# CHAPTER 6.

## STRATEGIC IMPLEMENTATION REVIEW AND EVALUATION

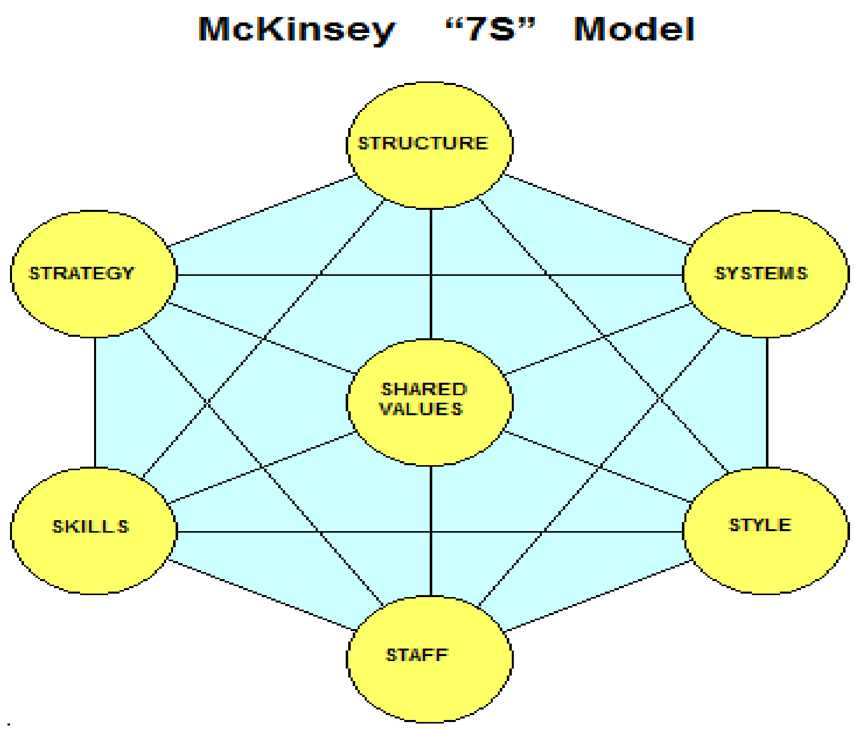
*MCKINSEY 7-S FRAMEWORK*

This model was developed in the 1980's by Robert Waterman, Tom Peters and Julian Philips whilst working for McKinsey and originally presented in their article “Structure is not Organisation". To quote them:

"Intellectually all managers and consultants know that much more goes on in the process of organizing than the charts, boxes, dotted lines, position descriptions, and matrices can possibly depict. But all too often we behave as though we didn’t know it - if we want change we change the structure.

Diagnosing and solving organizational problems means looking not merely to structural reorganization for answers but to a framework that includes structure and several related factors."

The 7S Model which they developed and presented became extensively used by managers and consultants and is one of the cornerstones of organisational analysis.



Essentially the model says that any organisation can be best described by the seven interrelated elements shown above:

McKinsey Company developed the 7-S framework. This frame work helps in strategic planning and help to determine the future impact of change and take decisions to reach a designed future.

7-S frame work also provides insight into an organizations working and help in formulating plans for improvement. The seven levers of the organization help achieve the desired results. The complex relationship is diagrammatically presented below:

Structure: The structure of the organization is designed in accordance with the strategy involved. If the structure of the organization is already in place, it is advisable that it is flexible enough to accommodate changes for implementing the strategy. The way the organization's units relate to each other: centralized, functional divisions (top-down); decentralized (the trend in larger organizations); matrix, network, holding, etc. The design of the structure involves allocation of responsibilities, relationship between various departments of the organizations, and the ways in which the organization's tasks are integrated and coordinated. The structure of the organization is depicted by the organizational chart.

System: It refers to the rules and procedures that support the structure of the organization. Systems include production planning and control system, recruitment, selection, training and development strategy changes than the organization structure.

Style: Top managers in organization use style to implement strategies. The style of the working of the organization becomes evident through the patterns of actions taken by the top management over a period of time. These styles of managers are likely to influence the people in the lower levels of the organization. The style of the managers must be in such a way that it should be adaptable to the changing internal and external environment. The managerial style must be to teach the employees the correct way to think, take correct decisions etc.

Staff: Staff refers to the way organizations introduce young recruits into the mainstream of their activities and the manner in which they manage their careers as the new entrants develop into future manager.

Skills: It refers to the crucial attributes or capabilities of an organization. The dominant skills are those characteristics which most people use to describe an organization. E.g. Hindustan Lever is characteristic with distribution, Reliance is known for their marketing skills.

Strategy: It is the determination of basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources for carrying out of goals like organization. Strategy comprises of four components Product-market scope, growth, competitive advantage and return on investment.



