

In this next case on the steel industry, you'll hear a very interesting first example. This example you're about to hear is one that I would not consider a strong performance, but there were elements that were extremely strong and there were some elements that were completely missing. So I think it's actually a very good example to study to prepare to see what to do and what *not* to do in very much a real life setting.

And this case, by the way, is a very challenging one and probably the most challenging case I had amongst the dozen or so folks that I interviewed. And I would say that nobody actually got the case right. I don't think anyone got the case right without substantial coaching and help behind the scenes, which you may or may not hear on the recordings. So it was, from an interviewer's standpoint, a great case because it really separated those who are exceptional performers from those who are just merely good.

So what you're about to hear on this first example is a very interesting pattern. It comes from a person who I believe has a very quantitative background. I think the person perhaps comes from an engineering background, maybe even a PhD in some sort of hard science, I don't recall exactly. But this person's clearly very quantitatively oriented. So what you'll hear is the opening of the case starts off quantitatively, and from a quantitative standpoint is actually pretty good. The big mistake and the big piece missing is that the case from this particular candidate's standpoint, his approach was all quantitative and no qualitative assessment or qualitative analysis. And the best way you can summarize what that sounds like on a recording is to listen to the kinds of questions the person asks. When a person is heavily quantitatively oriented (I did interview a lot of people who came from science and math backgrounds), they tend to ask a lot of "what" questions, as in: "what were sales," "what were profits," "what were profit margins," "what were fixed costs," "what was the growth rate?" Basically, questions that ask for numerical— expecting a numerical answer. And that's what it sounds like when you hear someone who comes from a math background.

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And the questions that this person did not ask and should have are qualitative questions. Qualitative in the sense that you ask a question and the answer you're expecting back is not a number, but rather an explanation. So, qualitative questions begin with the words "why" and "how." So, "why are our prices higher than their prices," "why are our costs lower than their costs," "how does the customer buy," how does the product actually work," "how does the customer use the product once they buy it?"

When you are doing a case well, I think the big thing that distinguishes a candidate that is exceptional versus merely good is the ability to be excellent at both quantitative analysis as well as qualitative analysis. And this case I think— it wasn't my intention, but this case in particular is extremely demanding both quantitatively and qualitatively, so there is a reasonable amount of math and numerical analysis to figure out what's going on, and it requires an extensive amount of qualitative analysis, which is really figuring out how this business works at a conceptual level.

And I found that there are people who got one end of that spectrum or the other right (in some cases perfectly right), but no one can do both of them, so the folks who were very intuitive and more liberal arts oriented, let's say, from a background standpoint, they really grasped sort of the essence of the case conceptually. But they sort of screwed up the math. And those who are excellent at math, they got the math portions right but they could not figure out what to recommend to the client, because the math doesn't give you the answer, you actually have to understand the business overall.

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So this first example is a case where the individual was very strong on the mathematical side and the quantitative side, and really asked a lot of "what" questions, but really just missed a lot of opportunities to ask "why" and "how" questions to understand how the business works and *why* there are differences between umbers. And so please pay attention to that as we start this case.

Interviewer: There is this company that is in the steel industry. They manufacture steel rods. And this company in the last year has suffered a major financial setback. And they're trying to figure how to become profitable again. They were making \$20 million a year in profits, and now they are down to a \$10 million loss.

Candidate: Okay.

Interviewer: And so their question to you is, "Help! How do we turn this around? Or *can* we even turn it around? Or should we just give up?"

Candidate: Okay.

Interviewer: How would you help them figure this situation out?

Candidate: Okay. All right. So I'd just like to take a minute and structure my thoughts.

Interviewer: Sure.

Candidate: Okay, so I would like to break down this problem. Since profits are going down, I would like to break it down into revenues and costs.

Interviewer: Okay.

Candidate: And I would to understand if the revenues are going down, or if our costs are rising, or is it a combination of the two?

Interviewer: Okay. So revenues have gone down from \$120 million to \$100 million. Let's assume that there are no fixed costs in this business, so we'll keep it simple, and that costs of manufacturing have gone up from \$100 per rod to \$110 per rod.

Candidate: Okay. And when you say manufacturing costs, do you mean everything, like labor costs?

Interviewer: That includes labor and raw materials. Those are the two major components of variable costs, and that combined has gone up from \$100 to \$110 per rod.

Candidate: Okay. And the last thing I would like to understand is the volumes. So do we have any information about the volumes?

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Interviewer: Yes, unit sales or quantities sold has remained constant at 1 million rods per year.

Candidate: Okay. All right, so it seems like it's a combination of both – our revenues are going down, as well as our costs are going up. And the volume has stayed constant.

Interviewer: Correct.

Candidate: So volume doesn't seem to be an issue here. Well, in order to turn this around, we could approach this two ways.

Interviewer: Okay.

Candidate: So firstly we could focus on revenues, and next we can focus on costs.

Interviewer: Okay.

Candidate: And see where we can make amendments in order to improve the business.

Interviewer: Okay, where would you like to start first?

Candidate: So I would like to start with the revenue.

Interviewer: Okay, let's do that.

Candidate: All right. So we know that the revenue is going down and in the last one year, the revenue has dropped by \$20 million, which means since revenue is price into units and our units have stayed constant, obviously the price of the rods has been dropping.

What the candidate just said is I think actually a very useful habit to get into. He summarized what is now known and understood about the case, deducing what must be true. So in this particular case, the candidate had information around total revenues and how they were dropping, and he had information about volume or units sold which had held steady. And so mathematically it must be true that pricing has dropped, and he explicitly made that conclusion.

If you're very strong on math, you might have thought that was pretty obvious, and even if you do, it's actually very useful to state that. I call it,

“stating the obvious.” In the event you didn’t notice it was obvious, you certainly want to practice that – those little natural conclusions that are fairly logical and don’t require a huge leap of analysis are very important to state out loud. And here’s why: clients don’t always do math really well, so as a consultant you have to really walk them through every single step of your logic without skipping steps and skipping ahead.

Now within a consulting firm with your colleagues, you might skip ahead – and frequently I did that with my colleagues at McKinsey – but whenever I had to explain something to a client, I always went step by step and did what I call, “stating the obvious,” which would drive some math-oriented-type of colleagues at McKinsey a little crazy because it seemed so obvious, but clients aren’t all mathematically oriented, so you have to be very explicit in that.

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And you’ll also notice in this example and in other ones how *useful* that habit is, because what it does is it gives you great clarity and reminds yourself of what you do know and what’s still left to be determined. And I find if you get in the habit of constantly restating what you know – not repeating it but really taking it to its next natural logical intermediary conclusion – I think it’s a very useful habit, and this is a good example of that. And you’ll hear that throughout this case, as well as the last example in this case.

Interviewer: Correct.

Candidate: So I'd like to understand why our prices have been dropping?

Interviewer: That's because customers insist on it.

Candidate: Okay, customers. All right. So since customers are insisting and we're having to drop the price, even though we don't want to, I'd like to know what might be the reasons for our customers to have such power over us.

Interviewer: Okay.

Candidate: Okay. So I would like to approach this in three major areas. Firstly, I would like to look at the competition and the whole marketplace in general. Next, I would like to look at the product and that of its life cycle, if it's dying and what can be the reasons. And then third, look at the customer segments and see, you know, if you are narrowly focused in one segment, and if there is scope there.

Interviewer: Okay, seems reasonable. Where would like to start?

Candidate: I would like to start with the competitors.

Interviewer: Okay.

Candidate: And so it seems like, since customers have such power, seems like there are a lot of options for the customers?

Interviewer: Actually, there are not a lot of options for the customers.

Candidate: Okay, so do we know who our competitors are?

Interviewer: We do.

Candidate: Okay.

Interviewer: We have four major competitors in this market. This market consists of the southwestern United States and it's very regional.

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Candidate: Very regional.

Interviewer: Because it's very heavy, it's very hard and expensive to move too far, so both competitors and customers are usually within 1,000 miles, let's just say.

Candidate: So customers are also regional, all right. And within the southwest region, do we know what our market share is?

Interviewer: Yes. Our market share is approximately four percent.

Candidate: Four percent, all right. So it seems like we are not the bigger player in the market.

Interviewer: No.

Candidate: That means there might be some issue in the economies of scale —

Interviewer: Potentially.

Candidate: — potentially, because it seems like— so I'm guessing the other ones are pretty big, so do we know the other competitors' shares?

Interviewer: Yes, we do. Let's say that each of them is 24 percent market share.

Candidate: Each of them are 24 percent, okay. All right, so it seems like we are the smallest player in the industry?

Interviewer: Yes.

Candidate: And that could be one reason that, you know, we are getting squeezed on cost, on price. So what we could do for that is we could look at merging with one of these players, we could— actually before I think about recommendations, there's some other areas also.

Interviewer: Okay.

Candidate: So let's explore those first, and then come back to what my recommendations might be. So let's also understand our product. Do we know if there are substitutes in the market which are replacing our product, do we know?

Interviewer: We do know, and there are not.

Candidate: There are not, okay. Do we know where our product is in its life cycle?

Interviewer: It's steel rods – the same as it used to be; it will be the same in the future. Steel rods are steel rods are steel rods.

Candidate: All right. And do we know what these steel rods are used for mainly?

Interviewer: Yes, they're used in construction, generally used to reinforce concrete. The most common use is: any time you build a building made out of concrete more than one story tall, you end up using a lot of steel to make sure it doesn't fall down.

Candidate: Okay. Now, that I understand the product a little more, I would like to step back and go back to the marketplace. Do we know if the market size is shrinking?

Interviewer: For steel...

Candidate: I'm thinking that maybe in the southwest region, there's not as much construction happening anymore, and it could be because of the economy.

