Understanding a Business Problem

Business problem solving is an important skill, not only for business analysts, but also for business leaders who have to make important decisions by doing the root cause analysis of any organisational problem. Business problem solving in fact is determined by one of the most important aspects of solving a problem is to understand what the business problem is. If you do not pay attention to this aspect, then you might end up solving a business problem that was never there in the first place. To do this efficiently, many frameworks and processes are set in place to help the business people understand the root cause or the grass root problem in the first place. There are many frameworks and tools that can be used to understand a business problem. You will learn more about frameworks and types of business problems in later sessions. As of now, let's look at the CRISP-DM framework that essentially lists down all the processes that are involved in an end-to-end business problem.

The following steps are involved in the CRISP-DM framework.
1. Business understanding
2. Understanding data
3. Data preparation
4. Modeling
5. Evaluation
6. Deployment

Sometimes, these are also subjective to the organisations methods and processes that they have developed over the years.

In any industry, a business problem might arise at any instance. Let's look at some instances:
"Our sales are declining. What do we do?"
"The company needs to increase its market share. How should we proceed?"
"The company is incurring huge losses. How do we cut them down?"
"The industry has a new competitor that is affecting our profits. What should we do?"

Let's take an example from one of the statements given above: if the request is to reduce the losses incurred by an online advertising company, then the person responsible for coming up with a solution would suggest that "The price per advertisement to charge the customers is quite low; therefore, check the rates and increase the prices." Now, this is a feasible solution if the problem is actually in that area. However, on further exploration, you may discover that the huge losses may be attributed to:

Inefficiency within internal teams
Loss of customers due to poor quality of service, and many other reasons

So, you cannot rely on luck while working as an employee of or a service provider for any firm. Here is a list of all that is wrong about the approach followed above:

Company resources are not utilised optimally, as the person would try and check each phase and department to solve one problem.
The entire process would take much longer than it should have. During that time, the company or the client firm might incur a hefty loss due to the problem at hand.
The client might switch to a competitor seeing how unoptimised the entire process is.

The entire process of problem solving is broken down into the following steps.
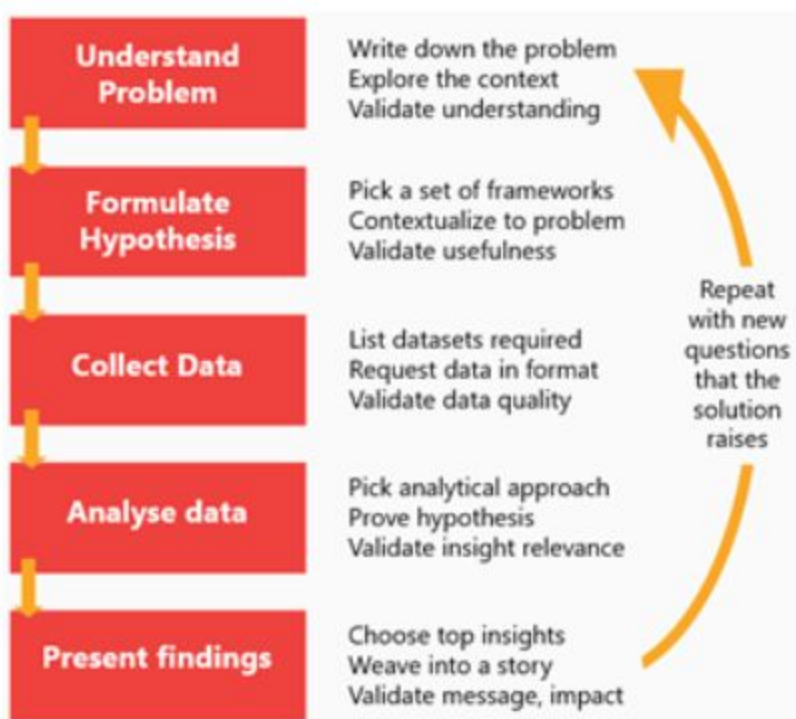
Factors to Consider in a Business Problem

In the real world, you may encounter many business problems. However, in this module, we will list out a few major types of business problems that are faced by organisations. These include the following:

1. **Uncertainty** - Uncertainty leads to short-term focus. Companies drift or move away from long-term planning in favour of short-term results, with uncertainty often the excuse.
2. **Globalisation** - Understanding foreign cultures is essential to penetrate new markets with existing products and services, in order to design new products and services for new customers. The problem that needs to be solved in this case is that you need to better understand international markets and cultures through better information gathering and analysis of what they mean.
3. **Innovation** - Large globalised companies focus on innovation, and an improved innovation process is a topmost priority for most companies. The problem that needs to be solved in this case is how to become more innovative while still maintaining a sense of control over the organisation.
4. **Government Policy and Regulations** - This involves understanding the meaning of the various government policies and regulations pertaining to your industry and their implications for your business, and to develop the skills necessary to deal with it.
5. **Technology** - This involves developing a long-term technology strategy while remaining flexible enough to take advantage or shift to unforeseen technology developments.
6. **Diversity** - The objective is to foster the expansion of differing ideas and viewpoints while ensuring a sufficiently cohesive environment where tasks are completed efficiently.
7. **Complexity** - It helps develop better systems-thinking capabilities so you can design your own business models, processes, products and services in a way that minimises unnecessary complexity.
8. **Supply Chains** - The need is to develop a supply chain strategy that not only ensures the lowest costs but also minimises the risk of crippling supply chain disruptions.
9. **Strategic Planning** - To produce good business results in the future, companies must resolve that, strategic thinking and problem-solving are the keys to a successful business operation.

