8 Gaining Insights by Observing Target Customers in Their Natural Environment

Learn from yesterday, live for today, hope for tomorrow.
The important thing is not to stop questioning.—Albert Einstein

During the foundation layer, the *target industry* in which to compete has been identified and the field of play, the so-called *strategic focus*, selected. The second layer of the strategy design process, the business model layer, focuses on designing how the firm wants to create value for its customers, and subsequently, its stakeholders. It can be decomposed into four process steps, the four steps of design thinking, that is, observing, learning, designing, and validating. This chapter focuses on the first step, exploring target populations through observing. The *target population* is defined as subjects, such as customers, employees, or suppliers, or objects, such as technologies, capabilities, or processes, that are important relative to the strategic focus and are at the center of the firm's business model. The term target population is a generalization of the term target customer. Depending on the chosen strategic focus, observing means laying the foundation to understand customer jobs-to-be-done, identifying innovation expertise, detecting capabilities and resources, or apprehending financial traits. During the observing step, a firm-specific perspective is taken, such as focusing on customers, suppliers, and employees, rather an industry specific perspective, such as focusing on competitors.

8.1 Observing Objectives

The goal of the observing step is to identify insights that may be of value during the designing step. Stated otherwise, the focus is on laying the groundwork for subsequently generating innovative ideas onto which the firm's target business model and strategy can be based. To do so, the target population is observed in its natural environment, looking for analogies, associations, and contradictions. A special case of observing is listening (Verganti 2009). Depending on whether the firm is a

C. Diderich, *Design Thinking for Strategy*, Management for Professionals,
https://doi.org/10.1007/978-3-030-25875-7_8

mature firm, operating in a well-defined environment, a start-up, following a greenfield approach, or a firm seeking to disrupt its current environment, the sought-after insights will be different. To avoid being distracted and wasting resources, the observing step focuses primarily on those elements of the business model that are related to the strategic focus. Although the observing step exhibits similarities with a traditional SWOT analysis, the focus is on observing rather than interpreting. It is important not to start designing the target business model or look for insights to confirm a pre-sought solution.

8.1.1 Observing Mature Firms

The outcome from the observing step in the context of mature firms includes observations from

– the firm's *current detailed business model* elements related to the chosen strategic focus and their relations with the value proposition (OVP) and the products and services (OPS) elements,
– *declining and failing elements* of the existing detailed business model that have an impact on the chosen strategic focus, as well as served customer segments, their jobs-to-be-done, and their willingness to pay, and
– the firm's *strengths* and *weaknesses* in any of the 15 elements of the firm's current detailed business model with an impact on the strategic focus.

If a customers strategic focus is chosen, customers and their jobs-to-be-done are at the center of the observing step. Existing capabilities are less relevant to observing, and thus need less attention, as they will anyhow be re-defined at a later stage based on the customer jobs-to-be-done chosen to be satisfied by the offered value propositions.

8.1.2 Observing Start-up Firms

Start-up firms or firms aiming at entering an emerging industry should focus on observing potential unmet customer needs. They must look for failures in business models of potential competitors and aim at identifying areas that could be improved or exploited.

Example A typical example is a robo-advice strategy implemented by a start-up wealth management firm. During the observing step, it is identified that customers are becoming more and more price sensitive, especially after numerous failed attempts by traditional wealth and asset management firms to deliver value, that is, investment performance based on skills. In addition, inefficiencies in business processes underlying the implementation of portfolio changes are identified.

If following an offerings strategic focus, emerging technologies are at the center of the observing step.

Customer segments	Value proposition	Capabilities
– Stock exchanges	– Real-time settlement	– Public key cryptography
– Luxury goods dealers	– Authenticity and traceability of ownership	– Consensus building algorithms
– Pharmaceutical R&D	– Immutability of clinical trial results	– Randomization
– Individuals in countries with unstable regimes	– Independence from government	– Decentralized database replication
– Financial auditors	– Simplification of audit processes	– Algorithmic trust
– Private markets	– Peer-to-peer transactions, avoiding trusted intermediaries	
– Software providers	– Addressing licensing issues	

Fig. 8.1 Sample subset of insights gained by observing the implementations and the use of existing blockchain technology-based solutions

Example A start-up aiming at competing in the general ledger industry implementing an offerings strategic focus, may study different applications of blockchain technology. Figure 8.1 illustrates some of the insights gained from observing existing blockchain solutions, classified along the customer segments, value proposition, and capabilities elements.

