Organization assessment through McKinsey 7 S, Balanced Scorecard and SWOT metrics

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ABSTRACT
The purpose of this paper is two-fold: to assess an organization, Bricks Inc. (name anonymized for confidential reasons) with the help of McKinsey 7 S, Balanced Scorecard and SWOT metrics, and to make a comparative perspective on the current and proposed changes in the management structure with the aid of organizational charts. The study shows that while Bricks Inc. has been successful in making profits over the years, there are a number of challenges which need to be encountered. Bricks Inc. operates across the globe and has a number of divisions. Further on, the company has been running its operations in different sectors like real estate, hospitality, retail, investments, etc. The leaves recommendations that Bricks Inc. should aim at consolidation of its divisions and aim at a proper analysis of political and legal environment of the country in which it seeks to operate to avoid any legal complications. Finally, the study recommends that there are a number of areas which may be ventured into but a proper strategy will be required to implement its plans.

Keywords: }

INTRODUCTION
A brief into McKinsey 7 S, Balanced Scorecard and SWOT

2.1 McKinsey 7 S
McKinsey 7 S model was provided by Robert H. Waterman, Jr. and Tom Peters in the 1980s (Waterman, Peters & Phillips, 1980). The 7 S are: structure, strategy, systems, skills, style, staff and shared values. Whereas structure (division of activities; integration and coordination mechanisms), strategy (defining organizational plans) and systems (elaborating the formal processes involved in an organizational functioning) are hard elements; shared values, skills (defining the core competencies of an organization), staff (clarifying human resources) and style (prescribing behavioral dimensions of organizational representatives like managers, front-line employees, etc.) are soft elements of the 7 S model. The purpose of this model is to ensure that each of these seven work in close harmony with each other which would lead to improved organizational performance. Furthermore, the framework is sketched each time a major change in organizational structure and functioning is being brought about. This exercise would be helpful in appreciating how and why any changes are beneficial and whether any revisions are required. While the model has its benefits, the model fails to spell out the role of generic components of an organization or the verticals entailed
therein. For instance, the model is silent on the role of marketing, finance, logistics, etc.

### 2.2 Balanced Scorecard

Balanced scorecard is known to complement and enriches McKinsey 7 S which facilitates an organization to conduct strategic execution of its strategy (Kaplan, 2005). Balanced scorecard is used to emphasize upon the strategic agenda of an organization and invokes a mix of financial and non-financial measures (Kaplan & Norton, 1992). The four components of the balanced scorecard are: ‘financial’ (identification of selected financial measures relevant for stakeholders), ‘customer’ (identification of measures which may be evaluated by customers); ‘internal business processes’ (identification of measures which quantify an organization’s output) and ‘learning and growth’ (identification of measures which may help in improving, creating value and innovating further) (Kaplan & Norton, 1996). The formulation of balanced scorecard is fraught with limitations because it is not holistic and the needs of all stakeholders are not covered therein. Further, it is alleged that not all types of organizations may deploy balanced scorecard. For instance, SMEs may find it difficult to adopt the measure (Rompho, 2011).

Organizations are at different levels of balanced scorecard implementation (Soderberg, Kalagnanam, Sheehan & Vaidyanathan, 2011). Balanced scorecard has significant role in strategy formulation, communication and execution (Kaplan, 2012). Three generations of balanced scorecard have been identified: the first one pertains to the initial generation of score card, the second one is linked with the strategy maps and the third one pertains to destination statements (Perkins, Grey & Remmers, 2014). Balanced scorecard is a management control tool but it is also accompanied by implementation failures in different organizational settings (Johanson, Skoog, Backlund & Almqvist, 2006). Balanced scorecard has replaced the conventional performance measurement systems in organizations when there was focus on financial figures and functional level performance only and this was at the cost of long-term organizational success (Sim & Koh, 2001). Therefore, with the help of balanced scorecard, managers are able to launch some measures which help keeping the businesses on their toes and facilitate in serving the employees, customers and shareholders in a better way.

