

A Guide to Case Analysis from McGraw-Hill

In most strategic management courses, students use cases about actual companies to practice their skills and gain experience in crafting and implementing strategy. A case sets forth, in a factual manner, the events and organizational circumstances surrounding a particular managerial situation.

It puts readers at the scene of the action and familiarizes them with all the relevant circumstances. A case on strategic management can concern a whole industry, a single organization, or some part of an organization; the organization involved can be either profit seeking or not-for-profit. The essence of the student's role in case analysis is to diagnose and size up the situation described in the case and then to *recommend* appropriate action steps.

Case Analysis Objectives

Using cases to learn about the practice of strategic management is a powerful way to:

- Increase understanding of what managers should and should not do in guiding a business to success.
- Build skills in sizing up company resource strengths and weaknesses and in conducting strategic analysis in a variety of industries and competitive situations.
- Obtain valuable practice in identifying strategic issues to be addressed, evaluating strategic alternatives, and formulating workable action plans.
- Cultivate business judgment, as opposed to uncritically accepting the authoritative crutch of the professor or “back-of-the-book” answers.
- Gain in-depth exposure to different industries and companies, thereby acquiring something close to actual business experience.

Understanding these case analysis objectives will decrease the likelihood that you will be consumed with curiosity about “the answer to the case.” Students who have grown comfortable with and accustomed to textbook statements of fact and definitive lecture notes are often frustrated when discussions about a case do not produce concrete answers. Usually, case discussions produce good arguments for more than one course of action. Differences of opinion nearly always exist. Thus, should a class discussion conclude without a strong, unambiguous consensus on what to do, don't grumble too much when you are *not* told what the answer is or what the company actually did. Just remember that, in the business world, answers don't come in conclusive black-and-white terms. Almost always several feasible courses of action and approaches exist. All may work out satisfactorily.

Moreover, in the business world, when one elects a particular course of action, there is no peeking at the back of a book to see if you have chosen the best thing to do and no one to turn to for a provably correct answer. The best test of whether management action is “right” or “wrong” is *results*. If the results of an action turn out to be “good,” the decision to take it may be presumed “right.” If not, then the action chosen was “wrong” in the sense that it didn't work out.

Hence, the important thing for you to understand about analyzing cases is that the managerial exercise of identifying, diagnosing, and recommending is aimed at building your business judgment skills.

Discovering what the company actually did is no more than frosting on the cake – the actions that company managers actually took may or may not be “right” or best unless accompanying evidence exists that shows the results of their actions were highly positive.)

The point is this: *The purpose of giving you a case assignment is not to cause you to run to the library or surf the Internet to discover what the company actually did but, rather, to enhance your skills in sizing up situations and developing your managerial judgment about what needs to be done and how to do it.* The aim of case analysis is for you to become actively engaged in diagnosing the business issues and managerial problems posed in the case, to propose workable solutions, and to explain and defend your assessments – this is how cases provide you with meaningful practice at being a manager.

Preparing a Written Case Analysis

Preparing a written case analysis is much like preparing a case for class discussion, except that your analysis must be more complete and put in report form. Unfortunately, no ironclad procedure for writing a case analysis exists. All we can offer are general guidelines and words of wisdom. This is because company situations and management problems are so diverse that no one mechanical way to approach a written case assignment always works.

Your instructor may assign you a specific topic around which to prepare your written report. Or, alternatively, you may be asked to do a comprehensive written case analysis where the expectation is that you will:

1. Identify all the pertinent issues that management needs to address.
2. Perform whatever analysis and evaluation is appropriate.
3. Propose an action plan and set of recommendations addressing the issues you have identified.

In going through the exercise to identify, evaluate, and recommend, keep the following pointers in mind.

Identification. It is essential early on in your paper that you provide a sharply focused diagnosis of strategic issues and key problems and that you demonstrate a good grasp of the company's present situation.

Consider beginning your paper with an overview of the company's situation, its strategy, and the significant problems and issues confronting management. State problems/issues as clearly and precisely as you can. Unless necessary to do so for emphasis, avoid recounting facts and history about the company. Assume your professor has read the case and is familiar with the organization.

Analysis and Evaluation. This is usually the hardest part of the report. Analysis is hard work! Check out the firm's financial ratios, profit margins, rates of return, and its capital structure. Decide how strong the firm is financially.

