

# Introduction to Business Winter 2006

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## An Approach to Case Analysis Winter 2006

### What is a Case Study?

A case study is a description of an actual administrative situation involving a decision to be made or a problem to be solved. It can be a real situation that actually happened just as described, or portions have been disguised for reasons of privacy. Most case studies are written in such a way that the reader takes the place of the manager whose responsibility is to make decisions to help solve the problem. In almost all case studies, a decision must be made, although that decision might be to leave the situation as it is and do nothing.

### The Case Method as a Learning Tool

The *case method of analysis* is a learning tool in which students and Instructors participate in direct discussion of case studies, as opposed to the lecture method, where the Instructor speaks and students listen and take notes. In the case method, students teach themselves, with the Instructor being an active guide, rather than just a talking head delivering content. The focus is on students learning through their joint, co-operative effort.

Assigned cases are first prepared by students, and this preparation forms the basis for class discussion under the direction of the Instructor. Students learn, often unconsciously, how to evaluate a problem, how to make decisions, and how to orally argue a point of view. Using this method, they also learn how to think in terms of the problems faced by an administrator. In courses that use the case method extensively, a significant part of the student's evaluation may rest with classroom participation in case discussions, with another substantial portion resting on written case analyses. For these reasons, using the case method tends to be very intensive for both students and Instructor.

Case studies are used extensively throughout most business programs at the university level, and The F.C. Manning School of Business Administration is no exception. As you will be using case studies in many of the courses over the next four years, it is important that you get off to a good start by learning the proper way to approach and complete them.

### How to do a Case Study

While there is no one definitive "Case Method" or approach, there are common steps that most approaches recommend be followed in tackling a case study. It is inevitable that different Instructors will tell you to do things differently, this is part of life and will also be part of working for others. This variety is beneficial since it will show you different ways of approaching decision making. What follows is intended to be a rather general approach, portions of which have been taken from an excellent book entitled, *Learning with Cases*, by Erskine, Leenders, & Mauffette-Leenders, published by the Richard Ivey School of Business, The University of Western Ontario, 1997.

Beforehand (usually a week before), you will get:

1. the case study,
2. (often) some guiding questions that will need to be answered, and
3. (sometimes) some reading assignments that have some relevance to the case subject.

Your work in completing the case can be divided up into three components:

1. what you do to prepare before the class discussion,
2. what takes place in the class discussion of the case, and
3. anything required after the class discussion has taken place.

For maximum effectiveness, it is essential that you do all three components. Here are the subcomponents, in order. We will discuss them in more detail shortly.

1. **Before the class discussion:**

1. Read the reading assignments (if any)
2. Use the Short Cycle Process to familiarize yourself with the case.
3. Use the Long Cycle Process to analyze the case
4. Usually there will be group meetings to discuss your ideas.
5. Write up the case (if required)

2. **In the class discussion:**

1. Someone will start the discussion, usually at the prompting of the Instructor.
2. Listen carefully and take notes. Pay close attention to assumptions. Insist that they are clearly stated.
3. Take part in the discussion. Your contribution is important, and is likely a part of your evaluation for the course.

3. **After the class discussion:**

1. Review ASAP after the class. Note what the key concept was and how the case fits into the course.

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## Preparing A Case Study

It helps to have a system when sitting down to prepare a case study as the amount of information and issues to be resolved can initially seem quite overwhelming. The following is a good way to start.

### Step 1: The Short Cycle Process

1. **Quickly read the case.** If it is a long case, at this stage you may want to read only the first few and last paragraphs. You should then be able to
2. **Answer the following questions:**
  1. Who is the decision maker in this case, and what is their position and responsibilities?
  2. What appears to be the issue (of concern, problem, challenge, or opportunity) and its significance for the organization?
  3. Why has the issue arisen and why is the decision maker involved now?
  4. When does the decision maker have to decide, resolve, act or dispose of the issue? What is the urgency to the situation?
3. **Take a look at the Exhibits** to see what numbers have been provided.
4. **Review the case subtitles** to see what areas are covered in more depth.
5. **Review the case questions** if they have been provided. This may give you some clues as to what the main issues are to be resolved.

You should now be familiar with what the case study is about, and are ready to begin the process of analyzing it. **You are not done yet!** Many students mistakenly believe that this is all the preparation

needed for a class discussion of a case study. If this was the extent of your preparation, your ability to contribute to the discussion would likely be limited to the first one quarter of the class time allotted. You need to go further to prepare the case, using the next step. One of the primary reasons for doing the short cycle process is to give you an indication of **how** much work will need to be done to prepare the case study properly.

