

# McKinsey's Managing Director Rajat Gupta on leading a knowledge-based global consulting organization

Interview by Jitendra V. Singh

## Executive Overview

Since its founding 75 years ago, McKinsey & Company's primary mission has been to help clients achieve substantial, lasting improvements in their strategies, organizations, and operations. The consulting firm's more than one thousand clients include 100 of the 150 largest global companies, as well as governments, institutions, and nonprofit organizations. With 84 offices worldwide, McKinsey operates as a global network guided by its "One Firm" concept of a common service standard for all clients. Projects have included designing the original organization of NASA, developing the Universal Product Code, and providing advice on the German, Russian, and South Korean economies.

In July 2000, Rajat Gupta began his third three-year term as managing director of McKinsey & Company. In an age of revolving-door senior executives, his career stands as a testimonial to institutional loyalty and the virtues of professional renewal. Born in New Delhi in 1948, he joined McKinsey in New York in 1973 with a degree in mechanical engineering from the Indian Institute of Technology, New Delhi, and an MBA from Harvard. He likes to say that, since he never really practiced as an engineer, McKinsey is the only place he has ever worked, even as a summer job.

After heading McKinsey offices in Scandinavia and Chicago, Mr. Gupta was elected in 1994 as the firm's first non-American-born managing director. In that post, he steers a decentralized private partnership of 7,000 consultants worldwide, including some 900 partners who are leaders in their own right. Among his more notable early accomplishments was putting in place the building blocks for McKinsey's global expansion—resulting in the opening of nearly 50 of the firm's 84 offices worldwide since 1994. More recently he has also rebalanced the firm's client portfolios to bring together its traditional client base of large incumbent corporations and the leading companies of the new Internet economy. Outside of McKinsey, he played an instrumental role in establishing the Indian School of Business, scheduled to open its doors in July 2001. Throughout this period of rapid growth and expanded presence for McKinsey, Mr. Gupta has stressed a steady commitment to preserving and enhancing the firm's enduring mission: delivering objective, independent client service, and building a firm that is one of the world's primary destinations for talented individuals to work. Today he sees himself and McKinsey standing at an interesting juncture, as a global network of high-quality resources, with deep industry knowledge and a strong system of values, facing a single big question: what does the new economy mean?



Rajat Gupta

Rajat, I want to thank you on behalf of the readers of *The Academy of Management Executive* for taking the time from your busy schedule to do this interview. You have recently begun your third term at the helm of McKinsey. During your tenure, what have been some of the major changes that you have tried to bring about at McKinsey either in terms of its strategy, its positioning in the marketplace, or its people?

If I just put a little bit of context on it, the three fundamental dimensions of our strategy are lines, people, and knowledge. Seven years ago, when I started as managing director, one of the most important things I emphasized was making sure we were in the forefront of knowledge, in the development of knowledge, and in investments in knowledge. To be in the forefront and the cutting edge of research in management thinking, not as much from an academic point of view as from a truly applications point of view.

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And so in my first couple of years, I remember a strong level of personal involvement and investment, to make sure we took on knowledge-development efforts in all fields, in functions and industries, in cross-cutting teams. We even launched seven special initiatives on topics that at the time were very, very important to our clients—things like the impact of rapidly falling interaction costs, the Internet, and e-commerce, which evolved as one topic. Another topic was globalization, and then there were the whole new developments in finance and valuation.

So there were seven or eight major cross-cutting themes, in addition to our deep investments in each of the functional arenas, that is, globalization, operations and subareas within that, as well as industries. In that context, I established 16 industry groups, which became performance cells within the firm, to understand what were the structural changes happening in each of these industries, what were the issues being faced, and doing our own research on them. Now, let me emphasize that all of these are a matter of balance—it's not knowledge at the expense of clients or people. But basically it was an important theme.

#### What were the other themes?

The second theme that emerged, as an important response to the marketplace some three years ago, was a ramp-up in the war for talent. The new economy, very much the Internet and the entrepreneurial opportunities it created, intensified the competition for outstanding people. And we started to grow to a size and scope where it was important for us not only to get outstanding people, but also to get them in significant numbers.

So the emphasis shifted towards making to people value propositions that were the absolute best they could be. Now this is an area where traditionally McKinsey has been extremely good. We consistently rank as the single most attractive employer of young people coming out of business schools and colleges, in every country that we work in. We were not at the top of the list in every

country we operated in, but it was still the case that there was no single institution that was better than we were overall. But collectively in the marketplace, we wanted to do even better.

