

McKinsey 7S Model:

McKinsey 7s model was developed in 1980s by McKinsey consultants Tom Peters, Robert Waterman and Julien Philips with a help from Richard Pascale and Anthony G. Athos. Since the introduction, the model has been widely used by academics and practitioners and remains one of the most popular strategic planning tools. It sought to present an emphasis on human resources (Soft S), rather than the traditional mass production tangibles of capital, infrastructure and equipment, as a key to higher organizational performance. The goal of the model was to show how 7 elements of the company: Structure, Strategy, Skills, Staff, Style, Systems, and Shared values, can be aligned together to achieve effectiveness in a company. The key point of the model is that all the seven areas are interconnected and a change in one area requires change in the rest of a firm for it to function effectively.

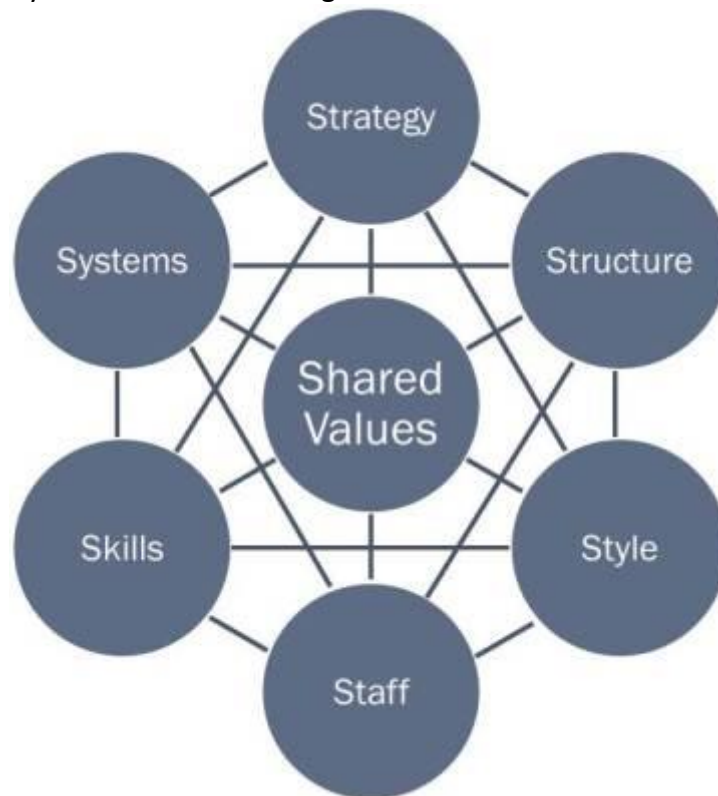
The 7S model is a strategic model that can be used for any of the following purposes:

- Organizational alignment or performance improvement
- Understanding the core and most influential factors in an organization's strategy
- Determining how best to realign an organization to a new strategy or other organization design
- Examining the current workings and relations an organization exhibits

The model, made famous by the McKinsey consulting company, is good for a thorough discussion around an organizations activities, infrastructure, and interactions.

-The model and its usage-

Here is the 7S model that portrays seven elements of an organization.



The elements are defined as follows:

Strategy – This is the organization's alignment of resources and capabilities to "win" in its market.

Structure – This describes how the organization is organized. This includes roles, responsibilities and accountability relationships.

Systems – This is the business and technical infrastructure that employees use on a day to day basis to accomplish their aims and goals.

Shared Values – This is a set of traits, behaviors, and characteristics that the organization believes in. This would include the organization's mission and vision.

Style – This is the behavioral elements the organizational leadership uses and culture of interaction.

Staff – This is the employee base, staffing plans and talent management.

Skills – This is the ability to do the organization's work. It reflects in the performance of the organization.

To assess each of these elements, here are some questions to ask:

Strategy –

- What is the organization's strategy seeking to accomplish?
- How does the organization plan to use its resources and capabilities to deliver that?
- What is distinct about this organization?
- How does the organization compete?
- How does the organization adapt to changing market conditions?

