In this next case, it's about a software company that's having trouble growing, and what I want you to pay attention to in this particular example is— I would consider this case, probably I'd give it a C grade, or perhaps at best a B-grade. And basically, would not have passed this person on to the following round. And there were probably three major mistakes that this person made, so let me point out what they are, and I want you to listen for them and notice it as you hear it – this way you can kind of know what to expect, and not get overly confused.

The first thing is: the candidate actually did get the right answer, so the end conclusion on the case, if I recall correctly, was actually correct. And the reason I would not pass this person to the next round is, not that they got the incorrect answer, but rather how they got the correct answer was not appropriate. Which leads me to— basically, they didn't follow a process that was systematic, they basically got a little lucky.

The second thing you'll notice is: notice the questions that the candidate asks. The candidate jumps around from one idea to an unrelated idea, to a yet another unrelated idea. And so it's very hard to follow, and so rather than letting data and analysis drive what's the next question you ask – which is what you're supposed to do – this candidate was basically using intuition to guess at what the answer might be or could be. And the motivation for asking a particular question was really just they got an idea, and in a consultant's case, you want to not just have an idea, but you want the ideas to come from and come out of the data.

The third thing to notice is: you'll notice that in a lot of the questions the person asked, I would mention certain pieces of information that were actually quite important, and the candidate actually glossed over that information, and did not ask any follow-up questions. Now this is important, because when you do a case, the frameworks are meant to really help reveal insightful information that can further refine your hypothesis. And the idea is: you use the framework to start a case until you find that new insightful piece of information, and then oftentimes you will deviate from the framework to use a more appropriate problem solving approach or an issue tree to resolve a particular issue, once you have discovered it.

00:02:28

So in this particular case, the candidate was mechanically going through the framework, and really just glossed over this insightful information that was revealed through his questioning. So those three things: notice how *he gets sort of lucky on his getting the final answer correct* without using a systematic process; the second thing to notice is *jumping around a lot*, which is very confusing; and then the third is *not really asking enough follow-up questions on specific insightful information* that was revealed in the case.

So those are the three major issues. And let me give you some context as to why this is important from an interviewer's standpoint. You see, clients are very good at understanding their business. They have a very good feel and intuitive grasp of what is going on in their business. And so they don't need consultants to give them new ideas. Where consultants can often add value is by quantifying the ideas the clients already have, right?

> So if they're debating between options A and B, they don't need a consultant to say, "Option A and B – those are good options." They need a consultant to say, "Option A would produce *this* kind of income; Option B would produce *this* kind of income." Or, "Option A would require *this* specific amount of cost; Option B would required *this* amount of specific cost." So a big part of the consulting value for clients is quantifying numerically a particular option or idea that a client has.
>
> So that's why it's not good enough to just get the answer right, you have to get the answer right in a very particular way that is useful to the clients, and that whole process I think is very, very important. So with that, let's go ahead and listen to this particular case, which again I would say is probably a C+ or perhaps a B- case at best. And listen for these three mistakes: the unstructured nature of the question asking, and how the person got a little lucky by the end; jumping around a lot; and then not asking follow-up questions when insightful information was revealed by the interviewer in the case.

00:04:22

Interviewer: The company, the case I'm about to give you, comes from many years ago, so whatever you think you might know about modern day life, you can't assume it's true. So this is from maybe a few years ago… we'll call it five, ten, fifteen years, I'm not sure of the exact timeframe. This company is a software company. They produce a software that's actually really a service that's delivered via the internet. And the service is one that allows website owners in large companies to really analyze and track what's going on on their websites, for the purposes of figuring out who's doing what, and how to make more money online. And this company's business has stopped growing. It's been growing very quickly the past couple of years, but this year in particular, it's been flat. And the CEO hears you're this great management consultant, and would ask you to help them out and figure out, "How do I get this company growing again?" And so go ahead and take it away.

Candidate: Okay.

Interviewer: Actually, one other thing I forgot to mention, since we're on the phone, if you plan to write anything or draw anything, and you want me to do the same, just verbally say, you know, "on the left hand side do this," "right part of the page, write this word," or whatever you want me to do, so I can visually follow along, which would be a good idea.

Candidate: Okay, sure. I have a couple of clarifying questions, if you don't mind.

Interviewer: Sure.

Candidate: So if I understand this correctly, this company – we're going ten, fifteen years back, they provide an internet service that basically provides sort of, we'll say,

"analytics" to let the customer know what's going on in their website, and has recently stopped growing.

