

# Succeeding as a Management Consultant

Learn the skills used by the leading firms:  
McKinsey & Company, Bain & Company and  
the Boston Consulting Group.

**Follow an engagement team as they assist Goldy, a large Brazilian company, in diagnosing and fixing deep and persistent organisational issues.**

This book will follow an engagement team over an 8 week assignment and explain how they successfully navigate a challenging client environment, develop hypotheses, build the analyses and provide the final recommendations. It is written so the reader may *understand, follow and replicate* the process.

The book is 252 pages in length and written by former management consulting partners and case leaders. This is the only consulting guide taking readers on a day-by-day and step-by-step journey through a complete engagement. MBA students contemplating a career in management consulting will find this book to be the perfect introduction. Consultants can learn the techniques of the leading management consulting firms.

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*Praise for*

**“Succeeding as a Management Consultant”**

*“This is more than a fresh and informative book – it is a great gift. It is a knowledgeable, straightforward, and hands on account revealing insights on how to succeed as a management consultant. With great clarity, this book provided me with a rare opportunity to have a “personal look” inside a typical management consulting engagement and learn valuable insights on how to navigate along the often dark and shifting ground of management consulting projects. This book serves as my mentor on consulting projects.”*

Christina, Consultant, Deloitte Consulting

*“Excellent book. Definitely gave me a real perspective on management consulting. The story made the engagement and analyses seem more real. This book helped me understand management consulting much better.”*

Ravi, MBA, Rotman School of Management

*“Wow – what a great book. This gave me a unique view in time for my case interviews with Booz.”*

Jordana, Consulting Candidate, MBA

*“This book offers an intense and realistic learning experience that forces you to see management consulting beyond the traditional descriptions. I have not seen anything like this anywhere.”*

Shakila, Consultant, Accenture

*“A fresh and useful perspective on a topic of great interest.”*

Shashi, former McKinsey associate

*“This book opens up a whole new way to teach consultants and aspiring consultants about the profession.”*

Devi, former Bain consultant

# Contents

Exhibits		7
Editors Note		10
Introducing the engagement		12
Prologue		16
Week 0	Week before the Engagement	20
Week 1 - Day 1 & 2	First Week at the Client	30
Week 1 - Day 2	Engagement Charter	36
Week 1 - Day 2	Work Plan	42
Week 1 - Day 3	Thinking about the Value Tree	46
Week 1 - Day 3	Developing the Value Tree	51
Week 1 - Day 3	Developing the Model Architecture	60
Week 1 - Day 4	Drafts of Week One Planning Documents	69
Week 1 - Day 4 & 5	Wrapping Up Week One	81
Week 2 - Day 1	Mine Site Visit	87
Week 2 - Day 2	Context After the Site Visit	93
Week 2 - Day 2	Debating Metrics with the CFO	97
Week 2 - Day 4	All the Planning is Done	103
Week 2 - Day 4 & 5	Designing and Conducting Focus Interviews	115
Week 2 - Day 5	Feedback from the Focus Interviews	121

Week 3 - Day 1	Preparing the Draft Storyboard	128
Week 3 - Day 2	Building the Model	142
Week 3 - Day 5	Output from the Financial Analyses	153
Week 4 - Day 1	Presenting Focus Interview Feedback	163
Week 4 - Day 1	Pre-presenting	175
Week 4 - Day 2	Identifying Quick Wins	180
Week 4 - Day 4 & 5	Steering Committee Meeting	184
Week 5 - Day 1	Mid-Engagement Reviews	190
Week 5 - Day 4	Services Workshop	194
Week 6 - Day 1	Big Picture Thinking	203
Week 6 - Day 3	Managing a Crisis	212
Week 6 - Day 5	Operations Improvement & Services Feedback	216
Week 7 - Day 2	Aggregating the Business Case	229
Week 7 - Day 3	Business Case Sign-Off	233
Week 7 - Day 4	Final Storyboard	236
Week 8 - Day 4	Consulting Values	240
Week 8 - Day 5	Did the Engagement Team Deliver?	243
Epilogue		247
Tools & Techniques Used in this Book		249

## Exhibits

Exhibit 1	Decision Tree Analyses	25
Exhibit 2	Checking Issues	26
Exhibit 3	Charter Template	38
Exhibit 4	Draft Work Plan	45
Exhibit 5	Building Value Trees	56
Exhibit 6	Draft Model Architecture	66
Exhibit 7	Draft Charter	71
Exhibit 8	Draft Model Description	72
Exhibit 9	Draft Model Architecture	74
Exhibit 10	Draft Work Plan	75
Exhibit 11	EROC Value Tree	76
Exhibit 12	EROC Detail	77
Exhibit 13	Final Work Plan	104
Exhibit 14	Final Charter	105
Exhibit 15	Final Model Architecture	106
Exhibit 16	Final Model Description	107
Exhibit 17	Final EROC Value Tree	108
Exhibit 18	Final EROC Detail	109
Exhibit 19	Draft Value Chain	111



Exhibit 20	Opportunity Chart Template	126
Exhibit 21	Opportunity Chart Calculation Template	127
Exhibit 22	Overall Presentation	130
Exhibit 23	Headlines	131
Exhibit 24	Where are we in the Story?	132
Exhibit 25	Writing Headlines	133
Exhibit 26	Deficit Communication Approach	136
Exhibit 27	Aspiration Communication Approach	137
Exhibit 28	Business Case Objectives	145
Exhibit 29	Types of Analyses	147
Exhibit 30	Bottom-Up versus Top-down Analyses	149
Exhibit 31	Business Case Storyboard	150
Exhibit 32	Model Structure	151
Exhibit 33	Worksheet Structure	152
Exhibit 34	Update Chart	154
Exhibit 35	Mino 1 Priorities	166
Exhibit 36	Overall Focus Interview Feedback	167
Exhibit 37	Mino 1 Competitiveness	168
Exhibit 38	Mino 1 Value	169
Exhibit 39	Morale at the Site	170
Exhibit 40	Rating Senior Management	171

