

Augmenti Consulting



# BOOST GROWTH THROUGH EXPONENTIAL THINKING

Create a competitive advantage by harnessing the untapped potential of exponential growth.

"An idea is nothing more nor less than a new combination of old elements. The capacity to bring old elements into new combinations depends largely on the ability to see relationships."

James Webb Young, *A Technique for Producing Ideas*, 1965

## **Change is the only constant in life.**

Every industry undergoes constant change, just like all other living things. CEOs must comprehend, anticipate, and effectively communicate the nature of competitive arena in order to manage their organizations. Due to the intricacy of the forces at play and the always evolving environment, this is at best a difficult task.

Change is happening faster. Five overlapping trends came into play during a strategy engagement for a multinational chemical company: a) the different stated goals of public vs. private companies; b) the results of mergers and acquisitions; c) the changing political, regulatory, and macroeconomic environment; d) the need for scale and operating excellence; and e) the push for innovation and digital transformation. There was general agreement that change was occurring more rapidly, although there was no consensus on the sources.

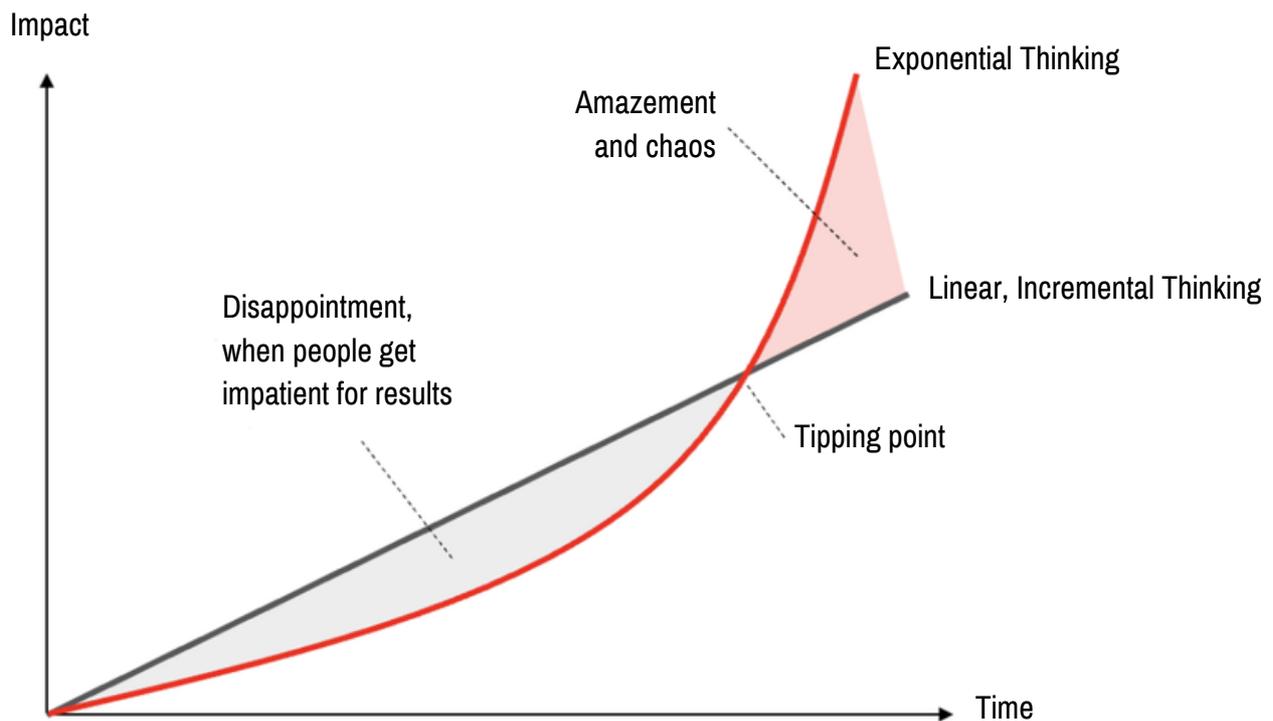
Most of the time, the *nature* of the business does not alter; its *characteristics*—how it is actually fought—change constantly according to circumstances, technology, and thinking. A fascinating example is Moderna: from discovery to the first vaccinated patient, it took 63 days. The startling aspect is that it only took two days to create the mRNA vaccine; the rest of the time was spent making sure the design was secure and obtaining the required regulatory approvals. <sup>1</sup>

Understanding the potential of exponential growth and its repercussions is a powerful method for gaining mental clarity and determining the best course of action.

