How exponential organizations outcompete(d) their traditional counterparts (in the past eight years)?

Péter Kristóf
OpenExO Research, Dover, Delaware, USA and
Faculty of Business and Economics, University of Pécs, Pécs, Hungary, and
Chander Nagpal
OpenExO Research, Dover, Delaware, USA

Abstract
Purpose – Exponential organizations (ExOs) are purpose-driven companies that leverage exponential technologies and exponential business practices to grow and scale rapidly, transform industries and create massive value and impact. In contrast, non-ExOs follow a linear approach to business and organizational strategy design and execution. This study aims to validate the hypothesis, based on financial metrics, that ExOs outperform their competitors and linear counterparts. Furthermore, it also brings a new understanding of the gap raised in the past eight years about how ExOs can achieve significantly better performance, measured with financial metrics.

Design/methodology/approach – For measuring how exponential an organization is, this study elaborated a completely new assessment tool called Exponential Quotient (ExQ). This study applied ExQ to the 100 largest US headquartered companies as ranked by Fortune magazine in 2014. Calculating the ExQ enabled this study to rank these Fortune 100 companies and identify the most and the least exponential firms. This study tracked these companies as to how they performed on different financial metrics over the eight years of 2014–2021 and analyzed the results.

Findings – Through the analysis, this study revealed that the top 10 ExOs have significantly outperformed their bottom 10 non-exponential peers, delivering 40x higher shareholder returns, 2.6x better revenue growth, 6.8x higher profitability and 11.7x better asset turnover. Furthermore, this study could identify commonalities and similarities between the two groups. This means that ExOs can thrive even in tough times and that accelerating technologies unlock abundance and allow every organization to become a disruptive innovator and stay ahead of the competition. These are novel results in the research focusing on the gap between exponential and traditional organizations.

Research limitations/implications – Using the ExQ diagnostics tool, every organization can see how flexible, scalable and agile they are, which is the starting point for an exponential transformation program. Although this approach has already found its way into practice and is applied globally by thousands of organizations (startups, scaleups and incumbents), so far, the academic establishment is in its nascent phase. With this research, the authors wanted to extend this field of science. On the other hand, because of its novelty, no appropriate previous studies existed to compare the results.

Practical implications – The possible implications showed that there is a plannable way for significantly increasing an organization’s ExQ and advance it from a linear toward an exponential organizational model.

Originality/value – The results validated the robustness of the ExO framework and philosophy and shed light on the importance of exponential transformation – a proven method to increase an organization’s ExQ.

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This framework is not a “how to be successful” guide. Instead, it uncovered some of the previously unknown and universal mechanisms of scalability – which, in turbulent times, make companies successful (based on financial metrics). To the best of the authors’ knowledge, this study was among the first kind of in-depth analyses to validate the whole ExO model.

Keywords Disruptive innovation, Thought leadership, Exponential organizations, Exponential Quotient, Exponential technologies, Exponential transformation, Massive transformative purpose

Paper type Research paper

1. Introduction: the new quest of organizational transformation (in disruptive times)

In the 21st century, organizations, including multinationals, startups, government bodies, non-governmental organizations and academia, possess unprecedented innovation capabilities that have never been witnessed in human history. This is primarily attributed to the rapid advancements in exponential technologies, which result in a doubling of capacity or performance, or halving cost every 12–24 months or even at a faster pace (Kristóf, 2016). These advancements enable and offer opportunities for organizations to address contemporary business problems and global grand challenges in previously unimaginable ways, such as those seen at new space startups, breakthroughs in molecular biology or material sciences (to name a few out of dozens of such examples). Accomplishing this requires novel organizational designs that can unlock their potential to adapt and capitalize on the opportunities presented by the rapid developments in progress in today’s disruptive, volatile, uncertain, complex and ambiguous era (Diamandis and Kotler, 2012).