Exhibit 41	Employee Feedback	172
Exhibit 42	Employee Advice	173
Exhibit 43	Services Matrix	198
Exhibit 44	Completed Services Matrix	199
Exhibit 45	Explaining the Services Matrix	200
Exhibit 46	Managing the Services Functions	201
Exhibit 47	Core Services at Mino 1	218
Exhibit 48	Measuring Value in Services	219
Exhibit 49	Customer Ratings of Services	220
Exhibit 50	Investment Required in Services	221

## Editors Note

We were once partners and associates in 3 leading management consulting firms. We commenced our careers as business analysts and worked our way through the ranks. We vividly remember our first engagements and training programmes. We were given a lot of support, encouragement and training. We had thousands of high quality training material at our disposal. Such materials included 200 slide manuals on calculating economic profit, 150 slide templates to developing business cases, week-long mini-MBA sessions in the USA, 300 slide guides to change management, specialised week-long training programmes in Europe, internal training books and more. Actually there was much more.

Therein was part of the problem. Despite all the support we had, our first assignments were not easy and the support was not always appropriate. There was too much information and it was difficult to know where to focus. Analytical tools were taught as isolated analyses. As if we could simply learn them and magically use them on an engagement to solve the client's most pressing issues. Training was stripped of the emotional challenges posed by clients. Moreover, the emphasis on the analytics resulted in critical facilitation and management skills having to be learnt in real time, and sometimes, in front of clients. There was such a big difference between the information given to us and life on an engagement that it was confusing to know the ingredients and their quantities to produce an outstanding management consultant. Of course, we eventually worked through these teething problems. Yet, it would have been far more rewarding if the training catered for this gap.

In hindsight, it would have been much more useful if we had a detailed field guide which walked us step-by-step through a complete engagement. We did not visualize a guide which gave us all the answers, that was impossible, but introduced us to the fundamental consulting concepts and taught us how to use them in a real situation:

- It taught us how management consultants learnt their purpose on an engagement while navigating client challenges, diagnosing the problem and developing a set of recommendations which worked.

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- It showed us how different analyses are used within the context of a complete study, how the engagement team managed the client relationships, the decision making process, the mistakes they made and ultimately how all the different pieces of data were used.
- We envisaged following one engagement team, through one problem and over their entire study. We wanted to understand the context.

At the time, such a field guide did not exist.

When we left management consulting we heard the same feedback both from consultants and aspiring consultants. Younger consultants wanted to learn the tools and techniques of the major firms like McKinsey, Bain and the BCG. Unfortunately, available books only taught them the basic mechanics of analytical approaches. That is not enough. MBA students wanted to know what it was like to be on a consulting assignment. They did not have the complete answer.

This book addresses these gaps and brings our vision to life. We have distilled the tools and techniques from the leading firms to produce the essential guide for a management consultant. Any person who works through this book will be able to understand what is required to be successful in leading management consulting firms.

For every tool and technique used in this book, you will find the detailed manuals and methodologies at [Lillilooloo.com](http://Lillilooloo.com), a website dedicated to supporting management consultants. Owners of this book can simply download them and use them as needed.

We sincerely hope you will find this book to be useful, inspiring and educational. We hope that it will help you to genuinely understand what it is like to be on a management consulting engagement and what is required to be a professional.

Toronto, Ontario

August 2010

## Introducing the engagement

In this book we will walk you through an engagement over an eight week period. The story explains in great detail the challenges faced by the engagement team, how they developed hypotheses, built the analyses and provided the final recommendations. We have placed the explanation of management consulting techniques within a lively and engaging storyline. This allows you to truly understand the challenges faced on consulting engagements, connect with the characters and understand both how and why they debated elements of the study.

Rich and useful graphics of the slides are included. The presentations and models discussed are loaded on Lillilooloo.com and fully explained in this book. For a list of templates and manuals which accompany this guide, please turn to page 249. Should you want to examine a concept in greater detail; the manuals and methodologies discussed in the book can be downloaded. On the other hand, you can simply choose to read this book alone. Everything needed to replicate the techniques are explained right here.

Lillilooloo.com is dedicated to helping management consultants and aspiring consultants master the skills and tools they need to effectively serve clients. This book continues this theme. It is written so the reader may *follow*, *understand* and *replicate* a strategic engagement using the same techniques used by the leading firms like McKinsey, Bain and the BCG.

To make the story realistic and useful we have worked with one client engagement throughout the book. Using different examples and different clients to explain concepts would have made it difficult for readers to see the data linkages and development of the final recommendations. The client and engagement is fictitious. The data presented is also fictitious. However, it is based on actual consulting engagements and the real experiences of the writers when they were management consultants.

### **The client**

The client is the Brazilian gold miner, Goldy Mineracao (called Goldy). The company grew to become an emerging markets champion lauded in the business media and Brazil. However, it has struggled to perform over the last 4 years. Its share price has been punished by investors and key

mining operations have underperformed their peers. Salient details about Goldy create the impression of a once proud company that has lost its way and is unable to manage its core mining operations:

- The head office is in Rio de Janeiro, Brazil and Goldy has always been managed by Brazilian nationals.
- Fifty-five percent of Goldy's operations are in the Brazilian interior and are deep level gold mines.
- Goldy owns and operates 3 of the 5 largest gold mining reserves.
- Goldy also has mines in Russia, South Africa and Australia.
- The company is listed on the New York and Sao Paulo stock exchanges.
- Although 35 years old, Goldy grew via a series of acquisitions over the last 10 years to become one of the 3 largest pure gold miners in the world.
- It acquired a lot of debt to fuel its M&A.
- The company has a reputation for being a "rebel" and not playing by the industry rules. Management is known for publicly going against conventional wisdom.
- Over the last 12 months Goldy unsuccessfully tried to buy several large mines. This has stalled its growth.
- Efforts to improve the performance of its operating assets appear to be moderately successful. Operating margins and tonnage have declined while the share price trades at a discount to peers.
- There are strong cultural difference between the corporate office, who are generally of Italian/German ancestry, and the workers, who are of poorer African ancestry from the developing areas of Brazil. This has led to unrest at some of the mining sites.
- Goldy is very independent and is generally hostile to outsiders. Their one and only previous interaction with management consultants resulted in a lawsuit as a result of a failed systems implementation.
- Morale is believed to be an issue and the investor community has been demanding to see a coherent strategy to turn around the company.

