

Preparation for Case Interviews

Session 1 1/09/19

What is consulting?

- Engaged in the business of giving expert advice to people working in a professional or technical field.*
- Helping people solve problems and move from their current state to their desired state.**

List of Management Consulting firms

McKinsey&Company









Roland Berger Strategy Consultants





Консалт. бутики









What they do:

They advise enterprise businesses on their most critical issues and opportunities:

- strategy
- operations
- marketing
- organization
- information technology

- advanced analytics
- transformations
- sustainability
- corporate finance
- mergers and acquisitions

Selection stages (McKinsey example)

Screening

 candidates send CVs and cover letters through the company's website



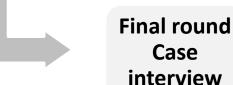
Problem Solving Test

• math computation, data interpretation and logical thinking test

- 26 multiple choice questions
- duration: 60 minutes



First round Case interview



- interacting with an interviewer to analyze and solving case studies of business problems
- discussing the candidate's professional achievements, motivation, teamwork and leadership examples

 three interviews with senior partners and partners in format of the first round

- Types of Cases
- Problem-Solving Tools
 - Problem Identifying
 - Structuring
 - Drill-down analysis
 - Synthesis
- Case-Solving Part

Types of cases

Zone 1 - Strategic Cases

Expand Scope

- Merge
- · Acquire
- · Form a joint venture

Change Direction

- Enter/Exit a market (add/eliminate a product line)
- Develop and sell new products/services
- Reposition the company (brand/image

Reduce Scope

Divest of a business or division

Maintain Status Quo

Keep the business the same

Zone 2 - Operations Cases

Increase Revenue (Price x Volume)

Increase pricing

- Change pricing by segment
- Increase volume
 - Keep present customers (loyalty)
 - Acquire new customers
 - Increase share of wallet with present customers
 - Sell more in new places and ways

Reduce Costs

- Assess fixed vs. variable
- Assess internal vs. external costs
- Benchmark costs to other companies
- Assess operational minimum costs

Zone 3 – Organization, Systems and Process Cases

Impact the People

- Change the organizational structure
- · Change people's roles
- Change people's incentives
- Change the management team (or Board of Directors)

Change the Process/Systems

- Change information technology (broad or narrow)
- Change procurement
- · Change sales
- Change inventory
- Change distribution (including Internet)

Measure the Organization's Capabilities

- Assess skill sets
- Assess and stream
- Centralize or decei
- Assess production

Zone 4 - Finance Cases

Impact the Balance Sheet

- Assess inventory/receivables
- Assess debt/equity mix of the company
- · Assess cash management
- Buy back shares of the company
- · Execute off-balance sheet financing

Zone 5 - External Forces

- · Respond to Supplier Issues
- Respond to Public Attitude/Perception Changes
- · Respond to Economic Changes
- Respond to a Competitive Threat
- · Respond to an Industry Shift
- · Respond to Auditor Issues & Concerns
- Address Legislative and Regulatory Changes
- Respond to Technological Changes

Increase Equity Returns

Improve capital efficiency Increase shareholder value

Types of cases

The most likely scenario – Strategy and Operations

- Maximize profit ("Help! My company is losing money.")
- Enter a new market
- Develop / Launch a new product
- Sell more of the same stuff to more people (products or services)
- Reduce costs
- Respond to competitors
- Merge two companies

Problem-Solving

Tools foolving a case:

Problem Identifying

SMART Questions

• Structuring

- Hypothesis
- Issue Tree
 - Pyramid Minto
 - Frameworks
 - MECE Principle
- Types of structure

• Drill-down analysis

- Math calculations
- Checking hypothesis

Synthesis

- Stating conclusion with supported arguments
- Risks and Recommendations

Problem Identifying

Main Steps:

- Summarize the question
 - to avoid answering a wrong question
 - to weed out irrelevant information
 - one word in the question makes a big difference
- Verify the objectives
 - can be several objectives
- Ask clarifying questions
 - new definitions
 - SMART principle

Problem Identifying

SMART principle:

- <u>Specific</u>
 - What? Who? Why? Where? Which?
- <u>M</u>easurable
 - What indicators will measure progress and success?
- Attainable
 - Sufficient financial capacity
 - Technology, space, equipment
- Result-Oriented
- <u>T</u>ime-bound
 - Deadline
 - Short-term or long-term outcomes

Problem statement

Choose a good problem statement	Assess
Equipment efficiency is low and continues to fall.	Just a fact
Should equipment efficiency be improved?	Not disputable
How to optimize the use of equipment?	Too broad
What are the opportunities to increase the efficiency of equipment use by 10% until the end of 2019 by implementing technical and organizational measures?	Much better, but contains unnecessary info
How to increase the efficiency of using equipment by 10% until the end of 2019 without significant investment?	Good problem statement

Project objective

A clear statement of the project's objectives, reflecting the expectations of the person who set the task and determining the volume and nature of the work

1 Context



3 Interested parties



Brief information about the situation and existing problems that led to the formulation the problem

2 Success criteria



Outlines

4 Restrictions of possible solutions

will influence decision-making and

implementation of planned measures

People, groups of people, organizations that



Outlines a range of acceptable solutions (e.g., geographical, financial, organizational, and other constraints)

5 Obstacles to a sustainable outcome

Parameters, indicators, allowing to conclude

that the problem has been successfully solved



Risks and problems that may prevent completion of the task

These three steps of the science – <u>hypothesis</u>, <u>experiment</u>, <u>and conclusion</u> – are the same ones as an aspiring management consultant should use to solve cases.

- Hypothesis
- Types of structure
- Issue Tree
 - Pyramid Minto
 - Frameworks
 - MECE Principle

Hypothesis

- Your idea which you need to test
- Client doesn't need only opinions, they need proof as to which opinion is correct.
- Why we need to make a hypothesis before analyzing data?
- You don't have enough time in a case interview
- Hypothesis reduces the range of possible conclusions
- Five-Minute Hypothesis Rule

Hypothesis

Let's say a client asks, "Should I enter the XYZ market?"

What kind of hypothesizes I have?

Yes, you SHOULD enter

No, you SHOULDN'T enter

Types of structure

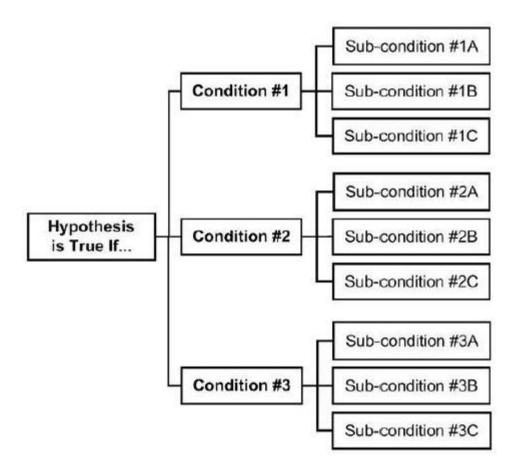
- 1. Formula based
- 2. Value chain/customer journey
- 3. Qualitative issue tree

<u>Issue Tree – Pyramid Minto</u>

An issue tree lays out a set of logical conditions that, if proven correct, prove the hypothesis correct

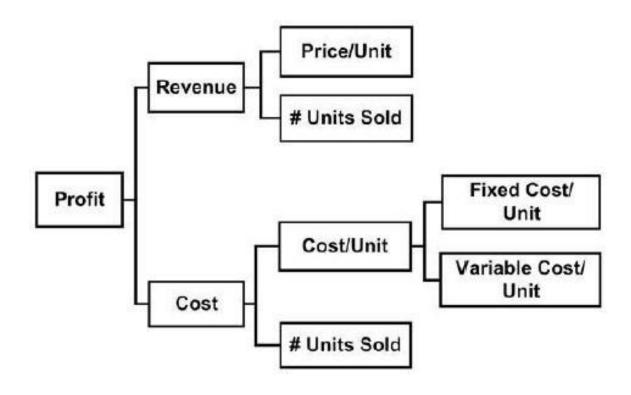
OR

A logical argument or structure designed to test the validity of a hypothesis



<u>Issue Tree – Frameworks</u>

An issue tree template used to solve common business problems (must be customized on a case-by-case basis)



Profitability Framework

<u>Issue Tree – MECE Principle</u>

Mutually Exclusive, Collectively Exhaustive

All the information should be grouped into discrete categories, <u>with no overlap between categories</u> (mutually exclusive), and all the <u>categories added together should cover all possible options</u> (collectively exhaustive).

