

## Practice case interview: Growth strategy for international development non-profit

### Information on Wellspring Case Interviews

Wellspring case interviews are based on real projects, and they simulate a full consulting project - which typically lasts around 6 to 9 months - in the 25 to 30 minutes spent on the case interview.

The purpose of the case is for the interviewer to understand your thinking style. It's an interactive process, and we are looking for you to get towards a solution, not just describing the process you would undertake to arrive at a solution. Be prepared to ask questions you might ask the client and initial data you would gather to understand the core issues your client is facing. Then your initial findings should lead you to hypotheses, which in turn lead you to more data gathering and analysis. At the end of the case, you should have done enough data gathering and analysis to make sound recommendations.

This is an example case that shares potential questions, hypothesis and answers. We recommend that you go through this with someone else, if possible. If not, then pause along the way to think through the kinds of questions and hypotheses you would raise. Good luck!

### **BEGINNING OF THE CASE**

#### Background information on the client

The interviewer shares the following information with you:

- The client is an international non-profit focused on community development. It generates impact through local low-cost solutions.
- The client is increasing its emphasis on social enterprise and microfinance for self-sufficiency, both for the communities they serve and the non-profit itself.
- The client also does some emergency relief work on an ad hoc basis.
- In the past, the client's gradual expansion to new countries was often donor-driven and led by staff from the HQ country. New country programs have ranged widely in quality and impact and have generally not been financially self-sufficient.
- The client wants help with its overall strategy and governance, with a particular focus on the strategy for its expansion into new countries and regions.

Question from the interviewer: How should the client approach expansion into new geographies?

*Note: As you practice this case, we recommend that you pause here and take a moment to jot down the questions that come to mind. Think of questions that you'd want to ask the interviewer to get more information so that you can solve the case.*

*Sample candidate questions and sample answers from the interviewer*

- **Clarifying the goal of the work:**

o Example #1

- Question from candidate: What is the mission/goal for community development work in new countries and regions?
- Answer from interviewer: The mission / goal is the same across all of the client's programs and geographies: to generate real social and economic change through low-cost, local solutions, particularly social enterprise and microfinance solutions.
- Rationale for asking this type of question: It can be useful to understand the goal of the strategy if not already stated, especially if there are any differences from the work you've already learned about. This can help to eliminate certain paths early on, so you stay focused on the most goal-aligned possibilities during your time.

o Example #2

- Question from candidate: Does the client have any growth goals? Or is there a rate of growth the client is targeting?
- Answer from interviewer: The client is hoping to expand to no more than 1 additional country each year.
- Rationale for asking this type of question: Understanding the stated goals or target can provide guardrails for the solutions that you develop and ensure that the solutions meet the client's needs.

- **Clarifying the kind of work the client does:**

- o Question from candidate: How does the client currently promote social enterprises and engage in microfinance?
- o Answer from interviewer: Previously, the client mostly offered grants to entrepreneurs within its countries / regions of operations, but now the client - increasingly offering low-interest loans to entrepreneurs.
- o Rationale for asking this type of question: It's better to explicitly ask about the type of work the client does, rather than make assumptions based on your prior experience. This type of clarity can help you more efficiently solve the case, as your suggestions will be based on better information.

- **Clarifying how work has been funded:**

- o Question from candidate: You mentioned that expansion tends to be donor-driven. Could you share more about how this works, including what kind of donors fund the client, and the directives the client receives from donors?
- o Answer from interviewer: Typically, an individual or foundation will come to the client asking the organization to expand to a particular country or region based on the individual or foundation's interest. Sometimes an individual or foundation may provide more general funding for the client to determine the location of expansion.

