

# Preparing an Effective Case Analysis

## Introduction

In most strategic management courses, cases are used extensively as a teaching tool. A key reason is that cases allow opportunities to identify and solve organizational problems through use of the strategic management process. Thus, by analyzing cases and presenting the results, students learn how to effectively use the tools, techniques, and concepts that combine to form the strategic management process.

The cases that follow involve actual companies. Presented within them are problems and situations that managers must analyze and resolve. As you will see, a strategic management case can focus on an entire industry, a single organization, or a business unit of a large, diversified firm. The strategic management issues facing not-for-profit organizations also can be examined with the case analysis method.

Basically, the case analysis method calls for a careful diagnosis of an organization's current conditions (internal and external) so that appropriate strategic actions can be recommended. Appropriate actions not only allow a firm to survive in the long run, but also describe how it can develop and use core competencies to create sustainable competitive advantages and earn above-average returns. The case method has a rich heritage as a pedagogical approach to the study and understanding of managerial effectiveness.<sup>1</sup>

Critical to successful use of the case method is your preparation—that is, the preparation of the student or case analyst. Without careful study and analysis, you will lack the insights required to participate fully in the discussion of a firm's situation and the strategic actions that are appropriate.

Instructors adopt different approaches in their use of the case method. Some require their students to use a specific analytical procedure to examine an organization; others provide less structure, expecting students to learn by developing their own unique analytical method. Still other instructors believe that a moderately structured framework should be used to analyze a firm's situation and make appropriate recommendations. The specific approach you take will be determined by your professor. The approach we present to you here is a moderately structured framework.

Discussion of the case method is divided into four sections. First, it is important for you to understand why cases are used and what skills you can expect to learn through successful use of the case method. Second, a process-oriented framework is provided that can help you analyze cases and effectively discuss the results of your work. Using this framework in a classroom setting yields valuable experiences that can, in turn, help you successfully complete assignments received from your employer. Third, we describe briefly what you can expect to occur during in-class discussions of cases. As this description shows, the relationship and interactions between instructors and students during case discussions are different than they are during lectures. Finally, a moderately structured framework is offered for effective completion of in-depth oral and written presentations. Written and oral communication skills also are attributes valued highly in many organizational settings; hence, their development today can serve you well in the future.

### **Student Preparation For Case Discussion**

If you are inexperienced with the case method, you may need to alter your study habits. A lecture-oriented course may not require you to do intensive preparation for each class period. In such a course, you have the latitude to work through assigned readings and review lecture notes according to your own schedule. However, an assigned case requires significant and conscientious preparation before class. Without it, you will be unable to contribute meaningfully to in-class discussion. Therefore, careful reading and thinking about case facts, as well as reasoned analyses and the development of alternative solutions to case problems, are essential. Recommended alternatives should flow logically from core problems identified through study of the case. Table 2 shows a set of steps that can help you develop familiarity with a case, identify problems, and propose strategic actions that increase the probability that a firm will achieve strategic competitiveness and earn above-average returns.

**Table 2** An Effective Case Analysis Process

Step 1: <i>Gaining Familiarity</i>	<ul style="list-style-type: none"><li>a. In general--determine who, what, how, where and when (the critical facts in a case).</li><li>b. In detail--identify the places, persons, activities, and contexts of the situation.</li><li>c. Recognize the degree of certainty/uncertainty of acquired information.</li></ul>
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Step 4 <i>Conducting the Analysis</i>	<ul style="list-style-type: none"><li>a. Decide which ideas, models, and theories seem useful.</li><li>b. Apply these conceptual tools to the situation.</li><li>c. As new information is revealed, cycle back to substeps a and b.</li></ul>
Step 5 <i>Making the Diagnosis</i>	<ul style="list-style-type: none"><li>a. Identify predicaments (goal inconsistencies).</li><li>b. Identify problems (discrepancies between goals and performance).</li><li>c. Prioritize predicaments/problems regarding timing, importance, etc.</li></ul>
Step 6 <i>Doing the Action Planning</i>	<ul style="list-style-type: none"><li>a. Specify and prioritize the criteria used to choose action alternatives.</li><li>b. Discover or invent feasible action alternatives</li><li>c. Examine the probable consequences of action alternatives.</li><li>d. Select a course of action.</li><li>e. Design an implementation plan/schedule.</li><li>f. Create a plan for assessing the action to be implemented.</li></ul>

Source: C.C. Lundberg and C. Enz, 1993, A framework for student case preparation, *Case Research Journal* 13 (summer): 144.

## **Gaining Familiarity**

The first step of an effective case analysis process calls for you to become familiar with the facts featured in the case and the focal firm's situation. Initially, you should become familiar with the focal firm's general situation (e.g., who, what, how, where, and when). Thorough familiarization demands appreciation of the nuances as well as the major issues in the case.

Gaining familiarity with a situation requires you to study several situational levels, including interactions between and among individuals within groups, business units, the corporate office, the local community, and the society at large. Recognizing relationships within and among levels facilitates a more thorough understanding of the specific case situation. It is also important that you evaluate information on a continuum of certainty. Information that is verifiable by several sources and judged along similar dimensions can be classified as a fact. Information representing someone's perceptual judgment of a particular situation is referred to as an inference. Information gleaned from a situation that is not verifiable is classified as speculation. Finally, information that is independent of verifiable sources and arises through individual or group discussion is an assumption. Obviously, case analysts and organizational decision makers prefer having access to facts over inferences, speculations, and assumptions.