Use it to assist in your financial diagnosis. Similarly, look at marketing, production, managerial competence, and other factors underlying the organization's strategic successes and failures. Decide whether the firm has valuable resource strengths and competencies. If so, is it capitalizing on them?

Check to see whether the firm's strategy is producing satisfactory results and determine the reasons why or why not. Probe the nature and strength of the competitive forces confronting the company. Decide whether and why the firm's competitive position is getting stronger or weaker. In writing your analysis and evaluation, bear in mind:

1. You are obliged to offer analysis and evidence to back up your conclusions. Do not rely on unsupported opinions, over-generalizations, and platitudes as a substitute for tight, logical argument backed up with facts and figures.
2. If your analysis involves some important quantitative calculations, use tables and charts to present the calculations clearly and efficiently. Don't just tack the exhibits on at the end of your report and let the reader figure out what they mean and why they were included. Instead, in the body of your report cite some of the key numbers, highlight the conclusions to be drawn from the exhibits, and refer the reader to your charts and exhibits for more details.
3. Demonstrate that you have command of the strategic concepts and analytical tools to which you have been exposed. Use them in your report.
4. Your interpretation of the evidence should be reasonable and objective. Be wary of preparing a one-sided argument that omits all aspects not favorable to your conclusions. Likewise, try not to

exaggerate or overdramatize. Endeavor to inject balance into your analysis and to avoid emotional rhetoric. Strike phrases such as “I think,” “I feel,” and “I believe” when you edit your first draft and write “My analysis shows,” instead.

Recommendations. The final section of the written case analysis needs to consist of a set of definite recommendations and a plan of action. Your set of recommendations needs to address all of the problems/issues you identified and analyzed. If the recommendations come as a surprise or do not follow logically from the analysis, the effect is to weaken your suggestions of what to do. Obviously, your recommendations need to offer a reasonable prospect of success. Make high-risk, bet-the-company recommendations with caution. State how your recommendations will solve the problems you identified. Be sure the company is financially able to carry out what you recommend; also check to see whether your recommendations are workable in terms of acceptance by the persons involved, the organization’s competence to implement them, and prevailing market and environmental constraints. Try not to hedge or weasel on the actions you believe need to be taken.

By all means, state your recommendations in sufficient detail to be meaningful – get down to some definite nitty-gritty specifics. Avoid unhelpful statements, such as “the organization should do more planning” or “the company should be more aggressive in marketing its product.” For instance, if you determine that “the firm need to improve its market position,” then you need to set forth exactly how you think this could be done. Offer a definite agenda for action, stipulating a timetable and sequence for initiating actions, indicating priorities, and suggesting who will be responsible for doing what.

In proposing an action plan, remember the difference between being responsible for a decision that may be costly if it proves in error and casually suggesting courses of action that might be taken when you do not have to bear the responsibility for the consequences.

A good rule to follow in making your recommendations is: *Avoid recommending anything you would not yourself be willing to do if you were in management’s shoes.*

It goes without saying your report needs to be well organized and well written. Great ideas amount to little unless others can be convinced of their merit – this takes tight logic, the presentation of convincing evidence, and persuasively written arguments.

Researching Companies and Industries via the Internet and Online Data Services

Very likely you may need to obtain additional information about some of the assigned cases, perhaps because your instructor has asked you to do further research on the industry or company or because you are simply curious about what happened to the company since the case was written. It is relatively easy to research recent industry developments and to find out whether a company’s strategic and financial situation has improved, deteriorated, or changed little since the conclusion of the case. The amount of information about companies and industries available on the Internet and through online data services is formidable and expanding rapidly.

Visit company websites and click on the investor information offerings and press release files for useful information. Most company websites allow you to view or print the company’s quarterly and annual reports, its 10K and 10Q filings with the Securities and Exchange Commission, and various company press releases of interest. Frequently, a company’s website will also provide information about its mission and vision statements, values statements, codes of ethics, and strategy information, as well as charts of the company’s stock price.

The company’s recent press releases typically contain reliable information about recent activity, such as new product introductions, recent alliances and partnership agreements, recent acquisitions, summaries of the latest financial results, tidbits about the company’s strategy, guidance about future revenues and earnings, and other late-breaking company developments. Some company web pages also include links to the home pages of industry trade associations where you can find information about industry size, growth, recent industry news, statistical trends, and future outlook. Thus, an early step in researching a company on the Internet is always to go to its website.