A reformed version of balanced scorecard was provided by invoking preference theory to find out the balanced score for each of the factors which define the balanced scorecard (Punniyamoorthy & Murali, 2008). In this way, a single value may be derived by taking account of all the essential objective and subjective factors be they financial or non-financial. Furthermore, the reformed model also states the weightages of the parameters in a very clear manner. Finally, a comparison is made between the target performance and the actual performance for conducting further analysis. The reformed model holds relevance in as much as it helps the management to identify the crucial activities of the organization and lay down specific target measures which are to be achieved in those activities. With the help of a comparison between the targeted performance and the actual performance, the organizations may take suitable actions in case any deviations are observed.

Extensive research has been undertaken regarding balanced scorecard and academic literature is replete with the same. With the help of balanced scorecard, a comparative analysis of one Austrian and three German higher educational institutions was done to appreciate how strategic performance
management and measurement activities are run in each of them (Hladchenko, 2015). Implementation of balanced scorecard-covering implementation levels, perspectives, major challenges and obstacles, missing and used performance measures and enabling factors- has been studied in German non-profit organizations (Greiling, 2010). Balanced scorecard has been introduced as a successful innovation in health care sector where the emphasis is upon health outcomes (Gurd & Gao, 2007). In a Finnish real estate setting, it was shown how balanced scorecard is being used in operationalizing organizational or facilities management strategies in organizations (Rasila, Alho, & Nenonen, 2010). Balanced scorecard has proved to be as asset in laying down performance index for information security management in organizations based in Taiwan (Huang, Lee & Kao, 2006). In a study based on privately-owned Portuguese organizations, researchers sought to establish a linkage between organizational extrinsic and intrinsic factors (companies’ age, diversity of products and services, nature of ownership structure, internationalization and organizational size) and the adoption of the balanced scorecard and concluded that the degree of these factors are positively linked with the implementation of balanced scorecard (Quesado, Aibar-Guzman & Rodrigues, 2016). The utility of balanced scorecard in measuring organizational performance has been vindicated in the hotel sector (Elbanna, Eid & Kamel, 2015).

2.3 SWOT
SWOT helps an organization to make strategic choices and decision-making in terms of short-terms and long-terms (Osita, Onyebuchi & Justina, 2014). As such, the original contribution of SWOT may not be traced. SWOT is an acronym for strengths (positive aspects of an organization which provide strategic advantage in contrast with the rivals), weaknesses (positive aspects of an organization which are unfavorable), opportunities (dimensions which the organization may harness for gaining competitive advantages) and threats (dimensions which the organization should be wary of). It is proposed that for evaluating any business activity, a systematic analysis of the four dimensions of SWOT may be done. The framework is criticized for being overly simplistic and misleading wherein actual ground realities may be overlooked (Hill & Westbrook, 1997).

SWOT is a tool for planning purposes and it has been used to analyze organizations, countries and industries for gaining a perspective on strategic positioning (Helms & Nixon, 2010). SWOT is regarded as one of the oldest and well-known organizing frameworks in management and it is significant that there is an integration of the original framework with the Porter’s five forces, Political-Economic-Social-Technological (PEST) analysis and the Resource Based View (RBV) approach (Bell & Rochford, 2016).

A unique line of understanding has been provided by proposing a “dual-perspective” SWOT wherein there is integration of marketing and intelligence views and it lends a cognitive approach for practitioners to assess the different aspects of SWOT while analyzing a coherent strategic situation (Novicevic, Harvey, Autry & Bond III, 2004). Notwithstanding the pervasiveness of SWOT analysis for appreciating an organization’s progress, it has been considered as a defective tool as far as guiding strategic planning is concerned and a meta-SWOT is considered as a reliable tool which does not include markets and other factors in the competitive environment but assesses competitive advantage with the help of planners to start from resources and capabilities (Agarwal, Grassl & Pahl, 2012). The same authors also point out that whereas SWOT is subjective, unsystematic and non-quantitative in nature which lacks predictive power, meta-SWOT follows an
inside-out approach wherein the concept of strategic fit is harnessed to draw a competitive map and a strategy map for ensuring that planning is carried out effectively and efficiently. Finally, since meta-SWOT is relatively non-complicated software, a range of strategic planning exercises may be conducted. A major weakness of SWOT analysis is that it gets outdated very soon because of the changing environments (Ab Talib & Hamid, 2014).

