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Introduction

Mckinsey is the most prestigious name in strategy consulting. It is a firm which is very proud about its intellectual property and ethical practices. Over the last 87 years of its existence it has rarely faced any charges of unethical practices until recently. In 2011, the charges against its former Managing Director and iconic leader Rajat Gupta shook the whole Mckinsey fraternity (Hill, 2011). Rajat Gupta was charged with providing insider information to make millions of dollars for some stock market firms. For the first time in its history, Mckinsey probably is reviewing and strengthening its ethical standards and practices. For a company of such magnitude as Mckinsey, it is a matter of pride for the illustrious alumni and luminaries. McKinsey has built a reputation for itself over the years which it does not want to lose due to the corruption of one person. This essay will examine the current ethical value system in Mckinsey and then will make an analysis of the same using Steve May's model for any weak point in the overall ethical communication structure.

Company Background

A leading global management consulting firm, McKinsey & Company has a worldwide presence with its 104 offices located in different corners of the world starting from South to North America, Africa, Asia, Europe and Middle East. In North America alone, it has 25 offices located in big cities of USA like Chicago, Miami, Boston, Atlanta, New York, Houston, San Francisco and Seattle. McKinsey offers consulting services to its clients on an array of industrial domains including advanced electronics, chemicals, consumer

packaged goods, aerospace and defense, metals and mining, oil and gas, public sector, retail, telecommunications, media and entertainment, pharmaceuticals, financial services, travel, transport and logistics (McKinsey & Company#1, 2013). McKinsey also provides assistance to its client in improving the functional expertise in areas like business technology, corporate finance, marketing and sales, operation and risk. The company also provides capability and solution services like software solutions, advanced data modeling and restructuring the support system.

It was in 1926 that McKinsey & Company was founded by James O. McKinsey. The primary goal of James McKinsey was to provide assistance to the senior management in American companies and with that objective in mind, he bought the confidence of his clients that his small firm could help not only companies which were not doing well but also healthy organizations to succeed in challenging business environment. Marvin Bower and Andrew Thomas Kearney joined James McKinsey as partners in the early 1930s but in 1935 James McKinsey left the company and within two years he died. It was Bower who shaped the core principles and values of the firm. Fortune Magazine summarized those principles precisely, " A McKinsey consultant is supposed to put the interests of his client ahead of increasing the Firm's revenues; he should keep his mouth shut about his client's affairs; he should tell the truth and not be afraid to challenge a client's opinion; and he should only agree to perform work that he feels is both necessary and something McKinsey can do well" (Huey, 1993).

McKinsey believed in the 'one firm' concept and as it grew and expanded its offices around the United States, it strived to operate as a single

organization rather than a loose confederation of offices to deliver the best possible services to its clients. It was in 1953 that McKinsey started recruiting fresh graduates from business schools and it was around this time that the company attained a slew of blue chip clients including major government and military organizations, top conglomerates, and several key defense contractors (McKinsey & Company#1, 2013). It was in in 1960s McKinsey started expanding its presence globally by opening offices in the Netherlands, Italy, France, Germany, and Switzerland. The McKinsey Quarterly which is a business journal was first launched in 1964. As of now, there are over 2 million users registered on McKinseyQuarterly. com. In 1994, Rajat Gupta became the first managing director of McKinsey who was non-American born. He served three terms in a row for a decade contributing to a significant growth of the company. At present McKinsey operates in 97 locations in 55 countries with 9, 000 consultants. As per the estimation made by Forbes, the gross revenue of McKinsey in 2009 was \$6. 6 billion (Forbes, 2009).

Ethical Standards and Background

Before we get into the external stakeholder ethical communication analysis of Mckinsey, we need to look at the culture of the organization which is the base of the ethical communication of Mckinsey. The culture of ethics and values go well back in the history. It is a well-known fact that Marvin Bower was the main force who shaped the company in its early days. He was one of the owners of the company from its very early days. He joined the company in 1933 and retired from the firm in 1995. Marvin also served as the

