

Guide to case analysis

A case presents a situation involving a managerial problem or issue that requires a decision. Typically, cases describe a variety of conditions and circumstances facing an organization at a particular time. This description often includes information regarding the organization's goals and objectives, its financial condition, the attitudes and beliefs of managers and employees, market conditions, competitors' activities, and various environmental forces that may affect the organization's present or proposed marketing strategy. Your responsibility is to sift carefully through the information provided in order to identify the opportunity, problem, or decision facing the organization; to carefully identify and evaluate alternative courses of action; and to propose a solution or decision based on your analysis.

This note provides an overview of the case method. It begins with a discussion of the role that cases play in the teaching/ learning process. This is followed by a series of guidelines for case analysis. After carefully reading this material, you should be prepared to tackle your first case analysis. Even if you have had previous experience with cases, the discussion will provide a useful review.

Why Cases?

The case method differs substantially from other teaching/ learning approaches such as lecture and discussion. Lecture and discussion-oriented classes provide students with information about concepts, practices, and theories. In contrast, cases provide an opportunity to use concepts, practices, and theories. The primary objective of the case method is to give you a hands-on opportunity to apply what you have learned in your course work.

Consider this analogy: Suppose that you want to learn to play a musical instrument. Your instruction might begin with several classes and reading assignments about your particular instrument. This could include information about the history of the instrument and descriptions of the various parts of the instrument and their functions. Sooner or later, however, you would actually have to play the instrument. Eventually you might become an accomplished musician.

Now suppose you want to become a marketing professional, instead of a musician. You started with classes or courses that introduced you to the foundations of marketing management. Your prior studies may have also included courses in areas of specialization such as marketing research, buyer behavior, and promotion, as well as other business disciplines such as management, finance, accounting, economics, and statistics. You need practice and experience to become a professional. This is precisely the purpose of the case method of instruction. The cases in this book will give you opportunities to apply your knowledge of marketing and other business subjects to actual marketing situations. Case studies help to bridge the gap between classroom learning and the practice of marketing management. They provide us with an opportunity to develop, sharpen, and test our analytical skills at:

- Assessing situations.
- Sorting out and organizing key information.
- Asking the right questions.
- Defining opportunities and problems.
- Identifying and evaluating alternative courses of action.
- Interpreting data.
- Evaluating the results of past strategies.
- Developing and defending new strategies.
- Interacting with other managers.
- Making decisions under conditions of uncertainty.
- Critically evaluating the work of others.
- Responding to criticism.

In addition, cases provide exposure to a broad range of situations facing different types and sizes of organizations in a variety of industries. The decisions that you encounter in cases will range from fairly simple to quite complex. If you were the managers making these decisions, you would be risking anywhere from a few thousands to several million dollars of your firm's resources. And you could be risking your job and your career. Obviously the risk, or the cost of making mistakes, is much lower in the classroom environment.

A principal difference between our earlier example of learning to play a musical instrument and the practice of marketing lies in what might be called consequences. A musician's expertise is based on his or her ability to perform precisely the same series of actions time after time. The outcome of perfect execution of a predetermined series of actions is the sought consequence: a beautiful melody. Marketing, on the other hand, is often described as a skillful combination of art and science. No two situations ever require exactly the same actions. Although the same skills and knowledge may be required in different situations, marketing executives must analyze and diagnose each situation separately and conceive and initiate unique strategies to produce sought consequences. Judgment, as opposed to rote memory and repetition, is one key to marketing success. When judgment and a basic understanding of the variables and interrelationships in marketing situations are coupled, they form the core of an analysis and problem-solving approach that can be used in any marketing decision-making situation.

The Case Method of Instruction

The case method of instruction differs from the lecture/discussion method that you have grown accustomed to. It is only natural that you are a bit anxious and apprehensive about it. The methods of study and class preparation are different, your roles and responsibilities are different, and the "right" answers are much less certain. The case method is neither better nor worse than alternative methods: it is

just different.

The case method is participative. You will be expected to take a more active role in learning than you have taken in the past. The case method is based on a philosophy of learning by doing as opposed to learning by listening and absorbing information. Case analysis is an applied skill. As such it is something you learn through application, as opposed to something someone teaches you. The more you practice, the more proficient you will become. The benefit you receive from case analysis is directly proportional to the effort you put into it.

Your Responsibilities.

Your responsibilities as a case analyst include active participation, interaction, critical evaluation, and effective communication.

Active Participation. We have already noted that the case method is participative. It requires a great deal of individual participation in class discussion. Effective participation requires thorough preparation. This entails more than casually reading each case before class. The guidelines in the next section of this note will assist you in preparing case analyses. Also, keep in mind that there is a difference between contributing to a class discussion and just talking.