So we launched what we called the People First initiative to strengthen our people value proposition even further. It had many different elements to it, including creating a global staffing system for our young associates, who could look at projects going on anywhere in the world and be able to indicate their preference about what they would like to work on. Nobody else does these kinds of things, which we were able to do because of our size and scale.

So that was another phase. I think the phase that we're currently in comes back to the dimension of clients. As we increased the size, scale, and scope of our efforts and put in a lot of knowledge investments, our aspirations to serve leader institutions went up even more. We serve a lot of leader institutions, but at the same time there are a lot of white spaces, leader institutions that we do not serve. So we are right now putting an emphasis on strategy and program to make sure that we bring the kind of knowledge and global client service teams that will serve leader institutions.

Throughout this time period, many other strategy issues came up. Things like: Would we take equity for fees? Would we create our own funds? We have very much said, fundamentally, that we are a client-service firm, we're not going to become a principal investing firm, a fund, or run our own venture fund. That was a very important decision we made. Another very important decision is that we'll remain a private partnership and not go public, which again is the essence of what we do. The third important one has been an ongoing initiative to reinforce our values around the firm, because 25 percent of the firm is new every year, if you think about the growth and turnover we have. So half the people have less than two to three years' tenure in the firm, and their values need to be reinforced.

**In some ways McKinsey must be like an academic organization, with its tenured senior faculty, and less like a Fortune 500 firm. Yet in other ways it is clearly a business organization. What are some of the unique challenges involved in leading a firm like McKinsey and how have you gone about doing it?**

You're absolutely right. It is very much, in many dimensions, like an academic organization. We have senior partners who are very much like tenured faculty; they are leaders in their own right. One of the things I'm very fond of saying is, our

firm is a firm not of leaders and followers, it's a firm of leaders. It's the quality of people we hire and how we develop them. So when you have a firm, which consists essentially of leaders, then you must give them an enormous amount of room to exercise their leadership capabilities. It's a firm, which is a very flat, horizontal structure, with a great deal of independence, a great deal of entrepreneurial energy in it, with an umbrella of values and just an overall understanding of this broad strategy we have. We let people take lots and lots of initiatives, in terms of what they think is right. Because if it's a firm of leaders, if they more or less understand the values and the strategies of the firm, they will invariably do the right things. And they will do extraordinary things, if you just give them the room to do it.

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I'll start from our structure. We are a relatively small firm. It's large in the scale of consulting organizations, but it's not a *Fortune* 50 firm in terms of size. We have about 80 to 100 performance cells—a geographic office or industry practice or functional practice. They are very much autonomous and they are not organized in any hierarchy beyond that. We don't have any regional structures or sectoral structures. So all these performance units, in a theoretical sense, report to me, which means they don't report to anybody, because nobody can have 80 or 100 people reporting to them. That implies that the task of the managing partner is to create the right set of values, the right culture, the right environment to motivate people, and let them do what they are best at. If you can give them that kind of freedom, then I think they will do extraordinary things.

**The very fact that you're in your third term, which, I understand, is the most terms permitted at McKinsey, is a testament to your success as a leader of the firm. How would you characterize your leadership style?**

Let me just clarify one thing: it was actually in my first term that I put in the term limits. I introduced them myself. I was elected quite young and I could do at least five terms, if not more. So I decided that, in an institution like ours, it is important that there

is always renewal and change. It is very difficult for an individual, himself, voluntarily to step down; at least I thought it would be if I got closer to it. So I said in my first term, let me put in a term limit of three terms, and make sure that there is an incentive or a requirement for me to step down. Whatever I could do in nine years would be sufficient. If I couldn't do it in nine years, I would never be able to do it, and there would always be great value in renewal and change in the leadership. And that is one philosophy that I've adopted in everything.

One of the main tasks of the managing director is to make every appointment. So, as I said, there are 80 performance cells, and I appoint each one of them. There are many important committees, and I appoint each one of them. One of the important principles that I always have is rotation in leadership. Because if you're a firm of leaders, and we have hundreds of leaders, they're all capable of doing the task. In order to keep them motivated, in order to bring in fresh energy and perspective, you need to change people in positions; you cannot make fiefdoms out of offices or practices. So we have a typical spirit of rotation every three to five years.

You asked about style. Firstly, the nature of the task is being first amongst equals: you're not anybody's boss. If you tried to do that, you would not succeed. I personally feel very much that I'm there to serve; it's a servant leader kind of style. I've been elected at the pleasure of my fellow partners. I'm there to make them successful. It implies genuinely convincing them that I care about their success.

