

Implementation of Organizational Changes According to the McKinsey 7S Model

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Abstract

Adaptation to changes in the market and constant changes in the organization in order to achieve or maintain a competitive position is a constant task of modern management. A special emphasis in the organizational change management process is the creation of a change strategy and communication strategy that aims to mitigate the impact of organizational change on people and organizational culture, which can also be the biggest obstacle to their implementation. In order to carry out the process of change within organizations as easily and painlessly as possible, many models have been designed that have the purpose of helping management design, evaluate the situation, plan, implement and maintain changes. McKinsey 7S model is one of the frequently used models that helps in analyzing the current state of the organization and detecting weak points, as well as analyzing the state after implemented changes. The goal of this research was, according to the McKinsey 7S model, to determine the respondents' views on the role of management when implementing organizational changes and attitudes of the respondents regarding the reduction of employee resistance. The research results indicate the importance of management's role in the management of organizational changes and that employee resistance, as one of the most common causes of inadequate implementation of changes, can be reduced by management. This research sheds light on an important research area and represents a springboard for future research in this area and an incentive for other scholars to analyze more closely the role of management when implementing organizational changes.

Index Terms— McKinsey 7S model, organizational changes, employee resistance.

INTRODUCTION

The organization is a living organism and the essential determinants of the organization's life are constant dynamics and changes whose main purpose is to challenge the "status quo" [1], [2]. Changes occur in response to stimuli from the external environment (for example market movements) or based on changes in internal needs (for example introduction of new procedures). Regardless of whether it is a big and significant change or smaller changes in business, without a meaningful and guided change there is no progress in business and no increase in competitiveness. Technology changes rapidly, which means that the needs and wishes of customers change at the same speed as the up-to-date implementation of new IT technologies. Information is moving faster and faster between producers and consumers, and companies that cannot keep up with that speed are doomed to failure [3]. Changes most often apply to all stakeholders of the organization because, regardless of which department or division the changes take place, they inevitably affect the entire organization [4], [5]. Change often provokes negative reactions from employees and encourages resistance [6]. According to [7], obstacles to implementing changes are manifested by individual insecurity, dissatisfaction and fear of losing status and are derived from organizational tradition and culture, management systems and a number of other factors. Understanding resistance can enable managers to reduce conflict and increase cooperation. To meet these challenges, leaders must be trained and educated to overcome resistance to change [8].

Two strategies that managers should use when implementing organizational changes in order to influence employee resistance and reduce it are: communication, related to timely information and realistic assessment of opportunities and obstacles, and employee involvement in the change process. According to [9] strategic change refers to strategy

implementation, i.e. replacing the old strategy with a new one that should make the organization more successful than its competitors. Managers often develop plans for mergers and acquisitions without considering how it will affect employees [10]. Employees are key in the implementation of the strategy, and it is extremely important to define their basic principles in relation to the character of the company [11]. Organizational culture and change management are closely related [12]. Organizational culture in the period of change affects the organizational climate through certain factors [13]. Different cultures are more or less open to change, so there are those that create obstacles for change and many resistances arise there. If there is a good relationship between organizational culture and change management, it can be expected that changes will be successfully implemented [14].

The main objective of this paper is to present the concept of McKinsey 7S model and to empirically assess the respondents' attitudes about the importance of management in the organizational changes and in the reduction of employee resistance. This is one of the rare empirical studies that assess the implementation of organizational changes according to the McKinsey 7S model in Croatia for that matter.

This paper is organized as follows: the second section provides a theoretical background and literature review on the McKinsey 7S model stating also its advantages and disadvantages. The third section presents the surveyed sample and used methodology. Empirical results from the study have been laid out in Section 4, together with a discussion of the results.

