ADAPT OR DIE

WHY CORPORATE GIANTS FAILED,
HOW TO MAKE SURE YOU DON'T.

INDEX

THE ELEPHANT GRAVEYARD

Venture with me into the 'elephant graveyard' of business, the final resting place for the mighty companies of yore. Each has been reduced to a ghostly presence on the fringe of our collective memory. Mention one by name and it will merit a lively "Oh yeah!" from the same customers who once *lived* on its products. This scattered collection of corporate carcasses holds those who once dominated their respective industry. Former business behemoths like BlackBerry®, Yahoo®, MySpace®, AOL®, Kodak®, Toys "R" Us®, Blockbuster®,[1] now lay beleaguered, defeated, and forgotten, on the dusty terrain of obsolescence.

But why?

How did these fallen giants depart the very industries they shaped, with little more than a "whimper of irrelevance"?[2] Furthermore, what does each demise have in common? There is something powerful to be learned here, for plucky new business leaders and stalwart CEOs alike.

Not only do our slayed goliaths have quite *a lot* in common, but their stories coalesce into a single, powerful allegory about the perils of success and the consequent failure to innovate. The rich history of each corporation can be reduced to a mere cautionary tale on the fatal flaw they all shared. Something which you, as a business leader, could seamlessly fall victim to. Their undoing? A low Adaptability Quotient, or AQ. Never heard of it? You're not alone. However, by acquainting yourself with this revolutionary concept, you can skirt the stumbling blocks that toppled these once-formidable organizations.

Despite being a chief determinant of success in the modern era, the AQ has flown silently under the radar. At the business level, it is defined as: *the ability to adjust course, product, service, and strategy in response to unanticipated changes in the market.*

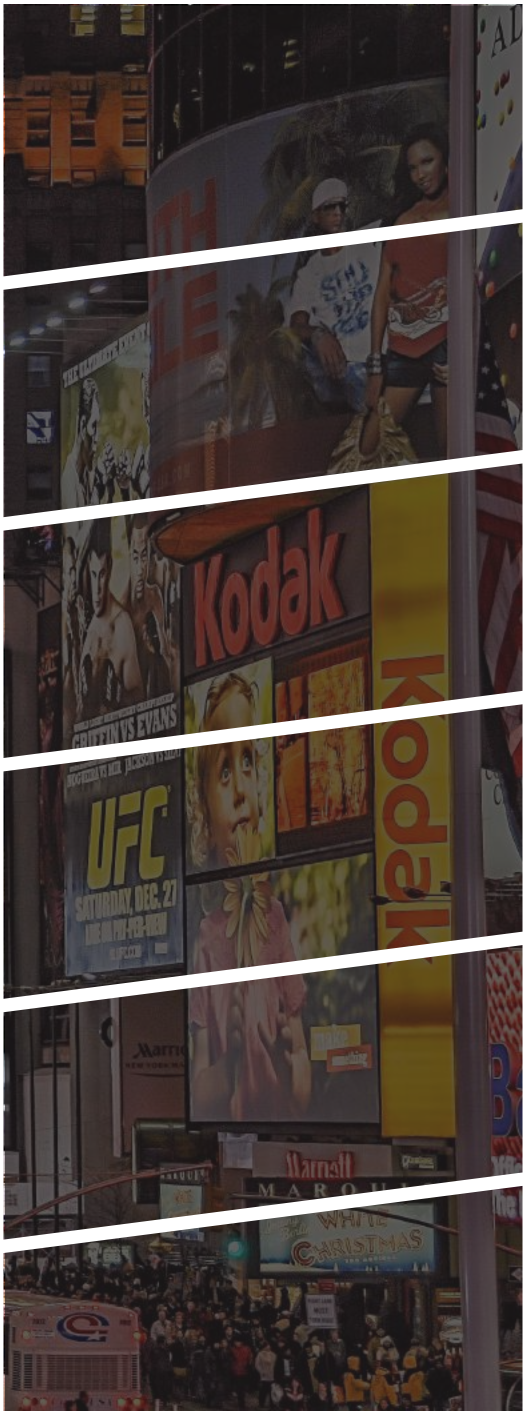
The AQ sits alongside two other 'quotients' of import. The IQ or Intelligence Quotient, and the EQ, or Emotional Quotient, although the AQ does not enjoy the same level of recognition. Characterized by the *Harvard Business Review* as "the new competitive advantage,"[3] it was also described by *Fast Company* as the "future of work."[4] Yet, so few are familiar with it.

At present, there is no established metric to gauge one's AQ, be it an individual or a business. Thus far, only a handful of experts and commentators have even scratched at the surface of this concept. "We don't have a compelling way to test or improve it," says Natalie Fratto, VP of Early Stage Practice at Silicon Valley Bank and one of the few early commentators on the AQ, "Googling 'adaptability quotient' is like shouting into an abyss."[5]

As such, this is a particularly opportune moment to have a discussion on the Adaptability Quotient. Most people don't realize that we carry on business in the throes of a revolution—the Digital Revolution. Much like the Agricultural and Industrial Revolutions before it, the Digital Revolution unfolding before us is swiftly altering the economic landscape. As society makes a sharp pivot toward a future far more in line with Marty McFly's, we need to be talking about our ability to respond and adapt to rapid-fire economic and social changes. We need tools and strategies to keep us from floundering, amid all this change. The AQ is one such tool.

