

Course of Management Consulting

Structured problem diagnosis

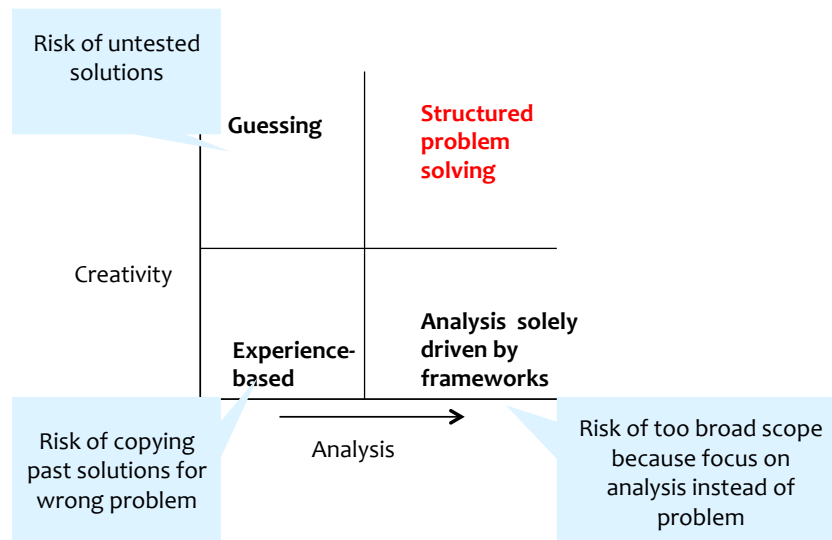
Professor Corrado Cerruti

Academic Year 2017/2018

Agenda

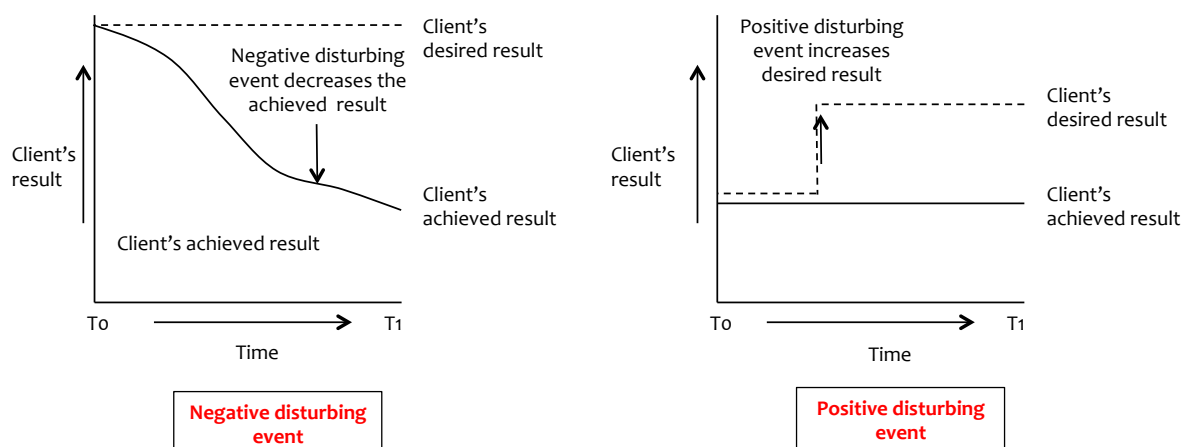
- 4 Approaches to problem solving;
- The result gap;
- The structured approach for diagnosing a problem;
- What? Where? Why?
- Define the problem statement;
- Structured opportunity diagnosis;
- Use of a structured approach in a case-based interview

