

In this next case example, you will find a candidate that I think delivered maybe like a B-level performance, so better than the case prior, but probably still not good enough to actually pass to the next round or to get an offer. And there are, I would say, two key mistakes this person made that I want you to pay attention to.

The first is: when the candidate would ask for data, like, “Are sales up or down?” (that kind of thing), they had *a habit of not asking for numerical data*. So which segment is larger – Segment A or Segment B – and that’s what the candidate would ask, instead of asking, “by how much?” *So with all cases, you do want to ask for numbers*. You may not want to ask for them right away, but you do need to ask for them at some point. And so this person would tend to avoid the numbers, which makes his answers and his question-asking a little bit imprecise.

The second big mistake, in addition to not asking for numerical data, was: this person really did not do a good job of process of elimination. So with all cases, typically what happens is if there are four areas of concern – so perhaps in the business situation framework: customers, competitors, products and the company – *oftentimes the answer is only in one of the four areas*. Or in a profitability framework – revenues versus costs – *oftentimes the answer is in revenue or costs, and rarely is it in both*. And a big part of the case, early in the case, is to eliminate which part of the options it is *not*.

So if the case involves profitability and it ends up being a cost problem, at some point in the case you want to say, “I’ve exhausted all the analysis I can do on the revenue side, and clearly we cannot fix this problem on revenue alone. Therefore, I’m going to eliminate this as an option,” and literally cross it off on a piece of paper [if you’re using paper], and say, “I want to focus the remainder of our time on costs.”

That’s the way you’re supposed to do it, and this candidate did not. They would leave lots of potential areas of investigation open and not really close any of them out. And the problem with this is: you never really get to a firm conclusion, because there is always something you need to go back to. So your conclusions never are firm. They tend to be tentative, and when you layer in not asking for numerical data, the answers are not very precise, and it takes a long time to actually get to the end conclusion.

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So in this particular case, I think the candidate did end up getting the right answer, but the process the person used to get there – I think was not at the level or caliber that I would be looking for if I were interviewing candidates. On that note, let’s go ahead and get started with this particular case.

Interviewer: This next company – it’s a small business, a local business. They’re in the business of manufacturing and printing, and installing signs for businesses in the community. Sales have really dropped a lot and the company is obviously very concerned about that, and has asked you to help them figure out how to start growing again.

### Case 3 – Signs – Ex 2 – Transcript

Candidate: Okay. Just to confirm, it's a local business, they're in the business of manufacturing, printing and installing signs, and their sales have recently dropped and they are concerned and they want to grow again?

Interviewer: Yes.

Candidate: Okay, may I have a moment?

Interviewer: Sure.

Candidate: Okay, so I think I'm ready to begin.

Interviewer: Okay.

Candidate: Okay, so you mentioned they're trying to increase their sales so it seems like it's a revenue problem. I would like to begin by investigating the customers of this company, who they're selling to and the growth rates in them.

Interviewer: Okay.

Candidate: And then perhaps take a look at what they're offering these customers, they have a big selection of signs, or sort of a standard "cookie cutter" product. And then take a look at the competition they're up against – if there's a big competitor that's sucking away all the market share; and lastly, look at what this company is good at and what they offer that's different from the competition.

Interviewer: Okay. Sure.

So in this particular situation, the candidate has opted to go after a business situation framework. And I think this would not have been my first choice of frameworks. It is possible to successfully solve this case using this approach, but you'd have to transition in the middle. And the reason I think it's not the right approach is when we finally figure out if we should enter a market or introduce a new product at a conceptual level, then I think it makes sense to use the business situation framework.

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In this particular case, we're trying to fix a revenue growth problem, so in all likelihood there is numerical data, so we know what sales are, we know what sales were, and so there is math that can be done to sort of further isolate what's exactly wrong with sales. So – "Is pricing down?" or "Is volume down?" or "Is one product line down versus another?" and that kind of thing. When you're entering a new market, there really is no company data, and so therefore you have to end up being a little more conceptual in using the business situation framework.

So in this particular case, I think it would have been more appropriate to really do a revenue analysis by looking at the components of revenue. And a good way to phrase this would be, "I'd like to look – it sounds like it is a revenue

problem; I'd like to look at the revenue side in a little more detail. Can we break down revenue into its parts, or where does the revenue come from today?" That's a great way to phrase it, "Where does the client's revenue come from today?" And then ask, "In comparison to last year, what does it look like?" *And get some actual numerical data.*

As this candidate proceeds with the business situation framework, I actually give him lots of data around sales, quantitative data. Then he uses it; he does end up in sort of the right frame of mind, in terms of what's going wrong with this particular company. But it's just a little awkward to do numerical data within the business situation framework. It's a lot cleaner if you did it up front as a straightforward revenue analysis.

Candidate: So just to start off, I would like to know who their customers are. Are they just local companies, or is there a national presence as well?

Interviewer: These are local businesses, generally within 50 miles of this company's place of business.

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Candidate: Okay. Is there a particular type of business that our client sells to?

Interviewer: Generally businesses with a retail presence, so retail stores.

Candidate: Okay. Do we have a break down of the distribution of revenue among the customers?

Interviewer: No, we don't. We do know overall revenues today are about \$20,000 a month.

Candidate: Okay. And this \$20,000 a month – has this been dropping? You mentioned it's been dropping in sales, but has the total revenue been dropping as well?

