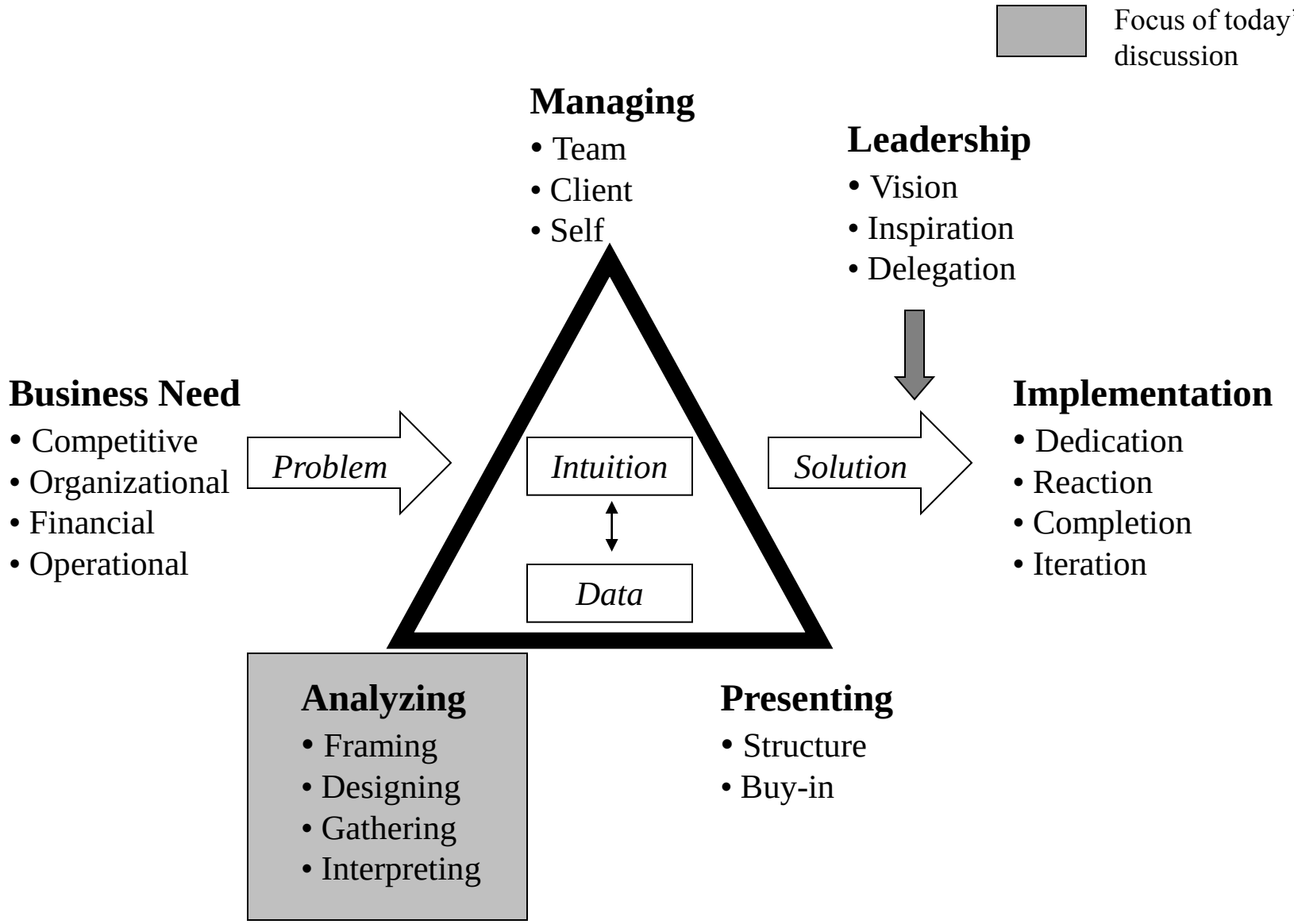
PROBLEM SOLVING WITH THE MCKINSEY METHOD

MCKINSEY PROBLEM SOLVING APPROACH



FRAMING THE PROBLEM – KEY TIPS

- Start with structure, not data
- Break the problem into “MECE” parts (using issue trees)
- Form a sound hypothesis as to the answer
- Identify what conditions are necessary and sufficient to prove the hypothesis (using hypothesis trees)

