

Case analysis is a major component of the strategic management course at most schools. In this part of the text, we're going to look at how to do a comprehensive case analysis so that when it's time for you to do one, you'll feel comfortable with what's involved. One thing you need to understand is that a comprehensive case analysis is not like the end-of-chapter minicases you may have completed as you read the chapters in this text; that is, there are no discussion questions at the end of the case to guide you as to which strategic issues are important. Instead, you'll be using what you've learned by reading and studying the various aspects of strategic management in action to analyze the case.

What Is a Case?

A case is simply a story about a company and the strategic issues its strategic decision makers are facing. In order to identify and address those issues, you put yourself in the position of one of those decision makers. You analyze the information that's provided about the company in the case. In some instances, your professor may provide you with additional information that's not specifically provided in the case. With this information (from the case itself and any additional information that's provided), you'll do your SWOT analysis. Then, based on your analysis, you should be able to identify the major strategic issues facing the company and formulate the strategic alternatives you think would best address those issues. Going through the process of analyzing a case can be a wonderful way to "practice" the skills of a strategic decision maker, especially if you remember to put yourself in the role of that decision maker by asking the following questions: *What information do I have? What information do I need? Based on my analysis of that information, what do I need to do now?* Given this, what specifically should a case analysis include?

What Should a Case Analysis Include?

A case analysis typically includes six parts: external analysis, internal analysis (including financial analysis), strategic issues, strategic alternatives, recommendations, and implementation. Let's look at what's included in each of these areas.

External Analysis

The external analysis section includes a description of the opportunities and threats found in the specific and general external environmental sectors. The specific sector includes the industry and competitive forces. The general sectors include economic, demographic, sociocultural, political–legal, and technological forces. We discussed in Chapter 3 how you do an external analysis and what you look for in each of these sectors. Based on your analysis of these sectors, then, you should describe *what* opportunities and threats you see in each area and explain *why* you see these as opportunities and threats.

Internal Analysis

The internal analysis section includes a description of the strengths and weaknesses found in the organization's internal functional areas, which typically include production–operations, marketing, human resource management, research and development, information systems, and financial–accounting. The internal analysis should also include an assessment of other internal

organizational aspects such as strategic managers (top management team and board of directors), organizational culture, and organizational structure. In Chapter 4, you learned how to do an internal analysis and what to look for in each of these areas. Based on your analysis of these internal areas, you should describe *what* strengths and weaknesses you see in each area and explain *why* you see these as strengths and weaknesses.

The internal analysis section also usually includes a thorough financial analysis. An organization's financial data represent the results or outcomes of its past or current strategies. Strategic decision makers must and do use some form of financial analysis to make good decisions. In preparing your financial analysis, be sure to examine and analyze any financial information that's included in the case material such as exhibits, tables, graphs, appendices, and so forth.

The financial analysis typically covers four parts: (1) ratio analysis and comparison to industry trends and company trends and an explanation of what is happening in the ratios (see Exhibit 1 for a description of the four major categories of ratios); (2) graphs and charts outlining the company's sales, profits, and other important financial measures and comparisons of the company's numbers to industry averages; (3) listing and explanation of company's financial strengths and weaknesses; and (4) a statement of the company's overall financial condition (weak, fair, or strong) and written support of how you came to that conclusion.

Strategic Issues

Once you've completed the SWOT analysis, you're ready to identify the critical strategic issues facing the company. What are "typical" issues? They're critical weaknesses that need to be

