

# The Business Inflexibility Trap

**B**usiness books today are a sorry lot indeed. Sandwiched between the get-rich-quick manuals and the even-losers-can-get-a-job tomes, today's business library is a dreadful mix of business school doublespeak and trite platitudes. Sure, you want to be more productive, more effective, more efficient, and more profitable—pick your adjective, and then choose your book. Maybe it's full of cases, like so many courses on the road to an MBA. Or maybe it's full of quaint distillations of wisdom. Either way, the chance that reading a particular book will actually help you address whatever intractable problems you face at work is an unlikely proposition at best.

At the bottom of the barrel of the business book world are those books that attempt to talk about *information technology (IT)*. After all, what business manager in her right mind doesn't roll up her eyes at the thought of a business book that deigns to address issues of technology? After the last decade's plethora of books on digital-this and E-that, and that ridiculous "New Economy" thing (what were we thinking?), the whole idea of a business book that even brings up the topic of IT causes publishers to run screaming.

There is an enormous irony in this sad state of affairs. That irony arises from the simple fact that IT is more important to business than it ever was. Name your business goal—productivity, profitability, efficiency, what have you; today, they all depend on IT. You'd think that publishers, authors, and especially business book readers would eventually get wise to this fact. The industrial age is long gone, folks! We live in the information age, so get with it! If you as a business reader don't first fathom the problems that IT causes the business, then how will you ever come to understand how IT might actually help you solve the problems facing business today? And we hope you've evolved past the stage where you would rather put your head in the sand than try to slog through a book that had anything to do with technology. If not, then, well, the books on the shelf below might be right for you. Yes, we mean the even-losers-can-get-a-job shelf.

## Jargon Watch: Information Technology

*Information* refers to understandable content that one individual communicates to another. We generally understand information to contain some measure of meaning, thus distinguishing it from *data*, which are the basic nuggets of content—some with meaning, some possibly sheer gibberish. *Data* is the plural of *datum*, one of those nuggets. Nobody ever uses the word *datum* anymore; we only bring it up here to explain why we talk about data as the plural of something. Not that it really matters!

*Information technology*, then, is all the various and sundry pieces of hardware and software that deal with information: computers, networks, applications, databases, and so forth. Information technology (abbreviated IT, always pronounced “eye tee” so as not to confuse it with the pronoun) broadly refers to the entire world of computer stuff, including the companies and people that deal with such things. Sometimes IT refers more narrowly to the application of such technology in business. In this book, we generally stick to the broader meaning, encompassing the world of computing. If we’re talking about the use of IT in business, we’ll say so.

The problem with business books about IT is that they’re not really business books about IT at all. They are technology books aimed at a business audience. Big difference! Authors of such books figure that if they can just dumb down the material enough, even you, poor dear business reader, will be able to follow what they are saying. Techies like to think that they’re smarter than everybody else, after all. Otherwise, why would college students transfer from computer majors to business ones, and not vice versa? IT is really hard stuff, you know, and by comparison, all this business stuff is soft. (We hope you can recognize the sarcasm in this paragraph!)

The fact of the matter, of course, is that business is harder than they think, naturally, and furthermore, IT is frankly easier than they would have you believe as well. These technology books aimed at business audiences typically fail to ground their arguments in the basic business realities—the business drivers that form the impetus for everything companies do. Typical business/IT books take the approach: “Here’s some great technology, now let’s see what we can do with it,” rather than: “Here are some difficult business problems, let’s come up with a great way to solve them.”

Needless to say, we wouldn’t be faulting such books unless we thought

this book avoided the same traps. Well, you'll be relieved to hear that this book isn't about IT at all. It's all about business. When we talk about IT, we're talking about a set of business resources available to solve business problems. Fundamentally, this book takes a close look at certain key business problems and then explains a broad-reaching but practical approach for addressing those problems that leverages IT, among other types of resources. We call this approach *Service Orientation*—a vision that can dramatically impact your business tomorrow; a vision that doesn't center on IT, but rather centers on the business and its problems.

## **THE MOTHER OF ALL BUSINESS PROBLEMS**

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As a way of getting the business-centered discussion going, we focus attention squarely on the “mother of all business problems” that, at a fundamental level, covers all the rest. That one mother of a problem is *inflexibility*.

