

From the Planners' Bookshelf...

The Firm, The Story of McKinsey and Its Influence on American Business.

Duff McDonald, Simon & Schuster Paperbacks, NY, 2013.

Purpose of the Firm. A book about a business consulting firm may seem off-point to the creation of a knowledge base on Character Towns; but consider that The Firm is a consulting firm. Most cities hire and manage consultants and many city planners are or have been or will be consultants. Also consider that McKinsey is a long-standing and successful business that provides advise to decision-makers. Since all planners are advisors to decision-makers, this book offers many useful lessons.

McKinsey and Company was technically founded in 1926 by James O. McKinsey [1889-1937], Marvin Bower [1903-2003] was a successor who established the ethos of the firm and the basic principles that guided it for decades. Trust and ethical behavior, the currency of every advisor, was that foundational base for the firm. Through growth and diversification, these basic tenants eroded, but the principles and practice of consulting have survived and offer a great object lesson for city planners as they advise leaders of governments, institutions and industry.

Useful Ideas. Duff McDonald writes an engaging story with well-researched information. His analysis and conclusions are fascinating. At the risk of dulling the power of Duff's writings, the following are quotes that may be motivating to potential readers and useful to planning practitioners:

- "Bower outlined five primary responsibilities of the professional consultant [p44]:
 - "First, the consultant must put the client's interests ahead of the firm's interests"; declining work that is a waste of the client's money.
 - "Second, he [she] must adhere to the highest standards of truthfulness, integrity and trustworthiness.
 - "Third, he [she] must keep to himself the client's private and proprietary information.
 - "Fourth, he [she] must maintain an independent position and tell the client the truth as he sees it.
 - "Fifth, he must provide only services that have real value."
- "McKinsey's enduring competitive advantages: the firm's ability to build enduring relationships with its clients' CEOs and then use those relationships to spin off study after study". [p116]
- "We want to help clients solve the problems they have, not the problems we know how to solve." [p140]
- "Every idea needs an odd number of bullet points to explain it." [p149]
- "The ways of lending money safely [or doing business in established fields] are simple, obvious and admit to no variation." [p290]
- Fred Gluck, McKinsey managing partner from 1988-1994 added a transitional idea: Strategic Planning.

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- “Harvard teaches on a case-study basis, so it is always telling people how to respond to things that happened in the past.” [p288] Understand the dynamics that make the future.
- “newfound love for knowing what it [the firm] knew.” [p153] Know what you know.
- By 2008, McKinsey argued that to “efficiently create, share, retain and transfer knowledge assets is the only sustainable competitive advantage of a twenty-first century firm.” [p278]
- Fred Gluck had a fixation on knowledge; “the firm had finally been persuaded that knowledge was good.” “[Today] McKinsey positions itself as the repository of all business information and theory work knowing.” [p215]
- The Prussians beat the French in 1871 “because their system was based on rules, orders and norms that allowed their army to run efficiently and without the need for heroes.” [p186]
- The firm became known as “the launching pad” [p265] meaning that professionals came to the firm and left mostly to lead large organizations; then becoming clients. The firm kept track of “alums” and celebrated their success. The culture was lasting. McKinsey was a “glass door” firm.

Selling Strategic Planning. Despite McKinsey’s success from selling strategy, McDonald observes that one needs to be cautious when buying or selling strategic planning:

- “The most reliable way to make money from strategy,” observed Matthew Stewart, “is to sell it to other people.” [p112]
- “...there’s something about the whole analytical mind-set that effectively drives the ability to innovate out of the building.” [p113]
- “Moltke’s dictum that all strategic plans become nullified on first contact with the enemy.” [p140]
- “McKinsey sold us matrix management, the very snake oil that excellent companies avoided.” [p180]
- “General Motors offers one of the great lessons of strategic consulting. As Matthew Stewart so elegantly pointed out, ‘The idea of strategy, like the owl of Minerva, typically arises just as the sun is setting on an organization. An old saw has it that strategy is when you are running out of ammunition but keep firing on all guns so the enemy won’t know. As a rule, corporations turn to strategy when they can’t justify their existence in any other way, and they start planning when they don’t really know where they are going’.” [p184]

The right person at the right time. The firm, once more, “found the managing director to fit the times.” [p299] The evolution of the firm followed the contributions of its managing directors: “Marvin Bower instilled the firm’s value system. Ron Daniel perfected its personnel processes and institutionalized the place, and Fred Gluck was the architect of the firm’s knowledge culture.” [p219] Rajat Gupta made McKinsey “a business – not a profession – and that’s all there was to it.” [p271] Ina Davis restored order after the tumultuous times of Gupta; Dominic Barton followed the Davis direction, then turned face to Asia and showed that “McKinsey was taking the long view again.” [p300]

The firm has had its share of transgressions but remains a multi-billion dollar consulting firm advising large organization decision-makers around the world. There are many valuable lessons to learn.