

CHAPTER 13: MANAGEMENT ANALYTICAL FRAMEWORKS

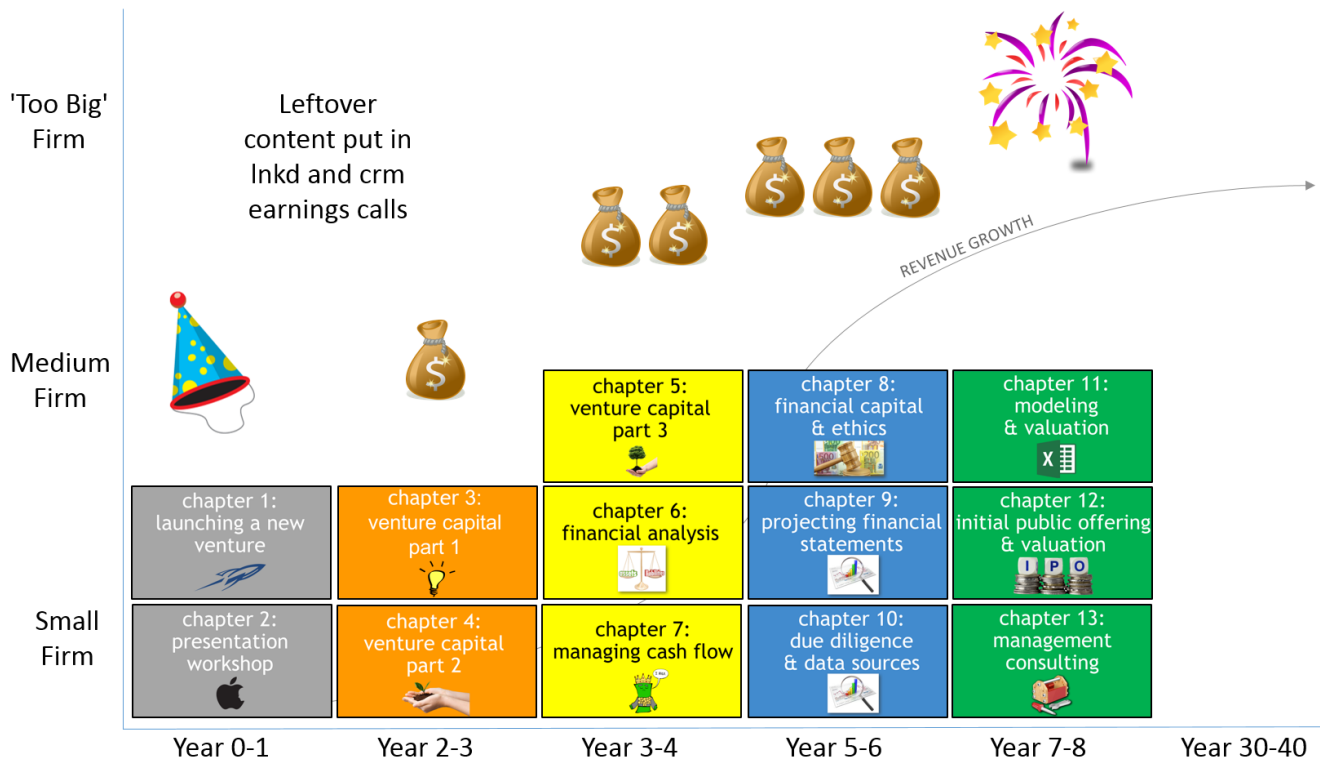
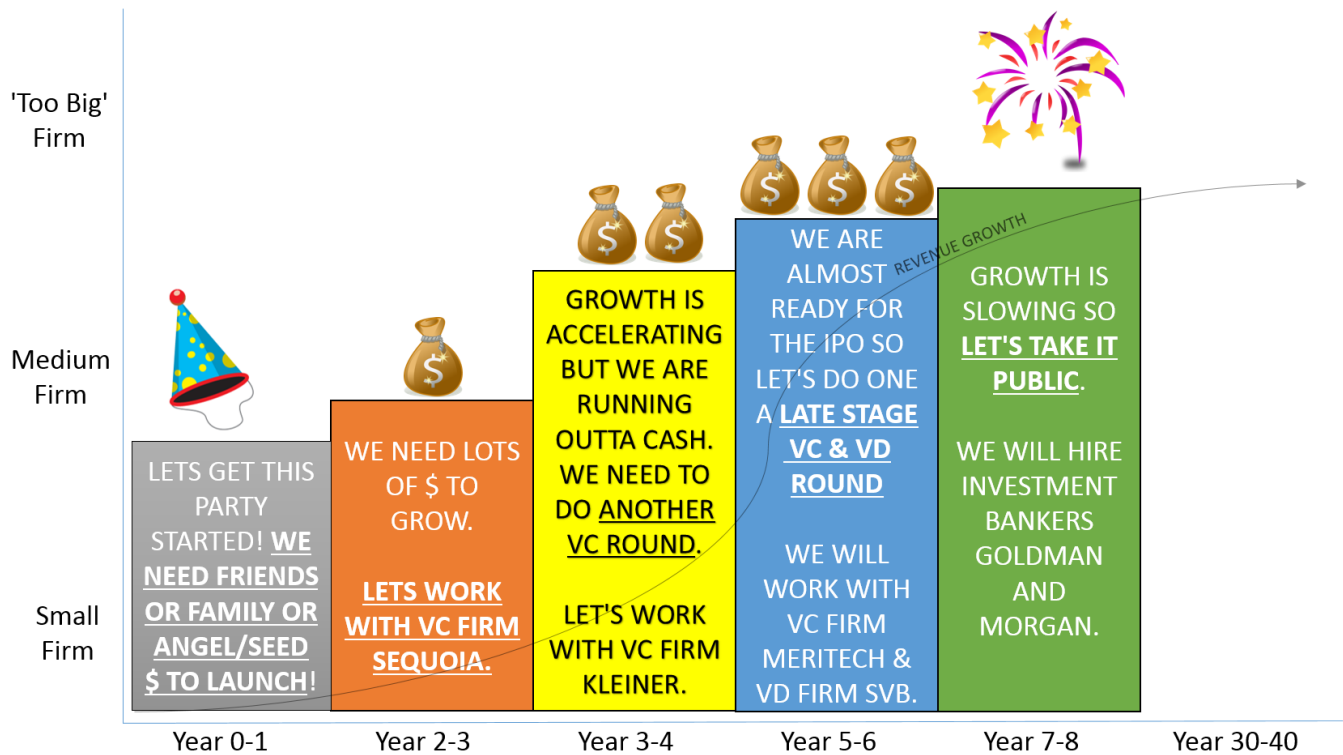
“Option A is not available.

