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FROM THE MCKINSEY 7S MODEL TO MANAGEMENT ACCOUNTING: AN INNOVATIVE FRAMEWORK FOR INFORMAL ECONOMIES IN SOUTHERN AFRICA

DO MODELO 7S DA MCKINSEY À CONTABILIDADE GERENCIAL: UMA ESTRUTURA INOVADORA PARA ECONOMIAS INFORMAIS NA ÁFRICA AUSTRAL

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Abstract

This article proposes an innovative adaptation of McKinsey's 7S model to management accounting, with a specific focus on the informal economies of Southern Africa. The research resulted in the development of the 7S-CGeIA Framework (7Ss of Management Accounting for African Informal Economies), a conceptual tool that reconfigures the classic elements of the McKinsey model into components adapted to the reality of informal transport sectors in emerging countries. Through a case study in the Lobito-Benguela corridor in Angola, adaptive costing methodologies were applied that incorporate indirect costs, administrative expenses, and hidden losses frequently ignored by informal operators. The results show a significant discrepancy between perceived profitability (45%) and real profitability (18%), highlighting the urgent need for contextualized financial management instruments. The proposed framework offers a structured solution in four implementation phases, adapting elements such as Adaptive Costing Strategy, Horizontal Organizational Structure, and Simplified Accounting Information Systems to the cultural, economic, and institutional specificities of the region.

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Keywords: 7S Model, 7S-CGeIA Framework, Angola, Emerging Countries, Informal Economy, Management Accounting, McKinsey, Southern Africa, Transport Sector.

Resumo

O presente artigo propoe uma adaptacao inovadora do modelo dos 7 S's da McKinsey ao dominio da contabilidade de gestao, com foco especifico nas economias informais da Africa Austral. A investigacao resultou no desenvolvimento do Framework 7S-CGeIA (7 S's da Contabilidade de Gestao para Economias Informais Africanas), uma ferramenta conceptual que reconfigura os elementos classicos do modelo McKinsey em componentes adaptados a realidade dos setores informais de transporte em paises emergentes. Atraves de um estudo de caso no corredor Lobito-Benguela em Angola, aplicaram-se metodologias de custeio adaptativo que incorporam custos indiretos, gastos administrativos e perdas ocultas frequentemente ignorados pelos operadores informais. Os resultados evidenciam uma discrepancia significativa entre a rentabilidade percebida (45%) e a rentabilidade real (18%), sublinhando a necessidade urgente de instrumentos de gestao financeira contextualizados. O framework oferece uma solucao estruturada em quatro fases de implementacao, adaptando elementos como a Estrategia de Custeio Adaptativo, a Estrutura Organizacional Horizontal e os Sistemas de Informacao Contabilistica Simplificados as especificidades culturais, economicas e institucionais da regiao.

Palavras-chave: Africa Austral, Angola, Contabilidade de Gestao, Economia Informal, Framework 7S-CGeIA, McKinsey, Modelo dos 7 S's, Paises Emergentes, Setor de Transporte.

INTRODUCTION

In recent years, Southern Africa has witnessed significant economic transformations, characterized by sustained growth of the informal sector, which in some countries in the region represents more than 50% of the Gross Domestic Product (GDP) and employs approximately 80% of the active population

(Medina et al., 2017; IMF, 2020). In particular, the informal transport sector constitutes a fundamental piece in urban mobility infrastructure and a vital source of income for millions of families.

However, despite its undeniable socioeconomic relevance, this sector operates predominantly outside formal financial management systems. Operators develop their activities based on empirical financial management practices, often devoid of structured instruments for cost control, financial planning, and profitability analysis. This reality raises fundamental questions about the economic efficiency of operations, business sustainability, and profit maximization capacity.

PROBLEM STATEMENT

Management accounting, as traditionally conceived in developed Western contexts, presents significant limitations when applied to the reality of African emerging countries. Conventional costing models (absorption, variable, ABC) assume the existence of formal organizational structures, sophisticated information systems, and specialized technical staff, conditions rarely present in the African informal sector.

In the Lobito-Benguela corridor, in Angola, this problem manifests itself particularly acutely. Taxi operators known as "blue and white" operate based on empirical records that, although functional for daily management, omit significant indirect costs such as vehicle depreciation, administrative expenses, and hidden losses. As documented in field research conducted in 2025, this gap results in an alarming discrepancy: while operators perceive a profit margin of approximately 45%, the rigorous application of management accounting principles reveals a real profitability of only 18%.

