Implementation of the Attributes of Exponential Organization by Jordanian Services Companies

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This research is examining the degree of implementation of the attributes of exponential organization by Jordanian services companies listed on Amman Stock Exchange (ASE); around 68 companies will be examined, through their annual changes of their increase on their budget over the last 11 years. The change and increase of their annual budgets or the total value of these companies will be a great indicator for exponential trend and behaviour of these companies. The study is an attempt to examine the degree that companies listed in ASE follow internal characteristics of EXOs developed by Ismail Salim and do the capital structure of EXOs differed from the capital structure listed in ASE.

Keywords: exponential organizations (EXOs), Ismail Salim, exponential growth, Jordanian services companies, new business model, growth, organizational performance

Introduction

A private sector considered one of the most important factors that affect the country’s economy and the development process of the country, especially for its highly noted contribution in decreasing the unemployment and improving the DGP. Unemployment is one of the main important factors that directly affect the country’s economy when unemployment decreases and the individual’s income increases; as a result, the spending power of individual will increase, which is positively affect the economy wheel.

In order to continue to survive in modern business competition, companies must quickly change their traditional strategies. So that we have to study and explain the new wealthy companies’ strategy that may be followed by local companies; the highly accelerated growth rate for a young company becomes more and more propagated in the last few years and the explanation of this new model becomes very important to uncover the reason behind such achievements. “Our organizations are designed to resist external changes, instead of embracing them where useful” (Davidson, n.d.).

YouTube went from a start-up1 funded by Chad Hurley’s personal credit card to be purchased by Google for $1.4 billion in less than 18 months. Uber is valued almost $17 billion, 10 times its value of two years ago only (Salim, 2014). Internet use has a positive association to profitability and to innovation in organizations (JuulAndersen, 2001).

The organizations are 10 times better, faster, and cheaper than old type of organization that is exponential

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1 Ismail Salim, Exponential organization (NY: diversion publishing corp, 2014), 14.
organization (EXOs). EXOs mean to grow at least $10$ than competitors in the industries if any (Salim, 2014). In 2011, Babson’s Olin Graduate School of Business predicts that in 10 years, 40% of companies that founded before 20 years and more would not be survive, because these companies will no longer have the power, the new breed of organization with the power of exponential technologies, from groupware², data mining, and robotics³. “Direct linkage between technology investment and increases in organizational performance and productivity has been extremely elusive” (Byrd & Marshall, 1998, p. 1).

The number of exponential organization which valued $1$ billion and above is 223 companies; with total value of $773.6$ billion, most of them are privately held.

All EXOs shared the same characteristics:
- Get big fast strategy.
- Depends in new technology.
- Staying private.

Most EXOs are being private to avoid underestimate of companies’ shares (Erdogan, Kant, Miller, & Sprague, 2016).

Table 1
Some of EXOs and Growth Achieved in Three Years

| ExO          | Age (years) | 2011 valuation  | 2014 valuation  | Increase |
|--------------|-------------|------------------|------------------|----------|
| Haier        | 30          | $19$ billion     | $60$ billion     | 3x       |
| Valve        | 18          | $1.5$ billion    | $4.5$ billion    | 3x       |
| Google       | 17          | $150$ billion    | $400$ billion    | 2.5x     |
| Uber         | 7           | $2$ billion      | $17$ billion     | 8.5x     |
| Airbnb       | 6           | $2$ billion      | $10$ billion     | 5x       |
| Github       | 6           | $500$ million    | $7$ billion      | 14x      |
| Waze         | 6           | $25$ million     | $1$ billion      | 50x      |
| Quirky       | 5           | $50$ million     | $2$ billion      | 40x      |
| Snapchat     | 3           | 0                | $10$ billion     | $10,000x$ + |

Note. Source: Salim (2014).

As we can see in Table 1, in only three years, those organizations achieve an outstanding growth rate, for example, Snapchat’ total value was found in 2011, by the passage of three years only, to become $10$ billion. Those companies are force researchers to stand and explain how could such companies and organizations

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² Groupware: Software designed to facilitate collective working by a number of different users.
³ Ismail Salim, Exponential organization (NY: diversion publishing corp, 2014), 14.
achieve such a highly growth in a few years, while many organizations consume many years to grow only a percent of hundred.

Salim Ismail who explains this type of organizations has identified 10 characteristics of exponential organizations with five internal (ideas) and five external (scale), as Figure 1:

![Figure 1. The 10 characteristics of exponential organizations (Source: Salim, 2014).](image)

**Research Questions**

In the future of work, you are either the one causing change or you are the one being changed. The most successful companies are the ones that are the forefront on innovation and disruption, and they are seeing wild growth.

