Overview of the 7S Model

Ed Kless

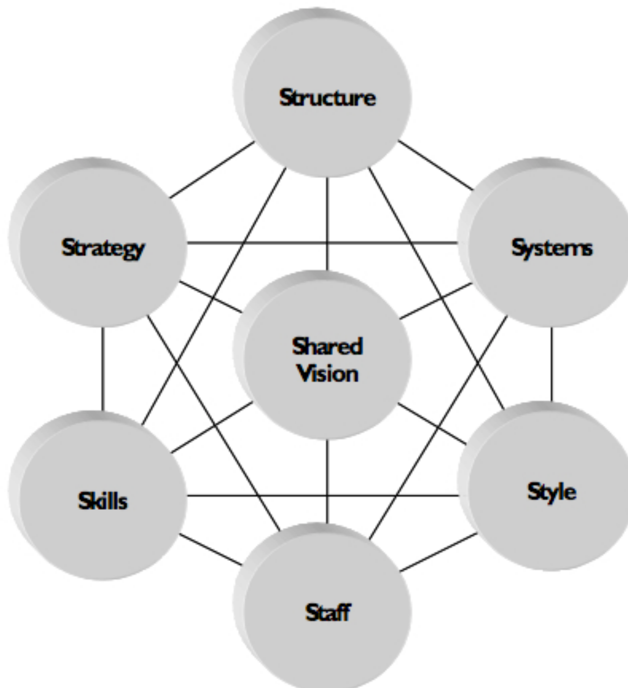
Overview of the 7S Model

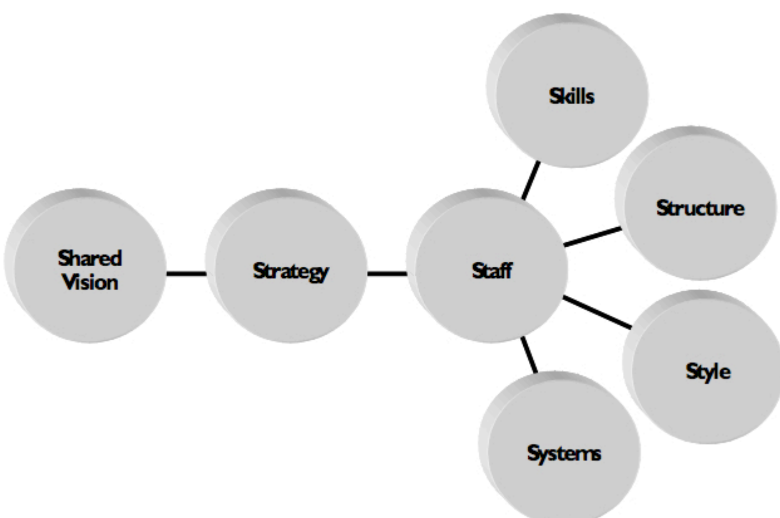
The Model in Brief

Origins

The Seven S Framework first appeared in *The Art Of Japanese Management* by Richard Pascale and Anthony Athos in 1981. They had been researching the success of Japanese industries, at around the same time that Tom Peters and Robert Waterman were exploring what made a company excellent.The Seven S model was born at a meeting of the four authors in 1978. It went on to appear in *In Search of Excellence* by Peters and Waterman on page 10, and was taken up as a basic tool by the global management consultancy McKinsey & Company. As a result, this version has come to be known at the Page 10 Model.

The Page 10 Model originally had no hard and fast rule as to the layout, meaning none of the S's was preeminent over another.





The Adapted Model

Through the years the model has morphed into many different forms. The form we will use here arose in the late 1980s. A significant shift was made by placing shared vision and strategy to the left of the model and staff, style, structure, skills and systems to the right.This shift implies that shared vision and strategy are the more important questions and that they need to be answered first.

Shared Vision

Perhaps the most important step an organization can take is to develop, write down, distribute and integrate its fundamental reasons for being.These statements are known as a company's shared vision. Shared vision is composed of three components: principles, purpose, and aspiration.

Principles

Principles are the founding beliefs on which your company is based.They also serve as guidelines for your company's continued growth and professional excellence. As the primary component of shared vision, they should fully support the purpose and aspiration of your organization.