Shrewd CEOs who intend to stay afloat in the modern economy must make a fundamental strategic shift toward the cultivation of adaptability in their firms.

The most powerful lessons in adaptability, as it turns out, come from those who had next to none. So we begin by taking a deeper look at our 'fallen giants,' in the elephant graveyard.



'THE TORTOISE, THE HARE, THE APPLE, AND THE BLACKBERRY'

Odd as it may seem, there is a strong parallel to be drawn between our 'fallen giants' and a story with which we're all familiar: *The Tortoise and the Hare*. Indeed, corporate bigwigs still have a lot to learn from elementary fables. There is almost no better way to illustrate the hubris that befell our giants, and how it correlates to their AQ. Despite the bevy of examples to choose from, we'll be looking at everyone's favorite has-been: BlackBerry.

A Google inquiry into this once-prosperous cell phone purveyor yields a glut of similar results. You quickly pick up on the unifying theme:

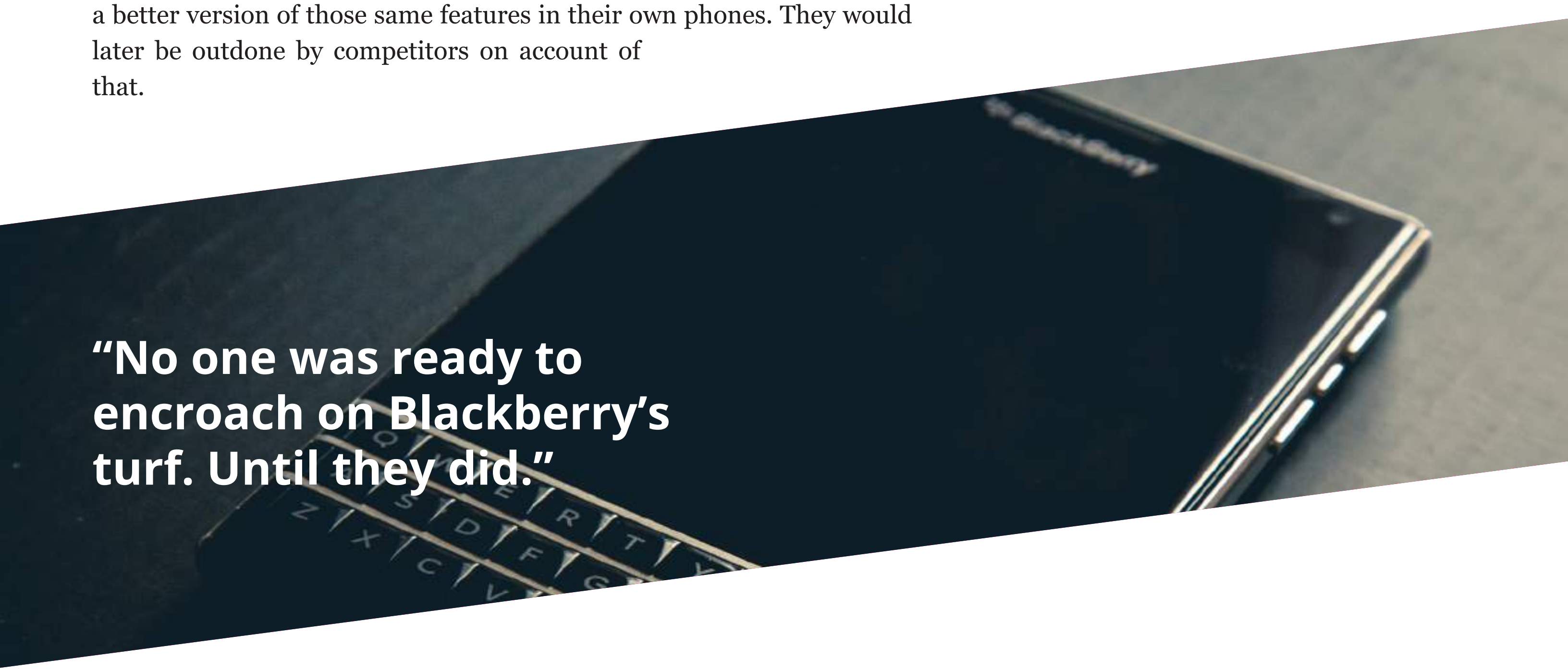
- *BlackBerry's Success Led To Its Failure*
- *Victim of Success: The Rise and Fall of BlackBerry*
- *BlackBerry: When Sweet Success Turns Sour*

There appears to be a hardline consensus amongst experts and commentators alike: BlackBerry's success is what killed it. But that's nothing if not contradictory, right?