UNDERSTANDING THE MCKINSEY 7S MODEL

The McKinsey 7S model is one of the most effective frameworks for understanding the entire organization [15]. A model designed to assess and monitor the implementation of organizational changes [16]. It serves as a guide not only for the changes introduction, but also for the successful implementation of individual steps in the transformation process and the acceptance and application of the achieved changes in practice in the long term. The advantage of the model is reflected in setting strict guidelines on how to look at the company for its further evaluation [17]. The model consists of 7 interdependent factors, which can be divided into two categories: hard and soft [18]. Hard factors are: strategy, structure, system. Soft factors include: shared values, skills, staff, style. It is considered that the soft elements are mainly influenced by the corporate culture, and the hard elements by the leadership culture. Although soft factors are much more difficult to define and manage, they carry strategic importance in terms of originality, organizational structure and competitive advantage creation [19].

Shared values are located in the middle of the model, which indicates the importance of organizational values that should be the basis of all the organization's activities. All other factors are interconnected with each other, which indicates that the change of each factor must be carefully planned because it causes a change in all other factors. This requires competent leadership that has the necessary knowledge and skills to make decisions and understands the interconnectedness of factors.

Pascale and Athos [20] consider McKinsey's 7S model to be crucial for managers trying to influence complex organizations. They believe that when implementing changes in organizations, managers most often focus on the factors that are most susceptible to change that is visible (hard elements), and they have no motivation or are too impatient to follow the changes that occur intrinsically in the organization (soft factors).

Advantages and disadvantages of the McKinsey 7S model

The advantages of the McKinsey 7S model are [3], [21]:

1. Model offers ways and methods to understand the organization and gain deep insight into its way of working.
2. Model integrates both emotional and cognitive components of change, something that is important for creating ways to enable employees to easily cope with the transition.
3. Model considers all aspects of organization management to be important and equally worth addressing, and therefore does not leave out some aspects that may be of greater importance.
4. This model also offers a factor of orientation towards organizational change.

The following are listed as disadvantages [3], [21]:

1. Model only includes determinants and factors that should be considered when planning and implementing change.
2. It does not offer the flow change as a process that is extremely important in the strategic sense of change management.
3. Model seems too realistic and of a horizontal flow, because it does not include and not consider resistances and the structure of resistance to changes.

4. Model does not indicate the planning and components of the plan and change management.
5. It does not refer to contents and approaches in the valorization and measurement of the effectiveness of changes.

As stated [7], Mckinsey 7S model is very practical for evaluating the current and future infrastructure of an organization that wants to achieve a competitive advantage. For changes to be successful, it is necessary that all 7 elements are coordinated and synchronized, considering that they form a closed circle in which a change in one variable affects changes in other variables.

SAMPLE AND RESEARCH METHODS

Research data were collected using a questionnaire. 205 respondents participated in the survey. The survey was divided into three large parts. The first part consisted of the socio-demographic structure of the respondents, the second part was related to the examination of the respondents' attitudes towards the Mckinsey 7S Model, and the third to the examination of the attitudes of employees' resistance and cooperation between employees and management. Considering the paper aim, only those parts that are relevant for this research were selected from the survey, i.e. the distribution of the respondents according to the position at the time of implementing the organizational changes and according to the size of the organization in which the respondents were working at the time of the organizational changes implementation (Table 1).

Table 1. Distribution of respondents according to position and organization size

		Number of respondents	Percentage
Position	employee	110	53.7
	head of department/ businesses	61	29.7
	member of the board	34	16.6
Organization size	micro enterprise	45	21.9
	small business	35	17.1
	medium-sized company	42	20.5
	corporation	83	40.5

Source: authors

At the time of the organizational changes implementation, most respondents in the organization were employees (53.7%), followed by members of lower or middle management (29.7%), and the least members of upper management (16.6%). 2/5 of respondents worked in a corporation, while micro, small and medium enterprises were almost equally represented.

