

WEEK I

- **UNIT 4: MANAGEMENT AND OPERATIONS**
- **UNIT 5: LEADERSHIP AND MANAGEMENT FOR SERVICE INDUSTRIES**

THE DIFFERENT ELEMENTS IN MCKINSEY'S 7'S FRAMEWORK

- McKinsey 7s model is a tool that analyzes firm's organizational design by looking at 7 key internal elements: strategy, structure, systems, shared values, style, staff and skills, in order to identify if they are effectively aligned and allow organization to achieve its objectives.

THE DIFFERENT ELEMENTS IN MCKINSEY'S 7'S FRAMEWORK

- It argues that organisational effectiveness involves more than simply putting in place the right command and control structure to coordinate the delivery of an organisation's strategy. Instead, the framework maps a constellation of seven interacting factors that are key to helping people function effectively together, in order to achieve a high performance organisation.

THE DIFFERENT ELEMENTS IN MCKINSEY'S 7'S FRAMEWORK

- The McKinsey model, can be seen below which represents the connections between seven areas and divides them into 'Soft Ss' and 'Hard Ss'.

7s factors	
Hard S	Soft S
Strategy	Style
Structure	Staff
Systems	Skills
	Shared Values

THE DIFFERENT ELEMENTS IN MCKINSEY'S 7'S FRAMEWORK

- "Hard" elements are easier to define or identify and management can directly influence them: these are strategy statements; organization charts and reporting lines; and formal processes and IT systems.
- "Soft" elements, on the other hand, can be more difficult to describe, and are less tangible and more influenced by culture. However, these soft elements are as important as the hard elements if the organization is going to be successful.

THE DIFFERENT ELEMENTS IN MCKINSEY'S 7'S FRAMEWORK

- The 7-S model can be used in a wide variety of situations where an alignment perspective is useful, for example, to help the organisation achieve the following:
 - ✓ 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.
 - ✓ The McKinsey 7-S model can be applied to elements of a team or a project as well. The alignment issues apply, regardless of how you decide to define the scope of the areas you study.

THE DIFFERENT ELEMENTS IN MCKINSEY'S 7'S FRAMEWORK

- The meaning of each element :
- **Style**
 - Also referred to as culture, this represents the way things are done and, particularly, the way the leadership team conducts itself in the organisation. The leadership's style will influence how the rest of the employees behave. Therefore, if the leadership visibly embraces, champions and demonstrates cost transformation and management, then people around the organisation will typically follow.
- **Skills**
 - Refers to the skills needed to deliver the cost transformation and management strategy. Having the right skills to deliver the strategy is vital and skills gaps can pose a risk to achieving cost competitiveness objectives.

THE DIFFERENT ELEMENTS IN MCKINSEY'S 7'S FRAMEWORK

- **Systems**
 - These are the activities, processes and procedures that people engage in to do their work. It also includes software systems, which are increasingly automating activities, processes and procedures.
- **Structure**
 - The hierarchy of control exercised through delegated responsibility. The structure should be as simple as possible to help people understand who is accountable for specific results.
- **Staff**
 - This includes the inherent talents of the organisation's people, the number of staff and the diversity needed in each area to optimise organisational capability and capacity.

THE DIFFERENT ELEMENTS IN MCKINSEY'S 7'S FRAMEWORK

- **Strategy**
- Organisations need to compete in volatile, uncertain, complex and ambiguous environments. So, strategy needs to respond to this with agility. Organisations must constantly adapt to strategies to succeed.
- **Shared values**
- These encapsulate the organisation's purpose or its societal mandate. The organisation's purpose tends to remain a fundamental constant over time and this purpose shapes the organisation's values. It is important to note that having shared values at the centre of the constellation emphasises that it is the core values of the organisation, aligned to the organisation's purpose, that shape the remaining elements.

ORGANISATIONAL EFFECTIVENESS

- Organizational effectiveness is critical to success in any economy. In order to achieve increased and sustainable business results, organizations need to execute strategy and engage employees. To create organizational effectiveness, business leaders need to focus on aligning and engaging their people, the people management systems, and the structure and capabilities (including organizational culture) to the strategy. An organization that can sustain such alignment will achieve increased business results.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- Organisations are set up in specific ways to accomplish different goals, and the structure of an organization can help or hinder its progress toward accomplishing these goals. Organisations large and small can achieve higher sales and other profit by properly matching their needs with the structure they use to operate.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- Organisational structure is the way responsibility and power are allocated, and work procedures are carried out, among organisational members.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- Organisational structure is partly affected by the firm's external environment firms organized to deal with reliable and stable markets may not be as effective in a complex, rapidly changing environment. The more certain the environment, the more likely the firm's organisational structure may and procedures .