*So let’s kick the sh** out of option B.”*

- Sheryl Sandberg

chapter 13:
management
consulting





Microsoft tried to buy our company for an insulting \$1bn. Oracle just approached us and is considering buying our firm for \$10bn! Wow. Why would they do this? Is it because they are not growing anymore and they have to 'acquire growth' in order to appease concerned shareholders? Maybe they are too big to innovate? Tough call. Oracle needs some big time advice....

MANAGEMENT CONSULTING

In this chapter we will cover the role of the management consultant. In fact, you will get the opportunity to be a consultant and help your enterprise technology company client Oracle by offering advice on how they can grow revenue. Let's get started!

you are consultants
in this chapter.

you will be armed with
consulting frameworks.

which will help you analyze
problems.

your mission is to
help
your client...

ORACLE

a tech relic and...

an old school software firm.

that has awful cloud
technology.

how can they compete?



is eating their lunch!

cloud computing companies
are killing them...especially...



the largest tech employer in SF.



the most disruptive tech firm.





Salesforce is getting much stronger each year. They are building a massive 'Salesforce Tower' in San Francisco, which will be by far the tallest building in the city!

so strap in

this will be a real life
simulation

do you want to be a
consultant?

in this chapter you work for

McKinsey&Company

consultants use frameworks

they analyze the problems

and suggest solutions

why are they hired?

because their clients cannot
solve complex problems.

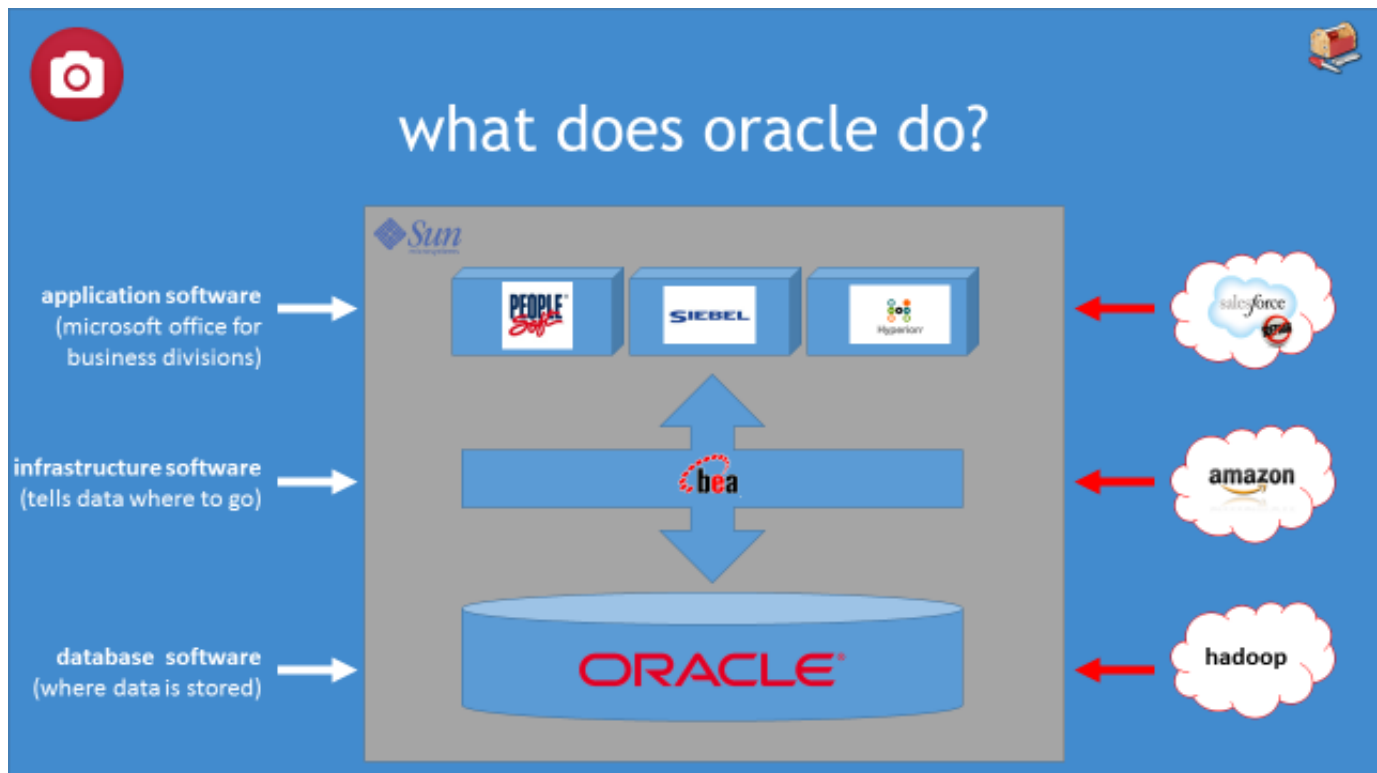
can you help oracle stay
relevant?

