MasterTheCase.com

Top Consulting Interview Prep

UCLA Anderson
School of Management

Case Book

2010 Recruiting Season

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Case Title: ATV Sales
Company: Bain & Company
Interview Round: 1st Round – Summer Associate
Case Tags: Consumer goods, market trends
Length: 25 minutes

Question:
(Distribute Exhibit 1)
After reviewing the chart, please explain the peaks and valleys of ATV sales over time and predict where the market will go in the 5 years following 2006.

Things Interviewee Should Consider / "Framework":

- ATV customer segments
  - Recreational
  - Farm
  - Military
- Economic trends
- Social trends
  - Safety concerns
  - Green movement

Facts to Share (if prompted):

- ATV Design
  - Originally, ATVs were predominantly 3-wheeled.
  - 4-wheeled ATVs began to dominate sales in the 1990's.
  - 4-wheeled ATVs are safer than 3-wheeled.
- Safety
  - ATV safety became a public concern in the early 1990's.
  - Public awareness campaigns were run regarding safety.
  - Helmet laws were enacted around this time.
- ATV sales use credit extensively.
- Green movement restricted ATV trails (noise, green awareness)

Summary of Key Insights:
Past Trends:

1. Dip in sales in the early 90's is caused by safety concerns with (3 wheeled) ATVs
2. Quads became popular after dip, also more broader base (safer) now
3. 2nd spike driven by more availability of credit, popularity with farmers
4. Residual demand from US military

Where it will go:

1. Sales will trend down in the consumer segment due to tighter credit availability
2. Agricultural and Military segments will stay intact

3. Green concerns probably not a major driver

Walkthrough of Solution:

Past trends:

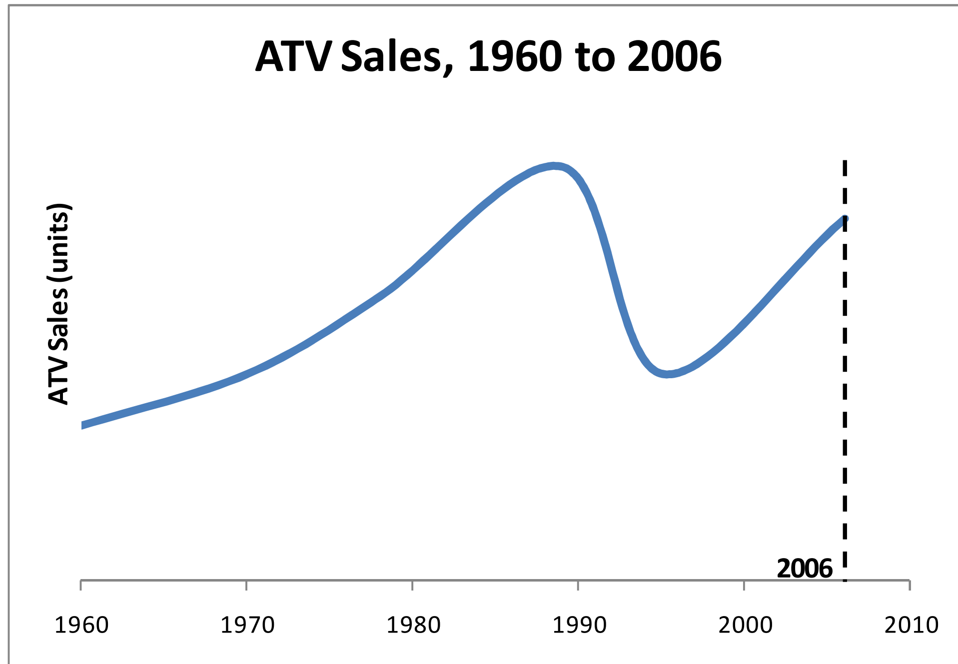
The key to the chart clearly is the sharp drop in sales in the early 1990's. Touching on macroeconomic trends is a good start, but there are important drivers that are specific to ATVs. By first addressing segmentation of the market the interviewee can conclude that the critical segment is the recreational user (rather than farm or military). From here, investigating drivers for popularity of recreational equipment could lead to the key issue of safety (identifying this issue could be difficult for interview subjects with less exposure to ATV use).

