

Assessment of Shared Service Facilities (SSF) Cooperators based on McKinsey's 7S: Basis for Development Plan

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Abstract

Background: The question of business sustainability for MSMEs has been one of the emphases of the Department of Trade and Industry (DTI) of the Philippines in their MSME development program. The major component of the MSMED Program is the Shared Service Facilities (SSF) Project which aims to improve MSMEs competitiveness. This became the concern of the researchers in conducting this study- to assess the shared service facilities (SSF) Cooperators in Nueva Ecija using the Mc Kinsey's 7s model.

Objectives: This research study assessed the shared service facilities (SSF) Cooperators in Nueva Ecija using the Mc Kinsey's 7s model and identified the problems encountered by the respondents. The researchers believed that using the MC Kinsey's 7S in this study might contribute to the efficacy and productivity of the business operations of the SSF Cooperators in developing new business strategies that could help their operations grow.

Methods: The researchers used the descriptive- evaluative method to assess the business operation of the SSF Cooperators in Nueva Ecija based on the Mc Kinsey's 7S Model with the Statistical tools such as Percentage, Frequency Distribution, Weighted Mean, and Thematic Analysis were used in analyzing the data gathered.

Results: As to the result of the study using Mc Kinsey's 7S model, the shared values ranked 1 signifying that the respondents' business works effectively and efficiently towards its goals. There was monitoring of business performance (**strategy**), established organizational **structure**, compliant business **system**, collaborative working **skills**, well-defined **leadership style**, team-player **staff**, and good customer's services (**shared values**). This study also revealed the problems of the respondents in different aspects of their operation which became the basis of recommending a development plan which can be used in stabilizing the business performance, and in increasing the growth in the market.

Conclusions: For the conclusion of the study, shared values ranked as number 1 in the assessment of the respondents based on Mc Kinsey's 7S. This denotes that a business works well if the connectivity of all the factors of a business is working effectively and efficiently towards its goals for the business, employees, and societies. The harmonious working relationship of the manager and employees, leadership style of the head, collaborative working skills, and the good provision of the customer services were the top results that served as the foundation of a successful business. In line with the results, the researchers crafted a development plan to improve the operations of the SSF cooperators.

Keywords: *Shared Service Facilities, Mc Kinsey's 7S, Aspects of Business Operation*

1. Introduction

The DTI is responsible for realizing the country's goal of globally competitive and innovative industry and services sector that contribute to inclusive growth and employment generation (DTI, 2021). Primarily, the country's trade, industry, and investment activities are the transactions that the DTI monitors.

The question of business sustainability for MSMEs has been one of the emphases of the Department of Trade and Industry (DTI) of the Philippines in their MSME development program. Therefore, the DTI released its key strategies to solve the issue. One of the key strategies of the DTI is to implement its "Big Push" for MSME development. As extracted from the DTI website, a major component of the MSMED Program is the Shared Service Facilities (SSF) Project which aims to improve the competitiveness of MSMEs by providing them with machinery, equipment, tools, systems, skills and knowledge under a shared system. The SSF is a pioneering strategy of DTI in 2013 which aims to address gap in the innovation capacities of our MSMEs (DTI, 2021). This pillar will help the government's response to the need of the SMEs for technological advancement, upgrading of skills, and product development and packaging (Aldaba, 2012).

As extracted from the DTI website, the beneficiaries of the project are the actual and potential users of the SSF which should be predominantly cooperatives, associations or groups of MSMEs including MSMEs or individual entrepreneurs who may not be members of cooperatives, associations, corporations or organizations. The DTI memorandum order no. 13-1627 series of 2013 entitled "Guidelines for the Processing, Evaluation, Approval, and monitoring of the Projects under the DTI Shared service Facilities Project, explains the criteria in selecting the qualified cooperators of the project.

In Nueva Ecija, there are 39 SSF Cooperators approved in 2013-2014. Among these are seventy-two (72) percent who are fully operational in which ten (10) percent are partially operational; five (5) percent are non-operational; and thirteen (13) percent are transferred to other cooperators. With the data given, some SSF cooperators were experiencing challenges that should be evaluated to improve and increase their operations. Aside from that, the financial sustainability of the fully operational SSF Cooperators should be monitored, so that their longevity in the market would prevail.

