**McKinsey 7S OER**

The McKinsey 7S framework is a valuable tool used by organizations to ensure their company is operating optimally under a variety of circumstances. Developed by the McKinsey consulting company in the 1980s, the tool sought to promote an alignment of seven key parameters as a means for maximizing the likelihood of company success. These parameters, dubbed the “7 S’s”, are all interconnected within the framework, which each “S” being as important as the next. This interconnectedness also outlines a key component of the framework – a change in one parameter necessitates a change in all of the others in order to maintain alignment and ensure company success. The model is particularly useful when re-evaluating a company’s organizational structure and strategy after a large change (ex: a merger, change in management, rapid expansion etc.). Such changes will likely cause a large shift in at least one of the 7 “S” components. It is therefore useful to use the McKinsey 7S model to re-evaluate whether all 7 S components remain aligned, and make the necessary changes to maintain this synergy if misalignment has occurred.

The 7 S elements are outlined in the matrix below:

 

These elements can be further subdivided into the “Hard S’s” and “Soft S’s”.

**Hard S’s**

**Strategy**

A company’s “strategy” is the plan it has developed in order to achieve a sustained competitive advantage within their market space. This strategy should be specific and well articulated. When building a company strategy, it is important to consider the following questions:

* + What are the company objectives?
	+ How will the objectives be achieved?
	+ What makes us competitive?
	+ How will the company mitigate risks and potentially damaging external factors?

**Structure**

The structure of a company is its organizational layout. This includes the way different business subdivisions and units are organized, as well as the hierarchy of who is accountable to whom and for what. This is an important factor in determining the decision making process and lines of communication within a company.

**Systems**

Systems are procedures and processes that “run” an organization. These are the areas of the company that determine how business is done. Examples of systems include:

* + Financial Systems
	+ HR Systems
	+ Document & Information Storage
	+ Communication Systems

Systems also include the controls and feedback mechanisms used by an organization to ensure they are “on the right track”.

**Soft S’s**

**Style**

Style is a representation of the management of a company and how they expect their employees to represent themselves. These mannerisms reflect how the company wants to be portrayed to the public and is generally a direct reflection of the character of the company’s leaders. Some examples include:

* How people within the company interact with one another and their customers
* Any symbolic value attached to actions and decisions
* How leaders and managers approach decision making (i.e. democratically)

**Staff**

Staff is everything to do with company personnel, from the top to the bottom of an organization. One major theme when considering the staff of a company is the motivation, and generally companies tend to build their staff based on how people get motivated. Some examples of staffing to consider are:

* What type of employees the company has/wants
* How many employees are needed for the organization to succeed
* How the employees are trained
* How will the company reward or incentivize employees

**Skills**

 Skills are the abilities in which the employees perform the best, and the overall repertoire of talent that the company has. These skills can include:

* + Hard skills (i.e. software developers, skilled laborers, etc.)
	+ Communication within the company and to their customers
	+ Wealth of knowledge (i.e. PhDs, experienced workers, etc.)

Major changes within the organization often leads to a reassessment of what skills are present and what skills are needed moving forward. Skill development is often equally as important as hiring people who are extremely skilled.

**Shared Values**

Shared values are at the core of the McKinsey 7s Model, with each of the other six S’s having a direct connection with it. Shared values are the overall standards to which management and employees hold themselves to, and these must be clear and evident to the entire organization. Quite often an organization will use a mission statement to try to reflect these values to the public. Essentially these are the ‘guiding principles’ of a company and relate to everything that happens anywhere within the organization.

**Applying Mckinsey 7s to Coca Cola**

In order to visualize how the Mckinsey 7s model would work on a real company, we have chosen to apply the principles to the beverage company Coca Cola.

**Strategy**

The strategy at Coca Cola can be broken down into many different sub categories. The corporate strategy, business strategy, and operational strategy can all be considered key moving pieces in the success of Coca Cola’s business model. The corporate strategy looks at continuing to build Coke’s extensive beverage portfolio, asset expansion into asia, and developing new products that align with the current demand for more natural and healthy alternative beverages.