Personal feelings, judgments, and opinions evolve when you are analyzing a case. It is important to be aware of your own feelings about the case and to evaluate the accuracy of perceived "facts" to ensure that the objectivity of your work is maximized.

## **Recognizing Symptoms**

Recognition of symptoms is the second step of an effective case analysis process. A symptom is an indication that something is not as you or someone else thinks it should be. You may be tempted to correct the symptoms instead of searching for true problems. True problems are the conditions or situations requiring solution before an organization's, unit's, or individual's performance can improve. Identifying and listing symptoms early in the case analysis process tends to reduce the temptation to label symptoms as problems. The focus of your analysis should be on the actual causes of a problem, rather than on its symptoms. It is important therefore to remember that symptoms are indicators of problems; subsequent work facilitates

discovery of critical causes of problems that your case recommendations must address.

### **Identifying Goals**

The third step of effective case analysis calls for you to identify the goals of the major organizations, units, and/or individuals in a case. As appropriate, you should also identify each firm's strategic intent and strategic mission. Typically, these direction-setting statements (goals, strategic intents, and strategic missions) are derived from comments of the central characters in the organization, business unit, or top management team described in the case and/or from public documents (e.g., an annual report).

Completing this step successfully sometimes can be difficult. Nonetheless, the outcomes you attain from this step are essential to an effective case analysis because identifying goals, intent, and mission helps you to clarify the major problems featured in a case and to evaluate alternative solutions to those problems. Direction-setting statements are not always stated publicly or prepared in written format. When this occurs, you must infer goals from other available factual data and information.

### **Conducting the Analysis**

The fourth step of effective case analysis is concerned with acquiring a systematic understanding of a situation. Occasionally cases are analyzed in a less-than-thorough manner. Such analyses may be a product of a busy schedule or the difficulty and complexity of the issues described in a particular case. Sometimes you will face pressures on your limited amounts of time and may believe that you can understand the situation described in a case without systematic analysis of all the facts. However, experience shows that familiarity with a case's facts is a necessary, but insufficient, step to the development of effective solutions—solutions that can enhance a firm's strategic competitiveness. In fact, a less-than-thorough analysis typically results in an emphasis on symptoms, rather than problems and their causes. To analyze a case effectively, you should be skeptical of quick or easy approaches and answers.

A systematic analysis helps you understand a situation and determine what can work and probably what will not work. Key linkages and underlying causal networks based on the history of the firm become apparent. In this way, you can separate causal networks from symptoms.

Also, because the quality of a case analysis depends on applying appropriate tools, it is important that you use the ideas, models, and theories that seem to be useful for evaluating and solving individual and unique situations. As you consider facts and symptoms, a useful theory may become apparent. Of course, having familiarity with conceptual models may be important in the effective analysis of a situation. Successful students and successful organizational strategists add to their intellectual tool kits on a continual basis.

### **Making the Diagnosis**

The fifth step of effective case analysis-diagnosis-is the process of identifying and clarifying the roots of the problems by comparing goals to facts. In this step, it is useful to search for predicaments. Predicaments are situations in which goals do not fit with known facts. When you evaluate the actual performance of an organization, business unit, or individual, you may identify over- or under-achievement (relative to established goals). Of course, single-problem situations are rare. Accordingly, you should recognize that the case situations you study probably will be complex in nature.

Effective diagnosis requires you to determine the problems affecting longer-term performance and those requiring immediate handling. Understanding these issues will aid your efforts to prioritize problems and predicaments, given available resources and existing constraints.

### **Doing the Action Planning**

The final step of an effective case analysis process is called action planning. Action planning is the process of identifying appropriate alternative actions. Important in the action planning step is selection of the criteria you will use to evaluate the identified alternatives. You may derive these criteria from the analyses; typically, they are related to key strategic situations facing the focal organization. Furthermore, it is important that you prioritize these criteria to ensure a rational and effective evaluation of alternative courses of action.

Typically, managers "satisfice" when selecting courses of actions; that is, they find acceptable courses of action that meet most of the chosen evaluation criteria. A rule of thumb that has proved valuable to strategic decision makers is to select an alternative that leaves other plausible alternatives available if the one selected fails.

Once you have selected the best alternative, you must specify an implementation plan. Developing an implementation plan serves as a reality check on the feasibility of your alternatives. Thus, it is important that you give thoughtful consideration to all issues associated with the implementation of the selected alternatives.

### **What To Expect From In-Class Case Discussions**

Classroom discussions of cases differ significantly from lectures. The case method calls for instructors to guide the discussion, encourage student participation, and solicit alternative views. When alternative views are not forthcoming, instructors typically adopt one view so students can be challenged to respond thoughtfully to it. Often students' work is evaluated in terms of both the quantity and the quality of their contributions to in-class case discussions. Students benefit by having their views judged against those of their peers and by responding to challenges by other class members and/or the instructor.

During case discussions, instructors listen, question, and probe to extend the analysis of case issues. In the course of these actions, peers or the instructor may challenge an individual's views and the validity of alternative perspectives that have been expressed. These challenges are offered in a constructive manner; their intent is to help students develop their analytical and communication skills. Commonly instructors encourage students to be innovative and original in the development and presentation of their ideas. Over the course of an individual discussion, students can develop a more complex view of the case, benefiting from the diverse inputs of their peers and instructor. Among other benefits, experience with multiple case discussions should help students increase their knowledge of the advantages and disadvantages of group decision-making processes.