In such times, the purpose of any organization’s innovation endeavors and the mission of organizational transformation is twofold: provide the best possible organizational design to maximize innovation performance; and empower leaders with data about how to continuously transform to stay ahead of the competition (Bayhan and Korkmaz, 2021). The problem with this mission is the absence of a relevant and robust toolbox to explore and judge the current organizational layout and to create the required transformation program to enhance agility and innovation performance. Differently said: exploit the core and make it more resilient, and in parallel, explore and disrupt on the edges, all without hefty immune responses, which typically and immediately kills innovation.

The onset of the 21st century has witnessed not only accelerated change and disruption but also the emergence of a new breed of organizations that have revolutionized how to achieve superior performance benchmarks and grow faster than their peers. In 2014, a seminal book titled Exponential Organizations by Salim Ismail was released to decode and share the secret sauce behind such radically better business performance. The book also coined the term and defined exponential organizations (ExOs) (Ismail, 2014).

ExOs are purpose-driven companies that leverage the exponential development of a broad spectrum of about 30 digital technologies and their combinations (which we call exponential technologies, e.g. artificial intelligence (AI), blockchain, robotics, drones, digital biology, new materials, internet of things, etc.) to grow and scale rapidly, transform industries and create massive value and impact. They outcompete traditional organizations by being highly agile, leveraging network effects, thus enabling them to innovate faster and achieve significantly more significant impact with dramatically fewer resources. In general, an ExO is expected to see powerful outcomes – more excellent customer responsiveness, higher employee and partner engagement and better financial performance in terms of revenues, profitability, return on capital and higher levels of resilience (Ismail, 2014).
The aim of transformational strategy is apparent: transform conventional, linear organizations and make them exponential. The problem with this is that it is easier said than done. Transformations do not happen overnight. There is a need for a clear path, structure and methodology that can be followed by a wide range of organizations wanting to achieve scaled impact and turn to be an ExO. Many organizations have done this successfully. More have failed. So, the main questions are as follows: Why every organization should transform, that they not only outperform their competitors but scale their (positive) impact? and How innovation management tools and methods should provide transparent support in this journey? (Ismail et al., 2019).

2. Literature review
The comprehensive literature review of ExOs is described in the following sub-sections. It provides the concept, definition and impact of ExOs, introduces into the identified research gap and presents a tool for measuring ExOs.

2.1 Exponential organizations: concept, definition and impact
Before the 21st century, business models were built on scarcity: organizations were trading with or offering scarce resources, trying to buy or create them cheap and sell them expensive. In such cases, if you did not have a scarcity, you did not have a business. As Ronald Coase, a Nobel Prize-winning economist described in his seminal work, “The Nature of the Firm” (Coase, 1937), that by organizing activities under a single managerial hierarchy, firms can sometimes achieve efficiencies that the market, with all its transaction costs, cannot.

On the contrary, 21st-century growth is built on abundance (created by exponential technologies and disruptive innovations, e.g. digital photography). Abundance-based business models use network effects to create what Ray Kurzweil describes as accelerating returns to scale (Kurzweil, 2004). The key difference is that scarcity-based business models are linear, while abundance-based models are exponential. This is shown in Figure 1.

The abundance-based organizational model started to emerge at the beginning of the 21st century and its application resulted in highly scalable organizations. These highly scalable organizations differ in agility and impact from the existing models (Joy, 2000). As outlined by

![Figure 1. Incremental vs exponential thinking and technologies](source: Bonchek (2016))
Salim Ismail: “An exponential organization is an organization whose impact (or output) has increased disproportionately (at least ten times) compared to its peers, with the help of rapidly evolving digital technologies” (Ismail, 2014, p. 16). According to this functional definition, one hypothetical requirement to become an ExO is based on Michiel Muller’s contemporary rule: “It takes nine times as much improvement to get people to switch from an existing product to a new product by a startup” (Diamandis and Kotler, 2020). If ExOs deliver 10x better, faster and cheaper performance levels, convincing users to switch, becomes obvious. These organizations follow the 6D concept of disruption: digitized, deceptive, disruptive, demonetized, dematerialized and democratized – see Figure 2 (Diamandis and Kotler, 2020).