An alternate path to arrive at safety as the driving factor for the drop could be to investigate the changes in the product in the 90's, which would identify the emergence of 4-wheel vehicles and safety as a driver for the shift.

Future trends:

Because of the timeframe of the case (2006), it's probably fair for the interviewee to use information about the coming recession to inform his or her sales projection. In addition to lowering income, the recession brought a tightening of consumer credit, which we can expect to have a major impact on ATV sales. This conclusion should be apparent even without direct knowledge of ATVs, since similarly priced consumer durable goods commonly use credit for the bulk of sales. A comparison to car sales would lead to the same conclusion.

Exhibit 1:



Case Title:	Research Hospital Financing
Company:	Bain & Company
Interview Round:	1st Round – Summer Associate
Case Tags:	Cost Reduction, Healthcare
Length:	25 min

Question:
Our client is a non-profit in the healthcare field. It has two types of operations: a research hospital and a medical research wing. Two decades ago, the research wing created a blockbuster drug that produced substantial cash flows from licensing. The cash from the drug has gone to financing the hospital. The patent on the drug expires in 1 year, after which the organization will lose $10M in revenue annually. The CEO wants you to recommend what to do about it.

Things Interviewee Should Consider / "Framework":
1. Is there any way to raise more revenue?
   - Research? (no)
   - Health insurance? (no, impoverished patients)
2. Cutting costs
   - Suppliers
   - Staff cuts/Partial furloughs
   - Facilities (shutting down)
3. Potential options
   - Merger? (no)
   - Go for-profit? (no)
   - Staff cuts (Yes)
   - Donors, other sources? (no)
4. What to do about the cuts?

Facts to Share (if prompted):
1. There are no more big drugs in the pipeline.
2. Hospital is cashflow-negative and will need to make up the $10M by cutting costs or new revenue.
3. The only identified cost savings opportunity is $0.5M from suppliers.
4. Staffing is the only area that can be cut in the near term. Current staff costs:
   - $8M for nursing staff
   - $6M for administrative staff
   - $16M for doctors
   - $8M for technicians
5. Balance of staff is in-line with efficient peer hospitals (i.e. no big savings from exchanging nurses for doctors).
6. Research can be shut down, but won't save cost.
7. Cuts to staff will require serving fewer patients.
8. Most revenues are fixed (grants and donations), so reducing number of patients will not have a major impact on revenue.

Summary of Key Insights:
The only way to achieve the savings is by cutting everything (across the board):

- $2M in nursing staff
- $1.5M in administrative staff
- $4M in doctors
- $2M in technicians

How to implement cuts:

- The CEO should work for $1
- The organization should help staff they're cutting with job placement
- The organization should identify new treatment options for cut patients

Because the hospital is non-profit it's important to consider the mission (helping the community and the uninsured) when approaching the cuts.

Walkthrough of Solution:

The interviewee should be thorough in addressing possibilities to make up the lost revenue, but the interviewer should guide him or her through this phase relatively quickly by dismissing options other than strict cost reduction. When it's apparent that this is the only option, the interviewee should focus on cost reduction in detail.

The identified staff reductions are based on across-the-board cuts in proportion to the current staff costs:

Percent reduction in total staff costs:

$9.5M/$38M = ~25%

Nursing:	25% * $8M = $2M
Administrative:	25% * $6M = $1.5M
Doctors:	25% * $16M = $4M
Technical:	25% * $8M = $2M

The cost reduction could be accomplished through some combination of headcount reduction and pay cuts/furlough days.