Extant literature highlights the diverse research backgrounds and contexts wherein SWOT has been invoked. In an interesting study, SWOT was used to understand if Olympic Games could be hosted in a country (Karadakis, Kaplanidou & Karlis, 2010). For understanding the domestic private enterprises in developing infrastructure projects in China, SWOT analysis is being conducted (Ke, Zhao, Wang & Wang). In another study conducted in the background of the energy sector, the EU-Turkey relations were probed (Karakosta, Papapostolou, Dede, Marinakis & Psarras, 2016). SWOT has been used to probe the Halal logistics industry in Malaysia (Ab Talib & Hamid, 2014). SWOT analysis is used to understand the truffles market in Greece (Tsitsipati & Athanasios, 2014). For assessing the SWOT of using social networking sites (SNS) for group work in government organizations in Oman, managers from Information Technology (IT) background were interviewed for the purpose (Al-Busaidi, 2014). In a study based in Argentina, SWOT is used to assess the factors which impact the emergence and growth of entrepreneurship in the country (Helms, Rodriguez, de los Rios & Hargrave, 2011). Likewise, women entrepreneurs were studied and an analysis was done on the basis of gender differences (Li & Ding, 2015). Carlsen and Andersson (2011) have engaged in appreciating the strategic SWOT analysis of public, private and not-for-profit festival organizations in terms of financial management and related issues of costs, sponsorship, etc.

Organization’s profile
For the purpose of the present study, a real estate company, Bricks Inc. (name anonymized for confidential purposes) is being picked. The company has been established as a public joint stock company and it was founded in late 1990s. The company is responsible for commercial and residential property development. The company has been posting revenue averaging more than four billion dollars since 2010. With more than 10,000 employees on its rolls, Bricks Inc. has earned some of the best accolades in human resource management. The company has a number of holdings expanding into hospitality, technologies, investments, etc. Bricks Inc. has spread its operations across the globe.

3.1 Assessment of organization in terms of McKinsey 7 S
As per McKinsey's 7 S framework, each of the seven dimensions are evident in the company's profile:

Strategy: Bricks Inc. has been foraging into a number of areas including finance, malls and hospitality. The company has been progressing ahead in joint ventures and engaging in intense construction activities. When it was listed on a popular bourse, it offered shares to foreign nationals as well. The company expanded its operations in many countries across the globe and pitched its identity across different sectors like retail and fashion wear. The company's hospitality division has spearheaded a massive drive and it has laid foundation of some of the best hotels in select locations. This strategy paid off because even when the real estate market was witnessing a collapse in 2009,
its hospitality division earmarked landslide profits. The company held its first IPO in 2014 when it decided to sell shares of its select divisions to the public at large. In the IPO, millions of shares were traded which positioned the company among the front-runners. The company launched its sports hubs and resorts besides lifestyle boutique hotels. Abroad, the company engaged in building and construction work for residential, commercial and recreational purposes.

**Structure:** Bricks Inc. has a diversified structure and its internal organizational processes are well-aligned with its strategy. For instance, the company has hierarchical divisions on the basis of functions, like finance, marketing, sales, operations, human resources, information technology, etc.

**System:** The communication system in Bricks Inc. is explicitly driven by professionalism and there is a dedicated ERP for managing the human resources. Being a multi-national company, there are no formal modes of addressing each other and there are teams for short-term and long-term projects.

**Skills:** Bricks Inc. is well-acclaimed for its exceptional craftsmanship in building and construction work. It's forte lies in commercial and residential buildings. With the expansion of its activities, the company is now acclaimed for its hospitality segment where some of the finest luxury hotels cater to the millions of visitors every year. Till date, no defect or complaint has been heard of from the buildings which were constructed by the company.

**Style:** The chairman of Bricks Inc. believes that the company stands for human causes and attempts at providing a habitable place for all to reside in rather than one which is solely profit-making.

**Staff:** Bricks Inc. has a dedicated employee force including top management, middle management and lower management. With a robust human resource system, the company attracts some of the best talents in architecture, engineering, IT, finance, marketing and operations fields. The company has won many accolades for being the best employer of the region from many years.

**Shared values:** On special occasions, Bricks Inc. engages in CSR (Corporate Social Responsibility) activities. The company has set up its own division for conducting charity and sponsorship events. It supports the World Food Programme of the United Nations. It has also worked in the African countries. During festivals, the company provides free meals to all. The company engaged in resuscitation and refurbishment of a library in Alexandria (Egypt) which has worn out over the years.