Interviewer: Correct.

Candidate: Okay. And is growth measured in revenue, or in number of customers?

Interviewer: Both, actually.

Candidate: May I have a moment to sort of collect my thoughts?

Interviewer: Sure, of course.

Candidate: Okay. So I think the approach I would like to take is: sort of start off by looking at who they are selling the product to and how that has changed between the time when they were growing and now. And then next, look at the competition and see if the growth problem is confined to this company, or just sort of an industry problem. And then move on to understanding more about how their product is different than their competitors, and what their selling point is. Does that sound like a reasonable approach?

00:06:20

Interviewer: Sure.

Candidate: Okay. So I'll start off with the customers. Is there a particular type of website they cater to, in terms of size or industry?

Interviewer: Yeah, actually this company sells to two different kinds of customers. They sell to small businesses, as well as to Fortune 500 (you know, very big companies, so we'll call them Fortune 2000).

Candidate: Okay. So are they selling the exact same product, or do they have a different sheet of products for small business versus the big —

Interviewer: The core service is the same, but the Fortune 500 websites – you know, they're bigger, they have much more traffic – so they do charge more for the big websites, and that tends to be larger companies.

Candidate: Okay. So do we know who the biggest type of customer is, the break down between the small business and Fortune 500?

Interviewer: We don't have any more detail on that; those are just the two major categories of business that they track.

Candidate: Okay. So in terms of their competition, has the entire industry been slowing down growth, or is it confined to this company?

Interviewer: Actually, there is very little information. This is the company that pioneered the industry, so there really isn't a lot of data. There aren't really any competitors, and so there really isn't a lot of industry data.

Candidate: Okay. So does that mean they don't have very many competitors?

Interviewer: They don't have any competitors. The only competitors they have— sometimes, big companies will custom create their own software to do this functionality, but generally it's a very, very new industry with not a lot of information, unfortunately.

Candidate: Okay. And I would like to look at the cost involved in developing this product. Do we have any breakdown of that?

Interviewer: The R&D costs? Or the operating costs?

Candidate: Can we start with the R&D costs?

> Okay, I'm going to do a quick "time out" here, and ask you a pop quiz question. What is the problem we're trying to solve with this case? What is the problem the client has asked us to solve in this case? So I'm going to pause for a second, if you can say it out loud as you're listening to this – what is the problem we are trying to solve for this case?
> **00:08:09**
> If you'll recall, the problem is that the client has flat sales, and is trying to figure out how to grow sales again. And so it begs the question of why this candidate is asking about costs, you know, R&D costs. It's sort of random, it seems unrelated, it seems unnecessary, and I think the better response in this particular case would be one of two things: either to not really ask questions about costs at all, because arguably they are not important, or not relevant for growing sales; or if this candidate has a hypothesis, that perhaps, you know, if R&D costs are really low or high, then perhaps, you know, big companies would make their own custom software, rather than buy it.
> You know, if the candidate has some sort of hypothesis like that, it would be better to state and refine the hypothesis, indicate what data you need, and then if cost falls into that, then that's appropriate.   And perhaps the hypothesis is wrong – which is fine, that's not a big deal. You don't get hurt in a case interview if your hypothesis is incorrect. You do get hurt if you don't actually state the hypothesis. You do get hurt in terms of your performance on a case, if you don't ask for the right information to test your hypothesis.
> So in this particular case, this candidate started asking about R&D costs that in my view weren't relevant, and second, did not indicate that he was going after a new hypothesis. So I could not really figure out why the candidate was asking about costs, and he didn't bother explaining it. So I think this is a mistake, and I would encourage you not to make the same mistake when you do a case.

Interviewer: Sure. R&D took about, let's call it – $2,000,000 to fund the R&D, most of that has been incurred and has been paid for, and the ongoing costs are really not that expensive. And there is some ongoing R&D, which we'll say it runs maybe $200,000 a year for this very small company. And then we have technology costs, which is maybe another $200,000 a year.

00:10:16

Candidate: Okay. So they've already paid for much of the R&D, and they're more focused on selling the product now, instead of —

Interviewer: Yes, let's assume that's the case.

Candidate: Okay. And what about the operating costs for running the company?

Interviewer: As I mentioned, the ongoing costs, we'll call it $200,000 for technology, $200,000 for the R&D team to maintain the system, and let's say they have another, let's call it $3,000,000 a year in overhead in terms of mostly staff, mostly sales and marketing, and customer service.

Candidate: Okay. And have these costs changed recently between the time when it was growing and now?