let's begin.

about oracle.

Oracle (www.tiny.cc/chris89) is one of the oldest and most successful enterprise software companies in the world. The company has been trying to build on its core database product for years.

The cloud (www.tiny.cc/chris90) presents a threat - especially Salesforce (www.tiny.cc/chris91) and an opportunity for Oracle.



Oracle has been incredibly successful because of their CEO and founder Larry Ellison. You need to watch this video to understand his brilliant cerebral intensity: www.tiny.cc/chris92.

Unfortunately Larry Ellison is stepping away from managing the day to day activities of the company. Per my article on founders leaving a company in the last chapter of this book, I am always worried about investing in a tech company when the founder is not as active as she or he used to be.

Let's look at an overview of the consulting industry:

consulting tam.

global tam = \$420bn.
us tam = \$165bn. 130k firms

types of consulting firms.

- 1: management / strategy
- 2: financial
- 3: i.t.
- 4: h.r. / staffing

management / strategy consulting

- ☐ should the government bail out ford?
- ☐ should a restaurant change the menu?
- ☐ should a hardware company divest?

financial consulting

- ☐ financial statement preparation?
- ☐ environmental regulation impact?
- ☐ should 2 big accounting firms merge?

i.t. consulting

- ☐ merger of b of a and nationsbank
- ☐ setting up offshore bank for cibc
- ☐ online banking access for b of a

I used to work in the i.t. consulting industry at Accenture, which I loved! 3 projects I worked on are listed in the previous graphic. What I loved about the consulting industry is that if you hate your job, it's all good as you can easily move on to another project in 6 months at another client site! Fortunately I loved every second of my employment there!

h.r. / staffing consulting

- ☐ should we outsource hiring?
- ☐ outsource retirement plan benefits?
- ☐ should we let people go?

positives of working in consulting

- 😊 intellectually stimulating
- 😊 opportunity to travel
- 😊 excellent compensation

negatives of working in consulting

- ☹ brutal hours
- ☹ some clients hate you
- ☹ long path to partner



resume tips for consulting gigs

- ❑ http://www.mckinsey.com/careers/join_us/resume_tips
- ❑ <http://www.pwc.com/us/en/careers/pwctv/pbw/pbw-career-corner-10-tips.pdf>
- ❑ <https://www.thiswaytocpa.com/career-tools/resumes-interviewing/rock-out-resume>

Here are the links from the 3 bullet points on the preview slide (if you are interested in working in the consulting sector that is):

