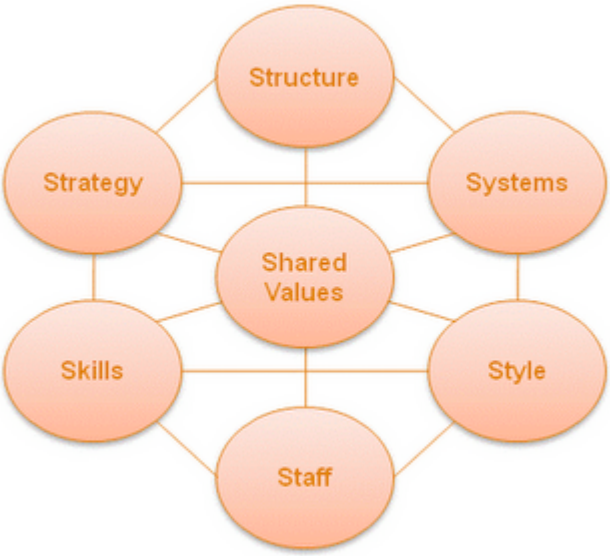
McKinsey 7-S



McKinsey & Co's 7S framework provides a useful framework for analysing the strand weaknesses an organisation (see also 6 Essential Strategy Analysis Tools). The McKinsey Consulting Firm identified strategy as only one of seven elements exhibited by the best managed companies.

Strategy, structure and systems can be considered the "hardware" of success whilst style, staff, skills and shared values can be seen as the "software".

Companies, in which these soft elements are present, are usually more successful at the implementation of strategy.

Hardware

1. **Strategy:**

   The integrated vision and direction of the company, as well as the manner in which it derives, articulates, communicates and implements that vision and direction.

   Things to consider:

   1. Does the firm have a clear strategy?
   2. Is there a clear, logical and understood connection between and understanding of the firms strengths and weaknesses, environmental context, strategic intent, strategic and business plans, and management information and control systems?
   3. Is the strategy known to and understood by the staff in the organisation? Is it communicated to everyone as appropriate in a way that accords it the right amount of attention?
   4. Is everyone aligned behind the strategy?
   5. Is the strategy acted on and implemented? Is it actively applied in the making of decisions on a day to day basis? (All to often, a strategy is a document which sits on an

executive shelf while the organisation continues to act asit would have done, regardless.)
6. Do key individuals continue to pursue their own strategies and agendas, contrary to the strategy?
7. Is the organisation opportunistic or is it inclined to develop detailed plans and stick to them?
8. Is strategy formulated by an elite group (strategic planning group or senior executives) and handed down from the top, or using an inclusive, participative bottom-up process?
9. Is the strategy transformative (large and structural changes to the firm or industry) or incremental (smaller adjustments)?
10. Is the strategy reviewed and cast in stone once a year, or more regularly (or even continuously)?

See also: The 5 Levels of Stratgic Orientation

2. **Structure**

   Consider: committees, governance, depth, breadth, collaboration, centralised, decentralised

   The policies and procedures which govern the way in which the organisation acts within itself and within its environment. The organigram (e.g. hierarchical or flat) as well as the group and ownership structure are included here. Also note Porter's categorisation of group structures: Efficient allocators of Capital; Allocation of Resources, etc.

3. **Systems**

   Consider: IT, operational, finance, HR, etc.

   The decision making systems within the organisation can range from management intuition, to manual policies and procedures, to structured computer systems, to complex expert systems and artificial intelligence. The level of rigour of systems can range from rigid and bureaucratic, to more laissez faire and flexible. Systems can be modern and efficient or out of date.

Software

4. **Style**

   Consider: culture, leadership, managerial versus transformational

   Style refers to the employees shared and common way of thinking and behaving - unwritten norms of behaviour and thought:

   - **Leadership Style**
   - **Organisational Culture**

5. **Staff**

   Consider: selection, reward, autonomy, empowerment

   Staff means that the company has hired able people, trained them well and assigned them to the right jobs. Selection, training, reward and recognition, retention, motivation and assignment to appropriate work are all key issues.

6. **Skills**

   Consider: ability, training, experience

   Skills refers to the fact that employees have the skills needed to carry out the company's strategy. Training and Development - ensuring people know how to do their jobs and stay up to date with the latest techniques.

7. **Shared Values**

   Consider: alignment, positive or negative, hard minds versus soft hearts

   Shared values means that the employees share the same guiding values. Values are things that you would strive for even if they were not demonstrably profitable.

   Values act as an organisation's conscience, providing guidance in times of crisis.

   Example: 'The "famous" Johnson & Johnson Tylenol case is an example where a credo helped provide guidelines for practical decision making. When tainted Tylenol was discovered, J&J's leaders could quickly make a decision to immediately, publicly, remove all Tylenol from the nation's shelves, because they were following the organisation's credo - which said that J&J's first responsibility was to provide quality products to doctors, nurses and patients. This dramatic action helped unsure a reinstatement of both public trust and employee pride in the integrity of the company, and led to higher long term sales.'[Senge, Ross, Smith, Roberts and Kleiner: 1994]

   Identifying corporate values is also the first essential step in defining the organisation's role in the larger community in which it functions.

Other references:

- McKinsey 7-S on Papers.com

Posted by Chris at 21:25