The Organizational Fitness Navigator: Creating and Measuring Organizational Fitness for Fast-Paced Transformation

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THE ORGANIZATIONAL FITNESS NAVIGATOR: CREATING AND MEASURING ORGANIZATIONAL FITNESS FOR FAST-PACED TRANSFORMATION

In the fast-changing environment of today dynamic capabilities to manage organizational transformation are regarded as crucial for business survival and improved performance. Although dynamic organizational capabilities have been receiving intense scrutiny by researchers and practitioners in the past few years, relatively little attention has been directed towards creating a systemic model of dynamic capabilities, and how to effectively measure what the authors call organizational fitness capabilities. This paper builds on the concepts of organizational fitness and its profiling (OFP), and proposes the organizational fitness navigator (OFN) as a systemic model of dynamic organizational capabilities. Part of the OFP model is a systemic scorecard (SCC) as a measurement tool for organizational fitness – in contrast to the well-known balanced scorecard (BSC) – for improving business survival and performance in increasingly networked environments.

***Keywords**: dynamic capabilities, organizational fitness, organizational fitness profiling, organizational fitness navigator, systemic scorecard.*

Introduction

With the increasing turbulence and complexity of the business environment in the 21st century, organizations have to be able to manage fast-paced transformation in industry landscapes. Along side this, it is necessary to develop managerial navigation and measurement tools that guide and assess organizational capabilities – both adaptive and proactive capabilities - to achieve such transformation. Lorsch and Tierney (2002) contend that managers that succeed in enabling organizations to achieve and maintain such capabilities build lives as well as resumes by assessing their organizations' progress objectively against a broad multidimensional scorecard, on which their resume is only one of the indicators.

While recent literature reflects an increasing emphasis on identifying, building and guiding dynamic organizational capabilities in fast-changing environments (see e.g. Shay and Rothaermel, 1999; Eisenhardt and Martin, 2000), this paper builds on the concept of organizational fitness (see Beer and Eisenstat, 2000; Beer, 2003) as a managerial system to manage organizational capabilities. First, it reviews the challenges in creating and measuring organizational fitness; secondly, it analyzes the limitations of conventional approaches to measure organizational capabilities; next, it outlines the concepts of organizational fitness and organizational fitness profiling (OFP) as organizational capability management tools; and finally, it proposes the organizational fitness navigator (OFN) as a systemic model of creating and measuring dynamic organizational capabilities, including a systemic scorecard (SSC) that goes beyond the well-known balanced scorecard (BSC) (Kaplan and Norton, 1992).

The challenges in building and measuring dynamic capabilities for organizational fitness

The business environment of the late 20th and early 21st century, where a dramatic transformation from an industrial era to the knowledge era has occurred, is generally portrayed as being networked knowledge driven, complex, unstable, chaotic, fast paced and full of confusion, ambiguity and lack of direction (Hamel, 1998; Beinhocker, 1999; Leibold et al., 2002, Voelpel, 2003). The root causes of such an environment are, among many, the emergence and accelerating pace of change of sophisticated communication and computer technologies as well as increasing global integration and coalition as the result of major shifts in the global politics such as the end of the cold war, increasing deregulation and expanding regional economic integration. This is a period where there is high level of economic uncertainty with vigorous and unpredictable socio-cultural events and impacts (Leibold et al., 2002).

The evolving of the globally networked society has shifted our world to become a unified global village where there is extensive and uncontrollable mobility of information, global work force and manufacturing capacity. This is also causing a diminishing effect of geographical locations on business activities and dissolving of traditional boundaries. Global organizations of the information age have wider and easier access than ever before to the current primary wealth creating assets, which of course shifted from being capital and energy to information and knowledge. Moreover, it enabled firms to have an easy access to the global market, thus achieve efficiency and effectiveness of economies of scale and scope. It also significantly reduced the barriers of entry for innovative small-scaled firms to operate as global businesses. Despite the mentioned advantages, the increasing turbulence and complexity of the business environment have resulted in firms facing complicated and

demanding challenges, whose adroit management is critical for survival. For organizations to achieve sustainable success, they should continuously be capable to transform in a quantum and discontinuous fashion, and not only in an adaptive, reactive way (Youngblood, 1997; Clarke and Clegg, 2000).

The turbulent business environment is necessitating the formation of socio-cultural business systems (Moore, 1993; Moore and Curry, 1996; Leibold et al., 2002), which consist of economic communities of interacting, co-evolving organizations and individuals that produce a stream of appropriate customer value propositions, with customers playing a significant joint role in co-shaping expectations, co-creating market acceptance and co-developing value propositions (Gibbert, et al., 2001; Gibbert, et al., 2002). This system, where everything is connected with everything, is guided by the principles of complexity theory with few, simple and robust rules (Holland, 1995; Beinhocker, 1999), flexible adaptive boundaries and co-evolutionary emergent approaches (Moore, 1993; Moore and Curry, 1996; Leibold et al., 2002).

Successful firms of this new age maintain their success by becoming architects or close followers of continuous revolution in their industry through a non-linear systemic innovation of business and industry configurations (Hamel, 1998). Their key competitive success is not to 'run harder and harder', but rather to 'run differently' by re-inventing themselves through systemic capability innovation (Leibold et al., 2002). The networked knowledge economy and the consequent view of organizations as complex adaptive systems necessitate the adoption of new approaches to measure and build organizations' capabilities to cope with fast-paced transformation (for a case example of an organization's transformation capability see MacCormack, et al., 2002).

