An Example of Reviewing Your Marketing Capabilities using the Mckinsey 7S Framework

Ms. Rutuja Pravinkumar Jadhav[1], Tejaswini Raju Kande[2], Naziya Moulali Sayyad[2]

[1]M Pharm Student, [2]Assistant Professor,
[1,2]PDEAS, SUCOPSRC, Karadi, Pune, Maharashtra, India

ABSTRACT

In this article, we will explore the seven elements of McKinsey 7S Model in detail and learn how it can be used to improve performance or manage change in organizations. Also, we provide an example that you can use to apply the model in companies.

KEYWORDS: Strategy, Structure, Systems, Shared Values, Style, Staff, Skills

INTRODUCTION

The McKinsey 7S model ensures that all parts of the organization should work in harmony.

It was developed in early 1980s by Tom Peters and Robert Waterman,[1] two consultants working at McKinsey and company, who later went to write the international best article on

'Structure is Not an Organization'. In the 1970s, they believed that business leaders were putting too much emphasis on structure and strategy when it came to organizational change.[2]

When to Use the McKinsey 7-S Model

You can use the 7-S model in a wide variety of situations where it's useful to examine how the various parts of your organization work together.

For example, it can help you to improve the performance of your organization, or to determine the best way to implement a proposed strategy.

The framework can be used to examine the likely effects of future changes in the organization, or to align departments and processes during a merger or acquisition. You can also apply the McKinsey 7-S model to elements of a team or a project.

Why follow the 7S model?

These 7 factors are used by management to identify where a company excels and where it needs more work, in terms of creating an optimal and efficient workforce. It is also used to evaluate performance following a merger or other restructuring to identify areas that need improvement.[8]

Definition

McKinsey 7S model is a tool that analyzes firm's organizational design by looking at 7 key internal elements: strategy, structure, systems, shared values, style, staff, and skills, to identify if they are effectively aligned and allow organization to achieve its objectives.[3]

Elements

The seven elements are split into two categories: 'hard' and 'soft'.

McKinsey 7S Framework
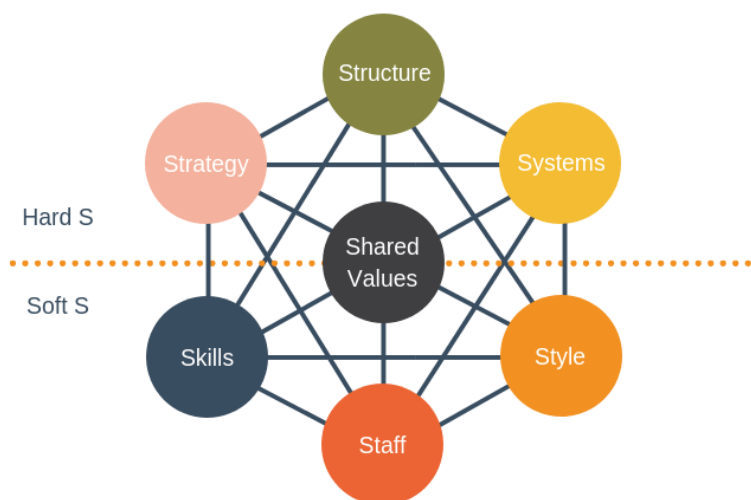
Hard Elements

Hard elements are easy to identify and describe. They are the foundation of any organization and can be used to describe its management structure, processes, and objectives. They tend to be recorded and referenced in corporate documents like statements, strategy reports and organizational charts.[2]The following elements are the hard elements in an organization:

1. Strategy
2. Structure
3. Systems

Strategy: It is the plan devised to maintain and build competitive advantage over the competition.[1] The plan an organization must achieve its objectives. This is a dynamic element, in that it changes all the time in response to outside factors like competition, demand and technological innovations.[2]

Structure: The way the organization the organization is structured and who respect to whom.[1] The way in which an organization's activities are managed. In small businesses, this might be a traditional hierarchy. In larger organizations, this is more likely to be a divisional or matrix structure, where different managers have varying areas of responsibility.[2]

