

# Strategic Management - The Competitive Edge

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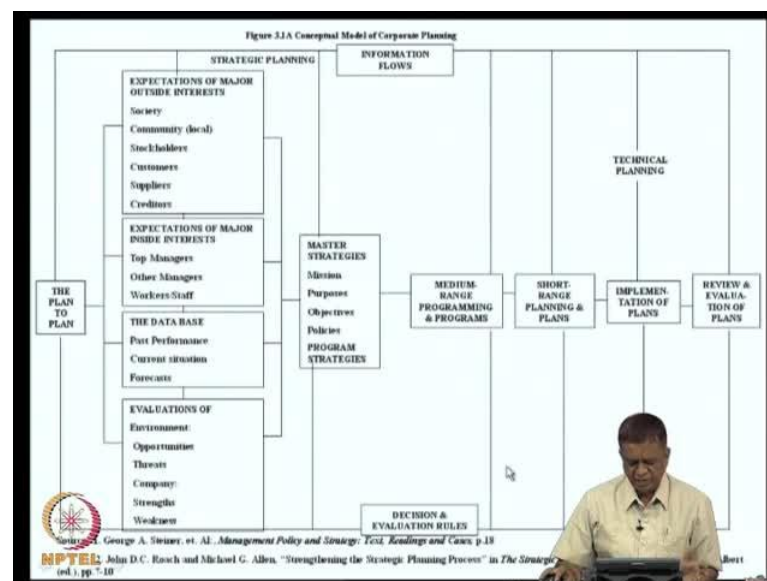
Module No. # 01

Lecture No. # 05

## The 7-S Framework

In the last class, we looked at the corporate plan or the mother plan and who could draw this mother plan. So, it is also known as the plan to plan and we looked at the blocks which constitute this corporate plan.

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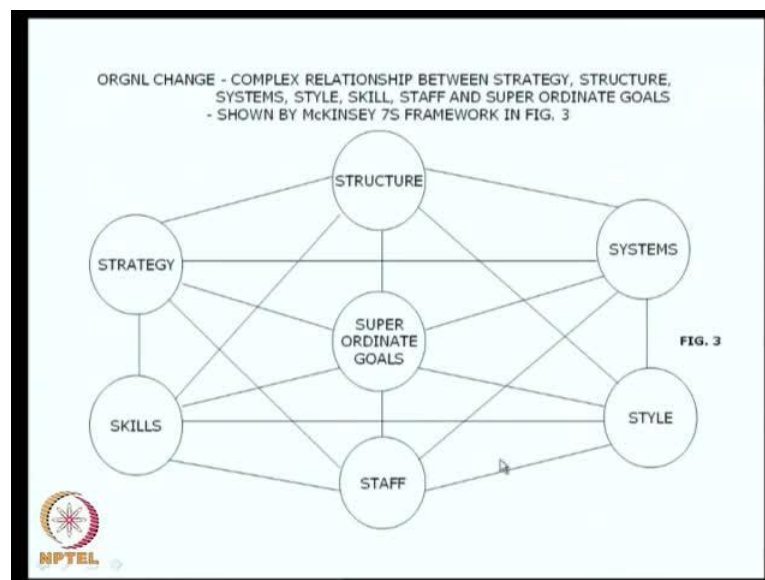
If you see, the first set of blocks contained the expectations of major outside interest, then inside interest, the database required for the plan, then the evaluation using - first the environment, then the company strengths and weaknesses.

When using this (Refer Slide Time: 1:11), we drew the, these were used as inputs to the strategic plan to draw up the master strategies. From the master strategies, the organization can make use of the information flows to draw up the medium range programming and programs, then the short range planning and plans; then come to the

implementation of the plan where the technical planning aspect is involved and then the review and the evaluation of the plans.

All these feeds into the entire planning cycle, we also have the decision and evaluation rules, which is a sort of a feedback and this feedback feeds into all the portions of the plan. This we said is the corporate plan and this corporate plan is the conceptual model of the corporate plan which one can - which an organization can do.