Your principles are one of the most under-utilized tool in your company today. The secret is just to remember to use them. For example, pick a principle of the month and highlight it in the company newsletter or in a company-wide email. Ask for a story that exemplifies that particular principle and the best story receives a $50 gift certificate or half a day off. In your telephone survey, ask your customers to rate you on the use of your core beliefs in your business dealings with them. Then, take your biggest fan and harshest critic out to dinner.

If you do not have a solid set of principles, the time to write them is now. It is important that you involve at least your core group in the drafting of them, since by definition they are part of your core. Start with a clean white board, go around the table and ask for words or phrases in which your company believes.

Most companies have between four and eight principles; some companies focus internally on the employee experience others externally on the customer experience. In the end some combination of internal and external principles is selected.

Purpose

In *Managing the Professional Service Firm*, David Maister quips, "... (apparently) every professional service firm in the world has the same mission statement (purpose), regardless of the firm's size, specific profession or country of operation." He is not alone in his cynicism. Many people feel that a purpose is nothing more than sales tools for both prospective customers and employees. It is developed, hung on a wall and forgotten, if ever remembered in the first place.

Used correctly, however, the purpose can be one of the most powerful tools within your organization. Once again, the secret is as simple as this: **Remember to use it**. Aside from hanging on your wall, your purpose should be:

- The start of all company meetings
- A slide in your sales presentation that you spent more than five seconds on
- Used in your hiring process
- A component of your performance management program.

If your company does not have a purpose or you cannot remember what it is, schedule some time to write a new one. The process could involve just you or the leadership of your company or your entire team. There is no wrong way to do it.

A solid purpose is usually composed of three parts: what do we do, who benefits from what we do and how do we do it. Recently, many companies have opted to leave off the "how do we do it" section in favor making that part of a vision statement or strategic plan. A solid mission statement answers the question, "Why did I come to work today?" for every person at the firm from a principal to consultant to an administrative coordinator. It is your company's reason for being in business.

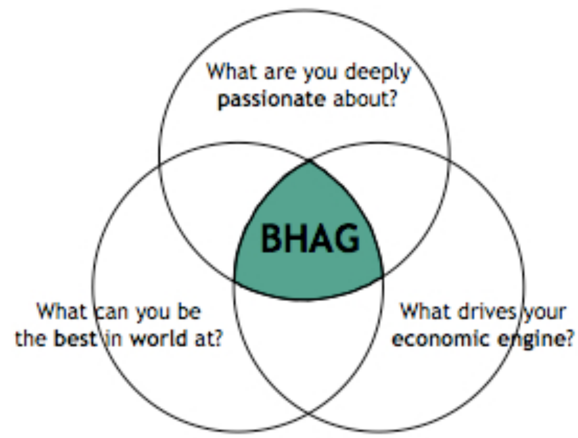
Aspiration

The third component of shared vision is an aspiration. An aspiration has two sub-components: the BHAG and the descriptive future.

BHAG

Jim Collins in *Built to Last* calls them "BHAGs, big hairy audacious goals," Jason Jennings in *Less Is More* calls them "Simple BIG Objectives" and Tom Peters in *In Search of Excellence* calls them "simple vision statements."

We use Collins' term, but whatever you call them, BHAGs answer the question, "What will success look like?" He believes that your BHAG answers the intersection of three questions: a) what are you deeply passionate about? b) what can you the best in the world at? and c) what drives your economic engine?



There is no wrong way to develop your BHAG, although most companies will involve only the owner or strategic team in this process. However, once developed, the key again is to use it in the operation of your company. For example, every employee should be able to quote the BHAG.

BHAGs should be clearly stated with little room for interpretation. They should take at least 10 years to achieve and be difficult and daring. Lastly, they should not contradict your purpose and principles.

An oft-cited BHAG is from Nike which was simply two words: Crush Adidas!

Descriptive future

The second element of a company's aspiration is called the descriptive future. Most often this is two to three paragraphs that describe what the achievement of the BHAG will look like. In most cases there will be some high-level financial targets defined. Of all the elements of a shared vision, the descriptive future is the most difficult to develop; as a result it is often an element that goes undefined.