- ❑ www.tiny.cc/chris93
- ❑ www.tiny.cc/chris94
- ❑ www.tiny.cc/chris96

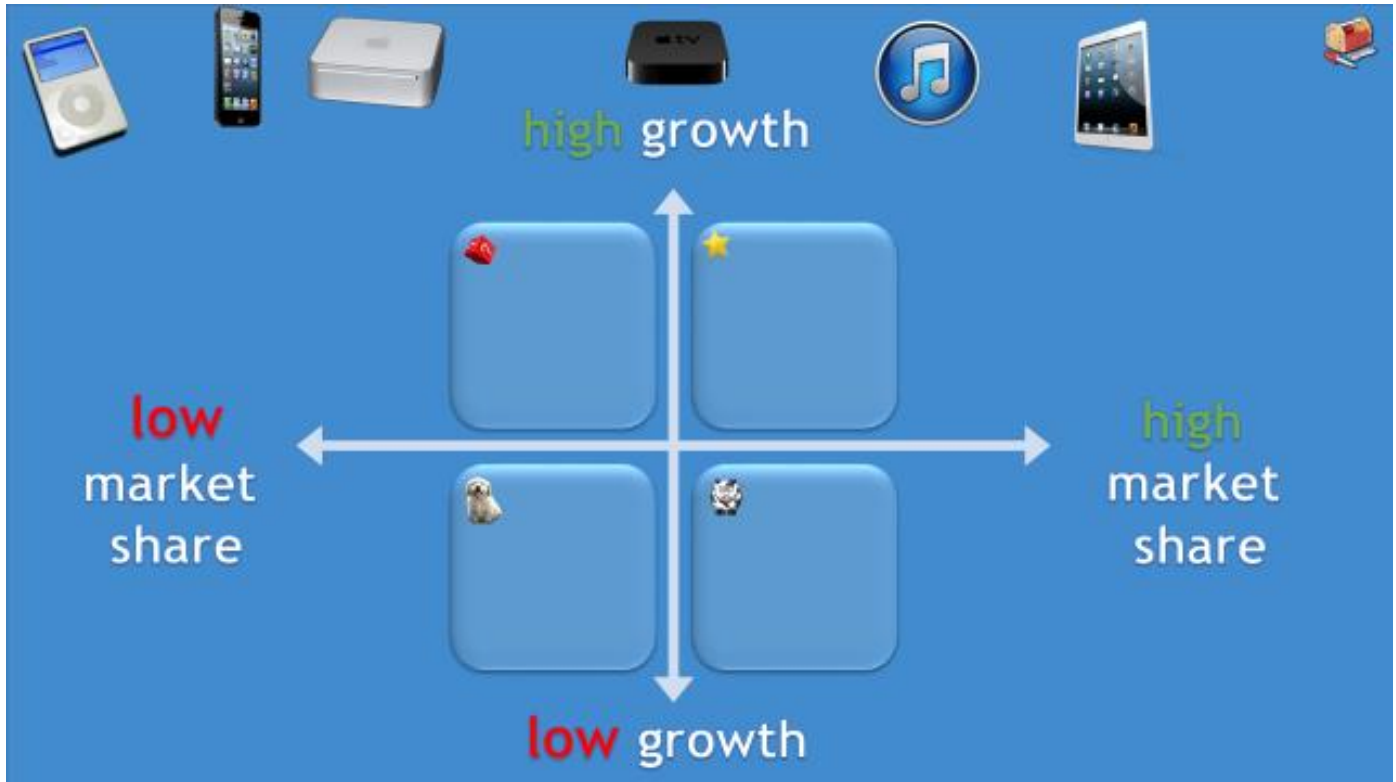
management consulting frameworks



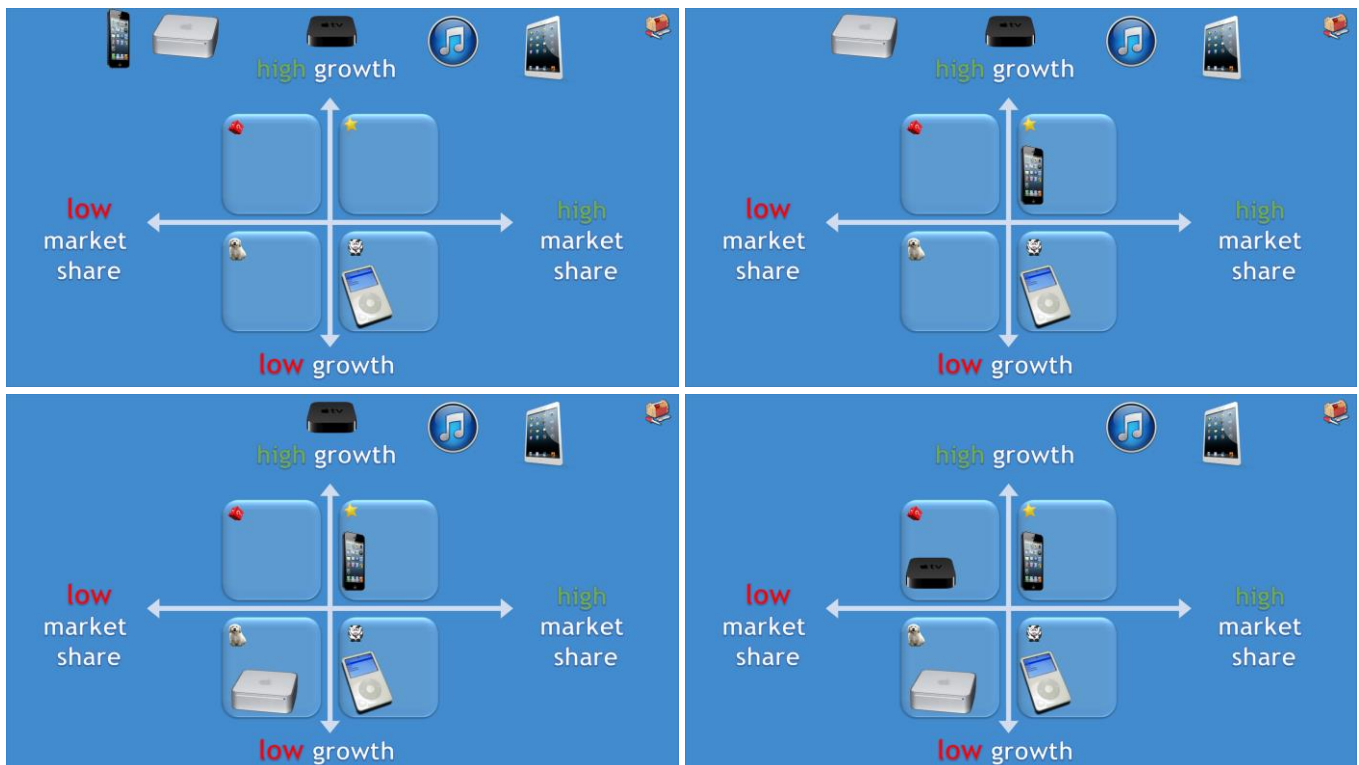
After each course I took during my MBA and undergraduate business education, I would always reflect and try to recall one framework that I could take with me for analyzing business problems. Here are a few:

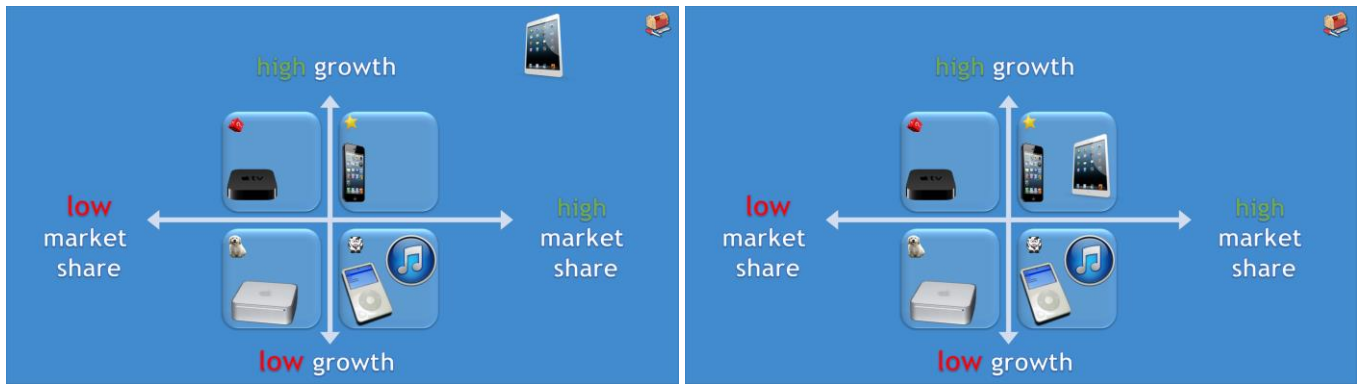


This is the Boston Consulting Group Framework. This framework helps companies categorize if their products or services are high or low growth and if they have high or low market share relative to the competition. Per the following slides, see if you can put each Apple product in the right categories. The categories are called: Question Marks, Stars (my kids tell me the Star logo is from the Mario Galaxy game which is a masterpiece), Dogs or Cash Cows.



Let's see if you can place each of the Apple products in the image above in the correct Boston consulting Group (BCG) boxes. Again, the categories are: Question Marks, Stars, Dogs and Cash Cows.





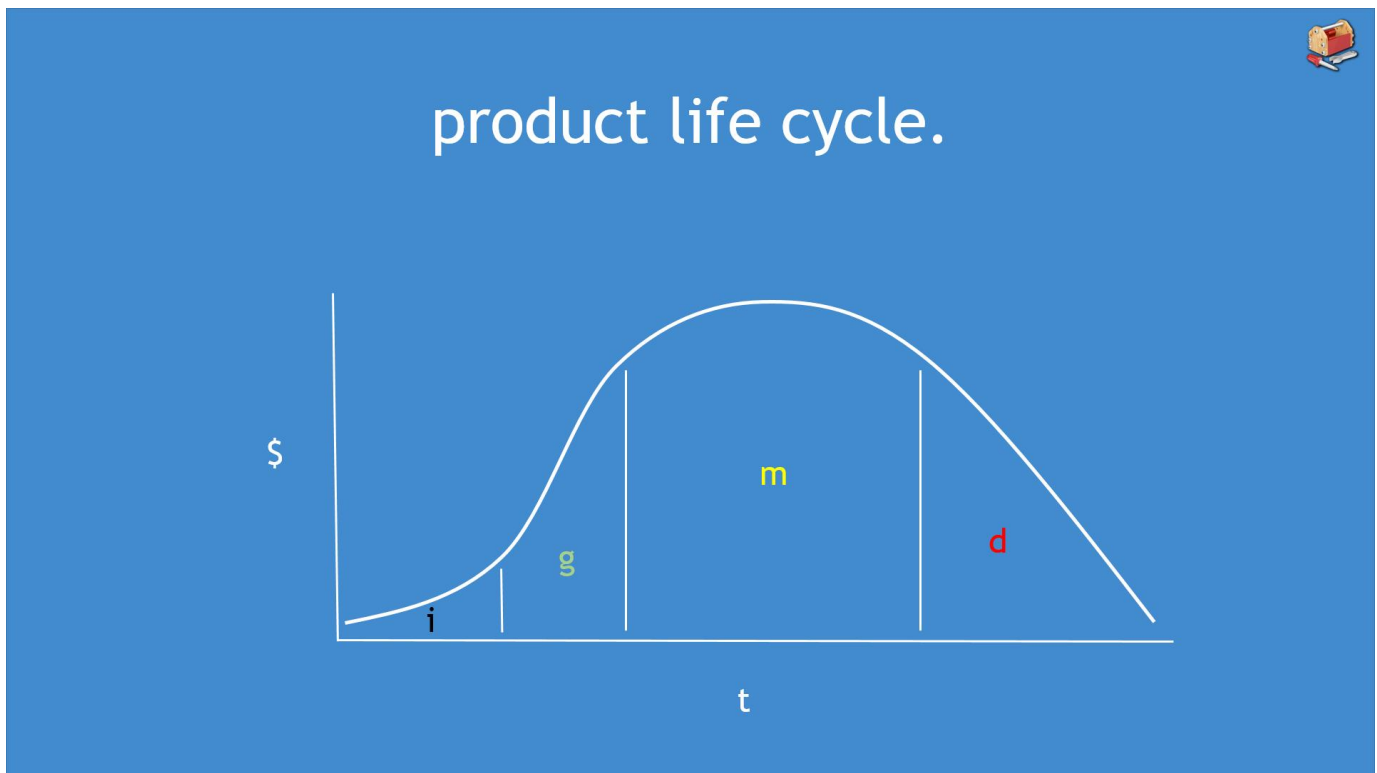
Another cool framework that I like to use is a SWOT analysis, which lets you categorize what a company's Strength, Weaknesses, Opportunities or Threats are.



