Movie Exhibition Industry		•	•	•	•								
Pacific Drilling						•			•				•
Pfizer	•	•				•	•		•	•	•	•	•
Publix	•	•		•	•					•			
Starbucks		•	•									•	•
Sturm, Ruger and Co.		•	•	•	•								
Trivago								•			•	•	•
Volkswagen	•									•		•	
Wells Fargo	•									•		•	
ZF Friedrichshafen					•		•	•			•		
ZO Rooms		•		•	•		•		•				•

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 still additional alternatives. Often, instructors will 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 by having your ideas and recommendations examined against those of your peers and by responding to thoughtful 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 parties involved with analyzing a case develop their analytical and communication skills. Developing these skills is important in that they will serve you well when working for all types of organizations. 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 form 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 instructor will value comments that contribute to identifying problems as well as solutions to them. To offer relevant contributions, you are encouraged to think independently and, through discussions with your peers outside of class, to refine your thinking. We also encourage you to avoid using "I think," "I believe," and "I feel" to discuss your inputs to a case analysis process. 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 a case. When preparing for an in-class case discussion, you should 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 included in 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 engage in a thorough discussion of a case. Moreover, comprehensive and detailed notes eliminate the need for you to memorize the facts and figures required to successfully discuss a case.

The case analysis process described above will help prepare you effectively to discuss a case during class meetings. Using this process results in consideration of the issues required to identify a focal firm's problems and to propose strategic actions through which the firm can increase the probability it will outperform its rivals. In some instances, your instructor may ask you to prepare either an oral or a 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 individuals or by groups of three or more people. The information and insights gained by completing the six steps shown in Table 1 often are of value when developing an oral or a 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.

Table 1

An Effective Case Analysis Process

Step 1: Gaining Familiarity	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	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	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	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	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	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.

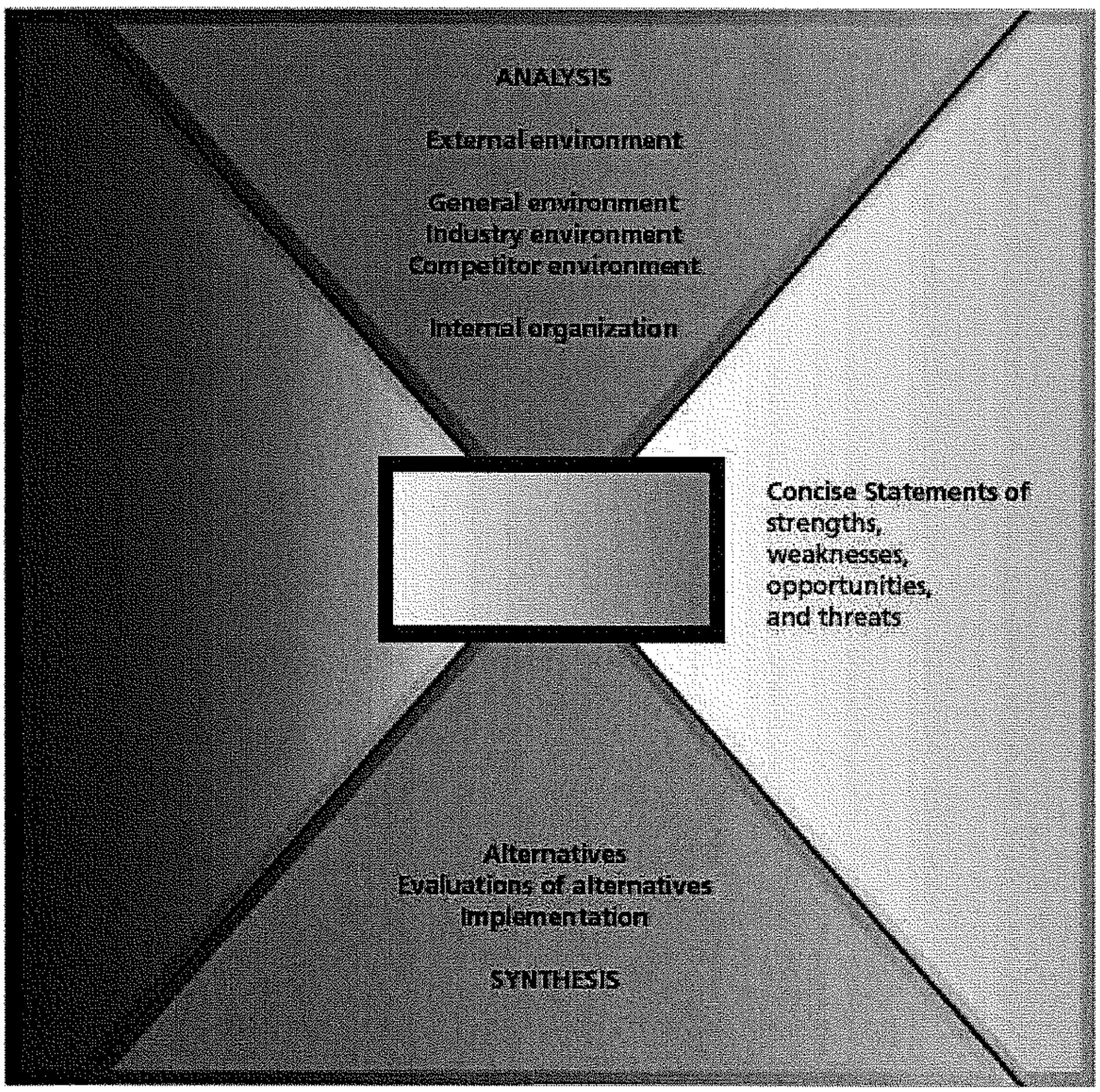
Source: *C. C. Lundberg and C. Enz, 1993, A framework for student case preparation, Case Research Journal, 13 (Summer): 144, NACRA, North American Case Research Association.*

