McKinney’s 7s Framework

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, in order to identify if they are effectively aligned and allow organization to achieve its objectives.

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.

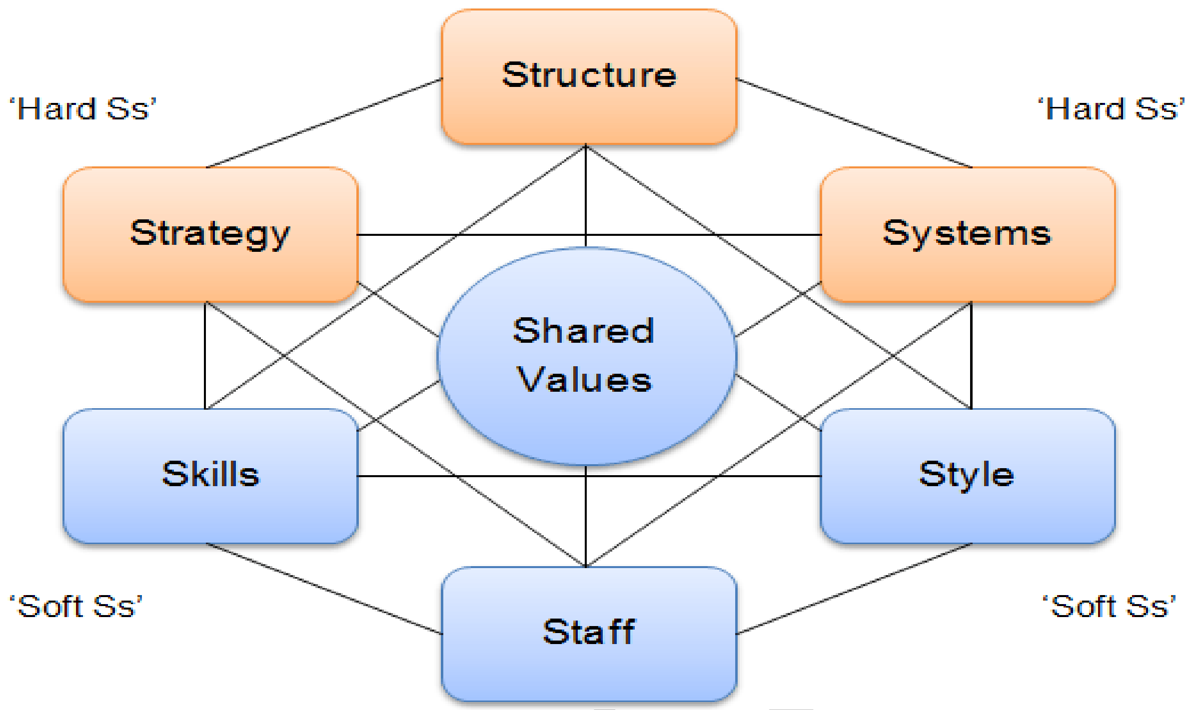
The framework can be used to examine the likely effects of future changes in the organization, or to align departments and processes during a merger or acquisition. You can also apply the McKinsey 7-S model to elements of a team or a project.

The model recognizes 7 of these elements and considers them to be interlinked, therefore it’s difficult to make significant progress in one area without making progress in other areas as well. Accordingly, to be successful, the organization should ensure that all these elements are aligned and reinforced.

The model divides these 7 elements into two categories;

Hard elements – Strategy, Structure, Systems (these are easier to be identified and defined and can be directly influenced by the management)

Soft elements – Shared Values, Skills, Style, Staff (these are harder to be defined because they are less tangible, but are just as important as the hard elements)



7s factors

In McKinsey model, the seven areas of organization are divided into the 'soft' and 'hard' areas. Strategy, structure and systems are hard elements that are much easier to identify and manage when compared to soft elements. On the other hand, soft areas, although harder to manage, are the foundation of the organization and are more likely to create the sustained competitive advantage.

1. 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.

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

7. 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.

You can use the framework

- To successfully execute new strategies
- To analyze how different key parts of your organization work together
- To facilitate changes in the organization
- To help align processes during a merger or acquisition
- To support management thinking during strategy implementation and change management

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 elements be like.

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 WhittBlog 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.

Advantages of McKinsey 7S Model

- Considers 7 elements of strategic fit, which is more effective than the traditional model that only focuses on strategy and structure
- It helps align the processes, systems, people, and values of an organization
- Since it analyzes each element and the relationship between them in detail, it ensures that you miss no gaps caused by changed strategies
- Helps organizations identify how they should align the different key parts of the organization to achieve their goals

Disadvantages of McKinsey 7S Model

- It requires the organization to do a lot of research and benchmarking, which makes it time-consuming
- It only focuses on internal elements, while paying no attention to the external elements that may affect organizational performance.

- It requires the help of senior management which may not be readily available depending on how busy they are.