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## Literature reviews: McKinsey 7S model to support organizational performance

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**Abstract.** This paper aims to describe how performance measurement in public and private organizations using the McKinsey Model 7S analysis method (*Strategy, Structure, System, Shared value, Skill, and Staff*). The research method used is a qualitative research method with a *literature review* approach. The source of the research data used is a journal article of research results in public and private organizations that uses McKinsey's Model 7S analysis to measure the performance of the organization. The results of studies in several previous studies state that internal organizational factors according to 7S McKinsey such as *S strategy, Structure, System, Shared value, Skill, and Staff* are very influencing each other which has an impact on the performance of an organization.

**Keywords.** McKinsey 7S Model, Organization, Performance Measurement, Public, Private

### I. Introduction

Performance measurement of an organization can be done to measure, assess or compare the performance of the organization in the current period and the previous period so that it can be known that the performance of the organization has improved or even vice versa has decreased. A performance measurement is an activity of assessing the achievement of predetermined targets from the strategic objectives of the organization. (Lohman, 2003)

In general, performance measurement can be carried out in several sectors, namely public and business or private organizations. If we look at the two sectors, one of the differences is about benchmarks. Performance benchmarks in the public sector are related to the achievement of the success of the organization which is multidimensional, meaning that no single indicator can demonstrate performance comprehensively. Unlike the private sector or business, benchmarks can be shown with only one indicator, such as financial measures, meaning that if they are financially profitable, the company's performance is good. In the public sector, it will be more complex to see that not only financial factors determine the success of an organization's performance, but also the need for a measure of non-financial performance. Therefore, it is necessary to develop non-financial performance measures with the aim of helping the government focus on the goals and objectives of the predetermined work unit program so that the final result can increase the effectiveness and efficiency of the organization.

The implementation of performance measurement of public organizations has been carried out by the Government of Indonesia since 1999 as a form of accountability mechanism from government organizations. This policy is applied to all national-level organizations as well as local government organizations. The results of performance achievements are then publicly assessed by the Ministry of Apparatus Control and Bureaucratic Reform. One of the *tools* used to measure organizational performance is *McKinsey's Model 7S*. This method offers a model of improving organizational performance through the analysis and improvement of the hard and soft elements of the organization directed to solve problems that occur in the organization, such as to improve organizational performance, test the feasibility of the impact of upcoming changes, align the parts and implementation processes of the proposed strategy.

Some previous research results state that to assess or measure the performance of an organization is strongly influenced by internal and external factors. To measure the performance of internal factors can be used the analysis method of the McKinsey Model 7S. *McKinsey's Model 7s* approach is a tool for analyzing the internal aspects of an organization as a whole, so that internal organizational problems can be diagnosed and then a solution strategy can be found to implement. In *McKinsey's Model 7s* approach, there are seven aspects that need to be identified and analyzed, and are divided into two elements, namely *hard elements* and soft elements. Elements that can be easily identified and influenced by management are called *Hard Elements*, consisting of *Strategy, Structure* and *system*. Meanwhile, *Soft Elements* are elements that are more difficult to identify because they are dynamic, always changing and very dependent on individuals in the organization, consisting of *shared values*, *skills, staff, and style*. (Thomas & Robert, 1980)

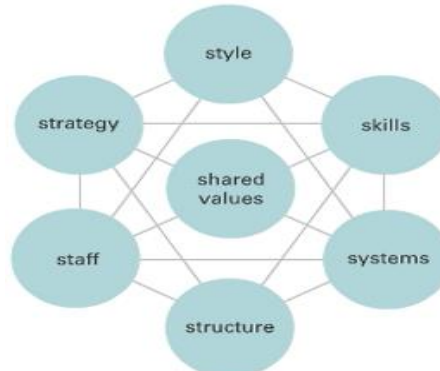
On the basis of this phenomenon, this *literature review* was carried out in order to fulfill the purpose of identifying the use of 7S McKinsey in supporting the performance of a public and private organization. The purpose of this *literature review* study is to describe how performance measurement in public and private organizations using McKinsey's Model 7S analysis method.