Case Title:	Satellite TV Trucks
Company:	Bain & Company
Interview Round:	2nd Round – Internship
Case Tags:	Profitability
Length:	25 min

Question:
It's the early 1990s. Our company operates 46 satellite TV broadcast trucks. All of the trucks broadcast in standard definition. The conversion to HD is coming. Should the company build new HD trucks?

Also, the company owes $120M in debt, coming due in 3 years. The debt must be covered by new cash flows.

Things Interviewee Should Consider / "Framework":

- HD market entry strategy
  - Upgrading/Acquiring trucks
  - Customer base, competition
  - Cash flow calculations and NPV.
- SD market possibilities
  - Market projections
  - Cash flow calculations
- Other options
  - Acquisition, merger, Chapter 11.

Facts to Share (if prompted):
1. Clients like ESPN are definitely moving to HD. Will happen quickly.
2. SD truck cannot be converted to HD.
3. SD trucks rent for $3000-$4000/day, used to be $9000/day five years ago. Same decrease will happen for HD, and quickly.
4. SD trucks will rent for $1000/day after HD transition.
5. HD trucks will rent for $9000/day.
6. HD and SD trucks cost $700/day to operate, nothing when not operating.
7. HD trucks cost $7M each, delivery would be in 12 to 18 months.
8. Would need to make as many HD trucks as we already have (46).
9. Utilization – lots of idle time (events on weekends, transport time).
10. Realistic utilization is 100-120 days/year.
11. Trucks last either 6, 7, 8, or 9 years. (more likely to fail earlier).

Summary of Key Insights:

- HD operation is not profitable in the long-term
- SD operation can't cover initial debt payment
- Restructuring the debt won't be enough, so the only option is to liquidate.

Walkthrough of Solution:
Note: Assumptions used for calculations here are very liberal. Interviewee can arrive at solution correctly with different numbers, as long as the assumptions are reasonable.

The company's two main concerns are:
1. Cover the $120M debt payment in 3 years.
2. Operate profitably in the medium to long-term.

We have two possibilities to try to stay afloat – continue operating the SD trucks, or replace the fleet with HD trucks. Look into the two options. Here we'll take HD trucks first:

<u>HD Fleet Replacement:</u>
We'll do two calculations – cash flows in the first three years, and long-run profitability.

Let's start with liberal assumptions – HD rental rates will be $9000/day near term, similar utilization of 120 days per year. We'll operate SD trucks for 1 year, then switch completely to HD when the new trucks arrive:

Year 0: -$7M * 46 trucks = -$322M
Year 1 (SD trucks): (($4000-$700)/day)(120 days)(46 SD trucks) = $18.2M
Year 2 and 3 (HD trucks): (($9000-$700)/day)(120 days)(46 SD trucks) = $45.8M

Therefore in 3 years we've earned (18.2 + 45.8 + 45.8) = $109.8M but owe $120M + $322M = $442M. Even with the liberal assumptions we can't even cover the initial debt. But let's say we can sell the SD trucks for at least $0.5M each and finance the new trucks long term so that we can cover the original debt payment (again, very liberal assumptions).

Long-term profitability:
Use the information that trucks last 6-9 years to calculate profitability. We'll assume trucks last 7 years on average, and that HD rental rates drop to $4000/day. Then, for one truck:

Without discounting: Profit = -$7M + ($4000-$700)*(120 days/year)*(7 years) = **-$4.3M**

This looks bad, and note that even if the rate stayed at $9000 you won't cover the purchase price.

CONCLUSION: Operating HD trucks is not profitable in the long-term, even if you can cover the debt payment, which itself is unlikely.

<u>SD Truck Operation:</u>
So if HD trucks can't cover the debt, can we cover the debt just by continuing operation of our SD trucks?

From the calculation above, each year operating the SD trucks earns $18.2M, so after three years you are still short (-120 + 18.2*3) = **-$65.4M**

Other Options:
Since neither option appears viable, what else can we look at? If the assets cover the debt and the business is cashflow-positive we can look to be acquired or use Chapter 11 to hold off and restructure debt payments. If not, we go out of business.