Interviewer: The costs have remained fairly constant.

Candidate: Okay. So I'm thinking since the costs have remained fairly constant, and they're not getting any more profit, it seems to be that they're not bringing in any more customers. Or, they're getting the same amount of new customers, as they're losing old customers. So can we maybe take a look at how they're gaining their revenue? How they're charging the customers? Is it a one-time fee or is it sort of a monthly license fee?

> So notice now that the candidate is switching away from the cost analysis back to the revenue side, and so now wants to look more around revenues. And that's important, because it's the right area to go. Unfortunately, we've lost two, three or four minutes in analyzing cost. Now, that's not necessarily a deal breaker, doesn't have to necessarily ruin the whole case, but it does take up time. And in a lot of cases, you need the full thirty, forty minutes to solve the whole case, assuming you don't go down any paths that are really unnecessary. So again, it's just a bad habit, it's an unnecessary use of time, and something I would caution you against.

Interviewer: It's a monthly subscription fee, so kind of like the utility company, you just pay it every month.

00:12:02

Candidate: Okay. So the customers have the option of opting out every month?

Interviewer: That's true.

Candidate: And do we have any data on the customers that have remained on board versus new customers, and the ones they're losing?

Interviewer: I would say that the customers that are canceling skews very heavily towards small businesses, and in the company's history, a Fortune 500 client has never cancelled.

Candidate: Do we know the reasons why small businesses are canceling?

Interviewer: Yes, the feedback indicates that they don't feel the software provides a return on investment for them.

Candidate: Okay. So they're feeling the software is, I guess, costing them more to buy from them than it's giving them money?

Interviewer: Correct. And mostly the role of the software is to increase sales online. And so those who cancel, they feel that it's not increasing sales at all, or enough to justify the cost.

Candidate: And these small businesses, once they cancel their subscription, are they developing their own product?

Interviewer: No, they're not.

Candidate: Okay. And I would like to understand the product a little better. You say it helps increase the sales online, and it does this just by providing feedback to the subscribers on how the website's doing?

Interviewer: Yes. It provides feedback on what customers or visitors on their websites are doing, if they're not going to the pages of the website that help produce revenue – either buying something, or in other cases, filling out a form to request more information which might lead to a sale off line. And it really helps them figure out how do you funnel people to the most profitable parts of the website, and gives them that feedback, in terms of what they need to do differently to make that happen better.

Candidate: Okay. Well, those sound like pretty useful features for a website to have, and I find it interesting that the small businesses aren't finding their return on investment. Do we know if it's a pricing problem? Or are they having quality issues and performance issues with this product?

Interviewer: The performance issues… there don't seem to be any issues. The software works as advertised.

Candidate: Okay. So in terms of pricing, do they feel it's too expensive for them to maintain?

Interviewer: Of the small business customers, you mean?

Candidate: Yes.

Interviewer: Well, factually speaking, they pay $50 a month.

Candidate: I'm sorry, they pay $50?

Interviewer: $50 a month.

Candidate: Okay. So the pricing is basically broken down to when they first buy the software, and then just continuing with $50 a month?

00:14:02

Interviewer: Actually, it's only just $50 a month. There is no up front fee.

Candidate: For the small customers, does the company dedicate less resources to customer service than they do for the Fortune 500?

Interviewer: Actually, they devote more.

Candidate: They devote more, okay. Is there a reason for this, because it seems like small business wouldn't require as much attention as a large Fortune 500 customer?

Interviewer: The historical reason has been that there are more small business customers, so they have allocated more people to support them.

Candidate: When you say the company dedicates more service representatives to small businesses, do you mean: when you add up all the number of representatives in the small business segment, there's more; or there's more per customer, per small business, compared to a large company?

Interviewer: In terms of number of users, I would say Fortune 500 companies have more users. But in terms of number of accounts, the company has more small business accounts than Fortune 500 accounts.

Candidate: Okay. So if I'm understanding this properly, is this company more focused on Fortune 500 than small businesses then?

Interviewer: This company is more focused on small business than Fortune 500.

Candidate: And do we know the growth rates for each of these customer segments?

> So here I mentioned that the company's more focused on selling to small business customers than the Fortune 500, and the candidate, through his voice

> inflection and reaction, thinks this is interesting. What the candidate did *not* do was ask, "Well, what percentage of the business is focused on small business versus Fortune 500?"
>
> So I mentioned previously that: *we need to quantify interesting observations and trends*. So it's not good enough to say, "Okay, this company is mostly focused on small business." Are we talking 51 percent of sales, are we talking 95 percent of sales, or something in between? So it's useful to get that level of precision. It doesn't need to be like to the fifth decimal point or anything like that, but it is a good habit to start asking for approximate numbers, just to get a better feel for a particular pattern you are seeing emerge in a particular case.

