

In this next case, the candidate you'll hear from is a candidate with a PhD from an Ivy League university. I believe the PhD is in one of the various sciences. So clearly a very science/math oriented background. Let's go ahead and jump in.

Interviewer: This company, your client is a company called Ralph Kline and they are a designer and manufacturer and retailer of high-end men's fashion clothing. All the company's clothing is currently sold through the company's 30 retail stores that the company owns and operates.

The client's primary objective is to grow retail sales. Retail sales, as a definition, is the price that consumers pay for the product, times the number of consumers that actually buy.

Candidate: Okay.

Interviewer: As a part of this effort, the client has been approached by a high-end department store or men's fashion store, I should say, called Fashion World. Fashion World is interested in reselling the company's clothing through their 90 locations. The opening question is: given this situation, should Ralph Kline allow Fashion World to resell its clothing products? In considering this decision, what are the most important factors you would need to consider in determining if this is a good idea or not?

Candidate: Okay. Can I repeat the information?

Interviewer: Of course.

Candidate: Our client is a retail clothing company called Ralph Kline. It is a high-end clothing maker and retail store, and they have 30 retail store locations in the U.S.

Interviewer: Around the world, let's say.

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Candidate: Around the world, okay. The company's objective is to grow sales, which is defined by price times the number of items sold. The customer's objective is to investigate if it makes sense for Fashion World, which is more like a large store, franchised store is that correct?

Interviewer: They are...could you repeat the question?

Candidate: Fashion World is also a retail-clothing store?

Interviewer: Yes, Fashion World is *only* a retail-clothing store; whereas, Ralph Kline both designs, manufactures and retails men's clothing.

Candidate: Okay, thanks. The client's objective is to allow Fashion World to sell Ralph Kline clothes.

Interviewer: That's right.

Candidate: Okay. Can I have a moment?

Interviewer: Of course.

Candidate: And we only are considering the sales, and not the profit?

Interviewer: Correct.

Candidate: Okay. I think I would like to analyze in three steps. The first step is to analyze the current sales structure more deeply. The second step, I would like to see if we allow Fashion World to sell our client's clothes, then what the revenue would be in the client's retail store, and also in Fashion World stores. The point we need to consider is: by allowing Fashion World, how would that affect the sales of Ralph Kline and the cannibalization, or would it affect the company's image or the product line as well?

Then in the third category, we would make a decision whether that allows for Fashion World to sell our clothes, then that would be an increase of our sales. Does that make sense?

Interviewer: It does. For clarification, how do numbers two and three differ?

Candidate: Number three is more decision making, and so number two is probably the same as three.

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So there are a couple of issues here with this particular opening. The first is: the candidate is jumping into a problem-solving structure, without identifying a hypothesis. Second is the issue tree is a little unclear around what structure they will need to test the hypothesis. Now notice how these two are related. If you don't have a clear hypothesis, it's hard to argue that your structure is appropriate. Whereas, sometimes there are candidates who have a good hypothesis, but they are silent about the hypothesis, and the structure is actually quite a good one to test the hypothesis, which they've implied.

Now as an interviewer, sometimes I can tell if they don't mention the hypothesis out loud, but it's very clear they have one in mind. And given the structure, I'm inferring what the hypothesis is, and the structure is amazingly good, then I usually give them credit for, "Okay, they had a hypothesis but didn't really say it out loud." If it was an early round, I would not let that stop me from passing them to the next round.

But in this particular case, there was no stated hypothesis. The structure was unclear, and I discovered later that I'm not sure the candidate had a hypothesis here. In addition, the candidate uses a term called, "Analyzing the current sales structure more deeply." It's very unclear what that means. So if you want to analyze sales more deeply, then you need to explain how analyzing the sales would validate or invalidate your hypothesis. If sales were very good or very poor, what does that mean? If sales were particularly profitable or unprofitable, what does that mean for the hypothesis? So you really have to link it back to justifying why you need that information and what it's going to tell you with respect to the hypothesis – whether it's going to be proven true or not.

Interviewer: Okay, great. So on the first one, you said you wanted to understand the current sales structure in more detail. Were there things in particular that you were looking to better understand?

Candidate: I would like to know the breakdown of the sales more, and also what is the history that is changing, and also more in what is it... the position in the market.

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Interviewer: I understand. And of those three things, how would they be relevant to the decision the client is considering as to whether or not to engage in a partnership with Fashion World? How would they tie in?

Here as the interviewer, I'm being tough, and I've been known to be tougher than the actual interviewers. Here I am aggressively challenging the candidate on having them justify what they're looking for, and why they are looking for it. I think it is very fair in any case interview format...I have certainly seen this or heard of it in group case interviews, presentation-only type case interviews, and certainly with interviewer-led interviews. You can't just make this stuff up. If you say something, you better be prepared to defend why you want that or why you think it's important.

Because clients do it to consultants all the time, "Really, why do you think that's important?" They will challenge you. It's not meant to be a critique or attack or they don't believe you. From a client's standpoint, it's really just curiosity. "Oh, you said something that I didn't really agree with, but I know

you're from McKinsey or BCG and you're very smart, so maybe there is something here that I don't understand as the client, so I'm going to ask you why you think that way. What is your rationale? What facts are you referencing?"

So here what's happening is: I'm basically, because I didn't feel the candidate provided very good justification proactively, then I'm going to go out aggressively and see if there is any justification. That is essentially what I'm doing here.

Candidate: The first thing in understanding the components is to— can I have a moment to think?

Interviewer: Of course.

Candidate: I think what I want to do is actually more analyzing the current status of the company, by analyzing it in four different sections – customers, product, the company itself, and the competitors.

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Here the candidate is using a business situation framework, which I'm going to argue probably is not the best one to use, at least in its standard form. I think it would have been a lot more obvious to the candidate, had they started with a hypothesis. So when you have your hypothesis and you state it, then the question that will come up is: how is product information going to help you challenge your hypothesis? You're going to realize, maybe it won't. And you can tailor – you can start with the business situation framework and narrow it down very quickly, or realize that one or two areas are much more important than the others. But it's only possible if you have a particular hypothesis in mind, so that's why it's important to have one.