Interviewing: Preparation

Previously, you saw that the first step in solving any business problem is to understand it completely. To that end, you need to first familiarise yourself with the company. If you are solving an internal problem, then you would already have several facts pertaining to the internal teams, processes, etc. Nevertheless, you should still verify your understanding with the respective departments.

Now, if it is an external client, then you should spend some time learning about the company – what it does, the industry in which it operates, the market it caters to, its consumers – in addition to gathering information that will help you to understand the problem better.

Now, suppose a client approaches you seeking help with planning a marketing campaign. In this case, you should be well acquainted with the company, especially about the following:

What the company does?
The industry in which it operates
The market that it caters to
Its consumers
Marketing concepts
Information that will help you understand the problem better

Once you have done extensive self-research, you need to then understand the problem by interacting with the people who are facing it. This step is what we call 'interviewing'. To understand a problem completely, you will always need to interact with multiple people inside a company.

Different job roles will require you to interact with different sets of individuals, but the task of interviewing will remain the same across all of them.

Now, even though interviewing is an important skill, it is often observed that people do not prepare for it and end up asking random questions or missing out on crucial details.

Before any interview, you should have answers to the following three questions:

1. Why am I taking this interview?
2. What will I do next?
3. Why am I interviewing this person?

If you have clarity on the entire scenario, then you will be more comfortable in handling the situation that you find yourself in.

Interviewing: Do's and Don'ts

In an interview, you should observe the following practices as do's and don'ts.

1. Turn off all the distractions (mobiles, laptops, etc.) around you.
2. Use pen and paper to prepare notes.
3. Be patient. Don't be anxious to reply.
4. Pause. Think. Ask.
5. Playback your understanding with the interviewee for their validation.

People often tend to ignore the above when they are interviewing someone. You should keep them in mind and practise them until they come naturally to you.

Interviewing: Frameworks - I

Now that you have learnt how to prepare for and carry yourself during an interview, in this part, you will learn about a structured approach for interviewing any internal or external customer for a clear understanding of the business problem.

When trying to solve a problem, you do everything possible to get a good result; you try to gather all relevant information to solve that problem. Nevertheless, if you are not clear in your head, then you will end up with large chunks of unwanted information.

For example, let's consider you are interviewing a client who is troubled by the falling market demand. If you do not have a clear structure in your mind, then you might start with asking the following question:

"What do you think is wrong with the company?"
Some possible answers that you may have to this question are as follows:

The internal processes are not optimised.
The sales team is inefficient.
The product is not popular because of poor quality.
The company lacks the necessary resources.
You will end up with a list of, say, 10, random issues, involving, say, more than five, different departments, when it is possible that only two of them are relevant for your analysis; nevertheless. you will end up gathering irrelevant information as well.

To overcome this issue, people have developed specific patterns of asking questions, which we call 'frameworks', over the years. There are multiple frameworks that are available at your disposal, and you need to choose the one that is the most suitable for your case. As part of this module, you will learn about some of the popular frameworks and understand how you can apply them in different cases.

- 5 WHYs: This framework or pattern helps us ask WHY questions to the problem till we get to the root cause we are looking for. We keep asking the WHYs till we get to the part we are looking for or as much as we can go in-depth on the problem to solve it better.
- So what? : This framework or pattern helps us understand the implication based on the interrogation of part 1, so what interrogation of part 2, and so on.
- 5 Ws: The 5 Ws framework or pattern often asks the following set of questions.
    - Who was involved in the problem?
    - What is the problem that is being faced?
    - Where does the problem take place?
    - When does the problem arise?
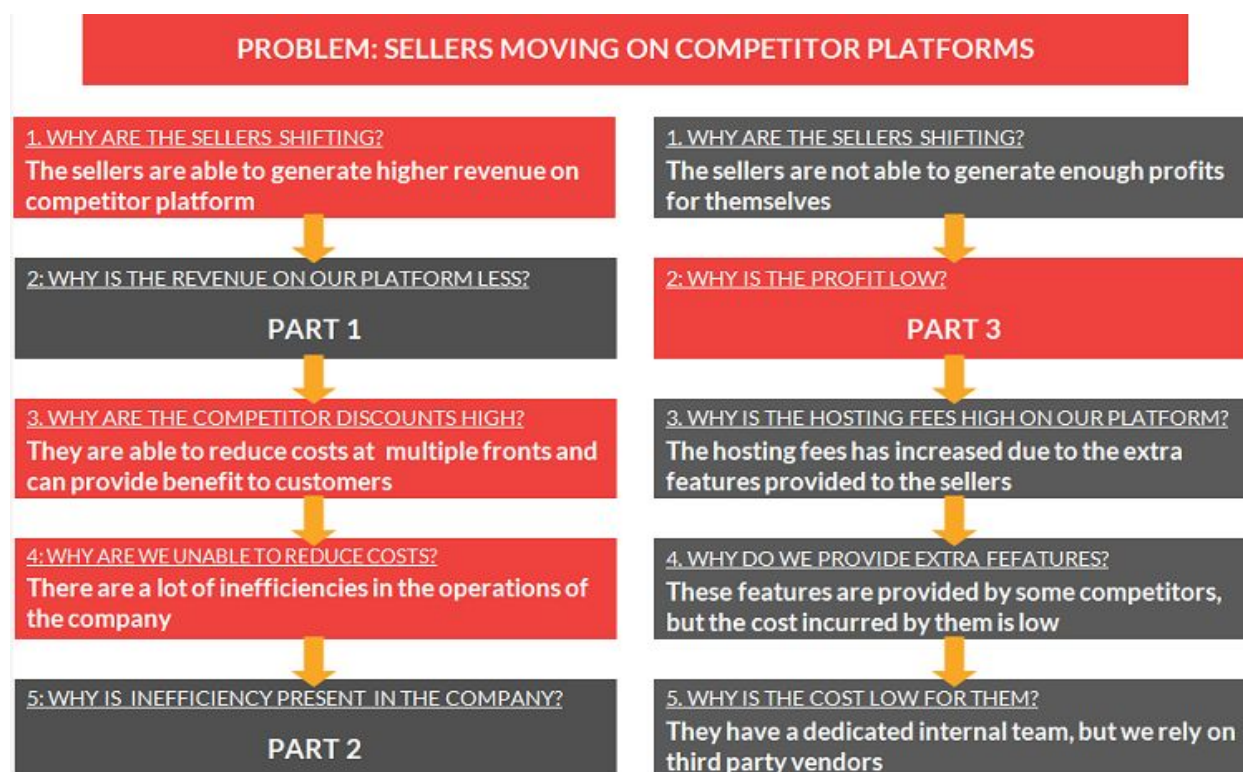   - How does the problem affect the company or its operations?

