MCKINSEY 7-S FRAMEWORK

MBSA2233 MANAGING STRATGIC
TRANSFORMATIONAL IN ORGANIZATION
SECTION 1, SESSION 24/25

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WHAT IT IS MCKINSEY 7S FRAMEWORK?

- Tool for managing and implementing **transformational change** within organizations.

- Developed by McKinsey & Company consultants

- This framework outlines seven **interconnected elements that must align** for an organization to **achieve its goals**, especially during periods of significant change.

- It widely used for strategic planning, organizational analysis, and managing change.

James O. McKinsey
(1889 – 1937)
Founder of James O. McKinsey and Company, Accountants and Management Engineers

Education
Warrensburg Teacher's College (BA)
University of Arkansas (LLB)
University of Chicago (BPhil)

Experience
1917-1926: Professor, University of Chicago
1926-1935: Founder of McKinsey & Company
1935-1937: Chairman, Marshall Field & Company

McKinsey

MC-KINSEY 7S MODEL

It describes about seven interdependent elements of an organization that must work together

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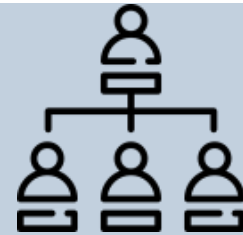|	
01	STRATEGY
02	STRUCTURE
03	SYSTEMS
04	SKILLS
05	STAFF
06	STYLE
07	SHARED VALUE

UTM
UNIVERSITI TEKNOLOGI MALAYSIA

HARD S
- Tangible
- Visible parts of organization
- Much easier to identify and manage

SOFT S
- Intangible
- Foundation of the organization
- Create sustained competitive advantages

HARD S

STRUCTURE

- The organizational hierarchy and reporting relationships.
- Change initiatives may require restructuring, redefining roles, or flattening hierarchies.

STRATEGY

- The organization's plan and direction to achieve its long-term objectives.
- It includes redefining business goals, addressing market challenges, and staying competitive during transformational change
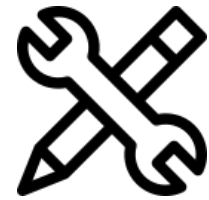
SYSTEM

- The processes, tools, and technologies used to run the organization.
- It includes IT systems, operational workflows, and performance measurement systems in transformational change.

McKinsey

SOFT S

SKILLS	• Includes organizational capabilities, personnel qualifications, and competencies. • What competencies does the business require to strengthen its new strategy or organizational structure?
	❖ Employees competencies e.g. the necessary technical skills, knowledge, and behaviors required to perform job functions effectively. ❖ Staffing requirement to fulfill organizational objectives. ❖ It covers recruitment and training, motivation and reward systems.
STAFF	
STYLE	❑ Management / leadership style. ❑ Reflection of the upper management's approach to running the company. ❑ Focuses on management interactions and behaviors.
	➢ The organization's mission, values, and identity are all crucial parts. ➢ Standards, values and ethics within the organization ➢ The norms and standards that govern the conduct of employees and the organization's activities
SHARED VALUE	

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01 When implementing strategic changes, i.e.
- entering new markets,
- launching new products, or
- shifting business models.

02 Post-Merger Integration
- ensure the seamless integration of two organizations
- align shared values, systems, and other key elements

03 During periods of cultural / operational shifts.
- analyze the impact of changes in leadership, technology, or business direction on the organization's culture and operations.

04 When reshaping the organizational hierarchy / processes to improve efficiency or adapt to external pressures i.e. creating cross-functional teams

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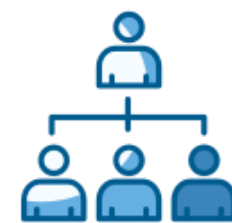
WHEN IS THE BEST TIME TO USE 7S MODEL

implementing strategic changes

Strategic Changes Implementation

Post-Merger Integration

During Cultural or Operational Shifts

Reshaping the Organizational Hierarchy

BENEFIT OF USING THE 7S MODEL IN TRANSFORMATIONAL OF CHANGE

01 Provides a holistic view of the organization, ensuring no critical element is overlooked.

02 Encourages alignment between strategy, culture, and operations.
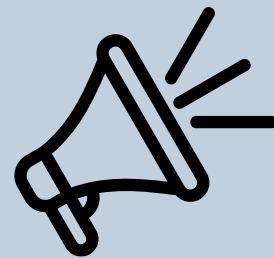
03 Facilitates communication and understanding across teams and departments.

04 Helps identify potential bottlenecks or conflicts during change initiatives.

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CHALLENGE IN 7S MODEL

Complexity in aligning all elements simultaneously.

Resistance to change, especially in soft elements like shared values or leadership styles.

Requires robust communication and commitment from leadership.

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MCKINSEY-7S CRITICISM

03 **Subjectivity in Analysis**

- Evaluating soft elements like "Shared Values," "Style," or "Skills" often relies on subjective judgments rather than measurable criteria.

- This subjectivity can lead to inconsistent results and difficulties in benchmarking progress.

05 **Overemphasis on Internal Culture**

- Soft elements like "Shared Values" and "Style" are highlighted but may not directly contribute to short-term operational performance or financial results.

- Overly idealistic or impractical in some scenarios.

01 **Lack of External Focus**
The model focuses entirely on internal alignment and operations, neglecting external factors like market dynamics, competition, regulatory changes, or technological advancements.

04 **Lack of Prioritization**

- The framework does not offer guidance on which elements to prioritize when resources are limited or when certain areas require urgent attention.

- In practice, not all seven elements are equally critical at all times, yet the model implies equal importance.

Not Designed for Dynamic Change

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- The model assumes a relatively stable environment where alignment of internal elements is the primary concern.

- In fast-paced industries or during disruptive changes, the framework may not adapt quickly enough to meet evolving needs.

02 **Complexity and Interdependence**
The interconnected nature of the seven elements makes the framework complex to apply. Changing one element can have ripple effects on others, making it challenging to predict outcomes.

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MCKINSEY-7S CRITICISM (CON'T)

07

Overemphasis on Internal Culture

- Soft elements like "Shared Values" and "Style" are highlighted, but critics argue that these factors may not directly contribute to short-term operational performance or financial results.
- This focus on culture and leadership might be seen as overly idealistic or impractical in some scenarios.

08

Limited Scalability

- Applying the framework to very large or very small organizations can be challenging. Large organizations may find it hard to assess all seven elements comprehensively, while small organizations may find some elements irrelevant.
- It may not fit all organizational sizes or structures.

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Static Representation

- The framework provides a snapshot of alignment at a particular moment but does not consider the ongoing evolution of the organization or its elements.
- Organizations need dynamic, iterative tools for continuous improvement rather than static assessments.

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Overuse in Generic Analysis

- Because of its simplicity and widespread familiarity, the framework is often applied superficially or generically without deep insights.
- Overreliance on the model might result in overlooking more innovative or customized approaches to problem-solving.

CONCLUSION

The McKinsey 7S Framework is a valuable tool for diagnosing and aligning an organization's internal components to achieve better performance, facilitate change, and support strategic goals. Its holistic nature ensures no critical aspect of the organization is overlooked.

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