Candidate: I would like to know who are our customers and how is it changing, in terms of what is the market share. By understanding this, that would give us more valid estimation to understand how that would be changed if we allow Fashion World to sell our clothes.

Here I was looking for better justification from the candidate as to why they wanted the information that they did.

Interviewer: Okay, so that was the customer section. You mentioned products as well – what did you want to know there?

Candidate: I would like to know...because you said it is retail high-end clothes, but if there are other different segments of the product?

Interviewer: Then what else would you like to know around the company and the competitors?

Candidate: The company – I would like to know their brand image, also the financial situation in terms of Fashion World would actually acquire some money for the company for these products to be sold. And also the company's distribution channels that is currently the retailer, and how that would be distributed.

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And in the competition segment, I would like to know who are the major competitors of this company, so that if we sell in the Fashion World, would the competitors actually do some competitive response?

Interviewer: Okay. Let me ask you first, you mentioned product segments – that you were interested in learning more. What specifically would you be looking for, and how would the information that you get potentially impact your recommendation?

This is something the candidate should have proactively answered, without having to wait for the interviewer to ask it.

Candidate: I probably would like to know more about the nature of the product. Is it high-end and how are they being made? Is it more— are there more easily replaceable products or not? Would this...so that if I understand the nature of the products, maybe I would see if these things are sold in more locations that might actually have a bad image, or may affect the product's image.

Interviewer: So a sense of the exclusivity or lack of?

Candidate: Yes.

Interviewer: Okay, and let's say it was very exclusive or not, how would that change your answer, in terms of the recommendation you would potentially make?

Again, it's important that you say what you want to know, and explain why you want to know it. Also explain further why once you discover what you want to know, how it will impact your particular conclusion or validate or invalidate your hypothesis.

Candidate: If it's exclusive?

Interviewer: Yes.

Candidate: If it is exclusive, I would say that you would make more sense to keep it only at the brand retail stores, and not being sold at the other locations.

Interviewer: You talked about customers as well, and we're looking for (I think you said) market share of customers. Could you be more specific as to what you're looking for, and why it would potentially be relevant to the question the client is asking?

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Candidate: If the market share is growing, and the customers want more accessibility to their products, then it would make sense to allow Fashion World to sell our products, the client's products. But if the market share is shrinking, then we may think of other strategies to grow sales, other than recent distribution channels.

Interviewer: Couldn't one argue the opposite – that if market share is shrinking...

Candidate: That makes sense too.

Interviewer: You should get more distribution to sell more to increase it, right?

Candidate: Yes.

So the candidate's prior statement, I think is illogical. So I called the candidate out on this, by trying to make the opposite claim, given the same set of facts. The opposite claim can easily be supported by the facts as well.

So the problem with making an illogical assertion is that: it's not so much that it bothers interviewers, which it does, it's that it bothers clients. So when you make an illogical assertion like that (and the client *will* call you out on it, quite often in front of other people, by the way), then the reaction they get, and perhaps the other clients in the room gets is, "Geez, we're paying like \$10 million or \$1 million, and that statement didn't make any sense. It's completely illogical." They start questioning should they have hired your firm.

So in the interview process, if you make a statement like that, it comes across like you're "B.S.ing," or just trying to make things up to say, and not saying something that is derived logically from the facts. I would say just hearing a comment like that, I would be tempted to reject a candidate just for making such a comment – either I would, or come really close. Maybe if they got everything else in the interview absolutely perfect, then maybe it's a borderline call. But if there is anything else wrong with the interview, then I would use that as grounds for rejecting a candidate right off the bat. So that's why it's important not to do that.

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Interviewer: Let's change gears for a second – if you can pull out Exhibit 1, and only the first exhibit or it will be confusing. Take a few minutes to look at Exhibit 1, and let me know: what conclusions can you draw from the data included in Exhibit 1? What does Exhibit 1 mean?

Here what's happened is: I've abruptly ended this phase of the interview to move onto the second step. This is quite common. There is a definitive time schedule in any interviewer-led interviews, and at a certain time mark, the interviewer is instructed that they must go on to the next section. This is important to realize because if you run out of time and you haven't covered all the important points, then you don't get full credit for that section. If you don't get to the last couple of sections, you get *zero* points. So it's important, from the interviewer's standpoint, that they cover all the major areas.

So being efficient in what you say and do in this interview format is very important, because you oftentimes don't get to make up time elsewhere. For example, in the candidate-led interview, where *you're* in charge of managing the time, if you're a little slow in setting up your structure and it takes an extra four or five minutes, but you're extremely efficient in the analysis – so you make up and save an additional four or five minutes of time – you can end the case, and still be on time. But here, you can't just manage the global schedule; you have to manage the micro schedule too. In fact, the interviewer will do that for you. So it's just something to keep in mind, if you're getting cut off very abruptly. They have to they have no choice as the interviewer. And it's usually indicative that you were not fast enough in that particular section, in terms of what was expected of you. So just keep that in mind.

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Candidate: Okay. Exhibit 1 is showing the number of high-priority cities, and they are showing Ralph Kline – both Ralph Kline retail stores and Fashion World retail store locations, and the number of stores. The Exhibit 1 is showing what percentage of the retail stores are in the high-priority cities, and what number it is.

Here the comments the candidate is making, I think, would fall in the category of reading the handout, rather than telling me insights. So when an interviewer asks you, "What do you notice about this particular exhibit?" They are asking you to interpret the data – not recite the data.

In this particular case, the candidate was really just reading off the table, the data tables provided in the handout, rather than distilling what its importance is and its relevance and its meaning, so just something to keep in mind.