- Rationale for asking this type of question: The framing of this question shows that you were listening carefully to the provided context, while also seeking to understand specifics that could impact the solution.
- **Understanding prior geographic expansion:**
  - Example #1
    - Question from candidate: When the client has directed its expansion, what criteria did the client use?
    - Answer from interviewer: The client chose countries that had:
      - Relatively low operating costs,
      - A lack of microfinance infrastructure, generally, or within particular sectors of interest
    - Rationale for asking this type of question: This kind of question shows curiosity about the thinking the client has already done, which will influence the solution you create. There could be aspects you see that weren't considered or there could be areas you could improve and build upon.
  - Example #2
    - Question from candidate: Is there a short list of countries that the client considered, but decided not to go with during prior expansion conversations?
    - Answer from interviewer: Yes, the client considered entering Malawi, Vietnam, and Tunisia.
    - Rationale for asking this type of question: This question also shows you are interested in building upon the thinking the client had already done, rather than starting from scratch.
  - Example #3
    - Question from candidate: How many countries is the client operating in? And, of those, how many countries did the client choose directly vs. being a donor driven decision?
    - Answer from interviewer: The client operates in 20 countries, 10% of which were selected by the client.
    - Rationale for asking this type of question: This question follows threads of information provided in response to previous questions. This kind of question allows you to develop and share hypotheses that are more informed.
- **Clarifying the value proposition of the organization:**
  - Question from the candidate: What is the client uniquely good at that they can bring to new geographies?
  - Answer from interviewer: Solutions are tailored to the specific needs of each geography and the client has expertise in microfinance.
  - Rationale for asking this type of question: Sometimes, knowing the value proposition of the client and / or where they typically have the most impact can help with narrowing down the paths to consider. You'll want to design a solution that leans into the organization's core strengths and value proposition.

## Proposing hypotheses and pathways

After you've gathered information, it's time to pose your initial hypotheses that you can explore more deeply to arrive at a solution. Posing hypotheses shows the interviewer where your curiosities lie and demonstrates your strategic thinking. Your hypotheses can also provide structure, so you know where to keep digging in and where to not push any further. If some of your hypotheses are incorrect, that's okay! While the interviewer is interested in the specific hypotheses you generate, the interviewer is also interested in what you do with the new information you're provided and how you continue to solve the case from there.

- Potential initial hypotheses from the candidate: You mentioned that the programs often ranged widely in quality and impact and did not meet the client's self-sufficiency goals. A few hypotheses I'd like to explore are:
  1. Whether or not the structure of the financing wasn't sustainable (e.g., grants were finite or the interest rates and length of the loan were insufficient)
  2. Whether or not the entrepreneurs selected were successful in generating revenue
  3. Whether or not there was sufficient interest from the community, since the initiatives are donor led.
- o Answer from interviewer: Great. You offered three hypotheses there—where would you like to start?

*Example follow up questions from candidates and answers from interviewers about each hypothesis:*

- o **# 1. Unsustainable funding structure**
  - Q: What was the granting structure like in the countries with lower quality programs?
    - A: The client used the donor funding to set up an office and then granted the remaining funds to the selected entrepreneurs.
  - Q: Did the entrepreneurs pay back the grants to the organizations?
    - A: No, they did not. Only in countries where they are offered loans instead of grants is the client paid back.
  - Q: In countries with loans, do the entrepreneurs pay interest?
    - A: Yes, they pay a flat rate of interest per year for the length of the term
  - Q: How many countries have loans?
    - A: 5 countries have loans.
  - Q: Are countries with loans generally more sustainable financially?
    - Yes, they are, though this depends on the terms of the loans, the number of borrowers, and the payback rate.
  - Q: Why has the client selected to do grants in so many countries rather than loans?
    - A: Sometimes individual donors are not interested in funding a loan structure.
  - *Updated hypothesis from the candidate: Based on what you shared, I think there could be value in redesigning funding structure such that the client offers loans instead of grants, and to look further into the terms of the loans to ensure they are*

*sustainable. They could also try to convince donors of the value of using loans instead of grants given the higher likelihood of sustainability.*

- **#2. The entrepreneurs selected were not successful in generating revenue:**
  - Q: What percentage of entrepreneurs generate revenue successfully? If possible, could you break this down by the countries with loan programs vs. the countries with grant programs?
    - A: While I don't have exact figures, about 75% of the entrepreneurs overall successfully generate revenue, with that number being closer to 90% in the countries with loans.
  - Q: What criteria, if any, are used to select the entrepreneurs?
    - A: Currently the client doesn't use the same criteria across all countries to assess the entrepreneurs, but they've considered standardizing the criteria and are willing to explore it in this project.
  - *Updated hypothesis from the candidate: Based on what you shared, I think the client could implement criteria to help ensure the entrepreneurs selected are more likely to be successful. The client could also consider offering coaching or other support to entrepreneurs to maximize the potential for success and sustainability.*
  