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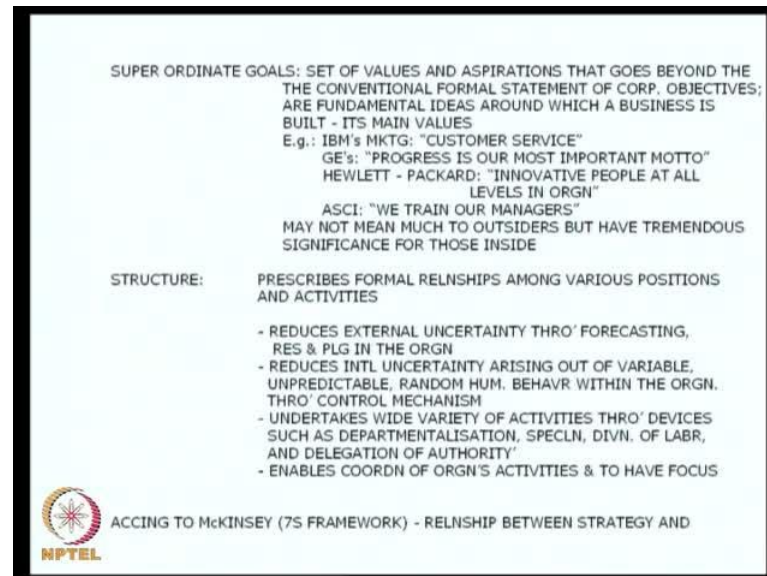


Now, let us proceed further. The question now we have to address is, when does an organization know whether the time is right for change in the organization? Or in other words, when does an organization know that changes have to be effected in the organization?

This is a very important question, which every organization will have to address at one or the other stages in its history. In order to do this the organization revisits itself; that is it comes back to itself. One of the matrix is which can help the organization in revisiting itself or in finding out whether the time is right for change is the McKinsey matrix, which is shown in the form of a the 7S framework here. This is typically known as the McKinsey's 7S framework. So, this McKinsey 7S framework helps to know whether time is right for change in the organization.

This framework is called 7S framework, because all the circles here are starting with an S (Refer Slide Time: 00:00). So, you have in the center the super ordinate goals; these super ordinate goals are bounded as you can see in the top by strategy, structure and systems; in the bottom - skills, staff and style. So, the super ordinate goals are the S in the middle the other 6Ss are around these super ordinate goals.

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Now, what do each one of these Ss stand for? Let us consider that in more detail. Let us look at what is a super ordinate goal? A super ordinate goal in an organization refers to the set of values and aspirations that goes beyond the conventional formal statement of corporate objectives or fundamental ideas around which a business is built its main values.

In order to explain this point further, we take the example of 3 organizations. I have given here, the example of in fact 3 organizations from the global world and one of our own originations, which is the teaching organization. The first example that I have given is with respect to IBM. The IBM's marketing wing has its super ordinate goal as customer service.

What does customer service mean? For a layman, it may so happen that every organization which is in the field of customers business or in the field of service to customers has to do customers service, what is so great about it? But it is not really so, for an insider the customer service which represents the super ordinate goal means

differently from an outsider. Suppose, there is a call made on IBM marketing department, the goal of this marketing department is to address or resolve that problem within 24 hours anywhere in the world; so that is the goal which this organization has set for itself.

In other words it represents the super ordinate goal. What does it mean? The super ordinate goal means a lot to the insiders in the organizations, but may not mean too much to the outsiders; it may mean every simple statement, but not really so.

Similarly, go to the next examples which are listed there. A second example which is taken is from general electric; progress is our most important motto. General electric places a lot of emphasis on research, basic research, this basic research helps GE to come out with new products. So when they say progress, they are basically looking at the innovations they are able to come out through their RND which means a lot to the organization insiders, may not mean much to the outsider.

The next example that I have taken is Hewlett Packard. The super ordinate goal mention of HP is innovative people at all levels in organization. What does it means? It means, that the organization is placing a significant emphasis on innovation at all levels. So, they want the people to innovate at all levels, irrespective of whether you are junior or middle or senior. In other words, they want you to be creative and also innovative.

The fourth example that I have taken is that of ASCI. It is our own organization that is, the administrative staff college of India at Hyderabad. The super ordinate goal of ASCI is we train our managers. What does this mean? ASCI, was set up by the government of India to train managers from the government, the bureaucrats from the government and many other classes of servants from the government echelons.