## **II. Review Of Literature**

### **2.1 McKinsey 7S Model Theory**

The emergence of the *McKinsey Model 7S* was preceded by the concept of change management and corporate development strategy used by Thomas J. Peters and Robert H. Waterman which is often used as a reference by many parties as an appropriate management model because it is value-based so that it can describe the organizations and individuals in it holistically and effectively. Finally, the model is then used as a theory that is applied as a *tool* to analyze the elements that make up an organization. The formula is now known as McKinsey's Model 7S theory (Thomas J. Peters, Robert H. Waterman Jr, 2007). In summary, the McKinsey Model 7S can be seen in the image below:

Figure 2.1 *McKinsey Model 7S*



Source: (www.McKinsey.com, 2008)

The advantage of the *McKinsey Model 7S* is that internal variables are used to measure organizational performance and strategy, applicable in all sectors, both the public and private sectors. However, this theory can only use internal factors from the organization, so there are no external factors that can measure organizational performance or strategy, so this is a shortcoming of McKinsey's Model 7S theory. The successful use of McKinsey's Model 7S theory is determined by the consistency of each indicator that reinforces the other indicators. The use of *McKinsey's Model 7S* in a study shows that there is a link between leaders, organizational culture, and strategy. The relationship starts from the existence of a strategy that has been agreed upon by the leader, then supported by the organizational structure and systems implemented in the organization. Furthermore, the structure and system are implemented in accordance with the leadership style (*style*), because the leader determines the parties (*staff*) with the skills needed to realize the strategy. In summary, it can be explained that the overall indicators of *the McKinsey Model 7S* have contributed to the success of a strategy. The contribution is converged in one variable which is then referred to as *shared values*. (Laurentius, 2015)

*McKinsey's 7S model* is a framework that looks at the effectiveness of organizations in achieving desired goals. This model has seven frameworks that are differentiated into *hard elements* that can easily be influenced by organizational management, and soft elements that change based on the conditions of individuals in the organization. In table 2.2 below, you can see the classification of hard elements categories consisting of strategy, structure, and system, as well as *soft elements* consisting of *shared values*, *skills*, *staff*, and *styles*. (Thomas & Robert, 1980)

Table 2.2 *McKinsey 7S Categories*

<i>Hard Elements</i>	<i>Soft Elements</i>
1. <i>Systems</i>	1. <i>Style</i>
2. <i>Structure</i>	2. <i>Skills</i>
3. <i>Strategic</i>	3. <i>Staff</i>
	4. <i>Shared Values</i>

The explanation of the relationship between each element can be explained in a nutshell through the understanding that the leadership style will determine the running of the

structure and system. This is characterized by the existence of a leader who has the authority of personnel who can help him according to the needs that the organization wants to meet. The selection of personnel carried out by the leadership is determined by the skills possessed by the personnel (*staff*), the review of personnel skills is also carried out by the leader. The elaboration of all these components will drive success in the organization's strategy, which ultimately represents the *shared values* believed by all components of the organization. (Nida Khoirunnisa, 2019)

## 2.2 Organizational Performance Theory

Performance has the meaning of the level of achievement of results obtained through a series of processes of activities carried out to achieve certain goals of an organization. Performance appraisal is very important because it can be used as a measure of an organization's success in achieving its goals. If an organization can maintain its performance well, then of course the organization is categorized as an organization that successfully carries out its performance. Performance as a translation of the word performance or interpreted as "performance", "*performance*", or "achievement". The definition of performance in the organization is as an answer to the success or failure of the organizational goals that have been set. Organizational performance is the totality of the results of work that an organization achieves. Organizational goals can be achieved because there is a human power role that the organization has and moves the organization to run the same age as planned. (Keban, Jeremiah, T, 2014)

Next is the notion of performance which is defined as the result of work that is closely related to the strategic objectives of the organization. Performance is also described as the level of achievement of the implementation of programs or policies in realizing the goals, objectives, missions, and vision of the organization as stated in the formulation of strategic (Armstrong, Baron, 1998)*planning* schemes in the organization. This can explain that performance is one aspect that is comprehensive in nature of the organization. Furthermore, according to Amstrong & Baron (1998) the factors that affect performance are first *Personal Factors*, namely factors that a person has such as skill level, competence, motivation and individual commitment. The second factor is *Leadership*, which means encouragement, guidance and support carried out by managers and *team leaders* of an organization. The third factor is *the Team Factor* which means there is support from colleagues. The fourth factor is the *System Factor* which means that the organization provides a work system and facilities to support organizational performance. The fifth factor is *Contextual Situational* meaning the presence of a high level of pressure and changes in the internal and external environment.

## III. Research Methods

The method used in this research is literature *review*. Literature review is a series of studies whose research objects are taken from various literature information such as books, scientific journals, newspapers, magazines, ensklopedias and other important documents. . . The methods in literature review consist of systematic (N Syaodih, 2009) *mapping study*, *systematic literature review*, and *traditional review*. (Gamedia.com, 2021). In this study, the method used was systematic *literature review (SLR)*, which means a systematic way of collecting library data is then critically analyzed by displaying various data and other findings from several previous national and international studies in the form of articles, scientific journals, newspapers, magazines and other documents.