Interviewer: No, we don't, the industry is too new, there's no hard data on that, but we'll say that the proportion or mix between the two within the company, I would say is: the small business segment has been shrinking a little, and the Fortune 500 segment has been growing a little, in terms of number of accounts within the company.

00:16:11

Candidate: Okay. So it seems the company is losing small business accounts, and sort of making up a little bit of that on the Fortune 500 accounts, and the total growth rate is pretty flat as a result of that. Is that correct?

Interviewer: Yes.

Candidate: So how does this company go about acquiring new customers?

Interviewer: A lot through publicity and word of mouth, because it's such a new company and really one of the pioneers in this particular industry. They get written up a lot, it's in the news in terms of the internet publications, and people end up finding their way to them, typically.

Candidate: And just to confirm, you said there was no data on the revenue, correct?

Interviewer: Data on which?

Candidate: On the revenue? How it's been growing or changing?

Interviewer: We have data on revenue. Revenue overall for the company, again, has been flat. Revenue from small businesses has maybe declined 5 or 10 percent, and revenue from the Fortune 500 has grown by a couple of percentages, typically about 5 to 10 percent over the past year.

Candidate: Okay. So it seems to me the problem lies in the small business segment of the customers, since it has been declining, and I would like to sort of break that problem down a bit and see why that is.

Interviewer: Okay.

Candidate: Have small businesses – the category in general – has their profits been declining in recent years that's corresponding to this stop in growth for our company?

So in this particular case, the candidate has tried to synthesize what he's discovered so far in the case, which is a good thing to do and a good habit to have, but the conclusion that was derived and stated was, I think, a little bit on the weak side. So the candidate said, "It seems like the problem lies in the small business segment of the customers," which is actually in fact true, and the candidate says they want to break down the problem a bit, and see why that's happening. Now the problem with this conclusion – the reason it's weak – is the candidate is not actually *citing specific data*. Now a better answer would be, "Since small businesses comprise 90 percent (or 95 percent) of revenues, and they are not buying, it seems like the majority of the problem is in the small business segments, and we need to analyze why sales are not growing in that particular segment." So the answer I gave includes data, it cites specific facts, and that's something that this particular candidate did not do.

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The second problem with this transition is that the candidate did make an attempt to synthesize and to create an interim conclusion, which again is good, it would be better if the person had used some facts. And as the candidate transitions to a new set of analysis to figure out and analyze this more specific problem of "why are the small business customers not buying," there was no set up of a framework or no issue tree – no lists of the two or three major areas and pieces of data you would need to figure that out.

So for example, I might say, "Since 90 percent of the revenue is coming out of the small business segment (or 90 percent or so), it seems like if we can solve and turn around the flat revenues in the small business segment, we can solve this problem. Therefore, I would like to analyze the small business segment in more detail, and specifically, I'd like to look at the total revenues of that segment, the prices we're charging that segment, and the volume or number of clients we have in that segment, to figure out why sales are now flat."

So that's an example of a framework, sort of a twist on the profitability framework. It can also be set up as an issue tree, which basically indicates the key pieces of information you need to determine the outcome of a particular analysis, that whenever you make this kind of transition, *you want to synthesize and conclude strongly, based on hard data,* and then *you want to indicate where you're intending to go, and what data you need to test the hypothesis that you now have*. Which is: this problem is really a small business segment problem.

So that habit is a good habit to get into, and this candidate did not do that, which I think was a mistake, and actually did hurt in the overall performance of the case interview.

00:20:06

Interviewer: I would say for the small business customers, their revenues online have been
                fairly flat.

Candidate: Okay. What about their costs?

Interviewer: Overall? We don't have any data on that.

Candidate: Okay. And when these small business customers cancel their accounts, what first
                feedback are they providing to our client?

Interviewer: The feedback really is that the software is not successful —

Candidate: It's not helping?

Interviewer: The feedback was that the software is not helping them make more money, and
                it's not increasing their website visits at all.

Candidate: Okay. So right now it seems that the small businesses, that their revenues aren't
                growing in recent years. And perhaps as a result of that, they are feeling that this
                new software – because it is ten or 15 years ago, online advertising is not big yet –
                it's not helping them grow their revenue at all. And is there information on how
                they can improve this product to make it more friendly to these small businesses?