### 3.2 Assessment of organization in terms of Balanced Scorecard

Calibrating the company across the four dimensions of balanced scorecard yields a number of lessons:

**a. Learning and growth perspective:** Bricks Inc. has been in existence for more than a decade and over the years, it has responded well to the changing dynamics of real estate landscape. The company forayed into a number of market spaces-retail, commercial property, financial investments and hospitality and its expansion of operations in many countries is a testimony of the company's growth over the years. Further on, the company has made rapid strides in other countries and established its bases there. The shareholders have reposed trust in the company despite the fact that
business models have witnessed a remarkable change. While profit margins remain the concerns of the company, the company has remained committed to attaining environmental sustainability.

b. *Business process perspective:* Bricks Inc. rests its laurels on creativity, innovation, smart technology and partnerships. With robust project management pipeline, the company has always ensured best quality services. The company has a number of subsidiaries which cater to the investment holdings, malls, retail, hospitality, hotels and resorts, finance, industries and investments and community management divisions. The aim of the company is to hive off as sustainable entities which are economically sound and robust. Further on, the company seeks to tap the potential of related and unrelated sectors which have growth potential. For instance, its subsidiary focusing on industries and investments is keen on spearheading its operations in building materials, electrical equipments, healthcare, chemicals, etc.

c. *Customer perspective:* Innovation holds the key for any successful venture and while innovation cycles have witnessed a marked shrinkage, companies need to be responsive to the needs and requirements of customers. Bricks Inc. ensures that it provides quality services in all its offerings. Catering to the needs of superior design and finishes, lifestyle amenities are provided to the customers at the best price.

d. *Financial perspective:* Bricks Inc. has been registering huge investor response and faith in the company. The company distributed dividends to the tune of around five billion dollars and this is a record-breaking achievement. In 2014, the company's annual revenues touched around three billion dollars and the net operating profit was around nine hundred million dollars. In 2013, the company's revenues touched more than two billion dollars and the net profits were six hundred ninety nine million dollars. Overall, the financial performance has remained excellent.

3.3 *Assessment of organization in terms of SWOT*

The company’s SWOT analysis may be appreciated as below:

*Strengths:*
The vision (to emerge as a world-class real estate developer, hotelier and retailer) and mission (to provide best quality services to the customers in the real estate, hospitality and retail sector) of Bricks Inc. are well-articulated and the same are evident in the company’s growth trajectory. The company has been very successful in its ventures and this is attested by the financial statements over the years. The company has unleashed itself as a successful brand and it does not compromise in offering quality in all its products and services. It is noticeable that despite the economic slowdown and the swirls in the markets, the company withstood all pressures and was successful in moving ahead. The company has been focusing on its core competencies across all its subsidiaries and this has led to increase in market share over the years. Besides, the company has won the trust of the shareholders and it has won goodwill all over. Investors have been very enthusiastic with the company performance and this is especially true of the end-users like owners of residential and commercial property. In contrast with the competitors, the company commands confidence and loyalty among the customers. Further, the company has a long-standing tradition of trust and quality. Over the years, the company has expanded in scale and scope and this is evident in its subsidiaries across the globe. With its robust strategic positioning, the company is poised to attain
more successes in the near future.

**Weaknesses:**
Bricks Inc. has foraged into a number of sectors and this is probably one of the reasons as to why the company is finding it difficult to tackle challenges. For instance, the company’s subsidiary faced legal confrontations while operating in a country where it was entrusted with construction of a sports complex to be readied for a major sports event. In that country, the company was charged with adoption of corrupt practices to acquire deals and the company was charged of following improper means of foreign exchange transfers. It may be added here that the company operates as a joint venture with a local partner in that country. Thus, the lesson to be learnt is that while venturing for a partnership, the company must study and analyze the business environment carefully. The second major weakness of the company is that it caters, by and large, to the luxury and high-end customers which gives ample space for the competitors to operate and capture the market. For instance, the company operates in hospitality sector but all of its hotels are meant to cater the guests preferring luxury and preferential treatment. While this strategy has paid off for the company till now, it may be appreciated that with the every dynamic economic climate, it is possible that the company may lose a major part of its clientele should things turn upside down. There are many competitors who provide quality services in affordable prices and provide a comfortable ambience for the guests and this is where the company might need to work upon.

