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For information about permission to reproduce selections from this book, contact Vault Inc. , 150 W 22nd Street, New York, New York 10011, (212) 366–4212. Library of Congress CIP Data is available. ISBN 1–58131–335–7 Printed in the United States of America. McKinsey & Company Table of Contents INTRODUCTION 1 Overview . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 1 McKinsey & Company at a Glance . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 2 THE SCOOP 3 ORGANIZATION 15 Managing Director: Ian Davis . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 15 Practice Areas . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 16 Locations . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 16 Structure . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 19 Key Competitors . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 19 VAULT NEWSWIRE 21 OUR SURVEY SAYS 25 GETTING HIRED 31 Interviewing . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 31 Questions to Expect . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 37 Questions to Ask . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 39 Compensation . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 40 Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. iii ON THE JOB 41 A Day in the Life . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 41 Job Descriptions . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 44 Career Path . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 46 FINAL ANALYSIS 49 RECOMMENDED READING 51 iv © 2003 Vault Inc. McKinsey & Company Introduction Overview In the industry and among its employees, McKinsey & Company is known simply as “ The Firm” – need we say more? With 82 offices and around 7, 000 consultants worldwide, McKinsey serves more than two thirds of the Fortune 1000, or 85 of the world’s top 100 companies. McKinsey’s founder, James O. McKinsey, pioneered the idea of management consulting when he launched the firm in 1926.

But it’s Marvin Bower, with McKinsey since 1933, who is credited with shaping the firm’s values, including a relentless drive for excellence, a mandate of putting the clients’ needs before the firm’s, and an insistence on discretion in financial matters. Indeed, the notoriously tight–lipped company rarely publishes the names of its clients, which include huge global companies, innovative startups, wealthy commercial banks, leading venture capital firms and vast technology companies. McKinsey also provides pro bono assistance to educational, social, environmental and cultural organizations.

McKinsey emerged from the Internet gold rush days relatively unscathed compared to competitors, though it suffered its own PR challenges as it found its name linked with scandal–plagued companies like Enron and Global Crossing. In recent years, the firm has turned its attention toward the IT sector and outsourcing, in an attempt to respond to the shifting trend in the consulting market toward more “ tangible” services, such as systems integration. On the pure strategy side, McKinsey also has faced a competitive threat from rivals like Bain and Boston Consulting Group.

Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 1 McKinsey & Company at a Glance 55 East 52nd Street New York, NY 10022 Phone: (212) 446–7000 Fax: (212) 446–8575 www. mckinsey. com UPPERS • Extensive alumni network • Global reach • Research–driven projects DOWNERS THE STATS Employer Type: Private Company Managing Director: Ian Davis 2003 Employees: 11, 000 2002 Employees: 11, 000 2001 Employees: 13, 000 • Strict “ up or out” system • Ongoing, frequent review process • Limited mobility without advanced degree

PRACTICE AREAS • • • • • • • • • • • • • • • • • • • • • • • • • Automotive & Assembly Banking & Securities Business Technology Office Chemicals Consumer/Packaged Goods Corporate Finance & Strategy Electric Power/Natural Gas High Tech Insurance Marketing Media & Entertainment Metals and Mining Nonprofit Organization and Leadership Operations Strategy & Effectiveness Payor/Provider Petroleum Pharmaceuticals and Medical Products Private Equity Pulp and Paper Retail Strategy Telecommunications Travel and Logistics 2 © 2004 Vault Inc. McKinsey & Company The Scoop

Shaping management theory In 1926, lawyer, CPA and University of Chicago management professor James Oscar “ Mac” McKinsey founded the firm that still bears his name. In those early days of consulting, McKinsey was fascinated by the emerging science of management, and sought to give both management and financial advice to high–ranking personnel at accounting and other corporations. McKinsey envisioned bringing “ management engineers” to not only rescue faltering companies, but also to help thriving companies do even better. His five partners included A. T.

Kearney and protege Marvin Bower, who would go on to shape the McKinsey firm we know today. A few years after setting up shop, McKinsey accepted a temporary offer to run and restructure the Chicago department store Marshall Field’s. Bower ran the consulting partnership until McKinsey’s death in 1937. A quarrel over leadership between Bower and Kearney led to a split, and the two went their separate ways in 1939, with Kearney retaining the Chicago office and naming it after himself, and Bower naming the New York branch McKinsey & Company. , in honor of his mentor.

As for the other partner, Kearney, his name is now associated with another strategy consulting firm, A. T. Kearney, still numbered among McKinsey’s competitors. Learning the rules “ The Firm” derives much of its mysterious prestige from its powerful five–part code of conduct, instituted by Bower and still followed today. Bower directed McKinsey employees to put client interests ahead of firm interests, serve the client in a superior manner, adhere to high ethical standards, preserve the confidence of clients, and be ready to differ with client managers and tell them the truth, however painful.

Over time, Bower also began directing his recruiting efforts toward graduate students the firm could mold into broad–based consultants, instead of experts who had built up years of experience in a single industry. McKinsey & Company thus became the first consulting firm to hire directly from business schools. Another tradition set by Bower was a reticence to discuss financial matters openly, which persists to this day. Maintaining that the firm would make more money if it didn’t concern itself with profits, Bower never charged clients performance–based or results–based fees.

Ensuring that this decorum regarding all things financial would stick for the long haul, Bower declined Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 3 McKinsey & Company The Scoop to take the company public (at what would have been an enormous profit) when he retired in 1963, instead selling his shares back to the firm for book value. Future partners have continued this practice. Bower shaped McKinsey culture in other, more subtle ways.

All executives were required to wear hats and long socks (to avoid displaying “ raw flesh”) – though there may be more bare heads and bare skin on display these days, many McKinseyites still prefer long socks. Like many of its peers, McKinsey really took off during the postwar period, when companies turned their attention to expanding profits. The 1950s saw McKinsey adding an expanding number of bluechip companies to its clientele, as well as adding engagements with major government and military organizations, defense contractors.

