



# McKinsey & Company

## Facilitating Bribery in South Africa

A photograph of a modern glass skyscraper with a classical stone urn in the foreground. The building is tall and has a grid-like facade of windows. The sky is blue with some clouds. The urn is in the bottom right corner, partially cut off.

# McKinsey & Company

---

- One of the **largest and most prestigious** consulting companies in the world
- Over **\$8.8 billion** in revenue in 2019
- Provides **consulting services** in matters such as digital strategy, sustainability, risk management, and marketing strategy for large companies



# McKinsey's Values

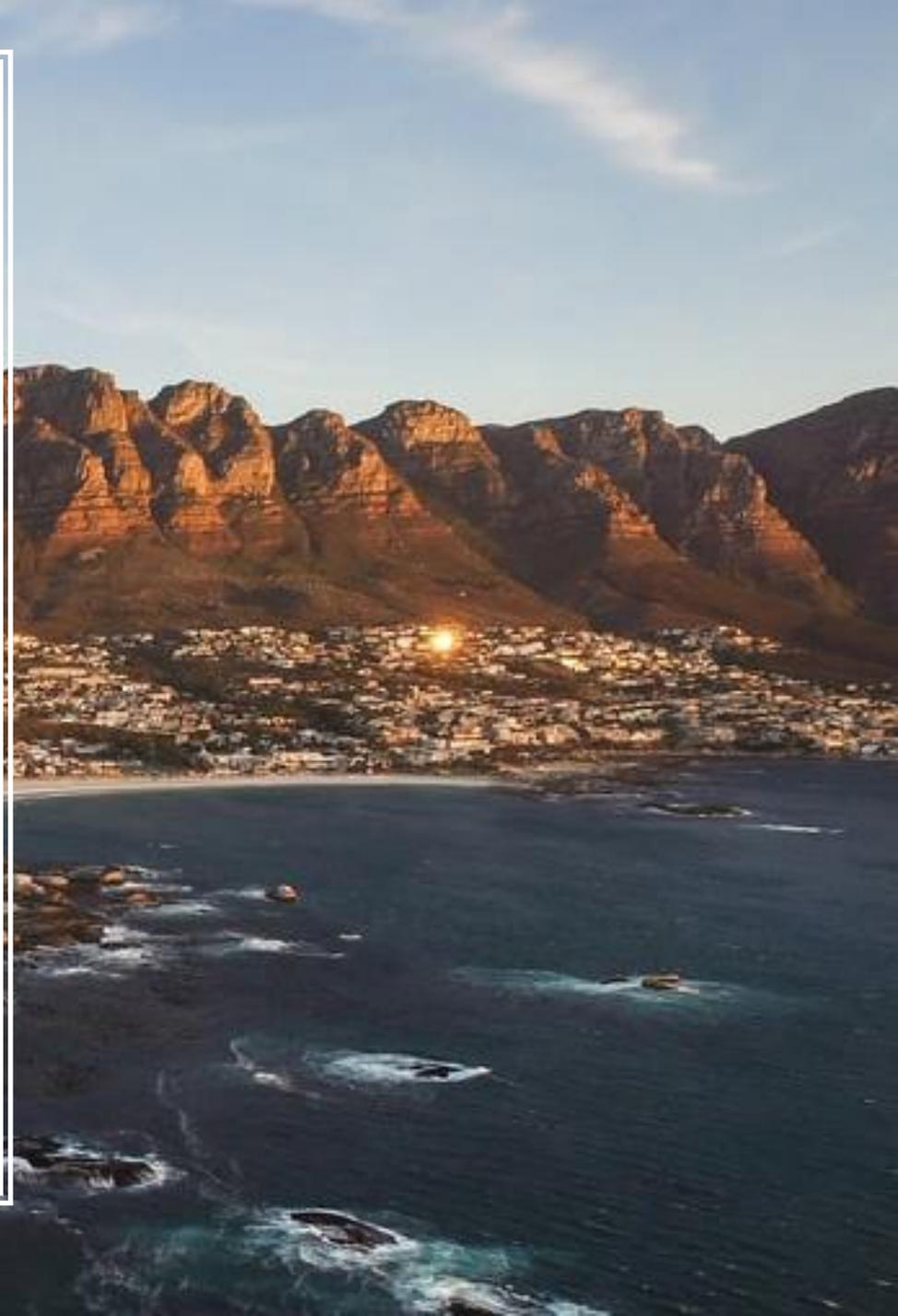
1. Putting client interests ahead of those of McKinsey

2. Superior service

3. Maintaining the highest ethical standards

# McKinsey in South Africa

- Entered the market in 1995 after the apartheid ended following Nelson Mandela becoming president
- Started with just 5 consultants and became one of the most prestigious consulting firms in the country



