Why Agility Trumps Efficiency - Forbes Online - August 1, 2015

Efficiency was the mantra of 20th century industry. If you could produce an equal or superior product for a lower price, chances were that you would win in the marketplace. So managers continually honed their operations to achieve maximum productivity at minimal cost.

Yet these days, success is determined, as Peter Drucker put it in _The Effective Executive_, not so much by doing things "right," but by "doing the right things" and that's a different matter altogether. The simple fact is that business models no longer last, so agility often trumps efficiency.

In Iraq, General Stanley McChrystal faced this problem in real time. Although he commanded the most effective military machine ever designed and could win any battle, he couldn't predict where those battles would be. In his new book, _Team of Teams_, he describes how he reengineered his organization to not merely executive, but to continuously adapt.

The Rise Of Scientific Management

In 1911, Frederick Winslow Taylor published _The Principles of Scientific Management_, based on his experience as a steel factory manager. It took aim at traditional management methods and suggested a more disciplined approach. Rather than have workers pursue tasks in their own manner, he sought to find "the one best way" and train accordingly.

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Taylor wrote, "It is only through enforced standardization of methods, enforced adoption of the best implements and working conditions, and enforced cooperation that this faster work can be assured. And the duty of enforcing the adoption of standards and enforcing this cooperation rests with management alone."

Workers complained that Taylor's mechanical approach treated them as mere cogs in a machine, limited creativity and separated planning from doing. Yet Taylor produced impressive gains in productivity and the results were hard to argue with. In time, his ideas were further refined and led to the six sigma and total quality management movements.

Yet, despite the gains in efficiency, Taylor's war on variability made it hard for firms to adapt to changes in the marketplace and that has become a serious problem. As Henry Mintzberg has put it, "Setting oneself on a predetermined course in unknown waters is the perfect way to sail straight into an iceberg."

The Problem Of Adaptation
In the late 1960's, Gary Starkweather was is a serious spat with his boss. . As an engineer in Xerox's long-range xerography unit, he saw that laser printing could be a huge business. His manager, however, was focused on improving the efficiency of his business, not looking to start another one. The argument got so heated that Starkweather's job was in jeopardy.

Fortunately, Starkweather's rabble rousing caught the attention of another division of the company, the Palo Alto Research Center (PARC) which wasn't interested in efficiency, but inventing a new future. Within a decade, Starkweather's digital printers were outperforming the company's traditional copying business, which had begun to decline.

Xerox has had it's ups and downs since then, but it continues to make money. Last year the firm had an operating profit of over $1 billion. Other firms weren't so lucky. Kodak, for example, [led the early development of digital cameras](#), but failed to adapt and went bankrupt. [Blockbuster saw the threat Netflix presented](#), but internal rifts led to its demise.

It's easy to pass these off as the result of foolishness and [moron CEO's](#), but that's far too facile of an explanation. Xerox, although bureaucratic and stodgy, was forward thinking enough to invest in PARC. Kodak's EasyShare line of digital cameras were market leaders. Blockbuster stores continued to outperform competitors until the industry itself disappeared.

Capability Without Interoperability
In Iraq in 2004, General McChrystal was facing his own disruptive threat. As Commanding General of the Joint Special Operations Command, his forces completely outclassed the enemy. Yet no matter how many they killed or how many battles they won, new terrorists kept popping up elsewhere.

McChrystal saw that the problem wasn't one of capability, but interoperability. His forces would kill or capture Al Qaeda operatives and collect valuable intelligence such as documents and hard drives. Yet it often took weeks for the prisoners to be questioned and the data to be analyzed. By that time, the information was often no longer relevant or actionable.

Another problem was with how information flowed. Intelligence analysts were adept at turning raw data into actionable insights, but by protocol they passed that information up the chain of command, where it was passed on to military planners, who would then develop strategies for the troops on the ground. This created further lags.

All in all, McChrystal's military machine was working as it was designed—each subunit was performing to the highest standards—but the design itself was not suited to the task. As McChrystal has said, "it takes a network to defeat a network.

A Team of Teams
If McChrystal was a conventional CEO, he would have brought in consultants to help him analyze trends, reorganize his teams and break down silos. However, that would have been counterproductive. His forces were some of the most elite in the world and their training and style of operations were what made them that way.

What the General saw was that the problem wasn't how his forces did their jobs, but *how they saw their jobs*. Commandos strived to conduct raids with deadly precision, reconnaissance teams were focused on keeping an eye on the enemy, intelligence analysts wanted to develop insights about the enemy. Yet the shared mission—defeating Al Qaeda—was being lost.

So McCrystal set out to create a "shared consciousness," by [creating connections between teams](#). He redesigned the command post to encourage interaction, embedded intelligence analysts with commandos and vice versa and held daily status calls that included all of the diverse stakeholders. That allowed people to look beyond their own jobs and "see the system."

It was that shared sense of purpose that enabled him to empower his forces on the ground. But as the General stresses, the sequence is important. As he writes, "an organization should empower its people, but only *after* it has done the heavy lifting of creating shared consciousness." That's how he transformed his command into a "team of teams" and prevailed.

While all of this stress on interoperability reduced the efficiency of his teams somewhat, the overall

productivity of the organization improved by a *factor of nineteen*. In an [age of disruption](#), the only viable strategy is to adapt. Leaders today can no longer afford to think in conventional terms of efficiency, but [must shape networks](#) in the context of a shared mission.

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