

# CONSULTING

M A G A Z I N E

## Objective #7

“To conduct activities in such a manner that the firm will continually increase its stature and enhance its reputation and so become increasingly influential in advancing the profitability and welfare of American business and hence the welfare of the country as a whole.”

— McKinsey & Company, 1937

*Rewriting Yesterday's Objectives for Today's World*

## INSIDE

**Remedying the  
Financial Services Slump**

**PSA Takes the ROI Pledge**

**Five Unique Boutiques**

### Wipro's Great Hunger



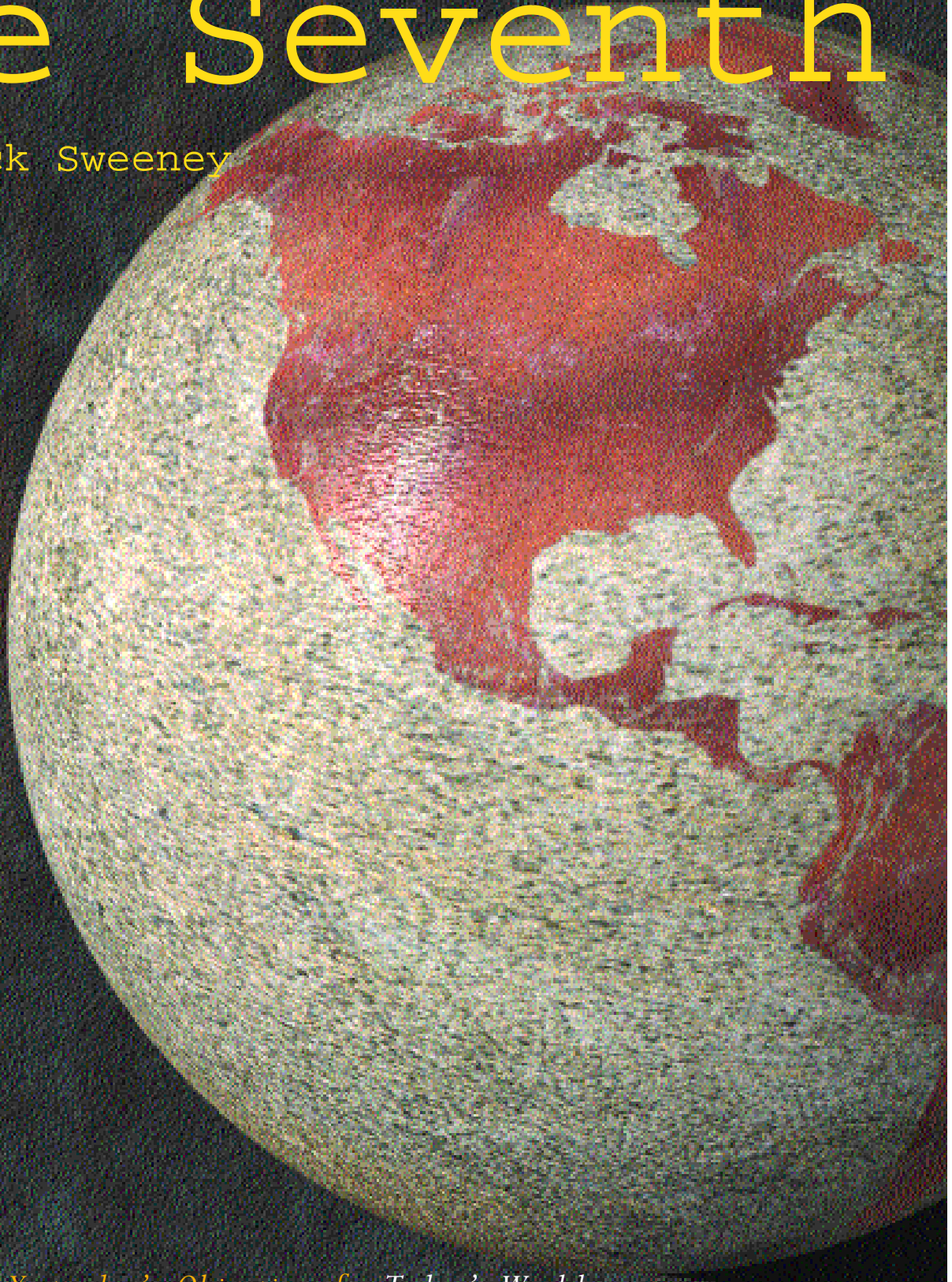
Wipro Technologies' CEO Vivek Paul tells how his firm is now on the hunt for deep industry expertise.