A model that is inclined with the technology and business should be used to evaluate and help improve the operations of the SSF cooperators. One of the approaches that makes an organizational structure consistent is the McKinsey's 7S Model. As mentioned by Şalvarlı & Doğu (2018), the theory is widely used by the academics and practitioners and remain as one of the most popular strategic planning tools. In line with this, Ravanfar (2015) explains that this model, mainly comprises seven independent factors which are classified as hard elements (strategy, business structures, systems) and soft elements (management styles, shared values / corporate culture, human resources and capabilities).

With the above statements, the researchers used the Mc Kinsey's 7S as basis in the evaluation of the strategic direction of the 24 fully operational SSF Cooperators on how it would sustain its market position and move it to another level. This model is a dynamic application that plays an active role in structuring the business operations.

2. Objectives

This research study assessed the shared service facilities (SSF) Cooperators in Nueva Ecija using the Mc Kinsey's 7s model and identified the problems encountered by the respondents. The researchers believed that using the MC Kinsey's 7S in this study might contribute to the efficacy and productivity of the business operations of the SSF Cooperators in developing new business strategies that could help their operations grow.

Specifically, it sought to answers the following:

1. How may the aspects of business operation of the Shared Service Facilities (SSF) Cooperators be described in terms of:
 - 1.1 Organization and Management;
 - 1.2 Marketing;
 - 1.3 Technical/Production; and
 - 1.4 Financial?
2. How may the aspects of business operation of the Shared Service Facilities be assessed based on the McKinsey's 7S model in terms of:
 - 2.1 Strategy;
 - 2.2 Structure;
 - 2.3 Systems;
 - 2.4 Style;
 - 2.5 Skills;
 - 2.6 Staff; and
 - 2.7 Shared Values?
3. What are the problems encountered by the SSF Cooperators in terms of the Mc Kinsey's 7S model?
4. What development plan may be proposed to improve the operation of the SSF Cooperators?

3. Methods

The study used the mixed methods method to assess the shared service facilities cooperators of the DTI using the Mc Kinsey's 7S model and to develop a new business plan to improve the business operations of the SSF Cooperators based on the results of the study. This design was utilized to obtain a more complete picture than a quantitative or qualitative study alone, as it combines the advantages of both approaches.

In this study, the questionnaire instrument was utilized to collect the information needed. The research instrument helped the researchers to keep track of the evaluation in order to validate the information gathered. Furthermore, the researchers also had conducted series of interviews to validate the answers of the respondents.

This research study was conducted in different municipalities in the Province of Nueva Ecija where the respondents were identified. The list of respondents was given by the DTI Provincial office headed by the Provincial Director, Ms. Brigida T. Pili.

This study used total enumeration as a method of gathering data. Total enumeration sampling is a form of purposive sampling approach in which the researchers select the entire population with a certain set of characteristics to study. It is also known as complete enumeration which means a complete count. The researchers used this sampling method as the total number of the respondents was feasible for the researchers to get accurate data and information.

The researchers gathered data and information from related researches, articles, and internet. The questionnaire was formulated through the gathered information and was checked by the researchers' mentors. The reliability coefficient of the instrument was tested and measured with a score of .889, which means that the instrument has a good internal consistency. The validity of the research instrument was established by presenting the developed research instrument for the comments of the experts who rated the instrument with 4.64 as its weighted mean having a verbal interpretation of "very good". After the distribution, the answered questionnaires were retrieved and the data were tallied for interpretation.

The data collected from the locale were encoded, tallied, and analyzed. Statistical tools such as Percentage, Frequency Distribution, Weighted Mean, and Thematic Analysis were used in analyzing the data gathered. Scales were employed to interpret the results.