> Here is an example of the candidate actually glossing over, and missing
> an important piece of new information. You'll notice earlier I said that in
> response to the question of, "What do small business clients say when they
> cancel the software; what is the feedback?" I said that the feedback from the
> clients was that the software is not helpful to them in making more money, and
> basically, it's not increasing their website visits at all. And that's an important
> piece of information, because the product doesn't actually— isn't designed to
> increase website visits. It's designed to make the existing website visitors more
> profitable.
> So there was a 'disconnect' there, that ideally the candidate should have
> picked up on and tried to understand why that is the case. And the candidate
> missed it, and therefore kept going down a particular path that ultimately did not
> end up being particularly useful.
> *So it's important, as you are asking these questions, to actually very
> carefully listen to the answers, to figure out if there is some piece of either new
> information, and especially if there is some information that is counter-intuitive
> or unexpected.* Whenever you get that, you need to take a timeout, pause for a
> second, and try to really fully understand the implications and ramifications of
> that new piece of information. And that's something that this candidate did not
> do.

00:22:23

Interviewer: There doesn't seem to be much information on that.

Candidate: Okay. I'll be honest; I'm sort of stuck here. I'm not sure which part to look into next.

Interviewer: Okay. So let's do this. We'll do a little debrief, then I'll give you some objection, and we can take another crack at it, is that fair?

Candidate: Okay, sure.

Interviewer: So I was a little confused, you started off on sort of what I would term the "business situation framework" – you know, the customers, competitors and products – and then you sort of jumped into costs, and then jumped into revenue. Give me some sense of what you were thinking, and why you made that switch fairly early in the process.

Candidate: Well, when I started with the "business situation framework," I believe we started with competition, and you mentioned that there's the small business and Fortune 500 and— I'm sorry, the competition, you mentioned there was really no competitors for this company, and no sort of data on segmenting, due to lack of competitors. And also, the only customer segments are small business and Fortune 500, and we didn't really have any data on that. And since there's no competition, there really isn't a product differentiation or substitute that the customers can use, so I thought the lack of growth could have been possibly an increase in cost, it's offsetting the increase in revenue for this company. So that's why I sort jumped into costs there.

Interviewer: Okay. So this is very important. I would think— two areas where I think you can focus more on, which I think will be very helpful overall: Number one is get really good clarity in what the question is, and the question was growth, and particularly on the revenue side. And so cost is not as big of a consideration, if the client doesn't care about cost, right?

Candidate: Okay.

Interviewer: So if it's revenue, you focus on growth, basically *price* and *volume* shipments. If it's profitability, then you have to worry about cost. So it's useful to clarify which one – which issue, which one to focus on.

Candidate: Okay.

00:24:02

Interviewer: The second is: Whenever you do the "business situation framework" – I think I probably would teach it a little differently today than when I did it originally – I generally recommend if you are using the "business situation" from the starting point of a case, that you start with the customer first.

Candidate: Okay.

Interviewer: If you're using the "business situation framework" in the middle of a case, where you already have a hypothesis, then you might cherry pick certain parts, just to analyze a very specific part of the business, using that approach. Since you decided to— and by the way, you can solve this case in a variety of different ways, all of which are effective and would count as good. But since you started with the "business situation framework," and it was the first framework you used, and you really have no information, you really need to get a lot more data on the customers, and the questions you asked were just way too superficial.

Candidate: Okay.

Interviewer: So I'm going to ask you a question; I'll give you a couple examples of this. So number one: What are the annual revenues of this company? Do you know?

Candidate: No.

Interviewer: Okay, how many customers do they have?

Candidate: I guess I didn't ask that. I thought they would be broken down by the small business / Fortune 500, but I thought we didn't have any data on those?

Interviewer: You didn't ask for the data. So here's the general rule of thumb. If you ask, you get. If you ask too vaguely, you only get what you asked for.

Candidate: Okay, I see.

Interviewer: All right, and so you have to be very careful. I think if you ask a very general question, like, "How do you solve this case?" I'm not going to give you the answer. If you ask for, "I'd like to know more about the customers," then my usual response is, "Well, what specifically would you like to know?" So it's like— if you watch any of the lawyer shows, it's like a cross examination from a lawyer on the stand, you know, as a witness. You don't volunteer any information. You answer every question honestly, but you don't volunteer anything, unless you're asked specifically, right?

Candidate: Right.