Exponentials are ubiquitous. They frequently appear in local newspapers and include topics like the spread of viruses, the impact of compound interest on finances, the transmission of data over the internet, food spoiling, and the sales of popular products.

Most of these trends have been around for a long time. The underlying enabler for artificial intelligence, robotics, digital manufacturing, and augmented and virtual reality is the exponential growth in computing power (popularized as Moore's Law). The analytical engine, which marked the beginning of this evolution in the 19<sup>th</sup> century, introduced the fundamental principle that was replicated over time. The first new paradigm in 200 years is quantum computing.

The difficulty with exponentials is that they defy common sense. Contrary to linear thinking, exponential growth is relatively slow to catch on. When the tipping point is reached, they "burst out of nowhere," generating chaos, shock, and amazement (Picture 1).



Picture 1 – exponential versus linear thinking

An audio podcast<sup>2</sup> provides a vivid illustration: *"When a video becomes viral, for instance, you might have posted a video and nothing happens after 30 days. Then you receive a million views in two days. This occurs specifically as a result of exponential growth. A person tells another person, who then tells one or two more individuals before telling other four people."*

Tipping points are hard to predict, but once they occur, we can easily spot them. In order to spot tipping points, Peter Thiel<sup>3</sup> offers the following straightforward heuristic: *"As a good rule of thumb, proprietary technology must be at least 10 times better than its closest substitute in some important dimension to lead to a real monopolistic advantage."* Tipping points bewilder and aid in the adoption of new behaviors.

With time, growth accumulates and quickens. Although greenhouse gases have been building up since the commencement of the industrial revolution, the general public has only recently become aware of their impacts. The problem is that this accumulation is occurring at a compound rate that is accelerating. The impacts of next 5 years are probably going to be larger than the prior 50 years, which makes reversing climate change much more difficult.

## **Embrace change.**

Increase your company's rate of growth by embracing exponential growth. We recommend taking these five measures to increase your chances of success:

### **Define the issue at hand.**

What opportunity or issue are you attempting to pursue or resolve? Think big and "fall in love with a problem that will help one billion lives," advises a serial entrepreneur. Don't overlook the big picture. For instance, the majority of the published studies on the effects of AI focuses on the productivity of white-collar workers. However, given that 60% of the world's population is not seated at a desk, it may be argued that businesses who are innovating for their deskless workforces will be in the strongest positions for the future of work<sup>4</sup>.

### **Recognize the exponentials**

associated with the main trends that are affecting your industry. "First Principles Thinking" is a useful technique for identifying the fundamental patterns. Elon Musk, for instance, claims that launching a conventional rocket is simple but extremely expensive (like buying a new car every time you drive). If you could use the same rocket indefinitely, the price would eventually fall to raw materials costs (essentially fuel and steel). That premise is the basis for the development of Starship<sup>5</sup>.

### **Discover unanticipated effects.**

The "Future Wheels" approach is a straightforward, useful tool. People are frequently amazed by the surprising connections. Gum sales, for instance, are an unanticipated casualty of the smart phone revolution—mobile phones are eliminating checkout impulse purchases<sup>6</sup>.

### **Concentrate on a limited selection of options**

and carry out thorough analysis. Continue to iterate and experiment with new ideas until you identify worthwhile opportunities. To summarize and express these conclusions, you may apply Peter Diamandis' 6 D's framework<sup>7</sup>.

### **Tell your story in a compelling manner.**

We advise employing Joseph Campbell's Hero's Journey archetype<sup>8</sup> while creating stories. Make sure your strategic narrative includes a call to action at the end.

Despite the accelerated rate of change, these mostly are symptoms of long-standing patterns. Discover them, exploit them, and you'll have a competitive advantage over your rivals.

## Sources:

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Augmenti Consulting is focused on providing advice to boards and C-level executives on the practical steps they need to take to produce tangible bottom-line impacts. Our purpose is to assist you in reaching your full potential and accelerating your growth.

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