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Preparing an Effective Case Analysis

WHAT TO EXPECT FROM IN-CLASS CASE DISCUSSIONS

As you will learn, classroom discussions of cases differ significantly from lectures. The case method calls for your instructor to guide the discussion and to solicit alternative views as a way of encouraging your active participation when analyzing a case. When alternative views are not forthcoming, your instructor might take a position just to challenge you and your peers to respond thoughtfully as a way of generating additional alternatives. Instructors will often evaluate your work in terms of both the quantity and the quality of your contributions to in-class case discussions. The in-class discussions are important in that you can derive significant benefit from having your ideas and recommendations examined against those of your peers and from responding to challenges by other class members and/or the instructor.

During case discussions, your instructor will likely listen, question, and probe to extend the analysis of case issues. In the course of these actions, your peers and/or your 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 all who are analyzing a case develop their analytical and communication skills. Commonly, instructors will encourage you and your peers to be innovative and original when developing and presenting ideas. Over the course of an individual discussion, you are likely to develop a more complex view of the case as a result of listening to and thinking about the diverse inputs offered by your peers and instructor. Among other benefits, experience with multiple case discussions will increase your knowledge

of the advantages and disadvantages of group decision-making processes.

Both your peers and your instructor will value comments that help identify problems and solutions. To offer relevant contributions, you are encouraged to use independent thought and, through discussions with your peers outside class, to refine your thinking. We also encourage you to avoid using phrases such as "I think," "I believe," and "I feel" when analyzing a case. 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 analyze the case. When preparing for an in-class case discussion, plan to use the case data to explain your assessment of the situation. Assume that your peers and instructor are familiar with the basic facts of the case. In addition, it is good practice to prepare notes regarding your analysis of case facts before class discussions and use them when explaining your perspectives. Effective notes signal to classmates and the instructor that you are prepared to discuss the case thoroughly. Moreover, thorough notes eliminate the need for you to memorize the facts and figures needed to successfully discuss a case.

The case analysis process described here will help prepare you to effectively discuss a case during class meetings. Using this process helps you consider the issues required to identify a focal firm's problems and to propose strategic actions through which the firm can improve its competitiveness. In some instances, your instructor may ask you to prepare an oral or 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