**Opportunities:**
Bricks Inc. has a number of opportunities which it might harness. For instance, the company has been operating in finance and investments for quite some time now. It may be worthwhile to explore the option of offering life insurance policies and other insurance products to customers. Besides, the company may also provide services in healthcare. While the competitive landscape in the healthcare sector is rife with challenges, there are many opportunities which may be tapped by the company and this is especially with reference to the wellness products and services. Since the company’s hospitality space is well-grounded, the company may forge into traditional or modern health treatments. Conceding that the company has its tentacles spread out across the globe, it may be a worthwhile experiment to probe the traditional alternative medicine treatments in different countries and provide a one-stop solution. Likewise, in the retail segment, the company has been heavily investing in construction and running of malls and marts. It may be a promising venture to tap the global retail giants like Walmart and forge alliances with them. This is especially true in some countries where brand building may be difficult owing to the presence of more powerful and well-entrenched players. Finally, the company may opt for pushing forth in the automobile segment conceding that with an ever-increasing concern for pollution, the company may establish ties with automobile companies armed with a robust research and development (R&D) division. Also, with increasing concern for accidents and faulty mechanics, the company may churn vehicles which are eco-friendly and have all safety devices.

**Threats:**
Bricks Inc. faces threats from two quarters. The first threat is from the competitors, obviously. Real estate is a very complicated sphere to operate in and there are many challenges in this sector. For instance, there are different legal requirements in different countries. Therefore, adapting oneself to the legal injunctions of each of these countries is a complex matter. The same holds for the
entertainment segment in which the company has recently ventured into and it is not doing well given the better and affordable services provided by the competitors. Second, the threat emerges from the political and economic environment in which the company and its subsidiaries operate. It has been witnessed how the company has been facing legal troubles in a recent case where a whistleblower filed a case in the court of law stating that the company is not paying adequately to the employees hired from abroad and that such employees were mal-treated by the supervisors. While the case is pending in the court of law, it is understandable that the political and legal environment has a direct impact on the company’s functioning. Similarly, the company is affected by the economic environment and there are challenges pertaining to the downturn in the economy. This is particularly true in the present times when the company has to face the brunt of plummeting oil prices. While the company has been functioning with much struggle in the Middle East region, it is bearing the economic challenges, like demonetization or devaluation of currency, in other countries as well.

3.4 A comparative perspective of management structure using organizational charts
The present organizational structure at Bricks Inc. is defined in terms of verticals like marketing, finance, operations, human resources, supply chain management, etc. Presently, under the marketing vertical, there are further divisions into subsidiaries and thereafter the same are divided as regions. This is a functional form of management structure and while it may be applicable for smaller organizations, in a company as large as the one picked here, such a structure is infeasible and complex. Therefore, it is proposed that this may be changed because while Bricks Inc. has a number of subsidiaries operating in different countries, it would be appropriate if the management structure becomes geographic in nature. In the geographic structure, divisions would be defined in terms of the geographical territories in which the company and its subsidiaries operate. Further down, there would be functional differentiations. Figure 1 and 2 capture the differences. For clarity, a taxonomy of employees is being avoided here.

![Figure 1: Existing management structure at Bricks Inc.](http://www.webology.org)
Figure 2: Proposed management structure for Bricks Inc.

Conclusion
The study began with an appreciation of core concepts of McKinsey 7 S framework, Balanced Scorecard and SWOT analysis. Extensive literature was reviewed and fundamentals of these concepts were derived. Thereafter, Bricks Inc. (name anonymized for confidential reasons) was picked which primarily operates in the real estate sector but has many verticals which run across many sectors like hospitality, retail, financial investments, etc. As such, the company has its operations spread out in a number of countries and it has been registering annual profits over the years. While appreciating the company’s performance using the McKinsey 7 S framework, Balanced Scorecard and SWOT analysis, it is recommended that while the company has opportunities in many other spaces, it is important that the existing businesses be consolidated. Further, Bricks Inc. has been facing legal challenges in other countries and it may be worthwhile if the company conducts an extensive scan of the political, legal and economic environment before venturing forth in further business expansion.
References