Interaction. Interaction among students plays an important role in the case method of instruction. Effective learning results from individual preparation and thinking, combined with group discussion. Whether you are assigned to work independently or in groups, most instructors encourage students to discuss cases with other students. This, of course, is common practice among managers facing important business decisions. Case discussions, in and out of class, are beneficial because they provide immediate feedback regarding individual perspectives and possible solutions. Other important benefits of case discussions are the synergism and new insights produced by group brainstorming and discussion.

Critical Evaluation. One of the most difficult responsibilities of student case analysts is learning to critique their peers and to accept criticism from them. Typically, students are reluctant to question or challenge their classmates or to suggest alternatives to the perspectives proposed by others in the class. Students find this difficult because they are generally inexperienced at performing these functions and are also unaccustomed to being challenged by their peers in the classroom. However, the case method of instruction is most effective when all parties engage in an open exchange of ideas. Good cases do not have one clear-cut superior solution. Don't be shy about expressing and defending your views. Moreover, the reasoning process you use and the questions you raise are often more important than the specific solution that you recommend.

Effective Communication. Each of the three responsibilities discussed above requires effective communication. It is important that you organize your thoughts before

speaking. You will develop and refine your communication skills by making class presentations, participating in case discussions, and writing case analyses. Furthermore, the focus of the case method is the development and sharpening of quantitative and qualitative analytical skills. Your analytical skills will improve as you organize information, diagnose problems, identify and evaluate alternatives, and develop solutions and action plans.

Case analysis plays an important role in your overall education. What you learn in a course that uses the case method may be your best preparation for securing your first job and launching your career. If you ask a sample of recruiters to assess the students who are completing undergraduate and graduate programs in business administration today. You will probably hear that these students are extremely well-trained in concepts and quantitative skills but that they lack verbal and written communication skills and decision-making skills. The case method offers students an excellent opportunity to enhance and refine those skills.

A Guide to Case Analysis

There is no one best way to analyze a case. Most people develop their own method after gaining some experience. As with studying, everybody does it a little bit differently. The following suggestions are intended to give you some ideas of how others approach cases. Try these suggestions and make your own adjustments.

Begin by reading each case quickly. The purpose of the first reading should be to familiarize yourself with the organization, the problem, or the decision to be made, the types and amount of data provided, and in general to get a feel for the case. Your second reading of the case should be more careful and thorough. Many students find it helpful to underline, highlight, and make notes about symptoms, potential problems and issues, key facts, and other important information.

Now you should be in a position to investigate the tabular and numerical data included in the case. Ask yourself what each figure, table, or chart means, how it was derived, whether or not it is relevant, and whether further computations would be helpful. If calculations, comparisons, or consolidations of numerical data appear useful, take the necessary action at this time.

A large part of what you will learn from case analysis is how to define, structure, and analyze opportunities and problems. The following information is intended to provide you with a general framework for problem solving. In essence, it is the scientific method with some embellishment.

Step 1: Situation Audit. The situation audit phase of the problem-solving process is basically a synopsis and evaluation of an organization's current situation, opportunities, and problems. The primary purpose of the audit is to help you prepare for problem definition and subsequent steps in the problem-solving process. The situation audit interprets and shows the relevance of important case

information. Thus it is important that your situation audit be diagnostic rather than descriptive.

It is descriptive to recognize that, "Company A's current and quick ratios are 1.03 and 0.64, respectively." A diagnostic look at these figures indicates that Company A may not be able to meet maturing obligations. The poor quick ratio shows that without inventory, the company's least liquid asset, short-term obligations could not be met. In other words, Company A is insolvent. If you have information about a number of different problems or challenges facing Company A, knowing that the company is insolvent helps you to focus your attention on those that affect the firm's short-term survival needs.

The breadth and depth of an appropriate situation audit are determined by the nature and scope of the case situation, and your instructor's specific instructions. Each case will require a situation audit that is a little different from any of the others because of the information available and the decision to be made.

The situation audit need not be a thorough and comprehensive study but rather a short concise analysis of the organization's major strengths, weaknesses, opportunities, and threats - reserving the comprehensive effort for the analysis step. Some call this a SWOT analysis, and recommend including only information that is crucial in preparing to analyze the case. The emphasis here is on analysis, diagnosis, synthesis, and interpretation of the situation. In a written assignment you should be able to present this in less than two pages.

A Note on Gathering More Data and on Making Assumptions. Students often feel that they need more information in order to make an intelligent decision. Decision-makers rarely, if ever, have all the information they would like to have prior to making important decisions. The cost and time involved in collecting more data are often prohibitive. Decision-makers, like you, therefore have to make some assumptions. There is nothing wrong with making assumptions as long as they are explicitly stated and reasonable. Be prepared to defend your assumptions as logical. Don't use lack of information as a crutch.

