Seven Levers Of Organizational Fit

Idea In Short

Most reorganizations fail for a predictable reason:

> leaders redraw the org chart and call it transformation, while culture, skills and leadership style stay untouched

The McKinsey 7-S framework, built by consultants Robert Waterman, Tom Peters and Julien Phillips in the late 1970s, treats structure, strategy and systems as only half the picture. Shared values, skills, style and staff carry equal weight and shared values sit at the center because a misaligned culture blocks every other fix a leadership team attempts. The decision in front of executives running a change program is straightforward:

> audit all seven elements before touching any single one, because tightening reporting lines while leaving incentive systems or management style unchanged reproduces the same dysfunction under a new hierarchy

Nokia's collapse and McDonald's decades of reinvention illustrate opposite outcomes from the same seven variables.

Executives launching a reorganization tend to reach for the same lever first:

> redraw the reporting lines, rename a few departments and announce the change is underway

That instinct is understandable, since structure is visible and easy to change on a slide. It is also why so many reorganizations produce activity without results. The McKinsey 7-S model, developed by consultants Robert Waterman, Tom Peters and Julien Phillips in the late 1970s, exists precisely to correct that instinct by forcing leaders to examine seven interdependent elements before assuming a structural fix will hold.

What the framework actually measures

The 7-S model is a diagnostic tool for organizational design, built to help leaders understand why a company executes its strategy well or poorly. Rather than treating an organization as a single lever, the model breaks it into seven components and examines how they interact.

Structure describes the chain of command and how accountability flows through an organization. A clear structure gives employees ownership over defined areas of work, while an unclear one leaves decisions stuck between departments that each assume someone else is responsible. McKinsey's own strategy practice still treats this seven-part breakdown as a starting checklist for organizational diagnosis nearly five decades after it was first published1, a durability few consulting frameworks from that era can claim.

Strategy covers the plans a company uses to achieve its goals and build an advantage over competitors. An effective strategy has to reinforce the other six elements rather than exist as a standalone document and it has to adjust as market conditions shift.

Systems are the operational processes and workflows that determine how work actually gets done day to day, from how decisions move through approval chains to how information flows between teams. Weak systems slow down good strategy regardless of how well that strategy is designed.

Shared values are the guiding principles that shape decisions across the organization and give employees a common frame of reference. McKinsey placed shared values at the center of the model deliberately, because a healthy culture influences how every other element functions and a damaged one undermines them regardless of how well each is designed on paper.

Skills are the actual competencies employees need to execute the chosen strategy and gaps here have compounding effects. When a company lacks specific skills, the employees who do have them absorb the overflow and that imbalance builds resentment and burnout well before it shows up in performance numbers.

Style refers to the leadership approach that shapes how the organization operates in practice, distinct from what a company says about itself in mission statements. A participative style drives different employee behavior than a top-down one, even when both organizations claim to value collaboration.

Staff covers the human capital decisions an organization makes, including hiring practices, training investment and how people are motivated once they join. An organization can have the right strategy and structure and still fail if it cannot attract, retain or develop the people needed to execute either.

Hard elements versus soft elements

McKinsey's original framework separates these seven components into two categories and understanding the distinction matters more than memorizing which element belongs where.

Structure, strategy and systems are the hard elements. Leadership can document them, chart them and change them through a formal decision, which makes them easier to identify and adjust when a company launches a transformation.

Shared values, skills, style and staff are the soft elements. They resist direct control because they live in how people behave rather than in a policy document and changing them requires sustained effort rather than a single announcement.

The mistake most transformation programs make is treating the hard elements as the whole job. A new organizational chart is straightforward to design and announce. Shifting how leaders make decisions, or closing a skills gap across thousands of employees, takes years and cannot be mandated from a slide.

Waterman and Peters argued that soft elements carry equal weight in determining whether a strategy actually gets executed, a conclusion that reoriented how consultants approached organizational design after decades of focus on structure and process alone. That argument still holds up against how change programs succeed or fail today, because the visible, hard-element fixes are rarely what determines whether a transformation sticks.

Applying the model through a five-step process

Leaders implementing the 7-S model typically move through five sequential steps, starting broad and narrowing toward execution.

1. Identify gaps and unaligned processes across all seven elements, comparing the current state to the desired one through employee surveys, workflow analysis and leadership discussions
2. Determine the ideal organizational design by researching best practices, benchmarking against comparable organizations and reconciling leadership aspirations with employee sentiment gathered through focus groups
3. Build a detailed action plan that specifies hierarchy changes, communication protocols, system upgrades, training programs and the departments each change touches
4. Implement the change through appointed change agents, regular training, open communication forums and visible leadership support during the transition
5. Sustain the realignment through ongoing review processes that track how the seven elements interact with each other as market conditions and internal dynamics continue to shift

Each step depends on the one before it. Skipping the diagnostic phase and moving straight to an action plan is how leaders end up solving the wrong problem with real conviction. The Association for Talent Development has pointed out that roughly 70% of organizational change initiatives fail, largely because leaders underestimate the complexity of the transition and overlook how much trust and communication the process requires2, which reinforces why sequencing the diagnostic step before the action plan matters as much as the plan itself.

The fifth step gets skipped more often than any other, largely because leadership attention moves to the next initiative once the visible parts of a reorganization are complete. That is a mistake, since the interdependencies between elements shift continuously and a realignment that held for eighteen months can quietly come apart if nobody is checking.

Nokia's structural strength and cultural collapse

Nokia's decline offers a case study in what happens when hard elements erode alongside soft ones and neither gets corrected in time.