8.1.3 Observing Disruptors

Understanding the potential for disruptor firms requires identifying on one side, unmet customer needs or needs that are only met in an unsatisfactory way, and, on the other side, approaches or technologies that have not yet been related to the identified needs.

Example Airbnb identified the need for renting individual rooms to strangers, both from a supplier and a customer perspective, on the one side, and the need for an internet platform technology matching supply with demand in a very efficient and cost-effective way, on the other side.

Example Figure 8.2 illustrates the outcome of observing the automotive industry with a focus on disrupting.

To avoid focusing only on those pairs of needs-approaches that exhibit a potential match, the two sides, customer needs and approaches/technologies should

End-customer jobs-to-be-done	Approaches/Technologies
– Reduce up-front investments	– Battery technology
– Contribute to clean environment	– Sharing platforms
– Ensure high autonomy	– Artificial intelligence
– Gain freedom/independence from 3rd parties	– Leasing models
– Focus on safety first	– Airbag technology
– Automate driving and parking	– Stringent security regulations

Fig. 8.2 Sample outcome from an observing analysis focusing on disrupting the automotive industry

be observed by distinct strategy sub-teams. It is important to note that observations may or may not be relevant for subsequent ideation and designing decisions. They must be objective, specific, and concise.

8.2 Deriving Perspectives Based on the Strategic Focus

The aim during the observing step differs depending on the underlying strategic focus and the target populations considered.

Customers strategic focus The focus should be along the two dimensions:

(1) Identifying, characterizing, and clustering customers.
(2) Understanding customer needs, both met and unmet, and focusing on their jobs-to-be-done.

The customers and their felt pains and sought-after gains need to be at the center of the observing step.

Offerings strategic focus When following an offerings strategic focus, observing must target insights, such as identifying new technologies, that may be used to create new customer needs or address existing customer needs in a novel way. The challenge is on gaining insights by observing the present that may be used to change the future. Innovation often results from re-configuring existing insights and knowledge in different ways. As such, the observing step must focus on identifying insights that may lead to knowledge which can be re-configured and re-combined to innovate.

Capabilities strategic focus Observing capabilities of a firm aims at understanding what a firm is good at. Capabilities may be around executing business processes, owning specific knowledge and intellectual property, using unique technologies and tools, or possessing unique access to capital and investors.

Financials strategic focus The focus during the observing step, when focusing on financials, is on how different stakeholders, customers, suppliers, investors, to name the most important ones, perceive money (pricing models) and the flow of money over time (cash flows).

8.3 The Observing Process

Observing the target population to gain new insights is one of the four core activities in design thinking. The observing process O is based on an ethnographic approach (Spradley 1979, 1980; Liedtka et al. 2014). It is executed multiple times in an iterative way, based on the different target populations identified. Each of the observing steps O.2–O.4 is followed by a learning step L to derive knowledge from the observed insights (as described in Chap. 9) and lay the foundation for the next observing step. Iteratively observing and learning is key to ensure that the design thinking methodology focuses on those aspects that matter most, avoiding non-value-adding activities.

Process O—Observing

O.1 Identifying target populations related to the chosen strategic focus
O.2 Passively observing informants in the target populations
L *Learning from observed insights (see Chap. 9 for details)*
O.3 Conducting ethnographic interviews with informants, elaborating on the observations from step O.2
L *Learning from interview insights (see Chap. 9 for details)*
O.4 Running focus groups to extend the outcome from passively observing (O.2) and ethnographic interviews (O.3)
L *Learning from focus group insights (see Chap. 9 for details)*
O.5 Using secondary research to gain a different perspective on previously identified insights
L *Learning from secondary research insights (see Chap. 9 for details)*

8.4 Identifying Target Populations

Observing starts by identifying who or what to observe, the so-called *target populations*. Individuals in the target populations are called *informants*. The personas framework is best suited for defining target populations to observe (So and Joo 2017). It allows setting a reference point using an easy to understand language. As design thinking for strategy allows for non-customer-centric design activities, the target populations, as well as the informants, may be subjects (people, groups, etc.)