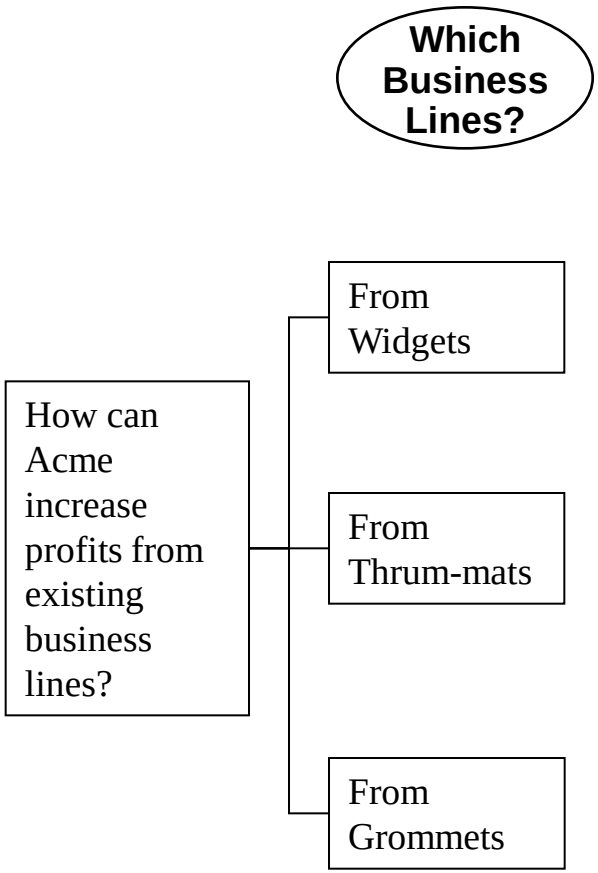
FRAMING THE PROBLEM – ISSUE TREE EXAMPLE

Problem: How can the Acme Widget Company increase profits from its existing business lines?

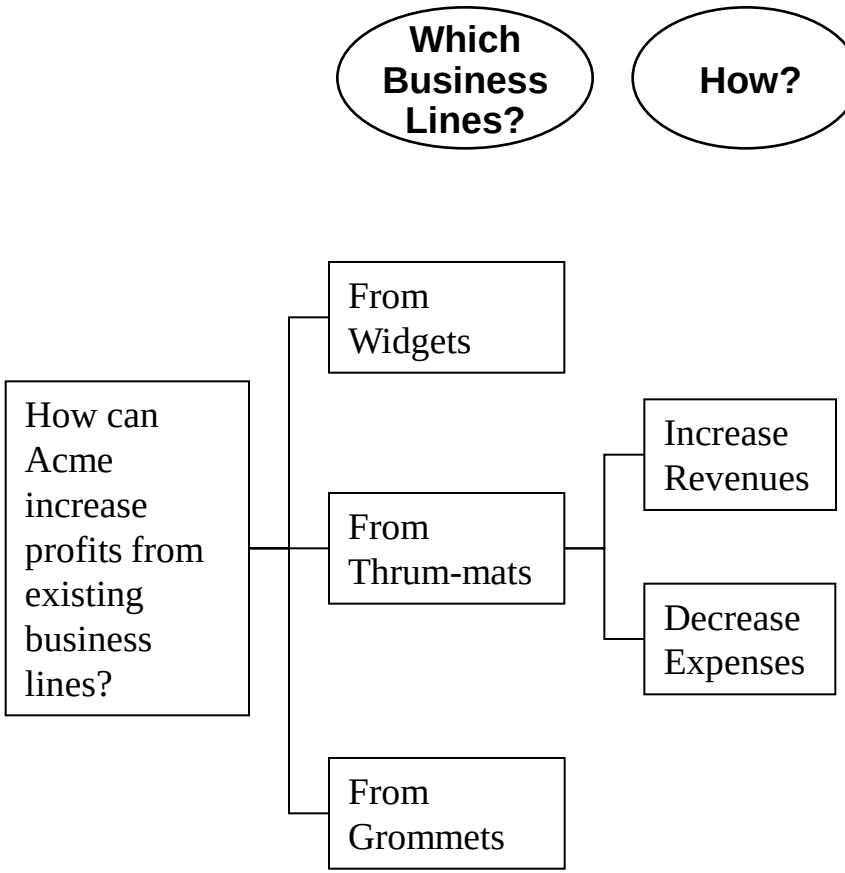
FRAMING THE PROBLEM – ISSUE TREE EXAMPLE

How can Acme increase profits from existing business lines?

