

In this second example of the steel industry case, this particular example is of a candidate that I think has really phenomenal intuition and common sense and business judgment, in terms of figuring out what's going on in a particular business. However, this candidate, I thought, was *fairly weak on the quantitative side*. And what's interesting about this particular case, particularly the first half, was initially I thought the candidate was really just nailing this case – was hitting all the major issues, like almost within seconds, back to back to back to back – and I was looking forward to being very impressed with how this candidate would hopefully crack the case fairly quickly. But what I started to realize was that the candidate was frankly getting lucky.

You know, they were identifying the issues, one to the next to the next, mostly because they had good instincts for business; and they were not jumping from one issue to another issue to the next based on the data provided in the case, because this particular candidate didn't ask for a lot of data, particularly numerical data. And so this is an example of... you know, I think this woman has a liberal arts background (that would be my guess, I didn't actually verify). And again, really good instincts, very good qualitative understanding and qualitative analysis skills, and just really did not use the quantitative side. And again, as I mentioned in the prior example, it's very important to switch back and forth between quantitative and qualitative.

So this is an example of the opposite extreme: very good qualitative skills with insufficient quantitative analysis to complement those qualitative assessments. So let's go ahead and listen to this case, and pay attention to when the candidate switches from one topic to the next. It's a little hard to figure out why she switched because there wasn't any data in the case necessarily that prompted her to switch.

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Interviewer: This particular company is a new client, and this company is a medium-sized business.

They are in the steel rod manufacturing industry. What they do is they take raw steel and they form it into rods that are used to reinforce concrete in commercial construction. So their customers are builders that build any kind of commercial building over say two stories tall, and they embed the steel inside the concrete to make it stronger, to keep the buildings from falling down.

This particular company has a severe profitability problem – they made \$20 million last year, and this year, they have a \$10 million loss. They want to reverse that problem, fix the profitability problem, and if they can't, they're considering selling the business. And they've asked you to come in to determine whether this business is fixable before they take the more drastic action of considering the sale of the business.

And so they've asked you to come in and help figure out if and how this business's profitability could be returned back to normal.

Candidate: Okay. Just to verify my understanding, last year it was a \$20 million business, right?

Interviewer: Net income, correct.

Candidate: And this year it's down to half, so \$10 million.

Interviewer: Actually it's a \$10 million loss.

Candidate: Ten million dollar loss. And the question is based on profitability, how they are able to increase it, and how is this tied to selling this business.

Interviewer: Correct. And keep in mind, the two numbers I mentioned to you was net income, not sales.

Candidate: Okay, net income. Interesting question. What exactly is— so is rods the only product that they currently provide, or is there also any side businesses or any side products that they also are involved in?

Interviewer: Sure. The steel rods, that's their core business. Let's just assume it's 100% of sales. And that is the main business they're in with no other side businesses.

**00:04:00**

Candidate: And you mentioned commercial construction as their client. This is also the main part, and how is our client's clients, how are they segmented? What is the current situation? Is there one big supplier or one big client, or how is the current situation with our client?

Interviewer: Sure, the builders that are our client's client – they are I would say moderately diversified or not terribly well concentrated. There are a couple of big builders, but there are a lot of medium-sized builders and pretty much every commercial builder has a requirement for these steel rods. And in terms of the building, actually the building in the short term continues to be— the number of rods required by the industry continues to hold level, and hold steady. But prices on those rods have come down somewhat.

Candidate: It sounds like volume has been stable, but prices have gone down.

Interviewer: That would be fair, correct.

Candidate: Okay. I would like to look at our net income, how they are structured. So it's basically an equation of revenue minus costs. And it sounds like cost-wise we haven't changed a lot, because you said the prices have gone down. I would like to look into our revenue streams, and how they are currently, how they currently

are structured. So if you bear with me, what are our current numbers regarding revenue per unit and units sold this year and last year?

Let's do a quick assessment of how this particular candidate is doing. There are a couple of problems with the first five minutes of this particular case. The first one is: there's no setup of a structure or framework or issue tree for how the candidate intends to analyze this case. She is jumping from one issue to the next to the next, but is not stating up front what are the issues she's planning to explore and analyze and in what particular order and why. So the setup, the structure, or lack thereof is one big issue.