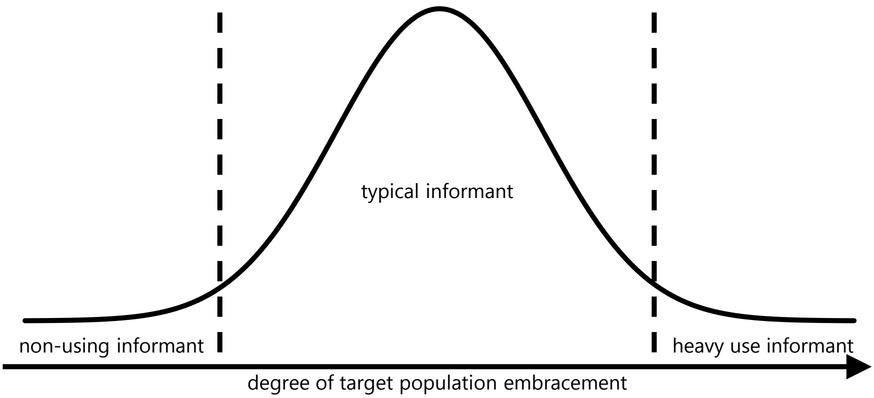


Fig. 8.3 Degree of sophistication of the target population, allowing to identify extreme informants (informants may be subjects, like customers, or objects, like technologies)

or objects (technologies, capabilities, etc.). When choosing informants in the target population to observe or interview, it is important not only to focus on typical informants. Significant insights can often be gained by observing extreme informants, as illustrated in Fig. 8.3, as well as lead users[1]. Indeed, those extreme informants are often able to offer more distinct input as they have thought about the issue at hand more thoroughly beforehand.

Example Consider early adopters of the 5G mobile communication technology using one of the first mobile phones offering 5G data access. They can provide significant insights with respect to the network speed and its relevance to the applications they use mobile data for, for example when the new technology is perceived as disruptive versus when it only offers marginal advantages. These insights may lead to unique areas of deployment of the 5G technology and formulating a distinct business model for a dedicated target population.

The personas framework supports defining the target population. It has been developed and is predominantly used to describe subjects, especially customer segments, to target in a personalized way. It can also be applied to describe objects, that is, technologies, capabilities, or activities. A *persona* is defined by four key characteristics:

(1) A *name*, giving a humanized description to the persona.
(2) *Screening questions*, allowing to segregate whether a subject or object belongs to the persona or not.
(3) A *description*, telling a story on what the persona is related to and why it is important.

[1] A lead user is a customer of an offering whose value to a broader audience is still unknown. Lead users are typically early adopters helping define the value of an offering from the customer perspective, before there actually exists a marketplace for it.

Persona name	Jennie, the executive assistant	John, the in-house travel agent
Screening questions	– Is assistant to an executive? – Organizes travels? – Is responsible for the bookings made?	– Is part of a central unit organizing travels? – Is responsible for bookings made? – Does not report to the executives who are traveling?
Description	Assistant supporting one or more executives with their time management activities, including coordination and organization of business travels	Travel agent focusing on specific needs of in-house executives traveling, aiming at optimizing travel costs
Characteristics	Time-optimized travel	Cost-efficient travel

Fig. 8.4 Sample persona definitions focusing on organizing business travelers

(4) Underlying *characteristics*, relevant in the context of the target industry and the strategic focus, for example, common jobs-to-be-done, similar algorithms, or shared skills.

Personas are especially relevant when their characteristics can be related to the real world, to properties that can be observed. Good personas are testable for their existence and relevance. Demographic descriptions are not considered good personas as they do not offer good characteristics related to the target industry and the strategic focus.

Example Figure 8.4 illustrates two different personas that can be used to observe online travel reservations in a business environment, aiming at designing a customers strategic focus-based strategy.

Although customers may be included in any target population, their personas significantly differ based on the target strategic focus. Depending on the strategic focus chosen, different target populations are in focus.

