

Identifying a Business Problem

Identifying a Business Problem – Study Notes

1. Why Identifying the Right Problem Matters

Benefit	Explanation
Focus	Directs resources toward the most impactful issue.
Alignment	Ensures solutions support strategic goals and stakeholder expectations.
Efficiency	Prevents wasted effort on symptoms rather than root causes.
Measurable Impact	Makes it easier to define success metrics and track ROI.

2. Core Concepts & Terminology

Term	Definition	Example
Problem Statement	A concise description of the gap between the current state and the desired state.	“Customer churn is 12% higher than the industry average.”
Root Cause	The underlying factor that generates the observable symptom.	Inefficient onboarding process ? low user adoption.
Symptom	Observable effect that signals a problem but may not be the cause.	Drop in sales revenue.
Stakeholder	Anyone affected by or able to influence the problem/solution.	Customers, sales team, finance, IT.
KPIs (Key Performance Indicators)	Quantitative metrics used to gauge the severity of the problem and later the success of the solution.	Customer Lifetime Value (CLV), Net Promoter Score (NPS).

3. Step-by-Step Framework for Problem Identification

3.1. Clarify Business Objectives

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1. Review the organization's vision, mission, and strategic plans.
2. List the top-level goals (e.g., revenue growth, market expansion, cost reduction).

3.2. Gather Data & Evidence

Source	What to Collect	Tools
Internal	Sales reports, churn logs, process maps, employee surveys	ERP, CRM, BI dashboards
External	Market trends, competitor benchmarks, regulatory changes	Industry reports, Google Trends, Gartner, Statista
Qualitative	Customer interviews, focus groups, frontline staff feedback	Interview guides, recording software, sentiment analysis

3.3. Define the Symptom(s)

- Write the observable issue in **objective, measurable terms**.
- Example: "Monthly recurring revenue (MRR) declined by 8% over the last three months."

3.4. Perform Root-Cause Analysis

Technique	When to Use	Quick How-to
5 Whys	Simple, linear problems	Ask "Why?" repeatedly until the underlying cause surfaces.
Fishbone (Ishikawa) Diagram	Complex, multi-factor issues	Map categories (People, Process, Technology, etc.) and list possible causes.
Pareto Analysis	When many causes exist	Identify the 20% of causes that generate 80% of the effect.
Fault Tree Analysis	High-risk or safety-critical problems	Build a logical tree of events leading to the failure.

3.5. Validate the Problem

1. **Quantify Impact** – Translate the problem into financial or operational terms (e.g., lost revenue = \$1.2M/year).

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2. **Cross-Check with Stakeholders** – Confirm that the identified problem aligns with their perceptions and priorities.
3. **Test Assumptions** – Use small pilots or data experiments to ensure the root cause is truly driving the symptom.

3.6. Craft a Precise Problem Statement

Structure:

*[Current Situation] + [Desired Situation] ? **