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How McKinsey cashed in by consulting for both companies and their regulators

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Heard on Fresh Air

By Dave Davies



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McKinsey & Company management consulting firm operates in more than 60 countries.

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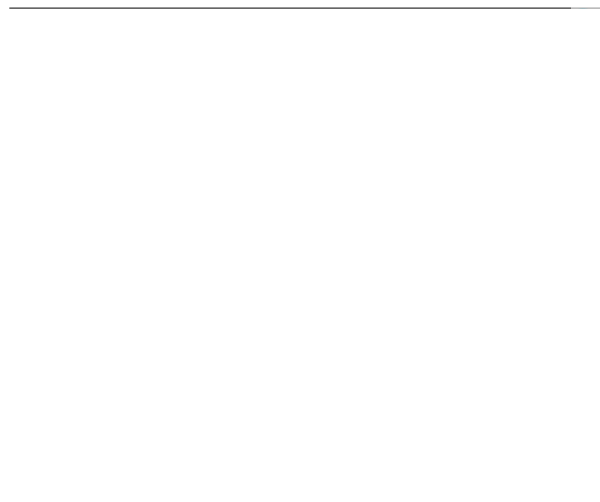
The McKinsey & Company consulting firm, which operates in more than 60 countries and employs more than 30,000 people, presents itself as a values-driven organization that cares not just about profits, but also about communities around the world. It's a reputation the firm draws on when hiring new consultants, often from the nation's top universities.

"They have a pitch which they present to these students that if you join McKinsey, you can make an impact on the world," *New York Times* reporter Michael Forsythe told *Fresh Air*.

But the reality is often more complicated. In a new book, *When McKinsey Comes to Town*, Forsythe and fellow *Times* reporter Walt Bogdanich make the case that the company has a history of engaging in ethically questionable work — from helping companies boost tobacco and opioid sales to working with repressive authoritarian regimes, including Saudi Arabia and Russia.

Bogdanich says that McKinsey has a set of values that it posts on the walls of each office and insists its consultants adhere to. First and foremost is that the client's interest always comes first. But, he adds, "What does that mean when you have an opioid manufacturer who's pushing opioids in the middle of an epidemic?"

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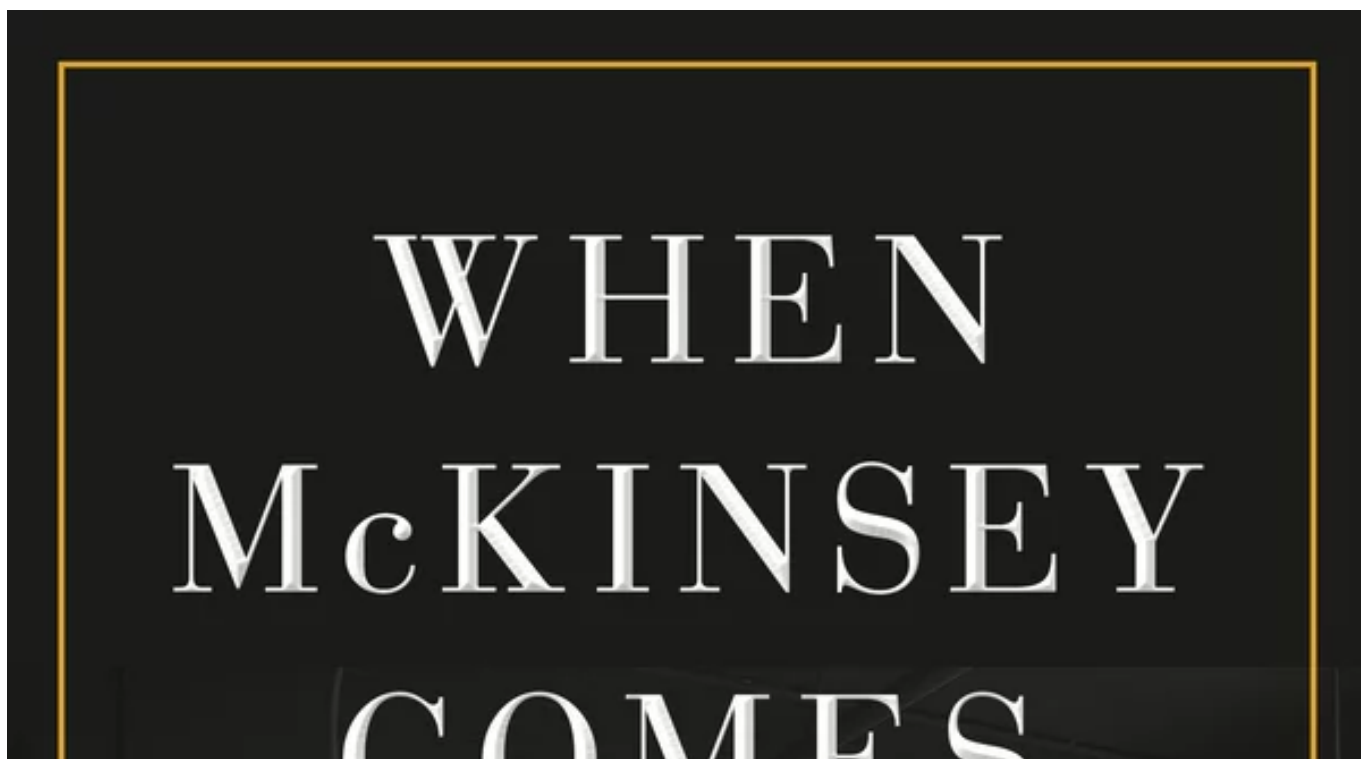


