

From: JckBurnett@aol.com  
To: <talbano@kennedyinfo.com>  
Cc: <Jsweeneydc@aol.com>,  
<mlandriscina@kennedyinfo.com>  
Date: Thursday, January 23, 2003 6:47 PM  
Subject: Cov Sty

23covs08.txt

END



# The Last Lion

*Marvin Bower  
and his Quest for  
Professional  
Independence*

By Jack Sweeney

Red Nose Studios/Magnet Reps

## Before Enron bought \$27 million in consulting services from its auditor

... before Eliot Spitzer, New York State attorney general, subpoenaed the e-mails of research analysts at Merrill Lynch ... before the audit and compensation committees of dozens of major corporations had their own inherent conflicts exposed to an irate investing public ... Marvin Bower was pleading the case for independence to James O. McKinsey onboard a New York-bound Pullman car. Or was it Chicago-bound? No matter — it was still Bower who nearly seven decades ago bellowed the battle cry for independence, and it was he who filled the trough where corporate reformers seek to satisfy their thirst.

**McKinsey was dead, to begin with. There is no doubt whatever about that.**

On Wednesday, December 1, 1937, *The Chicago Daily Tribune* ran the words “Head of Field’s Store Dies” across the top of its front page in 70-point type.

And that rainy December day is as good a place in time as any to begin telling the tale of his quest. For it was likely that on this day and not before it, Marvin Bower finally expunged the fanciful notion that his brilliant and charismatic mentor, James O. McKinsey, would someday soon return to his firm, and that they would together build a management consultancy unlike any before it.

Those familiar with McKinsey & Company’s history up to this point can likely attest to just how doleful a day this must have been for the 34-year-old Bower. You wonder how it did not become the proverbial third and final straw of Bower’s fledgling consulting career — the first being his mentor’s initial departure from the firm, and the second being the firm’s subsequent merger with another. This last had been a move that vastly altered the firm’s makeup, and seemingly challenged the widely held belief that the two men were of one mind when it came to the field of management engineering — or what later became known as management consulting.

“Today is not very different from then,” Marvin Bower told *Consulting Magazine*, some four months before his recent passing. Bower’s thought is not an original one. Phalanxes of pundits have routinely put forth the notion that the post-Enron era — punctuated by business failures and investor outrage — shares much in common with the early 1930s, a period when the harsh lessons of the Great Depression began to chasten the greedy revelers of the 1920s.

But when issued by Bower, the idea packs a wallop. For it was “then” that he first voiced his objections to the marriage of consulting and accounting — a point of view that sometimes put him at odds with his esteemed mentor, a man whose thoughtful books had helped emancipate accountants from the

drudgery of bookkeeping, and arguably helped fuel the rise of the age of the accounting consultancy. It is just such a revelation that begs this question: If McKinsey had not died, would the story of the consulting profession, and for that matter the accounting profession, be different? For those who belong to the cult of McKinsey, the answer is an emphatic “Yes.”

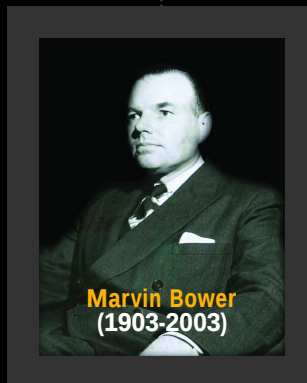
Still, you can’t help but wonder whether Bower’s quest to have McKinsey & Company occupy his profession’s high ground would have in some way been compromised had he continued to operate under the spell of the enchanting Mr. McKinsey. In a way, McKinsey’s death fired the starter’s pistol of a competition that would be scored not by greater revenue or profits, but by the professional ambitions of both accounting’s and consulting’s leaderships. Over the decades that followed, different champions of professional standards would emerge in both fields and attempt to move their respective occupations to a plane above other forms of business, a level where people aspire to something more than money-making, and where a person is entitled to a degree of respect or honor.

Among those business leaders courageous enough to lift the sword of professionalism in the first half of the 20th century, many would lose heart early, others would passively watch their visions wither away, and still others would persevere only to lose their professional fortunes in the industrial carnage that Enron wrought. In the end, hardly a champion has been left standing.

### The Emancipation of the Bookkeepers

Marvin Bower was born August 1, 1903, in Cincinnati, Ohio. He grew up in Cleveland, where his father worked closely with the legal community, a healthy network of attorneys that played no small part in influencing the future career aspirations a father held for his son.