Comments that contribute to the discussion are valued by student peers as well as the instructor. To offer relevant contributions, you are encouraged to use independent thought and, through discussions with your peers outside of class, to refine your thinking. We also encourage you to avoid using "I think," "I believe," and "I feel" to discuss your inputs to a case analysis process. Instead, consider using a less emotion laden phrase, such as "My analysis shows...." This highlights the logical nature of the approach you have taken to complete the six steps of an effective case analysis process. When preparing for an in-class case discussion, you should plan to use the case data to explain your assessment of the situation. Assume that the case facts are known to your peers and instructor. In addition, it is good practice to prepare notes before class discussions and use them as you explain your view. Effective notes signal to classmates and the instructor that you are prepared to engage in a thorough discussion of a case. Moreover, thorough notes eliminate the need for you to memorize the facts and figures needed to discuss a case successfully.

The case analysis process described above can help you prepare to effectively discuss a case during class meetings. Adherence to this process results in consideration of the issues required to identify a focal firm's problems and to propose strategic actions through which the firm can increase the probability it will achieve strategic competitiveness. In some instances, your instructor may ask you to prepare either an oral or a written analysis of a particular case. Typically, such an assignment demands even more thorough study and analysis of the case contents. At your instructor's discretion, oral and written analyses may be completed by individuals or by groups of two or more people. The information and insights gained through completing the six steps shown in [Table 2](#) often are of value in the development of an oral or a written analysis. However, when preparing an oral or written presentation, you must consider the overall framework in which your information and inputs will be presented. Such a framework is the focus of the next section.

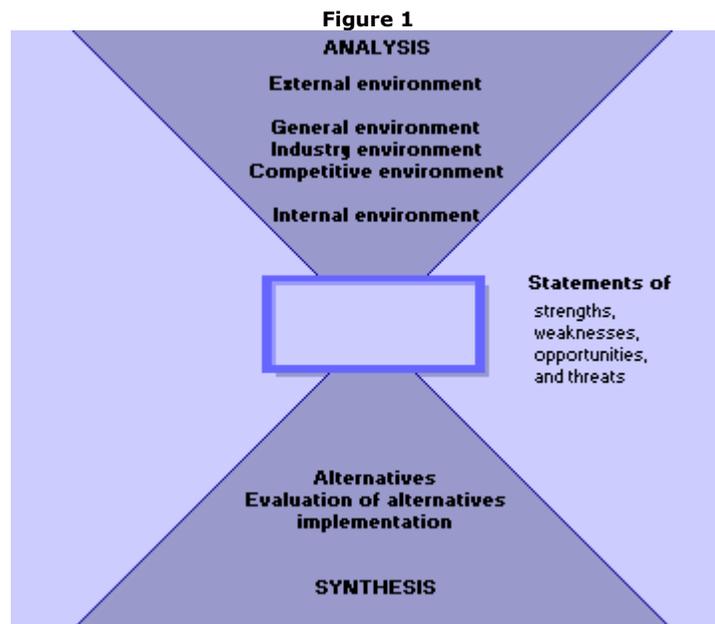
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## **Preparing An Oral/Written Case Presentation**

Experience shows that two types of thinking are necessary to develop an effective oral or written presentation ([see Figure 1](#)). The upper part of the model in Figure 1 outlines the analysis of case preparation.

In the analysis stage, you should first analyze the general external environmental issues affecting the firm. Next your environmental analysis should focus on the particular industry (or industries, in the case of a diversified company) in which a firm operates. Finally, you should examine the competitive environment of the focal firm. Through study of the three levels of the external environment, you will be able to identify a firm's opportunities and threats. Following the external environmental analysis is the analysis of the firm's internal environment. This analysis results in the identification of the firm's strengths and weaknesses.

As noted in Figure 1, you must then change the focus from analysis to synthesis. Specifically, you must synthesize information gained from your analysis of the firm's internal and external environments. Synthesizing information allows you to generate alternatives that can resolve the significant problems or challenges facing the focal firm. Once you identify a best alternative, from an evaluation based on predetermined criteria and goals, you must explore implementation actions.



[Table 3](#) outlines the sections that should be included in either an oral or a written presentation: introduction (strategic profile and purpose), situation analysis, statements of strengths/weaknesses and opportunities/threats, strategy formulation, and implementation. These sections, which can be completed only through use of the two types of thinking featured in Figure 1, are described in the following discussion. Familiarity with the contents of your book's 13 chapters is helpful because the general outline for an oral or a written presentation shown in Table 3 is based on an understanding of the strategic management process detailed in those chapters.

<b>Table 3</b> General Outline for an Oral or Written Presentation	
I.	Strategic Profile and Case Analysis Purpose
II.	Situation Analysis
	A. General environmental analysis
	B. Industry analysis
	C. Competitive environmental analysis
	D. Internal analysis
III.	Identification of Environmental Opportunities and Threats and Firm Strengths and Weaknesses (SWOT Analysis)
IV.	Strategy Formulation
	A. Strategic alternatives
	B. Alternative evaluation
	C. Alternative choice
V.	Strategic Alternative Implementation
	A. Action items
	B. Action plan

## Strategic Profile and Case Analysis Purpose

The strategic profile should state briefly the critical facts from the case that have affected the historical strategic direction and performance of the focal firm. The case facts should not be restated in the profile; rather, these comments should show how the critical facts lead to a particular focus for your analysis. This primary focus should be emphasized in this section's conclusion. In addition, this section should state important assumptions about case facts on which the analyses may be based.