OBJECTIVES

The general objective of this article is to develop an innovative conceptual framework that adapts the McKinsey 7S model to the domain of management accounting, specifically designed for the informal economies of Southern Africa. The specific objectives include: a) to analyze the McKinsey 7S model and identify the potential for its adaptation to the field of management accounting in informal contexts; b) to characterize the economic and operational context of the informal transport sector in Southern Africa; c) to propose the 7S-CGeIA Framework, reconfiguring each of the 7Ss into components adapted to the reality of emerging countries; d) to demonstrate the applicability of the framework through a case study in the Lobito-Benguela corridor, Angola; e) to contribute to the development of a new paradigm in management accounting that balances technical rigor with practical feasibility in development contexts.

THEORETICAL FRAMEWORK

THE MCKINSEY 7S MODEL

Developed in the 1980s by Tom Peters and Robert Waterman, consultants at McKinsey & Company, the 7S model constituted a revolution in the way organizations are analyzed and diagnosed. Unlike previous models that focused almost exclusively on structural and quantitative elements, the 7S framework introduced a holistic vision that balances "hard" and "soft" elements (Peters; Waterman, 1982).

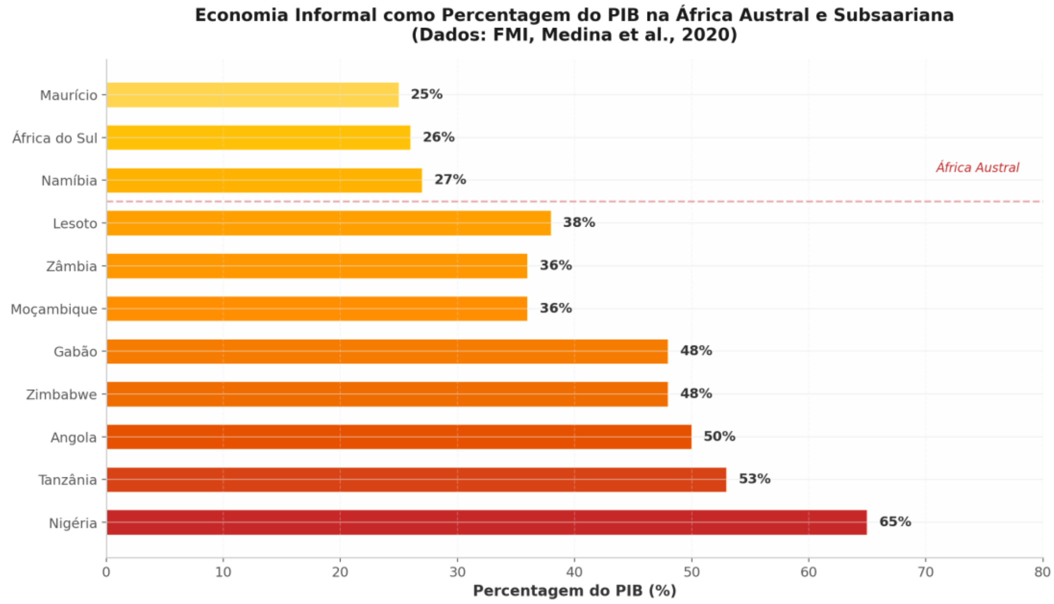
The three hard elements of the model are: Strategy, Structure, and Systems. The four soft elements comprise: Shared Values, Style, Staff, and Skills. Since its conception, the model has been widely applied in diverse contexts, including organizational diagnosis, strategic change implementation, and performance evaluation (Masfi; Sukartini, 2022). Recently, researchers have explored its application in emerging economies (Adega, 2020; Al-Tamimi, 2023). However, an exhaustive analysis of the literature reveals a significant gap: no studies were identified that adapt the 7S model specifically to the domain of management accounting in informal contexts of emerging countries.

MANAGEMENT ACCOUNTING IN SOUTHERN AFRICA

Southern Africa presents an economic scenario marked by significant contrasts. The region encompasses countries with different levels of economic development, from relatively developed economies, such as South Africa and Namibia, to countries in post-conflict reconstruction, such as Angola and Mozambique. Regardless of the level of development, all countries in the region share a common characteristic: the predominance of the informal sector in employment and income generation.

