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Applied Insights from the FH Kufstein Tirol

THE MCKINSEY 7S MODEL

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ISSUE #61 | JANUARY 2026



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ANALYZING AND OPTIMIZING COMPANIES WITH AN INTEGRATED APPROACH

The McKinsey 7S model is more than just an analysis model — it is the key to holistic corporate management. Developed by Tom Peters and Robert Waterman, it offers executives a method for optimizing organizations from the inside out. Instead of focusing on individual elements, the model combines seven key success factors into a dynamic whole: strategy, structure, systems, style, staff, skills, and shared values. Understanding and balancing these elements not only creates efficiency, but also an organization that remains agile, resilient, and competitive in the long term.

By Giuseppe Sorrentino, MA, and Prof. (FH) Dr. Peter Dietrich

I. THE APPROACH OF THE MCKINSEY 7S MODEL

In the McKinsey 7S model all components are closely linked (see Fig. 1); they do not exist in isolation but influence each other¹. Any change in one area not only affects the others but is also interdependent, so that adjustments in one area dynamically shape the entire system. For example, a strategy can only be successfully implemented if it is supported by the right structure, efficient systems, and qualified members of staff. Likewise, the management style and operational processes must harmonize in order to achieve the goals.

The McKinsey 7S model shows the drivers for corporate success.

Shared values form the core of the model. They define what is important to the company and guide decisions at all levels. If these values are clearly anchored, a coherent corporate culture emerges that connects all areas. They ensure that the company as a whole works toward a common goal. It is crucial that all elements are consistently aligned. This creates a holistic, multi-perspective approach that leads to performance and competitiveness.

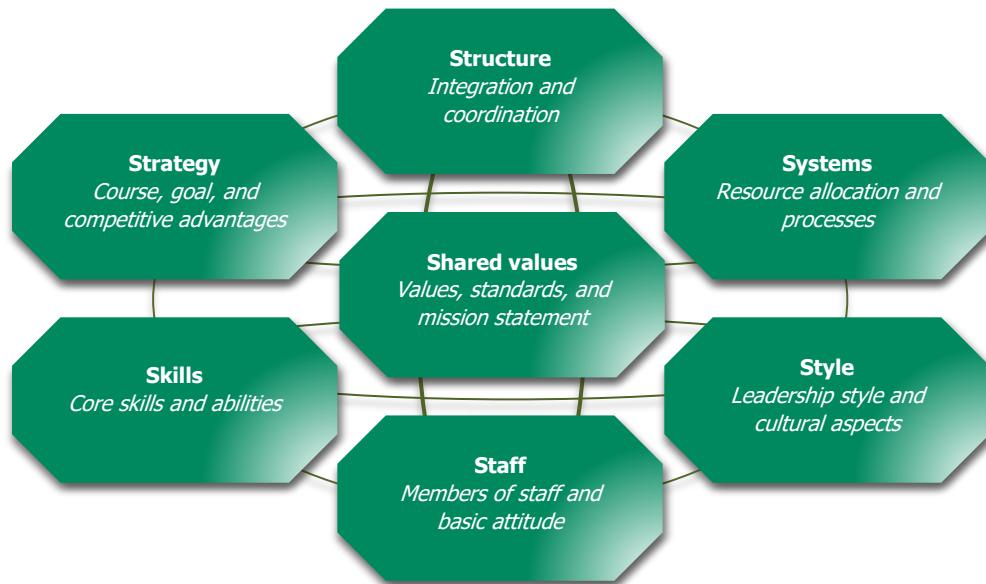
¹ See Fig. 1, based on: Schawel, C., & Billing, F. (2012). 7-S Model. In: Top 100 Management Tools. Gabler Verlag, p. 312ff.



2. THE ELEMENTS OF THE MCKINSEY 7S MODEL

Strategy: Strategy is the central element in determining how a company achieves its goals and asserts itself in the competitive environment. Among other things, it sets the course, pools resources, and determines which markets to operate in. A clearly formulated and well-thought-out strategy provides orientation and promotes innovation. Those who adapt it regularly remain flexible and are in a good position to deal with new challenges.

Fig. 1: The McKinsey 7S model



Structure: The structure of a company provides a description of the hierarchy, reporting lines, and distribution of tasks, skills/competencies, and responsibilities (TC&R). It forms the organizational framework, regulates cooperation and decision-making processes, and ensures that the strategy is implemented optimally. A clear structure promotes efficiency and transparency, but can be a hindrance if it is defined too rigidly to adapt to changing market conditions. Approaches such as matrix organizations or agile structures can be seen as complementary to this, making the structure dynamic and responsive.