It is described in this way because digitized technology can cause an organization to enter a period of high growth that is not easily detectable to the outside world (deceptive), and such rapid growth will become disruptive with technologies that dematerialize, demonetize and democratize the organization’s products or services (Diamandis and Kotler, 2012; Zhang et al., 2023).

ExOs use a wide range of digital technologies to shift products and solutions from a physical substrate to a digital one. This is how they dematerialize and demonetize whole markets and democratizes fields originally built on scarce resources and limited access. All these result in seismic shifts, disrupting well-known industries together with well-known players and brands – in many cases, just in a few months or years. ExOs achieve disruptions by design and not by chance.

Figure 2.
The 6Ds of ExOs

Source: Design based on Diamandis and Kotler (2020)
ExOs have 11 attributes (common elements), including a massive transformative purpose (MTP), i.e. a remarkably high aspirational purpose or intention. The attributes are differentiated into two types, SCALE and IDEAS, and they are related to the creative (right) and rational (left) hemispheres of the brain (Figure 3). The acronym SCALE reflects the five external attributes, and IDEAS the five internal ones. The five externally focused (SCALE) ExO attributes allow organizations to access global abundance. Access to existing untapped abundance (created by harsh digitalization and exponential technologies) is the basis for building an ExO. The other five internally focused (IDEAS) ExO attributes enable organizations to manage abundance and drive culture, allowing them to grow exponentially (Diaz-Piloneta et al., 2021).

These special types of organizations are the new threat for incumbents. In the Fortune 500 list, the average life expectancy of an organization was 67 years in 1920. Now it is down to 15 years (see Figure 4). And what is the biggest impact of ExOs? Extrapolating the trend results that in 10 years, 40% of the biggest companies and most well-known brands will disappear from the list (Viguerie et al., 2021) and will be replaced primarily by ExOs.

As in the past six decades, ExOs have surged ahead of traditional competitors also in the past eight years by embracing agility, scalability, decentralization, global talent networks, innovation, data-driven decisions, customer focus and open collaboration. Traditional organizations must adopt these principles to remain competitive (Alfaouri et al., 2021).

Owing to their agility, scalability, decentralized and data-driven decision-making, global talent networks, customer-centric approach, purpose-based culture of continuous innovation and open ecosystems, ExOs have outperformed their conventional counterparts in the past eight years. Their ability to scale effectively, create customer-centric solutions and adapt quickly to shifting market conditions gives them a considerable competitive advantage. To compete in the fast-paced business climate of today, traditional firms must adopt comparable models (Balanagarajan and Kabaly, 2018).

In recent years, a similar approach called Blitzscaling has also emerged. The two (ExO and Blitzscaling) concepts are similar, as both emphasize quick growth and scalability as primary objectives and rely heavily on technology to drive growth and efficiency. But they

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**Figure 3.**

ExO attributes

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**Source:** Diaz-Piloneta et al. (2021)
have more differences: ExOs focus on leveraging exponential technologies and a transformative purpose, emphasizing attributes such as community, algorithms and a lean startup approach. Blitzscaling, on the other hand, prioritizes speed over efficiency in the pursuit of market dominance, often involving high risk. Blitzscaling involves investing heavily and rapidly to scale up, often at the cost of short-term efficiency. ExOs generally seek more balanced, sustainable growth strategies that leverage existing resources and networks. ExOs integrate an MTP or social good into their business model, whereas Blitzscaling is primarily focused on rapid market capture and growth (Hoffman and Yeh, 2018).

To measure the success of ExOs over traditional counterparts, a measurement tool called Exponential Quotient (ExQ) was elaborated by Ismail (Ismail et al., 2019).