Systems: The daily activities and procedures that staff members engage in to get the job done.[1] The processes an organization has in place. This includes information systems, as well as financial procedures, legal policy, risk assessment, health, and safety, pay and benefits. In short, all the systems that direct organizational activity.[2]

Soft Elements

The soft elements are often difficult to identify, and constantly evolve. It can be hard to put them into words and they sometimes overlap with one another. However, they are no less important to an organization undergoing a period of change.[2] The following elements are the soft elements in an organization:

1. Shared Values
2. Style
3. Staff
4. Skills

Shared Values: When the model was first developed, these are the core values of the company that are evidence in the corporate culture and the general work ethic.[1] The guiding principles that direct the organization's behavior. These were originally referred to as 'super ordinate goals' and are often unwritten. Examples of shared values might include great customer service, constant innovation, or honesty.

Style: The style of leadership adopted i.e., democratic or authoritian. The organizational culture usually described as 'the way things are done around here'. This also includes individual management and leadership styles.[2]

Staff: The employees and their general capabilities. This may include factors such as knowledge and attitude of employees.[1] The people in the organization, their talents, and the way they are developed.[2]

Skills: This is the actual skill and competencies of the employees working in the company.[1] The competencies and capabilities of the organization and its people.[2]

Checklist Questions for the McKinsey 7-S Framework

The following questions are a starting point for exploring your situation in terms of the 7-S framework. Use them to analyze your current situation first, and then repeat the exercise for your proposed situation.
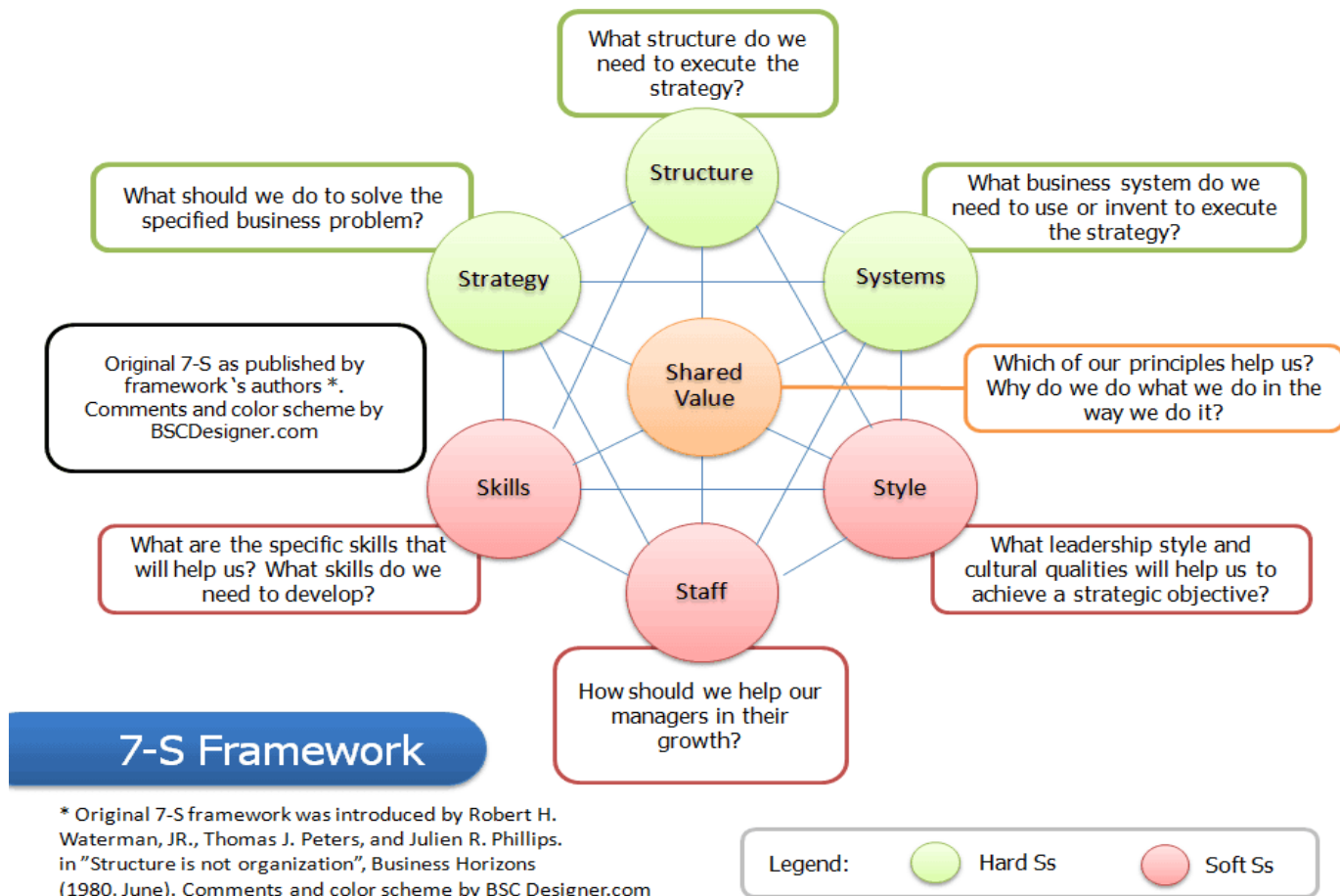
Strategy
- What is the objective of your company strategy?
- How do you use your resources and capabilities to achieve that?
- What makes you stand out from your competitors?
- How do you compete in the market?
- How do you plan to adapt in the face of changing market conditions?[4]

