

17 Focus interviews are the heart of top-down analyses and must be done first

FI's are critical to quickly test initial hypotheses and onboard the team in a safe environment

Study Plan

It is crucial to book in the dates for updates as soon as the study commences.

Otherwise the client's diary may not be free. I have built a rough study plan and believe the following is feasible. We will confirm this once the team begins on the 16th June. They need to be comfortable with the timings I am proposing.

For now, Guillermo will hold these in all the diaries:

Week 2 – Progress Update

Week 3 – Case Study Findings & Market Segment Analyses

Week 4 – Focus Interview Feedback + Modeling Report + Value Chain & Competitor Analyses + Identifying the business model options

Week 6 – Is market entry viable and what do we propose next?

Week 8 – Board Presentation: Our recommended option, analyses of the loan book and US pilot site recommendations

Week 9/10 – Final report with detailed analyses of the recommendation

How did we come out with these analyses for each update so early? I did not suck the analyses out of thin air.

I used the approach we use in every single corporate strategy study.

Here is a rough breakdown of the steps, in the detailed videos from the [technology merger corporate strategy study](#), that I used to do a high-level plan of this study:

- (1) Listed the objective function
- (2) Determine the drivers of the objective function
- (3) Prioritized the drivers
- (4) Broke down the prioritized drivers
- (5) Repeated this process until I had a decision tree about 4 / 5 levels down

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- (6) Built hypotheses for the prioritized branches
- (7) Designed the analyses I would need to test the hypotheses
- (8) Clustered the analyses into common groups
- (9) From the clusters I then had a list of the areas I needed to conduct the analyses

This is how I knew what work needed to be done. I will repeat this process with the team so they can learn how it should be done on a real study.

Never ever do an analyses just because it is part of some checklist.

That is not strategy. It is wasting time.

An analysis must only be done to test a hypothesis, and the hypothesis must come from the decision tree and the decision tree must come from a clear objective function for the study.

Everything naturally flows from the other.

At this stage we have 29 focus interviews planned. The list could go up a little or even down a little as diaries change but it looks like a good start.

It is **unusual** to have so much planning and coordination support from a client over a week before the study starts, but Guillermo and the CEO have pushed hard to create space for us to do this.

The majority of the interviews are with banks that distribute LAB's wholesale products through their retail branch network.

The credit guarantee scheme will be carefully reviewed in these focus interviews since the banking client is rather proud of them and believe it is a win-win situation for the local banks.

We have several development finance experts to interview including many from Yale, Africa, Harvard, Latin America etc.,

Of course, as the majority shareholder of the banking client, the government will be interviewed.

Shadow Studies

You will notice none of the distribution financial intermediaries are being interviewed. We have a very special plan for them.

For the DFIs **and** recipients of the funding, entrepreneurs, we will be spending a day or two shadowing them silently, with their consent, to see what they do, why they do it and how it impacts the economics of the business.

This is probably one of the best parts of the study.

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If the team needs help on the ground, I personally volunteer to shadow a food entrepreneur, and taste the excellent Hispanic cuisine.

The team will fan out across New York, California, Nevada, New Mexico, Arizona and Florida to conduct the shadow studies and focus interviews. In total, we want to cover 9 Southern USA states. New York is being added as a control.

Texas is not yet on the list due to scheduling problems but we hope to correct that soon.

Imagine spending summer in California out in the heat shadowing entrepreneurs! There will be many shadows due to the blazing hot sunlight.

Obviously the team needs to be dressed “appropriate” to the role.

A Brooks Brothers chinos clad consultant in the middle of an informal LA food market in a seedy part of town is just asking to be mugged!

In those situations, jeans and a shirt is the norm. We are visiting to 2 DFIs and will spend over a day at each.

One is a DFI offering entrepreneurs funding of \$700 and only targets customers within a cluster; such as focusing on clients who operate on the same street etc. They have many different types of clusters

Another, is a massive operation offering funding to established small businesses of 2 years or more, with an average business loan size of \$50,000

We will split the time at each DFI as follows:

(1) Day 1: We will go out with a loan officer and see how she/he spends her day visiting clients, following up on delinquent loans and their general routine

(2) Day 2: We will spend a day in the office seeing how the key processes work, map them and time them. The processes we will look at involve processing a funding request, updating a customer file, adjusting a loan request, handling delinquencies etc.

Both DFIs are within driving distance of the US-Mexican border.

These are my early thoughts, but if we assume the banking client wants to replicate the retail structure in the US since they think the DFI are so successful, then we need to test for this.

Are the DFIs successful, and if they are, under what conditions are they successful and can LAB replicate these conditions?

Key considerations

The team should understand the:

(1) Operational issues and requirements for successful micro-lending in the US and Mexico

(2) Business model structures and products/services offered

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- (3) Customer needs, customer support offer and how these vary by business/industry type and loan size
- (4) Systems, loan book, people and organizational structure requirements for different loan sizes and target markets in different states and for different sectors across different customer profiles
- (5) Economics of the value chain – margins, costs, prices etc.
- (6) Lessons each DFI learned in starting up.

How forthcoming will the DFIs be? LAB does not own them. They are clients of LAB – the retailers to LAB’s wholesaler role.

Will they share the information we need?

I think they will. We can deduce enough from the information they will provide to model this operation correctly and since the banking client will have a mirror of the loan book managed by the DFI, we can always double-check the numbers.

QUESTION(S) OF THE DAY: Have you tried using focusing interviews at the start of a study. How did the study change by adding this step?

We answer this question, additional reader questions and discuss more issues raised in this article on the accompanying episode on the *Strategy Skills* podcast channel on [iTunes](#), [Google Android Podcasts](#), [Libsyn](#), Spotify, [Acast](#), [Podbay](#), [Podbean](#) and [Listen Notes](#). This is the world’s #1 ranked business strategy podcast channel.

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