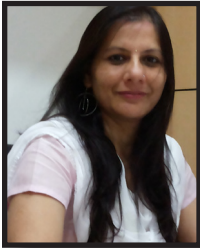


A Study of Role of McKinsey's 7S Framework in Achieving Organizational Excellence

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Abstract

The social and psychological needs of an employee must be understood in order to motivate him to complete the assigned tasks. Unless the leaders fully support the premise that organizations must have a high degree of communication to meet employee's psychological needs, it will remain stagnant. This may further give rise to grapevines and conflicts which adversely affect the organization. Effective internal communication is needed for management to develop and sustain a competitive advantage for organizational performance and improvement.

Transformational leaders have a tremendous influence on the workplace and organization's culture. If they wish to institute change, their leadership styles must be strategically aligned to accommodate the organizational culture. McKinsey's 7S framework is a model for analyzing organizations and their effectiveness. It looks at the seven key elements that make organizations successful: strategy, structure, systems, shared values, style, staff and skills. It can be aligned with any organizational issue that needs to be corrected. Utilizing past literature, survey questions, and interviews, this research paper will find out the strategy and implementation issues in communications flow that the private service sector faces and how a leader can initiate and bring change by alignment with McKinsey's 7S Framework.

Keywords: Change Management, McKinsey's 7S Framework, Organizational Communication, Transformational Leadership

Introduction

An organizational setup is a conjoint effort of leaders and followers who work for the accomplishment of certain predefined objectives. The leader's role is paramount and he has the ultimate responsibility of taking the resources in the desired direction.

The concept of leadership has evolved across a period of time. Balgobind (2002), in a comparative study of different transformational leaders, has found that in the past the leader was transactional who was aware of the link between effort and reward. This kind of leadership was responsive and its basic orientation was to deal with current issues. These leaders would rely on standard forms of inducement, reward, punishment, and sanction to control followers. They motivated followers by setting goals and promising rewards for desired performance. Leadership depended on the leader's power to reinforce subordinates for their successful completion of the bargain. But times have changed and so has the role of a leader.

The leader of today is transformational. These leaders arouse emotions in their followers which motivates them to act beyond the framework of what may be described as exchange relations. Leadership is proactive and forms new expectations in followers. Leaders are distinguished by their capacity to inspire and provide inspirational motivation, individualized consideration, intellectual stimulation and idealized influence in the followers. They create learning opportunities for their followers and stimulate them to solve

problems and possess good visioning, rhetorical and management skills. They motivate followers to work for goals that go beyond self-interest.

The success of any organization depends largely on the processes and flow of internal communications. The flow of information can be one way or two ways, formal or informal and personal and impersonal. The relationship between employees is based on personal, professional and ethical roles. The communication flow has a great influence on the kind of relationships that exist in the organization. As long as the right messages are conveyed within the defined limits of authority and responsibility, it is helpful for goal attainment. But there are instances when the formal channels of communication are not used and the need to exchange and share ideas gives rise to grapevine communication. The messages are distorted and the incorrect information is spread across. Many times this exchange results in conflicts and strained relationships. If the situation is not taken care of it may affect the organization greatly and may even result in a loss of job for some and may put the organization in severe crises. This situation needs to be corrected and a leader's intervention can bring a positive change.

McKinsey's 7S framework is a model for analyzing organizations and their effectiveness. It looks at the seven key elements that make the organizations successful: strategy, structure, systems, shared values, style, staff and skills. It can be aligned with any organizational issue that needs to be corrected.

The private service sector plays a major role in the growth of any economy and employs large number of people. The interrelationship across all levels is largely dependent on the communication flow in this sector. Most of the information is not

communicated in the right manner and employees resort to grapevine for their satisfaction. As such the communication problems in this sector multiply and threaten the survival of the organization.

Based on present survey and past studies, the paper aims at highlighting the role of a transformational leader in solving the communication problems related to the private service sector. The McKinsey's 7S Framework has been aligned with leader's role for bringing organizational change and excellence.

Literature Review

Transformational leadership theory has captured the interest of many researchers in the field of organizational leadership over the past three decades. This theory was developed by Burns (1978) and later enhanced by Bass (1985, 1998) and others (Avolio & Bass, 1988; Bass & Avolio, 1994; Bennis & Nanus, 1985; Tichy & Devanna, 1986). Burns (1978) first introduced the concept of transformational leadership in his research of political leaders, establishing the concepts of transforming leaders and transactional leaders, and concluded that leaders and followers help each other to advance to a higher level of motivation. The major premise of the transformational leadership theory is the leader's ability to motivate the follower to accomplish more than what the follower planned to accomplish (Krishnan, 2005).