And so it was that after graduating from Brown University in 1925, the book-minded Bower took his father’s advice and headed off to Harvard for law school. During the summers he



worked at a Cleveland law firm, where he recalls discovering how “dull” he found most legal work. Nevertheless, as graduation neared, Bower applied for a job with a top law firm in Cleveland — Jones Day Revis & Pogue. The firm turned him down, so back to Harvard he went. This time he returned for a degree in business, and it was at the conclusion of his first year of business school that he began telling friends that “Mr. Arthur Anderson” had offered him a job.

This oft-told anecdote had to do with Bower landing a summer job at Morgan Stanley in New York. Not having contacts at Morgan’s Wall Street address, Bower lifted the name Arthur Marvin Anderson out of the company’s directory and asked a

that it foreshadows Bower’s future path — where he meets and is recruited by one of the great minds of business. The second reason is that it subtly links Bower’s name with one credited not only with founding a firm, but also with helping to establish a profession — a higher calling, and one that likely appealed to Bower’s maturing ambitions.

By the early 1930s, Arthur Andersen had one of the best-known names in business given he had been managing the firm he founded for more than 20 years. In 1932, the 46-year-old accountant served as president of the board of trustees of Northwestern University, where he lectured on such provocative topics as “The Accountant and his Clientele.”

### Marvin Bower, McKinsey & Company, and Milestones in the Quest for Independence

#### 1903

- Marvin Bower is born August 1, in Cincinnati, Ohio.



#### 1926

- James O. McKinsey & Company, Accountants and Engineers is established.

#### 1928

- Bower graduates from Harvard Law School.

#### 1930

- Bower joins the Cleveland office of law firm Jones Day, where he works for fabled legal giant Frank Ginn, a champion of independence.

#### 1933

- While visiting a Jones Day client in Chicago, Bower meets James O. McKinsey, who invites him to join his seven-year-old consulting firm with offices in Chicago and New York.



#### 1934

- Bower is named manager of New York office, where he expunges audit work from its menu of services.

#### 1935

- James O. McKinsey leaves the firm upon accepting appointment as chairman and chief executive of Marshall Field & Company.



- James O. McKinsey & Company merges with Scovell, Wellington & Company, a firm largely focused on accounting. The new firm's management consulting business will operate under the name McKinsey, Wellington & Company.

#### 1937

- James O. McKinsey dies in Chicago of pneumonia upon returning from a tour of Marshall Field's mills.

#### 1939

- The eastern offices of McKinsey, Wellington break off to form McKinsey & Company. The Chicago office becomes McKinsey, Kearney & Company.

#### 1942

- Arthur Andersen formalizes consulting function with the establishment of its Administrative Accounting Division.



#### 1946

- Price Waterhouse & Co. formalizes consulting function with the establishment of non-audit services department.

#### 1947

- Upon the death of Arthur Andersen, Leonard Spacek, a partner known to champion independence, is named AA's second managing partner.



#### 1950

- Bower is named McKinsey & Company's fourth managing director. During his tenure as MD, the firm will see vast national and international expansion.

guard to query Mr. Anderson for an appointment. The middle name became Bower’s “scientific basis in choice,” he explains with careful detail in his 1997 treatise, *The Will to Lead*. Mr. Anderson subsequently hired Bower.

While Arthur Andersen the accounting *wunderkind* spelled his last name differently than the Mr. Anderson who hired Bower, the idea of being taken on by the famous accountant’s near-namesake likely held a deeper meaning for the future consultant. No matter how minor a happenstance it may relate, the anecdote deserves mentioning for two reasons: One is

“The accountant today is coming to be regarded as a business adviser, whose counsel is sought not only at the time of the periodic examination of accounts, but continuously during the year,” Andersen expounded during a popular lecture series.

“In fact, it is not too much to say that the accountant of today who is most successful, in the broadest sense, is the one whose clients rely on him for advice on accounting and business problems just as an attorney is looked to for advice on current legal questions which arise,” he continued.

Anyone familiar with the influential business writings of

the times may have surmised that Andersen had merely borrowed a page from the insightful writings of James O. McKinsey. Four years younger than Andersen, McKinsey also kept a foot in both the academic and business worlds. While his accounting and consulting firm had been in operation since 1925, he had served as professor of business policy from 1926 to 1935 at the University of Chicago, where he had previously headed the accounting department.

Among the affiliations that perhaps best underscores McKinsey's fondness for both teaching and accounting was his membership in the American Association of University Instructors in Accounting, where he would serve as president.

work and careful planning, is the one who is now chosen for the presidency of business concerns." As one of scientific management's most outspoken disciples, McKinsey emphasized that the sales department would no longer be the training place for future leaders. It was this theme (the revenge of the nerds) that began to resonate in the minds of corporate leadership, and recast bookkeeping — a term he disliked — as being more comprehensive. Going forward, business leaders needed to understand the collecting and presentation of corporate data to incorporate it into their management strategies. "The student is taught to look at the records from the point of view of the manager rather than the point of

### 1967

- Bower retires from his post as managing director, but pledges to remain active in the firm and the fight for professional independence.