8.4.1 Customers Strategic Focus-Based Target Populations

When following a customers strategic focus, the target populations are defined by current and potential customers. Historically, customer focused target populations are defined based on geographic, such as living location, family residence, or place of work, and demographic, such as race, ethnicity, age, gender, religious, education,

Table 8.1 Sample set of generic definitions of target populations based on different strategic focuses

Customers strategic focus	Offerings strategic focus	Capabilities strategic focus	Financials strategic focus
– Students – Single households – Families with children – Military personnel – Retirees	– Blockchain – Cryptography – Battery technology – Connecting platforms – Social media	– Process optimization – Supply chain management – Real-time software development – Planning and scheduling	– Cheapest price – Value based pricing – Subscription based – Competitive pricing – Cost optimization
(a)	(b)	(c)	(d)

income, marital status, or occupation, characteristics. More recently, *psychographic characteristics*, such as lifestyle, values, social class, and personality, as well as *behavioral patterns*, such as usage, loyalties, awareness, occasions, knowledge, liking, and purchase patterns, have become popular in defining customer centric target populations. Table 8.1 a illustrates typical customer-based target populations. Once identified, these target populations are refined, and specific personas are associated to them.

8.4.2 Offerings Strategic Focus-Based Target Populations

Innovation and expertise stand at the forefront when defining the target populations in an offerings-based strategy. Often customers targeted with new innovative offerings are considered being the target populations. Better insights are gained when defining inventions, new technologies, or disruptive processes, as the target populations to consider. For example, the blockchain technology may be used as a target population. Or, in a more generic setting, cryptographic technologies, such as public key encryption or hashing algorithms, may be used as the target populations for observing. Table 8.1b illustrates typical offerings focused target populations.

8.4.3 Capabilities Strategic Focus-Based Target Populations

When focusing on leveraging capabilities as the core superiority characteristic, identifying key process capabilities is important. For example, supply chain management or real-time software development, may be used as target populations to observe, as illustrated in Table 8.1c. Looking at the value chain of the firm or the industry allows identifying possible capabilities-based target populations.

8.4.4 Financials Strategic Focus-Based Target Populations

Identifying target populations in a financials strategic focus environment requires describing different personas that have an active impact on revenues and/or costs, either in terms of value or structure. Typical target populations are defined around economic buyers, decision makers, suppliers, and internal cost owners. Table 8.1d illustrates possible financials-based target populations. Alternatively, target populations may be defined around pricing models, for example, those populations that prefer paying a lump sum, those that feel at ease paying on a time and material basis, or those that look for volume-based fees.

It is important to note that there does not exist a single best set of target populations to consider. The aggregation of all target populations considered should be broad and cover at least 80% of all potential populations of interest. Identifying a target population does not mean that the firm wants or has to serve that target population, but merely that it is relevant in the target industry. Defining target populations and associated personas is as much an art as it is a science. Strategy designers should adjust the definitions of target populations and personas used throughout the observing and learning steps, depending on new insights and knowledge gained.

8.5 Passively Observing

Once the target populations have been identified, the passively observing step (L.2) starts. It is called passively observing because the goal is not to interfere or interact with the informants observed. It is through that non-intrusion that actual challenges can be best observed, and insights identified. This is in stark contrast with traditional analytical approaches that start with questioning the informants. Passively observing is related to gaining insights that can serve as the basis for ideation, rather than collect statistically significant data. It aims at going at least one layer below the surface and identifying not obvious insights.

Example One may observe an executive assistant when she makes a travel reservation online. One of the insights gained may be that, just before confirming the to be made reservation, she reviews it to ensure that it is compliant with the firm's travel policy. This observation related to compliance may lead to identifying a pain point during the learning step and, address it in the value proposition development, during the designing step. If starting with interviewing informants, such an insight may be overlooked as the informant sees this as obvious and forgets to mention it.

8.5.1 Types of Observations

Ethnographic observation approaches are at the core of passive observing. They can be classified into three main categories, that is, grand-tours, mini-tours, and in-depth observations, depending on the breadth and depth of the targeted observations (Spradley 1980). Passive observation always starts with a grand-tour.

Grand-tour The grand-tour observation approach provides a high-level holistic view of the target population. It focuses on understanding the big picture and identifying areas where mini-tours are of value. Typically, 20% of the time spent on observing a target population is spent on an initial grand-tour observation.

> **Example** A typical grand-tour observation focusing on grocery store customers as target population aims at identifying the different activities a customer performs in a grocery store, from selecting a shopping trolley, choosing vegetables, asking for advice from the butcher, to paying at the cashier.

Mini-tour In ethnography, the focus areas of a mini-tour is called a *domain*. During each mini-tour, one or more specific domains identified during the grand-tour are investigated. Two to five mini-tours, taking up about 50% of the overall time spent on observing, support gathering insights related to specific topics identified during the grand-tour. Identifying the right domains that require mini-tour observations is a key skill strategy professionals need to exhibit.