Figure 1

Informal Economy as Percentage of GDP in Southern and Sub-Saharan Africa

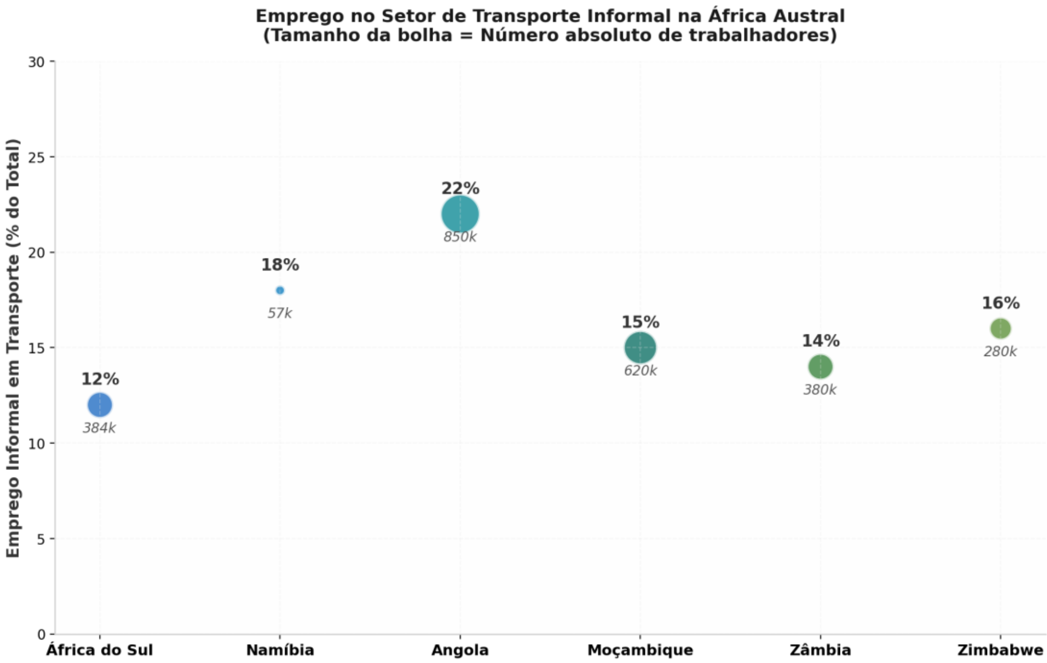


Source: Author (2026), based on IMF data (Medina et al., 2017) and Statista (2024).

The data demonstrate the magnitude of the informal sector in the region. Angola, with approximately 50% of GDP generated in the informal sector, represents a paradigmatic case. Approximately 80% of jobs in Angola are informal, and in the transport sector this percentage is even higher. National unemployment ranges from 30-40%, affecting especially young people, which makes the informal transport sector a subsistence option for many families (Bank of Namibia, 2025; UNDP, 2023).

Figure 2

Employment in the Informal Transport Sector in Southern Africa



Source: Author (2026), based on INE (2024) and ILO (2024) data.

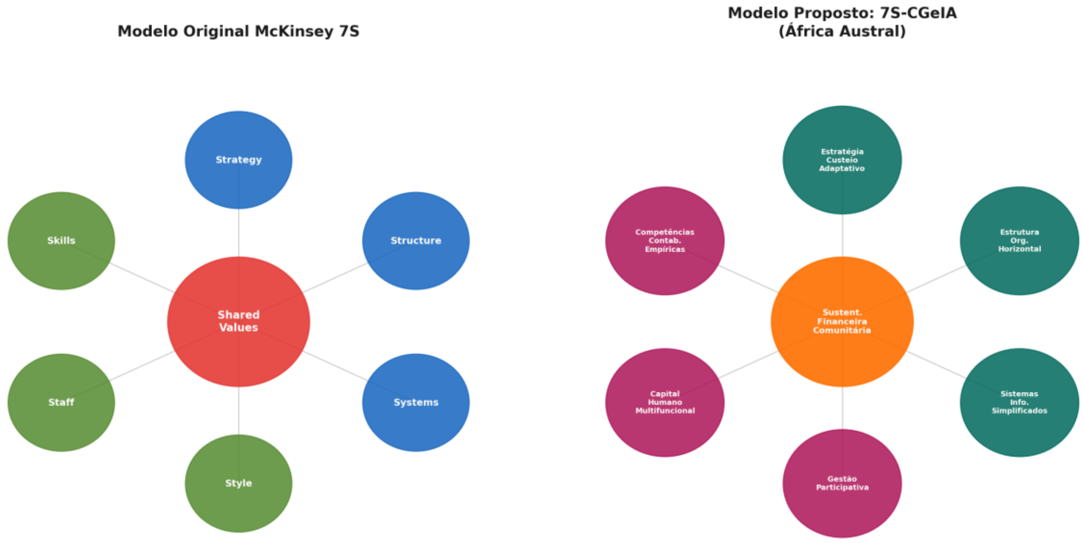
The informal transport sector plays a strategic role in urban and interurban mobility in Southern Africa. In Angola, the "blue and white" taxi operators represent the main collective mobility alternative in many cities, especially in the Lobito-Benguela corridor, where they transport on average 140 passengers per day per vehicle. In economic terms, each taxi driver generates an estimated monthly business volume of 4.5 million Kwanzas (approximately USD 5,000). However, the sector faces significant structural challenges: fluctuations in fuel prices, scarcity and high cost of spare parts, non-pedagogical supervision, absence of formal accounting records, and regulated fares that do not always reflect real operating costs.