FRAMING THE PROBLEM – ISSUE TREE EXAMPLE



FRAMING THE PROBLEM – ISSUE TREE EXAMPLE



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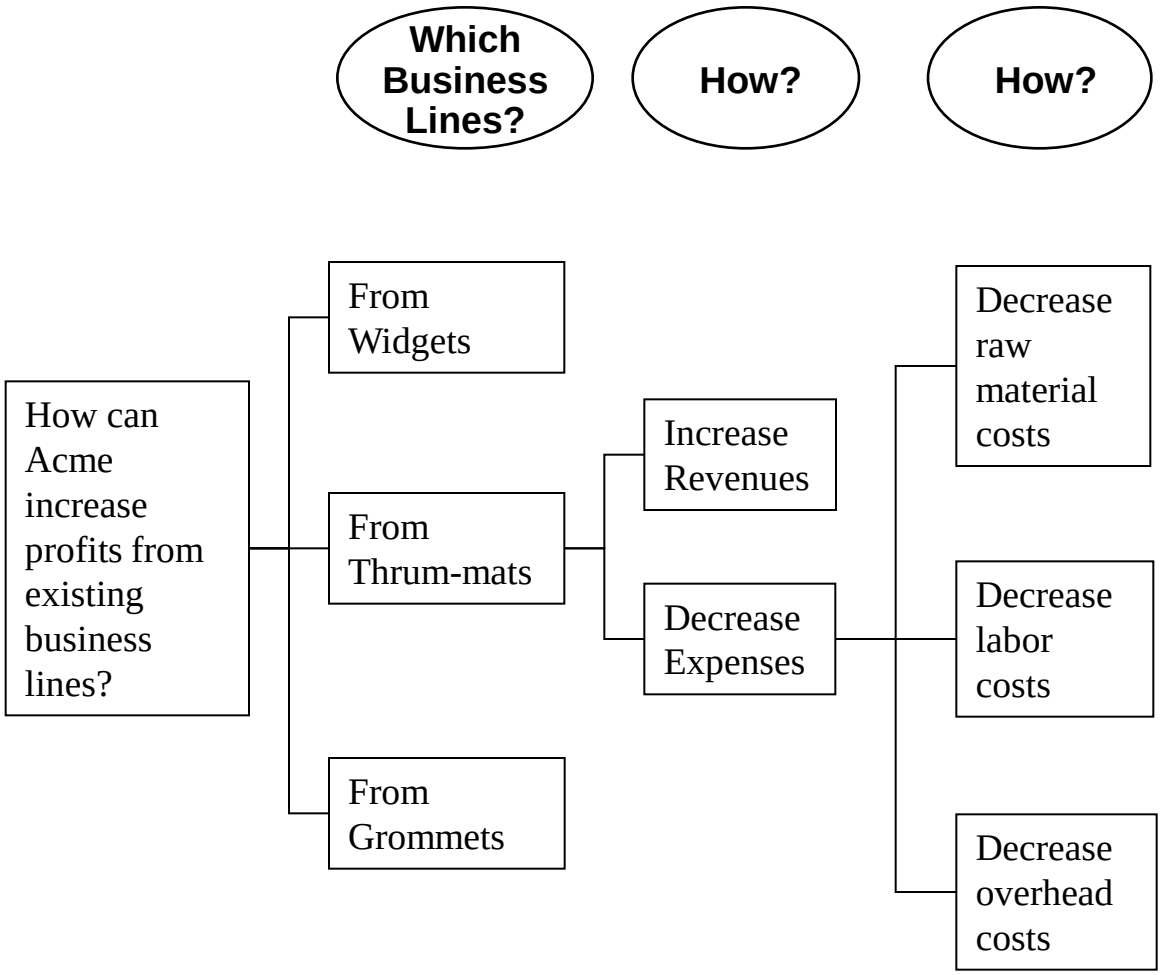