Candidate: In Ralph Kline's case, there are 30 retail stores, and 30 of them are in high-priority cities. All the client stores are in the high-priority cities; whereas, in

Fashion World stores, there are 90 locations, but only 60 of them in high-priority cities, which is like 67%. They are also showing – what I think is interesting and are important numbers – the Fashion World stores in the same cities as Ralph Kline stores, which is 20. That could actually tell us that... there is 30, and there is 20 in common, and there is 120 stores in total.

So by allowing Fashion World to sell Ralph Kline's clothes, then Ralph Kline could expand store locations by 70.

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So in this last sentence, the candidate did actually present an insight, in terms of interpreting the data. Which was: if Fashion World were to sell Ralph Kline's clothes, then Ralph Kline would expand their store locations by 70. So providing an outcome conclusion is something that was one insight to have. It would have been better if it was made earlier, better if there were more insights, and insights have to be accurate as well, factually. So that's just something to keep in mind, in terms of what interviewers are expecting in a question like this.

Interviewer: In terms of— how does this change your thinking about what is potentially important for the client? Any thoughts around which way you're leaning right now? Are you leaning more towards the deal, or away from it, from what you're seeing so far?

Candidate: I'm getting more towards the deal.

Interviewer: How come?

Candidate: The reason is that allows for more increased store locations, and also in terms of the number of high-priority cities, I think we could at least increase the 40 new high-priority cities being covered, by allowing Fashion World to sell our products.

Interviewer: Okay, so you seem drawn in by the increase in number of high-priority cities that can be added to the network, it sounds like.

Candidate: Right.

Interviewer: Now let's say— if I were to say that conclusion turned out to be wrong, where might it be wrong? What might change your mind about that particular potential recommendation?

Candidate: The recommendation was wrong?

Interviewer: I'm saying *if* it were wrong, what would cause it to be wrong?

When you outline your issue tree or framework, you want to explain how each branch of your issue tree or framework is going to test the hypothesis. So in this particular case, the candidate did not do that, and so as the interviewer, I stepped in and tried to do it with her together. Sometimes candidates are very bright, and they don't know the process. But if prompted with a little bit of guidance and nudging from the interviewer, they actually get it right, then the interviewer might say, "Good raw talent, but perhaps needs a little more practice." If it was a first round, they might pass the person, saying, "You need to work on these areas, but you did a good job. You have the raw talent there, so I want to see if you can improve before the final round."

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So what I'm doing here is: I'm asking the question, "If your recommendation were wrong, what caused it to be wrong? So which factors would swing your vote, if you would, from one conclusion to another?" What I'm basically doing is prompting the candidate to explain the issue tree, and how it would change the conclusion or validate or invalidate the particular hypothesis. Again, it's better if the candidate had done this proactively, without the prompting from the interviewer. In this case, she didn't do that.

Candidate: Oh, if it were to be wrong, then it could be— can I have a moment?

Interviewer: Sure.

Candidate: I think if the recommendation were to be wrong, the reasons that it could be wrong is (1) the more aggressively going to the high-priority cities itself is not a good strategy for some reasons. For example, this brand is not sold well in high-priority cities is one possibility, or by going to high-priority cities, would damage the brand's image to some extent – which is unlikely for me, but that is one possible reason.

Interviewer: Okay.

Candidate: Or just by increasing the number of cities wouldn't increase the sales.

Interviewer: Any other factors you can think of that would cause an expansion into more cities to *not* significantly increase retail sales?

Candidate: The client is not so concerned about the cost, right?

Interviewer: That's true.

Candidate: So the client is more concerned about the sales, so by increasing the locations, I would think that would increase the sales. If it is not the case, it means the increase per store is significantly dropped. If that's the case, somehow letting them sell these things would make the customers buy much less, which could be the brand image, I think.

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Here the candidate finally mentions the cannibalization issue, which is: if you introduce a product and sell it in a new way, does it reduce sales of the product in the old way of selling? Again, the candidate mentioned this after much prompting from me, as the interviewer. Again, it would be better if the core issue were identified more proactively from the candidate.

With that comment, this concludes this particular section of this particular case. We're going to transition to the next phase of this particular case interview. But before we do that and leave this topic of problem structuring, let me ask you. Given the hypothesis, what are the three most critical factors the candidate has identified in order to test her hypothesis, based on what she had said so far? That is the question the interviewer is going to be asking him or herself. Has the candidate stated the hypothesis? Have they outlined the structure that would truly logically test that hypothesis? Do I think that the candidate has logically justified that particular problem solving structure? You ideally want the interviewer to say "yes," "yes," and "yes."

So I'm asking *you* that question. Have you heard a strong hypothesis so far? Have you heard the candidate mention three or more key areas that would be necessary to test that hypothesis? Do you buy into the justification made, or perhaps not made, that explains why each of those particular areas would contribute to effectively logically testing that hypothesis? And if there is any hesitation that you have, then that's not a good sign. You want the answer to be an obvious "Yes, there is a hypothesis," "Yes, there is a structure," and "Yes, I buy into the justification and it's crystal clear." That's essentially what you're going for in the case format like this.

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Interviewer: Okay. Let's move onto our next question. If you can look now at Exhibits 1, 2, and 3, and as you're looking that over – take as much time as you need – the underlying question I would like you to help figure out is: let's assume Ralph Kline *does* decide to partner with Fashion World, what would the total combined retail sales of both organizations be under this scenario?

Here we're moving into the phase of the case where you're going to get a math problem. This is quite common to have some sort of computational exercise. Rather than a straight math problem, it's usually a math word problem – something described in words or perhaps in written text in a narrative sense. You're expected to translate those words into appropriate mathematical formulas and equations, and to solve them. Generally the math is math that most people have learned in junior high or high school, and so it's easy addition, subtraction, division – fairly basic arithmetic. The hard part is figuring out how to apply it. So, taking the words and translating them into numbers. The actual math usually isn't that difficult. It's usually figuring out how to translate it. So that is something to keep in mind, and that's what we're going to transition to in one second.