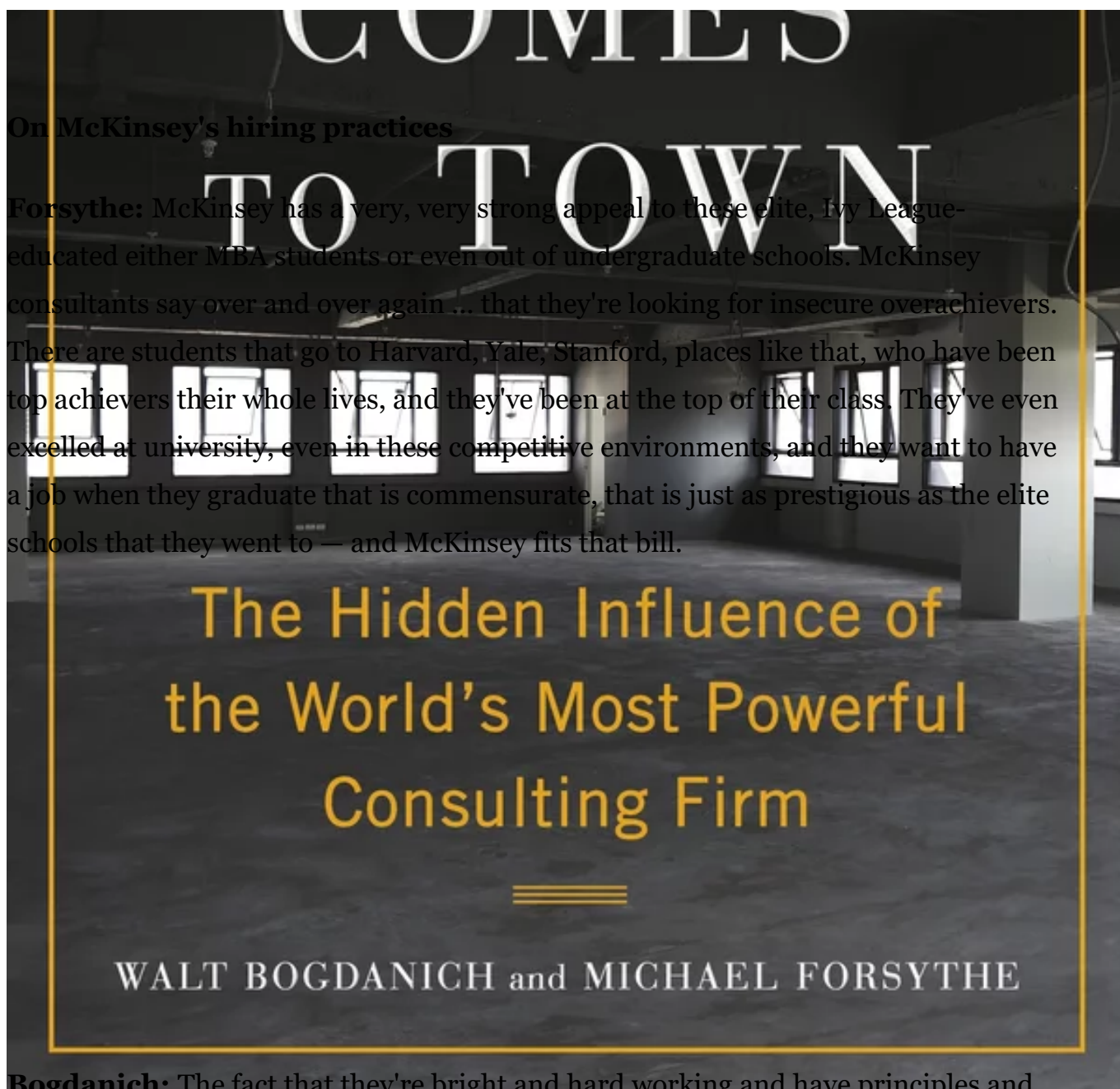
Forsythe notes that McKinsey was working with Purdue Pharma to boost sales of OxyContin as recently as 2013: "This is well after the dangers of OxyContin and the addictive power of OxyContin were widely known. ... And yet McKinsey drove right in." (In 2020, McKinsey issued an apology for its involvement with Purdue Pharma, stating: "We recognize that we did not adequately acknowledge the epidemic unfolding in our communities or the terrible impact of opioid misuse.")

