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McKesson

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Introduction

For nearly two centuries, McKesson has stood at the intersection of healthcare and logistics, quietly yet fundamentally shaping how medicines and medical supplies traverse the vast and complex networks of North America—and, more recently, the global marketplace. Its roots stretch back to a bustling New York City street in 1833, where Charles M. Olcott and John McKesson founded a small wholesale drug business that would evolve, through vision and resilience, into one of the largest and most influential companies in the healthcare industry. Today, headquartered in Irving, Texas, McKesson is not only a distributor of a third of all pharmaceuticals consumed in North America but also a global organization with reach extending into Europe and myriad aspects of healthcare delivery.

But McKesson is more than a logistics behemoth or a Fortune 500 giant. Its journey traces the historical currents of science, commerce, technology, and regulation that have shaped medical care for generations. From pioneering nationwide pharmaceutical distribution networks in the late 19th and early 20th centuries, to overcoming the turbulence of takeovers, technological revolutions, and a rapidly evolving healthcare landscape, McKesson's legacy is one of adaptation and strategic vision. The company's growth has often paralleled—sometimes even catalyzed—transformational changes in the treatment and accessibility of health.

Over time, McKesson has diversified its expertise beyond distribution, embracing innovation in healthcare information technology, pharmacy automation, medical-surgical supply, and solutions that reduce the hurdles patients and providers face in accessing essential care. McKesson's story includes tales of competitive jostling among industry giants, forays into new business domains, and the relentless refinement of logistics and technology to meet the needs of a dynamic healthcare system. It is a story marked by both milestones and missteps—the HBOC acquisition, major divestitures, and, like many in its sector, its entanglement in the nation's opioid crisis and subsequent legal reckonings.

This book, "McKesson: A Company Portrait," aims to thread together the multiple dimensions of the corporation, from its 19th-century foundation to its cutting-edge roles in pharmacy technology and biopharma support, to its recent strategic pivots and challenges. We will delve into the individuals who steered the company's direction, its continually evolving market strategy, and its commitment to social responsibility, sustainability, and corporate governance. Through this narrative, we will also examine McKesson's global footprints, its underlying financial architecture, and its response to the changing expectations of shareholders, regulators, and the communities it serves.

In an era defined by unprecedented health needs, advancements, and crises, McKesson stands as both a mirror of the healthcare sector's complexities and a model of transformation. Its resilience and occasional controversies reflect the broader challenges of healthcare access, safety, and ethical responsibility in the modern world. By chronicling the company's past and present, and by looking ahead to its evolving future, this portrait provides not just a company's history but also opens a window into the business of health itself.

As we journey through the following chapters, readers will gain insight into the forces—economic, social, technological, and ethical—that have shaped McKesson's rise and will continue to influence its trajectory for years to come. Whether you are a healthcare professional, business leader, student of history, or simply a curious observer of corporate evolution, this book invites you to better understand a company whose impact extends far beyond its name, touching millions of lives every day.

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CHAPTER ONE: The Founding of McKesson: Roots in 19th Century New York

The year 1833 heralded a period of ambitious growth and transformation for New York City. Already the nation's most populous urban center and its busiest port, the city throbbed with the relentless energy of commerce. Wooden ships with towering masts crowded the East and South Street wharves, their holds disgorging goods from across the Atlantic and beyond, while steamboats, a more recent marvel, churned the waters, connecting the city to the rapidly expanding interior of the United States. The air was thick with the cries of draymen, the rumble of iron-shod wheels over cobblestones, and the diverse accents of a populace drawn from every corner of the young republic and the old world. It was a city teetering on the cusp of modernity, yet still deeply rooted in the practices of a pre-industrial age, especially in the realm of medicine and healing.

In this vibrant, often chaotic, metropolis, two men, Charles M. Olcott and John McKesson, made a decision that would lay the cornerstone for a corporate edifice neither could have fully envisioned. They established a partnership, Olcott & McKesson, with the straightforward aim of becoming importers and wholesalers of botanical drugs. This was not a glamorous pursuit, nor was it one that promised overnight riches, but it addressed a fundamental societal need: the provision of materials believed to alleviate suffering and cure disease. The world of medicine in the 1830s was a far cry from the scientifically driven, highly regulated industry we know today. It was a realm where ancient traditions, empirical observations, and a burgeoning, though still rudimentary, understanding of chemistry and botany coalesced.