In 1959, the firm went international with an office in London, and opened offices in Melbourne, Amsterdam, Dusseldorf, Paris, Zurich and Milan shortly thereafter. The lure of the new The firm started to face fiercer competition – and lose market share – in the 1970s, a time of corporate buzzwords, such as the Boston Consulting Group’s “ growth–share matrix. ” Rejecting trendy marketing theories on principle, McKinsey lost business to BCG and other upstarts. These less–stodgy firms soon began luring away top b–school grads, the engine driving much of McKinsey’s success.

But the firm created another tradition of its own when, in 1986, it began an MBA summer internship program in response to the extravagant signing bonuses competitors like Bain and BCG were using to woo top candidates like Harvard’s Baker Scholars. The program was soon to become a norm across the industry, as well as among others like investment banks. In 1989, the firm’s acquisition of the Information Consulting Group proved somewhat awkward when a culture clash between the companies caused many former ICG employees to jump ship.

The firm righted itself later in the 1980s as the global economy began booming again, and the 1990s were a success story. To date, the revenue has more than doubled since 1993, and the firm doubled its professional staff and opened a total of 20 offices in the 1990s. In 1999 alone, the firm opened offices in Antwerp, Belgium; Athens; Dubai, United Arab Emirates; Manila, Philippines; and Rio de Janeiro. 4 © 2004 Vault Inc. McKinsey & Company The Scoop Consultants without borders In fact, McKinsey has been described by managing partner Ian Davis, in a June 2004 interview with the Financial Times of London, as “ a truly global firm. Its consultants are citizens of 95 countries. McKinsey’s governing shareholder committee is controlled by a non–American majority, and about 60 percent of revenues come from overseas, with further growth expected from new markets in Russia, Eastern Europe and China. The firm has solidified its Asian presence in recent years, conducting more than 500 engagements in China over the last decade. In October 2003, the firm established its Asia–Pacific regional headquarters in Shanghai, and the office has worked with some of that nation’s most prominent clients, including Singapore Airlines and the chewing–gum–averse national government.

In March 2000, McKinsey opened a new office in Tel Aviv, from which it has offered assistance to Israeli corporations, startups and government entities such as the Ministry of Communications and the Postal Authority. The newest office on McKinsey’s list is in Zagreb, Croatia, opened in early 2003. It’s in India India is also big on the firm’s radar, especially as the trend toward offshoring (a term Davis argues is misleading) continues.

In February 2000, McKinsey enhanced its presence in India with the launch of India Venture 2000, which was created to help Indian entrepreneurs establish and grow new IT or e–commerce businesses. The firm’s office in New Delhi is one of its fastest growing sites, and in India, the firm helped the State Bank of India reengineer its business processes in May 2003; advised liquor company Shaw Wallace on opening new breweries in September 2003; consulted with engineering and construction firm Larsen & Toubro on strategy matters; and advised Prime Minister Atal Behari Vajpayee on foreign investment issues.

McKinsey maintains one office in Delhi staffed 24/7 with 300 workers who provide the firm with support for visual presentations and graphics, and another near Delhi employing 12 highly–educated staffers who perform statistical research for McKinsey consultants. But, as Davis argued to the Financial Times, “ From McKinsey’s point of view, offshoring doesn’t mean anything for us. Offshore from were to where? ” He added, “ We have 40 different nationalities working in the London office.

So offshoring to India wouldn’t mean anything because you could argue we are as much Indian as anything else. ” And it isn’t all about outsourcing, offshoring, or whatever else you might call it. In fact, McKinsey has approximately 130 consultants on the subcontinent Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 5 McKinsey & Company The Scoop as of 2004, and the firm’s efforts in India have established it as one of that nation’s most prestigious employers.

Many Indian consultants have graduated McKinsey to lead major corporations and projects of their own (ex–director Ashok Alexander went on to head the Bill and Melinda Gates Foundation in India, and fellow alumnus Pulak Prasad is a leader at Warburg Pincus, to name just a couple). “ We are a breeding ground for leaders and we start working on people from Day One,” Pramath Sinha, an India–based McKinsey principal, told The Economic Times of India. Along with its consulting peers, McKinsey took a hit from the dot–com bubble and the effects of September 11.

The dot–com boom was good to the firm for a while, and it took on more than 1, 000 web–related engagements during 1999 and 2000, reaping record revenues of $3. 4 billion in 2000. The firm was somewhat shielded when the bubble burst as it had limited the practice of accepting equity stakes from clients in lieu of start–up fees, a common practice among competitors. But McKinsey still suffered when it was stuck with some of these worthless shares, and income from many previously high–flying e–commerce clients quickly dried up. Jumping ship

The firm’s Internet troubles actually started before the bubble burst, as many of McKinsey’s best consultants jumped ship to latch on to alluring web–related ventures. In 1999, the firm’s San Francisco office saw a third (150 members) of its staff walk out the door. One year later, though, McKinsey had more employees than it knew what to do with. Out of the 3, 100 MBAs who were extended offers in 2000, McKinsey expected 2, 000 acceptances, but the firm received more than 2, 700. “ We honored every offer and didn’t push people out,” then–managing partner Rajat Gupta told BusinessWeek in July 2002, “ and we had no professional layoffs other han our traditional up–or–out stuff. ” This “ stuff” was reportedly on the rise as of 2001, when 9 percent of all analysts and associates were shown the way out, compared with just 3 percent a year earlier, the New York Times reported. The post–September 11 recession led to some belt tightening among non–consulting McKinseyites; in November 2001, the firm announced that it would cut 5 to 7 percent of its 3, 000 support staff in the United States and Canada. Other cost–trimming measures, the Times reported, include cutbacks on travel, training retreats, and “ even the Reese’s Peanut Butter Cups at the firm’s New York reception desk. 6 © 2004 Vault Inc. McKinsey & Company The Scoop Bankruptcy blues McKinsey rarely publicizes the names of its clients, but its association with some troubled companies has put the firm in the headlines. In recent years, McKinsey’s association with bankrupt entities including Enron, Swissair, Global Crossing and Kmart occasioned some grumbling among outside observers about the value of the high–priced advice it provides. In May 2003, McKinsey’s services were called into question during bankruptcy hearings for client United Airlines.