Table 2. Selected descriptive statistics indicators related to respondents' views on the role of management in the organizational changes implementation with respect to the position

Questions	Position						Kruskal-Wallis test			<i>H</i>	<i>p</i>
	employee		head of department/office		member of the board		mean ranks				
	mean	median	mean	median	mean	median	employee	head of department/ businesses	member of the board		
Q1	4.38	5	4.80	5	4.76	5	88.55	118.21	122.42	21.17	0.000
Q2	4.46	5	4.64	5	4.53	5	98.24	110.17	105.52	2.35	0.308
Q3	4.29	5	4.56	5	4.47	5	95.89	109.04	112.45	4.42	0.109
Q4	4.33	5	4.56	5	4.56	5	94.88	110.45	115.89	6.03	0.049
Q5	4.53	5	4.57	5	4.65	5	100.19	112.42	102.81	1.62	0.444
Q6	4.48	5	4.52	5	4.56	5	99.57	106.68	107.45	1.08	0.583
Q7	4.59	5	4.61	5	4.56	5	103.18	102.36	103.02	0.01	0.996

Source: authors

Descriptive and inferential statistics methods were used in data analysis. Basic descriptive statistical indicators were calculated to describe the basic features of the research data. The Kolmogorov-Smirnov test was used to examine research data distribution. It was observed that it deviates statistically significantly from the normal distribution, so the Kruskal-Wallis test, which belongs to the group of non-parametric tests, was used to test the statistically significant differences between the groups of respondents. A multiple comparison test detected samples that were statistically significantly different. Differences confirmed at the $p < 0.05$ level were considered statistically significant.

DATA ANALYSIS AND DISCUSSION

The conducted survey sought, among other things, to determine the respondents' views on the role of management in the organizational changes implementation, considering their position at the time of the organizational changes implementation. With this intention following questions were set in the questionnaire according to the Mckinsey 7S model:

- Q1: How important do you consider the role of management in terms of communication and strategy implementation when implementing organizational changes?
- Q2: How important is the role of management in determining/maintaining the structure during the organizational changes implementation?
- Q3: How important is the role of management in maintaining the existing system during the organizational changes implementation?
- Q4: How important for the organizational changes implementation do you consider the role of management in hiring quality personnel?
- Q5: How important is the management's leadership style for the successful organizational changes implementation?
- Q6: How important are management skills for implementing organizational changes?
- Q7: How important do you consider the role of management in maintaining and communicating values during the organizational changes implementation?

The Cronbach Alpha coefficient for the analyzed items was 0.94 indicating an excellent level of reliability, that is, it is confirmed as a valid instrument for measuring the views of respondents on the role of management in the implementation of organizational changes, considering the position at the time of implementation of organizational changes. Respondents evaluated their views on a five-point scale (1 – not at all important to 5 – extremely important).

Expressed as the mean, the scores of the respondents are to a significant extent uniform, with no average value less than 4. The highest degree of agreement was expressed by the heads of departments/businesses and board members with the role of management in terms of communication and implementation of strategy during the organizational changes implementation (Q1), and employees with a management role in maintaining and communicating values during the organizational changes implementation (Q7). For all variables, the median was 5. According to the Kruskal-Wallis test results, only in the case of the importance of the management role in terms of communication and strategy implementation during the organizational changes implementation, there is one group of respondents which, considering their position at the time of implementing organizational changes, significantly different from the others. Multiple comparison test found that there is statistically significant difference between employees and heads of departments/businesses, as well as employees and members of the board. Since the p -value of variable Q4 is only slightly below 0.05, it cannot be claimed that there is a statistically significant difference of all analyzed groups regarding the importance of the role of management in hiring quality personnel. In all other cases, statistical significance was not confirmed (Table 2).