- Hobbies vs. Age or Gender

Example: Make a pyramid more structured



Issue Tree

Previous Example: "Should I enter the XYZ market?"

Make one-layer issue trees which are under MECE principle

Possible Answers:

- Financial and Non-Financial Factors
- External and Internal Factors

Issue Tree

We have a framework as: Customer, Competitor, Company and Product Why this framework is not fully MECE?

Because product factors could overlap with competitor factors and company factors. You could cover products twice—once under competitors and once under company.

But the part of the insight in considering a product introduction strategy comes from comparing the client's product to its competitors' products

Case 1:

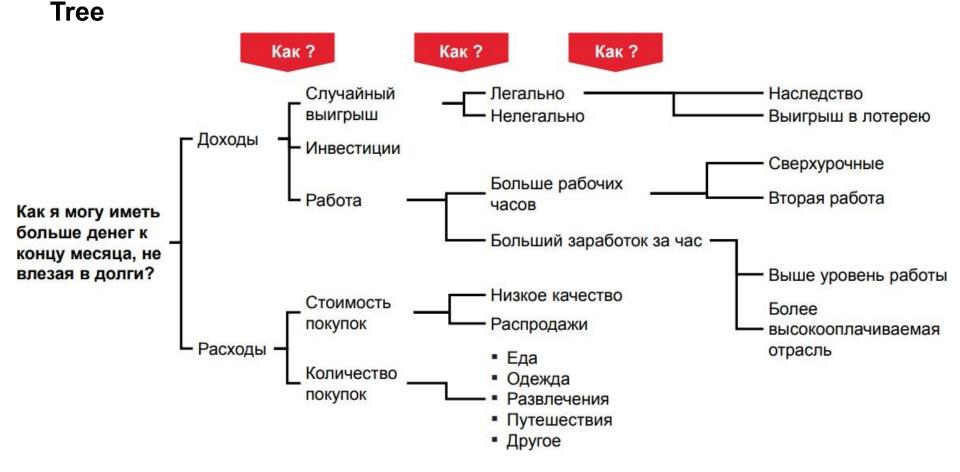
"Как я могу иметь больше денег к концу месяца, не влезая в долги?"

- Make a hypothesis tree
- Make an issue tree
- Make a combination of two trees

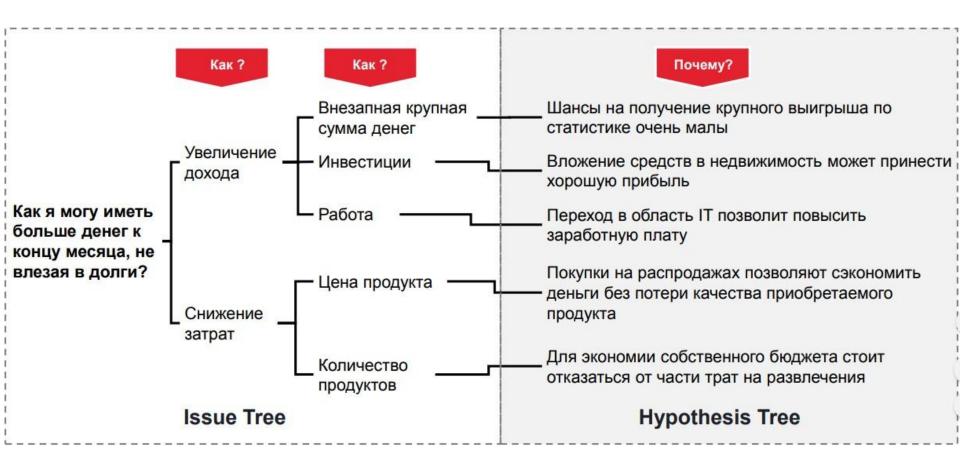
Case 1: Hypothesis Tree



Case 1: Issue



Case 1: Лучшее решение – комбинация issue and hypothesis trees

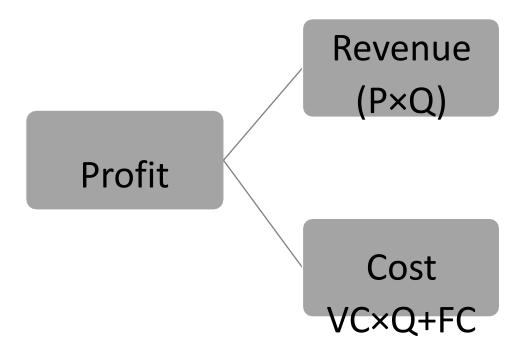


Case 2:

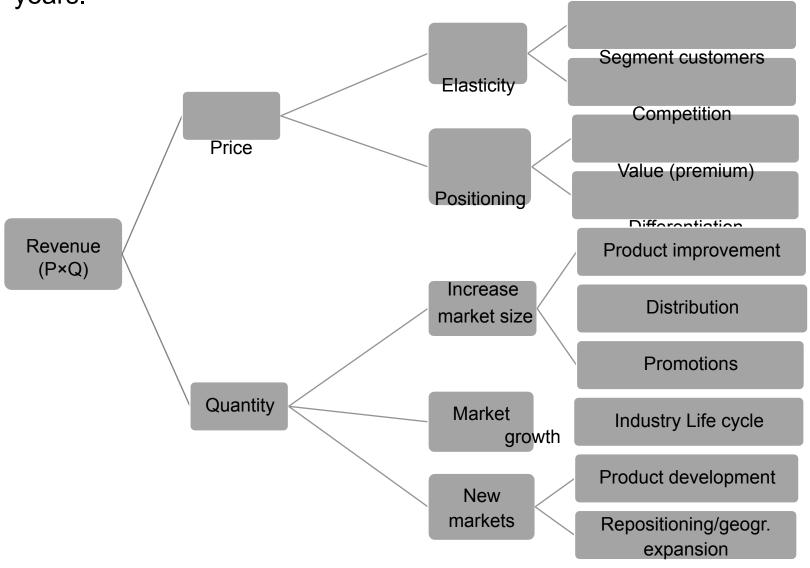
Food company wants to increase it's profit by 20% in 2 years.

Let's

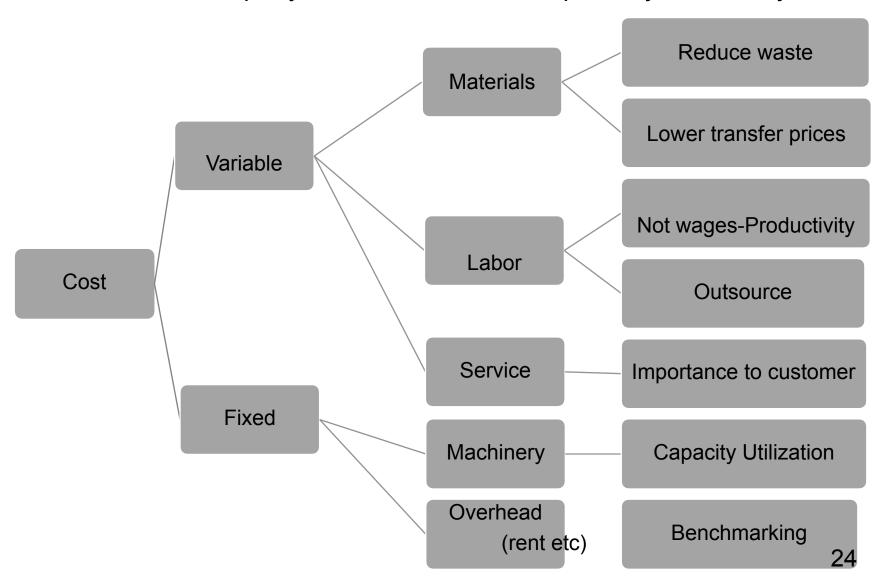
make a MECE structured issue tree.



Case 2: Food company wants to increase it's profit by 20% in 2 years.



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Homework

NU CC

- ☐ Read "Case Interview Secrets" by Victor Cheng
- ☐ Watch "ConsultingMathCourses" on Vk page of the club
- ☐ Solve cases from casebooks