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The second is precision. In this last sentence here, the candidate says, "It sounds like cost-wise we haven't changed a lot because you said the prices have gone down, so I'd like to look at our revenue streams, how they are currently doing," and basically more or less she intends to ignore costs.

So here is what the candidate should have said instead: "It sounds like costs have changed a little, do we know how much costs have changed by?" That's a quantitative question: "How much has costs changed? Give me a number." She also said that we know that prices have gone down, what she should have said is, "You mentioned prices have gone down, do we know how much prices have gone down by? Give me a specific dollar amount." And then she needs to do the math to figure out if she can truly ignore costs or not.

And in this particular case, she basically didn't analyze the cost side of the equation at all. And it turns out that perhaps that might have been the right call, and perhaps there is more opportunity in the revenue side, then even if that is true, there's no data to support that particular conclusion. It's not enough to be right; you have to have data that proves you're right. I mean that's why they call it consulting, that's why clients need consultants: to prove their points and not to just have opinions that are unsubstantiated by data or facts.

So that was the big problem here up in the first five minutes is she's intuitively grasping the correct issues, but she is not quantifying the qualitative information that she has elicited from me as the interviewer. And her decision for how to proceed with the case is not determined by quantitative data, it is simply determined by her intuition and the qualitative information she has received from me the interviewer – that's a mistake. *The future direction of a case should always be based off of some aspect of the data, preferably a blend of quantitative data as well as qualitative data.*

Interviewer: We have sold one million rods for this company this year, which is identical to the number of rods sold last year. And the price per rod has declined from \$120 per rod to \$100 per rod. And the manufacturing cost per rod, which we're going to say consists entirely of variable costs, has gone up from about \$100 per rod to \$110 per rod.

**00:08:21**

Candidate: From \$100 to \$110. Well, this kind of is a good indication how profitability has gone down, because firstly last year, we've earned \$20 more per one unit, and this year we earn \$20 less plus a higher cost of \$10 per unit. So this has made a big impact.

Another question that I have is are customers, the customers that we have this year and last year, are they basically the same or has it also changed? Was there a change in our customer portfolio, or what is our data saying?

So here the candidate is switching to what I think is a customer analysis, which isn't necessarily a bad idea. The problem I have with how she is transitioning to a customer analysis is that she is not explaining to me why she is switching to a customer analysis and what other analyses she plans to do. So are we moving to a business situation framework – analyzing customers, competitors, products and the company – or are we just doing the customer analysis? It's a little unclear what the direction is, there's no structure, there is no specific hypothesis asking for particular data to test that hypothesis.

And generally you want one of the two: if you're not going to have the hypothesis you're going to test, then you want to have a structure from a framework. Generally you're always in one of those two modes, in framework mode or in hypothesis testing mode, and hopefully not anywhere in between the two.

Interviewer: The customer mix has remained constant over the past two years.

Candidate: Okay. Do we know how our competitors are dealing with this issue? With this price decrease and also simultaneous cost increase, do they face the same problems, or are we the only one having to deal with these issues?

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Again, in the back of my head I'm wondering, "are we in a business situation framework type mode, are we in a profitability framework mode, or is there a particular hypothesis that the candidate is trying to test? And if so, what data is she looking for in order to figure out if that particular hypothesis is correct?" So all those are missing the structural elements that help give some structure to how the case should proceed, and it's something I'm wondering in the back of my head as I'm hearing these answers.

Interviewer: Okay. The competitors have also noticed a price shift that's identical to the price shift for our client. So the competitors used to sell for \$120 per rod, and now they are selling at \$100 per rod. From a cost standpoint, there is a difference. The competitors currently sell at—their cost structure is \$100 per rod today, which is also an increase from about \$95 per rod in the prior year.

Candidate: Okay. This seems really interesting, and I think some issue might be to identify why we're more expensive, or why our costs are higher than our competitors'. Do we know what they make different, or what their process is different from ours that allows them to have this impact on their costs, which we don't have at this moment?