So, when basically it is an organization which was set up for training of executives at different levels. What does this statement of we train our managers mean? An outsider is not likely to perceive or see too much into the statement, but when you really see an organization like ASCI, if you look at, it takes a lot of effort in designing its training programs. The enormous amount of effort that goes into the training program design is what really constitutes the main thrust of ASCI.

When they say we trained our managers, they really mean or they are really looking at the enormous amount of faculty time and effort which has gone in, into the design and the delivery of this training program, many times planning 4 to 6 months in several training programs.

So, this is what it always means with respect to an organization. A super ordinate goal means a lot to an insider in the organization but, may not mean much to an outsider. So these are the examples which you can think off to address this point. That is what I have mentioned in the next line, that is may not mean much to outsiders, but have tremendous significance for those inside.

Now take the next S, the next S is what is called structure. What does structure do? Structure prescribes formal relationships among various positions and activities. Now, the question is why should you prescribe a formal relationship among various positions and activities? What are the reasons for doing so?

The first reason is, reduce external uncertainty through forecasting; that means to say, you are through forecasting, research and planning in the organization. Suppose we say, this person is to do this job, we are specifying his role in the organization, he helps in these activities in the organization (Refer Slide Time: 13:43). The second important aspect, which a structure helps in is reduces internal uncertainty arising out of variable, unpredictable, random human behavior within the organization through control mechanism.

So, the roles and responsibilities in the organization give to the individual certain amount of authority, in order to execute his roles and responsibilities. So, he can exercise certain amount of authority in the organization. This authority in the organization, what does it do? It reduces the internal uncertainty about his role in the organization

I will give you an example; suppose a person is a product manager in an organization.

A product manager may be called for to gather information practically from all the departments in the organization - be it production, be it H R, be it marketing, be it finance or be it systems name it; he may have to gather information from all these departments. What is the role of the product manager give or how does it help? The role of the product manager gives authority to him, to ask for information he wants from all

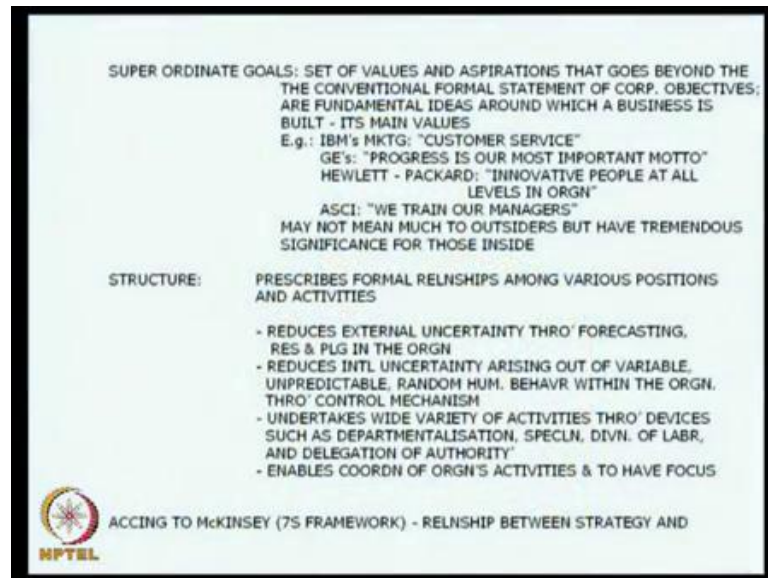
the other departments in the organization and all the other departments in the organization are obliged to provide or to furnish this information to him whenever he asks for. This is how there will be less ambiguity with respect to his role.

Then the other point, which the structure addresses is, undertakes wide variety of activities through devices such as departmentalization, specialization, division of labor and delegation of authority. We explain this through this product manager; we can explain it through different levels in the organization.

A personnel manager many times may ask for information from other departments regarding personnel. He is having access to personnel in other departments other than the personnel department also; that is, he may be the personnel manager; he can ask the production manager salient information about the personnel, working in the production department is entitled to and when he is entitled to that, this authority is delegated by the company to him to seek such information.