# South African Politics

**Apartheid**  
ended and  
democracy  
began in 1994

**Nelson  
Mandela** from  
the **ANC party**  
became the  
first president  
of the  
democracy

**Jacob Zuma**  
became the  
new leader of  
the ANC party  
in 2007 and  
was elected  
president in  
2009

Highly corrupt  
government  
and got **worse**  
**under Jacob  
Zuma's  
leadership**



# Corruption in South Africa

---

**Jacob Zuma** had ties to the **Guptas**, a rich Indian family that runs a business empire. Their interference included:

Gaining preferential access to government contracts

Influence government decisions that favoured their businesses

Suppress corruption investigations into Zuma

# The History of the Guptas

A family of three (3) brothers who own a large computer business



Met Zuma and often advised him on business & political matters



Expanded the business to mining, media, leisure, real estate, and the weapons manufacturing industries



National railway and port  
operator



Largest electricity provider in  
the country

**Major State-Owned Enterprises (SOEs)**



## Condition of Working with SOEs

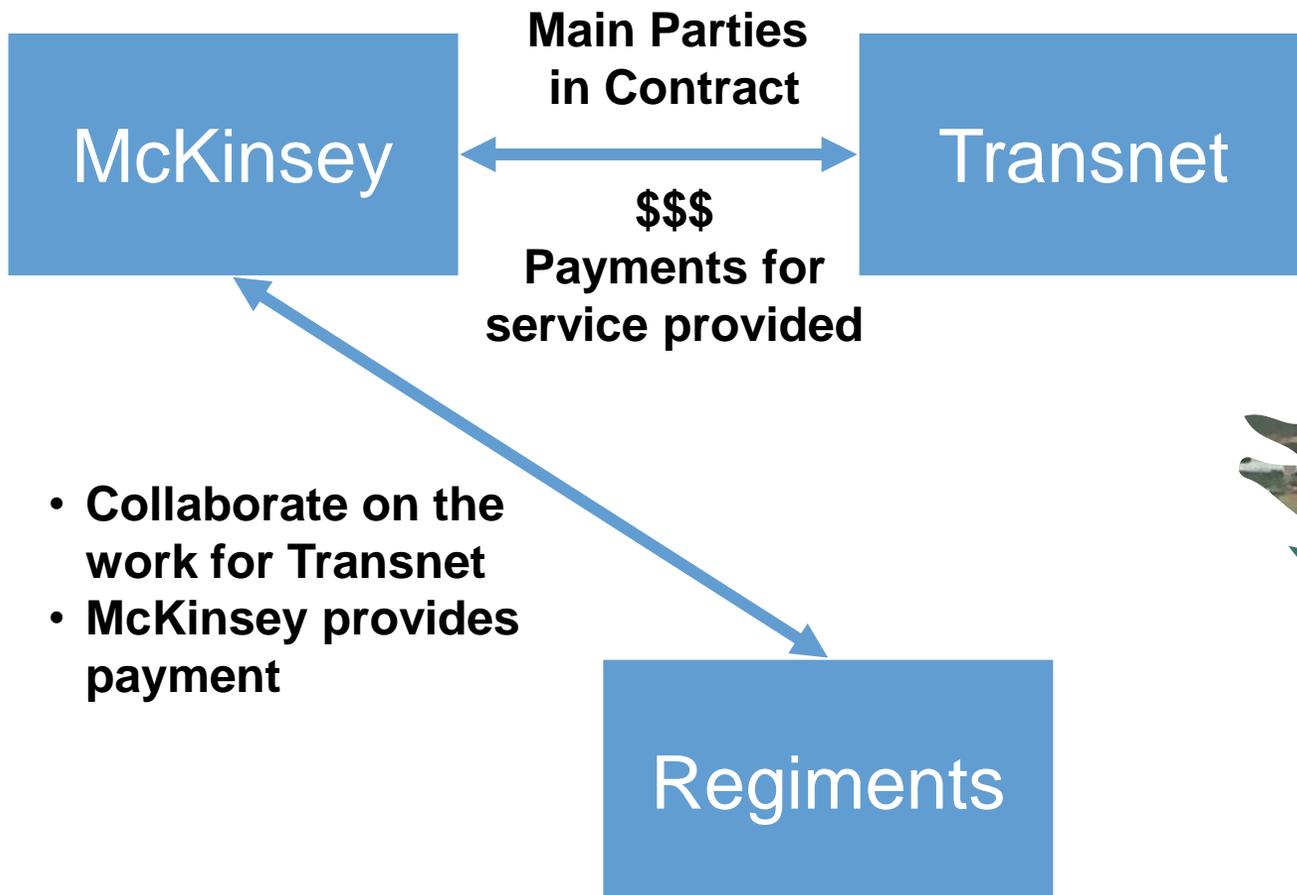
- South African companies are forced to address the historical injustices of the apartheid by **supporting & promoting Black-owned companies** whenever possible in their operations.
- Requirement for any company to work on any **government contracts**

# McKinsey & Transnet

- In 2015, Transnet's **CEO** hired McKinsey to help modernize the firm and advise on the purchase of over 1,000 new trains
- The CFO of Transnet recommended that McKinsey work with **Regiments**, a Black-owned consulting firm to meet the previously mentioned regulations.