BlackBerries were once a status symbol, their neat features touted as indispensable to the enamored professionals who clutched them. BlackBerry, today, is synonymous with outmoded irrelevance. Yet it once succeeded with such vigor—so what changed? The abridged version is that BlackBerry got a little too comfortable in its seat of power, dismissing bright-eyed new competitors like Apple® with a wave of the hand, without much investigation into what their new adversary was doing right. But there is a lot more to unpack here, and a powerful lesson embedded therein.

It seemed as though Nokia® (the parent company of BlackBerry) had every reason to be cocky. There was a time when they dominated the emergent smartphone market, with a whopping 41%[6] market share. Meanwhile Steve Jobs, head of Apple, was quoted saying "I will never make a smartphone."[7] It appeared that no one was ready to encroach on BlackBerry's turf. Until they did. Confident in what they thought to be a death grip on the market, BlackBerry had little to no interest in assessing these maverick new players. Nor did they bother to update their product's features in response to the iPhone and Galaxy releases, which, despite nibbling at the market share[8], weren't alarming any Nokia execs.

It wasn't so much that Nokia *failed* to scope out the competition, rather that they misplaced areas of special attention when they did. Nokia was keen on the strengths of its product (practical indestructibility, for one).[9] As a result, they were interested only in how Apple or Samsung®'s products held up against the *strengths* of its own, not its weaknesses. As *The New Yorker* reported, to the great amusement of anyone reading, "Engineers at Nokia...dismissed the iPhone because, among other reasons, it failed to pass a test in which phones were dropped five feet onto concrete over and over again."[10] Nokia dismissed the innovative features of competing products—seeing no need to respond with a better version of those same features in their own phones. They would later be outdone by competitors on account of that.



When people characterize BlackBerry as a "victim of its own success," this is an incredible and apt characterization for the former tech giant. Their success bred a kind of complacency and smugness that stalled what should've been a relentless sprint toward product innovation. They were far too encouraged by an audience and marketplace that were pitch-perfect for the product they'd forged, failing to see that it was perfect only for that moment in time.

Matt Allison, the CEO & Co-Founder of TrendKite®, (which counts Google® and Nike® among its clients), relayed the same point: "It is a painful lesson, but many companies facing similar challenges can learn from Blackberry. The takeaway is in order to be a successful company, it must have the ability to change, be flexible, and re-strategize to align with the market's needs. Survival is spotting customer pain points and trends, and effectively [shifting] gears to steer towards new opportunities, [in a way that] leverages the company's core competencies and expertise."[11]

Unbeknownst to BlackBerry (although they *should've* known) the market was rapidly evolving beneath their feet. It wouldn't support the product much longer. Meanwhile, quick-thinking underdog Apple scurried past the point of product innovation at which BlackBerry had comfortably lounged itself, a little too certain no one would surpass it. Remind you of anyone? Do a certain tortoise and hare come to mind?

The fact that Apple could overtake BlackBerry in the smartphone market was <u>not</u> the problem—it was *symptomatic* of the real problem: BlackBerry's candid failure to adapt. The market abounded in technological innovations and shifting user preferences. It was not static, so why were they?

You shouldn't come away with the impression that BlackBerry played dead, because it didn't. Neither did Yahoo, as a matter of fact. Companies such as these eventually *did* make forceful efforts to reclaim the turf they had lost. Study more than one, and you'll begin to notice the "phases" that exist in the frantic life cycle of ill-adapted companies. As though foretold in a playbook: you see fat-cat success, you see them being overtaken by an underdog—all of which culminate in a kind of 'Hail Mary' pass to a shiny new CEO, hoping that new leadership will resurrect the ailing company. But it never works. Not even Google's former golden girl Marissa Mayer could breathe life into the hollowed shell that was Yahoo.[12]

"VICTIMS OF THEIR OWN SUCCESS

You almost find the same story in Blockbuster and Netflix®. But Blockbuster, traditionally brick-and-mortar, had the right idea, with plans to launch a pay-per-month streaming service to compete with Netflix. The idea folded on account of poor leadership decisions and a lack of tenacity to actually push the plan forward.[13] Poor adaptability to market pressures comes in many different forms, ladies and gentlemen.

Here's what it comes down to: Every company wants consumers to *need* their product, right? Some will arrive at that point. But once you reach it, act as though you have achieved nothing. What you need to understand is that success in business is akin to reaching the top of a StairMaster®. Sure, you're at the top, but things won't suddenly stop moving just because you got there. The ground will quickly shift underneath, landing you at the bottom again if you cease climbing upward. Even if you succeed in cultivating a consumer's 'need' for your product or service, changes will inevitably occur that can swiftly and brutally deteriorate that need. Competitors come in droves—be they college students or seasoned entrepreneurs. The landscape of the market is fluid. Do not let "the way you've always done things" be the reason your company's prosperity ultimately unravels. Nothing is certain, and nothing is static. The rules of the game are ever-changing and your business model should be nimble enough to reflect that.

Success in any amount can "pull a wool over your eyes" with regard to the durability of your product—creating the impression that you don't need to adapt, perhaps the greatest falsehood of all. When you are at the top, remain focused, astute, and all but paranoid in your degree of alertness. The top of the pyramid is inherently narrow, after all—an extremely difficult place to keep balanced. The key is to adopt the mindset that the formula is never perfected, and can always be improved.

