

Strategic Management – The Competitive Edge
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Lecture: 07
7 - S Frame work

So, welcome to this session; we will look at the 7S matrix in this session.

It gives you the complex relationship between strategy, structure, systems, style, skill, staff, and superordinate goals- given by company MCKINSEY it is shown in this fig You can refer to the strategic management book which gives you in great detail. So, you have superordinate goals in the center- you have the strategy and the structure; is complemented by the other S's- that is: systems, style, staff, and skills- all this leading to the superordinate goals in the center.

The superordinate goal in an organization refers to a set of values and aspirations that goes beyond the conventional formal statement of corporate objectives and fundamental ideas around which a business is built. In other words, they represent the main values of the organization- many times the way the superordinate goals are mentioned it means very less to the outside world. Take for example IBM superordinate goal- it is mentioned as customer service. Customer service may not mean much to the outside world.

But when you are looking at IBM within- customer service means a lot to anything happening with respect to their product. By customer service they mean that it should be attended anywhere in the world within 24 hours. So, not many outside IBM will be knowing this. Look at General Electric- progress is our most important motto- so many new innovations, so many new things are happening; similarly, look at HP, innovative people at all levels in the organization.

I give the example of one of our own organizations in the education sector, that is the Administrative Staff College of India(ASCI) at Hyderabad which has its superordinate goal as -we train our managers. So, again may not mean much to the outsiders, but means a lot when a training program is asked to be designed by ASCI. They go in depth- so many brainstorming sessions about the need for that training program in the organization concerned-many times three to four months for important programs

So, earlier they were training only the government sector now even the private sector is taking advantage of the facilities, the specializations, the skills available in ASCI. So, the superordinate goals may not mean much to outsiders, but have tremendous significance for those inside, whether it is IBM or GE or HEWLETT PACKARD or ASCI. When we go along we look

at some of the IT organizations also.

The structure gives you the formal relationships between various positions and activities. The question is why should you have structure -the structure is to reduce external uncertainty through forecasting, research and planning in the organization. So, if you really look at it, you should do this in any organization to overcome external uncertainty -in the whole process, you are reducing internal uncertainty as well- you are also able to reduce the unpredictable random human behavior within the organization through control mechanisms- head of a division cannot take random decisions without consulting other heads of divisions in the organization. So, these things are required to be nipped in the bud in the initial stages itself; in order to do that, a structure should be in place and ensure that such things do not happen. Look at many of the startups. Many financial powers are given to one or two individuals.

In other words, structure should help an organization to reduce this unpredictable random human behavior; undertakes a wide variety of activities through devices such as departmentalizations, specialization, division of labor and delegation of authority; enables coordination of organizations activities to have focus. So, this is one of the complaints which not only is attributed to organizations, but in the present day attributed to nations also. So, in the present-day context, you find many countries do not have a focus. The best example is the present-day war, happening between Russia and Ukraine. Decision making in most of these important national decisions is characterised by a strong leadership. This is what we are seeing in the presentday world. Even a very strong country like the United States is suffering due to this.

According to McKinsey, the relationship between strategy and structure rarely provides unique structural solutions- execution problems.

Now, the third S, is systems standing for rules, regulations, and procedures, formal and informal that complement the organization structure referred to as infrastructure. So, in order to build this structure, you should have systems - formal or informal. It has to complement the structure. So, many times some orders are given orally, some orders are put down in writing, though many times where oral orders are given, that will be again reconfirmed or affirmed in writing in the organization.

Style is the lever to bring about organizational change pattern of action taken by top management over a period of time. The best example is the style Russi Modi adopted in Tata Steel. Even when the steel industry was going through a very hard time Tata Steel was able to sail through this crisis, because of Modi's leadership style. Even a well-known organization in the public sector, like the Steel Authority of India, SAIL, had to face the brunt of these market changes.

The next is staffing; staffing is with respect to selection, placement, training and development of appropriately qualified employees. The example that I have taken is that of Hindustan Lever. Why Hindustan Lever because, the most distinctive competence of Hindustan Lever is its marketing skills. Suppose, they come for hiring in the campus- they provide to the prospective candidate, what will be his growth in the organization from graduate trainee.

The next S, skills- one of the most crucial attributes of capabilities of an organization. So, that is what I said distinctive competence of Hindustan Lever is with respect to marketing and that of Telco is with respect to engineering skills.

The real task of implementing strategy is one of bringing all the 7S'S into harmony- helps by providing a checklist for judging whether organization is ripe for implementing strategy.

So, according to analysts, it is a powerful expository tool adopted by most of the Indian organizations in the strategic planning process. Of the 7 S's the strategy and structure is referred to as the hardware. The other 5S's are referred to as the -software; there is a caution which people give- it should not be that the software should overtake the hardware or should not do what analysts call crowd the hardware into wrong decision making.

So, the software should be acting as a good facilitator for decision making, the hardware should be used likewise. The important aspect is to bring all the 7S's into harmony in the organization. I have dealt with in my book on Strategic Management, from pages 27 to 33. In chapter 1, there is an appendix which gives you the corporate planning process as it started in BHEL.

You can go through this;it is very informative. There is an appendix 2 in chapter 1, which tells you why corporate planning may fail in organizations. It gives you the reasons. It lists 27 reasons; review of the 7 S framework and successful implementation requires proper alignment of different activities and processes within the organization such as structure, the source or locations, staffing, styles, skills, rewards and incentives, policies and procedures, shared values and abilities.

Levitt also prepared a model for analyzing change in organizations before this 7S framework, but somehow it did not make such an impact as the 7S framework.7S framework helps whether time is ripe for change.

We stop here and continue in the next session. Thank you.