Candidate: Okay. So Exhibit 2 is the current retail sales?

Interviewer: That is correct.

Candidate: Okay, so I would first think of the sales of Ralph Kline, and then I would look at the sales of Fashion World, and then I would make a combination. So Ralph Kline – currently there is 30 stores, and retail sales is \$1.5 million, which makes this \$45 million currently. But if we actually sell the products in Fashion World, there will be a 20% decline, and so that would be \$36 million in Ralph Kline only.

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In the last 10 or 15 seconds, the candidate made a careless error. My question for you is: did you notice it? If not, I would encourage you to rewind the recording or look back at the transcript, and see if you can find that error. I'll tell you about the error in a few minutes, but see if you can notice it yourself without me having to point it out.

Candidate: Then in terms of Fashion World, the estimate retail sales per store in high-priority cities is \$500,000, and the number of the high-priority cities is 60, so that would make it \$30 million. Then the estimated retail sales in low-priority cities is \$100,000, and the number of the low-priority cities is 30, so that would give us \$3 million.

There is a percent decline in retail sales in cities with Ralph Kline stores. So this 40%, is this actually— if you estimate this retail sales in high-priority cities of 500, and if it happens to be the city with the Ralph Kline, then you would actually decrease 40%.

Interviewer: That's correct.

Candidate: Okay. Let me think of it again.

Here the candidate almost made another careless error, but ultimately did notice it. If I were to say what the real error was, the real error was the candidate, I think, did not really write out the formula in words. It is the temptation most candidates have, because it seems like it's faster, but in reality it's not. If you need to add three numbers together, let's say it's $2 + 4 + 6$; their temptation is to write $2 + 4 + 6 = 12$. The better way to do it, particularly in a format like this, is to write out the words, "Sales of Product A + Sales of Product B + Sales of Product C = Total Product Sales," or something like that. Write out the actual words in a word-based formula, and then write in the numbers.

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The reason for that is on a small computation, it is probably not necessary. On a more complicated one in interviews like this, a more complicated math problem is not one that involves more math. It is usually one that's just more confusing. So the complexity is not in the math level necessary to solve the problem, the difficulty level is in adding multiple parts to a question, so it's one math problem in five parts or three parts, and part of it is to see if you get confused. If you have a page full of like 45 numbers, by the end it's very hard to remember which number is which. But if you write out all the word phrases first, before you transition to the numbers, it becomes very clear what each number represents.

So I had this teacher in 8th grade who would always check my notebook in math class. It was not acceptable to just get the right answer; you had to show your work. So she would check our homework to make sure our homework actually had not just the right answer, but also the steps involved in getting to the right answer. It was a very good habit. And if you got all the answers correct on a test and you didn't show your work, you failed. You had to show your steps.

Here I think it is equally useful to show your steps, but first it should be the words. That way you don't get confused, and you can always glance back at the top of your mathematical calculations to figure out what you were trying to calculate, so it tends to be much less confusing. So that I think was the real mistake here, not in making the error, but in not making good notes that would have caused this error to ultimately have been missed.

Candidate: Fashion World is 90 stores, and the number of stores in same cities as Ralph Kline is 20, and so this 20 must be the high-priority cities.

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Actually there are 20 high-priority cities together with Ralph Kline, and then 40 cities without a Ralph Kline, and so I'm going to recalculate the high-priority cities again.

Interviewer: Okay.

Candidate: So there's 20 cities, actually is 500K times 20, times the 60 is: \$6 million. Then in the 40 cities without Ralph Kline is the 500K times 40 is: \$20 million. So it is going to be \$26 million, and so the total of the Fashion World estimated would be \$29 million. So combined with Ralph Kline's estimated retail sales, it is going to be \$65 million.

Interviewer: I agree with you on the sales for Fashion World. I disagree with you on the sales for Ralph Kline. Why don't you take another look at that and see if you can see if you missed anything there?

Here the candidate didn't really read the problem correctly, and made a computational error. Most likely, I would reject the candidate purely on those grounds. So we've already had a couple of instances here where the candidate said something that really was a bit of a deal breaker, and here is another example of that. Particularly in a format like this, if you make a math mistake, nine times out of ten, or 95 times out of 100, you're going to get rejected just off the math, even if you get everything else right. So that math accuracy is super important, and unfortunately the candidate here made a mistake. The big mistake was they didn't read the problem carefully enough, so make sure you do that portion first.

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Candidate: Okay, I am missing, yes. Ralph Kline store is 30, but the 20% decrease is only in the cities that were with the Fashion World stores. So this is going to be 20 cities times \$1.5 million, times the 80%. It is going to be \$24 million, and then the ten stores is... I can just calculate \$1.5, and so it is 15, and so it's going to be \$39 million. So 39 plus 29 is \$68 million.

Interviewer: Great, I agree with that. Based on this analysis alone, what conclusions or at least initial conclusions can you draw from this?

Here I'm prompting the candidate for a synthesis or a conclusion, and again it's better if a candidate were to proactively mention that synthesis, without having to be prompted for it.

Candidate: As compared to this \$45 million just by Ralph Kline alone, and it is definitely an increase, so it looks like it would— by allowing Fashion World to sell our products, it will increase the sales and meet the client's objective.

Interviewer: Okay. Then if we think more broadly and strategically about this decision, above and beyond just this one analysis, what factors would make you feel more

confident that this initial recommendation was correct? What factors might cause you to change your mind or be less certain about this conclusion?

What we have here is a portion of what happened in some interviews in this format, which is what I call a “business acumen type question” or a “common sense question.” What the interviewer is looking for here is a range of answers. Some people think of it as brainstorming, but I prefer to think of it as “organized brainstorming,” brainstorming by categories first, and then within each particular category.

Candidate: What other factors haven’t we yet looked at?

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Interviewer: I would say just in summary, other factors we haven’t looked at or perhaps some we have, but in terms of priority order, what are the major factors that would cause you to change your mind about this decision, or be even more confident the recommendation that you are tentatively making is the right one?