So here's an example of a really great question, a very insightful question that I thought was very good and spot on. The problem is the question emerges without structure, in terms of where it fits into the grand scheme of things in terms of how this candidate intends to approach this analysis. And I cannot figure out – is this person following a systematic approach, and that's why she's asking all the right questions? Or does she have no structure and is just great, has this great intuition for figuring out what's important? And it's a little hard for me to tell. And it's possible that she has a framework that she's using, but she's not telling me what that framework is, or if she switches frameworks, she's not telling me that she's switching frameworks either.

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So it's very hard for me, as the interviewer, to follow. And I think I recall from my debrief with her later on (which you'll hear part of), I got the impression that she actually was using a framework, but she wasn't sticking to it that precisely. And from the way she asked her questions, I couldn't figure out what framework she was using. So it would have been better had she explicitly stated the framework, or if she had a particular hypothesis to state the particular information that she would be needing to validate and test that particular hypothesis.

In this particular case, she did neither, even though she asked a lot of great questions. So the impression I got – and I think I was starting to get it here, but I definitely got it by the end – was: is this person brilliant or just getting lucky? And is this person's performance repeatable because they're following a set process, or are they just getting it right intuitively and it's not clear that next time the intuition will be relevant, because maybe this person has a lot of experience in steel for example, but maybe not in some other type of industry.

So that's kind of the big question mark that overhangs someone who is very good intuitively and qualitatively, but doesn't really follow a strict and disciplined problem-solving process.

Interviewer: Yeah, we have some information on that. The way the costs break down, the competitors' manufacturing process requires less, has less labor involved, so their labor costs are less, and their material costs are lower as well. And labor and materials are the two major costs for manufacturing steel rods.

Candidate: I have no understanding how the manufacturing process including labor involvement is in the steel business. Would you say that our competitors' efficiency is also tied to equipment that they have that we don't have at this stage that is being a major contributing factor in why they have lower cost structures?

**00:14:16**

Interviewer: Actually, it is for the labor side, so their equipment has a larger capacity than the equipment our client uses. And in addition, the competitors typically, when they do a production run of steel, they're making much larger quantities of steel at one time, and meanwhile, our production process is geared toward much smaller, what we call "batch sizes" – smaller quantities made at one time. But the difference is that our manufacturing process is much faster, even though it doesn't handle as many... is not as efficient from a cost standpoint.

Candidate: So our business, it's geared towards lean production as I understand, correct?

Interviewer: It depends on what you mean by lean production, but potentially.

Candidate: By lean production, I mean that we produce without having a big warehouse where we store stuff, but whatever we produce, we produce it fast. And it's actually a unique selling point that we are, you know, we offer better service maybe, because we're faster and we can react quickly to client demands, is that correct?

Interviewer: Yes, I think that general assumption is correct. Our labor costs are more, but we are able to produce more quickly.

Candidate: Okay. As to the materials side, you said that they have lower material costs, is it also due to the larger quantities that our competitors currently buy from their suppliers? And is this something that we can't reproduce this effect at our current level of what we order at our supplier?

Interviewer: Yeah, the major driver for the difference in raw materials cost is the average order size that the competitors use to buy raw steel. And currently they buy... their average order for their raw materials is about five or six times larger than the quantities our client currently buys in.

**00:16:03**

Candidate: Okay. I have two— one quick suggestion to how we could ideally lessen our raw material costs. Would it be possible to team up with a competitor and buy supplies from the supplier together in order to renegotiate contracts, and maybe it's a mutual situation. How's our industrial relationship – is that something that we could do?

So here the candidate has a hypothesis, which is good. It's probably a little overly specific, but we'll take it for what is it. The more important problem with how this hypothesis is presented is: whenever you present a hypothesis, you always want to present what information you think you would need in order to test and validate the hypothesis. So in this particular case, the hypothesis I think should have been – the more general hypothesis should have been – "My

hypothesis is that there is some way to reduce the raw material costs, and to figure that out, I would need to know items one, two and three,” something along those lines. “What our competitors’ volumes are,” “what are our volumes,” “what the industry process is for buying steel,” those kinds of things I think would be legitimate pieces of information that you would need to address the question of “can we actually reduce raw material costs?”