2.2 Measuring exponential organizations: the Exponential Quotient
Not all ExOs must have the eleven attributes mentioned earlier, although the more they have, the more exponential they tend to be. At least four attributes plus a powerful MTP are necessary to become exponential. Ismail et al. (2023) suggest that organizations with a high ExQ are more likely to succeed in today’s rapidly changing business environment, where modern technologies and disruptive business models can quickly upend established industries.

Based on the 11 attributes, a diagnostics tool called ExQ was created as an aggregate score compiled from responses to a survey that reveals where an organization stands against the 11 exponential attributes. This measures the ability of an organization to leverage exponential technologies to create disruptive innovations across different elements of its business model and achieve exponential growth. The ExQ is calculated using a survey that asks 1–3 questions about the maturity of each attribute – how advanced the organization is in that particular dimension. The survey can be used either as a self-assessment tool or might be applied by external experts and analysts to score the attributes based on publicly available information (e.g. annual reports).

2.3 Research gaps
In the past eight years, significant research gaps have been raised in understanding how ExOs outcompete traditional counterparts, including technological impact, ecosystems,
sustainability, data privacy, globalization, regulation, resilience in crises, talent management, market strategies, financial performance, business focus (short-term vs long-term) and social responsibility. These gaps warrant investigation to comprehend the evolving dynamics of competition in the business and organizational landscape.

Additionally, research should delve into the dynamics of ecosystems and partnerships. ExOs increasingly rely on interconnected networks to achieve their goals, and analyzing how these dynamics contribute to their competitive edge compared to traditional counterparts is essential. These dimensions can be measured based on the 11 attributes, using the ExQ as a comparison tool.

Prior metrics such as the ExQ mainly focused on financial outcomes, operational efficiencies and customer satisfaction. The novelty of ExQ lies in its emphasis on measuring an organization’s ability to adapt and grow exponentially in the face of rapid technological and market changes. Unlike traditional metrics that focus on linear growth and efficiency, ExQ assesses how well a company leverages exponential technologies, innovative business models and a transformative purpose. This focus on adaptability, scalability and agility in leveraging new technologies and community engagement is what sets ExQ apart from former methodologies.

### 3. Research methodology

The ExO model was elaborated by Salim Ismail and published in the book titled *Exponential Organizations* (Ismail, 2014). The model introduced the assessment tool called ExQ. This enables calculating the ExQ of any organization based on a 21-question survey. In 2015, a global team of experts calculated the ExQ of the Fortune 100 (F100) companies. The selection was based on the fact that the average lifespan of those companies was sinking dramatically (Viguerie et al., 2021), and we wanted to demonstrate that transformation is not just a necessity, but it is possible even for the biggest companies. The research resulted in a rank list identifying the top 10 most ExOs and the bottom 10 least ExOs. We tracked the financial performance of these companies (using Refinitiv data sets) and analyzed how the top 10 and bottom 10 have performed.

In this chapter, we outline the ExQ assessment tool. This is followed by introducing the data and analysis method. The research has an explorative approach: We wanted to check how the ExO model and the ExQ assessment tool have stood the test of time. Furthermore, we also wanted to learn from successes and failures to extend our exponential transformation method for increasing organizations’ ExQ.

In essence, an ExQ is a metric that reflects an entity’s capacity to harness technology, innovation and other exponential factors to create growth and impact. It is a way to assess how well an organization can navigate the challenges and opportunities presented by rapidly evolving technologies, markets and consumer behaviors.

A high ExQ suggests a solid ability to leverage emerging technologies, embrace innovative practices and remain agile in the face of change. It implies a proactive approach to disruption and a willingness to experiment and adapt to new trends. In contrast, a low ExQ might indicate resistance to change, reliance on traditional methods and a vulnerability to being left behind in a rapidly changing landscape.