Do assets cover outstanding debt? We can value the trucks based on remaining operational life. Assume our trucks are on average 3.5 years old and last 7 years.

Value of Trucks = (\$4000-\$700)(120 days)(3.5 years)(46 trucks) = \$64M

So, we can't cover the debt without buying new trucks. Buying HD trucks is not profitable, and we can assume that buying SD trucks will not be profitable in the future due to declining rental rates. It seems like the only option is to liquidate.

Case Title:	Fruit Infusion
Company:	Roll International
Interview Round:	1st Round
Case Tags:	Mrkt Entry/Product Dev
Length:	45 minutes

Question:
It is January 1st, 2010 and our folks at Fiji Water are looking into the possibility of introducing a fruit flavored line of water in the United States. The actual details of the product have yet to be created. They have come to us to help them decide what this product should look like, and if this is something they should pursue. What are your recommendations?

Things Interviewee Should Consider / "Framework":

- Current state of the market.
  - Bottle Water Market, Flavored Water Market
- Current state at Fiji Water
  - Market size, historical growth, growth projections
- Major Competitors
  - Strengths, Weaknesses, Market Share
- Product Options
  - Fiji Branded Flavored Water vs. Entirely New Brand
  - What are the strengths and weaknesses of each
  - Target Market
  - Distribution Channels
- Revenue and Cost Analysis
  - Forecasted Sales
  - Estimate Costs
  - Cannibalization Effects
- Roll out plan

Facts to Share (if prompted):

- The flavored water market is 10% of the current US bottled water market.
- In January 2008 the total US bottled water market was $1B. It grew at 5% in 2008 and 10% in 2009.
- Of all the bottled waters, including fruit flavored waters, most are owned by three main competitors which each have a 25% share of the market.
- Fiji has a 25% share of the **REMAINING MARKET** (25% of 20% = 5% of total market)
- Product Options
  - Our client is open to any type of product – **prompt them to be creative if needed**
  - **ONCE THEY HAVE BRAINSTORMED POTENTIAL PRODUCTS:** tell them there are two potential options – 1)Fiji Branded Flavored Water & 2) An Entirely New Brand of Flavored Water
  - Focus groups have been conducted for each option.
  - **Prompt them to think of the Strengths and Weaknesses of each option.**
  - Same distribution channels will be used for both products.
- Forecasted Sales

- **Have them make an assumption on the amount of market share they could steal.** Since Fiji currently has 5% of total market, 1% of total market is a reasonable assumption for both options.
- Estimated Costs
  - Operating margin for both options will be the same, which is 40%.
  - Option 1: Advertising Costs = 10% after operating margin + 500K product development costs
  - Option 2: Advertising Costs = 30% after operating margin + 1M product development costs
- Cannibalization Effects
  - **Have them postulate which option would have higher cannibalization.**
  - Option 1: 40% of total sales
  - Option 2: 0% of total sales (acknowledge that it's probably some, but will keep it at 0% for this analysis)

Summary of Key Insights:

- One focus is to come up with creative ideas for new products. Realizing there are different options and coming up with creative ideas is a key insight here. They don't have to come up with the two specific options listed above, but creativity is key.
- Once given two options, coming up with reasonable strengths and weaknesses for each is key.
  - Option 1 (Fiji Brand Extension): **Strengths:** Already have loyal customers, brand already established, less advertising costs, less product development costs. **Weaknesses:** High cannibalization, could dilute brand image, Fiji is natural and now want to add flavoring.
  - Option 2 (New Brand): **Strengths:** Less cannibalization, no brand dilution, don't have to maintain high quality image. **Weaknesses**: Higher product development costs, higher advertising costs, unproven brand, need to create manufacturing and distribution procedures.
- Final key insight is that despite higher advertising costs and development costs, because of cannibalization affects the right choice to choose option 2.
- They don't have to go into details, but mentioning that the roll out for option 2 will be more difficult is important as well.