Interviewer: Yes, revenues have dropped from about \$30,000 a month to \$20,000 a month over the past– let's call it the past year.

Candidate: Has this company been losing customers?

Interviewer: Yes, I'd say they have.

Candidate: Does our client know why these customers have chosen to discontinue to use their product?

Interviewer: Yes, they do. The main product the company sells are what we call illuminated street signs, or illuminated signs rather, so these are the signs that light up at night, that go above a local business, kind of like a Starbucks but for small businesses.

Candidate: Okay, I know what you mean.

### Case 3 – Signs – Ex 2 – Transcript

- Interviewer: Yes. And the customers, the feedback has been you only need those signs when you start a new business, and there aren't a lot of new businesses starting in their particular area.
- Candidate: So if I'm understanding this correctly, most customers sort of just go to them once and then they never hear from them again, because their business is off and running and they don't need any more signs?
- Interviewer: That's probably the most common use and their most historical use. The company also will sell plastic banners more for temporary use.
- Candidate: Okay.
- Interviewer: That is sold at well. But that's a newer area that they have not historically focused much on until this year.
- Candidate: Okay. Now how many customers are there in total for this company?
- Interviewer: In a typical month these days they will probably have 35 buyers in a month.
- Candidate: Okay.
- Interviewer: And that's an increase from about 30 buyers a month in the past.
- Candidate: Okay, that is surprising, so they have an increase in buyers but a decrease in revenue?
- Interviewer: Correct.

So two things to note here – one is: notice the candidate's tone of voice and how surprised he is by this new piece of information. These moments in cases are extremely important. *When you discover some piece of information that is a little counter intuitive – information that you were not expecting but you did uncover – often times, that's the critical piece in trying to crack a case.* So these proceeding seconds are extremely critical, and that's the first thing to notice.

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The second is: when you discover something like this, it is useful to *extrapolate out what its implications are.* So for example, let me explain this since it's a little confusing. The candidate says, "That is surprising – so the company has seen an increase in the number of buyers but a decrease in revenues." Now here's a pop quiz question for you: logically, what must be true about prices? To have more buyers and more customers but a decrease in overall sales, what must be true about prices? In what direction have they changed?

If you draw it out logically, you find that prices, just mathematically speaking, must have declined. And I'm pretty certain this is what the candidate was thinking in his head. Now he would get more credit if he said it out loud,

and he did not say it out loud. And the advice I'm giving you is you should *say it out loud*. So I would say something like this, "*So that's surprising, so it looks like the client has experienced an increase in the number of buyers, which would normally be very favorable for sales, yet overall sales must have declined, overall sales have declined. Therefore, it must mean that the average price or the average order size must have decreased substantially. Do we have any data to support this?*"

And of course we know it's true, just mathematically, but you always want to *ask for data to verify what you are thinking*. That's a very good concise statement, it shows you're on top of the numbers and you're thinking very quickly about what the numbers mean and not just asking for them. And that subtle difference of thinking through what the numbers mean and interpreting them is something that the candidates who end up getting offers – it's what they do just noticeably better than the candidates who come close.

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So asking for the data is 80 percent of the way they're asking for the data, and *interpreting its meaning in the case and interpreting it out loud is what gets you the extra 20 percent*. So make sure you do that in your own cases.

Candidate: So how has this company – have they changed their cost structure recently that's resulting in this loss in revenue?

Interviewer: They have not changed their cost structure much, no.

Candidate: Okay. Okay, sorry I meant to say revenue structure. Have they been charging the same price?

Interviewer: Their price *per product line* has remained the same.

Pay attention to the phrasing that I just used to respond to this candidate's question. The question that the candidate asked was, "Has there been a change, has the company been charging the same price?" And notice what I say, "The price per product line has remained the same, so the price list has remained the same." Now combine that with the information prior we know that the number of customers have gone up, so we know the average order size must have come down if sales have come down, and we know prices have stayed the same. So what must be true? Think about this, what must be true if prices have stayed the same or the price list rather has stayed the same, yet we know sales are down but number of buyers, the number of orders are up?

What must be true is the customer must be buying lower price point products. And I think this candidate was thinking that in his head, and you'll see that in the next couple of questions that he asks that reveals that's his thinking. It would be useful – you get extra points, if you would – if you *say that out loud*. So *it must mean there must be a shift in the product mix* when customers are buying more expensive products to lower price point products, even though the

company hasn't actually changed the price list. Do we have any data to determine whether that is true or not? That's being very hypothesis driven. You got an idea based from the data that makes logical sense, and you're validating it with additional data. That's the preferred way to do it.

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Now we'll hear in the next two minutes or so as the candidate actually gets to the same conclusion, and I think there is nothing wrong with the approach he took – but it would be more like a, to use the American grading system, more like a B+/A- approach, rather than an A/A+ approach. So that's just a very subtle difference I want to point out and make sure that you are aware of.

Candidate: Okay. Just to make sure I have written down the right information here. You said the revenues dropped from \$30,000 last month to \$20,000 this month and the buyers have increased from 30 to 35?

Interviewer: Yes, so their monthly revenues have a drop from \$30,000 to \$20,000 compared to last year, and the number of buyers has increased from about 30 buyers a month last year to about 35 buyers a month this year.

Candidate: Okay, I see. And do we know what these buyers are buying, are they buying the illuminated signs or those plastic banners you're talking about?

