Adapt or Die: The Real AI Playbook

Ignore at Your Own Peril. How Founders and CEOs Will Successfully Navigate the World of AI.

Adapt or Die: The Real AI Playbook

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First edition

Extract/Synopsis

By Paul Byrne, President of Razoyo and Refactored Group

Artificial Intelligence is transforming business—but most leaders are looking the wrong way.

In Adapt or Die: The Real AI Playbook, Paul Byrne, veteran technologist and president of Razoyo and Refactored Group, exposes the unseen opportunities and hidden risks that determine whether AI will make or break your company's future.

Written for small and mid-sized business (SMB) owners and managers, this book cuts through the hype to reveal what AI really is, how it works, and how to make it work for you.

Byrne explains the difference between automation and true intelligence, introducing the concept of Type 2 thinking—a deeper, more strategic approach to using AI that will define the next era of productivity.

Instead of chasing trends, you'll learn how to identify, evaluate, and implement AI solutions that align with your company's goals, culture, and capabilities.

Acknowledgements

I dedicate this book to my wife, Lucia, who has patiently endured the extra stress that writing the book has added to

our lives, and to my children, whose unwavering love and support has never faltered.

Several people have either inspired or informed my understanding of AI.

William Byrne, my son, business partner, and CTO of Razoyo, has embraced AI from a highly practical viewpoint. Watching him has helped me keep pace with what really can be done right now.

Christian Hamilton of Acoustic Orange's enthusiasm for AI and dedication to helping company founders and leaders embrace the good and beware of the bad.

Finally, thanks to my company, including my other business partner, Jason, my other AI-forward-thinking son, Giancarlo, the many devs and business people who challenge, inspire, and delight me every day, and who keep the business running so that I can indulge in projects like this.

Preface

I've become increasingly worried about the insecurity, even hopelessness, expressed by entrepreneurs, especially leaders of small and mid-sized businesses.

The introduction of LLMs and AI has left many concerned about the pace and change in their industry, business in general, and the economy.

The cure to this malaise is primarily education. Many people I talk to agree, but they argue that things are changing too quickly and there is too much hype to know where to turn.

Valid points. There *is* a lot of hype, and things are changing quickly. The pace hinges on the unprecedented speed of investment in these systems. It's like the early days of the World-Wide-Web on steroids.

Yet, this did NOT just happen suddenly. AI has been in development for more than half a century.

This book aims to guide you from a place of fear, uncertainty, and confusion to one of hope and confidence—by helping you understand where AI came from, where we stand today, and where it's likely headed.

If you're seeking a book that unveils AI's great secret or delivers that one big 'Aha' moment, this isn't it—and that's intentional. True understanding emerges from patient study and observation, not a quick epiphany. Chasing shortcuts might mean you're approaching it backward.

Books are lengthy by design; they immerse you in the full context of a subject, guiding you through a journey of discovery where the real learning unfolds along the way.

I aim to help you know what to look for, so you can make good decisions, not to tell you what to do. Any book (or person) that does is leading you down the wrong path.

Good reading.

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Why Do I Have an AI Blind Spot?

> “The greatest enemy of knowledge is not ignorance; it is the illusion of knowledge.”
>
> — Daniel J. Boorstin

As a twenty-year veteran tech entrepreneur, I am acutely aware that we all have blind spots.

Sometimes an employee we like personally is bad for business. It can also be a skill gap. Some entrepreneurs suck at managing cash flow because they lack a framework for understanding it. Others aren’t good at sales (me).

Smart entrepreneurs either hire or bring in partners who have different blind spots.

Like driving a car, not checking a blind spot before making a move can lead to disaster. You can only swerve back and forth on the highway of business at one hundred miles per hour with reckless abandon for a short time.

Have you ever met an entrepreneur whose style reminded you of a drunk driver? If you know one, you should check in

on them. See how that person is doing three to five years later.

Whatever the case, just given the fact that you are reading this book, you are eager to eliminate or reduce a critical blind spot. Congratulations! By the time you finish reading this book, you'll be part of the top 10 percent, if not the top 1 percent, in dealing with *Adapt or Die: The Real AI Playbook.*

Where Does My AI Blind Spot Come From?

Unfortunately, there are universal blind spots, and AI is one of those. There are three primary causes of AI blind spots:

1. **Mystery:** Actual unknowns in how AI is going to develop. Not even the most avant-garde AI researchers know about these. I make the case that these are few and far between.
2. **Misinformation:** The misinformation about AI in public discourse is atrocious. I don't know if the misinformation is intentional, hype-driven, or coming from social media gurus using it for clickbait. It's similar to the late 1990s, when the future of the internet felt really fuzzy, and self-proclaimed internet gurus seemed intelligent.
3. **Ignorance:** Much of *Adapt or Die: The Real AI Playbook* may be due to this. I don't purport that you are blithely or willfully ignorant. There's a lot to know.

> And it is difficult to follow because of reasons one and two.