EXHIBIT 1 Financial Ratios

Category	Ratio	How Calculated	What It Measures
Liquidity	Current ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	A measure of the organization's ability to meet short-term obligations
	Acid test	$\frac{\text{Current assets minus inventories}}{\text{Current liabilities}}$	A more accurate measure of liquidity when inventories turn over slowly or are more difficult to sell
Leverage	Debt ratio	$\frac{\text{Total debt}}{\text{Total assets}}$	Indicates what percentage of an organization's assets are financed by debt
	Debt-equity ratio	$\frac{\text{Total debt}}{\text{Total equity}}$	Indicates the organization's use of equity compared with its use of debt
	Times interest earned	$\frac{\text{Profits before interest and taxes}}{\text{Total interest charges}}$	Measures how many times the organization can cover its interest payments with its gross operating income
Activity	Inventory turnover	$\frac{\text{Sales}}{\text{Inventory}}$	A measure of efficiency that indicates how many times the organization has "sold" its inventory
	Total asset turnover	$\frac{\text{Sales}}{\text{Total assets}}$	A measure of how efficiently the organization is using its total assets to generate sales
	Fixed asset turnover	$\frac{\text{Sales}}{\text{Fixed assets}}$	A measure of how efficiently the organization is using its fixed assets to generate sales
Profitability	Profit margin	$\frac{\text{Net profit (after taxes)}}{\text{Sales}}$	Indicates the percentage of profit generated from each dollar of sales
	Return on assets (ROA) (also called return on investment, or ROI)	$\frac{\text{Net profit (after taxes)}}{\text{Total Assets}}$	Indicates the rate of return on organization is generating from its assets
	Return on equity	$\frac{\text{Net profit (after taxes)}}{\text{Total Equity}}$	Indicates the rate of return the organization is earning for its shareholders

corrected, opportunities that the company wants to take advantage of with its strengths, distinctive competencies the company wants or needs to develop from its strengths, or possibly threats the company wants to steer away from or buffer against. In describing the strategic issues, focus on describing *what* the issue is as well as *why* you see it as an issue. Supporting “why” you see something as an issue should come from the information you’ve included in your SWOT analysis.

Strategic Alternatives

Once you’ve identified the critical strategic issues, you’ll need to develop strategic alternatives to address those issues. How many alternatives do you need to develop? Your professor may have guidelines for you on developing alternatives. If not, however, a general guideline is to propose at least two alternatives to address each issue. In fact, some issues may have only two alternatives—to either change or to stay as is. However, other issues may have numerous alternatives that could be proposed to resolve them.

What should your description of alternatives include? Again, your professor may have specific guidelines for you. But if not, one approach is to describe what, how, who, when, and where. *What* is the strategic alternative being proposed? The possible strategic alternatives are the functional, competitive, and corporate strategies we discussed in Chapters 5 and 6. *How* will the alternative be done? This is an important part of describing your proposed alternative and should explain in detail—step-by-step—what needs to happen in this alternative. *Who* will be responsible for doing the alternative? What individuals or groups will be involved in the alternative? *When* will the alternative need to be done? Is it something that needs to happen immediately, in the short run, or is it more long term? And finally, *where* will the alternative need to be done? Think in terms of the location(s) where the alternative will take place.

Recommendations

Once you’ve developed your issues and proposed strategic alternatives, you’re ready to make some choices. Which alternatives are you choosing and why? Which alternatives are you rejecting and why? You can choose as many of your alternatives to “resolve” your issue as you want, as long as they’re not mutually exclusive. You want to also explain how your chosen alternative(s) will resolve the strategic issue.

Implementation

One drawback of case analysis is that you can’t really put your proposed ideas into action. To overcome this limitation, however, your case analysis should provide a description of what changes would have to take place if your chosen strategies were implemented. One approach to implementation involves describing the proposed changes in organizational structure, the proposed changes in organizational culture, and the source of funding for implementing the chosen strategies. In other words, how would the organization’s structure and culture have to change if this alternative were implemented, and where would the money come from to implement the alternative?

Important Note: The format for a case analysis that we just described—external analysis, internal analysis, strategic issues, strategic alternatives, recommendations, and implementation—is just one approach. Keep in mind that your professor may have another specific format for you to follow rather than the approach that’s described here.