In this study, we are testing some of those factors in addition to other that the researcher sees that it followed by EXOs. This research is aims to answer the following questions mainly:

- Do the companies listed in the Amman Stock Exchange (ASE) follow internal characteristics of EXOs develops by Salim Ismail?
- Do the companies listed in the ASE follow internal characteristics of EXOs develops by Salim Ismail?
- Does the capital structure or assets of EXOs differ from the capital structure of organizations listed in ASE?

**Research Objectives**

- To stand on the awareness of Jordanian services companies listed in ASE of the new business model.
- To highlight the differences in capital structure and changes in assets between EXOs and linear organization.
Research Significance

EXOs are the future of work. The value of this study is to find out to what degree the Jordanian organization is applying the new business model. This is important to keep them in the competition with foreign organization and improve the local markets by bringing new investors even foreign or local after being exponential. It helps them to improve their whole performance by providing them with a benchmark, so they can determine where they actually stand from being exponential. The treatment of the variables considered in this research touches the area of a new business trend. It explains the future of business environment. Growth is the main goal for any organization to be attractive to investors, which are results in wealth maximization.

This study considered as one of few studies to have no precedent in Jordanian market studies. Also, it has a scientific benefit for financial information users by provide them with a general image about Jordanian company’s strategy.

The statistics are following:

- The number of EXOs in 2017 reaches 223.
- Total value of these EXOs $773.6 billion.
- All above companies founded before 10 years ago or less (Salim, 2014).

Previous Studies

“The relationship between types of innovation and Organizational performance” (Damanpour, Szabat, & Evan, 1989, p. 1).

The relationship between adoption of administrative and technical innovations over time and its impact on organizational performance was studied. A confirmatory analysis of the data from 85 public libraries showed that over consecutive time periods, changes in the social structure portrayed by the adoption of administrative innovations lead to changes in the technical system portrayed by the adoption of technical innovations. Empirical support was also provided for Daft’s (1982) framework for organizational innovation that was found to be effective in separating organizations based on their performance levels.

“Relating information technology investment to organizational performance” (Byrd & Marshall, 1998, p. 1).

This study says that the corporations have invested billions of dollars in information technology (IT) over the last 20 years. There is much debate regarding the benefits accruing from these expenditures. Direct linkage between technology investment and increases in organizational performance and productivity has been extremely elusive. This research investigates the relationship between IT investment and organizational performance, so that managers may better evaluate IT expenditures. With data on IT investment and organizational performance from 350 public companies over four years, this study uses structural equation analysis to empirically test a theoretical model composed of five IT investment variables and five organizational performance variables. The study found that the variable used to measure the extent to which users have access to IT was significantly and positively related to sales by employee, an organizational measure of labor productivity. Two other IT investment variables, the value of supercomputers, mainframes, and minicomputers and the percentage of IT budget spent on IT staff, were significantly and negatively associated with the sales by employee measure. Another IT variable, the IT budget as a percentage of revenue, was significantly and negatively associated with sales by total assets, a traditional measure of capital productivity. The last IT variable, the percentage of IT budget spent on IT staff training, was not related to any performance
variable. Implications of these findings are discussed and, from a management perspective, postulations relating IT investment to organizational performance are stated. Researchers are provided with suggestions and encouraged to use these results to probe deeper into the relationship between IT investment and organizational performance.

“The impact of the capital structure on the performance of the listed Jordanian industrial companies” (Abdel-Jalil, 2014).

This article examines the impact of capital structure on the performance of the Jordanian publicly-held industrial companies registered in Amman Stock Exchange for a period of five years (2008 to 2012). The multiple regression analysis was used to show the impact of capital structure represented by debt ratio, debt to equity ratio, growth percentage, and assets turnover, on firm performance represented by return on investment, and return on equity. The multiple regression results indicated:

1. A negative statistical relationship, at 10% significance level, between debt ratio and return on investment. However, the results did not indicate, at 10% significance level, any statistical relationship between debt equity ratio and return on investment.

2. A negative statistical effect, at 1% significance level, between debt equity ratio and return on equity. However, the results did not indicate, at 10% significance level, any statistical relationship between debt ratio and return on equity.

3. A positive statistical relationship, at 1% significance level, between assets turnover and growth percentage on the one hand with return on investment on the other hand. The results, as well, indicated a positive statistical effect between assets turnover and growth percentage on one hand (at 5% and 1% significance levels respectively) with return on equity on the other hand.

“The effect of using information technology on the financial Performance of the economic Algerian firms” (Bansaid, 2018, p. 1).