The materia medica of the early nineteenth century relied heavily on plant-derived substances. Roots, barks, leaves, flowers, and seeds, sourced from local fields and forests or imported from distant continents, formed the backbone of the apothecary's arsenal. These "botanicals" were ground, powdered, macerated, and distilled into tinctures, extracts, infusions, and pills. Physicians, often with limited diagnostic tools and a theoretical framework that still embraced concepts like the balancing of humors, prescribed these remedies with varying degrees of success. The efficacy of many such treatments was often debatable, and the quality of the raw materials themselves could be wildly inconsistent.

Into this environment stepped Olcott and McKesson. Their chosen path was that of the intermediary – the crucial link between the distant sources of these botanical ingredients and the local apothecaries and physicians who dispensed them. The role of

the drug wholesaler was vital. Few individual druggists or doctors had the resources, connections, or expertise to import and process the sheer variety of substances required for their practice. A reliable wholesaler could offer a wider selection, potentially better quality due to bulk purchasing, and the convenience of a central supply point.

Charles Mott Olcott, born in 1789, was the senior partner in this new venture. He brought with him a degree of experience and, it is presumed, the capital necessary to establish such an enterprise. The Olcott name was not unknown in New York's commercial circles, and it's likely that Charles possessed the connections and business acumen honed in the competitive mercantile environment of the city. His decision to focus on the drug trade suggests an understanding of its steady demand, even if the science behind many of its products was still evolving. He was, by all accounts, a man of diligence and established reputation, qualities essential for building trust in a trade where adulteration and poor quality were constant concerns.

John McKesson Jr., born in 1807, was considerably younger than his partner. His contribution likely skewed towards energy, a willingness to learn the intricacies of the trade, and perhaps a more forward-looking perspective. While specific details of his early life and the precise circumstances that led him to partner with Olcott are scarce, the enduring nature of their association suggests a complementary relationship. McKesson would prove to be a figure of immense importance in the company's longevity, his name eventually becoming synonymous with the enterprise itself. For now, in 1833, he was the junior partner, embarking on a career that would span decades of profound change in both commerce and medicine.

The establishment of Olcott & McKesson at 145 Maiden Lane placed them squarely within a district already becoming known for its concentration of drug and chemical businesses. Maiden Lane, a narrow thoroughfare in Lower Manhattan running towards the East River, was a hive of commercial activity. Proximity to the docks was essential for a business reliant on imports, allowing for easier transport of barrels, crates, and bales of raw botanical materials from arriving ships to their warehouse. Their premises would have been a modest affair by modern standards: likely a ground-floor space for sales and display, with upper floors or a cellar for storage, and perhaps a small office for keeping the ledgers.

The daily life of the firm would have revolved around the rhythm of trade. Orders would arrive from city apothecaries or via mail from those in surrounding towns and villages. Goods, meticulously (or as meticulously as the era allowed) weighed and packaged, would be dispatched by cart or coastal vessel. The partners themselves, particularly in the early years, would have been intimately involved in every aspect of the business, from inspecting incoming shipments of sarsaparilla root from Honduras or cinchona bark from Peru, to negotiating with ship captains, and extending credit to trusted customers.

The term "botanical drugs" encompassed a vast and varied pharmacopoeia. Opium poppies for laudanum, foxglove for digitalis (though its specific glycoside was not yet isolated), senna pods for laxatives, willow bark (a source of salicin, precursor to aspirin), and countless other plants were mainstays. Some, like quinine from cinchona bark for malaria, were demonstrably effective. Others owed their reputation more to tradition and the placebo effect than to any inherent medicinal properties. The challenge for Olcott & McKesson, and indeed for the entire trade, was navigating this "therapeutic jungle," sourcing what was in demand, and attempting to ensure some level of purity and potency in an era before standardized assays and stringent quality controls.

The enterprise was not without its risks. Supply lines could be unreliable, subject to the vagaries of weather, international relations, and the honesty of overseas suppliers. Shipments could be lost at sea or arrive damaged and unusable. The financial landscape was also prone to instability; economic panics, like the one that would grip the nation in 1837, could spell ruin for businesses operating on tight margins and extended credit. Competition, too, was a factor. While Olcott & McKesson were early entrants, they were not alone in recognizing the commercial potential of the drug trade. Several other wholesale druggists operated in New York and other major American cities.