## Situation Analysis

As shown in [Table 3](#), a general starting place for completing a situation analysis is the general environment. General Environmental Analysis First, your analysis of the general environment should consider the effects of globalization on the focal firm and its industry. Following that evaluation, you should analyze general environmental trends. **Table 4** lists a number of general environmental trends that, when studied, should yield valuable insights. Many of these issues are explained more fully in Chapter 2. These trends need to be evaluated for their impact on the focal firm's strategy and on the industry (or industries) in which it competes in the pursuit of strategic competitiveness.

Technology	<ul style="list-style-type: none"><li>• Information technology continues to become cheaper and have more practical applications.</li><li>• Database technology allows organization of complex data and distribution of information.</li><li>• Telecommunications technology and networks increasingly provide fast transmission of all sources of data, including voice, written communications, and video information</li></ul>
Demographic Trends	<ul style="list-style-type: none"><li>• Computerized design and manufacturing technologies continue to facilitate quality and flexibility.</li><li>• Regional changes in</li></ul>

	<ul style="list-style-type: none"> <li>population due to migration</li> <li>• Changing ethnic composition of the population</li> <li>• Aging of the population</li> <li>• Aging of the "baby boom" generation</li> </ul>
Economic Trends	<ul style="list-style-type: none"> <li>• Interest rates</li> <li>• Inflation rates</li> <li>• Savings rates</li> <li>• Trade deficits</li> <li>• Budget deficits</li> <li>• Exchange rates</li> </ul>
Political/Legal Environment	<ul style="list-style-type: none"> <li>• Anti-trust enforcement</li> <li>• Tax Policy changes</li> <li>• Environmental protection laws</li> <li>• Extent of regulation/deregulation</li> <li>• Developing countries privatizing state monopolies</li> <li>• State-owned industries</li> </ul>
Sociocultural Environment	<ul style="list-style-type: none"> <li>• Women in the work force</li> <li>• Awareness of health and fitness issues</li> <li>• Concern for the environment</li> <li>• Concern for customers</li> </ul>
Global Environment	<ul style="list-style-type: none"> <li>• Currency exchange rates</li> <li>• Free trade agreements</li> <li>• Trade deficits</li> </ul>

Industry Analysis Once you analyze the general environmental trends, you should study their effect on the focal industry. Often the same environmental trend may have a significantly different impact on separate industries. Furthermore, the same trend may affect firms within the same industry differently. For instance, with deregulation of the airline industry, older, established airlines had a significant decrease in profitability, while many smaller airlines, with lower cost structures and greater flexibility, were able to aggressively enter new markets.

Porter's five force model is a useful tool for analyzing the specific industry (see Chapter 2). Careful study of how the five competitive forces (i.e., supplier power, buyer power, potential entrants, substitute products, and rivalry among competitors) affect firm strategy is important. These forces may create threats or opportunities relative to the specific business-level strategies (i.e., differentiation, low cost, focus) being implemented. Often a strategic group's analysis reveals how different environmental trends are affecting industry competitors. Strategic group analysis is useful for understanding the industry's competitive structure and the profit possibilities within those structures.

## Competitive Environmental Analysis

Firms also need to analyze each of their primary competitors. This analysis should identify competitors' current strategies, strategic intent, strategic mission, capabilities, core competencies, and a competitive response profile. This information is useful to the focal firm in formulating an appropriate strategy and in predicting competitors' probable responses. Sources that can be used to gather information about an industry and companies with whom the focal firm competes are listed in [Appendix I](#). Included in this list is a wide range of publications, such as periodicals, newspapers, bibliographies, directories of companies, industry ratios, forecasts, rankings/ratings, and other valuable statistics.

Internal Analysis Assessing a firm's strengths and weaknesses through a value chain analysis facilitates moving from the external environment to the internal environment. Analysis of the primary and support activities of the value chain provides opportunities to understand how external environmental trends affect the specific activities of a firm. Such analysis helps highlight strengths and weaknesses (see Chapter 3 for an explanation of the value chain).

For purposes of preparing an oral or a written presentation, it is important to note that strengths are internal resources and capabilities that have the potential to be core competencies. Weaknesses, on the other hand, are internal resources and capabilities that have the potential to place a firm at a competitive disadvantage relative to its rivals. Thus, some of a firm's resources and capabilities are strengths; others are weaknesses.

When evaluating the internal characteristics of the firm, your analysis of the functional activities emphasized is critical. For instance, if the strategy of the firm is primarily technology driven, it is important to evaluate the firm's R&D activities. If the strategy is market driven, marketing functional activities are of paramount importance. If a firm has financial difficulties, critical financial ratios would require careful evaluation. In fact, because of the importance of financial health, most cases require financial analyses. [Appendix II](#) lists and operationally defines several common financial ratios. Included are tables describing profitability, liquidity, leverage, activity, and shareholders' return ratios. Other firm characteristics that should be examined to study the internal environment effectively include leadership, organizational culture, structure, and control systems.

## **Identification of Environmental Opportunities and Threats and Firm Strengths and Weaknesses (SWOT Analysis)**

The outcome of the situation analysis is the identification of a firm's strengths and weaknesses and its environmental threats and opportunities. The next step requires that you analyze the strengths and weaknesses and the opportunities and threats for configurations that benefit or do not benefit a firm's efforts to achieve strategic competitiveness. Case analysts, and organizational strategists as well, seek to match a firm's strengths with its external environmental opportunities. In addition, strengths are chosen to prevent any serious environmental threat from affecting negatively the firm's performance. The key objective of conducting a SWOT analysis is to determine how to position the firm so it can take advantage of opportunities, while simultaneously avoiding or minimizing environmental threats. Results from a SWOT analysis yield valuable insights into the selection of strategies a firm should implement to achieve strategic competitiveness. The analysis of a case should not be overemphasized relative to the synthesis of results gained from your analytical efforts. There may be a temptation to spend most of your oral or written case analysis on results from the analysis. It is important, however, that you make an equal effort to develop and evaluate alternatives and to design implementation of the chosen strategy.