The virtues of adaptability apply not only to product-oriented companies, but service-oriented companies as well. A service can (and should) be developed or expanded upon to more effectively meet consumer needs. For example, procedural changes can be imposed to minimize hitches and snags in service delivery, making for a smoother customer experience.

Other types of changes—such as: expansion to new markets/audiences, expansion in scope of service, changes to style of delivery, or inclusion of additional services—are necessary to retain a competitive edge. They may happen directly in response to market changes, technological advancement, consumer preference, the actions of competitors, or because it was otherwise called for. Service-oriented firms—such as those that offer financial planning, coaching, healthcare, property management, or marketing—need only tune into the pulse of customers to find direction for bettering their core service.

Advantage|ForbesBooks, for example, was founded as a business book publisher in 2005 under the name Advantage Media Group. When business owners sought to publish a book in their field, Advantage provided them with ghostwriting, publication, and distribution services. Business leaders were furnished with a book, and this was the end of the client-provider relationship. Over time, however, it became apparent that these business owners—now bona fide authors—were unfamiliar with the terrain of book marketing and required guidance. Adapting to this need, Advantage|ForbesBooks brought marketing consultants on board to complement its core book publication service. A marketing arm of the company emerged and grew more sophisticated to meet authors' needs. But there was room to do even more.

Satisfied with Advantage's efforts, these business leaders began to seek the company's guidance not only to market their book, but to market their company at large. CEO and Founder Adam Witty saw opportunity in the form of consumer demand, and retooled the gears of his company to meet it. A book, Witty proposed, was ultimately a tool to establish business owners as the Authority in their field and create dominance over their competition. With this angle, it was possible to market not only their book, but their companies at large. He trademarked the term "Authority Marketing" and formerly installed an in-house marketing suite, the aptly named "Authority Institute." Following the addition of ForbesBooks, the firm was situated as a full service book publishing and marketing company. Having adapted to the needs of its consumer base, the company increased margins. This also fostered the creative growth and betterment of the brand. Adaptation is, at its core, a journey of continual betterment.

Returning our attention to BlackBerry and the perils of success—bear in mind that a company may not have that same superiority complex toward its own product and methods, yet still collapse on account of poor adaptability. What matters in either context is how they assess and respond to competitors.

WHAT IS YOUR RELATIONSHIP WITH THE COMPETITION?

Today's economy is rife with competitors in a way that it never has been before. We live in a startup-happy era. It has never been easier to take an idea, start a company, and disrupt entire industries. To quote commentator Jacquie McNish of UPenn's Wharton Business School, "In the old days when you were a GE® factory or an auto factory or a parts supplier, there were huge barriers to entry because you were spending hundreds of millions of dollars on plants. You were pretty well assured that there wouldn't be an excess of competitors."[6]

Today, new companies are birthed in college dorm rooms and garages…or so the Fincher-directed motion pictures would have us believe.

"These days you're an algorithm away from some pretty serious competition," McNish says. "It's a lot of disruption, and the worst mistake you can make is think that we're better, we can out-muscle them or we can buy them or handle that competition. I don't think you can."[6]

Some argue they are shielded from such threats because they conduct business in a small, focused niche that has little to do with technological advancement—impervious to what wide scale changes may occur and affect other industries.

"THE **WORST** MISTAKE YOU CAN MAKE IS THINK THAT **WE'RE BETTER**"

WHAT HAPPENS WHEN YOUR NICHE DISAPPEARS?

You have almost undoubtedly been told that the key to success lay in catering to a very specific niche. What every shrewd business leader must be ready for at a moment's notice, however, is the very real possibility that your niche will spontaneously cave in on itself. Blame the Digital Revolution, but we live at a moment in history where every market is precarious, whether you realize it or not.

If the need for your product is gradually eliminated from the market (or the way *you* render it is replaced with something better), what will you do? Does it seem like too remote a threat to be taken seriously? It always seems remote, until it happens.

For example, RadioShack® floundered when smartphones began to eliminate the need for the store's mainstays, like answering machines, landlines, tape recorders, and GPS systems.[14] The company's entire business model was contingent upon a static positioning of tech, in which every function necessitated a different device. Sweeping changes washed across the wider tech market, and RadioShack has been unable to find a comfortable niche ever since. No one was prepared for the changes wrought by modern day technology, but you need to be. If you still don't think you need to be worried because you're not close enough to tech, just turn your gaze to print media. The industry was initially, and quite unexpectedly, gutted by digital media—until it made meaningful adaptations to accommodate the stunning shift in how content was consumed.

The rapidfire technological changes of the Information Age may seem menacing. Will a fancy new app or product come out that renders my services totally irrelevant? Don't view the unsteady environment as a threat. If nothing else, view it as an opportunity to exercise unfettered creativity.

THE RIGHT WAY TO RESPOND TO MARKET CHANGES

When competitors rise up to meet new consumer needs, the leaders of established companies may accuse them of "stealing" market share (case in point, cab companies toward Uber® and Lyft®). In reality, these underdogs have simply *reshaped* the market into something that is altogether unrecognizable to the established players. But reshaped markets, jarring as they may be, are rife with the potential for new products, services, and other money-making opportunities—any of which may be easier and cheaper to produce, or more efficient than legacy products.