In our job, you always have to resolve conflicts people have. Aspirations and desires—you have to work hard in making them come true, but you also have to disappoint some people. Sometimes, somebody wants to become head of an office and I have to have a discussion with two or three potential candidates and appoint one of them. So I'm going to disappoint the other two in some fashion. But fundamentally, if I convince them that I care about their long-term professional success, then I can give them messages that are not always pleasant. So I think one style is to make sure that you genuinely believe and interact with them for their best interests. At the same time, there are certain things that you have to accomplish in the firm and you have to do them. But if they really believe that you are always trying to make them successful, they will take a lot tougher messages from you.

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The second thing that is vitally important is that, as you can imagine, ours is a highly networked firm. The people I work with, especially the leaders and senior partners, I've known for 20 years, and most of them are good friends. But you have to step back and make sure that there is equity in all your decisions, and it's very important that people think you're making fair decisions. It is vitally important in the arena of appointments, because fundamentally that's how you influence, and I have to make sure I listen to every point of view. I take them all into consideration. Everybody expects that I will ultimately make the decision, but they want to be consulted and have an input. So I think that, as a skill or style, active listening ability is very, very fundamental.

**Right. Perhaps a change of perspective might be helpful here, Rajat. This may be difficult to answer, but I'd like very much for us to try it. If you were to take the perspective of some of your senior colleagues, what do you think they would say about your greatest strengths as a leader? And, on the other side, what might be some of the weaknesses that they perceive?**

Well, let me start with weaknesses. I think one of the things that they would probably say is what I described a little bit earlier, about listening, about taking different people's point of view. Another thing that I do, I'm not a very exact, confronting person at many times. So it's more to do with drawing people out and making them come to their own decision and realizing why a particular decision is good for them and for the firm. Oftentimes that means that I'm not as direct as I probably should be, and sometimes my colleagues, of course, find that a very frustrating process, and they think, "Why don't you say what you exactly mean?" Well, I'm trying for you to realize what is the right thing. I can probably carry that to an extreme and people could say that I could be more direct and forthright. This, of course, is more acutely felt by my American colleagues at times, who are much more direct than, let's say, our Asian or European colleagues. So that, I think, would be one weakness.

The second thing I would say is a philosophical difference. Many of my colleagues would wish that

I would take strategic decisions or directions more quickly than I do, especially in these fast-changing times. My view is, this is a 75-year-old institution, and the more fundamental thing is that it's based on values and people. While strategy is an important aspect, it is probably less important in many respects than some of the other dimensions. I am not one to swing from one to the other. You know, 18 months ago, many of my colleagues, I would say, were critical that we were not moving fast enough in making some changes that we ought to. In hindsight, I would say that the same colleagues are saying, "I'm very glad we didn't do X, Y, and Z." But I think as a matter of weakness overall, I would say that it's probably there. I don't know, no one says that I'm not decisive, because I can be decisive, but I let the decision sort of evolve and percolate, rather than lead from the front, saying, "Here's the way we're going."

Now as you know, all of these things are two-edged swords. I mean, what is your weakness can also be your strength, and what is your strength can also manifest itself as a weakness. In terms of strength, I hope, and I don't know, it's more for my colleagues to answer, but they would probably say level of trust. The other thing is, we are a firm, as I said, of really outstanding people with outstanding intellects. As a part of our profession, we are very good at logical arguments and building rationale around certain recommendations and certain directions. That's what we do every day for our clients, and we do that for ourselves, also. So any particular decision that my colleagues want me to take, they will have a very well thought through rationale and why it should happen that way.

One of the things that a managing director has to be good at is to be a very quick study, because I have colleagues who will run circles around me in arguments. But I have to be very, very quick and have the counter, why a different perspective is also valid. Most of my colleagues would say that I'm a quick study in those things. It is not easy for them to run circles around me, and therefore they respect my intellect and they know that they will not get around me. So then we get down to talking: now let's really talk about what is on your mind, instead of trying to convince me that what you're saying is absolutely the right and only perspective on a particular issue.

I'd like to conclude our conversation in the leadership domain by stating that, in my view, Rajat, what each of us does in leadership roles is ultimately a reflection of our own values as human beings. What are some of your most core values that influence your actions everyday?

