FINANCIAL TIMES

November 25, 2011 9:32 pm

Inside McKinsey

By Andrew Hill

The world's most prestigious consultancy prides itself on its intellectual prowess and ethical standards. But this year, an insider trading scandal surrounding former McKinsey luminaries has left staff and alumni reeling

'We will never forget it,' Dominic Barton, global managing director of McKinsey, speaking about the Rajat Gupta and Anil Kumar affairs

When 1,200 partners of McKinsey&Company – the elite of global consulting – arrived at the Gaylord National Hotel & Convention Center, outside Washington DC, early on the morning of March 15 this year, they found themselves where they least wanted to be: at the centre of a media firestorm.

Up the east coast, in a Manhattan courtroom, an insider trading case was focusing attention on the links between key former employees of the world's best-known, most prestigious, most self-consciously high-minded consulting firm and a corrupt hedge fund boss. For outsiders, intrigued by and suspicious of the McKinsey mystique, it was an irresistible combination. For partners, most of whom had flown into Washington from their offices around the globe for the scheduled annual meeting, it was a public embarrassment, a private outrage – and even a potential threat to the future of "the Firm", as McKinseyites call their employer. "You can't underestimate the shock, the disbelief and anger there," recalls one McKinsey veteran. As Dominic Barton, the Firm's personable global managing director, brought the opening plenary session to order, the older partners were "completely ashen-faced", the same person recalls.

The cause of concern was the New York trial of Raj Rajaratnam, founder of the Galleon hedge fund group. He was accused of insider dealing, allegedly using tips passed to him by former McKinsey partner Anil Kumar, and the once-unimpeachable Rajat Gupta, who had served three successive three-year terms as global managing director of the Firm up to 2003. Kumar had pleaded guilty to passing confidential information to Rajaratnam and was under cross-examination in New York. Gupta, who had retired from McKinsey in 2007, was fighting an administrative order from the Securities and Exchange Commission, made only two weeks earlier. (The SEC later dropped its case, but federal prosecutors pursued it.) The allegation? That he had shared tips with the hedge fund boss, following board meetings at Procter & Gamble and Goldman Sachs, where he was a director.

Barton shared the platform that day with Jean Molino, the firm's general counsel. Partners who were present say there was a lot of "pushback" from the audience, though little finger-pointing. Over the course of about 90 minutes, Molino described the legal situation, while Barton explained what the Firm was doing to allay the concerns of clients and alumni about the alleged breaches of confidentiality and McKinsey's all-important principles. The partners' principal anxiety was summed up in one recurring question: "Why didn't we pick up on it?"

If Barton and Molino thought they had soothed that concern, they were mistaken. Later that day, the New York court heard tapes of conversations between Gupta and Rajaratnam in July 2008. Though Gupta had left McKinsey in 2007, as an ex-managing director he was a carrier of the McKinsey flame. Yet the recording appeared to McKinsey partners to show that Gupta had known that Rajaratnam was paying Kumar for information. As shocking to them was the fact that they had not previously been made aware of any such activities. Until then, says one partner, the senior consultants had been ready to debate the rights and wrongs of Gupta's position. But the recording put an end to that. It appeared, according to the same partner, that he was "acting in total breach of what everyone expected of him".

Barton and his management team of eight partners were in conclave in a private room on the evening of March 15 when the news of the tapes filtered through. "We've got to go out there again," he told those present. With partners seething, the team decided to recast the first session the next day to tackle a new round of questions about the biggest public crisis in this very private partnership's 85-year history.

When James Kondo, now head of Twitter Japan and a visiting professor at Hitotsubashi

University ICS, joined McKinsey, he says insiders offered two analogies to help him understand the Firm: the Jesuits, and the tailors of Savile Row, who “unlike fashion houses and designers … are always in the background”.