For example, an assumption that Company A, mentioned previously, cannot borrow large sums of money is both reasonable and defensible. To assume that it could borrow large sums of money would require a clear explanation of why some lender or investor would be willing to lend money to, or invest money in, a firm with a quick ratio of 0.64.

Step 2: Problem/Decision Statement. Identification of the main problem, opportunity, or issue in a case is crucial. If you don't properly identify the central problem or decision in a case, the remainder of your analysis is not likely to produce recommendations necessary to solve the organization's main problem.

You may become frustrated with your early attempts at problem/decision identification. Don't feel alone. Most students and many experienced managers have

difficulty with this task. Your skill will improve with practice.

A major pitfall in defining problems/decisions occurs in confusing symptoms with problems. Such things as declining sales, low morale, high turnover, or increasing costs are symptoms that are often incorrectly identified as problems. You can frequently avoid incorrectly defining a symptom as a problem by thinking in terms of causes and effects. Problems are causes, and symptoms are effects. The examples cited above are the effects or manifestations of something wrong in the organization. Why are sales declining? Why is morale low? Why is turnover high? Why are costs increasing? The key question is *why*. What is the cause? Sales may be declining because morale is low and turnover is high. Why is morale low, and why is turnover high? These effects may be caused by an inadequate compensation plan, which in turn may be caused by inadequate profit margins. Profit margins may be low because products have been incorrectly priced or because the distribution system is outdated. As you can see, symptoms may appear in one part of the overall marketing program, and the true problem may lie elsewhere in the program. Keep asking why, until you are satisfied that you have identified the problem (cause) and not just another symptom (effect).

Think about this analogy. You are not feeling well, so you make an appointment to see your physician. The physician will ask you to describe what is bothering you. Suppose you say you have a headache, a sore throat, chills, and a fever. The physician will probably take your temperature, look in your throat, and perhaps examine you in other ways. The goal, of course, is to diagnose your problem so that a remedy can be prescribed.

How does this relate to case analysis? Your headache, sore throat, chills, and fever are symptoms of something wrong. They are signals to you to seek help. This information also assists your physician in making his or her diagnosis. These symptoms are similar to the declining sales, poor morale, high turnover, and increasing costs that we discussed earlier. They are the effects of some underlying cause. Your role in case study, like the role of your physician, is to analyze the combination of symptoms that can be identified, and then to determine the underlying problem.

Let's carry the analogy a bit farther. Suppose the physician's diagnosis is that you have a common cold. Since there is no cure for a cold, all he or she can do is prescribe medication to treat the symptoms. The cold will cure itself in a matter of days.

Now suppose the diagnosis of the cause was incorrect. Instead of just a common cold, you contracted malaria during a recent vacation in Southeast Asia. If the physician treats the symptoms or effects, they will be temporarily reduced or eliminated, but they will soon reappear. Each time they reappear they will be more severe, until the ailment is properly diagnosed or you die! This is precisely what will happen in an organization if a symptom is incorrectly identified as a problem.

Treating the symptom will temporarily reduce its dysfunctional impact on the organization, but sooner or later it will reappear. When it reappears it will probably be more severe than it was previously. This is why carefully identifying the root problem, decision, or issue in your case analysis is very important.

When you identify more than one major problem or decision in a case, ask yourself whether or not the problems or decisions are related enough to be consolidated into one problem/decision statement. You may not yet have reached the central problem. If, however, you have identified two or more problems that are not directly associated with one another, we recommend that you rank them in the order of their importance and address them in that order. You may find that, although the problems do not appear to be closely linked, the solutions are related. One solution may solve multiple problems.

A final suggestion regarding defining problems or decisions is to state them concisely and if possible, in the form of a question. Try to write a one-sentence question that is specific enough to communicate the main concern. For example,

- Should Brand A be deleted from the product line?
- Which two of the five sales candidates should be hired?
- How should L.A. Gear define its marketing planning units?
- What is the best marketing program positioning strategy for Rollerblade?

In addition to your problem/decision statement, you may find it useful to provide a brief narrative describing the main parameters of the problem/decision. This is helpful when you have a compound problem/decision that can be subdivided into components or sub-problems.

Step 3: Identification of Alternatives. Alternatives are the strategic options or actions that appear to be viable solutions to the problem or decision situation that you have determined. Often, more than two seemingly appropriate actions will be available. Sometimes these will be explicitly identified in the case, and sometimes they will not. Prepare your list of alternatives in two stages. First, prepare an initial list of alternatives that includes all the actions that you feel might be appropriate. Group brainstorming is a useful technique for generating alternatives. Be creative, keep an open mind, and build upon the ideas of others. What may initially sound absurd could become an outstanding possibility.