> **Example** Mini-tours related to observing grocery store customers could be around the activities supporting choosing vegetables, looking for advice from the butcher, or the overall payment and check-out process, including packing the bought goods.

In-depth observation The remaining 30% of the time spent on observations should be dedicated to in-depth observation, aiming at understanding the specificities of insights gained during mini-tour domain observations. Typically, each mini-tour observation leads to one to three in-depth subsequent observation sessions.

> **Example** During an in-depth observation session, following a mini-tour on the payment and check-out process in a grocery store, the domains observed could be focusing on the different payment methods used, like paying with cash, using credit or debit cards, or even reverting to mobile payment solutions, such as ApplePay or SamsungPay.

The identification of mini-tour and in-depth observation domains to investigate is a dynamic and iterative process. It is not possible to define beforehand in detail all aspects that need to be observed. Ethnographic observers always look for hints from the informants where to focus the next observation activities. Figure 8.5 illustrates the relationship between the different types of observations with respect to the breadth and depth of insights gained.

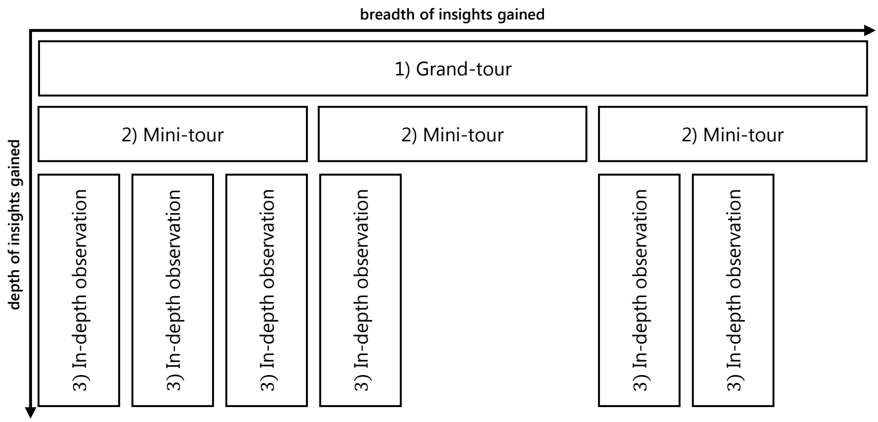
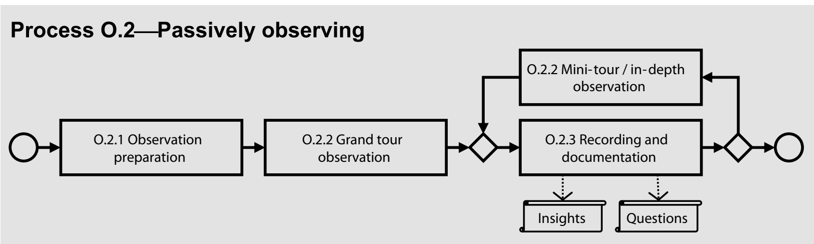


Fig. 8.5 Selecting the order and scope (breadth versus depth) for the various types of passive observation steps

8.5.2 Passively Observing Process

The passively observing process can be decomposed into three iterative steps, the observation preparation step (O.2.1), the informant observation step (O.2.2), and the recording and documentation step (O.2.3). The outcome of passive observations is a list of raw, not interpreted, insights, and a set of unaddressed questions. Successful passive observation is as much an art as it is a science. A key skill that design thinking-based strategy professionals need to learn is identifying what may be relevant to observe and document, and what can be safely ignored. Answers to the following two questions help address that challenge:

(1) Are the to be observed insights relevant from the informant's perspective?
(2) Are the to be observed insights important to know from the observer's perspective?



Successful observing needs observing others, not oneself. It is easy to fall into the trap assuming that the way one does things is identical to the way others would do the same things. Questions asked during passive observation should be kept to a minimum and only focus on understanding, not interpreting. During the observing step, why questions should never be asked. They would lead to distracting the informant and potentially bias the observed insights.

The biggest challenge faced during passively observing is avoiding information overload, that is, focusing on irrelevant details, without ignoring those details what would traditionally be ignored or blocked out. Observing requires increasing awareness. Successful observing focuses on empathy keeping

– the eyes wide open,
– the ears in listening only model, and
– the mouth shut.