## Step 2: The Long Cycle Process

At this point, the task consists of two parts:

1. A detailed reading of the case, and then
2. Analyzing the case.

When you are doing the detailed reading of the case study, look for the following sections:

1. **Opening paragraph:** introduces the situation.
2. **Background information:** industry, organization, products, history, competition, financial information, and anything else of significance.
3. **Specific (functional) area of interest:** marketing, finance, operations, human resources, or integrated.
4. **The specific problem** or decision(s) to be made.
5. **Alternatives** open to the decision maker, which may or may not be stated in the case.
6. **Conclusion:** sets up the task, any constraints or limitations, and the urgency of the situation.

Most, but not all case studies will follow this format. The purpose here is to thoroughly understand the situation and the decisions that will need to be made. Take your time, make notes, and keep focussed on your objectives.

Analyzing the case should take the following steps:

1. **Defining the issue(s)**
2. **Analyzing the case data**
3. **Generating alternatives**
4. **Selecting decision criteria**
5. **Analyzing and evaluating alternatives**
6. **Selecting the preferred alternative**
7. **Developing an action/implementation plan**

## Defining the issue(s)/Problem Statement

The problem statement should be a clear, concise statement of exactly what needs to be addressed. This is not easy to write! The work that you did in the short cycle process answered the basic questions. Now it is time to decide what the main issues to be addressed are going to be in much more detail. Asking yourself the following questions may help:

1. **What appears to be the problem(s) here?**
2. **How do I know that this is a problem?** Note that by asking this question, you will be helping to differentiate the symptoms of the problem from the problem itself. **Example:** while declining sales or unhappy employees are a *problem* to most companies, they are in fact, *symptoms* of

underlying problems which need to be addressed.

3. **What are the immediate issues that need to be addressed?** This helps to differentiate between issues that can be resolved within the context of the case, and those that are bigger issues that need to be addressed at another time (preferably by someone else!).
4. **Differentiate between importance and urgency for the issues identified.** Some issues may appear to be urgent, but upon closer examination are relatively unimportant, while others may be far more important (relative to solving our problem) than urgent. You want to deal with important issues in order of urgency to keep focussed on your objective. Important issues are those that have a **significant** effect on:
  1. profitability,
  2. strategic direction of the company,
  3. source of competitive advantage,
  4. morale of the company's employees, and/or
  5. customer satisfaction.

The problem statement may be framed as a question, eg: What should Joe do? or How can Mr Smith improve market share? Usually the problem statement has to be re-written several times during the analysis of a case, as you peel back the layers of symptoms or causation.

### Analyzing Case Data

In analyzing the case data, you are trying to answer the following:

1. **Why or how did these issues arise?** You are trying to determine cause and effect for the problems identified. You cannot solve a problem that you cannot determine the cause of! It may be helpful to think of the organization in question as consisting of the following components:
  1. **resources**, such as materials, equipment, or supplies, and
  2. **people** who transform these resources using
  3. **processes**, which creates something of greater value.

Now, where are the problems being caused within this framework, and why?
2. **Who is affected most by these issues?** You are trying to identify who are the relevant stakeholders to the situation, and who will be affected by the decisions to be made.
3. **What are the constraints and opportunities** implicit to this situation? It is very rare that resources are not a constraint, and allocations must be made on the assumption that not enough will be available to please everyone.
4. **What do the numbers tell you?** You need to take a look at the numbers given in the case study and make a judgement as to their relevance to the problem identified. Not all numbers will be immediately useful or relevant, but you need to be careful not to overlook anything. When deciding to analyze numbers, keep in mind why you are doing it, and what you intend to do with the result. Use common sense and comparisons to industry standards when making judgements as to the meaning of your answers to avoid jumping to conclusions.

### Generating Alternatives

This section deals with different ways in which the problem can be resolved. Typically, there are many (the joke is at least three), and being creative at this stage helps. Things to remember at this stage are:

1. **Be realistic!** While you might be able to find a dozen alternatives, keep in mind that they should be realistic and fit within the constraints of the situation.
2. The alternatives should be mutually exclusive, that is, they cannot happen at the same time.

3. ***Not making a decision pending further investigation*** is not an acceptable decision for any case study that you will analyze. A manager can always delay making a decision to gather more information, which is not managing at all! The whole point to this exercise is to learn how to make good decisions, and having imperfect information is normal for most business decisions, not the exception.
4. **Doing nothing** as in not changing your strategy can be a viable alternative, provided it is being recommended for the correct reasons, as will be discussed below.
5. Avoid the ***meat sandwich*** method of providing only two other clearly undesirable alternatives to make one reasonable alternative look better by comparison. This will be painfully obvious to the reader, and just shows laziness on your part in not being able to come up with more than one decent alternative.
6. Keep in mind that any alternative chosen will need to be implemented at some point, and if serious obstacles exist to successfully doing this, then you are the one who will look bad for suggesting it.

