New at McKinsey
A small book about making a big difference
We wrote this book to showcase some of the latest tools, capabilities, and ways of working we have added to our firm in the past ten years. These new areas complement our traditional industry and functional expertise, ensuring that our clients continue to get exactly what they need to thrive.

3 Introduction
We have always assembled the best of our firm for each client. A range of new capabilities and ways of working boosts the impact of this integrated approach.

6 New expertise
The depth and breadth of our firm’s expertise is unmatched. We continue to add new experts, analytics capabilities, and ways of providing our clients with access to the insights they need every day.

11 Bridging advisory and execution
Helping our clients achieve great things is what drives us. Increasingly, that means working with them on the ground to scale change and build capabilities to ensure lasting success.

16 One global firm
Our people, our practice areas, and our offices around the globe are developing new ways of working at scale, to reach our clients with greater speed, depth, and relevance.
At McKinsey & Company, we have worked hard for 90 years to keep pace with the changes in our clients’ operating environments. In recent years, as our clients have faced more rapid transformation and disruption of their businesses and organizations, we too have accelerated our pace of change.

In today’s environment, we consistently hear two themes from our clients. First, they need us to bring new forms of expertise and insight to solve their most challenging issues. We are constantly upgrading the capabilities that we bring to our clients—including acquiring leading firms such as QuantumBlack in advanced analytics and Veryday in product design. We are also hiring more professionals who bring expertise in areas such as digital transformation, machine learning, and corporate restructuring to augment our traditional client service staff. All told, colleagues with new capabilities in these areas account for nearly one-third of our total professional staff today.

Secondly, we hear consistently that the line between advisory and execution work has blurred, and that clients want us to serve not just as consultants but as true impact partners in delivering value from our work. Through capability building, implementation consulting, digital-transformation delivery, and McKinsey Academy’s leadership development programs, we work with clients to deliver impact on the ground. Our confidence in our strategy-to-action approach is reflected by the fact that 15 percent of our engagements now link our fees to faster growth, cost reductions, procurement savings, and other metrics.

This transformation in how we work is also exemplified by our recently created McKinsey New Ventures team, which focuses on identifying and fostering innovations and integrating them into our client service. The group provides an enhanced foundation for the culture of entrepreneurialism we have always had.

While much is changing, some things about McKinsey never do—like our unrelenting commitment to put our clients’ interests first, our deep investment in our exceptional people and knowledge, and our shared set of values across our global “one firm” partnership.

As we move forward, we are excited by the dual challenge of preserving our core and innovating to meet the needs of our clients. We hope this book helps explain what is new at McKinsey and our commitment to meet these new challenges head-on.

Dominic Barton
The core of McKinsey has always been our people, industry and functional expertise, and global presence. Building upon this, we’ve added new areas of expertise, including advanced analytics, design, software solutions, and digital. We’ve also enhanced our abilities to implement change, build capabilities, and help organizations transform themselves.

Combining the full breadth of our offer today with our clients’ capabilities ignites and accelerates lasting change.
We bring a unique mix of capabilities, experts, and tools together for each client. The result is greater impact in the short term. And because new skills are built and core processes are improved, longer-term organizational health is also stronger.

Here is what that meant for one basic-materials client.

**Diagnosis**
- Involvement of expert team
- Diagnosed procurement spending and assessed the state of the procurement function, using a specialized analytics capability for PSM

**Implementation**
- Implemented Wave, a solution, to manage program office
- Specialized chemicals research and analytics shared proprietary perspectives on resin cost curves

**Research and analytics**
- Specialized chemicals research and analytics

**Prototype building**
- Digital McKinsey built performance dashboard for client

**Implementation coaching**
- Two implementation coaches supported rollout of changes over 18 months

**Skill-building workshops**
- Capability-building professionals conducted leadership workshops

**Ongoing digital learning**
- Provided ongoing leadership training via McKinsey Academy

**Engaged a traditional service team:**
- Engagement manager + associate + knowledge expert

**Diagnosed procurement spending and assessed the state of the procurement function, using a specialized analytics capability for PSM**

“Working with McKinsey was an exhilarating experience. We went to a level of detail that we haven’t experienced and gained credibility both internally and with suppliers.”