Interviewer: There has been a shift. Right now they're selling more of the plastic banners both in units and dollars than before.

Candidate: I see. Do we know what the prices are for these illuminated signs and plastic banners?

Interviewer: Yes. The illuminated signs, let's just assume for argument's sake they are about \$1,000 a piece. And plastic banners let's say for argument's sake, they're \$500 a piece.

Candidate: Okay, I see. So from this data, it look like there's been a market shift to buying illuminated signs to plastic banners, and because the plastic banners bring less revenue, that's causing the company's sales to drop.

Interviewer: That's correct.

Candidate: So for the plastic banners, are there a lot more repeat buyers compared with the illuminated signs?

Interviewer: Actually, most buyers are one-time buyers as well.

Candidate: Okay. And you mentioned the illuminated signs; those are mostly bought by new businesses.

Interviewer: Correct.

### Case 3 – Signs – Ex 2 – Transcript

Candidate: What about these plastic banners?

Interviewer: They're typically bought by businesses that are going out of business.

Candidate: That are going out of business?

Interviewer: Correct.

Candidate: Okay, I find that kind of interesting. So these stores are going out of business, why are they still buying banners?

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Now that candidate's reaction is really I think an indicator of a potential turning point in the case. And I'll quote the candidate, he says, "I find that kind of interesting, so these stores or customers are going out of business but why are they still buying banners?" Okay, it's counter intuitive, it doesn't seem to make sense on the surface. Now the reason I point this out is this moment is where cases are often cracked. This moment when you get some sort of unusual information that is counter intuitive – doesn't make sense, is a little surprising, something unexpected – when you get that information and that is oftentimes where the entire case is cracked, it's at these moments.

And the reason I point it out is because when you get one of these moments, you want to be darn sure that you've thought that through carefully. So if you're going through the case very quickly at these critical moments when you discover something new, that's a great time to slow down and really think through what that means. *Because more often than not, if you ask enough questions around that you will find that you will get the information to crack the case wide open.*

And two additional things, the question you want to ask when you uncover this kind of information that's a little counter intuitive, particularly if the data is numerical. So in this particular case, we know that clients are going out of business, yet they are buying. Their sales have increased as they've gone out of business – doesn't make any sense numerically, right? The answer is not in the quantitative data; the quantitative data doesn't seem to make sense qualitatively. And in these critical moments, the two key questions you want to ask is "why" and "how." *Why and how.* So, what's interesting is– you want to ask, "Why are these customers buying, even though they are going out of business?"

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Now I find candidates that have PhDs, engineering backgrounds, physics, math, hard sciences, those kinds of backgrounds, the bias these people tend to have is they tend to think that all the answers in solving a case come from quantitative analysis. And in this particular case, they get stumped. They don't understand why these customers are buying when in fact– why these customers are buying when these customers are actually going out of business. And there is

no data, there is nothing in the numbers that would indicate and explain why this happens. And what I find is people from math and science backgrounds, they tend to not ask the qualitative questions. And the most common qualitative questions they tend not to ask are “why” and “how.”

So why are these companies still buying, given they are going out of business? That is a great question to ask, but it is a qualitative question. And it’s a vital qualitative question, and this is what I think separates what I find are people who are very bright and very sharp at math, but don’t have some of that common sense side of things, that intuition to really understand what’s the situation from a qualitative standpoint. And I find, particularly at McKinsey when I was doing interviews of PhD grads, this was a big separator between those PhD grads who would end up being good consultants and get offers versus those who were just brilliant at math and science but really didn’t have what it would take to become a good consultant. It’s the ability to ask qualitative questions, and the ability to detect when you need to switch from a quantitative analysis mode to a qualitative one.

You may want to rewind this because it’s actually extremely important. That critical turning point, which you’ve just heard, is where this case can be cracked wide open. So I would encourage you to go back and listen to it again so that you hear it and you can internalize it, and *when you get one of those counter intuitive pieces of information, particularly with some numerical data, you will always want to switch to qualitative to make sure you understand both sides when you get a critical turning point in the case – quantitatively as well as qualitatively.*

Interviewer: They're typically buying banners to advertise going out of business, “everything's on sale” sign.

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Candidate: Okay. So since this is a local business and most of their customers are within 50 miles, is the economic situation in the area adverse right now?

Interviewer: Yes, they're going through an economic downturn, much like other parts of the country.

Candidate: Okay. I think I have enough information on customers for now. And I would like to move on, I guess we mentioned the product a little bit. I would like to move on to the competitors, if you don't mind.

Interviewer: Sure.

Candidate: So the customers that buy these signs, what other sources do they have to buy from in the local region?



### Case 3 – Signs – Ex 2 – Transcript

Interviewer: There are other store signs, store businesses just like this particular company, and there are probably, let's call it five other companies in the area that provide a similar service, particularly on the new store signs.

Candidate: Okay. Do you have a breakdown of the market share?

Interviewer: Let's say that they all sell roughly in equal amounts of the illuminated signs.

Candidate: Okay. And are these competitors local competitors as well, or are they sort of on a national level?

Interviewer: No, they're local.

Candidate: Okay. So they're not seeing competition from companies that are much larger than they are?

Interviewer: Assume not.

Candidate: Okay. Now, I would like to learn a little bit more about the company itself.