We consider inflexibility to be the überproblem of business today, because basically, if companies were flexible enough, they could solve all of their other problems, since no problem is beyond the reach of the flexible company. If only companies were flexible enough, they could adjust their offerings to changes in customer demand. If only they were flexible enough, they could build new products and services quickly and efficiently. If only they were flexible enough, they could leverage the talent of their people in an optimal manner to maximize productivity. And if only companies were flexible enough, their strategies would always provide the best possible direction for the future. Fundamentally, flexibility is the key to every organization's profitability, longevity, and success.

At the core of every organization's inflexibility is human nature. People are only just so flexible, after all, and groups of people tend to be less flexible than many of the individuals within the group. There are many reasons for this human inflexibility: fear of the unknown, resistance to change, limited attention spans, and our core personal motivations to follow enlightened self-interest and avoid discomfort and risk. As organizations form and grow, these basic human characteristics become institutionalized in the corporate culture and the overall behavior of the organization as a whole. In fact, the success and failure of many companies depends on their founders' tolerance for change, incorporated into the culture and traits of the company. Organizations run by such risk-inclined, flexibly minded souls pass along those personality traits to their organization, and as a result, their companies are more flexible than those that are not.

Let you think that this book is actually a psychological treatise rather than a business book, rest assured that we won't be delving much further into the human psyche. We will, however, spend a good amount of time

discussing techniques organizations can use to address the human issues of inflexibility. When the conversation comes around to the topic of leveraging IT, these inflexibility issues cut two ways. On one hand, we will spend time talking about how organizations can best use IT in flexible ways, and on the other hand, we will also discuss how IT itself can help organizations be more flexible.

Service Orientation, in fact, neatly addresses both issues: flexibility *of* IT and flexibility *with* IT. These two themes entwine themselves through the chapters that follow. As you read through this book, look for ideas for dealing with inflexibility in all its forms. Expect to learn new approaches for leveraging IT and other business resources to meet business needs in environments of change. You may even come away with a new way of thinking about IT. You won't, however, find quaint platitudes or MBA-speak here.

## **ONE CONSTANT IS CHANGE**

At the core of the concept of flexibility is the notion of *change*. Businesses are under constant pressure—that's why we call work the "daily grind." The pressures on today's executives are enormous: They must cut costs and make do with existing resources, while at the same time serving customers better, satisfying shareholders, being more competitive, and responding to the business's strategic priorities. The realities of the current world add regulatory and compliance pressures on top of these basic business motivators—with the penalty of loss of liberty, if not profit. Basically, executives must do more with less, not just right now, but also into the future as business needs change and new ones develop.

As the ancient Greek philosopher Heraclitus once noted, "Change alone is unchanging." Even today, change is the one constant in all the pressures on the business. Change occurs throughout today's modern enterprise. Business as well as human and technological factors are all at the root of the change facing today's organizations. At the macro level, broad economic forces including globalization and eBusiness are accelerating the pace of change. Businesses once thought of as mature, like the book-selling business or textile manufacturing, now experience significant pressure to change the way they are run. Globalization leads to fierce competition, which in turn leads to shortened product cycles and reduced prices, as companies look to gain advantage over their competition. Companies that can't evolve their business model quickly soon find themselves facing extinction.

In addition, customer requirements are changing at an ever-increasing pace. The wealth of available information, the plethora of competitive offerings in the global marketplace, as well as newfound gains in productivity are driving customers to demand more from their suppliers at ever-lower prices, squeezing margins thinner and thinner. In response to these heightened

customer demands, businesses must improve their offerings, and this leads to a recurring cycle of heightened customer demand, competitive pressure, and global competition.

Furthermore, customers increasingly demand access to information and products in ever more convenient forms. Although telephone and direct mail might have been a good way to reach your customers up until the 1970s, they are no longer sufficient today. Web sites, once seen as a curious add-on to the business, are now seen as a necessity. E-mail is making the fax machine obsolete. New developments in electronic forms and automated procurement may finally make the paper-based office history (or maybe not, but you get the idea). These technological factors exert additional pressure on the business to innovate. Fail to innovate and your customers will find other businesses that provide better value and are more convenient to work with.

### **The Change We Know and the Change We Don't**

Secretary of Defense Donald Rumsfeld once famously quipped: "There are known knowns. These are things we know that we know. There are known unknowns. That is to say, there are things that we know we don't know. But there are also unknown unknowns. There are things we don't know we don't know." Even though it might take a doctorate in linguistics to properly understand what he's trying to say (intentional obfuscation on his part?), we can rephrase this quote and apply it to business in this way: There are those changes that the business knows about ahead of time, including new technologies, ongoing business pressures, compliance mandates looming on the horizon, and so forth. And there are also those changes that we know will happen eventually, such as rises in energy and labor costs, although we don't know precisely how or when they might happen.