CASE: WHY DID THIS HAPPEN?	CASE: SO WHAT?	WHO?	Who is involved in the problem?
REASON 1: WHY DID THIS HAPPEN?	IMPLICATION 1: SO WHAT?	WHAT?	What is the problem that is being faced?
REASON 2: WHY DID THIS HAPPEN?	IMPLICATION 2: SO WHAT?	WHERE?	Where does the problem take place?
REASON N: WHY DID THIS HAPPEN?	IMPLICATION N: SO WHAT?	WHEN?	When does the problem take place?
ROOT CAUSE	ROOT CAUSE	HOW?	How does the problem affect the company or business?
5 WHYs	SO WHAT	5 W's	

Interviewing: Frameworks - II

5 WHYs

This is quite a helpful framework when it comes to identifying the root cause of a problem. The framework involves a sequence of 'why' questions, and you continue the process until you reach a stop. This is where you identify the possible root cause of the problem. The nested form of this framework helps you cover multiple aspects of a particular problem as well.

Now, let's try and understand this framework through a business case. Imagine you are working as a development manager for a leading e-commerce company like Amazon or Flipkart. The company is facing a problem: the vendors who were selling their items through your platform are moving to your competitor's platform. You are asked to look into the problem and try to solve it. You use the 5 WHYs framework to identify possible root causes of the problem. Refer to the flow of the problem shown below, understand the WHYs asked based on the answers found out during the interrogation process and try to think what could the answer be in the parts 1, 2 and 3 of the images.

PROBLEM: SELLERS MOVING ON COMPETITOR PLATFORMS

1. WHY ARE THE SELLERS SHIFTING? The sellers are able to generate higher revenue on competitor platform	**1. WHY ARE THE SELLERS SHIFTING?** The sellers are not able to generate enough profits for themselves
2: WHY IS THE REVENUE ON OUR PLATFORM LESS? **PART 1**	**2: WHY IS THE PROFIT LOW?** **PART 3**
3. WHY ARE THE COMPETITOR DISCOUNTS HIGH? They are able to reduce costs at multiple fronts and can provide benefit to customers	**3. WHY IS THE HOSTING FEES HIGH ON OUR PLATFORM?** The hosting fees has increased due to the extra features provided to the sellers
4: WHY ARE WE UNABLE TO REDUCE COSTS? There are a lot of inefficiencies in the operations of the company	**4. WHY DO WE PROVIDE EXTRA FEFATURES?** These features are provided by some competitors, but the cost incurred by them is low
5: WHY IS INEFFICIENCY PRESENT IN THE COMPANY? **PART 2**	**5. WHY IS THE COST LOW FOR THEM?** They have a dedicated internal team, but we rely on third party vendors

Note that with the WHYs framework, you should always keep in mind a few points:

The 5 WHYs may take some time to reach the main problem. The reasoning may branch into multiple options ('why else'), exploring each of which will require time.
There is always a risk of landing on a false root cause, as the branch you have explored might digress from the main issue.
The discussion should involve people from all the teams affected by the problem. This will help in covering all the aspects of the problem.

From the case discussed above, you must have understood that a person should be well versed with the flow of the process and the activities surrounding the problem to create a 5 Whys framework.

An extension of the 5 Whys framework is the 5 HOWs framework. It is a handy tool to drill down to a solution that will resolve the root cause of the business problem. Once you have determined the root cause, you need to ask 'How will we address the root cause?'. Using the '5 Hows' framework, your team will be able to come up with a precise answer. You drill down to the solution using a series of 'HOWs until you have a set of steps that will be needed to complete the task. Let's understand this framework with an example.

Suppose your company was losing clients and it asked you to come up with a solution to address this issue. You started with the series of 'Why' questions and arrived at the root cause behind the decline in the company's reputation. Now, having determined the root cause, your very first question would be "How do we resolve this issue?". The answer to this question is: "Improve the brand reputation". Using the 5 Hows framework, you can break this solution down into further steps as shown in the image given below.

As you can see in the image above, the solution has been broken down into a series of steps, which will be required to overcome the existing problems.

So What?

The 'So What' framework comes in handy when you want to get a deeper understanding of the implications of a particular problem or scenario. It helps you quantify the impact of a case with a series of 'So what?' questions. You create a flow by asking a 'So what?' question after each level. It helps you determine the problem areas if the business problem is not solved.

This is quite a helpful framework when you are trying to evaluate the need for a business solution. For example, consider that a client has approached you for help with finding a solution to the shrinking customer base for its products. In this case, the 'So what' framework will help you understand the implications of this problem on the business. You begin by asking the client the following questions:

"The customer base is shrinking. So what?"

Due to the reduced customer base, the sales of the company has fallen.

"So what?"

The reduced revenue has impacted the profitability of the company.

