McKinsey 7s Model for Organization’s Effectiveness

1. Definition

McKinsey 7s Model is a tool that analyzes a 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 enable the organization to achieve its objectives.

2. The tool

McKinsey 7s model was developed in 1980s by McKinsey consultants Tom Peters, Robert Waterman and Julien Philips with a help from Richard Pascale and Anthony G. Athos. Since the introduction, the model has been widely used by academics and practitioners and remains one of the most popular strategic planning tools. It seeks emphasis on human resources (Soft S) rather than the traditional production tangibles of capital, infrastructure and equipment as a key to higher organizational performance.

The goal of the model was to show how 7 elements of the company “Structure, Strategy, Skills, Staff, Style, Systems, and Shared values” can be aligned together to achieve effectiveness in a company. The key point of the model is that all the seven areas are interconnected and a change in one area requires change in the rest of a firm for it to function effectively.

Given below is a graphical representation of the model, which represents connections between seven elements and divides them into ‘Soft Ss’ and ‘Hard Ss’. The shape of the model emphasizes interconnectedness of the elements.

Like any model, there are good fits and poor fits. This is a handy model for taking a snapshot and comparing that to the desired state or improvement. It visually shows how everything is linked and understanding the larger implications of change can be very revealing. It is much like how a general doctor can help diagnose a patient’s situation, but the fine-tuned skill of a surgeon can be used to make the specific, desired changed.

The uses of the model can be as a static picture to determine how effectively the organization is implementing its strategy. Also, it can be used two-fold with a current state and an intended future state. By comparing the current and future states, gaps can be assessed, which lead to improvement and action plans. That latter case makes enables the model to be used for large scale change.
Placing “Shared Values” in the middle of the model emphasizes that these values are central to the development of all the other critical elements. The company’s structure, strategy, systems, style, staff and skills all stem from why the organization was originally created and what it stands for. The original vision of the company is formed from the values of the creators. As the foundation values change, so do all the other elements.

3. Application

The model can be applied to many situations and is a valuable tool when organizational design is at question. The most common uses of the framework are:

- To facilitate organizational change
- To help implement new strategy
- To identify how each area may change in future for the better
- To facilitate merger of organizations.
- Examining the current working and relations an organization exhibits
- Organizational alignment or performance improvement
- Understanding the core and most influential factors in an organizational strategy
The tool may be supplemented by SWOT analysis to establish a snapshot of status & progress of an organization, product or service.

4. **7s Elements**

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.

### 7s Elements are as follows:

<table>
<thead>
<tr>
<th>Hard S</th>
<th>Soft S</th>
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<tbody>
<tr>
<td>Strategy</td>
<td>Style</td>
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<tr>
<td>Structure</td>
<td>Staff</td>
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<td>Systems</td>
<td>Skills</td>
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<td>Shared Values</td>
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- **Strategy** is a plan developed by a firm to achieve sustained competitive advantage and successfully compete and ‘win’ 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 a company to find the great strategy, structure, systems and etc. but to see if these elements are aligned with other elements. For example, short-term strategy is usually a poor choice for a company but if it’s aligned with other 6 elements then it may provide strong results. Basically, it is the key approach for the organization to achieve its goals.

- **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. Structure includes chain of command, responsibility and accountability relationships.

- **Systems** are the processes and procedures of the company, which reveal business’ activities, work flows 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. This is the business & technical infrastructure that employees use on a day-to-day basis to accomplish their aim & goals.

- **Skills** are the abilities that enable a firm’s employees to perform well. They also include capabilities and competencies. During organizational change, the question often arises of what skills the company will really need to reinforce its new strategy or new structure.

- **Staff** element is concerned with what type and how many employees are needed in an organization need and how they will be attracted, recruited, trained, motivated, rewarded and retained. It includes the employee base, staffing plan & talent management.
• **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 and the culture of the organization.

• **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. They include the vision, mission & the work ethics.

• Although the framework requires that all elements be given equal importance to achieve the best results, circumstances may require more weightage be given to some elements for a limited time period.

5. **Using the tool**

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 due to a common misunderstanding of what should well-aligned elements be like. Separate elements that are effective on their own do not necessarily lead to optimal organizational alignment.

In order to work effectively change an organization, the fundamental characteristics (shared values) and broad ranging direction (strategy) should be addressed first. Following that internal coordination (structure) and setup (system) should be determined to align direction. Lastly the people-centric areas fulfill organizational goals & objectives. That is done via updates to its capability (skills), individual placement (staff) and the manners that interact and work (style).

Having done the above, following steps help to apply this tool:

**Step # 1. Identify the areas that are not effectively aligned**

Look at the 7S elements relative to each other and identify if they are effectively aligned with each other. For example, if the strategy design relies on quick product introduction but the matrix structure with conflicting relationships hinders that then 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, the second step is to find out what effective organizational design one wants to achieve. By knowing the desired alignment one can set goals and make the action plans much easier. This step is not as straightforward as identifying how seven areas are currently aligned in the organization for a few reasons. First, one needs to find the best optimal alignment, which is not known so it requires more than answering the questions or collecting data. Second, there are no templates or predetermined organizational designs that one could use and one has 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 the action plan, which will detail the areas one want to realign and how one would you like to do that. If one finds that your firm’s structure and management style are not aligned with company’s values, one 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, one should find the people in the 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.

6. Key Points

The McKinsey 7-S model is one that can be applied to almost any organizational or team effectiveness issue. If something within the organization or team isn't working, chances are there is inconsistency between some of the elements identified by this classic model. Once these inconsistencies are revealed, one can work to align the internal elements to make sure they are all contributing to the shared goals and values.

The process of analyzing where one happens to be currently in terms of these elements is worthwhile in and of itself. But by taking this analysis to the next level and determining the ultimate state for each of the factors, one can really move organization or team forward.