McKinsey 7S Framework

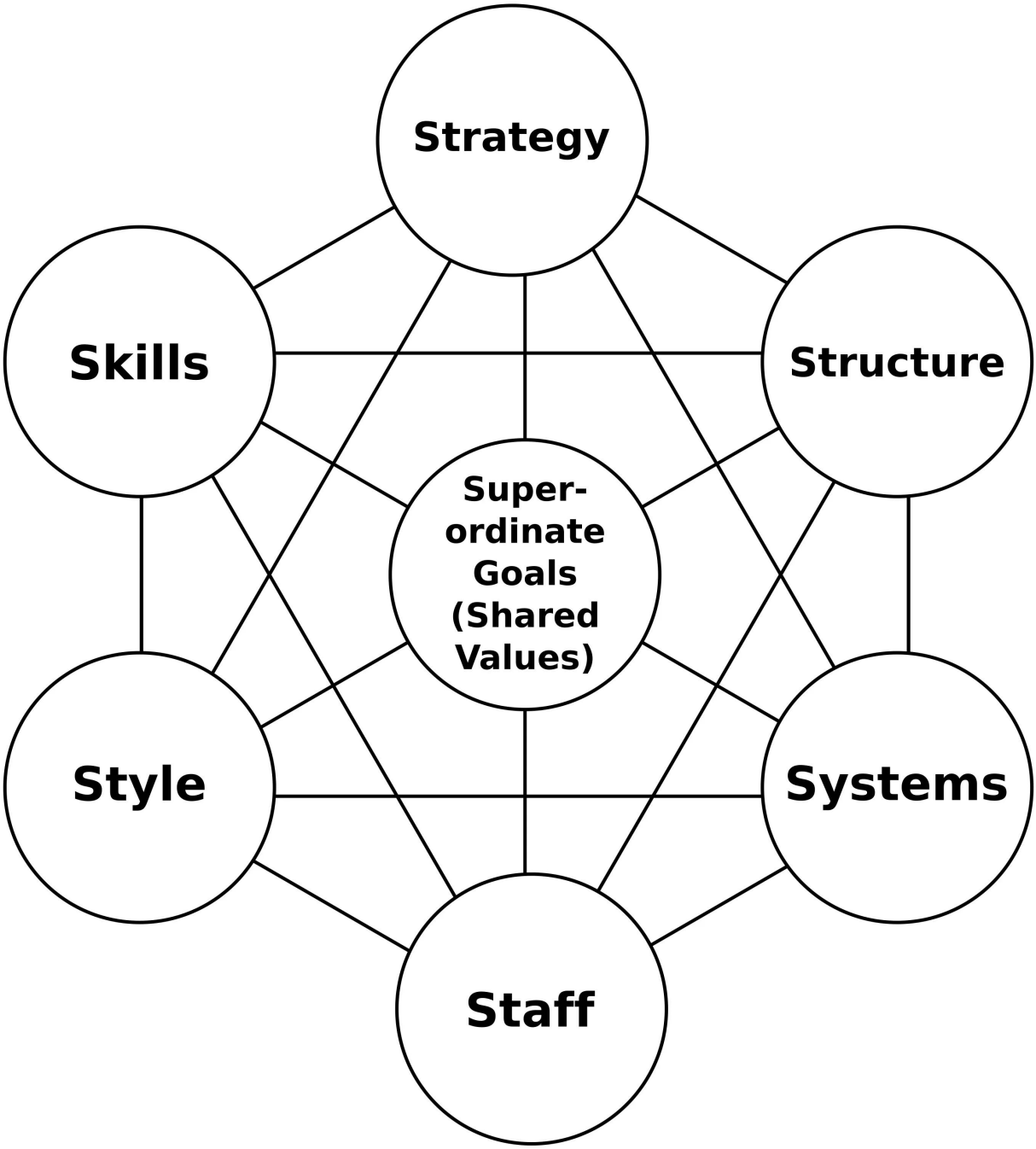
Idea In Short

Before the advent of the 7S Model, when managers thought about organizational design, they tended to focus on structure and strategy. They thought about who is responsible for what, who reports to whom, how many layers of management there should be, and how to beat the competition. However, as organizations got larger and more complex, coordination became just as important, if not more important, than structure.

McKinsey consultants Tom Peters, Robert Waterman and Julien Philips with a help from Richard Pascale and Anthony G. Athos developed the 7S model in the 1980s. Featured in the book In Search of Excellence, by former McKinsey consultants Thomas J. Peters and Robert H. Waterman, the framework maps a constellation of interrelated factors that influence an organization's ability to change. Consultants use the 7S model to assist with organizational change, mergers and acquisitions, implementation of a new strategy and understanding the weaknesses (blind spots) of an organization. According to McKinsey website:

> When introduced in the late 1970s, the 7-S framework was a watershed in thinking about organizational effectiveness. A previous focus of managers was on organization as structure—who does what, who reports to whom, and the like. As organizations grew in size and complexity, the more critical question became one of coordination.