# The Seventh

By Jack Sweeney



*Rewriting Yesterday's Objectives for Today's World*

# Objective

The objective would be the last the partners would draft. And unlike the six that had preceded it, the thinking behind it had little to do with the mechanics of how the consulting firm approached its work. Instead, it appears to have been crafted to help wed the firm's partners to the idea that their success was indeed linked to the world in which they lived. In 1937, that world existed almost exclusively behind U.S. borders.



It was not unusual for an American company to adopt such an objective in the years that preceded the country's entry into WWII, a period of grave uncertainty for the world. Only months earlier, Benito Mussolini had coined the phrase "Axis Powers." Still, such developments would have seemed to be of little consequence for a firm that boasted only 65 consultants.

In the years and decades ahead, the firm then known as McKinsey & Company, along with other fledgling consulting firms of its kind, would prove why theirs — more than other enterprises even five to ten times their size — were worthy of such a high-minded objective. For these enterprises, unlike any before them, would grow to play a unique and sizable role in American economic expansion.

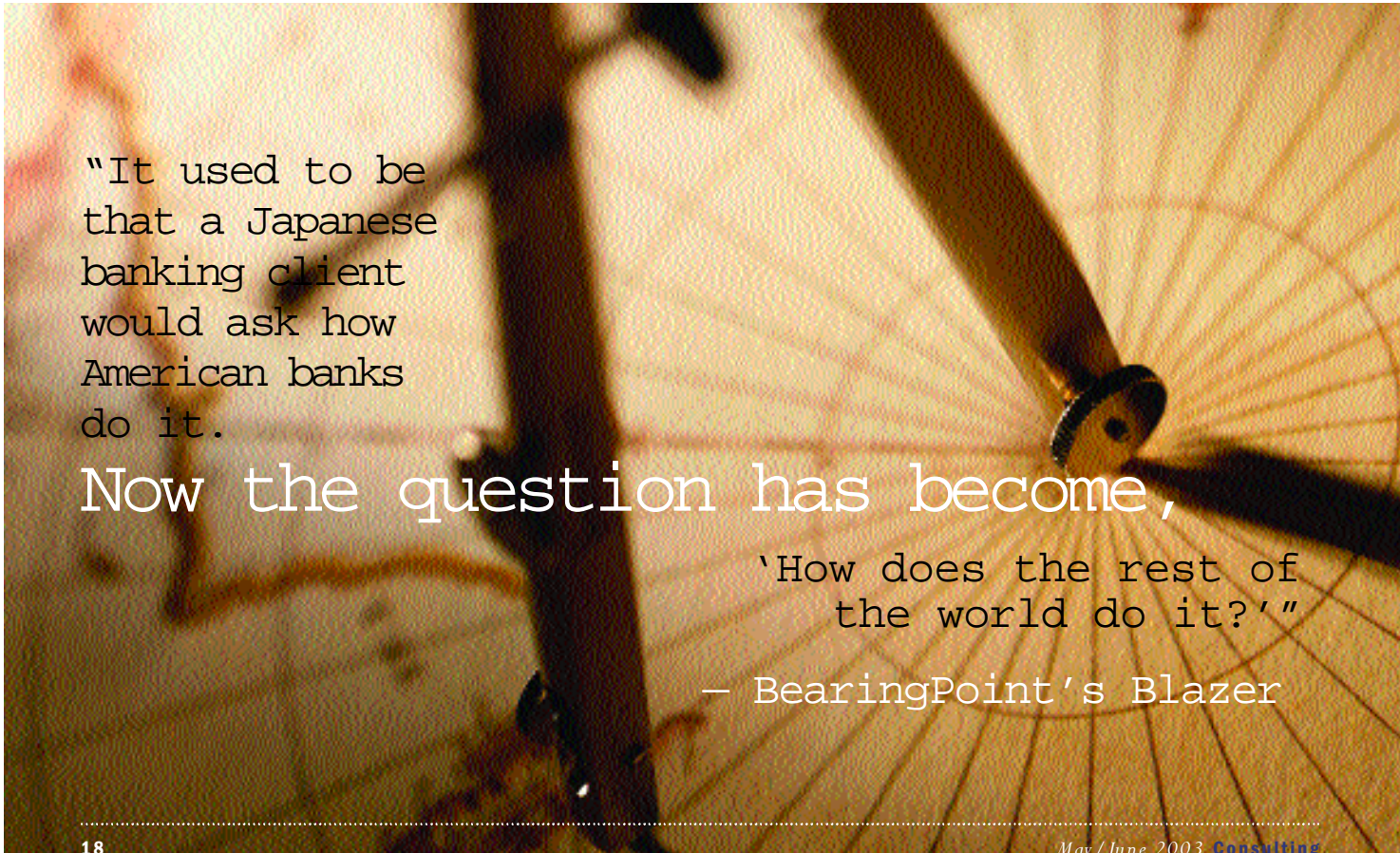
Indeed, one of the great untold stories of the 20th century was the immense positive impact management consulting had on postwar American industry. It's a story that's never been told, due largely to the self-erected wall of silence that every consulting firm worth its salt has put in place to protect its clients. But it's one that may now require greater reflection as the world wallows within yet another age of uncertainty, a period that — not unlike the late 1930s — bookends a future of great promise for consultants.