4. Results

1. Assessment on the Aspects of Business Operation of the Shared Service Facilities based on McKinsey's 7S Model.

Table 1. Results of Assessment based on McKinsey's 7S

Mc Kinsey's 7S	WM	VI	Rank	VD
Strategy	3.34	Always	6	Practiced all the time
Structure	3.66	Always	2	Practiced all the time
Systems	3.61	Always	3	Practiced all the time
Style	3.45	Always	5	Practiced all the time

Skills	3.49	Always	4	Practiced all the time
Staff	3.28	Always	7	Practiced all the time
Shared Values	3.83	Always	1	Practiced all the time
TWM	3.53	Always		Practiced all the time

1. Strategy

Based on the result, it was found out that the company monitors the income and expenses to ensure the profitability with a **weighted mean of 3.79** with **verbal interpretation of always**. On the other hand, the company provides wide varieties of products/services received the lowest **weighted mean of 3.04** with **Sometimes** as its verbal interpretation.

2. Structure

Under the Structure, the company has an organizational structure that shows clear segregation of duties among employees which ranked number one with a **weighted mean of 4.00** and **verbally interpreted as always**.

3. System

Results under the system shows that the company ensures to comply with the local laws and regulations affecting the operations of the business with **weighted mean of 3.96** and verbally interpreted as **always**.

4. Style

Table 28 shows that the problems that are shared with subordinates/members and the manager and employees share their opinions for the tasks to be accomplished with ease and confidence got a **weighted mean of 3.96** with **verbal interpretation of Always**.

5. Skills

Results under skills presents that the company manager always provides monitoring, coaching, and mentoring with the junior staffs to give opinions about their performances and skills in order to comply with the quality standards with a **weighted mean of 3.96** with **verbal interpretation of always**.

6. Staff

The researchers found out that the employees are team-players which make the over-all business operation efficient with a **weighted mean of 3.96** with **verbal interpretation of always**.

7. Shared Values

As to shared values, a **weighted mean of 3.88** or verbally interpreted as **"Always"** implies that the success of the operation of the business would be based on the smooth connections of the shared values of the company for its implementation.

2. Problems encountered by the SSF Cooperators

1. Problems encountered in the Organization and Management Aspect

Based on the finding, the “Difficulty blending of multiple personalities” got a frequency of **11 or 46%**. On the other hand, “Weak Communication and Feedbacking system” got the lowest result with **3 or 13%** of the respondents.

2. Problems encountered in the Marketing Aspect

Based on the finding, **the problem that ranked 1 under the marketing aspect was having limited market for product**. On the contrary, “No Marketing/ Sales Personnel” got the lowest percentage with **9 or 37% of the respondents**.

3. Problems encountered in the Technical/ Production Aspect

Limited facilities came **1st in rank** with **10 or 42% of the respondents** and “Repairs and Maintenance and Limited Production Staff” got the lowest results with both **4 or 17% of the respondents**.

4. Problems encountered in the Financial Aspect

The result shows the problem that ranked 1 in terms of financial aspect was **No/Limited Fund source with 9 or 28% of the respondents**. On the otherside, Uncollected past dues came last in rank with **3 or 9% of the respondents**.

3. Proposed Development Plan for the Shared Service Facilities Cooperators.

From the results of the problems encountered by the respondents, the researchers have formulated a Development plan to solve the problems and come up with different solutions of interventions.

5. Discussion

1. Assessment on the Aspects of Business Operation of the Shared Service Facilities based on McKinsey’s 7S Model.

1. Strategy

The findings with **always** verbal interpretation mean that it is necessary to learn and apply different strategies when it comes to the different aspects of the business to be competitive and to provide different solutions in the possible threats that the respondents may face or encounter. As stated by the respondents, daily monitoring is essential because it provides the latest update of the current situation of the business operation. As added, monitoring of operation also helps them in their production schedule to be prepared for possible coercions to be encountered during the process. To summarize, the overall result of the strategy of the respondents received was **“always”** practiced because the strategy has become part of the aspects of business to maintain its profitability and its market position.

Learning about business in relation to competition broadens one’s knowledge about the target audience and industry so that the business strategy can be refined. According to Fatihudin et.al (2018), it is important to understand the fundamental and technical analyses of the business. As an entrepreneur, a person can’t disregard the details of the competitors because at the end of the day, he/she will be running against each other in selling and persuading with prospects.

2. Structure

Results under Structure means that the respondents have a clear structural form that shows the delegation of tasks to its employees. It is always practiced all the time to have an effective

communication with the employees in each department. The organizational chart shows the hierarchy of position and to have centralized decision making and controlling of the business operation.

