AN INTRODUCTION TO MANAGEMENT CONSULTING

“A business of high principle generates greater drive and effectiveness because people know that they can do the right thing decisively and with confidence”

“If you have a ‘True North’ and a set of core values that you stick to, you will end up making decisions that have short-term costs. But...they will have created long-term value” – Orit Gadiesh, Chairwoman of Bain & Co.

Imagine a retail company struggling to make sense of online marketplaces, or a US producer of natural gas beginning to export. Imagine a pharmaceutical company trying to decide which of twenty biotech companies to acquire. Each company faces a unique challenge, and might not know where to begin. Management consultants step in to help them navigate these incredible challenges and seize remarkable opportunities.

1. The Nature of Management Consulting
Management consulting was conceived in the 1930s by Marvin Bower when he joined the James O. McKinsey Accounting and Engineering Management Company. Driven by an unbending desire to work with businesses to solve their most pressing problems, he held a very strict set of professional values: “Put the client’s interests first and separate yourself from the job.” A similar set of professional values inspires and underlies the work of consulting firms that strive to have the highest possible long-term impact for their clients.

The work of consulting firms varies dramatically from project to project, but is always done at a blistering pace. Gathering data could mean interviewing leading physicians, digging through sales figures, or running consumer surveys. Analyzing and synthesizing results may involve elaborate and extensive work with Excel and Powerpoint. Keeping up with the team and delivering to the client requires frequent email communication, efficient meetings and constant attention to diplomatic instincts. Because of the pace and intricacy of the work, schedules can shift on a daily basis.
2. The Opportunity for Yale G&P students

The nature of consulting work means that consulting firms are looking for rational problem-solvers who are intellectually independent and ready to lead. Consultants must be able to understand and tease apart the client’s challenge in a data-driven way, learn from over-worked frontline employees, and help senior executives make difficult decisions. Projects can be ambiguous and urgent, rewarding thinkers who are analytical, creative, organized, and self-motivated. These very characteristics make Graduate and Professional (G&P) degree holders valuable to consulting firms.

For those of us with G&P backgrounds, a variety of exciting opportunities exist. The most notable firms are the “generalists,” working across industries, and across corporate functions. All three projects highlighted above could be ongoing in a single generalist firm. With each project lasting only a few months, one consultant could work on all of these projects within a single year. Some consultants do immediately specialize, as candidates with MD backgrounds often do with the healthcare industry. The pacing, intellectual challenge, and sheer breadth of project opportunities available creates a remarkable opportunity for a consultant to develop into a premier business leader.

Other consulting firms are more specialized, often focusing on a single industry. Their specialization allows them to tackle business challenges that require much deeper technical expertise. In particular, the extraordinary complexities of the Life Sciences industry (Biotechnology/Pharmaceuticals/Medical Devices) have led to significant growth for consulting firms in this area, leading to unique opportunities for G&P students with Life Sciences backgrounds. The smaller size of these firms often creates tighter communities, and more opportunities to stand out and contribute to the development of the firm. Though they maintain an unerring focus on client service, many of these smaller firms also offer more lifestyle flexibility, often requiring less travel.

Management Consulting is an exciting, intense, and competitive career path. Our most successful members have been known to devote a meaningful amount of time and energy to preparing for it. However, it comes with tremendous opportunities for extraordinary impact and professional development. There is no other path that can pair such impact with the same level of intellectual stimulation.
THE JOURNEY TO CONSULTING – FROM INTEREST TO OFFER

"If opportunity doesn’t knock - build a door." – Milton Berle

Getting an offer to join a consulting firm represents a significant accomplishment. While this process can seem daunting and complex at first, it can thankfully be broken down into manageable components. Approaching these with a well-planned strategy will not only help to decide if management consulting is right for you, but it will also put you in position to succeed in the consulting interviews and on the job.

1. Interest in Consulting

Deciding if a career in management consulting suits you is an important first step. YGCC offers ways to help you through that decision. Here are just a few:

• The Consulting Connection - a monthly event
  o Teams of attendees tackle a relevant business problem.
  o Emphasis on data-driven problem-solving and teamwork
  o The urgent environment mimics real-world engagements of consulting firms.