4 Approaches to problem solving



3

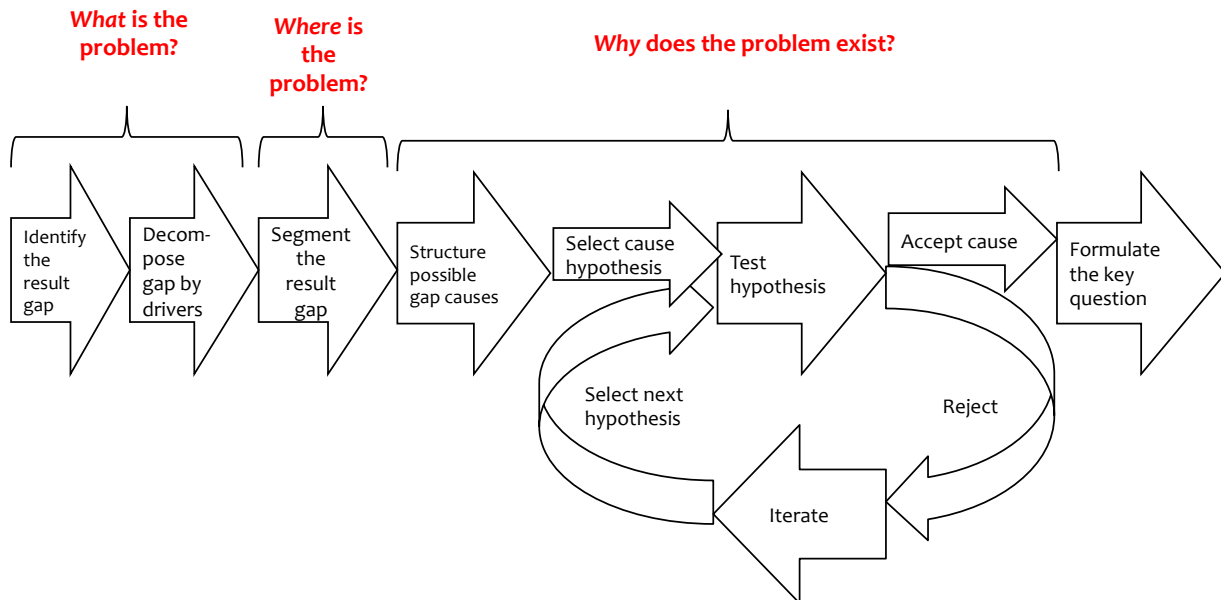
The result gap



The **problem** is considered as the gap between the achieved result and the desired result of the problem-owner, then we may define problem solving as *closing the result gap*. The **diagnosis of the problem** will concentrate on *explaining the result gap*.

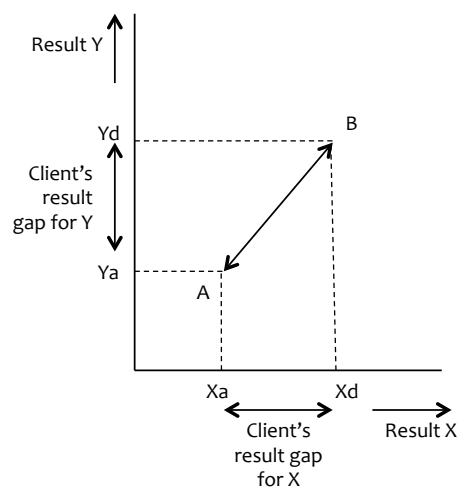
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The structured approach for diagnosing a problem