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- The Brazilian government is the majority shareholder. However it is a passive investor and has not pressured Goldy to increase employment or undertake populist measures. Goldy effectively operates as an independent company.
- The Brazilian government has publicly championed Goldy and encouraged the company to use its secure national base to grow internationally.

### **Goldy Executives**

The engagement team will primarily interact with following executives at Goldy:

- CEO : Carlos Selgado
- COO : Heinze Brito
- CFO : Flavio Semer
- EVP - Mino 1 : Gavriilo Pinto
- Finance Manager : Sergio Gabrielli

### **Engagement team**

The engagement team consists of five business analysts and associates along with the engagement manager, engagement partner and director:

- Director & Senior Partner : Hendrik Lotke
- Engagement Partner : Marcus Capple
- Engagement manager : Luther Matthau
- Associate (Business Case) : Max Kraus
- Associate (Operations) : Klaus van Hertzog
- Associate (Services) : Nadia Melinka
- Business Analyst (Business Case) : Alana Cruz
- Business Analyst (Operations) : Rafael Pedro

The consultants have been retained to understand why production value is down, and develop a set of recommendations to correct the decline. At the commencement of the engagement the team had not been told which of Goldy's mining sites would be analysed first.

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Although different work streams<sup>1</sup> (operational improvement, services and the business case) will be completed on the engagement, this book will primarily follow the engagement through the viewpoint of the business case team. We wrote the book from the business case team's viewpoint since they take a broad view of the entire engagement. This is their experience.

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<sup>1</sup> A work stream or work team refers to a group of consultants within the engagement team focusing on a distinct cluster of analyses. There are currently 2 work streams in this engagement: the business case team and operations improvement team.



## Prologue

**From** Daniel Manicotti  
**To** Carlos Selgado  
**Date** Wed, Jun 05, 2010 at 05:23 AM  
**Subject** Important: WSJ Story on Goldy

Carlos – we could have a problem.

I received a call from a Edwin Welch at the Wall Street Journal. They are running a story tomorrow about Goldy and wanted our confirmation on some of the details. I gave him the standard response that we do not comment on internal matters and our performance and plans are on track. This is what he wanted me to confirm:

1. Since taking over, you have uncovered huge culture issues and production problems.
2. There are lots of resistance to your ideas and plans.
3. The board is not fully in agreement on some of the actions you want to take.
4. You are struggling to rein in the geographical regions.
5. Performance is continuing to drop and the planned quarterly results will be down again.
6. Either McKinsey or BCG is being retained to conduct a “One Goldy” study to reposition the business.

They are clearly not saying anything new. We expected some of this for your investor road show and talked about how to position this. It is what would be expected given your very recent arrival as CEO. So I don't think its a big issue. The problem is that we don't want these negative sentiments to set the agenda for the meetings. So I think just the timing is bad.

You will get this email when you land so you may be able to pick up the latest copy of the WSJ with the story. I will see you when I get in late morning.

Best,

---

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After a particularly tiring overnight flight from Sao Paulo to London on which he had little sleep, Carlos Selgado was not pleased with the email from Daniel. After a rough few months he was looking forward to this trip to break out of the negativity surrounding Goldy's future and put a positive spin on the business, its people and assets. Such an email on the eve of his first major investor road show could hurt his plans. Since his appointment 3 months ago, the business media have given him a particularly tough time, and virtually no room to settle in. It was not just the media who were having a go at him. He had been attacked by the labour unions, industry bodies, CEO's of rival companies and investors. Walter Sydow, the imperious and brilliant CEO of International Mining Corp., publicly referred to Selgado's appointment as the *"arrival of the friendly uncle, whom everyone loved, yet has the role of taking the sick dog (Goldy) out to the woods to be put down."* Well, no one seemed to love him anymore. Selgado had not been expecting an easy task but surely no one expected change in 3 months. He could only wonder what his friends at the WSJ had now cooked up.

Struggling through a packed terminal Selgado looks for a news stand and wonders about the throngs of travellers. Easter seems to have brought out an unusually large amount of travellers: so much for the recession. He picks up the WSJ and quickly skims the article while he is driven to his hotel. He breathes a palpable sigh of relief. Despite the negative slant of the article, the WSJ is not reporting anything new. They are using some new quotes but the story is still the same: New CEO-no change-grave expectations of the quarterly results. Watching a London still struggling to shake of a particularly bad winter, Carlos briefly wonders about the path he has taken. It had not always been so bad. It was only 6 months ago that Fortune magazine called him "King Carlos" in a glowing story about his turnaround of the Brazilian state-owned electricity producer. At the time, he could do no wrong. Hoping to go into retirement and spend the promised, but perennially postponed, quality time with his wife of 35 years, Isabella, he had not been looking for anything new or strenuous. He was particularly keen on a few board positions or maybe even lecturing at university: anything which allowed him to work on his yacht and go sailing with his wife.

With knowledge of his decision to leave the electricity producer already public, calls from head-hunters and corporate boards did not take long to come. He dismissed most of them since they

were just more of the same. They were not attractive enough to change course so late in his career. Then the calls from Goldy started coming. At first he also dismissed them: what did he know about mining? However they became more and more persistent. After doing his own due diligence, Selgado was still going to say no. That's when the Goldy chairman started calling in the big guns. The Brazilian Minister of Resources eventually played the patriot card, "*Carlos, Goldy is a national institution in Brazil. It is your duty to turn it around. The very future, the very competitive fabric of Brazil is interwoven with Goldy's success. If Goldy unravels, Brazilian morale and competitiveness will unravel.*" Selgado eventually accepted the position.