## **Strategy Formulation-Strategic Alternatives, Alternative Evaluation, and Alternative Choice**

Developing alternatives is often one of the most difficult steps in preparing an oral or a written presentation. Development of three to four alternative strategies is common (see Chapter 4 for business-level strategy alternatives and Chapter 6 for corporate-level strategy alternatives). Each alternative should be feasible (i.e., it should match the firm's strengths, capabilities, and especially core competencies), and feasibility should be demonstrated. In addition, you should show how each alternative takes advantage of the environmental opportunity or avoids/buffers against environmental threats. Developing carefully thought out alternatives requires synthesis of your analyses' results and creates greater credibility in oral and written case presentations.

Once you develop strong alternatives, you must evaluate the set to choose the best one. Your choice should be defensible and provide benefits over the other alternatives. Thus, it is important that both alternative development and evaluation of alternatives be thorough. The choice of the best alternative should be explained and defended.

### **Strategic Alternative Implementation-Action Items and Action Plan**

After selecting the most appropriate strategy (that is, the strategy with the highest probability of enhancing a firm's strategic competitiveness), you must consider effective implementation. Effective synthesis is important to ensure that you have considered and evaluated all critical implementation issues. Issues you might consider include the structural changes necessary to implement the new strategy. In addition, leadership changes and new controls or incentives may be necessary to implement strategic actions. The implementation actions you recommend should be explicit and thoroughly explained. Occasionally, careful evaluation of implementation actions may show the strategy to be less favorable than you thought originally. A strategy is only as good as the firm's ability to implement it effectively. Therefore, effort to determine effective implementation is important.

### **Process Issues**

You should ensure that your presentation (either oral or written) has logical consistency throughout. For example, if your presentation identifies one purpose, but your analysis focuses on issues that differ from the stated purpose, the logical inconsistency will be apparent. Likewise, your alternatives should flow from the configuration of strengths, weaknesses, opportunities, and threats you identified by the internal and external analyses.

Thoroughness and clarity also are critical to an effective presentation. Thoroughness is represented by the comprehensiveness of the analysis and alternative generation. Furthermore, clarity in the results of the analyses, selection of the best alternative strategy, and design of implementation actions are important. For example, your statement of the strengths and weaknesses should flow clearly and logically from the internal analyses presented.

Presentations (oral or written) that show logical consistency, thoroughness, and clarity of purpose, effective analyses, and feasible recommendations (strategy and implementation) are more effective and will receive more positive evaluations. Furthermore, developing the skills necessary to make such presentations will enhance your future job performance and career success.

## **Using The Case Method**

The case method is based on a philosophy that combines knowledge acquisition with significant student involvement. In the words of Alfred North Whitehead, this philosophy "rejects the doctrine that students had first learned passively, and then, having learned should apply knowledge."<sup>2</sup> The case method, instead, is based on principles elaborated by John Dewey:

Only by wrestling with the conditions of this problem at hand, seeking and finding his own way out, does [the student] think.... If he cannot devise his own solution (not, of course, in isolation, but in correspondence with the teacher and other pupils) and find his own way out he will not learn, not even if he can recite some correct answer with a hundred percent accuracy.<sup>3</sup>

The case method brings reality into the classroom. When developed and presented effectively, with rich and interesting detail, cases keep conceptual discussions grounded in reality. Experience shows that simple fictional accounts of situations and collections of actual organizational data and articles from public sources are not as effective for learning as are fully developed cases. A comprehensive case presents you with a partial clinical study of a real-life situation that faced practicing managers. A case presented in narrative form provides motivation for involvement with and analysis of a specific situation. By framing alternative strategic actions and by confronting the complexity and ambiguity of the practical world, case analysis provides extraordinary power for your involvement with a personal learning experience. Some of the potential consequences of using the case method are summarized in Table 1.

**Table 1** Consequences of Student Involvement with the Case Method

- 1.** Case analysis requires students to practice important managerial skills--diagnosing, making decisions, observing, listening, and persuading--while preparing for a case discussion.
- 2.** Cases require students to relate analysis and action, to develop realistic and concrete actions despite the complexity and partial knowledge characterizing the situation being studied.
- 3.** Students must confront the *intractability of reality*--complete with absence of needed information, an imbalance between needs and available resources, and conflicts among competing objectives.
- 4.** Students develop a general managerial point of view--where responsibility is sensitive to action in a diverse environmental context.

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As Table 1 suggests, the case method can help you develop your analytical and judgment skills. Case analysis also helps you learn how to ask the right questions--that is, the questions that focus on the core strategic issues included within a case. Students aspiring to be managers can improve their ability to identify underlying problems, rather than focusing on superficial symptoms, through development of the skills required to ask probing, yet appropriate, questions. The particular set of cases your instructor chooses to assign the class can expose you to a wide variety of organizations and managerial situations. This approach vicariously broadens your experience base and provides insights into many types of managerial situations, tasks, and responsibilities. Such indirect experience can help you make a more informed career decision about the industry and managerial situation you believe will prove to be challenging and satisfying. Finally, experience in analyzing cases definitely enhances your problem-solving skills.