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Interviewer: It could be, well, we do know that the number of rods sold in the industry has been flat.

Candidate: Has been flat, okay. So that's not a concern then, if, you know, the number of— so which means, have we been losing market share?

Interviewer: In terms of number of units sold, we have not been losing market share.

Candidate: We have not been losing market share. Okay, so it seems like the industry is still selling the equal number of rods, so volume is really not an issue here. We are still selling what we used to.

Interviewer: Fair enough.

Candidate: And market is stagnant, okay. All right, so next, let's look at customers, and I kind of understand the customers, now that you told me about the product, so our customers are probably contractors who are doing construction work.

Interviewer: Yes, we call them commercial builders and general contractors.

Candidate: And looking at all the information I have so far, it looks like the issue might be we are getting squeezed on cost – squeezed on price, I'm sorry – and we are the smallest player in the industry. So do we know if our competitors also have the same issue, are they also getting squeezed on cost?

Interviewer: Squeezed on cost or —

Candidate: On price, I'm sorry.

Interviewer: — on price. Yes, we do have information on that, and we do know that competitors charge \$100 per rod.

Candidate: Okay, \$100 per rod. Okay, that's interesting. So I can calculate how much we were charging last year because I know the volumes.

Interviewer: Correct.

Candidate: So I can calculate the price here. So it seems like our price was \$120 and now it has come down to \$100.

Interviewer: Correct.

Candidate: And I now see the reason why customers have been squeezing us on cost – on price.

Interviewer: Yes.

Candidate: It's not because of any other reason, but just that the competitors' product is at a lower rate, it's at \$100, and obviously they are demanding for \$100. Okay, that's great, so that's good to know. Next thing I would like to look at is also our costs.

Interviewer: Okay. So do you want to go back to the other part of your analysis?

Candidate: Yes, the other part.

Interviewer: Okay, great.

Candidate: And the other part is costs, right. So in the costs, you already said that we're not looking at fixed costs, so let's look at the variable costs. And we know that it was costing us \$100 per rod, and now it's costing us \$110.

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Interviewer: Correct.

Candidate: And that explains why we have a loss. So basically now our costs are higher than our price, right?

Interviewer: Correct.

Candidate: So which means per rod that we sell, we're losing \$10, so our business is going in loss. Now, the areas we could explore— now that we understand what is happening here, the areas we could explore is either we lower our costs to become profitable again —

Interviewer: Okay.

Candidate: — or we exit this market. So that could be one possibility.

Interviewer: Okay.

In this situation, the candidate actually made a pretty critical error in outlining the options for what could be causing the problem. The candidate mentioned that lowering costs would be one way to solve the problem, and exiting the market would be another option to consider in this particular scenario. The one particular path and option that the candidate failed to mention was the opportunity to raise prices as a way to fix the profitability problem. And this is what I would consider a logical error, because if you map out the formula for profitability, the formula for profitability is revenues minus costs. And if you take those two components and break them down further, each consists of a cost per unit in volume as well as a price per unit in volume.

And so I think in this particular case, the candidate just flat out missed it and didn't notice it, and unfortunately, because this was very early in the case, had difficulty circling back and recognizing that there was a pricing opportunity in this case, and so really sort of sabotaged his efforts much later in the case. So go slow, make sure that you write every step out of your logic and make sure that when you mention what the options are, to analyze that you are complete and thorough in what you say up front. It's very, very important because if you start poorly, in some cases it's impossible to recover, mostly because you will have in your mind shut off certain parts of the case as not relevant, when in fact they might have been – in particular if you had missed something or were rushing.

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Candidate: And we need to explore why our costs, how we can bring down our costs. Now straight off the top of my head, I can think that all the competitors are bigger, much bigger than us —

Interviewer: This is true.

Candidate: — and they are driving economies of scale which we are probably missing out on because our volumes are much lower.

Interviewer: Seems like a reasonable hypothesis. What data would you need to test that hypothesis?

Candidate: So I would like to know— we already said labor and raw materials, so we can break down the \$100 or \$110 that it's costing us now, we can break down the \$110 into labor costs and material costs, and then we can analyze industry-wide what the labor costs are and what the raw material costs are, and see if we can also drive some economies of scale.

Interviewer: Okay. So you want to do a variable cost comparison between the client and the competitors.

Candidate: A variable cost comparison.

Interviewer: Fair enough. The labor cost per rod is \$30, both last year and this year. And the materials cost used to be \$70, but is now \$80 per rod for the clients.

Candidate: Oh, interesting. So that explains the \$10 rise. Okay, now seems like labor cost has stayed constant, but there might be scope to reduce labor cost as well. However, I would like to start with the material costs, since the material cost is the one that has been going up.

Interviewer: Okay.

Candidate: Now it has gone up by \$10 in the last one year. So let's look at who our suppliers are and where they're located, how fragmented their supply base is.

Interviewer: Sure. Everyone buys steel on the steel market, much like there's a marketplace for stocks, bonds, corn, oil... it's all very centralized, very liquid market.

Candidate: I see, I see.

Interviewer: And all the competitors that use raw steel as a material – we all buy it from the same place.

Candidate: Okay. So what that means is our competitors probably are also experiencing the same increase in raw materials costs?

Interviewer: They have experienced an increase in raw materials costs, correct, but it has not been as high as ours.

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Candidate: Do we know how much they are paying now?

Interviewer: Yeah, we estimate that their raw material cost is currently about \$75.

Candidate: \$75, okay. So even if we did what our competitors are doing, we could probably bring it down by \$5.

Interviewer: Okay.

Candidate: But that'll still make us not profitable. So just by driving down that \$5, we still won't be profitable. So that might be an area we can look at and how we can reduce to \$75, but it's just— priority-wise, I would like to look at that later.

This is an example of the candidate thinking out loud, and this is a habit that definitely should be encouraged. It is useful to think out loud so that the interviewer can follow what you are thinking. And what both your intuition is, what you're leaning towards, as well as what your logic is, which is: what information do you still need logically to determine whether your intuition is correct or not? So this is the same as having a hypothesis and identifying the data needed to challenge and test that hypothesis. Thinking out loud oftentimes can take the place of a hypothesis, and figuring out what you want to do next oftentimes can take place of structuring or framework or some particular analysis approach that you intend to use to test whether your intuition is correct or not. It's really the same thing but with different terminology, and if you have difficulty explicitly remembering to state your hypothesis constantly but your thought process is instinctively very hypothesis-oriented, then you might as well just think out loud, and oftentimes that is good enough. That's certainly the approach I took when I interviewed.

Candidate: Maybe we can also look at the labor costs.

Interviewer: Okay.

Candidate: So labor cost is \$30 per rod.

Interviewer: For our company, yes, that's correct.

Candidate: For our company. Do we know what it is for our customers?

Interviewer: It is \$25 for our competitors per rod.

Candidate: \$25, okay, so that's interesting. That means overall even if we did what our competitors are doing, we could bring down the price by \$10, the *cost* by \$10, and the price would still remain at \$100, which means we will still not be profitable however; we will be just breaking even.

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Interviewer: Breaking even, this is true.

Candidate: So they should definitely do that first.

Interviewer: Okay, but how would they do that?

Candidate: Okay, in order to do that, reducing material costs, firstly we need to understand what we're doing wrong. Why are we paying \$80 versus the \$75 the competitors are paying?

Interviewer: Okay.

Candidate: Is it just because our volumes are lower?

Interviewer: Yes. So if we were able to buy the same volume our competitors would be, we would have the same price – or same cost for raw materials.

Candidate: Okay. So there is no way we can increase our volume by six times?

Interviewer: That would be extremely difficult.

Candidate: Extremely difficult, so that's going to be super hard. Now there's little scope to reduce it to \$75. Now in labor costs, do we know what the competitors are doing differently from us?

Interviewer: Yes, we do actually; the manufacturing process that the four other major competitors use is a more efficient process. It requires fewer hours, less labor than our process.

So far, with the exception of missing the opportunity to analyze pricing to look for opportunities to improve it as a way of improving profitability, the rest of the case that remains that this candidate has worked on is going reasonably okay. He's logical, it's fairly clear – a good test of this is: can you draw out the candidate's logic, and I didn't have any difficulty drawing that out. So overall from a quantitative analysis, I thought it was reasonable.

Candidate: Oh, interesting. Okay, there is some scope here, because it's the process, so we are probably using an archaic process which might be outdated, or we are over engineering our product, which means the customers don't care about it and we are putting in more labor.

Interviewer: Okay. What data would you need to figure that out?

Candidate: In order to figure that out, I would like to know if our rods are any different from our competitors'.

Interviewer: The end product itself, the actual rod, is not different.

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Candidate: Okay, so the rods are not different.

Interviewer: The material is the same; the quality of manufacturing is the same.

Case 5 – Steel – Ex 1 – Transcript

Candidate: Is the same, quality is the same. Okay, so over engineering doesn't seem like the issue.

Interviewer: Okay.

Candidate: Might be the process, and clearly the competitors are following a different process. So do we know why we are following a different process, a more expensive process, is it just because it's been existing and nobody has looked at it, or is it because —

Interviewer: I would say the process the other companies use is too cost prohibitive for us to use.

Candidate: Too cost prohibitive.

Interviewer: Too much capital required.

Candidate: Okay.

Interviewer: They manufacture very large volumes, and our process is designed to manufacture much smaller volumes.

Candidate: Okay, much smaller volumes. All right, so looks like we're hitting a wall on this front as well, because unless we increase volumes, we cannot drive down labor cost.

Interviewer: Okay.