### 1969

- Citing a challenge to the firm's independence, Bower jumps off the sidelines to speak against a joint venture proposal between McKinsey & Company and securities firm Donaldson, Lufkin & Jenrette. McKinsey directors give venture a thumbs-down.



### 1970

- Booz Allen Hamilton sells shares to the public

### 1972

- Citing conflicts and a challenge to McKinsey & Company's independence, Bower jumps off the sidelines again to challenge an amendment that would soften a policy that prohibits firm directors from sitting on company boards of directors.

### 1973

- After AMCF admits publicly held firms into the association, Bower engineers the withdrawal of McKinsey & Company from AMCF's membership.

### 1977

- McKinsey & Company narrows its provision for exempting partners from its policy of not permitting partners to serve on boards.

### 1979

- Harvey Kapnick, Arthur Andersen's third leader, resigns after AA partners flatly refuse his proposal to spin off consulting services from auditing.



### 1984

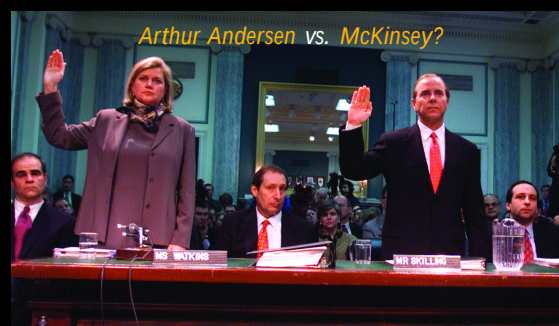
- Arthur Andersen's consulting business generates more profit than its auditing business for the first time in the firm's history.

### 2001

- All U.S. public companies are required to disclose in their proxy statements fees paid to their audit firms for non-audit work.

### 2002

- Sherron Watkins (Enron VP and whistleblower) was a former accountant with AA, while Jeff Skilling (Enron's embattled CEO) was a former consultant with McKinsey. While many perceived a lack of independence on the part of AA for selling non-audit services to an audit client, McKinsey may have dodged a bullet by not having one of its partners sitting on Enron's board.



- Champion of independence Harvey Kapnick dies at 77 years of age, only days before Arthur Andersen relinquishes its permits in all states where it was licensed to practice public accountancy.

But McKinsey's most lasting and impactful contribution to business was through his writings, published in nearly a dozen books and many more pamphlets and bulletins. Of those texts, perhaps none penetrated the business minds of the day as deeply as *Budgetary Control*. Published in 1922, the book remains a classic to this day, having broadly exposed the usefulness of budgeting controls in managing enterprises.

In a speech delivered in 1925, when he served as head of the University of Chicago's accounting department, McKinsey said, "The scientific man, accustomed to research

view of the bookkeeper," McKinsey wrote in his book *Bookkeeping and Accounting*.

Without a doubt, the clarity and consistency with which McKinsey put forth his point of view began to broaden the role of the accounting profession in the minds of upper management and at the same time began to expose opportunities for a new breed of business adviser. While accounting houses of all sizes began enlarging their non-audit services to clients, the larger accounting houses, perhaps given their exposure to the regulatory powers of the day, moved cautiously. However,

by 1942, Arthur Andersen had formalized its consulting function in what became known as the administrative services department. Four years later, Price Waterhouse & Co. did the same.

It is perhaps an ironic footnote that what may have been McKinsey's greatest contribution to business is seemingly at odds with the contribution of the man who has most influenced the makeup of the firm that bears the McKinsey name. For while few people did more to unshackle accounting professionals than James O. McKinsey, few people would work harder than Bower in the coming years to put the shackles back on. Or at least, keep the accountants out of the boardroom.

### The Ghost of December Past

And so McKinsey was dead. Again, with credit to Dickens: *This fact must be distinctly understood or nothing wonderful can come of the story we now relate.* For it was on one bleak December morning that one partner's death may have spurred another's epiphany, or as we have already suggested, that McKinsey's death may have broken the spell he had cast upon Bower.

Years later, Bower told colleagues that at the time McKinsey took the helm of Marshall Field, he had felt assured that his mentor would someday return to the consulting business and that they would together make the firm more like Bower envisioned. That vision, Bower would have us believe, was the subject of spirited discussions aboard many of the Pullman railroad cars the two men would ride together. And not least among the young Bower's concerns was the outward perception of an auditor seeking other income from its clients. Such an alignment would underscore a lack of independence not only on the auditor's part, but also on the part of the consultant, Bower told his partners.