All three of these causes will be dealt with in this book. We can help you identify a legit mystery to minimize that blind spot. We'll give you some resources to help you recognize when the mysteries are being solved.

Misinformation can often be dismissed when you have a framework for understanding AI. You'll be able to ignore some of the idiotic takes that you might have fallen for previously with some good 'ol knowledge and a healthy dose of informed skepticism. You'll learn who to be skeptical of and why.

Finally, while you will certainly need to keep an eye on the topic, if you get nothing else from reading this book, your own ignorance on the subject will definitely decrease. If not, feel free to return it for a refund!

The Entrepreneur’s Pivot

> “It is not the strongest of the species that survives, nor the most intelligent; it is the one most adaptable to change.”
>
> — Charles Darwin (commonly attributed)

I’m writing this book because I want to change your mind. Why? Because every disruptive technology threatens the status quo, and most of us make money in the status quo.

The disruption opens an opportunity by creating a new status quo. We develop systems to make money from the new status quo, but it takes time for those investments to pay off. If we get in early enough, we get a payoff. Otherwise, the investment fails to deliver a return.

Early in a new trend, fresh players emerge who are uniquely honed to service the market. Others see the same opportunity and imitate (wittingly or not) the successful firms.

If the market continues to expand, more firms will enter. As soon as growth begins to slow, competition heats up, and firms begin to fail or find new opportunities to address.

Successful or large firms take more market share. Pricing pressure ensues as activity in the innovation space coalesces around a few remaining players. Small players are relegated to smaller niches and fight to survive.

The ecommerce software development services market is an almost-perfect example of this evolution. As an early adopter of ecommerce technology and, later, the president of an ecommerce development firm, I've seen the evolution from the beginning.

Around 2005, I was responsible for online sales of a product that had been sold solely in face-to-face interactions up to that point. We started with eBay but later moved to selling on our own website using an early SaaS platform called ProStores.

It was all very early in independent ecommerce. Small and mid-sized players like us had 'niched' down to avoid competition with Amazon and eBay.

Many were making millions of dollars, as they became the first to sell certain products or categories directly: welding machines and supplies, custom gun stocks, local tours in the Washington D.C. area, knitting supplies, and so on.

Others profited by nailing down high-value domain names early. One client, whose niche was hand dryers for public restrooms, owned prodryers.com. That domain name was gold.

Companies and individuals made fortunes by leveraging notoriety from existing retail stores. They did this by encouraging existing customers to order online, saving an enormous amount of money on distribution costs.

They, along with others, serviced geographies (think rural areas with limited access to specialty retail). Many of the giants (e.g., Walmart, Costco) had yet to sell a single item online.

Even among large companies, there were many false starts. Albertsons, one of the first grocery stores to sell online, teamed up with PepsiCo to offer home delivery for online shopping. They hadn't figured out the economics of their model, and the failure resulted in massive losses, even leading to the closure of some locations.

Technologies came and went. In 2011, my CTO (our first real developer at the time) and I participated in the Innovate conference, which introduced a new technology called "The Fabric" that eBay invested $1.6 billion in. It was supposed to be the backbone that sewed together various ecommerce service providers: storefronts, logistics, sales tax calculators, payment processing, and ERPs.

Within a year, eBay abandoned it, taking a huge write-off.

Restaurant delivery wouldn't be on the horizon for many years, and Uber was a little startup doing nothing. Shopify and BigCommerce (now just known as Commerce) were in their infancy.

At this point, we hired software engineers and began customizing stores based on the Magento platform. This would turn out to be a revolution. We built a multi-million-dollar practice in just a few years. We regularly attended Magento Imagine conferences to learn best practices, form alliances with service providers, and collaborate on Magento's open-source road map.

The environment was chummy. Most agencies' biggest problem was competition for development talent, not finding clients. I met some truly amazing people and became familiar with mid-market development firms.

That would soon come to an end. In the late 2010s, we noticed something on the horizon: SaaS platforms like Shopify were able to handle larger businesses.

Companies using SaaS platforms pay more for subscription services but less for maintenance, and they are less dependent on skilled developers for making changes to their sites. It was, and still is, a bit limiting, but the trade-off

usually makes economic sense. And as the platforms become increasingly flexible with robust plug-in markets, the transition becomes more compelling.

We looked to the future and saw that we had to change. Large agencies were starting to feel the squeeze from the SaaS migration fury and began targeting the mid-market. Merchants consolidated or went out of business. We had helped many of them grow their businesses, but some fell away. We realized we had a few years before much of our work would be automated away.

So we decided to go all in; we bet the company. Pivoting takes capital, and if it doesn't work, you run out of money. We felt that ecommerce would continue to grow via SaaS platforms (at the time, social media commerce and AI commerce were barely on the horizon). If so, the demand for B2B services that plug into those platforms would increase. However, this required a different type of development that we would have to learn.