However, the most significant changes are the ones that businesses can't foresee. No one could have known the impact that the Internet has had on businesses or how global terrorism has changed the way we think about risk. Major economic, political, and even geologic shifts can have significant and unpredictable impact on today's businesses. Those businesses that are the most capable of dealing with those unpredictable changes have the best chances of survival. So, it pays to think of change as a positive force in business, since responding to change and leveraging change for competitive advantage are the keys to continued success.

### **How We Get Locked In: The Change Conundrum**

Organizations' resistance to change results from the simple fact that people are resistant to change. Basically, humans are creatures of comfort. Do you

remember when you were in elementary school and on the first day you had to select which desk to sit at? From that point on, for the rest of the school year, you would sit in the same seat—partially out of habit and partially because of comfort. How earth-shattering it was to come into class one day and find some other kid sitting in your seat! That one event was probably your first exposure to change that left a bad taste in your mouth.

Despite the evolutionary forces that brought about the human race, people do not like change. People maintain the same haircuts, daily routines, morning coffee runs, clothing styles, and other habits, and generally loathe any changes to those routines. If humans are resistant to changing the most trivial of daily activities, imagine the resistance to something more threatening, such as changes to the way the business is run. In fact, the only change people like is the kind they get from a cashier! The problem is that no change can happen without risk—and people generally don't like taking risks.

This resistance to change is engrained in corporate culture in a number of places.

Companies establish processes early on in their history and rarely change them, even in the face of compelling reasons to do so. People get used to the same old procurement, human resource, manufacturing, customer support, and management reporting processes and are very resistant to changing them, even if newer, more cost-effective processes are available. What once was supposed to be a stop-gap process to solve a single problem quickly evolves into “the way things are done,” giving employees comfort in doing things the same way, despite evidence to that things really should be done differently. This seemingly irrational dedication to existing processes prevents companies from becoming flexible.

### **Jargon Watch: Corporate Culture**

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The Merriam-Webster dictionary defines a culture as the “patterns, traits, and products considered as the expression of a particular period, class, community, or population.” Certainly, then, any group has a culture—whether it is explicit and intentional or an accidental by-product of the behavior of a group. Therefore, corporate culture consists of those patterns, traits, and by-products of how a company does business. Corporate cultures, like yogurt cultures, are productive to growth only when environmental factors are right. Build them wrong—for instance, by letting corporate culture develop as a by-product of the irrational behavior of the chief executive—and you have a stinky mess.

But locking in obsolete processes is only one of the ways that businesses become inflexible and resistant to change. Over the years, companies have invested heavily in technology solutions to various business problems yet have found themselves automating the same, rigid processes they had before. Nevertheless, once IT departments implement such technology solutions, their corporate champions defend them as if they were beachheads on Normandy during D-Day. Even when a given technology implementation is clearly failing or is a source of ongoing cost, complexity, and difficulty, the implementers will continue to defend their desire to spend money on the technology until forced to do otherwise. As a result, these ineffective, inflexible implementations rapidly become the legacy technology that tomorrow's solutions have to deal with. Like a bad remodeling job, these technologies simply get wallpapered or carpeted over, leaving some later, unsuspecting homebuyer to deal with the mess. The inertia of doing things the way "they've always been done" makes companies ineffective, inefficient, and inflexible.

### **Planning for Change Is Preparing for the Future**

Feeding into the resistance to change in today's organizations is the snake oil that new-age business gurus and overpaid management consultants have been peddling over the past few decades. Reengineering, as you may remember, was a phenomenon of the 1980s and early 1990s that offered great promise of increased efficiency and customer focus, but in reality was a mixed success that came to be a euphemism for downsizing and of the susceptibility of management to rads in general. In retrospect, one of the main reasons why reengineering wasn't a greater success was because businesses didn't have the tools to deal with the resistance to change that permeated their organizations. Instead, the limitations of IT and the cultural resistance to change constrained the ability of business to adapt.

The general failure of reengineering illustrates the impossibility of separating the notions of change and progress. Without change, there can be no progress. So, to be able to make progress, companies must deal with their cultural resistance to change. Taking the first step of tackling the fear of change will bring you closer to surviving the changes you know and those you don't. It would be wonderful if we had some sort of magic formula for dealing with this resistance—some snake oil better than the other guy's snake oil, as it were. Well, we don't. Instead, we accept this fundamental aspect of human nature and provide an approach for improving flexibility in your organization *in spite of* the cultural resistance to change, rather than trying to pass off some technique for changing human nature.