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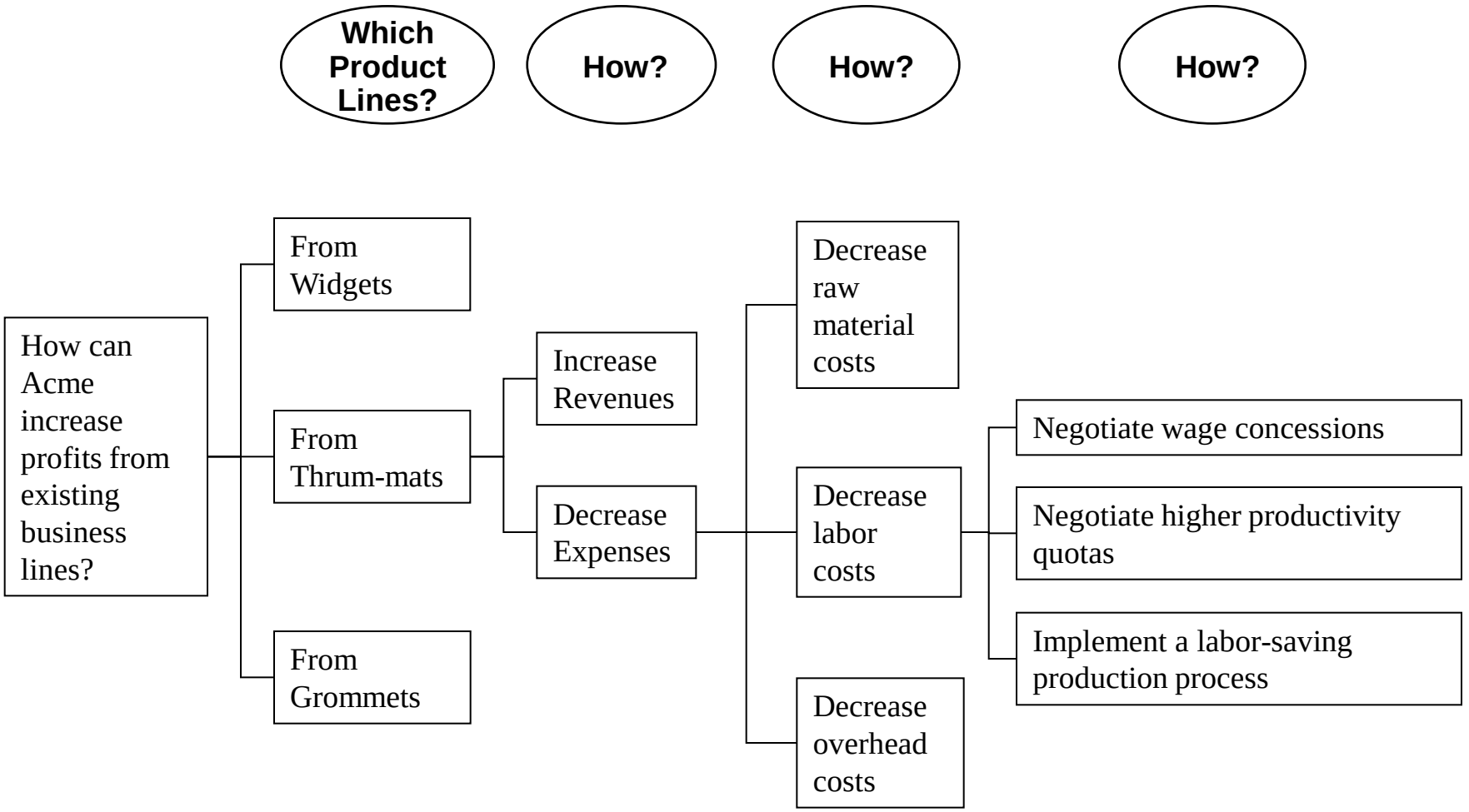


FRAMING THE PROBLEM – ISSUE TREE ASSIGNMENT

Problem: How can I have more money at the end of each month without incurring debt?

ISSUE TREES VS. HYPOTHESIS TREES

- Issue trees identify all potential ideas
  - Issue trees ask “How” we could meet a desired outcome
  - Issue trees are excellent for organizing ideas in a “MECE” manner
  - Complete issue trees uncover all potential ideas
- Hypothesis trees focus and build up an argument or conclusion
  - Hypothesis trees ask “Why” we believe something to be true
  - Hypothesis trees are excellent for narrowing down investigation to essentials
  - Complete hypothesis trees build up a complete argument
  - Hypothesis trees focus on the “so what” of any data that is presented