Strategy

Defined

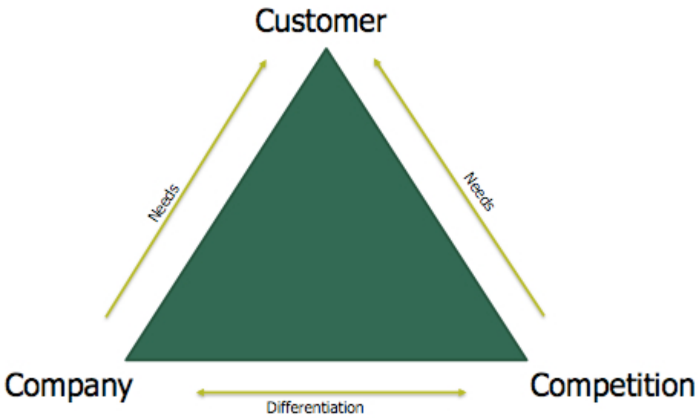
One of the most misunderstood topics by small businesses is that of strategy. This is certainly understandable because so many people use the word strategy to describe many different things.

Often, they use the term strategy to describe a goal (BHAG or not). "Our strategy is to increase sales." This is not correct.The goal is to increase sales, the strategy is the general plan of how you are going to increase sales.

Likewise, businesses will use the term strategy to describe the tactics of how they are going to achieve a goal. "Our strategy is to increase our spending on marketing." Again, this is not strategy; this is a tactic of a strategy.

Strategy is the two together. Strategy is a carefully devised plan of action to achieve a goal. So, a strategy is "to increase sales by increasing spending on marketing." Of course, this would be the highest level strategic statement. To truly qualify as strategy there must be a well thought out set of tactics.

Perhaps the best definition of strategy comes from Dr. Kenichi Ohmae who said that strategy is "being better than the competition at what is important to customers." Note the outward focus of his statement.



The Real Beginning of Strategy
One of the big mistakes organizations make when they begin to develop strategy is to ask the wrong starting question, which is, "How much revenue are we going to produce in a given time period and how are we going to do that?" This question tends to then create a conversation that is internally focused. The right question to ask when beginning strategy planning is, "How much value are we going to create for our customers in a given time period and how are we going to do that?" This question focuses the organization on the outside rather than the inside.

Strategy also has two distinct actions associated with it: planning and execution.

Strategic Planning
Most business do a modicum of strategic planning. This usually involves the setting of some overall revenue goals for the company, perhaps the derivation of a few tactics around those goals such as a budget, but that is where it ends.

Real strategic planning requires far more time and energy than most small business are willing to give. Strategic planning is a never ending cyclical process.

Strategic Execution
What is perhaps the most tragic aspect of strategy is that often strategies fail not because the strategy was poor, but because of the lack of execution against the strategic plan. In this way, one key strategy is execution itself. What is interesting is that often businesses will blame the strategic plan as being faulty. "Well we tried that strategy and it did not work." When pressed they will agree that, in fact, what did not work was the execution, or lack thereof.

A culture of execution must be developed and encouraged within an organization in order for any strategy to work. The compensation system must reward execution against the company strategy with as much weight as it rewards everyday work.

Staff

Obviously, it is the people inside your business who are the ones who execute the strategy. The World Bank believes that 80 percent of the wealth of the world now resides in intellectual capital. Your people (and what and who they know) are truly the lifeblood of your organization.

For this reason, hiring the best available talent has become one of the most crucial skills in any business.

Skills

As Peter Drucker observed, "The most probable assumption for an organization in the knowledge economy to make is that they need the knowledge workers far more than the knowledge workers need them." In his view knowledge workers are all volunteers, in that they are motivated more by adherence to purpose rather than by a paycheck.

To that end, every organization should view employees as intellectual capital investors in the organization. While they may not be shareholders, they are de facto owners of the intellectual capital that resides in their brains. More importantly, this tacit knowledge must be cultivated inside the organization.

