

ASSESSMENT OF MORGAN STANLEY ORGANIZATION

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Abstract

Organizational assessment promotes an understanding of the internal and external environments of the firm for better decision-making and strategic planning. All companies in the contemporary business sector perform an organizational assessment to understand their strengths, weaknesses, market opportunities, and threats. These factors help the management teams make informed strategic decisions to promote the organization's future growth and success. This study aims to assess Morgan Stanley's investment and financial company using a combination of four organizational assessment tools. The four tools to be used are McKinsey 7-S Framework, Balanced Scorecard, SWOT Analysis, and PESTLE model. The paper also aims to recommend changes I would implement at Morgan Stanley if I were the company's CEO. Lastly, the paper provides the current and proposed management structure to be implemented, supported with reasons for change.

Table of Contents

Abstract.....	ii
1. Introduction.....	1
2. McKinsey 7-S Framework.....	2
2.1 Strategy.....	2
2.2 Structure.....	2
2.3 Systems.....	3
2.4 Shared Values.....	3
2.5 Skills.....	3
2.6 Style.....	4
2.7 Staff.....	4
3. Balanced Scorecard Method.....	5
3.1 Customer.....	5
3.2 Financial.....	6
3.3 Internal Processes.....	6
3.4 Growth and Learning.....	6
4. SWOT Analysis.....	7
4.1 Strengths.....	7
4.2 Weaknesses.....	8
4.3 Opportunities.....	9
4.4 Threats.....	11
5. PESTLE Analysis.....	12
5.1 Political Stability.....	13
5.2 Economic.....	13
5.3 Social.....	15

5.4 Technological..... 15

5.5 Legal..... 16

5.6 Environmental..... 16

6. Change Recommendations..... 17

7. Conclusion..... 18

Appendix 1: Before Change..... 21

Appendix 2: After Change..... 22

Assessment of Morgan Stanley Organization

1. Introduction

Organizational assessment is the systematic analysis of the company's structure, work environment, and processes to facilitate the development of strategic plans to support the achievement of the organization's goals and strategic objectives. SWOT analysis, PESTLE, balanced scorecard, and McKinsey 7-S framework are some essential tools for organizational assessment (Black et al., 2019). Because of their effectiveness, these four assessment tools will be used to analyze the internal and external business environments of Morgan Stanley Financial Services Company, where I work. The seven key elements of the McKinsey 7-S tool will help assess Morgan Stanley's internal organizational design to establish how the company can achieve effectiveness.

The SWOT analysis will be essential in assessing Morgan Stanley's internal and external environments to provide a general picture of its current strengths, weaknesses, opportunities, and threats (Benzaghta et al., 2021). These elements will be essential in promoting the company's strategic planning and decision-making for future success. PESTLE's six elements will promote an understanding of Morgan Stanley's external macro environment for better positioning in the market (Black et al., 2019). The balanced scorecard tool will evaluate the company's customer, financial, internal processes, and growth and learning to align the strategies with a vision for future success. This analytical paper utilizes the SWOT, PESTLE, balanced scorecard, and McKinsey 7-S analysis tools to assess Morgan Stanley Company and recommend necessary changes for enhancing its strategic success.

2. McKinsey 7-S Framework

The seven elements of the McKinsey 7-S framework needed to assess Morgan Stanley include strategy, structure, systems, shared values, skills, style, and staff (Black et al., 2019).

2.1 Strategy

Morgan Stanley's current short-run costs and core competitive advantage are relatively unbalanced and threaten the effectiveness of its organizational design (Strauß, 2021). The company should thus build a strong and effective balance between its short-run cost savings and protecting its core competitive advantage in its industry. The customers perceive its services and products to provide an excellent "value for money" proposition that outperforms substitute companies (Strauß, 2021). It's, therefore, important for Morgan Stanley to avoid lowering costs too low as this can amount to the delivery of inferior services or products that can severely affect future sustainability and competitive advantage.

2.2 Structure

Morgan Stanley's current structure and supply chain management are relatively good but require improvement to promote organizational resilience during pandemics, financial crises, and geopolitical disruptions (Han et al., 2022). The company currently over-relies on China as the primary supplier, a factor that threatens its resilience to geopolitical issues such as the intensifying US-China trade war (Smith et al., 2020). Morgan Stanley should diversify its suppliers geographically to reduce over-dependence on the China-based supply chain. The company should also increase the effectiveness of its structure by adopting a small team approach to enhance organizational decision-making, management, and performance according to ongoing developments.