The main challenge to management is to develop strategic tools and approaches that build and measure an organization's capabilities to continuously leapfrog competition and renew itself into the future (Hamel, 1998). This requires novel methods that transcend the traditional tools of the more certain, stable and less complex environments of the industrial era, including profiling of the organizations' capabilities to identify, access and utilize new sources of profitable opportunities, and re-invent new value chain and industry configurations, while achieving compatibility with existing economic realities. Moreover firms are faced with the difficult task of developing measurement approaches that explore their capability congruence with the ever-changing business environment, which is often difficult or impossible to forecast as many challenges they cannot foresee.

Managerial approaches that provide a 'helicopter view' (Beer, 2003) of an organization's entire socio-cultural ecosystem, and enable organizational fitness for systemic transformation, are pre-requisites if organizations are to steer and influence turbulent transformation in their industries. Moreover, tools that evaluate the building of organizational fitness for adapting or reinventing customer value and stakeholder success should be prioritized.

Limitations of conventional approaches to measure organizational capabilities

Conventional approaches to build and measure organizational capabilities display significant limitations in dealing with fast-paced transformation. Most of these approaches are still useful and relevant in certain situations, but on their own they are inadequate to deal with fast-paced, often disruptive transformation, which is evidenced in our current turbulent environment.

Efficiency beyond core business, traditional value chain, stability and benchmarking

Prominent authors of the 1990s focused on building tangible and measurable capabilities and performance improvements, as they considered operational efficiency to be an integral part of organizations' strategy (Roos, et al., 1997; Bontis, et al., 1999; Russ, 2001). Competitive realities of the more static and certain environments of the industrial era could best be met when organizations pursued strategies that focus on operational process improvement, and achieving efficiency to increase productivity, thus 'becoming the best player within the competitive game' (Porter, 1979).

Conventional operational efficiency approaches such as benchmarking (Tucker, et al., 1987), business process reengineering (BPR) (Davenport and Short, 1990; Hammer and Champy, 1993) and value chain positioning (Porter and Millar, 1985) seem to have less significance in the highly volatile competitive environment of the networked knowledge economy (Voelpel, 2003; Leibold et al., 2002). For instance, benchmarking, which is the measurement and implementation of the most successful operational standard available in an industry can enable organizations to attain improved productivity and increase of earnings. This may be regarded as a good operational tool, but considering it as enabling the company's strategic direction will hinder the organization's ability to attract and absorb new strategic opportunities, which often are found beyond the existing industry structure (Nattermann, 2000). Moreover, strategies which are based on BPR often enable firms to achieve breakthrough performance initiatives in effecting radical redesign and improved work process in bounded time frames, but lead organizations to be confined with their intra-organizational process and functions, thus constraining their ability to co-evolve with the overall socio-cultural system and systemically influence industry configurations. Organizations such as Southwest Airlines abandoned benchmarking as a strategic tool to develop successful

strategies that enabled them to establish new positions in the overall business environment (Kim and Mauborgne, 1999).

Traditional views of the industry value chain which advocate strategies that enable firms to achieve efficient and effective positions in that value chain, often force organizations to disregard strategic opportunities that can be attained by re-inventing and changing the configuration of the overall value creating system. In today's turbulent business environment better organizational efficiency and effectiveness can be achieved not by positioning the company on the right value chain but through "value constellation" (Norman and Ramirez, 1993), which is an interactive strategy of adopting fundamental changes in the ways value is created within the system. IKEA's successful transformation from being a small domestic mail-order furniture operator into the world's largest retailer of home furnishings (e.g. von Krogh and Cusumano, 2001) and the successful redesign of Dell's traditional "build to stock" value chain to adopt a new configuration of the direct sales approach which enabled the company to produce custom-configured PCs and faster expansion to the global market (Govindarajan and Gupta, 2001) are prominent examples.

The implication is that exclusive focus on operational efficiency strategies can assist firms to become best performers within their specific competitive game, but such a highly focused 'inside' approach causes firms to be less attentive to the creation of new and effective competitive games. In a complex and uncertain business environment fast-paced re-engineering of the whole value system, and efficiency that exhaust opportunities beyond the traditional industry definition are crucial elements for realizing sustainable organizational fitness and success.

Effectiveness beyond shareholder value, reactiveness and incremental transformation

In an environment of significant turmoil and complexity an organization's effectiveness depends on how it views and handles fast-paced transformation. Various traditional approaches exist to evaluate the effectiveness of the level of transformation espoused by firms and to guide organizational transformation capabilities. Among the prominent approaches, methods that approach transformation based on economic (shareholder-related) value, methods that pursue incremental transformation, and methods that focus on learning and long-term cultural transformation for organizations seem appropriate to discuss.

Conventionally managers were convinced that unremitting organizational success could be assured as they pursue changes on the basis of shareholder value, by adopting strategies that maximize economic and market value of organizations (Amram and Kulatilaka, 1999). Organizational effectiveness and values were solely assessed using financial indicators such as return on equity, return on total assets, debt ratio and EVA. But in the knowledge economy, financials do not matter the way they once did (e.g. Davenport and Voelpel, 2001). Company performance in intangible areas such as management of human capital is now a key driver for growing organizational value (Voelpel, 2002). Increasingly, an organization's competitive advantage is measured by its ability to innovate and grow relentlessly.