“Having experienced people at the front line in all locations for one year is a unique model of consulting support and exactly what we needed. McKinsey truly stands out in this regard.”

“[With Wave] we spend the vast majority of time talking proactively about how we will address issues, rather than spending most of the time talking about where we are.”

“What I loved about this course was how applicable it was. I was immediately able to relate to and use the ideas presented.”

$4.1b added to the client’s bottom line in 13 months
The volume and variety of available data are rapidly expanding, and so is the opportunity for leaders to improve performance by building analytics-driven organizations.

McKinsey Analytics applies the latest analytics tools and state-of-the-art techniques—like machine learning, data mining, and sequential pattern analysis—to change the way companies interact with customers and to help them optimize internal processes. As one of the fastest-growing areas in our firm, McKinsey Analytics continues to expand the breadth and depth of capabilities and expertise it brings to clients. This is in part through our external partnerships and acquisitions of cutting-edge industry players, like London-based QuantumBlack.

Our team of over 1,000 analytics practitioners comes from a myriad of industries and technical backgrounds. They help clients around the world translate analytical insight into real-world strategies and impact. Once tools and models are implemented, we ensure that our clients build sufficient capabilities so that analytics becomes a long-term competitive advantage.

What are the biggest challenges clients face in capturing the value of analytics?

Gloria: In my view, clients face two big challenges. The first is that they often fail to understand how advanced analytics today is different from any analytics they have done in the past and, hence, how transformative it can be for their business. The second is that, at the end of the day, impact through analytics is all about people and about changing the culture of the organization to embrace analytics.

Jacomo: The biggest challenge I see leaders facing is translating analytics output into action, into something that affects change in the world. Having the right talent is an important enabler for that. Another is technology—creating a secure, scalable architecture that doesn’t require a five-year data program.

How are new analytics techniques, e.g., machine learning, expanding the opportunity that analytics creates?

Gloria: Massively. New techniques allow a level of accuracy—and therefore trust in the data—that was unheard of in the past, when we were limited by having so many false positives in predictions.

Jacomo: They also allow us to learn in a very different way. For example, we developed a fraud algorithm that learns more about identifying fraudulent transactions with every real-life fraud investigation done. And we are more comprehensively capturing granular data about processes, resource deployment, and operating conditions, and then analyzing that data at scale, often within mere seconds versus hours.

How has the acquisition of QuantumBlack helped our clients?

Jacomo: We can now integrate the technology assets, the data science, design, and software engineering talent of QuantumBlack with the scale, domain expertise, and implementation capabilities of McKinsey—it’s a powerful combination! The acquisition has helped us deliver a more integrated end-to-end value proposition and has enabled us to invest even more in our technology backbone, the Nerve platform.
Today’s winning organizations need a combination of strategic insight, domain expertise, data, and technology; our response is solutions-based consulting.

McKinsey’s suite of solutions packages proprietary data, software, analytics, and expertise to provide clients with a clear view of complex problems. Solutions are configured to solve challenges in a measurable and repeatable way, equipping clients to make better decisions for their businesses. Clients work with these tools either alongside our engagement teams or by integrating them into their own business processes.

Our solutions deliver meaningful impact through the following:

**Management software:** helping managers focus on what’s essential and act more effectively

**Analytics:** solving business problems through advanced algorithms and tools that analyze large amounts of existing client data

**Insights:** providing new information on organizations, customers, competitors, and markets through unique data and analysis

**New expertise**

**Solutions and assets**

**How do solutions fit into the way McKinsey serves clients?**

**Liz:** Solutions allow us to build enduring client capabilities, rather than just answering strategic questions. For example, when we advise our retail clients on pricing, we use Pricing Solutions to analyze competitors, margins, and price sensitivities. We work side by side with the client, and when the project ends, we leave Pricing Solutions behind for the client to keep using.

**Vivek:** Solutions require us to do some things differently than we have in the past. When we evaluate solutions investments, we come at them like venture capitalists. We’re recruiting more like start-ups, hiring the top designers, engineers, entrepreneurs, and data scientists. All of that requires new financial models, new people models, new technology models. New Ventures is creating those models in a way that’s effective for our solutions and consistent with McKinsey’s values.