**Structure**

 The corporate structure of Coca Cola is heavily segmented to account for the many different divisions and regions this multi-billion-dollar companies operates in. Head office provides the main direction for the company, with key strategic decisions being made by the team of 12 ExCo’s with one head ExCo committee serving as the CEO. The ExCo’s either represent one of the regional branches of Coca Cola or serve a more specialized niche in the company (e.g. CFO). Latin America, Pacific, Eurasia & Africa, Russia, and North. America represent the five key regions that Coca Cola has designated specialized business units for.

**Systems**

 There are several main systems that are part of Coca-Cola business strategy. The have directional systems that flow from ExCo’s down to entry level employees where upper management ensures the shared values is adhered to when making any strategic decisions. Process systems are in place to divide up large tasks into bite sized chunks and to provide management with the necessary tools to adhere to the shared values. Additionally, there are day to day management systems in place to receive employee feedback and provide incentives and awards for adherence to the shared values.

**Style**

The corporate culture of Coca Cola emphasizes a style that focuses on teamwork and togetherness. They continual look to implement the idea of One team, one company, One passion. Coca Cola strives to promotes sustainability and community development, as well as being environmentally friendly.

**Staff**

Due to Coca-Cola’s tremendous standing in the soft drink industry, they draw in some of the most talented people in the industry. Coca-Cola also provides career development opportunities, stock options, and performance rewards resulting in a high retention rate and low employee turnover.

**Skills**

As previously mentioned, Coca-Cola has some of the most talented employees in the soft drink industry, thus the skills their workers possess are second to none. Coca-Cola is always coming up with innovative ways to improve their products and this reflects the great management, research and development, and systems skills that are prevalent through out the company. They also always look to allocate whatever technological and staffing resources are required to make their innovative ideas a reality.

**Shared Values**

As previously mentioned, the shared values are at the core of McKinsey 7s Model. Coca-Cola has clearly recognized this and look to implement their own shared values in their systems, structure, strategy and style as a world leader in the soft drink industry. Before making any key business and management decision, Coca-Cola will ensure the decision at hand meets their 6p’s:

* People: Be a great place to work where people are inspired to be the best they can be.
* Portfolio: Bring to the world a portfolio of quality beverage brands that anticipate and satisfy people's desires and needs.
* Partners: Nurture a winning network of customers and suppliers, together we create mutual, enduring value.
* Planet: Be a responsible citizen that makes a difference by helping build and support sustainable communities.
* Profit: Maximize long-term return to shareowners while being mindful of our overall responsibilities.
* Productivity: Be a highly effective, lean and fast-moving organization.

Evidently, Coca-Cola employs a business model that has considered the many key factors presented in the Mckinsey 7s model. The alignment of Coca-Cola to these principals has likely driven the success of this company making them the world leader in the soft-drink industry they are today.

**The First Order: A Case Study**

**Introduction**

A Long time ago in a galaxy far far away a series of strategic management missteps led to the downfall of the largest provider of jobs the galaxy had ever seen. Following the death of both Emperor Palpatine and Darth Vader, the loss of strategic planets and the battle at Jakku the organization known as ‘The Empire’ collapsed. Remnants of the organization fled to the outskirts of the galaxy. Under new management the organization rebranded itself the ‘First Order’ and began to amass new resources including raw materials, and employees. The First Order was founded with the stated goal of bringing order to the galaxy much like ‘The Empire’ before it. According to their internal documents and media the First Order was formed as an organization to combat the ineffectual and corrupt ways of the New Republic. In the years following the First Order has achieved many of its primary goals. It has wrested control of many star systems from the New Republic. Following years of technological development the First Order used its R&D project ‘Starkiller base’ to destroy the planets which were the seats of power in the New Republic. However this aggressive expansion strategy led to the formation of the Resistance. The Resistance was formed by General Leia Organa as a direct competitor to the First Order. It used its small size and band of plucky dissidents to destroy many of the First Order’s technologically superior weapons including Starkiller base and the mobile headquarters of the First Order, The Supremacy. The supreme leader of the First Order has now been replaced by his immediate subordinate Kylo Ren via violent means. Given the massive organizational change including new leadership, a massive loss of resources and a rising competitor the First Order is in need of a paradigm shift if it is to remain a viable organization.