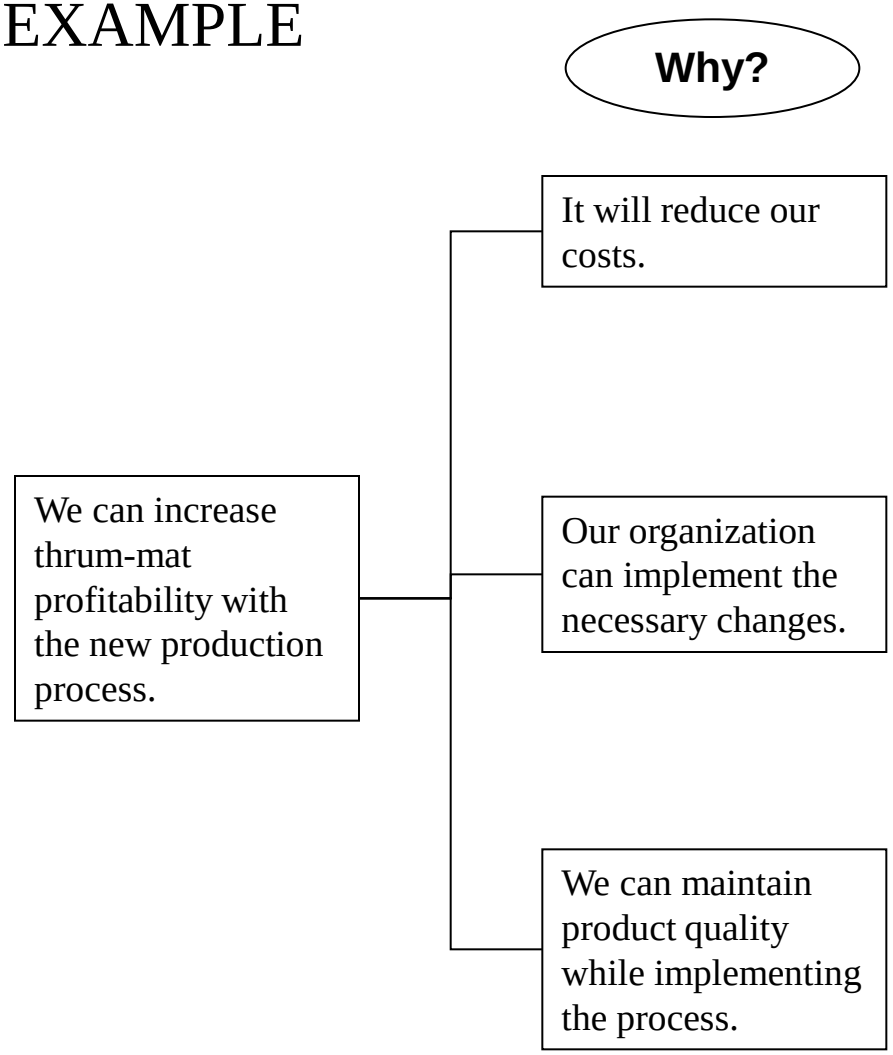
FRAMING THE PROBLEM – HYPOTHESIS TREE EXAMPLE

Hypothesis: We can increase the profitability of the Acme Widget Company through a streamlined production process for thrum-mats.

