

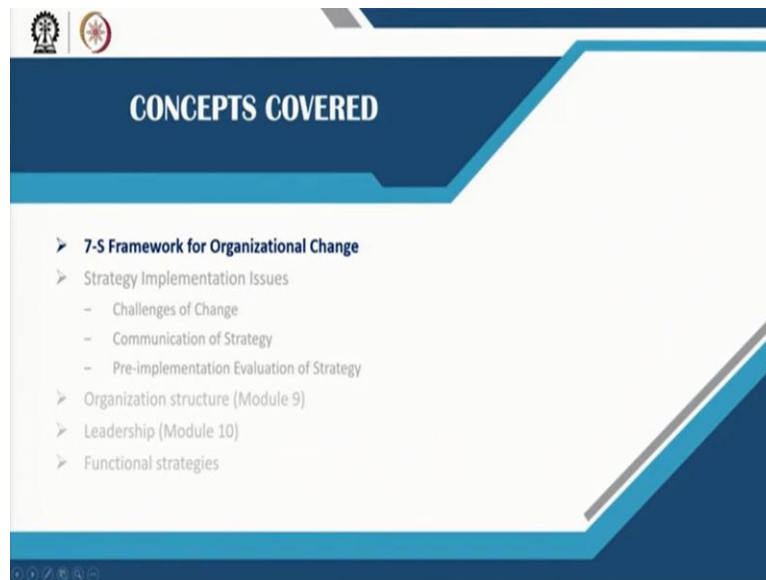
**Strategic Management for
Competitive Advantage
Professor Sanjib Chowdhury
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur
Lecture 28
7-S Framework for Organizational Change**

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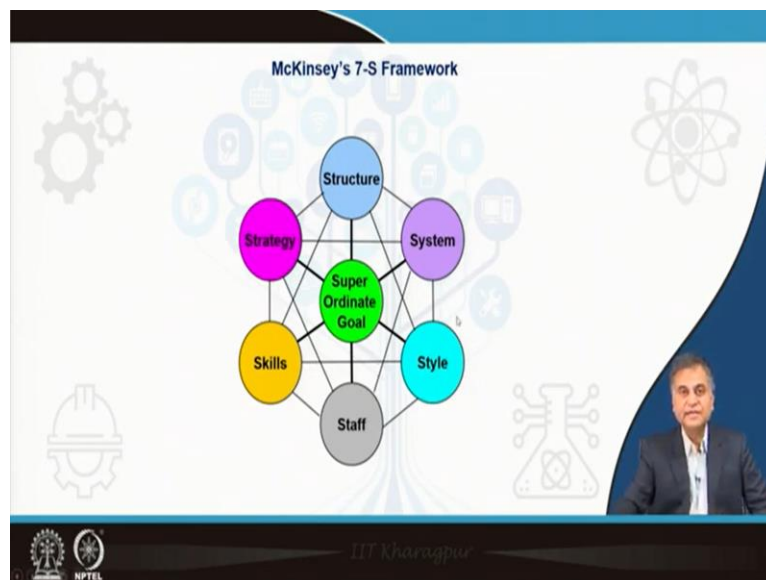
Welcome to the course strategic management for competitive advantage. Today we will be continuing on the implementation of the strategy called the 7-S framework for organizational change.

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The concept that will be covered in today's lecture is the 7-S framework for organizational change. I will talk in detail about it and the things we will be doing in future lectures.

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So, to start with, why do you need organizational change? Because when you implement a new strategy, it may require organizational change. Especially the structure of the organizations because certain strategy requires a certain type of structure. It may require decentralized control,

and different strategies requirements are different. So, McKinsey is a US-based consultant and one of the leading consultants in the world.

So, they have developed this framework to study organizational changes. What are the underlying reasons for an effective organizational change, is it only the strategy or structure? Strategy and structure no doubt are critical aspects of change in organizations. But are there any other factors which are influencing that so they wanted to study or understand the underlying reasons for organizational change? So, waterman and the other consultant they have developed this model in the late 1970s.

And what is this they say that there is a multiplicity of factors that influence the mode of change of the organizations and how the change of organization should take place they call it 7-S. What is this 7-S? These 7-S are structure, system, style, stuffing, skills, and strategy and at the heart is the superordinate goal, and you see these are the relationships they work. So, we will be talking about how for an organizational chain there is a multiplicity of factors that are interconnected, and they also determine the mode of change and how the changes will take place.