TABLE 1
An Effective Case Analysis Process

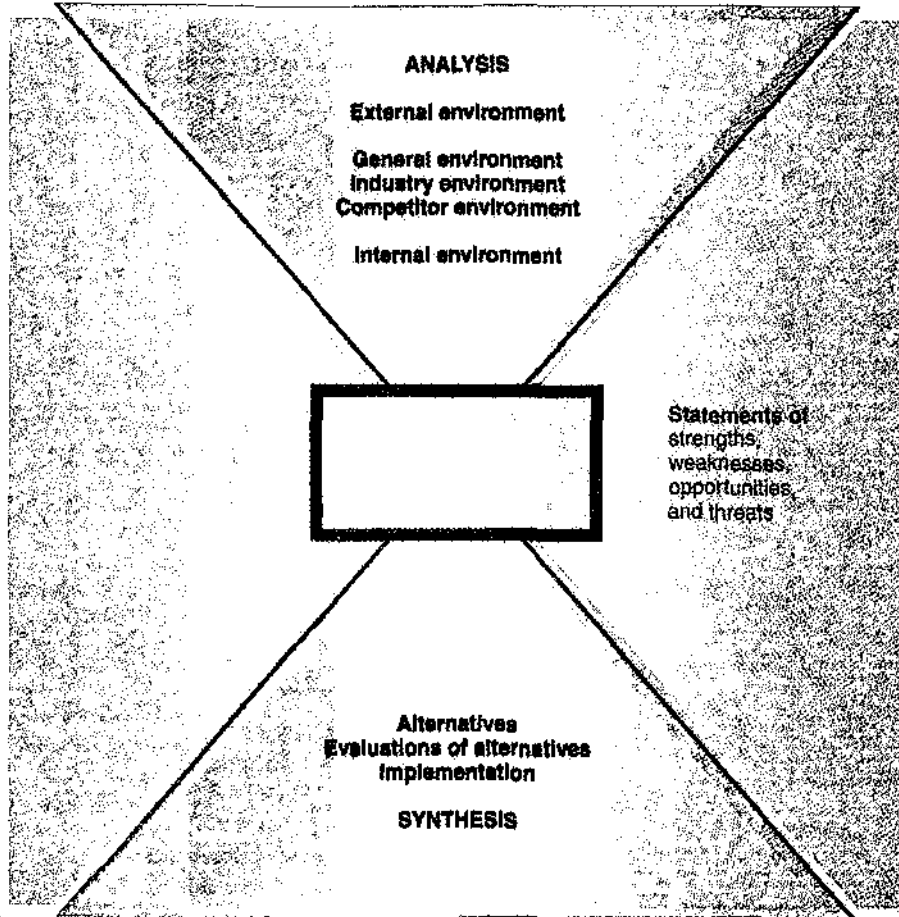
Step 1: Gaining Familiarity	<ul style="list-style-type: none"> a. In general—determine who, what, how, where, and when (the critical facts of the case). b. In detail—identify the places, persons, activities, and contexts of the situation. c. Recognize the degree of certainty/uncertainty of acquired information.
Step 2: Recognizing Symptoms	<ul style="list-style-type: none"> a. List all indicators (including stated “problems”) that something is not as expected or as desired. b. Ensure that symptoms are not assumed to be the problem (symptoms should lead to identification of the problem).
Step 3: Identifying Goals	<ul style="list-style-type: none"> a. Identify critical statements by major parties (for example, people, groups, the work unit, and so on). b. List all goals of the major parties that exist or can be reasonably inferred.
Step 4: Conducting the Analysis	<ul style="list-style-type: none"> a. Decide which ideas, models, and theories seem useful. b. Apply these conceptual tools to the situation. c. As new information is revealed, cycle back to substeps a and b.
Step 5: Making the Diagnosis	<ul style="list-style-type: none"> a. Identify predicaments (goal inconsistencies). b. Identify problems (discrepancies between goals and performance). c. Prioritize predicaments/problems regarding timing, importance, and so on.
Step 6: Doing the Action Planning	<ul style="list-style-type: none"> a. Specify and prioritize the criteria used to choose action alternatives. b. Discover or invent feasible action alternatives. c. Examine the probable consequences of action alternatives. d. Select a course of action. e. Design an implementation plan/schedule. f. Create a plan for assessing the action to be implemented.

Source: C. C. Lundberg and C. Enz, 1993, A framework for student case preparation, *Case Research Journal*, 13 (Summer): 144. Reprinted by permission of NACRA, North American Case Research Association.

individuals or by groups of three or more people. The information and insights gained through completing the six steps shown in Table 1 are often valuable when developing an oral or 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.

PREPARING AN ORAL OR WRITTEN CASE PRESENTATION

Experience shows that two types of thinking (analysis and synthesis) are necessary to develop an effective oral or written presentation (see Exhibit 1). 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 which a firm operates. Finally, you should examine companies against which the focal firm competes. By studying the three levels of the external environment (general, industry, and competitor), 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, which identifies the firm's strengths and weaknesses.

As noted in Exhibit 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 enables you to generate alternatives that can resolve the 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.

Types of Thinking in Case Preparation: Analysis and Synthesis

Table 2 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 are described in the following discussion. Familiarity with the contents of your book's 13 chapters is helpful because the general outline for an

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TABLE
2

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. Competitor 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

oral or a written presentation shown in Table 2 is based on an understanding of the strategic management process detailed in those chapters. We follow the discussions of the parts of Table 2 with a few comments about the "process" to use to present the results of your case analysis in either an oral or written format.

Strategic Profile and Case Analysis Purpose

The strategic profile should briefly present the critical facts from the case that have affected the focal firm's historical strategic direction and performance. 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 your analyses may be based.

Situation Analysis

As shown in Table 2, a general starting place for completing a situation analysis is the general environment.

General Environmental Analysis Your analysis of the general environment should focus on trends in the

six segments of the general environment (see Table 3). Many of the segment issues shown in Table 3 for the six segments are explained more fully in Chapter 2 of your book. The objective you should have in evaluating these trends is to be able to predict the segments that you expect to have the most significant influence on your focal firm over the next several years (say three to five years) and to explain your reasoning for your predictions.