Here is an example of a SWOT analysis in real (sort of) life here in Silicon Valley: <http://tiny.cc/chris113>

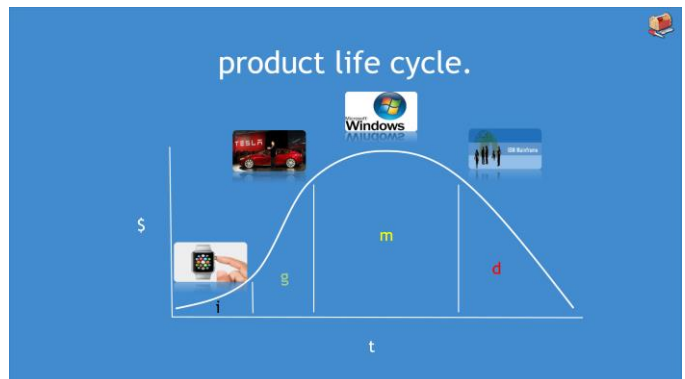
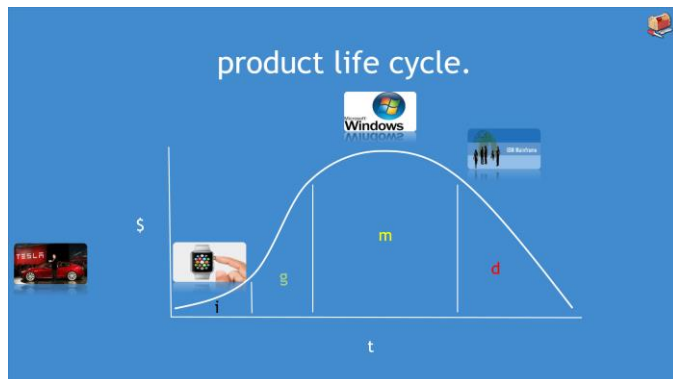
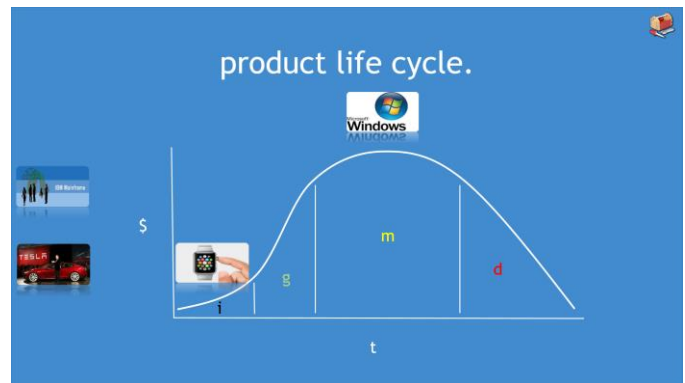
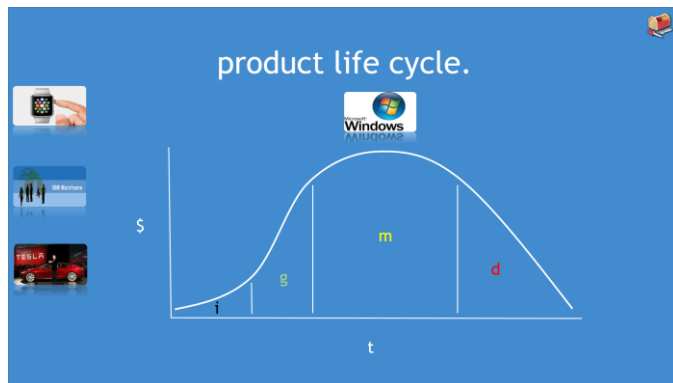
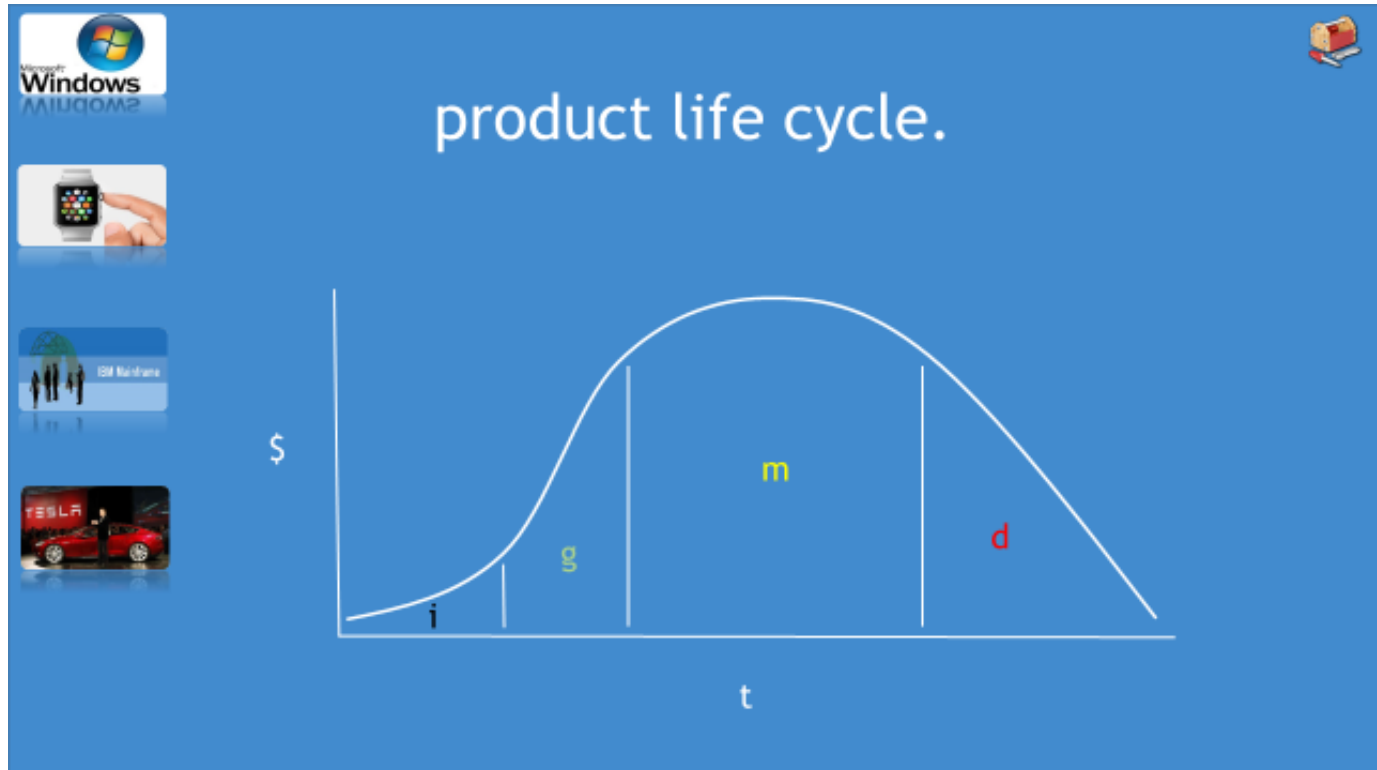