Table 3. Selected descriptive statistics indicators related to respondents' views on the reduction of employee resistance by management with regard to the size of the organization

Questions	micro		Organization size						Kruskal-Wallis test				<i>H</i>	<i>p</i>
			small		medium		corporation		mean ranks					
	mean	median	mean	median	mean	median	mean	median	micro	small	medium	corporation		
Q8	4.33	5	4.77	5	4.50	5	4.47	5	78.90	107.02	107.02	85.89	6.36	0.095
Q9	4.40	4.5	4.73	5	4.53	5	4.70	5	73.18	98.91	77.91	93.75	9.83	0.019
Q10	4.03	4	4.27	4.5	4.03	4	4.24	4	80.06	94.31	81.83	89.71	2.09	0.552

Source: authors

Furthermore, the conducted research aimed to determine the attitudes of the respondents regarding the reduction of employee resistance, as an obstacle to the implementation of changes, by the management with regard to the size of the organization. In that part, the following questions were asked:

Q8: How important do you consider management's actions to reduce employee resistance?

Q9: How important do you consider the cooperation of management and employees for the successful organizational changes implementation?

Q10: How important do you consider the impact of employee resistance on the organizational changes implementation?

The measurement scale can be considered reliable considering that the Cronbach Alpha coefficient is 0.74. In this part of the questionnaire as well 5-point scale was used (1 – not at all important to 5 – extremely important).

According to the mean, the respondents expressed the greatest degree with the cooperation of management and employees for the successful organizational changes implementation (Q9). With the lowest average rating, respondents assessed the importance of the influence of employee resistance on the organizational changes implementation (Q10). Only for that variable, the median was 4 in all analyzed groups. Of the above, only the difference in the assessment of the importance of cooperation between management and employees for the successful implementation of organizational changes was statistically significant ($p=0.019$). According to the multiple comparison test, the mean ranks are significantly different for small and medium-sized enterprises, and medium-sized enterprises and corporations. According to the Kruskal-Wallis test results, the statistically significant difference was not confirmed for the other questions in the case of all analyzed groups (Table 3).

The above results point to the fact of the importance of the McKinsey 7S model in the formation of organizational culture on the changes acceptance by employees. Sizes of organizations do not differ solely in their change behavior. Their diversity is primarily expressed through organizational values, organizational climate and managerial style. The obtained research results clearly indicate the role and significance of organizational culture, which is able to shape and direct the behavior, thinking, attitude, and beliefs of employees towards organizational reality and thus organizational changes.

CONCLUSION

The role of management in the organizational changes is the subject of various controversies. The theory confirms the importance of management primarily through leadership, but also through other management functions: planning, organizing, human resource management and control. A special emphasis in the organizational change management process is the creation of the change and communication strategy that aims to mitigate the impact of the change on the business and on the people in the organization who will be affected by the change. Organizational changes have the greatest impact on people and organizational culture, which can also be the biggest obstacle to their implementation. This makes the importance of successful management of organizational changes even greater, as well as the pressure on management. In order to carry out the process of change within organizations as easily and painlessly as possible, many models have been designed that have the purpose of helping management design, evaluate the situation, plan, implement and maintain changes. The McKinsey 7S model is one of the frequently used models that helps in the current state of the organization analyzing and detecting weak points, as well as analyzing the state after implemented changes.

The main objective of this study was to investigate and determine the respondents' views on the role of management in the organizational changes implementation, considering their position at the time of the organizational changes implementation and to determine the attitudes of the respondents regarding the reduction of employee resistance, as an obstacle to the implementation of changes by the management with regard to the size of the organization. The results reveal quite interesting insights. They refer to the fact of the importance of 7S in the formation of organizational culture on the acceptance of changes by employees. Sizes of organizations do not differ solely in their change behavior. Their diversity is primarily expressed through organizational values, organizational climate and managerial style. The obtained research results clearly indicate the role and significance of organizational culture, which is able to shape and direct the behavior, thinking, attitude, and beliefs of employees towards organizational reality and thus organizational changes.

The greatest limitation of the current study is the relatively small sample of respondents. For future work, it is expected to incorporate a bigger sample in order to get the most relevant information. The study makes a significant contribution toward important research area and represents a springboard for future research in the analyzed area.

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