Walkthrough of Solution:

They should start out by asking general questions and setting up the framework. Should ask the following questions, but if they are struggling, you can begin to prompt them:

1) What is the size of the US bottle water market?
   a. **Tell them:** In January 2008 the total US bottled water market was $1B. It grew at 5% in 2008 and 10% in 2009. **They should calculate total market in 2010** = 1B x 1.05 x 1.1 = 1.155 B (They can round to 1.15 B)

2) What is the size of the flavored water market
   a. **Tell them:** The flavored water market is 10% of the current US bottled water market. **They should calculate the total flavored market** = 1.15B = 115M

3) What does the market look like/who are the major competitors?
   a. **Tell them:** Of all the bottled waters, including fruit flavored waters, most are owned by three main competitors which each have a 25% share of the market.

4) What is Fiji's current market share
   a. **Tell them:** Fiji has a 20% share of the **REMAINING MARKET. They should calculate total share to be =** 20% of 25% = 5% of total market x 1.115B = approximately 55 million.

They should now start turning to the new product options and start brainstorming ideas. Really push them to be creative. Ideally they come up with **Brand Extension** and **New Brand Creation**, but if not, give it to them.
Then they should come up with the strengths and weaknesses of each option.

- Option 1 (Fiji Brand Extension): **Strengths:** Already have loyal customers, brand already established, less advertising costs, less product development costs. **Weaknesses:** High cannibalization, could dilute brand image, Fiji is natural and now want to add flavoring.

- Option 2 (New Brand): **Strengths:** Less cannibalization, no brand dilution, don't have to maintain high quality image. **Weaknesses**: Higher product development costs, higher advertising costs, unproven brand, need to create manufacturing and distribution procedures.

Now they should turn to a revenue and cost analysis.

- Option 1 (Fiji Brand Extension):

  Have them estimate a reasonable market share to gain. Since Fiji has 5% of the overall US market, 1% is a reasonable assumption. Direct them to this if they are far off.

  Revenue = 1.115B x 1% = 11.1M (Round to 11M)

  Cost (Information from Above) = 60 % of revenue (40% operating margin) + 4% advertising (10% cost x 40% operating margin) + 500K product development = 6.6M + .44M + .5M = 7.54 (round to 7.5M)

Profit = 11M – 7.5M = 3.5M

- Option 2 (New Brand):

  Have them estimate a reasonable market share to gain. Since Fiji has 5% of the overall US market, 1% is a reasonable assumption. Direct them to this if they are far off.

  Revenue = 1.115B x 1% = 11.1M (Round to 11M)

  Cost (Information from Above) = 60 % of revenue (40% operating margin) + 12% advertising (30% cost x 40% operating margin) + 2M product development = 6.6M + 1.32M + 1M = 8.92 (round to 9M)

  Profit = 11M – 9M = 2M

If they stop here they will suggest option 2, however taking cannibalization into account is key. If they do not do this, prompt them to think about it. It is logical that cannibalization will be higher with brand extension than with new brand creation. They should predict that will be the case, **then tell them:**

Option 1 Cannibalization = 40% of total sales
Option 2 Cannibalization = No cannibalization

They then need to redo all the revenue and cost calculations taking into account cannibalization:

- Option 1 (Fiji Brand Extension):

  Revenue = 11M x 60% = 6.6M
  Cost (Information from Above) = 60 % of revenue (40% operating margin) + 4% advertising (10% cost x 40% operating margin) + 500K product development = 3.96M + .26M + .5M = 4.72 (round to 4.7M)

  Profit = 6.6M – 4.7M = 1.9M

- Option 2 (New Brand):

  Profit Still = 2M

Final Recommendation: Although at first it looked like option 1, because of cannibalization, option 2 will yield higher profits. However, this is a very small difference, so additional research and analysis would want to be conducted to better understand the future implications of each option.