THE 7S-CGeIA FRAMEWORK

The 7S-CGeIA Framework (7Ss of Management Accounting for African Informal Economies) represents an innovative reconfiguration of the classic McKinsey model, adapting each of the seven elements to the specificities of the informal transport sector in Southern Africa. The proposal is based on the premise that effective management accounting in informal contexts requires not only appropriate costing techniques, but also strategic, structural, cultural, and human alignment that has traditionally been ignored by the accounting literature.

Figure 3

Comparison between the Original McKinsey 7S Model and the Proposed 7S-CGeIA Framework



Source: Author (2026).

THE ADAPTED 7SS

Shared Values - Community Financial Sustainability (CFS)

At the center of the framework, the generic concept of "Shared Values" is replaced by "Community Financial Sustainability." This concept translates the idea that management accounting in the African informal context cannot be an individual and isolated activity, but must involve the entire community of operators. The CFS comprises three dimensions: a) Shared Financial Transparency - operators share information about costs and revenues within class associations, creating community benchmarks; b) Collective Economic Resilience - formation of rotating emergency funds among groups of taxi drivers; c) Intergenerational Financial Heritage - transmission of basic accounting knowledge to future generations.

Strategy - Adaptive Costing Strategy (ACS)

The Adaptive Costing Strategy represents a hybrid approach that combines elements from different traditional costing methods, adapting them to the operational reality of the informal sector. The method incorporates four layers: (1) Mileage-Based Costing (MBC) - assigns direct costs based on kilometers traveled; (2) Simplified Activity-Based Costing (SABC) - identifies the main activities and assigns indirect costs; (3) Dual-Factor Wear Imputation (DFWI) - uses lambda coefficients to impute technical fluid costs based on mileage and time; (4) Operational Risk Reserve (ORR) - establishes a contingency margin for unforeseen losses.

Structure - Horizontal Organizational Structure (HOS)

The Horizontal Organizational Structure replaces traditional hierarchy with a collaborative network of interdependent operators. In the context of the Lobito-Benguela taxi drivers, five main agents were identified: owners, drivers, fare collectors, loaders, and class associations. The HOS proposes: a) Horizontal Value Chain - each agent is responsible for a specific function, but all share the global financial vision; b) Responsibility Center Accounting - each agent controls the costs under their direct influence; c) Distributed Decision-Making - pricing and route decisions are made collectively, based on shared financial data.

Systems - Simplified Accounting Information Systems (SAIS)

The SAIS represent a radical adaptation of traditional management information systems, designed to operate in contexts with limited technological resources. The proposal includes: a) Daily Record Book (DRB) - a simple, standardized notebook where the owner records revenues, direct expenses, and occurrences; b) Weekly Cost Sheet (WCS) - aggregation of DRB data, with calculation of basic indicators (revenue/km, cost/km, gross margin); c) Monthly Control Panel (MCP) - simple graphical visualization of the main performance indicators; d) Simplified Mobile Application - for operators with access to smartphones.