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- Organisations that operate with a high degree of environmental uncertainty may decentralize decision-making rely less on formal rules and policies, and flatten their hierarchies.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- **Functional Structure:** A functional structure is an organisational structure that groups similar or related occupational specialties together. It is the functional approach to departmentalization applied to the entire organisation. Revlon, for example, is organized around the functions of operations, finance, human resources, and product research and development.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE



Strengths and Weaknesses of Functional Organization Structure

- **STRENGTHS:**
 - Allows economies of scale within functional departments
 - Enables in-depth knowledge and skill development
 - Enables organization to accomplish functional goals
 - Is best with only one or a few products
- **WEAKNESSES:**
 - Slow response time to environmental changes
 - May cause decisions to pile on top, hierarchy overload
 - Leads to poor horizontal coordination among departments
 - Results in less innovation
 - Involves restricted view of organizational goals

Source: Adapted from Robert Duncan, "What Is the Right Organization Structure? Decision Tree Analysis Provides the Answer," *Organizational Dynamics* (Winter 1979): 429.

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THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- **Divisional Structure:** The divisional structure is an organizational structure that consists of separate business units or divisions. In this structure, each unit or division has relatively limited autonomy, with a division manager responsible for performance who has strategic and operational authority over his or her unit.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- In divisional structures, however, the parent corporation typically acts as an external overseer to coordinate and control the various divisions, and often provides support services such as financial and legal. For example, Maple Leaf Sports & Entertainment has three divisions, including two sports teams, the Raptors and the Maple Leafs.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

Divisional: Strengths & Weaknesses

Strengths	Weaknesses
<ol style="list-style-type: none">1. Suited to fast change in unstable environment2. Leads to customer satisfaction because product responsibility and contact points are clear3. Involves high coordination across functions4. Allows units to adapt to differences in products, regions, customers5. Best in large organizations with several products6. Decentralizes decision making	<ol style="list-style-type: none">1. Eliminates economies of scale in functional departments2. Leads to poor coordination across product lines3. Eliminates in-depth competence and technical specialization4. Makes integration and standardization across product lines difficult

Source: Based on Robert Duncan, "What Is the Right Organization Structure?" *Organizational Dynamics* (Winter 1979).

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- Matrix structures, The matrix organisation structure takes the characteristics of the two types of organization structures. The matrix structure is a composite of the projectized organisation structure and the functional organization structure. Here, the knowledge, skill, or talent of an employee is shared between the functional department and project management team. Some employees usually work under more than one boss (usually two) in a matrix structure.

THE DIFFERENT TYPES OF ORGANIZATIONAL STRUCTURE

Advantages and Disadvantages of a Matrix Structure

TABLE 7-9 Advantages and Disadvantages of a Matrix Structure

Advantages	Disadvantages
<ol style="list-style-type: none">1. Project objectives are clear2. Employees can clearly see results of their work3. Shutting down a project is easily accomplished4. Facilitates uses of special equipment/personnel/facilities5. Functional resources are shared instead of duplicated as in a divisional structure	<ol style="list-style-type: none">1. Requires excellent vertical and horizontal flows of communication2. Costly because creates more manager positions3. Violates unity of command principle4. Creates dual lines of budget authority5. Creates dual sources of reward/punishment6. Creates shared authority and reporting7. Requires mutual trust and understanding

THE DIFFERENT TYPES OF ORGANIZATIONAL STRUCTURE

- **Unitary** is an organisational structure that begins from the Centre. All function heads report to the top at the centre. This is a line of communication, which should encourage easy access to information and quick decision-making.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

Unitary

ADVANTAGES

1. Uniform policies, laws, political, enforcement, administration throughout the country.
2. Less duplication of services and fewer conflicts between national and local governments.
3. Greater unity and stability.