Again rather than just listing five or six or seven different factors that have not yet been considered, it’s better to group your answers into categories first, list your categories, and then explain your brainstorm within each category. It’s a slightly more organized way of organizing a brainstorm.

Candidate: Okay. I would like to look at the customers, in terms of the numbers and also price that each customer pays per year, and see if that actually increases the customers, or analyze how the combination affected the buying habit.

Interviewer: What specific outcome would cause you to be more confident or less confident than your initial recommendation?

Candidate: If that expands the customers’ numbers, I would be more inclined to recommend that this is a good strategy, in that this strategy would expand more the number of people.

Interviewer: Okay.

Candidate: And on the other hand, if actually the number of customers is not changed, but then the...number of customers not changed but the— no, that’s not going to happen. Is this a short-term project, or could we actually have more estimates on the longer run?

Interviewer: You can decide whatever you want, or recommend whatever you want. This is a reaction to an invitation by Fashion World to have Ralph Kline's products be sold there, so this has literally happened maybe a couple of weeks ago, and so it is a little unclear what would happen going forward.

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Candidate: Okay, so I think in that case, I would suggest to more think in the long run, to see... if this estimate is for one year, and if we're actually concerned about the brand image, this brand image may not be altered by a short period of time, so we may think of what would happen in five years, ten years, and then through the estimate, then my recommendation may change.

Interviewer: Okay. Let's say you run into the CEO of Ralph Kline in the hallway, and she noticed you've been working on this engagement for a few weeks, and is curious what you've discovered and more importantly, what they should do about it. How would you respond to that, if you only had about a minute before she had to run into a Board meeting? How would you describe what you've learned?

Candidate: Can I have a minute?

Interviewer: Sure.

Candidate: So Mr. CEO, I would like to recommend that it is a good idea to allow Fashion World to sell Ralph Kline's products. There are a couple of reasons; the first reason is because the objective is to grow sales. By allowing Fashion World to sell our products, that will increase the number of stores to sell our products, and that could potentially increase the number of customers.

And by our initial analysis, the sales of Ralph Kline would increase from \$45 million to \$68 million, which is almost 50% increase. So it looks like that would meet our goal. But I would, in order to confirm our recommendation, I would like to look into more in the long run, and also analyze the change or impact on the customers more.

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Interviewer: Great. Why don't we finish up, and I'll give you some feedback on how you did. Let's go back to the beginning and we'll go a step at a time. On the opening, I think in your case, it would be useful to state a hypothesis. I think you're a little too framework-oriented without the context of a hypothesis. The value of a hypothesis is: it helps clarify what is most important in your structure, and more importantly, how each element of what data you suggest you might need would impact the hypothesis.

You'll notice, I think your first structure was: you wanted to look at the current sales structure, and then you wanted to look at revenues in the stores for Ralph Kline, as well as Fashion World. When I asked what you specifically wanted to know about the current sales structure, you wanted to know what the current sales were, historical sales, and the company's position in the marketplace.

The thing you have to realize in this format is: expect anything you say to be challenged. So either what you say needs to be factually supported or you must have a good qualitative reason why it is important.

Candidate: Okay.

Interviewer: So in this case, historical sales – if historical sales were poor, what would you do about this deal? If historical sales were good, what would you do with this deal? Would it really matter?

Candidate: It probably does not matter much.

Interviewer: If it doesn't matter much, then you don't need to mention it. If it does matter, then you need to explain why it matters. For me, if you can make a good argument why historical sales would be useful, and you explain the rationale and it makes sense to the interviewer, then I would say, "Great," and you would sort of get credit for that.

But I got the feeling, which is why I asked the question, that you were asking because you were used to asking – not necessarily because you anticipated the potential link between the answer and your underlying hypothesis and potential recommendation.

Candidate: Okay.

Interviewer: Does that make sense, the difference between the two?

Candidate: Yes.

Interviewer: So a good way to do this is to use the following language pattern. You can say it out loud or in your head, either way would be fine. You could say something like "Well my hypothesis is that Ralph Kline should partner with Fashion World, due to the following three, four or five reasons," and then you state what those four to five reasons would be.

00:40:10

So if you look at your first structure, the current sales structure – that by itself doesn't necessarily support or disprove that particular recommendation, right?

Candidate: Yes.

Interviewer: Your second one did however, the second one was: you wanted to look at how, after this deal, what the revenue would be for the Ralph Kline stores, and what the revenue would be for the Fashion World stores. In particular, if some of the stores will “cannibalize” each other, I think is the word you used.

Candidate: Right.

Interviewer: So you could say, “My hypothesis is: this is a good deal, because revenue in the Ralph Kline stores won't go down (or will go down very modestly), and the incremental revenue from Fashion World will be extremely high to offset any potential decline in Ralph Kline.”

So, “My hypothesis is that the increase in sales from Fashion World would be larger than any potential shrinkage in Ralph Kline stores.” I think you were thinking that, but you didn't say it.

Candidate: It is a shame that I make hypotheses every day as my job.

Interviewer: Sometimes it is a different context, and it doesn't occur to you to use it in a new context. Sometimes the context throws people off. But it is the same process, if you will notice the parallels.

So to put it in science terms, you are essentially designing the experimental parameters to test the hypothesis, and the difference is: in science, you actually have a physical experiment, and in a case interview, it would simply be which data, which questions you would want to ask.

Candidate: Right.

Here I wanted to point out another way of thinking of an issue tree. An issue tree is really a logical argument that proves a particular conclusion. So if you're familiar at all with logical constructs, there is this construct called “If / Then Statements,” – you see it in computer programming, it's in logical statements. “*If* this happens, *then* this must be true.”

00:41:59

So an issue tree really is the “if” part of the statement, and the hypothesis is really the “then” part, or the conclusion part. “*If* Factors 1, 2, and 3 are true, *then* the conclusion or hypothesis must be true.”