Bankruptcy lawyers charged that the firm’s restructuring–advice fees, which included a $1 million–a–month flat fee for McKinsey, were unwarranted for a company that couldn’t manage to pay its debts. UAL dismissed the concerns and retained McKinsey. McKinsey was also caught up in a client’s bad luck when it made headlines for failing to predict an $800 million takeover bid of client Ocean Spray by rival Northland Cranberries Inc. in early 2003. McKinsey had advised Ocean Spray since late 2002 and, against the wishes of the company’s struggling growers, had advised the cooperative’s management to avoid selling any of its businesses.

The collective rejected Northland’s overture in February 2003, but the pro–sale growers won a vote to replace Ocean Spray’s board of governors with a new, smaller panel, and the company cut 58 of its executives the following month. The sinking “ E” But Enron provided the firm’s biggest PR headache in recent years, especially since disgraced CEO Jeff Skilling joined the doomed enterprise from McKinsey, where he’d worked with the fledgling company to develop a transaction– and services–based, minimal asset approach to corporate operations.

To make matters worse, the firm touted the Enron model as a success story after Skilling left to head the corporation. As it transpired, the transactions and services on which Enron grew its numbers were largely illusory, the result of exchanges between Enron subsidiaries. When the model could no longer sustain itself and the word got out, Enron collapsed, taking much of the stock market with it. McKinsey consultants working out of Enron’s Houston offices had racked up millions in fees – topping out at more than $10 million during one year – for dispensing strategy advice.

None of its work for Enron, however, had anything to do with the shady dealings that led to the Tilting E’s ruin. Looking back, Ian Davis told the Financial Times, “ I think our reputation was dented” by the Enron affair, though “ People know we had nothing to do with any wrongdoing. ” Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 7 McKinsey & Company The Scoop Growing pains

Aside from its association with troubled clients in a turbulent economy, McKinsey’s struggles in recent years have come from internal growing pains, as well. The firm’s obsession with excellence reflects the company mantra, “ 100 percent to the third power,” meaning that the firm seeks to bring 100 percent of firm capabilities to bear on 100 percent of McKinsey clients, 100 percent of the time. However, an internal report from 2001, quoted in a May 2002 Wall Street Journal article, shows this thorough approach to be a possible weakness.

The article, “ Growth at McKinsey Hindered Use of Data,” cites an internal study, referred to as Project Coolkat, which concluded that rapid expansion had hindered the firm’s ability to keep track of its own information, leading to poor client performance. “ It takes much too long to find the right knowledge,” the report states, “ and in many cases, the best existing knowledge is not identified and brought to the client. ” Furthermore, the report calls the work satisfaction and professional development of McKinsey research staff “ unsatisfactory … Moving forward, this is not acceptable. The firm notes that “ most of our most important knowledge is in the heads of our most senior people, exchanged primarily through conversations – not through knowledge workers or electronically. At no point over the last decade has McKinsey ever been anything but the best consulting firm in delivering business knowledge to clients. ” Shortly thereafter, the firm launched a new initiative to improve researcher training and a major budget increase for McKinsey’s “ knowledge–management” processes and systems, $35. 8 million in 2002 versus just $8. 3 million in 1999.

But a senior partner quoted in the WSJ article was quick to point out that there was “ no demonstrable link – in fact there’s no link whatsoever – between our decision to invest in upgrading our knowledge–management systems and any specific client. ” Where the elite meet There’s no doubt that McKinsey’s obsession with excellence and client privacy have given the firm a sheen of prestige and even elitism. McKinsey, which rarely reveals the names of clients and issues few press releases detailing its activities, is sometimes characterized as a “ secret society. But McKinsey takes issue with this: “ Only after many years have passed and if our clients themselves publicly refer to our involvement, do we acknowledge that we have served a company,” the firm contends. “ This policy is not the result of some cultivated secrecy or mystique. It is what we believe is professional behavior and the appropriate posture given our conviction that we supplement our clients’ leadership, but never replace it. ” Of course, 8 © 2004 Vault Inc. McKinsey & Company The Scoop McKinsey consultants often end up heading their clients’ firms.

Its staff roster of PhDs and Rhodes scholars is also closely guarded, though some personalities are too well–known to keep under wraps. In February 2003, news was leaked that former First Daughter Chelsea Clinton got a $100, 000 offer to join McKinsey as an analyst in the London office. But Clinton, a graduate of the Oxford international relations master’s program, held out for an assignment in New York in order to be closer to her parents. She got the $120, 000–a–year job in March 2003, and has reportedly been pulling 80–hour weeks as she works on projects dealing with health care.

McKinsey’s intelligence arsenal is bolstered by a global network of more than 900 knowledge professionals, most of whom are aligned to specific industry, functional or geographic knowledge domains. These professionals do research on topics related to specific client engagements, allowing consultants to focus on the client proprietary dimensions of a study. In addition to business research, this group also plays a lead role in the creation, codification, organization and dissemination of McKinsey’s vast knowledge base and spearheads the design, development and deployment of all knowledge related technologies.

Recent enhancements include new search technology applied across its vast document collection and a unique expertise location approach that enables consultants to identify colleagues from around the world who might be able to help them with a specific problem. Indeed, this group may be tapped at any point during their careers, even after leaving the firm. Like the Hotel California, McKinsey is a place from which alumni can check out any time they like, but they can never leave.

The firm publishes a volume listing every living person who has ever worked for the firm, where they live, and their current occupation. Its cover cautions: “ This directory is to be used exclusively by alumni of the firm. ” There are approximately 10, 000 McKinsey alumni all over the world, and each year they’re invited to a party where they can mingle with current consultants. This alumni network is likely to become ever more far reaching–the firm currently employs 6, 000 consultants from 90 countries.