### War & the Profession

There's no denying the fact that conflicts and shifts in the world's order or power structure have played a sizable role in the rise of the consulting profession. In fact, it was the challenge of outfitting and deploying hundreds of thousands of soldiers that helped the power of organizational thinking resonate with two of the profession's founding fathers.

Edwin Booz, founder of Booz Allen Hamilton, is said to have entered the army in World War I as a personnel executive, and left it as "a bona fide organizational specialist," a description that came in handy after the war when he promoted his services to bankers, manufacturers, wholesalers, and others. According to the firm's published history, Booz served as a major in the inspector general's department, where he was responsible for "the reorganization and perfecting of the business methods" in "its various bureaus."

Likewise, McKinsey & Company founder James O. McKinsey was a lieutenant in the army's ordinance department, where he dealt with a roster of army suppliers — an experience he later credited with helping him visualize the opportunity that lay ahead for consultants serving in an advisory role for management.



"It used to be that a Japanese banking client would ask how American banks do it.

Now the question has become,

'How does the rest of the world do it?'"

— BearingPoint's Blazer

However, unlike the war that Booz and McKinsey joined, or the one waged by the Axis Powers, the latest conflicts embroiling the globe are not exclusively between nation-states. Increasingly, individuals empowered by the freedom of a wired world have begun to act on the world stage, amplifying the threat and impact of terrorism.

Thomas Friedman, the Pulitzer Prize-winning journalist, writes: “Who controls the guns in a society is always critical. But who controls the phones and how they work also matters. How many troops and nukes your country possesses is always critical. But how much bandwidth you have for your Internet also matters.” It is the impact of technology on the world and its emergence as a primary driver of globalization that has begun to induct consultants into a new and elite grouping.

“I guess it’s reasonable to ask, ‘What is this lawyer, this history major, doing at Booz Allen?’” says former CIA director James Woolsey, as he coyly initiates a short history of why he chose to join the 89-year-old consulting firm rather than return to the Washington law firm where he has spent 22 of the last 34 years.

“I have always been fascinated by technology,” Woolsey begins. “What I find fascinating is to look at the range of alternatives, and with these in mind help business or government make judgments about what they can use to approach an organizational, management, or resilience challenge.” Woolsey’s hiring by Booz Allen last summer appeared to place an exclamation mark behind the tightening bond between commercial companies and government, a movement Booz Allen calls “public private partnership.”