Style - Participatory Management Style (PMS)

The Participatory Management Style replaces the traditional top-down approach with a methodology of active inclusion of all stakeholders. In the African context, where community relations and the concept of "ubuntu" are fundamental values, the PMS leverages these cultural characteristics to build a collaborative financial management system. The principles include: weekly group meetings for financial analysis; decisions about fare adjustments result from a collective consensus process; mentoring between experienced and novice operators; and public recognition of those who maintain the most accurate records.

Staff - Multifunctional Human Capital (MHC)

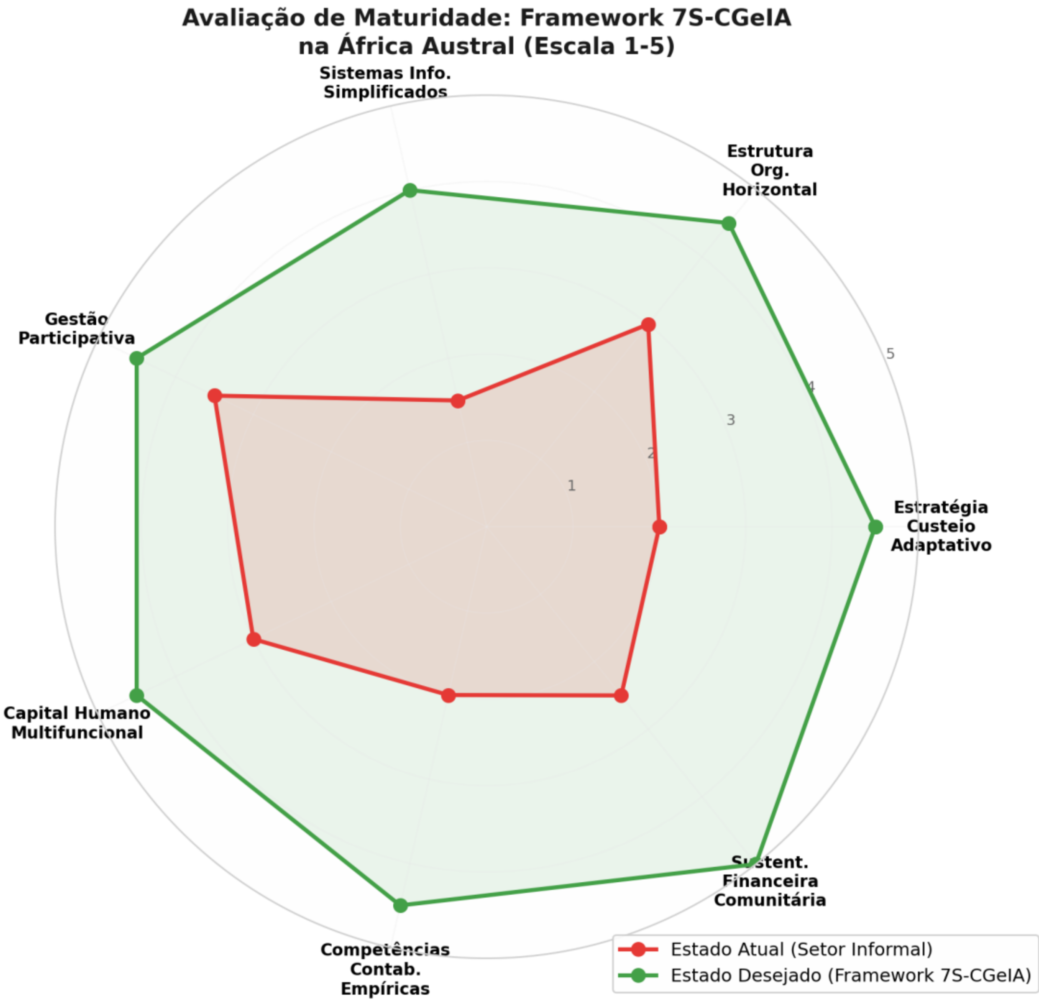
The concept of Multifunctional Human Capital recognizes that, in the African informal sector, each individual often performs multiple functions. The MHC proposes a capacity-building program at three levels: a) Basic Level - basic financial literacy, transaction recording, direct cost calculation; b) Intermediate Level - variance analysis, inventory management, service quality control; c) Advanced Level - financial planning, investment analysis, risk management, negotiation with authorities.

Skills - Empirical Accounting Skills (EAS)

Empirical Accounting Skills represent the formal recognition that African informal operators already possess a set of accounting skills developed through daily practice. The identified EAS include: ability to mentally calculate costs and revenues; intuitive knowledge of seasonal demand patterns; skill in negotiating prices based on fuel availability and vehicle condition; and competence in identifying operational "break-even points."