**Were there any particular significant role models or any ideas or books that shaped your values early on, such that they have changed the path that you have taken?**

Well, this is a very important and profound question, and one always reflects on background, upbringing, and what influenced you. It is probably true of everybody; the very significant influences early in your life are typically your parents and your teachers. If I look at a role model and a value statement, though not in every aspect of life, I would certainly pick my parents. I'd pick my father whom I observed, who died when I was 15. He was a freedom fighter, a real Gandhian. And he had a philosophy of life that was very much of a giving nature. So just observing what he did was probably the most important influence. He had very high standards of integrity and high thinking. And he believed in simple living. I don't think I would say I followed him in that regard. I'm far more materialistic a person than he ever was. He was a very simple person. But those things have shaped me.

Overall, I would say that one obviously aspires, but to what level you achieve it is for someone else to judge. But I very much believe in the philosophical concept of *karma yogi*. You just do what you think is the right thing, don't really get attached to the fruits thereof, or don't worry about the results. Do it with the right intentions, do the best you can, and the results will be whatever they will be. It's a fundamentally, deeply held, philosophical thought.

So my colleagues often ask me, if something doesn't go right: "Aren't you unhappy about it?" I say: "Well I did everything in my power to do, I did the best I could, I had always the right intentions, and the outcome was not what it was. Well, so be it! Try it another day." It happens all the time; I serve clients in the best way I can. Great client projects, but nothing happens afterward, no relationship, no follow-on work. Well I did everything I could, but it didn't happen. I think if we judge ourselves by results too much, we're always out of balance. Either we are far happier than we should be, or far sadder. Sometimes the results are not because of what you did, but because of circumstances. Sometimes the results are in spite of the best you did.

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You were quoting, of course, Rajat, from the ancient Hindu text, the *Bhagavad-Gita*, and you're talking about the concept of *nishkama karma*, if I remember correctly.

Absolutely. You know the most famous *sloka* that is:

*karmanye vadikaras te*

*ma phaleshu kadachana*

*ma karma-phala-hetur bhur*

*ma te sango 'stva karmani'*

You have a right to work, never to the fruits thereof. Not only do you not have to get attached to the fruits, but you have to do all your work with the right intentions and never get attached to inaction. Or translated in another way, you always are to do your very best.

Let me turn now to the fact that you are, just as I am, Rajat, a first-generation immigrant to the United States. You came as a young adult to study for your MBA at Harvard Business School. How would you characterize your experience of integrating with the U.S. mainstream?

I would characterize the experience as very, very positive. You know, often people have asked me about the glass ceiling and whether I was able to assimilate well. I believe most of this glass ceiling is actually in our minds, and I've never truly experienced that. Now I have to make a strong caveat. I joined McKinsey right after business school, and I was very fortunate to join a truly meritocratic institution. We have so many different nationalities, even though its origins were in the U.S., and it was always considered, in some ways, sort of a bastion of WASP business culture. But the reality is that it's truly a multicultural, multiethnic, multinationality meritocracy. If you are fortunate enough to be in that kind of institution, of course you don't come across too much of that notion of glass ceiling and so on. Not that I didn't encounter a little bit of it in our client institutions. But I would just simply say that if you have a mindset that says, just ignore it, most of the time it doesn't even exist and it's in our minds.

The second thing I would say is that, as an Indian, I found, especially in the U.S., Indians have quite an extraordinary sort of standing. Most of the immigrants are professionals, highly qualified people and have an extraordinary ability and

standing in the community. As a result of that, you kind of get a bias such that, if you're an Indian, you must be smart or you must be good. You have a leg up, instead of a leg down.

I also found that, because of the background you come from, because of the global exposure you have, of where you grew up and so on, I would say fundamentally you're a more interesting person. I look at my colleagues, and I've been to more places and had more diverse exposure than many of our American colleagues. They're no less smart, but I have had more interesting experiences.

I was also quick to adopt many of the things that get you into the mainstream. I followed football and basketball, went to games, and did all of those things, which somebody living in this country typically does and are part of the cultural experience. But at the same time, I was different. If you can become the same in many respects and at the same time stay visibly different, I think you can have the best of both worlds.

It should be no surprise to anyone that you have maintained quite close ties with India, all the while being very active and visible on the global stage. One of the major initiatives that you have led in the last three years is the establishment of a world-class business school, the Indian School of Business, in Hyderabad, India. And the Wharton and Kellogg schools in the U. S. are jointly supporting the ISB. What led to your getting behind the concept and what are the aspirations of the business school?

