

Problem Statement:

Your client is a U.S. social services agency. The agency is responsible for administering the state's social work programs.

Recently, the state legislature passed a law that will change the agency's funding structure. Previously, the agency had been funded at a fixed dollar amount. Now, under the new law, the agency will be paid according to the performance, as measured by the number of interviews they conduct with state social work clients.

The agency has hired you to determine how the change will affect them and what they should do about it.

(The key of this case is figuring out how the funding change will affect the agency, then identifying the issues resulting from the change.)

(A strong candidate will first try to understand the agency's previous funding structure, then ask about the new funding structure, then recognize that the agency will experience a budget shortfall, then make a data-driven recommendations for closing the short fall)

Provide the following information if the interviewee asks:

- Previous financial structure:
 - Funding: \$50,000 per employee per year
 - Cost: on average \$30,000 went to salary, \$20,000 went to overhead
 - Number of employees unknown (push to think on an per employee basis)
- New financial structure:
 - Agency will be paid \$25 per interview
 - Each social worker conducts 5 interviews per day (total funding = $25 * 250 = \$31,250$)

*(Now the interviewee should acknowledge that the agency would face a budget shortfall and then try to identify ways close this funding gap → **boosting funding or reducing costs**)*

Ways to boost funding:

- The agency can boost the number of interviews from 5 to 6 per day.
- Currently each interview takes 1 hour, in which 40 minutes is actual interview and 20 minutes is spent on data entry. The agency has found a very inexpensive transcription software program that would allow them to cut the data entry time from 20 minutes to 10.
- Additional funding: the agency can get \$1,000 per employee from a charitable fund

*(So far: total funding = $250 \text{ work days/year} * 7 \text{ interviews/day} * \$25 / \text{interview} + \$1,000$ additional funding = \$44,750)*

Ways to cut cost:

- Consolidate its office into other state agency buildings. Savings = \$6,000 per employee

(Now it's time for the interviewee to summarize the case. The summary should include two components: 1) The new funding structure will result in a budget shortfall of \$18,750 and 2) specific ways to boost funding & cut costs. Great interviewees will include risks and next steps.)

Problem Statement:

Client is a storage company based in the mid-west. They have three major businesses around storage:

1. Residential moving and storage
2. Paper record storage (for large companies)
3. Data storage ⇒ backup hard drives and so forth

Your client has been suffering financially ⇒ Sales decreased from 75 million to 55 million, profit down from 1 million to a 4 million loss

Not matching!

Can we turn around the business in 12 months?

(The key of this case is to identify different profitability of the client's three segments, and then focus on growing the business in Data Storage)

Further information upon request:

Financial breakdown (numbers in million USD):

	Revenue	Cost	Profit
Residential Moving	30 (50 last year)	40	-10
Paper Records	5	5	0
Data Storage	10	4	6

(The candidate can choose to start diving into Residential Moving or Data Storage – both are fine. If the candidate wants to start form Paper Records, let them justify)

Residential Moving - More information:

- The industry is facing the same revenue problem
- Sales:
 - Pricing: competitive, a little lower than the competitors, remained steady; no way to raise price (sales dropped like a rock when we increased prices)
 - Volume: roughly 40% drop in number of moves; similar to competitors; research report indicates that the number of moves won't rise in the near future; Product offerings are comparable to the rest of the industry
- Cost:
 - Fixed costs: 15M ⇒ real estate and trucks. All in long-term contracts
 - Variable: 25M all labor, lower than competitors already, not possible to reduce wage

(Tentative conclusion here: turning around the residential part of business is not an option)

Exploring: growing data storage business

Sales: 10M (from 2 M last year)

Cost: 4M

Fixed: 2M ⇒ stay flat until 20M in sales

Variable: 2M (80% gross profit margin)

(At this point, the candidate should be able to conclude that growing data storage business is the best option forward. If the candidate has not considered Residential Moving, push them to do that; If they have already considered that segment, ask them what they think the client should do with the Residential Moving business. Push them to generate ideas such as selling or liquidating the business.)

(Ask the candidate to summarize the case, and then identify the major risks. Risks should at least include the risk of not being able to turn the business around in 12 months.

1. Imagine a dairy company in USA. The company has been stagnant for years, and cannot raise their prices due to fierce competition:
How can they increase the volume?
2. A French producer of ski and snowboards are experiencing a decreasing and volatile sale; how can they increase and even stabilize the sale?
3. A Japanese car manufacturer are experiencing declining profits, but there is little to do about the price and # of cars sold. How can they increase the profits?
(Break fixed cost and variable cost into its component parts)
4. A successful tech. company is selling multiple software solutions for enterprises - how can they increase sales?