Building a reputation for integrity and reliability was therefore paramount. In a market where the buyer often had little means to verify the quality of a powdered root or a dried herb, the name of the wholesaler became a crucial mark of trust. Olcott & McKesson, through careful management and consistent service, began to cultivate this trust among their clientele. They dealt not just in raw botanicals but also in "druggist's sundries" – the various tools, containers, and a limited range of chemicals used by apothecaries in compounding medicines.

The first two decades of Olcott & McKesson, from 1833 until the eve of Charles Olcott's passing in 1853, were a period of foundational consolidation. The firm was establishing its routines, expanding its network of suppliers and customers, and building the financial strength necessary for future growth. It was a time of learning the peculiarities of the trade, understanding the shifting demands for various remedies, and navigating the often-turbulent waters of nineteenth-century commerce. The partners learned which foreign agents were most dependable, which shipping lines offered the best rates and service, and which domestic customers were creditworthy.

This period predated the rise of synthetic pharmaceuticals and the dominance of large-scale manufacturing. The work of Olcott & McKesson involved a significant degree of direct engagement with the raw materials of medicine. One can imagine their warehouse filled with the earthy, aromatic, and sometimes pungent smells of dried herbs, barks, and resins from around the globe – a sensory testament to the botanical

basis of healing in that era. Clerks and laborers would have been employed to sort, grind, and package these goods, working under the direct supervision of the partners.

The regulatory landscape was minimal. While there were nascent movements towards drug reform and concerns about adulteration and quackery, comprehensive federal oversight of the pharmaceutical trade was still many decades away. The Pure Food and Drug Act, a landmark piece of legislation, would not arrive until 1906. This lack of regulation placed an even greater emphasis on the ethical conduct and self-regulation of firms like Olcott & McKesson. Their long-term success depended not just on keen business sense but also on maintaining a standard of quality that their customers could rely upon.

The partnership between Olcott and McKesson appears to have been a stable and effective one. While historical records offer limited insight into their personal dynamic, the firm's steady, albeit not yet explosive, progress during these initial two decades suggests a well-functioning collaboration. Olcott, with his experience, likely provided a steadying hand and financial acumen, while McKesson, younger and perhaps more attuned to the operational details, contributed to the day-to-day running and gradual expansion of the business.

Their clientele extended beyond the confines of New York City. As transportation networks, particularly canals like the Erie Canal and the burgeoning railway system, began to penetrate deeper into the American interior, Olcott & McKesson found markets for their goods in increasingly distant locales. Supplying country doctors and small-town apothecaries became an important part of their trade, differentiating them from smaller wholesalers who might only serve a local urban market. This outward reach, even in its early stages, hinted at the geographical expansion that would later characterize the company.

The development of American pharmacy as a distinct profession was still in its early stages during this period. The Philadelphia College of Pharmacy, the first institution of its kind in the United States, had only been founded in 1821. Many apothecaries learned their trade through apprenticeship rather than formal schooling. Wholesalers like Olcott & McKesson played an indirect role in this professionalization by providing a more consistent and diverse supply of the materials needed for compounding, thereby supporting the apothecaries' ability to offer a wider range of remedies.

The challenges were persistent. Beyond the quality of goods, managing inventory in an era of slow communication and transportation was a complex art. Overstocking could tie up precious capital, while understocking meant lost sales and dissatisfied customers. The partners had to anticipate demand based on seasonal illnesses, anecdotal reports of epidemics, and the general health trends of the populace – a far cry from the sophisticated data analytics that drive modern supply chains.

Despite these hurdles, the firm of Olcott & McKesson persevered. They were building more than just a business; they were establishing a name. In the commercial directories of New York City, their listing represented a source of essential, if often unrefined, medical commodities. They were part of the city's economic engine, contributing to its role as a center of international trade and domestic distribution. The early foundations were being laid, not through dramatic breakthroughs or revolutionary innovations, but through the steady, diligent work of importing, processing, and distributing the botanical ingredients that formed the core of nineteenth-century medicine. The character of the firm reflected the character of its founders: industrious, focused on the practicalities of their trade, and committed to building a sustainable enterprise in the heart of America's most dynamic city. This initial period, though modest in comparison to what the company would later become, was crucial in establishing the commercial DNA that would enable Olcott & McKesson to adapt and thrive in the decades of profound transformation that lay ahead. The seeds sown on Maiden Lane in 1833 were taking root, nurtured by the burgeoning, if sometimes bewildering, world of nineteenth-century healthcare.

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