For example, when Facebook® newsfeeds accidentally became a principal news outlet, Zuckerberg wasn't *stealing* market share from traditional outlets. The Facebook team merely saw an opportunity to streamline news media consumption for its users, so as to align with their layout. In turn, they revolutionized the consumption of news and happened to outclass traditional publishers, if only in the realm of convenience and user-friendliness.

"Emphasizing the 'news' in Newsfeed retrained users to wait for the big world-changing headlines to come to them, rather than crisscrossing the home pages of various publishers. Many don't even click-through, getting the gist of the news just from the headline and preview blurb. Advertisers followed the eyeballs, moving their spend from the publisher sites to Facebook," writes Josh Contine for *Tech Crunch*.[15]

If anything, the shift provided publications with a bevy of opportunities to create newfangled, Facebook-friendly content. It was almost as though Facebook had done the news industry a favor. The 'game change' gave way to the far cheaper-to-produce 'clickbait,' as well as the brief, eye-catching video content that now dominates newsfeeds (e.g. overhead recipe videos, destination spotlights). Facebook even had a hand in cementing the meme-sharing and tagging culture so elemental to millennial and Gen Z identity, which any smart CMO ought to be leveraging for a dirt-cheap, native advertising opportunity.

Ultimately, you have to look at unanticipated changes in the market and mine them for the new opportunities they present, as opposed to seeing them as oppositional obstacles to contend with. It comes down to zealous adaptation in the face of earthquakes in the market. Zealous adaptation is no one's knee-jerk response to such changes, but it should become yours.

Established brands or even small businesses of moderate success may besmirch newfound competition or technological advancements that threaten their business' 'way of life.' But it is not up to them to stifle that innovation on account of preserving their business model. When the consumers have spoken, you follow their lead, and you don't ask questions—because what made you successful yesterday won't keep you successful tomorrow.

The tech publication *Information Age* rendered it elegantly: "With smaller, newer, and more agile competitors unburdened by legacy systems, larger organisations must now seek to make meaningful changes more quickly. Essentially, the ability to anticipate change and quickly correct your course is separating the winners from the losers."[16]

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ZEALOUS **ADAPTATION** IS NO ONE'S KNEE-JERK **RESPONSE** TO SUCH **CHANGES**, BUT IT SHOULD BECOME **YOURS**.

WHAT DOES A HIGH ADAPTABILITY QUOTIENT LOOK LIKE?

Now that we have conducted a cursory exploration into low adaptability quotients, you must be wondering what a high one looks like. We will stay in the neighborhood of tech, if only because it is so rich in illustrative examples. Let's look at examples of companies who were met with tremendous changes in their respective markets, but by virtue of a high AQ, met the changes with grace and successfully adapted to the new market. WordPress® and Apple serve as tremendous examples of high adaptability, offering lessons in how to keep a tight hold of relevance, and the creation of dynamic products that stay in step with their market. To begin, let's talk about an accidental golden child: **WordPress**.

Years ago, during one of my turns as a bright-eyed job candidate in a limp economy, I began to notice an odd requirement, one that recurred with striking frequency in posting after posting. “Knowledge of WordPress” or some iteration thereof. Having been a passionate proponent of the blogosphere since the mid-aughts, I was aware of WordPress. To my knowledge, it was a blog hosting platform (e.g. www.yourblog.WordPress.com). But I didn’t see the relevance to the jobs I pursued, or understand the job poster’s adamancy that candidates be literate in it. Why did every reputable company want me to know how to use this very simple platform for online diarists? Little did I know, WordPress was not the mere blogging platform I remembered from 2005. It was now an all-encompassing website host.

WordPress had, unbeknownst to me, seriously grown its prominence in the content management space. As of February 2017, 58.7% of all websites (whose content management systems are known) run on WordPress. Approximately 30% of the top 10 million websites use their platform. They dwarf the market share of their next closest competitor, with 10x that share.[17] Stamped at the bottom of millions of sites, the WordPress ‘W’ serves as an emblem of their accidental economic victory in the content management market. So, how did they do it? Furthermore, how do they exemplify a high AQ in action?

WordPress has been so prosperous on account of an elegant shift they made from their initial area of expertise to a slight variant of their area of expertise, simply because the market

demanded it and few others supplied it. As the need for user-friendly website hosts grew more pressing, WordPress gradually shifted from hosting blogs to hosting websites of *every* kind. This was supported by a relentless tide of updates to their product (each new update named after a famous Jazz singer). Their expertise lay in creating blog platforms with a user-friendly back end. They took that expertise and recalibrated it, creating whole website platforms with a user-friendly back end—to accommodate the newfound needs of a booming internet. Website presence had become critical to those who wanted to be taken seriously in their field, making this a very smart move on WordPress’ part.

The second component of WordPress’ success was the unrelenting product updates they would roll out. What we can learn from them is to *systemize a process and create a rhythm by which you update, correct, and rework your product.* To guide these updates, look to customer requests, the advancements of your competitors, and changes in technology and the market at large. You too can expand upon the purpose and function of your product if needed, as well as the scope of your ideal customer profile, when appropriate.