So you can think of an issue tree in that way. I find— I’ve been using this particular approach to teaching the issue tree more recently, and so I thought I might mention that, in case it isn’t clear.

People always wonder, “What’s the framework I should be using?” The framework is – it’s whatever proves your hypothesis. So I’ve been concerned that people are overly concerned with frameworks, and not concerned enough with proving your argument. So if you delete the word “framework” and delete the word “issue tree,” and replace it with a logical argument, which is the “if” statement: “If X, Y, and Z are true, then the conclusion is true.” What is your conclusion that you’re trying to test? What are the parts of the “if” statement that would prove that conclusion? And that becomes your issue tree. And there are ways to organize an issue tree to make it more MECE, and those are things that are preferable, but it’s another way of thinking of the issue tree. So that’s something I thought I would share in this context.

Interviewer: So what the interviewer is looking for here is that every element of your structure seems reasonable, and would contribute to proving or disproving the hypothesis. That the specific data – this is important – the specific data you asked for in fact does contribute.

So what is important is not just to say what you want to look at, explain *why* you would want to look at it, give an example of what you might see, and how that example would swing your decision on the hypothesis one way or the other.

Candidate: Okay. In this case, I should have said that – in response to the question “which factors should I look at,” I would say, “Okay, I hypothesized that this company should allow Fashion World to sell our products for the following reasons. And to test this hypothesis, I would like to look at these factors.”

00:43:53

Interviewer: That’s exactly right. The additional aspect – and I will emphasize it because I am finding a lot of people are having difficulty with it – is not just saying what the factors are, but explaining why the factor is related to the hypothesis, because it forces you to think of what the relationship would be, and then to give an example.

So the way I would say it is, “One of the factors is the impact on the sales for Ralph Kline stores. If it is very small, it means that all the potential incremental growth is incremental – there is nothing offsetting the growth, which would be a favorable indicator that this is a good deal.”

“Similarly, if the incremental sales from all the new locations of Fashion World are extremely high, that’s an even stronger indicator that this is a good deal for driving retail sales.”

Candidate: Yes.

Interviewer: Let me explain what the interviewer’s perspective is on this. The problem the interviewers have had in the past is: a lot of candidates are very accustomed to memorizing frameworks, and restating the frameworks without actually thinking critically about whether a part of a framework is actually relevant or not.

So what they’ve done, in this format in particular, is the interviewer tends to question everything you say. So you have to pick your words very carefully, and make sure you can either prove what you say, or have a good logical reason that seems very reasonable as to why you want to look at something. That is the important part.

Candidate: I see.

Interviewer: I would say: hypothesis; list your factors; justify why each factor is included in your list; give an example of a data point you can find within each factor; and, link that example to how it would change your hypothesis or prove or disprove your hypothesis.

Candidate: Okay.

Interviewer: So it’s going deeper into the process – I think you covered it at the surface, but you need to be able to do it at a deeper level.

Candidate: Okay. How many of the clarifying questions is more like a data asking questions, should I do in this format?

Interviewer: In this format, you can ask a couple of clarifying questions around definitions. “What exactly does retail sales mean?” Other clarifying questions I’ve gotten from people were: “If they did a partnership, would they partner with all the stores or can they partner with some of the stores?” So that was ambiguous, and so I say, “Assume all or none, either they do all or none of the stores, and nothing in between.”

00:46:04

So anything that is ambiguous, you can definitely clarify. What is different is: in a candidate-led interview that you may be more familiar with, you can sequentially ask for data as you go.

In this format, because it is broken up (a little artificially, into like four or five steps) and the interviewer controls the tempo, you really have to lay out the entire structure of all the factors you're going to consider, all the data you would need, why you need it, and how it would change your recommendations before you ask for any data.

Candidate: Oh, okay.

Interviewer: They want to see the entire blueprint essentially.

I really wanted to emphasize this point of showing your entire issue tree up front. So not just your key three factors, but within each of the three key areas, what are your sub-factors that would prove your issue tree or prove the hypothesis. It's important in this format in particular, because the steps in the case-solving process are somewhat artificially broken up. So it's very hard if you're in Part 3 of the case to jump back to Part 1 and say, "Now I want to modify my structure and change the structure a little bit." That part of the case is done with. So it's very important that you outline your structure up front, you introduce it in multiple layers. So basically the phrasing would be – if we use the if/then approach to the issue tree – "If Factors 1, 2, and 3 are true, then the conclusion or hypothesis is true." What we would want to say is "If 1, 2, and 3 are true (and the way I would test number 1 is if Factors A, B and C are true), then we know Issue 1 is true," and basically have sort of a nested hierarchy, if that makes sense.

So you have your three major issues – within each category of issues, you have sub-issues that validate whether that particular factor is true. So you can say things like – I'll try to give you a simple example – "If costs have gone up these last three years and sales have held the same, then a conclusion is: we have a cost structure that is growing out of control, and that is my hypothesis. To understand why the costs have gone up, I'm going to look at costs, whether they've changed over the last three years, fixed costs vs. variable costs," and whatever the components are you want to look at. That's an example of breaking a problem down beyond the first level.

00:48:17

Candidate: I see.

Interviewer: In a candidate-led interview, you could do the same thing; it would be perceived very favorably. But if you didn't, and you just sort of did it a piece at a time – so let's say you wanted to look at customers, products, company and competitors. And you didn't go into any detail around say products and company; you just wanted to go into customers. Because you're driving the process, and the interviewer can observe that you come back to these other topics, have a rationale

for why you're asking for information, and therefore infer that you are following a reasonable process.

But in this format, you don't have that ability to demonstrate that skill. So the only thing that the interviewer is going on is whether your layout of the initial structure was comprehensive and relevant to the specific question the client was asking.

Candidate: Okay.

Interviewer: It is a subtle difference, but an important distinction. Let's see, on the math, you had one error there that I noticed. I think you misread the question. I think it was around the number of Ralph Kline stores – you missed that not all of them were being cannibalized by Fashion World.