DISADVANTAGES

1. Central government out of touch with local concerns
2. Slow in meeting local problems.
3. If the central government gets too involved in local problems it may not meet the needs of all its citizens.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- The **centralized** type of organisational structure is where the policy makers (board members) determine what the organization is going to do and how and when it is going to do it. In this type of organizational structure there is strong control, standardization of processes and norms, brand image and expertise.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

A centralised structure keeps decision-making firmly at the top of the hierarchy (amongst the most senior management)

Advantages

Easier to implement common policies and practices for the whole business

Prevents other parts of the business from becoming too independent

Easier to co-ordinate and control from the centre – e.g. with budgets

Quicker decision-making (usually) – easier to show strong leadership

Disadvantages

More bureaucratic – often extra layers in the hierarchy

Local or junior managers are likely to be much closer to customer needs

Lack of authority down the hierarchy may reduce manager motivation

Customer service does miss flexibility and speed of local decision-making

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

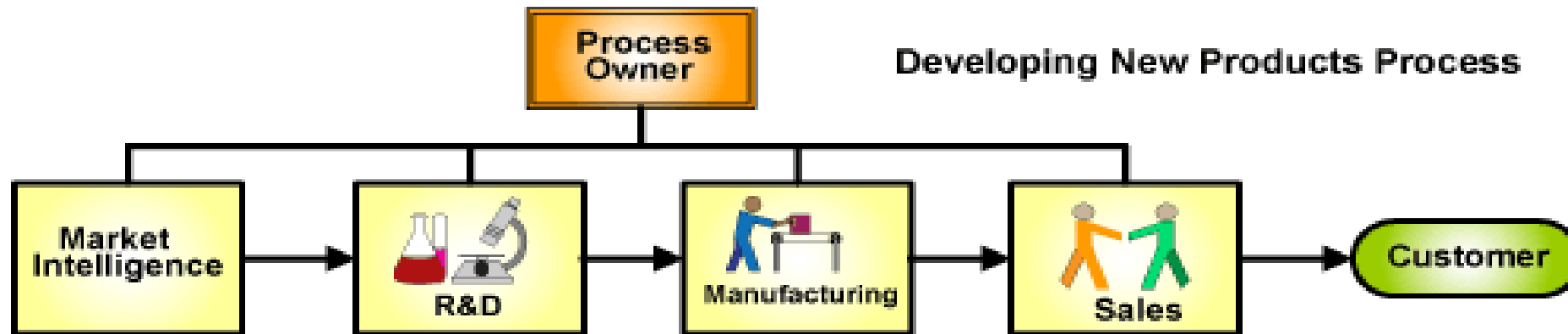
- The **process structure** is a horizontal approach where instead of organizing along the product or function, the organization is structured along the key processes. Typically, a process refers to a set of related tasks and activities that work together in a predetermined sequence to transform inputs into user consumable outputs. The main challenge is to identify the core business processes which produce product or service that is directly consumed by the customers.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- A divisional structure can be reorganized horizontally by identifying the dependencies between different divisions or sub-divisions. Similarly, a matrix can be sliced horizontally along the product management and inter-connected based on interdependencies, such decomposition and realignment results in identification of core business processes. Once the core processes are identified, multi-skilled teams around the sub-processes are created and each team is lead by a process owner. The process owners have the complete responsibility for each core process.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

The Process Structure



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THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- The first boss will be their functional manager and the other often is a project manager. The functional manager may look after the functional part of the project; he may decide how to do the work and may distribute the project work among his subordinates. The project manager will have authority over the administrative part of the project, such as what to do, follow-up on the schedule, evaluate the performance, etc. Working in a matrix organization can be challenging because you have a complex role while reporting to two bosses.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- The role and responsibilities, and the work priorities to avoid confusion and work efficiently in a matrix organization. The matrix organisation structure usually exists in large and multi-project organisations, where they can relocate employees whenever and wherever their services are needed. The matrix structure has the flexibility of transferring the organisation's talent. The employees are considered to be shared resources among the projects and functional units.

THE DIFFERENT TYPES OF ORGANISATIONAL STRUCTURE

- A **decentralized organisational structure** is one in which senior management has shifted the authority for some types of decision making to lower levels in the organization. This usually means that the manager of a cost center, profit center, or investment center has the authority to make decisions that impact his or her area of responsibility.

THE DIFFERENT TYPES OF ORGANIZATIONAL STRUCTURE

- Some decisions can be pushed down to individual employees, though those decisions are typically limited to expenditures related to customer service (such as unilaterally deciding to give a customer free shipping).

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