2.3 Systems

Morgan Stanley has well-established systems optimize its efficiency and effectiveness when delivering customer service (Strauß, 2021). However, it should improve its internal processes, such as customer relationship management (CRM), risk management, data visualization, and web application optimization, to leverage the organization's general effectiveness and efficiency. The company also needs to implement an effective system that allows the staff to operate efficiently both from home and in the workplace for better operations and service delivery (Smith et al., 2020). Morgan Stanley should implement a robust cybersecurity system to address potential cyber risks that may threaten its performance and productivity in the financial service industry.

2.4 Shared Values

Morgan Stanley has a successful business model directly linked to its core values, mission, and vision (Han et al., 2022). Its current shared values are well-established and require little change, like adding the sustainability value to make it most effective. The company's investors currently emphasize an effective sustainability approach to address the potential environmental, societal, and governance (ESG) issues. Morgan Stanley should adopt the triple bottom line concept (social, environmental, and financial) to optimize its financial and ESG reporting transparency.

2.5 Skills

Morgan Stanley has a training and development program for developing the professional skills of its employees. However, the program is not well-managed, and the company experiences high turnover as staff frequently leave for other organizations (Smith et al., 2020). The organization should implement an effective structured staff training and development

program to continuously enhance its workforce's competence. Morgan Stanley also needs to recruit fresh talents to replace the departed old talents, then adequately train and align the fresh talents with the organization's mission, vision, and core values to enhance effectiveness (Han et al., 2022). On-the-job training should be implemented to improve the employees' skills to match the changing business environment.

2.6 Style

Morgan Stanley's leadership style and culture emphasize inclusive and collaborative approaches that consider team members' ideas when making strategic decisions. The company's effective leadership and culture are supported by the five core values that emphasize integrity, diversity and inclusion, innovativeness, customer focus, and corporate social responsibility (Smith et al., 2020). This effective leadership style and culture have helped Morgan Stanley remain competitive and successfully attain its strategic objectives. The organization should improve the effectiveness of its leadership by encouraging the creation of smaller and manageable teams that form part of large teams for smooth and enhanced workflow.

2.7 Staff

The organization's staff valuation is relatively low compared to other financial firms, which explains the high turnover rate. Morgan Stanley is not doing enough in terms of staff compensation and appraisal, a factor affecting many employees' work morale (Han et al., 2022). The firm also relies on a physical workforce, which makes it difficult to maintain operations during severe pandemics like the COVID-19 pandemic. Morgan Stanley's human resource team should focus on promoting staff retention to prevent the loss of experienced and skilled staff since hiring and training new staff is costly to the organization (Pearson, 2022). Additionally, the organization should adequately train the staff to work physically and online to help maintain

operations even during pandemics and economic disruptions. The leadership should integrate a direct multi-level interaction in the organization to optimize transparency and foster excellent relationships among the staff and senior leaders.

3. Balanced Scorecard Method

The four elements of the balanced scorecard used in this case are customer, financial, internal processes, and growth and learning perspectives (Quesado et al., 2018).

3.1 Customer

Morgan Stanley's handling of service calls is good, manifested by fairly short waiting times and excellent services from its customer care team. The firm has an average of 3-5 minutes of call waiting time for its customers seeking service through calls (Pearson, 2022). The service providers are always readily available to respond to the service calls, thereby optimizing customers' experience. The company handles complaints and claims quickly and professionally. It has a specific team that analyzes the customers' reviews and feedback, then attends to them based on priority and severity (Choi, 2016). Morgan Stanley's return policy enables customers to return products or re-see services at no cost if the received ones have faults.

Morgan Stanley delivers services to its customers in a timely manner, thus enhancing their experience and increasing their loyalty. The firm's high-quality and reliable services promote customer profitability and leverage lifetime value (Choi, 2016). As a result, Morgan Stanley attracts more customers and maintains the existing ones, maintaining its top spot in the investment industry. The dominant market share in the target segments enables Morgan Stanley to attract new customers, dominate the industry, maximize revenues and grow faster (Davenport and Miller, 2022). Lastly, Morgan Stanley's customer-focused innovative culture helps it develop

the existing customer business effectively. This justifies why the firm has a huge customer base and still attracts new customers.

