Consulting Fundamentals and the Interview Process

Interview preparation summary · SC track

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INT.KF.1.a · How consulting works

Describe what strategy consultants do, tell the main firm types apart, and say when a client would choose an outside firm, a boutique or an in-house team.

Strategy consultants advise senior executives on a small number of large decisions: where to compete, whether to enter or leave a market, how to restore profit, whether to buy a company and how to run an operation better. They are paid for structured thinking, numerical judgement and a clear recommendation, delivered by a small team over weeks or a few months. Firms often fall into four groups. Generalist strategy firms cover many industries and questions through many offices. Boutiques specialise in one industry, function or type of problem, so they can go deeper and are often cheaper per week. The strategy arms of larger advisory firms sit beside operations, technology and audit work and can carry a recommendation into delivery. In-house strategy teams work for one company, know it well and are available all year, but have less outside comparison and may lack independence. The usual mistake is to say consultants give advice in general. A strong answer names the decision the client is hiring for and why an outsider helps: speed, a fresh view, specialist knowledge, extra capacity and independence.

WORKED EXAMPLE: WHO SHOULD RUN THE PRICING REVIEW AT HARTWELL DAIRY

Hartwell Dairy, an invented food producer with revenue of 400m, wants a pricing review. Managers think it could lift operating profit by 1.0% to 2.0% of revenue. Three options. A: a generalist strategy firm, team of 4, 8 weeks at 0.20m a week. B: a boutique that only does food pricing, team of 3, 8 weeks at 0.12m a week. C: the in-house strategy team, 3 people for 20 weeks at a loaded cost of 0.004m per person-week. Use the low case benefit, and count any delay against the option that finishes later than the quickest. Which option has the lowest total cost, and what would change the answer?

Answer: The boutique is cheapest at 0.96m against 1.16m for the in-house team and 1.60m for the generalist firm. The ranking changes if the question widens, if the benefit is small, or if the in-house team can be freed and move faster.

> **Interview tip:** Say the decision first, then the three numbers, then what would flip it. Mention that independence and capability matter as well as cost, but only after you have shown the arithmetic.

INT.KF.1.b · How consulting works

Walk through the stages of an engagement and the roles in a team, and plan a team's weekly workload so that it fits the time available.

An engagement typically runs in five stages. A proposal fixes the question, scope, team and fee. Diagnosis gathers data and interviews and forms hypotheses, often reported at a first steering meeting. Analysis tests those hypotheses with models and evidence. The recommendation stage turns the findings into a decision for the client's leaders. Implementation support, where it is bought, helps the client to plan, start and track the change. A team is usually a partner, an engagement manager, one or two consultants or associates and an analyst. The partner owns the client relationship and the final judgement but is on the case for only part of each week. The manager owns the plan, the storyline and the team. Consultants own modules of analysis and analysts build models and slides. A typical week has a plan on Monday, team problem solving, a client check-in and a partner review before the end of the week. Interviewers ask this to see whether you understand the job. The usual mistake is to describe it as producing slides.

WORKED EXAMPLE: DOES THE PLAN FIT THE TEAM'S WEEK

A team of three, two consultants and an analyst, each works about 50 hours a week. Of that time, 40% goes on client meetings, slides and admin, so 60% is available for analysis. The analysis phase lasts 6 weeks. The plan has 14 analyses of about 30 hours each. At the first check-in the client asks for 6 more analyses of 30 hours each. Does the plan still fit, and what do you do? Convention: hours are as stated, with no overtime.

Answer: Capacity is 540 hours and the new demand is 600. Two analyses must go or be simplified, chosen by impact, and the choice goes to the client at the next check-in.

> **Interview tip:** Say the capacity sum aloud in three lines, then the decision. Interviewers like a candidate who protects the quality of the answer by trading scope, not by promising everything.

INT.KF.1.c · How consulting works

Explain how a consulting firm makes money through utilisation, leverage and fees, and describe the travel and hours that come with the work.

A consulting firm sells the time of its people, priced as a team fee per week or a fixed fee for the engagement, and its main cost is those people. Revenue is roughly the number of consultants, times the weeks they are available, times utilisation (the share of available time billed to clients), times the fee per person-week. Because salaries are paid whether or not a consultant is staffed, a small fall in utilisation takes a large share of profit. Leverage is the ratio of junior staff to partners: more juniors per partner spreads senior time across more fee income, up to the point where supervision and quality suffer. Fees may be partly tied to results, and some firms win work by discounting, which trades price for utilisation. Work often means travelling to the client from Monday to Thursday, long days at deadlines and uneven weeks between engagements. Interviewers ask to test realism about the job. The usual mistake is to treat hours as the product and ignore quality.

WORKED EXAMPLE: UTILISATION AT CALDER ROWE

Calder Rowe, an invented strategy boutique, has 60 consultants and 8 partners. Each consultant has 46 available weeks a year. The fee is 0.02m per consultant-week billed. A consultant costs 0.25m a year, a partner 1.0m, and other costs (offices, training, recruiting, business development) are 10.0m. All costs are fixed. Work out profit at 75% utilisation and at 65%, and say what the change tells you. Convention: partners are costed as an expense.