# McKinsey & Transnet Contract



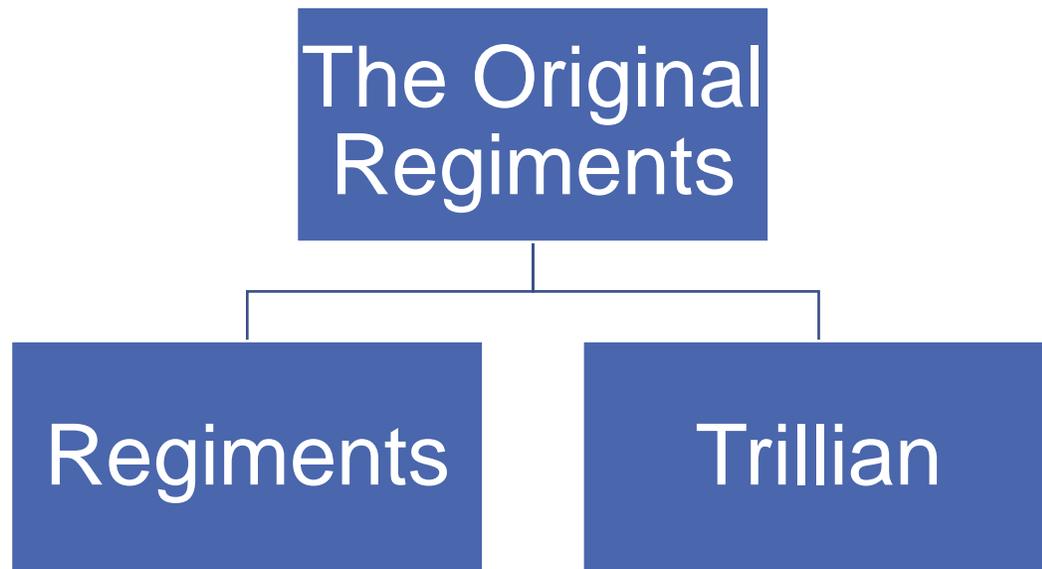
# Problems Arise with Regiments

- After the contract began, Regiments was found to have helped with **fundraising efforts for the ANC party**
- Transnet allowed Regiments to **bill them directly** instead of going through McKinsey
- A few months later, **the Guptas made an offer to acquire Regiments**



# The Sale of Regiments

Regiments was a partnership organization between 3 consultants. One of them agreed to sell to the Guptas and took their one-third (1/3) of the business with them





# McKinsey & Eskom

**McKinsey was recruited by the CEO and CFO (formerly from Transnet...) to help with strategic planning**

The two companies signed an at “at-risk” which is not normal for SOEs

No competitive bidding process – McKinsey was automatically awarded the contract

Contract was illegal because there was no government approval to use the “at-risk” contract format

# McKinsey & Eskom

---

The CEO and CFO from Eskom **proposed that McKinsey work with Trillian** to meet the government requirements of working with a Black-owned company on these mandates





## The Fallout

- Two months after signing, McKinsey's international risk officers **revealed that Trillian had links to the Guptas.**
- \$100 million had already been paid to McKinsey with 30% going to Trillian... but **no work had been done yet.**
- The “at-risk” contract means that they **should have only been paid based on the results and savings** that came from their work, not in advance.
- The contract was **terminated.**



# Allegations Against McKinsey

---

Trillian had been **paid by Eskom directly** despite providing no services

---

**McKinsey facilitated the payments** by partner with Trillian, allowing Trillian to bill Eskom

---

**McKinsey ignored the relationships** between people working at the SOEs and other corrupt parties. This allowed them to launder government funds under the guise of a consulting contract



# Impact

- McKinsey **denied** allegations
- They claimed they were **victims** of corrupt business partners (such as Trillian and Regiments)
- **Lost contracts** with Coca-Cola Africa, African banks, and other businesses worldwide
- **Corruption Watch**, a South African anti-corruption organization threatened to sue McKinsey

# Impact

- The **FBI** began investigating McKinsey
- The Eskom CEO and CFO were **fired**
- The new Eskom management team found that McKinsey was paid unlawfully and must **repay \$73 million in fees**
- The South African National Prosecuting Authority won a case against McKinsey forcing them to **pay \$130 million** for the whole mess