So what’s happening here is she’s asking a great question, has good intuition, has probably a pretty good hypothesis, but has not set up how she intends to analyze the data and what data she’s going to need to figure out whether her hypothesis is actually correct or not. So whenever you state a hypothesis, you always state what analyses are coming up next and give an overview before you start.

Interviewer: Let's say the client has actually explored that possibility. They have approached multiple competitors to do that, and the competitors refuse to.

Candidate: Okay. Well, okay. So regarding the equipment, I guess that my assumption is the equipment for the kind of process the competitors do are very cost intensive, is that correct?

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Interviewer: Yes.

Candidate: And this is not a possibility we could get down?

Interviewer: Correct, so for this company that does today \$100 million year in sales, it would require a capital investment of probably \$500 million or more to retool the factory with equipment that is comparable to the competitors’ in order to have a lower labor cost involvement in the manufacturing process. And that would be a cost prohibitive amount of investments currently.

Candidate: Okay. So another suggestion in order to increase our sales or increase our net profit is to advertise our unique selling, our unique selling point, which is that we react quickly to client demands and we can have emergency production for our clients. Is this something that we are already currently doing? Or is it already... hasn't it been really advertised so far?

So here the candidate is actually jumping around a lot. Any time you hear a candidate propose his specific solution and is asking the interviewer whether that solution is going to work or not, that generally means that they haven’t asked for enough data. Again, the answers on whether your particular recommendation is right or wrong comes from the data. You should never, as a candidate, be in a position where you have an idea and then you ask the interviewer if you’re right or not. What you want to do instead is to say, “I have an idea, and I need this information for me to determine whether my particular hypothesis is correct.”

So the idea is not to ask your interviewer for validation of your thoughts and your hypotheses, but rather to ask your interviewer for the data so that you yourself can determine whether your hypothesis is correct or not. So to look at the phrasing of the candidate's most recent questions, they have an idea of what they want the client to do, and are basically starting to propose that, rather than saying, "I have an idea of what I think the client should do, but I need data to figure out whether that's a good idea or not" – that's the better way to phrase that particular question. In this particular case, the candidate did not do that.

**00:20:10**

Interviewer: Currently, the promotions and sales efforts for the client company – their strategy has been to match any of the competitors' major offerings, both in terms of price, price and service, and so to answer your question, they are currently not promoting the particular action you're talking about.

Candidate: Okay. I would like to propose— I would like to get into the market of our clients to identify those to whom our product or our service would become very favorable. So I'm looking into maybe identifying the right target group, i.e. the construction sites or how do you call these companies?

Interviewer: The builders, builders or contractors, yes.

Candidate: Builders – builders and contractors who are more likely to pay more because we work quickly. Do you have any data on whether there is a demand for our service, or hasn't it really been explored so far?

Interviewer: I would say in terms of the industry data, the industry association does not track this kind of data, so we don't have any sort of sales-related data to indicate any kind of segments around there. But I will say that there are two market segments, in terms of the types of buyers. This particular company is located in the western region of the United States, and there are typically two kinds of builders where their needs are slightly different.

The first are companies that build in we'll call them "non-seismic areas," or areas without earthquakes, and I'm not sure if you've been out in the western United States, but we do have earthquakes unfortunately. And the other kind of builders are those who build in earthquake zones, where the soil is different and sometimes it is less stable than in other areas, and is typically more unpredictable, in terms of how much steel you might potentially need.

But both those customers, they— I'll just leave it at that. Those are the two major segments we have right now.

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Candidate: Okay. From what you just said, I infer that our earthquake zone builders and contractors are those that we'll want to target, because in case of any emergency, we would be the company to quickly react and to produce our products. Do we have any data on the next statistically possible earthquake going on? Is it anywhere where we can say, "okay," now is the time to reach out to them to sell that, "statistically in the next maybe so and so months, this is likely to happen, and because of that, we would like to have a closer relationship and to inform you of our products," and to advertise the unique selling point that our client currently has?