Answer: Profit is 8.4m at 75% utilisation and 2.88m at 65%. A ten-point fall in utilisation cuts profit by about two thirds because costs are fixed.

> **Interview tip:** Show the revenue line, then the fixed costs, then the result. Add that pushing utilisation too high has costs of its own: tired teams, no time to sell or train, and staff who leave.

INT.KF.2.a · How the interviews work

Describe the stages of a consulting recruitment process, the case types a candidate meets, and what interviewers assess in each.

Formats differ by firm and office, so check what yours publishes, but the stages are often similar. An application (CV, covering letter, sometimes a referral) is screened for academic record, evidence of impact and leadership. An online assessment may follow, often timed numerical or logical reasoning or a situational test. First rounds are usually one or two interviews, each mixing a case and a personal experience discussion. Final rounds have more interviews, often with partners, and push harder on judgement and fit. Case types include the interviewer-led case, where the interviewer steers with questions, the candidate-led case, where you set the structure and decide what to ask next, the written case with a presentation, the group exercise and stand-alone market-sizing or estimation. Across them, interviewers look for a clear structure, accurate arithmetic, insight from exhibits, an answer first, sound judgement and composure. The usual mistake is to prepare for one format only, or to practise cases and neglect the experience interview.

WORKED EXAMPLE: READING A RECRUITING FUNNEL

An invented firm, Ashgrove Partners, receives 3,200 applications in a year. It passes 20% at the CV screen, then 50% at the online assessment, 30% at the first round and 40% at the final round. These pass rates are invented for practice. How many offers does it make, what is an applicant's chance of an offer, and where does extra preparation pay most?

Answer: The firm makes about 38 offers, an overall chance of 1.2%. A ten-point gain at the first round lifts offers by a third, so that is where practice pays most.

> **Interview tip:** Do not quote figures as if they were real statistics. Show that you understand stages multiply and that you have a plan for each one.

INT.KF.2.b · How the interviews work

Use the first two minutes of a case well: listen and note the facts, restate the problem, ask clarifying questions and build a structure that fits.

The first two minutes set the pattern for the whole case. Listen and write the question, the figures and the client's objective. Restate the problem in one sentence, including the numbers, so that you and the interviewer agree. Ask a few clarifying questions that change your structure: what the client wants to achieve and by when, how the business makes money, and what the key terms mean. Do not ask for data you cannot yet use, and do not ask the interviewer which framework to pick. Then ask for a moment to think, build a structure on paper and present it with a first hypothesis, signposting the branches and saying which one you would test first. A good structure is mutually exclusive and collectively exhaustive for this problem, so adapt a profit tree or a market framework to the client rather than reciting one. Common mistakes are starting to talk at once, asking ten questions, and presenting a memorised list that does not match the case.

WORKED EXAMPLE: THE OPENING FOR MARLOWE BISCUITS

The interviewer says: Marlowe Biscuits, an invented UK baker, saw operating profit fall from 18m to 12m over two years. The chief executive wants to know why and what to do. You have about two minutes. Plan the opening, and say what the numbers imply before you structure.

Answer: A fall of 6m, one third, or about 18% a year compounded. The structure is profit by revenue (price times volume) and cost (variable and fixed) plus a market branch, with unit cost tested first.

> **Interview tip:** State the one-sentence restatement with the numbers and the structure with a hypothesis. Skipping either looks like thinking out loud with no direction.

INT.KF.2.c · How the interviews work

Manage case time, notes and the interviewer's hints: pace the case, keep notes you can use, take a hint well and recover from a slip.

A case is a short sitting with a fixed number of minutes, so you have to pace it. Roughly, spend an eighth to a seventh of the time on the opening, most of it on analysis and exhibits, and keep two or three minutes for the recommendation. Keep notes in a form you can reuse: the question and figures at the top, your structure on one sheet, calculations on another, and a short list of insights. If you fall behind, say so, round numbers harder and drop low-impact branches rather than rushing everything. A hint from the interviewer is usually a signal that you are missing something or spending time in the wrong place. Take it, say how it changes your plan and carry on without defending the old path. If you find a mistake in your own work, stop, say so, and correct from the point of error. Interviewers mark composure and the ability to learn as much as the first answer. The usual mistake is silence, or treating a hint as a failure.

WORKED EXAMPLE: RE-PLANNING A 30-MINUTE CASE THAT IS RUNNING LATE

A case lasts 30 minutes. Your plan was: opening 4 minutes, three analysis blocks (a market question, an exhibit and a profit calculation) taking 6, 6 and 7 minutes, risks 3 minutes and recommendation 3 minutes, which adds to 29 minutes. The market question overruns and finishes at minute 14. What do you do?

Answer: At minute 14 there are 16 minutes left against a 19-minute plan. Cut the exhibit to 5 minutes, the calculation to 6 and risks to 2, and keep 3 for the recommendation.

> **Interview tip:** Name the problem and the fix in one sentence. Candidates who go quiet and hope to catch up usually lose the recommendation, which is the part the client sees.

Summary of the Charta interview-preparation topic. Companies and figures in the examples are invented. Draft content, not yet expert reviewed.