Interviewer: Okay.

Here the candidate has decided to switch gears and shift from competition analysis to understanding more about the client or company itself. And I think that is an appropriate transition. The problem I have with how this transition was executed is it's not clear why this candidate is transitioning now. And I did speak to this candidate afterwards and this person – they were fairly hypothesis driven in their head, so clearly this candidate was trying to find some piece of information, had some idea they wanted to test. The problem though with how they made this transition was: it's not clear what that hypothesis is, and it's very important for you to state explicitly what is your hypothesis. You know, "My hypothesis is that there's an opportunity over here, not over there," that kind of thing, or if that's a little awkward for you, it's equally acceptable to just think out loud. You know, what are your reactions to what you're discovering, what are you thinking now? What are you curious about? Oftentimes that is indicative of what your hypothesis is, even if you may not be familiar with the term "hypothesis."

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So for example, when I was interviewing as a candidate, I never really ever said – in sixty odd case interviews, I never said the word "hypothesis." What I did do was I would think out loud, and when I was thinking out loud, I would basically, without realizing it, I was essentially refining my hypothesis based on the new information provided by the interviewer. And so they could tell I was being hypothesis-driven. They knew what the hypothesis was and then when I explained what data I wanted to see, they could see that the data I requested would in fact determine whether my hypothesis was correct or not. It was a way to test my idea.

And so it's possible to go through the whole process without using the word "hypothesis," but if you do that, you do have to think out loud, particularly as you switch from one part of a framework to another. So switching from a competitor analysis to a customer analysis, for example, in the business situation framework, or from competitor analysis to client or company analysis – that's another transition. In the profitability framework, when you switch from revenues to costs, or fixed costs to variable costs, or costs from product A versus costs from product B, anything like that. Anytime you switch gears, it's very useful to state what you think you know and what you're thinking, and if you can even use the word "hypothesis," or refine what the core idea you have in mind that you want to test, that would be even better.

Candidate: You said it's a local business. Is it relatively new to the market, or has it been around for a while?

Interviewer: It's been around seven years.

Candidate: Is that similar to what the competitors have been around for?

Interviewer: It varies. Some have been around 15 years, some five years.

Candidate: Okay.

Interviewer: So let me interject if I can for a second.

Candidate: Yes.

Interviewer: What is your hypothesis right now?

So I noticed that during the interview that this candidate was not being really hypothesis-driven, or at least not explicit in saying it out loud. So actually I decided to intervene a little bit, which I would not normally do in a case interview, but since this was a practice case and I was doing some coaching, I decided to interject to really see what was going on. So I asked the candidate, "What is your hypothesis right now?" And what I'd like to do and suggest to you is that you hit 'pause' on your audio player, and out loud explain what you think the hypothesis is.

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And I would encourage you to think about what your hypothesis is, as a first step, and as a second step – and this may seem a little unnecessary – I would encourage you to state what your hypothesis is out loud. Now I know that will probably sound a little weird, and perhaps if you're in a place where you don't have that kind of privacy and don't want to look crazy, you may not want to do it right now. But I would encourage you at various points when I do instruct you to practice saying things out loud.

I do that for a reason. You'll notice everything I do, all my frameworks, all the suggestions, every little tidbit or idea and tip I give is for a very deliberate reason, and sometimes I forget to explain what those reasons are. But I find – and I've done a lot of research on this – is if you listen to what I say, you will learn this material at a moderate level; if you practice out loud what I've been telling you to do, you internalize that idea and it becomes more of a skill and a habit. And what I find is the more you can be involved in actually doing cases and practicing sort of pieces of the case, it will just become more natural rather than just understanding what you're supposed to do at a conceptual level. But when push comes to shove under pressure, you haven't done it enough to actually do it naturally.

So that's why I encourage you to do certain things out loud, even though it might seem kind of foolish to do so. And it may even seem unnecessary, but I definitely recommend it. So go ahead and pause your recorder now and state out loud what your hypothesis is, and once you've done that, please hit 'play' again and you can see what this particular candidate had in mind, in terms of his hypothesis.

Candidate: My hypothesis at the moment is the economic downturn is sort of driving sales down, because it's shifting – the sale of plastic banners, it's driving that up and dropping the sales of the illuminated signs, which you can make double on compared to plastic banners. So more stores are going out of business; less stores are opening up. And that's my hypothesis right now on why the sales have dropped in recent years.

**00:24:03**

Interviewer: Now, is that a hypothesis or is that a conclusion? Hypothesis means you're not sure; you still need information to prove it. Conclusion means you have the data and you've reached a conclusion based on the available information.

Candidate: I guess I'm just hesitant to say because I'm trying to figure out if I have missed any critical piece that's going to derail my conclusion. No, I would say based on what I have now, I can confidently say that it's a good initial conclusion.

Interviewer: Okay. Now, what's the original question we're asking?

Candidate: How to grow sales?

Interviewer: Yes. So do you have a hypothesis as to how to do that, given that there is an economic downturn?

Candidate: Yeah, I do have a hypothesis. Perhaps you can take advantage of this downturn and since more stores are going out of business relative to more stores opening up, you can perhaps take advantage of this situation by selling more plastic banners more aggressively.

### Case 3 – Signs – Ex 2 – Transcript

Interviewer: Okay. Here's what I'd like you to try to do. You were in the middle of switching gears if I recall, right, before I interrupted you?