Interviewer: It turns out that actually I may have miscommunicated earlier that the builders in the earthquake zones – their major concern is not that there is an earthquake. The concern really is that: very late in the building process, are they able to get more accurate soil testing to understand precisely how much steel they might need? And so sometimes builders in earthquake zones are more likely to have the possibility that they need to change the specifications of the steel fairly late in the building process.

Candidate: Our client's company – do they already have a presence in the western region where earthquakes are likely to appear? Is it – I'm thinking about our distribution channels and our sales representatives – is it something that we already have a slight foothold in, or is it something that we need to, in order to tack into this area, is it something that we need to just build from scratch?

So here the candidate has essentially led our conversations into the business situation framework, I think. And the problem with how she did this was, you know, we started off on essentially the profitability framework, and we really haven't followed the process of using the process of elimination to eliminate what parts of the profitability framework are not relevant.

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So for example, we didn't really— early on in the case, the candidate basically dismissed the importance of costs, so we never analyzed costs. And then on the profitability framework, really the essence is determined that volume shipments are fairly static and that really this question is around pricing. And didn't really systematically go through that whole process and flush it out through its entirety. She did parts of it and it was left incomplete, and now we're switching to the business situation framework which is a more qualitative way of understanding a business.

So on that sort of an awkward weird transition that I don't think, at least from my standpoint as in interviewer, is not ideal and I wanted to point that out.

Interviewer: Actually the company is located geographically in these earthquake zones and does have ready access in terms of sales, marketing and delivery capabilities to builders with projects in those areas, and our competitors have similar access to these particular types of builders and projects.

Candidate: Do we have any data or how is our client's assumption on the need that those contractors have and the willingness to maybe pay a bit of premium for the extra service that we deliver, meaning that we are quicker in supplying the products compared to, relatively compared to our competitors. Is a slight price increase possible, and if yes, how does the increase in price affect volume?

Interviewer: It turns out that the customer has experimented with a premium priced offering. The feedback from customers has been that they don't feel like paying a higher price when eight times out of ten, they don't need the faster speed. But it's very hard for them to predict when they will need that extra speed.

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Candidate: Okay. An idea might be, from what you just said, is to tap into this business to really communicate the extra service that our client delivers, and to not charge exactly a higher price compared to our competitors because the client's client doesn't seem to appreciate this product or our service as much as they could. But maybe just in case of emergency, maybe we have then an emergency premium that we have to charge for special delivery or special quick delivery. Do you have a margin where you think it's appropriate, depending on our client's history and also relationship with client's client, is it something that we could consider doing?

Here the candidate is again asking me if she's right. You know, and my reaction at this point, 'cause it's happened so many times, is, "Dude, stop asking me if you're right, get the data yourself and *you* tell me if you're right." I mean that's the role of consultant, that you figure it out, right? It's kind of a pet peeve of mine when candidates ask me if their ideas are right, because I don't want to do their job for them. I mean it's your job to figure out if you're right, don't ask me if you're right.

You can ask me for data, that's okay, but you tell me if you're right, you present the conclusion, explain why you think you're right or not. And so you'll notice in my comment to the candidate in a few seconds, I try to nudge her in this direction by asking her, you know, "that's an interesting question, what data do you think you need to figure this out?"

And that's something that ideally – if you've been practicing a lot and following my guidance – that you won't need the interviewer to nudge you in that direction. It will occur to you proactively that you need data to figure out whether you're right or not and then ask the interviewer for data, never ask the interviewer whether you are right or wrong.

Interviewer: Let's say that the client says, "That seems like an interesting idea, we had not considered that in the past." What information would you need to determine whether this would actually be a feasible idea or not?

