Mckinsey’s knowledge management

Business, Management

Competitive Advantage over other firms – Unique Resources and Capabilities Bower's Vision – Development of Unique OrganizationalCultureFirst Mover Advantage Between Marvin Bower, Ron Daniel, and Fred Gluck, who was the most effective strategic leader? Why do you think so? Upon evaluating each individual's strategicleadershipability based upon the six elements of effective strategic leadership, we concluded that Fred Gluck was indeed the most effective of the three individuals. The six attributes which a strategic leader can be compared against are listed below.

We found that Fred Gluck's contributions were more pronounced in elements 1 through 4, and where there was not enough material in the case to support any arguments for or against Gluck's superiority in elements 5 and 6 (Establishing Ethincal Practices, and Establishing Balanced Organizational Controls) we can assume that the contributions of all leaders were similar, or differences were not significant. Determining Strategic Direction Exploiting and Maintaining Core Competencies Developing Human Capital Sustaining an Effective Organizational Culture Emphasizing Ethical Practices

Establishing Balanced Organizational Controls {draw: frame} Determining Strategic Direction Exploiting and Maintaining Core Competencies At one time, Daniel realized that most of McKinsey's knowledge was spread all over the company, and was not codified. Apart from a few publications (Peter's and Waterman's In Search of Excellence and Kenichi Ohame's The Mind of the Strategist), there was no way of tracking what breakthroughs might have been achieved in certain projects, or what might have been some of the creative solutions that had been applied to other client projects.

Here too, the most concrete efforts to consolidate company knowledge were undoubtedly those of Fred Gluck: Gluck introduced the idea of “ Practice bulletins” which were short two page summaries published and distributed company wide, which highlighting some of the new emerging ideas regarding how to tackle new projects. It was under Gluck’s instruction that the Knowledge Management Project was initiated in 1987, even a year before he became Managing Director. The recommendations of the Knowledge Management Project led to the creation of the Firm Pratice Information System (FPIS), and the Practice Development Network (PDNet).

These Databases eventually became the backbone of “ knowledge Management” per se – a place to electronically store written reports and documents so that they would be accessible to the entire company, therefore enabling the easier spread of ideas, knowhow, and previous knowledge implementations among consultants. The Knowledge Resource Directory (KRD) – popularly known as the “ Mckinsey Yellow Pages” – was a small portable pocket sized consultants’ manual was also a breakthrough introduction that took place under Gluck’s supervision.

Development of Human Capital – See “ Consultant Development” above. Sustaining an Effective Organizational Culture An effective organizational culture for McKinsey would have been (or would still be) one which creates a strong synergy in employee interaction within the company, especially when its core competencies are “ Human Capital” and “ Knowledge”. Gluck promoted this synergy, by putting in place a structure that allow those synergies to grow. The FPIS and PDNet were important elements of that, as were the “ Super Group” discussions which generated great new ideas for the company to build upon.

In essence, Gluck as the leader kept encouraging and coaxing consultants to expand the company’s capabilities “ mentally” also - within the minds of its employees. 3) Through application of the Balanced Scorecard and the evidence in the three mini-cases of front-line activities in the mid-1990’s, how effective was the firm in the 1990’s? As evident in the mini-cases, McKinsey was highly effective throughout the 1990’s in regards to the firm’s Balanced Scorecard. Financial Perspective McKinsey was highly effective during the 1990’s inrespectto financial performance.

After Fred Gluck’s change in strategic direction, McKinsey was able to double revenues to an estimated $1. 5 billion during his six year term as Managing Director. This type of sizeable growth had not been seen since the early years of the firm when it was under direction of Marvin Bower. McKinsey was able to compete with BCG through Gluck’s change in strategy and win back clients and skilled recruits. Customer Perspective With respect to the Balanced Scorecards customer perspective, McKinsey was performing extremely well.

This was evident in the Jeff Peters case where his three person team was able to work with a highly respected financial services company in Sydney, Australia. They were able to have a strong client impact and added value to their client because of their access to knowledge, intellectual rigor and their ability to build understanding and consensus among a diverse management.

Their client was extremely satisfied with their recommendations and believed that any failures would be due to the client’s own fault.

By adding more value to their clients and increasing client satisfaction with the work McKinsey consultants provided, the client base grew thus leading to better financial performance. Internal Business Processes In each of the three mini-cases, McKinsey effectively used internal business processes to grow as a firm. In the Jeff Peters case, the knowledge necessary to provide quality recommendations to the client was accessed easily by scanning the Knowledge Resource Directory, the FPIS and the PDNet. This knowledge sharing is key in providing clients with specialized solutions and helping build the individuals.

