Using the McKinsey 7-S Model for the strategy formulation and implementation: Case study in Ceramic Industry in Thailand

Adsavakulchai S.*, Sopajitwattana P.** and Kanchanasuntorn K.***

Abstract

The McKinsey 7-S Model is a widely chosen strategy to a variety of activities that views culture as a function of seven variables: strategy, structure, systems, style, staff, skills and shared values. Almost the ceramic industries in Thailand especially in souvenir products are SME. The main objective of this study is to develop as a way of thinking more broadly about the problems of organizing effectively in the SME ceramic industries. As a result, using the McKinsey 7-S Model are: these SME ceramic industries do not have the strategy for systematic action and structure; do not have the organization structure and maintains a harmony between the authority-responsibility relationships. In addition, these comprises several systems including forecasting, tracking, communication, accounting and financing, quality assurance, Enterprise Resource Planning and CRM. The leadership approach of the control management styles involved with the way the organization operates and collectively works to achieve its company’s goods and services. Some have special skills to sustain the distinctive capabilities of an organization. Almost the staff is labor-intensive in the enterprise and some concerns the values that are shared by the concept of wisdom.

Keywords: The McKinsey 7-S Model, SME ceramic industries, souvenir products

1. Introduction

Originally developed as a way of thinking more broadly about the problems of organizing effectively, the 7-S framework provides a tool for judging the "do ability" of strategies. The McKinsey 7-S Model is viewing the interrelationship of strategy formulation and implementation. It helps to focus managers’ attention on the importance of linking the chosen strategy to a variety of activities that can affect the implementation of that strategy (Waterman, R., et al., 1980). The framework suggests that it is not enough to think about strategy implementation as a matter only of strategy and structure, as has been the traditional view. The conventional wisdom used to be that if you first get the strategy right, the right organization follows. And when most people in Western cultures think about organization, they think structure. To find in practice, however, that these notions are too limiting. To think comprehensively about a new strategy and the problems with carrying it out, a manager must think of his company as a unique culture and must think about the ability of the company to get anything really fundamental (i.e., not tactical) accomplished as a matter of moving the whole culture (Pascale, R.T. and Athos, A.G., 1980). The McKinsey 7-S Framework should be thought of as a set of seven compasses as following strategy, structure, system, style, staff, skills and share: values as showed in figure 1.

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Previously, technology sources for the ceramic industry in Thailand can be divided into three types; i.e. local experience, imported turnkey machines and multinational companies. Technology transfer from experience is widespread in small- to medium-sized factories. However, because of limitations in funding and personnel, technology from experience has yielded only modest improvement. Secondly, very popular among medium- to large-sized industry is technology transfer by turnkey imported machines. Although very convenient to start production, in the long run turnkey machines inevitably lead to high-level technology dependence and costly import of machine know-how (S. Wada, T. Hattori and K. Yokohama, 2001).

Generally, Thai technical staff could proceed, maintain and adjust production plans without assistance from technology owners (Statistics from www.customs.go.th). Some industry could replace original parts with local ones (Seawong P., et al, 2000). However, most of the industries struggles maintain product quality to specifications, not to mention quality improvement. Finally, some ‘advanced’ technology could be transferred to Thailand via geographical movement of multinational companies. This know-how is hardly ingrained locally because it moves with the factories from one country to another (Peters, T. and Waterman, R.,1982)

The overall technological capability of Thai ceramic industry has been improved at an unsatisfactorily slow rate. The size of the conventional ceramic household sector has stayed rather constant but its competitiveness has seriously decreased. Thus, the main objective of this study is to develop as a way of thinking more broadly about the problems of organizing effectively in the SME ceramic industries.