# The Debate

Corrupt practices are  
**TO BE EXPECTED**  
when operating in such a nation

1. McKinsey South Africa

2. Citizens in South Africa

3. The Guptas

Corrupt practices  
**MUST BE AVOIDED**  
through policies and due diligence

4. McKinsey International

5. Clients of McKinsey

6. Corruption Watch

# Debate Rounds

Qualify

## Debate A

1. McKinsey South Africa
- vs.
4. McKinsey International

## Debate B

2. Citizens in South Africa
- vs.
5. Clients of McKinsey

## Debate C

3. The Guptas
- vs.
6. Corruption Watch

Finals

## 3-Way Debate

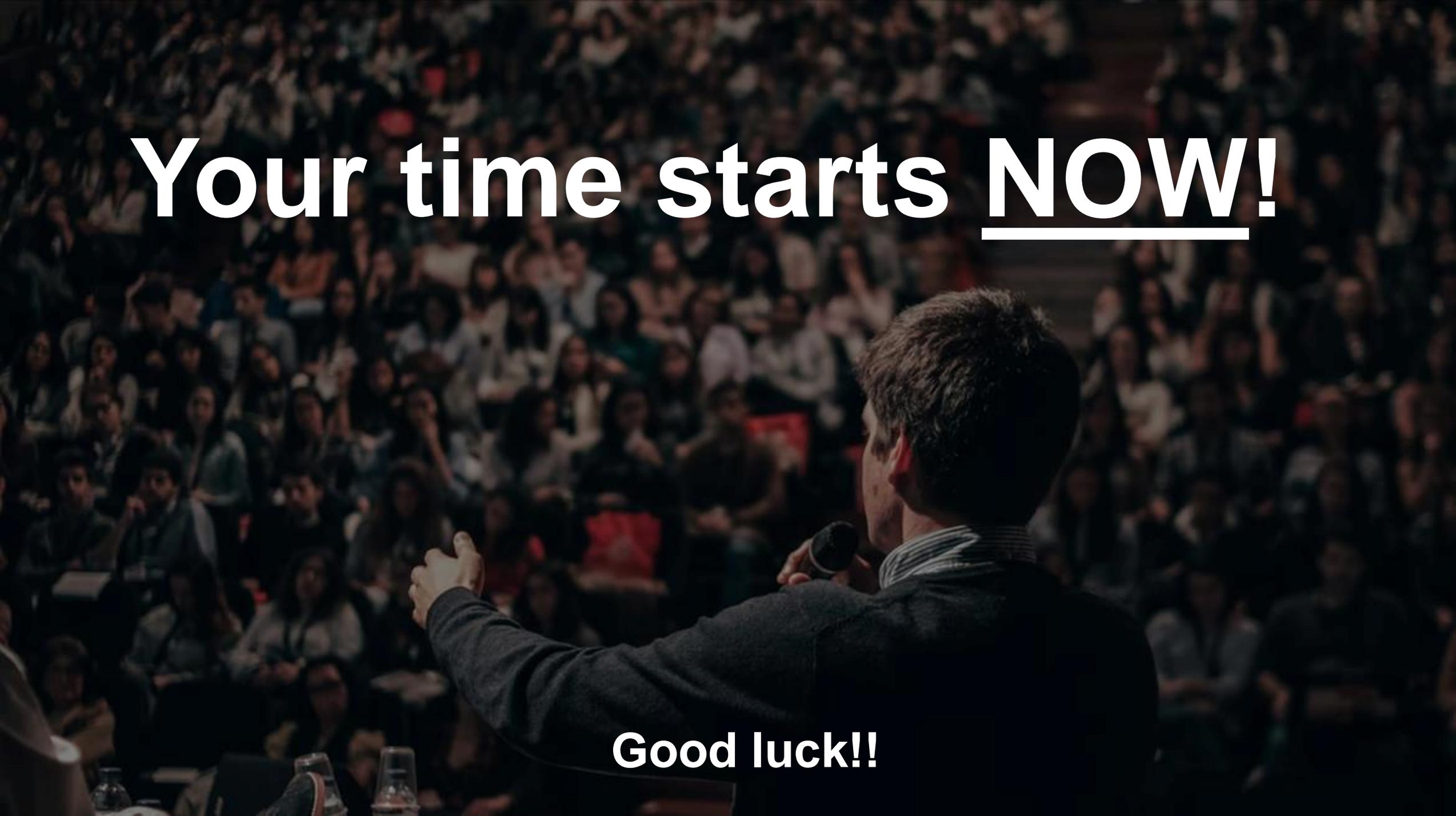
Debate A Winner

vs.

Debate B Winner

vs.

Debate C Winner

A man in a dark sweater and light shirt is seen from behind, holding a microphone and gesturing towards a large, dense crowd of people seated in an auditorium. The scene is dimly lit, with the speaker and the text being the primary focus.

**Your time starts NOW!**

**Good luck!!**