• The Case Competition
  o An intense, week-long, event in which teams break down and structure a complex, current business issue.
  o The culmination: a final day in which teams present their recommendations to real-life consultants, who serve as judges.

• Other events
  o Many include networking sessions with other club members.
  o Learn more about consulting in these sessions from other members.

If you decide to pursue a career in consulting, tackling the next three components will put you in a great position to obtain an offer.

2. Résumé/Cover Letters

The most effective first step is to build your résumé, and continually edit it thereafter. This process is time-intensive and requires significant thought.

Great consulting résumés describe specific education and working experiences in a results-oriented way that excludes advanced jargon, such that the layperson (your interviewer) will understand. Your résumé should emphasize leadership roles and accomplishments. Great formatting makes it easy for your interviewer to find your accomplishments, and lets him know which ones stand out.
Because résumé writing requires significant and time-intensive self-reflection, it is best to start the process early. Early preparation allows you to identify development opportunities in your résumé and experience, and then build up leadership roles and accomplishments to strengthen them over time. Additionally, when networking (next section), people may ask for your résumé.

The content of your résumé will drive your cover letters to firms, in which you describe why you want to work for that particular firm, your experiences and accomplishments that demonstrate you would be a great consultant for that firm, and references to people at the firm with whom you have met and networked (next section).

To help guide you, YGCC offers a Résumé Workshop and an online résumé template.

3. Networking with consultants
   Networking involves reaching out to consultants and learning about their experiences on the job in the management consulting industry. Learning from these conversations will help you understand the industry, understand the individual firms, and increase your chances of getting an interview.
   • Build a LinkedIn profile from your résumé for others to view your profile.
   • Network with everyone, including family, friends, alumni, classmates, etc. You never know who might helpful!
   • Networking includes emails, phone conversations, even in-person meetings. Take the initiative to introduce yourself and politely ask for their time.
   • Learn a bit about the person you’re networking with, as well as her/him particular firm, beforehand. It shows that you have done your homework. Send her/him a concise thank-you email or letter afterwards.
   • Instead of asking for a job, build relationships. Be sincere about your interest in consulting and in their firm.
   • Many of the YGCC events, such as the Kickoff, include opportunities to meet people whom are interested in consulting, have done internships, or have even obtained offers. Get to know them!

4. Interviews
   While consulting firms use experience or fit interviews like many other industries, they also rely on case interviews that test your consulting skills. Both require extensive preparation.
• Experience interviews are about your accomplishments, your ability to handle conflict, your ability to lead, and other aspects (see further sections)
• Case interviews are brief (25-30 minutes) business problems that simulate real-world projects and assess your consulting skills (see further sections)
• To guide you through this particularly difficult part of the journey, YGCC offers several events to help you prepare for both types of interviews, including the weekly case practices, Bootcamp, Intense Case Training Program, and Fit Interview Workshop

While tackling each of these three segments seems difficult, you can earn consulting offers with diligent and disciplined preparation. The following graphic is a general timeline with which a candidate can prepare for interviews for full-time positions.
THE EXPERIENCE INTERVIEW

“The only source of knowledge is experience” – Albert Einstein

The experience interviews, also called “fit interviews”, designed to assess if a candidate is “client-ready.” Firms need assurance that new hires are personable, can juggle different personalities and can work through difficult interpersonal dynamics. The answers are evaluated and are about as important as the case interviews. A successful candidate leaves the interviewer with a feeling of connection. It is very important that you emphasize what you have personally done, that is what role you have played in any/all of the stories.

1. The Format
   Each interview typically consists of one experience interview and one case interview. The firms typically allocate about 15-20 minutes for the fit portion, in which they usually ask general/résumé questions and about your experiences. The story should not take more than a few minutes to tell, allowing for follow up questions. One way to talk about your experiences in a structured way is to use the STAR method (Situation, Task, Action, and Result).

