

# ***Impact of the Exponential Organizations ExO concepts in the traditional model of the firm...***

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## ***Integrating the ExO concepts in a new working model for companies...***

### ***Summary***

*We're seeing an exponential growth of new technologies, with huge impacts in business and in our daily lives. This represents a significant opportunity for all types of companies, especially for those operating in the turmoil where several new technologies come together (fintech, big data, artificial intelligence, augmented reality, IoT, 5G, new power sources, to name a few).*

*But this fact alone doesn't assure that any technological company will achieve high speed growth. Generating business with 10x factors implies changing the way we see companies. The main change of paradigm is to extend the operation of the firm much further than its physical perimeter, to include distributed platforms, assets, and resources, as well as to truly engage communities and crowds in the company's success.*

*The company needs to follow a transcendent purpose, with the power to seduce many people into the corporate dream, bringing in their own work, passion, and assets to the formula. This is what really paves the way to scaling and obtaining a 10x performance.*

*In this paper, we review how the ExO components can be integrated into a new working model of the firm, to help managing it towards a better performance and to fast growth.*

### ***Analysis***

*Companies should deliver value-added products and services to the markets and customers they serve. At least, they should have the potential to do it...*

*For that purpose, companies must mobilize different types of capitals and resources, including financial, human, knowledge, technologies, and corporate reputation, among others. Suppliers of goods and services also play an important part in the formula, as well as many other stakeholders, such as investors and regulators. Also, in the past few years, local and global communities have acquired a major role in providing de facto "licenses to operate", imposing demands on how goods and services should be conceived, marketed, produced, distributed, used, and recycled.*

*To articulate the operation and evolution of the firm, several components must be in place, including a set of values and some type of corporate culture. Also, the formulation of a mission and a vision are mandatory to orchestrate the business efforts. These statements should be followed by the definition and implementation of several strategies at the corporate, business, and functional levels. The above founding components are essential to align the company, especially when hard times arrive and when fast decisions must be made, to cope with the pace of crisis and changes.*

*Companies also require different business processes to achieve their mission, based on some type of organization, whether using formal or informal structures. This whole ecosystem gives rise to what we could call the workstyle of the company, characterized by the type of leadership, government and labor relations established within the firm.*

*All these components can be arranged in what we will call the traditional model of the firm, that uses many well-established concepts generated from previous research on this topic<sup>2</sup>. A basic arrangement showing the main components involved is depicted in*

*Fig. 1.*

*Some components typically lie within the boundaries of the firm, and there is an important exchange of goods, services, and information with other actors of the business environment, through networks and through marketing, sales, and supply chains. Some resources will be owned by the company and located inside its premises, but others may belong to third parties.*

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<sup>2</sup> See, for example, "The RBV of the firm" Barney, J.B. and Arikan, A.M. (2005). *The Resource-based View*. In *The Blackwell Handbook of Strategic Management* (eds M.A. Hitt, R.E. Freeman and J.S. Harrison).

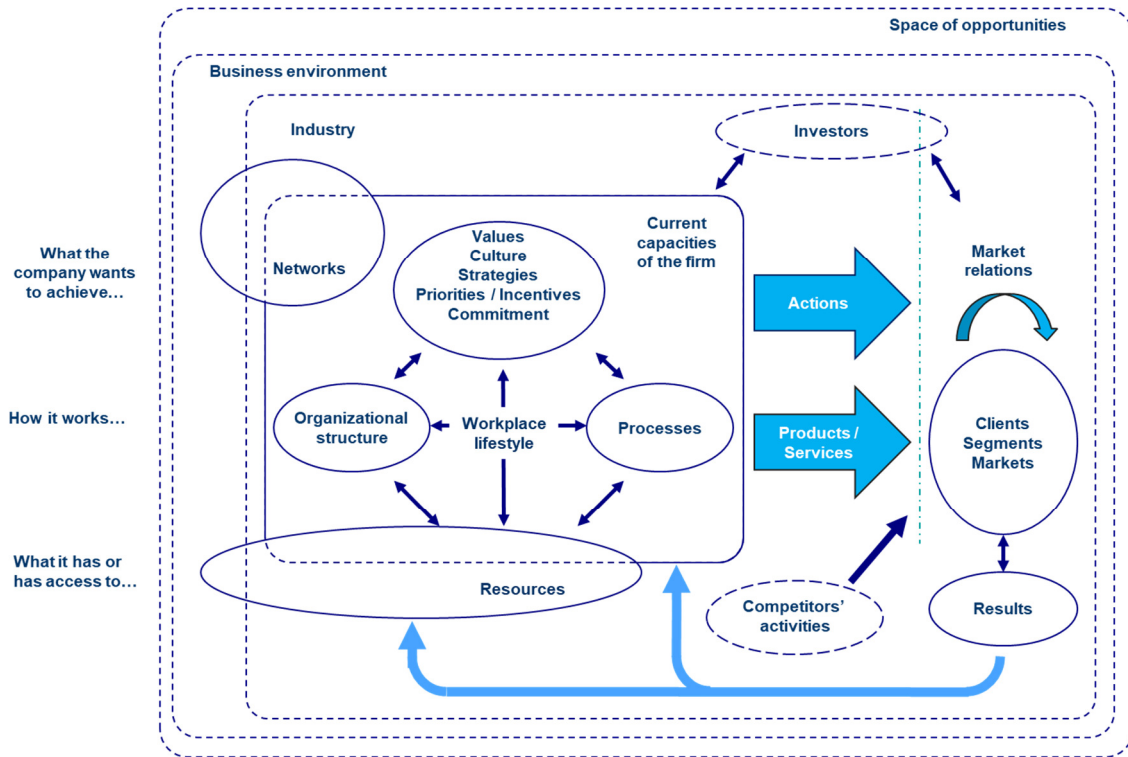


Fig. 1.- A somewhat traditional model of the firm.