Measuring ExQ can involve assessing factors such as technological adoption, innovation culture, adaptability and the ability to scale rapidly. Organizations with high ExQ are often more competitive and capable of driving growth and success in an era characterized by exponential change.
3.1 Data

Our research hypothesis was that – based on financial metrics – ExOs highly outperform their competitors and linear counterparts. To validate this hypothesis, we formulated the main question of our explorative research: Do the top 10 ExOs (companies with the highest ExQ on the F100 list) significantly outperform the bottom 10 ExOs based on financial metrics? To answer this question – and validate the research hypothesis – explorative research was undertaken to analyze the US F100 organizations – as ranked by the Fortune magazine for 2014 – through the lens of the ExO success formula. The ExQ scoring algorithm was applied to all 100 organizations, resulting in a ranking by the ExO approach of the F100 companies. Validating the hypothesis would mean closing the research gap around ExOs and linear organizations raised in the past eight years.

In early 2015, a global team of experts collaborated with Hult University to assess the F100 companies in terms of how well they embraced the different individual exponential attributes.

To achieve this objective, each of the US F100 organizations was assessed by leaders from the OpenExO community for their ExQ. The organization’s ExQ is the aggregate score compiled from responses to a 21-question ExQ survey that reveals where an organization stands against the ExO attributes – MTP + SCALE + IDEAS.

This research established the top 10 ExOs (the most scalable and adaptable) and the bottom 10 non-ExOs (the least scalable and adaptable) amongst the F100 firms. Furthermore, the study also asserted that most ExOs would deliver higher levels of resilience and impact. This is what we were expecting in 2014–2015. Figure 5 shows the top 10 and bottom 10 companies and their ExQs.

3.2 Analysis

In 2022 we decided to look back and see what has happened to these top and bottom 10 organizations. So, the main goal of our most recent research was to determine how the top 10 ExOs and the bottom 10 non-ExOs performed over the years from 2014 to 2021.

Since the ExQ assessment was undertaken eight years back, the business world has become even more volatile, uncertain, complex and ambiguous. Furthermore, the COVID-19 crisis certainly brought along an even more rapid acceleration of change (Setyoko and Kurniasih, 2022).

In the first phase of our research, we set out to analyze how the top 10 exponential and the bottom 10 non-exponential F100 organizations have performed over the years. Given the absence of robust data sets providing business performance data and information across key operational, customer, employee and social metrics – we focused on the financial performance metrics and financial ratios. We assumed that financial metrics are the most reliable indicators of organizational performance in the current business environment.

Figure 5. Top 10 (left) and bottom 10 (right) ExOs on the F100 list

Source: Nagpal (2022)
4. Insights and managerial implications

In this chapter, we derive the key results of our research: what happened to the top 10 and bottom 10 ExOs on the F100 list between 2014 and 2021, and how they were performing measured against various financial metrics.

Our findings also closed the theory gap between ExOs and linear organizations and validated our research hypothesis that ExOs outperform their traditional counterparts — measured with the selected financial metrics.

4.1 The past eight years of exponential organizations

A total of 12 of the F100 organizations from the 2014 rankings got acquired by their competitors or by private equity organizations, with Express Scripts Holdings (ranked 20th on the Fortune list in 2014) and United Technologies (ranked 45th) being the notable ones besides Aetna, Safeway, Sears, Supervalu, Tesoro amongst others. Except for DirecTV (ranked 12th on the ExQ amongst the F100 assessed), all the other 11 organizations had scored low on the ExQ in 2014.

Another 11 lost the tag of being one of the largest 100 organizations. Their revenues were lower than the US$31.5bn threshold (Tesla’s revenues, which ranked 100th in the 2021 list).

The most notable organizations that witnessed a significant drop in their ranks and fell out of the F100 list included United Continental Holdings, which went down 122 spots from Fortune 2014 rank 78th to Fortune 2021 rank 200, and ConocoPhillips dropping by 109 places — from 47th in 2014 to 156 in 2021. Once again, all these 11 organizations had scored low on the ExQ in 2014.