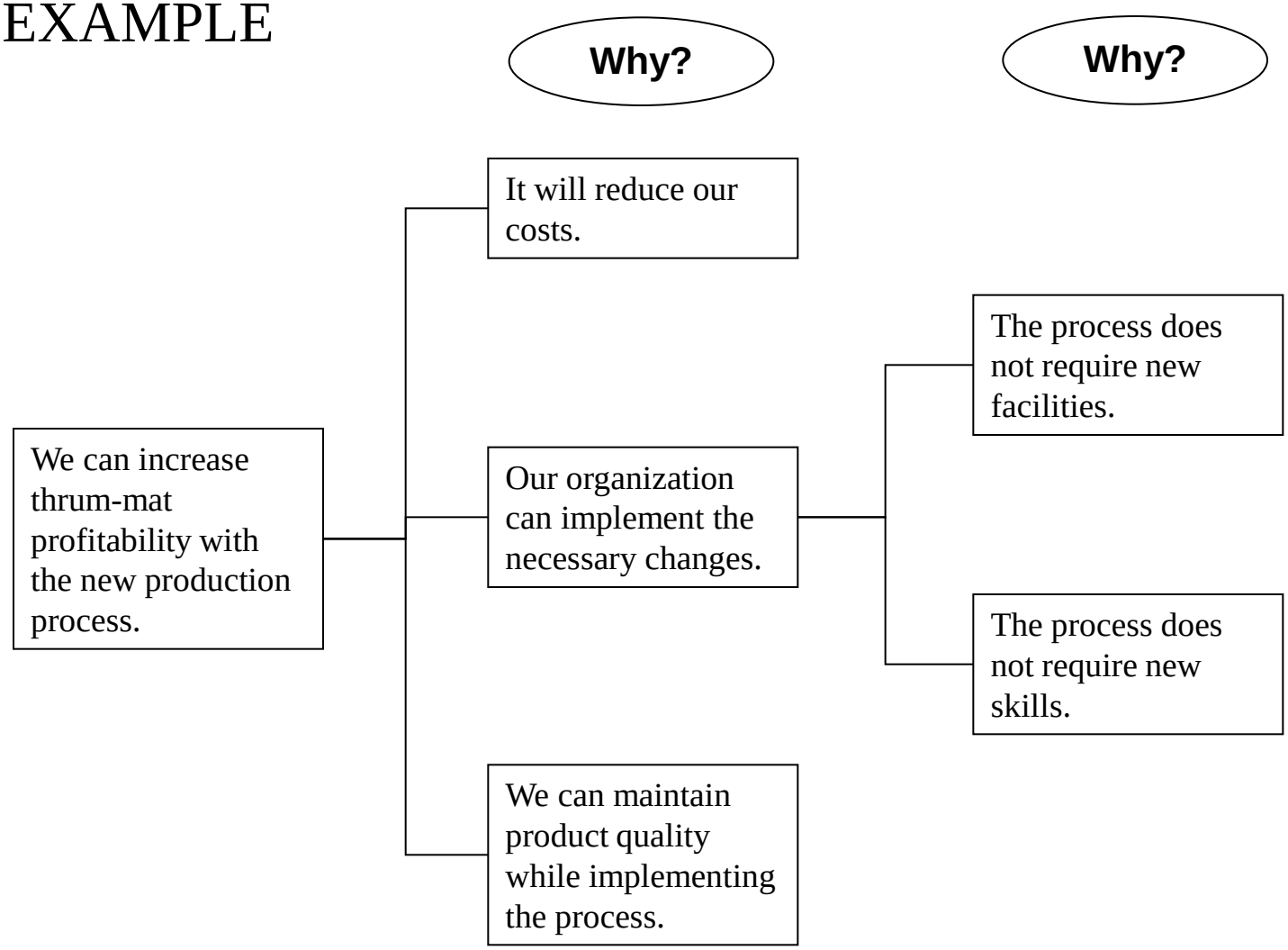
FRAMING THE PROBLEM – HYPOTHESIS TREE EXAMPLE

We can increase thrum-mat profitability with the new production process.

FRAMING THE PROBLEM – HYPOTHESIS TREE EXAMPLE



FRAMING THE PROBLEM – HYPOTHESIS TREE EXAMPLE



FRAMING THE PROBLEM – HYPOTHESIS TREE ASSIGNMENT

Hypothesis: The best way for me to have more money at the end of the month is to spend less through comparison shopping.

DESIGNING THE ANALYSIS – KEY TIPS

- Lay out the issues in a written workplan by priority
- Identify the essential analyses necessary to draw conclusions on each issue
- Disregard analyses that are “interesting” but not essential to prove/disprove the hypothesis
- Avoid time-consuming analyses designed for more precision than necessary
- Begin each analysis with the end (specific end products and timing) in mind

DESIGNING THE ANALYSIS – WORKPLAN EXAMPLE

Issue/Hypothesis	Analyses	Data Sources	End Product	Responsibility	Due dates
Can we implement the new production process? **Yes**					
Does the process require new facilities? **No**	Technical specifications	Articles, interviews	Chart	Tom	3-Jun
	List of facilities that meet new criteria	Facilities management, interviews	List	Tom	5-Jun
If it does require new facilities, can we acquire them economically? **Yes**	Map of "facilities gap"	Facilities management, thrum-mat line supervisors, interviews	Chart	Belinda	7-Jun
	Sources of required facilities/equipment	Operations, trade publications	List	Belinda	7-Jun
	Cost to fill gaps	Operations, contractors, interviews	Table	Belinda	10-Jun
	Effect on project rate of return	Finance department, prior analysis	Spreadsheet	Terry	12-Jun