"So what?"

The reduced profits are affecting the operations of the company.

"So what?"

Due to the inefficient operations, the company is losing more money and incurring greater losses.

So, with the help of the 'So what' framework, you have created a map that shows how the problems are affecting the business.

5W

This is one of the simplest and most effective frameworks to understand the business situation at hand. You just need to write down the answers to the following five questions to get a clear picture of the problem:

WHO is affected by the problem?
WHAT is the problem?
WHERE is it occurring?
WHEN did it arise?
HOW are the people involved affected by the problem?
These five questions will help you understand the context of the problem. This is generally the first step for any person to work upon and is used in combination with other frameworks to solve a business problem. It is necessary to have a clear answer to all of these questions before you can start solving the problem.

Demonstration: 5W and 5 WHYs

In the previous part, you came across different frameworks to help you structure the interviewing process. Here, you are provided with a case where you can apply your learnings and check whether what you have learnt is aligned with what is expected.

The problem is associated with an IT consulting firm, which delivers IT solutions to its clients. The process of client engagement is given below:

The client approaches the sales team of the company to discuss the problem that the client is facing. (This could also be the other way around. The sales team may approach the clients as well.)
The sales team and the technical experts of the company understand the problem of the client and propose a solution based on the discussions with the internal teams (the testing team and the delivery team).
The client agrees to the proposed solution and enters into an agreement with the company, which lists the deliverables promised by the company, the timeline of the project, the payment amount, etc.
The delivery team works on the solution and finally delivers it to the client.
After the client verifies the solution, it pays the agreed amount to the company.

Now, the problem is that the clients are not willing to make the total payment that was promised in the agreement. This has been termed 'revenue returns', as a share of revenue is not received by the company. There can be multiple reasons for it, but before you start the process of interviewing, you need to have clarity about the problem. The next part below discusses the 5W framework in the context of this problem.

Who?	What?	When?	Where?	How?
• The IT Consulting Firm	• There is a high revenue return from the client leading to huge revenue loss	• Occurring since 2nd quarter of the year 2018-19	• Among the clients in the industry	• Sales & Customer related issues • Delivery related issues

In the above part, we started by asking the basic question: "Why is the percentage of revenue returns high?". Gradually, in this case, we concluded that "the tech stack that we equipped was not suitable for the solution that was asked for by the clients". (A tech stack can be considered the base over which the tech solution is built for the client.). You have identified a possible root cause.

However, you should not treat this as the end. It can be one of the many possible causes of the problem. Therefore, you need to validate your cause using the data available. After the interviewing process, you can treat this as one of the possible causes.

Moving forward to the second scenario, you can try to come up with a suitable chain of reasons and build a 5 WHYs framework of your own around the delivery side. The problems for revenue could be because of poor delivery. The WHYs analysis for analysis the revenue returns could be as follows

- Why was the revenue return high?
- Why was the delivery late?
- Why were the timelines unjustified?
- Why was the team inefficient?
- Why did the team lack expertise?

We started by asking the basic question: "*Why was the delivery late?* ". Gradually, in this second scenario case, we concluded that "*the team skill set was under qualified or not mapped with the skills that was required or maybe the team was not motivated* ". In this manner, we identified the root cause of the problem.

So far, you have learnt about the process of interviewing. One important thing that should be clear in your mind is that interviewing is a data collection process. You should not generate a final hypothesis during one particular interview. The primary purpose of the interviewing process is to identify the key areas where the problem might exist and then collect data concerning them to test if the problem exists in that area or not. There are different stakeholders involved in any problem, and each of them could have a different perspective and points to contribute. For example, in the case above, where the company is facing the issue of revenue returns, it is possible that either the sales team or the delivery team is responsible for the problem.

Demonstration: 5 WHYs - 1

Let's look at a home loan business of a leading private bank in India, Bank A, was witnessing slower than usual growth in its book of business for the most recent quarter and how they determined the root cause of the problem using the 5 WHYs framework.

The head of the Home Loan business asked the heads of the Sales, Operations, Risk and Analytics teams to investigate the problem and identify the root causes for the slowing growth. A business like selling home loans can grow or shrink based on several factors. Nevertheless, the factors analysed for the above problem are as follows:

Demand side - Are interest rates high because of which the overall demand for home loans across all banks is low?

Demand side - Are there any macro-economic reasons, such as recession, or low salary growth, or inflation, due to which consumers are unwilling to spend money on big-ticket items such as real estate?

Supply side - Are new and attractive housing projects not available in the markets being served?

Supply side - Have real-estate prices shot up, making homes unaffordable, relatively speaking?

Competitor side - Are we losing customers to our competition? Is our competition also experiencing slower growth?

When the teams started exploring answers to the first 'Why' question, they found that Bank B, Bank A's competitor, was witnessing robust growth in their home loan portfolio. So, the teams decided to dive deeper into this cause.

In the second 'WHY they analysed the competitor's growing portfolio, and the teams conducted investigation through various channels:

Is Bank B's Product better? Did Bank A come up with any innovative home loan product with an attractive EMI structure or a higher Loan-To-Value?

Is Bank B's Selling better? Are Bank B's sales agents better than Bank A's? Is Bank B running a better marketing campaign than Bank A? Does Bank B have any special tie-ups with companies that have opened salary accounts with them?

Are Bank B's Terms better? Was Bank B luring customers through lower processing fee or any first-year EMI concessions?

Is Bank B's Process better? Are there fewer steps in granting a loan? Does it take less time? Is the experience better?

The team found that Bank B, on average, took less time than Bank A to approve a loan through some process improvements that they had made.