5

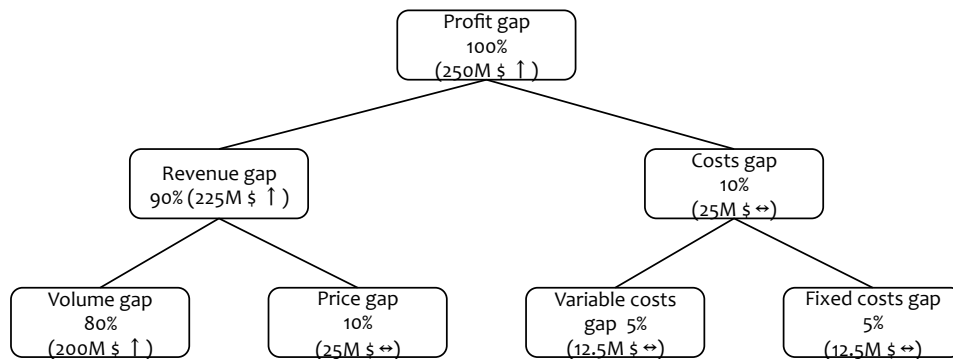
What? - Identify the result gap



A: achieved result
B: expected result

6

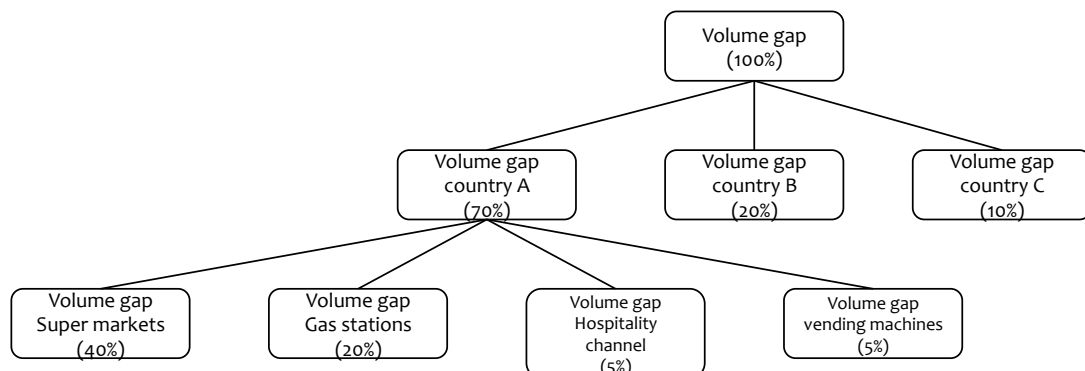
What? – Decompose a result gap



This technique helps to reduce the complexity of analysis, however, consultants should be aware of the risk of oversimplification.

7

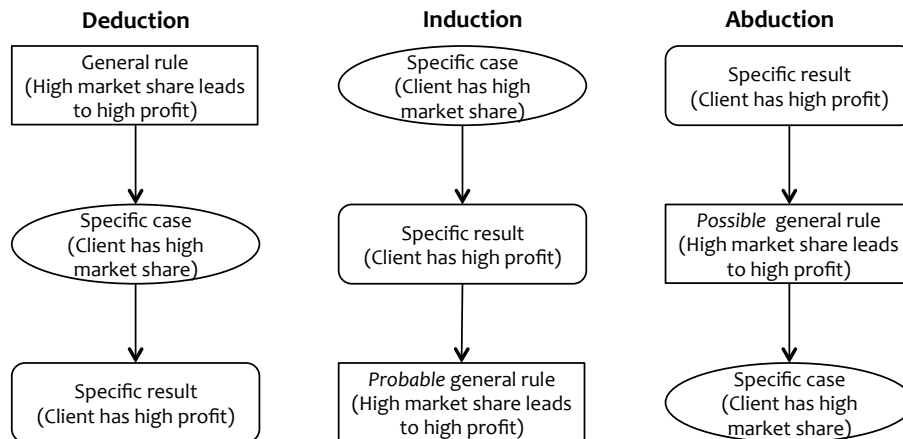
Where? – Segment the result gap



The consultants want to know how the volume gap is distributed over the countries and channels; this contribute to determine where to focus their attention.

8

Why? – Select cause hypothesis



9

Why – Test hypothesis and accept cause

To identify the cause of the result gap, consultants use the «**abductive reasoning**». It aims to explain a specific result; it's about seeking a hypothesis to account for the specific result.