Though McKinsey is tight lipped about its work, refusing even to disclose its client list, Bogdanich and Forsythe managed to get hundreds of internal documents and interview more than 100 current and former employees. In addition to Purdue Pharma, they learned that McKinsey started working with tobacco companies in 1956 and, more recently, with the e-cigarette company Juul. Meanwhile, the firm began consulting for the FDA's department that regulates vaping and nicotine.

"McKinsey's working for the companies and also the regulators that regulate them," Forsythe says. "I think most reasonable people would look at that and say, 'I think that's a problem.'"

Interview highlights





On McKinsey's hiring practices

Forsythe: McKinsey has a very, very strong appeal to these elite, Ivy League-educated either MBA students or even out of undergraduate schools. McKinsey consultants say over and over again ... that they're looking for insecure overachievers. There are students that go to Harvard, Yale, Stanford, places like that, who have been top achievers their whole lives, and they've been at the top of their class. They've even excelled at university, even in these competitive environments, and they want to have a job when they graduate that is commensurate, that is just as prestigious as the elite schools that they went to — and McKinsey fits that bill.

The Hidden Influence of the World's Most Powerful Consulting Firm



WALT BOGDANICH and MICHAEL FORSYTHE

Bogdanich: The fact that they're bright and hard working and have principles and that's why they came to McKinsey really was helpful to us, because as Mike pointed out, when they see what's happening out in the field, they become disillusioned. They become angry. They may come talk to us. They may give us documents. And in fact, they did give us documents.

On McKinsey's discretion regarding its client list

Forsythe: So it's been a longstanding policy at McKinsey for many, many decades, and they do make this clear to whoever hires them that they will work, they will represent competitors. So, for example, if they're representing General Motors, they could also be representing Ford or Chrysler. This is what they do. And the way they

solve this is they say they set up internal firewalls inside the system. So if you're consulting for General Motors, say you're not allowed for some period of time to consult for Ford. In other words, those secrets that you're learning at General Motors or maybe the strategy that you're telling General Motors on how to beat Ford, you're not going to be able to go over to Ford and tell Ford how to beat GM.

The company is extremely stovepiped. People are discouraged from talking at lunchtime, for example, about the client work they're doing. You're only supposed to really talk about your client work within your circle of people on what they call the CST, the client service team. But in so many instances in the book, we see where there is crossover, that there is information that there are certain consultants that work for one company and then they also are working for another company.

On McKinsey consulting Purdue Pharma to sell more OxyContin as recent as 2013



McKinsey used its smarts, its ability to take large reams of data and distill that and to find a way to target people like doctors in order to boost sales of an addictive drug.