It’s a bond that Woolsey suggests now needs to be nurtured if we are to win the war against terrorism, a war he has routinely described as World War IV (the Cold War being World War III). According to Woolsey, the Cold War was like fighting a dragon, whereas the war against terrorism is more like trying to combat a jungle full of poisonous snakes. “The snakes are a lot harder to keep track of than the dragon ever was,” he explains (see our Woolsey interview on p. 21).

As insightful as Woolsey’s metaphor may be, his arrival at Booz Allen holds no shortage of irony for consulting pundits. Here is the former chief of “secret-keeping” joining a profession that specializes in sharing information. Clearly, Woolsey’s arrival signals grander ambitions for a profession that has long preferred to stand within the

shadows of its clients’ accomplishments.

While the victors of the Cold War were those best at guarding information, the victors of the new war will be those who are best able to share it, or so the emerging wisdom goes. Such wisdom is now placing consultants — given their powers of knowledge dissemination — closer to the ideological front lines of conflict.

### The Rise of the Global Consultancy

“Consultants are the means by which knowledge of best practices, change management, market analysis, or a particular product gets around the world faster, and it’s because of this knowledge dissemination that people make progress faster and economies grow, and so that’s why consultants are the good guys,” says Chris Meyer, author of the recently published *It’s Alive*, a book exploring how large enterprises can adapt to better share information.

According to Meyer, the *good guys* have historically been grounded by the values and principles found within traditional partnership organizations. However, unlike the independent partnerships that came to define consulting in the last century, the consultancies poised to dominate the new age of consulting are a jumble of commercially oriented entities, a sort of mish-mash of wide-body strategy firms, publicly held technology integrators, and so-called captive consulting organizations found inside large technology manufacturers.

Here in management consulting’s extended family, where business strategy and technology flow as one, a new breed of consultancy is redefining the objectives of a profession.

“We’re like entertainment or sports, the difference being that we’re just not talked about,” explains Rand Blazer, chairman and chief executive officer of BearingPoint, Inc.

“We are another force driving commonalities around the world, and we can now be counted along with trading partners, research communities, and universities as helping to weave this fabric of oneness,” says Blazer, whose firm’s determination to be counted among the profession’s new breed of global contenders can at the very least be described as steadfast. The firm’s entry into the global arena was accompanied by a checklist of accomplishments including the split-off from accounting parent KPMG LLP, the sale of shares to the public, a global rebranding, and the procurement of additional consulting resources around the globe.



## A Tour of Duty

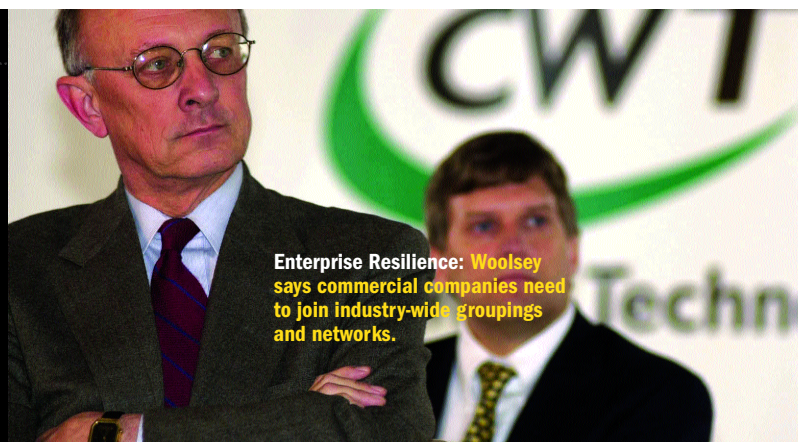
Last summer, James Woolsey, the former director of the Central Intelligence Agency, raised more than a few eyebrows, when he left an established legal career to join Booz Allen Hamilton. It's a move that Woolsey says has allowed him to reside along the war on terrorism's front lines.