With these 23 departures, we also witnessed 23 new entrants into the F100 big league. The most noticeable one is Facebook, which moved up from 341st position amongst Fortune 500 in 2014 to become the 34th largest organization in 2021, an actual 10x jump.

At the same time, the highest-ranked ExO amongst the F100 — Alphabet — jumped 37 ranks between 2014 and 2021 from 46th to being ranked 9th in 2021. Similarly, the second-highest ranked ExO, Amazon, moved up 33 spots from 35th to become the second-largest Fortune organization. So, if Fortune rankings based on revenues matter — the top 10 ExOs proved that flexibility and adaptability provide the relevant booster rockets.

The most important question is, then, how these organizations achieved these results. The answer could be summarized as ExOs thrive, and they also show excellence in financial metrics.

4.2 Exponentials thrive

The 2014 ExQ assessment revealed that the top 10 ExOs amongst the F100 were adopting a different business and operating model — compared to using the ExO model. They were 1.9x more likely to have a distinct focus on making a difference from a holistic perspective and creating a positive, sustainable impact for all stakeholder categories — customers, employees, supplier partners, shareholders and the broader society — and have an MTP. Furthermore, they were 1.8x and 2.2x more progressive than their bottom ten peers in building capabilities of scalability and adaptability to succeed in the 4th Industrial Revolution. This can be seen in Figure 6, which shows the differences in the ExQs of top and bottom ExOs — a new understanding of the gap raised in the past eight years about how ExOs can achieve significantly better performance, measured with financial metrics.
In terms of purpose, the non-ExOs typically were driven by a mission of purely growing shareholder returns, maximizing profits or delivering the best products and services. Sometimes, they loosely defined a purpose without truly living by it. “Provide innovative commercial expertise and strategic business solutions that support our business partners and maximize shareholder value,” communicated as the purpose of one of the bottom 10 non-ExOs, demonstrates the linear and limited approach.

On the other hand, ExOs aspire to serve not just their end customers but bring positive change to their entire ecosystem of employees and external stakeholders, society and the environment. Alphabet aims to “organize all the world’s information and make it universally accessible and useful,” and Microsoft has shifted from “a computer on every desk and in every home” to its new purpose “to empower every person and every organization on the planet to achieve more” signify the massive transformative focus on external impacts.

Similarly, regarding Community and Crowd, the exponential attribute under SCALE, the non-ExOs typically interacted with their customers and partners in a one-to-many conversation or used them for market research and other listening activities. They did not engage beyond traditional marketing, public relations and conventional customer relationship management/supplier relationship management.

Another example is in the context of Autonomy, one of the exponential attributes under IDEAS. ExOs operated with a great deal of internal autonomy and decentralized decision-making (except for purpose, vision and culture) and had multi-disciplinary, networked and self-organizing teams as the primary operating structure across the broader organization (often including the customers and suppliers).

In contrast, non-ExOs typically operate with a traditional top-down command and control corporate hierarchy with extensive, specialized groups working in silos. They had some small multi-disciplinary teams operating away from the mainstream organization (e.g. in research and development or new product development).

4.3 Excellence in financial metrics

From April 2014 to December 2021, the cumulative market capitalization for the top 10 ExOs witnessed a 24.0% compounded annual growth rate (CAGR) compared to only 0.6% CAGR for the bottom 10 non-ExOs. The median CAGR of market valuation for the bottom
10 organizations was a negative 2.4% CAGR, whereas the top 10 ExOs returned a median positive 13.6% CAGR. With a 5.3x increase in their cumulative market capitalization, the top 10 ExOs outperformed the S&P500 benchmark index, which increased only 2.5x (@12.9% CAGR) during the assessment period.

The combined revenues for the top 10 ExOs amongst the F100 grew 2.6x more than their bottom 10 peers during the assessment period. With cumulative revenues having a 13.04% CAGR compared to a meager 0.14% CAGR for the non-exponentials, the top 10 leaped ahead through product and services R&D and business model R&D.