Well, I spent the first 21 or 22 years of my life in India and was very much shaped by India and was very close to India. I always have remained so. So you establish your career, but as you grow older, you also think how it's not sufficient to just build your own career and be successful yourself; you think about how can you give back, because that is ultimately the most satisfying thing. You really do that for your own satisfaction, for your own gratefulness. I started getting involved in different things in India 10 or 15 years ago, in more active ways, when I had developed a capacity to give back.

But then I started reflecting on how can I up my commitment? Then I reflected, of course, I'm the managing partner of McKinsey & Company, which is a demanding job in itself; so what is consistent with that, what am I good at? As I reflected on those questions, I said, I know something about business education. Not maybe as much as you folks, in terms of those who are in the academic field, but I've been on various boards, and we are

the largest recruiter in pretty much every leading business school.

So it sort of evolved that maybe the thing to do would be to establish a world-class business school. Not that we didn't have them in India—we do, in terms of the Indian Institutes of Management, for instance. But India is a large country and it needs more development of leaders and management thinking, which I think is vitally important for the country. India has lots of resources; it's how to effectively deploy those resources, and the leadership it takes, which are going to be important.

Very quickly it became a much broader idea, involving lots of people, including you. As you know very well, you were very much in the founding group of people who pushed the idea forward. Very soon it became a broadly owned idea and broadly embraced by the Kellogg and Wharton schools, but, more importantly, broadly embraced by a very significant number of individuals—from all fields, from academics, business leaders, leadership communities, and schools.

So it was a very gratifying experience. Of course, creating such institutions is never a straight-line path and there's always two steps forward and one step back or sideways. But it has a tremendous amount of momentum right now. The school is going to start on July 1, which, from the very inception of the idea three years ago to the first set of students coming into the school, is a fabulous pace of development. Of course, it has a long way to go, in terms of fully realizing its potential. But it has a fabulous faculty group supporting it, great students, and a great infrastructure. I'm keeping my fingers crossed that it will continue to evolve and grow in stature by the day.

**You mentioned that there have been challenges. Clearly, on the one hand, this is a great achievement that you, in your leadership role, have helped bring about. But what have been some of the toughest challenges? And what would your own aspirations be for the Indian School of Business, say ten years from now?**

Well, I think the challenges are similar to any sort of entrepreneurial startup venture. The biggest challenge is attracting outstanding faculty. You know, in a startup venture you've got to have the right concept, and people have to really feel that this has the potential to become what it's represented as. But of course it cannot become that, unless you attract the best faculty in the world. So it's a bit of a chicken-and-egg situation. You're trying to convince an outstanding group of faculty

that it has the potential, and they are integral parts to it. So you attract one or two outstanding faculty and they in turn build a virtuous cycle of attracting others, and the institution becomes more outstanding and fulfills its potential, and then you attract more.

Making sure that the funding is in place is also a challenge. Long-term, I feel we'll be fine, but it's an ambitious program, and we want to make sure that the infrastructure and the funding is in place.

We also started saying that ISB should be a school which has a very significant number of international students, and that's not the easiest thing to do in India either, especially in the beginning. The quality of students is absolutely outstanding, but the percentage of international students is low, and it's more of a homogeneous population than we would like, with a lot of engineers. But I was delighted to see that women represent 20 percent of students in the class, which is terrific.

I can describe challenges in almost every dimension that you can think of. But at the same time, you can say the glass is half-full or half-empty. I think those are worthy challenges and the leadership of the school should take them on. I can also look at it on the flip side and say that there are very few world-class business schools that have been built in the last decade. I'm quite confident that it will have that level of standards and I will reflect back on it ten years from now and say, that was a worthy effort.

I think the aspirations are to make sure that this is truly a world-class institution. That, of course, has many implications. It should be a truly research-oriented institution: it should stand for, in two or three or four different fields, the state-of-the-art thinking that is probably uniquely suited to the environment we are in—whether it be the impact of technology on business, emerging markets and developing economies, or leadership, in terms of its holistic, whole-life perspective, which is a long Indian tradition. So in every aspect of research, faculty, students, and alumni, it should be a truly world-class institution.

**You're also involved with efforts to invigorate the various Indian Institutes of Technology, together with other alumni from the IITs, many of whom are successful entrepreneurs in Silicon Valley and elsewhere. Would you say a few words about those efforts?**

As you know, and you're very much a part of it, being a board member in some of the companies there, one of the great opportunities India has is in

the field of information technology, and more broadly in the field of technology. Core to that is the development of the manpower requirements to take advantage of that opportunity. If you think about software services, remote services, or bio-informatics, there's a great deal of potential that India has. But if you then translate that quickly into, what is the technical manpower requirement to truly take advantage of that opportunity, and what is the gap between our existing infrastructure and our schools, you see the gap is immense. If we don't make an urgent, large-scale crash effort to upgrade both the quality and quantity of India's technical education system, we will not be able to fulfill the opportunities that exist for India.