Now, what does structure help further? The structure enables coordination of organizations activities and to have focus. In other words, the structure is something which makes the organization to have a focus to exist, that is why does it exist in the first place? We try to look at the existence of the organization through its purpose or objectives. In order to achieve that purpose or objectives, this S is going to help or this S is going to be vital in achieving this.

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Now, according to this 7S frame work given by McKinsey, McKinsey is a consulting organization operating worldwide, now they are operating in India also. The relationship between strategy and structure rarely provides unique structural solutions - execution problems. This is many times a question which many people keep on asking in an organization.

What is the question that is asked? They ask, sir should strategic come first in an organization or should structure come first in an organization. There is no unique answer to this; unique answer in the sense, there is no answer which is applicable to all situations. You have to address the question as per the situation, as per the demands of the situation, as per the demands of the organization, what does that mean?

Kindly note, that a structure should not be very rigid in an organization; a structure should be such that, it facilitates in achieving at the objectives of the organization. Suppose the structure becomes too rigid, suppose the compartmentalization becomes too rigid, then achieving the objectives becomes to that extent harder, then the question of strategy execution, who should execute which part of the strategy? Over that only there will be too much of deliberation, instead of the execution of the strategy itself.


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SUPER ORDINATE GOALS: SET OF VALUES AND ASPIRATIONS THAT GOES BEYOND THE CONVENTIONAL FORMAL STATEMENT OF CORP. OBJECTIVES; ARE FUNDAMENTAL IDEAS AROUND WHICH A BUSINESS IS BUILT - ITS MAIN VALUES  
E.g.: IBM's MKTG: "CUSTOMER SERVICE"  
GE's: "PROGRESS IS OUR MOST IMPORTANT MOTTO"  
HEWLETT - PACKARD: "INNOVATIVE PEOPLE AT ALL LEVELS IN ORGN"  
ASCI: "WE TRAIN OUR MANAGERS"  
MAY NOT MEAN MUCH TO OUTSIDERS BUT HAVE TREMENDOUS SIGNIFICANCE FOR THOSE INSIDE

STRUCTURE: PRESCRIBES FORMAL RELNSHIPS AMONG VARIOUS POSITIONS AND ACTIVITIES

- REDUCES EXTERNAL UNCERTAINTY THRO' FORECASTING, RES & PLG IN THE ORGN
- REDUCES INTL UNCERTAINTY ARISING OUT OF VARIABLE, UNPREDICTABLE, RANDOM HUM. BEHAVR WITHIN THE ORGN. THRO' CONTROL MECHANISM
- UNDERTAKES WIDE VARIETY OF ACTIVITIES THRO' DEVICES SUCH AS DEPARTMENTALISATION, SPECLN, DIVN. OF LABR, AND DELEGATION OF AUTHORITY'
- ENABLES COORDN OF ORGN'S ACTIVITIES & TO HAVE FOCUS

ACCORDING TO MCKINSEY (7S FRAMEWORK) - RELNSHIP BETWEEN STRATEGY AND STRUCTURE RARELY PROVIDES UNIQUE STRUCTURAL SOLNS - EXECUTION PROBLEMS



This particular line has to be viewed in that sense, that is relationship between strategy and structure rarely provides unique structural solutions - execution problems. The question that you may ask on this is sir, how do we overcome this? or how does an organization overcome this? I can only say that, we have to have a change in the mindset, what do we mean by a change in the mindset? I quote here an example, which may bring forth this point better.

Take the example of an Indian mother; let us say, her child has fallen on the floor. What does she do? What is the typical reaction? The typical reaction is, she rushes to the child, takes the child in her arms ((C)) and then says what a dirty floor, it has harmed my child. In other words, what is she trying to? She is saying the floor is responsible for the child falling. Now contrast this, with an Israeli mother. The Israeli child were to fall what does the mother do? She does not rush to the child, but it does not mean she does not have any concern for the child falling.