Based on the interview, as part of their communication and feed backing system, according to the respondents, they are communicating with their employees to seek help and to support improve their operation. The respondents also added that by doing this type of communication, different opinions on how to improve their products and services can be provided. Kloefkorn (2014) explained that structure will give employees more clarity, help manage expectations, enable better decision-making and provide consistency.

3. System

Results under the system point out that the respondents create policies and procedures followed by their employees which resulted to an organized system. It also maintains supporting documents as the foundation of their employees and business development. More so, the respondents are willing to adopt changes which implies that the adoption of technology advancement creates positive impact in their business operations, especially in dealing with better customer service.

The respondents said that they ensure to always abide with the local laws and regulations. As added, their policies and procedures are in line with the law and establish the rules of conduct within an organization, outlining the responsibilities of both employees and employers.

Many shared tools and practices are universally taught and projected to be utilized by all levels. Waldo (2015) expressed that the system also comprehends how to lead people and link them to the operational strategy. It was supported by Lipaj and Davidavičienė (2013) who considered the increased competition nowadays, that businesses strive to gain competitive advantage, increase their economic indicators, work productivity and efficiency, reduce costs and get other benefits through the implementation of the integrated information systems.

4. Style

Results under Style indicates that the opinions of the members, manager, and employees are important in a company to easily accomplish a task with ease and confidence.

In an interview with the respondents, they stated that they were considering all the ideas and supporting all the persons involved in their business operation from top level to lower level, especially those transactions that involve decision and policy making. A respondent stated that the implementation of the policies was done by the manager but the approval and decisions were coming from the top management or the board of directors.

According to Hirsch (2016), satisfaction is impacted when employees/stakeholders *perceive* themselves to be working in a participatory environment, even when they do not directly participate in specific decisions. In addition, effective participation efforts also require honest commitment from the management and from those who are leading changes or implementation efforts.

5. Skills

The finding under Skills indicates that coaching, monitoring, and mentoring help the company to comply with the quality standards. In line with this, according to a respondent, strengthening the employees' skills is an important managerial responsibility. It boosts the productivity of the employees to work smarter. Employees are more loyal and motivated when their bosses take time to help them improve their skills thru coaching and mentoring.

In support, Smith and Lynch (2014) emphasizes that mentoring is used in the induction of the new staff in the organization to improve communication among the different levels of management, and to encourage access for traditionally excluded groups from senior management positions.

6. Staff

The finding under Staff results indicate that it is significant in a company that the employees know how to work with one another. This is one of the facts that a business will not run successfully if the staff are not working hand in hand to accomplish their tasks, more so, work assignments will not be completed on time as well. It signifies that the employees are driven toward the goals of the business because of their working environment, self- motivation, and abilities. According to the respondents, though some of the employees have their personal issues, work –related tasks are not affected by it.

According to McFarlin (2019), when people know one another well, they are more likely to work well together. As added, while having some issues with employees, they are becoming too friendly and wasting time together, a happy and well-adjusted workforce is a productive one. By feeling more associated to their place of employment, workers naturally want to attempt harder to help keep the company going and to help it grow.

7. Shared Values

As to shared values, majority of the respondents know the aim and purpose of their business. As added by a respondent (vision and mission) these are the principles they work in the business that's why they are still on the market and they also provide products loved by the customer not only because of its economical price but because of the value in consuming it. These results under Shared Values are treated with outmost care and concern not only by the management but also by all the stakeholders of the business because it encompasses all the areas of the business operations.

Based on the result, shared values ranked as number 1 in the assessment of the respondents based on Mc Kinsey's 7S. This denotes that a business works well if the connectivity of all the factors of a business is working effectively and efficiently towards its goals for the business, employees, and societies. The harmonious working relationship of the manager and employees, leadership style of the head, collaborative working skills, and the good provision of the customer services were the top results that served as the foundation of a successful business. A statement from a respondent emphasized that everyone has to know the principle of the business to work well.

2. Problems encountered by the SSF Cooperators

1. Problems encountered in the Organization and Management Aspect

Majority of the problems under the organization and management came from the employees' individual characteristics and personality. Based on the interviews conducted, the employees' personality varies widely, and the multiplicity of backgrounds, opinions, views, and experiences can be the sources of challenges for the teams. This creates a unique set of potential issues and opportunities. As added by a respondent, there were some minor attitude problems and they are becoming repetitive which is not good for the business. It shows that individual development of the members or employees needs to be addressed.