Candidate: Yes.

Interviewer: So I sort of prompted you to correct that. It is very important to be careful about that, because that error would be— particularly how competitive it is, probably that alone would not pass you to the next round. And any math computation error would usually – depending on which firm you're interviewing with – would prevent you from going to the next round.

Clearly you know how to do the math, so it was probably just going a little fast, a little careless, and so it is important to slow down and make sure you grasp all the data before proceeding.

Candidate: Okay.

Interviewer: One suggestion on the math – by far the #1 reason people make a mistake on the math is not because they don't know how to do the math, it is that they get confused. So it is very important to lay out how you're going to do the math in words first, I think would be my recommendation, before you actually do computations.

00:50:05

You started off pretty well, and said, "To determine what combined sales would be, I want to look at what the Ralph Kline sales would be added to the Fashion World sales, and that would give me the total," which was good. I think it would have been helpful if you went another layer down, and said, "To determine the Ralph Kline stores, I need to know the revenue of the stores that have no competition from Fashion World, and then separately, I need to know what the

sales are for those Ralph Kline stores that are in the same markets and same cities as Fashion World,” and then keep breaking it down from there.

That way it accomplishes a couple of things. If you write it out in words, then if you get lost in your own numbers, you just look back up and you know exactly where you are. It’s very hard to get lost. Second, it allows the interviewer to follow your logic; and third, if you make a logical error conceptually in your description of the computation before you get to the math, my slight opinion is the interviewer is a little more likely to correct you. But if you make it in the middle of the math, it is a little hard. We wouldn’t want to cut you off too early, because maybe you are just solving it a different way, and you might get to the right answer.

For example, when I do this calculation, I add up what all the stores will be. I had someone who added up what the stores would be in total without any cannibalization, and then they subtracted the cannibalization later. It was a different approach. But because the person said he was going to do that, I didn’t consider it wrong, because I knew he was going to do it and I thought about it and it gets you the same answer, so it is fine.

Candidate: Okay.

Interviewer: So it is useful to lay out what components you are going to attack, in which order, and then do the math accordingly.

Candidate: Okay.

Interviewer: It’s also easier to present that way. When I talked about other factors, I think you could have been a little bit stronger in this area by identifying the factors, and then justifying them and then giving an example.

So for example, the way you described the number of customers, I think was a little vague. And I think you changed your mind on that one, if I recall. Let me give you some examples of some of the other factors I had in mind. Other factors might be: what are the terms of the deal? Maybe it would drive retail sales and accomplishes that goal, but maybe the transaction and the contract is very unprofitable. So that would be another factor you might consider, that goes beyond sort of the original scope.

00:52:14

You were getting to a point around: if it increases the customer count, it would be favorable. The alternative would be: it would increase the revenue per customer, which is the other way to grow sales that way. It was kind of like a mid-level

point, and I didn't quite agree with it that much. But if that was the point you wanted to make, you could justify it more clearly. I don't think the argument was strong enough.

Candidate: Yes, the revenue per customer is less likely to increase...I mean in this situation, because the location is increasing... it could be possible, but in the end I thought it wasn't likely.

Interviewer: I tend to agree. I'm trying to think what others have said in that area, other factors. One factor would be: in the cities where Ralph Kline has stores, there is going to be a sales drop – will those stores still be profitable? One potential implication is: you have to shut down some of these stores, given the overhead. That's one factor.

Other factors – could the company just open more of its own company-owned stores as an alternative? The company-owned stores seem to do pretty well, and so that would be a consideration. Are there other retailers that have even more coverage than Fashion World? So Fashion World came to us, but should we be going to someone else?

Candidate: Oh.

Interviewer: Those are all reasonable alternatives to accomplishing the objective. One thing to remember – I like to do this – when you take notes on the opening, it is very important to write down what the client's objective is, both the specific question they are asking, and the underlying objective that motivates their question.

So the specific question is: should we do this deal, yes or no? The underlying objective is to grow profits.

Candidate: This one is the sales.

Interviewer: I'm sorry, grow retail sales, sorry. The question then is: what are all the other ways to grow retail sales? Should the client consider doing that instead, or in addition to?

00:54:01

Candidate: I see.

Interviewer: What this mirrors is, sometimes the client asks— what the client wants to accomplish and the idea they happen to have in their head at the time you interact with them, sometimes is not the best option. So oftentimes you have to address the specific question the client asks, and then point them in a better direction.

Candidate: Oh.

Interviewer: So when the interviewer asks, “what other factors,” more broadly speaking, “does your conclusion seem reasonable?” “If you’re wrong, would my costs be higher or lower than what you originally thought?” Those are all an invitation to think more broadly about the problem.

Candidate: Not just the one that is customer or client suggested?

Interviewer: Yeah, because oftentimes what they suggest, I mean you have to cover that thoroughly, and then pay attention to how the interviewer frames the question. Some will give you an opportunity to be broader about that.

Candidate: I see.

Interviewer: Sometimes – quite often in real life, clients ask the wrong questions. You still have to answer it, and explain to them politely, “There is an alternative question you might want to be asking instead.” That is quite common.

So this is an important point I want to emphasize. In a case interview, you absolutely, positively have to answer the question the client asks, and usually the question is, “What do I do about my primary objective? What is the best way to achieve my primary objective?” Whatever question they ask you at the opening of the case, you must answer in your synthesis. Now once you’ve done that, it’s often quite useful to mention the other questions they did *not* ask that they probably should have. It’s quite common in real life working with clients, and so the way to phrase that is, “Given the client’s question or objective, I think they should do “X,” and I believe so for three key reasons – Reason #1, Reason #2 and Reason #3 – therefore, that’s why conclusion “X” makes sense. That being said, there are three other issues we did *not* cover that I think are worth highlighting for the client, that we don’t have time to analyze. It is Issues A, B and C, and I think these issues would be relevant. If we had more time, it’s an area I would encourage the client to analyze further.” End of story – end of synthesis.