She signs to the child, come on get up, try to get up from the floor. So, what is that the Israeli mother is trying to do? The Israeli mother is trying to do to the child is build the self confidence right from a very young age. In other words, this protective shield of the mother, which the child thinks, that it always has in the Indian conditions. So, for anything wrong which the child may do, the child thinks that the mother will always protect her; the Israeli mother is trying to give a message. No, come up on your own, do




things on your own. Now, this means a lot, what does it mean? It means, even in an organization also an organization has to learn, how to make its structure flexible and how to come out of that rigidity or this compartmentalization, which has characterized the public sector organizations or the government setup in India.

So, it has to make constant efforts to come out of this rigidity and say this structure is created by us and this structure which is created by us is possible or is capable of being slightly altered to suit or implement the strategy. So, to that extent you have perhaps, reducing the execution problems; so the execution problems may come down to that extent.

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SYSTEMS- RULES, REGNS AND PROCEDURES - FORMAL & INFORMAL THAT COMPLEMENT THE ORGN STRUCTURE (INFRASTRUCTURE)  
 STYLE- 'LEVER' TO BRING ABOUT ORGNL CHANGE - PATTERN OF ACTION TAKEN BY TOP MGT TEAM OVER A PERIOD OF TIME  
 STAFFING- SELECTION, PLACEMENT, TRG & DEVPT OF APPROPRIATELY QUALIFIED EMPLOYEES  
 EG: HIND. LEVER  
 SKILLS- ONE OF THE MOST CRUCIAL ATTRIBUTES OR CAPABILITIES OF AN ORGN - DISTINCTIVE COMPETENCE  
 EG: HIND. LEVER - MKTG SKILLS  
 TELCO - ENGG. SKILLS  
 7-S FRAMEWORK- THE REAL TASK OF IMPLEMENTING STRATEGY IS ONE OF BRINGING ALL 7-Ss INTO HARMONY - HELPS BY PROVIDING A CHECKLIST FOR JUDGING WHETHER ORGN IS RIPE FOR IMPLEMENTING STRATEGY - POWERFUL EXPOSITORY TOOL

*Strategy & structure - hardware*  
*The other 5Ss - software*  
*Not give too much importance to software at the expense of hardware*



This is the second S which we discussed. The third S in the organization refers to rules, regulations and procedures - formal and informal that complements the organization structure. This is also referred to as the infrastructure in the organization; Rules, regulations and procedures - formal and informal, that complement the organization. So, this is what I was trying to say. Suppose you have very strict rules in an organization, the strict rules do not provide for you any leeway at all. So, anything you say, you do this in this manner- the organization requires you to do in this manner.

Then you do not have a leeway in the systems of the organization for execution. Suppose you are looking at, let us say the rules of the organization or frame to help the individual. How do we help the individual? So, some things of this nature can be done in an

informal way and this informal way, can complement the formal when and all these come under this infrastructure in the organization and broadly put under the umbrella systems in the organization.

The next S in the organization is what we called style. What is the style? Style is the lever to bring about organizational change, pattern of action taken by top management over a period of time. This is extraordinarily important for an organization.

Take the example of Tata steel; for a long time the person at the helm of affairs in Tata steel was Russi Mody. He had a leadership style of his own; this leadership style of his own left an imprint on Tata steel and that is the Mody style of function. What was the result of this? The result of this was Tata steels extraordinarily catapulted performance during the period of Russi Mody's leadership. He brought about so many changes in Tata steel during his stewardship and the results were there for all to see and when a giant organization like the steel authority of India was finding the going very tough or very rough weather, Tata steel was able to wade itself through this rough weather to show consistent profits during his stewardship. So, this is what style means to an organization.

Now, the recent example, take Infosys. Now, the mentor of Infosys is Mr.Narayan Murthy guided by values and these values which have percolated from the top; that is from the founders, down to the entire bottom levels of the organization as well. It has carried Infosys very strongly and that is also their reflected in their punch line, which it says, driven by, powered by intelligence driven by values. So, it is not just intelligence but, it is also values which is driving the organizations through.

Now, we come to the next S that is staffing. This staffing refers to selection, placement, training and development of appropriately qualified employees. The example that I have taken is that of Hindustan lever. This organization Hindustan Lever, places an enormous amount of effort in recruitment; so, the process of recruitment itself. If you really see, when they come for recruitment to different campuses in the country at different levels, they make it a point to explain to the candidate concerned.