So, in the third 'WHY' the team found that during the document verification process and during background checks, Bank A spent a lot of time verifying the income of an applicant. An independent third-party agency was involved in this process, and although its process was robust, it was time consuming and could not be modified. This was, thus, becoming a bottleneck and was slowing down the process.

In the fourth 'WHY, they found that when an applicant was a salaried professional, irrespective of whether they had an account with the bank or not, the overall process followed by Bank A was not taking longer than the time offered by Bank B. However, for the remaining three types, the time taken was significantly longer. When the team looked at the mix of applicants for the recent quarter, they found that the percentage of applicants who were Businessmen, Self-Employed or Household folks had dwindled drastically compared with previous quarters.

So, ultimately, in the fifth 'WHY' , the team detected the root cause of the problem, which was income verification for non-salaried employees was taking a lot of time. This was identified as the root cause of the business problem.

Demonstration: 5 WHYs - 2

Let's understand another problem of how a leading India health insurance company found that the profits from one of its regional markets had been hit in the latest quarter. The managing director of the company issued a directive to the data science team to table a root cause analysis in the next meeting, working with the Marketing, Operations, Actuarial, Underwriting, Network and Clinical Policy teams.

In the first 'WHY the data science team analysed the revenue stream and operational costs, and found that they remained constant; however, when they analysed the trend for medical costs, the team observed that there was a sharp increase in the latest quarter.

In the second 'WHY the health insurance company broke down the medical cost into 'Number of Claims' and 'Average Cost per Claim'. When the data science team looked at the overall trend of 'Number of Claims' and its components, they did not find any significant change.

However, 'Average Cost per Claim' was trending higher in the latest quarter. Clearly, utilisation of health services had not changed among the company's customer base, although it certainly appeared that the services had become more expensive, on average.

In the third 'WHY' they saw that the data science team revealed that roughly 50% of the rise in 'Average Cost per Claim' for the region was contributed by a rise in the cost of diagnostic services. Although there were other service categories that had also contributed to the rise, their contribution was in single digits.

In the fourth 'Why', the data science team first received the three categories of claims namely "The types of claims", "Who files these claims", "Prices varying across geographical areas".

In the type of claims there are three categories which are as follows:

1. Inpatient Claims - Filed when a patient has to be hospitalised and are the most expensive of all types of claims
2. Outpatient claims - Filed for visits to the outpatient department of a hospital and for treatment without hospitalisation. These visits could be for checkups, simple procedures or for visiting multiple specialists.
3. Doctor claims - These are claims that are filed when a patient visits a doctor for a consultation or a check-up

When we look at "Who files these claims" , a health insurance company's relationship with doctors & hospitals is of two types: with whom the insurer has a contract to provide treatment to its customers (In Network) and with whom it doesn't (Out Of Network).

When they looked at "Prices varying across geographical areas" they understood that a health insurance company has to pay different prices for various services separated by Geographical Region, as prices vary from one part of the country to another.

The data science team found that the diagnostic services conducted in an Outpatient setting were expensive for the three main districts in the region, which accounted for 75% of the claims, for both In Network and Out of Network participants.

In the fifth 'Why' question, the team focused on what kind of tests were carried out, what kind of ailments were the patients suffering from, and what kinds of equipment were being used. The team found out that not only were the tests out of line with the patients' medical needs, but they were also being conducted by a third-party lab using advanced diagnosis equipment that were state-of-the art and expensive, and were not used elsewhere in the country.

So, in this part, you saw how a leading health insurance company identified the root cause of the business problem using the 5 Why framework.

Interviewing : Frameworks - III

In the SPIN selling framework, there are four categories of questions that you must ask in order to understand the business problem at hand and establish a relevant proposition for the solution. Now, there should always be a balance between the number of questions that can be asked under each category. You can get an understanding of this by referring to the table given below.

Question Type	Description	Benefit	Impact
Situation	Questions about the customer's current processes and situations	Seller understands the buyer's context, but the buyer is monotonous here.	Used more in calls that fail; overused by inexperienced people
Problem	Questions about the customer's problems	Seller reveals buyer's problems; the buyer is interested in discussing the problems	Strongly linked to success in smaller sales
Implication	Questions leading customers to reveal the implications of their problems	Seller transforms implied needs into explicit needs	Strongly linked to success in larger sales
Need-Payoff	Questions offering potential solutions and highlighting the benefits of solving the customer's problems	Seller influences buyer to realise the potential benefits of solving the problem	Strongly linked to success in larger sales

The SPIN framework starts with asking questions about the current situation and helps you visualise the entire journey, from when the problem arose to what would happen once the problem is solved. It is an excellent approach to follow, as it helps the client (internal or external) realise the extent of both the problem and the solution.

Following are some key points that you should keep in mind while using the SPIN selling framework:

- The result of the framework is highly dependent upon the quality of the questions that are asked. If you are not asking the correct questions, then you will end up with a large chunk of useless information. This can go in the opposite direction as well. You might even miss out on some vital information by not asking a question. Hence, you should always include questions from all four categories (SPIN), by maintaining a balance among all of them.
- The questions asked should not make the interviewee uncomfortable. You should be careful while framing the questions, so that the interviewee feels free to share relevant information.
- You should do your own share of research before asking the 'Situation' and 'Problem' questions, so that you have some context when the interviewee is providing you with information about the process or the company. It will help you prepare for the 'Implication' and 'Need-payoff' questions based on what solution can be provided in those problem scenarios.

Implication and need-payoff should not trigger any unrealistic targets for the people facing the problem. It is a possible scenario, because the client or the internal team may expect you to solve all the problems and address the implications arising from them.