Preparing an Oral/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 the case of a diversified company) 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 organization. This analysis provides the insights needed to identify the firm's strengths and weaknesses.

Exhibit 1

Types of Thinking in Case Preparation: Analysis and Synthesis



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 external environment and internal organization. Synthesizing information allows you to generate alternatives that can resolve the significant 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.

In Table 2, we outline the sections that should be included in either an oral or a written presentation: strategic profile and case analysis purpose, situation analysis, statements of strengths/weaknesses and opportunities/threats, strategy formulation, and strategy 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 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 a written or oral format.

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

Strategic Profile and Case Analysis Purpose

You will use the strategic profile to 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 are 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 seven segments of the general environment (see Table 3). Many of the segment issues shown in Table 3 for the seven 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.

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 overcoming poverty
- Concern for customers

Global Trends

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

Physical Environment Trends

- Environmental sustainability
- Corporate social responsibility
- Renewable energy
- Goals of zero waste
- Ecosystem impact of food and energy production

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 an industry (or a segment of an industry) in which your firm is competing. As attractiveness increases, so does the possibility your firm will be able to earn profits by using its chosen strategies. After evaluating the power of the five forces relative to your firm, you should make a judgment as to *how* attractive the industry is in which your firm is competing.

Competitor Analysis. Firms also need to *analyze* each of their primary competitors. This analysis should identify competitors' current strategies, strategic intent, strategic mission, capabilities, core competencies, and a competitive response profile (see 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 organization. Analysis of the value chain activities and the support functions of the value chain provides opportunities to 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. Thus, some of a firm's resources and capabilities are strengths; others are weaknesses.

When evaluating 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 functional 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 (see Chapters 11 and 12) 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 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. There may be a temptation to spend most of your oral or written case analysis on results from the 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 a written presentation. Developing 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 (i.e., 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 the environmental opportunity or avoids/buffers 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. Thus, it is important that both alternative development and the evaluation of alternatives be thorough. The choice of the best alternative should be explained and defended.