Super- Ordinate goals: Super ordinate goals refer to the fundamental ideas around which a business in built. They are its main values. They are the broad notions of future direction e.g. of super ordinate goals include strong drive to “customer service”, “innovation throughout the organization”.

The 7-S frame work highlights important organizational interconnections and their role in effecting strategic change. It produces a checklist for the organization to judge whether it is time for implementing a strategy. It helps in environment scanning and also to find out the organizations strength and weakness.

However the model is more than simply a list. Key Points are:

1. The top 3, strategy, structure and systems are the hard elements. The bottom 4, skills, staff, style, and shared values are the soft elements.Previously, any organizational study focused on the top "hard" elements and ignored the bottom "soft" elements.

2. The current view is to focus on all 7, accepting that for each business or enterprise, two or three will be the VITAL ones.
3. The key point is that all the elements are all inter-dependant. Changes in one will have repercussions on the others. Thus introduction of new systems will certainly affect skills, and may well effect structure, style and staff. It could even have an impact on strategy. Similar repercussions occur with decentralisation.
4. If you just try to change one element on its own, the other element may well resist the change and try to maintain the status quo.
5. In this sense, any change in organisation is best seen as a shift in the whole picture.

The model is based on the theory that, for an organization to perform well, these seven elements need to be aligned and mutually reinforcing. So, the model can be used to help identify what needs to be realigned to improve performance, or to maintain alignment (and performance) during other types of change.

Whatever the type of change – restructuring, new processes, organizational merger, new systems, change of leadership, and so on – the model can be used to understand how the organizational elements are interrelated, and so ensure that the wider impact of changes made in one area is taken into consideration.

**OBJECTIVE OF THE MODEL**

- Improve the performance of a company
- Examine the likely effects of future changes within a company
- Align departments and processes during a merger or acquisition
- Determine how best to implement a proposed strategy

***LEADERSHIP AND MANAGEMENT STYLE***

Leadership: The chairman, President, Managing Director, CEO of organizations involve getting things accomplished through and with others in others in order to meet the corporate objectives. The top man in the organization must successfully handle two responsibilities which is very important to effective strategic management of the organization.

1. Leadership
2. Manage strategic plans.

Leadership is the directing of activities towards the accomplishment of the organization's objective. It sets the time for the entire organization. Good leaders create a vision, articulate the vision, passionately own the vision and relentlessly drive it to completion.

Leaders with a clear strategic vision are often perceived as dynamic and charismatic leaders. They are able to command respect and to influence strategy formulation and implementation. Leader should have three key characteristics.

1. Leader articulates a strategic vision. He envisions the organizations not as it currently is but as it can become.....
2. Leader presents a role for others to identity with and to follow. The leader sets an example in terms of behavior and dress
3. Leader not only communicates high performance standards but also shows confidence in the follower's abilities to meet these standards.

Management style: this is also known as the entrepreneurial style. Management style in strategic management includes risk taking, proactivity and innovation.

Risk taking: the manager is willing to pursue opportunities boldly and aggressively. He prefers for high-risk projects with chances of very high returns over low risk projects with lower and more predictable rates of return.

Pro- activity: the manager's style is his willingness to initiate actions to which competitors then respond. The proactive manager attempts to be first in the introduction of new products, services rather than merely responding to competitors.

Innovation: the manager's style is to place strong emphasis on R&D, new products, new services, improved product lines, technological improvements etc

Innovative products are being introduced into the market which is the unique

**STRATEGY REVIEW AND EVALUATION:**

**Figure 1**
A general model of strategic management processes


Effective strategy evaluation allows an organization to capitalize on internal strengths as they develop to immediately exploit external opportunities as they emerge, to recognize and defend against environmental threats and to improve internal weakness before they become bad for the organization. Top managers deliberately and systematically formulate, implement and evaluate strategies.

Strategy evaluation consists of three activities:

a. Review underlying bases of strategy
b. Measuring organizational performance
c. Taking corrective actions

***<u>Review underlying bases of strategy</u>***: To begin with, a review of the existing bases of an organization's current strategy out because internal and external factors do change. Prepare a revised internal and external factor for strategy implementation.

***<u>Measuring organizational performance</u>***: Organizational objectives and goals are the key components of an effective strategic management system. Strategy evaluation is based on objective factors. e.g.

a. Growth as measured in total sales, unit sales, total assets.
b. Efficiency as measured in gross margin, net profits.
c. Asset utilization as measured by return on equity, earnings per share etc

*<u>Take Corrective Actions:</u>* If the organizational performance does not match the standards set corrective actions should be taken which should place an organization in a better position to capitalize on internal strength, to take advantage of key extend opportunities.

**<u>Critical information Needs (for achieving strategic goals)</u>**

The life blood of any organization is information. Thus it is important that the right information is available at the right time and in the right place. The integration of internally and externally focused information systems i.e., Management Information System developed by an organization serves the above purpose.

The schematic diagram is given on the next page.

# MANAGEMENT DECISION MAKING