Given McKinsey's dedication to the field of accounting, you can't help but question whether Bower may have been overly confident in his ability to modify McKinsey's opinion on the subject. No matter: The noted accountant, management pioneer, and chairman of Marshall Field & Co. would unexpectedly die after a bad cold turned into pneumonia.

"Never in my whole before did I know how much more difficult it is to make business decisions myself than it is to merely advise others what to do in their businesses without having to take the final responsibility myself." Such were the haunting words a Field underling claims McKinsey uttered less than 24 hours before his demise. This alleged statement, found in the pages of *Give the Lady What She Wants, The Story of Marshall Field & Company*, became a stinging indictment for a line of work few yet considered a profession.

In fact, the notion that 47-year-old McKinsey was also founder of a 11-year-old business advisory firm garnered little ink in his *New York Times* obituary. Having almost two years earlier accepted an invitation from the board of Marshall Field

to serve as the formidable retailer's chairman, it was perhaps felt that McKinsey's advisory business was not worthy of mention. Besides, shortly after accepting the board's invitation, McKinsey opted to merge the firm then known as James O. McKinsey & Co. with an accountancy known as Scovell, Wellington & Co. — a move that gave the new company a split personality. Going forward, the enterprise would be composed of two partnerships: Scovell, Wellington & Co., accountants, and McKinsey, Wellington & Co., management consultants.

Bower had just been promoted to manager of the New York office only months before the merger, and had taken some pride in the fact that he had convinced McKinsey to do away with that office's auditing function. Following the merger, Bower's firm would be attached to a sizable accounting enterprise, with 11 offices including such cities such as Boston, New York, Chicago, and San Francisco. What's more, Bower would now answer to a certified public accountant by the name of Horace "Guy" Crockett. Fifty-five-year-old Crockett had headed Scovell, Wellington's New York consulting practice and was now named the manager of the combined firms' New York consulting practice.

The image of Bower receiving the news of McKinsey's death while sitting in a office surrounded by accountants is probably not a stretch, given the breadth of the merged firm's accounting resources. In the months ahead, McKinsey, Wellington would fall on hard times after the loss of a major client, and the escalation of a dissension between the firm's New York and Chicago offices.

### The Feast of the Epiphany

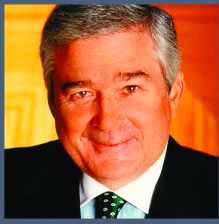
In the fall of 1939, McKinsey, Wellington's New York office would be renamed McKinsey & Company, the Chicago office would become McKinsey Kearney & Company (the predecessor of A.T. Kearney & Co.), and Oliver Wellington would withdraw to return to Scovell, Wellington & Co. The splitting off of Scovell, Wellington and the renaming of the Chicago and New York practices were all part of a reorganization plan McKinsey consultants credit Bower with having authored. Just how Bower — within less than two years of McKinsey's death — managed to reformulate the firm amidst high-spirited sparring among the firm's partners is a testament to his political savvy. Such a role also allowed him to better position the firm with his own unique ambitions.

In an as-yet-unpublished autobiography\*, Bower talks about how, as a young attorney at Jones Day in Cleveland, the issue of independence as it relates to serving clients came to make a sizable impression on him.

At the time, the law firm's managing director, Frank Ginn, declined to take on a sizable piece of business related to the merger of two steel companies because he was convinced that the merger would violate antitrust laws. Despite the fact that the

\*CM was permitted to view only chapters relating events prior to Bower joining McKinsey.

# Our Days with Marvin



## Lou Gerstner (McKinsey, 1965–78)

*Louis V. Gerstner, Jr., was chairman of the board of IBM Corporation from April 1993 until his retirement in December 2002. He served as chief executive officer of IBM from 1993 until March 2002. In January 2003, he*

*assumed the position of chairman of The Carlyle Group, a global private equity firm located in Washington, DC.*

**CM:** Your and Marvin Bower's careers intersected at McKinsey more than 30 years ago. What type of impression did he make on you?

**Gerstner:** I would say to you that there were two things remarkable and memorable about Marvin. First, there were his principles that gave him a very clear sense of what McKinsey should do — how it should behave, how it should perform, how it should relate to clients. He adhered to those principles without ever moving an inch from them. Second, he was an extraordinary leader. He was a powerful communicator, and this had to do with his clarity of thinking and his ability to communicate those principles and make everyone believe there was a right way for a consultant to behave. Even after he retired, McKinsey was driven by Marvin's principles and what he viewed as right and the correct thing to do.

**CM:** What types of skills made him a powerful communicator? Obviously, effective speaking was just a component.

**Gerstner:** He did it in all the ways good leaders do. He was an effective communicator in writing and he also was a forceful and clear speaker. But more than anything else, he never deviated from his message. Being a great leader is often less a matter of eloquence and more a matter of repetition and consistency.