The media sentiment changed within two weeks of his arrival at Goldy. In a remarkable twist from his days in the utility sector, Business Week kicked off the criticism with a cover story entitled, "*Is King Carlos about to be dethroned?*" From there on things just became worse. Everything that went on at Goldy was reported in excessive detail. No piece of information was too small to create speculation amongst the press. The criticism reached a crescendo with Sydow's comments. And who could blame them? Goldy was a behemoth by any standards. One of the world's largest mining companies, a major Brazilian employer and one of a small group of emerging markets companies supposedly challenging established players. It was a story waiting to be written.

A month into his position, Selgado knew he would need help. His first management meeting was a disaster. The quarter had closed a mere month ago and yet the organisation could not give him any indication of where the business was going. No single mining unit could report back on their cash or cost position. No one had a business plan and there was certainly no direction from executive management.

The first meeting with the Strategic Planning Group (SPG) was another disappoint. At the very least, Selgado expected SPG to have a clear handle on the problems in the business. He was hoping they could tell him what was happening. Staffed with ex-bankers and young MBA's, the unit was designed for the sole purpose of generating acquisitions. Strategy in the company used to mean having an acquisition strategy and aggressively executing it. After all, that's how Goldy had grown. It seemed no one had a strategy for integrating the acquisition or extracting synergies once the deal was done. It was difficult to know if any of the SPG employees had ever even vis-

ited a gold mine. Goldy was like a huge super tanker merely carried by the momentum of its past success. Yet, even the largest super tankers can be stopped. It seemed Goldy was going in that direction.

It did not get any better outside the firm. Two weeks into his tenure, Fleet Rock Investors wanted to meet him. The powerful and respected US investment fund was the second largest shareholder in Goldy and could quite rightly command the CEO's attention. In what started out as a cordial meeting, the eponymous Sir Albert Hall, the chairman of Fleet Rock, explained it was too early for Selgado to present his plan for the business. However, Sir Hall wanted to be crystal clear about Fleet Rock's views on Goldy and what needed to change. What followed was a fifty minute dissection of the perceived problems with Goldy's business. Sir Hall was kind enough to have a presentation prepared listing his thoughts and ideas to fix the business. While other investors were not so prepared with their recommendations, there was an overwhelming sense that Goldy was just not living up to its potential.

Realising the need to obtain an honest appraisal of the situation; Carlos reached out to a consulting partner called Marcus Capple whom he met while preparing for his interviews with the board. He needed a top firm to come in and tell him exactly how bad it was internally and relative to the competition. He needed someone he could trust and whose findings would be respected. A consulting firm whose mere presence would signal he was serious about change.

Getting out of his car, Carlos thought that at least the WSJ was a little clueless about the official mandate of the consulting firm. And that is as it should be. He would need to be careful in rolling out his turnaround strategy and employing the use of consultants. The stakeholders at Goldy were powerful, entrenched and resistant to new ideas.

## **Week 0 - Week before the Engagement**

Reading the WSJ article on Goldy, Luther, the engagement manager, knew this was going to be a tough and high-profile engagement for the firm. In reality it would be no different to the hundreds of engagements done by the firm each year. The team would just need to meet the standards expected. Luther thinks it was a good idea they managed to get a full week with the team for pre-engagement planning.

Week 0 is also known as the pre-engagement week. The team will work in the office and away from the client. The objective of this week is to ensure the team fully understands as much about the client and the problem as they possibly can, and before they arrive on site. At the end of the week the team must actually develop their solution, and thereafter use the engagement to test their hypotheses. Although this sounds counterintuitive, the process is explained below.

Engagement teams usually consist of experienced and inexperienced members. Consultants may be inexperienced because they do not understand a sector, client or particular type of analyses. This initial week in the office provides inexperienced consultants a chance to understand the client and sector, and not to appear “green” in front of the client. This is the general format of the week:

### **Reading and Research**

Planning commences with the engagement team reviewing all relevant newspaper articles, research reports, equity research reports, annual reports and regulatory filings about the client. They will also read competitor information and obtain advice from other consultants who have worked on similar engagements. The objective is to gain a broad understanding of the issues without going into too much detail.

## Issues

As the team conducts its research, each member will write down issues they *think* affect the client. The team is not worried about the accuracy of the lists of issues at this point. The aim is to generate a list of issues based on educated guesses and a careful reading of the material available. The team will try to go broad and identify as many issues and across as many areas of the business as possible.

Over a series of one or two, 2-hour meetings the team will use post-its to list every issue on a white board. The Goldy team generates over 140 post-it notes. They can be in any order, any priority etc. The aim is to capture all possible issues affecting the client. It is similar to an educated brainstorming session. Luther facilitates the sessions to generate discussion and to capture the issues. Usually the team will work together in one large room during this planning week. This allows them to create a war room, put up information and immerse themselves in the engagement.

## Themes

Putting issues up on the white board helps everyone see a common set of items, potential patterns and themes developing. In the second or a third meeting, the team starts discussing the common themes from the list of issues. The session focuses on clustering the issues into common themes. For example, the following cluster of 13 issues scattered around the whiteboard can be listed under a theme called “rising costs” or “costs”:

- Four salary increases to reduce labour walk-outs.
- Fuel prices doubled in 16 months.
- Shortage of equipment and spare parts driving up costs.
- Mining taxes have increased.
- Water levy introduced 7 months ago.
- Extended use of contractors.
- Tunnelling machines are in high demand and difficult to secure.
- Unrest in Thailand is forcing Goldy to buy electrical reticulation equipment from expensive Malaysian manufacturers.

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- Brazilian Real is strengthening against the US Dollar, Australian Dollar, Russian Ruble and South African Rand.
- New mining act is creating uncertainty about future environmental costs.
- Steel and copper prices have increased 17% in two months.
- New shared services centre only rolled out at 20% of the mining sites.
- Rising inflation driving up domestic costs.