Additional things to point to include:
- Greater difficulty of roll out plan for option 2?
- What is future cannibalization affects?
- Will advertising expenses have to increase or decrease in the future?

Case Title:	RadioX Roll-out
Company:	Roll International
Interview Round:	1st Round
Case Tags:	M&A
Duration:	25 min

Question:
As you may or may not know, Roll International is a parent company with holdings in the manufacturing, shipping, floral, and consumer packaged goods industries. Last month the company's president was approached with an offer to buy RadioX, a company that owns approximately 100 independent local radio stations throughout the United States. We have been asked to put together a very high level analysis of the opportunity. We are not being asked to determine the value of the company, but rather the specific information we would need to come to the bargaining table with, and if this is even something Roll International should be pursuing in the first place.

Things Interviewee Should Consider / "Framework":

- Analysis of Roll
  - Are we in an expansion stage, do we have cash, are we looking at other opportunities
- Analysis of RadioX
  - Strengths and Weaknesses, Main Competitors, Financial Health, Current Management, Operational Health, Customer Segments
- Potential Synergies
  - Advertisers, customers, cross promotion, finance, human resources
- Expected Profit Analysis
  - Revenue streams, transition costs, financing costs
- Soft Issues
  - How do corporate cultures match
  - Keep or replace management
  - Any back office system integration issues the strengths and weaknesses of each
- Yes or No decision
  - If yes, what are the next steps
  - If no, what are some other things we could do with the money

Facts to Share (if prompted):

- Roll is a private company with adequate cash on hand to do an all cash deal.
- Roll is generally very profitable and in good financial and operational health.
- Roll bought Fiji Water in 2004, Created POM Wonderful Juice in 2006, and bought a shipping company in 2007. These were all very well aligned with their other holdings. There have been no recent major sales.
- No one in Roll Management has much of a background in the Radio or Entertainment Industries, although you do know of some high quality talent you could hire.
- RadioX is a private company, so we do not have too much specific information at this time. They are generally profitable and seem to be doing well as a company. **Here you can prompt them with "If you could get the information, what would you like."**

- RadioX headquarters is in St. Paul, MN. They have been around for 68 years. The owner is retiring and has no family. He wants to sell the business and donate the proceeds to charity.
- No one at Roll had ever heard of RadioX before they were approached last month.

Summary of Key Insights:

- The key to this case is rather qualitative and really consists of going through all the things you would want to look at when a company is considering purchasing another company.
- As candidate starts to get more information about Roll and RadioX, they should begin to realize that there are virtually no overlaps in any of the businesses. Only potential synergies could be with back office systems.
- Very risky to enter a completely new market, no experience, limited information on the company's current financial and operational position.
- Coming to a solid conclusion is key. Although all signs point to the fact that it is not a good deal, it is most important that the candidate make a clear recommendation.
- If no – what are other options – look for a firm that is a better match
- If yes – what is plan for roll-out and for mitigating challenges

Walkthrough of Solution:

They should start out setting up the framework outlined above. It is key that they have listen the question carefully and do not try to jump into a profit analysis.

They do not have to go in this order, but their analysis should include:

5) A look into Roll International:
   a. Good financial position, plenty of cash, private company so no investors to worry about
   b. **Conclusion = able to do a deal**

6) A strategic analysis of RadioX
   a. They should not be thrown of track by the fact that we don't have too much information. This is the main crux of the case, they should mention that they would like to have information on all of the following:
      i. Strengths and Weaknesses
      ii. Main Competitors
      iii. Financial and Operational Health
      iv. Current Management
      v. Customer Segments
   b. **Conclusion = At this point they should say, need to know this information in order to make a fully informed decision, however later it becomes clear it looks like a bad idea even without this information.**

7) Potential Synergies
   a. By brainstorming here, they should be able to realize there are very few potential synergies between the two companies. Only real potential synergies include back office functions and some potential cross advertising.
   b. **Conclusion = Don't really see any apparent benefits to buying this company.**

8) Expected Profit Analysis
   a. Don't need to do any numbers, just acknowledge that this would be important.

