

Case types and case interview methods

- What is a case?
 - A business issue/problem company is facing in a few sentences
 - Takes about 25 minutes; has limited data which is usually provided if asked for
 - Approach to solution is more important than the final solution
- There are two common case interview methods:
 - **‘Go with the flow’ cases (typical of most firms)** – You will determine which areas to explore and lead the discussion, i.e. drive the case
 - **Command and control (typical of McKinsey)** – Interviewer guides the discussion and case has heavy brainstorming components and quantitative work
- Common case types* (not a comprehensive list):

<ul style="list-style-type: none">▫ Profitability▫ Market Entry▫ Acquisition▫ Organization	<ul style="list-style-type: none">▫ Industry Analysis (incl. non-profit)▫ Market Sizing▫ Capacity Expansion (incl. outsourcing)▫ Investments
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**Note: one case could span multiple case types*

Overall flow of a case

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Tips: Communication, Notes & Math

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□ Communication

- Explain your thought-process when presenting your plan
- Make hypotheses when asking questions/requesting information
- Go beyond verbal communication
 - Be engaging! Enjoy the case problem and work together to solve it!
 - Body language (eye contact, gestures, posture); smile often but do not overdo it
 - Facial expressions (Maintain composure at all times)

□ Notes

- Write legibly, angle it such that the case-giver can see your work
- Use a new page for each theme you are exploring
- Circle/box insights for use in recommendations

□ Math

- Draw math out clearly (especially for market sizing)
- Explain any assumptions (be reasonable with assumptions)
- Walk through your logic aloud and tie the result to the case

7 Tips to help you stand out in the case interview

- Ask questions that help clarify the scope of the case and the exact question to be answered
- Draw out as “MECE” (Mutually exclusive, collectively exhaustive) a framework / tree as possible
- Talk about the most important branches first and explain why they may be the key drivers; don’t just follow the sequence in which you wrote them
- When asking questions or for more data, preface them with contextual analysis, or even a hypothesis as to what you expect the data show
- When doing math, relate the numbers qualitatively to the case, and identify/verbalize the takeaways from your analysis
- ‘Brainstorm in buckets’: If asked to brainstorm, take a minute, identify the broad levers that can answer the question, and run-riot with ideas. Structure and a logical approach is always appreciated.
- When presenting recommendation – take a position! Be concise and top-down in your recommendation (i.e. recommendation first with supporting arguments, tie in numbers if possible). Then, mention the risks that invalidate your reasoning

A note about frameworks

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- There are an unlimited number of frameworks that can be successfully applied in case interviews...
- ...but knowledge of a few solid frameworks will go a long way (profitability, market entry, go/no go investment, etc.)
- Sample frameworks can be found in the following places:
 - Wharton, Ross, Stern, Tuck, Kellogg, and other school casebooks available on webcave
 - David Ohrvall “Crack the Case” and Mark Cosentino “Case in Point”
 - Your knowledge from management, marketing classes and prior work experience – **read the CORE CONNECTOR** published by the Wharton Consulting Club too
 - Your own logical problem-solving abilities
- Cosentino and Ohrvall both offer “systems,” but these systems are essentially combinations of individual case-type frameworks
- Use what(1) You are comfortable with, and, (2) works for you. Be as original as possible: **DEVELOP A FRAMEWORK THAT IS RELEVANT TO THE CASE PROBLEM QUESTION AND INDUSTRY!**
- Some sample frameworks are provided in the next few slides. But these are just meant to get you started – do develop your own frameworks for each case!

Sample framework 1: Increase profits

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Overview

- Client's earnings / profits (or 'bottom-line' in Income Statement) has declined or stopped growing
- You need to recommend ways to increase profits

Sample Framework

SAMPLE

Market	Revenues	Costs	Customer / Channel
<ul style="list-style-type: none"> • Industry <ul style="list-style-type: none"> - Growth (g) - Revenues (R) - Profits (Π) • Competition <ul style="list-style-type: none"> - C1 market share (s1) - C2 market share (s2) - Etc. 	<ul style="list-style-type: none"> • Product mix <ul style="list-style-type: none"> - Points of Parity / difference our products and competition prod. • Pricing (P) <ul style="list-style-type: none"> - Competitive parity in prices - Can we ↑ prices? • Volume (Q) <ul style="list-style-type: none"> - What's our market share? - Enough capacity to meet demand? 	<ul style="list-style-type: none"> • Client cost structure (Fixed / Variable) <ul style="list-style-type: none"> - PP&E (Property, Plant & Equipment) - Overhead - SG&A - Labour - Materials - IT / Systems • Benchmarks <ul style="list-style-type: none"> - How do our costs stack up vs. others? • Supplier power 	<ul style="list-style-type: none"> • Customer Segment <ul style="list-style-type: none"> - Which segment do we serve? - Are they most profitable? • Channels <ul style="list-style-type: none"> - Current sales mix? - Are they low-cost channels? - Do these channels attract high margin customers? - Incentive structures / performance