With median profitability (net profits/sales) of 18.68% over the assessment period, the top 10 ExOs have been 6.8x more profitable than their bottom 10 non-exponential peers. Even during the 2020 pandemic year, the profitability for the top 10 ExOs stayed buoyant at around 18.0%, while that of their bottom 10 non-exponential peers reached a negative 2.3%, hitting their rock bottom over the assessment period.

Finally, with a median asset turnover (revenues/assets) of 88.2%, the top 10 ExOs amongst the F100 have been 11.7x better at leveraging their assets than the bottom 10 non-exponential peers. In the 2020 financial year, when the COVID crisis truly tested the resilience of business and operating models of every organization across sectors and geographies, the top 10 ExOs had around 15x better asset turnover than their bottom 10 non-exponential peers.

These results further validated our hypothesis that, based on financial metrics, ExOs significantly outperform their competitors and linear counterparts.

4.4 Managerial implications
So, what have the exponentials been doing to deliver such outstanding results? To exemplify the stark differences in the approach adopted by the top 10 ExOs and their corresponding successes compared to their non-exponential peers (the bottom 10) and the corporate world, some key highlights for leaders are provided here. We introduce two ExOs as an example for implying the ExO model.

From small beginnings in 1994, Amazon has been a growth story over the past decade. Amazon's revenues have grown at a phenomenal rate of around 26% since 2013 to touch US $514bn in 2022, making it the second-largest global corporate revenue generator after Walmart.

As the erstwhile CEO Jeff Bezos once said, “Failure and invention are inseparable twins.” Experimentation and its famous flywheel have been at the heart of Amazon’s success (see Figure 7). It was ranked 2nd in terms of the ExQ score amongst the F100 and has continued to embrace and embed exponential attributes over the years.

Amazon is famous for investing tiny amounts in numerous experiments each year and watch the progress through the dashboards. Amazon makes 1 or 2 huge bets each year, having closely watched experiments. These are sometimes counterintuitive ideas until data shows otherwise. For example, inviting customers to write product reviews shifted the burden of evaluating the quality, reliability and price of products and their suppliers to customers, who benefited from a better customer experience and being given a voice. Furthermore, Amazon offered its data storage skills and infrastructure to other organizations (primarily its suppliers initially). This became Amazon Web Services, which provided 75% of profits during recent years and 50% now, but with 4x the profit margin than their retail operations, allowing Amazon to undercut competitors.

Another ExO, Microsoft, founded in 1975, has been the cornerstone of the computers or digital age over the past several decades. Over the eight-year assessment period, Microsoft’s revenues more than doubled to US$198.3bn in the financial year 2022. While such growth of
10% CAGR in revenues might be considered nominal compared to its other technology and top 10 exponential peers (Apple, Alphabet), Microsoft is undoubtedly a winner regarding profitability. It generated a staggering US$61bn net profit in 2021 – a 36% profitability ratio – double the median that top 10 ExOs delivered during the assessment period. The essence of Microsoft’s profit machine is depicted in Figure 8.

Such phenomenal results were not guaranteed at the beginning of the past decade. In the early 2010s, the invention of the smartphone led to an irreversible decline in the PC market (and Windows made up 54% of Microsoft’s operating profit!). While it did try to step into the mobile arena with a Windows phone and acquisition of Nokia – it indeed failed. To stay ahead of the curve, initially under the leadership of Steve Ballmer and subsequently Satya Nadella in 2014, Microsoft embarked on a transformation journey. To focus on the enterprise users and the cloud. This strategy called for a paradigm shift from being a closed proprietary technology player to having its solutions running on all platforms.
Microsoft pursued a two-pronged approach towards this. First, they shifted the culture from a fixed to a growth mindset where leadership and the broader organization are boundaryless in creating value by empowering its customers with the best solutions it can build with others rather than doing it alone. Indeed, this was a novel approach compared to the erstwhile winner-take-all approach to business.