Organizational effectiveness approaches such as TQM have contributed to the competitive success of many organizations. Such approaches, which promote organization-wide continuous and incremental quality improvement, can be effective in an unsurprising business environment (Kotter, 1995). But in the networked society when chaos seems to be the rule of the game and the almost only certain is uncertainty, pursuing incremental changes cause firms to be vulnerable and non-adaptive to the dynamically changing competitive environment and 'innovative earthquakes caused by revolutionist organizations' (Hamel, 1998).

Prominent management systems that attempt to balance the different forces of organizational transformation such as the balanced scorecard (Kaplan and Norton, 1992, 1996, 2000) play an important role in assessing organizational effectiveness in the complex business environment. The balanced scorecard comprehensively appraises organizational effectiveness not only on the perspective of shareholder value but also on the organization's ability to learn and adopt dynamic internal transformation. It enables firms to achieve a fast-paced reactive transformation to fit with the changes in the competitive environment. The BSC has a more internal organizational focus, rather than a systemic ecosystems orientation, which can cause limitations in dealing with fast-paced and disruptive transformation. For example, its profitability perspective is focused on the single enterprise, rather than a co-performance focus with industry value chain members, and its perspective on organizational learning and growth should be expanded to accomplish systemic knowledge management to enable organizations to proactively influence and transform the industry's value chain configuration. Consequently, the expansion of the balanced scorecard to a systemic scorecard as a strategic management and measurement system for organizational fitness is proposed towards the end of this article.

Overall, conventional effectiveness approaches that focus on changes that are solely based on maximizing shareholder value and reacting to environmental changes through an incremental improvement, only lead to a static equilibrium. This means death in the turbulent and chaotic knowledge economy. Organizations should pursue approaches which enable them achieve spontaneous and dynamic changes that systemically and proactively impact in creating new configurations of organizational capabilities and industry structures, i.e. dynamic organizational fitness.

Organizational fitness and organizational fitness profiling as dynamic capability management tools

Organizational fitness (Beer and Eisenstat, 2000; McCarthy and Tan, 2000; Beer, 2003) can be defined as organizations' ability to adapt and survive in the ever-changing business environment, and is achieved through natural evolution, purposeful change and continuous learning. Moreover, it is organizational ability to effect dynamic and spontaneous changes in its extended business network processes and ensure systemic co-evolution of the socio-cultural ecosystem to create new and improved stakeholder value. It is also managers' capability to effect meaning (Leibold et al., 2002), i.e. make sense of socio-cultural trends and provide context to internal and external stakeholders, to enable improved co-evolution and stakeholder success.

Managerial levers for and dimensions of organizational fitness

Organizational fitness can be described as a circulatory process in which events in the competitive environment influence the existing organizational objectives and strategic tasks to become non-compatible, thus requiring the redesigning of the six organizational levers namely leadership team, work system, management process, human resources system, corporate context, and principles and culture as part of the organizational fitness model illustrated in figure 1. The re-design and restructuring of the levers then lead to the development of the so-called 'seven C's' of organizational capabilities, i.e. co-ordination, competence, communication, conflict management, creativity and capacity management that are compatible with the environment (Beer, 2003). This process can be called an organization's ability to incessantly learn and transform. Furthermore, organizations also introduce changes derived from the tensions of factors other than the external environment, such as contingencies of internal resources and competencies (Zajac and Bresser, 2000).