Finding Information To Do a Case Analysis

Doing a case analysis involves getting and evaluating information. Where do you find the information to do a case analysis? The obvious place to start is the written case itself. You’ll want to read through the case initially to familiarize yourself with the company and the situation.

Then, go back through the case and start noting certain statements and whether they describe internal or external factors. For instance, does the information relate to marketing, production–operations, research and development, and so forth? Or, does the information seem to describe the external sectors such as industry–competition, demographic, economic, and so forth? It may take you a couple of times reading through the case to determine the categories under which the information might eventually fit. And, keep in mind that not every piece of information included in the written case is going to be important to your analysis. But you won't be able to determine that unless you've studied the case by reading through it more than once.

If your professor allows it, you might also want to look at other sources of information about the company and the external environment it's facing (such as company Web sites, governmental Web sites, company and industry reference sources, and even general business and news periodicals). One precaution, however, is that you need to keep within the same time frame as the case. For instance, if your case ends in 2011, you couldn't use news events that happened after 2011 because those events wouldn't have happened at the time of the case. To get the most educational benefit from doing a case analysis, you have to "arm" yourself with the information the company's strategic decision makers would have had and address the case under those conditions. However, keep in mind that your professor may ask you to update the case to the present time period, which you would do by finding current information on the company, the industry, and the general external environment.

What then? Once you have your information, you're ready to evaluate it by identifying strengths, weaknesses, opportunities, and threats. The SWOT analysis should help you in identifying the relevant strategic issues facing the company and serve as the basis for formulating appropriate strategic responses to the issues.

Presenting Case Analysis Information

You've completed your analysis of the case information. Now what? You'll need to present the information in a written format, as an oral presentation, or maybe both. What do you need to know about presenting information as a written report or as an oral report?

Written Case Analysis

Your written report should cover the six parts of a case analysis. This information could be presented in a bulleted item format or in a paragraph format. Your professor will tell you what he or she prefers. Either way, label your case sections clearly and carefully check your spelling and grammar. If you have used information from another source, you will need to cite that information. Again, your professor will tell you the preferred format (e.g., as in the text itself, at the end of the report, or some other way) for doing this. Also, you should include a cover page with pertinent information. You may even want to include a table of contents (with page numbers) if your report is lengthy. Pay careful attention to what your professor outlines as the specific requirements for a written case analysis and follow those requirements to the letter!

Oral Presentation

You may also be required to present your case analysis information in an oral presentation. Again, your professor may have specific requirements for an oral presentation. Be sure that you prepare your materials in accordance with those specific requirements. Exhibit 2 offers some suggestions for good oral presentations.

EXHIBIT 2 Suggestions for Good Oral Presentations

- Get the audience's attention immediately by opening with, for instance, an interesting piece of information about the company, an audience participation survey, video clips, or examples of the company's products.
 - Present all the required parts. Your professor will let you know what these are.
 - Provide explanations of your analysis, but don't provide so much detail that you lose your audience.
 - As each person starts his or her part, state your name and what you will be covering.
 - Use good transitions between speakers.
 - Stay within the allotted time frame.
 - Use visuals to present information when appropriate; for example, audience members likely will better understand financial and other quantitative information when it is presented in a visual format.
 - Make sure visuals have no grammatical or spelling errors.
 - Make your visuals simple and attractive.
 - Display examples or samples of the company's products, if appropriate.
 - Make good eye contact with different members of the audience—you don't want to always look at your professor.
 - Practice the presentation before actually doing it.
 - Enjoy giving your presentation, or at least act like you're enjoying it. If you act bored or uninterested, your audience is likely to respond in the same way.
 - Vary the tone of your voice so it doesn't sound like you're speaking in a monotone.
 - Don't use "umm" or "uhh" as you speak.
 - Wear appropriate business-professional dress.
 - Use note cards or a professional-looking folder to hold your typed notes.
 - If using a PowerPoint presentation, do not talk to the computer screen in front of you or to the display screen behind you.
 - Be sure to turn off cell phones and any other personal electronic devices.
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