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Consulting Innovator Marvin Bower

His Vision Made McKinsey & Co. A Pioneer

By Curt Schleler
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All Marvin Bower wanted to do was solve a problem. He had no idea he was about to create an industry.

Bower, a lawyer and MBA, joined the corporate law firm of Jones, Day, Reavis & Pogue in Cleveland in 1930 after graduating from Harvard Business School.

First of two parts

It was during the Depression, and he regularly served as secretary of bondholder committees that had taken control of failing companies. These committees were usually made up of investment bankers who tried to put the financial affairs of the companies back in order.

BLAZING HIS PATH

Bower noticed that something was missing. The committees gave the troubled companies adequate assistance with legal and financial problems. But what about basic management issues: strategy, volume, profit outlook and organizational effectiveness? No one was considering the key issues that allowed the companies' downfall.

"No one asked why these companies had failed — or how much earning power the new bonds could support," Bower told MBA magazine.

When Bower looked for new employees, he said, he sought "outstanding character, intellect, responsibility, initiative and imagination."

No one, it seemed, except Bower. "I saw the need for a professional firm that could give independent managing advice the way Jones Day gave legal advice."

Because he met that need, Bower, now 97, is known as the founder of modern management consulting. As an executive at McKinsey & Co., he changed what was then known as industrial engineering into management consulting. What once had more to do with factory floor efficiency than true management became a profession accepted the world over.

Bower turned the idea over in his head for several years, looking for a way to put his thoughts into action. Then, in 1933, on a business trip, he met James O. McKinsey.

McKinsey, a former University of Chicago professor, had founded James O. McKinsey & Co. in Chicago in 1926, a firm of accountants and engineers. McKinsey liked Bower's ideas about a professional management firm and offered him a job.

Bower was torn. If he accepted McKinsey's offer, he would lose a secure job and a bright future at the law firm. Yet he was certain he was right about the need for true management consultants. He took McKinsey's offer.

"My colleagues in Cleveland thought I was out of my mind when I left a leading law firm to join an unknown firm in an unknown field," he said, "but I was confident that I was taking advantage of a great opportunity."

Bower had stayed alert for opportunity nearly his whole life. When he heard of an academic prize, he did his best to win it. That determination got him into Brown as an undergraduate and helped him graduate from Harvard Law School.

Wanting to be the best, he had his eyes set on the Jones Day law firm. To make sure he landed the job, Bower went back to school, this time Harvard Business School, even though he was now married.

"I wanted to join the most prominent law firm in Cleveland, but since I wasn't on the law review, I didn't think I had a very good chance of being hired," he said.

"At that time, though, the Harvard Business Review had a student editorial board working under the direction of faculty members, and it seemed to me that gaining a place on that board would give me the academic credentials I still needed," he said.

It did. And it appeared he'd found a home until he met McKinsey.

Bower went to work for McKinsey in New York in a newly acquired firm. Finally, Bower could sink his teeth into the reasons behind corporate failures and help fix them.

But the cultures of the two organizations — the branch in New York and the parent in Chicago — clashed. When McKinsey died in 1937, the firm split up.

By that time, Bower was manager of the New York office. He didn't want to give up what he believed was the new wave of business management. His gung-ho attitude persuaded the New York partners to resurrect the firm in 1939. He named the new firm McKinsey & Co.

"I had seen the problems having your name on the door caused Mac," Bower said. "A client would come in and say, 'We assume Mr. McKinsey will be working on this study personally.' I didn't want anybody dictating to me how I was going to spend my time."

He started making changes in the way McKinsey & Co. did business almost immediately. At the time, for example, consulting firms typically hired people with industrial management experience who were in their mid-40s. The theory was that on-the-job experience mattered more than education. Age and experience would add credibility in what was a young industry.

But Bower was prepared to go against the prevailing wisdom. He felt that these middle-age hires brought baggage with them.

"I respected intelligence as much as, if not more than, practical experience," he told The Edge, a publication of the Graduate Association of The Wharton School at the University of Pennsylvania. "We needed intellect in the firm as consulting was becoming an increasingly thought-intensive process."

What he looked for in new hires, he said, was "outstanding character, intellect, responsibility, initiative and imagination."

Bower trained employees in what became known as "the McKinsey way" — giving them responsibility and compensating them well.

"When you are doing something in an intangible field — we have a few old desks and people, basically — you have to keep motivating people," he said.

He urged workers to adopt an entrepreneurial approach. Those who came up with the best ideas were paid handsomely.

He put his own money behind his convictions. In the 1960s, other consulting companies were going public or selling out to other firms. McKinsey & Co., noted Fortune magazine, "was basically Bower's to sell."

But he had helped build McKinsey into a powerhouse, and he wanted others to continue its mission as an independent company.

When he turned 60, he sold his shares back to the firm at book value. Selling them at their real value would have forced the firm into debt.

Bower also knew the value of being personally invested in any venture. He ordered that no partner could accumulate more than a small percentage of the company's shares and older partners had to start selling their shares to younger partners long before they retired.

"Young people have got to get some shares," Bower said. "They have to gain a sense of ownership."

The precedent of selling shares back set by Bower continues today at Mc-Kinsey & Co.

Bower was managing director from 1950 to 1967, when annual revenue grew tenfold, from $2 million to $20 million. Despite the monumental growth, he remained focused on retaining high quality and warned against growing too big too quickly.

"Have we begun to think too much about money because we've got so much coming in?" he asked. "People who make a lot of money get to thinking about having four homes to keep up, or maybe they want a yacht. If an individual consultant has to make a professional decision on the spot and he has too many obligations, I worry that he is likely to make a decision to attract a client who shouldn't be attracted."

Bower At A Glance

Born: 1903 in Cincinnati.

Education: B.S. in economics and psychology from Brown University in 1925. J.D. from Harvard Law School in 1928. MBA from Harvard Business School in 1930.

Achievements: Helped found McKinsey & Co. in 1939. Served as managing director of the firm from 1950 to 1967. Served as director and partner there until retirement in 1992. Wrote best sellers "The Will To Manage" (1966) and "The Will To Lead" (1997).