Structure –

- How is the organization organized?
- What are the reporting and working relationships (hierarchical, flat, silos, etc.)?
- How do the employees align themselves to the strategy?
- How are decisions made? Is it based off of centralization, empowerment, decentralization or other approaches?
- How is information shared (formal and informal channels) across the organization?

Systems –

- What are the primary business and technical systems that drive the organization?
- What and where are the system controls?
- How is progress and evolution tracked?
- What internal rules and processes does the team utilize to maintain course?

Shared Values –

- What is the mission of the organization?
- What is the vision to get there? If so, what is it?
- What are the ideal versus real values?
- How do the values play out in daily life?
- What are the founding values that the organization was built upon?

Style –

- What is the management/leadership style like? How do they behave?
- How do employees respond to management/leadership?
- Do employees function competitively, collaboratively, or cooperatively?
- Are there real teams functioning within the organization or are they just nominal groups?
- What behaviors, tasks and deliverables does management/leadership reward?

Staff –

- What is the size of the organization?
- What are the staffing needs?
- Are there gaps in required capabilities or resources?
- What is the plan to address those needs?

Skills –

- What skills are used to deliver the core products and/or services? Are these skills sufficiently present and available?
- Are there any skill gaps?
- What is the organization known for doing well?
- Do the employees have the right capabilities to do their jobs?
- How are skills monitored, assessed, and improved?

Strategy is a plan developed by a firm to achieve sustained competitive advantage and successfully compete in the market. What does a well-aligned strategy mean in 7s McKinsey model? In general, a sound strategy is the one that's clearly articulated, is long-term, helps to achieve competitive advantage and is reinforced by strong vision, mission 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 its aligned with other elements. For example, short-term strategy is usually a poor choice for a company but if its aligned with other 6 elements, then it may provide strong results.

Structure represents the way business divisions and units are organized and includes the information of who is accountable to whom. 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.

Systems are the processes and procedures of the company, which reveal business' daily activities and how decisions are made. Systems are the area of the firm that determines how business is done and it should be the main focus for managers during organizational change.

Skills are the abilities that firm's employees perform very well. They also include capabilities and competences. During organizational change, the question often arises of what skills the company will really need to reinforce its new strategy or new structure.

Staff element is concerned with what type and how many employees an organization will need and how they will be recruited, trained, motivated and rewarded.

Style represents the way the company is managed by top-level managers, how they interact, what actions do they take and their symbolic value. In other words, it is the management style of company's leaders.

Shared Values are at the core of McKinsey 7s model. They are the norms and standards that guide employee behavior and company actions and thus, are the foundation of every organization.

7-S Checklist Questions

Here are some of the questions that you'll need to explore to help you understand your situation in terms of the 7-S framework. Use them to analyze your current (Point A) situation first, and then repeat the exercise for your proposed situation (Point B).

Strategy:

- What is our strategy?
- How do we intend to achieve our objectives?
- How do we deal with competitive pressure?
- How are changes in customer demands dealt with?
- How is strategy adjusted for environmental issues?

Structure:

- How is the company/team divided?
- What is the hierarchy?
- How do the various departments coordinate activities?
- How do the team members organize and align themselves?
- Is decision making and controlling centralized or decentralized? Is this as it should be, given what we're doing?
- Where are the lines of communication? Explicit and implicit?

Systems:

- What are the main systems that run the organization? Consider financial and HR systems as well as communications and document storage.
- Where are the controls and how are they monitored and evaluated?
- What internal rules and processes does the team use to keep on track?

Shared Values:

- What are the core values?
- What is the corporate/team culture?

- How strong are the values?
- What are the fundamental values that the company/team was built on?

Style:

- How participative is the management/leadership style?
- How effective is that leadership?
- Do employees/team members tend to be competitive or cooperative?
- Are there real teams functioning within the organization or are they just nominal groups?

Staff:

- What positions or specializations are represented within the team?
- What positions need to be filled?
- Are there gaps in required competencies?