McKinsey alumni, as previously noted, have often left the firm to take on more visibly prestigious roles – in addition to the infamous Jeff Skilling, more successful careers have been forged by alumni such as Bruce Henderson, a former McKinseyite who was named CEO of Imation Corp. in May 2004, and J. D. Hickey, a 33–year–old McKinsey alum who was appointed to lead Tennessee’s health care program, TennCare, after having advised the program with the firm for three years. The complex web of current and former McKinseyites forms a unique decentralized structure for such a large corporation.

Operating as a Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 9 McKinsey & Company The Scoop partnership, McKinsey is run through a network of offices that runs as a unified firm. In fact, the firm is reluctant to admit it has a global headquarters at all (though it runs much of its backbone administrative work from New York City). The ownership and management of the firm is vested entirely in about 800 active directors and principals (which roughly correspond to senior and junior partners).

McKinsey’s managing director is elected every three years by these directors, in a process some compare to the election of a new pope. In March 2003, Ian Davis, who headed the firm’s British office for eight years, was tapped to replace Rajat Gupta, who served the company’s maximum of three three–year terms. Davis, a holder of undergraduate degrees in policy, philosophy and economics from Oxford University, has been with McKinsey since 1979. The Davis era Davis’ election was seen as heralding changes for the firm. Gupta, who presided over McKinsey during its – and the economy’s – period of dizzyingly apid expansion, became associated with that aggressive growth strategy. But observers say Davis, who publicly emphasizes McKinsey’s “ core mission and values,” such as a client–centered, meritocratic approach, may usher in a calmer era at the consultancy. Consultants say that he is putting the recommitment to McKinsey’s core values in action. In June 2004, the company held a special day of workshops to discuss the core values of the firm and commitments to serving clients. In July 2004, Davis told the Financial Times of London that the heady years of the dot–com boom “ did put severe strain on our basic values.

In the kerfuffle, I think some of them got lost. We didn’t knowingly move away from them, but my sense is that after this period we need to affirm our basic approach and values. ” (Another of those values – privacy and lack of personal status–seeking – is illustrated by the fact that Davis didn’t give his first interview to the press until more than a year after his election as managing partner. ) Though the firm guards its staff rolls as closely as its client list, it’s clear that the company has taken pains to retain its best and brightest during the weakened post–September 2001 economy.

Now that the economy is on the rebound, so are invitations to join McKinsey. In 2003, the firm significantly expanded its campus recruiting activities on MBA, law, MD, PhD and undergraduate campuses. In the 2003–2004 campus recruiting season, the firm hired over 1, 600 consultants, about a 60 percent increase over the previous year. In addition, McKinsey has hired several hundred summer associates – graduate students who are going into their last year of school. The North American offices have scheduled a conference for all of thier 10 © 2004 Vault Inc. McKinsey & Company The Scoop ummer associates in ski paradise (though probably not during the summer) Vail, Colorado. Natural selection Despite its reputation as an “ up or out” firm when it comes to advancement, McKinsey considers its promotion policies to be based on the natural progression of consultants at the firm, with advancement and compensation based on a fair review system. On average, only one in four or five consultants who starts at McKinsey finishes the vaunted journey to principal. “ It’s a pretty competitive process,” says an insider, “ though lots of people don’t want to make partner, so they leave. VOX (visibility, options, expression of preference), a system implemented in early 2000, gives consultants greater influence over the engagements they work on. McKinsey is also eager to get even more out of the best and brightest that it hires. For incoming associate hires without a financial or business background, the firm offers the Mini MBA, a three–week program that provides an opportunity to learn core business skills. In addition, all associates and business analysts attend Basic Consulting Readiness, a curriculum that prepares them for client engagements.

In addition, one– to two–week role–change courses are provided at each career milestone. McKinsey also provides an array of workshops and learning opportunities in a range of topics, including communications, functional skills, coaching and team leadership, and negotiating skills. Publish or perish McKinsey has built a solid reputation as a publisher of management–related booklets, documents, papers and magazines, including the well–regarded McKinsey Quarterly. McKinsey partners also often write books independently of the firm.

In addition to Tom Peters and Bob Waterman’s best–selling In Search of Excellence, books penned by McKinsey alums include 2000’s Measuring and Managing the Value of Companies by Tom Copeland, Tim Koller and Jack Murrin, and 2001’s The War for Talent by Ed Michaels, Helen Handfield–Jones and Beth Axelrod; 20/20 Foresight: Crafting Strategy in an Uncertain World, by Hugh Courtney; and Creative Destruction, by Richard Foster and Sarah Kaplan (which unfortunately highlights Enron as a shining corporate example in passages written before the company’s collapse).

The big book in 2002 was Dangerous Markets: Managing in Financial Crises, by Dominic Barton, Roberto Newell and Gregory Wilson. 2003 saw the publication of Banking in Asia: Acquiring a Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 11 McKinsey & Company The Scoop Profit Mindset, by Tab Bowers, Greg Gibb and Jeffrey Wong. The McKinsey Quarterly, now available in an online version, has more than 300, 000 subscribers and runs articles on e–commerce, telecommunications, strategy and other fields.

McKinsey also analyzes its own business approach, hoping to understand the difference between change that is fundamental and change that is fundamentally faddish. For example, the firm acknowledged that McKinsey itself had put client service ahead of wealth creation for clients during the recent Internet euphoria, but now applies the principles of strategic thinking, industry and functional knowledge, and analytical rigor to today’s environment.

Thanks in part to the vast amounts of research produced by the firm, McKinsey is known as a preeminent information source on globalization, governance, organizational performance and corporate strategy. The McKinsey Global Institute (MGI), established in 1990, operates as an independent economics think tank within McKinsey, conducting research and developing positions on issues affecting businesses and governments worldwide. The Institute’s approach “ combines the rigor of academia with the real–world experience of business,” according to the firm.