The founder James O. McKinsey, who created the company in 1926

Yet McKinsey is arguably better known than either the Catholic religious order or the London suit makers. Founded in 1926 by James O. McKinsey, who originally styled its consultants as “management engineers”, McKinsey is to consulting what Goldman Sachs is to banking: it supplies the most prestigious – and perhaps the most expensive – advice that top corporate and government clients can buy.

In 1937, after James McKinsey died unexpectedly, the Firm nearly disintegrated, but it came through this early crisis, was refounded in 1939 and grew in the 1950s and 1960s into an increasingly global consultancy, with revenues that had swelled tenfold to $20m by 1967. Periodically since then, the partnership has castigated itself for growing too far, too fast – but grown it has. As a private body it releases no figures, but Forbes estimates its current overall annual revenues at $7bn. It boasts 9,000 consultants worldwide out of a total staff of 17,000.

Since the 1970s, the consulting industry has burgeoned. For a company to shun consultants altogether is now rare, even eccentric. Walter Kiechel, author of *The Lords of Strategy* – a history of the discipline and the people who developed it – has estimated that three-quarters of the largest companies in the US, and similar percentages elsewhere, use strategy consultants such as McKinsey, Boston Consulting Group or Bain. In this strategy niche alone – where McKinsey carved out a pre-eminent position in the 1970s and 1980s – industry analysts estimate that the Firm retains a 10 per cent share of a $21bn market globally, ahead of Deloitte and BCG. On a broader measure of revenues, between 2009 and 2010 – despite the arrest of Anil Kumar and the spreading rumours about Rajat Gupta – McKinsey expanded by nearly 9 per cent. Of the top 10 consulting practices, only PwC, which offers a broader range of services, registered higher sales growth. McKinsey is, however, by no means the world’s biggest consultancy: it ranks only seventh by revenues.

But league table positions and absolute size are not as important to McKinsey as the quality of its frontline consultants, clients and work, and the extent of its influence. The Firm has long aimed to mop up the top graduates from universities and business schools – Rhodes scholars from Oxford (such as Barton), Baker scholars from Harvard Business School (such as Gupta), and so on – and insists they stay sharp. The Firm expects the leading partners in each discipline to be in the top 50 in the world. Industry insiders say directors, the equivalent of senior partners, earn at least $1m-$3m annually – a comparatively modest sum by the standards of the global chief executive class they serve.

Prestige costs money. McKinsey does not publicise its fee structure. But as a condition of bidding for US government consultancy contracts, rates have to be made public online. For instance, it would cost the American taxpayer $164,165 a week to tap the wisdom of one McKinsey engagement manager and three associates (the consultants below partner level), with "guidance and support" from other senior leaders. Comparisons are inexact, but based on information supplied for the same purpose, four experienced Accenture partners working for seven days would cost about 20 per cent less than the McKinsey sub-partner team. Despite the premium price of its services – or perhaps because of it – McKinsey says the 3,200 clients it has served over the past five years include 90 of the top 100 companies worldwide.

McKinsey diligently cultivates its reputation as trusted adviser at the highest level. Author Walter Kiechel writes that "the Firm's ability to insinuate itself into local elites drives its competitors slightly berserk with envy." In new markets such as China, where it has built contacts from the Communist leadership down, this schmoozing converts into "engagements" (the McKinsey term for client projects). These in turn become the "reference cases" that will spawn recommendations that other organisations should employ the Firm.

At the same time, the seeming omnipresence of former McKinsey consultants in high corporate and political places helps foster a sense of its importance. Even a couple of years in McKinsey's lower reaches – as a business analyst or associate – can lift graduates of the Firm towards the corporate troposphere. They become heads of strategy, vice-presidents of sales, or directors of business development. Longer-serving consultants who have made "principal" (junior partner) or director are sometimes launched from there straight into seats in the boardroom, round the cabinet table, or into leading prominent NGOs.