APPLE

Our next adaptability success story centers on Apple. The prosperity of Steve Jobs' tech firm was the direct result of intentional and focused adaptation. Absent these behaviors, Apple could have easily landed themselves in a plot beside BlackBerry, in the elephant graveyard. So how do we see this adaptation-centric mindset in their business strategy?

To illustrate, I will give you a window into my long history with Apple products, which began in 2006 with my purchase of the iPod shuffle. As a consumer, I am heatedly averse to change, and I am not alone. So goes the mantra: "If it ain't broke, don't fix it," right? With every new iPhone release, I grew agitated with Apple's intrusive and unyielding efforts to change their products, which, to me, were perfectly fine "as is." Every prompt to "update my iOS" was denied with a dismissive eye roll. "Again?" I'd groan. "I have neither the time nor desire for *another* infernal update. My phone already works!" Every time I blinked, there was a world of hullabaloo over the latest iPhone model, with the prior round only having *just* died down.

Thank goodness a curmudgeon like me wasn't Apple's Chief of Strategy—because in actuality, this is an incredibly smart model. To help curb the threat of getting outclassed by competitors with shiny new models and cutting-edge software, Apple is in the business of constantly, deliberately outclassing itself. So you, like Apple, would do well to *outclass your own former model, and not let a competitor do it for you.* That is innovation done right. It's measured and focused adaptation. Take a note from Apple's playbook: create constant, renewed fervor for your product by rhythmically releasing a new and improved version of it. You then make the last release—however recent—feel totally irrelevant.

Like the endless tide of WordPress interface updates, Apple's 'perfection of product' is an endeavor with no finish line. No matter how "perfectly functional" it may seem to users and developers alike, Apple is devoted to the relentless betterment of their product. And that is one of the most important things you can learn from this tech giant. When they saw competitor Nokia/BlackBerry sweeping up that lofty 41% market share, they changed course and added a smartphone to the repertoire of hardware that Steve Jobs formerly swore would never include smartphones, and haven't looked back since.

‘IF IT AIN’T BROKE, DON’T FIX IT’? CONSUMERS WON’T ALWAYS LOVE THE CHANGES YOU MAKE—AND THAT’S THE HARD PART

Outclassing yourself seems like a smart business model, but can flop upon execution. When you alter a product that is already seen as perfectly functional to its user base, you may be met with a tide of unchecked hostility. Snapchat®, a giant in the ranks of Facebook, Instagram®, and Twitter®, has decidedly not failed to make meaningful changes to its product (a photo messaging app)—if only because of crushing pressure from investors to make the app more ad-friendly. Initial efforts to appease investors proved too tame. One Morgan Stanley® analyst wrote, “We have been wrong about Snap’s ability to innovate and improve its ad product this year.”[18] As pressure mounted to do just that, Snapchat rolled out a much-derided redesign of the app, provoking enormous backlash from its user base and butchering user experience in the process. A single tweet by reality star Kylie Jenner expressing her contempt for the redesign saw Snap’s market value drop by a whopping $1.3 billion.

The company’s loyalties were seemingly torn between advertisers/investors and its own user base, who were more than vocal about their preference for the old format. A Change.org petition urging Snap to revert back to the old format garnered more than 1.2 million signatures, although CEO Evan Spiegel is obstinate about maintaining the redesign.

It’s not as simple as making updates to your product and waiting for the public to lap it up. Innovation isn’t always done right or greeted kindly. Poorly received changes will usually be met with fierce opposition and a resounding chorus of “Leave well enough alone!” Sometimes that which is investor-friendly is kryptonite to user satisfaction, and that which appeases users might be investor kryptonite. But how will you know the difference between good adaptations and bad ones, in advance? The best advice is also the most trite, but you need to listen to your customers, cater to their needs, and the money will follow. Nevertheless, they will not always know best. Someone, somewhere, was miffed when they stopped manufacturing brick phones.

"IT'S **NOT** AS SIMPLE AS MAKING UPDATES TO YOUR PRODUCT AND **WAITING** FOR THE PUBLIC TO **LAP IT UP.**

WHAT IS MY ADAPTABILITY QUOTIENT? HOW DO I IMPROVE IT?

It is easy to tell you to tune into the market, see how it is changing, and update your product and strategy accordingly. It is a lot harder to tell you what those changes and updates will look like, or how to arrive there with confidence. Studying your competitors is an excellent jumping off point. But how do you determine what aspects of your product/service should be changed to better serve the market, while increasing margins? Here, *Harvard Business Review* offers some valuable insight: “That which cannot be [conclusively] deduced or forecast can often be discovered through experimentation.... experimentation necessarily produces failure. Adaptive companies are very tolerant of failure, even to the point of celebrating it.”[3] Simple experimentation—frightening though it may be—can go a long way. You learn a great deal more from failure than from your successes, or so the platitudes go. That is the first truth you must internalize in your endeavor to become a highly adaptable company.