Candidate: Yes.

Interviewer: Before you switch gears, I'd like you to say what you just said, which is a conclusion plus a revised hypothesis, and now indicate where you want to go, from an analysis standpoint, to support or test your hypothesis.

Candidate: Okay. So you want a hypothesis and a couple of key points that if confirmed can either prove or disprove that hypothesis?

Interviewer: Yes. So the general rule of thumb is any time you want to switch gears in your framework, it is good to synthesize or do a mini conclusion as to what you've learned, and basically to refine the hypothesis that you have in mind. So the original hypothesis is: "We think we can grow, there is some way to grow this business," right?

Candidate: Right.

Interviewer: But now you have a more specific idea in mind, right, which is to grow this business by taking advantage of the recession. So start with the conclusion first, then make your revised hypothesis, and then explain what other information you want to look at and the rest of your analysis to basically validate your hypothesis one way or the other.

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At this point I would suggest that you do the same thing that I've asked the candidate to do, which is to state a conclusion out loud, refine and state a new hypothesis of what you think is going on in this particular case, and then identify two or three pieces of key information or data that you would need to test whether your hypothesis is indeed correct. So at this point in time, I would suggest hitting the 'pause' button, stating your conclusion, your hypothesis and what data you need to determine whether your new hypothesis is correct. And then go ahead and hit the 'play' button to see if your thoughts match what this candidate was thinking.

Candidate: Okay. So based on the available information you've given me, my conclusion right now is that, due to the economic downturn, that's adversely affecting our client's sales, because the shift of sales is going from the more expensive illuminated signs to the less expensive plastic banners and that's driving down revenue. Now my —

Interviewer: Time out, let me interrupt you. When you do a conclusion, the wording is actually – it's important to be extremely precise, right?

### Case 3 – Signs – Ex 2 – Transcript

Candidate: Okay.

Interviewer: And you said that this has adversely affected sales.

Candidate: Okay, actually say how has it affected it?

Interviewer: Well, depending on how you look at it, it has actually improved sales, right?

Candidate: Right, the revenue I guess is the key point.

Interviewer: Right, so your statement was actually not factually accurate. So I would try it again and feel free to take a few seconds to think about it, but what is the precise phrasing of what the actual conclusion is, that's factually supported?

Candidate: Okay, so my mini summary here is that due to the economic downturn, the client's revenue and the growth has dropped. And this is resulting from a shift of selling \$1,000 premium sign to \$500 painted signs. And this has resulted in a revenue— from last month to this month, a change of \$10,000 from \$30,000 to \$20,000.

My hypothesis right now is that the client can take advantage of the economic down turn and boost revenue by selling more plastic banners which are useful to stores going out of business, rather than the illuminated signs which are used for new stores opening up. And I think in order to prove or disprove this hypothesis, I need to take a look at the number of stores that are closing versus the number of stores that are opening up, to see if there's even a possibility of selling more plastic banners than what's being sold right now.

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So this transition statement – the conclusion, the refined hypothesis and the new data required to test whether this hypothesis is true or not – is actually really good. And so my reaction when I heard the candidate say this with a little bit of coaching from me is the person was thinking about the right issues, thinking in an analytical and structured way, and the only part that was missing was mostly a communication element, and not really conveying what he was thinking in his head.

So my reaction in this particular case was: even though this case overall I probably would not have passed this candidate to the next round or given him an offer, I think it's within this person's capability to actually do it, he came actually very, very close. So that particular transition statement I thought was very good. I would encourage you to actually go back and listen to it a couple of times and listen for the structure, and the structure is: *when you're transitioning from a framework to another framework or from one part of a framework to another, you state a conclusion of what you know so far, you state a revised hypothesis of what's left to figure out, and you state the key pieces of data that you will need to test whether your working theory or hypothesis is indeed correct.*

Get used to that structure; use it a lot. You ought to use it probably anywhere from *three to six times in a forty-minute case* – that would not be unusual at all. So I just wanted to make sure, it's vitally important and you will hear me talk about it over and over and over again because it is just that important. And what I would also mention too is it is the thing that separates people who go to second round versus final round, or from final round to the offer.

You know as you progress in the rounds, the candidates are actually quite good, and quite honestly I would say anyone who gets to say past second round and into the final round– pretty much anyone who gets in the final round can really do the job. That's just the reality. So it's really these additional little things that are what I consider client-friendly that really puts a candidate over the top and distinguishes those that get offers versus those that came pretty close and were good, but not like brilliant.

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So these are little things that feel very nitpicky, but I do want to encourage you and I keep wanting to emphasize and emphasize how important that is, because I want you to get the last extra 10 or 20 percent of competitive edge that will make the difference between an offer versus coming pretty close but not getting the offer.

The other thing to notice in the next, I would say, one to two minutes of the interview – notice how the tempo of the case changes. Notice how the candidate now with a very specific hypothesis in mind is asking very specific questions, extremely specific questions, asking for a specific piece of numerical data. And you'll notice that the tempo of the case is very much back and forth: candidate asks a question, I provide data, they ask a question, I provide data, and it kind of zips along.