Interviewer: You've kind of got to assume that a little bit. And if you're pretty close and you're asking the right category of questions, I'll volunteer a little bit, but I want to make sure that you thought to ask the right question, because that's an important skill. And then if you did ask the right question, but you ask it in the wrong way, I'll give you the information anyway. But if you ask too generally, then I don't know if you are even aware of what the right question was, and therefore I don't want to volunteer an answer to a question you never asked. So that's the reason we do that.

00:26:04

Candidate: Okay.

Interviewer: So why don't we do this, why don't we start over? Take another crack at it, and if you want to use the "business situation framework," that's fine, but you definitely need to do a much better job on the customer side. And before you move on, particularly early in a case, you got to really feel like you could answer any question, you know— not every question, but you feel like you really understand these customers really well.

Candidate: Okay.

Interviewer: And I don't think you knew that, and you got stuck.

Candidate: Yes.

Interviewer: Let's start over. So I'll kind of do an abbreviated introduction. This is a software company; they do online website tracking software from many years ago. They sell to Fortune 500 companies and small businesses, and the question the CEO is asking is, "How do you help me grow this business, in particular, how do you help me grow sales?"

Candidate: Okay, so I think I'll take your suggestion and perhaps start off this time with the customers in mind.

Interviewer: Okay.

Candidate: So, like you said before, the customers are Fortune 500 as well as small businesses, and I guess, since we do want to grow in sales, do we have the amount of revenue from these customers – the total and perhaps the split, if we have it?

Interviewer: Sure. Revenues overall for the company runs about $110,000 in revenue per month, with $100,000 coming out of small business, and $10,000 coming out of the Fortune 500.

Candidate: Okay, so $100,000 – small; and $10,000 out of the Fortune 500?

Interviewer: Yes.

Candidate: And I think you mentioned before, this has changed over the past couple years, the small business has been declining 5 to 10 percent, and the Fortune 500 has been increasing a bit?

Interviewer: Yes, in terms of total revenues, let's say that small business has been shrinking 5 to 10 percent, and Fortune 500 accounts have been growing by the 5 to 10 percent.

Candidate: Okay. So next thing I'm interested in knowing is if there's a single large customer that is commanding most of the demand from this company. So do we have any data on perhaps its top ten customers, or just the number of customers there are?

Interviewer: Yes, in the small business segment, there are currently, let's see, 1,000…. No, 2,000 customers, and in the Fortune 500 segment, there are ten.

00:28:01

Candidate: There are ten, okay. And for the small businesses, do we have the breakdown between these customers? Is there sort of one that pops out that's controlling a lot of the revenue for this company?

Interviewer: No, they're all similarly sized in terms of what they pay to the company. The average revenue per customer for small businesses is about $50, and there's not a lot of variation, $50 per month. And there's not a lot of variation in that pricing for that particular type of customer.

Candidate: Okay, so you mentioned that for the small businesses, it's about $100,000 revenue with 2,000 customers?

Interviewer: Yes.

Candidate: So that's about $500 per customer for small businesses, and $10,000 per customer— or $1,000 per customer for Fortune 500s. Do we know why there's a discrepancy between the amount that has been paid out?

Interviewer: Yes, that's a good question. Yes, the Fortune 500 websites are much bigger, and the pricing models are geared somewhat along the usage, and the Fortune 500 companies just have a lot more visitors on the website, and therefore they have to pay more.

Candidate: Okay. So are they getting more features for paying more?

Interviewer: No, just simply more capacity, I guess, is probably the best way to say that.

Candidate: Okay, I see. So it really looks like this company is highly dependent on its small business customers. Does it have any sort of program to help retain these customers, such as longer contracts and discounts, or something along those lines?

> Now you'll notice here that the candidate is really kind of guessing a little bit. I think the person has an intuitive sense of what's going on, but the way they are asking questions is very hard to follow. So for example, what is the hypothesis that the candidate is trying to test (where getting information about the retention program would be useful)? If there is a new hypothesis, what is the new hypothesis? What is the issue tree or the key pieces of information this candidate needs to address the new hypothesis, and to test whether it's true or not? What is the interim conclusion that we've learned so far?