WHAT DOES THE INTERNAL STRUCTURE OF A HIGHLY ADAPTABLE COMPANY LOOK LIKE?

Evenly dispersed autonomy (decision-making power) is among the principle tenets of a highly adaptable internal structure. Amazing things happen when you give your employees room to make their own judgment calls. At the risk of upending everything you learned in business school, rigid organizational hierarchy (the leadership pyramid) may become increasingly passé. Perhaps the most provocative assertion to come out of *Harvard Business Review* (hereafter, HBR) is the following statement: "It is helpful to have weak or competing power structures and a culture of constructive conflict and dissent."[3] But how could conflict and dissent possibly promote the health of a business environment? Aren't there entire tomes written on how to eradicate these seemingly undesirable occurrences from your company? Yes, but HBR is onto something.

AT THE RISK OF UPENDING EVERYTHING YOU LEARNED IN BUSINESS SCHOOL, RIGID ORGANIZATIONAL HIERARCHY (THE LEADERSHIP PYRAMID) MAY BECOME INCREASINGLY PASSÉ.

An internal structure with a degree of fluidity, highly autonomous team members, and a warm disposition toward constructive conflict seem to fly in the face of everything we've learned about stable business environments. While you don't have to dismantle your leadership structure just yet, consider this food for thought: "Hierarchical structures and fixed routines lack the diversity and flexibility needed for rapid learning and change. Such management paradigms die hard, especially when they have historically been the basis for success."[3]

THE SHELF LIFE OF YOUR SKILLS, YOUR INDUSTRY, AND YOUR BUSINESS

Those who contest the importance of adaptability argue that not every industry is changing fast enough to deem it the chief determinant of success. Indeed, if your industry feels relatively stable and predictable, you may wonder how the tenants of adaptability are relevant to you as a business owner. It may be argued that industry stability is either an illusion or a truth soon to be uprooted—if only because we are living at a proverbial 'pivot' in time, caused by the Digital Revolution. A perception of stagnancy is just that—mere perception.

The skills of your employees, even your own, seem to have an increasingly short shelf life as technological changes press on. The World Economic Forum reports that "35% of the skills that employees will require to do their job—regardless of industry—will have changed by 2020."[19] Education and training are no longer one-and-done endeavors. Employees should be furnished with continual retraining as tech advances, consumer expectations evolve, and the landscape of the market changes. Professional development is among the first modern "stabs" taken at fostering the growth and adaptability of employees, but we still have a long way to go.

TWO MAJOR STEPS YOU CAN TAKE TO “STAY READY” FOR MARKET CHANGES

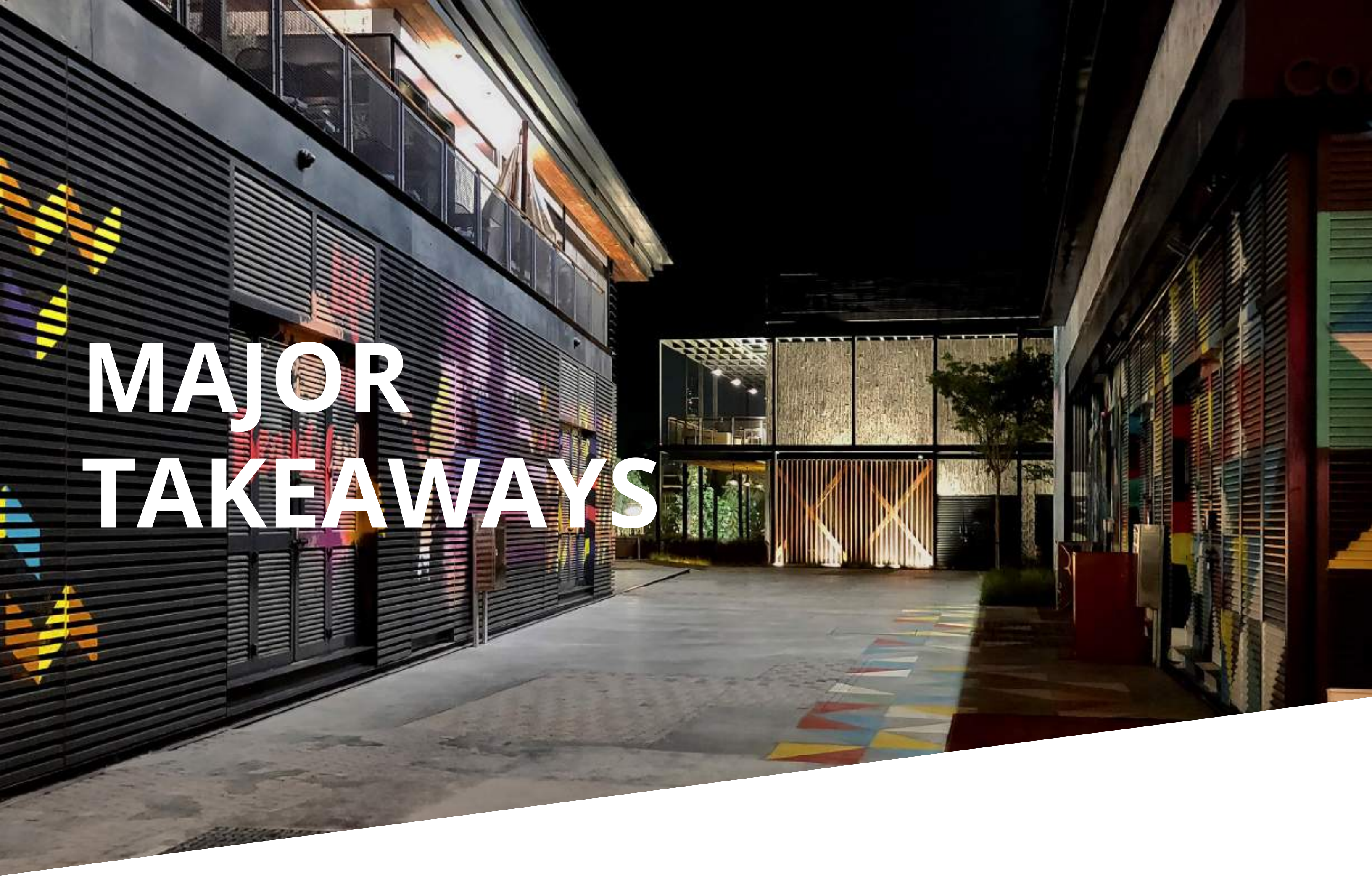
Study the underdog: Or as HBR puts it, “look to the mavericks.”[3] From Blockbuster to Netflix, cab companies to Uber, BlackBerry to Apple, there is a lot to be learned from a wily new competitor. Outsider perspective and opinions that contradict traditional wisdom should be studied, rather than dismissed. HBR recommends, “Ask your managers to shift their focus from traditional competitors’ moves to what the new players are doing and to think of ways to insure your company against this new competition or neutralize its effect.”[3]