2. Material and methodology

In this study, to do the experimental design; using criteria selection to do the representative of ceramic industries i.e. geography divided into 5 parts (northern, northeastern, central part, west and south), questionnaires is the tool to define the parameters of running a business, field observation and in-depth interview. The steps of this study as following:
1. To interview the managers about the strategy management policy.
2. To concern with the organization structure.
3. To find out the existing all the systems in supply chain i.e. procurement, order processing, production, warehouse management, transportation, etc.
4. To study the leaderships of ceramics industries managers.
5. To survey all the staff’s skill especially in production process.
6. To interview the academic background for all staff.
7. To develop the concept of wisdom in ceramics industries

3. Results and discussion

In this study, there are 34 industries (10%) as a representative of ceramic industries in Thailand. As a result from questionnaire, the 7 factors are to organize a company in a holistic and effective way. Together these factors determine the way in which a corporation operates as following:

1. **Strategy**: A strategic business unit is a significant organization segment that is analyzed to develop organizational strategy. In ceramic industries (souvenir products) are SME. Then almost companies do not the strategic policy. Due to all owners operate with experiences with no direction as shown in Figure 2.

From Fig. 2, almost the ceramic industries in Thailand demonstrated in Fig. 2.1. Thus, to do the strategy implementation each department Fig. 2.2-2.3 till the whole organization that leads to high potential and competitiveness Fig. 2.4.

![Figure 2: Strategic Implementation](image)

2. **Structure**: Organizational Culture: the dominant values and beliefs, and norms, which develop over time and become relatively enduring features of organizational life. There are 2 types of organization structure as following:

   2.1 **Flat structure**: a flat organisation especially in the ceramic industries in Thailand will have relatively few layers or just one layer of management. This means
that the “Chain of Command” from top to bottom is short. Due to the small number of management layers, flat organisations as shown in Fig. 3.

![Flat organization structure](image)

**Figure 3: Flat organization structure**

2.2 Hierarchical structure: are ranked at various levels within the organisation, each level is one above the other. At each stage in the chain, one person has a number of workers directly under them, within their span of control as shown in Fig. 4.

Most ceramic industries in Thailand are flat structured.

![Hierarchical organization structure](image)

**Figure 4: Hierarchical organization structure**

### 3. Systems:

There are 7 systems development in the ceramic industries as following table:

<table>
<thead>
<tr>
<th>System</th>
<th>Development Guideline</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecasting system</td>
<td>Customer database development</td>
<td>Decreased stock</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>Tracking system</td>
<td>Using RFID for tracking the origin of the products.</td>
<td>To find out the problem for better solving</td>
</tr>
<tr>
<td>Internal communication</td>
<td>Real time communication</td>
<td>Fast problem solving</td>
</tr>
<tr>
<td>Accounting and Financial</td>
<td>Accounting Information System</td>
<td>Reduced cost</td>
</tr>
<tr>
<td></td>
<td>Target costing</td>
<td>Value-added</td>
</tr>
</tbody>
</table>

Most of the producers are small- to medium- sized industries (SMIs), the managers are Structural Leaders.

### 5. Staff:

The people/human resource management – processes used to develop managers, socialization processes, ways of shaping basic values of management cadre, ways of introducing young recruits to the company, ways of helping to manage the careers of employees as shown in table 2:
### System Development Guideline Benefits

<table>
<thead>
<tr>
<th>System</th>
<th>Development Guideline</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operation performance</td>
<td>➢ Develop operation planning</td>
<td>➢ Reduced production process</td>
</tr>
<tr>
<td></td>
<td>➢ Reduced loss</td>
<td>➢ Reduced energy</td>
</tr>
<tr>
<td>Enterprise Resource Planning (ERP)</td>
<td>➢ Develop each module of ERP</td>
<td>➢ Planning efficiency</td>
</tr>
<tr>
<td></td>
<td>➢ Planning efficiency</td>
<td>➢ Control resources efficiency</td>
</tr>
<tr>
<td></td>
<td>➢ Marketing response</td>
<td></td>
</tr>
<tr>
<td>CRM</td>
<td>➢ Questionnaire</td>
<td>➢ Customer satisfaction</td>
</tr>
</tbody>
</table>