Through its research, MGI has amassed a fact base that covers more than 15 countries, four continents and more than 28 sectors. Located just steps from the White House in Washington, D. C. , the Institute been estimated to spend more than $100 million a year on its information gathering and internal research. Reports released in 2003 include a study of multinational company investment in developing economies; an analysis of the benefits and impact of offshoring worldwide; and reports on improving productivity and competitiveness in Europe. Going nonprofit

Another of McKinsey’s specialty areas, the nonprofit world, got a jumpstart in 2001 when the firm launched the McKinsey Institute on the Nonprofit Sector, appointing Senator Bill Bradley as chairman of its advisory board. The practice coordinates the firm’s community and pro bono activities. Each office devotes 5 to 10 percent of its consultants’ time to work for nonprofits, and more than half of its North American partners are on the boards of at least one nonprofit organization. The firm served more than 200 nonprofit and/or public sector clients in 2003, representing an in–kind contribution of well over $100 million.

These clients include museums, theaters operas, festivals, multinational NGOs and development agencies, philanthropic organizations, schools, conservation organizations, land trusts, zoos and more. Following the events of September 11, the New York office devoted itself to nine 12 © 2004 Vault Inc. McKinsey & Company The Scoop separate pro bono projects. These included serving the Lower Manhattan Development Corporation, overseeing the development of a victim database for New York State Attorney General Elliot Spitzer and studying how New York Police Department and Fire Department members reacted during the World Trade Center attacks.

The Big Apple office has also done work for the United Way, the World Economic Forum and the New York City Opera. On the tech track In a hyper–competitive consulting arena, McKinsey’s efforts at going high–tech in response to more IT–centric rivals like Accenture has gotten off to a rocky start. The firm admits that previous attempts to build a major IT consulting capability, through acquisition and then through the creation of an IT practice, “ could not achieve sufficient scale to ensure long–term success. As a result, the firm formed the Business Technology Office (BTO), in 1997, the only McKinsey office not tied to one specific geographic location. The office helps companies implement IT strategies, improve their operations, strengthen the value of their customer relationships and craft innovative approaches to IT architecture and IT management in areas such as post–merger integration, prioritization of IT investments and strengthening of the IT organization. The strategy seemed to pay off – the number of consultants in the BTO grew by 30 percent in 2003.

Still, word on the street indicates that McKinsey, along with many of its high–powered peers, may be facing competition in the high–tech arena from newer consultancies with IT–centered backgrounds, especially those spun off from high–tech companies themselves, such as IBM’s Global Business Services unit. Private equity is another new area for McKinsey, and it offers advice in strategy/organization, opportunities for growth, deal assessment and due diligence, and cross–portfolio support.

The firm’s recent projects have been global in scale: In 2004, as in previous years, a group of McKinsey delegates joined the World Economic Forum in Davos, Switzerland, addressing topics such as the benefits and challenges of offshoring, business opportunities and trends in China, and the balance between risk and control in managing corporations. In May 2003, the firm took on the role of investment advisor for the privatization of the oil group Unipetrol in the Czech Republic. In July 2003, the firm issued a report on the use of the English language in South Korea.

Also in 2003, McKinsey began conducting a comprehensive analysis of the global coffee industry on a pro bono basis, in addition to advising the Colombian Coffee Federation on a new retail strategy. In May 2004, the firm was tapped by the Confederation of Indian Industry to study and suggest changes to the laws governing mining operations in India. At U. N. Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 13 McKinsey & Company The Scoop eadquarters in June 2004, McKinsey issued a report on the Global Compact with the business community, which U. N. Secretary–General Koffi Annan had proposed five years earlier (the compact, aimed at summoning corporate responsibility for issues such as human rights, labor, and the environment in developing nations, is working, the report concluded). Closer to home, Tennessee’s largest insurer, TennCare – now run by a former McKinseyite – has paid the firm more than $4 million as it works to reform the troubled health care system, with a $1. 8 million two–month contract renewal signed in June 2004.

McKinsey also has been under contract to produce a report suggesting ways to improve the city government in Dallas. 14 © 2004 Vault Inc. McKinsey & Company Organization Managing Director: Ian Davis Appointed managing director in March 2003, Davis, 52, had already spent 23 years at the firm. Based in London, he is McKinsey’s tenth managing director. He holds a degree in politics, philosophy and economics from Oxford, and joined McKinsey in 1979 after a seven–year stint at paper manufacturer Bowater. His work for the consultancy has been wide–ranging, but mostly has fallen within the consumer and retail industries.

Davis got good practice in leadership heading the firm’s U. K. operations, among the firm’s larger offices, for eight years. Before that, he ran the firm’s consumer industries practice in Europe. Unlike many of McKinsey’s directors, who are known as a little bit dull, Davis is said to be outgoing, charming and highly visible, especially in his native Britain. Oddly, too, for a McKinsey man, he doesn’t have a graduate degree. He’s also veddy British – again, a departure for McKinsey, where each managing director before Davis’ predecessor, Rajit Gupta, was American.

Davis’ grandfather was a professor at Oxford, his daughter is a fifth–generation Oxford student and his three brothers are all “ highly distinguished,” as a BusinessWeek article described them – one’s the CEO of publisher Reed Elsevier, one’s a judge and the other, a lawyer. And fittingly, Davis is a “ keen sportsman,” fond of cricket, rugby and tennis. Though Davis had some big shoes to fill – Gupta presided over a period of unprecedented growth at the firm – his first year at the firm was met with favorable reviews.