**Using McKinsey 7s to Evaluate the First Order**

Following his promotion to supreme leader, Kylo Ren realized he must change the structure of The First Order if he was to truly bring peace to the galaxy. He observed that the Resistance was a small nimble organization which had been able to out-maneuver his own organization at almost every turn. Kylo is a smart manager however, and he realized that no two organizations are alike, he can not simply copy the strategies of the Resistance in order to out compete them. He had find a way to evaluate the First Order on its own terms. General Hux, an ambitious young executive suggested they use McKinsey 7s as a tool to evaluate the alignment of their organizational design. What follows is a description of the organization and its abilities that Kylo Ren used in order to determine the alignment of McKinsey 7s.

**First Order Overview**

The First Order is a military junta, its leaders are all military and there are no civilians who participate in the power structure of the organization. There is a strict hierarchy in the organization much like any military organization. There is a rank system in the First Order ranging from general down to sergeant, if a higher ranking officer gives an order it is to be followed without question. The rank and file employees of the First Order bear the title ‘stormtrooper’. Stormtroopers are recruited at birth, and live their entire lives within the organization. Each stormtrooper is given a numerical designation and they are not referred to by any other name. A former employee of the First Order, General Brendol Hux, had a vision of the perfect soldier and his vision became the training program for the First Order Stormtroopers. They are provided with First Order approved education in history, first aid, combat training, and political science.

**Technology and Strategy**

While the First Order is descended from the Galactic Empire it does not possess the same vast resources of the latter. In order to remain competitive the First Order has had a strategy of quality over quantity. It has focused its resources on the development of new weapons technologies and the development of an elite training program for its employees. Rather than swarming its enemies the First Order makes calculated strikes. In the past the First Order has relied on the corruption of the New Republic and their general trusting nature to operate under the radar. However, following recent events the First Order is completely in the spotlight and the stated competitor of the Resistance.

**Management**

Former supreme leader Snoke created a culture of fear of ,and extreme loyalty to the First Order. On one hand he vilified anything outside of the First Order and also punished any dissent from within with extreme prejudice. This top down pressure was exerted through three main members of upper management, Kylo Ren, General Armitage Hux and Captain Phasma. All members of this triumvirate were quick to punish with threat of or actual physical violence including execution. At present only Kylo Ren and General Hux are part of the organization following the deaths of both Snoke and Phasma. They are both left with an organization in disarray and waning morale.

**Rank and File Employees**

Given the hierarchical structure of the organization Kylo Ren has not been concerned with the general well being of employees and this shows. While dissent is quashed with impunity there is one famous case that serves as an example for what can go wrong with the First Orders training system. Stormtrooper FN-2187 (AKA Finn) was unable to conform to the brutal nature of stormtrooper program and left the organization to join their direct competitor, the Resistance. FN-2187 cited the cruelty of upper management and the fact that he had now choice in actually joining the First Order as he was recruited at birth. While employed with the Resistance FN-2187 was allowed more freedom and rose in the ranks very quickly to become a key member of the organization. His actions directly resulted in major losses for the First Order. The former employee FN-2187 is described as a traitor by most current employees of the First Order. He has taken the training and knowledge they provided and turned it against them. Knowledge such as the location of critical systems on their starships, and secret facilities across the galaxy. It is not within the training or ability of the First Order employees to understand or forgive FN-2187.

**Activity:**

It is your job to help Kylo Ren make sense of the alignment of his organization and find ways to change it in order to align all of the McKinsey 7s so the First Order may return order to the galaxy and crush the resistance. Follow the steps below to finish this task.

**Step 1. Identify misaligned areas**

First off fill out this table to determine the alignment of the McKinsey 7s. One cell has been filled out for you.

|  |  |  |
| --- | --- | --- |
| **Hard or Soft S** | **Current State** | **Aligned ?** |
| Strategy |  |  |
| Structure |  |  |
| Style |  |  |
| Staff |  |  |
| Skills |  |  |
| Systems |  |  |
| Shared Values | **Order, Might, Loyalty, Power**  |  |

**Step 2. Determine the optimal design**

Following the identification of misaligned areas, determine which segments need to be changed in the organizational design to achieve alignment. It is important to note that all the areas of organization are interconnected and should be given equal importance. It is useful to start with shared values and strategy as these areas provide the foundation for the other areas. On top of shared values and strategy the structure and systems generally come next followed by skills, staff and style.

**Step 3. Decide where and what changes should be made**

Give specific examples of how changes could be made.