



To take the first step in joining the agile high-performing class, a company must challenge some of the most deeply held principles of organizational theory. Influenced by Frederick Taylor's and Max Weber's powerful ideas, first propounded roughly a century ago, many large businesses still think their organizations should operate like integrated machines comprising of working parts that fit together seamlessly, like a smoothly running automobile.

In this machine view, organizations should be designed to run like clockwork. Organizational structures should follow rules that determine where resources, power, and authority lie, with clear boundaries for each role and an established hierarchy for oversight. When decisions require collaboration, governance committees should bring together business leaders to share information and to review proposals coming up from the business units. All processes should be designed in a very precise, deliberate way to ensure that the organization runs as it should and that employees can rely on rules, handbooks, and priorities coming from the hierarchy to execute tasks. Structure, governance, and processes should fit together in a clear, predictable way.

Today's problem is that by the time companies have designed this kind of structure, the world has already moved on and it's time to change again. In a McKinsey & Company survey conducted last year, the executives responding told us that at least half of their companies make significant structural changes, at either the unit or the enterprise level, as frequently as every two or three years. The redesigns often take one or two years to complete. ¹Why do these companies redesign themselves so frequently? A mechanistic approach logically leads executives to go back to the drawing board and redesign how the organization will work when things change. But in today's fast-changing world, this approach results in almost constant disruption and change fatigue. Even worse, only 23 percent of the redesigns in our sample were deemed successful by our respondents. They thought that most of the other changes had destroyed value.

The issue is that traditional mechanistic approaches to setting up and running organizations have tended to slow and restrain the creativity, innovation, and self-organization that social and technological developments could unleash. Internet companies such as Wikipedia have harnessed enormous collective power with new models of collaboration. But executives in long-established and even blue-chip companies often feel trapped. Instead of developing the organization, many have yet to abandon the mechanistic model, which favors control and a precise, engineering mind-set.

¹ For additional research findings, see Steven Aronowitz, Aaron De Smet, and Deirdre McGinty, "Getting organizational redesign right," McKinsey Quarterly, June 2015, on mckinsey.com.