8.5.3 Passive Observation Tools

The most prominent tool used to support passively observing is the *thinking aloud* tool. It requires the informants to verbally describe what they think during the different activities that they perform.

Tool—Thinking Aloud

Thinking aloud is a tool that supports the observation process by making the thoughts behind the observed activities transparent. While performing the activities, the informant describes their thoughts that underlie them. The observer is documenting the spoken protocol jointly with the observed activities. The spoken worlds may describe what the informant is looking at, what he is thinking, doing, or feeling.

A typical thinking aloud application could be documented as follows. While booking an airline travel online, the executive assistant says that she is first screening the flights based on the target arrival time, and only thereafter checking if the prices offered are within the travel guidelines of the firm, which she reviews by accessing a specific web page on the firm's intranet.

Documenting and recording insights should be done hand in hand with the observing step. Typical tools to document observations are notes, drawings, and, if the informant allows it, photos, audio, and video. The focus must be on the informant. Good observation documentation avoids summarizing and interpreting the insights gained. This is done at a later stage, during the learning step, described in Chap. 9. While documenting observations, any open question related to what is missing, is written down. These questions, either support iterating the passively observing step (O.2), adding additional sub-tours, in-depth observations, or serve as

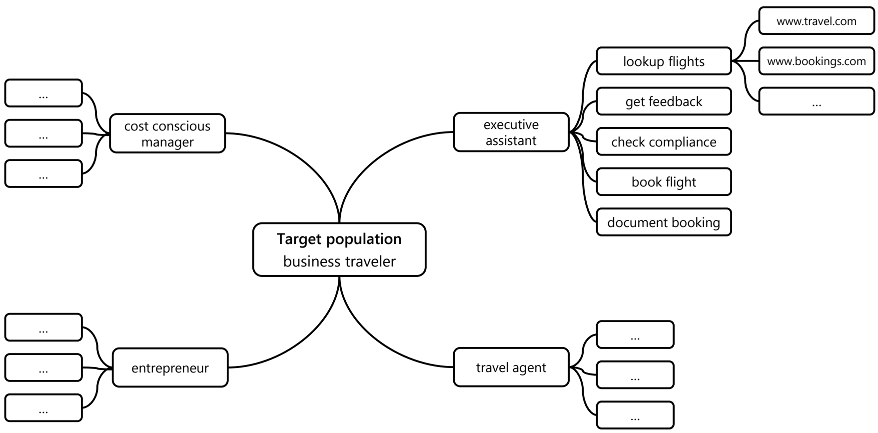


Fig. 8.6 Mind map documenting observations from informants ordering airline tickets on-line, focusing on business travelers

the basis for preparing and conducting ethnographic interviews (O.3). Typical tools used for recording observations are *mind maps* and *storyboards*. Figure 8.6 illustrates a mind map derived from observing a grand-tour of four different informants ordering airline tickets on-line.

Tool—Mind Mapping

A mind map is a two-dimensional diagram visually organizing multiple insights in a hierarchical way. At the center of the diagram is the core topic covered, a target population, a persona, or a domain, usually identified ahead of or during a grand-tour or a mini-tour observation round. Branches describe characteristics of the core topic observed. Each branch may have zero or more sub-branches that describe observations related to the sub-topics. Each branch may describe a sub-domain and document related insights from mini-tour or in-depth observation rounds.

Tool—Storyboard

A storyboard is a sorted collection of graphical illustrations or photos documenting a sequence of observed insights. Storyboards help documenting the timeline behind observations. Each element of a storyboard describes a separate activity observed. Using illustrations or photos rather than text is based on the insight that an image says more than a thousand words. Illustrations are easier to understand and communicate than descriptive text.

8.6 Conducting Ethnographic Interviews

Only observing informants does not tell the whole story or give all the insights needed to design a successful business model underlying a strategy. Ethnographic interviews (Spradley 1979; Liedtka et al. 2014) take up the process where passive observation left off. They focus on better understanding the insights gained from informant observations. Conducting ethnographic interviews can be subdivided into three activities, that is, preparing, conducting, and documenting the interviews. In addition to interviewing informants, it is best practice to also conduct interviews with interpreters (Verganti 2009).