Structure
1. What is your organizational structure?
2. Who makes the decisions? Who reports to whom?
3. Is decision-making centralized or decentralized?
4. How do the employees align themselves to the strategy?
5. How is information shared across the organization?[4]

Systems
- What are the primary processes and systems of the organization?
- What are the system controls and where are they?
- How do you track progress?
- What are the processes and rules the team sticks with to keep on track?[4]

Skills
1. What are the core competencies of the organization? Are these skills sufficiently available?
2. Are there any skill gaps?
3. Are the employees aptly skilled to do their job?
4. What do you do to monitor, evaluate, and improve skills?
5. What is it that the company is known for doing well?[4]

Staff
1. How many employees are there?
2. What are the current staffing requirements?
3. Are there any gaps in the required resources?
4. What needs to be done to address them?[4]

Style
1. What is the management style like?
2. How do the employees respond to this style?
3. Are employees competitive, collaborative, or cooperative?
4. What kind of tasks, behaviors, and deliverables does the leadership reward?
5. What kind of teams are there in the organization? Are there real teams or are they just nominal groups?[4]

Shared Values
1. What are the mission and vision of the organization?
2. What are your ideal and real values?
3. What is the core valuing the organization was founded upon?
4. How does the company incorporate these values in daily life?[4]

McKinsey Change Management Model Advantages:

> **It Can Be Applied Widely**

The flexibility of the 7S model McKinsey promotes is one of its biggest strengths. It can be applied whether you are going through change or to help identify weaknesses and opportunities in your organization.

> **It Takes a Holistic View**

The framework by McKinsey is unique in that it focuses on harmony and balance within your organization. It helps companies to identify areas they may not see as connected and view them holistically when it comes to change.

> **People & Processes are Included**

Some change management models focus heavily on people, and others focus more on processes. The McKinsey change management model includes both, ensuring both the human and technical elements of change management are kept in focus.[5]

McKinsey Change Management Model Disadvantages:

