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In Clover

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When McKinsey Comes to Town: The Hidden Influence of the World's Most Powerful Consulting Firm
by Walt Bogdanich and Michael Forsythe.
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Vega Gupta's wedding was a four-day, three-million dollar extravaganza held at a five-star hotel in Sun City, South Africa, in May 2013. Two hundred guests arrived from New Delhi on a chartered Airbus that was allowed to land at a nearby military airbase. Vega's uncle Atul Gupta met the guests, who were taken to the resort without any passport or visa checks. One hundred and thirty chefs had been flown in from India to cook 'strictly vegetarian' Chinese, Greek, Italian, Indian, Mexican, South African and Thai food. Personal servants were allocated to the most important guests. South African attendees included President Zuma's daughter Duduzile, his son Duduzane (accompanied by Miss South Africa, Tatum Keshwar) and Zuma's billionaire benefactor Vivian Reddy. Heads of several government ministries, South African Airways, the South African Revenue Service, the national electricity company Eskom, and the state rail, maritime and pipeline agency Transnet, also turned out for the occasion – along with fashion, media, sports and Bollywood celebrities, university vice chancellors and senior partners of McKinsey & Company, KPMG and Deloitte South Africa. In a leaked email, the CEO of KPMG Africa enthused to Vega's uncles: 'I have never been to an event like that and probably will not because it was an event of the millennium.'

Atul, the second of the three Gupta brothers, was the first in the family to emigrate to Johannesburg, where he set up a computer business in 1994. His brothers, Ajay and Rajesh 'Tony' Gupta, soon joined him, encouraged by the business-friendly policies of the new ANC government. The Guptas cultivated connections with ANC politicians and invested in media, infrastructure, cable television, and coal and uranium mining. Rajesh, the youngest, was Duduzane Zuma's business partner, and Duduzane sat on the board of several Gupta concerns. Duduzile Zuma and one of Jacob Zuma's wives were also hired by Gupta businesses.

After Zuma's downfall in 2018, a commission of inquiry led by Justice Ray Zondo found that the Guptas, aided by the president, had cajoled, threatened and bribed civil servants and politicians to help their businesses. The report describes how the 'Zuptas' replaced the heads of government organisations and diverted billions' worth of contracts to companies secretly or openly owned by them. In one instance, contracts for a dairy farm intended to provide employment and nutrition for impoverished communities were issued to a Gupta shell company and the payments routed to secret accounts in the United Arab Emirates. While the animals starved on the farm, the payments were used to meet the bill for Vega's wedding party. This may have been the most brazen of the brothers' acts of state capture, but not the most important: their manoeuvrings hobbled the South African taxation agency's revenue collection abilities and bankrupted state-owned businesses including Eskom, South African Airways and the arms manufacturer Denel. According to Cyril Ramaphosa, the South African president, the Guptas plundered an estimated $32 billion – around 10 per cent of the country's annual GDP.

They had help. The report also charted the entanglement of transnational professional services companies in the Zupta money-making machine. Bell Pottinger, the now defunct public relations firm that worked for unsavoury people and governments from Pinochet and Asma Assad to Lukashenko and the governments of Bahrain and Egypt, ran an 'economic emancipation' campaign on behalf of the Guptas and Duduzane Zuma attacking 'white monopoly capital' – as distinguished, presumably, from the Guptas' non-white monopoly capital. Europe's largest software maker, SAP, paid kickbacks to a Gupta front company to get its customer service software licensed for use by South Africa's Department of Water and Sanitation. At the behest of Zuma, who regularly met with the firm's managing partner in South Africa, Bain & Company consultants reorganised the South African Revenue Service. A raft of experienced officers were lost and the agency's investigative powers curtailed. KPMG, which audited the Guptas for fifteen years, wrote off Vega's wedding costs as a business expense. PwC, the auditor of South African Airways, concluded that the company was in compliance with regulations, when it was actually being deliberately mismanaged and looted by Zupta front organisations. The airline declared bankruptcy in 2019.