The team will go through every issue and add it to a theme. Once this is done, some themes may be combined while others may be split apart. Generally there are rarely more than 8 themes at any one client and for any one problem to be solved. Sometimes consultants take each theme and develop a hypothesis to test the theme. The challenge with this approach is developing an analysis framework on which to lay the hypotheses. Without the framework it is difficult to apply the rules and techniques management consultants use to structure their analyses. To overcome this critical problem, another approach is presented below which allows for the development of a hypotheses framework.

### **Key Questions**

The group uses this discussion on themes and key issues to spur debate and gain a better understanding of the engagement. This robust debate forces consultants to ask important, probing and tough questions. It is as much planning for the study as an educational session for the consultants. It serves as a filter to weed out poorly formed ideas or weak thinking. After they are comfortable with the themes, *the team puts aside the themes and key issues for a moment.*

The group then takes the key question presented by the client and tests if this is indeed the key question they need to answer in the engagement. Sometimes clients raise the wrong question, which the client thinks must be answered. The engagement team tests if this is the right question.

Many consultants get too focused on answering the question posed by the client. However, perfectly answering the wrong question will not help the client. The right answer to the wrong question will still not solve the root-cause problem. Therefore the team takes time to ensure they are asking the correct questions in the engagement.

They ask themselves, “*If we solved this question, would the problems at the client be resolved?*”

If the answer is yes, the key engagement question is captured. In this case, the engagement team believes this is indeed the correct question to answer and puts it up on the whiteboard.

*Key question: How can Goldy improve its production value?*

Assuming they have the correct question, they need to think about how they would go about answering this question. Answering this one question is a difficult task. To make it easier and manageable, the team takes this question and splits it into smaller questions in a logical format. The next, level two, set of questions would be:

*Level 2 Question: Can Goldy increase its revenue?*

*Level 2 Question: Can Gold reduce its costs?*

Either way is a means to raising Goldy’s production value.

As the team develops each layer of questions, they test each layer (layer 2, layer 3, layer 4 etc) by asking themselves two further questions.

*First, are these the complete list of questions in this layer which can impact the previous question?* Therefore, is raising Goldy’s revenues and reducing Goldy’s costs the only way to increase production value? Is there any other way which should be added as a level 2 question? If the answer is no, this is called a collectively exhaustive list of questions or hypotheses.

*Second, have the questions been sufficiently separated, so that changing the variables which impact one question will have NO impact on another question?* For example, the price of gold is a variable which impacts revenue. However the price of gold will rarely have an impact on the costs. If each of the questions does not overlap through their variables, then the team will say that the questions are mutually exclusive.

The principles of being mutually exclusive and collectively exhaustive (MECE) are fundamental concepts in management consulting. They are the foundations on which consulting analyses are built.



The first concept ensures that no stone is left unturned in analysing the key question of the engagement. For example, imagine there was another way to increase Goldy's production value but the team overlooked this option. When the final recommendations are presented, it is possible that the overlooked option may have altered the recommendation. Having a collectively exhaustive set of options ensures that all avenues are explored.

When issues overlap and cannot be isolated, it is difficult to know why changes are occurring. It is also difficult to understand the issue. Isolating a question, issue or analysis allows the engagement team to conduct a test whereby they can be sure that x, y or z is responsible for the changes. If the hypotheses/questions fail the test of being mutually exclusive, then the analyses and findings will be flawed. That is because they are running analyses on hypotheses that have not been isolated for testing.

The team takes the time needed to ensure the analyses fulfill these two requirements. This is not easy to do. It can take an engagement team up to a week to ensure these two rules are met for each part of the analyses. The team applies these checks and balances as they continue breaking down the key question.

A level two question/hypotheses can be broken down even further. Let us look at both revenue and costs:

*Level 2 Question: Can Goldy increase its revenue?*

*Level 3 Question: Is there a way to increase the price of gold?*

*Level 3 Question: Is there a way to increase the volume of gold sold?*

*Level 3 Questions: Is there any other way in which revenue can be increased? (Revenue from other sources such as investment income is included here. Since this branch makes such a small contribution to overall revenue in mining companies, it is removed from the overall decision tree)*