2. Examples
   • Why do you want to do consulting?
   • Share a time when you faced a difficult situation with a team, and how you contributed to the team solving it.
   • Tell me about a time when you demonstrated leadership.
   • A more detailed list of examples can be found in the YGCC Advanced Resources

3. Some helpful tips
   • Practicing delivering stories with a partner
   • Keep eye contact
   • Practice with different people, in different circumstances
   • Make it a habit to be enthusiastic and positive (someone they want to work long hours with).
   • Only memorize top-level bullet points, not the whole story to make sure your story-telling keeps a more natural feel
   • There are too many possible questions to prepare for all of them. Be ready to improvise and just tell a good story.
   • Stay relaxed! This is an opportunity for a conversation between “colleagues.”
   • Stay confident! They want to find out how great you are. This is your chance to show them.
THE CASE INTERVIEW

“Decisions should be based on facts, objectively considered” – Marvin Bower, former Managing Partner of McKinsey & Co.

The case interview is an extremely important part of the interview process. Most consulting firms use the case interview to evaluate a candidate’s analytical and problem-solving abilities, and test 3 main skills:

- Quantitative and qualitative reasoning
- Communication and presentation
- Business judgment

1. Format of the Case Interview

In a typical case interview, the candidate is presented with a business situation – a mock problem that is either completely hypothetical or based on a real-life example – and asked to recommend a solution. The candidate will be provided relevant data upon request, ranging from simple numbers to complex tables/charts. The typical format for a case interview is as follows:

   I. Situation/prompt (~5 minutes)
   - Interviewer reads a short prompt that explains the situation
   - Candidate recaps prompt and asks clarifying questions
   - Candidate draws an issue tree that outlines his/her approach to problem

   II. Data analysis (~20 minutes)
   - Candidate is presented with relevant data
   - Interviewer asks questions and guides candidate down the desired path

   III. Summary/recommendations (~2 minutes)
   - Candidate presents recommendations based on his/her analysis

Generally, there are two different case interview styles:

I. Interviewer-led: Interviewer guides the case, asks candidate questions in a logical sequence and candidate draws conclusions/insights based on data provided
II. Candidate-led: Candidate comes up with their own approach and asks for data as he/she goes along, while interviewer provides limited guidance

2. Examples
   • Your client is a cell phone maker who is losing market share. How can they regain their competitive position?
   • You have a friend who wants to open a new Mexican restaurant in downtown New Haven. Should he?
   • A large pharmaceutical company is deciding on whether to keep, expand, or sell its oncology division. You have been brought in to advise on this decision.

3. Some helpful tips:
   • Ask specific clarifying questions to understand the client’s question and goal.
     o e.g. Does the client have a specific financial target?
     o e.g. What are the features of the client’s product/service?
   • Use an issue tree-approach to break the problem in a way that is clean and specifically pertinent to the case at hand. Your issue tree is your roadmap. Do it well!
   • Pick out 2 or 3 key points from each data exhibit and stay concise
   • Use math shortcuts to speed up calculations – e.g. rule of 72
   • If stuck, refer back to your issue tree
   • Give a concise (less than a minute) recommendation, and follow the RRRN (Recommendation, Reasons, Risks, Next steps) format
   • Be conversational and always talk interviewer through your thought process
   • Pay attention to the interviewer’s questions and comments – these can be crucial hints for cracking the case
   • Finally – practice, practice, practice with as many different people as possible!
SAMPLE EXERCISES

“Excellence is not a skill. It is an attitude” – Ralph Marston

Most cases can be categorized as profitability, market entry, strategy, and mergers and acquisitions (M&A). However, actual interviews cases may not be as cut and dry, and could merge these individual types or depart from these categories entirely. For now, the following exercises and cases will introduce you to basic case tools and basic business principles.

1. Basic Estimation Exercises

Estimation questions specifically test your quantitative logic skills in a business context. These do not have a specific correct answer, but require you to think about factors that can influence the figure/number you are estimating. Within a case, these estimations can vary in application, but are a critical tool to learn.

The goal of these exercises is to get you comfortable with making estimations. For first attempts, brainstorming components of the estimation is the focus. It is recommended, much like most other methods of preparation for interviews, to practice with a partner.

Simple step by step method
1) Pick out the key bits of information to design a basic formula and start large.
2) Substitute in the numbers and make reasonable assumptions (aka guesses) where information is not given. This is difficult for everyone on their first try. Keeping up to date with periodicals and becoming more comfortable with numbers will strengthen this ability.
3) Basic calculation to get the number
4) Logic check the estimation so that it makes sense

Exercise 1: How many young men (18-30) are in the United States?