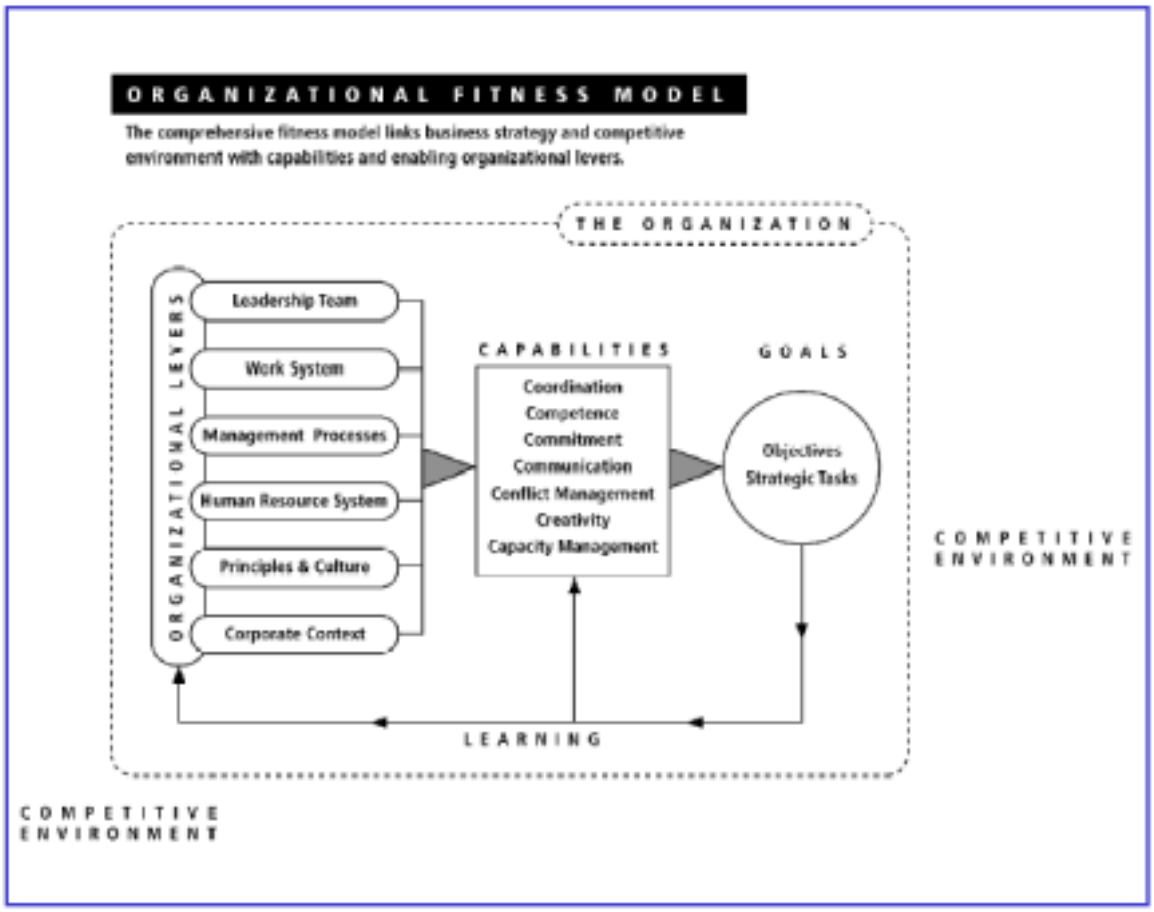


Figure 1: Organizational Fitness Model (Beer, 2003)

The above-mentioned organizational fitness system leads to incremental and evolutionary changes of a single organization through a reactive internal process. However, current environmental contingencies favor networks and relationships that cross traditional industrial structures and the existence of the extended enterprise which not only adapts to the environment but proactively participates in shaping it through a co-evolutionary process with its stakeholders. Thus, the managerial levers for organizational fitness should be extended to include systemic relationships of the economic players of the organization's socio-cultural system. These elements, which can be referred as systemic levers, consists of networked knowledge systems including customers and other stakeholders as well as the extended business network configuration.

Similar to the managerial levers, organizational fitness capabilities should also reflect organizations' ability to embrace radical systemic transformation of industry structures and achieve a symbiotic relationship with the economic players of the system to innovatively influence the revolutionist lifestyle of the knowledge society. Therefore, organizational fitness dimensions of the uncertain complex environment transcend the seven C's mentioned earlier to include managerial capabilities of systemic co-evolution and metamorphosis.

Barriers to organizational fitness transcend the "silent killers" of systemic organizational fitness

Research conducted by Beer and Eisenstat (2000) identified six key 'non-discussible' barriers to organizational fitness, known as silent killers, that block transformation and learning within an organization. These barriers relate to ineffective leadership at the top, poor implementation and absence of learning.

The first barrier is a top-down or laissez faire senior management style. Without transforming this barrier into a capability (a leadership style that embraces the paradox of top down direction and upward influence), none of the other barriers can be turned to capabilities either. The other barriers are unclear strategy and conflicting priorities; an ineffective senior team; poor vertical communication; poor co-ordination across functions, business or borders; and inadequate down the line leadership skills and development (Beer and Eisenstat, 2000).

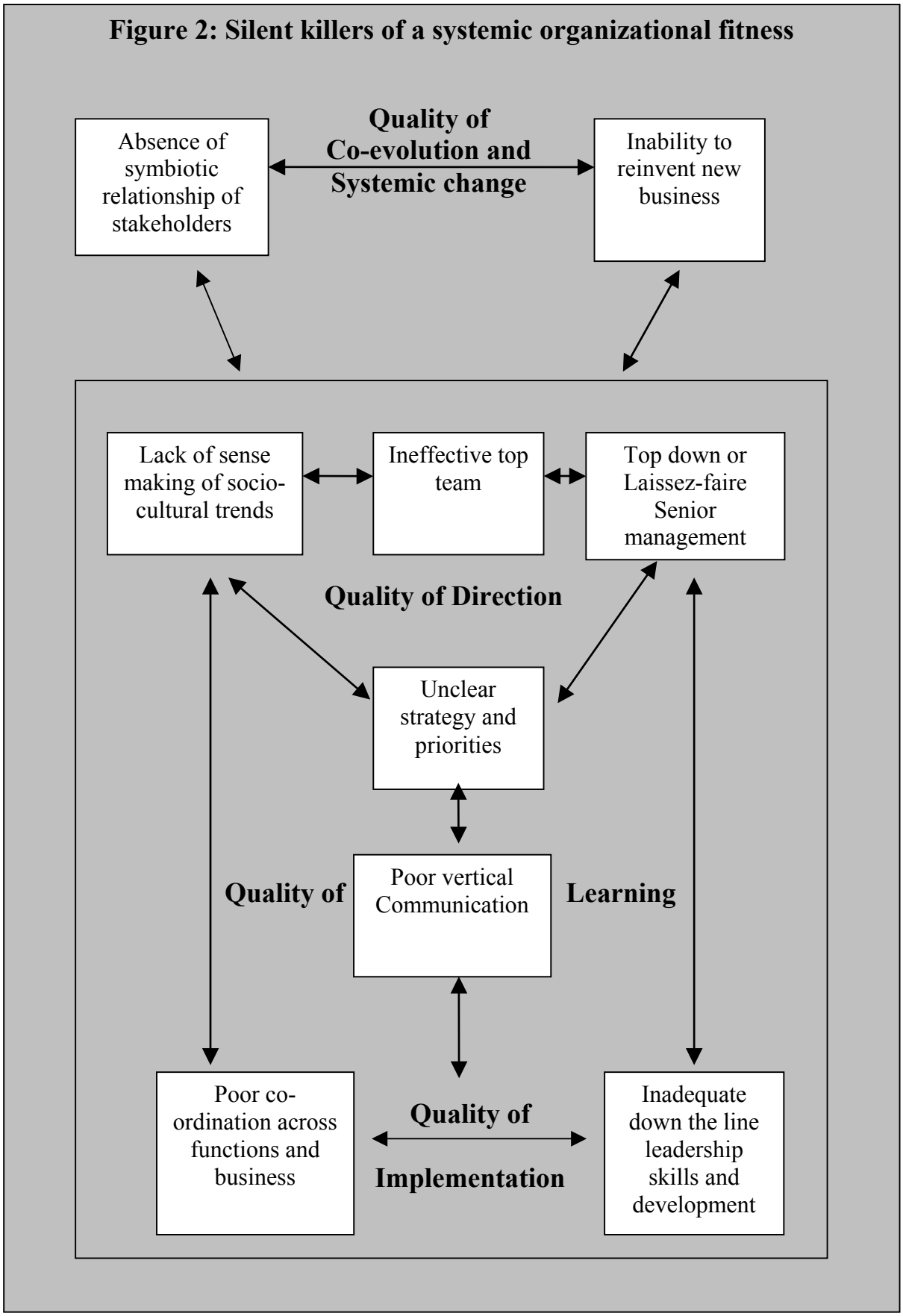
The illustrated six silent killers of organizational fitness assist in having a wider and explicit grasp of the internal problems of organizations, especially those linked to the culture of trustful communication and relationship existing between employees and management. Thus it may be more apposite to describe them as "inside focused" barriers.