The data used in this study is in the form of secondary data, which means that the source of the data is obtained not from direct observation but obtained from several previous studies such as research reports and other important documents. The literature search strategy uses *searches through Google Scholar, Elsevier* and several other journal searches nationally and internationally.

#### **IV. Results and Discussion**

From several previous studies, the results of the literature review were obtained as follows: **First**; McKinsey's 7S Model analysis is applied to the public and private sectors, for the public sector obtained in research by Nida Khoirunnisa (2019) at the District Social Service, Wening Adityasari (2016) at Cooperatives within the Indonesian National Army Headquarters, Diana Larasati (2018) at the Central Statistics Agency, and Dany Kartiko (2017) on the Karawang Regency bureaucracy. While in the private sector or business; Astrid Namira & friends (2022) at Kompas Gramedia *Group of Retail and Publishing* (GORP), Didik Widianoro and friends (2021) at business group X, Almira Devita Putri, & friends (2021) at PT. X Indonesia, Ezgi Demir & Batuhan Kocaoglu (2019) on *Strategic Planning and Economic Assessment*.

The **Second Result** is the application of the S factors according to McKinsey's Model 7S in several previous studies. For the application of the Strategy factor, it was obtained in the research of Nida Khoirunnisa (2019) which explained that **the Strategy** used was not optimal, such as involving academics, cadets and other related parties. Meanwhile, in the research Ezgi Demir & Batuhan Kocaoglu (2019) explained using *Strategy* as much as possible to achieve their organizational goals. It can be concluded from the two studies that there are differences in the application of *strategies*.

Strategy is a method or method of implementing an idea or plan in achieving the goals of an organization with a predetermined time period. . (Fandy, Tjiptono, 2011)

In the application of the **Structure factor**, similarities were obtained in the research of Nida Khoirunnisa (2019), Wening Adityasari (2016) and Astrid Namira & kawan (2022), namely the need to review the existing organizational structure to adapt to the times and the severity of organizational task demands in the hope that the progress of organizational performance is not hampered. The formation of an organization is adjusted to the tupoksi and filled by positions that are in accordance with the needs of the organization with the aim of establishing good coordination between the people in it to achieve the goals of an organization. .(Robbins, Stephen P, 2007)

**System Factor** applied to Nida Khoirunnisa's research (2019) in the form of an untimely budget allocation system from the Regional Government, Wening Adityasari (2016); the absence of a system that regulates the operation of the Cooperative, Dany Kartiko (2017); there is no integrated system/policy with related parties, while in the research of Astrid Namira & kawan (2022); the influence of a significant Operating Procedure System (SOP) on performance organization. This can be interpreted to mean that a good system can support every organizational affair, both easy and difficult. Organizations have their own characteristics to make the system run effectively and efficiently. The system referred to in the framework of *7S McKinsey* is a formal and informal procedure that regulates the daily work activities characteristic of the completion of work in the organization. This is what makes the system necessary to support the implementation of strategies and structures in an organization properly. Policy is part of the system that is generated and influenced by leadership and leadership personality in the face of problems. The policy is a common belief, then the leader or in this

case the Commander in determining a policy should be based on planning and analyzing the problem, rather than being established based on the benefits and personality of the leader. Policies should not be ambiguous and multi-interpretive that can create conflicts in the organization. Policies that do not run effectively, can affect the achievement of an organization's performance because in fact the policy is a set of concepts and principles that guide and base plans in the implementation of work, leadership, and ways of acting.

**Skill Factor** is applied to the research of Nida Khoirunnisa (2019), Wening Adityasari (2016), Diana Larasati (2018), Didik Widianoro and friends (2021), Almira Devita Putri, & kawan (2021), namely the similarity of a *person's skill* or ability factor. The quality of human resource skills in an organization greatly affects the continuity of the organization as a whole. The skills possessed by human resources in an organization really need to be continuously developed to support the achievement of organizational goals which are common goals. The skills that a person has can be given or given from birth, but it is not uncommon for these skills to develop over time, and change according to each person's interests. Stonner created 3 (three) skill categories, namely technical skills, human skills and conceptual skills .(Stonner, Strauss, 1998)

**Staff Factor** applied to the research of Nida Khoirunnisa (2019), Wening Adityasari (2016), Dany Kartiko (2017), Almira Devita Putri, & kawan (2021) namely the similarity related to the *Staff* factor; the existence of human resources / personnel / staff and support from strong staff will greatly affect the quality of organizational performance. Every organization is run by human resources who can be interpreted as employees. The human resource variable can be viewed as human resource management which includes the admission system, education, placement, the processes used to build leaders, payroll, how to form basic values, how to *brand* the organization to the human resources in it, and ways to manage personnel careers. In general, human resources can be viewed as an important element of an organization that can be utilized appropriately to maintain an organization with agreed goals.