This study aimed to find the impact of the adoption of information technology on the financial performance of the Algerian economic institution for 2017-2016. Knowledge of this relationship may encourage enterprises to invest in IT tools to improve their financial performance. To achieve this, financial ratios were calculated for a sample of 20 Algerian economic institutions belonging to different sectors, while a questionnaire was distributed to assess the use of information technology based on five dimensions: software, Internet, intranet, extranet, and web page.

To analyse this relationship, the smart PLS 2 model and PLS regression model were adopted after the study encountered the multiple regression problem.

The study confirmed the relationship between some of the IT tools represented in software, intranet, extranet, and financial performance of enterprises.

The study concluded with a set of recommendations, the most important of which is the announcement and promotion of services available in the field of information technology, facilitating the access of IT institutions, providing training courses for managers with low level of education.
Definishing of Variables

Capital structure. The capital structure is how a firm finances its overall operations and growth by using different sources of funds. Debt comes in the form of bond issues or long-term notes payable, while equity is classified as common stock, preferred stock, or retained earnings.

Engagement: connectedness between organization and community, digital feedback, and the ability to track how a user interacts with services.

Staff on demand: use of demand-based contractors vs. full time employees; leverage external talent for business functions. The concept of flexibly staffing your organization is totally aligned with making it faster and avoiding one of the four sources of delay, people. On demanding allows to automatize quicker and with less delay pushing forward the digital paradox of faster, with less cost and better quality.

Leveraged assets: It is about taking out another of the sources of delay, the physical. If you flexibly access your assets rather than own them or lease them long term, you are not encumbered by your balance sheet and by trying to maximize the use of your sunk costs. It is important to differentiate from financial leasing, which leaves you as slowed by your liabilities as you were by your assets.

Algorithm: use big data to understand customer behaviour. By analysing historical data collected to predict its future behaviour.

Interface: to have very specific and clear rules on how do things. It customizes processes and algorithms created to decide how and what you bring into the organization.

Dashboards: how you control, measure, and track everything going on in EXOs. It is a real time monitoring comprised of two pieces of tracking information:
i. External information about the business.

ii. Internal performance metrics.

Anatomy: Employee has full decision-making authority, which results in high revenue per employee number than competitors. It is actually attacking the bureaucracy.

Experimentation: the implementation of the lean start-up methodology of testing assumptions and constantly experimenting with controlled risks (Salim, 2014).

Methodology

We analyse the business environment: operational, managerial, financial, and strategic aspects of EXOs, to see if it operates to ward being EXOs, to help them compete in the international markets, and to keep up to date with latest innovation in business world.

Population. The population contains all 350 service companies listed in ASE. A sample of 68 services companies are chosen for investigation.

Data collection. To achieve the goal of this study, the researchers based it study on primary and secondary data. They have collected the data for the 68 companies from the official website for ASE, and select one company of EXOs, secondary data cover journals, scientific research, or books that related directly and indirectly to the research in hand. A statistical treatment will be conducted by the researchers to answer the questions of the study.

Analysis. In Table 2, the researchers calculate the change in all 68 services companies’ total assets in different periods: (1) the change in total asset in five years period (2006-2011); (2) also, the change in the total assets for the next five years (2011-2016); and (3) the changes in total asset in one year (2016-2017) and the changes in the last six years (2011-2017).

The calculation in all different period above conducted in order to find out does those companies witness the drastic change in their capital or total assets in any of those periods from 2006-2017, due to big improvement in their business or due to break through in their technology.

The change in total assets through all the four periods shows in Table 2. It demonstrated that none of all 68 services company had shown a big or important change in their assets, representing EXOs behaviour. Some companies show big changes in their total assets like companies in Number (6, 17, and 40) in Table 2, but those big changes where due to their restructuring their assets not due to real changes in their business or technology.

As shown in the Table 2, all Jordanian service companies had a marginal improvement in their total assets through the period of investigation (2006-2017). The change in their assets stay within (0.5%-2%) rate of change, and these rates of changes represent a minimum improvement in their business.

For capital structure differences, Google, as one of the EXOs, achieves the maximum number of debt to equity ratio for the period (2006-2016) in the second quarter of 2011 and only for 0.06; also the minimum one achieves zero debt to equity ratio.

In comparison with Jordanian services companies for the same period, we found than in 2006, only six companies from all 68 staying in the average of EXOs debt to equity ratio. 2016 is not much better; there is a slight improvement in the number of companies in reaches only nine, while the remaining companies achieve debt to equity ratio in 0.1-2.47 for 2006 and 0.1-17.82 for 2016 as per Table 2.

This level of debt to equity ratio, capital structure policies, and the changes in their total assets does not give us any hope that Jordanian services companies will become an exponential organization. Therefore,
Jordanian companies listed in ASE should re-evaluate their business policies and strategies; also, they have to change their technologies and their services delivery in order to achieve a real improvement in their business and to survive in a fast changing technologies turbulent environment.