Strategic consultants at McKinsey & Company were also implicated in the undermining of South African Airways. Among the charges levelled by the Zondo report is 'the use of external service providers when there were already ably qualified and skilled staff working within the various [agencies]. This use of duplicate external service providers was often a means by which corruption was allowed to flourish.' McKinsey South Africa also partnered with two Gupta front companies, Regiments Capital and Trillian Capital Partners, to secure contracts with Transnet and Eskom. In each case, Zupta functionaries in the state-owned enterprises worked closely with the Gupta front companies, enlisted their help in devising bid conditions, informed them of the details of rival tenders, and used unusual fee structures to overpay them. Infrastructure projects, especially when funded by the state, are always highly remunerative for consultants, planners, designers and engineers. And despite their protestations to the contrary, these state projects keep consulting firms in clover.

McKinsey, founded in Chicago in 1926, opened its first overseas office in London in 1959. Soon, the company was working on projects at the BBC, British Rail, the General Post Office, the NHS and the Bank of England, charged with reorganising, finding 'efficiencies' and generating savings. McKinsey helped nationalise British Steel, and then helped privatise it. In 1967, the British Transport Docks Board commissioned it to produce a report on containerisation. Dockers in London and Liverpool had been striking throughout the year in an attempt to decasualise the process of hiring workers. As the minister of labour, R.J. Gunter, reported to Parliament,

> there has been a virtually complete strike of dockers in Liverpool and Birkenhead since 18 September. In London, the Royal Group, West India and Millwall docks, and to a lesser extent London and St Katharine's docks, have also been affected. These strikes, which are unofficial, now involve about 16,000 men, and have caused serious interference with trade, in particular with exports.

In its report, McKinsey suggested that containerisation was the palliative for an unruly workforce whose demand for better wages and working conditions was eating into the profits of the shipping and port management companies. McKinsey argued that containerisation would better utilise 'material resources … through improved process control'. More important, 'expensive labour can be replaced with cheaper capital equipment.' Cutting back on labour was not only value for money: it removed the unpredictable human factor.

I WAS HIRED by the Houston office of Andersen Consulting straight out of an engineering undergraduate degree in 1991. Every spring, the consulting firms arrived on campuses and scooped up imminent graduates with good grade point averages. They hired everybody from engineers to English majors, though those with a technical education were put on a starting salary of $27,000 a year; the humanities graduates earned a few thousand dollars less. In the 1980s and 1990s, the Big Six accounting and professional services firms – previously the Big Eight, later Big Four – all had consulting operations, which enabled them to provide clients with strategic advice and software services as well as fulfilling their original tax and audit functions. Andersen Consulting was the only one to have branched off from its parent company, Arthur Andersen, under a slightly different name.

The Andersen Consulting new hires were shipped to a programming bootcamp in St Charles, a suburb of Chicago. None of us had cars, so the three weeks there were spent entirely on campus, working overtime, getting blind drunk and secretly snogging one another in the stairwells. The bootcamp wasn't just about teaching us a programming language (COBOL was soon obsolete anyway). It was really a process of habituation – or indoctrination – into working very long hours and performing competence and confidence. Afterwards, we were all sent back to our respective offices and from there to client sites. Many of us wished we could work in the New York or Chicago offices, but those jobs seemed to be reserved for graduates of Ivy League universities. Regional offices served the businesses based in their states, and the practice continues today.

My first client was USAA, a San Antonio-based insurance company serving the US military, as well as veterans and families. I think we were installing a piece of customer service software for them, built from scratch. The Andersen team at USAA included two dozen new consultants like me. We weren't earning a great deal but were being charged to the client at hundreds of dollars per person per hour. We worked long hours: seventy or eighty-hour weeks weren't unusual. We learned software design on the job, but never really knew much about the business, compared with the experienced USAA employees whose tasks we were automating.

There was an expectation of massive staff turnover at Andersen, and if you hadn't made 'senior' in two years, you were gently ushered out of the firm. When I hooked up with another Andersen consultant in Atlanta, I moved there and got a similar job at Price Waterhouse (which later merged with Coopers & Lybrand to become PricewaterhouseCoopers or PwC). I was assigned to projects designing customer service software for the local mobile phone company; circulation and advertising systems for mid-sized newspapers owned by Thomson Reuters throughout North America; and, best of all, pre-internet matchmaking software to be installed in kiosks and used by lonely hearts.