Disadvantages of 7s Model
- Lacks Practical Support
- Loopholes in Strategy Formulation or Execution
- Lacks Proper Explanation of Strategy Implementation
- Static Model
- Difficult to Assess its Viability
- Ignores External Environment
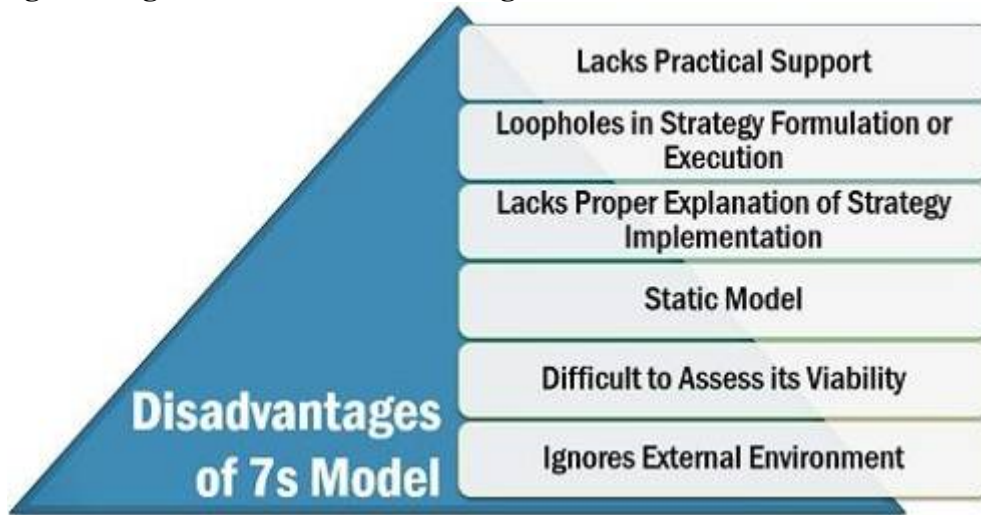
➢ **There is No Roadmap to Follow**

A big drawback with the McKinsey 7S model example is that it does not give you steps or any roadmap to follow for a change management program. It is more of a general method to ensure your organizational elements are in balance.

➢ **It Can Be Tedious for Change Management**

If you must check every step of your change management process across each of the 7 Ss in the McKinsey 7S model, you will hardly have time to do anything else. Unless you have a small company and project, it can be tedious to use for change management planning.
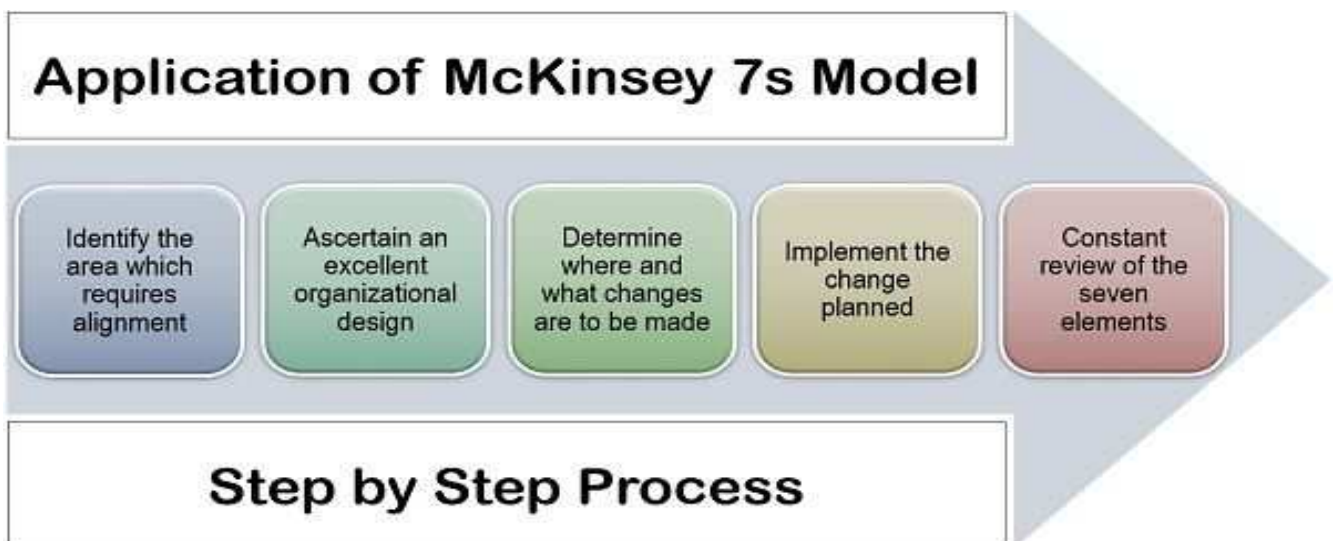
➢ **It is Better as a Gauge Than a Strategy**