00:56:05

So that additional factor is useful because it shows you’re thinking much more holistically, much more strategically, and being insightful all at the same time, but yet you still answered the client’s objective. So you have to do that first; otherwise, the interviewer sees you as being easily distracted, which you don’t want them to see, and so that’s the right way to do that.

Interviewer: Then on the synthesis, you started it quite well and finished a little less so. You started with a conclusion first, and went right to the point, which is good. Then I think you said there were two or three factors that support your decision. You

stated the first one, and then either you didn't state the other ones or you didn't clearly identify the other points.

I thought I heard you say there were three major factors that support your position. You mentioned the first one was the increased sales, and then you sort of mentioned the increase in the number of stores, which would then increase the number of customers, and sales would overall grow from \$45 to \$68 million. So it was a little hard to follow – I don't know if it was all one point, or each of those was the three different points, it was a little unclear.

Candidate: Okay.

Interviewer: So it's useful to number your points. There are three factors – Number 1 is this, Number 2 is this, and Number 3 is this.

Candidate: Okay.

Interviewer: I think those were my main points. What questions did you have about any part of the process, any observations or anything you found easier or difficult? I'm happy to help you out as much as I can.

Candidate: The one I found the most difficult was the beginning when "which factors to consider," and you helped me. It is just that I should state the hypothesis first, and then point out the factors to prove or disprove the hypothesis. The original version of Look Over My Shoulder, I was more like I can ask questions and get the answers, and go from there. But in this situation, as you say, I had to do all the points and I felt uncomfortable. Should I say that further without having this data at hand?

00:58:03

Interviewer: Yes, I think I'm a little torn on that one. I think in the candidate-led format, you can really do either. If you have sufficient data to form a hypothesis, it is probably good to start off with it. But you do have some time to ask some clarifying questions, ask a couple of key data points, and then form a hypothesis.

In this format, you have five minutes to ask whatever you're going to ask and basically state your hypothesis, to give enough time for the interviewer to challenge it and ask a couple of questions. So I don't think you have sufficient time to ask questions or ask that many, and so you have to fairly quickly state your hypothesis, state your structure and point out how it relates.

Candidate: Okay.

Interviewer: And I'm noticing I think with people's tendencies, my sense is: I would probably err on stating the hypothesis too early than too late. I find if there is a hypothesis, it automatically forces most candidates to think if each subsequent thing they are going to say will prove it or not. I find if there is no hypothesis stated out loud, there is an enormous tendency for candidates to wander around, or just ask for data because it seems kind of interesting but may not be relevant, because it *is* interesting and people are curious. People in this field tend to be very curious.

I think the hypothesis, in hindsight, tends to force people to be more focused. I think if I were to do over some of those earlier cases in LOMS, I probably would have emphasized that more. Now I tend to ask a few questions to clarify, and then state my hypothesis. But I think what happens is that a lot of people forget to state it, and that causes more problems.

I think to be conservative, just state the hypothesis up front; you're better off that way. I would probably recommend that from now on.

00:59:48

Just to emphasize, I've been teaching this for several years now, and I really have come around to the conclusion that stating the hypothesis up front as a matter of practice is just a good idea. When people delay the hypothesis, they just tend to make a lot more mistakes. So I want to be really clear about this. My current perspective is, in terms of the timing of the hypothesis, is to state it up front. It just forces your framework, it forces your issue tree to be much more hypothesis-driven, when you actually have a hypothesis you're stating out explicitly.

Candidate: I see, and when you state the factors, do you actually expect the candidate to point out most of the factors, or some factors would be enough?

Interviewer: I would say in this format in particular, I would try to be as comprehensive as possible. But it is important that the factors be relevant, and that they are the most important factors. So if you ignore two or three major factors, but you include three or four minor ones, that is not a good tradeoff.

Candidate: Okay.

Interviewer: In the candidate-led process and interviews, you can also lay out your entire structure, indicate what you're going to look at. So if you open the candidate-led process the same way that I recommend for the interviewer-led format, it would be great. It would be considered a strong opening.

Candidate: Okay. So it's more like: practice hard? To improve the performance interview is to practice?

Interviewer: Yes, the consistency I see with people who do well, they practice a lot. So the more you can practice, the better. How much practice have you had so far?

Candidate: I have two or three practice case interviews.

Interviewer: So the magic number, if you're going to do practice with other people (and don't freak out at the number), but people seem to do around 50, which is a big number, but they get extremely good. All the bad habits go away, and a lot of the stuff I'm talking about becomes second nature. It just becomes— you would do it out of habit – automatically, like breathing – and you just do it because you're so used to it at that point.

There are certain people who have gotten offers with no live practice, but I generally recommend— if you get some, that's great. I think there is a physical difference when you're under some pressure. I don't know if you noticed that.

01:02:01

Candidate: I did notice.

Interviewer: It's not so theoretical when you have this blank piece of paper and someone waiting on the other end. So even getting used to your own physiological response to that – managing that and calming down, and realizing it's okay – there is a learning curve there, just in managing your own physical reaction. So I definitely recommend that, and also I think in your case with the structuring and hypothesis, because I know you know how to form a hypothesis in the work you do – it would be useful if you could think about it and apply it to everyday life.

So I sort of made this joke to a different person earlier today. If someone asks you, where do you want to go to dinner? You say, "My hypothesis is: we should go to dinner at an Indian restaurant for three reasons. Number 1..." and basically do a synthesis and support your conclusion.

I used to do that and my friends kind of hated me, but I got really good because I was constantly thinking about, "How would I structure that? How would I structure that? How would I say that out loud? Did I say it right? Did I miss anything? Was anything vague or could be misinterpreted?" And try to build an argument for everything from "should we take a taxi or subway?" You could do a cost benefit analysis, or timesavings analysis, or time versus dollar trade off analysis, anything like that.

Great, perfect. Any other last questions before we wrap up?

Candidate: No that's all, thank you so much.