**CM:** And again, his principles never wavered?

**Gerstner:** Yes, but these principles were not just fancy notions. These were what McKinsey lived by day after day, decision after decision. He wouldn't tolerate any violation of them, either by fact or by anyone suggesting they be changed.

**CM:** What leadership qualities do you believe you share with Bower?

**Gerstner:** I'd rather not put it that way. I'd rather say that I learned from him the importance of articulating a set of principles that drive peoples' behavior and actions. And that's a much more powerful leadership tool than a bunch of procedures and guidelines — particularly in a knowledge-based enterprise like consulting. Principles connect people to a sense of rightness, and for this reason people follow them and follow leaders who adhere to them. I learned this from Marvin and I've

carried it forward to every company I've operated in. IBM has been the most important place for me to follow that, because IBM in a sense is a knowledge company just as McKinsey is.

**CM:** Marvin was no longer managing director of the firm when you served as a director?

**Gerstner:** Yes, but an indication of a great leader is how the culture he creates lives on without him, and gets picked up by others. When the firm was very small, Marvin could reach out to many of his partners and be powerful and persuasive as far as the decisions that were made went, but by the time I got there, the principles were not just Marvin's any longer, they were the firm's, and the firm's leadership's. So in a sense, my experience with Marvin and his principles was through the firm he built. Now, of course I would hear him at meetings and I would see him one-on-one on a number of occasions, but it wasn't as though there was this guru who sat in the corner and gave off messages. Instead, there was a very large and successful enterprise that he invented that embodied those messages every day through hundreds if not thousands of people.

*"I was about 26 years old when Marvin walked into my office one day and asked, 'What are you doing to give something back?' I said, 'Well, I'm working to pay off all my student loans as fast as I can.' And he said, 'No! That's not good enough.'"*

**CM:** You never worked beside Marvin Bower at McKinsey?

**Gerstner:** Well, that's correct in terms of actual client work. But I had a very personal relationship with him, because — to be candid — McKinsey is not a big place, or at least it was not a big place when I was there, and so I saw Marvin a lot. We had lunch together. We had dinner together. He, interestingly ... I have had a lifelong commitment to working on fixing the public schools in America, and I've been working on that coming up on 35 years, and it was Marvin Bower who introduced me to the world of public education and working on fixing the public schools. I was about 26 years old when Marvin walked into my office one day and asked, "What are you doing to give something back?" I said, "Well, I'm working to pay off all my student loans as fast as I can." And he said, "No! That's not good enough. How about coming over and helping me with a pro bono effort I'm leading related to public education?" And that was — now, let's see — 36 years ago, and I'm still at it.

client suggested it was prepared to lose the case, Ginn had turned them away. Later, the firm that took the case fought and lost.

On this particular occurrence, Bower writes: “If the independence and professional stature of Jones Day had not been established up to this point, Mr. Ginn’s one brilliant and courageous professional decision established it then.”

The fact that Bower effectively broke off from a profession to pursue consulting made him perhaps more driven than others to raise the stature of his new line of work. For his part, McKinsey continued to maintain a connection to both the accounting and academics professions, and alternately appears to have enjoyed the ego-massaging perks of both. For Bower there no longer were such perks. Having cast his lot with a fledgling profession, he found that any perks would now reside exclusively in the future.

Be that as it may, Bower’s new firm would be headed by Guy Crockett. Having from the start backed Bower’s reorganization plan, the 55-year-old accountant-turned-consultant made a sizable capital investment in the firm, an act his deputy, Bower, would some time later label as heroic.

“Crockett was the head, but Bower was the drive and the idea person,” says Ron Daniel, who served as the firm’s managing director from 1976 to 1988 — a span longer than any other McKinseyite except for Bower, who would ultimately take over from Crockett and lead the firm for 17 years (1950 to 1967).

Another former McKinseyite, who worked closely with both Bower and Crockett during both their tenures as managing director, put it another way: “There was no comparison between them. Crockett was an accountant.”

Within the years that followed McKinsey’s death, the “accountant” label became internal code for someone not well-suited for consulting work, the idea being that accountants lacked certain people skills and were not “broad-gauged” enough to address complex problem-solving.

Colleagues say Bower himself frequently expressed the view that with the exception of his esteemed mentor, those people who made good accountants would not likely make good consultants, given the different “success factors.”

“There’s a whole emotional side to a human being that’s very important to the consultant, and great consultants are seldom dependent on the mechanics of problem-solving,” says Jon Katzenbach, managing partner of Katzenbach Partners and former McKinsey director. “Consultants are better at really relating to the individual situation and making things happen, and I don’t know of anyone who did this better than Marvin.”