Candidate: Because we are losing out on our suppliers, because our volumes are low and then we are following a more manual process, I'm guessing, because —

Interviewer: A more?

Candidate: A more manual process.

Interviewer: No, actually it's fairly automated.

Candidate: Fairly automated? Okay, but still I mean since our volumes are low... so let me understand this. Our process is automated, which means machines are doing most of the work.

Interviewer: Well, I would say it's a fairly automated process. It's not entirely automated.

Candidate: However it takes longer, right?

Interviewer: Yes.

Candidate: I'm guessing even though it is automated, it's a slower process, so it's taking longer and that's the reason our labor costs are higher.

Interviewer: Actually, it is a faster process.

Candidate: Interesting, okay.

Interviewer: From start to finish, it's a faster process, but there is more labor involved in the middle.

Candidate: So what is this in the middle, do we know?

Interviewer: Some obscure moving stuff around, so there's a lot of labor in terms of moving stuff around.

Candidate: Interesting.

Interviewer: But there's less wait time.

Candidate: Okay, because you move stuff, there's less wait time?

Interviewer: So there's more labor, but we start and finish faster.

Candidate: Oh, okay. I understand that now. All right, I think there might be some scope here to redesigning the process and saving some labor costs.

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Interviewer: Okay.

Candidate: So maybe we can explore that, but minimum we need to reduce is anything above \$10, because there's no saving in the material costs.

Interviewer: Okay.

Candidate: So would you like me to explore the area —

Interviewer: You can explore whatever you'd like to explore. What should we explore?

Candidate: Okay, so I would like to do some processing design here on the shop floor. And from what you told me so far, looks like there is some movement going on for which we employ extra labor, and if we eliminated that, maybe we could take down the labor costs.

Interviewer: Okay.

Candidate: So to understand how we can do that, let's first understand the process. So there are three parts clearly. The first half, the movement, and then the second half, right?

Interviewer: Okay.

Candidate: And do we know how many people work on each of these parts?

Interviewer: That's an interesting idea. We've actually already had a team look at that, and we don't see any way to reduce labor, the amount of labor involved in the current manufacturing process.

Candidate: Okay. All right, so since we can't reduce the amount of labor, maybe we can just move things around on the shop floor, such that there is no movement involved, so if we cut down movement —

Interviewer: Okay, right now it would cost about \$50 million to reconfigure the manufacturing floor, to do this, and we don't have \$50 million.

Candidate: Okay. Since our profit margin is so low, I don't think \$50 million makes any sense to invest, because it would take like fifty years to recoup the money.

Interviewer: Correct, that's right.

Candidate: All right. So from looking at all of this, I think there is like very little scope to become profitable.

Interviewer: Okay.

Candidate: And I think a good strategy right now might be to merge – merge forces with one of the competitors.

Interviewer: Okay, that's certainly one option.

Candidate: And in order to do that, we need to formulate an exit strategy.

Interviewer: Okay.

Candidate: And the next thing we'd like to do is work on our exit strategy, and what might be the best way to get out.

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Interviewer: So the CEO says, "I've been in business 30 years, and you're telling me that after 20 minutes, you've decided to sell my entire life's work? Are you sure?"

Candidate: No, I am not sure yet. We haven't really looked at any of the exit strategies.

Interviewer: Okay.

Candidate: And well, let's look at it. It might be interesting because —

Interviewer: "I mean, I've worked 30 years, I mean that's a long time and —"

Candidate: I understand that.

Interviewer: “— you want to terminate my business inside of 20 minutes. That's pretty gutsy, are you really sure about that?”

When you get an interviewer who asks you a question like this, it is really a code word for saying that you screwed up, and we're being nice and we're trying to hint that you screwed up, and maybe for you to consider what you might have done wrong and approach it differently. So oftentimes an interviewer will only do this if they think you are actually capable of progressing in the case with just a little bit of a nudge, that perhaps you went off track. If you're a hopeless case, then oftentimes the interviewer won't even bother because it's kind of a waste of his or her time.

So just listen carefully. If you get one of these questions, it means the interviewer thinks you're capable of solving this case but you screwed up something. So when you hear this question, I'd be on the lookout for that and think very quickly to see what you screwed up, and usually it's in the last thirty seconds or so prior to the interviewer asking that kind of aggressive question.

Candidate: No, not yet. Not yet. Well, it doesn't really mean that the CEO is going to lose his job, it —

Interviewer: Well, let's say the CEO started the company.

Candidate: Okay, he still will not be the CEO, but there's no way he can survive now, because everybody is crushing them – all the major players in the industry are crushing them. Well, exit strategy is not the only way to go. There is —

Interviewer: What are the other options?

Candidate: — exploring, say other areas, like other commodities, other products, so maybe starting a new business line.

Interviewer: Okay. Let's say we looked at that and there's nothing we can do in the short run that would be worth it.

Candidate: Okay. Well, all right. Okay, so how about like a joint venture where we could do— so we need to understand what our competency is and where we're very good at. Now, it's clearly not in the manufacturing process.

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Interviewer: That is not our competency?

Candidate: Not our competency.

Interviewer: Why do you say that?

Candidate: Just because something of a joint venture, and if you were to do a joint venture, we would be selling one of our competencies, right, so we are joining forces which means we could be doing complementary things, right?

Interviewer: Okay.

Candidate: So maybe whatever we are best at, we could retain that department.

Interviewer: Okay.

Candidate: And kind of abolish the other stuff that we're not doing right.

Interviewer: What part do you think we're doing right? What part do you think we're doing wrong?

Candidate: So in terms of competencies, there is the whole manufacturing process, so we can look at competencies in terms of our people, in terms of our product and in terms of processes. So this would mean our selling, you know, any kind of business processes that you follow within the company.

So here the candidate is basically lost and pretty much guessing. And you can tell when they move from a structured or analytical approach to guessing – they start throwing out all kinds of random ideas, the ideas come out of left field, the ideas they come up with are not derived from the data, they're just really ideas they pull out of their head based on their own intuition. And it's pretty obvious to a seasoned interviewer that a candidate is doing this. And so I go ahead and actually interrupt this particular mock case and try to give the candidate some direction to help him do a better job.

Interviewer: Actually, let me redirect you.

Candidate: Okay.

Interviewer: So I agree that there's not a cost opportunity here, right?

Candidate: Yeah.

Interviewer: And the two points you mentioned which I do agree with is labor costs and materials costs, doesn't seem like we could change. I have a gut feeling we ought to explore revenues more.

Candidate: Okay. Interesting. All right. So let's go back to the revenues. Now what we know is our cost is \$110 per rod.

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Interviewer: Correct.

Candidate: And there is no way to bring down that cost.

Interviewer: That is correct.

Candidate: So we explored that exhaustively.

Interviewer: We have explored that exhaustively and you're right, we cannot change the cost structure, okay.

Candidate: Which means in order to become profitable, we will have to push our price back from \$100 to \$120, or anything above \$110.

So you'll notice here that once I gave the candidate a small hint that we ought to focus on revenues, he immediately picked up – quantitatively speaking – what was left to analyze, and realized very quickly that, “Oh shoot, we forgot to look at pricing!” And I have this firm belief that if you set up your structure incorrectly or incompletely early in a case, then even if you're brilliant, if the structure is wrong, you basically can't succeed in the case oftentimes – the case is essentially over. And so in this particular case what I found interesting was once I sort of reminded the candidate that he forgot an area, he's like, “ah!” – he immediately knew what he forgot and was capable of analyzing that further. So just when you set up your case early on, it's very important you lay out all the branches of analyses that are possible solutions to the problem you are trying to address, and then you make sure you don't forget what those branches are.

And so refer to the materials I've included on creating issue trees and drawing issue trees or drawing frameworks. There is a very particular visual way I like to do it that makes it really easy to follow and makes it sure that you don't get lost and the interviewer doesn't get lost as well.

Interviewer: Okay.

Candidate: And the only reason our customers might be willing to do that is if we offer them something special.

Interviewer: Okay.

Candidate: And the way we can offer something special is either we offer a better quality product —

Interviewer: Okay.

Candidate: — or we offer some value-added services.

Interviewer: Okay.

Candidate: Or... Just give me a minute to think of any other areas we could... So better quality also covers customer service. We have to do something spectacular, because our customers have already started paying \$100.

00:32:11

Interviewer: Correct.

Candidate: And now it's hard to go back to them and ask for \$120.

Interviewer: Fair, good point.

Candidate: So we have to show the value in that additional— Okay, let's explore these two areas first, and if I get a third idea I'll come back to it.

Interviewer: Okay.

Candidate: So let's look at quality first. Now, I understand that steel rods are essentially used for construction.

Interviewer: Correct.

Candidate: And better quality would mean stronger rods, so how do we define better quality? Stronger, more lasting, easier to transport maybe, or easier to work with in some way...

Interviewer: Okay. It turns out that the durability of the rods is similar across companies; the ease of transport is identical; and the strength is the same.

Candidate: Okay. Clearly, better quality is not really existing at least. Maybe we could achieve it, but there is very little scope in the cost department, because we can't touch our cost – it's already pretty high, so we are sealed in terms of cost.

Interviewer: Okay.

Candidate: So next area we could explore is value-added services. Now, any services that we add are also going to cost us some money, assuming that we are not already offering some value-added services. So we might have to think of an idea and implement it, hire new people, establish some kind of administrative network, right?

Interviewer: Okay.

Candidate: So the way we can make money by adding value-added services is not immediate, but at a point where we break even and we pay back all our capital investment, so even if we go that route, looks like it will take us a few years before we start making profits. So are you okay with that?

Interviewer: Not really. I want to turn this thing around this year.