So, now we will be discussing what strategy is. We all know that in the very first class we talked about strategy. To remind you I will tell Alfred Chandler's definition of strategy is the determination of basic long terms goals and objectives of an enterprise and the adoption of courses of action. And the allocation of resources necessary to achieve those goals that we know the strategy.

Now we will talk about what structure is. The structure simply means the division of work structure means departmentalization, and structure means interrelationships among different departments. The structure also creates level or hierarchies and also define responsibilities at each level. So, these are the structure as Mckinsey's consultants have defined this is more of a superstructure, and in there is some called infrastructure. Those are a network of relationships and then a decision-making system or procedure these are called infrastructure anyway.

Another is the systems, what are systems? Systems in organizations are rules regulations procedures all how the work will be done these are called systems. Examples are production planning and control systems, financial accounting systems, training and development system or processes, a performance appraisal or evolution system. So, there may be many systems

procurement processes or systems, so these are the systems in an organization. And the strategy when a new strategy comes it does not mean it will change the structure every time. Because changing the structure of an organization is a huge task and it does not structure does not change very often it changes in decades all it takes a very long time.

But instead of changing the structure, you can tweak the system so that changes can be accommodated in the system and you can get the desired result, so these are the systems. Then another is the style, what is style? Style is skills. Style is the management style and culture that is the style. Suppose you are going for acquisitions or mergers and the style of management style should be synergies between the parent company and the acquired company. Otherwise, what happens there will be a mismatch, and it will not be successful acquisitions or mergers.

So, style maybe some organization styles may be management style autocratic, some organizations may be participative some organizations it will be the balance of both these are democratic there are different styles and that generally happens.

(Refer Slide Time: 07:39)

8. "7-S" Framework of Organizational Change
(Developed by Robert Waterman et al in late 1970s)

- Strategy
- Super ordinate Goal
- Structure
- System
- Staff
- Style
 - What happens when there is mismatch in styles?
 - Does reporting relationship influence style and strategy?

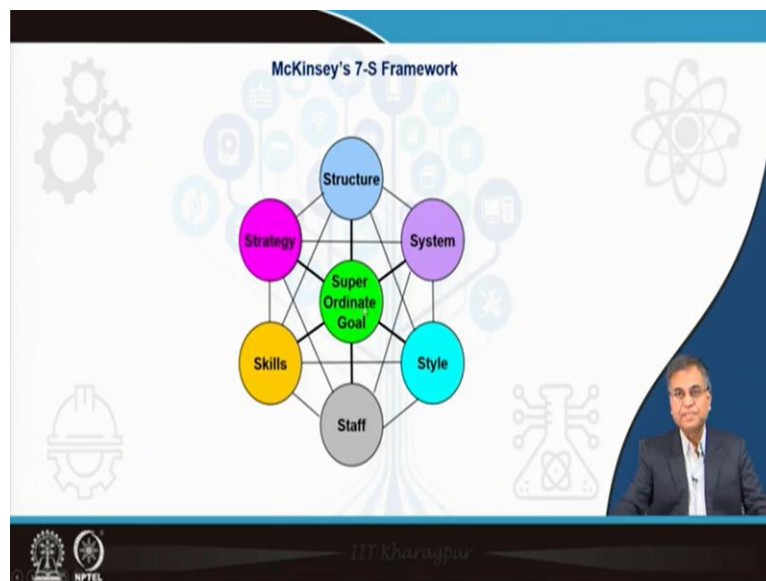
The slide features a large tree diagram where the trunk and branches represent the 7-S framework. The trunk is labeled 'Super ordinate Goal'. The branches are labeled 'Strategy', 'Structure', 'System', 'Staff', and 'Style'. The 'Style' branch has two sub-points: 'What happens when there is mismatch in styles?' and 'Does reporting relationship influence style and strategy?'. The slide also includes a small inset video of a speaker in the bottom right corner and logos for IIT Kharagpur and NPTEL at the bottom.

I will just have talked about strategy structure system stuffing, and these will be covering the style we are talking about let us do the style. So, in style what happens when there is a mismatch in style as I told you to suppose you go for an accusation and the mismatch of style will give failure. So, there should be the matching of the styles or the culture styles also means the culture of the organization that should match. Then another does report that relationship influence style

and strategy it does influence. Suppose I will give you an example suppose your quality control department if reporting relationship is if the quality control department head reports to the production manager.