This approach—Service Orientation—takes advantage of IT, even

though traditional technology solutions have generally locked in inflexibility, rather than helping to solve the problem of resistance to change. The secret to this refreshing, if not downright incredible, claim centers on the fact that we aren't simply proposing a technology solution to the problem. Instead, we're proposing a new approach for business to leverage IT, combined with a new approach for organizing IT resources for improved flexibility.

## **COMPLIANCE CONUNDRUM**

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Expecting an organization to be less resistant to change is like expecting people to lose weight or quit smoking. Everyone agrees on the need for change, to be sure, and there's even a general understanding on how to go about such changes (although people may disagree on the specifics), but change nevertheless is extraordinarily difficult. Furthermore, most people who have the need to lose weight or quit smoking have generally made the attempt, often many times, and the vast majority have failed. So too with organizations when they face necessary changes.

Ironically, studies have shown that even after serious heart disease, people resist lifestyle changes, even though their doctors tell them they are far more likely to die if they don't make those changes. This desperate scenario plays out in the business world as well. Rather than face a life-or-death scenario, however, companies face the grim prospect of noncompliance with new regulations that make their businesses—and even their freedom—disappear.

Why do we discuss regulatory compliance at this point? For one thing, compliance illustrates a specific issue that is top of mind for most businesses today. But more important, the issue of regulatory compliance is a great place to begin the discussion of the resistance to change in organizations, because compliance issues are clear examples of arbitrary, incontrovertible forces of change on the business. Regulations and other change factors that come from outside the direct influence of business management are fundamentally arbitrary, because legislatures can concoct or amend them at will for any number of political or economic reasons. Furthermore, global companies must submit to regulations in every region they do business in, a fact that adds to the capricious nature of the regulatory picture.

Regulations also represent ongoing change. After all, would you be willing to bet that the current regulations that apply to your organization are now set in stone? Of course not. In fact, you can count on new rules and changes to existing rules, and you can also count on those changes to be inherently unpredictable—a great example of unknown unknowns. Furthermore, the world has evolved into a place where lawsuits and summary

judgments that can impact personal and business freedom are a daily occurrence. To limit financial and personal liability, and to provide some sense of security in an inherently unpredictable world, we've become even more regulation-dependent. Unlike in the past, when *laissez-faire*, or the explicit noninvolvement of government in business affairs, was the order of the day, today companies find that a wide range of regulations that protect individuals, corporations, shareholders, and governments from liability govern and constrain them.

Finally, regulations are generally nonnegotiable. In other words, your organization *must* abide by them, or suffer consequences that you must avoid at any cost, such as going out of business or, even worse, going to prison. Companies do not have the luxury of setting limits on how much they will spend to bring themselves into compliance with new regulations. Instead, they must simply bite the bullet and spend that money. There is no monetary return on investment (ROI) for such expenditures—ROI in this case means “risk of incarceration.” And just as regulations impose arbitrary change on companies, so too can other uncontrollable transformations impact the business. The more that people think of regulations as a way to structure their business for arbitrary change, the better able they will be to deal with any number of different forces impacting the business.

### **Managing Risk in a Risky World**

Business change always involves risk, and people always try to avoid excessive risk. The constant refrain of the naysayers of change says that all change is risky. “It’s too expensive . . . too complex . . . too much trouble . . .” We’ve all heard it before. The irony of the situation is that such naysayers are right: change *is* risky. The question is whether changing is more or less of a risk than avoiding change. In the world of compliance and regulatory pressures, the answer is obviously that change lowers risk and that not changing actually increases the quantifiable risk facing companies. It’s the nonquantifiable changes that give indigestion to the risk-adverse naysayers.

The real question facing companies is how to measure risk. Companies that are able to quantify their risk can prioritize their various choices and come up with a plan for dealing with change. Unfortunately, measuring risk is rarely straightforward. Most risks are simply unquantifiable and therefore difficult to prioritize. How can a company judge the relative priorities of compliance with a regulation relative to responding to competitive pressures? In one instance, the company is able to avoid a fine or jail time, but then the business might fail. In another, the company maintains market share, only to receive penalties from the government.

## Regulations Require Specific IT Capabilities

If you look at many of today's newer regulations, including Sarbanes-Oxley, the PATRIOT Act, Basel II, the Health Insurance Portability and Accountability Act (HIPAA), and others, you should notice an important pattern.