3.2 Financial

Morgan Stanley has a short break-even time, enhancing its profitability and growth in the investment industry. It takes about one-to-two years to generate discounted cash flows that match its initial project cost (Davenport and Miller, 2022). The company's annual revenues have been consistently increasing, promoting its financial growth. Morgan Stanley also has a large market share that maximizes its annual revenues and promotes overall growth. The good financial performance of the firm has constantly been attracting numerous investors, thus increasing the available financial capital for expanding the business operations (Smith et al., 2020). The consistent good financial performance of the firm has also been essential in optimizing shareholder value.

3.3 Internal Processes

Morgan Stanley's ratio of new sales to total sales is fairly high and reflects its consistency in attracting new customers (Smith et al., 2020). This shows that it is doing well in the industry and requires a few adjustments to maintain a high volume of new sales. The firm meets its product introduction goals in terms of sales and revenues, attributing to over 90 percent success in launching new products (Pearson, 2022). The existing advanced technology leverages efficiency and minimizes the cost of Morgan Stanley's product development cycle. This enables the firm lower operation costs and production time while maximizing quality.

3.4 Growth and Learning

Morgan Stanley's staff training and development program facilitates continuous employee retraining to develop their professional skills. The job coverage ratio is also high, manifested by

strategic redundancy in the job skills (Han et al., 2022). This helps maintain smooth operations if some members are unavailable. However, the firm's staff compensation is poor, attributed to the high turnover rate among the low-level employees. The management has small team members whose ideas are considered when making strategic decisions (Choi, 2016). This helps the firm to implement innovative ideas that promote the firm's success.

4. SWOT Analysis

The SWOT analysis approach offers insight into the organization's internal and external environments (Benzaghta et al., 2021). In this case, the strengths and weaknesses will highlight Morgan Stanley's internal environment, and the opportunities and threats will provide insight into its external environment.

4.1 Strengths

Morgan Stanley Company has a strong and well-established market leadership position in the investment service industry. In fact, the firm has established itself as the market leader with a large loyal customer base that promotes its customer share (Han et al., 2022). The firm relies on its strong market leadership position to attract new customers, drive sales and facilitate quick growth. Strong market leadership has also been crucial to Morgan Stanley in successfully scaling its new products in the market.

Morgan Stanley's excellent culture of innovation is its key strength in dominating the financial service industry. The firm's customer-driven innovation strategy enables it to deliver exceptionally high-quality investment services that its industry competitors cannot match (Han et al., 2022). Many players in the industry have tried to implement various strategies, but Morgan Stanley's excellent track record of customer drive innovation outperforms them at all levels.

Another key strength of Morgan Stanley is its diverse portfolio that minimizes risks, reduced revenues, or business failure (Han et al., 2022). The company has numerous investments outside the financial service segment, which enables it to diversify revenue sources and maximize the overall financial returns. The diverse business portfolio enables Morgan Stanley to maximize revenues and profits that are later invested in growing the business.

Morgan Stanley has a broad product mix that enables it to meet the diverse needs of its customers. The firm offers an exhaustive range of services in the investment service industry, enabling it to compete favorably against small and large industry competitors (Han et al., 2022). Its broad product mix allows the delivery of services to various market segments, which promotes the organization's competitive advantage in all segments within the industry.

Another key strength of Morgan Stanley is the first mover advantage in the crowded investment services industry (Han et al., 2022). The firm often launches new services in the industry ahead of competitors. Providing new services in the investment service industry ahead of other help Morgan Stanley optimize its competitive advantage. This enhances its ability to outperform business rivals and remain the customers' preferred financial and investment services provider. The first mover advantage has also rapidly enabled Morgan Stanley to increase its market share.

4.2 Weaknesses

The high turnover rate of low-level staff is one of Morgan Stanley's significant weaknesses that affect its normal operations and strategic success. The company records many staff leaving for other organizations because it is not doing enough in terms of employee compensation (Han et al., 2022). The departure of skilled and experienced staff reduces the talent pool at Morgan Stanley, affecting its organizational culture and innovation. Hiring and training

the staff is costly; therefore, the high number of departures imposes a financial burden on the company in hiring and training the new staff to reach the level of the departed staff.