Figure 4

Maturity Assessment of the 7S-CGeIA Framework in Southern Africa (Scale 1-5)



Source: Author (2026).

THE ADAPTIVE COSTING METHOD

Table 1 presents the comparison between the cost structure according to operators' empirical records and according to management accounting principles. The discrepancy is significant: while operators concentrate 85% of their records on direct costs, management accounting reveals that indirect costs actually represent 45% of the total cost.

Table 1

Cost Structure Comparison: Empirical Records vs Management Accounting

Component	Empirical Records (%)	Management Accounting (%)
Direct Costs	85	35
Indirect Costs	10	45
Administrative Expenses	3	12
Hidden Losses	2	8

Source: Author (2026).

Table 2 presents the detailed structure of indirect costs identified for the three vehicles analyzed in the field study.

Table 2

Indirect Cost Structure per Vehicle - Lobito-Benguela Corridor (2025)

Component	Vehicle 1 (Kz/year)	Vehicle 2 (Kz/year)	Vehicle 3 (Kz/year)
Licensing	43,250	43,250	43,250
Insurance	58,090	74,612	58,090
Depreciation	3,349,500	3,478,200	3,639,900
Preventive Maintenance	850,000	920,000	780,000
Spare Parts	1,200,000	1,350,000	1,100,000
Incidents/Fines	180,000	220,000	150,000

Source: Author (2026).

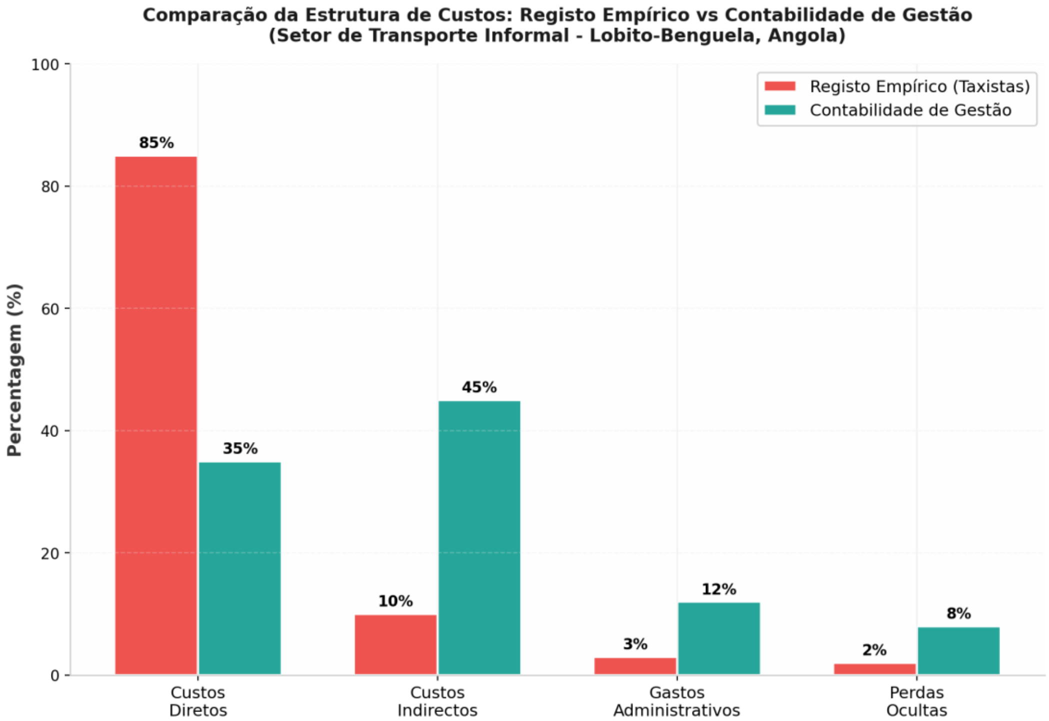
CASE STUDY

CHARACTERIZATION OF THE LOBITO-BENGUELA CORRIDOR

To demonstrate the applicability of the 7S-CGeIA Framework, a case study was conducted in the Lobito-Benguela corridor, Benguela province, Angola. This corridor was selected for representing one of the most active informal transport axes in the country, connecting two cities with a combined population of approximately 760,000 inhabitants (INE, 2024). The studied stretch, between Praca do Chapanguele (Lobito) and Cruz Vermelha (Benguela), corresponds to a 35-kilometer route that serves as the main link between residential, commercial, and institutional zones.