These twenty-first-century-era regulations expect and demand a range of IT capabilities from the companies they apply to. Many drive corporate visibility into finances, operations, or both. Others regulate privacy and confidentiality, and in the case of HIPAA, the regulation specifically applies

### Jargon Watch: Regulatory Alphabet Soup

Every country has its own regulations, and many regulations are international. Among those regulations that are motivating substantial change in many of today's companies are:

- **Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley, SarbOx, or SOX):** Regulates how U.S.-based public companies must manage and store financial records, both paper and electronic, as well as certification of financial reports by chief executive officers (CEOs) and chief financial officers (CFOs), as well as a laundry list of rules about executive loans and compensation and auditing. Executives can go to jail for violating this one.
- **The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (PATRIOT Act):** Revised rules involving information-gathering and criminal procedure with respect to cases of suspected terrorism in the United States. This act is particularly controversial, and Congress may decide to amend it at some point.
- **Basel II:** Rules put together by central bankers from around the world aimed at producing uniformity in how banks and banking regulators approach risk management across national borders.
- **American Health Insurance Portability and Accountability Act of 1996 (HIPAA):** A set of rules that health plans, doctors, hospitals, and other healthcare providers must follow, including requirements for using standard formats for electronic data interchange and a range of privacy rules governing the protection of patient records.

Needless to say, there are hundreds more.

these concerns to electronic transmissions. As a result, such regulations are examples of changes to the business environment that companies *must* respond to, and they *must* use IT to meet the requirements of the regulations to avoid substantial financial and personal penalties. Not only is nonimplementation of these regulations as a result of resistance to change not an option, but resistance to applying IT to solving the problems of change is not an option either.

These regulatory issues represent arbitrary forces of change on business that both directly impact IT as well as require changes in IT in order to satisfy the new set of requirements facing the business. Regulatory changes, however, are only one piece in the puzzle of change that companies face today. Compounding these problems are competitive pressures, changes in customer demand, the continual push to increase shareholder value and profits while driving down costs, and more. Companies not only must respond to such forces, but must be able to respond better than their competition, or they risk being the other guy's lunch.

Faced with these diverse pressures coupled with the human resistance to change, where is a CEO going to look for relief? Although the answer lies in IT, it doesn't rely on the inflexible IT of today. Organizations must organize their IT and how their business leverages the resources of IT to respond more quickly to change and to leverage change for competitive advantage. In other words, companies must implement more *agile* IT approaches to make their business more agile.

## **NEED FOR BUSINESS AGILITY**

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Given the requirement for change plus the resistance to change, how can companies even attempt to make progress? If business agility is the secret to being successful in environments of continual change, then it makes sense for us to take a close look at just what agility is. Fortunately, we have billions of years of experience to learn from: lessons from nature. And the lesson we can learn from nature is: Adapt and be agile or die.

As Charles Darwin explained in *On the Origin of Species*, agility includes the notion of *adaptability*, or fitness for survival in the face of change. In fact, Darwin said that the *fittest* species were those that survive, not the ones that were the strongest. Mammals survived when dinosaurs didn't because the mammals were the species that were able to deal with unpredictable change. Even with their significant numbers, resources, and size advantages, dinosaurs had only a limited ability to adapt to circumstances. When an asteroid suddenly hit the planet, the ensuing climatic change was too much for them to cope with, and they died out.

Many businesses are literally like dinosaurs in this regard: Companies

tend to stick with the status quo until changes in their environment force them to react. The world and markets can shift significantly in a very short amount of time, driving businesses slow to adapt to extinction and rewarding nimble, agile ones with success. Slow-adapting companies scramble to stay afloat, while their more nimble competitors all of a sudden get the opportunity to capitalize on whatever is new.

However, the newly successful and agile companies often establish their own status quo, and the process repeats itself many years later. How can businesses aim to survive, even in environments of unpredictable change? The answer is *business agility*. The question then becomes: How can companies progress from the inflexible, change-resistant form they are in now to become businesses that can survive dramatic change? In other words, how can companies become more agile?

### **Defining Business Agility**

We define *business agility* as the ability to respond quickly and efficiently to changes in the business environment and to leverage those changes for competitive advantage. Companies that can make effective use of a changing environment are better able to compete and thrive in any business climate. The most important aspect of this definition is the fact that it comes in two parts: the ability-to-respond part and the leverage-change part. The ability to respond to change is the reactive, tactical aspect of business agility. Clearly, the faster and more efficiently companies can respond to changes, the more agile they are. Achieving rapid, efficient response is akin to driving costs out of the business: It's always a good thing, but has diminishing returns over time as responses get about as fast and efficient as possible. Needless to say, your competition is also trying to improve their responses to changes in the market, so it's only a matter of time till they catch up with you (or you catch up with them, for that matter).