managing director of the company between 1950 and 1967. Marvin was a man of values and principles and he instilled his values and principles in the core of company value system. One incident which is often referenced by Mckinsey partners about Marvin Bower is that, in a client meeting with the CEO of a client Marvin told the CEO on his face that, “ The problem with this company, Mr. Little, is you” (McKinsey & Company#2, 2013). That was the end of business for Mckinsey in that company but Bower never took shortcuts and easy roads to make money. In fact if Bower felt that it was not in the best interest of Mckinsey to serve or the client top management was not fully committed to the cause, he would not accept that company as a client. He decided to retire at the age of 65 and sold his stocks at book value rather than at a heavy premium to the younger managing directors of the company. He believed that this gesture would help them develop a sense of ownership by having more shares of the company. Bower in his farewell speech stated that he hoped to see that down the years the directors and principals of the organization would provide formal training and on-the-job coaching in the professional approach, shout out their views when they felt they were doing anything that might impair the enduring values of the professional approach and that they would speak up whenever the principles constituting the philosophy of the organization were not adhered to (McKinsey & Company#2, 2013). Bower pretty much shaped the values we see in Mckinsey today.

The mission of Mckinsey is 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” (McKinsey &

Company#2, 2013). There are distinct core values created to protect the external stakeholder's interest.

External Stakeholder Ethical Communication Analysis using May's Model

Steve May shared a very useful observation on an ethical organization.

Quoting Milton Friedman, Steve stated that an organization because of significant role in social, political and economic realms has a greater role to play other than making money (May, 2012). He has provided a model for an ethical organization which involves the following values:

Alignment

According to Steve May, an ethical organization aligns the formal policies and procedures including performance appraisals, ethics code, employee handbook with an organization's informal culture that is rituals and norms. An organization carries out the aligned work successfully when its members, various stakeholders and the mission of the company work collaboratively towards the acquisition of the same objective. McKinsey is a privately held company. The rate quotes for McKinsey are so secretive that apart from the rate quotes for American government there are no published data for McKinsey quotes for different clients. The company shares are not traded publicly and are held only by the company partners (Hill, 2011). The company is not run by a single person which is the case in most of the organizations run by CEO who takes all the important decisions. In case of McKinsey, however, the managing director of the firm is definitely the person responsible to head the firm but all the big decisions are taken in conjunction

with board members, mostly senior or retired Mckinsey partners, and current partners. Since different parties remain involved in the whole process of decision making, it is the duty of the stakeholders to make sure that the ethical standards and practices of the company are aligned with the business goals of the client and Mckinsey.

Dialogic Communication

According to Steve May, an ethical organization nurtures dialogic communication meaning a healthy conversation where dialogues are exchanged between two parties without one dominating the opinion or point of view of the other regardless of power and position. Dialogic communication also encourages every member to take part in an interaction (May, 2012). Mckinsey goes for strategic consulting to a client with consultants and at least one partner responsible for that account. This part ensures that the dialogic communication between him and the client lead happens before the start of the project (May, 2012). In case of Mckinsey, a partner represents the firm and he clearly states the objectives and suggestions to the client. Mckinsey partner also manages the expectation of the client within the professional and ethical framework.

Participation

Steve May believes that an ethical organization encourages every employee to take part in decision making so that employees feel more connected with organizational objectives and develop a sense of belonging to the company (Steve May, 2012). Mckinsey is a high level strategy consultant. It goes to client often for projects which are sensitive and impactful in nature.

Mckinsey consultants often with their vast experience make it a one way process where the client only provides input while all the decisions and goals are set by Mckinsey. Consultants often work independently taking decisions on their own based on the situation. Participation from clients in the consulting process is less likely in Mckinsey engagements. This makes the whole process susceptible to non-ethical practices (Felix, 2011). Although the strong ethical standards by Mckinsey ensures such things never happen but the scope cannot be entirely eliminated.

Transparency

According to Steve May, an ethical organization also keeps its missions, policies and procedures transparent to its employees so that employees remain more informed about the rationale of decision making and can make informed decisions (Steve May, 2012). Transparency in Mckinsey engagements are often missing. Often the employees of the client organization remain completely uninformed about the whole change of process being implemented by Mckinsey. McKinsey generally works with the top tier management in the client organization and often information related to the changes or strategic decisions does not trickle down to others. As number of people engaged in the whole consulting process is less, there is less transparency and chances of corruption is high. Chances of incidents like Rajat Gupta may happen again as the lack of transparency may open a window of opportunity for exploitation (Felix, 2011).