Powerful alumni (from left): British foreign secretary William Hague, Facebook COO Sheryl Sandberg and Italy's new economic 'superminister' Corrado Passera

The McKinsey roll of honour is long. Lou Gerstner, chairman of Carlyle Group and former head of IBM, and James Gorman, boss of Morgan Stanley, are both alumni. Sheryl Sandberg, Facebook's chief operating officer, worked at McKinsey. So did the CEOs of BHP Billiton, Amgen, Boeing and Vodafone. Britain's foreign secretary William Hague, and its chief financial regulator Lord Turner, used to be McKinsey insiders. Italy's new economic "superminister" Corrado Passera worked at the Firm.

The powerful alumni network is in part the fruit of McKinsey's policy of "up or out" –

perhaps the best example in global business of a mutually beneficial rolling redundancy programme. Every two or three years, McKinsey determines whether its consultants will make progress to the next level in the Firm. If not, it gently pushes them out. The internal talent pool is further distilled and the Firm extends its web of potential contacts and customers. As a result, McKinsey alumni are famously loyal. Even those who spoke on background for this article – and had left the partnership years earlier – occasionally slipped back into the first person plural when talking about the Firm.

McKinsey teams often work to a template – an approach lauded by fans, condemned by critics – applying fact-based, structured techniques to any problem they are handed. This approach does not differ much from that of other consultants. But the implicit contract with McKinsey is that nobody else has the intellectual wattage, or the relentless devotion to the task provided by what one ex-director describes as a band of "insecure, deeply left-brain, hyper-intellectual, OCD over-achievers".

The chief executive of one Indian services company, who hired McKinsey for a time-sensitive project, says: "If an organisation can get 50 or 60 partners across the world incentivised on a project ... then I think they have a competitive advantage." Other consultants to which he offered similar contracts could not manage it, he claims.

The culture binds staff closely to their employer. Some speak, only half in jest, about a code of omertà. Those who have worked there put a more positive spin on it. "Privacy is a natural outcome of people putting the client first and the work first," says the former director. "It isn't like ... the big swinging dicks [of Wall Street investment banks]. People who get bigger than the Firm don't last." Ex-partner James Kondo agrees. Ego is "one of the things that destroys consulting firms", he points out. Dominic Barton, he adds, "embodies the humility and low-key ethos that's important to maintaining the organisation".

Certainly, the global managing director does not fit the caricature of McKinsey consultants as arrogant know-alls with, in the words of another former partner, "lots of IQ, not much EQ". Barton – known as "Dom" – is the kind of corporate boss who comes down to the lobby to greet his guests, and emails them useful follow-up information before they have returned to their offices. His manner is that of a firm but kindly doctor – exactly the sort of person an anxious chief executive seeking a diagnosis of his company's malaise might turn to. Though a Canadian, Barton was running the Firm's Asian operations from Shanghai in 2009 when partners elected him to the top job, following a five-year stint in South Korea. He represented a clear choice by partners to seek a leader "from Asia", says one colleague. It was a bet on expertise about the fast-growing region that has only looked shrewder as the crisis in the US and Europe has dragged on.

The transformer Marvin Bower became managing director in 1950; he laid down the Firm's famous principles and is still seen as its 'soul'

He also sits comfortably in a line that goes back to legendary McKinsey chief Marvin Bower, who took up the role of managing director in 1950, aged 47, only a year older than Barton when he took the top job.

Bower, who died in 2003, is still worshipped as the soul of McKinsey. He transformed it from James O. McKinsey's bunch of "management engineers" into a modern consultancy and laid down the principles around which the Firm is supposed to revolve. A framed version hangs on the wall in Barton's London office, overlooking the Trocadero centre near Piccadilly – and in McKinsey outposts around the globe.

Bower also helped enshrine the "obligation to dissent", which encourages even junior associates to challenge their seniors if they think something is not right.