Industry Analysis Porter's five-forces model is a useful tool for analyzing the industry or industries in which your firm competes. We explain how to use this tool in Chapter 2. In this part of your analysis, you want to determine the attractiveness of the industry or industries in which the focal firm is competing. As attractiveness increases, so does the possibility that your focal firm will be able to earn above-average returns by using its chosen strategies. After evaluating the power of the five forces relative to your focal firm, you should evaluate how attractive the industry is in which your focal firm is competing.

Competitor Analysis Firms also need to analyze each of their primary competitors. This analysis should identify competitors' current strategies, vision, mission, capabilities, core competencies, and a competitive response profile. We explain these items in

TABLE
3

Sample General Environmental Categories

Technological Trends

- Information technology continues to become cheaper with more practical applications
- Database technology enables organization of complex data and distribution of information
- Telecommunications technology and networks increasingly provide fast transmission of all sources of data, including voice, written communications, and video information
- Computerized design and manufacturing technologies continue to facilitate quality and flexibility

Demographic Trends

- Regional changes in population due to migration
- Changing ethnic composition of the population
- Aging of the population
- Aging of the "baby boom" generation

Economic Trends

- Interest rates
- Inflation rates
- Savings rates
- Exchange rates
- Trade deficits
- Budget deficits

Political/Legal Trends

- Antitrust enforcement
- Tax policy changes
- Environmental protection laws
- Extent of regulation/deregulation
- Privatizing state monopolies
- State-owned industries

Sociocultural Trends

- Women in the workforce
- Awareness of health and fitness issues
- Concern for the environment
- Concern for customers

Global Trends

- Currency exchange rates
- Free-trade agreements
- Trade deficits

Chapter 2. 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. Analyzing the primary and support activities of the value chain will help you 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 and use 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. Therefore, some of a firm's resources and capabilities are strengths; others are weaknesses.

When you evaluate 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 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. Leadership, organizational culture, structure, and control systems are other characteristics of firms you should examine to fully understand the "internal" part of your firm.

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 your firm's efforts to perform well. 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 negatively affecting 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 a firm's strategies. The analysis of a case should not be overemphasized relative to the synthesis of results gained from your analytical efforts. You may be tempted to emphasize the results from the analysis in your oral or written case 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 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 (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 environmental opportunities or protects 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. Therefore, it is important that both alternative development and evaluation of alternatives are thorough. You should explain and defend your choice of the best alternative.

STRATEGIC ALTERNATIVE IMPLEMENTATION—ACTION ITEMS AND ACTION PLAN

After selecting the most appropriate strategy (the one most likely to help your firm earn above-average returns), you must turn your attention to implementation-related issues. 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.

PROCESS ISSUES

You should ensure that your presentation (either oral or written) is logical and consistent 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 analyzing your firm's external and internal environments.

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 your analysis of your firm's internal environment.

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

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 G. 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.

APPENDIX I: SOURCES FOR INDUSTRY AND COMPETITOR ANALYSES

Abstracts and Indexes

Periodicals

ABI/Inform
Business Periodicals Index
EBSCO Business Source Premier
InfoTrac Custom Journals
InfoTrac Custom Newspapers
InfoTrac OneFile
Lexis/Nexis Academic
Public Affairs Information Service Bulletin (PAIS)
Readers' Guide to Periodical Literature

Newspapers

NewsBank—Foreign Broadcast Information
NewsBank—Global NewsBank
New York Times Index
Wall Street Journal/Barron's Index
Wall Street Journal Index
Washington Post Index

Bibliographies

Encyclopedia of Business Information Sources

Directories

Companies—General

America's Corporate Families and International Affiliates
D&B Million Dollar Database (<http://www.dnbmdd.com>)
Hoover's Online: The Business Network (<http://www.hoovers.com/free>)
Standard & Poor's Corporation Records
Standard & Poor's Register of Corporations, Directors & Executives (<http://www.netadvantage.standardandpoors.com>)
Ward's Business Directory of Largest U.S. Companies