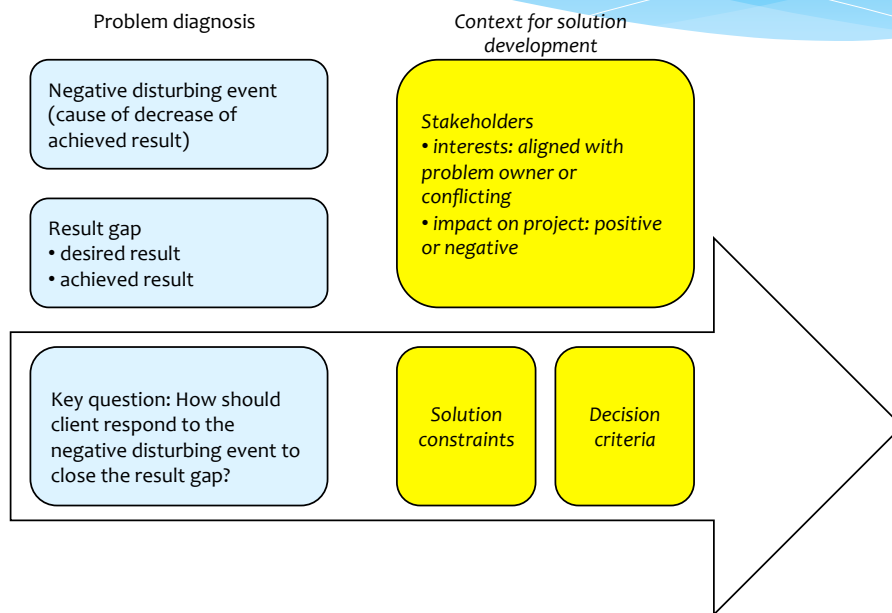
The hypothesis is what the consultants think is the best explanation of the result gap. They create an overview of possible explanations. Then, they have to verify the hypothesis. They will search for the *root cause* of the result gap.

To verify the hypothesis, consultants need to *collect data*. Then, *analysing data*, they understand if the cause could be accepted or not. When it is *confirmed* they have to measure how much the impact of this cause is responsible for the result gap. Usually more than one cause is responsible of the result gap.

In the end, consultants can formulate the **key question**.

10

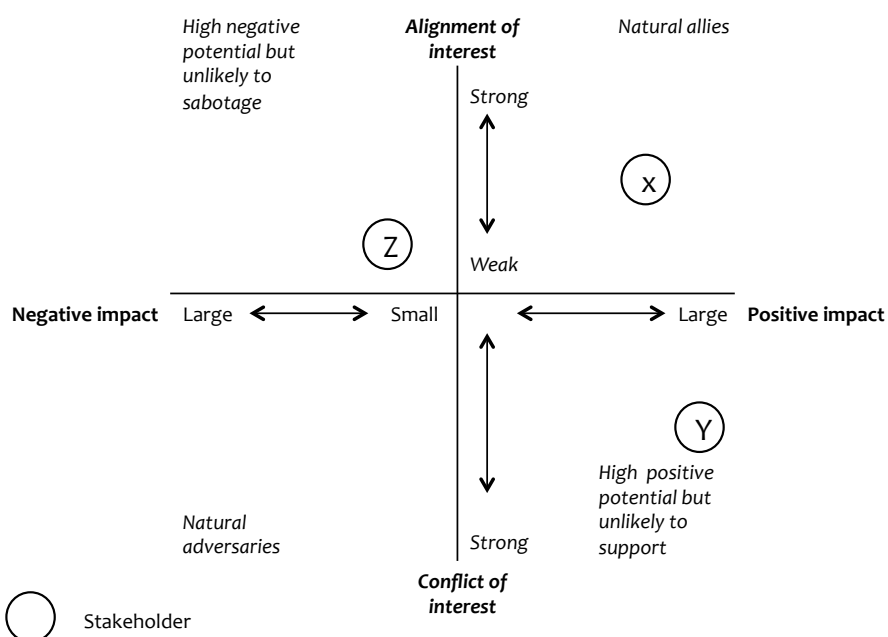
Define the problem statement



Statements outline the **problem diagnosis** and **provides a context** for solution development. The problem diagnosis consists of a description of the negative disturbing event and the result gap.