As the best talents and most skilled staff depart for other organizations, Morgan Stanley is left with numerous staff whose competence is relatively lower (Han et al., 2022). The cost of replacing such staff is extremely high in the current economy and imposes an intense financial burden on the firm. Competitors can easily copy Morgan Stanley's business model (Han et al., 2022). This risks the firm's market dominance and overall success when a strong competitor or market entrant imitates the model and integrates additional services. Morgan Stanley can amend this by implementing a complex to imitate but easy-to-execute business model to avoid being copied by industry competitors. It can also implement a business model that integrates the customers, suppliers, and vendors to enhance internal and external operations.

The unbalanced gross margins and operating margins of Morgan Stanley are significant weaknesses adversely affecting its current and future business growth (Pearson, 2022). The changing nature of the global financial service industry has made conditions unfavorable, resulting in an imbalance. If Morgan Stanley fails to address this imbalance, it will experience intense pressure on its financial statement and may result in business failure in the future. The declining market is another significant weakness of the company. The investment services industry is changing and growing at a faster pace than the company (Pearson, 2022). The changing trends have made it difficult for Morgan Stanley to catch up, and it's losing the market to new entrants and other competitors that adopt the changes faster.

4.3 Opportunities

The increasing customer base in the lower market segments offers Morgan Stanley a significant opportunity to penetrate new markets and increase its customer base. The customers

are migrating from smaller investment service providers to reputable service providers in large numbers, granting Morgan Stanley an opportunity to gain customers in the entry-level market with minimum effort and cost (Pearson, 2022). The growing online service space is another key opportunity for Morgan Stanley to grow and promote its success. The rapid adoption of technology in the financial and investment service industry and increased adoption of online services by potential customers create a better opportunity for Morgan Stanley to increase its online services (Pearson, 2022). The online services are fast, safe, and easy therefore will help the firm optimize customers' experience and maximize loyalty.

The increasing trend of customers going for high-end products has increased the number of potential customers seeking investment services. According to Benzaghta et al. (2021), such customers prefer reputable and recognized brands, which places Morgan Stanley ahead of competitors in the investment service industry. By acquiring new customers and maintaining the existing ones, Morgan Stanley stands an opportunity to increase its revenues and market share. This will promote its strategic success and faster growth.

The increasing rate of organization collaborations in the financial sector provides a better opportunity for Morgan Stanley to grow (Pearson, 2022). Collaborating with small investment firms grants Morgan Stanley a better opportunity to penetrate the local markets, increase its customer base, double revenue, and optimize its competitive advantage in the industry. The increasing government regulations are getting stricter and making it difficult for new entrants to enter the investment industry (Pearson, 2022). This helps to effectively control the competition rate in the investment industry, enabling Morgan Stanley to continue dominating the market in various aspects.

4.4 Threats

The major threat to Morgan Stanley is unpredictable global economic crises and pandemics. The global economic crises and pandemics are unpredictable, and their occurrence has been devastating, as experienced during the Global Economic Crisis of 2008 and the Coronavirus pandemic of 2020 (Pearson, 2022). These events massively impact the global economy and affect the financial service sector, thereby threatening the sustainability of investment service providers like Morgan Stanley. Failure of Morgan Stanley to prepare adequately for these unpredictable and extremely severe events imposes intense financial and operational risks that can result in massive losses and complete failure of the business.

The increasing shortage of skilled human workforce to replace the departing staff at Morgan Stanley puts its operations and general success at risk (Choi, 2016). The company is likely to hire below-standard staff to fill the gaps left by the leaving staff, a process that imposes significant risks in the long term. For example, such individuals' innovative skills and problem-solving abilities are likely to be lower, causing the firm to incur massive losses due to reduced revenues and market share.

The stiff competition from local and international investment service providers in the investment industry threatens Morgan Stanley's future market dominance. Presently, Morgan Stanley is the industry leader, but the growing number of local firms and globalization of international companies are threatening its dominance by acquiring its customers and penetrating its stronghold market segments (Smith et al., 2020). If Morgan Stanley does not implement additional competitive strategies, the chances of being eliminated from the top position by competitors are high. This will reduce its revenues and affect strategic growth in the future.