Also the constant flow of consultants across offices contributed to the transfer of knowledge. The end result of the case was the development of John and Patty, two of the team members, making them ready to take on a management role in their next assignment while still providing quality recommendations that the client was completely satisfied with. In the Warwick Bray case, the specialist promotion track and practice development was exemplified. Warwick was able to leverage his technological experience and become an expert on deregulation.

Warwick was able to be promoted to a co-leadership role in the practice because he established credibility with clients and not because he had a broad-based problem solving skills. At the same time, Michael Patsalos-Fox, with the help of Warwick and Sulu Soderstom, was able to develop the practice. His first goal was to make the practice interesting to attract the best associates. Patsalos-Fox also created a practice-specific intranet link designed to spread knowledge that was more focused than the firm-wide systems like PDNet. Also in the Stephen Dull case, the B to B nitiative was established because Stephen had focused on becoming an expert in this area and developing the practice. He was able to establish credibility with his colleagues and with clients which led to more client impact. Although he was still uncertain about his promotion prospects, he was reassured that 15-20% of the firm's partners would be functional experts within the next five to seven years. By effectively using its internal business process, McKinsey was able to have more client impact and customer satisfaction. Learning and Growth Perspective

In the Jeff Peters case, the firm actually didn't perform well in respect to learning and growth. The team had utilized the knowledge databases to create a recommendation that satisfied the client but they were disappointed that they had not come up with anything radical and innovative. The team was afraid that it had fallen into the trap of becoming too introverted and satisfied with their own view of the world. The best examples of learning and growth were demonstrated in the Warwick Bray and Stephen Dull cases. Warwick Bray is an example of the creation of an I-shaped consultant.

He had specific knowledge of deregulation and spread his knowledge with executive clients and consultant teams. In Stephan Dull's case, he provided an excellent example of the " stewardship model" the firm want to put in place. He had taken it upon himself to increase his knowledge of B to B and ended up helping create a new Center of Competence that provided more value to clients and increased knowledge of the consultants. What is your evaluation of Rajat Gupta’s “ four-pronged” approach to knowledge development and application within McKinsey?

What specific risks and benefits do you see for each of the four prongs? What specific advice would you give him to address the risks and leverage the benefits? Emphasis 1 “ Capitalize on the firm’s long term investment in practice development driven by the Clientele Industry Sectors and Functional Capability Groups... …Creating some new channels, forums and mechanisms for knowledge development and organizational learning” {draw: frame} Evaluation – NOT RECOMMENDED Emphasis 2 “ Grass Roots knowledge-development approach called Practice Olympics… “ {draw: frame}

Emphasis 3 “ Six special initiatives multi year assignments focusing on issues important to CEOs.. ” {draw: frame} Evaluation - NOT RECOMMENDED Adding another six dedicated centers over the already numerous pre-existing Clientele Industry Sectors and Functional Capability Groups will only add to the confusion. As it is, McKinsey is having trouble with the promotion criterion of its “ Specailist “ I” Consultants” where they are mostly left on their own, and it is hard to measure a specailist’s performance in his area when he is, infact, the only specialist of that area in the company.

While it is getting difficult to measure contribution in these “ tangible” specialist areas, it makes no sense to put in place another 6 departments focusing on “ emerging issues of importance to CEO’s”. Given the changing dymanic of the consulting industry – or the entire economy given its jerks and bends, it is very likely that the issues too would change over the p of years that each of these “ dedicated centres” plans to spend studying each issue.

Already, Gluck’s emphasis on specialization led to the creation of “ 72 islands of isolated activity” which had to be trimmed down by the CPDC, this is similar to such “ diversification”. Emphasis 4 “ Expand on the model of McKinsey global institute…. ” {draw: frame} Creating pools of dedicated resources that study economic trends, and are free from pressures of delivering results to clients, will definitely boost the self reliance of McKinsey on its own knowledge.

By studying global and local trends – such as the present economic downturn situation or the effects on theenvironment, McKinsey will be able to pre-empt the kinds of problems that are likely to emerge in business today, and be prepared with a solution that is more fundamentally tied into, for example, an actually prevalent or emerging economic phenomenon or trend. Having its own “ high-end economic research unit” for example, will definitely be a confidence booster for the firm consultants - they will always have an avenue to turn to if they need to validate any of their recommendations on a more fundamental level.