Transformational leadership has four components: idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Bass, 1985). Burns postulated that transformational leaders inspire followers to accomplish more by concentrating on the follower's values and helping the follower align these values with the values of the organization.

Furthermore, Burns identified transformational leadership as a relationship in which the leader and the follower motivated each other to higher levels which resulted in value system congruence between the leader and the follower (Krishnan, 2002).

Leaders have a tremendous influence on the work place and effect on the organization's culture. If leaders wish to institute change, their leadership styles must be strategically aligned to accommodate the organizational culture (Sheahan, 2012). The effectiveness of organizational communication is determined by leadership and leadership traits that allow for an open path of communication with employee and organization (Pirraglia, 2012).

McKinsey's 7S framework provides a strategic approach to HRM. It was developed in the early 1980s by Tom Peters and Robert Waterman, two consultants working at the McKinsey & Company consulting firm. The basic premise of the model is that there are seven internal aspects of an organization that need to be aligned if it is to be successful. These seven features are interrelated and have to be considered jointly to achieve a better integration between HR practice and organizational strategy (Talwar, 2006, p.210).

The staff element within the McKinsey 7S Framework refers to employees and their need for development and motivation. Style refers to the actions and behavior of senior executives, rather than what they say. The conduct of top management is an extremely valuable management tool that conveys and reinforces strong messages to stakeholders, particularly employees, throughout the organization (Fleisher and Bensousan, 2007, p.49). A range of highly respected management scholars including Armstrong (2008) and Adair (2009) have emphasized the importance of formulating and promoting shared values within organizations.

System relates to processes and procedures that are necessary in order to conduct the business (Murphy and Willmott, 2010). The disadvantages of a tall hierarchical structure have been specified by Dlabay (2011) as inflexibility to respond to changes in the marketplace, loss of communication messages between the layers, de-motivated workforce etc. Johnson (2006) defines corporate strategy as a plan aimed to achieve corporate objectives, Skills, for the organization relate to competencies and capabilities required within the organization in order to achieve organizational objective in an effective way (Schuler and Jackson, 2007).

Communication is one of the most dominant and important activities in organizations (Harris & Nelson, 2008). Fundamentally, relationships grow out of communication and the functioning and survival of organizations is based on effective relationships among individuals and groups. In addition, organizational capabilities are developed and enacted through “intensely social and communicative processes” (Jones et al., 2004). Communication helps individuals and groups coordinate activities to achieve goals, and it’s vital in socialization, decision-making, problem-solving and change-management processes (Berger, 2008). The focus of organizational communication is on the whole system, rather than on parts of the system (Katz & Kahn, 1996). The study of organizational communication centers on processes of interaction, means by which people obtain information, form opinions, make decisions, merge into the organization, leave the organization, and create rapport with one another (Shockley-Zalabak, 1999). Through communication, people coordinate their actions to achieve individual and organizational goals (Shockley-Zalabak, 1999).

Effective organizational communication can

be achieved through transformational leadership and will generate greater organizational and employee performance within small organizations (Dario Martinez, 2012). Effective communication is needed for management to develop and sustain a competitive advantage for organizational performance and improvement (Avolio, Lado, Boyd & Wright, 1992; Rowe, 2001). Effective communication succeeds when employees support the leader and the organization if there is a belief that employees’ efforts will be rewarded. Leadership succeeds when initiating response or responding to change and leadership is inextricably linked to the credibility of those leading. Constituents will become willingly involved to the extent that they believe in those sponsoring the change (Kouzes & Posner, 2003).

Methodology and Data Collection

The experiential survey has been used for the purpose of the paper. Data is qualitative in nature and has been collected through primary and secondary sources. The questionnaire consisted of open ended questions related to communication flow and processes. Five private service organizations comprising of hospitality, academia, telecommunication, retail, and insurance were included in the survey. Ten employees from each sector have been taken in the survey and their experiences related to communication problems in the organization have been considered for the purpose of study.

Analysis

The analysis is based on present survey and past studies. The findings revealed that organizational communication is one of the most important determinants of sound interpersonal

relationships within the organization.

In a reputed retail store, information was not transmitted through proper channels. There was ambiguity regarding the instructions communicated to employees. This caused discomfort and conflicts in the organization and affected the quality of work. The General Manager-Marketing of the retail store admitted that most of the miscommunication led to conflicts which were difficult to resolve.

When asked about the negative influence of past workplace experience on the present organization, the HR Manager of a well known hospital revealed that most of the employees were always thinking about their past work environment and their self-fulfilling prophecies were leading them to live with fear and poor emotional management.

In many organizations, most of the information was not communicated to the employees and the decisions were thrown at them. The instructions were not seriously obeyed and the employees turned violent during work. The Area Manager of an insurance company revealed that closed communication gave rise to violent behavior in employees.