**CM:** So what brings you to consulting?

**Woolsey:** When Booz Allen talked to me last winter, I was a rare creature — a happy Washington lawyer. But the more I thought about it, the more I knew that I wanted to be doing something related to what I call World War IV, which is a phrase I adopted from Professor Eliot Cohen at Johns Hopkins. The thought here is that World War III was the Cold War, and this being something we're involved with not just against terrorists or Iraq, but against the Islamist Shia rulers in Iran, and I think we are going to be involved in this for years. And since an important part of the front is here in the States, and since I've been long concerned about various aspects of infrastructure vulnerability ... and the vulnerabilities of the American energy system ... I found what Booz Allen was up to in what we first called global strategic security and which we now call global assurance very interesting. The opportunity to work with both government and the private sector here and abroad and to improve the resilience of the infrastructure caused me to rethink things.

**CM:** When you talk about your interest in applying technology to approaches, what types of things are we discussing?

**Woolsey:** I have in and out of the government been interested in security issues, infrastructure resilience, and the technology applied to both for a long time. When I was director of Central Intelligence, I pushed very hard for the development of unmanned aircraft surveillance, what was basically the predecessor to the Predator. It was the same design as that vehicle we used over Bosnia, and we did it very quickly and inexpensively in a skunkworks kind of approach with a small contractor. ... I have long been of the view that new technology intelligently applied can make a lot of things easier, and there is a pretty big gap between when the technology is workable and when it is actually operationally utilized by institutions. Institutions have a way of dragging their feet, whether they are in government or otherwise. This seems to be the kind of work that firms like Booz Allen — which has a number of people who are very able engineers and scientists — can do to help government and industry see their way beyond the limits of doing certain things.



**Enterprise Resilience: Woolsey says commercial companies need to join industry-wide groupings and networks.**

**CM:** Has industry begun to grasp the resilience vulnerabilities that exist?

**Woolsey:** I think the industries that should have deep concerns have already begun to grasp things, and they don't need to be awakened. The power industry, the chemical industry, health-care — there are a half dozen that are vital to the country functioning well, and in a resilient way. If there should be another 9/11, or even something worse, people are going to have to turn on lights, people are going to have to get money from their bank, they are going to have to buy food and get medicine.

**CM:** Does Wall Street care about resilience?

**Woolsey:** It's starting to. I think that the issue of enterprise resilience in a corporation has historically meant something that was focused within a company's four walls, but what's important here is the industry-wide groupings and networks — where one industry produces a material, and another, shipping, and they work together in ways that improve the resilience. So what's new in post-9/11 is that whereas people might have thought that they could control a company's resilience prior to 9/11, they realize that there's a lot that they can't control.

**CM:** What types of resilience challenges can public private partnership address?

**Woolsey:** Let's take a utility company — one way to hedge against someone knocking out your transformers is to stockpile extra transformers. However, if an electricity provider stockpiled transformers today, they'd have to stockpile transformers made for each specific application, and that's extremely expensive, and meanwhile it wouldn't particularly help if the utility next door didn't have spare transformers. So what one has to do is help the industry and the regulators together come up with first (a) an approach to design and build modular transformers, and then (b) an approach to financing, where the way electricity rates are structured doesn't create a disincentive and instead makes companies willing to stockpile something that doesn't now exist — modular transformers. This is not something that individual utilities can solve. It can be the most responsible utility in the world and it can have every member of its board deeply concerned about the electricity grid, but it can't solve the problem alone. And so what we're starting to

*Woolsey interview Cont.on p. 22*

Woolsey interview Cont. from p. 21

see in parts of the government and some of the key businesses is a willingness to work together, but we're all kind of learning this together.

**CM:** Can you describe how you work with other partners within the firm?

**Woolsey:** I help my partners out on different matters that involve different parts of the government. Often these areas deal with defense issues or intelligence issues. So, although it hasn't been the major focus of my own work here, I have found on a number of occasions where someone may have a special meeting regarding R&D and the Pentagon or a special meeting on information assurance, I'll go along and stick

my two cents in and help provide some background.