The quickly changing demographics is also a threat to the future success of Morgan Stanley (Pearson, 2022). The baby boomers, characterized by high purchasing power and loyalty, are quickly being replaced by the new generation whose purchasing power is low. Besides, the new generation prefers testing new things to get the experience; therefore, they are poor at maintaining loyalty. The low purchasing power and reduced population of loyal customers caused Morgan Stanley to suffer reduced sales, revenues, and profit margins. This will impose a financial burden on the firm and threaten its future sustainability.

The increasing economic gap between the urban and rural markets is another significant threat to Morgan Stanley's future success (PENQUE, 2019). The gap creates a high concentration of customers in urban markets but limits the market in rural areas. This increasing gap will limit the available market for Morgan Stanley in the rural areas in the future, thereby hindering it from penetrating the local markets. The low economic development in the rural area will also make it difficult and costly for Morgan Stanley to deliver its investment services to customers (PENQUE, 2019). For example, the lack of adequate infrastructure and slow adoption of the program by rural inhabitants will cause an imbalance between the operating margin and gross margin.

5. PESTLE Analysis

The PESTLE analysis model is a crucial organizational assessment tool that Morgan Stanley can utilize to analyze its external environment and make informed decisions on its future strategic success. This tool's political, economic, social, technological, legal, and environmental factors will be used to assess Morgan Stanley's external environment (Black et al., 2019).

5.1 Political Stability

The political stability in nearly all countries where Morgan Stanley operates makes it easy to operate and focus on attaining the vision and strategic goals. The existence of trade agreements such as the North American Free Trade Agreement (NAFTA) and the European Union (EU) allows Morgan Stanley to operate freely in member states, thus, promoting its business growth to international levels (Pearson, 2022). Political stability also promotes economic growth, thereby increasing the purchasing power of individuals. This increases the number of potential customers, which the company can capitalize on to increase market share and maximize revenues.

Many national and local governments support local and foreign investors by offering them financial investments, tax incentives, and land to establish physical offices. These favorable political factors favor the business growth objectives of Morgan Stanley by reducing the financial burden imposed by the huge investment capital requirements (Wei et al., 2018). The firm can expand its operations effectively without fear of the financial constraints required to penetrate the new markets. The increased global pressure has caused nations to comply with the World Trade Organization's policies pertaining to the investment service industry (Wei et al., 2018). This transformed Germany into a potential market for expanding operations. However, political issues such as the Russian invasion of Ukraine, the UK's exit from the EU, and the intensifying US-China trade war threaten the investment industry's future (Pearson, 2022). This, in turn, impacts the potential growth of Morgan Stanley and puts at risk its future sustainability.

5.2 Economic

The growing economy of the developing countries offers a vital potential market for Morgan Stanley to expand its operations into and achieve its strategic objectives (Benzaghta et

al., 2021). This implies that the rate of investment is increasing in developing nations due to the presence of numerous investors that are potential customers. Morgan Stanley has a great opportunity to penetrate the markets of these developing countries to increase its market share, maximize profits and grow quickly (Benzaghta et al., 2021). The numerous developing nations in Africa, Asia, and Central America are potential markets in which this investment service firm can expand its operations.

The growing global economy has increased the purchasing power and number of investors seeking investment services. This has resulted in rapid growth and expansion of the investment industry. The economically growing industry provides a vital opportunity for Morgan Stanley to grow and achieve its financial goals (Benzaghta et al., 2021). However, the increased volatility of the exchange rate at the global foreign exchange markets threatens the profit margin and revenues of Morgan Stanley. Some currencies' value is weakening against the dollar value, resulting in reduced revenues after converting the overall revenues into dollars (Kasemsap, 2018). Morgan Stanley faces the risk of financial losses by operating in countries where the dollar value is too strong compared to the local currencies. Expanding business into such countries causes massive losses that can even cause business failure in the future.

Global economic crises are unpredictable, and when they occur, they severely impact businesses. A repeat of an economic crisis like the Great Recession of 2008 threatens the sustainability of Morgan Stanley and the investment industry at large (Han et al., 2022). The high inflation rate in some countries threatens the performance and productivity of Morgan Stanley. When inflation raises the prices and lowers the purchasing power, the revenue reduces, and operational costs surpass the revenues (Strauß, 2021). In such a case, Morgan Stanley will experience extreme financial constraints that can result in business failure.