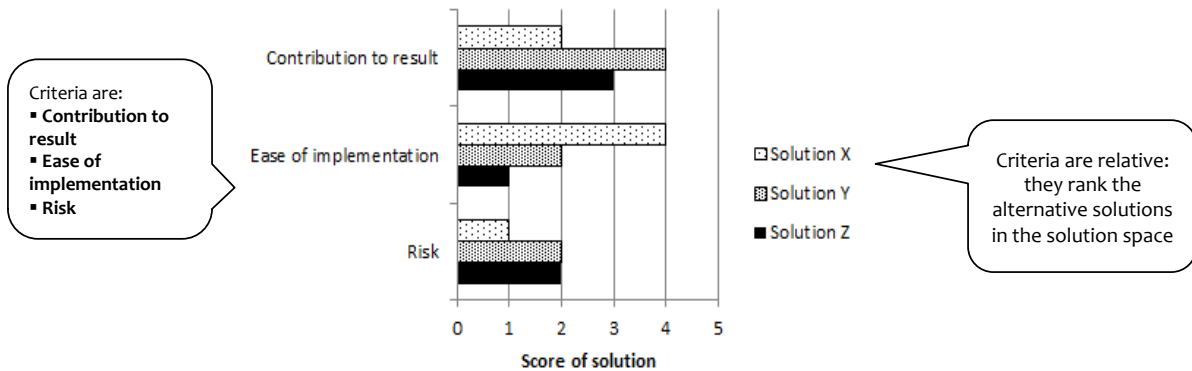
11

Context for solution development – Investigate the stakeholders



12

Context for solution development - Constraints



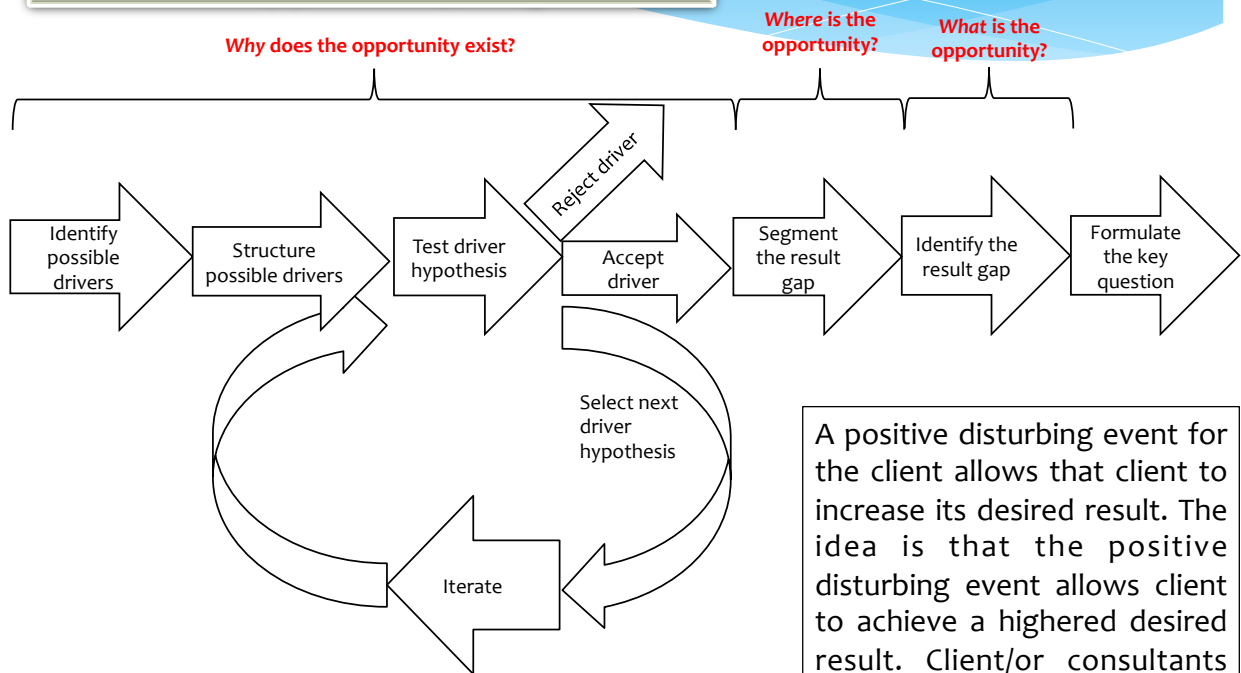
13

E.g. problem statement

Problem statement	AcStrat Ltd
<i>Achieved result</i>	A loss of US\$X
<i>Disturbing events</i>	Changing demand and increasing scale and experience advantages
<i>Desired result</i>	Within one year reach a breakeven result, and within three years realize a profit per partner of US\$Y
<i>Key question</i>	How should AcStrat Consulting respond to the changing demand and increasing scale and experience advantages to realize a profit per partner of US\$Y within three years?
<i>Stakeholders</i>	AcStrat's partners, consultants, support staff, clients, and alumni
<i>Constraints to the solution</i>	<ul style="list-style-type: none"> ▪ No financial reserves for absorbing further losses (no time) ▪ No room for investment
<i>Decision criteria</i>	<ul style="list-style-type: none"> ▪ Profit per partner ▪ Maintaining the partnership base in tact ▪ Speed of implementation ▪ Ease of implementation

