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Adapt Or Die, The Enduring Rule Of Innovation

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Apple was a game changer for the music business. Meanwhile, the U.S. Post Office has been dying a slow death since the advent of email. Cellular technology killed the phone booth. Thousands of stores, from small mom and pop shops to big box retail, have shuttered over business lost to internet competitors.

It has been an 'adapt or die' world since anyone can remember. It's not all bad news, of course. Radio did not completely die with the advent of television. People will still read, listen to music, and watch entertainment content no matter how they see, hear, or experience these things. People will always need to eat, wear clothes, and transport themselves. But having seen so many companies go from bad to worse, and seeing some go out of business altogether, it is worth examining what factors play a role in the survival or death of a company.

As experts in bankruptcy administration, we've seen many successful behemoths as well as smaller companies whose businesses failed to adapt, and were eventually forced from the competitive marketplace. One such example was Montgomery Ward, who started as an innovator in 1872, offering products via mail order to customers in hard to reach places. Wards was the Amazon of its day. Even with stiff competition from Sears Roebuck and others, Wards held its own through much of the first half of the twentieth century. But failing to innovate, to do what their successful competitors were doing (move out of downtowns and into the malls), they started to decline. Wards

lasted more than 125 years, and its origins would indicate a natural fit for the e-tail business of today, but sadly, they did not adapt fast enough to technology and after a slow death, finally closed their doors in 2001.

It is reasonable to assume that adapting to technological advances is much easier for the small and light-on-their-feet companies, than it is for older entrenched behemoths. But then again, larger companies have deeper pockets, so they may be better positioned to invest in technical upgrades. Each size has its advantages, but what it comes down to is whether a company continues to innovate. First, small bookstores caved to the big boxes with their volume discounts, but now the big boxes are giving way to the e-tailers, so there are winners and losers on both sides of the scale. Online purchases may have been a huge boon to companies like UPS, but as the number of books being downloaded begins to outnumber those being shipped, how will UPS position itself so that it doesn't end up as the next incredible shrinking business a la the United States Postal Service? Even the U.S.P.S. is now belatedly examining other revenue streams, like issuing driver and hunting licenses. They must adapt, expand the possibilities of the delivery of goods, and move into other arenas if they are going to survive.

Google, once a startup innovator, has become a huge international corporation. But Google no longer has to invent great new technology, it just has to recognize it, and then purchase the smaller innovating companies, kind of like the way we buy our groceries. Apple, once given up for dead, now lets other software writers create content and applications for their hardware, and then profits from the sales. This isn't to say they aren't still innovating, but they aren't dependant on only one thing for their revenue stream. Even Wikipedia and Craigslist provide valuable services without letting a little thing like profits (or lack thereof) get in their way. Both seem to be surviving with models that all the experts say were bound to fail.

So why can't every company learn to leverage what they have to offer in the marketplace into success and profits? Because they are using an old business models with high overhead and a mindset that says "We've always done it this way, so why not continue the same way?"

Well, the world is constantly changing, and people change in the way they respond to the world around them. A grocery chain that has been around for decades can trade on its name recognition only so far. One such chain found itself stuck between the high-end Whole Foods brand and the low-end discount Wal-Mart brand. Which way to go to survive? By closing lower revenue producing stores, renovating, and upgrading some key stores in key markets, they have been able to capture some of their customer base back, people who are loyal to the brand but with higher aspirational shopping habits than their parents had.

Our basic needs don't change, but our tastes and how we get them satisfied do change. If customers are passing you by because your competitor delivers to their home, then maybe you should think about starting a delivery service. If your customers have left the suburbs now and moved back to the downtown area, follow them. If the market is no longer clamoring for your one great product, start developing another product or service. You can adapt...or not.

[*Image: Flickr user Adam Foster | Codefor [9]*]