Furthermore, when your instructor requires oral and written presentations, your communication skills will be honed through use of the case method. Of course, these added skills depend on your preparation as well as your instructor's facilitation of learning. However, the primary responsibility for learning is yours. The quality of case discussion is generally acknowledged to require, at a minimum, a thorough mastery of case facts and some independent analysis of them. The case method therefore first requires that you read and think carefully about each case. Additional comments about the preparation you should complete to successfully discuss a case appear in the next section.

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### **Student Preparation For Case Discussion**

If you are inexperienced with the case method, you may need to alter your study habits. A lecture-oriented course may not require you to do intensive preparation for each class period. In such a course, you have the latitude to work through assigned readings and review lecture notes according to your own schedule. However, an assigned case requires significant and conscientious preparation before class. Without it, you will be unable to contribute meaningfully to in-class discussion. Therefore, careful reading and thinking about case facts, as well as reasoned analyses and the development of alternative solutions to case problems, are essential. Recommended alternatives should flow logically from core problems identified through study of the case. Table 2 shows a set of steps that can help you develop familiarity with a case, identify problems, and propose strategic actions that increase the probability that a firm will achieve strategic competitiveness and earn above-average returns.

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## **Gaining Familiarity**

The first step of an effective case analysis process calls for you to become familiar with the facts featured in the case and the focal firm's situation. Initially, you should become familiar with the focal firm's general situation (e.g., who, what, how, where, and when). Thorough familiarization demands appreciation of the nuances as well as the major issues in the case.

Gaining familiarity with a situation requires you to study several situational levels, including interactions between and among individuals within groups, business units, the corporate office, the local community, and the society at large. Recognizing relationships within and among levels facilitates a more thorough understanding of the specific case situation. It is also important that you evaluate information on a continuum of certainty. Information that is verifiable by several sources and judged along similar dimensions can be classified as a fact. Information representing someone's perceptual judgment of a particular situation is referred to as an inference. Information gleaned from a situation that is not verifiable is classified as speculation. Finally, information that is independent of verifiable sources and arises through individual or group discussion is an assumption. Obviously, case analysts and organizational decision makers prefer having access to facts over inferences, speculations, and assumptions.

Personal feelings, judgments, and opinions evolve when you are analyzing a case. It is important to be aware of your own feelings about the case and to evaluate the accuracy of perceived "facts" to ensure that the objectivity of your work is maximized.

## **Recognizing Symptoms**

Recognition of symptoms is the second step of an effective case analysis process. A symptom is an indication that something is not as you or someone else thinks it should be. You may be tempted to correct the symptoms instead of searching for true problems. True problems are the conditions or situations requiring solution before an organization's, unit's, or individual's performance can improve. Identifying and listing symptoms early in the case analysis process tends to reduce the temptation to label symptoms as problems. The focus of your analysis should be on the actual causes of a problem, rather than on its symptoms. It is important therefore to remember that symptoms are indicators of problems; subsequent work facilitates discovery of critical causes of problems that your case recommendations must address.

## **Identifying Goals**

The third step of effective case analysis calls for you to identify the goals of the major organizations, units, and/or individuals in a case. As appropriate, you should also identify each firm's strategic intent and strategic mission. Typically, these direction-setting statements (goals, strategic intents, and strategic missions) are derived from comments of the central characters in the organization, business unit, or top management team described in the case and/or from public documents (e.g., an annual report).

Completing this step successfully sometimes can be difficult. Nonetheless, the outcomes you attain from this step are essential to an effective case analysis because identifying goals, intent, and mission helps you to clarify the major problems featured in a case and to evaluate alternative solutions to those problems. Direction-setting statements are not always stated publicly or prepared in written format. When this occurs, you must infer goals from other available factual data and information.

## **Conducting the Analysis**

The fourth step of effective case analysis is concerned with acquiring a systematic understanding of a situation. Occasionally cases are analyzed in a less-than-thorough manner. Such analyses may be a product of a busy schedule or the difficulty and complexity of the issues described in a particular case. Sometimes you will face pressures on your limited amounts of time and may believe that you can understand the situation described in a case without systematic analysis of all the facts. However, experience shows that familiarity with a case's facts is a necessary, but insufficient, step to the development of effective solutions—solutions that can enhance a firm's strategic competitiveness. In fact, a less-than-thorough analysis typically results in an emphasis on symptoms, rather than problems and their causes. To analyze a case effectively, you should be skeptical of quick or easy approaches and answers.

A systematic analysis helps you understand a situation and determine what can work and probably what will not work. Key linkages and underlying causal networks based on the history of the firm become apparent. In this way, you can separate causal networks from symptoms.

Also, because the quality of a case analysis depends on applying appropriate tools, it is important that you use the ideas, models, and theories that seem to be useful for evaluating and solving individual and unique situations. As you consider facts and symptoms, a useful theory may become apparent. Of course, having familiarity with conceptual models may be important in the effective analysis of a situation. Successful students and successful organizational strategists add to their intellectual tool kits on a continual basis.

## **Making the Diagnosis**

The fifth step of effective case analysis—diagnosis—is the process of identifying and clarifying the roots of the problems by comparing goals to facts. In this step, it is useful to search for predicaments. Predicaments are situations in which goals do not fit with known facts. When you evaluate the actual performance of an organization, business unit, or individual, you may identify over- or under-achievement (relative to established goals). Of course, single-problem situations are rare. Accordingly, you should recognize that the case situations you study probably will be complex in nature.