GATHERING THE DATA – KEY TIPS

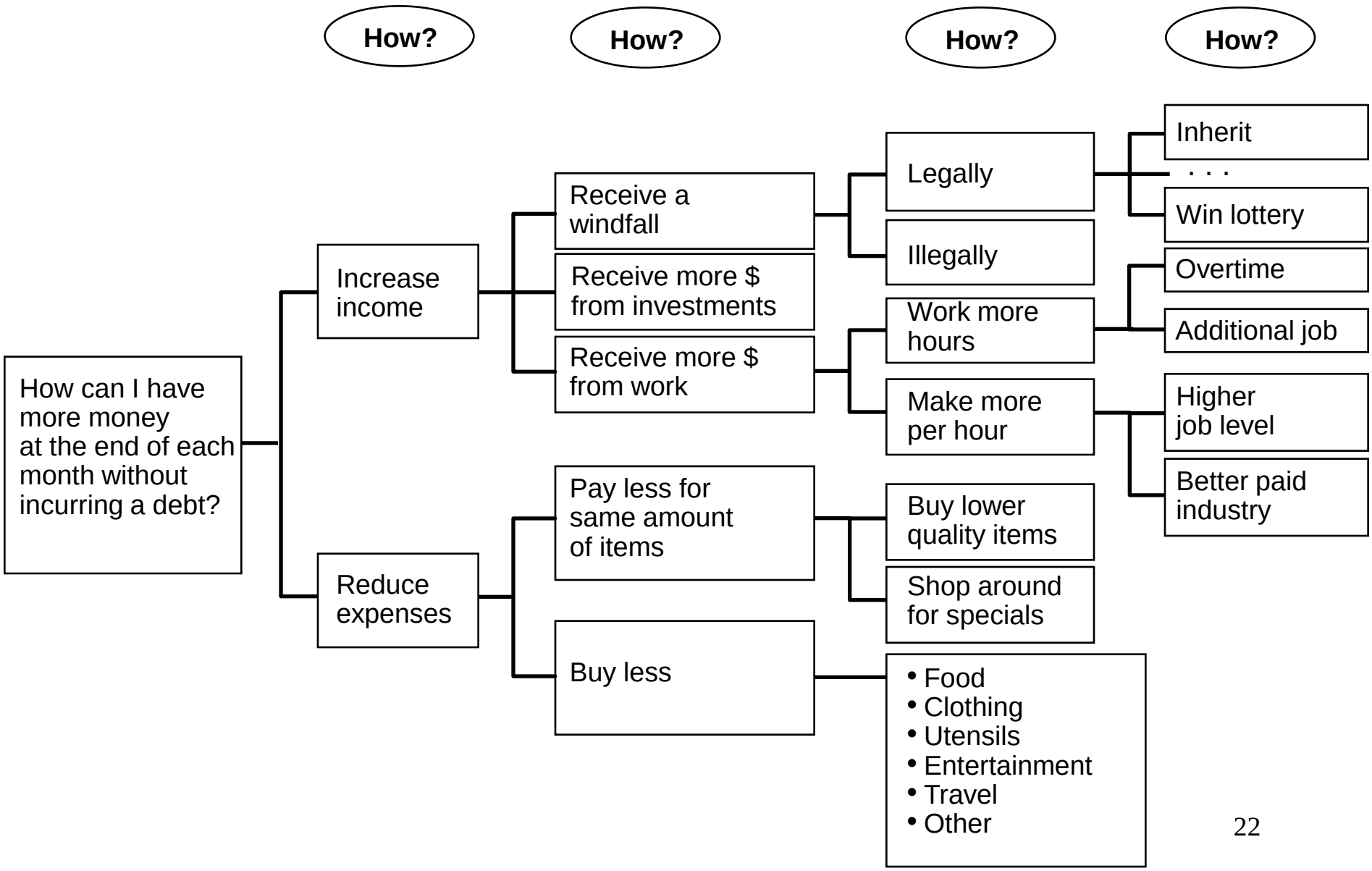
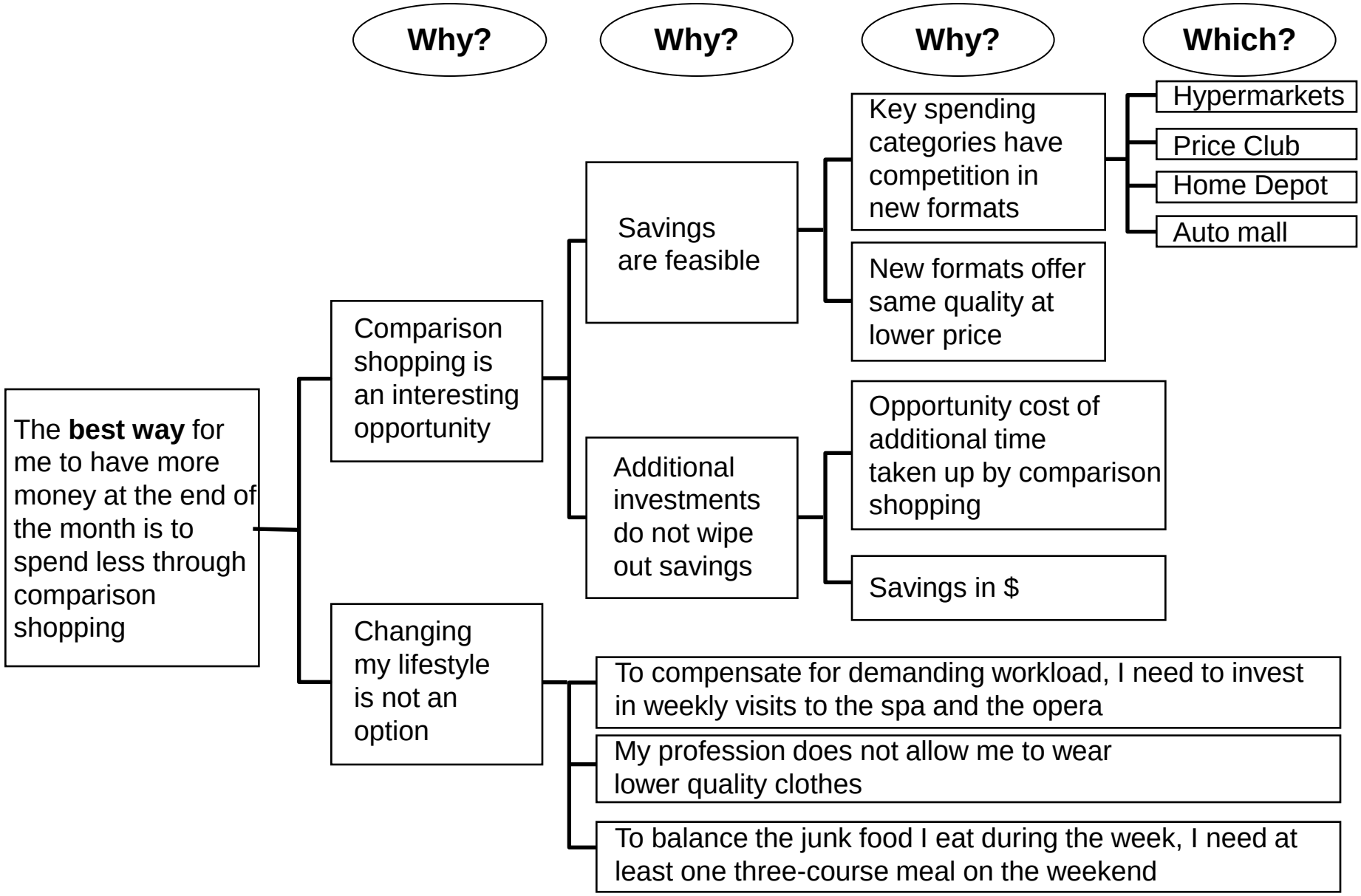
- Use the workplan to focus the search
- Search the web and other public sources for essential facts
- Identify and interview experts to uncover hard-to-find facts and deeper insights
- Conduct primary research only if unavoidable

INTERPRETING THE RESULTS – KEY TIPS

- Look for the 80/20 opportunities
- Always ask, “what’s the so what?”
- Perform sanity checks
- Draw a chart for each insight
- Don’t make the facts fit your hypothesis
- Pull together “the story”

BACKUP

ISSUE TREE – SAVING MONEY



HYPOTHESIS-DRIVEN – TREE SAVING MONEY