That's what you want, in most of the time for cases, is rather than have a sort of exploratory type of situation, you want as much of the case as possible to be very, almost like a police interrogation. You know, "Were you at the crime scene or were you not? Where were you at 2:00 p.m. in the afternoon during the time of this particular crime? Did you see the victim or did you not?" That kind of tone I think is what you want to strive for, and you'll notice that the next two minutes is very much around that tone. And you'll notice a couple of things: one is it's a faster tempo, but it's just much more efficient; and the second is, you'll notice how focused this candidate is, whereas I think before it was a little more exploratory.

And that's the big value of having a hypothesis, and stating what data you need to figure whether the hypothesis is true, is it's possible to go incredibly quickly through the analysis without really screwing things up because you've thought through the structure in advance and you're simply looking for a yes or no answer. And it becomes possible to be both faster and more accurate and in audibly speaking, it's actually a lot easier that way too. So that hypothesis is extremely important, and just pay attention to that in the next two minutes or so.

**00:32:09**

Interviewer: Okay, great. So what would you like to know?

Candidate: I would like to know, in the whole area, like you say within 50 miles of where this business is operating, the number of stores closing down and the number of stores opening up. I want to know what kind of time line we have perhaps in the last month, or if we have more data, it's even better.

Interviewer: Sure. So let's say that in the most recent time period, there's been 10 businesses that have opened, particularly with a retail presence, and 150 have gone out of business.

Candidate: Okay, so in this same time period, how many illuminated signs have we sold?

Interviewer: In the same time period, we have sold five illuminated signs and we have sold 30 of the plastic banners.

Candidate: Okay, so from this data, it seems to me that our client has a pretty strong presence in the illuminated signs in the local area —

Interviewer: That's true.

Candidate: — capturing 50 percent of the new openings. And in the plastic banner area, they're much weaker, only capturing 20 percent of what's possible. And out of the stores going out of business, are they also acquiring the plastic banners from the competitors in the local area?

Interviewer: Actually, they are not.

Candidate: Do we know where the stores going out of business are acquiring their plastic banners from?

Interviewer: Oh, they're not using any.

Candidate: Oh, they're not using any, okay. So how many of the other business stores are actually using plastic banners when they finally close up?

Interviewer: Currently, probably about— out of the 150, let's say 40 of them do.

Candidate: Okay. And do we have any information on, if you're using a plastic banner, when you go out of business, if it actually helps to liquidate your assets?

Interviewer: Yes, we do. We have data that suggests that that actually works pretty well.

Candidate: Okay. Do we have any numbers or we just know it works?

Interviewer: We know it works; we don't have any hard numbers.

### Case 3 – Signs – Ex 2 – Transcript

Candidate: Okay. I think I have enough information now to make an initial conclusion and recommendation.

Interviewer: Okay, sure.

Candidate: May I have a moment?

**00:34:00**

Interviewer: Sure.

Candidate: Okay, I think I'm ready.

Interviewer: Okay.

Candidate: My final conclusion is kind of similar to the mini conclusion I had before, that because of the economic downturn, the client's growth had stopped, due to the shift in the \$1,000 illuminated signs to more sales and more need for the \$500 plastic banners. I believe the client can increase revenue and continue to grow by:

One: selling more plastic banners. They have a pretty good command of the market, when stores do decide to buy banners; however, they need to convince more stores that these banners will help them and be to their advantage. And they can do that by telling the stores that, like you said, it works, it helps the stores that are going out of business to liquidate their assets more effectively. However, I feel that if they're going to sell more plastic banners, they have to make sure that they can meet the demand, make sure there is nothing wrong with their supply.

Interviewer: Okay.

Candidate: And number two: they should continue to sell illuminated signs, because the signs bring in twice as much revenue as the plastic banners. Perhaps we need to take a look at the profit margin in the future, to make sure that it's still profitable in the economic downturn. And finally, the company should look at expanding to perhaps nearby regions that aren't as much affected by a downturn so they can sell the more expensive illuminated signs. But then I feel that they would need to look at distribution costs to make sure they are still able to make money off that.

Interviewer: Okay, great. That was the right conclusion I was looking for. A couple of suggestions: one is I think it would be useful if you get in the habit of asking for more specific numbers. I think your default mode is to assume everything is conceptual, and ask conceptual questions. And you never asked for specific data, and I think you kind of assumed that the specific data might not be there. And then you sort of discover it's there, and then you realize you need to ask more, which you do a good job of. But I think in general, if you can ask for just more numbers, I think that would be useful.

Candidate: Okay.



**00:36:00**

Interviewer: So for example: “Who are the customers,” right? And I would say, “Oh, they’re small businesses in the local area.” *How many of them are there? How many does our client have? You know, get used to asking numerical and questions with a numerical answer.*

Candidate: Yeah.

Interviewer: Because sometimes you can get the conceptual data and what I'm finding is you do kind of get to the right answer, but because it's conceptual, you're using what's conceptual data first. You would get to the right answer much faster if you were asking for hard data earlier in the process.

Candidate: Right.

As I said before, *clients have concepts and ideas in their head; consultants must quantify those concepts and ideas.* So it's very important, as a consultant or as an inspiring consultant, you ask for numerical data, you use numerical data, and any recommendation you give is based on both qualitative and quantitative data, but *you want your recommendations to be extremely precise because you have more precise data.* So that's just an important habit to have, and I find it's a weak spot from applicants and candidates who have very successful CVs and résumés in non-quantitative fields.