Process O.3—Ethnographic Interviews

O.3.1 Preparing ethnographic interviews (selecting the focus area, identifying open questions)
O.3.2 Conducting the interviews (keeping the informant speaking 80% of the time)
O.3.3 Documenting the insights gained

Ethnographic interviews are only as good as their preparation and the questions asked. Good interviewing preparation starts with selecting a focus area. The focus area is chosen based on the outcome of the passive observation step (O.2) and the identified unanswered questions. Interview questions are formulated as open questions that support the informant talking. Typically, ethnographic interviews include three types of questions:

(1) Descriptive questions of the form “could you describe”, “could you tell me”, or “what do you do”?
(2) Structured questions, focusing on giving structure to the answer from descriptive questions, such as “what are the possibilities” or “what are meaningful alternatives”?
(3) Contrast questions, aiming at understanding the meaning of the answers received so far, such as “what is the difference between” or “why is it that way and not another way”?

While conducting the interviews, it is important to remain open-minded, but avert the interview getting off track. Ethnographic interviews start with descriptive questions avoiding formulating pre-assumed answers into the questions. Conducting good interviews, that is, interviews providing a lot of insights is hard. Inexperienced interviewers should test run their interviews before addressing real informants. The saying “your never get a second chance to make a first impression” applies. Good interviewers express interest in the informant and show ignorance. They look beyond the obvious and make the informant rather than the interviewer feel to be the expert.

A successful tool used in ethnographic interviews, especially when framing contrast questions, is the *five why* tool. It is an interactive interviewing approach used to explore cause and effects. Each answer forms the basis of the next question.

Tool—Five Why

The *five why* tool is an iterative questioning technique based on subsequently asking five times the question *why*. Each answer forms the basis for the next why question. This allows getting to the foundation behind the initial question asked.

Example A typical five why application, focusing on understanding how an executive assistant executes their online travel booking process, could be documented as follows:

(1) Why are you using the web site www.travel.com? Because it includes all major airlines.
(2) Why is it important to include all major airlines during online travel booking? Because it allows finding a flight that minimizes the waiting time between the arrival time and the meeting time.
(3) And why is it important to minimize the waiting time? Because the executives do not like to wait.
(4) Why do they not like to wait? Because they want to use their time as productively as possible.
(5) And why is it important to use time as productively as possible? Because they need the time to achieve their goals and a day has only so much hours.

The gained insights lead to identifying the activity of prioritizing the use of time of the manager as a key characteristic, something that would not have been obvious by merely observing the executive assistant using a given web site to make a reservation.

As with passive observation, it is important to document the insights gained during, or, at least, at the end of each interview. While doing so, the answers obtained should be related to observations made during the passive observation step. Interviews allow putting the observed insights into perspective. They give an individual viewpoint of the target population observed. Looking for differences between what informants say and what they do is important.

As with passively observing, ethnographic interviews should be followed by a learning step, described in Chap. 9. It is sound to iterate back to the passively observing step to conduct additional mini-tour or in-depth observations based on specific insights from the interviews.

8.7 Running Focus Groups

Focus groups, the third approach to gaining insights, aim at extending the knowledge from passive observation and ethnographic interviews, by giving it a group perspective. The goal is to consolidate insights gained and flatten out or understand discrepancies identified. It aims at questioning the validity of individual insights.

Focus groups should be run under the *Chatham House Rule*[2]. The process of running focus groups to gain new and extend existing insights can be decomposed into four steps.

Process O.4—Focus Groups

O.4.1 Planning questions
O.4.2 Identifying a neutral moderator and selecting informants
O.4.3 Moderating the focus group
O.4.4 Documenting insights gained

As with ethnographic interviews, the success of focus groups depends on the preparation and questions asked. This means knowing what one wants to learn. Questions should be open-ended and neutral. They should focus on addressing discrepancies identified between and among observations and interviews. The goal is to allow consolidating the insights gained. Focus groups provide an ideal platform for gaining a group, rather than an individual, perspective on the topics at hand.

The involved individuals in focus groups can be subdivided into three categories:

(1) The *moderator*, ideally a person external to the strategy team or even the firm, with strong moderation skills, but limited subject matter expertise.
(2) The *informants*, a diverse group of six to eight individuals per focus group, different from those observed or interviewed informants, but relating to the topic at hand.
(3) The *analysts*, a small group of strategy team members responsible for identifying and documenting insight from the focus group participants.