The second, proactive half of the business agility equation—leveraging change for competitive advantage—is by far the most interesting and powerful part of the story. Companies that not only respond to changes but actually see them as a way to improve their business often move ahead of the competition as they leverage change for strategic advantage. And *strategic* advantages—those that distinguish one company's value proposition from another's—can be far more durable than tactical advantages, such as better responsiveness to change.

One great example of the ability to leverage change for strategic advantage was MCI's "Friends and Family" offering launched in 1991. MCI offered discounts to customers who joined groups of other MCI customers. The competition was caught flat-footed, because their technology was

unable to provide a competitive offering for years to come. MCI had introduced a change into the marketplace, leveraged it for competitive advantage, and made hundreds of millions of dollars as a result.

### **Debuzzifying Business Agility**

Unfortunately, the term *agility* has become a buzzword in many circles. We want to deflate that buzz-balloon here and now. Some people define agility as simply being an alignment of the objectives of different, disparate parts of the organization, such as business and IT. However, companies have been attempting such alignment for years, without any impact on their agility. It's one thing to try to get different groups together to discuss their differences and come up with joint plans, and another thing for the business to operate as one cohesive whole, moving on a dime to adapt to new needs. So, alignment is certainly one part of, but not the same as, business agility.

Another key concept that comes up in conjunction with agility is the notion of *synchronicity*, implying that multiple things all happen at the same time, we hope with the same intent. Synchronized swimming is a good example of complex systems made simple through the sheer act of good timing and well-communicated intentions. However, synchronicity by itself cannot guarantee agility, because the organization must still be able to react to new, unpredictable stimuli. So, companies can have both alignment and synchronization and still be caught entirely by surprise by some change in their environment. Basically, companies require approaches to deal with unplanned changes. Fortunately, we'll be giving you some of those techniques in this book.

### **Impediments to Agility**

Business agility, of course, isn't easy—if it were, you wouldn't need to read this book. Let's take a look at the key impediments to making business agility happen in today's companies. Most of these impediments fall into three broad categories:

1. **Complexity.** Today's enterprise environment contains many different people, processes, and departments that work in many different, and often conflicting, ways. The situation is even worse on the technology side of things. To deal with ever-increasing complexity in IT, companies must hire large, multiskilled teams to develop, deploy, and manage layers upon layers of IT infrastructure accumulated over time, through mergers and acquisitions, management changes, and multitudes of individual initiatives and tactical solutions to short-term problems. Considering

that many large organizations have been layering on such complexity for decades, it's no wonder that many enterprises have an intractable mess on their hands.

2. **Inflexibility.** With complexity comes inflexibility. As pointed out earlier in this chapter, virtually every enterprise has existing processes and technology that are challenging to upgrade, difficult to improve, and, worst of all, impractical to replace. Companies tend to fall into the “if it works, don't screw with it” mode of thinking, which works well when business requirements don't change but significantly impedes agility when companies are faced with new situations.
3. **Brittleness.** The flip side of inflexibility is brittleness: the risk of failure and other problems that result from excessive complexity and inflexibility. Because many companies grow organically over time, especially those that are prone to mergers and acquisitions, their organizations are often tangled spaghetti of different processes and technologies. As a result, when circumstances force them to change the status quo, they must either undertake expensive, risky improvement projects or simply make do with processes and technology that no longer meets the needs of the business. It is this risk inherent in making changes to complex, inflexible parts of the business that impedes the efforts of many companies to be more agile.

Clearly, the larger an organization is, the more challenging agility becomes. Big company management typically has poor visibility into the various aspects of the business that are changing and those that they need to modify. Layers of decision making, approvals, and ingrained processes bog down the impetus for change in the company. Just as it takes miles for a supertanker to change direction, large companies are inhibited by virtue of their own size. Disparate technologies impede the rapid implementation of changes, and cultural resistance to change is rampant in large companies where being invisible and “not making waves” is often a daily mantra for middle management.

However, small companies are not immune to the challenges of business agility either. Many small companies can't deal with unplanned change because they simply have insufficient resources, they're operating at their maximum capacity, or their centralized management is simply resistant to change. The challenge for companies both large and small, then, is to develop a culture, infrastructure, and resources that enable them to change on a dime as changing needs emerge.