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Candidate: A feasible idea to me for this price increase in case of emergencies is the probability of an emergency occurring, and then again the willingness. I think I would depend it on the extra services we have to deliver, because once we charge a higher price for emergency delivery, then we do have to provide for, we do have to stick to our promise and then provide the faster delivery, compared to our competitors, and really deliver the promise. But then again, how much cost or extra cost would that be for us in order to source our products on short notice in order also to have our employees work extra time in kind of emergency situations? Do we have any information on over-hours and also with our supplier, in case we want kind of large quantities but on short notice, do we have any information whether this might be also cost issue on our side that we have to consider?

So prior to the candidate's answer, I asked of the candidate, "What information do you think you need to determine whether this idea is feasible or not?" And the way the candidate responded was a problem. The candidate responded by giving a laundry list – well we need to look at this, we need to look at that, we need to look at this – and that is not a very precise answer. The better way to say it would be, "Well my hypothesis is this and I need three things or two things or four pieces of information to determine whether my little idea is actually right or not. Number one I want this, number two I want this, number three I need this, and number four I need that. If you give me those four pieces of information, I can determine myself whether my idea is any good or not."

So that's the format you want to use after you present the hypothesis. I like to number things: one, two, three, four. As in, there are three things: number one, number two, number three. Where there are four things I need: number one, number two, number three, number four.

**00:30:01**

The second thing is: the very last comment or sentence that the candidate made was, "We also need to see if there might be a costs issue on our side. Do we have any information as to whether their costs is important enough for us to analyze?"

Now so that's a pet peeve, a problem that I have with that. Which is basically, you know, "Hey Mr. Interviewer, have you analyzed costs and have you determined whether I need to be concerned about costs?" And essentially you're flipping the roles around. You should be the one analyzing costs, not me as the interviewer. So don't ask me if costs are important, you tell me as the candidate are costs important, and why you think that way.

And so that was a situation where I think the candidate was asking me to do her job for her, and it's better again to always have... you as a candidate, to always do the analysis, you tell the interviewer if something is important and then explain why and not the other way around. *The only legitimate question you want to ask the interviewer is for quantitative or qualitative data.*

I'm going to cut off this example case short and just jump ahead to the feedback section so you'll hear in a few seconds my debrief on what this candidate did well and did not do well, and you'll hear her reactions to that as well.

Interviewer: There are a couple of things I think you do need to work on. I think it would be useful to synthesize and create a refined hypothesis earlier.

Candidate: Okay.

Interviewer: Every, call it every seven to fifteen minutes isn't a bad idea to synthesize. And one point in particular where I think is a natural time to synthesize is: whenever you have multiple parts of a framework, and you discover through your questioning and data gathering, when you find that one particular part of the framework is a dead end, and it logically cannot work, it is useful to say that.

Candidate: Okay.

Interviewer: So I think probably at some point you realized that it seems unlikely to be able to change the cost structure of the business. And then you started focusing on the revenue side, which I think was appropriate. But it would have been better if you said that: "I looked at the cost side, I don't think that there's a chance to improve the cost structure of the business. We don't have the economies of scale or the size to get material costs down, and the way the manufacturing process is, it doesn't seem conducive to reducing labor costs. So I'm going to focus on the revenue side."

**00:32:19**

Candidate: Okay. Just state really where I'm moving ahead to, instead of just starting.

Interviewer: Yes, and you did that very late in the process. You said that "it seems unlikely that costs savings would be an opportunity," but it was very late in the process. Better to do that earlier.

Candidate: Okay.

Interviewer: So that really is what I call "process of elimination," and generally in a case interview as well as in a real engagement, I would say 60 percent of the work is very much about figuring out what the problem is *not*.

Candidate: Okay.

Interviewer: And you did that, but you did it in your head and you weren't communicating that you actually did it.

Candidate: Okay. Thanks a lot.

Interviewer: Okay. A couple other thoughts. I think as you do a synthesis, it is useful to refine your hypothesis. So if your hypothesis to start was perhaps: "this business can

return to profitability,” once you analyzed cost, I think you realized that well if you can return to profitability, it's not because you can improve costs, right?

Candidate: Yes.

Interviewer: And it would be appropriate to say, “My new hypothesis is that perhaps there is an opportunity to improve revenues, in order to fix this profitability problem.”