Key info formula \( \text{population of the US} \times \% \text{ male population} \times \% \text{ of population 18-30} \)

Start large - \( \text{Population of US} = (~300M) \)
Males are roughly half of the population = \( (150M \text{ people}) \)
Assumption needed – \text{distribution of population by age}
Breakdown population by age = \text{life expectancy is 80 yrs in the US and if assume population is distributed evenly} = \( 12/80 \text{ or } 15\% \text{ or } 22.5M \)
Checking census data, this is actually close to correct (20-30 yrs old = ~22M). Putting together enough information can get you very close to the right number or at least within an acceptable margin (i.e. not an order of magnitude off).

Exercise 2: How many coffee shops are in an average-sized city? Tip - Adding more layers to a simple analysis can help craft a more accurate answer.

Create a formula. \((\text{average city population})(\% \text{ people who drink coffee})(\text{coffee shops per person})\)

Assumptions needed – average city pop, % people who drink coffee, coffee shops per person

Average city population = 200K  
New Haven city population = 130K  
People who drink coffee = 50% (100K)  
Coffee shops per person = how many people could a single coffee shop service? Maybe 200 people in a day at capacity

Logic Check Answer – if at capacity, then 500 coffee shops would be found in a 200K population city. Does this seem right? Seems too large.

Adjust to refine this answer

Coffee drinkers that purchase coffee at shops on a given day = estimate 10%, the rest make it at home or purchase on other days (10K)

Answer – if at capacity, 50 coffee shops would be found in a 200K population city. Does this seem right? Sounds closer.

In New Haven there is a population of 130k and around 20 coffee shops (via Yelp). 50 shops is at the same order of magnitude and is thus reasonable; a more realistic estimate compared to 500 because of adding specificity.

More complex estimation cases can be found in the YGCC advanced resources.

2. Structuring complex cases

A structure serves two purposes: 1) it organizes your thoughts on a case in order to help you proceed and 2) allows the interviewer to follow your logic on paper. A particularly useful concept is building an “issue tree” that is “MECE” or mutually exclusive, collectively exhaustive. An “Issue Tree” is a visual representation of a problem into “issues.” “MECE,” when applied to an issue tree, allows you to systematically investigate each branch of your tree at a higher level before examining in detail further down. An example with profitability is shown below.
**Basic Structure Case: Profitability**
The simplest cases to start with are usually profitability cases.

The major formula for these cases is Profit = Revenue – Cost
- Revenue = # units sold * price/unit
- Cost = # units sold * price/unit

Cost can also be broken down into fixed cost (cost of a machine or real estate) and variable cost (cost per unit excluding fixed cost).

<table>
<thead>
<tr>
<th>Profit</th>
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<tbody>
<tr>
<td>Revenue</td>
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<td>Number of units sold</td>
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<td>Price/unit</td>
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<table>
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<tr>
<th>Cost</th>
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</thead>
<tbody>
<tr>
<td>Number of units sold</td>
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<tr>
<td>Cost/unit</td>
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Since each branch is MECE, you can narrow down where a particular problem could lie (e.g. revenue problem caused by decreased number of sales, cost problem due to increase in cost/unit, etc) in an efficient way.

It should be noted that this structure is just an example and does not apply to every case. In fact, memorizing structures may limit your creative thinking during an actual interview. The more important facet of this structure is to understand how to dissect a problem.
WHERE YOU GO NEXT

“Even if you are on the right track, you’ll just get run over if you just sit there”
– Mark Twain

Are you excited for a consulting career? We hope this packet has been a helpful starting point, and that you're ready to begin your journey. Here are your three next steps to get you moving.

YGCC offers several useful resources to boost your consulting career:
• YGCC website: http://www.yalegradstudentconsulting.org/
• YGCC calendar: http://www.yalegradstudentconsulting.org/news_events/
• YGCC resources: http://www.yalegradstudentconsulting.org/resources/

In addition, it is strongly recommended to start reading Business News on a regular basis, such as:
• Wall Street Journal
• Financial Times
• Bloomberg
• The Economist

Finally, don’t forget that people make decisions. Here are some useful Networking Resources:
• LinkedIn
• Yale alumni network: http://www.alumniconnections.com/olc/membersonly/YALE/networking

Good luck with your preparation!