You may also use the [Company Dossier in Nexis Uni](#) to find company information.

Online Data Services

[Nexis Uni](#), Bloomberg Financial News Services, and other online subscription services available in many university libraries provide access to a wide array of business reference material. For example, the web-based Lexis-Nexis Academic Universe contains business news articles from general news sources, business publications, and industry trade publications. Broadcast transcripts from financial news programs are also available through Lexis-Nexis, as are full-text 10-Ks, 10-Qs, annual reports, and company profiles for more than 11,000 U.S. and international companies. Your business librarian should be able to direct you to the sources available through your library that will aid you in your research.

Public and Subscription Websites with Good Information

You may also use Google, Yahoo! or MSN to find the latest news on a company or articles written by reporters that have appeared in the business media. These also can be valuable resources about recent company developments. Keep in mind that the information retrieved by a search engine is “unfiltered” and may include sources that are not reliable or that contain inaccurate or misleading information. Be wary of information provided by authors who are unaffiliated with reputable organizations or publications and articles that were published in off-beat sources or on websites with an agenda. Be especially careful in relying on the accuracy of information you find posted on various bulletin boards. Articles covering a company or issue need to be copyrighted or published by a reputable source. If you are turning in a paper containing information gathered from the Internet, cite your sources (provide the Internet address and date visited); it is also wise to print web pages for your research file; (some web pages are updated frequently).

The Wall Street Journal, *Business Week*, *Forbes*, *Barron's*, and *Fortune* are all good sources of articles on companies. *The Wall Street Journal Interactive Edition* contains the same information available daily in its print version of the paper, but also maintains a searchable database of all *Wall Street Journal* articles published during the past few years. *Fortune* and *Business Week* also make the content of the most recent issue available online to subscribers as well as provide archives sections that allow you to search for articles related to a particular keyword published during the past few years.

The following websites are particularly good locations for company and industry information:

- Securities and Exchange Commission EDGAR database (contains company 10-Ks, 10-Qs, etc.) <http://www.sec.gov/cgi-bin/srch-edgar>
- CNN Money <http://money.cnn.com>
- Hoover's Online <http://hoovers.com>
- *The Wall Street Journal Interactive Edition* <https://partner.wsj.com/partner/strayeruniversity>
(please visit <https://icampus.strayer.edu/library/tutorials> for instructions on setting up an account)
- *Business Week* <http://www.businessweek.com>
- *Fortune* <http://www.fortune.com>
- MSN Money Central <http://moneycentral.msn.com>
- Yahoo! Finance <http://finance.yahoo.com/>

Some of these Internet sources require subscriptions to access their entire databases.

Learning Comes Quickly. With a modest time investment, you will learn how to use Internet sources and search engines to obtain information on companies and industries quickly and efficiently, a skill that will serve you well in the future. Once you become familiar with the data available at the different websites mentioned above and with using a search engine, you will know where to locate the particular information you want. Search engines nearly always turn up too many information sources that match your request rather than too few; the trick is to learn to zero in on those most relevant to what you are looking for. With experience, you will be able to capably conduct company and industry research on the Internet

The Ten Commandments of Case Analysis

In summary, here are ten suggestions about how to approach case analysis. Observing all or even most of these commandments as you prepare a case will increase your success. Hang in there, give it your best shot, and have some fun exploring what the real world of strategic management is all about.

1. Go through the case twice: once for a quick overview and once to gain full command of the facts. Then explore the information contained in the case exhibits.
2. Make a complete list of the problems and issues the company's management needs to address.
3. Thoroughly analyze the company's situation.
4. Look for opportunities to apply the concepts and analytical tools.
5. Do enough number crunching to discover the story told by the data presented in the case.
6. Support off-the-cuff opinions with well-reasoned arguments and numerical evidence.
 - a. Don't stop until you can purge "I think" and "I feel" from your assessment. Instead rely on "My analysis shows."
7. Prioritize your recommendations; make sure they can be carried out in an acceptable time frame with the available resources.
8. Support each recommendation with persuasive argument and reasons as to why it makes sense and will result in improved company performance.
9. Review your recommended action plan to see whether it addresses all of the problems and issues you identified. Any set of recommendations that does not address all of the issues and problems you identified is incomplete and insufficient.
10. Avoid recommending any course of action that could have disastrous consequences if it doesn't work out as planned; be alert to the downside risks of your recommendations as you are to their upside potential and appeal.