The Financial Times of London, in the first interview with Davis (published a year after his appointment, in July 2004), describes him as “ fluent” and “ approachable,” “ happier talking about the future than the past,” but not averse to analyzing the mistakes the firm made during the Internet boom. According to the article, Davis’ spare, unlived–in London office is a testament to his hands–on management style, which involves traveling the globe and visiting 25 countries during his first 12 months. Visit the Vault Consulting Career Channel at www. vault. om/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 15 McKinsey & Company Organization Practice areas Industry Practices • Automotive & Assembly • Banking & Securities • Chemicals • Consumer/Packaged Goods • Corporate Finance & Strategy • Electric Power & Natural Gas • High Tech • Insurance • Marketing • Media & Entertainment • Metals & Mining • Nonprofit • Operations Strategy & Effectiveness • Organization & Leadership • Payor/Provider • Petroleum • Pharmaceuticals & Medical Products • Private Equity • Pulp & Paper • Retail • Telecommunications • Travel & Logistics

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Henderson as the management and consulting division of the Boston Safe Deposit and Trust Company, BCG has been the driving force behind a number of major management consulting innovations and concepts in its 39 years, including “ time–based competition,” “ deconstruction,” and “ capability–driven competitive strategies. ” Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 19 McKinsey & Company Organization Mercer Management Consulting: Formed in 1990 by the merger of Temple, Barker & Sloane and Strategic Planning Associates, and owned by professional services giant Marsh & McLennan, Mercer has grown rapidly, opening ffices in Europe, the Pacific Rim and Latin America, and acquiring a number of boutique consultancies. Today, Mercer Management Consulting has approximately 1, 400 consultants and support personnel in 22 offices worldwide. Though it was initially considered a brazen startup in a field dominated by giant, established firms such as McKinsey, Mercer has expanded its practice quickly by aggressively pursuing clients and rooting its work in a series of well–publicized books. It has developed special industry expertise in communications, energy, financial services and manufacturing. Monitor Group: Though much smaller than McKinsey, this heavily strategy–oriented consultancy sees itself as a strong competitor.

Founded in 1983 by a group of professors and consultants, including Michael Porter (a consulting guru and creator of popular case interview framework Porter’s Five Forces), Monitor tries to bridge the gap between academic ideas and business realities. The firm has developed a number of practices and expanded its client list to include everything from Fortune 500 companies and international firms to government agencies and major nonprofit organizations. Through its 28 offices in 23 countries, it offers advisory services in areas including private equity and venture capital, e–commerce incubation, and mergers and acquisition–related transactions. 20 © 2004 Vault Inc. McKinsey & Company

Vault Newswire July 2004 Managing director Ian Davis gives his first interview to the media, for London’s Financial Times. July 2004 McKinsey alumnus J. D. Hickey, who advised the TennCare program while with the firm, is appointed by Tennessee’s governor to lead the state’s health care system as director. June 2004 Tennessee health insurer TennCare signs a contract extension with the firm for an additional $1. 8 million. June 2004 McKinsey issues a report to the United Nations on Kofi Annan’s Global Compact with the world’s business community. May 2004 The Confederation of Indian Industry hires McKinsey to review the nation’s mining laws. August 2003

The Czech government approves McKinsey’s role in advising the privatization sale of Unipetrol. August 2003 The governor of Tennessee announces McKinsey will review the state’s healthcare program. May 2003 A newspaper reports McKinsey is advising the State Bank of India on restructuring. Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 21 McKinsey & Company Vault Newswire May 2003 In bankruptcy court, lawyers argue that the $1 million–per–month flat fee for consulting services that bankrupt carrier United Airlines pays McKinsey is unwarranted for a company that couldn’t pay its debts. Rejecting the rgument, United continues to retain McKinsey during its restructuring. April 2003 For the seventh year in a row, McKinsey tops the list of where MBA students would most like to work, according to a Universum study. March 2003 It is announced Ian Davis will succeed Rajat Gupta as managing partner of the firm. February 2003 The press reports that former First Daughter Chelsea Clinton will join the firm. October 2002 McKinsey begins to perform an assessment of the New York City school system for chancellor Joel Klein. September 2002 It’s revealed that McKinsey is helping the West Bengal government to encourage investment in local industries. September 2002

McKinsey releases a controversial report detailing what New York’s fire and police departments did right – and wrong – in response to the September 11, 2001, attacks. 2001 McKinsey clients Enron, Swissair and Kmart file for bankruptcy. 22 © 2004 Vault Inc. McKinsey & Company Vault Newswire August 2001 Branding strategy has, historically, been a closely guarded facet of the advertising business. Not anymore. In a move that may be the beginning of a turf war between the advertising and consulting industries, McKinsey purchases Chicago–based branding consultancy Envision. March 2001 In an interview with the Financial Times, McKinsey managing director Gupta frets that the attrition rate at McKinsey has fallen to 12 percent per year, 5 percent below the “ equilibrium level” of 17 percent.

Gupta also notes that during the height of dot–com fever, turnover rose to 21 percent at the firm. May 2000 McKinsey signs on as the strategic advisor to Apollis AG, a new company founded by General Atlantic Partners that will create and support wireless applications in Germany and soon, throughout Europe. This alliance signals McKinsey’s increasing efforts to expand into the trendy wireless space. March 2000 McKinsey says it will raise associates’ pay. Crain’s New York Business reports that the total compensation package for incoming MBAs will be in the $150, 000 range. February 2000 In a hotly contested battle, managing partner Rajat Gupta is reelected for his third three–year term.

A report the following month in The Economist maintains that Gupta withstood internal challenges to the throne from Ian Davis, manager of McKinsey’s London office; Clay Deutsch, former head of the Cleveland/Pittsburgh office; and Michael Patsalos–Fox, the New Jersey office manager, among others. Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 23 McKinsey & Company Vault Newswire January 2000 A McKinsey study of the Indian technology industry concludes that the industry could grow to $87 billion by 2008 if the government can improve its telecommunications infrastructure. In addition, McKinsey says that the IT industry has the potential to provide India with 2. 2 million new jobs, attract foreign investment totaling $5 billion and account for more than 7. 5 percent of India’s GDP by 2008. November 1999

In an effort to recruit and retain the best b–school grads and ward off growing competition from dot–com companies, McKinsey decides to offer its associates the opportunity to invest in Internet startups. Junior consultants can also, for the first time, buy stakes in investment funds that would not normally be open to them. September 1999 McKinsey puts Ogilvy & Mather, the venerable agency known for its work with IBM, American Express and Ford, in charge of its first–ever advertising campaign. August 1999 President Clinton announces his intention this month to name Dr. Martin Baily to chair the Council of Economic Advisers (CEA). Baily is a principal at McKinsey, based at the McKinsey Global Institute in Washington, D. C. 24 © 2004 Vault Inc. McKinsey & Company

Our Survey Says The chosen few A life with The Firm is “ crazy and exhilarating,” sources say. “ It is a place where you meet tons of people who are extremely smart, but unique in a very diverse fashion,” says an insider. Your colleagues might include a quantum physicist, “ top lawyers,” people who hold “ PhDs twice over in information science,” even an “ orchestra director. ” Indeed, “ There is an overpowering feeling at McKinsey & Company that you are among the chosen few, that you are the best and the brightest. Having survived the grueling interview process, you do indeed feel that you have reached some sort of career pinnacle,” a consultant relates.