[2]When a meeting is held under the Chatham House Rule, informants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other informant, may be revealed. The rules originated in 1927 from the headquarters of the UK Royal Institute of International Affairs, the Chatham House.

The role of the moderator is to provide a comfortable environment in which the informants are empowered to share insights. As with interviewers, moderators need to be open-minded, but neutral. They need to ensure that all informants have a say and that different opinions are permitted and encouraged. Questions should be asked one at a time and the moderator must show empathy towards the informants.

Informants should come from a diverse background but be aligned with the target population. They should share their stories and put their individual answers into perspective of the group's insights. They do not have to be experts in the field at hand.

The analysts, responsible for documenting the insights gained from the focus group, must not be part of the focus group discussion itself. They must not intervene. They may sit in the second row, or, ideally, observe the focus group informants through a one-way window or a one-way audio-video channel.

At the end of the focus group step (O.4), the strategy team should have significant insights into the target population, both from an individual as well as from a group perspective. These insights, transformed into knowledge by applying the learning process (see Chap. 9), form the basis for the designing step of the strategy design process, that is, ideating and prototyping new and enhanced detailed business models.

Before doing so, one additional exploratory step is recommended, namely putting the gained insights into perspective through reviewing secondary research.

8.8 Performing Secondary Research

To avoid biases introduced by the strategy team conducting the passive observations, the ethnographic interviews, and documenting insights from focus groups, the observing step of the strategy design process should be completed with secondary research. The goal of the last observing step (O.5) is to scrutinize the gained insights and put them into perspective. In contrast with traditional approaches, secondary research is performed at the end of the observing step rather than at the beginning, to avoid non-value-added research.

During secondary research, information from third parties are sought-after in order to validate or invalidate the insights gained so far. The goal is to strengthen the confidence into identified insights, rather than identify new insights.

Sources for secondary research are multiple. Independent research reports may be used. External subject matter experts may be interviewed. Participation in trade shows and conferences may be relied upon to interact with and exchange ideas.

8.9 Timeline and Required Skills

There does not exist a single best timeline for the observing step. Two characteristics, in addition to the number of iterations performed, influence the timeline. These are

– the *experience of the strategy team* members in identifying insights through passively observing, conducting ethnographic interviews, performing focus groups, and doing secondary research, and
– *the number of target populations* identified.

The overall duration of the observing step may last from one day, when considering an offering-based strategic focus, focusing on a single well-identified innovation, to multiple months when considering multiple target populations in a customer focused strategy. Table 8.2 illustrates typical units for characterizing the time required by the observing steps of the strategy design process. When observing internal capabilities, rather than external personas, a smaller number of informants may be sufficient.

Successful strategy designers dynamically adjust the timeline on a need to identify new insights basis.

The observation step requires four different types of skillsets:

(1) *Strategy experience* that permits identifying those insights which may be relevant and discard those that are potentially irrelevant.
(2) *Interviewing expertise* to conduct ethnographic interviews with the goal of maximizing the quantity and quality of consistent insights gained.
(3) *Access to external moderation expertise* to successfully conduct focus groups.
(4) *Traditional business analyst capabilities* to document the findings and conduct secondary research.

At the end, determining the timeline and required resources, is a compromise relative to the number of iterations of the observing and learning steps needed to achieve sufficient insights that allow a successful execution of the designing step.

Table 8.2 Typical units underlying sound observations per target population

Step	Units (per target population)	Time
O.2 Observing sessions	10–20 observation sessions	1–2 h per observation session
O.3 Interviews	5–10 interviews	30–60 min per interview
O.4 Focus groups	3–5 focus group sessions	2–3 h per focus group
O.5 Secondary research		2–5 days

References

Liedtka, J., Ogilvie, T., & Brozenske, R. (2014). *The design for growth field book*. New York, NY: Columbia University Press.

So, C., & Joo, J. (2017). Does a persona improve creativity? *The Design Journal, 20*(4), 459–475.

Spradley, J. P. (1979). *The ethnographic interview*. Long Grove, IL: Waveland Press.

Spradley, J. P. (1980). *Participant observation*. Long Grove, IL: Waveland Press.

Verganti, R. (2009). *Design-driven innovation*. Boston, MA: Harvard Business Press.