Candidate: Okay. So when we think of value-added services, we need to keep that in mind, because the CEO wants to turn it around this year. Now, what kind of value-added services could we add? We could provide transportation, so when anybody buys —

00:34:04

Interviewer: Which we already do.

Candidate: Oh, we already provide transportation.

Interviewer: Yes.

Here the candidate is basically reverting back to guessing again. He has these pet ideas – ideas that are coming out of his intuition of what’s a possible solution or what’s going on – and he keeps trying one idea, that doesn’t work; tries another idea and that doesn’t work; tries another idea. And the ideas are coming out of his head, but they are not coming out of the data derived from the case. And the key thing is: he doesn’t have enough data to draw the correct conclusion in terms of where he should go from here.

And the big mistake in the last couple of minutes is not what he did; it’s what the candidate did *not* do. And basically the problem is: this candidate doesn’t really understand conceptually how this business works. Like, “if you would explain to me, how do these customers use the product, how do they buy, why do they buy?” He doesn’t understand any of that, all he understands is the numerical data in this particular industry, and doesn’t really appreciate what’s really going on conceptually and qualitatively.

To be more specific and concrete, he did not ask enough “why” and “how” questions. Questions he could have asked include: *how* do the customers use our product? When the customers have problems with our product, *why* do they have problems? *How* do these problems manifest themselves? So these are all questions that are intended to elicit an explanation from the interviewer, or an explanation from the client, that usually does not involve numerical data. And so for people who think that all business problems are really math problems, they have a big difficulty grasping this particular idea.

And this is an example, but it sounds like – when you fail to do that, when you don’t ask the qualitative questions, you don’t really understand what’s going on in that business – it sounds like people just start guessing because they’re not sure what to do next, so they just have ideas and they keep testing random ideas. So I wanted to make sure you understood what that sounds like. It is worth replaying this whole case frankly, and listening again very carefully for the absence of those questions and think about, as you hear the case, what are the qualitative questions that would come to mind throughout what’s already transpired in the case.

00:36:15

So I would recommend starting this case over and thinking through at what point (after which comment or question) would *you* have asked a qualitative question, a “why” or “how” or a question that requires a conceptual explanation, rather than just asking for numerical data. It’s a vital skill to develop if you don’t have it already, and I would encourage you to go back through the case as if you were the candidate and asking those qualitative questions where this particular candidate did not.

Candidate: Okay. We could do— okay, so I just came up with a third idea.

Interviewer: Okay.

Candidate: Let’s look at our customers a little bit, so I would like to understand a little bit more about our customers, what they’re doing, why they’re buying steel rods, before I can think about these value-added services.

So here the candidate has switched to my business situation framework and essentially one portion of it, particularly the customer analysis piece. If you look at the framework – I call it the “framework cheat sheet,” but it’s the handout with four or five pages that includes all the major frameworks on there, and has common questions to ask within each area of a particular framework – you’ll notice that the first or second question or suggested question to ask under the customer section of the business situation framework is regarding who the customers are, and are there different segments of customers. Now here is the big secret in all consulting and all case interviews: customers don’t do anything – analyzing customers does not help. *The answer is almost always, always, always, always, always, always, always in the customer segments, not customers as a whole.*

00:37:57

The big insights are by analyzing customer segments, not customers as a whole. Now if you listen to the last thirty seconds of what this particular candidate said, he wanted to take a look at customers, but he did not ask the question: are there *segments*? You’ve *got to* ask that question. The bullet points under each of the business situation framework branches of analysis – they’re there for a reason; these are what I consider high probability questions. Questions where if you don’t have a hypothesis already and you’re just trying to understand concepts of the business, these questions tend to reveal an awful lot of information and have very high probabilities of eliciting information that’s very useful and insightful for you to further develop a hypothesis and eventually deviate from the rest of the framework because it is no longer necessary or relevant.

But early, when you don’t have a good hypothesis and you’re just trying to understand the business, use those questions. They’re actually very useful, particularly the one on customers because if you understand the customers, everything else makes sense. And when you understand customers, you need to

understand customers at the *customer segment level* – it's vital. Customer segments are where the insights are, and understanding customer segments is how you crack cases. You've got to always, always, always, always ask about customer segments. And in this particular moment, this candidate did not do that, and you'll see that he has difficulty with the rest of the case because of that.

Interviewer: Okay.

Candidate: So our customers are buying the rods in order to do construction work.

Interviewer: Correct.

Candidate: Now, these people who are constructing buildings or whatever, are they contractors who get contracts from their customers?

Interviewer: Yes, they are builders, general contractors who build hospitals, parking garages, office buildings on behalf of their clients.

Candidate: Okay. And the builders— now the builders will buy materials and start their construction.

00:40:02

Interviewer: The builders will, correct. The builders will typically order their steel rods, most of them order about 90 days in advance of when they think they will need it.

Candidate: Ninety days in advance, okay. So that is one area we didn't look at – lead time.

Interviewer: Okay.

Candidate: Is that something you could improve, that also falls under quality?

Interviewer: Okay.

Candidate: So looks like our lead time is 90 days. Do we know what the competition's lead time is?

Interviewer: Our competitors' lead time is— I'll be more specific. Our customers have typically requested in 90 days. And our competitors' lead time is 90 days.

Candidate: Okay.

Interviewer: Currently we deliver in 90 days, but we could actually deliver faster.

Candidate: We could deliver faster. So okay, we could deliver faster. And customers have to plan in advance. So this is not like the retail industry where the lead time makes a

huge difference because in the retail industry, the demand could fluctuate within a period shorter than 90 days.

Interviewer: Okay.

Candidate: But I'm just trying to understand if there is value in reducing lead time for our customers.

Interviewer: Well, what data would you need to know to figure that out?

Candidate: I would need to know if our customers – in the process of building, at what stage do they need these steel rods? Is it immediate, or does it happen like six months later after they start building?

Interviewer: Okay. So the way the process works is that somewhere in the middle of the process of the construction project, steel rods are required.

Candidate: Okay.

Interviewer: And it's generally used— whenever you start pouring concrete, that's when you start needing to use steel rods.

Candidate: All right. So seems like it's not required immediately which means... what I'm thinking here is basically the lead time is 90 days, and the construction has started before those 90 days.

Interviewer: The construction has started before 90 days, and the current industry standard lead time is 90 days.

Candidate: Is 90 days, so even if you reduce that 90, it really wouldn't impact our customers at all?

Interviewer: I wouldn't say that necessarily.

Candidate: Okay. Maybe I'm missing something here, but what my understanding is that even if you shorten the lead time, will we enable our customers to deliver faster?

00:42:00

Interviewer: No. So if the lead time were shorter, they wouldn't deliver faster. They would not deliver faster than their scheduled project plan.

Candidate: Right, right. So the only thing that could change is they could order much later; they don't have to think about it much in advance.

Interviewer: That seems like it would be true.

Candidate: So they would have to... like if we reduced it by half and made it 45 days, they would just have to order 45 days in advance. There might be some value in this,

because if they run short of the steel rods that they had ordered from let's say a bigger competitor, and we are providing faster service.

Here the candidate is trying to jump I think prematurely to a conclusion or recommendation, without really firmly understanding and grasping how this customer uses this particular product. And in particular, what the process looks like when they do use the product. Here's a big tip: *when you're trying to understand a process for how something is done, it is useful to test what I call, "boundary conditions" or the extremes.* So if the customer could only get the steel that they needed within one day, what happens to that project? If the customer can't get the steel for 180 days, much longer than they were expecting, what happens to the rest of the process? So those are oftentimes really good questions to ask – *look at the extremes of a particular process and see how that changes given those extremes*, and that usually reveals some insight about the process that will help you crack the rest of the case.

So remember that. When looking at a process, test the extremes or ask for an explanation of what happens under extreme situations, usually opposite extremes, and oftentimes that helps you really get a better grasp of what's going on in that process, which will lead you to better understand the case and to make better recommendations.

So in this particular situation, the candidate did not ask those, did not understand the process at its extremes, therefore did not have a firm grasp conceptually how this process on the customers' organization really works, how they use the product. And therefore when he makes a leap, leaps to a conclusion on what the client ought to do, it's not a very accurate recommendation or certainly it's not a recommendation supported by data provided in the case, which is always a big problem, both in real life as well as from an interviewer's standpoint.

00:44:20

Interviewer: Alright.

Candidate: So you might be able to fill them faster, and that might be of value to our customers.

Interviewer: Okay. So let's say we're talking over lunch, and I say, "That's an interesting idea."

Candidate: Okay.

Interviewer: And today is a Monday and I would ask you, "So what are you planning on doing tomorrow?" What would you do tomorrow to help me figure out what I should do with this business?

Candidate: Okay.

Interviewer: What specific action or analysis would you do on Tuesday?

Candidate: The first thing is: we're trying to address immediate necessity of steel rods, so we first need to figure out if there is even a demand for this.

Interviewer: Okay, how would you figure that out?

Candidate: So in order to understand if there is a demand, basically we can look at our past sales and figure out if there is a trend where customers order 90 days in advance and they're reordering for the same site. Since we already do transportation, we know where we're delivering, right?

Interviewer: Okay, that's true.

Candidate: So we could go back to our sales records, past sales records, and do some data mining there.

Interviewer: Okay. And specifically, what question are you trying to ask?

Candidate: We are trying to ask if builders are ordering steel rods for the same site over and over in order to fill it?

Interviewer: No. Once they make their order, they generally do not order more.

Candidate: Okay. So seems like once they have ordered with us and we deliver it in 90 days, we do not get orders for the same site again.

Interviewer: Usually not an unplanned one. Maybe they build a first floor and they want to order, and when they build another floor, it's a second order, but they won't usually —

Candidate: Okay, nothing unplanned, okay.