The McKinsey 7S Framework represented by the following diagram:



McKinsey 7S Framework

Note that all areas in the diagram are interconnected. This means that a change to one area will have implications for all other areas. There is no hierarchy and all areas are the same size. In other words, the 7S model considers all areas equally important. The areas are divided into hard and soft elements. Hard elements are easy for management to influence and change. The organization's culture influence the soft areas. Positioning Shared Values in the center of the 7Ss indicates that the organization's values are central to all elements.

Hard elements

Hard elements are tangible, easy to identify, and can be directly impacted by management.

- Structure
- Strategy
- Systems

Structure

Structure represents how the business organizes its divisions and units. This item includes the reporting lines and organizational hierarchy. In other words, structure is the organizational chart of the firm. It is also one of the most visible and easy to change elements of the framework. The following questions help guide the structural analysis process:

- How is our organisation organised?
- How are reporting and working relationships structured (hierarchical, flat, silos, etc.)?
- Who reports to whom?
- How are our employees aligned with the strategy?
- How do our teams align and collaborate on shared goals?
- What is our process for making decisions? Is it through centralization, empowerment, decentralization, etc.?
- How does the organization share information (formally and informally)?

Strategy

Strategy denotes the plan a firm develops to achieve sustained competitive advantage and successfully compete in the market. In the 7S McKinsey model and in general, a sound strategy is one that is:

- Clearly articulated
- Long-term
- Helps achieve competitive advantage, and
- Reinforced by a strong mission, vision, and values

But, it's hard to tell if such strategy is well-aligned with other elements when analyzed alone. So, the key in 7S model is not to look at your company to find the great strategy, structure, systems and etc., but to look if it's aligned with other elements. For example, short-term strategy is usually a poor choice for a company but if it's aligned with other 6 elements, then it may provide strong results. The following questions help guide the strategy appraisal process:

- How should we proceed to resolve the specific business problem?
- What is our strategy and its priorities?
- How will we achieve our strategic objectives?
- How do we compete in the market? What are our competitive capabilities?
- How does the organization respond to changes in customer demand or the business environment?

Systems

These are the processes and procedures of the company. Systems reveal business' daily activities and decision-making. Systems determine how the company does its business. Managers should primarily focus on systems during organisational change. The guiding questions that reveal insights about the organisation are:

- Can we execute the strategy with the existing business system or do we have to develop a new one?
- How do we track progress and performance?
- What internal processes and guidelines do we have in place to stay on track?

Soft elements

Soft elements are intangible and primarily driven by the organization's corporate culture.

- Skills
- Staff
- Style
- Shared Values

Skills

These are the abilities that firm's employees perform very well. They also include capabilities and competences. During organisational change, the question often arises of what skills the company will really need to reinforce its new strategy or new structure. The following analysis help evaluate the skill levels in an organisation:

- What are our strongest skills within the organisation?
- What are our weaknesses?
- How are we going to fill the skill gap?
- Which skills are required?
- Is the current employee's skill set sufficient for the job?
- How do we monitor, assess, and improve skills?

Staff

This element addresses the type and number of employees an organisation will need, how it recruits, trains, motivates and rewards its employees. The guiding questions that help appraise this element are:

- Is there anything we can do to support the growth of our team members?
- What are the current staffing needs?
- Are there any gaps in required capabilities or resources?
- What is our plan for addressing those needs?

Style

This represents how the top-level managers run the company, how they interact, what actions they undertake and their symbolic value. In other words, it is the management style of company's leaders. The following analyses help evaluate the leadership aspects of the organisation:

- What leadership style and cultural qualities will help us to achieve a strategic objective?
- What is our current management approach?
- How are our employees respond to it?

Shared Values

These are at the core of McKinsey 7S model. They are the norms and standards that guide employee behaviour and company actions and thus, are the foundation of every organisation. The following probing questions help ascertain this crucial aspect of an organisation:

- What principles help us to achieve our goals?
- What makes us do what we do in the way we do it?
- What is our vision for the future? What is our mission to get there?
- What are our core values?
- How are we incorporating them into daily activities?

Advantages

- Shows the wider impacts of any change
- Helps an organization work out what it needs to do to get where it wants to be
- Helps align departments, processes, and softer issues
- It enables different parts of a company to act in a coherent and synchronised manner
- It allows for the effective tracking of the impact of the changes in key elements
- It is considered a longstanding theory, with numerous organizations adopting the model over time.

Disadvantages

- It is considered a long-term model
- With the changing nature of businesses, it remains to be seen how the model will adapt
- It seems to rely on internal factors and processes and may be disadvantageous in situations where external circumstances influence an organization
- Can be complicated to use and requires lots of research and benchmarking
- Needs the support of very senior management
- Is an internally focused tool. It doesn't look at all at the external environment

Summary

The McKinsey 7S Framework can help an organization understand how to get from where it is now to where it wants to be. It is particularly good at helping organizations take into consideration how a change to one area can have a wider impact on the organization.