How does his carrier look like if he were to enter Hindustan Lever and remain with them, where does he end up? In other words, they trace the chart of the employee in the organization over several years; subject to, what is that? provided your performance is not found wanting or if your performance is satisfactory, you should be able make up to

this levels in the organization without much difficulty over these many years. What does this type of attitude from the organization give to the staff or the prospective staff? It induces in him a tremendous amount of confidence or motivation.

Motivates him to perform well in the organization, come out with the results and bring the organization to the forefront and that is what Hindustan Lever has really done. So, if you really see Hindustan Lever it has a wonderful marketing system and that wonderful marketing system has kept on delivering for the organization again and again, even when it was faced in the most adverse of circumstances it has come out with colors, so it has been able to really make a mark.

Come to the next S, in the organization skills. One of the most crucial attributes or capabilities of an organization, it is also referred to as the distinctive competence in the organization. I again take the example of Hindustan Lever; I mention to you the extraordinary skills of Hindustan Lever in marketing. That marketing skills in fact, is the distinctive competence of Hindustan lever. Contrasted to this, if you take the example of Telco again Tata Company, that is the Tata engineering locomotive company. What is the distinctive competence of Telco? It is the engineering skills, which has catapulted this organization. Now, a few more points about this 7S frame work. This 7S framework, the real task of implementing strategy is one of bringing all the 7Ss into harmony; that is what this 7S really do.

In the first place, the job of implementing the strategy is to first ensure that all these 7Ss are working in a harmonious network, so there is no disjoint. Let us say, you have a harmonious 7S framework or you have a harmonious 7S in the organization then, what does it do for the organization? It helps by providing a check list for judging whether organization is ripe for implementing strategy.

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| SYSTEMS-       | RULES, REGNS AND PROCEDURES - FORMAL & INFORMAL THAT COMPLEMENT THE ORGN STRUCTURE (INFRASTRUCTURE)  |
| STYLE-         | 'LEVER' TO BRING ABOUT ORGNL CHANGE - PATTERN OF ACTION TAKEN BY TOP MGT TEAM OVER A PERIOD OF TIME  |
| STAFFING-      | SELECTION, PLACEMENT, TRG & DEVPT OF APPROPRIATELY QUALIFIED EMPLOYEES<br>EG: HIND. LEVER  |
| SKILLS-        | ONE OF THE MOST CRUCIAL ATTRIBUTES OR CAPABILITIES OF AN ORGN - DISTINCTIVE COMPETENCE<br>EG: HIND. LEVER - MKTG SKILLS<br>TELCO - ENGG. SKILLS  |
| 7-S FRAMEWORK- | THE REAL TASK OF IMPLEMENTING STRATEGY IS ONE OF BRINGING ALL 7-Ss INTO HARMONY - HELPS BY PROVIDING A CHECKLIST FOR JUDGING WHETHER ORGN IS RIPE FOR IMPLEMENTING STRATEGY - POWERFUL EXPOSITORY TOOL |

What do you mean by whether organization is ripe for implementing strategy? The time in the organization, that is the timing is ripe in the organization for implementing strategy. It can be a powerful expository tool that is you can really make use of this 7S to come out with several ideas which would not have been otherwise possible. So in other words, this can expose you to a series of exploratory ideas, which you can try to find out whether this through which you can try to find out, whether time is right for change in the organization.

Now, I try to go to my book, which I listed for you. This book which I listed for you, if you really go to this book, the chapter2 of this book gives you the 7S framework. It gives you in detail, what all the points which I just mentioned and it also brings out to you so many things, which I have not listed also; that is, many times it brings out to you what do you understand by culture in an organization.


I have given the definitions of culture; that is culture brings in the people dimension in micro organizational analysis without resorting to the psychological human behavior models. I have also given in this chapter review of this 7S framework. What does this review say? The review says like this: successful implementation requires proper alignment of different activities and processes within the organization such as structure, resource allocation, staffing, skills, style, rewards and incentives, policies and procedures, shared values and abilities.

Among the 7Ss strategy and structure are referred to as hardware. The other 5Ss are referred to software, kindly note this particular point - among the 7Ss strategy and structure are referred to as hardware.

