

# Antifragile:

## Things that gain from disorder



**Author: Nassim Nicholas Taleb**

**Book Summary**

Nassim Taleb's book 'Antifragile: Things That Gain from Disorder' talks about a concept that is very relevant today as organisations and people are struggling to maintain agility and resilience. In the book, Taleb talks about systems that improve or become stronger in the face of calamity. He calls this the Antifragile system. The differentiation goes thus – fragile systems are exposed and vulnerable to volatility, robust things are capable of resisting volatility, and antifragile systems benefit from volatility. Therefore, the antifragile, which is the opposite of the fragile, is that system which would be unharmed even in the worst possible situations and unprecedented scenarios. Antifragility refers to a system which has more to gain than to lose, offering greater upside and possessing favourable asymmetry.

### Key takeaways

- Antifragile systems benefit from shocks. Increasingly complex societies are, at present, fragile, but they do not have to remain fragile.
- Humans can be antifragile in traumatic situations, when they undergo post-traumatic growth and become better and “more” efficient.
- Antifragility indicates the ability to bounce back from failures and grow out of frustrations and hardships.
- Nature and human bodies are examples of antifragile systems.
- Work and industry sectors can also be divided into fragile, robust and antifragile. People who are mid-level executives at large firms are extremely fragile as their work depends on their reputation.
- Building antifragility is a necessity in today's times, with uncertainties abounding at every stage.
- When there is a black swan event, the fragile will perish under the pressure. But, the antifragile, which is capable of bearing stress and shocks, will thrive in such an ecosystem.

### The antifragile

When a person or an organization is antifragile, they become stronger when attacked. Having various options and the possibility of collaboration with other elements in the ecosystem enhances antifragility. As the opposite of fragile, antifragile ecosystems get stronger the more they are under duress. In order to thrive in the uncertain times ahead, it is imperative to build antifragile systems.

Modern society has become increasingly complex and thus, more fragile. For example, the phoenix, a mythical bird that rises from its own ashes, is robust as it does not die during duress. Then there is the hydra, a multi-headed creature, that is anti-fragile as it prospers under duress. When a hydra's head is cut, it grows two new heads in the place of the first one, showing its agility and resilience. Similarly, when an organization or a person bounces back from failures or trauma, they become antifragile. Inventions are antifragile, they are born out of necessity and the human body is similar in the fact that it prepares for such unprecedented situations and, many times, manages to emerge stronger from shocking situations.

### Modernity and the denial of antifragility

An ecosystem needs all types of players. This is because the fragility exhibited by one stakeholder could help make another antifragile. This is also called creative destruction of capitalism. Some failures can be the catalysts for antifragility. For example, it is well known that the Titanic sank under duress. However, the sinking of the Titanic offered a roadmap for the development of the ship cruising industry. Antifragile systems are formed when a single entity can go down without pulling the entire ecosystem down with them. When it comes to professions, occupations which do not entirely depend on reputation are more antifragile. For instance, artists and taxi drivers can get away with much more when compared to well paid employees in a firm. While the artist or driver has many customers and sources of income, the employee only has one means.

### A non-predictive view of the world

While it is difficult to make money by attempting to predict the future, people can profit by betting that the predictors will get their assumptions wrong. Accordingly, the barbell strategy is a proven way of becoming more antifragile. The strategy suggests investing in two extremes of high-risk and no-risk assets while avoiding choices that fall in between. This way, it covers

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downsides while raising the upsides, meaning systems play safe on one side while taking greater risks on the other side. Such a strategy works extremely well during black swan events and can boost industries including finance and aviation.

### **Optionality, technology, and antifragility**

Systems which have more viable options are more capable of withstanding black swan events and shocks. Adaptable systems which incorporate inventions, are better suited to be antifragile. To enhance systems, theory should be differentiated from practice and it is possible that an experienced man's advice could be more beneficial than attending classes at a business school. Indeed, inventions and discoveries do not come from theoretical knowledge. They come from people trying things out and tinkering around with different elements. Theory catches up after the invention, to explain it to society. Therefore, it is important to invest in innovative people rather than spending money on improbable business plans.