Once the alternatives have been identified, a method of evaluating them and selecting the most appropriate one needs to be used to arrive at a decision.

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## Key Decision Criteria

A very important concept to understand, they answer the question of how you are going to decide which alternative is the best one to choose. Other than choosing randomly, we will always employ some criteria in making any decision. Think about the last time that you make a purchase decision for an article of clothing. Why did you choose the article that you did? The criteria that you may have used could have been:

1. fit
2. price
3. fashion
4. colour
5. approval of friend/family
6. availability

Note that any one of these criteria could appropriately finish the sentence, ***the brand/style that I choose to purchase must...*** These criteria are also how you will define or determine that a successful purchase decision has been made. For a business situation, the key decision criteria are those things that are important to the organization making the decision, and they will be used to evaluate the suitability of each alternative recommended.

## Key decision criteria should be:

1. Brief, preferably in point form, such as
  1. *improve (or at least maintain) profitability,*
  2. *increase sales, market share, or return on investment,*
  3. *maintain customer satisfaction, corporate image,*
  4. *be consistent with the corporate mission or strategy,*
  5. *within our present (or future) resources and capabilities,*
  6. *within acceptable risk parameters,*
  7. *ease or speed of implementation,*

8. *employee morale, safety, or turnover,*
  9. *retain flexibility, and/or*
  10. *minimize environmental impact.*
2. Measurable, at least to the point of comparison, such as alternative A will improve profitability more than alternative B.
  3. Be related to your problem statement, and alternatives. If you find that you are talking about something else, that is a sign of a missing alternative or key decision criteria, or a poorly formed problem statement.

Students tend to find the concept of key decision criteria very confusing, so you will probably find that you re-write them several times as you analyze the case. They are similar to constraints or limitations, but are used to evaluate alternatives.

### **Evaluation of Alternatives**

If you have done the above properly, this should be straightforward. You measure the alternatives against each key decision criteria. Often you can set up a simple table with key decision criteria as columns and alternatives as rows, and write this section based on the table. Each alternative must be compared to each criteria and its suitability ranked in some way, such as met/not met, or in relation to the other alternatives, such as better than, or highest. This will be important to selecting an alternative. Another method that can be used is to list the advantages and disadvantages (pros/cons) of each alternative, and then discussing the short and long term implications of choosing each. Note that this implies that you have already predicted the most likely outcome of each of the alternatives. Some students find it helpful to consider three different levels of outcome, such as best, worst, and most likely, as another way of evaluating alternatives.

### **Recommendation**

You must have one! Business people are decision-makers; this is your opportunity to practice making decisions. Give a justification for your decision (use the KDC's). Check to make sure that it is one (and only one) of your Alternatives and that it does resolve what you defined as the Problem.

### **Structure of the Written Report**

Different Instructors will require different formats for case reports, but they should all have roughly the same general content. For this course, the report should have the following sections in this order:

1. **Title page**
2. **Table of contents**
3. **Executive summary**
4. **Problem (Issue) statement**
5. **Data analysis**
6. **Key Decision Criteria**
7. **Alternatives analysis**
8. **Recommendations**
9. **Action and Implementation Plan**
10. **Exhibits**

## Notes on Written Reports:

Always remember that you will be judged by the quality of your work, which includes your written work such as case study reports. Sloppy, dis-organized, poor quality work will say more about you than you probably want said! To ensure the quality of your written work, keep the following in mind when writing your report:

1. **Proof-read your work!** Not just on the screen while you write it, but the hard copy after it is printed. Fix the errors before submitting.
2. Use spell checker to eliminate spelling errors
3. Use grammar checking to avoid common grammatical errors such as run on sentences.
4. Note that *restating of case facts* is not included in the format of the case report, nor is it considered part of analysis. Anyone reading your report will be familiar with the case, and you need only to mention facts that are relevant to (and support) your analysis or recommendation **as you need them**.
5. If you are going to include exhibits (particularly numbers) in your report, you will need to refer to them within the body of your report, not just tack them on at the end! This reference should be in the form of supporting conclusions that you are making in your analysis. The reader should not have to guess why particular exhibits have been included, nor what they mean. If you do not plan to refer to them, then leave them out.
6. Write in a formal manner suitable for scholarly work, rather than a letter to a friend.
7. Common sense and logical thinking can do wonders for your evaluation!
8. You should expect that the computer lab's printer **will not** be functioning in the twelve hours prior to your deadline for submission. **Plan for it!**
9. **Proof-read your work!** Have someone else read it too! (particularly if english is not your first language) This second pair of eyes will give you an objective opinion of how well your report holds together.

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