Today's complex networked business environment requires organizations to become active participants in systemically changing the socio-cultural system through creative co-evolution

of stakeholders and revolutionist re-invention of industry configurations to achieve a dynamic fitness. Consequently it is more appropriate to add three additional barriers that focus on organizational sense making and systemic transformation capabilities.

These additional barriers include top management's lack of ability to manage meaning or to make sense of the socio-cultural trends, organizations' inability to transform or re-invent new industry configurations or business structures, and absence of a symbiotic and co-evolutionary (collaborative and competitive) relationship of economic players. The linkages and relationships existent between the nine comprehensive barriers, which can be refereed as silent killers of a systemic organizational fitness, are depicted in figure 2.

Figure 2: Silent killers of a systemic organizational fitness



Organizational fitness profiling (OFP) as a process to overcome "silent killers" of systemic organizational fitness

Organizational fitness profiling (OFP) (Beer and Eisenstat, 2000) is a procedure developed to help firms to have an honest organizational conversation and open dialogue to remedy the six "silent killers" of organizational fitness, including the implementation of the seven 'C's of organizational capabilities. It focuses in improving organizational performance through a progressive change of organizational behavior and culture. This approach is one of the change processes that require a high level of senior management commitment, involving a series of meetings and intense discussions within the senior management team of an organizational unit, as well as the top team and lower organizational levers.

Organizational fitness profiling aims to create an environment for members of the organization, to honestly and openly communicate about the state of the organization as a whole, and accordingly guide top management in diagnosing organizational problems and developing plans to redesign and change organizational levers. More specifically its process provides a special focus on eliminating the six "silent killers" of organizational fitness by improving the relationship between top level management and employees.

The procedure's five steps can be described in a concise manner as follows (Beer, 2000). The procedure starts with top managers defining the goals, strategy and values. They then ask a task force of cross-functional managers one or two levels below them to collect data about strengths for and barriers to achieving these aspirations. The task force's data are fed back to the top team under special conditions to ensure that the unvarnished truth surfaces. The top team analyzes the data and develops an action plan for transformation using heuristics developed from research and theory in organization design and effectiveness. The top team then meets with the taskforce for a critique of the analysis and action plan. If the taskforce

disagrees with management's conclusions, they must resolve their differences. And the taskforce and the top team continue to meet periodically to review the progress of transformation and make mid-course corrections. The process recycles periodically, allowing the truth about success or failure to emerge over time.

Overall, organizational fitness profiling is an inexpensive procedure, which has a great contribution in building co-ordination and co-operation between different functions or departments of an organization. Moreover it strengthens the bond between executives and employees by improving leadership and organizational behavior.

Organizational fitness profiling at Hewlett Packard's Santa Rosa Systems Division (SRSD) and at Mattel Canada

Before the adoption of organizational fitness profiling in 1994 and 1998, respectively, HP's SRSD and Mattel Canada showed huge managerial difficulties and poor performance. Both organizations faced problems such as poorly designed cross-functional business teams and little communication from the top. Mattel Canada was experiencing high level of cultural difficulties associated with segregation of and favoritism to some functions which has led to ineffective and non-communicative meetings. SRSD's two functions were engaged in a fierce competition and the top team was not able to solve key strategic and organizational issues leading to the demoralization and high level of turnover of key employees.

At the initial stages the process enabled top management of SRSD and Mattel Canada to thoroughly evaluate the conditions of their organizations and develop a refined and integrative change plan. During the first year of its application, SRSD showed tremendous increase in sales and profit. The results of organizational fitness profiling at Mattel Canada were not as acute as they were in SRSD. Moreover, it was difficult to solely link overall organizational performance to the profiling, since there were issues such as competition in the industry and

customer bargaining power that has tremendous impact on the company's performance but were beyond the direct coverage of the profiling process.