9) Must also look at "soft" issues regarding an acquisition:
   a. How do corporate cultures match
   b. Keep or replace management
   c. Any back office system integration issues the strengths and weaknesses of each
   d. **Conclusion = this is just as important as a profit analysis**

10) Coming to a solid conclusion is key. Although most signs point to the fact that it is not a good deal, it is most important that the candidate make a clear recommendation.
   a. If no – what are other options – look for a firm that is a better match
   b. If yes – what is plan for roll-out and for mitigating challenges

Case Title:	Chemical Pharmaceuticals
Company:	McKinsey & Co.
Interview Round:	Internship, Round 1
Case Tags:	Pharmaceutical, M&A
Duration:	25 minutes

Question:
Our client is a mid-size German pharmaceutical company that develops and produces exclusively chemically-derived drugs for sale in the US. They are exploring options to expand their business and are looking specifically at acquiring a San Francisco based pharmaceutical company that produces exclusively biologically-derived drugs. McKinsey has been engaged to evaluate the opportunity.

Things Interviewee Should Consider / "Framework":
This McKinsey case has structured questions that the interviewer should ask in the next section of this case book. Please ask those questions of the interviewee.

Facts to Share (if prompted):
- All pharmaceuticals are derived from either biological or chemical processes.
- The research methods and facilities needed for each process are different.
- The target company is private and generally profitable.

Summary of Key Insights:
- Be structured in your answers (put thoughts/recommendations into 2 or 3 buckets).
- For brainstorming portions, be thorough and conclude confidently (don't act stumped or grasp at straws).
- Be creative and think outside-the-box where appropriate.

Walkthrough of Solution:

<u>Q1: What factors would you consider in evaluating the acquisition?</u>

Deal Mechanics:

- Client financials (profitability, cash position)
- Target financials (profitability, drugs in development)
- Other potential bidders

Operational Synergies/Complementarities:

- IT, legal, marketing, administration
- Research staff – do skills transfer between processes?
- Facilities – can any manufacturing be consolidated?
- Logistics (transport, warehousing)
- Purchasing power from common suppliers

Execution and Post-Merger Integration:

- Anti-trust, legal concerns
- Timeframe for completion of deal
- Corporate structure, culture, systems and processes

<u>Q2: What are the potential benefits from this acquisition?</u>

Note: This sounds similar to the first question, but the candidate should go into a bit more depth and think about how likely and valuable the various opportunities are.

Operational Synergies/Complementarities:

- IT, legal, marketing, administration [likely not significant due to location/market differences]
- Research staff [skills are specialized and do not transfer between processes]
- Facilities [manufacturing is specialized currently, but new facilities could benefit from consolidation]
- Logistics [here there are good opportunities, opening up cheaper distribution options and broader access to the US market]
- Purchasing power from common suppliers [not significant]

Future market and business risk

- Increased scale of research [more drugs in development reduces risk of individual trial failures and increases chance of blockbuster drugs]
- Future of biological vs. chemical drugs [indications that biological drugs will dominate future market]

Regulatory experience (US and Europe)

Q3: What are the major risks to consider?
Note: candidate should return to items identified in Q1 and look a bit deeper into how likely and critical they are.