**What role does New Ventures play in developing these tools?**

**Vivek:** External alliances. We have relationships with the world’s most successful and admired organizations. We’re increasingly bringing our network together with technology innovators who complement our own insights and solutions in exciting ways.

**Liz:** For example, our Customer Experience Solutions team has built an end-to-end platform for evaluating and optimizing customer journeys. We believe it’s the most robust, most powerful customer experience offering in the world. It draws on a combination of capabilities we built in-house and through alliances.

**What’s coming next for solutions?**

**Vivek:** Some of the coolest examples come from our Healthcare Analytics solution. We’re working with a number of government-run health insurers to help them develop analytical models that reimburse physicians based on patient outcomes, rather than fee-for-service. It’s incredibly sophisticated analytical work, and it’s improving patient outcomes while taking unnecessary cost out of the system.
How does health relate to a company’s performance?
Organizational health does not mean ensuring that people are happy; it’s the ability to sustain performance over the long term by having employees who demonstrate three key competencies: they understand where the organization is going and how it plans to get there; they have the tools, capabilities, and motivation to put those plans into action; and they are encouraged to innovate and adapt in order to stay ahead. Our research confirms that companies with top health outperform their unhealthy peers by more than three times.

What role can data analytics play in improving organizational performance?
Data analytics can be applied to many existing sources of employee data to help identify trends that can help shape future workforce planning. Using data to understand the leading indicators and enablers of employee success creates opportunities to address all aspects of the employee life cycle—recruit for the right profiles, invest in learning and development that actually improve productivity, and identify high potentials for succession plans.

How can an organization’s design affect its ability to perform?
Our research shows that flatter organizations with optimized managerial spans of empowerment are a key foundation of organizational agility, with huge efficiency-gain and cost-savings potential. A fresh look at simplifying the management structure—including reducing unnecessary layers of hierarchy—can reduce cost and increase effectiveness. Through successful application of OrgLab globally, we have found a 10 to 30 percent managerial headcount savings opportunity in many organizations.

How can organization science be used to deliver value at scale?
The ability to understand the key value drivers and match talent to value is at the core of what we call HR 3.0. We help clients do this through solutions such as Nerve Center, a central leadership command center that monitors performance data, and applications such as Talent Match, which allows leaders to identify top roles and apply multiple data sources to select the right people to fill them.

In today’s competitive environment, unleashing the power of people-driven performance is critical to success.

In top companies, employees create value for stakeholders, thrive professionally, and innovate to stay ahead of the pace of change. We help clients get there through OrgSolutions, our suite of tools and diagnostics developed to improve organizational effectiveness.

OrgSolutions, which includes the Organizational Health Index (OHI), OrgLab, People Analytics, Influencer, Top Team Effectiveness, and Nerve Center, tackles the following items on every C-suite’s agenda:

Value: matches talent to value creation levers
Talent: recruits, develops, and retains top people
Change: driven through people and processes
Culture: creates successful work environments
Design: optimizes structure, processes, and people
Leadership: develops leaders at all levels
Digital: increases organizational agility

Powered by advanced analytics, innovative technology, decades of experience, and the human expertise of McKinsey consultants, OrgSolutions is paving the way for leaders to make effective organizational decisions for today and the long term.
In a world where competition can come from any geography or sector, and customer loyalty can dissolve in a click, the most reliable path to growth is meeting customers’ unmet needs. Design thinking is how leaders fill those gaps.

Design thinking is at the core of creating seamless and simple customer experiences. To deliver on that, we involve customers at every point of the process to understand what matters most to them.

McKinsey Design brings art, clarity, and empathy to the process of creating new products, services, and experiences. We have more than 250 designers, in 12 studios on four continents, including leaders and full teams who joined us from iconic design-only agencies—like LUNAR and Veryday—and from digital-native companies. They bring exceptional design talent as well as industry expertise, commercial insights, and analytical rigor.

Together, our talent and tools enable us to quickly invent, prototype, launch, and scale new concepts for our clients. We do this in ways that are collaborative, agile, and focused on driving sustained growth.

How does design thinking help our clients?

Nelee: At McKinsey Design, our sweet spot is working with organizations on large-scale growth programs that require a combination of business foresight, creative vision, and organizational agility. For these organizations, our human-centered design approach helps them connect with customers’ needs, develop visionary strategies and road maps, and build inspiring products and processes.