The individual elements of the model are interconnected and reinforce each other.

Systems: Systems encompass the processes and procedures that maintain a company's operational activities. These range from IT and financial systems to operational processes. Efficient systems support the implementation of strategy by



enabling smooth functioning and clear control. In this context, Total Quality Management (TQM) and Lean Management can be considered as further methods for increasing the efficiency and quality of internal systems. Strategy, structure, and systems are considered hard factors because they are tangible and can be directly represented in companies through plans².

Style (leadership style): Leadership style describes the way in which managers interact with their members of staff and how decisions are made. Leadership styles vary depending on the corporate environment or culture and range from authoritarian to cooperative to participatory. In any case, an effective leadership style is crucial for employee motivation and cooperation. A suitable leadership style promotes openness and innovation and prevents resistance. Active management is therefore crucial for sustainable success.

Staff (member of staff): Employees are a company's most valuable asset. The staff element encompasses the entire workforce and its development. Placing the right talent in the right positions and continuously developing them is crucial for the success of the company. Strategic human resource management focused on the development of employees and managers plays a key role. This ensures that the skills and competencies of the workforce are optimally utilized and that members of staff remain loyal to the company in the long term.

Hard and soft factors must be integrated equally.

Skills: Skills encompass the abilities and aptitudes that distinguish a company and its employees. They result from expertise, experience, and social skills and must be continuously developed in order to remain competitive. A broad spectrum of skills enables flexible responses to challenges and drives innovation. Targeted training and constant adaptation to technological and market-related changes are essential in this regard.

Shared values: A company's shared values form the foundation on which all other elements are built. They reflect common beliefs and provide orientation. They also influence everyday decisions and behavior. Like a guiding star, they ensure that everyone works toward a common goal. When values are authentically lived and consistently communicated, they strengthen trust and cohesion. Missing or unclear values, on the other hand, often lead to conflicts and impair the performance of the entire company.

Shared values, style, staff, and skills are considered soft factors and, unlike hard factors, are not tangible. They are constantly evolving and can only be controlled to a limited extent, as they are strongly influenced by the employees of the organization. Employee

² Wien, A. / Franzke, N. (2014). Corporate culture: (in a) target-oriented (way) corporate ethics as a decisive success factor, p. 42 ff.



behavior directly influences them and makes them crucial to corporate culture. They also affect hard factors and shape their characteristics.

3. IMPLEMENTING THE MCKINSEY 7S MODEL

Key questions can be used to develop and implement the 7S model (see Fig. 2). The effectiveness of the methodology depends less on the amount of information than on the quality of the questions. Asking the right questions and systematically classifying them into the seven dimensions creates the basis for a holistic and consistent company analysis. It is essential to translate the insights gained into concrete actions, responsibilities, and measurable goals. Agile methods and project-oriented work can help to accelerate implementation and flexibly integrate external influences. Combining the model with other management tools³ —such as the balanced scorecard or SWOT— further deepens the analysis and increases the quality of management decisions.

Fig. 2: Key questions for the McKinsey 7S model

| | Key questions | What needs to be considered? |
|------------------------------------|---|--|
| Strategy | <ul style="list-style-type: none">• What path are we pursuing to achieve our long-term goals?• How do we create sustainable competitive advantages?• How do we measure success and effectiveness (e.g., KPIs)? | <ul style="list-style-type: none">• Regularly review strategy and link it to vision and mission• Clearly define priorities and plan measures realistically• See market changes as an opportunity for further development |
| Structure | <ul style="list-style-type: none">• Which organizational and decision-making structures support our goals in the good way?• How do we ensure efficient communication and reporting channels?• What organizational adjustments are necessary for growth or change? | <ul style="list-style-type: none">• Apply "structure follows strategy" (Chandler principle)• Clearly define responsibilities, avoid duplicate structures• Promote agile, cross-functional teams |
| Systems | <ul style="list-style-type: none">• Which processes, tools, and systems ensure smooth procedures?• How can data usage promote efficiency and transparency?• How do we ensure quality and stability in our procedures? | <ul style="list-style-type: none">• Standardize processes, but keep them flexible• Use digitization specifically as a lever for efficiency• Perform regular system and interface checks |
| Style (Leadership style) | <ul style="list-style-type: none">• How do we shape leadership to promote motivation and personal responsibility?• How open and transparent is communication?• How do we deal with feedback, conflicts, and change? | <ul style="list-style-type: none">• Promote a cooperative, dialogue-oriented management style• Actively strengthen trust and a culture of feedback• Facilitate change and make successes visible |
| Staff (Employees) | <ul style="list-style-type: none">• Do we have the right people in the right positions?• How do we promote and retain talent in the long term?• How do we shape diversity and a culture of learning? | <ul style="list-style-type: none">• Establish strategic human resources and talent management• Clearly define development paths, incentive systems, and employer branding• Regularly survey employee satisfaction |