One major challenge associated with the framework is to correctly identify the category to which a question belongs. The major confusion lies between 'Situation' and 'Problem' questions. You should always remember that if the question that you are about to ask is trying to gather information about a process or an activity, then it will be a 'Situation' question. And if it is meant to reveal the problems that the company might face, then it is an Implication question. Now, let's try and understand this with an example:

Question 1: *Why do you use equipment "X" for activity "Y"?*

Question 2: *Is equipment "X" reliable for activity "Y"?*

Question 1 would fall under situational questions as you are trying to understand the process in the company. However, Question 2 will be framed after you know the process and are trying to understand whether there is any problem with equipment "X". Hence, you should be able to distinguish between the two questions.

Demonstration: SPIN Framework - 1

In the previous part, you learnt about the SPIN selling framework. Now, as a practice exercise, you are expected to frame SPIN questions for the case of revenue returns that we discussed before. You can revisit the problem in the part "Demonstration : 5WHYs and 5W".

The problem is associated with an IT consulting firm, for which you developed the following 5W and 5 WHYs:

There are two scenarios for which we developed the 5WHY Framework. The following image shows the 5WHY framework application:

For the same problem, the SPIN selling questions will ask the following questions

SPIN FRAMEWORK: HIGH REVENUE RETURNS

Situation	Problem	Implication	Need-Payoff

- How many projects does the company handle in a quarter?
- What is the strength of a team in a project?
- What is the length of a project?

- Do you think that the team is skilled to handle the large projects?
- Is there an optimal distribution of resources in each project?
- Is the communication within and outside the company clear and frequent?

- How does the problem impact your financial targets?
- Does the problem impact your market share?
- Does the revenue loss impact the future goals of the company?

- How will the excess revenue help in financial planning? (additional revenue)
- Will it optimize the distribution of resources in the company? (lower cost)
- Will the solution make the employees more

One benefit that this framework has over others is that it also helps both the problem solver and the client understand the benefits and the expectations from the solution. These include the following:

If you are solving the problem, then you get answers to all the questions that you have in mind and have clarity on what your client or the team expects.
The client can visualise that the solution will solve several of their problems that were discussed under 'Implication' questions and provide the benefits that are conferred under the 'Need-payoff' category. They would be even more willing to give you all the information and resources if they realise how useful the solution would be.

Demonstration: SPIN Framework - 2

In this part, we will discuss a business problem that was faced by a large Indian private bank. It was experiencing dismal revenue growth across all of its products, its customer satisfaction had hit a new low, and in addition to all of this, morale in the sales organisation was not high, leading to high attrition.

The following teams were involved in gathering information about the problem:

1. Marketing team
2. Branch Operations team
3. Phone Banking team
4. Internet Banking team
5. Product teams

The team from ABC Consulting understood the revenue situation of the bank. They gathered information on the following aspects by using the 5Ws framework (used in understanding the business problem):

1. Data - Baselining the data. What was the revenue trend like for the past few years? What is it like this year?
2. Targets - Who owns the revenue targets? How are the revenue targets arrived at for each business team? What percentage of the overall target do they own?
3. Products - What are the products that the business teams want to sell in order to realise the targets? How are the products designed? What are the strengths and weaknesses of the products? What is the revenue model for each of the products that they want to sell?
4. Salesperson - Who sells the products? How are they hired? How are they trained? What targets do they get? What is the incentive mechanism in place for them?
5. Customer - Who do they sell the products to? How are customers identified?
6. Selling process - How do they sell the products? Where does the sale take place? What are the products that see higher sales? When do they see higher sales? Where are higher sales seen?

Following are key points regarding 'Situation' questions:

ABC Consulting did as much research as it could by itself or with the help of junior interviewees to answer these questions so that it did not overwhelm the various team leads or the Head of Marketing with the 'Situation' questions. 'Situation' questions benefit the Consultant more than the Problem Owner(s), and are likely to routine the latter.

Before the interviews, ABC Consulting had conducted internal planning meetings to list down exactly what questions they wanted to ask the interviewees and the facts or data that they wanted to gather. This greatly helped ABC Consulting conduct fruitful meetings and gain a strong understanding of the situation at Bank XYZ.

To delve deeper into the Customer Satisfaction problem, with permission from Bank XYZ, ABC Consulting also conducted an independent survey of Bank XYZ's customers to get their feedback.

There was a conversation between Bank XYZ and ABC Consulting company. The consulting company was asking Bank XYZ various questions to analyse the problem that it was facing. After the conversation, the team from ABC Consulting finds out what probably is the biggest reason for the lack of revenue growth of Bank XYZ: the bank has to transform from being product-centric to being customer-centric. The team from ABC Consulting, however, uses the SPIN selling framework to build the implications of the problem, instead of trying to jump to a solution straightway.

The following conversation highlights the discussions between the two teams for the problem based questions, implications based questions and the need payoff questions.

Problem Based Questions

Team ABC: "*We understand that your overall strategy to meet revenue targets is split between acquiring new customers, or NCA, and selling more to your existing customers. How do you feel that's working for you?*"

XYZ M.H.: "*Well, our NCA has always been strong, I'm sure you've seen the data. However, historically, we've never been able to do well with our existing customers.*"

Team ABC: "*Yes, we noticed that. It looks like you're doing well on Up-Sell (Selling a higher variant of the same product that a customer has. E.g. Selling a premium credit card to a customer who has a basic credit card), but your Cross-Sell ratio (Number of different products held by a customer) is the lowest in the industry. What explains that?*"

XYZ M.H.: "*Yes, you hit a raw nerve there. See, being good at Cross-Sell means you have to be good at two things. Firstly, you need to generate good leads, or customers who have one type of product and can be sold another type of product, which is what Cross-Sell is. Secondly, you need people who are trained to sell multiple products well. We don't have either.*"

Team ABC: "*That's interesting. Could you give us an example?*"

XYZ M.H.: "Sure, I have plenty. For example, the Life Insurance product team tries to sell policies to our customers who have a lot of money in their Savings Account. So, they go to the Savings Account product team and ask for a list of customers who have a high balance in their account. This list is then passed onto branch employees who are asked to sell Life Insurance policies to these customers. However, when they try to cross-sell life insurance policies, they find that these customers don't actually need a policy. Could be that they are more mutual fund investors who don't buy life insurance policies, or maybe they are saving up for a home loan, or for a wedding, or any of a dozen other things. So the leads that the Life Insurance team pursues are not that good, their cross-sell suffers and hence revenues are lower."

