McKinsey 7S model[1]

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The McKinsey 7S model was developed during the late 1970s by the McKinsey & Co. as a conceptual framework "useful in diagnosing the causes of organizational malaise and in formulating programs for improvement".[2] The model constituted an attempt to provide a response to the widespread frustration experienced by executives at the time of dealing effectively with general management problems related to strategic and organizational factors. The framework surpasses the classic simplistic notion that "structure follows strategy" as it links strategy not only with structure but also with other five elements. In addition to strategy and structure, the other elements or variables of the framework that we discussed below are the following: shared values, skills, staff, systems, and style. The authors reckon that the seven elements comprehended in the model are mutually interdependent. In this way, the authors intend to highlight and, hence, address more effectively the complexity associated to general management decisions. The authors reckon that the postulate the need of "fit" or harmony between the seven elements of the framework as an essential feature for successful strategy implementation. The McKinsey model is illustrated in Figure 1.

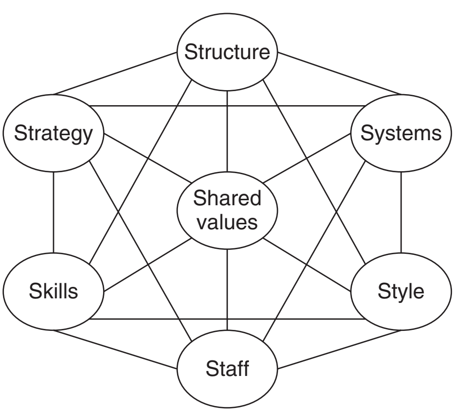

Figure 1 McKinsey 7S model (extracted from Waterman, Peters, and Phillips, 1980, p. 18).

The 7S model was developed after an extensive process of analysis involving interviews with senior executives and academics and was also influenced by the ideas of prominent management thinkers such as Chester Barnard, Herbert Simon, James March, and Karl Weick. The 7S model became one of the best known frameworks within the strategic management literature and, 30 years after its introduction, is still widely used by academics, consultants, and managers.

Description of the Elements of the Model

Strategy. Strategy is deemed in the model as the set of actions the firm plans in response or anticipation of changes in its external environment. Such set of actions should enable the firm to defend or improve their competitive position by providing a unique value to its customers.

Structure. In the McKinsey model, it is argued that the critical challenge related to structure is the ability to focus on those dimensions or design parameters that are currently important to the evolution of the corporation, and being ready to refocus as critical dimensions shift. One of these dimensions is criteria followed regarding unit grouping. Should it be based on a functional, industry, client, or geographic basis (or on a combination of these)? Other design parameters refer the degree of formalization of behavior in a certain unit, the degree of decentralization of decision-making, or the extent to which we need horizontal coordination mechanisms between units.

Systems. By systems, McKinsey and Company means the procedures, formal and informal, which make the organization work. It is important to understand not only the formal procedures but also how the organization actually works: such real work is often reliant on informal rather than formal systems.

Style. Although it is often underestimated, management style, and especially that of the CEO, is an important determinant in what is strategically possible for the corporation. In what activities does the CEO spend his or her time predominantly? Are top managers used to micromanage or, inversely they are rather detached from operations? Do they plan ahead

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carefully or they are reactive and focused only on urgent affairs? Are they market-oriented? Do they feel comfortable with taking necessary risks?

Staff. In the McKinsey model, Staff is considered beyond the classic divide between "hard" issues (pay scales and appraisal systems) and "soft" ones (morale, attitude, and motivation). The framework reckons people as a pool of resources, which need to be nurtured, developed, guarded, and allocated. The role of top managers in securing that the firm attracts young-talented executives and offers them, since their very first job, carefully crafted career paths based on making substantial contributions to the "nuts and bolts" of the business is emphasized.

Skills. Given a chosen strategy, this element enables the corporation to evaluate its capabilities realistically in light of the critical success factors that characterize their business. One particular problem may actually be in weeding out old skills, which may constitute be a significant block to necessary change that might hamper the development of the needed new skills.

Shared values. At the core of the model are Superordinate goals and shared values around which the organization pivots. These values define the organization's key beliefs and aspirations and form the core of its corporate culture. Corporations in need to change their values endeavor to undergo dramatic transformations that involve fundamental reappraisals of all aspects of activities. Sometimes, such changes are introduced as reengineering projects (*see* BUSINESS PROCESS REENGINEERING). A major reason for the high failure rate of these projects is their lack of success in implanting new shared values that can actually embrace the radical changes required to achieve the dramatic stretch targets set by such programs.

ENDNOTES

[1] Original article by Derek F. Channon. Updated by Adrián A. Caldart.

[2] Waterman *et al*. (1980).

Bibliography

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