This was complemented by collaborating with agile startups, scaleups and networks such as the Linux Foundation, Open Innovation Network (providing access to more than 60,000 open-sourced patents) and acquisitions such as GitHub to foster open-source solutions development. In fact, within a year of the GitHub acquisition, more than 4,500 Microsoft employees leveraged the GitHub platform, making Microsoft one of the most significant contributors. Furthermore, we need to mention the recent exponential steps by Microsoft, the US$69bn acquisition of Activision Blizzard and the US$10bn strategic investment in OpenAI. These are clear reflections of Microsoft furthering the adoption of exponential attributes – being engaged with customers, fostering experimentation by breaking the shackles of a closed-source bureaucratic modus operandi, and consciously investing in disruptive technologies and business models.

The possible implications showed that there is a plannable way for significantly increasing an organization’s ExQ and advance it from a linear toward an exponential organizational model.

5. Conclusion and further research

Over the years, the top 10 ExOs amongst the F100 have worked proactively and extensively toward sustaining and enhancing their scalability and adaptability, aka their ExQ. Furthermore, they have made five critical strategic choices and executed ten key aligned actions, the bedrock of their successes. Based on the research results, the following five practical steps are suggested if an organization intends to increase its ExQ:

1. Establish an MTP: Aspire to create sustainable value and a better future for all stakeholders. Drive moonshots and Big Hairy Audacious Goals through specific, measurable, attainable, relevant and timely objectives.

2. Lead from the front: Have an engaged and visible leadership, internally and with the broader external stakeholders. Establish a sharp vision and foresight supported by dashboards and performance dialogues.

3. Invest in dual – exponential – transformation: First, exploit the current and improve performance at the core through operational excellence and differentiation in products and services. Second, explore the future and grow at the edges through holistic business, operating and management model innovation. For this, our methodology called Exponential Transformation was created, which provides a step-by-step guide to achieving a higher ExQ ranking (Ismail et al., 2019).

4. Adopt agile ways of working: Nurture diverse talent and capabilities internally across the broader organization and with external partners. Embed experimentation and structured flexibility and foster autonomy and collaboration across the broader organization.

5. Accelerate digitalization: Leverage AI and machine learning for insights and decision-making across functions and organizational levels. Deploy the Fourth Industrial Revolution technologies (e.g. 3D printing, blockchain, robotics, web 3.0, etc.) not for mere automation and digitization but to improve and innovate the business model.
In our research and related analysis, we have identified numerous companies that have made remarkable slips, from being a top player to even vanishing from the F100 list. We can state that immunity against disruption is not guaranteed. The flip side of this coin shows that, similarly to a quick way down, there is also a shortcut to climb up fast on the ladder of giants – while disrupting almost overnight stable markets with their established players. Can elephants dance? Yes, they can, and the ExO model is an appropriate way to teach them how to do that. This is how any (even linear) organization can embark on a transformational journey to become an ExO.

In the past decade, a gap in understanding exponential growth has emerged. Having introduced the concept of ExOs, and their measurement tool, the ExQ, this gap is now possible to be analyzed from an organizational perspective, focusing on the organizations’ financial performance.

These research results have helped us in writing and publishing the 2nd edition of the book *Exponential Organizations* and further extend the establishment for purpose-driven high-growth of companies and organizations (*Ismail et al.*, 2023).

In the following research phase, we will introduce insights into further critical topics and questions. First, we intend to focus on what has happened in the last years to the bottom 10 least ExOs and select a few others from the remaining 80 companies in the 2014 F100 list. Second, we plan to build case studies for exponential transformation: a plan for increasing an organization’s ExQ and making it more flexible, scalable and agile.

**Note**

1. See list at [https://old.openexo.com/f100-list/](https://old.openexo.com/f100-list/)

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Further reading

Corresponding author
Peter Kristóf can be contacted at: kristof.peter@live.com