Candidate: Okay.

Interviewer: And what that does is it really narrows down the question you're trying to answer.

Candidate: Yes. Yes, okay.

Interviewer: So we started with “how do we turn this profit, can we turn this profitability around,” to “can we improve sales?” And then you asked about number of unit shipments, which was relatively flat, and then I think you in your head, in your mind, you reached the conclusion that, “Geez, it's going to be hard to change unit shipments.”

Candidate: Yes, exactly.

Interviewer: And so really the question is: “can we charge a higher price?” You would get more points and more credit for saying, “That's interesting, it seems like it would be very difficult to change unit shipments and volume, and the only other option left mathematically to improve profitability is to see if we can increase the price we charge.”

**00:34:12**

Candidate: Yes.

Interviewer: “And so therefore, I want to narrow our focus. My hypothesis is that perhaps there is an opportunity to increase price. And I want to test that particular hypothesis.”

Candidate: Okay.

Interviewer: So you're seeing as you go – every ten minutes, the focus is— every five to ten minutes, you are getting more and more specific in the question, and in the scope you are trying to answer.

Candidate: Okay.

Interviewer: And so that's called being more hypothesis-driven. You were doing it sort of in your head, but it's better to do it out loud verbally.

Candidate: Okay, yes.

Interviewer: Okay. The next piece would be once you have a hypothesis, I think you would benefit from being a little more structured in how you approach your analysis. Now I think one of your strengths is you have very good intuition in terms of what the problems could be. Now, there's a risk to good intuition, which is: when someone is very intuitive, they will tend to start looking, trying to figure out if their intuition is correct, rather than taking a more systematic approach.

Candidate: Okay, yes.

Interviewer: And it turns out most of your intuition was right, not 100% of the time, but the problem with that is: if you're getting the case right because of intuition and not because of structure, there's a lot less confidence on the interviewer's part that in a new case situation or in a new client situation, that you would be able to systematically follow a process to get to the right answer.

Candidate: So from what you just said, it would have been better in the middle instead of just going through what my gut feelings were, to really list the business situation framework, and then just really talk about, "I would like to talk about the client's client," "I would like to talk about the company's capabilities and our competition," for example.

Interviewer: Yes, actually I think that would have been a good move, but only if you had stated the hypothesis as to what you're trying to figure out.

Candidate: Yes.

Interviewer: So if you said, "I want to determine whether we can legitimately find some way to increase prices, or average prices, but to understand it, I need to understand the company, the competitors," you know all that, because if you just do the whole framework by itself, you don't have enough time to do the whole thing.

**00:36:09**

Candidate: Okay.

Interviewer: But if you're more specific ("Can we increase price?"), that generally suggests there needs to be some kind of customers' type that would value something, a premium type of offering. It suggests some level of differentiation in the product, or in the delivery, and it suggests some kind of competitive gap that the competitors can't do, right?

Candidate: Exactly. I was actually going through the framework, I just didn't state it. I think one of my problems would be to really remember just saying it out loud?

Interviewer: Absolutely.

Candidate: Okay. Because I felt—I'm really flattered about what you said about my intuition, but it actually really was your framework.

## Case 5 - Steel - Ex 2 - Transcript

Interviewer: Okay. And I would then... I would draw it out on paper, and I would say it out verbally, and as you get data from – this is a subtle twist – but as you get data from the business situation framework, I would reflect on what that means relative to your working hypothesis.

Candidate: Yes.

Interviewer: So you did ask about, you know, “who are the customer segments” – which is a great question – and then mentioned the builders in the earthquake zone. And then a reasonable synthesis or intermediary synthesis would be, “Well, that's interesting, it sounds like our ability to manufacture quickly, at least on paper, would be a good fit for builders in earthquake zones,” right?

Candidate: Yes.

Interviewer: “And so now my hypothesis is: I think we can find some way to charge more to builders in the earthquake zones, but it's unclear on how.”

Candidate: Okay.

Interviewer: Which is even more specific than before.

Candidate: Okay, yes, great. Very insightful, thank you so much.