> So right now at this point, the candidate really, I think, is not clear on what to do next, and is basically guessing and taking stabs in the dark, and trying to hopefully get a little lucky. And you'll find out later as the case wraps up, they actually did get lucky, they did sort of figure out the core issue. But it was in such a random way that was very hard to follow, and very difficult, from an interviewer's standpoint, to have the confidence that this candidate could solve the next case, or a real case with a client, when you're not there to watch and oversee them.
>
> **00:30:22**
> And that's always what's happening in the back of the interviewer's mind. It's not just: did you do well on the case? But: will you do well if they put you on a plane to Cleveland, Ohio – which I did, I was put on a plane to Cleveland, Ohio – and by yourself, for a month with a client on your first or second week at work, and will they be okay? Will they be able to figure this stuff out? Or were they just really lucky in getting the right answer? Or did they follow a systematic process that would consistently get them to the right answer eventually?
>
> And so in this particular case, the candidate is just asking random questions, and so my confidence as an interviewer is— he might have gotten the right answer by the end of this – which he did – but could he do it again? I really have my doubts, and so that's why I did not end up giving him a pass on to the next round.

Interviewer: Actually, all the contracts are month to month. And they don't currently have any sort of active program around what you describe.

Candidate: Okay, so these small businesses in general, you said they're spread across all industries, correct, there's no one big segment that there is?

Interviewer: That's true, fairly diversified.

Candidate: And are the lost accounts coming from payments across the board as well?

Interviewer: Actually, all of the lost accounts are coming out of the small business segment.

Candidate: Do we have any information on the typical revenue for one of these small business customers?

Interviewer: Let's say, overall revenues – maybe $100,000; online revenues – zero.

Candidate: Okay, so these small businesses are basically making no money with their online advertising?

Interviewer: That's correct.

Candidate: Okay, since we've given the software for analyzing the website, do we know if there's been a huge change in traffic after years?

Interviewer: Traffic to whom?

00:32:00

Candidate: Traffic to the customers – the customer's website?

Interviewer: Actually, the company does have some data on that, and there has not been that much change in traffic. And nor is the software designed to increase traffic; it's simply designed to analyze the existing traffic.

Candidate: There has been no change in traffic, between when our client was growing between now, when the growth is stagnant, in terms of the small business websites?

Interviewer: The way it works is that this software is designed to take whatever traffic you already have, and help you make more money from the traffic you already got.

Candidate: Okay.

Interviewer: And they have noticed that in the small business segment, the small business websites have not seen much increase in traffic.

Candidate: Okay, since there's nothing really the software can do to help to increase traffic, it can only work with what these companies have, I guess that's the small business company's justification for not continuing to use this product?

Interviewer: Yes.

Candidate: Okay, so looking at these Fortune 500 companies, do we have a breakdown between their online revenue, and their perhaps more traditional channels of revenue?

Interviewer: Yeah, most of these companies – they do $4 billion a year in sales. Online revenues are probably, at this point, are probably around $4 million.

Candidate: Okay. So it seems that the Fortune 500 companies are at least getting some money out of their online channel. And could this be related to them having more resources to bring in traffic, doing the marketing, and then making a website?

Interviewer: Yeah, I think that's a fair statement.

Candidate: Okay. So there's more traffic for our client's software to work with, to help them come up with more interesting and informative numbers than perhaps the small businesses have.

Interviewer: Yes.

Candidate: Okay, I believe that's enough information that I have on the customers to make some decisions. Are there any areas you feel we should still cover?

Interviewer: Up to you.

Candidate: Okay, I think we're good to go here.

Interviewer: Okay.

Candidate: Okay, so just before I start to make any conclusions, I would just like to know a little bit more about the product.

Interviewer: Okay.

Candidate: Does the company have any plans to make any drastic changes to the product in the near future, perhaps in the introduction? Or are they just sort of sticking with it, and trying to grow the current business?

Interviewer: No major changes to the product are planned.

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> So here we are in the midst of the "business situation framework," and the candidate is about to make a conclusion. And before they make a conclusion, they actually jump back to the product section of the situation framework, and it's not exactly clear why. Is there a new hypothesis, that they need another piece of information? Did they forget to ask something, and they want to come back for a second? If that's the case, the candidate ought to say that. And so again, it's just very, very hard to follow.

Candidate: Okay. I'll just briefly jump back to customers, if you don't mind.

Interviewer: Sure.

> So now we're jumping yet again, this time from products to customers. And I was originally thinking that we were going to have a conclusion here, and so you notice that this, again, is very confusing. The candidate is simply jumping around and around and around, and what this really is – it's a symptom of a candidate that doesn't really have a hypothesis. They're coming up with ideas, and rather than having a hypothesis and systematically testing it with data, they are coming up with an idea, and then trying to ask and guess: Is this it? Is this it? Is this it? And that's what it feels like on the receiving side, as an interviewer, when a candidate is jumping around all the time, and they're not following a systematic approach. They're just intuitively guessing, and trying to

> figure out if their pet idea is correct or not, rather than having a testable
> hypothesis that can objectively be verified with data, which is the preferred
> approach, particularly in case interviews.