Accountability and Courage

Steve May has stated in his model that an ethical organization emphasizes accountability and therefore, employees in an accountable organization are less likely to blame each other in a challenging situation. An ethical organization also encourages its employees to identify, assess and resolve ethical dilemmas that may negatively impact the organization. Thus, courageous organizations show the gumption to admit mistakes, respond to injustice and refuse to follow established practices and laws if they are unethical (May, 2012). Accountability in case of any McKinsey engagement is clearly defined. Although many consultants may be working in a project but the final responsibility always lies with one of the partners of McKinsey for each and every project. As company partners are directly accountable for projects, it is less likely that there will be misdoings in any project accounts.

Internal Stakeholder Ethical Communication Analysis using May's Model

McKinsey is a very well integrated organization and it is also a very flat organization. There are not many layers in the organization. There are consultants and then there are partners of the firm. All the employees are aligned to the goal of the firm and everyone is well-acquainted with the professional and ethical standards. The organization is very well aligned internally among all the stakeholders. The culture inside McKinsey is open. Dialogic communication among stakeholders, board members and consultants are frequent. There is no barrier to communication. In the decision making process everyone is encouraged to take part actively. However, the balance of participation is often not achieved as board members and partners receive

more importance (Felix, 2011). However, participation of the competing stakeholders like managing director, partners, consultants and board of directors in case of Mckinsey is much more evenly distributed than most other consulting firms.

Transparency of the operation in McKinsey is completely missing from the outside world. If you are not a McKinsey employee then it is not possible for you to get any information about its works, plans and other things. However, for internal stakeholders the culture is completely different. Although from external stakeholder perspective it may seem that this factor may lead to corruption but due to internal transparency chances of corruption is much less. The transparency requirements of different stakeholders like managing director and partners are almost same. The accountability structure is not very complex in Mckinsey. Rather it is very simple and transparent. Partners are accountable for client accounts and they are accountable to managing director. Managing director is in turn accountable to the board members. Due to only two layers of accountability and clear demarcation of responsibility, chances of ethical code violation are very less.

Mckinsey has lot of partners who are owners of the firm. It makes it a firm where lots of people automatically are involved in the protection of the firms' interests. If some employees are engaged in unethical behavior, then there are many people inside the organization willing to protect the company from any fraudulent practice.

Overall Communication Ethics and Values

Mckinsey puts the client's interest ahead of the company's interest (McKinsey & Company#2, 2013). Mckinsey wants to ensure that it delivers more value than expected by the client. This theme inherent in the core practices of the company is clearly communicated to all the partners and consultants of the firm. Mckinsey has lived by these principles over several decades with success. It has delivered excellent value to its clients over the years. It clearly and strongly sends the message to its clients that the primary goal for Mckinsey is not to make money from the client but to deliver superior value.

Mckinsey also states that their consultants and partners should behave as professionals. Behaving professionally means that the consultants should uphold utmost integrity and show proper respect to all the customs and cultures without compromising the individual and professional integrity. Mckinsey consultants live by this value and code of conduct. Mckinsey has showed unparalleled standards of professionalism and integrity anywhere it worked with its clients. Mckinsey is a name associated by any external stakeholder with integrity and professionalism.

Keeping the client information confidential is one of the core values of Mckinsey. Mckinsey works with hundreds of clients across the globe every day. Mckinsey consultants possess client confidential information as part of their job but over the years it has shown to its clients and external stakeholders that it is very committed to the protection of client information. Apart from a few glitches in recent times Mckinsey has always upheld this value.

“Tell the truth as we see it” is one of the values very unique to McKinsey. This value stemmed from the early forefathers of the company like Bower and Mr. McKinsey (McKinsey & Company#2, 2013). Bower ensured that the truth should prevail whether or not that translates into more business or not for McKinsey.

Conclusion

McKinsey is the most reputed strategic consulting firm in the world. For the last 87 years it has provided consulting to thousands of organizations which have saved trillions of dollars. Like any organizations McKinsey also may have failed in some of its projects but it has a track record still unmatched by any other consulting firms. However, consulting is a business susceptible to corruption. Consultants as part of the consulting process come to know about company sensitive information which they can use in other places for personal benefit. That is why McKinsey should have a very strong ethical communication structure. McKinsey over the years has created a value system that fosters ethical behavior and communication. After analyzing the McKinsey value model, it can be said that the model is very well structured and transparent. The chances of any fraudulent activity by any of its employees will be detected and reported quickly to the board or directors and top management. People may argue that Rajat Gupta incident shows how poor the ethical system is in McKinsey but that is only an isolated case and going forward chances of that type of scandal happening again is rare. If McKinsey can continue to live by its value system then it will definitely

continue to keep its image at one of the most ethical consultants in the world.

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