Interviewer: Generally not an unplanned one, although they sometimes do try to change the order.

Candidate: Ah, interesting.

Interviewer: But they don't increase the order.

Candidate: Okay. So by changing the order, so that's exactly what we're looking for – change of orders, right?

Interviewer: Okay.

Candidate: So when they change orders, do we know if it impacts their schedule? Because they have to wait for 90 days?

00:46:02

Case 5 – Steel – Ex 1 – Transcript

Interviewer: If they have to change the order, they have to wait another 90 days.

Candidate: Another 90 days... so say they order something and on the 89th day, they change the order. So that takes us another 90 days to deliver?

Interviewer: Correct, it would take another 90 days.

Candidate: Okay.

Interviewer: At least following the industry standard.

Candidate: Okay, all right. So do we know if there is a big proportion of these changes in our sales history?

Interviewer: I would say that probably maybe 10 to 20 percent of the orders show a change order.

Candidate: Okay, just 10 to 20 percent.

Interviewer: Yes.

Candidate: Okay, all right. So I think just going by all the information we have so far, this does seem like a good idea.

Interviewer: Okay.

Candidate: Because 10 to 20 percent is 100,000 to 200,000 steel rods, right? And this only accounts for change orders from our customers, right? And given to us.

Interviewer: Correct.

Candidate: Right, this doesn't account for change orders given to our competitors.

Interviewer: Correct, that would be true.

Candidate: Which means if we were to build shorter lead times somehow, and we don't know how yet, but if we were to deliver in shorter lead times, then we could become a niche player in the market who specializes in delivering faster.

Interviewer: Okay, actually it turns out we know how to deliver it faster. We can deliver in 72 hours.

Candidate: Great, so seems like we have a plan here, a plan brewing rather.

Interviewer: Okay.

Candidate: So it seems like 100,000 to 200,000 rods is from our existing customers, and what we could do is – I know we are going down pretty fast, we are burning through our cash reserves – however, we could start providing the service to our existing

customers and probably starting to build a reputation for faster service and reaching out to other customers of our competitors, right?

Interviewer: Okay. And which customers of our competitors should we target?

Candidate: Okay. So I believe that you would target those customers who have the maximum number of change orders.

Interviewer: And how would we know that?

Candidate: One way we could figure that out is looking at these articles, and figuring out if some contractors have been falling back on their schedules —

00:48:01

Interviewer: Which is generally not published, so it's hard to know that from these papers.

Candidate: What about like their 10K report, something like that?

Interviewer: Well, I will know a year later that they were late, but not before.

Candidate: Well, that's good because even a year later, we will know at least that they have been falling back in the past years.

Interviewer: And it's very unpredictable.

Candidate: Okay, all right. Obviously, we cannot get data from our competitors because we are going to try and steal their business. Some of the other ways we could explore this —

So here the candidate is basically going back to guessing again. And he's trying to basically guess at how you can identify these particular customers that have a lot of change orders, and I'll tell you right off the bat, it's not possible. Given the information that the candidate has requested, it's not actually possible to answer that question. And it goes back to the customer segments; there is a segment in there that has certain attributes about it, certain characteristics. And in this particular case, the candidate is completely unaware of the segment and is completely unaware of what those characteristics are.

And so right now when it comes time to do this targeting exercise, because he doesn't really understand the customers, he's trying to guess and guess and guess and guess. And oftentimes if you find yourself in a situation or you hear a case where the candidate is doing a lot of guessing, generally speaking it means that there was some piece of information that they did not get from the interviewer and did not ask for in the right way that is forcing them to guess, when really they ought to be just concluding based off of hard data. And this is an example of what's going on right now with this particular candidate.

Interviewer: Why don't we do a "time out."

Candidate: Okay, sure.

Interviewer: You have exhausted the usefulness of the profitability framework. The profitability framework is useful for eliminating what is *not* the solution, which you concluded it was not in cost.

Candidate: Right.

Interviewer: It was very good for that. It is not an X. It is useful for isolating where the opportunity is left, and you concluded it was not in volume, but it was in pricing, right? But it doesn't tell you what to do about it, okay?

00:50:06

Candidate: Yes.

Interviewer: And what's interesting about this is you were ready to kill my business, which I spent 30 years of my life building, and you really don't know the customers very well. Who are the customers, what do they want, right? Are there segments of customers? And so the right approach – you were kind of grabbing at and getting pieces of it – is you don't really understand the business situation.

Candidate: Okay.

Interviewer: And so what's happened is you were very logical and structured doing the profitability framework, and there's a limitation to the usefulness of it, which is it tells you— it's very good at process of elimination, and the process of elimination is very good for narrowing the focus. Once you have the focus narrowed, it does not tell you how to fix the problem, right? Fair?

Candidate: Okay.

Interviewer: And then you had a lot of guesses based on your intuition, on how you could do a JV, add value-added services... and basically what you're doing at this point is you're guessing. But you're not guessing based on data, you're just guessing. What you ought to do is step back, switch to the business situation framework —

Candidate: Okay.

Interviewer: — understand the business, given the problem you're trying to solve, which is: how do we increase pricing? Understand the business, and then have some informed hypotheses, based on your background knowledge of knowing the marketplace better. So let's go back, and let's restart. And have you start really at the conclusion, the intermediate conclusion you made that this is not a cost problem, it is a revenue problem, and I think particularly around pricing.

Candidate: Sure.

Interviewer: So why don't we start at that point in time, and then let's take a new path from there.

Candidate: Okay. All right, so let's first understand the business a little bit before, you know, we make any recommendations.

Interviewer: Okay, and what is the problem... that's good to start. What is the problem we're now trying to answer, or the question we're trying to figure out?

Candidate: Well, so far we figured out that cost is not an area where we can cut back.

Interviewer: Okay, yes.

Candidate: And revenues are declining because we're being squeezed on price.

Interviewer: Okay.

Candidate: So we'll try to explore where there might be opportunity in this business, to turn it around and make it profitable.

00:52:00

Interviewer: Okay, and do you have a hypothesis as to where to focus?

Candidate: So the hypothesis would be providing something different to our customers so that we can increase the price.

Interviewer: Okay, why don't you write that down – “Hypothesis.” And I've been recommending to people just today – put a big box around it, so you know it's your hypothesis.

Candidate: Hypothesis, provide...

Interviewer: I think the words you used were “provide something different” —

Candidate: Yes, provide something different.

Interviewer: — “to command a higher price.”

Candidate: Command a higher price.

This is a really interesting conversation I had with the candidate. What I basically walked him through is what I call a “synthesis.” A synthesis is something you want to do when you transition from one part of a framework to another, or from one branch of a framework to another branch within the same framework. And a synthesis is basically, I wouldn't say a summary, but rather *a*

summarized conclusion of: what you know so far; what must logically be true; and your hypothesis for what is left to be analyzed. A summary basically spits back all the data; a synthesis explains what the data means. It's an interpretation, a logical interpretation of the data that has already been revealed in the case.

So what's interesting is when I prompt the candidate to actually synthesize the case so far, he's actually able to – very succinctly, very concisely, and did a very nice job. And so what's interesting about that is the person is clearly capable of doing this. His thought process is very consistent with good synthesis and developing a good hypothesis, yet the candidate did not do this – did not actually synthesize and communicate that synthesis throughout the case. And it's an incredibly useful habit to get into. It really reveals whether you're analytical and thoughtful both quantitatively and qualitatively to the interviewer, and really helps you get the most points you possibly can from the interviewer.

00:53:56

The other benefit of synthesis (and this is arguably the more important one) is that when you synthesize your case constantly – and in the very last example you'll hear what that sounds like – when you synthesize constantly, it really helps you stay focused, and it helps you avoid getting lost. And I find a lot of candidates are doing— whatever analysis they are doing, they're doing well, but twenty, thirty, forty minutes into the case, they've forgotten what they intended to do at Minute 5 of the case. And now because they have not been synthesizing, you're really just relying on memory to circle back, and oftentimes people just flat out forget, which I think is obviously a big problem.

Interviewer: And what data would you need to know to be able to figure that out? What areas do you want to analyze?

Candidate: Okay, areas, yes.

Interviewer: Yes, areas, right.

Candidate: All right. So let's break this down. So first, two areas – one is external, and the other one is internal.

Interviewer: Okay.

Candidate: So external would be the marketplace and the customers. And internal would be the product and our company. Marketplace is the industry, the competition. All right. So let's start with the marketplace.

Interviewer: Okay, start with the competitors?

Candidate: Start with the competitors.

Interviewer: Okay.

Case 5 – Steel – Ex 1 – Transcript

Candidate: Now, I might have some information from before so I'm just going to use it.

Interviewer: Which is fine, and you can use it, that's fine.

Candidate: Okay. So there are competitors – we can understand who our competitors are, what the market shares are.

Interviewer: And assume all the information you got earlier about competitors translates here, so you can fill that in.

Candidate: We know who our competitors are; we know that they are very big peers. Is the industry growing? It doesn't seem like the industry is growing.

Interviewer: It's not growing.

Candidate: And the market size, we know what the market size is. We also know the market share of the different competitors.

Interviewer: We do.

Candidate: And barriers to entry, I have kind of figured out what the barriers to entry are.

Interviewer: It's hard to start a steel company these days, yes.

Candidate: Yes, it's really hard.

Interviewer: Well, it takes a lot of money.

Candidate: And then regulatory, I don't think is such a big concern here.

Interviewer: Correct.

Candidate: So I'm not going to look at that here.

Interviewer: May I ask you, of the four areas you've looked at that you want to explore – let's say you don't have time to explore all of them in the next ten minutes.