Jeff: Great design helps our clients stand out in a crowded market by taking a deeply customer-centric perspective—one that skillfully weaves together an emotional brand connection with a clear and unique business proposition. Combining design with McKinsey’s traditional strengths of analytical rigor and deep industry expertise helps us strategize and deliver more impact than a pure strategy or design firm could.

What is attracting top design talent to McKinsey?

Nelee: Designers at McKinsey are a unique breed, with varied backgrounds. They come here at the top of their fields, with expertise that in another era would have led them to start their own companies or go in-house. But, instead, they are realizing they can have the most impact on the world by joining our team and paving the way for design, technology, and business partners to transform global industries together.

What has the acquisition of LUNAR brought to our clients?

Jeff: LUNAR brings together the best of innovation and design to deliver compelling and relevant end-to-end products, services, and experiences. By infusing design into McKinsey’s core strategy, operations, and analytics work, we are helping clients make breakthrough products, services, and experiences a reality while fueling innovation and growth.
The one question that every executive ultimately needs to ask is, “What business are we in?”

The answer to this question is the basis for harnessing digital to find new, significant, and sustainable sources of revenue. In some sectors, in fact, digital is already driving more than 100 percent of growth. Capturing that value requires moving beyond merely “being digital”—i.e., having a digital arm or using digital channels—and taking steps to reinvent the business itself. That means being able to continuously change the customer experience, market position, mission, and even a company’s business model.

Successful digital reinvention starts with transforming the core of the business: the company’s value proposition as enabled by its people, processes, and technology. The process can start with building new businesses and launching pilots, but to get the full value from digital over time, companies must ultimately change the way they work.

Digital McKinsey brings together expertise in technology, design, strategy, organization, and analytics to help clients reinvent themselves. We partner with our clients to build, operate, and then transfer new capabilities, so clients can thrive over the long term.

What should companies prioritize in a digital transformation?

Flexibility. Given how fast things change, any business investment will need to build flexibility into the process and the systems, so they can adapt. What really matters in the digital age is whether the organization is ready to pivot.

What is digital’s role in delivering a seamless customer experience?

Digital is not an end; it’s a means to an end in itself. Unfortunately, many companies want to be digital rather than figuring out how to create a better business using digital. Digital should make customer experiences better, faster, and cheaper. Digital is oil in the engine that makes the experience as friction-free as possible.

What are the top three priorities for upgrading a company’s digital culture?

The first is role modeling. Employees need to see executives not just talking digital but acting digital. The second is vision. Leadership needs to provide a clear vision about why digital is important and how it will be incorporated into the DNA, not just put a digital lick of paint over everything. Last is internal disruption. Companies need to challenge their people about how digital is going to allow them to do something different, which often means disrupting their own organization.

What might surprise a client about Digital McKinsey?

Some might be surprised to know that we can bring top-notch capabilities through our ecosystem of alliances and partnerships. This allows us to help our clients with everything from uncovering key insights, developing strategies, and bringing a product or service to market in a way that limits risk to the business.
Strategy today is powered by rich, empirical data. This is an integral part of helping clients make bold moves to beat the odds.

McKinsey’s Strategy and Corporate Finance Practice has done extensive research on the economic performance of companies over long periods of time. We’ve found that 60 percent of companies effectively produce zero economic profit, and that the odds for a midtier company to reach the top quintile and earn economic profit are just one in ten.

That’s a daunting picture, but through our large-sample learning and behavioral insights, we have identified the levers companies can pull to improve those odds. Organizations can create significant value by making more and bigger moves, backing them with appropriate resources, and constantly calibrating performance over time. A winning data-driven strategy is a journey, not a project.

What is different about strategy today?

The core principles of strategy aren’t changing, but there are huge shifts in how we inform and deliver strategy. The increasing availability of data and creative ways to mine it are producing an empirical revolution. We can now make statistically valid claims based on our long-term tracking of corporate performance. But just as we are getting smarter, the stage on which we are developing strategy is much less stable and more disrupted. The basic economics of strategy haven’t changed, but radical cost innovations, network effects, and the dramatic speed of development mean those economics are producing much stranger results. It means strategy needs to be bolder and faster moving.

What does the nature of a strategy project look like today?