### A Shared Passion for Independence

No matter how they differed in terms of the skills their people possessed, both consulting and accounting harbored similar professional ambitions.

“Certainly Jones Day was a model for Marvin, but Andersen was also a model for him, and Leonard Spacek —

without question — influenced Marvin,” says Daniel, invoking the name of the accountant who became AA’s managing partner in 1947 upon the death of the accounting firm’s founder.

Just as Bower would emerge as the driving force behind McKinsey & Company, Spacek would emerge as Arthur Andersen’s own brand of high octane. Not unlike what happened in the leadership void McKinsey experienced following the departure of its founder, certain Andersen partners believed that their firm might be better off disbanding, given some of the grave financial uncertainties it faced going forward. Spacek convinced them otherwise.

Here was an accountant who did not hesitate to speak out against chummy client relationships; here finally was a rival for Bower — one who shared the grand ambition not just of building a firm, but of energizing a profession.

At times, the two men appear to have been competitive as they sped down similar tracks within different fields. Beneath them their firms would rise and expand around the globe, capturing the high ground of their professions while remaining unflinching champions of independence.

Under Bower, McKinsey would shed its accounting business once and for all, and put a stop to exploitative sojourns into outlying services such as those the firm had taken into executive recruiting and the actuary business. Under Spacek, Andersen would routinely challenge its profession to adopt conservative auditing standards, as its managing partner set an example for being blunt with clients.

Nonetheless, Arthur Andersen would not let go of consulting work. Perhaps, at the time, given the clamor of Andersen’s army of dedicated auditors, such a conflict with consulting seemed all too remote.

Without a doubt, the greatest test for the two men’s leadership still lay ahead. Like all great leaders, their legacy would hinge on the ability of their values to transcend generations.

“Marvin was really one of the early pioneers of the notion that if you defined a work environment of a particular sort and then lived up to it, you’d have an institution that people would be committed to and energized by. Marvin was a true lion in that respect — he walked the talk at all times,” says Andrall Pearson, founding chairman of Yum! Brands, Inc., and a former McKinsey director (see interview on Page 20). Pearson says that Bower was one of the first people to understand the role of cultural values in leading high-potential people.

Another McKinsey alum, Carlyle Group chairman and former IBM Corp. chief executive Lou Gerstner, recalls how the firm’s culture and Bower’s values ultimately became one.

“When the firm was very small, Marvin could reach out to many of his partners and be powerful and persuasive as far as the decisions that were made went, but by the time I got there, the principles were not just Marvin’s any longer, they were the firm’s, and the firm’s leadership’s,” says Gerstner, whose career as a McKinsey consultant (1965–78) would span a transformational period for both McKinsey and the consulting

# Our Days with Marvin



**Leo F. Mullin** (McKinsey, 1967–77)

*Leo F. Mullin is chairman and chief executive officer of Delta Air Lines. Prior to joining Delta, he served as vice chairman of Unicom Corporation and its chief subsidiary, Commonwealth Edison.*

**CM:** When did you arrive at McKinsey?

**Mullin:** I joined McKinsey in 1967 out of Harvard Business School; at the time, I was only 24 years old. ... I have a very strong memory of Marvin, who was about 65 years old, I believe, at the time. He came through the Washington office that I was associated with and spoke to us. He made it clear that profit was a by-product and that you always put the client first. He gave a number of examples as to how that came forth. To a sort of young and idealistic person out of college, it was a wonderful kind of exposure to a philosophy of a firm that had existed as long as it had. ... The meeting was not a personal thing, but in a group. He had a certain austerity about him. He had certain messages to deliver. He wanted these new people coming in to know pretty close to Day One what kind of a firm they were joining, and he wanted to deliver that message personally. I was with a group of 10 or so when I first met him.

**CM:** How did Marvin influence your style of leadership?

**Mullin:** I came into the firm with somewhat of a belief in that, a commitment to the hard variables as opposed to the soft ones. My background is that I majored in engineering

and applied physics and I had a master's in applied mathematics in addition to my MBA. So I had a sort of quantitative view of the world. Marvin undoubtedly was very bright analytically, but what I remember was his capacity for leadership as it pertains to what are sometimes called the soft variables — but what are very real in terms of distinguishing the firm and establishing its sustaining capacities.

**CM:** Over the years, have you stayed in touch with Marvin?

**Mullin:** When I made the decision to leave the firm after nine years, I was a principal at the time. He approached me and said "... my deep regret is that we're losing a really good person in the firm, and I'm sorry for us in that respect." And it was such a kind of statesmanlike, warm, memorable statement on his part for me.