The McKinsey 7S example is better when used as a gauge at the beginning and end of a change management project to ensure alignment of the 7S areas of your organization. Using a different change management tool or model makes more sense for your actual change strategy and planning.[5]

The 7S model can be used to:
➢ **Review the effectiveness** of an organization in its marketing operations.
➢ **Determine how to best realign** an organization to support a new strategic direction.
➢ **Assess the changes** needed to support digital transformation of an organization.[7]

Using the tool

As we pointed out earlier, the McKinsey 7s framework is often used when organizational design and effectiveness are at question. It is easy to understand the model but much harder to apply it for your organization due to a common misunderstanding of what should a well-aligned element be like.

Application of McKinsey 7s Model

| Identify the area which requires alignment | Ascertain an excellent organizational design | Determine where and what changes are to be made | Implement the change planned | Constant review of the seven elements |

Step by Step Process

We provide the following steps that should help you to apply this tool:

Step 1. Identify the areas that are not effectively aligned

During the first step, your aim is to look at the 7S elements and identify if they are effectively aligned with each other. Normally, you should already be aware of how 7 elements are aligned in your company, but if you don't you can use the checklist from Whitt Blog to do that. After you've answered the questions outlined there you should look for the gaps, inconsistencies, and weaknesses between the relationships of the elements. For example, you designed the strategy that relies on quick product introduction but the matrix structure with conflicting relationships hinders that so there's a conflict that requires the change in strategy or structure.

Step 2. Determine the optimal organization design

With the help from top management, your second step is to find out what effective organizational design you want to achieve. By knowing the desired alignment, you can set your goals and make the action plans much easier. This step is not as straightforward as identifying how seven areas are currently aligned in your organization for a few reasons. First, you need to find the best optimal alignment, which is not known to you at the moment, so it requires more than answering the questions or collecting data. Second, there are no templates or predetermined organizational designs that you could use, and you'll have to do a lot of research or benchmarking to find out how other similar organizations coped with organizational change or what organizational designs they are using.

Step 3. Decide where and what changes should be made

This is basically your action plan, which will detail the areas you want to realign and how would you like to do that. If you find that your firm's structure and management style are not aligned with company's values, you should decide how to reorganize the reporting relationships and which top managers should the company let go or how to influence them to change their management style so the company could work more effectively.

Step 4. Make the necessary changes

The implementation is the most important stage in any process, change or analysis and only the well-implemented changes have positive effects. Therefore, you should find the people in your company or hire consultants that are the best suited to implement the changes.

Step 5. Continuously review the 7s

The seven elements: strategy, structure, systems, skills, staff, style, and values are dynamic and change constantly. A change in one element always has effects on the other elements and requires implementing new organizational design. Thus, continuous review of each area is very important.

Examples of the McKinsey 7s Model in Action

The practical applications of this model including both the failure & success of organizational change projects can be seen by studying the following corporate examples:[6]

1. Nokia

From initially being a mobile phone industry pioneer, to drastically losing market share, and finally getting acquired by Microsoft, Nokia's journey of change failure can be explained using the 7-S framework.[6]

Strategy: Nokia faced a dilemma and had to optimize costs and volume, enhance performance, and maximize security. Nokia opted for a cost-leadership approach and failed miserably on its innovation and performance fronts. [6]

Structure: Nokia had a top-down line of hierarchy where employees were working in silos with limited communication. To compete with the likes of Apple, Nokia should have opted for an agile and decentralized structure, along with a collaborative approach.[6]