So sort of the opposite of those with science and math PhDs is people from liberal arts major degrees, that kind of background, they tend to get the right idea, so they have the gist of what is wrong and they're very good intuitively and trouble shooting qualitatively. But they always tend to have a habit that seems to be— the bad habit seems to be they tend to forget to ask for precise numbers, and there seems to be an aversion to asking for numbers and using them. So that's the very common problem I see with candidates from liberal arts backgrounds that I always try to test.

By the way, I should also mention that in these cases, sometimes the interviewer will tailor a particular aspect of a case, given the candidate's background. So for example, if I know the candidate has degrees from MIT or IIT out of India, has a perfect GPA, perfect GREs and can clearly add and subtract and multiply, what I usually do is I try to give them cases that involve a lot of qualitative data, to see if they have good judgments and intuition and business sense or common sense, or if they'll just stick to the numbers and think of this business case as more of math problem.

**00:38:09**

The reverse is true, if a candidate has a very strong liberal arts background, great leader, very articulate, excellent problem solver at a conceptual, intuitive and qualitative level, I will give them a case that requires a lot of quantitative analysis. I want to see if they can do and be successful in their weak areas. So there is very deliberate and conscious effort on my part as an interviewer.

So again, I wanted to sort of point out what the two extreme's most common mistakes are given people's different backgrounds, and also indicate how important it is to *quantify numbers as much as possible*.

Interviewer: And I think you, with your intuition you sort of figure out the right answer, and then the data kind of emerges, but you've consumed a lot of time to get to that point.

The second thing I would say is, I think overall the analytical portion was pretty reasonable. I think the biggest issue is – and it could just be a style thing – but it just seems very slow.

Candidate: Okay.

Interviewer: And there's two potential risks with that. One is you just run out of time and some of these – the two cases I gave you, they were a little simpler in the sense that they weren't, you know, it was like one major —

Candidate: It was one.

Interviewer: Yeah, it was like one major issue, right; you find it, you kind of get it. Some of the cases that are more complicated, there are like three layers of issues, it's almost like three cases stacked back to back to back, and you really can't solve it. You can solve it within like a 40-minute time period, but only if you're moving pretty quickly.

Candidate: Okay.

So I want to reiterate this point because I think it is very important. When you're asking for hard specific quantitative data, it really shortcuts the problem-solving process. And when you listen to the audios, when you read the transcripts, it may come across like it's that the applicant or candidate is going through the case faster because it is a much faster tempo in that you're getting to insightful information extremely quickly.

**00:40:01**

But when you actually listen to it, it's not that the candidate is actually speaking faster or rushing or saying more words per hour. What you're finding is *when they're asking for quantitative data, they're able to cut to the chase or get right to the point very quickly and get to the core issue*. And reflecting back on my own experiences going through sixty odd case interviews as a candidate, I found that there are certain cases that other candidates would take a full forty minutes to solve, and I'd solve it like in six. And it's not because I spoke very quickly, although I do tend to speak a little quickly, but I was able to get to the key issue like immediately.

And there's just like— once you get to the key issue and you figure it out,

there's nothing else to do, and so you sit there and you talk to the interviewer, you ask them how they like the firm, that kind of stuff. So there were several times where I was able to do that. In other cases, I find that the cases were so complicated that it was sort of like multiple layers, so not one counter-intuitive piece of information that would send you down a particular path, but perhaps two or three counter-intuitive insights. And those particular situations, because it was so complicated, if you did not have this sort of get right to the point immediately by getting hard data, specific numerical data, that you would just not have enough time to actually solve the case.

So in some cases, I found I used the full forty minutes and I needed every last second and I got every question, asked every single question the right– I asked the correct questions one after another after another, and only by doing that was I able to actually finish the case like just with two minutes to spare. So that's an important thing to keep in mind, and why it's important to have that.

And this particular case, I would say, it was not a terribly complicated one, so if you did not ask for numerical data consistently which this candidate did not, you could still with enough time actually figure it out. But as the cases get more complicated, and you'll see in future cases that the cases are much more complicated, very hard to pull that off, and you'll find it impossible to solve a case in thirty minutes or so unless you're being extremely efficient, and cutting to the chase, and getting right to the point by asking for numerical data and not asking for anything – any extraneous data that you don't actually need to solve the case.

**00:42:08**

Interviewer: Next thing, when you do a synthesis on your conclusions, I think it is appropriate to ask for some time, particularly at the end, which I think is very reasonable to ask for then. It would be better if you kind of got a little quicker, in the middle.

Candidate: Okay.

Interviewer: Yes, it's better to be slow and accurate than fast and wrong, okay, so keep that in mind. But if you're able to be a little quicker and still accurate, that would be favorable.

Candidate: Okay.

Interviewer: And the way to do that is, as you are thinking about, is to always be synthesizing in your head, all right? So: "What have I learned, what have I learned? Oh, that's interesting, that means this," right? So that at any given point, if you had to synthesize, you know you could just pause for a second and think about your major issues that you've been tracking along the way, and synthesize it. And I would say that a longer break of like thirty seconds or more, I think is okay for the end, but if you're doing that every six minutes, you know it just feels like you're just not as quick.

### Case 3 – Signs – Ex 2 – Transcript

Candidate: Right.

Interviewer: And I think that would be okay for a, I hate to use the term, but like sort of a second-tier firm, where that's not that important of being fast, being accurate is. But I think for like a top three or four firm, I think it would bother them a little bit.