A few years after I left Andersen, the company changed its name to Accenture. A commercial dispute had begun between Andersen Consulting and its audit and tax counterparts at Arthur Andersen, after the latter set up a rival in-house consulting group. After three years, a commercial arbitrator decided to sever the relationship between the two firms, and in January 2001 the consulting business was forced to give up the Andersen name. A few months later, when Arthur Andersen's criminally negligent audit of Enron led to both companies' collapse, Accenture's $100 million rebranding exercise must have seemed like a blessing in disguise.

When I was first hired, Andersen Consulting had 21,000 employees. Today Accenture employs 721,000 consultants around the world, has 10,000 managing partners, and is listed on the New York Stock Exchange. The vast majority of staff are involved in installing software – often designed by specialist firms like Oracle or SAP – and managing the data storage and access infrastructures for large firms and governments.

In the US and abroad, the Big Four professional services firms and Accenture work alongside Booz Allen Hamilton, which provides technical consulting services primarily to governments, including military and intelligence agencies. Edward Snowden, who in 2013 leaked a trove of signals intelligence data and revealed US domestic and foreign mass surveillance programmes, was a Booz Allen consultant at the NSA and before that an agent at the CIA. Booz Allen also helped the UAE set up its intelligence agency with the blessing of its US counterparts, passing on skills in 'data mining, web surveillance, all sorts of digital intelligence collection' to the Emiratis so that they could, for example, better track Iran's activities.

MANAGEMENT CONSULTING , in its various guises, was the bastard child of Frederick Taylor's 'scientific management' and engineering-besotted railway planning in the age of US continental colonisation. The top-tier strategists in central offices descend from the former; the software developers in regional outposts from the latter. Strategic corporate work in the early years included consulting on executive compensation, product marketing surveys, organisational restructuring, and budgetary and operational controls. On the engineering and technical side, large-scale complex systems like energy providers, railways and maritime transportation lent themselves to pseudo-scientific consulting bromides that provided – for a handsome fee – copyrighted guides to efficiency, strategic growth and operational effectiveness. The aim was to maximise profit, enrich management and shareholders, and circumscribe worker militancy. Outside the US, as the Cold War raged, management consultants were willing foot soldiers in the global battle for capitalism. A 1960 report by the *New York Times* exalted the US firms that were 'aggressively' packaging and marketing management advice on 'whatever their specialities – dams, textiles, or general management help'. As the *Times* put it, 'besides being asked to aid United States companies seeking to stake out new markets abroad' consultants were also 'in heavy demand among the foreign concerns eager to resist the invaders'.

The first consulting firms to set up offices in Europe – McKinsey, Booz Allen Hamilton and Arthur D. Little – initially served corporate clients. But they also worked closely with governments in Asia, Africa and Latin America. In Puerto Rico, Richard Bolin of Arthur D. Little advised the US colonial administration and was involved in setting up a factory enclave subject to minimal regulations in 1947 – he called it Operation Bootstrap. The enclave became a model for export processing zones, or free zones, worldwide. Bolin developed the use of maquiladoras in Ciudad Juárez on the Mexico-US border. The number of these factories increased hugely after the North American Free Trade Agreement was signed in 1994. They are known for their exploitative conditions and the horrific femicide of workers and local activists, memorialised in Roberto Bolaño's monumental novel *2666*.

Booz Allen Hamilton's clients in the 1950s mapped the US's Cold War interests. The former CIA agent Miles Copeland – father of the Police drummer, Stewart Copeland – was employed by Booz Allen fresh after instigating coups in Syria and Iran. In 1953, he was sent to Egypt on assignment from both his former and current employers. His Booz Allen consulting work involved tracing the complex holdings of the Egyptian national bank, Banque Misr. The CIA wanted him to help President Nasser set up a new intelligence agency, the Mukhabarat. In the same year Booz Allen was brought in to set up a register of land ownership in the Philippines, where Edward Lansdale of the CIA was directing covert operations against the Huk insurgency of landless peasants. In the face of communist and anticolonial demands for the expropriation of large landowners – including US companies – management consultants instead touted the benefits of gradual reform, including issuing titles to small plots of land, to relieve revolutionary pressures.

In 1957, McKinsey was hired by Royal Dutch Shell, then the world's largest oil company, to decentralise its management across its two headquarters in The Hague and London. The decentralisation model was so ardently adopted – in the US, it was applied even to universities – that by the early 1970s, as the historian of management consulting Christopher McKenna has argued, the major firms had 'quite literally decentralised most of the large companies in Europe'. To keep their profits flowing in, management consultants turned to big state institutions, reorganising government departments, conducting industrial studies and evaluating international markets.