Reassess your relationship with certainty and uncertainty: Your company could be hindered by what HBR calls “false knowns” (questionable but firmly held assumptions) and “underexploited knowns” (megatrends you may recognize and perhaps have even acted on, but without sufficient speed or emphasis).[3] For example: playing a film on-demand always required a hard-copy VHS or DVD, until it didn’t. This was a firmly held assumption upended by the advent of legal streaming, which quietly usurped the throne of video rental companies. Those companies’ ability to course-correct and become streaming services would eventually separate the winners from the losers. Don’t be afraid to challenge even some of the most firmly held assumptions about the way your industry functions. Bring in outsiders with fresh perspective. Work to collaborate on what could be the “false knowns” of your industry; you could be among the first in your industry to question them and start changing the game.

THE FUTURE OF THE ‘ADAPTABILITY MARKET’

As of yet, we lack a strong metric to measure the AQ. In the absence of extensive literature to explore and research it, we are only able to consult the sparse insights gleaned from the observations of a few business experts. However, in what can be hailed as an eyebulgingly insightful forecast of the future with regard to AQ, Natalie Fratto, aforementioned VP of Early Stage Practice at Silicon Valley Bank, predicts that the future holds three things:

1. *As a society, we will agree that adaptability is an important indicator for future success and we need a metric for it—AQ*
2. *We will seek new ways to both test our AQ and improve it over time.*
3. *A sizable industry will emerge to boost our AQ —from pharmaceuticals to training, games, and media*[5]



MAJOR TAKEAWAYS

- ***Don't develop a product that hinges on the static positioning of a dynamic/changing audience.*** Your audience will age and their expectations will shift. The market surrounding them is continually pulsing with change. Adapt and update accordingly. Systemize a process by which you update, correct, and rework your product.

- ***Be permanently alert when you assess the competition.*** Look for strengths in their product that may highlight a weakness in yours. Measuring them against your strengths should be dead last when you assess them.

- ***Get a different pair of eyes on your product.*** Outsider perspective is critical to innovation. So don't be so quick to shut down the intern who comes into the office with a bevy of comments and suggestions about what you could do better. Outsider perspective is pure and unclouded, giving you a window into the changes you need to be making that may not be readily apparent to you. Hire seasoned consultants, ask customers, form focus groups. You may have good judgment and vision, but it is collaboration that will yield the most valuable insights when it comes to what you could be doing better.

- ***Adapt even if it means stealing from your competitors.*** It sounds a little cold-blooded, but in the business sphere, it happens left and right. And not always in an immoral or underhanded way. Appropriating the ideas of competitors has yielded great gains for some. Just look at the way Instagram shamelessly adopted 'stories' from its competitor, Snapchat—to Snapchat's chagrin and Instagram's enormous success. But Instagram added features and expanded on the concept, enhancing user experience in ways Snapchat ultimately failed to.

"Competitive reality is uncertain."[3] That much is true. What remains certain is the indispensability of a high AQ in the fight to keep pace with a changing environment. The more you orient your company, employees, style of training, and strategy in a way that promotes a warm response to change, the higher the likelihood your company will weather the storms of the Digital Revolution. Mastering this, you may well emerge one of the few victorious players, not only on account of vigorous adaptability, but because of your inherent tenacity to succeed.

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