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We thought, why don't we take on a comprehensive effort to understand the set of issues and what can be done about it? I'll give you a few interesting points. Not a surprise, the biggest issue is faculty development. There are roughly 400 faculty members in each IIT. When the IITs were started, a number of outstanding faculty from all over the world came and joined. And about a third of them are going to be retiring within the next five years. On the other side, in a typical IIT less than 10 are under 35 years old.

**Ten out of 400?**

Yes, 10 out of 400.

**Good lord!**

So you look at that and say, we've got a major problem. The Ph.D. programs are small in number, and certainly do not meet the needs of the country.

Another very fundamental issue is that, in India, in the architecture of the system, research and teaching have been separated. So the government funds a huge amount of research, thousands and thousands of crores of rupees<sup>2</sup> that are in specialized research institutions. Those researchers are not in an academic line; they are not part of Ph.D. programs or guiding students. And the IITs themselves do very small amounts of research. They're mainly outstanding teaching institutions. And you

know, better than anybody, that an outstanding faculty member wants both to do research and teach. We need to figure out how to bring into a much closer alignment both research and teaching in the technical fields in India.

We have in fact had interaction with the highest levels of the government—the Prime Minister, the education minister, the finance minister, everybody you can think of. The fascinating thing is that we did a comparison between India and China. And I must say that I'm very impressed with the programs and the urgent footing that China has put in place. Myself, I'm on the board of the Tsinghua University in Beijing, and I have been urging the government there to take this on. There's a lot of commitment around it. I recently spent an hour in India with the Minister of Education, Murli Manohar Joshi. They have internalized most of the messages we have in their report and we'll see how fast they move forward. But we are pushing to make sure that concrete steps and actions start emerging.

**One of the quite salient success stories of the last decade, if not longer, has been the success of Indian Americans in the high-technology sector in the U.S. While this is most apparent in Silicon Valley, it's not, as you know, limited to that region. There are quite successful startups in Austin, Texas, in the Seattle, Washington area, and on the East Coast. What are, in your opinion, some of the factors that have led to this quite remarkable entrepreneurial upsurge of Indian Americans?**

The world has been moving towards our strengths, if I may say so. There's the great mathematical, technical tradition in India; many of us have been trained as engineers. There's also a strong entrepreneurial culture. The trends in technology, especially information technology, happened as a result of rapidly declining interaction costs computing and communications, which led to the fundamental restructuring of most industries. We found ourselves at a cross section of important trends that played to our strengths. Of course, success breeds success, and when a few role models emerged, a virtuous cycle began, including a network that encouraged people to take on entrepreneurial challenges and support each other to a significant extent. Organizations like TIE contributed to all that. But fundamentally the market forces, the technological forces, played to our strengths.



**The world has been moving towards our strengths, if I may say so. There's the great mathematical, technical tradition in India; many of us have been trained as engineers. There's also a strong entrepreneurial culture.**

You make mention of the group called TIE, The Indus Entrepreneurs. You're actively involved with TIE. What are its objectives and what does it seek to contribute to the high-technology community?

Its fundamental objective is entrepreneurship, not only in high technology, but in other fields as well. It seeks to promote the entrepreneurial culture and mentoring young folks, making networks more accessible and giving a sense of community to entrepreneurs from different regions. It has developed very rapidly in the last two or three years. It was started about a decade ago by a group of entrepreneurs in Silicon Valley. About three years ago, I got a call from Kanwal Rekhi and Suhas Patil, who were then leading the organization, asking for help in expanding it really rapidly. A group of 15 to 20 of us met and developed the program for what is now referred to as Global Tie. There are now 30 chapters all around the world. It has generated a tremendous amount of momentum in a short period of time. We should all be proud that such an institution exists.