Effective diagnosis requires you to determine the problems affecting longer-term performance and those requiring immediate handling. Understanding these issues will aid your efforts to prioritize problems and predicaments, given available resources and existing constraints.

### **Doing the Action Planning**

The final step of an effective case analysis process is called action planning. Action planning is the process of identifying appropriate alternative actions. Important in the action planning step is selection of the criteria you will use to evaluate the identified alternatives. You may derive these criteria from the analyses; typically, they are related to key strategic situations facing the focal organization. Furthermore, it is important that you prioritize these criteria to ensure a rational and effective evaluation of alternative courses of action.

Typically, managers "satisfice" when selecting courses of actions; that is, they find acceptable courses of action that meet most of the chosen evaluation criteria. A rule of thumb that has proved valuable to strategic decision makers is to select an alternative that leaves other plausible alternatives available if the one selected fails.

Once you have selected the best alternative, you must specify an implementation plan. Developing an implementation plan serves as a reality check on the feasibility of your alternatives. Thus, it is important that you give thoughtful consideration to all issues associated with the implementation of the selected alternatives.

## Appendix I: Sources for Industry and Competitor Analyses

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### Abstracts and Indexes

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#### Periodicals

*ABI/Inform*  
*Business Periodicals Index*  
*InfoTrac* (CD-ROM computer multidiscipline index)  
*Investext* (CD-ROM)  
*Predicasts F&S Index United States*  
*Predicasts Overview of Markets and Technology* (PROMT)  
*Predicasts R&S Index Europe*  
*Predicasts R&S Index International*  
*Public Affairs Information Service Bulletin* (PAIS)  
*Reader's Guide to Periodical Literature*

#### Newspapers

*NewsBank*  
*Business NewsBank*  
*New York Times Index*  
*Wall Street Journal Index*  
*Wall Street Journal/Barron's Index*  
*Washington Post Index*

### Bibliographies

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*Encyclopedia of Business Information Sources*  
*Handbook of Business Information*

## Directories

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### Companies—General

*America's Corporate Families and International Affiliates*  
*Hoover's Handbook of American Business*  
*Hoover's Handbook of World Business*  
*Million Dollar Directory*  
*Standard & Poor's Corporation Records*  
*Standard & Poor's Register of Corporations, Directors, and Executives*  
*Ward's Business Directory*

### Companies—International

*America's Corporate Families and International Affiliates*  
*Business Asia*  
*Business China*  
*Business Eastern Europe*  
*Business Europe*  
*Business International*  
*Business International Money Report*  
*Business Latin America*  
*Directory of American Firms Operating in Foreign Countries*  
*Directory of Foreign Firms Operating in the United States*  
*Hoover's Handbook of World Business*  
*International Directory of Company Histories*  
*Moody's Manuals,*

	<p><i>International (2 volumes)</i>  <i>Who Owns Whom</i></p>
Companies—Manufacturers	<p>Manufacturing USA:  <i>Industry Analyses, Statistics, and Leading Companies</i>  <i>Thomas Register of American Manufacturers</i>  U.S. Office of Management and Budget, Executive Office of the President,  <i>Standard Industrial Classification Manual</i>  U.S. Manufacturer's  <i>Directory</i></p>
Companies—Private	<p><i>Million Dollar Directory</i>  <i>Ward's Directory</i></p>
Companies—Public	<p>Annual Reports and 10-K Reports  <i>Disclosure</i>(corporate reports)  <i>Q-File</i>  <i>Moody's Manuals:</i></p> <ul style="list-style-type: none"> <li>• <i>Moody's Bank and Finance Manual</i></li> <li>• <i>Moody's Industrial Manual</i></li> <li>• <i>Moody's International Manual</i></li> <li>• <i>Moody's Municipal and Government Manual</i></li> <li>• <i>Moody's OTC Industrial Manual</i></li> <li>• <i>Moody's OTC Unlisted Manual</i></li> <li>• <i>Moody's Public Utility Manual</i></li> <li>• <i>Moody's</i></li> </ul>

*Transportation Manual*

Standard & Poor  
Corporation, *Standard  
Corporation Descriptions:*

- *Standard & Poor's  
Handbook*
- *Standard & Poor's  
Industry Surveys*
- *Standard & Poor's  
Investment Advisory  
Service*
- *Standard & Poor's  
Outlook*
- *Standard & Poor's  
Statistical Service*

Companies—Subsidiaries and Affiliates *America's Corporate  
Families and International  
Affiliates*  
*Ward's Directory*  
*Who Owns Whom*  
*Moody's Industry Review*  
*Standard & Poor's Analyst's  
Handbook*  
*Standard & Poor's Industry  
Report Service*  
*Standard & Poor's Industry  
Surveys (2 volumes)*  
U.S. Department of  
Commerce, *U.S. Industrial  
Outlook*

## Industry Ratios

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Dun & Bradstreet, *Industry Norms and Key Business Ratios*

Robert Morris Associates  
*Annual Statement Studies*

Troy Almanac of Business  
and Industrial Financial  
*Ratios*

## Industry Forecasts

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International Trade  
Administration, U.S.  
*Industrial Outlook Predicasts  
Forecasts*

## Rankings & Ratings

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Annual Report on American  
Industry in *Forbes*