**Style factor** is applied to the research of Diana Larasati (2018), Astrid Namira & kawan (2022), Didik Widianoro and friends (2021), namely the existence of equality related to the *Style* factor or a person's style in leading an organization / company that has a significant impact on changing the organization for the better. Each leader certainly has a different leadership style in leading the organization, this is not only influenced by the personality of the leader himself, but also the characteristics of the organization he leads. The success of a leader can be seen from his expertise to organize all personnel he leads to have good performance in accordance with applicable procedures and mechanisms to achieve the goals of the organization. The leader's management ability of the personnel and the organization he leads, will be directly proportional to the success achieved by the organization.

The last factor is the **Share Value factor** applied to Nida Khoirunnisa's research (2019) in the form of negative cultural values by buying planning time with the implementation of predetermined programs, Astrid Namira & kawan (2022), Almira Devita Putri, & friends (2021) in the form of social inequality, a very visible association between employees and company leaders. The shared values that have been agreed upon by all components that make up an organization and are realized in continuous continuous action by everyone in the organization are organizational culture (shared *values*). In the *McKinsey 7S* model the shared values are the endpoints that associate all the variables that make up McKinsey's 7S. The shared values in an organization arise starting from the ideas of each individual that are accepted collectively and embodied in unwritten actions. These shared values are then built and

developed to achieve the vision, mission, and goals of the organization that have been mutually agreed upon.

The **third** result was a general idea of the McKinsey Model 7S as follows, **first**; Diverse factors will affect the organization's ability to make changes. **Second** ; All elements in the 7S have a connection and attachment to each other so that changes in an organization can only be made if there is involvement of all these elements. **Third** ; The failure of the organization to realize a change is largely due to the leader not paying attention to all elements in the *McKinsey Model 7S*. Based on this idea, it is known that conceptually, each element of the McKinsey Model 7S can be used in any action / effort aimed at realizing changes to organizational performance.

The following is a summary table of previous studies applied to public and private organizations, as well as the application of the S factor which has a significant effect on organizational performance.

**Table 4.1 Summary of Research Results in public and private organizations and the application of the S factor**

No	Author Name & Year	Organization		Application of Factor S						
		Public	Private	Strategy	Structure	System	Skill	Staff	Style	Share Value
1	Nida Khoirunnisa (2019)	X		X	X	X	X	X		X
2	Wening Adityasari (2016)	X			X	X	X	X		
3	Diana Larasti (2018)	X					X		X	
4	Dany Kartiko (2017)	X				X		X		
5	Astrid Namira Majid (2022)		X		X	X			X	X
6	Didik Widianoro, et al. (2021)		X				X		X	
7	Almira Devita Putri, et al. (2021)		X				X	X		X
8	Ezgi Demir & Batuhan Kocaoglu (2019)		X	X						

Source : processed by the author

## V. Conclusion

This article describes how organizational performance measures in the public and private sectors by using McKinsey's Model 7S. Based on literature *review*, it is shown that the

*McKinsey Model 7S* is an analytical management model used to measure or assess the extent of an organization's performance in achieving its desired goals. Broadly speaking, the application of elements in *the McKinsey Model 7S* can be applied in organizations with any conditions, whether public or private or business organization. In order to achieve success in the management of an organization, it must pay attention to the seven S factors according to the *McKinsey 7S* model (*strategy, system, style, staffs, skills, structure, and shared values*) so that it can support the achievement of organizational goals. In addition, the authors also found that *McKinsey's 7S* model can be applied to answer various issues of effectiveness in almost all forms or types of organizations. Although *McKinsey's 7S* framework applies to almost the entire organization, it does not necessarily guarantee organizational success, it still needs a good initiative, intuitive, and analytical leadership role to effectively implement *McKinsey's Model 7S* so that it can produce something that has a good impact on organizational performance.

This research offers suggestions that in future research, the *McKinsey Model 7S* method can be used in measuring the performance of other public sectors such as in military organizations that have been carried out by Wening Adityasari (2016), because military organization is a public organization that has its own peculiarities such as a guided bureaucratic structure.

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