See if you can do a SWOT analysis for Facebook.



Another framework that consultants use and that I find helpful is the PLC or Product Life Cycle framework. Here you can analyze using time as the x axis and revenue growth as the y axis where companies or

products are in their life cycle. The categories are Introduction Phase, Growth Phase, Maturity Phase and Decline Phase. Let's see if you can categorize where the following products are in the PLC: Microsoft Windows, The Apple Watch (our banana watch is way better!), IBM's Mainframe and the Tesla Model S car.



Another popular framework is Michael Porter's 5 Forces Model, where you analyze the following 5 forces have on a company: Supplier Power, Buyer Power, Competition, Substitutes and New Entrants. See if you can analyze Apple using this framework.

porter 5 forces model.



other qualitative stuff.

✓ t.a.m.

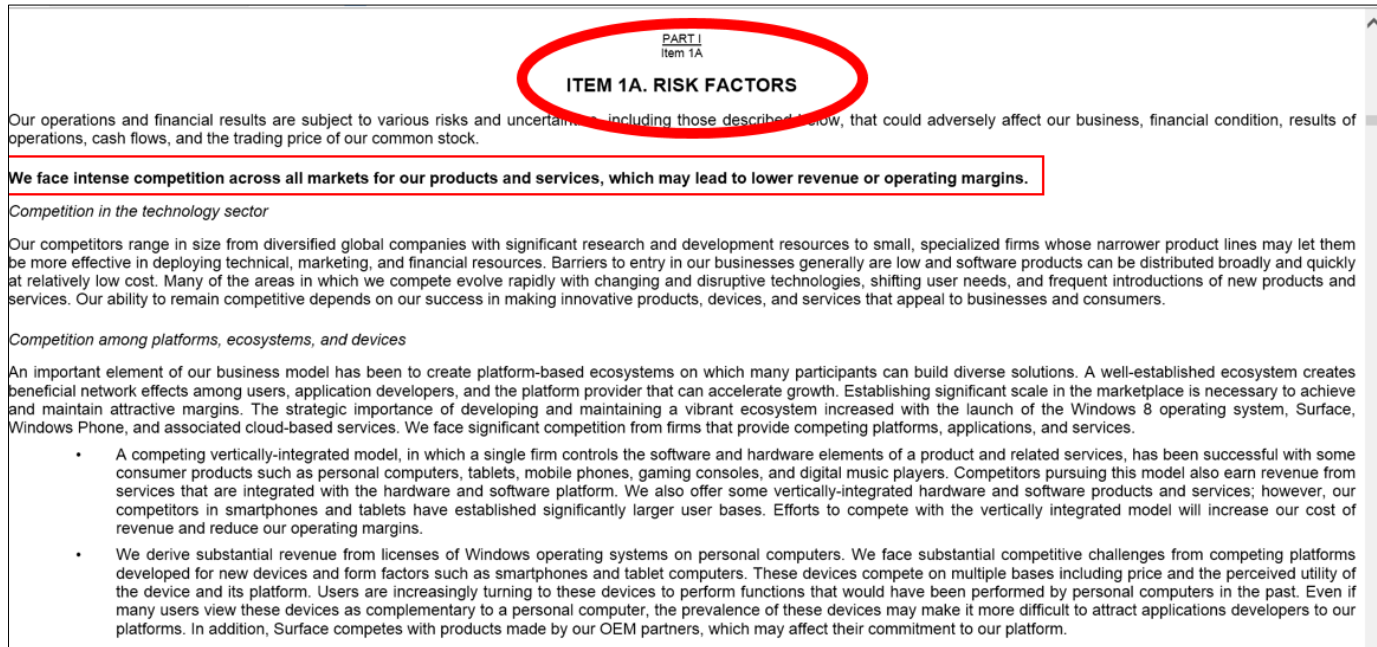
✓ b.t.e.