The firm itself highlights, in an online tribute, his 1967 farewell memo to the London office in his last year as managing director. In it, he urges directors and principals to "shout out *whenever they feel we're doing anything that might impair the enduring values of the professional approach, or just letting those values erode through inattention*" [his emphasis]. Asked by Fortune magazine in 1993 which period in the firm's history had worried him most, he replied: "Now ... Have we grown too fast? Have we begun to think too much about money because we've got so much coming in? ... People who make a lot of money get to thinking about having four homes to keep up, or maybe they want to buy a yacht. If an individual consultant has to make a professional decision on the spot and he has too many obligations, I worry that he is likely to make a decision to attract a client who shouldn't be attracted."

• • •

What shocks staff and alumni is that Rajat Gupta should stand accused of precisely these sins of self-enrichment and self-aggrandisement. In one of the most memorable passages from the tapes played at the Galleon trial, Raj Rajaratnam, the hedge fund's founder, and Anil Kumar speculated that Gupta wanted to become a senior adviser to Kohlberg Kravis Roberts, the private equity firm, in order to become part of a "billionaire circle". As industry observer Raju Patel of Fulcrium, a specialist strategy consultancy, puts it: "If Marvin Bower were alive today and this [scandal] happened, he'd have a heart attack."

Rajat Gupta, McKinsey global MD, 1994-2003. Faces one charge of conspiracy to commit securities fraud and five of securities fraud. He denies wrongdoing

But people who know Gupta echo the words of one Indian executive – "I can't put the two pieces together". On the one hand, there is McKinsey managing director Rajat Gupta, the highest-profile Indian-American business figure of the 1990s and early 2000s and the embodiment of the Bower values; on the other, there is post-McKinsey Rajat Gupta, alleged tipster of insider traders.

Born in Calcutta and educated in New Delhi at the prestigious Indian Institute of Technology, before attending Harvard Business School, Gupta joined McKinsey in 1973, having been turned down at the first attempt. He was a highly regarded leader of the Firm's Scandinavian and Chicago operations and his election as global managing director in 1994 – the first non-American in the role – was a crowning achievement.

It brought him huge accolades in India, and he repaid his native country with big philanthropic gestures. He helped start the Indian School of Business, with the help of now-disgraced McKinsey colleague Anil Kumar, and raised and donated money for Indian earthquake victims and HIV-Aids programmes, all the while nurturing Indian business contacts for the Firm.

"Humility" is the word that crops up in most interviews with Gupta conducted during his tenure. In 1999, he told the FT that Marvin Bower "set the values and ... was a role model in saying you have to leave the institution stronger than you found it". His three, three-year terms as managing director, from 1994 to 2003, were marked by a public commitment to, in his description, "a value-based, participative, partnership model of governance".

But he had his critics internally, some of whom felt he had expanded McKinsey too fast –

the Firm's self-diagnosed recurring weakness – with an aggressively commercial approach, particularly during the dotcom boom of the late 1990s. His re-election for a third term in 2000 was, unusually, contested. But contemporaries say the criticisms were based on strategic, not ethical, differences. "He did so much good, in such a modest way, for so long, that there must be another factor [that led to the current situation]," says one now.

The role of McKinsey managing director contains contradictions. As Walter Kiechel has written of consultants in general, even the best "can be fairly hermaphroditic creatures, one minute exhibiting a professor's passion for the great clarifying concept, the next displaying sales skills worthy of a street hustler". Like all heads of McKinsey, as well as espousing the Bower values, Gupta also dined at the highest tables of the corporate world, from Davos to New Delhi. Exploiting this network, he made some risky non-McKinsey business alliances. In 2006, the year before he retired from the Firm, he partnered, fatefully, with Galleon's Rajaratnam, to establish the investment firm that became New Silk Route. Separately, according to SEC filings on behalf of a company called Infogroup, Gupta and Kumar's wives had set up a company called Mindspirit, through which, in 2001, the two consultants offered business advice to Infogroup and its chief executive. McKinsey believes Mindspirit was an investment vehicle. If the pair were offering consulting services on the side, this would not have been illegal, but it would have violated the Firm's standards.