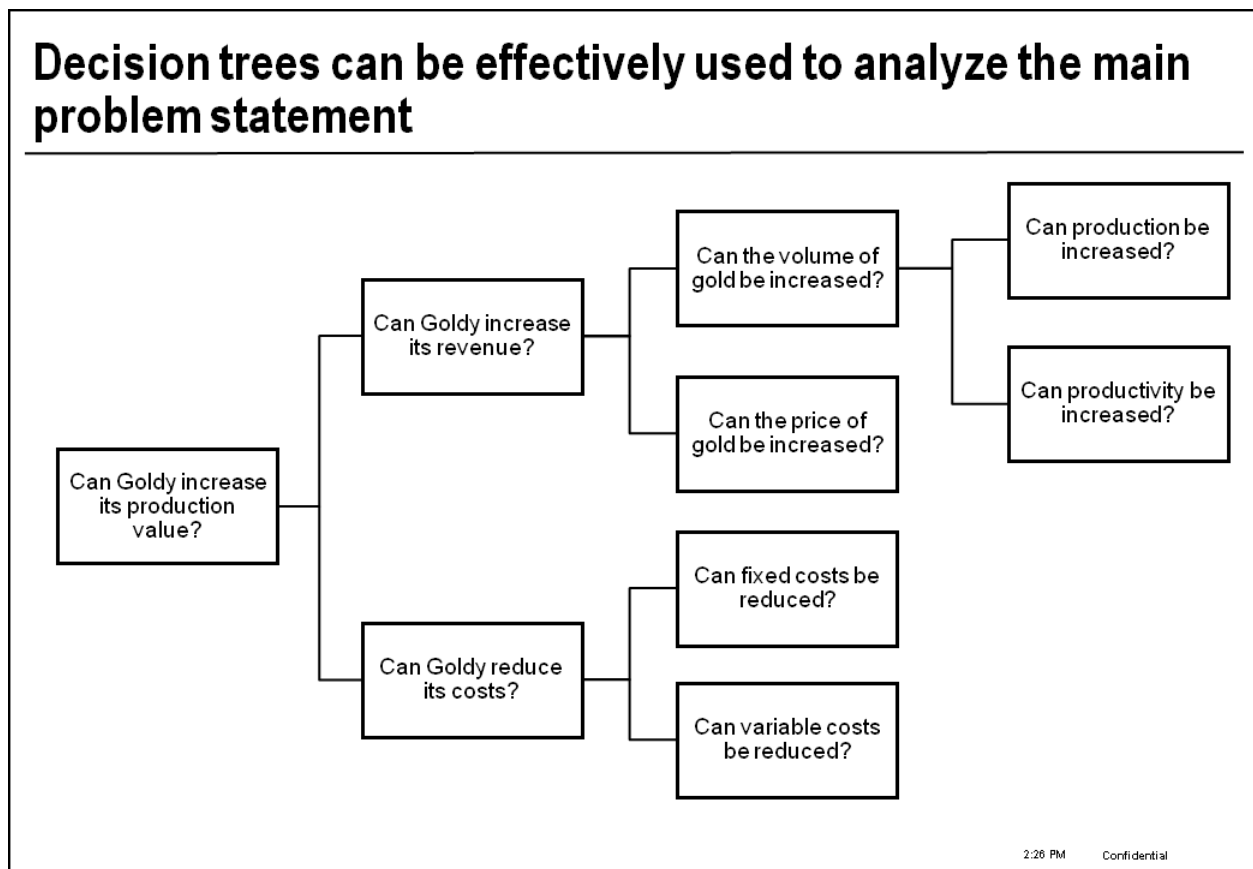
*Level 2 Question: Can Gold reduce its costs?*

*Level 3 Question: Is there a way to reduce operating costs?*

*Level 3 Question: Is there a way to reduce capital costs?*

Again the team will check if they are mutually exclusive and collectively exhaustive. The team will continue building a level four and level five set of questions for each question. In the planning phase some teams build out to a level eight set of questions. Rarely will greater detail be needed at this stage. Later in the engagement more detailed will be added if required for the analyses. When they are laid out from left to right, with the primary question on the left (*How Goldy can increase its production value?*) and the subsequent levels fanning out to the right, it tends to look like a tree with branches. This is the origination of the term value tree or decision tree.

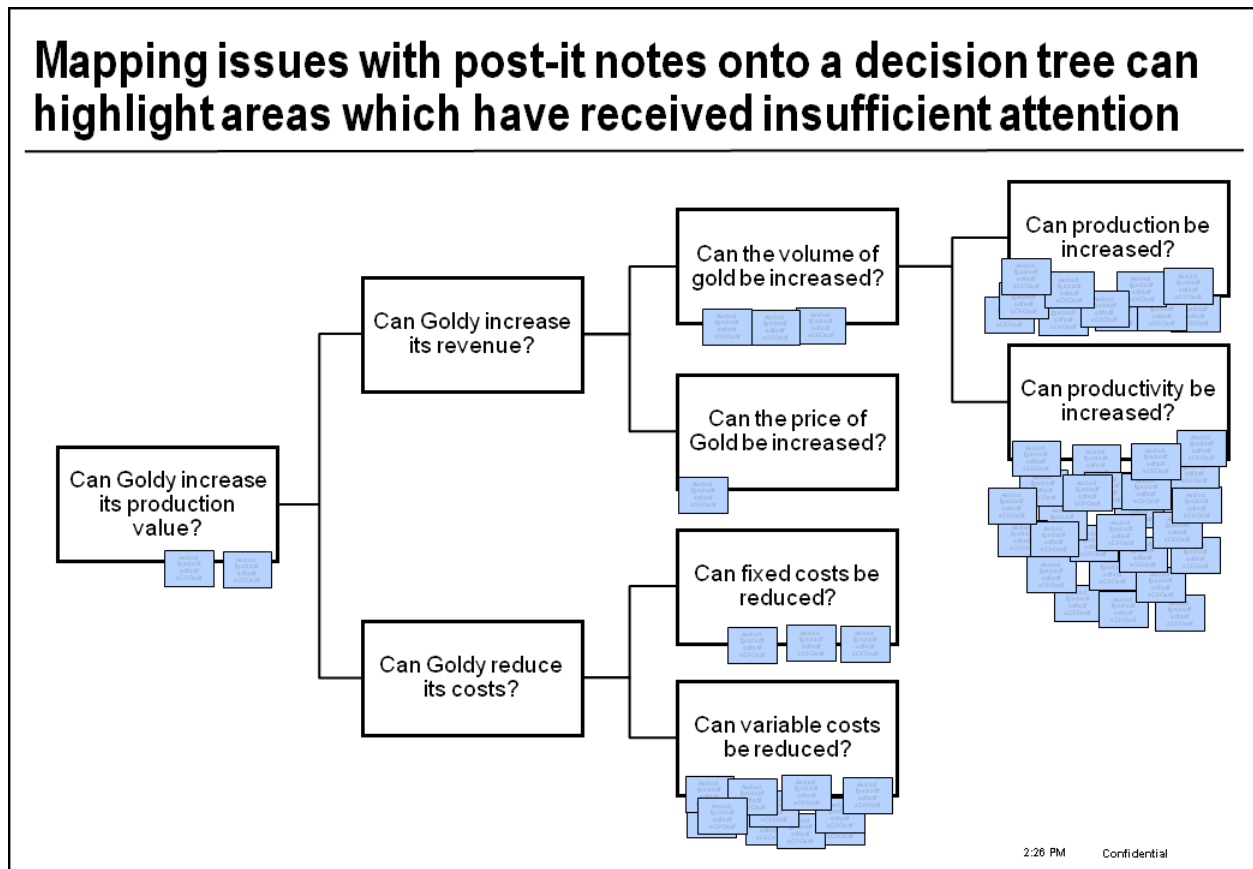
**Exhibit 1: Decision Tree Analyses**



The team now goes back to the list of issues and themes it developed. Can they find a place on the tree where every issue and theme can be tested? If not, is the tree missing some questions?