Systems: Nokia considered agility and being nimble as its key competitive advantages. With a skilled workforce, Nokia was able to innovate its products and increase operational efficiency.[6]

Skills: Nokia had a pool of highly skilled engineers and initially designed highly efficient mobile phones. There was not any skill gap weighing them down.[6]

Staff: During 2007-2010, Nokia surprisingly removed the CTO position from top management, leading to extremely high attrition rates. New hires were not properly skilled, to begin with, causing the downfall of Nokia as a cutting-edge brand.[6]

Style: Due to the low technical competence of leaders, employee morale was low. Instead of bringing in people with the right backgrounds to further company innovation and growth., Nokia needed transformational change leadership to help with technological advancement and cutting-edge designs.[6]

Shared Values: The core values of the company enabling business performance were Respect, Achievement, Renewal, Challenge.[6]

2. McDonald's

Here is how the fast-food giant leverages McKinsey's 7-S model for driving organizational change:

Strategy: McDonald is gained a significant market share through its cost-leadership approach. Additionally, it sets clear SMART goals to achieve the long-term and short-term vision.[6]

Structure: Unlike other multinational corporations (MNCs) with complex hierarchical structures, McDonald is has a flat structure where a store manager manages its employees. Employees work as a close-knit team and have easy access to the senior management if required. [6]

Systems: McDonald's is known for constantly innovating to reduce the wait time and make its entire production and supply chain more efficient – such as its new McDonalds app and self-ordering kiosks.[6]

Shared Values: McDonald's aims to have a high level of integrity, serve a wide range of customers, hire employees from different backgrounds, encourage teamwork, and finally, give some profits back to the community with its core values: Serve, Inclusion, Integrity, Community, and Family.[6]

Style: McDonald's leverages a participative leadership style where seniors engage with employees at different levels to seek their feedback to improve operations and resolve conflicts.[6]

Staff: With over 210,000 employees, McDonald's is one of the largest employers in the world. It believes in the concept of diversity and works towards employee satisfaction.[6]

Skills: McDonald's regularly trains its employees to provide an unparalleled customer experience and handle objections.[6]

Conclusion

The McKinsey 7S model is a useful tool that can be used to diagnose and solve organizational problems. The purpose of this tool is to emphasis that changing one aspect of an organization will impact upon the others. In a truly effective organization, all seven elements will operate towards the same goal. If a change leader believes that their organization could be more effective, they can use the framework to help identify the elements that need to change. [2]

Reference

[1] Prof. Manohar A. Potdar, Quality Management System, Nirali Prakashan, First edition September 2020.

[2] Dr. Rageeb Usman, Dr. Bharat Jain, Rahul W. Gawali, Snehal S. Abhang, A Textbook of Quality Management System, S. Vikas and Company Medical Publishers, Edition 2021.

[3] McKinsey 7S Model November 11, 2021, Ovidijus Jurevicius

[4] McKinsey 7S Model Updated August 14, 2021, Amanda Athuraliya

[5] Authors: Ogbe Airiodion (Senior Change Management Lead) and Francesca Crolley (AGS Cloud Content Producer)

[6] The McKinsey 7-S Model Framework, February 17, 2022, Priyanka Malik

[7] How to use the McKinsey 7S model in marketing, By James Story, 17 February , 2020

[8] McKinsey 7S Model , By WILL KENTON , Updated August 14, 2021 , Fact checked , by VIKKI VELASQUEZ

[9] Enduring Ideas: The 7S Framework, March 1, 2008, Lowell Bryan

[10] What is McKinsey's 7S Change Management Model and how to use it, Mert Aktas, December 23, 2021

[11] Van Vliet, V. (2010). *McKinsey 7S Framework*. Retrieved [insert date] from Tools Hero: https://www.toolshero.com/strategy/mckinsey-7s-framework/

[12] Coca-Cola & Mckinsey's 7 S framework, Ruwan Weerasundara , Published Aug 26, 2021