you become comfortable with uncertainty and more ambitious with your vision.

1. Be Patient

The author of the 10X Rule Grant Cardone said in his book, “Never reduce a target. Instead, increase actions. When you start rethinking your targets, making up excuses and letting yourself off the hook, you are giving up on your dreams!”

When you look at any exponential graph or hockey stick graph, the first building phases are very dark. They show no progress if it’s not negative. They are characterised by losses. After some time of persistence, the results start to change. The graph starts to bend and great returns start to manifest. That’s the nature of exponential change.

As human beings, we get impatient when we don’t see immediate results or progress in whatever we do. It’s the way we are raised. We can’t help it but compare the exponential path with the incremental path. If we spend 10% of our time, we assume we should be 10% of the way to our destiny. If we don’t see that progress, we go back to our normal ways that were showing some results. This is what Mark Bonchek and team call the “expectation gap,” where the exponential strategy is at greatest risk from the incremental mindset. It’s where many companies abandon the exponential model for the incremental. This is where patience is the best competitive advantage.

As an executive or business leader, pay attention to when people get the most impatient for results. This is the point you have to strong on your exponential mindset. It will help you have the courage to persevere and the patience to see it through.

1. Embrace Failure

Thomas A. Edison once said, “I have not failed. I’ve just found 10,000 ways that won’t work.” To finally see light when adopting the exponential model, embrace failure. As J.K. Rowling explained it, “Failure is so important. We speak about success all the time. It is the ability to resist failure or use failure that often leads to greater success. I’ve met people who don’t want to try for fear of failing.”

You won’t achieve great results if you don’t handle some failures along the way. Google could have not changed the internet to the way we know it today if they didn’t face any failure. Apple failed a lot when they were developing the iPhone. Those failures enabled them to create an extra-ordinary device. As you take on the exponential journey, always remember failure is part of the equation.

1. Move fast and take control.

Agility is everything. After you manage to navigate the period of zero growth or losses, you will enter the phase you need to manage the revenue and rapid growth.

Growth under an incremental mindset is different from that of an exponential organisation. For example, we may assume that as the organisation grows, we need more people to maintain success. This is not always the case. An exponential executive should find a way to measure how a 1X input will create 10X additional results. The perfect example is Instagram that achieved a 1 billion valuation with just 11 employees. My mentor once said, half the people, double the results.

Executives also need to apply an exponential mindset to how they manage the resources they have. Instead of controlling the people, control the systems and principles. They have to stop making decisions and empower subordinates to make decisions. But the anxiety feeling may kick in again and push them off the exponential way to the increment mindset. The exponential mindset helps to grow output faster than input, and empower teams to achieve both alignment and autonomy.

In summary business leaders, executives and everyone within the organisation need to change from the increment mindset to the exponential mindset. Exponential growth and solutions are the only answer to the problems we are facing today.

Benjamin Sombi is a Data Scientist, Entrepreneur, & Business Analytics Manager at Industrial Psychology Consultants (Pvt) Ltd a management and human resources consulting firm.

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