Price, Performance, and Value:

- Price could be too high [high recent growth, unrealistic expectations, or competitive bidding could drive up price. Could be a concern here.]
- Risk of drugs in development [valuation is tied closely to drug pipeline, definitely a concern]

Execution and Post-Merger Integration:

- Anti-trust, legal concerns [not likely, both are already operating in the US and not large]
- Timeframe/complexity of deal [not very complex, so not a big risk]
- Culture [this could be a concern, something to look more into]

Q4: After reviewing this chart (provide Exhibit A), how much would you be willing to pay for the rights to a drug entering Phase II trials?
Provide the following information if requested:

- *Cost of taking a drug through trials is $1M per year.*
- *Investment must be made now.*

Calculate value backwards from market value based on yields:

$V_{PhaseII}$ = ($2B)(0.40)(0.20)(0.20) – ($6M) = **$26M**

Q5: How much would you be willing to invest to increase the success rate of this drug in Phase III trials from 20% to 40%?
Calculate the value in both cases and find the difference (costs are a wash and can be ignored):

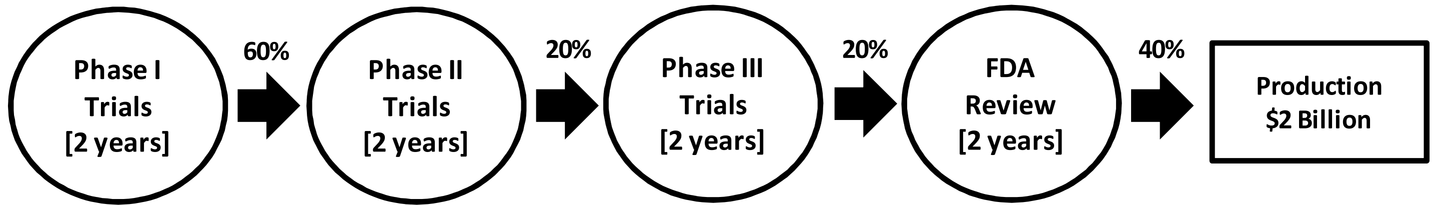
Initial Value = ($2B)(0.4)(0.2)(0.2) = $32M
New Value = ($2B)(0.4)(0.4)(0.2) = $64M
Value of investment = $64M – $32M = **$32M**

Q6: What do you think of the attractiveness of the possible acquisition? Summarize your analysis of the opportunity and provide a recommendation.

The candidate should ignore the two calculation steps and summarize the results of Q2 and Q3. He or she should balance the opportunities and risks where known and give a gut feel for how good the opportunity looks. The candidate should also identify where more investigation is needed to inform the decision.

A good summary will start with the recommendation, give a quick synthesis of supporting evidence, and finish with next steps (specific further research needed, preparations for post-merger integration).

Exhibit A:



Case Title:	European/US Auto Merger
Company:	Deloitte Human Capital
Interview Round:	1st Round – Summer Associate
Case Tags:	Merger, Human Capital
Duration:	25 min

Question:
A major US carmaker is being acquired by a European carmaker. What considerations should be made?

Things Interviewee Should Consider / "Framework":
Candidate could divide process into short and long-term issues:

- Short-Term
  - Internal communications
    - Develop communication to inform employees of change in ownership and ensure employees of the firm's intent
    - Deliver communication – live cast from CEO, "town hall" meetings, website
  - Review
    - As-is culture
    - Shared services
    - Talent
- Long-Term
  - Solicit Feedback
  - Execute
    - Develop new roles / functions
    - Talent management to prevent talent drain
    - Rationalize or eliminate redundant services
    - Establish new culture
    - Develop / implement incentives

Every human capital interview should be prepared to describe the methodology behind the consulting engagement. One example could be:

- Evaluate – systematic and comprehensive review of existing human capital assets and policies to evaluate alignment with organizational organizations
- Strategy – build a strategy for both short and long-term phases
- Implementation – implement strategy, use informal and formal leadership to endorse and lead change
- Re-evaluate – monitor the effectiveness of the implementation and its impact on human capital assets

Facts to Share (if prompted): None

Summary of Key Insights:
Human capital interviews do not follow the same structure as traditional strategy interviews. In these interviews, the interviewer is really looking for a great approach to a problem rather than the right solution. HC interviews tend to have very little or no on-the-spot calculations (although certain firms such as Mercer do) and require clear and concise communication and approach.

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