✓ risks.



We can analyze a company's T.A.M. or total addressable market as well, which we have already done earlier in this book. We can also analyze a company's B.T.E. or barrier's to [market] entry. Lastly, we have already used the www.sec.gov website to read about a company's or a company's competitor's risks in 10-k, 10-q, S-1 or 8-k filings. The next image shows some www.sec.gov highlighted risks as filed by Microsoft.

=



Alrighty it's that time again. You're my boy blue! :)



www.sec.gov



1: provide 3 risks for oracle.

2: provide 2013 Q3 revenue for oracle.

3: provide name of ceo of oracle.



round 2



1: provide 1 lawsuit oracle is facing.

2: provide oracle's latest cash balance.

3: provide % of revenue oracle has overseas.



final round.



1: provide the name of oracle's cfo.

2: provide 3 of oracle's competitors.

3: provide details on oracle's ceo.



quantitative stuff



look for trends in the data.

oracle income statement.



Every chart tells a story. We already know that Oracle's organic growth is negative. In fact, if the company didn't make the acquisitions listed above, then actual revenue growth would be negative. The danger with Oracle's acquisition strategy is that they need to make multi-billion dollar acquisitions every single year or else investors will catch on that they have anemic growth. It's not their fault as all great tech companies get too big and it just gets hard to grow given the law of large numbers.

Below is a 10 year P/E chart for Oracle. It looks like Wall St. is catching on as the P/E continues to contract.



10 year p/e multiple contraction!



negative organic growth!

ORACLE®

~\$50bn in acquisitions since 2004

some of oracle's many issues



- ✓ one neck to choke
- ✓ too big
- ✓ no organic growth

some of oracle's many issues



- ✓ failure to innovate
- ✓ margin compression
- ✓ becoming irrelevant.

Oracle has many issues, which you as the consultant can analyze. There is a concern that they have way too much market power as many of their customers buy too much from them. We call this a 'one neck to choke' strategy as customers complain to one salesperson at Oracle if they have issues since they buy many products from one firm. However, this can lead to higher prices if a company has too much market power over customers (side note: Is Apple getting this way? Have you ever seen a product on sale in an Apple Store?).

consulting ethics.

A cornerstone of this book is business ethics, which of course are of paramount importance also in the consulting industry as well: www.tiny.cc/chris97.

orcl today is in secular decline

What would you recommend that Oracle do to stop organic growth from being negative? How would you improve Oracle? What would you recommend they do?

another networking workshop.



getting a job using



www.tiny.cc/chris98

did anyone get an
informational meeting?

PLEASE try harder.

new topic...



interviewing executives.

HOW TO TELL IF SOMEONE IS LYING

When I worked at a large hedge fund called Citadel, management hired 25 year CIA and FBI veterans to teach us how to tell if a CEO is lying to us. Here are some of the key takeaways:

- 1: A liar often gives long winded answers to a simple yes or no question.
- 2: A liar often does not make eye contact when answering a question and the answer contains a lie (unless this is their normal demeanor).
- 3: A liar often puts their hand on their mouth when answering a question with a lie.
- 4: A liar often shakes his or her foot when answering a question with a lie (unless they drink too much coffee)!

Questions Based on Chapter 13:

- 1: Companies often hire consultants because that company can't solve complex themselves.

True or False

- 2: Positives of working in the consulting industry might include:

- a) The ability to travel.
- b) The ability to receive excellent compensation.
- c) The work can be very intellectually stimulating.
- d) All of the above.

3: S.W.O.T analysis stands for: Strengths. Weaknesses. Opportunities. Threats

True or False

CHAPTER SUMMARY



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qualitative tools = b.c.g, p.l.c., s.w.o.t, management, catalysts, risks and www.sec.gov.
networking. *"relationships are more important than product knowledge!"*