Then, you know, I lost contact with Marvin other than that oddly I saw him about seven or eight years ago on the street corner in Harvard Square. He recognized me, and I wound up having a half-hour discussion with this 90-year-old man, and it was like we had just left off the day before.

**CM:** You resided at McKinsey longer than at other companies ...

**Mullin:** When you look back on McKinsey ... I worked there nine years, and I have used McKinsey many times in many settings, so I know the managers, but when you look at the person who made that firm what it is, it's Marvin Bower. Ralph Waldo Emerson said, "Great institutions are the reflection of one man," and that is absolutely true here.

profession (see interview on page 17).

After Bower stepped down as McKinsey's managing director in 1967, the profession's independence became challenged on a number of fronts. And while Bower no longer headed the firm, he did not hesitate to do that which he had encouraged every other McKinsey consultant to do: To speak up and be heard.

## The Lion in Winter

In 1970, McKinsey rival Booz Allen Hamilton would sell shares publicly — a move that, according to Bower, challenged the dictum that economic independence undergirds professional independence. No bank managers, investment analysts, or shareholder attorneys would ever hold captive the decision-making of McKinsey's consultants, Bower told his colleagues. When the Association of Management Consulting Firms

(AMCF) opened its membership to publicly held consulting firms as well as the accounting houses, Bower would engineer the withdrawal of McKinsey & Company from the group. While nowhere near a deathblow, the firm's withdrawal from membership in 1973 made a strong statement at the time, given that McKinsey's leadership had had a hand in the association's founding, and that its former MD, Guy Crockett, had served as president of the AMCF for five terms.

Even within McKinsey, Bower found the need to continue to address growing challenges to the firm's independent posture. In October of 1969, two years after he resigned his post as managing director, Bower is said to have joined other McKinsey directors at a meeting in Madrid, where a memorandum detailing a joint venture with securities firm Donaldson, Lufkin & Jenrette (DLJ) was discussed.

McKinsey's Daniels recalls: "We considered a possible joint venture with DLJ, when they wanted to better serve small

# Our Days with Marvin



## Andrall E. Pearson (McKinsey, 1964–1980)

*Andrall E. Pearson is presently the founding chairman of Yum! Brands, Inc., the largest restaurant chain in the world. He spent 14 years serving as PepsiCo's president and chief operating officer.*

**CM:** Do you recall how you came to McKinsey?

**Pearson:** I joined McKinsey in New York because of Marvin. The firm had originally wanted me to go to Los Angeles, and I went over to Marvin's house because back then he interviewed people that way, and he said to me that with my background I'd be much better suited for McKinsey's New York office than LA, and I said that's how I felt from the start. And he said, "Why don't you consider that you are being offered a New York job, and I'll take care of the rest." That was vintage Marvin.

**"Marvin had more influence on my management style than anyone else or even any three people combined."**

**CM:** His leadership style has been described as having a personal touch.

**Pearson:** I don't think you could ever be with him without him asking you questions about what you were doing at a client or what your thoughts were on how to make the firm better. ... He genuinely believed you shouldn't dictate to high-potential people what they ought to do. All that does is dissatisfy and demotivate, and people leave.

**CM:** He was, in a way, offering lessons in leadership.

**Pearson:** Well, if you went and talked to anyone who left the firm and joined large companies, they would tell you what I did, which is that of all the people I have ever worked with, Marvin had more influence on my management style than anyone else or even any three people combined. And it was because he earned that and worked at it — this being a teacher — and at articulating things so that you could get them into your mind. And it became a fabulous learning experience for a lot of people who ended up in leadership positions.

**CM:** Have you incorporated some of Marvin's style into your own form of leadership?

**Pearson:** Yes. Some things that have helped me and some things that have perhaps hurt me. I'm known as a very tough leader, someone who says what he thinks and demands high standards from himself and others. Now, I got that from Marvin, and I'd say that it made me an effective leader, but it also caused some other people some anguish. I think I have a tendency to not praise something unless it's extremely good, and Marvin did that, too.

**CM:** How has it hurt you?

**Pearson:** Well, when I joined Tricon (Tricon Global Restaurants), the guy running KFC was great at recognition — and I've seen people from secretaries on up cry after receiving cheap awards — but these were symbolic awards. And first the person was told what was appreciated, but this was then followed by criticism that said how they could be even better if they focused on this and that, and Marvin never had time for that and neither did I.

**CM:** Did he have a temper?

**Pearson:** I've seen him chew someone out pretty good, with some real energy, but have I ever seen him lose control of himself? No. I think these are two different things. He wasn't entirely catholic by any means as to where the chewing-out happened. If you had a lousy idea or your presentation was stalling, Marvin wasn't going to waste time.