*Business Rankings and  
Salaries*

*Business One Irwin Business  
and Investment Almanac*

*Corporate and Industry  
Research Reports (CIRR)*

*Dun's Business Rankings*

*Moody's Industrial Review*

*Rating Guide to Franchises*

*Standard & Poor's Industry  
Report Service*

*Value Line Investment  
Survey*

*Ward's Business Directory*

## Statistics

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*American Statistics Index (ASI)* Bureau of the Census, U.S. Department of Commerce, *Economic Census Publications*

Bureau of the Census, U.S. Department of Commerce, *Statistical Abstract of the United States*

Bureau of Economic Analysis, U.S. Department of Commerce, *Survey of Current Business*

Internal Revenue Service, U.S. Treasury Department, *Statistics of Income: Corporation Income Tax Returns*

*Statistical Reference Index (SRI)*

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## Appendix II: Financial Analysis in Case Studies

Table A-1 Profitability Ratios		
Ratio	Formula	What it Shows
1. Return on total assets	$\text{Profits after taxes} \div \text{Total Assets}$ <p>or</p> $\text{Profits after taxes} + \text{interest} \div \text{Total Assets}$	<p>The net return on total investments of the firm</p> <p>or</p> <p>The return on both creditors' and shareholders' investments</p>
2. Return on stockholder's equity (or return on net worth)	$\text{Profits after taxes} \div \text{Total stockholder's equity}$	How profitable the company is utilizing shareholders' funds
3. Return on common equity	$\frac{\text{Profits after taxes} - \text{preferred stock dividends}}{\text{Total stockholder's equity} - \text{par value of preferred stock}}$	The net return to common stockholders
4. Operating profit margin (or return on sales)	$\text{Profits before taxes and before interest} \div \text{Sales}$	The firm's profitability from regular operations
5. Net profit margin (or net return on sales)	$\text{Profits after taxes} \div \text{Sales}$	The firm's net profit as a percentage of total sales

**Table A-2** Liquidity Ratios

<b>Ratio</b>	<b>Formula</b>	<b>What it Shows</b>
1. Current ratio	$\text{Current assets} \div \text{Current liabilities}$	The firm's ability to meet its current financial liabilities
2. Quick ratio (or acid-test ratio)	$\frac{\text{Current assets} - \text{inventory}}{\text{Current liabilities}}$	The firm's ability to pay off short-term obligations without relying on sales of inventory
3. Inventory to net working capital	$\frac{\text{Inventory}}{\text{Current assets} - \text{current liabilities}}$	The extent to which the firm's working capital is tied up in inventory

**Table A-3** Leverage Ratios

<b>Ratio</b>	<b>Formula</b>	<b>What it Shows</b>
1. Debt-to-assets	$\text{Total debt} \div \text{Total Assets}$	Total borrowed funds as a percentage of total assets
2. Debt-to-equity	$\text{Total debt} \div \text{Total shareholders' equity}$	Borrowed funds versus the funds provided by shareholders
3. Long-term debt-to-equity	$\text{Long-term debt} \div \text{Total shareholders equity}$	Leverage used by the firm
4. Times-interest-earned (or coverage ratio)	$\text{Profits before interest and taxes} \div \text{Total interest charges}$	The firm's ability to meet all interest payments
5. Fixed charge coverage	$\text{Profits before taxes and interest} + \text{lease obligations} \div \text{Total interest charges} + \text{lease obligations}$	The firm's ability to meet all fixed-charge obligations including lease payments

**Table A-4** Activity Ratios

<b>Ratio</b>	<b>Formula</b>	<b>What it Shows</b>
1. Inventory turnover	$\text{Sales} \div \text{Inventory of finished goods}$	The effectiveness of the firm in employing inventory
2. Fixed assets turnover	$\text{sales} \div \text{Fixed assets}$	The effectiveness of the firm in utilizing plant and equipment
3. Total assets turnover	$\text{Sales} \div \text{Total assets}$	The effectiveness of the firm in utilizing total assets
4. Accounts receivable turnover	$\text{Annual credit sales} \div \text{Accounts receivable}$	How many times the total receivables has been collected during the accounting period
5. Average collecting period	$\text{Accounts receivable} \div \text{Average daily sales}$	The average length of time the firm waits to collect payment after sales

**Table A-5** Shareholders' Return Ratios

Ratio	Formula	What it Shows
1. Dividend yield on common stock	$\text{Annual dividend per share} \div \text{Current market price per share}$	A measure of return to common stockholders in the form of dividends
2. Price-earnings ratio	$\text{Current market price per share} \div \text{After-tax earnings per share}$	An indication of market perception of the firm, usually, the faster-growing or less risky firms tend to have higher PE ratios than the slower-growing or more risky firms
3. Dividend payout ratio	$\text{Annual dividends per share} \div \text{After-tax earnings per share}$	An indication of dividends paid out as a percentage of profits
4. Cash flow per share	$\text{After-tax profits} + \text{depression} \div \text{Number of common shares outstanding}$	A measure of total cash per share available for use by the firm

## Notes

**1.** C.Christensen, 1989, *Teaching and the Case Method* (Boston: Harvard Business School Publishing Division); C.C. Lundberg, 1993, Introduction to the case method, in C.M. Vance (ed.), *Mastering Management Education* (Newbury Park, Calif.:Sage).

**2.** C.C. Lundberg and C. Enz, 1993, A framework for student case preparation, *Case Research Journal* 13 (Summer): 133.

**3.** J. Soltis, 1971, John Dewey, in L. E. Deighton (ed.), *Encyclopedia of Education* (New York: Macmillan and Free Press).