**CM:** What was it about Booz as a firm that attracted you?

**Woolsey:** Booz was responding to the resilience problem, and meanwhile they are doing well as a firm — even when some of the other firms have not fared very well. And so this made it easier for them to do some of these broad education things because they have been financially quite successful. One other thing I liked about my law firm so much was that it had an all-for-one and one-for-all spirit — financial compensation and culture did not put you at odds with your client. I had heard that Booz had created a culture that was collegial, and I have found that this spirit is present here.

"It used to be that a Japanese banking client would ask how American banks do it. Now the question has become, 'How does the rest of the world do it?' They want to know benchmarks for financial services or manufacturing companies in different parts of the world. 'Who's best of breed? Who's doing it better than the rest?'" explains Blazer, who says that BearingPoint's goal is to now build a global culture, a feat he describes as being four fifths complete. "Our nation is today the globe," he offers.

"What we bring today is a combination of Western world training with a kind of global knowledge that comes from having worked in a number of cultures and economies around the world," says Darwin Johnson, a BearingPoint managing director, who currently oversees emerging market business for the firm — including the team of consultants tasked with building the financial network and accounting systems for the new Afghanistan government.

BearingPoint was enlisted by the World Bank to create a system for the Afghanistan government that could ensure the accountability of processing and reporting the country's operating budget. No small task, given that in the wake of the war

against the Taliban, the government is largely financed by international contributions.

BearingPoint isn't alone. Other Big Five legacy consulting outfits such as Accenture, Cap Gemini Ernst & Young, and IBM Business Consulting Services (formerly PwC Consulting) are spearheading similar emerging market initiatives. Having severed themselves from their accounting parents and expanded their consulting workforces around the globe, they are no longer stymied by geography or the codes of a sister profession. Meanwhile, the blue-chip strategy houses have also stretched themselves around the

"An American consultant would answer that question very differently than an Asian consultant, and the CEO of a company would likely answer it totally differently than a monk  
— Roland Berger's Hagemeyer



“While the victors of the Cold War were those best at guarding information, the victors of the new war will be those who are best able to share it.”

globe, a fact underscored earlier this year when McKinsey and Boston Consulting Group each elected partners from outside the United States to lead their respective firms.

“What’s happening in consulting is that every business is becoming part of the global mesh. The result is that national boundaries, from a business perspective, are beginning to carry less and less weight. That’s why you see Accenture becoming an offshore company with a Bermuda address,” says Vivek Paul, CEO of Wipro Technologies (see our Wipro interview on p. 33), one of a number of India-based software consultancies that have begun to add business strategy capabilities in other parts of the world.

But what exactly are the objectives of the emerging global consultancies, and how will their success be linked to the welfare of the world we live in?

“An American consultant would answer that question very differently than an Asian consultant, and the CEO of a company would likely answer it totally differently than a monk,” says Ulrich Hagemeyer, a partner with Frankfurt, Germany-based consultancy Roland Berger.

Hagemeyer continues: “My point is this: Every consultancy has a picture of ‘how the world should be’ or, better said, ‘what a well-led firm does,’ and what you’ll find is that the historical approach of successful firms is from a principles-oriented point of view.”

It’s an approach that can be traced to the profession’s origins.

#### The Unwritten Objective

“To conduct activities in such a manner that the firm will continually increase its stature and enhance its reputation and so become increasingly influential in advancing the profitability and welfare of American business and hence the welfare of the country as a whole,” reads the seventh objective that McKinsey authored on the eve of a war that would transform the world’s power structure.

“I think it’s an objective that’s still applicable today, except that it talks about the welfare of American business and today we would say global business,” explains BearingPoint’s Johnson, whose group has worked in 60 different countries over the last three years.

The consultant continues: “Instead of saying ‘the country as a whole,’ we would say ‘the world,’ and I think that highlights a significant change from 1937.”

Ironically, that same year, Standard Oil of California discovered oil under the Arabian desert — an unearthing that would transform the Kingdom of Saudi Arabia into one of the richest nations on Earth and once more alter the world’s power structure. ■