To succeed in the workplace and be antifragile, people should look for different work options, open-ended payrolls, limited downsides, and agility. Many times, things learnt in school do not help people in real life as bookish knowledge cannot help navigate real-time work crises. An apt example of this is the fact that a person who works out at the gym regularly might not be able to take on a street fighter who has real fighting experience.

### **The non-linear**

Several of today's systems are based on fragility and not probability. People are afraid of the unknown and take stringent efforts to ensure nothing untoward occurs. This makes existing systems more fragile and prone to failure. Here, the non-linear theory comes into effect. While one element might damage a system in a certain quantity, in lesser quantities it will not be as damaging. For instance, if a person consumes five bottles of wine in one day, it will damage their body much more than the consumption of five bottles spread out over five days.

Antifragility can also be achieved through collaboration. Just as adding units in non-linear systems leads to non-linear increments, adding more and varied people to well-functioning groups makes the group more antifragile. Inversely, while taking a business decision, there should not be too many reasons. Only one good reason is required to justify a decision – too many reasons may be considered as an attempt at putting up a smokescreen.

### **Via negativa**

When considering antifragile systems, it might be better to focus on 'what not to do' rather than focus on 'what to do'. This is known as 'via negativa'. Our knowledge and understanding of downsides is far more robust than our ability to understand upsides. Thus, correct method of getting a good idea is by eliminating a lot of bad idea. Similarly, reading about things that create negativity leads to negativity in life, and avoiding such things can help a person be more positive and antifragile. Antifragile systems have another thing in common – as mentioned earlier, they do not require great intervention. In fact, systems which are allowed to re-adjust and recalibrate without outside intervention are the systems which manage to remain antifragile over a longer period of time. Further, lives can be better if people remove unnecessary clutter. For instance, things such as televisions and air conditioners are not strict necessities when it comes to living a fulfilling life. Dependence on materialistic elements makes a person more fragile and, conversely, giving up such luxuries makes them antifragile.

### **The ethics of fragility and antifragility**

In today's society, a system may be antifragile because of the sum of its parts, but the parts may not be antifragile. Further, there may be some people who have their skin in the game, or benefit from the system, but do not face any difficulties when the system fails. In ancient times, leaders and artisans put their own lives on the line when they set out on a mission or constructed something. However, today, the person leading the charge or constructing a road is not the one facing the blowback from a failure. While previously Roman leaders would march at the front of their armies, and have the biggest downsides when it came to their own decisions, people nowadays sit back and take action without facing the consequences. For instance, overpaid

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bankers who sit behind desks can make wrong decisions and bankrupt a bank along with all the people who saved their assets there, without losing their own money in the process. Such an action is similar to transferring fragility from one party to the other. This leads to one party becoming antifragile at the expense of the other, more vulnerable, and innocent players.

The materialistic world today has made slaves out of people. Everyone wishes for more and more luxury and they end up selling their souls to make that happen. While they purchase luxurious items and populate their surroundings with beautiful things, their lifestyle does not afford them the time or energy to enjoy the fruits of their hard work. Such a phenomenon is called the hedonistic treadmill wherein people have the tendency to desire more and more materialistic stuff, even when they do not really need or enjoy it. The hedonistic treadmill is fueled by peer pressure and the inherent competition in human beings and ends up being the reason for their fragility.

Clearly, we should all work towards creating an antifragile system where we can benefit from chaos. From an investor's perspective, creating an antifragile portfolio could be highly valuable. The question is, 'how do investors create antifragile portfolios?' The answer lies in the book itself. Antifragile systems are those that are agile, collaborative, and decluttered. Investors can also create antifragile portfolios by building diversified portfolios that can be easily rebalanced in response to changes in market or personal circumstances, and comprise investments that are well-aligned with their asset allocation strategy. If creating such a portfolio seems like a challenging task, then one can consider investing in mutual funds. These investment vehicles give investors an opportunity to diversify as per their risk-return profile. For example, investors who are highly risk averse can invest a large portion of the portfolio in debt mutual funds while those who are risk seeking can invest in equity mutual funds. This allows investors to adopt the collaborative approach which is important while creating antifragile systems. At the same time, mutual fund investments are also highly liquid which allows investors to build agile portfolios that can easily be rebalanced.

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