In general, SRSD and Mattel Canada has become gold standards within their respective corporate groups as the organizational fitness profiling enabled them to develop internally coordinated organizations with honest co-operation and boding of their members. Members of Mattel Canada attested that by applying organizational fitness profiling they were able to make things better.

Source: Adapted from Beer and Rogers (1997) and Beer (1999).

Misconceptions of the measurement of OFP

In the previous discussions it was observed that organizational fitness profiling plays a significant role in the recovery of a disintegrated and culturally unhealthy organization. But it is also wise to consider and adapt it to function as an all-inclusive transformation process that helps organizations in setting strategic directions and priorities, as well as more importantly in proactively influencing their dynamic business environment.

Organizational fitness profiling creates an environment for an honest and open dialogue between organizational members to assess organizational problems. But such profiling technique should also be used to assess the effectiveness of organizations' business strategies. Because for instance, the effective and successful application of organizational fitness profiling as previously applied didn't enable Mattel Canada to differentiate itself from competitors.

One of the main reasons why organizational fitness profiling could have low impact on developing and assessing comprehensive strategic directions is due to the fact that it is more

internally focused. It is often used to only emphasize internal effectiveness of the organization within the 'given' strategic directions related to competition, technological improvement, etc. In the case of SRSD and Mattel Canada, for example, major strategies were implemented at the corporate level. However, in addition to top down forces, bottom up energies also need to be mobilized (Beer and Eisenstat, 2000; Bruch and Sattelberger, 2001), as well as horizontal relationships which require rejuvenation (Orgland and von Krogh, 1998). Members of SRSD and Mattel Canada had little possibilities to influence the overall corporate strategy, related to factors such as innovation, technological improvement, business prioritization and relationship with stakeholders, by implementing an organizational fitness profiling.

Today one of the crucial elements of attaining sustainable success in the rapidly changing business environment is to continuously renovate the value chain of the extended business enterprise through a competitive collaboration with internal and external economic players of the entire value creating system. Therefore, an approach to increase the effectiveness of the OFP process, which is often only applied as an internal focused transformation process, is to integrate other systemic transformation processes and tools such as the systemic scorecard in order to achieve systemic organizational fitness. Moreover, virtualizing organizational fitness profiling using advanced information technology by linking it with other systemic network tools, e.g. Siemens ShareNet or People ShareNet (Voelpel, 2003) – can lead to advanced measurement and development of organizational fitness.

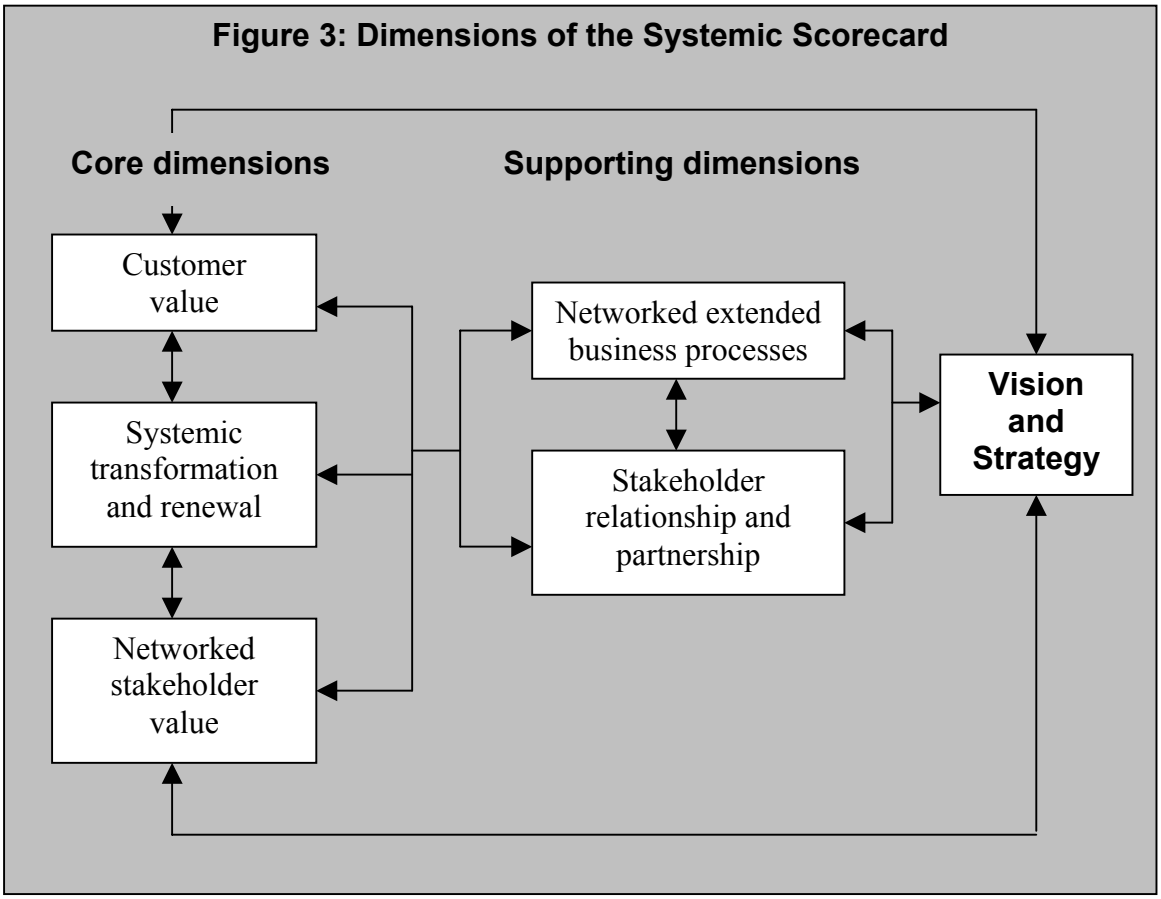
The organizational fitness navigator: towards creating and measuring dynamic organizational fitness with systemic transformation capabilities