Figure 5

Cost Structure Comparison: Empirical Records vs Management Accounting

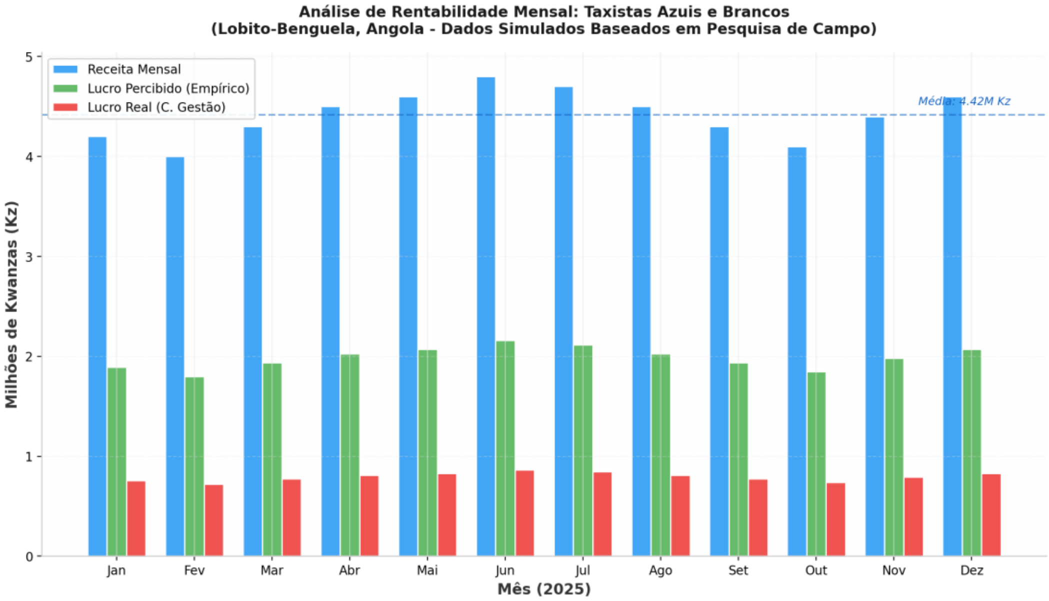


Source: Author (2026).

The analysis revealed significant differences between the empirical records of operators and the formal records according to management accounting principles. The official tariff formula, established by Joint Executive Decree 402/14, has the following structure: Fare = [(TCA / 12) + TPL] / (AMP x WDM), where TCA represents the Total Annual Cost, TPL the Total Profit Margin, AMP the Average Monthly Passengers, and WDM the Working Days per Month. However, the formula presents significant limitations, namely the absence of explicit criteria regarding distance traveled and the lack of permanent updating of spare parts prices.

Figure 6

Monthly Profitability Analysis: Blue and White Taxi Drivers - Lobito-Benguela Corridor



Source: Author (2026), based on field research data.

The profitability analysis demonstrates that, although the average monthly revenue is 4.4 million Kwanzas, the real profit after correct imputation of all costs (direct, indirect, administrative, and hidden losses) is only 800,000 Kwanzas, corresponding to a margin of 18%. This reality contrasts sharply with the operators' perception, who estimate a profit margin of 45%. The application of the 7S-CGeIA Framework to the Lobito-Benguela corridor revealed significant potential for improving financial management, validating its practical applicability.