Team ABC: "And could you explain the point about needing people who are trained to sell multiple products well?"

XYZ M.H.: "Yes, in the same example, how does the cross-sell attempt happen? The customer with a high balance comes to the branch, goes to the Savings Account counter to encash a cheque. The branch employee, who knows only the Savings Accounts product, after encashing the cheque, tries to sell a Life Insurance policy to the customer. Even if the customer needed a policy, compared to an employee who sells only Life Insurance, this employee is not trained enough on the Life Insurance product to be able to make the sale happen, especially if the customer is knowledgeable and has hard questions …"

Team ABC: "So it looks like both your product teams, who seek leads from other product teams, and your sales personnel, in the branches or in the call centers, have a very narrow product-centric point of view. This product-centric mindset is leading to lower cross-sell. Is that a fair statement to make?"

XYZ M.H.: "Absolutely! I liked the way you put it, "product-centric"."

During the conversation, it was found out that since Product teams may not be in favour of moving to a customer-centric model, as they may lose 'status' and 'precedence' in the organisation, the team from ABC Consulting ventures into building the implications of the product-centric mindset of Bank XYZ with the Head of Marketing, who may, in turn, use the same points during internal discussions to advocate for a customer-centric model.

The following are the questions for implications part of the SPIN selling framework applied during the problem solving.

> **Team ABC**: *"We'd like to delve deeper into the product-centric mindset that seems to prevail at your bank. How does this impact your customers? Judging from the Voice Of The Customer exercise, we conducted, your customers are not happy with it."*
>
> **XYZ M.H.**: *"No, they are not. If I have the highest premium credit card of our bank but just thousands in my savings account, when I go to a bank branch to withdraw money, I have to stand in a queue for a while before I can transact. However, if I call up our credit card call center and complain about late fees being charged, they treat me like a king and waive the charge off. Feedback from our customers, especially those who hold multiple products, is that they receive very inconsistent treatment from us, depending on the specific product sub-type they hold."*
>
> **Team ABC**: *"Aside from lower customer satisfaction scores, which obviously explains your higher customer churn, doesn't that also affect your branding and the effort it takes to attract new customers? We noticed that although you're able to generate good revenues from your new customers, your new customer acquisition costs are among the highest in the industry."*
>
> **XYZ M.H.**: *"Definitely. We're not perceived as a premium brand in the market, in fact people think we're extremely transactional and don't have a relationship-based approach to banking. Which also means that we have to spend more on marketing, advertising, sales incentives to bring in new customers."*
>
> **Team ABC**: *"So your product-centric mindset is not only affecting your revenues through low cross-sell conversion, but is also affecting customer experience, customer satisfaction scores, customer churn, branding and new customer acquisition costs?"*
>
> **XYZ M.H.**: *"That is true .. Enough to make anyone feel miserable."*
>
> **Team ABC**: *"If we flip from your customers to your sales employees across branches and call centers, how does the product-centric mindset affect them? Aren't they not finding that it makes their jobs difficult?"*
>
> **XYZ M.H.**: *"For sure, yes. Our employee satisfaction scores are the lowest among our sales staff. They feel that their targets are stiff on one hand and the leads they receive are not of good quality on the other hand."*
>
> **Team ABC**: *"And that seems to contribute to your higher employee attrition levels as well?"*

XYZ M.H.: *"Yes, we don't have a good reputation in the market as a good employer for salespeople."*

Team ABC: *"If your employee attrition is high, and if these employees need training for cross-sell, aren't you having to train employees too frequently? Your training costs must be skyrocketing."*

XYZ M.H.: *"Every time we hire a new salesperson for our bank branches, we spend roughly a month's salary training them, and before we can recoup the training costs entirely, a large percentage of employees leave, so it's not a happy situation to be in."*

Team ABC: *"So your product-centric mindset is affecting employee morale among sales personnel, leading to higher attrition and higher training costs … Help us understand the impact of this on your Product Teams, even though they themselves are partly the cause of this situation. Does this not cause distrust among the different Product Teams?"*

XYZ M.H.: *"It certainly does. Every once in a while, we get escalations about how a VIP customer ended her credit card relationship with us because she was tired of our call centers calling her trying to sell her personal loans. The credit cards team lost a valued customer just because the personal loans team didn't know how or when or whom to cross-sell. It worsens if a customer has multiple product relationships with us. Each product team thinks that the customer is their customer when we are all one bank and it's the same customer."*

Team ABC: *"Does this also mean that Product Teams are hesitant to take up cross-sell targets?"*

XYZ M.H.: *"We get significant pushback every year during the target setting period on cross-sell targets. We know we should be doing more cross-sell but we are not able to push our Product Teams to do the same. They keep asking for lower targets."*

Team ABC: *"So it sounds like having a narrow product-centric mindset is not just a problem for your revenue growth but it is also significantly impacting your customers, your sales teams and your Product Teams."*

XYZ M.H.: *"Yes, it's distressing."*

In the conversation shown above, the team from ABC Consulting points out the implications that show that the product-centric mindset is not just a problem for the company's revenue growth, but it also has a significant impact on its customers, the sales team and the product team.