Each employee should have a individualized learning plan, be they a frontline worker, an middle manager or executive. Many organization shy away from investing in the knowledge of their team, but great organizations understand this type of investment is not option, but a requirement. Fore example, The Container Store is said to require every employee to spend 20 percent of their time in learning mode, and this is for retail personnel.

A common but incorrect mantra is that educating team members is an expensive proposition, and managers often express concern about team members who leave the organization after the company has made that investment. While this is a concern, not educating them is not an option. After all, the real question is not, “What if we educate them and they leave?” but rather, “What if we don’t educate them and they stay?”

Structure

A key weakness in growing entrepreneurial organizations is the leader’s reluctance to set a structure, i.e., an organization chart. Leader’s of these companies claim that they do not want to stifle the creative power of a flat organization. While that is admirable it can lead to two specific problems:

1. Lack of role definition. Companies that grow without defined roles will have multiple people doing the same or similar things. No one person will be clearly responsible for, say, maintenance of the customer relationships.They will claim everyone is responsible for it. In the end this means that no one truly is.
2. Unclear reporting system. By definition, “flat” organizations have little to no structure, with everyone reporting into the President/CEO/Owner. After the sixth or seventh person joins the company, this begins to break down. Part of the challenge is the owner’s reluctance to relinquish any control; part of it is the lack of leadership skills of the team.

The best thing to do is define the need results of every position in your organization. Great work in this area has been done by Cali Ressler and Jody Thompson in their books *Why Work Sucks and How to Fix It* and *Why Managing Sucks and How to Fix It.*

Style

Style is often referred to as culture.

Often in conversations with business owner, we hear statements that are prefaced with, “It might sound stupid, but at our company we...” This is followed by a description of something that is done at the company that is “soft.” For example, giving a small award to the best story of how someone incorporated the principles of the organization into a real situation. What these people are doing is apologizing for their culture because it is not considered to be a “hard” business thing and is “touchy-feely.”

Lou Gerstner, former CEO and Chairman of IBM said, “I came to see, in my time at IBM, that culture isn’t just one aspect of the game -- it is the game. In the end, an organization is nothing more than the collective capacity of its people to create value.”

Lou is not exactly known as a “touchy-feely” guy, so stop apologizing for your culture or style. Celebrate it!

Systems

Within the framework of the Seven S model, systems are defined as the process and information flows within your organization. We believe it is good practice to document any and all systems at a fairly detailed level. Here are some suggestions as to which systems you should document first.

Hiring – Because of the tie to shared vision, your hiring process is key to making sure you, as Jim Collins would say, "get the right people on the bus." Be sure to ask questions when interviewing applicants that assess their principles and allow you to see if they are in alignment with the purpose of your organization.

Marketing and sales – Too often small businesses use the *Field of Dreams* method of marketing: if you build it they will come. While this makes for a great movie line, it does not work in reality. Small businesses need to define and stick to a recurring marketing and sales process.

Current customer – We know for a fact that most revenue comes from current customers, yet the interest in nailing down the process of working with and providing value to current customers wanes whenever new sales begins to heat up. If we only took time to document the process of working with these customers, it would mean that current customers and new customers could be cared for at the same time.

Conclusion

The 7S Model of organizational development is a terrific and underutilized tool. While the tool can be easily understood by all, mastering the relationships between the elements can take years.

While all the elements are important, it is crucial to understand that the model is most powerful when properly read from left to right. Oftentimes the most complex system-related questions can easily be clarified if one "looks left" to shared vision and strategy. The answers are usually there.

Works cited

In Search of Excellence. Lessons from America's Best Run Companies by Thomas Peter and Robert Waterman

Managing The Professional Service Firm by David H. Maister

Built to Last: Successful Habits of Visionary Companies by Jim Collins and Jerry I. Porras

Less Is More: How Great Companies Use Productivity As a Competitive Tool in Business by Jason Jennings

The Mind Of The Strategist: The Art of Japanese Business by Kenichi Ohmae

Where Is the Wealth of Nations?: Measuring Capital for the 21st Century, The World Bank

Why Work Sucks and How to Fix It: The Results-Only Revolution by Cali Ressler and Jody Thompson

Who Says Elephants Can't Dance?: Leading a Great Enterprise through Dramatic Change by Louis V. Gerstner