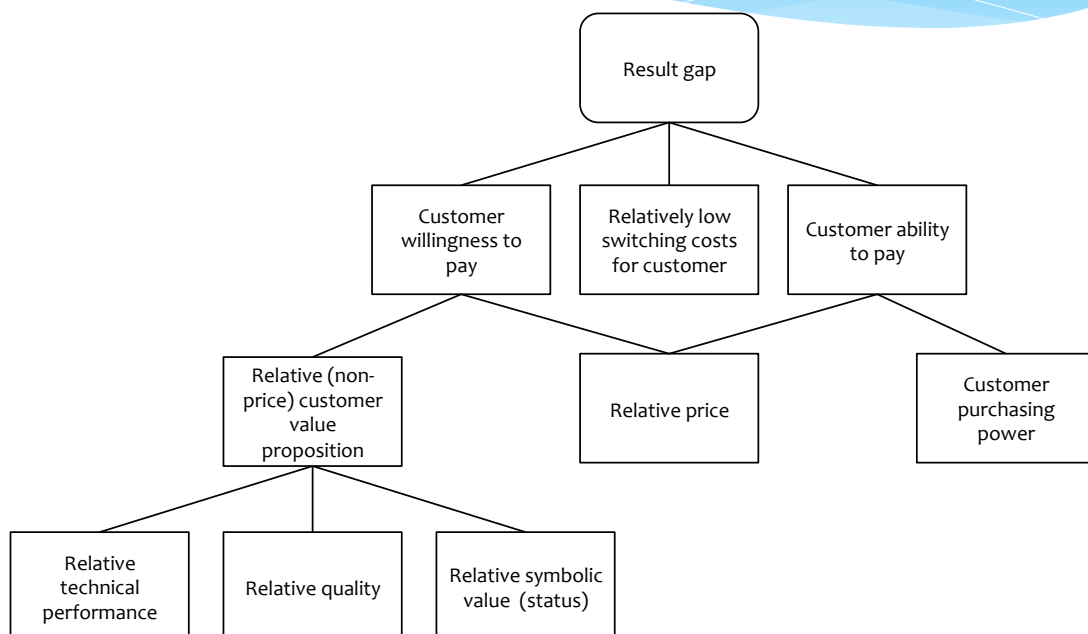
14

Structured opportunity diagnosis



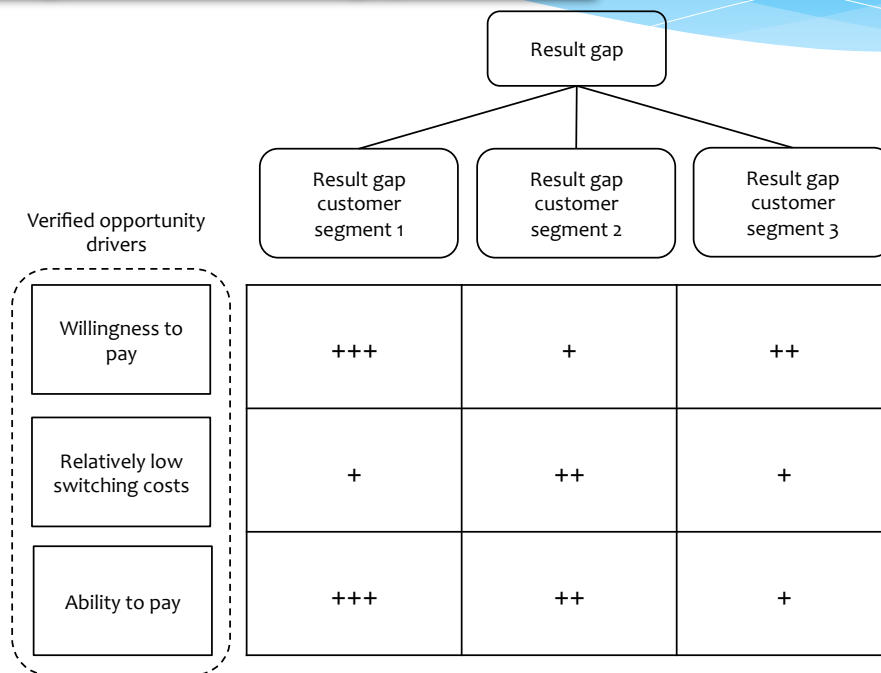
15

E.g. a hypothetical model of opportunity



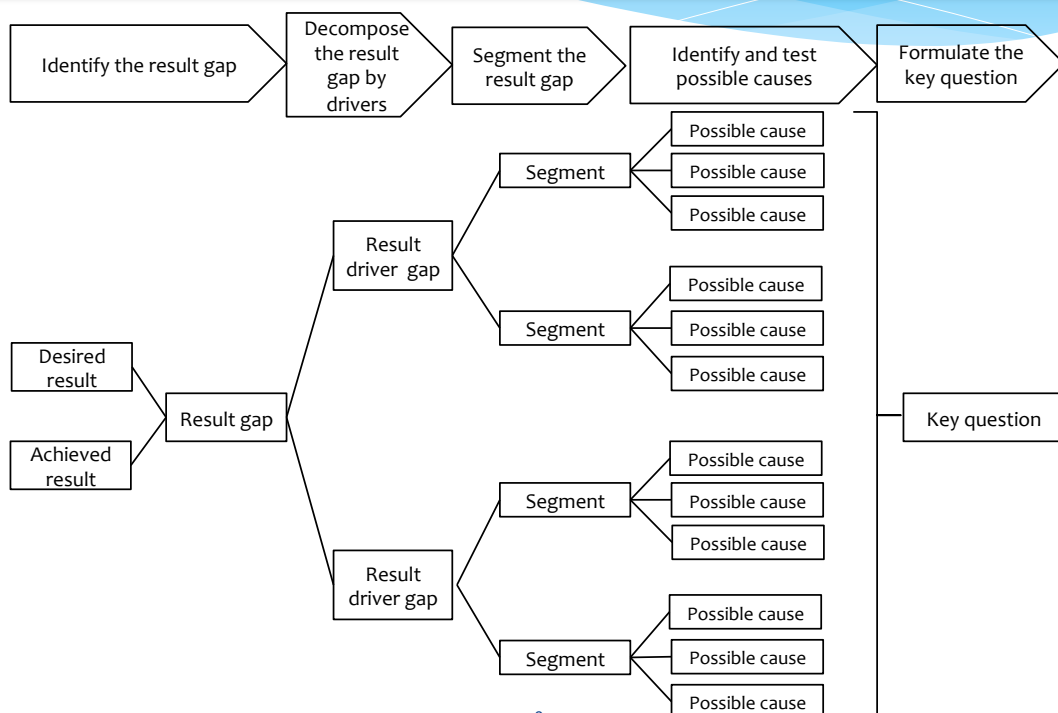
16

E.g. segment the result gap



17

Summary – The process of structured problem diagnosis



18

Preparing to case-based interviews

A structure approach to problem solving is key to prepare for case-based interviews and these interviews are an important step in the selection process in most consulting companies.

Many references to case-based interviews are available on the web (also as videos)

From BCG website:

<https://www.bcg.com/careers/path/consulting/practice-interview-cases.aspx>

From McKinsey website:

<https://www.mckinsey.com/careers/interviewing>

From Oliver Wyman website:

<http://www.oliverwyman.com/careers/entry-level.html#WhoWeAre>

There are also youtube videos from:

- Bain - https://www.youtube.com/watch?v=Nib4_5_4afA
- McKinsey - <https://www.youtube.com/watch?v=nGzYzq3Wsos>
- Former McKinsey - <https://www.youtube.com/watch?v=fBwUxnTpTBo>