Michael Forsythe

Forsythe: McKinsey started working for them about 20 years ago. ... Obviously, Purdue Pharma developed the drug OxyContin, which took off like wildfire. And it began to be abused in large quantities and many people say helped set off the opioid crisis in the United States, which has killed hundreds and hundreds of thousands of people. And McKinsey came into Purdue Pharma and in one instance was trying to boost sales at the company, boost sales of OxyContin, and used the word "turbocharge."

They developed sales programs to work with Purdue's sales force, to work with doctors and get information about doctors and which doctors were most likely to prescribe opioids that OxyContin in great quantities and to target those doctors. So McKinsey used its smarts, its ability to take large reams of data and distill that and to find a way

to target people like doctors in order to boost sales of an addictive drug. That's one thing McKinsey did. McKinsey also did some work with Purdue Pharma to help develop a tamper resistant formulation for OxyContin as well. So they do the sales work and they also do some of the R&D work as well.

Those magic words, "turbocharge," were used in materials McKinsey put together for Purdue Pharma in 2013. This is well after the dangers of OxyContin and the addictive power of OxyContin were widely known. And in fact, after there was already a legal action against Purdue Pharma for that very problem and for Purdue Pharma's marketing of OxyContin. So it was well known at that point — and yet McKinsey drove right in.

On McKinsey's work with the tobacco industry for over 50 years

Bogdanich: When you look at tobacco, the most lethal consumer product in American history, McKinsey worked for them for over a half century and long, long, long after it was well known that people were dying from it and that the tobacco companies were lying about the risks that people faced in smoking. But McKinsey continued — despite all of the warnings, despite the surgeon general in 1964, despite two federal judges that labeled them racketeers or liars — they continued to work for [the tobacco companies]. And I thought it was important to ask them: Why? Why did they continue, after this was well known? And they wouldn't answer it.

Forsythe: McKinsey only stopped working with the tobacco companies in 2021, last year. And as recently as 2016, McKinsey was putting together some pitches for work

with Altria on loyalty programs for Marlboro cigarettes, and in one slide, which we obtained, it shows a mockup of an app, an iPhone app from Marlboro cigarettes, and the idea being the ... more Marlboros you buy, that will earn you points. And this particular one showed a picture of a bottle opener — buy some cigarettes and then you can earn a bottle opener. This is the kind of material that McKinsey was putting together at a point when cigarette smoking had been banished from offices, banished from restaurants. It was widely known that this was a killer product. And yet McKinsey continued to work with Altria and other tobacco makers until last year.

On McKinsey employees' ability to opt out of working with certain clients

Forsythe: McKinsey does allow its employees to opt out of certain work, and there are many employees who have opted out of the chance to work for Altria, formerly Philip Morris. The problem is those are usually associates, the lower end, relatively junior persons. And what people say who we've talked to at McKinsey, or former McKinsey people, said that that puts the ethical burden on those very young people. In other words, McKinsey continued to be able to work for companies like Purdue Pharma, for companies like Altria, because the ethical onus, the decision not to do that work was put on very junior people.

On McKinsey's public position on climate change

Forsythe: If you look at their public statements, you would get the impression that McKinsey is a very green company. Internally, they work to be carbon neutral, making sure that they buy offsets for the carbon that their road-warrior consultants might

emit flying on all their airplanes. ... The firm has been very upfront about the fact that climate change is real and that the world has to address this problem. It's urgent. ... But what we found in researching this book is that while McKinsey is very good about articulating the dangers of climate change and the urgency to solve it, at the same time, they're working with some of the world's biggest polluters.

On McKinsey's work with major carbon emitters

Forsythe: One example we looked at was a company in Canada called Teck Resources. Teck Resources mines metallurgical coal. This is the coal that's used in steel mills, like the one in Gary, Indiana, for example, to smelt its steel. McKinsey worked for this company on many different projects. And those projects were focused on increasing the efficiency of the company. There was one study, for example, that was simply called "drill and blast." Other studies were coal-process optimization. So this was the focus. It was the idea of making this Canadian company, which is one of the world's largest producers of this metallurgical coal, into a more efficient coal miner.