Even when their projects failed – Walt Bogdanich and Michael Forsythe write that a McKinsey-led reorganisation of the NHS in 1974 was a 'proliferation of paper' and a bureaucratic mess – they were hired again and again by the British government to reduce employee numbers and institute unpopular reorganisations that seemed merely to thicken the ranks of middle managers. They also provided plausible deniability to the ideologues in power. The abundance of privatisation projects initiated when Thatcher was prime minister was presented as being driven simply by the need for good management. But McKinsey's work continued – and accelerated – under New Labour. Tony Blair's policy adviser on the NHS, Penny Dash, went on to join McKinsey, and a McKinsey senior partner, David Bennett, became Blair's chief policy adviser, and later the chief executive of Monitor, the NHS regulator. The revolving door between McKinsey, regulators, policymakers and businesses is a consistent feature of the consulting businesses.

Bogdanich and Forsythe's book is a damning account of the way McKinsey has made workplaces unsafe, ditched consumer protections, disembowelled regulatory agencies, ravaged health and social care organisations, plundered public institutions, hugely reduced workforces and increased worker exploitation. It begins with an account of McKinsey-driven cost-cutting at US Steel, which led to the deaths of two steelworkers. Similar measures at Disney resulted in a young man being crushed to death on the Big Thunder Mountain rollercoaster. Decades after the consequences of smoking became clear, McKinsey continued to work for the big tobacco producers. As the extent of the US opioid epidemic became apparent, McKinsey advised Purdue Pharma to find 'growth pockets' where OxyContin could be more easily prescribed, and lobbied regulators for laxer rules on prescriptions. McKinsey's unethical activities pack the pages of this book, while its supercilious vocabulary of 'values' and 'service' runs like an oil slick over slurry.

The primary product sold by all management consultants – both software developers and strategic organisers – is the theology of capital. This holds that workers are expendable. They can be replaced by machines, or by harder-working employees grateful they weren't let go in the last round of redundancies. Managers are necessary to the functioning of corporations – or universities, or non-profit organisations – and the more of them the better. Long working hours and bootstrap entrepreneurialism are what give meaning to life. Meritocracies are a real thing. Free trade, laissez-faire capitalism and reduced regulation are necessary stepping stones towards the free market utopia. There is also a faith that this work is helping 'create positive, enduring change in the world', as McKinsey's mission statement puts it.

Many management consulting firms' most lucrative contracts are with crisis-hit governments. Healthcare services during the Covid pandemic were a huge source of profit. A ProPublica investigation in July 2020 found that McKinsey was making '$100 million (and counting) advising on the [US] government's bumbling coronavirus response', but it wasn't clear 'what the government has gotten in return'. Around the same time, the UK government paid the firm £560,000 for a six-week project to provide 'mission and vision' for the track and trace programme headed by the Tory life peer Dido Harding, herself a former McKinsey consultant. Harding's husband, John Penrose, another former McKinsey consultant and a Tory MP, was at the time the 'anti-corruption champion' at the Home Office. During the pandemic, he hit the headlines for trying to absolve Owen Paterson, a fellow Tory MP, who had improperly lobbied on behalf of a private firm specialising in Covid testing.

By May 2021, the UK government had paid more than £600 million to management consultants for Covid-related projects, with Deloitte's £279 million contract to deliver a track and trace system the largest single item. Accenture and McKinsey had 32 contracts between them. The details of many of these are still to be revealed. Meanwhile, NHS Digital, the national provider of information services to the NHS, paid 15 per cent of its 2018-19 budget to Accenture for software projects. The chair and one non-executive director of NHS Digital were former senior employees of the firm. In September 2021, Accenture was awarded up to £2.6 billion in contracts with the UK government, for hardware, software and IT advice.

A US government website records the number of federal contracts given to various contractors. For some consulting firms, the trajectory of spending has risen steadily since 2009. The graph showing McKinsey, Boston Consulting Group and Booz Allen Hamilton contracts spikes during the Trump administration. The Department of Homeland Security and the Pentagon paid all three firms lavishly for 'engaging human-centred design', developing a 'culture of continuous improvement' and other meaningless bits of management-speak festooned with cryptic acronyms. In many cases, the contracts are labelled 'solicitation only one source', meaning that no rival bids were sought. Two contracts with the US government procurement agency, the General Services Administration, which earned McKinsey $1 billion between 2006 and 2019, had to be terminated because the company refused to submit to an audit.