Then what happens is there is a conflict of interest in his style of working and all will be something, but if the quality control heads report to the director or the CEO then he is reporting, and the strategy and it will be betterment for the organization. There will be no conflict of interest so these will efficacy of your strategy of improving quality will improve. Similarly, R&D suppose the R&D managers reports either under the engineering head then the reporting relationship influences your strategic outcome. But if the R&D manager reports directly to the CEO it will be more effective, so this way the style also reporting relationships also influence the style and strategy.

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Now I have not discussed this one the superordinate goal we will discuss the superordinate goal what is the superordinate goal? It is at the heart of this McKinsey's framework. So, the superordinate goal is the shared values and the long-term aspirations of the organization which goes beyond the formal statement of corporate objectives. It is based on some ideas fundamental ideas on which the whole business is built this is the superordinate goal. For example, companies say if you say IBM, IBM you can say its shared values and all it is the customer service they are known for that take the case of HP, Hewlett Packard it is they say innovation at every level.

3m joined the new ventures, they are known for the new venture. Sony product development. All these are the superordinate goal that is the long-term aspirations and shared values of the organization that goes beyond the formal corporate statement of objective anyway this is the superordinate goal. Next, we will talk about staffing what staffing is. Staffing is recruitment selections of the appropriately experienced people appropriate staff that will give you help you the organizational change or give you the long-term objectives.

So, the recruitment selection training and development of the people making people career advancement then the succession planning all comes under this staffing. And in fact, excellent companies put much emphasis on these new recruits or potential managers and all. So, they try to groom them so that they can shoulder the higher responsibility of the organizations in future if you take the good companies and all say Unilever say, Procter and Gamble, HP and also in Indian context said your Tata motors L&T they groom their fresh entrance so that they become the potential future leaders the training also are extensively done and very rigorous training also they go for it, so these are staffing.

Then lastly is the skills what are skills. Skills, as defined by the McKinsey's consultants water man and others, are the distinctive competencies and it is that skill is that part which people generally describe the company for or the company associated with supposing if I say that Unilever immediately a person will connect it with their good in marketing, marketing prowess. Then I tell L&T they are good in engineering then if I say IBM has a marketing orientation, they are good in customer services.

So, you can make out distinctly the competencies of those though those com companies and these skills set company develop over the years it does not come we 1 year 2 year or five years and all over the years, and it is an intangible asset it remains with the company these are the skills. Now, these are the 7-S, so we have covered all these 7-S.


(Refer Slide Time: 14:44)

8. "7-S" Framework of Organizational Change

(Developed by Robert Waterman et al in late 1970s)


- Strategy
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- Structure
- System
- Staff
- Style
 - What happens when there is mismatch in styles?
 - Does reporting relationship influence style and strategy?
- Skill – distinctive competence

- Which is the most important S?




The slide features a background with a stylized tree of icons representing various business concepts. At the bottom left, there are logos for IIT Kharagpur and NPTEL.

McKinsey's 7-S Framework



The diagram illustrates the McKinsey 7-S Framework. It consists of seven interconnected circles arranged in a circular pattern. The central circle is green and labeled "Super Ordinate Goal". Surrounding it are six other circles: "Strategy" (pink), "System" (purple), "Style" (cyan), "Staff" (grey), "Skills" (yellow), and "Structure" (blue). Each outer circle is connected to the central circle and to its two immediate neighbors, forming a mesh of relationships.



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• Which is the most important S?

• What are the takeaway points?

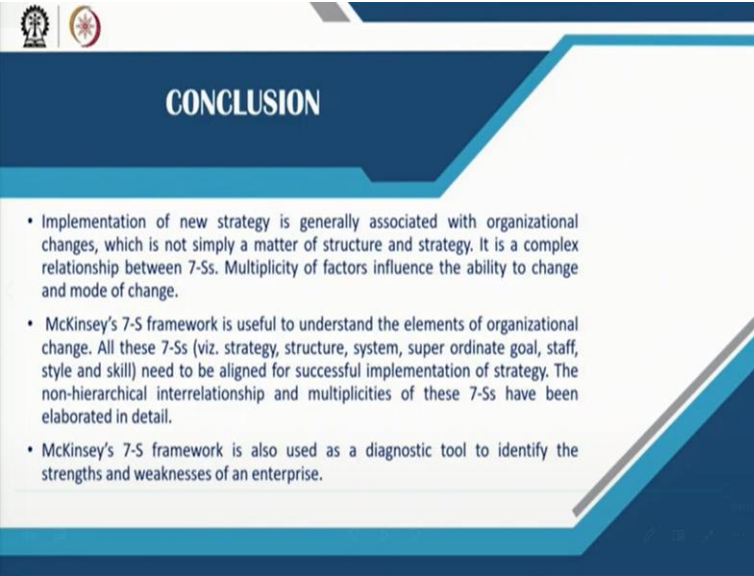
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Now the question comes which is the most important S? Can you answer this the most important, there is no most important. All S are equally important they are non-hierarchical if you see this diagram what you find these are non-hierarchical. And there is a multiplicity of these essays and no S can move alone without taking other SS with it because all have to be aligned together then only they can move. Suppose it may happen that some SS in some circumstances in some organization may take the lead and but others have to be aligned with it, and another SS has to move in with that S this is unless that is done it cannot move.