Candidate: In terms of how they acquire these customers, is it much more difficult to acquire
a large customer than compared to a small business, in their past experience?

Interviewer: Actually, not really. Right now most of the big customers, they're calling in
asking to buy, and then they got to find someone who is around to take the phone
call, and basically they'll sign them up.

Candidate: And our client, they currently have enough capacity, in terms of their staff, to
handle all of this?

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Interviewer: Not really. They really don't have a sales force devoted to the Fortune 500
accounts.

Candidate: Okay. They do have one devoted to small business?

Interviewer: Most of the small businesses, they buy online, so there's no sales force either. But
there is a mechanism to buy online, but big companies don't like to buy online.

Candidate: Okay. I think I have enough information to make a preliminary conclusion and
recommendation.

Interviewer: Okay, sure.

Candidate: Based on the information you gave, our client's current core business is in smaller
companies, and not Fortune 500s. However, the profits have been – or revenue
has been – declining, because the small business segment is shrinking, and the
Fortune 500 are expanding. So based on those, I would recommend that the client
focus on the Fortune 500 customers a bit more and capture that growth, because
for the Fortune 500 customers, they're getting a thousand per customer, versus
only half of that for small business. It is a growing segment, and the Fortune 500s
have the ability themselves to do the marketing and bring in the traffic to the
websites, which then the software can take advantage of and analyze and bring
benefit to our client's customers.

The second course of action is perhaps for our client to consider helping the small
businesses bring in more traffic. I know it is not their core business, but perhaps
if their company has some ability to help them with website design, based on the
analytics we provide, it can provide a more attractive place for customers to come
in, increasing traffic. And also be to create a dedicated sales force to go ahead
and push this product. So that, plus the word of mouth you mentioned, could
perhaps bring in more customers, and then generate more revenue for the future.

Interviewer: Okay, great.

Candidate: Okay, yeah, I think those are what I got out of it.

Interviewer: Okay, good. Are you ready for a little debrief?

Candidate: Yes.

Interviewer: So here's what I think. Overall, I think you came to the right conclusion. The process you took though, I think it wasn't as systematic as it could be. But you had to like— I just felt like the questions you were asking were— they felt a little random, like you kind of— not like you had a series of —

00:38:02

Candidate: Jumped around a bit.

Interviewer: Yeah, a little roundabout, a little random, and I felt like you kind of by chance got the right questions and got the right answer. When a candidate does that, I always wonder, "If I were to leave them alone in a client situation by themselves for two weeks, are their skills good enough and consistent enough that they would systematically ask the right questions every single time, and get the right information, and come to the right conclusion?" So it kind of felt like you stumbled upon the answers in this case, as opposed to you systematically hunted down the right information.

Candidate: Yeah, definitely I— yes, the way I asked the questions wasn't very convincing that it was a repeatable process.

Interviewer: Fair enough. So that's probably the main thing. And I think that generally, the other thing to pay attention to is: when you get an answer to a question that you asked, you got to *have some sort of assessment as to whether that's the answer you were expecting. And if it wasn't something— if it was a little surprising, it is worth trying to figure out why it was surprising to you.* So an example of this is: you asked, "What was the mix of people who cancel," right?

Candidate: Yes.

Interviewer: And I said, "It was always the small business clients that were canceling." And I think, from your voice inflection, that that was an interesting nugget of information, which it was intended to be. But you didn't ask, "Well, how many people are canceling?"

Candidate: Okay.

Interviewer: Right, so, "How big a problem is cancellations?" And you did ask, "Why did they cancel," which was great. You kind of got to, "How come the big companies don't cancel," you sort of inferred that. You could just ask, "Why did the big

companies not cancel," and I would have given you the information. So I think that *when you get a new piece of information, it's worth stepping back for a second and saying, "Okay, is that unusual? If so, why, and what does this prompt me to further ask?"*

Candidate: Okay.

Interviewer: And when I find candidates who are really good at being very systematic, that's the way they do it. They start off much like you did, sort of, "I have no idea what's going on, I'm just going to ask some basic questions," which is what the framework is useful for. And where they would differentiate, I would say, is *when they get a couple of useful, interesting nuggets of information, they will chase those down to a logical conclusion,* rather than just keep asking questions in this little bit haphazard way.