"He never lacked for confidence," says one ex-McKinsey director who knew Gupta. This self-confidence and web of contacts made him a natural candidate to join the boards of Procter & Gamble and Goldman Sachs as he prepared for his post-McKinsey career. But US prosecutors in Manhattan now allege Gupta disclosed inside information learnt there to Rajaratnam, who traded on it. For instance, they say Gupta picked up the phone to the hedge fund manager 23 seconds after a conference call with Goldman directors and passed on information that the investment bank was about to announce its first quarterly loss.

If the arrest of Kumar in 2009 – accused of leaking information gained while working for McKinsey clients – cut deep, the reports of Gupta's alleged connection to insider trading, which started to circulate the following spring, risked infecting the whole partnership. "This was the guy who was representing the values globally," says one corporate strategy head who was working for McKinsey as an associate at the time, adding that the sense of disappointment and betrayal was strongest among junior staff.

"Longer term, McKinsey only maintains its position if it can direct a large number of unbelievably smart and accomplished young people to it," says one insider. "All they have to go on is McKinsey's reputation." If unsavoury suspicion tainted the gene pool for one or two years, the firm would be weakened over time, he points out. Similarly, if international companies stopped recruiting former McKinsey staff, it could clog the "up or out" refining process.

Anil Kumar, former McKinsey partner, arrested in 2009; admitted leaking confidential information to hedge fund founder Raj Rajaratnam. Still awaiting sentence

The Kumar and Gupta cases are different. Anil Kumar admitted leaking information learnt from McKinsey clients while working for the Firm. The accusations against Gupta relate to events that happened after he left McKinsey – and he denies the accusations. Yet the charges could still strike at the core not only of the McKinsey consulting model, but of the whole industry: the implicit recognition by customers that knowledge of industries, countries and individual companies built up within the firm will be recycled for their benefit. If trusted advisers are no longer seen as trustworthy or private information leaks out of the system – let alone is sold by consultants for personal gain – clients are "going to be a bit gun-shy and a bit more careful about which doors they leave unlocked", says Paul Gronwall, senior analyst at Kennedy Consulting Research & Advisory.

The whole affair has stirred up the doubts of sceptics. Richard Rumelt, strategy professor at UCLA, points out that, "Ideally, companies want inside knowledge of their industry without spying on their competitors." The dean of another business school puts a more critical gloss on McKinsey's work: "The selling proposition for McKinsey is 'We have worked for all of your competitors and we will bring that knowledge to bear on this task, but it will be scrubbed.' The fact that these companies are willing to hire [McKinsey] on that basis is flabbergasting. [The Firm] is dependent on the supreme naivety of its client base."

It is not the first time McKinsey's reputation has suffered. But past attacks centred mainly on the work the Firm had done, or the mistakes its high-profile alumni had made. The Enron scandal, which broke 10 years ago (during Gupta's tenure as global managing director), put the Firm in the line of fire because the energy company had been a client and because ex-McKinseyite Jeff Skilling had been the disgraced group's chief executive. Swiss Air went belly up after pursuing a disastrous policy of acquisitions, following advice from McKinsey (the Firm's standard defence is that the airline bought the right strategy but then did the wrong deals).

As the partnership has built closer relationships with governments, it has also found itself in the crosshairs of wider political debate and subject to accusations that its much-vaunted research is not as thorough or well-grounded as McKinsey likes to imply. For instance, one UK academic blames McKinsey for pushing too hard the 1990s fashion, in Britain and elsewhere, for a more market-oriented public sector, commenting: "McKinsey and other management consultancies provided the neo-liberal scripts for the New Public Management reforms. These scripts are not founded on validated knowledge."

But McKinsey is better able to repel these sorts of criticisms than to see off the frontal assault on its reputation from the recent Kumar and Gupta cases. In attempting to do so, the Firm has, characteristically, applied the same hyper-analytical approach to its own predicament as it would to any knotty corporate problem.