Are some of the issues irrelevant? Must the questions change? To accomplish this task, the team takes each issue and numbers it. A stack of post-it notes are used with each post-it note numbered to correspond to an issue. The post-it note is then placed on the decision tree where the team thinks the issue resides. Using this process, the team can visually see where most of the issues may lie. This can also serve as a check. First, is the analyses skewed to one or two parts of the question. Second, have they been unable to find issues in certain areas. If so, does this mean these areas have no issues? The team may need to go back and relook at their issues to understand why an area was ignored. Once they are comfortable with their decision tree, they will proceed with the planning.

**Exhibit 2: Checking Issues**



Developing the decision tree is one of the most important steps of an engagement. Using the decision tree, the team can break down a hypothesis into manageable components for analyses. The

team will revisit this in the next few days and test it further until it is finalised as a strawman<sup>2</sup>. Engagements are not static and as information changes, the priorities of answering the questions may change. This may cause the tree to change slightly.

Given the amount of work required to rigorously analyse each branch in the tree, the tree will be split into different branches (set of questions) and different consultants will take over ownership to develop them further. It is critical to document and share all the work done on the decision tree and issues. They will be needed by the engagement team to review their thinking.

Using these detailed decision trees and hypotheses, the engagement team can determine the likely answer to the questions *before* they arrive at the client site<sup>3</sup>. That is, the team looks at each question in the decision tree, and based on their careful preparation they estimate the likely answer. Using the decision tree, the team also develops the storyboard for the engagement. The storyboard is the message delivered to the client based on the expected results. This is the counterintuitive part.

If this is done so early, then what's done during the engagement?

The engagement is therefore the process of proving or disproving the hypotheses. The decision tree and hypotheses are written as questions. Over the course of the engagement, the team will develop analyses to test each hypothesis, and thereafter collect the data for the analyses. Depending on the results of the tests, the analyses is either proved or disproved and the storyboard is altered.

The process can be summarised as follows:

1. Determine the key engagement question
2. Develop the decision tree
3. Check for MECE
4. Develop the storyboard
5. Develop analyses to test each question

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<sup>2</sup> A strawman is a draft version of a document.

<sup>3</sup> The client site refers to the client owned premises within which the engagement team will be located over the duration of the study.

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6. Collect data for the analyses
7. Complete the analyses
8. Refine the storyboard

The process above is iterative. As analyses are completed and new information becomes available the team may need to go back and create new analyses and repeat the process. It is not a linear process. This is the central technique used by management consultants. It allows the team to see the overall message and focus their work *before* the engagement begins.

### **Business Case Team**

The business case team has an unusual role on a consulting engagement. While the other teams focus on specific parts of the client's business, the business case team works across the entire scope of the engagement. The business case team will not be responsible for doing all the analyses. Rather, they will need to assess the opportunities for improvement *developed* by the rest of the team. Their job will be to determine the combined benefit to the client of implementing all the recommendations. The business case team needs to ensure the opportunities recommended will actually deliver the benefits stated. Therefore the business case must be independent and verify the opportunities presented. They ask questions such as:

- Are the opportunities mutually exclusive? In other words, are we double counting benefits?
- Does this opportunity make sense? Will it actually work as described?
- What is the impact of doing this?
- Is this opportunity worth pursuing? What are the returns and cash-flow patterns?

The business case team will need to develop an excel model of some kind to test various scenarios and options. A smart business analyst knows one does not need to be an excel wizard to produce business cases. One needs to be highly analytical, understand how to analyse the problem and translate that analyses into a simple excel model. The best business cases are well thought out so that the models are simple and intuitive. Poorly designed business cases have highly complex models which are large, unfocused, cumbersome to update and difficult to use. Excel models are tools which are the means to an end. They are not an end in themselves.

Although the key questions from the engagement still need to be confirmed with the client, the engagement team feels they have developed a very close strawman of the final key question and can begin their planning work. The business case team will also develop planning material and some additional items which are unique to their work:

1. Stream Charter: a charter is a clear explanation of what the business case team will deliver. It is no more than a page in length and is shared with the rest of the team members to ensure there is no misunderstanding and gaps between the members' work. In some ways it is the contract between the team and engagement manager.
2. Model Architecture: the architecture is a simple modular representation showing how the model will work, what it will do and produce. It is just one slide in length.
3. Model Description: a half-page description of the model. It forces the business case team to clearly explain what they are doing, in simple language and to exclude unnecessary capabilities. Forcing the team to create a short description forces them to only describe the most important functions of the model.
4. Decision tree tests and data requirements: The decisions trees are a set of questions. To answer the question an analysis must be constructed. To run the analysis data must be collected. These are explained.
5. Storyboard: the storyboard consists of the headlines of the presentation which summarises the *expected* results from the business case stream. Using the planning material listed here and completed decision tree, the business case team can develop a view of the likely analyses and results. The team will *only* write out the headlines so that everyone can understand what message they *expect* to deliver based on their *expectations* of the data analyses. Although the storyboard may change as the analyses are conducted, the initial thinking of the team will be sufficient to guide their colleagues.

The business case stream plays a central role in setting direction and providing guidance to the team. These five pieces of work above take about a week to be completed.

## Week 1 - Day 1 & 2: First Week at the Client

The engagement team will initially be based in Goldy's gleaming new head office in Rio de Janeiro. They will be expected to liaise extensively with Goldy's operations planning centre in Belo Horizonte, Minai Gerais Province. However, for the majority of the engagement they will be based deep in the Amazon forest at the Mino 1 mining complex, also in Minai Gerais Province. Mino 1 will be the first mining hub studied. At this stage of the engagement, the team planning of the previous week has generated all that it can. It is now up to the work stream leads to take ownership for their activities.