00:56:02

Candidate: Yes.

Interviewer: What's the most important one of the four? Or the two most important ones out of the four, in your opinion?

Candidate: So definitely customers is important.

Interviewer: Okay.

Candidate: And I'm kind of divided between the product and the company.

Interviewer: Okay. Let's start with customers.

Candidate: Okay. So let's start with customers.

Interviewer: What do you want to know about customers?

Candidate: So we kind of know who our customers are, they are builders. But can we segment our customers by their preferences, like what basically— we can segment them by region to look at —

Here the candidate is asking for information about customer segments, and that's always a good idea. However, there is a very precise way to ask about information about customer segments that will save you a lot of time. And the candidate did not use the way that I recommend.

So, what he said, and I'll quote, is: "Can we segment the customers by region?" And the better way to ask this question is: "what are the customer segments?" Or, "are there customer segments, and if so, what are they?" And then shut your mouth.

Don't say, "Can we segment them by region," "can we segment them by company size," "can we segment them by number of employees," "can we segment them (if it's a consumer business) by male/female," "can we segment them by distribution channel?"

There are an infinite number of ways you can segment your customers. And oftentimes in real life as a consultant, you'll have to segment the customer data in a variety of ways, but most often, only one way actually provides any insight. So if you ask about customer segments and you, as the candidate, suggest the customer segmentation pattern (in this particular case, segmenting by region), it's possible that your particular segmentation pattern is not actually very useful. Now not every interviewer is going to correct you, a lot of them will just answer your specific question. And so if you ask a general question like, "are there any customer segments," the interviewer can say, "yes." And if you say, "Well, what are they?" Then the interviewer will tell you what the segmentation pattern is that in all likelihood that that particular interviewer actually used on the real particular client situation.

00:58:14

So that's a very little subtle advanced trick. It typically saves you about five minutes, so from a time management standpoint, you pick up an extra ten percent of your time by asking for customer segments in this particular way. And again, it is to ask about customer segments without you, as the candidate, suggesting a particular segmentation pattern, and letting the interviewer reveal the most useful segmentation pattern.

If you give them that chance, I would say in my experience, they almost always do reveal the preferred segmentation pattern. If you are overly specific, not every interviewer is going to redirect you. Some will just answer your overly specific question, and you might conclude that there's no useful information in

the customer segments. And perhaps there wasn't useful information in the way *you* segmented the customer, but perhaps there is a lot of useful information in the way the interviewer segmented the customer data.

Interviewer: Let's see, let's just assume they're all in the same region, for argument's sake.

Candidate: All in the same region... okay.

Interviewer: But it's a good question.

Candidate: And then ask or find out how— divide them by volume. Who are the major purchasers?

Interviewer: By volume, okay. Let's assume they all buy in equal volume.

Candidate: All right, equal volumes, okay, so to be evenly divided. In terms of their business, they're all builders? Or is there anything different about these customers?

Interviewer: Actually they are — I'm going to take it back actually, the other question I answered, I misspoke. There is a difference by region.

Candidate: Okay.

Interviewer: There are those who are builders who are located in earthquake zones, and those builders who are not located in earthquake zones. And it is approximately— yes, so those are the two major segments there, regionally.

Candidate: Okay. That's interesting. So what that means is maybe, I'm guessing – the hypothesis I'm forming here is – those in the earthquake region, probably need better steel rods —

01:00:01

Interviewer: Okay.

Candidate: — or they don't need it, but if they had better steel rods, maybe they could, you know, brand themselves differently from their competitors.

Interviewer: Okay.

Candidate: So have we, do we know if improving quality of steel rods, making thicker steel rods or differentiating our product somehow is going to benefit those builders or is going to change the strength of those buildings in chance of earthquakes?

Here the candidate is again trying to jump to a proposed solution before really understanding what the problem is and how the customer situation works.

So he's gathered all the quantitative data he can, and therefore he's sort of feeling the pressure or instinctively trying to reach a conclusion, rather than analyzing the particular case on a more qualitative level first. So for example, the candidate mentioned that his hypothesis is that in the earthquake region, customers probably need better steel. What he *should* have said is, "My hypothesis is: in the earthquake region, customers need better steel, and to test my hypothesis, there are two or three things I want to analyze.

"The first thing would be: I'd like to understand the building process that builders go through in these earthquake zones compared to the builders that build outside of earthquake zones. That's the first thing I'd like to look at. The second thing I'd like to look at is if the actual product itself is different used in the earthquake zone versus not. And once I understand those two, I'll be able to determine whether the earthquake region builders will need better rods."

So that's an example of a hypothesis, two pieces of qualitative information I need to substantiate or test that hypothesis and help me validate whether it's true or not. But instead, what this candidate does is he assumes it's true and starts going down that path. And the specific question he asked – which I think is not a great question to ask – is "do we know if improving quality of steel rods, making thicker steel rods or differentiating the products somehow is going to benefit those builders or is going to change the strength of those buildings in the chance of earthquakes?" Now the problem with that question is there are a lot of assumptions in that question.

01:02:12

The assumption is that builders in earthquake areas want/need stronger steel. He hasn't actually verified whether that's the case or not. He is basically asking, "Is my pet idea right? I have no data to support that I think I'm right, but is my idea correct?" *Rather than asking for the data that would inherently tell him whether this particular hypothesis or idea is correct or not.*

I hope you can see that subtle difference. If you didn't, I'd actually rewind this and reread it or re-listen to it very carefully. It's a subtle difference in questioning. When you do it correctly, you have an idea, you identify the data that you need to determine if your idea is correct, and then *you* determine whether your idea is correct or not. And in this particular case, the candidate has an idea, and is asking *me* if the idea is correct. And when you do it right, the *data* should tell you whether your idea is correct or not, not the interviewer. If you're asking the interviewer, "am I right, am I right, am I right," that means you're not asking for enough data that would tell you if you were right. So it's very important to ask for data that would determine whether you are right or wrong. The answers come from the data; the answers do not come from the interviewer. In this particular case, you're seeing the candidate ask me if he's correct. And obviously he skipped some steps there in terms of gathering the data he actually needs to determine the answer if he is correct for himself.

Interviewer: I would say once they have decided on a plan for how much steel they need, that the better rods don't help.

Candidate: Better rods don't help —

Interviewer: Once they've decided on what they need.

Candidate: Okay. What does that mean, “once they have decided”?

Interviewer: So usually at the start of a project, they will look at what's— they'll estimate how many rods they will need, what size, what dimension, what thickness, what quality level. And the challenge is that sometimes in certain situations they'll discover their initial assessment was incorrect, and they'll change their needs. But once they know what their needs are, then better quality does not help.

01:04:10

Candidate: Okay, okay. All right, so that's interesting, because they might change, as you say?

Interviewer: Under certain circumstances, they will change their assessment of what they think they need.

Candidate: So there is the change problem which we already talked about.

Interviewer: Yes.

Candidate: So that is still an area we could explore in customers.

Here the candidate missed another opportunity to analyze this particular case from a qualitative level. After I mentioned that customers will sometimes change their assessments of what type of steel or product that they need, what the candidate should have asked is, “*why* do customers change their minds about what kind of products they need?” Or “can you give me an example of when a customer has changed their mind?” Or “how does a customer determine that their needs have actually changed?”

You know those are all questions where the answer is an explanation, rather than a numerical fact. And this particular case, in this particular situation rather, the candidate did not ask those questions and as a result, really does not fully grasp what's going on in this particular business.

Candidate: Then do we know if there is a difference in distribution channel preferences with our customers?

Interviewer: Same distribution channels for all customers.

Candidate: For all customers, okay.

Interviewer: They like to talk to people, sales people.

Candidate: Okay, so same distribution channels. So we looked at the bigger segments, we looked at the distribution channels. Now do we know if any customers have different preferences in terms of... so distribution channel, obviously, they don't, any other special requests we've heard from our customers?

Interviewer: Let's see, some of them— so let me help you out here. So the question you ought to ask is... you're still guessing, right?

Candidate: Right.

01:06:00

Interviewer: And there's value in being hypothesis-driven. The problem is when you're overly hypothesis-driven too early, then you start ignoring – ignoring data, right?

Candidate: Okay.

Interviewer: So the right question to ask in the business situation framework under customers is: “Who are the customers, and are there different segments of customers that have different needs?”

Candidate: Right.

Interviewer: And do you know the answer to that yet?

Candidate: No.

Interviewer: No, okay. Now think about it, you were ready to sell my company, right?

Candidate: Right.

Interviewer: And you don't know anything about the customers, right? So that's a really critical question, and also in the business situation framework, I almost always start with the customer.

Candidate: Okay.

Interviewer: If you know the customers really well, generally what the client's company is trying to do is logically related to what the customers want.

Candidate: Right, right.

Interviewer: And the competitors' actions are generally related to what the customers want. So if you know what the customers want, you can infer, and it helps you figure out what questions to ask for the client, as well as for the competitors. If you do it in reverse (“What is the company doing? What is the client doing? What are the competitors doing?”), it is very hard to reverse-engineer what the customers are, right?

Candidate: Okay, okay.

Interviewer: Because right now you've asked questions about competitors, I gave you data, but do you have a clear picture of what the customers are?

Candidate: No.

Interviewer: You don't. So it's better to ask for more information about the customers first, then that informs you, and then that drives your hypotheses for the other areas.

Candidate: Okay.

Interviewer: So why don't you ask some questions, the first opening questions around the customers? And you'll recall also, if you forget – off the business situation framework, you can go off the list if you want.

Candidate: Thank you.

Interviewer: The list was there for a reason.