Candidate: Yeah, that makes sense.

Interviewer: Because usually they want their consultants to be faster than clients, right? So you can think a little faster than clients and they're always impressed, you know, “Wow, these guys are really smart.”

Candidate: Yeah.

Interviewer: And I think for some of these— just as a point of comparison, I think on this last case, you probably took about – I want to say twenty, twenty-five minutes or so, and it's possible to do this case in like ten, fifteen in some cases.

Candidate: Okay.

Interviewer: If you find the right issue, you zoom in, there's just not much more to do. And I think the other issues you raised in terms of geographical expansion, that's one potential hypothesis, is interesting. Focusing on the lower-end market within the existing market I think was a very reasonable conclusion. So I think the biggest ones are just, overall, a little bit faster pace and asking for more numerical data.

**00:44:01**

Candidate: Okay.

Interviewer: And being a little more hypothesis-driven, I think that would serve you well. I would be happy to answer any questions you have, and then I think we should just maybe wrap up in the next five or ten minutes.

Candidate: Okay, sure. I guess, like you said, one of my weaknesses is sort of asking for numerical data. So should I— like you said, I just didn't want to do that, to sound too systematic, but is that— not too systematic, but sort of like a robot. Is it better to just sort of ask for numerical data after everything and see what comes up?

Interviewer: Sure, why not? That's what I do. You know, so “Sales are down, okay, so what are sales? And what does “down” mean? How much are we down?”

Candidate: Okay.

Interviewer: So you're quantifying it. Because sometimes the order of magnitude makes a difference in terms of where your thinking is.

Candidate: Yeah.

### Case 3 – Signs – Ex 2 – Transcript

Interviewer: So sales could be down 99 percent, or are we down 4 percent? There's a really big difference, very wide range. So I think when you ask for numbers, I think that it's a good thing and I would encourage it.

Candidate: Okay. And my second question is: say for example the business situation framework – if I, in a case I decide I want to use that, and I outlined that framework and I don't call it by name, I just say, “Okay, I want to look at the customer, product, company, competition, and investigate that” – is that a problem? Because it just sounds like I'm automatically going through a framework— so they don't think I'm not really thinking about the problem?

Interviewer: You've got to be careful with it. I would name the four steps – and some people will debate me on that one – but I think it is useful to say, “There are four areas I want to look at; I want to look at this area first, and then come back to the other areas.” And it is okay to start a case that way, I always have. But if you're still doing that, if you're still going through kind of the mental checklist after ten minutes, and you haven't formulated some sort of more refined hypothesis —

Candidate: Yeah, I'm in trouble there.

Interviewer: — you're probably, yeah, you're getting there. If you're still doing that 20 minutes in – forget it, that's a mistake. But generally, the purpose of the framework is to be a starting point; it is *not* meant to be the ending point.

Candidate: Okay.

Interviewer: So that's why, so for example – and you did this on one of the other case where, if you did a very thorough job of understanding the customers, asked for very specific numerical data, you would have had an insight, which you did. And it would have prompted you to have a more refined hypothesis.

**00:46:13**

Let me end my comments on this particular case by talking about the role of a framework, and when you're supposed to deviate from it. And a framework is really designed to help start the case interview process, but in a lot of cases you do not end up finishing the case with the framework that you used to start it. So the purpose of the framework and the specific questions I put on my little handout that I have online, in terms of what questions to ask in the business situation framework for example, those are what I consider high probability questions. So these are questions, when you ask them a good percentage of the time, you end up getting useful information out of them.

And the criticism I see and hear about from other interviewers is that they don't like people who use frameworks. And there's a subtle nuance to that that I want to elaborate on. It's not that interviewers don't like people using frameworks; it's they don't like people who *only* use frameworks and never

deviate from the frameworks. So if a framework has four areas, ten questions each, and you're just sort of mechanically asking the ten questions like you do in a survey almost, that's bad, okay? That's what irritates a lot of interviewers.

But it's very appropriate to start a case with a framework, and then deviate from the framework once you discover some sort of insightful, unusual piece of unexpected information. So a perfect example in this particular case – and you may want to go back and rewind and listen to it again – is there is a key point where the candidate discovered that revenues, that sales were down, but the number of customers, the number of buyers and the number of orders have actually gone up. So how can this be? How can you have more customers, yet less revenue?

**00:47:53**

And the obvious – I don't know, obvious or not – the answer is that pricing must have changed or average order size must have come down. At that particular moment in time, that particular piece of information was discovered in the middle of a business situation framework analysis, when the candidate was asking about customers. And at that particular point in time, it would be appropriate to deviate - at least temporarily - from the rest of the business situation framework to figure out what's going on there.

So this candidate did do that; they tried to figure out why were sales declining when number of customers was increasing. And he did that, but I think he could have gone further; he did that before going and looking at competitors and the other parts of the business situation framework. And that is fairly common that once you find the core issue – and the role of the framework is to help you discover what the core issue is – once you find that core issue and you usually want to find it probably by the midpoint of the case, you want to spend the last half of the case trying to figure out what to do about the core issue. So in this particular case, we know sales are down, but we know customers are up. He figures out why, and then the question is: “What does it mean?” and “What should the client do about it?” And that's the appropriate use of time in the case.

This concludes my comments on this particular case, feel free to move on to another one of the examples.