Grapevine communication has prominence in all organizations and has its own benefits but the Principal of a Technical College revealed that their organizational communication largely depended on grapevine and it was a major cause of dissatisfaction among the employees and resulted into high turnover.

The employees of a telecom company expected encouraging behavior from their senior manager. A lower level employee revealed that the absence of compassion in communication and humiliating remarks of their departmental head was extremely offensive to their self-esteem.

When these findings were considered around

the elements of the McKinsey's 7s model, it was felt that the 7s model could be linked to the problems related to organizational communication as:

Strategy - Improper communication flows give rise to conflicts and hamper the organization's image. It is important to make the right communication strategies for conflict resolution and sustainable advantage.

Structure - Most organizations use formal channels of communication. This results in choking of essential information giving rise to grapevines. The organizational structure has to be designed in a way that information is not choked.

Systems - The internal processes and procedures facilitate good communication and it is important to understand how effective they are in maintaining the correct flow.

Skills - Communication can flow smoothly if the staff possesses the right skills.

Staff - The staff can facilitate effective communication and value needs to be attached to communication skills during recruitment and selection.

Style - The management is responsible for promoting a culture of open communication.

Shared goals - The organizations' belief system and attitude towards communication is at the core of other elements.

Discussion

The McKinsey's 7S Framework is a strategic assessment and alignment model and is good for discussion around organizational activities, infrastructure, and interactions.

In the present study, a transformational leader's role has been aligned with the 7 elements of the model: strategy, structure, systems, shared values, style, and staff and skills for solving

organizational communication problems, improving interpersonal relationships and achieving organizational excellence. All the elements of the model are present in all service organizations and are interlinked. The role of a leader with regard to each element is discussed as under:

Strategy – It transforms the organization from the present position to the new position described in the objectives, subject to constraints of the capabilities (Ansoff, 1965). Past studies have proved that a grapevine gives rise to conflicts which have to be managed and resolved through different strategies. It is important for a leader to use his emotional intelligence and be flexible and apply the right strategy at the right time. It is not always appropriate to maintain secrecy about conflicts because when they are leaked through the grapevine, their ill-effects are beyond control. If conflict is suppressed through the use of law and order, it will grow silently into destructive power (Bacal 2004). A leader should design a strategy which uses critical and innovative thinking to enhance organizational learning, satisfies the needs of all stakeholders while maintaining a balance, is ethical and benefits humankind. A leader should minimize emotional conflict and promote task related conflict to enhance positive learning (Mitroff, 1998).

Structure – The structure defines the roles, responsibilities and accountability relationships. Traditionally the structures were tall with many layers and the top down approach was used for communication. If the flow of communication choked at any point, it gave rise to grapevine. Today, the flat structure, where the work is done in teams of specialists, is more common. The idea is to make the organization more flexible and devolve the power by empowering the employees and eliminate the middle management layers (Boyle,

2007). The leader should design the structure in a way that there are few links between the sender and receiver and the chances of distortion of message are minimized. The Sanctuary Model recommends that organizational structure should encourage open communication across all levels which allows for self-correction and group problem solving. Better decisions can be made by expressing one's opinion and challenging another's point of view. This will also facilitate protection against potential abuses of power.

Systems – This is the business and technical infrastructure that employees use on a day to day basis to accomplish their aims and goals. In the past the organizations were following a bureaucratic-style process model where most decisions were taken at the higher management level. The internal processes were complicated due to unnecessary requirements. A leader's role is to simplify and modernize the processes by innovation and use of new technology to make the decision-making process quicker. A leader has to obtain knowledge of the hidden aspects of the organization—unwritten rules in meetings and other decision making forums, blind spots, and reaction of the employees when they are asked questions. He has to utilize the internal processes to explore what is unknown. It is important to think before reacting, listen actively, assure a fair process of problem solving, attack the problem rather than the person, accept responsibility and use direct communication.

Shared Values – This is a set of traits, behaviors, and characteristics that the organization believes in. This includes the organization's mission and vision. The organizations with weak values and common goals often find their employees following their own personal goals that may be different or even in conflict with those of the organization or their