DISCUSSION AND IMPLICATIONS

THEORETICAL IMPLICATIONS

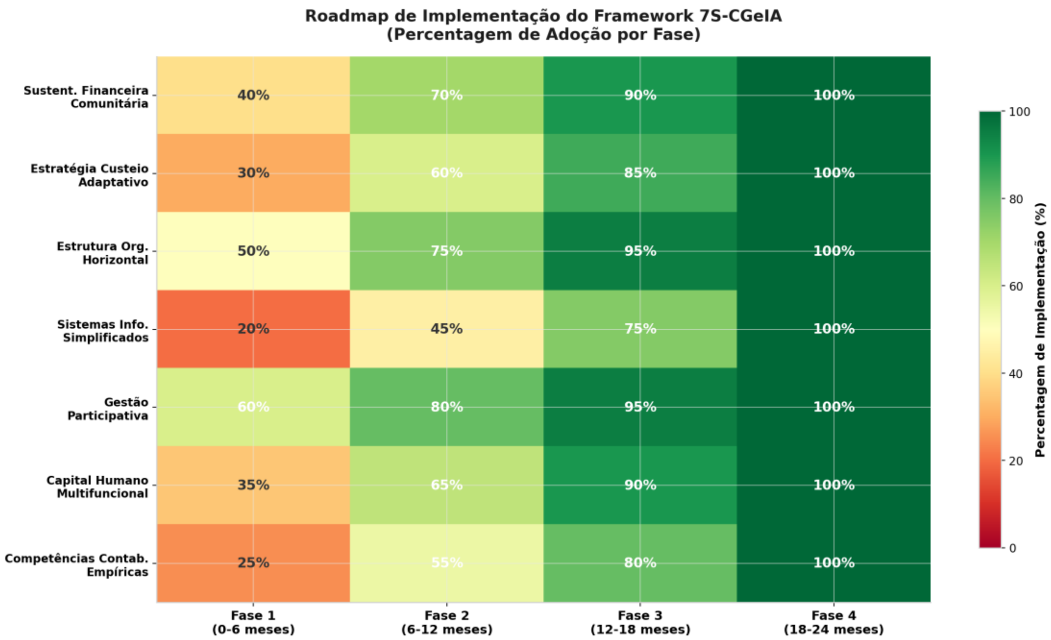
The 7S-CGeIA Framework contributes to the management accounting literature in three distinct ways. First, it demonstrates that the McKinsey 7S model, traditionally applied to strategic organizational diagnosis, can be fruitfully adapted to the domain of management accounting. Second, it proposes an innovative conceptual synthesis that integrates insights from Western management accounting with the empirical knowledge accumulated by African informal operators. Third, it offers a response to Albu and Albu's (2012) call for greater attention to the specificities of developing countries in the accounting literature.

PRACTICAL IMPLICATIONS

For informal sector operators, the framework offers a structured roadmap for improving financial management without requiring significant investments in technology or specialized training. For class associations, it provides a model for developing financial capacity-building programs. For policymakers, it offers technical subsidies for the design of gradual formalization policies that respect the operational reality of the sector.

Figure 7

7S-CGeIA Framework Implementation Roadmap - Adoption Percentage by Phase



Source: Author (2026).

The implementation roadmap demonstrates that a gradual adoption of the framework over 24 months allows operators to progressively integrate new management practices without significant disruption to current operations. Participatory Management and Horizontal Organizational Structure present the fastest adoption rates, reflecting their consonance with existing community practices. Simplified Accounting Information Systems present the slowest adoption, justified by the need for prior financial literacy.

LIMITATIONS

The present study presents limitations that must be acknowledged. The application of the framework focused on a single geographic corridor, which limits the generalizability of the results. Additionally, the data collection period may not capture the full seasonal variability of the activity. Future research should: a) test the framework in multiple geographic contexts (Zambia, Mozambique, Namibia); b) develop the technological component of the SAIS (mobile application); c) evaluate the quantitative impact of framework adoption on operators' profitability over a longer period.

CONCLUSION

This article proposes and demonstrates the feasibility of the 7S-CGeIA Framework, an innovative adaptation of the McKinsey 7S model to the domain of management accounting for informal economies in Southern Africa. The research revealed that the application of management accounting principles to the informal transport sector is not only desirable, but urgently necessary, given the discrepancy between perceived profitability (45%) and real profitability (18%) of operators.

The framework offers an integrated solution that balances technical rigor with practical feasibility, recognizing and valuing the empirical skills already existing among African operators. The seven components - Community Financial Sustainability, Adaptive Costing Strategy, Horizontal Organizational Structure, Simplified Accounting Information Systems, Participatory Management Style, Multifunctional Human Capital, and Empirical Accounting Skills - function as an integrated system where each element reinforces the others.

For the academic community, this work opens a new field of research at the intersection between management accounting and economic development in informal contexts. For practitioners and policymakers, it offers a practical instrument to promote financial inclusion and economic sustainability of a sector that employs millions of Africans.

"True development does not consist in replacing the informal with the formal, but in elevating the informal to new standards of rigor, transparency, and sustainability." (Author, 2026)

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