After you have generated your initial list of alternatives, begin refining your list and combining similar actions. Use the information that you organized in your situation audit regarding goals, objectives, and constraints, to help you identify which alternatives to keep and which to eliminate. Ask yourself whether an alternative is feasible given the existing financial, productive, managerial, marketing, and other constraints and whether it could produce the results sought. That is, does the alternative directly address the problem or decision you identified in Step 2? If your problem/decision statement and your alternatives are inconsistent, you have erred in one step or the other. To help avoid this mistake, be explicit in showing the

connections between the situation audit, the problem/decision statement, and the final set of alternatives.

Doing nothing and collecting more data are two alternatives often suggested by students with limited case experience. These are rarely the best actions to take. If you have identified a problem or a decision that must be made, ignoring the situation probably will not help. Likewise, recommending a survey, hiring a consultant, or employing some other options associated with gathering more data is rarely a viable solution to the central problem or issue. In some cases, a solution may include further study, but this will normally be part of the implementation plan rather than part of the solution. Most cases are based on real business situations. You have the same information that was available to the decision maker when the decision was made. The major difference is that your data are already compiled and organized. If complete information were available, decisions would be easy. This is not the case in business situations, so it may help you to become familiar with making decisions under conditions of uncertainty. Executives, like case analysts, must rely on assumptions and on less-than-perfect information.

Step 4: Criteria. Next you should develop a list of the main criteria that you will use to evaluate your strategic options. By expressly stating the criteria you intend to use in evaluating alternatives, you make clear the measures you plan to use in assessing and comparing the viability of your alternative courses of action.

Perhaps the best place to start in identifying criteria is to ask yourself what factors, in general, should be considered in making a strategic decision regarding this particular problem. For example, assume that your task is to identify the most attractive product-market niche. Your alternatives: are niches X, Y, and Z. Your question then would be, What criteria should be employed in assessing the choices of product-market niches? An appropriate set of criteria might include (for each niche) potential sales volume, variable costs, contribution margins, market share, total niche sales, business strength, and niche attractiveness. This will provide an evaluation relative to the market and to competition.

The single most important factor in many decisions is profitability. Since profits are a principal goal in all commercial organizations, nearly every marketing decision is influenced by monetary considerations that ultimately affect profits (or expected profits). Sometimes several profit-oriented criteria are involved. These may include future costs and revenues, break-even points, opportunity costs, contribution margins, taxes, turnover, sales, and market share, for example.

Many criteria are only indirectly linked to profits. Such things as the impact of a decision on employees, the local economy, the environment, suppliers, or even customer attitudes may not directly affect profits. Because profits are almost always the overriding criterion, all factors bearing on them, directly or indirectly, must be considered.

Step 5: Analysis. Analysis is the process of evaluating each alternative action against the issues that were identified in Step 4. Often, analysis includes assessment of advantages and limitations associated with each issue. A tendency exists when first starting a case analysis to identify important issues carefully and then to analyze each issue superficially. The consequence is a weak analysis. Your analysis will be much more penetrating and comprehensive if you use the same criteria in assessing each alternative.

One way of assuring that you assess each alternative in terms of each critical issue is to organize your analysis in outline form as follows.

Step 5 Analysis

Alternative A: (Specify the alternative.)

1. Thoroughly discuss Alternative A in terms of criterion number 1.
2. For the remaining criteria, follow the same procedure.

Alternative B: (Specify the alternative.)

1. Thoroughly discuss Alternative B in terms of criterion number 1.
2. Follow the same procedure for the other criteria.

Step 6: Recommendations. If your analysis has been thorough, the actions you recommend should flow directly from it. The first part of your recommendations section addresses what specific actions should be taken and why. State the main reasons you believe your chosen course of action is best, but avoid rehashing the analysis section. It is important that your recommendations be specific and operational.

The second part of your recommendation section addresses implementation. State clearly who should do what, when, and where. An implementation plan shows that your recommendations are both possible and practical.

The last part of your recommendation section should be a tentative budget. This is important because it illustrates that the solution is worth the cost and is within the financial capabilities of the organization. Too often, students develop grandiose plans that organizations couldn't possibly afford even if they were worth the money.

Your instructor realizes that the numbers used in your tentative budget may not be as accurate as they would be if you had complete access to the records of the company. Make your best estimates and try to get as close to the actual figures as possible. The exercise is good experience, and it shows that you have considered the cost implications.

Students often ask how long the recommendation section should be and how much detail they should go into. This question is difficult to answer because each case is different and should be treated that way. In general it is advisable to go into as much detail as possible. You may be criticized for not being specific enough in your recommendations, but you are not likely to be criticized for being too specific.