The partners' principal anxiety was summed up in one recurring question: 'Why didn't we pick up on it?'

The partnership has communicated with its staff and former staff regularly since Kumar was arrested in 2009, and with added intensity since the firestorm around its reputation grew hotter in the spring. With outside legal help and following an independent inquiry, it has improved protection of confidential client data, reviewed its ethics policies and standards. It has defined what constitutes "material non-public information", created a formal "stop-list" of client stocks that no member of staff (not only those on that assignment) can trade, added new training policies and strengthened governance.

But McKinsey has also reacted in an idiosyncratic way. Its senior people have gone delving back through history – the Firm's own and that of other institutions, including those with which it is most frequently compared. Interviewed by the FT in June, Dominic Barton said he had been "thinking what happened with the suppression of the Jesuits in the 1700s. This may seem strange, but [it was] an organisation that was thriving and doing well and all of a sudden was severely challenged." At the same time, Barton has revisited setbacks the firm had suffered in the past. He has benefited from the coincidence that a team of historians, under the supervision of high-profile British academic Sir David Cannadine, is putting the finishing touches to an internal history of the partnership.

Interviewed again last month, Barton said: "We've spent a lot of time looking at our history: for instance, in 1937 we almost went down. We had a difficult period during the war and in the late '40s when we lost a lot of people to industry."

The perils of over-rapid expansion are a thread running through the Firm's history – and potentially affecting its future. Paul Friga, who worked at McKinsey in the late 1990s and now lectures on consulting at the University of North Carolina's Kenan-Flagler business school, says McKinsey needs to answer one key question: "How do you maintain quality with growth?"

What went unspoken when Barton's predecessor Ian Davis took over from Rajat Gupta in 2003, but is now common currency among self-critical McKinseyites, is that the firm grew too quickly in the preceding decade, more than doubling the number of consultants from 3,300 to 7,700 between 1994 and 2001. The rapid ballooning of the size of the partnership put the apprenticeship model – by which juniors learn from partners – under strain.

Davis refocused McKinsey on the Bower principles. Rather than riding the boom of the mid-2000s, he turned away business, and said No to regional heads – including Barton, then heading Asia – who wanted to grow faster. Now Barton himself is doing the same thing, pacing the organisation's growth. "What I'm most keen on is that we're the most relevant institution," he says, "and it's not about size."

Davis himself echoes his successor: "When McKinsey values come under pressure, it hasn't been a matter of size but a matter of pace of growth," he says.

To blame Kumar and Gupta's alleged failings on rapid expansion is too simple, however. Partners point out that both men already held high office at the consultancy at the time of the late-1990s hiring boom. What is more, the introspective inquiry led by Davis in 2003 into that period of expansion – and the subsequent refocusing on the values – self-evidently did not prevent Kumar's breach of the McKinsey code, or Gupta's alleged divergence from it after his retirement. Even so, the Gupta-Kumar crisis has underlined the challenge of managing a partnership as large as McKinsey, with 9,000 consultants across the globe. Barton now urges his colleagues "to think of [the Firm] as a partnership of 15 people. How would we act if there were 15 of us?"

• • •

"'Gupta-gate' is absolutely traumatic," says Roger Parry, former McKinsey consultant and now chairman of YouGov, the pollster, among other companies. "They [McKinsey partners] hated how much was made of it – because they knew how isolated it was."

To date, there is no firm evidence of damage to McKinsey's business. Even those that had Anil Kumar or Rajat Gupta leading their account express confidence in the firm and a willingness to continue using it. And people still long to work for McKinsey. Paul Friga at Kenan-Flagler confirms that for his students "the appetite is still there. In fact, we're going to have more people go to McKinsey this year than we have in the past six or seven".

