



Stanford eCorner

McKinsey's 7S's Model

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April 06, 2005

Video URL: <http://ecorner.stanford.edu/videos/1326/McKinseys-7Ss-Model>

Moore uses McKinsey's 7S's model to attack the problem of inertia in companies.



Transcript

I got to say if I'm going to attack a problem, I have to model the problem I'm going to attack. So in thinking about inertia, there's a model called the seven 7S's from McKinsey. They used it for strategy and they say, "The seven major things you got to address in a strategy are these seven things that are written up here." So we took those 7S's and we said, "We think that they actually can figure around three sort of I have to call it zones of inertia." One around strategy and structure where the issue that happens here is the last time strategy which was successful creates the current structure and that structure takes on a political life of its own and it's a fiefdom issue where it's the resource allocation issue. So when we go into the next budget, what we do is to take last year's budget. We're going to mark it up. Well, guess, who gets first this, right? The people in place, right? So as a result there's a lot of inertia that builds up around structure from the last strategy. How would we deconstruct that? The second set of inertia around skills and staff, people get into a comfort zone. There are things that they are good at. If I'm good as a hammer, you must be a nail kind of problems, right? And when the market shifts, how do you get people to get out of their comfort zones and move? That's very hard. And by and large, we're not good at it as a species, right? So that's a pretty serious challenge.

And if by the way the answer is lay you off and hire so and so. And you and I have been working together for 15 years and I'm your manager, I don't want to lay you off. And I'm going to do all kinds of tricks to make sure that I don't have to lay you off. So the issue of getting the skills and staffing is a big deal. And then systems and styles, the underlying core systems get optimized for a given phase in our history and you go implement the next strategy, you can't even get the data you would want. You can't change the compensation systems. You can't lay anybody off without a two-year runway.