5.3 Social

The adoption of the gender equality concept and evolving gender roles across global societies is an excellent social factor that opens a successful opportunity for Morgan Stanley. The number of educated, skilled, and experienced workforce is high, with all genders represented well. The current availability of a large workforce makes it easy to hire new workers with minimal effort and relatively less cost (Pearson, 2022). Morgan Stanley can hire a large workforce, develop them professionally and retain them to overcome future labor shortages. The increased adoption of social media by individuals has created an excellent marketing opportunity for Morgan Stanley (Madsen and Grønseth, 2022). The company can embrace digital and social media marketing to optimize its market reach and promote brand recognition.

The increasing income inequality trend and social class gaps in many societies are altering the purchasing power in the investment market. The increasing gap between the low-income and high-income social groups has massively reduced the middle-income class, who are the major targets (Davenport and Miller, 2022). The reduced purchase power reduces the firm's overall revenues, affecting its financial and market growth. There is an increased interest in high-end leisure products and services. Morgan Stanley has the opportunity to introduce such services and products to increase dominance in numerous market segments for maximized profits.

5.4 Technological

The adoption of advanced technological innovations in the financial and investment sector offers Morgan Stanley an opportunity to leverage its operations by maximizing customer experience (Pearson, 2022). By implementing digital technology, such as the delivery of investment services through mobile applications and a web approach, Morgan Stanley will

improve its efficiency and lower operation costs. This will help maximize its financial benefits and promote a customer loyalty program. The firm can integrate modern technology into its supply and value chains to enhance flexibility in meeting customers' service and cost needs (Pearson, 2022). Morgan Stanley should invest in modern technology to enhance its R&D for better service delivery, as this will help it maintain dominance in the investment industry.

5.5 Legal

The varying business laws across countries affect the business operations of Morgan Stanley. Countries like Germany have unfavorable business laws and high tariffs that result in high operating costs and reduced revenues, affecting the firm's growth (Han et al., 2022). The intellectual property, data protection, and cybersecurity laws keep changing and become stricter with time (Benzaghta et al., 2021). Morgan Stanley should implement an effective policy that covers all these three areas to avoid legal charges that may be costly when ordered to provide financial compensation to the victims. The employment laws differ per country, and this impacts the business operations of Morgan Stanley. Some countries set minimum wage limits and prohibit the use of foreign labor (Choi, 2016). Morgan Stanley must familiarize itself with the employment laws of every country to avoid legal charges.

5.6 Environmental

Due to climate change concerns, many countries have shifted to renewable energy investments. This offers Morgan Stanley a better opportunity to focus on renewable energy investments to increase its revenues and growth. The growing concern for waste management, especially in urban areas, opens a new segment that Morgan Stanley can focus on to increase its market share (Smith et al., 2020). Penetrating these new environmental protection market segments will enhance its reputation and promote brand recognition as one of the major

environmental activists. The increased extreme weather conditions affect the supply chain of Morgan Stanley, threatening its operation consistency (Han et al., 2022). It should therefore aim at promoting the flexibility of its supply chain to prevent unnecessary downtimes that are costly to the firm.

6. Change Recommendations

If I were the CEO of Morgan Stanley, I would implement the cost leadership strategy to outperform the competitors by providing quality investment services at the most competitive prices. The low-cost strategy would allow the company to acquire customers from low-level investment markets, thereby increasing the customer base, market share, and overall profitability (Chaniyas et al., 2019). I would also implement modern technology and develop service delivery mobile applications for quick, efficient, and safe investment service delivery. This would help optimize the customers' experience, promote loyalty, and attract new customers. As a result, Morgan Stanley would increase its future revenues and achieve strategic success.

I would implement a structured employee training program and staff compensation program to address the issue of the high turnover rate. The training program will ensure all employees undergo continuous retraining at least once per year to improve their professional skills and knowledge for better service delivery (Chaniyas et al., 2019). The compensation program would ensure all staff is well paid based on individual and team performance towards the company's success. Lastly, I would adjust the leadership approach by implementing an inclusive management strategy that integrates the ideas of employees and the feedback of customers and suppliers when making strategic decisions. I would encourage middle-level managers to establish small teams that form part of a large team to allow easy and effective management of the teams for better performance. I would change the management structure to

make it more inclusive and effective to enhance Morgan Stanley's strategic growth and success, as shown in [appendix 2](#).