'If Bower were alive today and this [scandal] happened, he'd have a heart attack,' says one industry observer

The Firm hired some 2,000 people in 2010. While the emphasis is still on grabbing a large share of top Baker and Rhodes scholars, or their equivalent, the intake is, if anything, more diverse than ever, including lawyers, philosophers, 250 medical doctors, and at least two poets. Certainly, the 100 London School of Economics students who attended a presentation last month were more interested in joining McKinsey than the threat to its ethical foundations. The Galleon case was not raised, either by the recruiters, or the potential recruits. "I don't know how many students know [about Rajaratnam]," said one LSE student who attended. "I'm not sure if it has had any impact. We've never spoken about it."

But McKinsey's leaders cannot afford to stop patching and polishing the Firm's pipeline to power. Two weeks after the LSE presentations, Rajat Gupta was arrested and charged with one count of conspiracy to commit securities fraud and five of securities fraud, prompting further blanket media coverage. He has pleaded not guilty. His lawyer has said the charges are baseless and that the former McKinsey boss "did not trade in any securities, did not tip Mr Rajaratnam so he could trade and did not share in any profits as part of any quid pro quo".

The build-up to the trial could well coincide with the build-up to Barton's expected re-election in the first quarter of next year: the managing director seems likely to be returned for a second term. He claims to be thinking as much about the judgment of ex-directors 20 or 30 years hence as that of his fellow partners in 2012 and implies he will continue to lead the chastened firm on a more conservative post-Gupta path, particularly in difficult emerging markets. “I’m more worried about being criticised for having gambled big, than for having missed an opportunity,” he says. Some McKinsey partners are now concerned that the firm may worry itself to a standstill about the implications of the Gupta and Kumar cases. “We have to be careful we don’t do a Sarbanes-Oxley-style overreaction,” says a current partner, referring to the over-bureaucratic US corporate reform bill rushed through after the Enron and WorldCom scandals a decade ago.

When Barton stood up last month in Istanbul to address 440 directors at their regular gathering, he made a joke about such meetings always coinciding with some development in the insider trading case. That was the extent of formal references to the scandal. Perhaps the meeting of partners in Washington seven months earlier, as the Gupta and Kumar revelations came out, was cathartic. One person present in Washington says he emerged from that meeting with the “sense that it was a very fortunate coincidence that we were all together that week … We could talk through exactly what this meant”. Or perhaps, as one ex-director puts it, McKinsey has started to acknowledge that “sometimes shit happens and you just have to move on”.

Talking about the Kumar and Gupta affairs to the FT last month, Barton said, “We will never forget it.” Doubts sown by the saga will persist. While McKinsey has conducted its own internal reviews, it still cannot explain how Gupta and Kumar reached the top of the Firm – with its obsessive recruitment process, its cross-checks, its self-analysis, its culture of challenge – and then apparently turned bad. The Firm has not yet answered the question posed by partners in Washington, on that morning in March: “Why didn’t we pick up on it?”

Andrew Hill is an associate editor of the FT. To comment on this article, please email magazineletters@ft.com

………………………………………………………………

BOWER’S PRINCIPLES

Our Mission

To help our clients make distinctive, lasting, and substantial improvements in their performance, and to build a great Firm that attracts, develops, excites, and retains exceptional people

Our Values

Adhere to the highest professional standards

● Put client interests ahead of the Firm’s

- Observe high ethical standards
- Preserve client confidences
- Maintain an independent perspective
- Manage client and Firm resources cost-effectively

Improve our clients' performance significantly

- Follow the top-management approach
- Use our global network to deliver the best of the Firm to all clients
- Bring innovations in management practice to clients
- Build client capabilities to sustain improvement
- Build enduring relationships based on trust

Create an unrivalled environment for exceptional people

- Be non-hierarchical and inclusive
- Sustain a caring meritocracy
- Develop one another through apprenticeship and mentoring
- Uphold the obligation to dissent
- Govern ourselves as a "one Firm" partnership