

# Opinion: A California giant hides in plain sight

By Joe Mathews

California is so big that you don't need to be a mouse to hide here. You can be a giant elephant—or a huge corporation—and still escape notice.

For example, here's a trivia question that stumps even Californians who know the state well: What's the second-richest company in California after Apple?

“Google?” Wrong.

The answer: McKesson.



Joe Mathews

Never heard of it? You're not alone. McKesson is “a massive corporation hiding in plain sight,” Fortune wrote recently. Its headquarters hides in a conspicuous place—at Post and Market streets in San Francisco. That a company can be both so big and so unknown shows how the tech sector has warped Californians' sense of what matters in business.

McKesson is not only California's second-largest company, with nearly \$200 billion in annual revenues, but also the fifth-largest company in America. A massive healthcare middleman, McKesson distributes pharmaceuticals and other supplies from manufacturers to doctors and hospitals.

This is an unsexy, low-margin business—which is one reason why, despite its massive revenues and reach, McKesson's market cap of \$32 billion badly lags Apple (\$772 billion) and Facebook (\$542 billion). And while other California giants dominate the headlines, McKesson almost never makes state news.

When I called McKesson to explain I was writing a column about the company, the polite executive who called back seemed genuinely puzzled about my interest. On recent visits to McKesson Plaza, the space outside the headquarters, I encountered two sets of protestors—one opposing Sen. Dianne Feinstein, who has offices in the building, and the other supporting higher wages for janitors who work there. Not one protestor, however, knew anything about McKesson, the company.

This is unsurprising. McKesson is so ubiquitous, it hasn't put the great efforts into branding that startups do. McKesson also happens to be one of the country's oldest companies—a longevity worth studying in a state that worships high-flying startups.

McKesson began in 1833, when an entrepreneur named John McKesson opened a drug import and wholesale business in Manhattan, which went on to pioneer the development of gelatin-coated pills in the 1870s. By the early 1900s, it had created a nationwide distribution network that moved medicines and other products, from chemicals to liquor.

McKesson became a California company through its 1967 merger with Foremost, a food-centric conglomerate co-founded by retailer J.C. Penney. By 1970, the firm had set up its San Francisco headquarters.

In 1984, the company was renamed McKesson Corporation, and for two decades it acquired businesses that distributed health-related products, while jettisoning food and chemical companies that were part of the conglomerate.

That devotion to health care, in an aging country with rising health spending, has paid off. A company that had less than \$20 billion in annual revenues two decades ago is now pushing \$200 billion. The company has burrowed itself into every corner of healthcare, but the heart of the operation remains its distribution centers, a system that rivals Amazon's in scope and in revenues. The company's slogan is: "It's not just a package, it's a patient."

Of course, McKesson is not just a logistics company. It's also a technology company that uses advanced health data and analytics with to making all kinds of healthcare systems—from those that get you prescriptions, to those that allow you to pay your bill—more efficient.

When McKesson draws critical notice, it's usually because something has gone wrong in American health, which means the ubiquitous McKesson bears some piece of the blame.

The most recent example involves the opioid crisis. While the lion's share of criticism has gone to drug manufactures, doctors and pharmacists, McKesson and other distributors have faced scrutiny from media and the government for not effectively tracking and responding to suspiciously high orders of opioids to certain parts of the country. (In 2017, McKesson agreed to pay a \$150 million civil fine related to how it handled suspicious orders.)

But in today's California, McKesson is perhaps mostly noteworthy among our richest companies for sins it has not committed.

McKesson does not keep us glued to screens, and thus ignoring our loved ones. It does not spread hate through social media. It has not collaborated in the government's mass surveillance. Its CEO does not announce each year that he's going to visit all 50 states, learn Mandarin or eat only meat that he kills. And it did not help the Russians steal the 2016 presidential

election.

McKesson also hasn't whined constantly about the California business climate, or publicly threatened to leave the state, or forced San Francisco to give it massive tax breaks, as Twitter and Zendesk did.

There's something to be said for a California-based business that is old, boring, and predictably corporate in this, our era of disruption.

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