³ Nagel, M. / Mieke, C. / Teuber, S. (2020). Methods Handbook of Business Administration, pp. 317-322.



| | | |
|-------------------------------|---|--|
| Skills (Abilities) | <ul style="list-style-type: none">• Which key competencies ensure our success?• Where are there skills gaps and how can we close them?• How do we promote knowledge sharing and innovation? | <ul style="list-style-type: none">• Conduct skill gap analyses and establish learning programs• Combine internal and external training• Anchoring innovation as an integral part of skills development |
| Shared values | <ul style="list-style-type: none">• What beliefs and values shape our actions?• How are these values reflected in decisions and behavior?• How do they contribute to brand identity and motivation? | <ul style="list-style-type: none">• Live values authentically and communicate them visibly• Ensuring cultural consistency across all levels• Actively involve managers as ambassadors of values |

The McKinsey 7S model should not be understood as a rigid concept. Its strength lies in its dynamic application—as a framework for thinking that encourages questioning, prioritizing, and action. Since the model covers all seven areas of the company, there may be overlaps and intersections in practice. This makes it all the more important to understand the dimensions not as separate silos, but as interrelated guiding questions that provide orientation without getting bogged down in complex details. The model is a powerful tool for fundamental repositioning and further development of a company (see Fig. 3). It enables a holistic view of all areas critical to success and ensures that changes are not seen in isolation, but in their interdependencies. This allows adjustments to be implemented in a more targeted manner and competitive advantages to be secured more sustainably.



Summary: Application and benefits

1. Holistic approach through mutual coordination of all areas of the company and prevention of isolated perspectives
2. Efficiency through easier coordination between strategy, processes, and people, thereby accelerating implementation processes
3. Orientation as a guide for setting goals and responsibilities



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Fig. 3: McKinsey 7S Model: Tool and Example (Retail)

A fashion company is adding an online channel to its brick-and-mortar premium boutiques in order to tap into a younger target group and drive growth. The 7S model is used to align all business units with this goal.

| | |
|--|---|
| 1. Strategy | <ul style="list-style-type: none"> Address new, digitally savvy customer groups (18-35 years old) – sales target in the first 3 years of 50 million euros p.a. (2-3% margin) Implement an omnichannel strategy to link online and offline shopping (e.g., click & collect, digital loyalty cards, etc.) Promote personalization through AI-supported recommendations Ensure premium positioning in the online shop as well (differentiation from fast fashion, possibility of online style advice, etc.) |
| 2. Structure | <ul style="list-style-type: none"> Establish a new online department Build a digital marketing team (to manage social media, SEO, and online advertising) Expand customer service to include live chat and social media support Ensure reorganization of logistics (storage capacity, shipping, etc.) |
| 3. Systems | <ul style="list-style-type: none"> Implement an integrated merchandise management system to synchronize the pass across stores and the online shop Establish a CRM system (linking brick-and-mortar and online customer profiles, creating customized offers, etc.) Launch an online platform with mobile-first design and flexible payment options |
| 4. Style (leadership style) | <ul style="list-style-type: none"> Involve branch managers and members of staff (avoid resistance to online channels) Hold workshops and feedback sessions on digital transformation with regular follow-up events Establish clear, transparent communication channels (regular team meetings, internal newsletters, collaboration platforms, etc.) |
| 5. Staff (member of staff / employee) | <ul style="list-style-type: none"> Recruit e-commerce managers and online marketing experts (including ensuring mutual knowledge transfer with staff) Provide ongoing training for existing sales teams (development of online consulting skills) Ensure flexible working models for digital talent |
| 6. Skills | <ul style="list-style-type: none"> Implement data analysis and digital marketing (SEO/SEA, etc.) Establish social commerce and influencer marketing Implement personalization and AI-supported customer engagement |
| 7. Shared values | <ul style="list-style-type: none"> Exclusivity: High-quality packaging and sustainable materials are intended to maintain the premium feel for online customers and emphasize high quality Customer proximity: Online advice from fashion experts (live chat, video calls, live shopping events) provides the same service as in-store and underlines the company's service orientation Sustainability: Short videos, images, or blog posts about production facilities and supply chains make the commitment to quality and sustainability visible in the online shop |