Sample framework 2: Market entry; Investment and new technology

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Overview

- Client is considering entering a new market. Your goal is to recommend whether or not they should enter it
- For these types of cases what is common is that the company is considering spending money to get some kind of economic return. In addition to seeing whether the decision is financially sound, you have to test:
 - Likelihood of implementation success based on industry conditions and firm capabilities
 - Do a risk assessment

Sample Framework

SAMPLE

Strategic Logic

- **Why are they thinking of market entry?**
 - Growth?
 - Mature current market?
 - Response to competitor move?
- **Resources and capabilities**
 - What does the firm have that makes them think they can be successful?
 - Brand
 - Patents
 - Local expertise/partners

Economics of decision

- **New market conditions**
 - Total Revenues (R)
 - Total Profits (T)
 - Growth (g)
- **Competition in a new market**
 - C1 market share (s1)
 - C2 market share (s2)
 - Etc.
- **Economics**
 - Investment required
 - Expected share of revenues
 - Expected share of profits
 - Profitable? Payback period?

Risks / Others

- **Execution/entry barriers?**
 - Channel access?
 - Regulatory barriers?
 - Does firm have \$ to make investment?
- **Risks**
 - Implementation risk
 - Political risks?
 - Currency risk?
 - Macroeconomic risk?

Sample framework 3: M&A deal

Overview

- Client is considering an M&A transaction
- Your goal is to recommend whether or not to do the deal

Sample Framework

SAMPLE

Strategic Fit	Deal Economics	Risk Assessment
<ul style="list-style-type: none"> • Basic deal rationale <ul style="list-style-type: none"> - Cost synergy-focus? - Revenue-synergy - focus? - Early-stage co. being acquired for technology? - Response to competitor move? • Type of deal <ul style="list-style-type: none"> - Vertical integration - Horizontal - New market entry via deal - Diversification move 	<ul style="list-style-type: none"> • Valuation (Know basic DCFI) <ul style="list-style-type: none"> - Revenue & Costs - CAPEX & Working Capital - PBT (profit before tax) - Taxes - PAT (profit after tax) - Cost of capital (R) - Value = (PAT / r) • Deal Price • Synergies <ul style="list-style-type: none"> - Cost and Revenue - New Firm value • New Value > Deal Price 	<ul style="list-style-type: none"> • Has the company done acquisitions before? <ul style="list-style-type: none"> - Capability test • Organizational cultures <ul style="list-style-type: none"> - Compatible (high % of M&A deals destroy value as cultures are not compatible) • Need to manage PMI (Post merger integration process) • Can investors not diversify by themselves

Sample framework 4: Outsourcing

Overview

- Client is considering outsourcing an operation
- Your goal is to recommend whether or not to do the outsourcing
- Do NOT make a recommendation on cost savings alone – explore areas like customer service impact, premium customer segment impact etc

Sample Framework

SAMPLE

Strategic logic	Decision Economics	Risks / Others
<ul style="list-style-type: none"> • Why are they thinking of outsourcing? <ul style="list-style-type: none"> - Cost savings? - Market entry into BRIC/other markets? - Early-stage co. being acquired for technology? - Response to competitor move? • Customers affected <ul style="list-style-type: none"> - Which segments? - What are their needs? 	<ul style="list-style-type: none"> • Current costs (in-house operation) • Outsourced costs • Initial investment required <ul style="list-style-type: none"> - Outsourcing consultants - IT/System investments • Net cost savings 	<ul style="list-style-type: none"> • Risks <ul style="list-style-type: none"> - Implementation risk? Political risks? - Currency risk? • Partner capabilities <ul style="list-style-type: none"> - Quality of service - Lead time - Technology - Customer service • Stakeholder mgmt. <ul style="list-style-type: none"> - Stakeholders – job loss issues etc. - Manage media & community

IMPORTANT: Sometimes interviews might make a difference between Outsourcing and Off-shoring: former refers to functions that are done outside firm's boundaries. Latter refers to outsourced functions done in a distant location such as India or Ireland.

Sample framework 5: Non-profit organizations

Overview

- Client is a non-profit organization
- Your goal is to solve the specific problem for the organization
- Important to display that you understand that non-profits have fundamentally different drivers beside just the economics of a particular decision

Sample Framework

SAMPLE

Strategic Rationale

- **Mission of non-profit**
 - Health
 - Education
 - Poverty alleviation
 - Etc.
 - Response to competitor move?
- **Stakeholder opinions and likely reaction**
 - Donors
 - “Customers” – those who benefit from the non-profit’s services
 - Volunteers
 - Paid staff

Deal Economics

- **Planned investment**
 - What will it cost?
 - Do we have the money?
- **Returns, if any**
 - Will we be getting back money?
 - Will organization make / lose money on this?