McKinsey's most controversial recent public contract in the US was with Immigration and Customs Enforcement. It had been tendered under Obama, and was originally awarded for a reorganisation of the agency. After Trump took office, the project became quite different: to help the agency halt 'illegal immigration'. McKinsey's report for ICE suggested cost-cutting measures such as reducing food and medical budgets in detention facilities, as well as speeding up deportations. McKinsey was also awarded contracts with Customs and Border Protection for projects on 'impedance and denial capability' and 'programmes that discourage illegal entries'. The subject of one contract was a single word: 'Wall'. When the younger and more liberal consultants at McKinsey expressed their distress about the company openly doing the xenophobic president's dirty work, the senior partner in charge sent an email to the entire firm reminding staff who they worked for.

Overseas, McKinsey, Boston Consulting Group and Booz Allen Hamilton have aligned themselves with Mohammed bin Salman, who has monopolised the levers of power in Saudi Arabia since his father became king in 2015. Booz Allen's work in the kingdom predates his rise. In 2012 the US government sent it there to prepare and instruct the Saudi navy. The company also has a contract to train Saudi Arabia's cyber workforce, especially in 'information operations'.

McKinsey and Boston Consulting have provided the crown prince with the jargon of capitalist efficiency. McKinsey has been so entangled in Saudi government business that the Ministry of Planning is nicknamed the Ministry of McKinsey. It was also responsible for a report about the poor public reception of bin Salman's policies, in which detailed profiles of critics were featured alongside their photographs. Khalid al-Alkami, one of the profiled men, was arrested before the report was released in 2018. Another critic, Omar Abdulaziz, a Canadian resident, was called out for having written 'a multitude of negative tweets on topics such as austerity and the royal decrees'. Abdulaziz's two brothers in Saudi Arabia were arrested, and Pegasus spyware, widely sold by Israel's NSO Group to repressive Arab regimes to monitor dissidents, was put on his phone. Jamal Khashoggi, who was murdered in the Saudi consulate in Istanbul in 2018, had been among Abdulaziz's regular contacts.

In 2016, Boston Consulting and McKinsey staff accompanied five of the crown prince's courtiers on a tour of the US, where they regaled tech bros, think-tankers and media magnates with bin Salman's plans for the kingdom. Not long afterwards, Thomas Friedman of the *New York Times* wrote a rapturous profile – 'I, for one, am rooting for him to succeed.' McKinsey also sketched the framework for Saudi Arabia's Vision 2030 – a festival of privatisation, technological innovation, commercial disruption and other familiar bromides – and Boston Consulting Group produced the final report. The crowning glory of bin Salman's vision is Neom, a futuristic city being built near the Jordanian border in north-west Saudi Arabia. In the non-fantasy world, Neom is an inexhaustible resource for foreign consultants. In the fantasy world, the Neom plans drafted by McKinsey, Boston Consulting and Oliver Wyman include flying cars, robot maids, hologram faculty teachers, a giant artificial moon, glow-in-the-dark beach sand

and a medical facility whose aim is to ‘modify the human genome to make people stronger’. Not to mention the Line, a pair of 105-mile-long buildings designed to accommodate nine million people. The marketing material calls it a ‘revolution in civilisation’.

Many of the promised features involve subtracting ordinary humans from the social equation. Robot maids and self-flying taxis won’t organise a union, and hologram faculty won’t give children any revolutionary ideas. The brave new world of labour discipline is already here, and management consultants’ cost-cutting measures and new techniques for the evasion of regulation have ushered it in. One gets the sense that Bogdanich and Forsythe think the consultants they write about are rotten apples, but the barrel is sound. Their own material makes clear, however, that all the services often spoken of as merely helping businesses and government departments run more efficiently – management consulting, audit, software development – are in fact focused on enabling capitalists to enrich themselves further without the inconvenient interference of workers, taxpayers or regulation. Thanks to the hegemonic model McKinsey and other management consultants invented, these firms not only make and remake businesses and government in the image of their laissez-faire fantasies, but see homo economicus as the last word in modern selfhood.

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