So far this article discussed the different challenges that organizations of the 21st century face in measuring and building organizational fitness capabilities to meet and proactively cause

fast-paced and spontaneous transformation in their socio-cultural ecosystems. Moreover, it has been argued that for organizations to assess whether they have the required capabilities to influence and adapt to the increasingly complex and chaotic business environment, they need appropriate measurement systems related to a systemic and revolutionist transformation capability orientation. To achieve this purpose, the concepts of systemic scorecard (SSC) and organizational fitness navigator (OFN) are introduced and discussed.

The systemic scorecard (SSC) – a fast-paced transformation capability orientation

The concept of systemic scorecard was introduced by Leibold et al. (2002), to expand the focus of the four dimensions of the well-known balanced scorecard (Kaplan and Norton, 1992, 1996, 2000) from a predominant focus on single enterprise strategy dynamics to stakeholder value system dynamics. Due to the increasingly networked economy, the four traditional BSC dimensions now all have external networked perspectives, with allied measuring dimensions on each level, and with the addition of a fifth perspective, i.e. stakeholder relationship and partnership. The expanded perspectives of the systemic scorecard are illustrated in figure 3.



From figure 3 it can be seen that the systemic scorecard has five important dimensions: customer value, systemic transformation and renewal, networked stakeholder value, networked extended business processes, and stakeholder relationship and partnership. The first three, which are termed "core dimensions", are the major levers of the organization in terms of its ability to provide new 'customer value' propositions, attain a holistic transformation of the existing business 'value configuration' (or business model), and consequently create new 'systemic value chains' (Leibold et al., 2002), as well as achieve all (networked) financial and non-financial 'stakeholder value objectives' (including shareholders of the business and its value system partners). The other two dimensions are termed "supporting dimensions", as they emphasize the organization's capabilities of leveraging 'networked business processes' and 'stakeholder relationships' to enable core dimensions to reconfigure for new business models and reinvented customer and stakeholder value. The effective achievement of the later dimensions enable organizations to attain the

core dimensions, which are means of evaluating their valuable accomplishment. Organizations thus form their strategies and visions on the bases of the five SSC perspectives, and accordingly this scorecard can serve as a capability measuring tool to determine to what extent a systemic organizational fitness has been achieved.

The organizational fitness navigator (OFN)

It has been argued that to deal with the unpredictable trends of the business environment through both (appropriate) fast-paced reactive capabilities and being able to proactively shape (reinvent) future organizational value configurations, organizations need to cultivate and pursue robust strategies – 'populations of strategies' to be pursued simultaneously (Beinhocker, 1999). Thus, besides a SSC as a systemic capability measurement tool, it is necessary to have what we term an 'organizational fitness navigator' (OFN), that is, an overall systemic organizational fitness *enabling and measuring* tool that assists in guiding and evaluating an organization's effectiveness in a) making sense of likely scenarios and trends as well as developing multiple strategies and managing them through systemic networking and co-evolution, and b) continuously measuring organizational fitness capabilities to achieve this, e.g. through mapping of organizational capabilities and their systemic impacts.

As illustrated in figure 4 the organizational fitness navigator consists of a system of activities, which are interdependent of and interlinked to each other. The double-arrowed lines in the figure show the influence and counter-influence the activities have on each other to enable systemic learning and change. Thus it is not necessary for strategists to wait till the completion of the process to assess the effectiveness of the chosen directions and fitness capability of their organization, but rather a systemic (simultaneously forward and backward) evaluation is required at each level of activity.

For purpose of exposition of the OFP dynamics, it can be discussed in a systematic way, but bearing in mind the systemic nature of the tool:

Step 1: Initially managers should construct mental frames and references for events and objects to interpret likely scenarios and trends in the system. This capability known as *organizational sense making (OSM)* should be cultivated within the organization, making use of the organization's entire value system, to enable a continuous insight into and foresight of socio-economic trends (Hamel, 1998; Kinghorn, 2002). Moreover, strategists should look across time to not only foresee environmental trends, but more to participate in shaping them (Kim and Mauborgne, 1999).