On why McKinsey is unlikely to stop working with controversial clients

Forsythe: It's set up like a law firm, with these very independent partners spread all over the world who run fiefdoms, basically. ... How do they control a partner in China who knows so much more than they do about what's going on inside of China? How can they oversee those kinds of projects or proposals for projects? How do they possibly understand when those partners around the world have so much power to say

yay or nay to projects? It's really difficult for a company that is so decentralized to have a real handle on that.

I think the other problem is that McKinsey's got to feed the beast. Senior partners, partners at McKinsey, make millions of dollars a year and there's thousands of these people now. ... That's a huge burden on them in the sense that they have to pay these salaries. And in order to keep paying these salaries, they have to keep generating work. So there is a conflict there between being more selective on who you choose as a client and paying your consultants who think they deserve to be paid as much as any Goldman Sachs banker.

Sam Briger and Seth Kelley produced and edited this interview for broadcast. Bridget Bentz and Molly Seavy-Nesper adapted it for the web.



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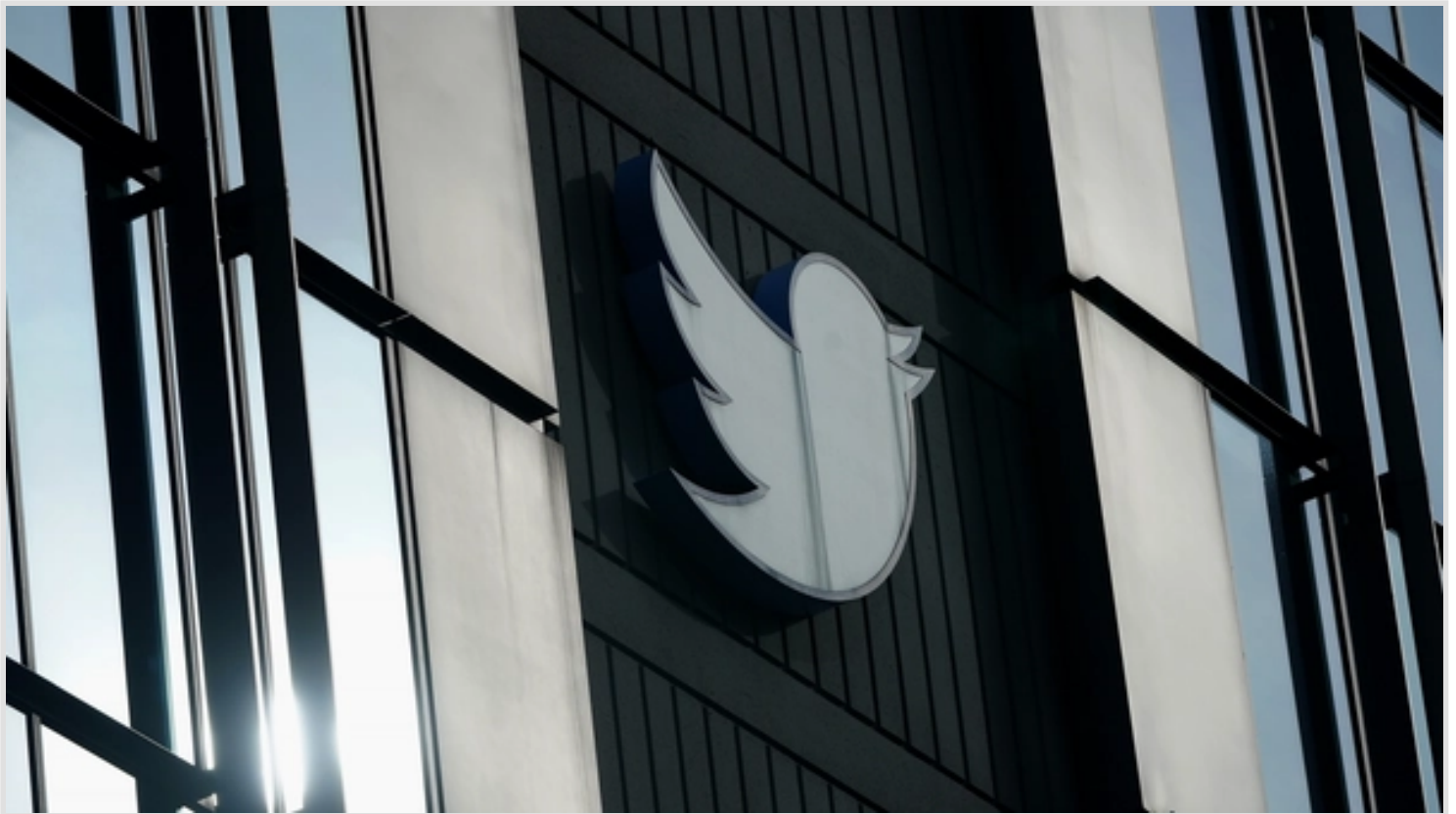
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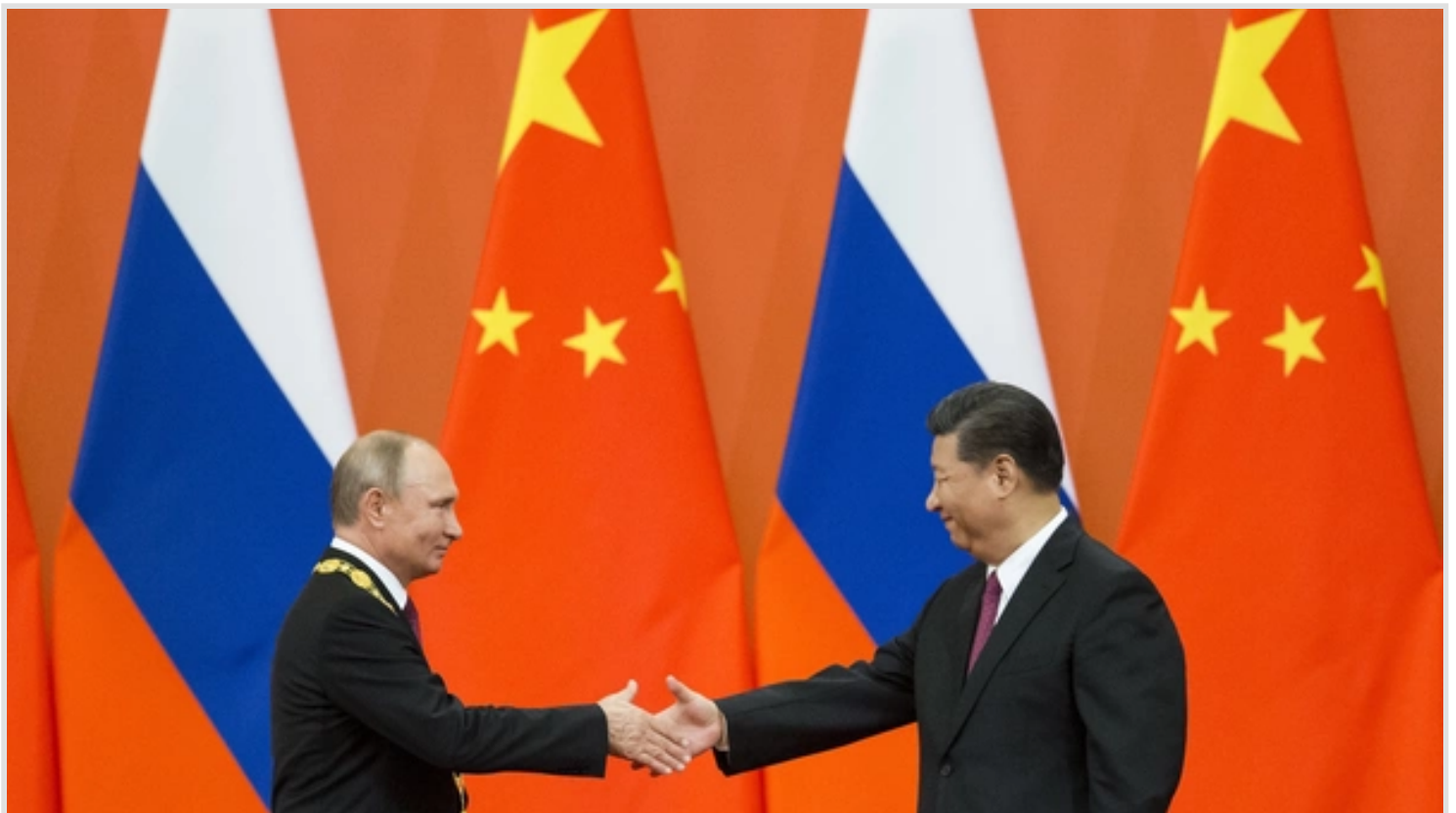
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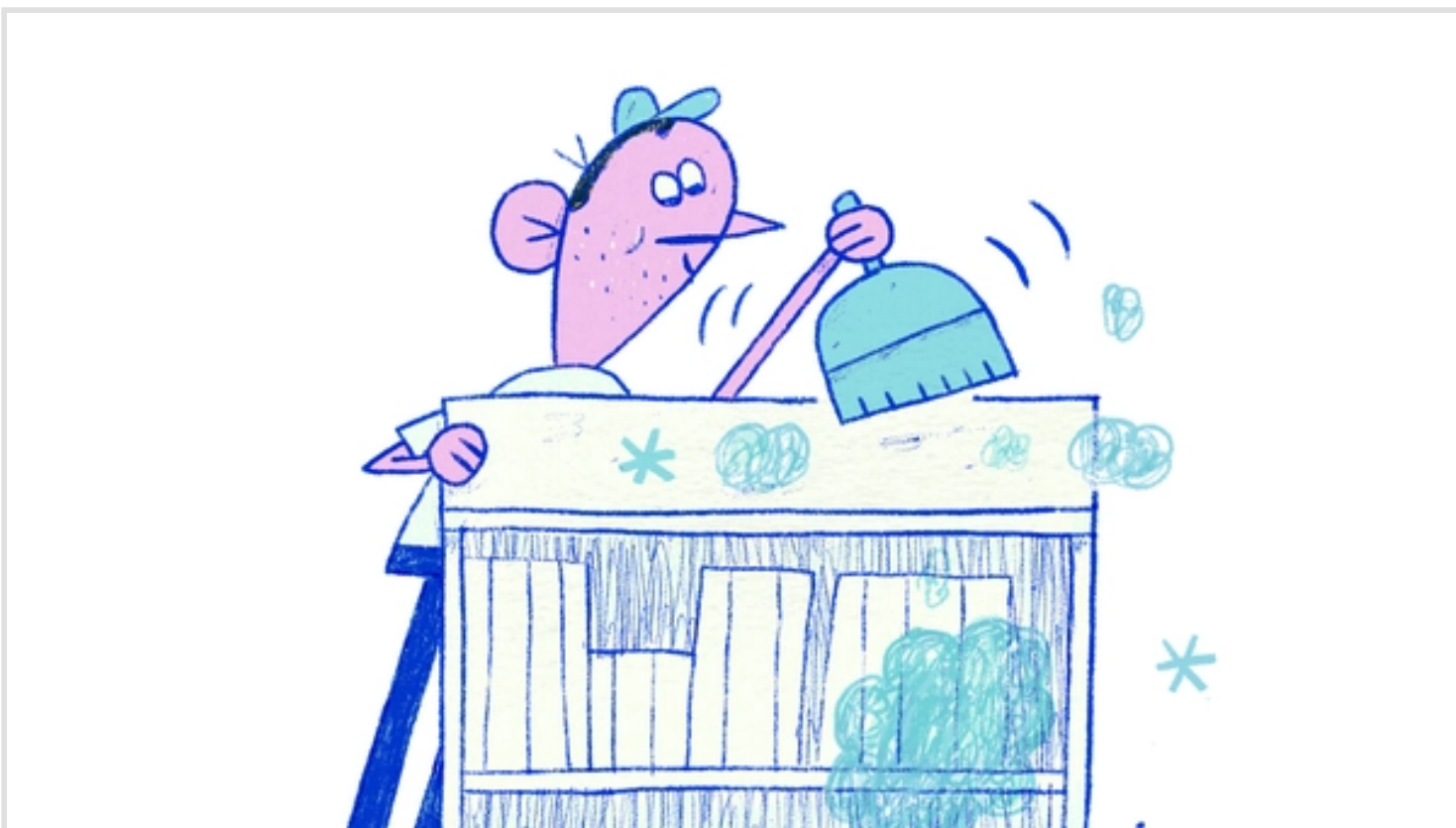
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