Other

- **Required capabilities**
 - Does non-profit have what it takes to do this well?
- **Risks**
 - How will media perceive this decision?
 - Critical to factor in stakeholder reactions – will this alienate donors, volunteers etc?

After developing a framework, problem solving requires smart follow-up questions & insights

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Examples

- Should client **enter new market**? What is NPV?
- Should client do **M&A**? Post-merger integration risk?
- How can client **increase profits**? Quantify increase.
- How can client **reduce costs**? By how much?
- Should client make **new investment**? What is NPV?
- How can client **increase share**? Quantify increase.
- How can client **grow revenues**? Quantify increase.
- Should client **outsource**? Compare/value alternatives.

➤ **Wide variety of decisions** businesses face

➤ Where possible, you will be guided to **quantify improvement (i.e. to do some basic applied math)**

Some solution drivers

Strategic analysis

- What are **industry trends**?
- Info on **competitors/market shares**?
- Strategic **rationale** underlying decision?

Economic analysis

- What **products? Prices? Volume**?
- What's the **cost structure**?
- **Profit impact** for client?

Customers / channels

- Which **customer segments**?
- What are **customer needs / wants**?
- What **channels? Sales force**?
- Any **regional/geographic** concerns?

Catch-all / Other

- What are the **risks**?
- Any **regulatory issues**?
- Any **organizational** behavior issues?

SAMPLE

➤ Not all issues/drivers will be relevant but list should let you quickly zone in on key to problem

➤ For these drivers, think about:

- Changes over time?
- Compare client with competition etc.

➤ This is meant to be a thought starter — not a comprehensive list

Tips for giving cases

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One should broadly follow these steps when giving cases to fellow students

<p>Prepare yourself</p> <ul style="list-style-type: none"> ✓ Read the case thoroughly ✓ Don't give a case that you have not studied yourself ✓ Have any exhibits ready for use during the case ✓ Be ready to take notes 	<p>Make it real</p> <ul style="list-style-type: none"> ✓ Make the experience as close to real as possible ✓ Be serious during the case even if you give the case to your best friend ✓ Be tough – test candidate's ability to deal with a negative vibes from interviewer ✓ Control the time. Do not exceed 30-35 minutes for the case portion! 	<p>Step wise approach</p> <ul style="list-style-type: none"> ✓ Introduce the problem statement ✓ Allow 3~5 mins for candidate to gather her thoughts ✓ Answer any questions that candidate may have ✓ Guide the candidate accordingly if she is digressing from key issue
<p>Ask questions</p> <ul style="list-style-type: none"> ✓ Best way to make cases interesting to provide necessary hints indirectly - for ex by asking related questions ✓ Follow the case flow as provided in the original format – It helps in objective assessment 	<p>Guide only when necessary</p> <ul style="list-style-type: none"> ✓ Give out information only when right question is asked ✓ Idea is to let candidate stretch herself and get a feel for real situation 	<p>Provide honest feed back</p> <ul style="list-style-type: none"> ✓ Go back to your notes and think of both strengths and weaknesses ✓ <u>Be specific</u> – What was the mistake and what's the right approach ✓ <u>Be Honest</u> – its in candidate's best interest to make mistake with you and learn from them

Remember that there is no one answer to any case! A candidate can be creative enough to take a new approach towards the problem.

Other references: Case prep

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- There are a number of other resources to learn about case prep. We found the following particularly useful:
 - ▣ Kellogg 2004 Casebook – Pages 5 to 44
 - ▣ Ross 2007 Casebook – Pages 3 to 25
 - ▣ Older Wharton Casebooks

Remember, cases are about problem-solving abilities, not whether you are an industry expert

Background

- Case interviews span a broad range of industries. You may encounter everything from Financial Services to Mining to Education to Formula 1
- Those of you who have not worked as consultants before will likely not have any background in most of these industries
- This document can give you a **very high level view of some 'typical' industries** that cases focus on
- You **MUST** attend the industry primer series led by partners from various firms as they will capture key insights and latest trends in those industries that tend to be popular in cases

Our belief

- We believe that having a very basic **overview of an industry helps to more effectively tackle a case**
- At the very least it helps you construct a framework that is most applicable to that particular problem context. Examples:
 - Consumer goods: **branding is an important driver of success**
 - Pharma: **generics manufacturers pose a major competitive threat**

Important Warning!

- **Do not attempt to master industry specifics or memorize industry data**
- You primary objective over the next few weeks/months is to **master case-based problem solving... not to become an industry expert**
- Spending a little time informing yourself about the basics of a few key industries should improve your problem-solving ability. The following pages will help in this endeavor.