Skills:

- What are the strongest skills represented within the company/team?
- Are there any skills gaps?
- What is the company/team known for doing well?
- Do the current employees/team members have the ability to do the job?
- How are skills monitored and assessed?

Current position #1

We'll start with a small startup, which offers services online. The company's main strategy is to grow its share in the market. The company is new, so its structure is simple and made of a very few managers and bottom level workers, who undertake specific tasks. There are a very few formal systems, mainly because the company doesn't need many at this time.

Alignment

So far the 7 factors are aligned properly. The company is small and there's no need for complex matrix structure and comprehensive business systems, which are very expensive to develop.

McKinsey 7s Example (1/3)

		Aligned?
Strategy	Market penetration	Yes
Structure	Simple structure	Yes
Systems	Few formal systems. The systems are mainly concerned with customer support and order processing. There are no or few strategic planning, personnel management and new business generation systems.	Yes
Skills	Few specialized skills and the rest of jobs are undertaken by the management (the founders).	Yes
Staff	Few employees are needed for an organization. They are motivated by successful business growth and rewarded with business shares, of which market value is rising.	Yes
Style	Democratic but often chaotic management style.	Yes
Shared Values	The staff is adventurous, values teamwork and trusts each other.	Yes

Current position #2

The startup has grown to become large business with 500+ employees and now maintains 50% market share in a domestic market. Its structure has changed and is now a well-oiled bureaucratic machine. The business expanded its staff, introduced new motivation, reward and control systems. Shared values evolved and now the company values enthusiasm and excellence. Trust and teamwork has disappeared due to so many new employees.

Alignment

The company expanded and a few problems came with it. First, the company's strategy is no longer viable. The business has a large market share in its domestic market, so the best way for it to grow is either to start introducing new products to the market or to expand to other geographical markets. Therefore, its strategy is not aligned with the rest of company or its goals. The company should have seen this but it lacks strategic planning systems and analytical skills.

Business management style is still chaotic and it is a problem of top managers lacking management skills. The top management is mainly comprised of founders, who don't have the appropriate skills. New skills should be introduced to the company.

McKinsey 7s Example (2/3)

		Aligned?
Strategy	Market penetration	No
Structure	Bureaucratic machine	Yes
Systems	Order processing and control, customer support and personnel management systems.	No
Skills	Skills related to service offering and business support, but few managerial and analytical skills.	No
Staff	Many employees and appropriate motivation and reward systems.	Yes
Style	Democratic but often chaotic management style.	No
Shared Values	Enthusiasm and excellence	No

Current position #3

The company realizes that it needs to expand to other regions, so it changes its strategy from market penetration to market development. The company opens new offices in Asia, North and South Americas. Company introduced new strategic planning systems hired new management, which brought new analytical, strategic planning and most importantly managerial skills. Organization's structure and shared values haven't changed.

Alignment

Strategy, systems, skills and style have changed and are now properly aligned with the rest of the company. Other elements like shared values, staff and organizational structure are misaligned. First, company's structure should have changed from well-oiled bureaucratic machine to division structure. The division structure is designed to facilitate the operations in new geographic regions. This hasn't been done and the company will struggle to work effectively. Second, new shared values should evolve or be introduced in an organization, because many people from new cultures come to the company and they all bring their own values, often, very different than the current ones. This may hinder teamwork

performance and communication between different regions. Motivation and reward systems also have to be adapted to cultural differences.

McKinsey 7s Example (3/3)

		Aligned?
Strategy	Market development	Yes
Structure	Bureaucratic machine	No
Systems	Order processing and control, customer support, personnel management and strategic planning systems.	Yes
Skills	Skills aligned with company's operations.	Yes
Staff	Employees form many cultures, who expect different motivation and reward systems.	No
Style	Democratic style	Yes
Shared Values	Enthusiasm and excellence	No

We've showed the simplified example of how the Mckinsey 7s model should be applied. It is important to understand that the seven elements are much more complex in reality and you'll have to gather a lot of information on each of them to make any appropriate decision.

The model is simple, but it's worth the effort to do one for your business to gather some insight and find out if your current organization is working effectively.