Others describe life at McKinsey more simply as “ a roller coaster. ” And as you might expect, “ whenever you stick overachievers together, it’s competitive. But there’s no backstabbing,” says a source. Another insider says, “ To outsiders, we must look extremely competitive. We’re told we should never feel comfortable doing what we’re doing, that we should always be reaching to do more. But the people who come here thrive on challenge, and you’re only competing with yourself. ” McKinsey gets kudos for its professional culture as well. Consultants say the firm’s “ values–driven culture rewards people for doing the right thing, not the profitable thing. Another insider agrees, “ You are always encouraged to improve yourself. The work is stimulating, for you have the opportunity to tackle complex issues for blue chips. The resources at our disposal can be impressive. ” “ You work with the best people and the projects provide you with opportunities to learn, present to executives and build a strong network,” says a colleague. Still, despite all the prestige and glamour, “ All that glitters is not gold,” remarks one consultant. “ You expect this place to be an Eden, but it’s not. There are stains on the carpet. Sometimes you work on a project and it winds up being fairly uninteresting. Sometimes a client changes his mind on a project plan and the result sucks. McKinsey’s rigorous selectivity is wellknown. Insiders say it’s “ not easy” to get an offer from McKinsey, partly because “ the job market has changed,” and “ the bar is set much higher now. ” “ Relative to other consulting firms,” boasts one insider, “ it is the most or among the most selective. ” This means that “ when people get offers from us and from others, the vast majority end up coming here. ” But it isn’t enough just to be an Ivy–league MBA with a gleaming transcript, insiders note: “ Given two people with the same analytical skills, we always want someone who is fun,” says one McKinsey recruiter. Visit the Vault Consulting Career Channel at www. vault. om/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 25 McKinsey & Company Our Survey Says The Firm’s formalities The McKinsey mystique comes in part from its unique culture, reflected in the ways in which staffers interact with each other and their company. “ McKinsey employees are taught to refer to McKinsey as the ‘ Firm,’ never as merely a company. We were always guided by firm policy and procedures,” says an insider. While the firm is described as “ nonhierarchical from a problem–solving standpoint (i. e. , everyone participates fairly equally),” it’s still “ very hierarchical when it comes to tactical issues (e. g. attending client meetings, putting together presentations, controlling your hours). ” But don’t get the impression McKinsey limits its consultants – in fact, says a source, “ I believe there are few places where you are more dared to take a challenge: it is the rule rather than the exception to be tasked with a chunk of work which is bigger than you have previously handled. ” As the pinnacle of consulting (to many, anyway), McKinsey also puts its consultants to the test with late nights and plenty of hotel time. “ Working hours are hard to control. My goal is to work between 55 hours and 60 hours per week, and I think I manage that about 70 percent of the time,” says a source.

Another says that while there’s a “ pretty good balance in terms of hours and keeping weekends free … being out of town is always tough. ” But a colleague suggests this may depend on who’s managing your projects: “ Your time is almost entirely controlled by the EM, with late night conference calls with the partners, who frequently show up late. Get lucky enough to have an EM who cares about lifestyle (they’re rare), and you might get out at 8 p. m. regularly. Get the more typical EM in a busy office that’s overscoping and understaffing projects, and the late nights are the usual. ” Another senior consultant says that while increased work–life balance is now “ part of the conversation” at McKinsey, a “ sustainable life” is still a challenge.

Of course, as one associate puts it, “ If balance is important to you, consulting is not the place you want to be, and definitely not McKinsey. ” But, the source adds, “ we try to do ‘ sanity checks’ on the workload, because all these overachievers will kill themselves with the pace. ” Another insider notes that those sanity checks “ are a matter of common sense. When you work 70 to 75 hours per week for a while, you realize it just isn’t sustainable. ” As for travel, insiders report that there’s “ a lot,” “ which does not add to the happiness. ” For their troubles, however, consultants can expect plenty of “ creature comforts during travel” like nice hotels and first class seats on long flights. 26 © 2004 Vault Inc. McKinsey & Company Our Survey Says The royal treatment

Indeed, consultants at McKinsey get the “ royal treatment” as a reward for their travails, sources suggest. Salaries at the firms are reportedly among the highest in the industry. One McKinsey insider notes, “ Future increases in pay are based on the previous year’s pay, so you basically have to push for a large first–year package to make the biggest bucks later on. ” One McKinseyite warns: “ You cannot negotiate with McKinsey. Your pay each year gets decided. ” Pay at the firm is based on individual performance; McKinsey’s senior partners receive salaries in excess of $1 million a year. In addition, “ The firm tosses a substantial amount into your 401(k) every year, based on performance of the firm and your own performance.

There’s also a regular performance bonus that starts at $10, 000 and goes up beyond $25, 000 in year one,” an insider reports. Others report receiving signing bonuses, a low–rate home loan, and an interest–free loan for “ settling in. ” The company provides a choice of health plans, two of which offer fully paid premiums, along with “ fully–paid dental, life, STD and LTD, flexible spending plans and opportunities for group discounts with car insurance and mortgages. ” Adoption assistance and “ generous ” maternity leave are also provided, and office perks include free beverages, free lunches and dinners when work is pressing, and free cab rides to and from work during early and late hours.

