

## 6 *Case interviews*

### **Executive summary**

Fundamentally, all businesses share the same objective: to bring value to their shareholders by making money now and in the future. Ideally, they do this by creating value in a stable market and then strategically positioning themselves to be able to sustainably take as much of that value as possible.

Case interviews are simplified abstractions of situations that highlight fundamental business objectives and the external forces that drive and influence them. Case interviews are reenactments of the consultant/CEO partnership where you, as the interviewee, are playing the role of the consultant.

In a case interview, you may step into a corporation that is considering introducing a ground-breaking new product. Or your client may be considering entering an existing market with a product line that's new to them. Or you may join the story a few years later, when a once-successful company has seen a decrease in profits. In all of these cases, your goal is to determine if there's an opportunity to generate or increase profits, suggest a plan of action to capitalize on that opportunity, and illuminate the possible risks and market reactions to your plan.

While there are many different types of issues that a corporation may face (and thus many different types of case interviews), all of them ultimately reduce to the same fundamental objective: to generate profits.\* And so the profit tree (Revenue minus Costs and all of the sub-trees underneath those two drivers) is the centerpiece of the "single framework" introduced later in this chapter. Sometimes it will be a subcomponent of your case, such as with mergers or acquisitions. Other times, your case will focus on a small subcomponent of the tree, such as a case to change the distribution channels – and thus improve fixed costs.

---

\* A slight qualification may be needed here. Many firms, especially consulting and other private or professional firms, put serving customer needs as their top goal; profitability is simply a side effect of doing that well. But no business will survive if it doesn't consistently make profit-generating decisions. So whether those decisions were initially made for profitability reasons or not, valuing all decisions through the lens of income potential is a valuable step. Also, a CPA might say businesses have two other goals: to maintain a positive cash flow and to keep the firm in good financial condition through prudent management of assets and liabilities.

Incidentally, an internet firm that I once interviewed with gave me this simple case: "How would you design an ATM for kids?" Knowing that this firm's guiding mantra was to build a user base and goodwill for their products before monetizing them, I used gaining volume as the top-level objective. I didn't explicitly mention profits, but of course volume is a key subcomponent of it.

But while the profit tree itself is usually relevant in some form, as a structure, it only represents the surface of the machine. The power in using it lies in your understanding of its moving parts and the external market forces that can influence those parts, such as customers, competitors, and suppliers.

The two principal goals of this chapter are to discuss methods for inventing your own tree structures in a case and to introduce the “single framework”. In the latter case, we’ll also discuss the moving parts and forces that influence it and provide you with the tools to build a coherent conversation around these elements that will help lead you to a solution.

## Summary of the case interview process and some general tips

The interviewer will quickly describe the company and the situation that your case will revolve around. Start by articulating the main objective of the case (profits, revenue, market entry, or similar). If it’s not obvious why the company wants to accomplish the given objective, then ask. If applicable, also ask the interviewer to quantify the objective.

Next, it’s often helpful to step back and ask a high level question about what the company’s products or services are. This will give you insight into whether you should investigate profitability at a product level or for the entire organization, for example. Then write the objective at the top of your paper, ask for a minute to collect your thoughts, and build a MECE tree out underneath the objective.

“MECE” is a consulting term meaning Mutually Exclusive and Collectively Exhaustive (pronounced “mee-see”). When you divide something into smaller pieces, do you miss any part or do you count a part more than once? A MECE structure divides an issue into non-overlapping parts that cover the complete issue space. This tree should break the main issue into a collection of smaller and more manageable subcomponents. The tree will tell you what you need to investigate and what questions to ask; you should be able to follow the tree directly to the solution.

As mentioned earlier, the tree most often used for disaggregating profits breaks it into Revenues and Costs.

As you follow the Revenue sub-tree down one or two more levels, customers and competitors enter as forces that can affect your prices, costs, and volume. Suppliers enter as forces that affect your costs and perhaps limit your volume. Given a good structure, the solution to the case – such as that supplier consolidation has increased your cost base and thus decreased your profits – will naturally unravel.