Here my comment refers back to the idea of my frameworks having high probability questions within each area of the framework. And I think that those high probability questions are frankly very useful for you to keep in mind, and in some cases to memorize. And I'll be straightforward in stating that you should not use every question in those frameworks every single time. Those questions really are only to be used when you don't have anything else to go on and it's a way to elicit data.

01:08:02

In this particular case, I think frankly that the candidate just really either forgot about those high probability questions or never knew them. And I think it's a mistake. It's okay to know those questions and decide it's not relevant and not to use them – that is perfectly fine and frankly, happens all the time. I would say even 70 to 80 percent of the cases, you will get to a point in the case where you know enough of what's going on that the rest of the questions in the framework are not very useful and relevant, and no longer have a high probability of eliciting the right information because you have new information to go on. And it's perfectly appropriate to not use those questions deliberately because you have better information that leads you in a different direction.

What I think is probably *not* a good idea is to not be familiar with what those high probability questions are before you ignore them. And I think in this particular case, the candidate did not really remember them or use those high probability questions, and had he asked those high probability questions, he would have elicited qualitative data from the case that would have really helped him solve the case overall.

Candidate: All right. So do we know who our customers are?

Interviewer: Yes, we do. The customers are builders, commercial builders who build large buildings.

Candidate: Okay. And do we know what the customers' segments are?

Interviewer: Yeah, actually there are two kinds of builders, as I mentioned earlier. There are those who are in earthquake zones, and there are builders who are not in earthquake zones.

Candidate: Okay. Great.

Interviewer: And as a quick aside, if you ask me what the segments are, then I'll give you the right segmentation, okay?

Candidate: Okay.

Interviewer: If you don't ask me what the segments are, and you guess, I'll just tell you if they're right or wrong (by region, etc.) and those are all reasonable, but there's always a segmentation that's sometimes a little different.

Candidate: It was hard, yes.

Interviewer: Okay?

Candidate: Okay. Now, do we know if our sales have changed by these segments?

Interviewer: Yes, have they changed? Not much, not much.

Candidate: Okay, but do we know what our split is?

Interviewer: Yes, we do. About half of our business comes out of clients and builders in the earthquake zone, and half come out of clients that are not.

01:10:01

Candidate: Okay. Do we know what each customer wants?

Interviewer: Which ones in particular?

Candidate: The earthquake ones?

Interviewer: Yes. Like all of them, they want high quality steel to specifications. Their challenge is sometimes their specifications change.

Candidate: Okay.

Interviewer: Sort of in the middle of the project, they change their minds in what they want, and sometimes that's a problem.

Candidate: They change their minds. So when they change their minds, do they ask for a different product?

Interviewer: They either ask for a different product, or different specifications – you know girth, width, length, weight, density, or number of units sometimes will change.

Candidate: All right. So that's interesting, because I still don't understand since we are providing only one type of product —

Interviewer: Oh, I'm sorry, the standard product is it's all custom order.

Candidate: It's all custom order.

Interviewer: So the customer— they ask them, “How many do you need, how big do they need to be, or how thick do they need to be, what density do they need to be,” and then they take that order.

Candidate: Oh, okay, okay. All right, now do we know what price each of these segments is willing to pay?

Interviewer: We know what they pay now, and they pay the same.

Candidate: They pay the same.

Interviewer: Yeah.

Candidate: Okay. So it seems like there might be an opportunity here because the earthquake segment of our customers, they change their order frequently —

Interviewer: More frequently, sure.

Candidate: — more frequently, and since we cater to them whenever they change orders, do we charge them an extra amount for that?

Interviewer: Currently, we follow industry practice, and industry practice is that once you place an order, you can't change it, you have to pay for it.

Candidate: But they do change it.

Interviewer: So they place a new order.

Candidate: Okay, so it's essentially a new order, and they wait 90 days.

Interviewer: And they wait 90 days, and they pay for both orders.

Candidate: Okay, okay, all right. And do we know if this affects their schedule in any way?

Interviewer: Yes, I mean if they scheduled to use the steel let's say March 31st and the steel is not there until July 1st, it costs them a lot of money to wait. Because everyone else has to be paid while they wait.

Candidate: Okay, so that's interesting. So that means, again, there is a big opportunity here.

01:11:55

Notice over the last minute or so, how many qualitative questions that the candidate is now asking. So he's asking questions like, "Do we know what price each segment pays or is willing to pay? Do we know if there are any penalties for changing an order? When an order is changed, how does that impact the customer's building process?"

So all these questions, which are very good questions, basically I respond to as the interviewer with an explanation, rather than a piece of numerical data. And you'll notice now he's starting to get a better grasp of what's really going on in this business, and that is a very common pattern to see. When you ask enough qualitative questions, you start getting a grasp of what's going on in this business.

And here's where the balance comes from: *you want to use qualitative questions to get the essence of what's going on in the business, and then you want to follow up with a quantitative question to measure the impact of a particular piece of information.* So if you know for example that there is a financial penalty for changing an order and your qualitative question determined that, you want to follow it up with a quantitative question by asking "And what is the financial penalty? And has the financial penalty changed over time for our client? How does this compare to our competitors' financial penalties over the same time period?"

So you sort of do a numerical analysis; you basically alternate back and forth. You go to a qualitative analysis to figure out what's going on; use a quantitative analysis to quantify, measure and what we call "size" the impact of a particular qualitative attribute such as pricing, financial penalties for change orders, those kinds of things. And then you do it vice versa, where you use quantitative analysis early in the case to figure out what the problem is and is not, and then once you've isolated the problem somewhat, then you switch to qualitative again to figure out what's going on in that particular branch of the case.

So it's very common to basically swing back and forth, back and forth from quantitative to qualitative and from qualitative to quantitative. And get used to that rhythm and you'll notice, particularly in the very last case – which is my example of a "best practice" case – notice how we go back and forth between that tone of asking around qualitative questions and then quantitative ones back and forth.

01:14:08

Interviewer: Okay.

Candidate: Our customers are losing money because they're having to wait a long time. And if you provide them the product faster, then they might be willing to pay more for it because it's coming in faster.

Interviewer: Okay.

Candidate: So can we provide the product faster to our customers?

Interviewer: We have the technical capability to provide it in 72 hours.

Candidate: Okay. So seems like if they have to wait 90 days, they're losing a lot of money for people waiting, so we could charge a premium here because we are helping customers save money, right?

Interviewer: Okay.

Candidate: So have we explored that area at all?

Interviewer: Which area?

Candidate: Basically, increasing the price and the customers being willing to pay a higher price?

Interviewer: Higher price for what?

Candidate: For faster delivery, for change orders.

Interviewer: For faster delivery. Let's say that we have not explored that yet.

Candidate: Okay.

Interviewer: And let's also say that the customers are accustomed to buying 90 days in advance, and industry practice for all companies in this industry is to offer delivery in a 90-day time period.

Candidate: All right, all right. So that's one interesting discovery, that you know, customers could save a lot of money here and I see an important opportunity here to supply early, supply quickly, and fast. So that's definitely an opportunity.

All right. Now one thing we could do is we could stop here in the framework and we could go and explore this area and see how much profit we could make here.

Interviewer: Actually why don't we— we're out of time, so why don't we synthesize. Seeing as how I've got to go and catch a plane, what conclusions have you reached so far? And why do you believe these conclusions to be true?

Candidate: All right. Just give me a second here.

Interviewer: Sure.

Candidate: Okay. So since this year, we have started making— we have started going into loss, we looked at our revenues and our costs, and what we found is that there is almost no opportunity in cutting down costs. However, in revenues what we found is our customers, the segment which builds in the earthquake prone region, they often change their orders. And every time they change orders they have to wait 90 days, and this costs them a bundle because you know, all the labor is waiting, everybody is waiting.

01:16:16

Interviewer: Okay.

Candidate: And we do have capability of supplying them in 72 hours. So what we think is the real opportunity is in this area. We could supply faster to these customers and ask them to pay a higher price for our steel rods.

Interviewer: Okay.

Candidate: So going forward, we would like to see how much they might be willing to pay, and if this is a specialty that we could develop and expand in this area.

Interviewer: Okay.

Candidate: And overall, we are a very small player in the industry, we are just like four percent, and here the main reason that we are losing out is because we have low volume. So that is the reason we need to specialize in a certain area, and we think that we should start with this.

Interviewer: Okay. So the question I asked an hour ago was: can this business be saved?

Candidate: Yes.

Interviewer: Yes? Oh, okay, great. I'm being facetious here. When you close, you start with the conclusion first.

Candidate: Okay.

Interviewer: And then you explain why you believe the conclusion to be true.

Candidate: Okay.

Interviewer: And generally you don't want to have more than three reasons, so pick the three most important reasons why you believe your conclusion to be true.

Candidate: Okay.

Interviewer: So, why don't you try it again?

Candidate: Okay, sure.

Interviewer: And if you want to take a second to draw it out, think it through, that's not a bad idea.

Candidate: Okay, I can do that.

Interviewer: Better to have 30 seconds of silence and have it be perfect, than rush it.

Candidate: Okay.

Interviewer: Okay.

Candidate: So yes, we can save the company.

Interviewer: Oh great, wonderful news.

Candidate: Even though there may be losses.

Interviewer: Why do you believe that to be true?

Candidate: We found that there is no opportunity in decreasing costs. There is no opportunity to increase the price – the competitors are pricing at the same \$100. But however, we found that there is this niche area which we could specialize in, and that is our earthquake prone segment.

Interviewer: Okay.

Candidate: They frequently change their orders, and every time they change, they have to wait 90 days. So if we were to provide faster service to them, they will be able to save a ton of cost and we could charge them more.

Interviewer: Okay, great, very succinct, very short, right?

Candidate: Right.

