

# Strategic Management as Organizational Learning:

## *Developing Fit and Alignment through a Disciplined Process*

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To operate effectively, organizations need to ‘fit’ or align themselves with their environment, strategies, capabilities and leadership skills. To compete successfully in a highly competitive and constantly changing business environment, however, organizations also need to attain ‘fitness’ – the capacity to learn and change to fit new circumstances. The concepts of fit and alignment are not new in business literature, yet the record of change – the many failed initiatives most organizations embark on in an attempt to improve their performance – suggests that many managers do not know how to lead systemic and fundamental change. By employing quick, superficial change programs leaders skillfully avoid learning the truth about poor coordination across vital activities in the value chain and the fundamental organization design, cultural and leadership issues that are blocking organizational effectiveness. The result is cynicism, low commitment to change and ultimate failure to align the organization with strategy. In response to these problems, the Strategic Fitness Process (SFP) was developed as an integrated, disciplined, leadership platform that a senior management team can utilize to create an open conversation about their organization’s fit with the strategy and environment as well as their own leadership. SFP enables truth to speak to power, making it possible for the senior teams to conduct a systemic diagnosis of the organization’s problems based on valid data, and to identify organizational and leadership barriers that prevent change. Research in 23 organizations has shown that, when fully embraced by senior teams, SFP facilitates dramatic and rapid changes in strategic understanding, organizational design, leadership and the capacity for ongoing learning. This article discusses the theory and premises underlying SFP, describes the step-by-step process and illustrates its effects on the design,

culture, leadership and performance of a Hewlett Packard business unit that utilized SFP to solve strategic and organizational problems that were undermining its performance. We propose that honest conversations about the organization and its leadership produced by SFP enable fit as well as fitness - the capacity for continuous learning organizations require to maintain fit as the environment changes.

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## Introduction

What allows organizations to survive and thrive in a highly competitive environment? To compete successfully an organization's strategy must be aligned with that of its environment and at the same time the organization must have the capabilities that fit its strategy. This is to say that 'fit' must be achieved within the organization as well as with the business environment. To accomplish this alignment, leaders have to be open to learning about how their decisions and behaviors fit the environment, strategy and organization. This suggests that effective leaders enable their organizations to confront the tensions that prevent alignment and, through a collaborative process, reshape alignment at several levels: between environment and strategy, strategy and organization, organization and the leadership team, and between key people.

Many organizations deploy the latest approaches to organizational efficiency in hopes of achieving fit, but too often find that they are unable to reap the full benefits from such activities.<sup>1</sup> One of the main reasons for this is the lack of an integrated approach that changes multiple dimensions of the organizational system, particularly key organizational capabilities and leadership behavior. Organizations that reflect the continuous change in the environment by being able to adapt their design and behavior to changes in strategy, and do this rapidly and effectively, exhibit a second order organizational capability that Beer and Eisenstat have called 'organizational fitness'. To adapt successfully demands senior management with the courage and skill to lead a systemic organizational learning process that will 'rejuvenate' the organization by fundamentally reshaping its design, culture and political landscape.<sup>2</sup>

This article reviews the organizational research and theory underlying these ideas, describes an integrated and systemic organizational learning process called the Strategic Fitness Process (SFP) intended to overcome the difficulties inherent in a systemic change and learning process, and reports on an illustrative application of this process in one organization. We propose that a disciplined process like SFP is essential if organizations are to realign their design and behavior to fit their strategy (and thus their environment), and thereby avoid long periods of under-performance. And since the competitive environment is continually evolving, achieving fit should be seen as requiring constant monitoring and regular updating, rather than intermittent interventions. We also propose, based on our preliminary findings, that linking SFP to the strategic planning process can enable an organization to adapt and learn continuously.

## Organizational 'fit' and 'fitness'

The concept of 'fit' or 'alignment' has been extensively discussed in the business literature, and an array of prominent authors has contributed significantly to developing the concept of fit in organizational structure, environment, strategy, technology, culture and leadership. They show that if organizations are to be effective and competitive they will need to achieve alignment in all these elements.<sup>3</sup> In the 21<sup>st</sup> century, continuous and turbulent change in the business environment has added a powerful aspect to this mix. Terms such as 'discontinuous change,' 'disruptive technologies' and 'age of revolution' describe the uncertainty and complexity that pervade the competitive environment.<sup>4</sup> But how do organizations keep their companies fit to stay competitive in a constantly changing business environment? How do corporations organize themselves to

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