



The Case for a Chief Optimization Executive (COE): Why Companies Need a Clearinghouse for Inward Innovation

Introduction / BLUF

Growth dominates the agenda in most boardrooms. Chief Growth Officers, business development machines, marketing engines — all pointed at expanding revenue. **But growth without discipline is fragile.** More contracts, more systems, more products mean more complexity, cost, and inefficiency. At some point, the weight of it all starts to pull the company under.

And it isn't just growth. Every executive seat has a blind spot. The Chief Growth Officer rides the roaring wave of pipeline. The Chief Technology Officer chases the shiny object, the next feature, the next product roadmap. The Chief Operating Officer fights the daily knife fight of budgets, compliance, and delivery. All critical, but none with the mandate to own inward innovation — the systematic intake, vetting, and scaling of tools, processes, and methods that make a company faster, leaner, and more profitable.

That gap explains why most large firms lack a real front door for disruptive efficiency. Startups with cutting-edge solutions knock, but they bounce between BD, supply chain, and engineering until they die on the vine. Meanwhile, the cost of inefficiency is already embedded in every late delivery, every bloated overhead pool, every lost recompute.

So the real question isn't: can you afford another executive? The question is: how long can you afford to ignore the drag?

The solution is a new role — the **Chief Optimization Executive (COE)**.

This isn't an idea I just cooked up. Ten years ago, I argued the Army's science and technology enterprise needed a period of punctuated equilibrium. Incremental tweaks weren't enough. Governance, process, and cultural resets mattered as much as new hardware. That same logic applies in industry. If you want to remain competitive, you need to punctuate your own equilibrium before a competitor or the market does it for you.

Innovation Is More Than Widgets

The Army too often equated innovation with new gear. But the real breakthroughs were needed in governance, process, and business models. They didn't happen until, maybe, the Army Transformation Initiative began forcing structural change.



Industry has the same blind spot. Pierre Chao, one of the sharper defense analysts, put it bluntly at AUSA years ago:

“Most of the innovation coming out of the tech firms isn’t about gizmos... it’s been mostly about business model innovation. Amazon was a business model innovation.... think Uber, eBay, and Google. They aren’t known for manufacturing anything, but rather the disruption they caused in their fields with new thinking.”

That’s the point. Companies don’t lose because their gadgets are inferior. **They lose because someone else figured out a better way to create and deliver value. They found the holy grail of business: increasing revenue while simultaneously reducing cost.**

The Disruptors Proving the Point

True disruption in defense is rare. A small handful of firms are breaking through while the rest of the industry clings to old models. Anduril won a \$642 million Marine Corps counter-drone contract. Epirus raised \$250 million to scale microwave weapons. Shield AI and Skydio are pushing autonomy into missions once thought unreachable. Palantir has reshaped how government approaches data integration and command-and-control by pairing platforms with a culture that pulled in elite talent.

These wins weren’t from efficiency alone. Many were the product of aggressive bidding — “buying business” to win scale. It’s a razor-and-blade model. NextGen C2 will almost certainly be a buy-in play for sustainment revenue down the line. The difference is that disruptors can afford to play that game. Why? Because they built lean from the start, without legacy ERP drag or bloated overhead pools. They can underbid and still survive. Big primes try the same strategy and get crushed by their own OH/G&A.

Culture matters here too. Anduril rejects Silicon Valley perks. No nap pods, no casual 11-to-3 schedules. They enforce in-office, high-intensity work anchored to a mission. Employees are expected to field test, not sit in climate-controlled labs. Palantir attracted talent by doing the same thing on the software side — giving top engineers meaningful, high-stakes problems instead of ad-click optimization. That clustering of talent wasn’t accidental. It was deliberate. **And it became a business-model advantage in itself.**

Put another way: these disruptors have been running the classic Innovator’s Dilemma playbook. While incumbents cling to exquisite, slow, costly systems, new entrants win with faster, cheaper, “good enough” products and processes that scale.

Why Legacy Firms Struggle

Legacy firms don’t lack ideas. They lack tolerance for the people who bring them.

Organizations love the word “innovation.” They plaster it on strategy decks in Helvetica bold. They host hackathons, put kombucha in the lab fridge, and hand out awards for “creative ideas.” Then when someone



actually challenges the process, they cut the budget, freeze access, or sideline them. The system rewards continuity, not deviance.

It's structural. Institutions are designed to survive. To repeat what works. To minimize risk. That's why innovators so often become exiles. Oppenheimer built the bomb and lost his clearance. Jobs was fired from his own company before they begged him back. Same story across government, nonprofits, and industry. We celebrate the innovator only after the system has broken them.