01:18:00

Interviewer: Perfect. So some general suggestions from early on. Number one is: I think it would be very useful if you visually show the interviewer your framework.

Candidate: Okay.

Interviewer: And this is useful for two reasons. One is: it helps the interviewer follow your train of thought and your logic. And I'm also finding, the far more useful reason (particularly after seeing everyone today) is: it helps you figure out what your train of thought is and your logic. Because once you get into it, it's very easy to forget what you were intending to do seven minutes ago, because you've been

computing numbers and everything, and then it's like, "what was I thinking eight minutes ago?"

Candidate: Right, okay.

Interviewer: And eight minutes ago, you were brilliant, and eight minutes later, you're kind of confused, right?

Candidate: Right.

Interviewer: So if you show the framework – and I actually would encourage you to label it – “There are three things we need to look at: number one, number two, number three. Let me start with number one,” and do number one. “Let me come back to number two,” and so on. That I think is useful.

You missed a critical insight sort of very early in the process. I had hinted that the manufacturing process was different.

Candidate: Right.

Interviewer: And there's two questions you need to ask more often: “why” and “how”. You don't ask those enough.

Candidate: Okay.

Interviewer: You ask a lot of “what” questions: “What are sales? What are margins? What is costs?” And you ask like comparison questions, you know, “what are costs for competitors, what are costs...” you know. But what you want to do is you want to use the quantitative to identify a variance, either a variance versus the historical trend, or a variance versus the rest of the industry.

Candidate: Right.

Interviewer: Any time any number you find is different than the industry or the history, you have to go qualitative.

Candidate: Right.

Interviewer: You have to figure out *why* and *how*, and the numbers don't tell you why or how. So that kind of situation is very common, but very often people who are very analytical and very numerically oriented, you'll do very well on the analysis quantitative, then they'll discover data that really cannot be explained through numbers that you must understand qualitatively, which generally is where – business situations are much more qualitatively oriented.

Candidate: Right, right.

Interviewer: And they don't make the transition.

Candidate: Okay.

Interviewer: So do you recall when I mentioned that the manufacturing process was different?

Candidate: Yes, yes.

01:20:00

Interviewer: And then you didn't— you paused, because you thought it was interesting, and then you promptly ignored your thought of “that was interesting,” right?

Candidate: Okay.

Interviewer: You should have kept going to figure out more about that.

Candidate: Okay.

Interviewer: And I'll tell you that that is where all the— if you want to crack a case, it's almost always that. Like you do the analysis, you follow the framework and you find something unusual, that is kind of like the thread and if you pull on it, you'll find you will crack the case.

Candidate: Okay.

Interviewer: So you were very close to cracking the case several times, you did 90 percent of the work, and then you were going so quickly, you just ignored it.

Candidate: Okay.

Interviewer: And you kind of came back eventually and got to it, but it was very inefficient.

Candidate: Okay.

Interviewer: Because we spent about an hour talking, and by Minute 20, you had the right thing that close.

Candidate: Okay.

Interviewer: But you just didn't pay attention enough to it to realize it. Actually, you kind of realized it —

Candidate: I broke down the process into three I think.

Interviewer: No, so here's what you did differently. It was very subtle; you decided to change the process.

Candidate: Okay.

Interviewer: You did not decide to understand what the differences in the processes are. Make sense?

Candidate: Okay, yes.

Interviewer: Because the process can't be changed. It's too hard.

Candidate: Okay.

Interviewer: But the process *is* different, but you didn't ask *how* it's different, does that make sense?

Candidate: Right.

Interviewer: It's very subtle. And so there's very subtle things that you keep digging and then you sort of eventually... you came very close several times. You just didn't ask the qualitative questions, you were a little too focused on the quantitative.

And so you wanted to do a JV, you wanted to sell the business, and do all kinds of things. You never really actually understood the customers. And I'll find both in real life, as well as with clients – real life in business and with clients – you can never go wrong by understanding the customers really well.

Candidate: Okay.

Interviewer: Because everything else flows from that.

Candidate: Okay.

Interviewer: Very common sort of area of improvement, but that's definitely something that you want to work on.

Candidate: Sure.

Interviewer: And mechanically when you do the business situation framework, I like personally to always start with the customers.

Candidate: Always start with the customers.

Interviewer: Because if you know the customers extremely well, everything the competitors do and the client tries to do is very logically related to what the customers want.

Candidate: Okay.

Interviewer: And so it's easier to base— you can crack the case faster that way.

Candidate: Okay.

Interviewer: Rather than inferring, based on what the competitors are doing, “who are the customers,” because it's very, very hard to figure that out.

Candidate: Okay.

Interviewer: Any general questions about the case or in general?

Candidate: So seems like I went in a lot of different directions.

01:22:02

Interviewer: Yes.

Candidate: And many times, I felt like some of the information you were giving me... I found the lead.

Interviewer: Yes.

Candidate: And you were kind of leading me on —

Interviewer: Yep.

Candidate: — ‘til I, you know, completely got stuck.

Interviewer: Yes.

Candidate: So how... is there like— are there early signs of that?

Interviewer: Well, it's very deliberate.

Candidate: Okay.

Interviewer: So I knew it was a revenue problem, but I wanted you to conclude that it was a revenue problem. I didn't want to just tell you it was a revenue problem.

Candidate: Okay.

Interviewer: So I deliberately wanted you to go after costs, okay?

Candidate: Okay.

Interviewer: But I also wanted to figure out when you would realize it was a dead end.

Candidate: Okay, okay.

Interviewer: And I think the challenge for a lot of people is you want to lay out where your branches of analysis are, which I think you did to start. And then as you knock off one branch, and you realize this is a dead end, to say, “This is a dead end, clearly it’s not a cost problem, because we can't change material costs, and our

processes are so different, we can't really influence labor costs. It's a permanent structural disadvantage,” right?

Candidate: Right.

Interviewer: “So therefore, I'm going to conclude that if there is a way to grow this business, it is not by cutting costs.”

Candidate: Right.

Interviewer: And then I would actually go back to your original form and actually cross that off.

Candidate: Okay.

Interviewer: One thing I might do is I might have – now that I think about it, I think it must be easier and I'll start teaching it this way – I think it's worth having two pieces of paper: one for your computations, and one that's really sort of the presentation board.

Candidate: Okay.

Interviewer: That shows your structure of thought. So you use your structure, you say, “Of these four areas, I'm going to go after say costs first,” and then you switch to your own scratch pad and you do the analysis, and then you cross off and say, “It's not costs.”

Candidate: Right.

Interviewer: It's very simple, very easy for both you and the interviewer to follow.

Candidate: Right.

Interviewer: Because by the time you've done the computations, you're on page seven, and your framework is on page six, or page four, but it's buried across all these computations. Very hard to keep track of where you're at. So that I think is a good note-taking process and then, particularly on the profitability framework, there comes a natural point where it's no longer useful. And the mistake I've seen a lot today is that people – at some level they realize it's no longer useful, they're not sure what to do, so they start guessing – “maybe it's this,” “maybe it's that,” “what about this?” And then you're just guessing, right? It's not systematic.

Candidate: Right, right.

01:23:59

Interviewer: So you're better off at that point of transition – and I do mention that in some of the videos, but probably I should really emphasize it more I think, because I'm

seeing people not make that transition very smoothly – is step back, “okay, we know enough about the financial, it's clearly this kind of opportunity, but we don't know enough about the business overall. Let's step back for a second, analyze the customers, the competitors, or internal and external” (and that was fine too).

Candidate: Okay.

Interviewer: And then come back and merge the two together.

Candidate: Merge it together, okay. All right. That's pretty much it.

Interviewer: Okay?

Candidate: Yes.

Interviewer: How did you feel in the process?

Candidate: I felt like analysis-wise, I was pretty good.

Interviewer: Yes.

Candidate: From the start.

Interviewer: Yes.

Candidate: However, as you said, I got pretty lost on the structure, and if I switched at the right moment, I think I would have made the case.

Interviewer: I think so. I think so, yes, I think so.

Candidate: Yes, and also I kind of got to the problem I feel. Like even by guessing.

Interviewer: Yes.

Candidate: But I felt it took really long.

Interviewer: Yes, it did. And the problem— you got to the solution mostly by guessing, but I wouldn't have given you credit for being a good consultant, because you got lucky. Because you could have guessed the other way, right?

Candidate: Yes, correct.

Interviewer: Whereas, and I mentioned this, if you do it very systematically and even if you didn't get the exact answer, but it was very clear you would get it eventually – because you were narrowing it down, narrowing it down —

Candidate: Narrowing it down.

Case 5 – Steel – Ex 1 – Transcript

Interviewer: — and there is just no way you can get away from it, you're going to get it – then it's like, “okay,” you know, I can put you in front of a client, I can fly you out to like Chicago by yourself, and I can let you sit with the client for about a month and you would eventually figure it out. I have the confidence.

Candidate: Yes.

Interviewer: But if you get lucky from guessing correctly, even if it's through intuition, like I have no idea if you're going to be lucky consistently.

Candidate: Yes.

Interviewer: There's no repeatable process, so therefore I can't hire you, because I can't rely that you'd be consistent that way. So I think within your skills, you're certainly very capable of doing the whole thing – I can definitely see that. Because the way you started, it's all very logical, you're able to follow, you did the math and didn't get confused, and you drew that correctly. And I think as it got a little more qualitative, you lost focus on the structure, you used the wrong one, you forgot the structure, and then it got very, very roundabout, because you were guessing here, guessing there. “Ah, I got a new idea, a new direction to guess.” And so it was like 15 guesses, right, rather than systematic process to really conclude and narrow down what the problem is.

Candidate: Okay.