Table 2

| Company Name | 2006 | 2011 | Change in Assets 2006/2011 | 2006 | 2011 | Change in Assets 2006/2011 | 2006 | 2011 | Change in Assets 2006/2011 | 2006 | 2011 | Change in Assets 2006/2011 |
|--------------|------|------|--------------------------|------|------|--------------------------|------|------|--------------------------|------|------|--------------------------|
| ABD          | 242,710,000 | 28,384,000 | 138 | 25,384,000 | 138 | 25,384,000 | 138 | 25,384,000 | 138 | 25,384,000 | 138 |
| BDE          | 15,694,200 | 16,730,000 | 156 | 16,730,000 | 156 | 16,730,000 | 156 | 16,730,000 | 156 | 16,730,000 | 156 |
| CED          | 3,125,300 | 3,575,000 | 140 | 3,575,000 | 140 | 3,575,000 | 140 | 3,575,000 | 140 | 3,575,000 | 140 |
| DDE          | 5,265,200 | 5,843,000 | 114 | 5,843,000 | 114 | 5,843,000 | 114 | 5,843,000 | 114 | 5,843,000 | 114 |
| EDE          | 5,499,500 | 5,521,000 | 118 | 5,521,000 | 118 | 5,521,000 | 118 | 5,521,000 | 118 | 5,521,000 | 118 |
| FDE          | 1,590,000 | 1,980,000 | 248 | 1,980,000 | 248 | 1,980,000 | 248 | 1,980,000 | 248 | 1,980,000 | 248 |
| GDE          | 4,200,000 | 4,830,000 | 148 | 4,830,000 | 148 | 4,830,000 | 148 | 4,830,000 | 148 | 4,830,000 | 148 |
| HDE          | 5,265,200 | 5,843,000 | 114 | 5,843,000 | 114 | 5,843,000 | 114 | 5,843,000 | 114 | 5,843,000 | 114 |
| IDE          | 6,685,000 | 7,665,000 | 149 | 7,665,000 | 149 | 7,665,000 | 149 | 7,665,000 | 149 | 7,665,000 | 149 |
| JDE          | 3,125,300 | 3,575,000 | 140 | 3,575,000 | 140 | 3,575,000 | 140 | 3,575,000 | 140 | 3,575,000 | 140 |
| KDE          | 1,590,000 | 1,980,000 | 248 | 1,980,000 | 248 | 1,980,000 | 248 | 1,980,000 | 248 | 1,980,000 | 248 |

Note. Source: http://www.sdc.com.jo/arabic/index.php?option=com_public&member_cat=900&member_sub_cat=3.
Table 3

| Company Name | 2006 | 2016 | Changes in capital structure 2006/2016 | Google as one of the EXO’s Debt to Equity Ratio | Debt to equity ratio |
|--------------|------|------|--------------------------------------|-----------------------------------------------|---------------------|
| SNF          | 0.10 | 0.10 | 0.00                                 | 0.10                                          | 0.10                |
| AFQ          | 0.75 | 0.75 | 0.00                                 | 0.75                                          | 0.75                |
| CEE          | 0.25 | 0.25 | 0.00                                 | 0.25                                          | 0.25                |
| COO          | 0.30 | 0.30 | 0.00                                 | 0.30                                          | 0.30                |
| JCO          | 0.30 | 0.30 | 0.00                                 | 0.30                                          | 0.30                |
| JDF          | 0.30 | 0.30 | 0.00                                 | 0.30                                          | 0.30                |
| JEP          | 0.30 | 0.30 | 0.00                                 | 0.30                                          | 0.30                |
| JEG          | 0.30 | 0.30 | 0.00                                 | 0.30                                          | 0.30                |
| JEG          | 0.30 | 0.30 | 0.00                                 | 0.30                                          | 0.30                |
| JEG          | 0.30 | 0.30 | 0.00                                 | 0.30                                          | 0.30                |

Note. Source: https://www.macrotrends.net/stocks/charts/GOOG/alphabet/debt-equity-ratio.

Conclusion

The study was an investigation of the Jordanian service companies listed in ASE to what extent those companies applying the exponential model. The changes in total asset of 68 companies were calculated over an 11 years (2006-2017). And the capital structure was compared with EXOs capital structure for the same period. The result showed a very small and marginal changes or improvement occurred, which indicates an absence of the most indicator & exponential model, it is actually assures that all Jordanian services companies are following a linear model. Therefore, Jordanian companies have to change their plans and policies, and improve
their research and development to be in line with evolution in technology, in order to survive and expand in a very changing and turbulent environment.

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