- **#3. There is insufficient interest from the community**
  - Q: Do government entities and other nonprofits typically partner with the client? And if so, how?
    - A. In some of our countries, there are strong partnerships with Ministries of Economic Development / Finance and / or other nonprofits. In those cases, the government may provide some additional funding and / or nonprofits might help source entrepreneurs from specific high-impact sectors.
  - Q: When there isn't a nonprofit partnership, how does the client find entrepreneurs?
    - A: Generally, the client does a more general call for applications and may use in-country staff members' connections.
  - Q How does the client learn about the interest from community in its solutions?
    - A: When a staff member has a connection with NGO leaders and / or government officials ahead of expansion, the client can learn if there would be interest in its solutions. This happens about 25 to 30% of the time.
  - *Updated hypothesis from the candidate: Based on what you shared, the client could explore being more selective with the countries it expands to, given the mission of sustainability. There could be expansion criteria, including sufficient interest from other NGOs or related government entities.*

#### Quantitative exercise

Interviewer: One of the ideas that you mentioned was restructuring the loan program, and the client is interested in that idea! They would like to make sure that the restructured loan program can be sustainable over time.

Based on their current work, each loan is on average \$200 USD, and these loans are paid off over the course of 5 years. Recipients are charged a flat interest rate of \$20 USD per year. How many borrowers do they need to break even on a yearly basis?

*Example questions from candidates and answers from interviewers:*

- Q: What fixed expenses does the client have in this location?
  - o A: \$1M USD/ year for administrative costs (e.g., regulatory and legal fees, staff costs, etc.)
- Q: Are there any variable expenses to consider?
  - o A: No, there aren't any variable costs
- Q: What percentage of payments are not made by recipients?
  - o A: On average, borrowers make 80% of their interest payments

*Solution:*

- I understand that there is \$1M of fixed costs per year, the client generates \$20 USD per borrower per year in interest, and borrowers tend to make 80% of their payments. First, I'll calculate the average revenue per client, which is  $\$20 \times 80\%$ , or \$16. I'll then divide the \$1M in fixed costs by the average revenue per client, or  $\$1M / 16$  to arrive at 62,500 borrowers per year. The client needs a minimum of 62,500 borrowers per year to break even each year.

Summarizing findings

**Interviewer:** Based on all you've learned, can you share a summary of recommendations for the client's Board of Directors? Feel free to take a moment to gather your thoughts before proceeding.

*Example answers from candidates*

- The client is interested in setting a strategy for expanding into new countries and regions that is sustainable and focuses on social enterprises and microfinance. To date, there has been variability in quality and sustainability across its portfolio. In terms of recommendations for the client:
  - o The client could benefit from expanding the criteria it uses for expansion into new geographies based on what it has learned from past expansion. Additions could include:
    - Sufficient funding for the administrative start-up costs + programmatic work
    - A local government or NGO partner that will help source entrepreneurs
  - o The client could also create baseline criteria that entrepreneurs across all countries must meet, with the option for each country to implement additional criteria that fit their contexts.
    - The client is great at tailoring solutions to the local context, and this would provide space to do so, while still having structure to support success and impact.
  - o Additionally, the client could shift its approach to expansion by:
    - Offering low-interest loans instead of grants to promote sustainability for the organization and funding.
      - This includes structuring these loans so the organization can break even.

- Over time, applying these approaches to current geographies that are less sustainable.
- The client could also set up evaluations to ensure that these changes are effective by looking at
  - Amount of revenue generated by entrepreneurs within communities.
  - Loan payback rates.
  - Success of business operations for entrepreneurs after the loan has been paid back.
  - Trends in the number of entrepreneurs supported by the client in each region over time.

**END OF THE CASE**