With this model in mind, we now explore the basic concepts of the ExO model<sup>3</sup>, as depicted in Fig. 2. These components will be used to enrich the previous model of the firm.



Fig. 2.- The 3 basic components of the ExO model.

The first and most powerful concept of the ExO model refers to adopting a massive transformative purpose (MTP) for the company. The idea goes far beyond the traditional visualization of the mission of the firm, now addressing the way your company is going to change the world. Due to its vastness, it pervades much further than the internal perimeter of the firm, and has effect on its most relevant stakeholders, including its markets, customers, and investors. A powerful MTP will produce a generalized perception of why this company should exist and why it is highly valuable to society.

The left side components of the ExO model are resumed as follows:

- S Staff on demand
- C Community and crowd
- A Algorithms
- L Leveraged assets
- E Engagement

<sup>3</sup> See, for example, Ismail, S. (2014). *Exponential Organizations: Why new organizations are ten times better, faster, and cheaper than yours (and what to do about it)*. Diversion Books.

Some of these concepts point to the idea of making the perimeter of the firm much more diffuse, transforming the crowd into an extended community, highly engaged with the operations of the company. This extension applies to hiring staff on demand and to using leveraged assets, which will probably not be owned by the company (i.e., UBER cars).

With respect to algorithms, the ever-growing importance of big data intelligence and the application of artificial intelligence indicates the need to explicitly incorporate into the model an extended technological platform, whereby the company gains access to these technologies, either directly or through associations with third parties.

The components of the other branch of the ExO model include:

- I Interface processes
- D Dashboards
- E Experimentation
- A Autonomy
- S Social technologies

Since we have extended the realm of the company much further than its physical limits, the active participation of multiple stakeholders, communities, and crowds, and their enhanced interactions require the necessary interface processes. Dashboards also gain importance, allowing visibility of all actions and adding monitoring and coordination capacities to the firm.

We understand experimentation as the need for innovation, with the necessary tolerance to failure as a way of learning. These characteristics fit very well into the culture and workstyle of the company. So does the requirement of autonomy and of distributed intelligence for decision taking.

With regards to social technologies, they are inherently of a distributed nature, and have become crucial in the interaction with and between the internal staff, the communities, and the crowds. We think they fit very well with the data processing and AI platforms.

With the above-mentioned concepts, we have generated an enriched ExO model of the firm, as shown in Fig. 3. As can be seen, the pervasive presence of a massive transformative purpose is essential to mobilize the whole system. Also, the extension of the staff, assets, and resources outside of the firm's perimeter are crucial.

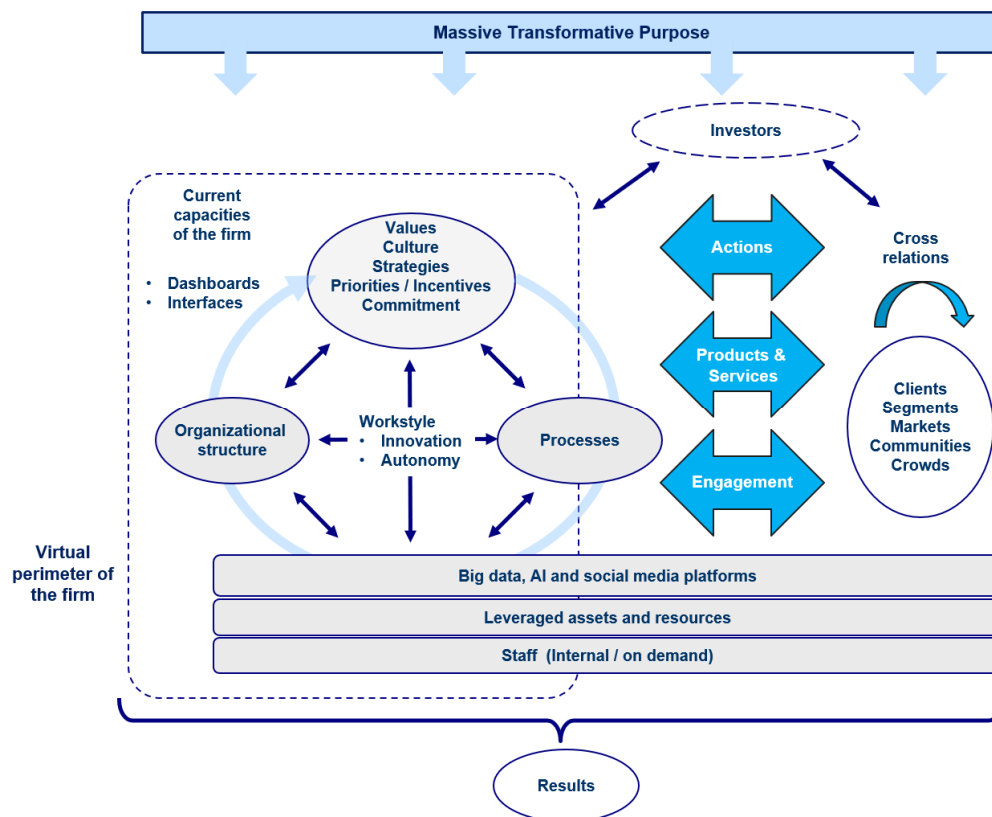


Fig. 3.- An ExO enhanced model of the firm.

*It is the use of these extended capacities, resources and stakeholders around the firm that makes the difference, providing a fast development of the company towards growth and profit, with minimal investment and resources, with fast traction, and high scalability. These are the main ingredients to achieve the full potential of the firm and to obtain the 10x performances we are looking for, with the consequent impact in the generation of wealth and welfare for the society.*