The first week is always critical. Each team will need to prepare their planning material and analyses frameworks. Doing this is important for several reasons:

1. Building the overall work plan so early in the engagement requires the business case team to *understand the overall problem*, outline how they will design the solution, list their data requirements and understand all the questions which need to be answered. Where there is an overlap of activity the teams will need to agree on roles and responsibilities. This is a steep learning curve for a team with no gold mining experience. Yet they know the management consulting processes work and are designed to overcome any information gaps they may have about the sector.
2. While they need to design the overall work plan soon, they also need to have a process which is *flexible enough to incorporate likely changes* in findings from the rest of the team. For example, what if the operations teams find a new benefit which was not identified earlier? The business case team's approach must allow for these uncertainties to be managed without disrupting the milestones and timelines.
3. The business case team must provide direction to the rest of the team but also requires inputs from everyone else to complete its work. The team must design its approach over the next eight weeks to cater for this: *providing direction while also collecting information*.

## **Tool & Techniques Used in this Book**

This book introduces the reader to many powerful tools and techniques used in management consulting. While we have carefully explained how each one is used on an engagement, there is obviously more information available. **The manual for each tool is available as detailed power point documents in the Lillilooloo.com template store.**

Below is a summary of the tools used in this book, which can be found on the website at <http://www.lillilooloo.com/templatestore.aspx>. This is not a complete list of all the manuals in the template store:

### **Editable version of all documents**

Fully editable versions of each slide used in this book are collected in one power point document.

### **Financial Analyses**

The financial analyses pack consists of 12 power point manuals and is over 600 slides in length. The first 5 manuals introduce the reader to the principles of financial analyses. The next 7 manuals provide a step-by-step guide to developing business cases.

### **Change Management**

Helping clients overcome their resistance and fear of change is a key skill to ensure an engagement proceeds. This manual provides a how-to guide to help consultants manage change.

### **Strategy Toolkit**

Different engagements require different types of analyses. This toolkit presents a compendium of all the required strategy analyses tools. Each tool is explained along with examples and guidelines for their use. It is over 300 slides in length.

### **Valuation**

Valuation is one of the central skills in management consulting. There are many different methods to value a business. Manuals exist for each of the methods.

### **Economic Value Added (EVA)**



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EVA was made famous by Stern Stewart. It is a popular method and should be known by all business analysts and management consultants.

### **Strategy Engagement Management Toolkit**

Managing a strategy engagement is not easy. This manual lists all the toolkits, templates and guidelines needed to successfully manage the engagement.

### **Hypotheses Development**

The core skill behind strategy consulting is the development of hypotheses. This manual provides a detailed guide to developing hypotheses and designing the analyses to test hypotheses.

### **Strategy Problem Solving**

Strategy problem solving uses a hypothesis based approach. This manual presents the overall approach and links together the central ideas in the book.

### **Storyboarding**

The ability to write storyboards is a key skill. There are several manuals which provide a guide to readers.

### **Service Workshop Pack**

The services analyses presented in this book are applicable to many client situations. The entire manual to use the approach, along with the templates, are available in one pack.

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## Who We Are

Lillilooloo.com is the trusted destination for management consultants, students and analysts to understand the tools and techniques of management consulting. Lillilooloo.com Books provide you with inside information to: *understand*, *follow* and *replicate* consulting best practices. However, we are more than our consulting books. We offer the internet's largest platform for consultants to upload and share consulting material. We provide a store for members to sell toolkits and manuals. The site offers a fully functional 24-hour back-office where users can tap into our network of consulting specialists to produce high quality documents.

Lillilooloo was founded in 2008 by two ex-management consulting partners and associates. After we left consulting, many colleagues contacted us for advice on consulting analytics. Our independent consulting friends, who missed the support staff of the large firms, were under pressure to build their business and just did not have the resources needed. Toolkits and manuals for consultants did not exist. We surveyed our colleagues and found this to be a consistent problem. So we started building the website and writing.

Today, Lillilooloo.com serves many grateful users each month by helping them share and find user generated content, buy high-quality manuals to impress clients, outsource analyses and learn the tools and techniques of the leading consulting firms. The quality of our work and knowledge of the management consulting world have allowed us to develop this extensive array of services.

We share an intense passion for management consulting, developing the analytics and discussing the techniques used by the top firms. We hope this comes through in our process and commitment to delivering the highest quality products and customer service.

## About Our Name

One of the most frequent questions we receive is, "So, what's the story behind your name?" The short story is that it is a play on the names of the most important people who have supported us through the development of the website, content and books – our loving spouses.

*Praise for*

# Succeeding as a Management Consultant

*“This is more than a fresh and informative book – it is a great gift. It is a knowledgeable, straightforward, and hands on account revealing insights on how to succeed as a management consultant. With great clarity, this book provided me with a rare opportunity to have a “personal look” inside a typical management consulting engagement and learn valuable insights on how to navigate along the often dark and shifting ground of management consulting projects. This book serves as my mentor on consulting projects.”*

- **Christina**  
Consultant, Deloitte Consulting

*“Excellent book. Definitely gave me a real perspective on management consulting. The story made the engagement and analyses seem more real. This book helped me understand management consulting much better.”*

- **Ravi**  
MBA, Rotman School of Management

*“Wow – what a great book. This gave me a unique view in time for my case interviews with Booz.”*

- **Jordana**  
Consulting Candidate, MBA

*“This book offers an intense and realistic learning experience that forces you to see management consulting beyond the traditional descriptions. I have not seen anything like this anywhere.”*

- **Shakila**  
Consultant, Accenture

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- **Shashi,**  
Former McKinsey associate

*“This book opens up a whole new way to teach consultants and aspiring consultants about the profession.”*

- **Devi,**  
Former Bain consultant