The company faced a genuine strategic dilemma over whether to compete on cost, device performance or security and it chose a cost-leadership approach that left it exposed on innovation just as smartphone competition intensified. That choice alone did not sink the company. Nokia had built a hierarchical, siloed structure that limited communication across teams, at precisely the moment Apple and its rivals were moving faster through smaller, more collaborative units, a contrast one retrospective on the company's collapse traced back to a culture where middle managers feared delivering bad news up the chain3.

The company's engineering talent was not the problem. Nokia had spent years building one of the strongest pools of telecom engineers in the industry and skill gaps were not what caused the decline.

What changed was staff and style together. Nokia eliminated its chief technology officer position from top management between 2007 and 2010, a decision that coincided with high attrition among engineers and technology executives and left new hires without the experienced leadership needed to develop them. Leadership style deteriorated as technically weaker executives took charge and employee morale fell along with it.

The company's stated values, respect, achievement, renewal and challenge, had once reinforced strong performance. Those values did not disappear from internal documents, but they got diluted as competing priorities crowded them out and a culture that once drove innovation stopped functioning as one.

McDonald's continuous alignment across all seven elements

McDonald's offers the counterexample:

> a company that keeps all seven elements pointed in the same direction, deliberately and continuously, rather than treating alignment as a one-time fix

Its strategy centers on cost leadership paired with specific, time-bound goals that connect long-term vision to near-term execution. Its structure stays relatively flat given the company's size, with store managers overseeing close-knit teams that can reach senior leadership without navigating multiple layers of hierarchy.

The systems element is where McDonald's has invested most visibly in recent years, through mobile ordering, self-service kiosks, delivery partnerships and leaner kitchen processes designed to cut customer wait times and streamline the broader supply chain.

Shared values at McDonald's, serve, inclusion, integrity, community and family, show up in decisions about hiring from diverse backgrounds and structuring community investment, not just in a values statement posted in break rooms. Leadership style reinforces those values through active engagement between senior leaders and employees, with feedback loops built into how policy and operational decisions get made.

Staff and skills receive continuous investment through simulation-based training that prepares frontline employees for real customer interactions rather than treating onboarding as a one-time event. Across more than 150,000 employees globally, that consistency in training and inclusion practice is a large part of why the company's operating model has held up across decades of shifting consumer behavior. The dependency runs both ways, though and McDonald's own leadership acknowledged in 2026 that a crowded menu rollout had overwhelmed franchisees and slowed service in its largest market, prompting a leadership change aimed at rebuilding execution discipline at the store level4, a reminder that even a well-aligned structure needs staff and systems to keep pace with strategy.

> Culture eats strategy for breakfast

That line, widely attributed to management thinker Peter Drucker, captures why McDonald's approach outperforms a company that gets strategy right but leaves the soft elements unattended. The seven elements reinforce each other continuously at McDonald's, not because the company gets everything right, but because it treats alignment as ongoing work rather than a project with an end date.

Sequencing a realignment without repeating past mistakes

Executives planning a transformation should draw two specific lessons from these contrasting outcomes rather than treating the 7-S model as an abstract diagnostic exercise.

The first is that a structural fix without a corresponding fix in leadership style or staff incentives reproduces the underlying dysfunction under new labels. Nokia's siloed structure was a real problem, but removing the CTO role and eroding leadership quality did more damage than the org chart ever did. A company correcting one hard element while ignoring the corresponding soft elements is treating a symptom rather than the underlying condition.

The second lesson is that alignment requires review cycles, not a single implementation phase followed by inattention. McDonald's has not solved organizational alignment once and moved on. It maintains systems that continually track how structure, staff, skills and style interact and it adjusts training and incentive programs as consumer behavior and operating conditions shift. Research published in Harvard Business Review has found that culture management works best when leaders treat it as inseparable from strategy and structure rather than as a separate initiative delegated to human resources5, a finding that lines up closely with the gap between Nokia's outcome and McDonald's.

Boards evaluating a proposed reorganization should ask which of the seven elements the plan actually addresses and which ones it assumes will fall into place on their own. A plan that only touches structure and systems, while leaving skills, style, staff and shared values as an afterthought, is the same plan that failed at Nokia under a different name. The Project Management Institute's ongoing research into project and organizational performance has repeatedly linked stronger business acumen and structured governance among project leaders to measurably better outcomes6, which is precisely the discipline the fifth step of the 7-S implementation process is designed to enforce.

- 1Enduring ideas: The 7-S framework
- 2Change management is a vital capability for TD professionals
- 3Finns, roamers, Nokia: So long and thanks for all the phones
- 4McDonald's CEO turns to a trusted lieutenant with a turnaround record
- 5The leader's guide to corporate culture
- 6Pulse of the profession

Summary

The seven elements of this framework do not operate independently and treating any one of them as the fix for organizational drift misreads how change actually happens. Nokia had the engineering talent and once had the operational agility that made it an industry leader, yet it lost both once its leadership style and shared values eroded and nobody corrected course. McDonald's keeps its structure flat, invests continuously in frontline training and treats participative leadership as an operating discipline rather than a talking point and that consistency across all seven elements is why the company has weathered decades of change in consumer behavior. Executive teams beginning a transformation should resist the instinct to start with the org chart. Auditing structure, strategy, systems, shared values, skills, style and staff together, then sequencing the fixes with clear ownership and review cycles, is what separates a change program that sticks from one that quietly reverses within eighteen months.