4. **Style**: Management Style: more a matter of what managers do than what they say; How do a company’s managers spend their time? What are they focusing attention on? Symbolism – the creation and maintenance (or sometimes deconstruction) of meaning is a fundamental responsibility of managers. Leadership theory has moved to behavioral approaches, to contingency and situational models. Leadership at the executive level is different from leadership at mid-management, which is different than first line leadership. There are four categories and there are times when each approach is appropriate and times when it would not be as following:

4.1 Structural Leaders focus on structure, strategy, environment; focus on implementation, experimentation, adaptation

4.2 Human Resource Leaders believe in people and communicate that belief; they are visible and accessible; they empower, increase participation, support, share information, and move decision making down into the organization

4.3 Political leaders clarify what they want and what they can get; they assess the distribution of power and interests; they build linkages to other stakeholders; use persuasion first, then negotiation and coercion only if necessary

4.4 Symbolic leaders view organizations as a stage or theater to play certain roles and give impressions; these leaders use symbols to capture attention; they try to frame experience by providing plausible interpretations of experiences; finally they discover and communicate a vision

Most of the producers are small- to medium- sized industries (SMIs), the managers are Structural Leaders.

5. **Staff**: The people/human resource management – processes used to develop managers, socialization processes, ways of shaping basic values of management cadre, ways of introducing young recruits to the company, ways of helping to manage the careers of employees as shown in table 2:
Table 2: The ways of helping to manage the careers of employees

<table>
<thead>
<tr>
<th>Ways</th>
<th>Guideline</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1 Recruitment</td>
<td>➢ Not focus only local staff but also to do the collaboration with academic sector for the students to gain more experience during summer with the real sector in ceramic industry.</td>
</tr>
</tbody>
</table>
| 5.2 Develop the incentive system and working environment | ➢ Awards system  
➢ Staff development  
➢ Improve working environment  
➢ Initiative working happiness |
| 5.3 Establish special technical training center by government | ➢ Encourage industries to do staff development |
| 5.4 Develop knowledge management | ➢ To develop the knowledge-based system for transfer knowledge and experience from generation to generation |
| 5.5 Create the attitude | ➢ Encourage worker to train and develop evaluation system |

6. **Skills**: The distinctive competences – what the company does best, ways of expanding or shifting competences. Thai workers are notable in their manual skill, possessing high potential for product and technology development

7. **Share Values**: Guiding concepts, fundamental ideas around which a business is built – must be simple, usually stated at abstract level, have great meaning inside the organization even though outsiders may not see or understand them as shown in Fig. 5.

![Figure 5: Ceramic industry is the local wisdom](image)

From Fig. 5: one of the ceramic factories announces that all workers are not labor but they are local wisdom from generation to generation.
4. Conclusion and recommendation

The 7-S Model is a valuable tool to initiate change processes and to give them direction. A helpful application is to determine the current state of each element and to compare this with the ideal state. Based in this it is possible to develop action plans to achieve the intended state. Effective organizations achieve a fit between these seven elements. This criterion is the origin of the other name of the model: In change processes, many organizations focus their efforts on the hard S’s, Strategy, Structure and Systems. They care less for the soft S’s, Skills, Staff, Style and Shared Values. The most successful companies work hard at these soft S’s. The soft factors can make or break a successful change process, since new structures and strategies are difficult to build upon inappropriate cultures and values. These problems often come up in the dissatisfying results of spectacular mega-mergers. The lack of success and synergies in such mergers is often based in a clash of completely different cultures, values, and styles, which make it difficult to establish effective common systems and structures. Formal and informal procedures support the strategy and structure. (Systems are more powerful than they are given credit). If one element changes then this affects all the others. For example, a change in HR-systems like internal career plans and management training will have an impact on organizational culture (management style) and thus will affect structures, processes, and finally characteristic competences of the organization.

When they are not, the company is not really organized even if its structure looks right. If a 7-S analysis suggests that strategy implementation will be difficult, managers either can search for other strategic options, or go ahead but concentrate special attention on the problems of execution suggested by the framework.

Reference

5. Statistics from www.customs.go.th