The 7-S-Model

The 7-S-Model is better known as McKinsey 7-S. This is because the two persons who developed this model, Tom Peters and Robert Waterman, have been consultants at McKinsey & Co at that time. Thy published their 7-S-Model in their article "Structure Is Not Organization" (1980) and in their books "The Art of Japanese Management" (1981) and "In Search of Excellence" (1982).

The model starts on the premise that an organization is not just Structure, but consists of seven elements:
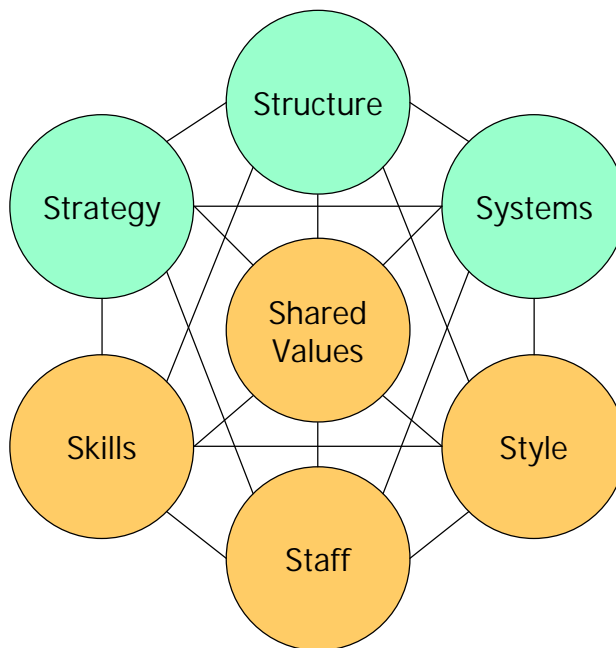
Those seven elements are distinguished in so called hard S's and soft S's. The hard elements (green circles) are feasible and easy to identify. They can be found in strategy statements, corporate plans, organizational charts and other documentations.
The four soft S's however, are hardly feasible. They are difficult to describe since capabilities, values and elements of corporate culture are continuously developing and changing. They are highly determined by the people at work in the organization. Therefore it is much more difficult to plan or to influence the characteristics of the soft elements. Although the soft factors are below the surface, they can have a great impact of the hard Structures, Strategies and Systems of the organization.

Description

The Hard S's	
Strategy	Actions a company plans in response to or anticipation of changes in its external environment.
Structure	Basis for specialization and co-ordination influenced primarily by strategy and by organization size and diversity.
Systems	Formal and informal procedures that support the strategy and structure. (Systems are more powerful than they are given credit)
The Soft S's	
Style / Culture	The culture of the organization, consisting of two components: • Organizational Culture: the dominant values and beliefs, and norms, which develop over time and become relatively enduring features of organizational life. • Management Style: more a matter of what managers do than what they say; How do a company's managers spend their time? What are they focusing attention on? Symbolism – the creation and maintenance (or sometimes deconstruction) of meaning is a fundamental responsibility of managers.
Staff	The people/human resource management – processes used to develop managers, socialization processes, ways of shaping basic values of management cadre, ways of introducing young recruits to the company, ways of helping to manage the careers of employees
Skills	The distinctive competences – what the company does best, ways of expanding or shifting competences
Shared Values / Superordinate Goals	Guiding concepts, fundamental ideas around which a business is built – must be simple, usually stated at abstract level, have great meaning inside the organization even though outsiders may not see or understand them.

Effective organizations achieve a fit between these seven elements. This criterion is the origin of the other name of the model: Diagnostic Model for Organizational Effectiveness.
If one element changes then this will affect all the others. For example, a change in HR-systems like internal career plans and management training will have an impact on organizational culture (management style) and thus will affect structures, processes, and finally characteristic competences of the organization.

In change processes, many organizations focus their efforts on the hard S's, Strategy, Structure and Systems. They care less for the soft S's, Skills, Staff, Style and Shared Values. Peters and Waterman in "In Search of Excellence" commented however, that most successful companies work hard at these soft S's. The soft factors can make or break a successful change process, since new structures and strategies are difficult to build upon inappropriate cultures and values. These problems often come up in the dissatisfying results of spectacular mega-mergers. The lack of success and synergies in such mergers is often based in a clash of completely different cultures, values, and styles, which make it difficult to establish effective common systems and structures.

The 7-S Model is a valuable tool to initiate change processes and to give them direction. A helpful application is to determine the current state of each element and to compare this with the ideal state. Based in this it is possible to develop action plans to achieve the intended state.

Literature:

Waterman, R. Jr., Peters, T. and Phillips, J.R. "Structure Is Not Organisation" in Business Horizons, 23,3 June 1980. 14-26.

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Peters, T., Waterman, R. (1982) "In Search of Excellence", New York, London: Harper & Row.