The team from ABC Consulting has successfully used the SPIN selling framework to identify the Implications of the business problem, which was the need to rethink the product-centric mindset prevalent in Bank XYZ. They built up the gravity of the problem using 'Implication' questions. However, to go from Implied Need to Explicit Need, which is when appetite for the solution is the highest, they need to use 'Need-Payoff' questions. Let's follow the exchange further in the conversation below.

Team ABC: *"We could help you move to a more customer-centric way of working. This would involve a few things. Firstly, using our data management capabilities, we'll pull data from all the product data warehouses to build a 360 degree view of your customers, which will give you all the relationships that a customer has or had with your bank. Would that be helpful?"*

XYZ M.H.: *"Oh yes. We would definitely find that very helpful. If I know all the relationships that a customer has with us and how they transact, it will help us at least find out what products they are likely to prefer and more importantly, what they don't need."*

Team ABC: *"And that should help refine your cross-sell methods, right?"*

XYZ M.H.: *"Yes, it should improve our cross-sell penetration."*

Team ABC: *"Next, we will develop a formula to come up with a single number for each customer that will represent their Pan Bank Relationship Value (PBRV), across all the products that they own from your bank. Is that something that will be useful?"*

XYZ M.H.: *"Yes, at the very least, we can use that value to make sure our customers are treated the same by our call centers and the various teams in the bank branch, regardless of their product holding."*

Team ABC: *"And that kind of consistent treatment could have an impact on customer experience?"*

XYZ M.H.: *"Yes, our customer satisfaction scores should improve. Consequently, we could potentially see lower attrition rates. Our brand perception should also improve leading to lower new customer acquisition costs."*

Team ABC: *"Lastly, we want to use the PBRV to segment your customer base so that you move from product-based segmentation to total-relationship-based segmentation. What benefits do you see from having such segmentation?"*

XYZ M.H.: *"Lovely. That will mean I can train and organize my sales teams to sell to a particular customer segment rather than a particular product. I can also use the*

customer-level segmentation to generate better leads for them. Overall, they will get better targeted training and better leads."

Team ABC: *"Won't this be a big change for your Product Teams from their current way of working and thinking?"*

XYZ M.H.: *"Yes, it will be and it will also need us to change the interiors of our branches, reorganize our call centers and our internet banking site. It's a huge change. But I think this is the way forward. If we don't go through this transformation, we stand to lose on all fronts. However, I do think the Product Teams will eventually see that this makes their lives easier as well."*

So, in the part, you see how the team from XYZ Consultancy puts forward various suggestions, which are as follows:

1. Data consolidation - Created a 360-degree view of all the customers, giving insights into all the relationships with a customer, past as well as present
2. Pan Bank Relationship Value (PBRV) - Developed a formula that took into account all the relationships that a customer had with Bank XYZ and quantified them through a numerical value
3. Customer partition - Instead of parting customers for each product based on the product subtype, customers could be parted just once, using the PBRV and other inputs
4. Branch–Call Centre–Website Transformation - Based on the new customer partition, customers of a certain part, regardless of their product holding, would go to that specific part of the branch, which is reserved for their part, dial just one call centre number for their part, and also see a different kind of website that is customised to the needs of their part.

Marketing and sales efforts became the responsibilities of the Customer part teams, rather than the Product teams. These new Customer part teams endeavoured to sell the right product to the right customer at the right time through the right channel.

Interviewing : Things to keep in mind

In the previous parts, you learnt about multiple frameworks that can be used in an interview to understand the problem that your company or client is facing. One point that you should always remember is that asking the right questions and following a structured approach are not the only skills that are required; there are other factors as well that are important in achieving the desired results from an interview.

So, during an interview, you should follow all the points as follows

1. You should have a skeptical mindset when you are listening to the interviewee. You should not have any preconceived notions or prejudices before entering the room. This will hinder your ability to ask the right questions and is highly unrecommended.
2. You should keep on probing into the interviewee's statements. This will help you gather more information and validate the points made.
3. While probing, you should always be careful when dealing with sensitive topics. You should always make the interviewee comfortable, because they may carry the thought that there could be some future consequences if they revealed their shortcomings.
4. Always try to ensure that the interviewee replies with information that can be tested or verified. It is always advisable to have some supporting data for it. You should also compare the responses of people from the same team and check whether there is a huge difference between their answers.

So far, you have received pointers on how you should behave in an interview. In the real world, you will come across people with different traits, and the same approach will not work for all of them.

Below image describes all the four types and the kind of questions that should be asked to them for gathering data

TAILORING THE CONVERSATION

This interviewee	Behaves this way	How to get them to open up
"The Old Hand"	Relies on experience and the way things have been done. "What can this kid do?"	Ask him to describe his work Ask what he would like to do, but can't Ask about competitors
"The Weasel"	Blames everyone for everything. Will not talk about his role in solving problems.	Focus on his/her responsibilities Determine hand off points Leverage willingness to identify problems in other people's areas
"The Stone Face"	Doesn't profess to know anything "I just do what I'm told"	Ask questions about current situation: who does what where, how Does this work or not, and why
"I Know It All"	Has an answer and recommendation for everything	Listen and challenge in a friendly way Paraphrase, turning answers into questions. ("So you think that ...?") Ask role reversals: if X did your job, what do you think he would do

Among the four types, the best type of interviewee is the 'I Know It All' type. They believe that they have all the answers and are willing to share their knowledge without any hesitation. The toughest type of interviewee would be 'The Stone Face' type. You would need to put in more effort into getting information from these interviewees.

If you are able to identify the type of the interviewee, then tailoring the conversation accordingly can result in a good information source. This is a skill that you will have to practise and develop over time.