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### Case: EYG Shampoo

**Profitability**

| Retail |

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**Prompt**

Our client is EYG Hair, a shampoo producer on the East Coast. The CEO has hired us to investigate a decline in profits. How would you help them?

**Initial Questions**

- **Interviewer Prompt – Structured brainstorming:** What could be driving decline in profits?

  **Use profit formula**
  - Reduced sales of major products due to many reasons
    - Increased competition
    - Customer disinterest in the products
  - Increased Costs
    - Raw materials
    - Packaging
    - Labor
    - Storage
  - Show Exhibit 1 to determine the cause.
## Exhibit 1: Sales and cost figures

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
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<tbody>
<tr>
<td><strong>Price / unit</strong></td>
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<td>General</td>
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<td>Women</td>
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<td><strong>Cost / unit</strong></td>
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<td>General</td>
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<td>Women</td>
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<td><strong>Units Sold</strong></td>
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</tr>
<tr>
<td>General</td>
<td>50</td>
<td>45</td>
<td>35</td>
<td>20</td>
<td>15</td>
</tr>
<tr>
<td>Women</td>
<td>8</td>
<td>10</td>
<td>12</td>
<td>16</td>
<td>20</td>
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</table>
Case: EYG Shampoo

What can you extract from figure 1?

Structure

- Revenue
  - Number of units sold
  - Price/unit
- Cost
  - Number of units sold
  - Cost/unit

Profit

Analyze

- Consider a breakdown between products of revenue and costs
- Exhibit 1: Conclusion: Costs jumped during 2011, but this was corrected by pricing. The larger issue is the decrease in sales of the general shampoo product.

- What options does the company have?
  1) The women’s shampoo is picking up in sales, perhaps more marketing can help increase sales there.
  2) Retool the general shampoo to appeal to customers again
- Other Answers valid
Part 2: New revenue stream exploration

- The CEO of the company agrees with your assessment and wants to estimate the value of creating a men’s specific shampoo product and your recommendation

Calculation:
- What is the goal of this product launch? 
  Internal data suggests capturing at least 10% of the US market is possible and
  Can omit this or ask to estimate. Otherwise 10% of men would use this shampoo

- Calculate the US market for men’s specific shampoo
- 300M US population
- 50% Male
- Assume subset of males use male specific shampoo (10% = 15M)
- 1 or 2 bottles per year
- If profit margin is the same, this is $30M per year
### Considerations for Men’s Shampoo Product

- What factors should we think about when marketing men’s Shampoo?

<table>
<thead>
<tr>
<th>Factors to examine with marketing</th>
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<tbody>
<tr>
<td>Actual interest by men for this shampoo?</td>
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<tr>
<td>Competition comparison (Have the competition already tried such a product?)</td>
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<tr>
<td>- If yes, what type of shampoos are selling the best and where is there room for improvement</td>
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<tr>
<td>- If not, what lessons can we learn from failed product launches</td>
</tr>
<tr>
<td>What do consumers want in a men’s shampoo?</td>
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<tr>
<td>- Packaging</td>
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<tr>
<td>- Scents</td>
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<tr>
<td>- Comfort</td>
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</table>
Case: EYG Shampoo

Summary/End of Case

- Our client is EYG Hair, a shampoo producer on the East Coast. The CEO has hired us to investigate a decline in profits. How would you help them?
- The CEO of the company agrees with your assessment and wants to estimate the value of creating a men’s specific shampoo product

Example Summary

The cause of the decline in profits comes from the decline in sales of the general shampoo product. To address this, the company should evaluate how to improve sales via marketing and customer surveys. Simultaneously, the women’s specific shampoo product is currently leading in sales, so this product should be the focus of improvements for the future.

Adding the 3rd revenue stream via a men’s specific shampoo product would be highly beneficial. Even if the company captures 10% of the market, this is a potential $30M market, close to doubling the profits of the company.