7. Conclusion

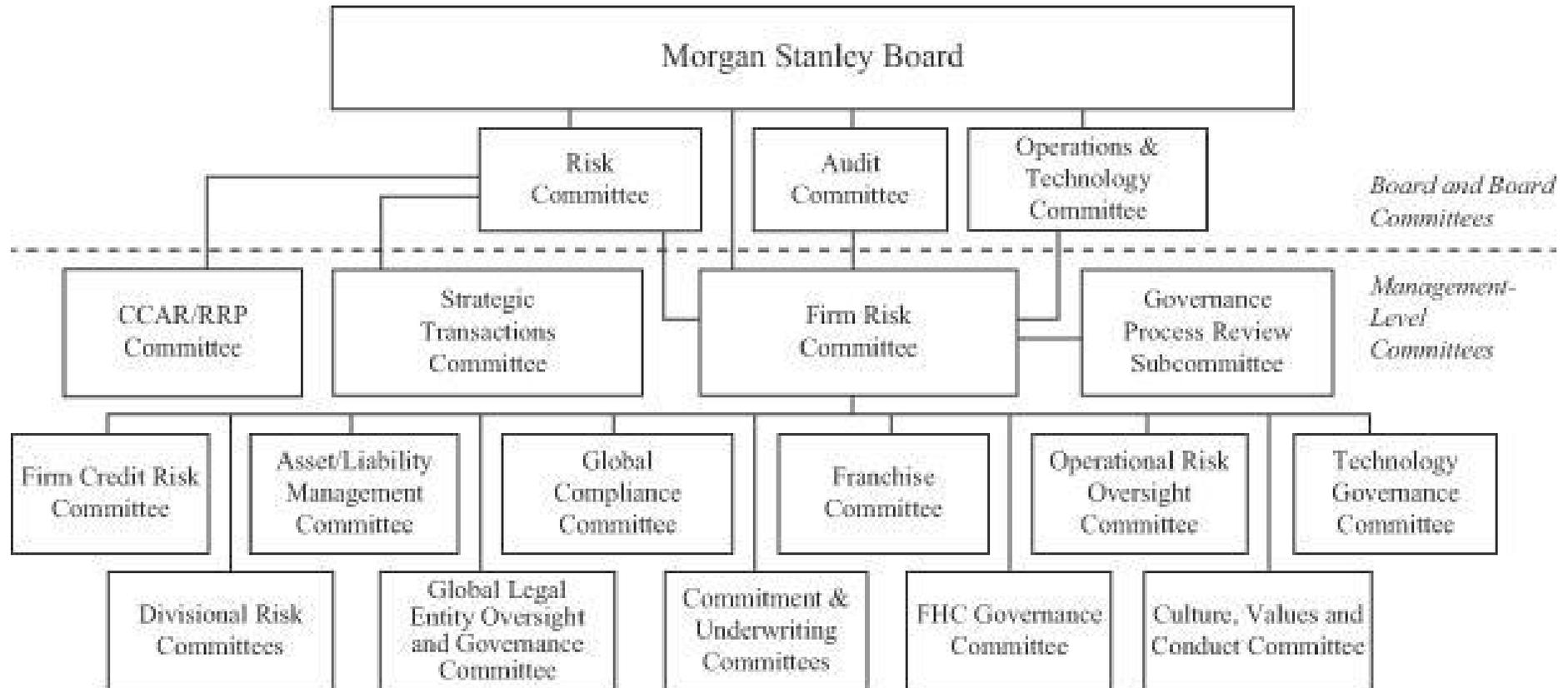
Assessment of Morgan Stanley is essential for understanding its internal and external environments for better decision-making and strategic planning. Combining McKinsey's 7-S framework, balanced scorecard, SWOT analysis, and PESTLE framework provides a better insight into Morgan Stanley's strengths, weaknesses, opportunities, threats, and market factors. Morgan Stanley is a leader in the investment industry, and its internal strengths have been vital in maintaining its top position. Its management's effectiveness in capitalizing on the market opportunities has also been key in enhancing its sustainability and competitive advantage. The company's excellent organizational culture, sound financial performance, and effective success strategies have also remained crucial for improving the organization's competitive advantage. As the CEO of Morgan Stanley, I would utilize the company's strengths to capitalize on the existing market opportunities to enhance future strategic success. I would also implement changes to the management structure to make it more inclusive and effective.

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Appendix 1: Before Change



Appendix 2: After Change