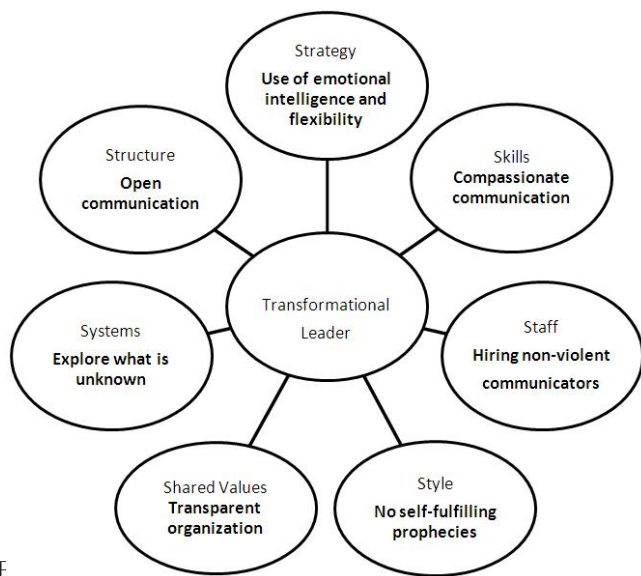
fellow colleagues (Martins and Terblanche, 2003). A leader has to build a transparent organization where people can live with their values (May 2005). This will help in the realization of vision. He can commit to transparency through his interpersonal skills, empathy, openness and honesty, self-confidence, and good emotional management. Open communication can lead to better decision making and faster error correction. It also protects against power abuse and makes a safer environment.

Style – This is the behavioral element in organizations that leaders use and the culture of interaction. It also encompasses the way managers interact with the employees and the way they spend their time. Traditionally businesses were influenced by the military style of management and culture, where strict adherence to the upper management and procedures was expected from the lower-rank employees. Today a leader has to change the style to a more open, innovative, and friendly environment with fewer hierarchies and smaller chain of command. A leader should create a culture where people say what they mean and where it is safe enough for people to speak from their heads and hearts. He should become tactful in dealing with threatening issues and help people who are emotionally reactive develop better emotional management skills. He should also inspire the people not to create self-fulfilling prophecies based on past work experiences. He has to surface the unconscious assumptions that are determining the nature of interactions and help the person understand and respond to what is happening in the present rather than what happened in the past.

Staff – This is the employee base, staffing plans and talent management. It is important for the organization to instill confidence among the employees about their future in the organization

and future career growth as an incentive for hard work (Purcell and Boxal, 2003). People with compassionate communication skills should be hired. Information traveling through a grapevine can be made more accurate by providing enough and accurate information to people at the earliest. Staff should observe the managers for cultivating an environment of open communication and realizing the issues which cannot be discussed. The system should remain flexible and responsive to individual needs. Complex individual and group situations can be resolved by examining, assessing and evolving adequate responses. The leader can even hold workshops and involve the staff to talk about the rumors, their harmful effects on the organization and to their own self, and generate ways to resolve them.

Skills – This is the ability to do the organization's work. It reflects in the performance of the organization. Non-violent communication or compassionate communication is the ability to inspire compassion from others and to respond to other and to ourselves. (Rosenberg 2003). A leader committed to open communication may need to teach those skills to people and not only hire good communicators. It becomes even more important while confronting negative behavior. The reaction should neither demean nor humiliate the other person. A leader has to see that such behavior is confronted respectfully and not authoritatively exerted. It should be done in a problem solving meeting not dominated by emotions but based on facts.



McKinsey's 7S Model for Organizational Communication

Conclusion

Organizational communication problems can be effectively resolved in the private service sector by aligning the McKinsey's 7S Framework with transformational leadership. The McKinsey model is helpful in comparing the present state of affairs with the desired state. It shows how everything is linked and how change can be brought about. The different elements are intertwined and the leader can use his knowledge and experience to bring effective change in the organization. The leader should understand the core and most influential factors affecting organizational communication and determine how best to align the organization with the model. He should understand the current communication flows and their effect on inter-relationships. The 7S can be used for transforming organizations. A change in one will bring a change in the other element.

Strategy - It is important for a leader to use his emotional intelligence and be flexible and apply the right strategy at the right time.

Structure - Organizational structure should encourage open communication across all levels which allows for self-correction and group problem

solving.

Systems - A leader has to utilize the internal processes to explore what is unknown.

Shared values - A leader has to build a transparent organization where people can live with their values.

Staff - People with compassionate communication skills should be hired.

Style - He should also inspire the people not to create self-fulfilling prophecies based on past work experiences.

Skills - A leader has to inspire people to use compassionate communication.



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Appendix -1
Questionnaire

1. What are the channels of communication in your organization?

2. Do employees of all levels get an opportunity to express themselves?

3. Does grapevine communication help in the flow of information?

4. To what extent is information distorted through a grapevine?

5. Does it give rise to conflicts?

6. How does the management resolve conflicts arising out of poor communication?

7. Are employees motivated and satisfied with the use of communication channels?

8. Do the people at higher levels use compassion in communication?

9. Do the processes and procedures facilitate communication flow?

10. How much stress is laid on communication skills during recruitment and selection of employees?



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