That is the heart of the problem. **Innovation inside a mature organization feels like deviance because, structurally, it is.** And without a structural fix, the pattern repeats.

Why a Chief Optimization Executive

This is the fix. The COE is the clearinghouse for inward innovation and operational resets.

Core mandate:

- Act as the single intake point for external vendors with disruptive tools and processes.
- Run pilots in real business units, not labs.
- Scale proven methods across the enterprise.
- Track metrics tied to cycle time, cost, and value delivery.

This is not a cost-cutter. It's a value-builder.

And let's be clear: this is not the Chief Innovation Officer (CInO). Many firms have established a CInO role, however, often it is tied to ventures, product R&D, or "innovation theater." **The COE is different. It's inward, structural, and operational. It owns optimization and ensures that innovation actually lands, rather than dying under the weight of the core.**

But structure matters. Whoever gets this role **must have authority, budget, and aligned incentives.** Otherwise, it will fail like every other "initiative." Today, most senior leaders have comp packages tied 50 percent or more to revenue growth and profit. Almost none tied to internal efficiency. Without changing that, everyone will nod politely and go back to chasing bookings.

That has to change. The COE **must have performance incentives linked to measurable efficiency gains. And the rest of the leadership team — C-suite, EVPs, SVPs — should carry at least a portion of their bonus structure tied to supporting internal innovation.** No shared risk, no shared action.



Punctuated Equilibrium

In evolutionary terms, change happens in long periods of stability punctuated by bursts of upheaval. The same is true for organizations.

Punctuated equilibrium means structural resets in governance, process, and culture — not tweaks. Most companies sit in equilibrium until disruption hits them. A competitor wins on cost, or a customer defects. Then they scramble, always too late.

The COE is how you punctuate deliberately. Reset the systems, strip out redundancy, adopt new methods before the crisis. Force change while you still have margin to maneuver.

Theory of Constraints

If punctuated equilibrium explains why you need resets, the Theory of Constraints explains how to execute them.

Goldratt's *The Goal* is simple: throughput is defined by the bottleneck, not the sum of all parts. Find the constraint. Break it. Move on to the next one.

That is the COE's operating model. Identify the slow approval chain. The single-source supplier. The bloated IT system. The overburdened engineering function. Attack them one by one.

Growth without optimization just pours more volume into the same bottleneck. That's why margins collapse and delivery slows. The COE ensures the bottlenecks get broken in sequence, making growth sustainable.

Cost Objection: Can We Afford It?

This is where the CFO will flinch. Another C-suite role? More overhead? More G&A?

The answer is simple: you already pay for it. You pay every day in hidden taxes — bloated overhead, rework, delays, margins shaved thinner every quarter. The cost of inefficiency already exists in every program and contract. The salary of one empowered executive and a lean team is negligible compared to the drag of business as usual.

So no, you can't afford not to do this.



Why Now

This isn't academic. The pressures are real.

Inflation and labor shortages are driving structural costs. Electrification, autonomy, and AI add complexity across every product line. Customers expect faster delivery, lower lifecycle costs, and higher reliability. Startups like Anduril and Palantir are proving they can move faster, run leaner, and attract the best talent.

Without a COE, large companies will keep chasing growth while suffocating under their own complexity. With a COE, they build a permanent clearinghouse for efficiency and inward innovation.

***Breaking news:** The Administration's FY 2027 R&D Budget Priorities memo (Sept 23, 2025) makes the same point at the national level — calling for bold, mission-driven investment and realignment of incentives to deliver results. Washington is acknowledging what industry leaders already know: incremental tweaks are not enough.*

Metrics of Success

The COE should be judged with the same rigor as growth executives. Success looks like:

- Measurable reduction in cycle times.
 - Real cost savings from system and process consolidation.
 - Faster adoption of disruptive tools.
 - Margin improvement tied directly to efficiency gains.
 - Higher customer value delivered through speed and reliability.
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Conclusion

Every company faces the same reality. Growth without optimization collapses. Startups don't need a COE because they were built lean from the ground up. Incumbents do, because legacy drag and bureaucratic resistance choke internal innovation before it can take hold.

The Army needed punctuated equilibrium to maintain overmatch. Today, companies need the same. The Chief Optimization Executive is the forcing function. It punctuates equilibrium before crisis, hunts and breaks constraints, aligns incentives, and ensures that opportunity becomes sustainable value.

The COE isn't a cost-cutter. It is the counterweight to growth, the buyer of disruptive efficiency, the cultural attractor that keeps talent sharp, and the executive who makes sure the company runs lean, fast, and strong.

So ask yourself: how long can you afford not to have one?