Accompanying our empirical revolution, we are also bringing our approaches up to speed with the best thinking in adult learning and cognitive psychology. Strategy is a social game: teams need to adapt their beliefs, people are effectively competing for resources, traditional power bases are challenged, and conflicting incentives and time horizons are at play. Given this, a really great strategy intervention is going to look more like a journey for the top team than an analytical project. It’s going to be integrating a lot more lenses and viewpoints, and because we are forming new beliefs, it’s going to be a little less mechanical and clean, and a bit more interactive and iterative.

How do we get more truly bold strategies?

First, knowledge is power. A lot of business leaders just don’t know the empirical facts of strategy: it is almost impossible to defy a trend, and in the long run it is submarket selection at a granular level that makes the difference. Second, we need to address the inertia of companies, which means upending the traditional approach to planning. Finally, boldness comes from achieving deep conviction. Our strategy processes need to be more demanding of us and aimed at testing our underlying assumptions.
Executives say that implementation is the most important stage of any major change effort—and that stronger execution capabilities lead to greater financial value creation after the change effort.

McKinsey Implementation is about amplifying and sustaining impact. Our hundreds of experienced implementation consultants work side by side with our industry and functional experts, bringing delivery capabilities to our traditional consulting work.

We work directly with clients’ employees at all levels to help them deliver results, build capabilities, and integrate implementation skills into business practice—an approach that helps companies sustain improvement long after a project ends.

Our clients realize rapid, significant, measurable improvements in productivity, costs, quality, and time to market. And most importantly, client teams build the skills needed to lead change over time.

$19b+ impact delivered to clients’ bottom lines in the past two years

500+ implementation consultants

What was your experience before joining McKinsey Implementation?
I spent more than 17 years in the engineering and construction business, managing and leading major capex projects and business units.

What is different about McKinsey Implementation?
We provide a tailored approach focused on enabling companies to achieve tangible and lasting impact by doing three things: we work together with our McKinsey colleagues from the start to identify implementation challenges and ensure the recommendations and insights are “born implementation ready”; we use proprietary tools—such as our Implementation Capability Excellence (ICE) tool—to assess implementation readiness and design a tailored approach; and we bring experienced leaders from the industry who know how to make change happen in complex situations.

Can you give us an example of implementation engagements you have led?
On my last project, we helped a telecom company develop and implement a new governance process and customized software to transform the way they budget and prioritize their multibillion-dollar annual capex investments. The depth and breadth of the software was unique. Within four months, we co-created and delivered the solutions with the client, while running a structured training program for over 100 client staff.

What was the impact?
We trained and motivated the team across different levels (owners, knowledge managers, and super users). They now collectively own this important transformational program and are leading the implementation themselves, backed by bespoke software.

Q&A with Le Tilahun, Implementation Leader, Dubai

Implementing change

Bridging advisory and execution
Organizational transformations often fall short of achieving full impact. Our model factory environments help teams and managers build the skills needed for long-term success.

Only one-third of transformations achieve full impact. That’s because most companies do not place enough emphasis on building new skills that can be scaled to the entire organization.

McKinsey’s global network of capability centers helps our clients improve their performance through hands-on learning programs. In just the past year, we have enhanced our centers with advanced digital capabilities, like 3-D printing, predictive maintenance, and machine-to-machine communications to enable our clients to capture their full digital potential.

Our capability centers have been designed with adult-learning principles in mind to create an ideal environment for stretching participants’ thinking and developing the skills needed most in large transformations. They employ experiential learning, risk-free settings, real-work circumstances, and expert faculty that enable our clients to apply these capabilities directly.

Locations:
Aachen, Germany
Amsterdam, The Netherlands
Atlanta, USA
Beijing, China
Casablanca, Morocco
Chennai, India
Chicago, USA
Darmstadt, Germany
Erlangen, Germany
Gurgaon, India
Johannesburg, South Africa
Karlsruhe, Germany
Luxembourg, Luxembourg
Lyon, France
Munich, Germany
Salvador, Brazil
San Francisco, USA
Singapore, Singapore
Taipei, Taiwan
Venice, Italy
Wroclaw, Poland
Yekaterinburg, Russia

6,800+ capability-building engagements in the past five years

20+ capability-building centers and model factories

Bridging advisory and execution

Capability building
Developing leaders is critical for building a healthy, growing organization. From digital courses to in-person workshops to multiclient forums, we help our clients bolster their talent with immersive learning experiences.