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 Mergent International Manual Mergent Online (http://www.fisonline.com) Who Owns Whom
<i>Companies—Manufacturers</i>	Thomas Register of American Manufacturers U.S. Manufacturer's Directory, Manufacturing & Distribution, USA U.S. Office of Management and Budget, Executive Office of the President, Standard Industrial Classification Manual
<i>Companies—Private</i>	D&B Million Dollar Database (http://www.dnbmdd.com) Ward's Business Directory of Largest U.S. Companies
<i>Companies—Public</i>	Annual reports and 10-K reports Disclosure (corporate reports) Mergent's Manuals: Mergent's Bank and Finance Manual Mergent's Industrial Manual Mergent's International Manual Mergent's Municipal and Government Manual Mergent's OTC Industrial Manual Mergent's OTC Unlisted Manual Mergent's Public Utility Manual Mergent's Transportation Manual Standard & Poor's Corporation, Standard Corporation Descriptions (http://www.netadvantage.standardandpoors.com) Standard & Poor's Analyst's Handbook Standard & Poor's Industry Surveys Standard & Poor's Statistical Service Q-File
<i>Companies—Subsidiaries and Affiliates</i>	America's Corporate Families and International Affiliates Mergent's Industry Review Standard & Poor's Analyst's Handbook Standard & Poor's Industry Surveys (2 volumes) U.S. Department of Commerce, U.S. Industrial Outlook Who Owns Whom
Industry Ratios	Dun & Bradstreet, Industry Norms and Key Business Ratios RMA's Annual Statement Studies Troy Almanac of Business and Industrial Financial Ratios

Industry Forecasts

International Trade Administration, U.S. Industry & Trade Outlook

Rankings and Ratings

Annual Report on American Industry in Forbes
Business Rankings Annual
Mergent's Industry Review
(<http://www.worldcatlibraries.org>)
Standard & Poor's Industry Report Service
(<http://www.netadvantage.standardandpoors.com>)
Value Line Investment Survey
Ward's Business Directory of Largest U.S. Companies

Statistics

Bureau of the Census, U.S. Department of Commerce,
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. Department of the
Treasury, Statistics of Income: Corporation Income
Tax Returns
Statistical Reference Index (SRI)

APPENDIX II: FINANCIAL ANALYSIS IN CASE STUDIES

TABLE
A-1

Profitability Ratios

Ratio	Formula	What It Shows
1. Return on total assets	$\frac{\text{Profits after taxes}}{\text{Total assets}}$	The net return on total investments of the firm
	or	or
	$\frac{\text{Profits after taxes} + \text{Interest}}{\text{Total assets}}$	The return on both creditors' and shareholders' investments
2. Return on stockholder's equity (or return on net worth)	$\frac{\text{Profits after taxes}}{\text{Total stockholder's equity}}$	How profitably 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)	$\frac{\text{Profits before taxes and before interest}}{\text{Sales}}$	The firm's profitability from regular operations
5. Net profit margin (or net return on sales)	$\frac{\text{Profits after taxes}}{\text{Sales}}$	The firm's net profit as a percentage of total sales

TABLE
A-2

Liquidity Ratios

Ratio	Formula	What It Shows
1. Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	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

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

**TABLE
A-4**

Activity Ratios

Ratio	Formula	What It Shows
1. Inventory turnover	$\frac{\text{Sales}}{\text{Inventory of finished goods}}$	The effectiveness of the firm in employing inventory
2. Fixed-assets turnover	$\frac{\text{Sales}}{\text{Fixed assets}}$	The effectiveness of the firm in utilizing plant and equipment
3. Total assets turnover	$\frac{\text{Sales}}{\text{Total assets}}$	The effectiveness of the firm in utilizing total assets
4. Accounts receivable turnover	$\frac{\text{Annual credit sales}}{\text{Accounts receivable}}$	How many times the total receivables has been collected during the accounting period
5. Average collecting period	$\frac{\text{Accounts receivable}}{\text{Average daily sales}}$	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	$\frac{\text{Annual dividend per share}}{\text{Current market price per share}}$	A measure of return to common stockholders in the form of dividends
2. Price-earnings ratio	$\frac{\text{Current market price per share}}{\text{After-tax earnings per share}}$	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	$\frac{\text{Annual dividends per share}}{\text{After-tax earnings per share}}$	An indication of dividends paid out as a percentage of profits
4. Cash flow per share	$\frac{\text{After-tax profits} + \text{Depreciation}}{\text{Number of common shares outstanding}}$	A measure of total cash per share available for use by the firm