**Indian Americans have been quite successful in the high-tech world, and as you point out, it's even broader than that. For instance, the CEO of Citibank and the presidents of US Airways, United Airlines, and PepsiCo are Indian Americans. Is this a trend that might continue, or is it just a passing phenomenon?**

I fully expect it will continue. *BusinessWeek* did an article on IIT alumni; it was quite an extraordinary one.<sup>3</sup> Indians are very well represented in senior management ranks and senior entrepreneurial ranks. I hear more and more successes. I've spoken at many schools and met a lot of students of Indian origin, from the U.S. and from India. I must say that they're an extraordinary and talented group and there's no reason why we should not only have our fair share, but probably do even better. In some ways it's a self-selected group from a very large

population, which is at the higher end of an achievement-oriented, high-aspiration, highly capable, skilled people.

**From Indian Americans, I would like us to turn our attention to India itself. Since 1991, the Indian government has embarked upon a program of quite ambitious reforms. How would you rate the overall reform process? What critical challenges do you see at this point, and what are some of the success stories connected with this reform program?**

I'm not a true expert, but I can give you my bird's eye perspective. I think absolutely the direction is right, but the pace is too slow, and some fundamental issues still need to be tackled. The reforms that the finance minister is leading are terrific. Execution, oftentimes, is much slower than what you might expect, such as in privatization or disinvestment, because the bureaucracy is still very much entrenched.

**One of the success stories that has become increasingly well known is the global success of India-based software-services firms. What is your prognosis for firms like Infosys Technologies, Wipro, Tata Consultancy Services, Satyam Computers, and NIIT, to name a few leaders?**

I have gotten to know these companies and many of their leaders in last five years quite well. I'm a great admirer of what they have accomplished. These are truly outstanding institutions with outstanding leadership, extremely well managed, and have accomplished a great deal in the last decade. Having said that, the great environment of the last five years has suddenly shifted to a lot more uncertainty and some temporary slowdowns. But if I look beyond that, I think the biggest challenge is how to migrate up the value chain. I think most of these institutions are very aware of that challenge, and I'm quite confident that they will make great progress in that area. We certainly have the capabilities to do it, the leadership, the technical talent and so on.

The other thing that will be the next wave is remote services. There's no reason that India cannot be a major destination, if not the major destination, for providing remote services to the world. That creates a set of opportunities for these and other institutions to truly become global leaders in that, and I'm sure that's an opportunity set that they'll take advantage of.

**Right. As the Indian economy integrates more and more into the global economy, are there any other sectors where you see promising opportunities for Indian firms to play value-creating roles?**

Firstly, India itself is a huge economy, with a huge population, and by itself is a major opportunity for all institutions in India. Second, I think some aspects of what's happening in the world play to our strengths. With our tradition of education, if we properly develop our educational infrastructure we could be significant players in most knowledge-intensive industries. Clearly we're talking about software and IT as one major area. But I can also see biotechnology as being an important arena. There's more biodiversity in India than probably any other country in terms of human diversity, but also broadly biodiversity, which we could take advantage of.

**The government, while not the only engine that's driving the Indian economy, is clearly an important engine. What other steps would you like to see from the Indian government, to enable leading Indian firms to achieve greater global competitiveness and continue this quite exciting and ongoing transformation of Indian society?**

Philosophically, I think it's about just giving greater freedom. The more we make it an environment in which it's easier to get things done by entrepreneurs, by initiative takers, by leaders, the better it is.

**As we conclude our very enjoyable conversation, Rajat, I would like to go to a more personal note. From where I sit, even by the most exacting standards, you have had remarkable success in your professional career. For many people, getting to the top of the mountain, so to speak, can be a bit of a letdown. What keeps you motivated at this stage of your career?**

I think it's just that you constantly change the set of aspirations and objectives you have. I do still run to work. If I just take the very simple professional part of it, I enjoy what I do. Part of the reason is every so often I set myself new challenges. So whether it is different geographic moves, starting different practices, taking on different roles, I look at my 30-year career at McKinsey as consisting of at least four or five major different careers. That, of course, is extremely interesting and keeps you motivated. Then you look at the greater life setting, and you set new challenges there as well—

whether it be helping to start ISB, helping reform technical education, or helping to set up the American India Foundation.

**Would you say a little more about the American India Foundation? Just a couple of weeks ago, you and others from the foundation were touring the earthquake-ravaged countryside in Gujarat, and President Bill Clinton was with you.**

We set up an umbrella foundation in the United States for the first time to raise a lot of funds here and then deploy them in India for development. The devastating Gujarat earthquake [ed: on January 26, 2001] and the enormity of reconstruction and development that single event represented triggered thoughts in many, many people. I know that TIE started raising some funds. Doctors in the U.S. were talking about doing something. And there were a bunch of us in Davos, Switzerland, [ed: for the World Economic Forum annual meeting, January 25–30, 2001] having dinner together, as the earthquake reports were coming in. We were saying that we must do something.