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Strategy and structure in this 7S framework they are referred to as hardware, the other 5Ss are referred to as software. It is essential that while drawing up strategy for the organization, due care is taken not to give too much importance to software at the expense of the hardware. Kindly note this point very carefully, repeating this point, not give too much importance to software at the expense of hardware.

It is important to have better alignments among all the 7Ss so that, the results can be better. Shared values in an organization help in members, identifying themselves with the organization and also to think where it is headed. This forms the core of the 7S framework. I am repeating this; shared values in an organization help in members, identifying themselves with the organization and also to think where it is headed. Take for example, department in an educational institution.

Suppose, some new activity in an educational department is to be introduced, let us say. Now, this new activity can be a new program. Let us say, in a setup like that of the IASC, a department might like to introduce a new masters program. Suppose, it wants to

do or introduce a new masters program then, what is incumbent? It is incumbent that all faculties in that particular department feel the need for starting of this particular program.

In other words, they should share the values, that this program or activity is going to bring to the department. Suppose they tend to think, that starting of this activity may not really add value to the department then, this activity is likely to be a nonstarter one and if it starts then, it may have law of impediments or it may have impediments at each and every stage before it goes to its path or achieves the objectives or it may not even achieve the objective and it may fail in the later stages; so these are the possibilities.

So in other words, this all the inside actors in the organization, inside interest groups must share the values, the objectives in the organization or the department to ensure before an activity is started. This forms the core of the 7S frameworks, this gets reflected in the values, attitudes and philosophy of the members, and in turn they build a foundation for the organization culture based on their own ideals and believe.

The 7S framework highlights important organizational interconnections and their role in effecting change. Kindly note this point, the 7S framework highlights important organizational interconnections and their role in effecting change. The action plans pursued by the organizations for the 7Ss will help in bringing about the needed strategic shift. So, that is why I said the real task of implementing strategy in an organization is to bring all the 7Ss into harmony.

The next point also we have said, that is the 7S framework provides a checklist for the organization to judge whether the time is right for implementing strategy. It can help in diagnosing whether results are fair or new fits are required. Kindly note, whether results are fair or new fits are required, what do you mean by this? That is whether changes are required before any strategy implementation.

According to McKinsey, the 7S framework strongly helps in organizational environment scanning; that is organizational strengths and weaknesses to quote McKinsey in retrospect, what our framework has really done is to remind the word of professional managers, that soft is hard. It has enabled us to say in effect, that all the staff you have been dismissing for so long as the intractable irrational intuitive informal organization can be managed.

Clearly it has as much more to do with the way things work or do not around your companies as the formal structures and strategies do; not only you are foolish to ignore it but, here is a way to think about it. Here are some tools for managing it; here really is the way to develop a new skill; that is where this whole 7S framework helps.

One more person by name Harold Leavitt had also proposed a model for analyzing change in organizations; it in fact came before the McKinsey's 7S framework. According to him, change whether it originated in structure, tasks or technology or in the human component was likely to have an effect on the other 3.

But, what is the difference between this and the 7S framework. The 7S framework however, is more complete in the description of the variables in strategy changes that is it is a more complete framework. It can be considered, as I mentioned earlier as a powerful expository tool; however, it should be remembered that changing organizational culture is not an easy task.

Repeating this statement, it should be remembered that changing organizational culture is not an easy task but, that should not deter a person from striving to bring about change; that is it should not stop him from striving to bring about change. So, this is a very important framework in that sense. So, what I have tried to give you here is the description of all the 7Ss and kindly note that many times in this 7S framework questions are asked, what is the hardware of the 7S framework and what is the software of the 7S framework.

The hardware of the 7S framework is the strategy and the structure; the other 5Ss are referred to as the software of the 7S framework. A very important point was mentioned that is, not give too much importance to software at the expense of hardware. So, do not give too much importance or organizations should not give too much importance to software at the expense of the hardware.

So, in other words what does it mean? You should use the software as a facilitator; you should not really put all your eggs in this basket of software. So, this is what this 7S framework is all about, and this 7S framework is being used by many organizations throughout the world and it is also being used by a number of organizations including public sector organizations in our country also now.

So, to that extent we can say yes, we are really going in or keeping in pace with what is happening in management in the world.