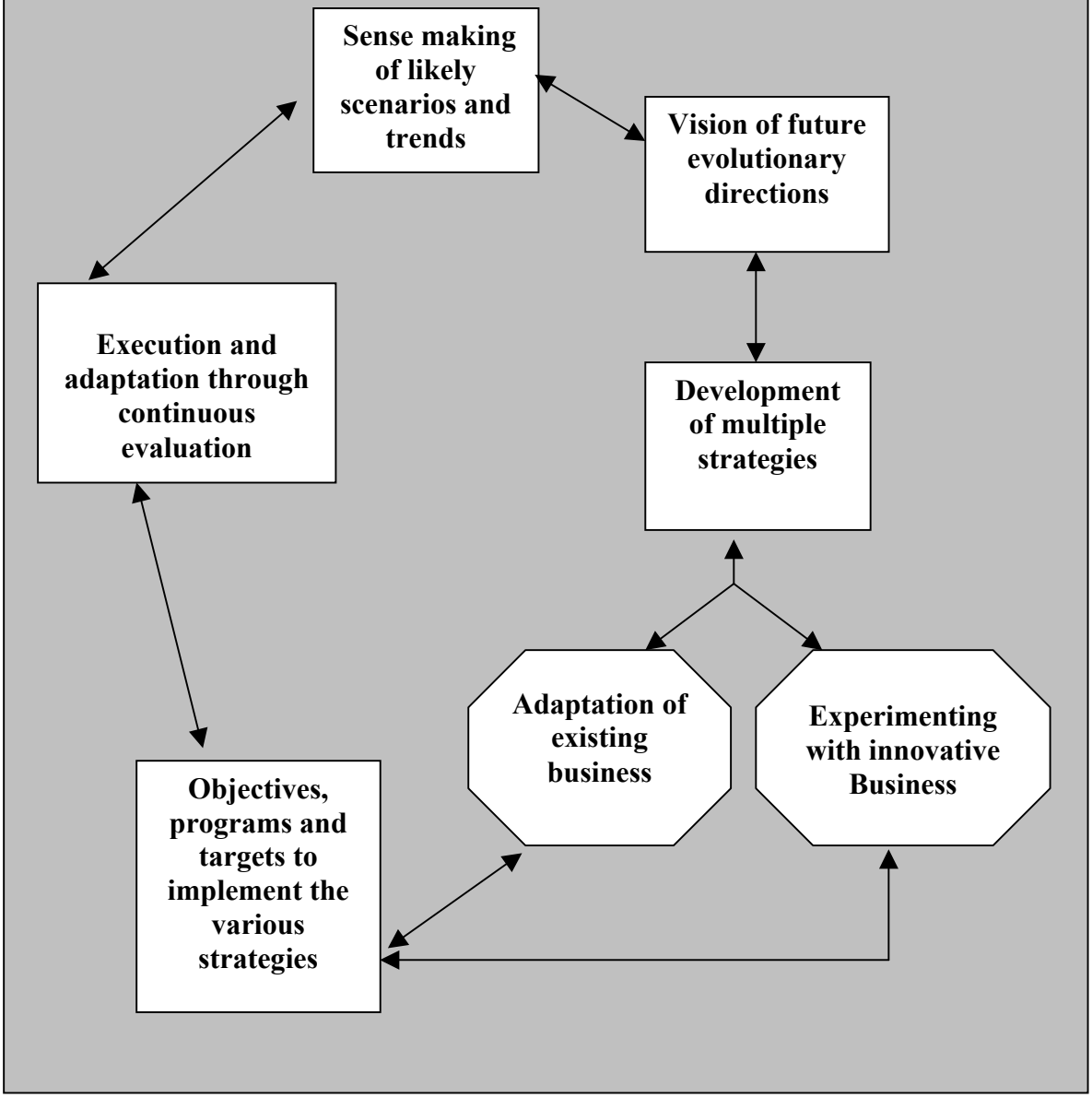
Step 2: Effective OSM should result in *realistic envisioning* of the organization's future evolutionary paths and meaningful endeavors, purpose and goals.

Step 3: To cope with the uncertainties of the business environment and realize the organizational vision, managers then *cultivate and manage multiple strategies* that consist of a 'mix of short and long jumps' (Beinhocker, 1999), i.e. both a) short-term strategies that extend and adapt existing business lines, as well as b) long-term initiatives that create new business models and industry configurations.

Step 4: Detailed plans, budgets and targets are then determined according to the five perspectives of the systemic scorecard (SSC). In addition to this, managers should use management systems such as organizational fitness profiling (OFP) to adroitly steer their plans and targets and enable the smooth communication and networking within their organizations.

Step 5: In the execution of the chosen strategies, initiatives and directions should continuously be refined and adapted to meet spontaneous changes in the socio-cultural system, and responses and results measured through application of the SSC.

Figure 4: Organizational Fitness Navigator



Conclusion

In the globally networked, fast-changing environment of the 21st century, organizations should become 'co-evolving organizations' to achieve and maintain sustainable success. Such organizations are architects of continuous business model and industry reinventions while managing existing business models effectively, through organizational fitness capabilities that enable creation of new customer value propositions through a systemic, co-evolutionary and non-linear innovation in value chains. Moreover, in today's environment it is important to measure continuously if an organization has both reactive and proactive fast-paced transformation capabilities, i.e. if it is organizationally fit.

Consequently organizations should implement measurement approaches that provide a 'helicopter view' of the dynamics of the entire socio-cultural business system, by making customer value propositions and networked stakeholder success their focal point and being able to measure systemic transformation and change. The concepts of the multi-dimensional systemic scorecard (SSC), and the broader organizational fitness navigator (OFN) of which it forms part, are appropriate expansions of conventional measurement approaches and tools to deal with our increasingly networked society. The implementation, relevance and adaptation of these tools are the focus of on-going empirical research by the authors, and evidence of their validity in generic and/or differentiated contexts will soon emerge. Research that further refines and expands these concepts and tools will assist in enhancing and measuring organizational fitness, and highlight the necessary organizational capabilities under-girding that.

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