President Clinton himself had talked to Prime Minister Vajpayee and thought he could catalyze something and get this on a fast footing. He also called a number of us, and within a week 15 or 20 of us got together with President Clinton to brainstorm, and the idea of the American India Foundation was started. Quickly, a very disparate group of Indian organizations in America joined hands to create this foundation. We raised a fair amount of money, and the thought now is how to put that to good use. So the mission of the trip with President Clinton was to understand the needs and figure out how it can be done and through what organizations.

Of course, the AIF objectives are broader than Gujarat earthquake relief and reconstruction. We are thinking of things like starting a Service Corps or Youth Corps. We also want people who are reaching retirement age and have a lot of capabilities to be involved as well. It is a sort of modern-day combination of the Peace Corps and the International Executive Service Corps. Another project is to make sure that we have a lot of surgeons and doctors in an exchange program to provide medical services as well as train professionals. Another initiative is long-term disaster relief and preparedness. We are also thinking through how we can best help in reconstruction of villages, primary education, and the healthcare system.

**This is a very admirable effort that you and others are bringing about. As you look forward to your own future, Rajat, once you step down as Managing Director of McKinsey & Company, what goals do you have for yourself?**

Well, I'm sorry to disappoint you, but I don't have a very clear idea. I actually hope to take the next couple of years to think through that, step back and reflect. I hope that I have another 20 good years, in terms of making some kind of a contribution. It's a reflective exercise; it doesn't come necessarily through a rational, logical process. When you're in your 50s, I think all of us go through that kind of reflection. What do you want to do for the next 20 to 25 years, what kind of contribution can you make? You have, by and large, fulfilled many of your obligations towards your family and children, and they gradually become independent. You have this process of reflection and dialogue with yourself and with your spouse.

**Knowing you, I'm sure you will come up with something quite creative and valuable, even though you are being your characteristically modest self, Rajat. I think you have much to say that would be valuable to young men and women who are just starting their careers after graduate education. What advice would you give them, based on your life experience, which has been rich and varied and quite valuable?**

Well, that is a difficult question and something I must give a few seconds of thought before I answer, because it's an important question.

**Please do.**

Oftentimes many of us get tied up in what's good for our careers, how to get ahead, what's the best career to pick. More important is, I think, to develop as a professional, to have a learning mindset, to always learn from every experience and to become a richer human being. If you concentrate on that, then career success automatically follows. If you make career success an overarching objective, you'll not become a full human being, a rich human being, a great professional, or a great leader.

The second piece of advice I'd give is that I think it is vitally important to make other people successful. If you have a mindset of always working towards making other people successful, they will in turn make you more successful than you ever dreamed of. So, I really believe that it's not about getting ahead at the expense of others, it is getting

ahead because lots and lots of people are helping you achieve it.

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***The second piece of advice I'd give is that I think it is vitally important to make other people successful.***

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**Perhaps together with others.**

Yes. The last thing I'd say is that you have to have a set of values and principles that you really believe in that is your moral compass. Avoid the temptations of doing the politically right things, because the person you have to live with the most in your life is yourself. You have to always be true to your own set of values and principles, even though there may be temporary costs to that.

**Rajat, this had been a most enjoyable conversation, and I must say I have learned several things. I want to thank you very much on behalf of the membership of the Academy of Management and the readership of *The Executive*. Please take our best wishes for your future.**

Thank you.

#### **Acknowledgments**

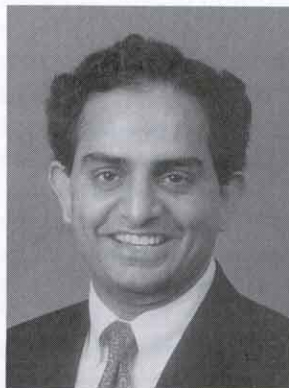
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#### **Endnotes**

<sup>1</sup> *Bhagavad-Gita*. Chapters 1-6. Translated by Maharishi Mahesh Yogi. 1969. New York: Penguin. Chapter two, verse 47. "You have control over action alone, never over its fruits. Live not for the fruits of action, nor attach yourself to inaction."

<sup>2</sup> One crore equals ten million. One million dollars are equal approximately to Rs. 4.7 crore at current exchange rates.

<sup>3</sup> India wired. *BusinessWeek*, 6 March 2000.



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