The firm also offers “ monthly social events (bowling nights, creative art gatherings) and lots of opportunities to pick up free tickets to various sporting events. ” After reaching the rank of engagement manager, McKinseyites receive a personal assistant. The company is also generous to those who decide that McKinsey just isn’t for them (estimates of turnover range from 20 to 25 percent annually). When the time has come to part, one insider says, “ The firm will continue to pay your salary until you find a job you like. Not just until you find a job, but one you like. ” No such thing as “ good enough” For those who remain, the firm has a reputation for being, in the words of one consultant, “ up–or–out, baby! ” – but it also helps ambitious consultants move vertically. McKinsey is all about the performance review, constantly giving every consultant the next, very specific list of things to work on and ‘ upping’ the bar each time you succeed. If you love to constantly be challenged to the next level, you’ll love it here,” says a source, who adds, “ If incessant evaluation will make you crazy as a loon, try somewhere else. ” One source, with previous experience at other consulting firms, notes, “ Among all my colleagues at other firms, I think McKinsey has the most focus on constantly Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 27

McKinsey & Company Our Survey Says evaluating you. ‘ Meets expectations’ is a failing grade around here – you’re always supposed to do more, to add value that you weren’t asked for. ” That leads to a lot of performance pressure, which isn’t always good. He continues, “ The expectations are so high, you never feel that your work is good enough. You want to be recognized a little, take a short breather, maybe say, ‘ That’s good enough. ‘ Management is so used to overachievers that they don’t remember the ‘ I care about you’ human factor, the praise you need for a job well done. ” A colleague adds, “ Sometimes you’ll wish they didn’t advance you so fast.

Just when you begin to get confident at one position, they’ll fling you into the next. ” Another describes the corporate ladder at McKinsey as “ fairly self–weeding,” noting that “ fewer than 10 percent starting at McKinsey at entry–level move up to partner. Some people thrive on the hard work and competitiveness; many others find greener pastures. ” A typical path for McKinsey promotions is described as “ about two years to manager, another two years to junior partner (associate principal), and another two years to partner. ” To help its consultants become ever more promotable, says a consultant, the firm invests in intense mentoring and on–the–job learning.

MBA–level consultants are able to take a training program called ILW after two years on the job. “ It is some of the best training in the world – you lean about problem solving and communication. It’s done all over the world in groups of about 20. In my group, we had people from 13 different countries. ” McKinseyites learn from the masters, too, as interaction with firm and client higher–ups is the norm: “ You can easily meet the partners,” says a source. Another says that “ I’ve interacted with around a dozen CEOs in my five years with McKinsey. ” Minority report McKinsey insiders say that the firm’s “ diversity is pretty broad from the perspective of background, but not nearly enough from a gender or racial perspective. A consultant notes that “ women are fairly numerous (30 percent) in the associate class, but dwindle quickly as you move up the ranks – probably due to lifestyle issues as much as anything else. ” The company reportedly has launched initiatives to encourage workplace diversity, though another source observes that “ newly–minted MBA consultants tend to be white and male. ” “ African–Americans are the most under represented of all minorities at McKinsey,” says a colleague. As for gays and lesbians, the firm “ offered domestic partner benefits early on,” a source reports. Another consultant has “ worked with gays at all levels in the firm (associate to 28 © 2004 Vault Inc. McKinsey & Company Our Survey Says irector) who were very successful, open about their sexual orientation and open to bringing their significant others to firm events. ” The firm is known for performing “ a lot of community work. ” This includes “ pro bono consulting, voluntary support of United Way [and] various initiatives driven by individuals. ” Visit the Vault Consulting Career Channel at www. vault. com/Consulting — with insider firm profiles, message boards, the Finance Job Board and more. 29 How many consulting job boards have you visited lately? (Thought so. ) Use the Internet’s most targeted job search tools for consulting professionals. Vault Consulting Job Board The most comprehensive and convenient job board for consulting professionals.

Target your search by area of consulting, function and experience level, and find the job openings that you want. No surfing required. VaultMatch Resume Database Vault takes match–making to the next level: post your resume and customize your search by area of consulting, experience and more. We’ll match job listings with your interests and criteria and e–mail them directly to your inbox. McKinsey & Company Getting Hired Early birds only Students wishing to join McKinsey’s hallowed ranks should start gathering resources for the highly competitive process early. Both MBA and undergrad scholars should check with their school campus career centers as early in the year as possible to find out whether McKinsey recruits on their campuses.

If so, sign up quickly for an interview – the slots are likely to go fast! Those who aren’t lucky enough to be graced by an on–campus visit shouldn’t fret. McKinsey accepts applications online from students who don’t attend the firm’s target schools, as well as from working professionals and non–MBA advanced degree holders. The career section of McKinsey’s web site includes helpful information for job candidates from undergraduate, MBA and advanced degree programs, as well as experienced professionals. It also walks applicants through a sample case study. Insiders tell us there is “ no internship program for analysts,” though the firm, of course, offers MBA–level internships.

Undergrads who join the firm as analysts are “ retained for 18–24 months,” according to sources; after that, the entire class is cut loose to go back to school or seek employment at another firm. A return trip to the mother ship is quite possible. “ If they like you and want you back, they pay for grad school,” says one source. One insider thinks the company could improve by “ adjusting the promotion system to promote high–performing analysts without an MBA. ” In the past, there have been instances of analysts being promoted straight into the associate ranks, but more than one insider describes these as “ extremely rare. ” We are told “ there are no promotions when times are bad. ” Interviewing

During the interview process, the site says, McKinsey looks for people with strengths in problem solving, influencing others, leading others and building relationships, and achieving goals. Prospective candidates can find interviewing tips and a practice case study online. McKinsey encourages candidates to use its online application system. After the boom period of the late 1990s, the interview process has changed, insiders note. “ Now there’s a much bigger structure – cases, group interviews and presentations,” a source reports. Another says it’s “ very rigorous. ” A third calls the screening “ fair and objective. ” He notes, “ You’ll take some Visit the Vault Consulting Career Channel at www. vault. com/Consulting