So, we got to work and learned how to do application development. We created our first product for the online firearms sales space. Within a couple of years, we had launched AutomaticFFL, our own SaaS offering that automates compliance for online firearms merchants.

While not profitable in the early years, it is now the leading option for merchants on many ecommerce platforms.

The effect on our business was a bit comical. When my business partner, Jason, and I showed up to a major industry conference, attendees recognized us when we introduced ourselves as AutomaticFFL rather than Razoyo. It opened our eyes.

This pivot was our first experience developing end-to-end applications. We soon started taking on clients, offering the same service and building their platforms, which were more sophisticated than AutomaticFFL. Thanks to our work, one of our clients arranged a 10-figure exit from their startup when it was sold to a large international conglomerate.

We still provide ecommerce customization and support services. That market didn't disappear, but it changed in a way that would have excluded us if we had continued business as usual.

The lead pipeline from platforms to developers of our size dried up. The platforms consolidated their business with large agencies and focused their attention on enterprise-level clients.

What happened to other firms in the market?

1. **Many firms exited.** They sold their book of business to larger firms or, in some cases, simply closed the doors and retired.

2. **Some joined forces.** A few firms consolidated and merged with others. I see this as a temporary staving off of the wolves at the door.

3. **Some converted to offering a broader set of services.** In this case, they either joined forces with or hired digital marketing or advertising folks, an area that will have some life for a while.

4. **Some niched down.** They took the time to make names for themselves in specific industries like industrial supply, fashion, publishing, and service appointments (hairdressers, tee times, etc.).

One of my closer industry friends pivoted out of ecommerce and started producing social media content for bourbon manufacturers. Knowing this guy's level of innovation, this may be preparatory to developing a consulting practice in the emerging social media sales space.

My point is that no matter what space you are in, you will be forced to pivot. The good news is that you still have time. How do I know? Because this is how technical innovation works, as I will show in the following chapters.

Predicting what's coming requires a basic understanding of two things: 1) where we're pointed, and 2) the initiatives purporting to get us there. By the end of this book, you should be armed with a starting point, an understanding of where we've been, how we got to where we are, and what

to look for, including people, thinking currents, and terminology.

The Only AI Distinction That Matters Right Now

> “We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten. Don’t let yourself be lulled into inaction.”
>
> — Bill Gates

Understanding the difference between Type I and Type II thinking is the guiding principle that will help you understand the pace and direction of AI innovation.

Don’t get me wrong, AI is definitely a new beast. It’s a form of innovation that we haven’t seen before. This is why it causes so much confusion and anxiety for entrepreneurs and business leaders.

I’m going to walk you through the important parts of its history and attributes throughout the book. However, we need to address the big issue underlying why AI may have peaked, or we might just be seeing the tip of the iceberg.

Caution: Computers Are Not Animals

I get really frustrated when people compare AI to human thinking. Computers are not human. Medical science scarcely understands how the brain works. While we know how to create neural networks, the form of AI that large language models (LLMs) are based on, we don't understand how it produces its answers.

Yes, we understand the mathematics of training the models (lots of linear algebra), and some LLMs will show you their interim results. But we cannot follow the path that led to those results. Some call those results "reasoning," though it is not human reasoning.

Even the use of the word 'neuron' in neural networks is intended to be a metaphor, a handle for describing a function. AI researchers call the individual "neurons," a term used to distinguish machine thinking from human thinking.

Keep that in mind as we go through the rest of this chapter. We're going to use the terms Type I and Type II thinking as applied to both humans and computers. However, the comparison is merely for convenience and breaks down quickly.

Type I vs. Type II Thinking

Understanding the future of AI doesn't require you to understand the difference between Type I and Type II

thinking in a technical way, but you do need to understand the basics.

Type I thinking is instinctual. Biologists might compare it to the “lizard brain.” It is a mechanism most animals possess that allows for quick reaction times. It’s what drives your fight-or-flight response. It’s what causes some people to pat down their pockets before they leave the house to make sure they have their keys, phone, and wallet.

Type II thinking is contemplative, reflective, and reasoned. It’s what allows a teenager to learn how to drive an automobile safely with fifteen to twenty hours of experience. It is what we call upon when presented with new situations.

LLMs, as we will discuss in future chapters, most resemble Type I thinking. They are not good planners and do not adapt well to new situations.

LLM companies have tried to make them useful by applying more Type I thinking. Quite frankly, they’ve done a remarkable job, but they are bound by the Type I limitations.

While research is being done on Type II thinking, we don’t know if we will get there. It’s a figure on the horizon. We think we can see it, but we don’t know how far away it is or if it is just a mirage.

It is reasonable to believe AI researchers will get us there someday. I don’t know if it will be in my lifetime. Some prominent researchers believe it is ten years away, maybe five, maybe twenty. The reality is, we just don’t know.

Some very smart people we will talk about later are working on the problems, but we don’t have the answers yet. Type II thinking is speculation at this point.