With technology and behavioral science, we see an opportunity to rethink corporate learning and professional development, make them measurable, and drive significant impact for the overall business. In our experience, the most effective learning comes from the interaction of peers facing similar challenges as part of a development program anchored in real day-to-day work.

McKinsey Academy, our leadership development platform, accelerates transformations of individuals, companies, and countries by unlocking people’s potential. Drawing on decades of work with our clients and deep knowledge of their industries and specific situations, McKinsey experts, consultants, and academics teach these experiential programs either in person, online, or through a blend of both.

10,000+ participants in digital courses since 2014

50+ custom leadership development programs per year

McKinsey Academy
Q&A with Kevin Carmody, RTS Partner, Chicago

Why did you join McKinsey’s recovery and transformation team?
The idea of building something new from the ground up was a big part of it. I knew that if we designed it correctly, our value proposition would be a game changer for companies in distress. Combining McKinsey’s world-class sector and functional capabilities with our distinctive restructuring and turnaround skills is proving to be a powerful recipe for success.

What kinds of problems does RTS respond to?
Many of our clients are experiencing distressed situations, while others are moving from good to great. Regardless, each situation presents a unique set of challenges. Identifying the root causes that adversely affect performance, developing a transformation plan that pushes the envelope, at every stage, and working alongside management as their partner to quickly capture value: these are all key elements that define the success of a typical RTS engagement.

Can you give us an example?
Recently, we were retained by a company that was fighting for survival. Immediately, we discovered that the company was 30 days from running out of cash and in default on its loan covenants. The board of directors appointed me CEO and Chief Risk Officer and tasked RTS with leading the restructuring and transformation. Using the principles of RTS, we implemented an aggressive program that stabilized the business, raised incremental financing, and developed a value-enhancement plan that pulled various functional levers across the organization.

In the end, we avoided a liquidation and successfully restructured the company; this culminated in a sale of the business to a strategic investor at six times forward EBITDA [earnings before interest, taxes, depreciation, and amortization]. It was exhilarating to work on such a fast-paced assignment that resulted in a tremendous outcome.

Restructuring is a hands-on business. Helping companies in distress rapidly improve performance requires a unique model of working together.

Recovery & Transformation Services (RTS) is a unit of McKinsey that focuses exclusively on holistic rapid transformations and corporate restructuring.

We pair experienced professionals drawn from industry, private equity, and the restructuring ecosystem with our firm’s global network of industry and functional experts.

RTS brings an understanding of the complexities of geography and local insolvency systems, as well as the nuances of industry economics and competitive factors, and a deep knowledge of the art of a turnaround.

We work alongside our clients—advising, taking leadership and line roles to drive change, negotiating with stakeholders, and implementing new processes.
Our consultants include medical doctors, professional musicians, engineers, business managers, Olympic athletes, civil servants, entrepreneurs, and research scientists. They join McKinsey for the opportunity to apply their talents to complex, important challenges and to build on their strengths by working with experts all over the world.

We pride ourselves on the integrity and values that remain the same, even as the face of our firm changes. A diversity of background, discipline, gender, nationality, and outlook ensures our clients receive a singular balance of deep and broad expertise.

Our consistent approach to recruiting and developing our people, regardless of their background and locations, gives us a significant advantage. It allows us to take a creative approach in solving complex problems and make lasting improvements to our clients’ performance anywhere in the world.
Our work with clients has always been at the intersection of deep industry expertise and extensive functional capabilities. This continues today across our 22 sectors and 12 business areas and is bolstered by the new capabilities, tools, and people profiles being added in each practice area.

We will continue to develop new disciplines to ensure our clients experience results that are bigger, faster, and more sustainable than ever before.
We continue to expand our global network of experts, capabilities, and tools by opening new offices around the world and bringing external organizations into our firm.
Amid all that is changing at our firm, some things never do. We remain true to our foundational strengths and innovative spirit. These help ensure we always stay relevant to the leaders of the world’s most important organizations and provide them with the advice and tools to grow and lead in a sustainable way.

For more information, visit McKinsey.com.