So, these are there is a multiplicity, and there is interconnectedness, and there is interrelationship they have to align together for any changes in the organizations. So, all these S influence the organizational change, and it has to move along together and also it is non-hierarchical. So, all S are equally important it may also happen in one organization at one point time one S took the lead that not necessarily that is will take the lead or in another point of time that may also change it may change with the environment it that is a dynamic thing. So, it answers the question of which is the most important S.

Then also what are the takeaway points I have already explained to you. Furthermore, we can say that when all these S are aligned then the organization or the company is poised or energized to take a bold decision bold strategy and they can implement the strategy in that circumstances the strategy will most probably succeed so at the best of its ability. So for organizational stay changes which require for implementation of strategy, you must look at that all these 7 SS are aligned so that your implementation will be successful.

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CONCLUSION

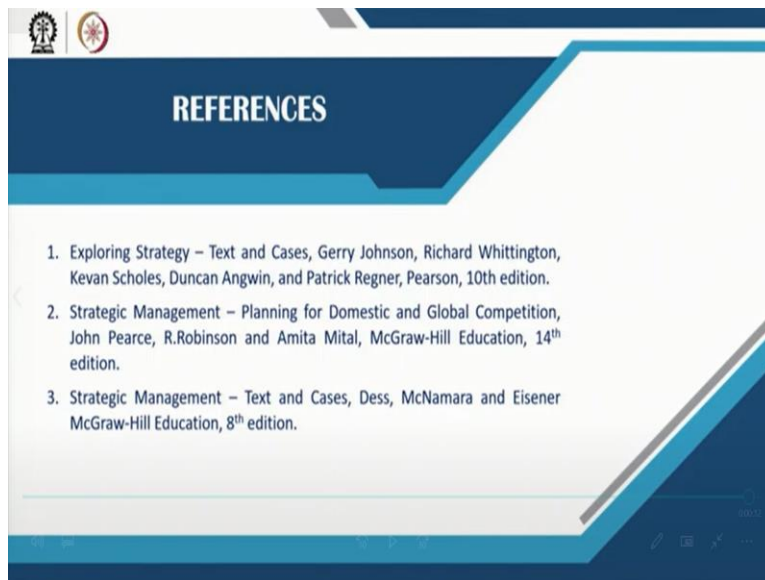
- Implementation of new strategy is generally associated with organizational changes, which is not simply a matter of structure and strategy. It is a complex relationship between 7-Ss. Multiplicity of factors influence the ability to change and mode of change.
- McKinsey's 7-S framework is useful to understand the elements of organizational change. All these 7-Ss (viz. strategy, structure, system, super ordinate goal, staff, style and skill) need to be aligned for successful implementation of strategy. The non-hierarchical interrelationship and multiplicities of these 7-Ss have been elaborated in detail.
- McKinsey's 7-S framework is also used as a diagnostic tool to identify the strengths and weaknesses of an enterprise.

So to sum up today's this session we can tell that implementation of a new strategy is generally associated with organizational changes. This is not simply a matter of structure and strategy it is a complex relationship between 7-SS this multiplicity of factors influences the ability to change and mode of change. We have talked about it this Mckinsey 7-S framework is useful for understanding the elements of organizational change. All these 7-S that is strategy structure systems superordinate goals stuff style and skill need to be aligned for successful implementation of the strategy.

The non-hierarchical interrelationship and multiplicity of these 7 essays we have discussed in detail in today's lecture. Then further Mckinsey's 7s framework is also used as a diagnostic tool to identify the strength and weaknesses of an enterprise. We have seen in the previous module how when you are finding the internal strength and weaknesses of an organization we have mentioned there, and we told at that time that we will talk more about it at the appropriate time.

So now you have got a glimpse and the overall idea of what is Mckinsey's 7-S framework and how does it help to understand the organizational change that has to be taken place when you implement a strategy?

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Further, for the references, you can go through these books and can enrich yourself further on resource allocations. Thank you very much for attending.