

Michelle Abbott
Professor Jon Down
March 26, 2004
Written Case Analysis

McKinsey & Company: Managing Knowledge and Learning

Evaluating Gupta's Four-Pronged Plan

Rajat Gupta has recently inherited a fast-growing consulting firm with a strong knowledge base and a competitive market position. In order to ensure the future success of McKinsey & Company, however, Gupta faces a number of challenges: he must provide outstanding services to an increasingly sophisticated clientele, offer his employees ongoing education and upwardly mobile career paths, continually enhance McKinsey's reputation as a leader in the consulting field, and, perhaps most significantly, continue to leverage his company's knowledge base across divisions while still maintaining the unity and cohesive corporate culture that have always been important to McKinsey.

Gupta seems determined to pursue knowledge as the company's key business driver. Accordingly, his four-pronged plan includes an emphasis on practice development and organizational learning, an annual program called the Practice Olympics, six special initiatives focused on emerging issues, and the expansion of McKinsey's research institute. But can Gupta successfully tend to all of these initiatives at once without fragmenting the company? And are there critical business areas that he overlooks with this approach?

Information Sharing and Corporate Unity vs. Cost-Effectiveness

Despite its rapid growth, McKinsey & Company is attempting to maintain its "One Firm" policy in which responsibilities and profits are shared throughout the company rather than solely within offices. Though the company is divided into clientele sectors, centers of competence, and generalists and specialists, the philosophy of unity

ensures that knowledge resources are continually distributed across these sectors. Considerable effort has been invested in an information infrastructure intended to optimize this sharing of resources. Gupta's four-pronged plan is designed to further emphasize knowledge sharing in a variety of forums.

Gupta should not pursue knowledge sharing without a thorough evaluation of its costs and benefits, however, as well as careful discussion about how knowledge sharing can be implemented most efficiently. While information sharing in an industry such as consulting is of utmost importance, it is an expensive practice. Each time information is documented and shared throughout the company—through whatever medium—costs are incurred, both in labor hours and material resources. There must be a comparable, tangible benefit to sharing information: namely, the knowledge must be usable to the recipient. If the knowledge is not usable to the recipient, sharing it is probably not cost effective.

Additionally, Gupta might also reexamine McKinsey's commitment to unity in terms of cost-effectiveness. Is it efficient, in other words, to insist on continually sharing knowledge and information resources throughout the firm, or would it be wiser to simply allow some of the fragmentation that is occurring naturally as the company grows and diversifies? As the centers of competence and clientele sectors develop, perhaps some would be more efficiently run as autonomous sub-units or even spin-off companies. With good strategy, these sub-units and spin-off companies might be able to optimize the parent company's resources, including McKinsey's impressive reputation and clientele base.

Customer and Other Stakeholder Focus

Gupta's four-pronged plan may also be overlooking customer and market focus. Though benefit to the customer is implicit in his plan for the advancement and sharing of McKinsey's information resources (i.e., better knowledge ultimately benefits the client), the customer is not explicitly addressed in the agenda. Gupta's plan might benefit from a

more comprehensive evaluation of customer needs. For example, some clients might value not only cutting-edge information but affordable rates; information that is sustainable in the long-term; and friendly, helpful, available consultants who place a premium on customer satisfaction. Indeed, a business that fails, at any stage of strategic planning, to carefully consider customer needs is bound to lose customers in the long run.

Similarly, the needs of other stakeholders deserve consideration and inclusion in Gupta's plan. Those with equity in the company will want to see that Gupta's emphasis on information sharing enhances the firm's bottom line. Company employees will want to see that Gupta's plan opens opportunities for continuing education and career promotion. Indeed, a clear career development and succession plan will give employees additional incentive to participate in such initiatives as the Practice Olympics in which employees present innovative ideas that have brought them success to a panel of senior executives.

Gupta's Challenge

Gupta's commitment to a corporate atmosphere that values organizational learning is likely to keep McKinsey & Company at the forefront of the consulting industry. In order to guarantee that his four-pronged plan brings success to his company, however, Gupta must be sure that information sharing is always accompanied by tangible benefits. Where information sharing fails to be useful and therefore cost effective, it should not be required—otherwise, Gupta risks jeopardizing his firm's positive attitude toward organizational learning. This may necessitate some strategic separation of departments, a departure from McKinsey's "One Firm" policy. Furthermore, Gupta must ensure that knowledge sharing within the company takes place through a variety of mediums, including traditional face-to-face interactions such as the Practice Olympics and the practice development. Technology should also be used toward this end—group support software systems, for instance, may provide a cost-effective and efficient way to share information across departments.

Finally, Gupta should be sure that his approach to moving the organization forward includes a comprehensive evaluation of all the stakeholders' interests in the firm. Cutting-edge knowledge should not be pursued at all costs; rather, it should be pursued to the degree that it contributes a net benefit to the company, the company's employees, and the company's customers. A greater emphasis on the customer as well as careful analysis of all stakeholders' interests will be necessary in order for McKinsey & Company to continue to attract high-potential employees and a profitable clientele.