According to Wroblewski (2020), individualism may allow employees to come up with their own ways of doing their jobs, each worker has an independent entity, so all companies need to address the idea of individualism in the workplace in order to remain efficient and competitive. As added by Mosley (2016), personality types are useful in recognizing how to lead, influence, communicate, collaborate, negotiate business, and manage stress. There are many ways in which understanding personality type can be applied in the workplace. It can help with one's leadership style to resolve conflicts more effectively, to communicate more effectively, to understand how others make decisions, to coach others, to improve sales skills, and to retain key staff.

2. Problems encountered in the Marketing Aspect

Based on the finding, the respondents are doing business in a very limited way. Since majority of them are located inside the barangay, their target market is very limited and they need to go out of their location and look for other prospects to patronize their products. In some instances, interview revealed that there were other business competitors who patronized their product. According to a respondent, they were supplying other dairy businesses when there was a shortage of milk. That's one of the few opportunities in terms of market expansion. A respondent also experienced limited market. Though they can produce more products, the problem is where to dispose them.

Suttle (2019) explained that if a business does not find new markets for its product, it cannot increase sales or profits. On the other hand, increasing the customer will help convert more customers and improve the sales. It only shows that team members and customers are important to the success of a business.

3. Problems encountered in the Technical/ Production Aspect

Limited facilities came 1st in rank. This implies that the respondents have been experiencing difficulty in the storage and production of their products which can cause problems in the operation of their business. If there are problems in the production facilities, it will result to the slowdown of the operation of the business which may lead to the decrease of sales and income. According to a respondent, they were experiencing lack of facility and lack of equipment for their operation because their operation was being restricted due to limited facilities. As added, if they have wider and additional facilities, their operation will be expanded into a big one.

According to Sunol (2020, July 22), One of the most critical issues that warehouse managers struggle with is optimizing warehouse storage. When not done properly, it can have costly consequences such as blocked aisles, lost stocks, and low productivity. Inadequate storage space and inefficient use of available storage are common problems in the warehouses with poor facility layout.

4. Problems encountered in the Financial Aspect

The result shows the problem that ranked 1 in terms of financial aspect implies that the respondents have an inadequate access to working capital and other financing options, a huge contributor to a business that lacks of success. The respondents revealed that they were experiencing some losses in their operation but not that big. Those losses can be retrieved immediately once additional sales are placed. An interview with a respondent revealed that they need additional working capital for the expansion of their new products and services. Aside from that, a respondent also shared their experience having a loan in Landbank. The said loan was used as additional working capital for their business. A respondent also added that the additional working capital they borrowed became a good help, especially in the increase of their profit since they used the said capital into new business venture of their organization.

According to Hawley (2020), efficient working capital management helps maintain smooth operations and can also help to improve the company's earnings and profitability. She also added that a hallmark of good business management is the ability to utilize working capital management to maintain a solid balance between growth, profitability and liquidity.

3. Proposed Development Plan for the Shared Service Facilities Cooperators.

Based on the data gathered, a development plan was crafted to improve the operation of the SSF Cooperators. The content of the development plan was based on the actual problems encountered by the SSF Cooperators. The respondents were also asked different interventions on how they could solve those problems. With the interventions provided by the respondents, the researchers came up with the development plan that can be used to solve their problems under the different aspects of business operations.

Based on the findings presented, the following were recommended:

1. Strengthening and enhancing of the practices based on Mc Kinsey's 7S will lead in the new strategic direction and digital transformation of the SSF Cooperator which may result to the enhancement of the quality of their products and services.
2. It is recommended to use different interventions which are applicable in solving the problems encountered by the SSF Cooperators. It may help them in identifying their efficiency gains and cost savings that may contribute to their economic benefits as aligned in the synoptic view of the project to support them in accelerating and stabilizing the economic growth.
3. It is recommended that the development plan crafted by the researchers be used to help the SSF Cooperators to gain more income even if they change their industry, and the ventures stated in the proposed development plan may augment their income and may expand, grow, and help the economy in the long run.

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