**CM:** What about consultants who didn't abide by the firm's principles?

**Pearson:** I can remember three very promising guys that Marvin ripped out of the firm because they were promoting themselves to clients for jobs. And Marvin said, "That's not what we do here, and we don't need people who do that here."

**CM:** Was his approach innovative?

**Pearson:** Marvin was really one of the early pioneers of the notion that if you defined a work environment of a particular sort and then lived up to it — if you walked the talk at all times — then you'd end up with a great institution. People would be really committed to it and energized, and I think that's the ultimate heritage of the guy. .... The whole idea — which some people refer to as corporate culture now — very few firms and particularly very few professionals understood. And Marvin's whole idea about the will to manage was sort of a joke among the professional firms, because the thought was that there was no will to manage — the partners just walk all over each other.

companies, and the rationale was that DLJ wanted access to smaller companies, and we'd supply the management insight and problem-solving, and DLJ would share their fees."

The DLJ opportunity came along via an internal task force deployed to investigate outside opportunities. Unlike as with earlier opportunities brought forth — such as an interest on the part of Planning Research Corp. to buy the firm — this time the directors voted to continue negotiations with DLJ.

"Marvin then made a very emotional speech about professional firms keeping their independence," says Daniel. Eventually, interest in the deal faded as more McKinsey directors appeared to move toward Bower's way of thinking.

Not all directors agreed with Bower's unbending position toward independence.

The late John Neukom, a director within McKinsey's San Francisco office who had the added distinction of being one of James O. McKinsey's original hires, locked horns with Bower over the issue of McKinsey consultants serving on the boards of publicly held firms. The consultancy's independence was bound to be questioned if the firm garners revenue from the company while a member of the firm sits on the board, Bower reasoned.

Bower was apparently unable to dissuade McKinsey's then-managing director, Lee Walton, from assisting Neukom in his efforts to secure seats on a number of different boards.

In his privately published *McKinsey Memoirs, A Personal Perspective* (1975), Neukom writes: "I am indebted to Lee for making arrangements that permitted me to take advantage of opportunities to serve on three boards of directors of three important enterprises as I moved into retirement."

Having perhaps felt some of the heat being applied internally by Bower, Neukom appears to be putting forth something of a defense when he adds: "There need be no great concern about hazards of board membership where competent management and knowledgeable outside directors work together from a background of a constructive consulting relationship."

Still, Bower appears to have later scored a victory when in the late seventies the firm narrowed the loophole used for exempting partners from its stated policy of not having consultants serve on boards.

## When Perception Becomes Reality

At about the same time Bower was waging his battle "against

board seats," another siege in the war for independence spilled over onto the pages of the nation's business dailies, when in 1979 Arthur Andersen's then-chief executive, Harvey Kapnick, resigned from his post. Kapnick, a Spacek disciple, left in disgust after AA partners rejected his proposal to spin off the firm's consulting business.

Kapnick had been a devoted champion of the cause of independence as it related to tight-knit relationships with audit clients, and had increasingly become fearful of how AA's growing consulting business was impacting the perception of its auditor independence. His proposal was in large part made in response to the SEC suggesting that going forward, companies disclose the amount and percentage of non-audit fees they pay to their auditors.

Twenty-one years later, after the SEC succeeded in turning its suggestion into law, Kapnick's fears were realized when, in the aftermath of Enron's collapse, prosecutors mulling the details behind AA's infamous document shredding became galvanized by the fact that the large oil trader had paid its auditor another \$27 million for non-audit services. It was just a perception, but one that would effectively lift the issue of independence into the mind's eye of the public. In the months that followed Enron's collapse, dozens of publicly held corporations moved to discontinue the procurement of non-audit services from their auditor.

AA was not the only supplier of consulting services caught in the crosshairs of Enron's meltdown. McKinsey & Company had adopted the company as one of its marquee accounts. Enron CEO Jeff Skilling, a former McKinsey partner and loyal alum, had cultivated a close relationship with his former firm over the years. Today, while the question as to whether McKinsey breached its rigid principle of independence continues to be debated among firm members, the newly enthroned pundits of independence appear to have failed to find a smoking gun. Just what would have registered as an independence breach for McKinsey? How about a gray-haired McKinsey partner sitting on the energy concern's board?

In the words of one senior McKinsey partner: "Thank goodness we listened to Marvin."

In mid August, as Arthur Andersen shuttered its offices across the country, Harvey Kapnick passed away at his home in Florida. Marvin Bower would die five months later on January 22, 2003. 



**Bower & his Principle:** "To maintain an independent position, being ready to differ with client managers and telling the truth as we see it, even though it may adversely affect firm income or endanger continuance of the relationship."