Strategic Alternative Implementation-Action Items and Action Plan

After selecting the most appropriate strategy (that is, the strategy with the highest probability of helping your firm in its efforts to earn profits), implementation issues require attention. 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) has logical consistency 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 environment and internal organization.

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 organization.

Presentations (oral or written) that show logical consistency, thoroughness, and 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.

Appendix I Sources for Industry and Competitor Analyses

Abstracts and Indexes	
Periodicals	ABI/*Inform*
	Business Periodicals Index
	InfoTrac Custom Journals
	InfoTrac Custom Newspapers
	InfoTrac OneFile
	EBSCO Business Source Premiere
	Lexis/Nexis Academic
	Public Affairs Information Service Bulletin (PAIS)
	Reader's Guide to Periodical Literature
Newspapers	*NewsBank—Foreign Broadcast Information*
	NewsBank-Global NewsBank
	New York Times Index
	Wall Street Journal Index
	Wall Street Journal/Barron's Index
	Washington Post Index

Abstracts and Indexes	
Bibliographies	*Encyclopedia of Business Information Sources*
Directories	
Companies—General	*America's Corporate Families and International Affiliates* *Hoover's Online: The Business Network* www.hoovers.com/free D&B Million Dollar Directory (databases: http://www.dnbmdd.com) *Standard & Poor's Corporation Records* *Standard & Poor's Register of Corporations, Directors, and Executives* (http://www.netadvantage.standardandpoors.com for all of *Standard & Poor's*) *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*

Abstracts and Indexes	
	States *Hoover's Handbook of World Business* *International Directory of Company Histories* *Mergent's International Manual* Mergent Online (http://www.fisonline.com—for "Business and Financial Information Connection to the World") *Who Owns Whom*
Companies —Manufacturers	*Thomas Register of American Manufacturers* U.S. Office of Management and Budget, Executive Office of the President, *Standard Industrial Classification Manual* *U.S. Manufacturer's Directory, Manufacturing & Distribution, USA*
Companies—Private	*D&B Million Dollar Directory* *Ward's Business Directory of Largest U.S. Companies*
Companies—Public	Annual Reports and 10-K Reports *Disclosure* (corporate reports) *Q-File* Securities and Exchange Commission Filings & Forms (EDGAR) http://www.sec.gov/edgar.shtml *Mergent's Manuals:* • *Mergent's Bank and Finance Manual* • *Mergent's Industrial Manual* • *Mergent's International Manual* • *Mergent's Municipal and Government Manual*

Abstracts and Indexes	
	• *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 Handbook* • *Standard & Poor's Industry Surveys* • *Standard & Poor's Statistical Service*
Companies —Subsidiaries and Affiliates	*America's Corporate Families and International Affiliates* *Ward's Directory* *Who Owns Whom* *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*
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*

Abstracts and Indexes	
Rankings & 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	*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. Treasury Department, *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	$\dfrac{\text{Profits after taxes}}{\text{Total assets}}$ or	The net return on total investments of the firm

Ratio	Formula	What It Shows
	$\dfrac{\text{Profits after taxes} + \text{Interest}}{\text{Total assets}}$	or The return on both creditors' and shareholders' investments
2. Return on stockholders' equity (or return on net worth)	$\dfrac{\text{Profits after taxes}}{\text{Total stockholders' equity}}$	How profitably the company is utilizing shareholders' funds
3. Return on common equity	$\dfrac{\text{Profits after taxes} - \text{Preferred stock dividends}}{\text{Total stockholders' equity} - \text{Par value of preferred stock}}$	The net return to common stockholders
4. Operating profit margin (or return on sales)	$\dfrac{\text{Profits before taxes and before interest}}{\text{Sales}}$	The firm's profitability from regular operations
5. Net profit margin (or net return on sales)	$\dfrac{\text{Profits after taxes}}{\text{Sales}}$	The firm's net profit as a percentage of total sales

Table A-2

Liquidity Ratios

Ratio	Formula	What It Shows
1. Current ratio	$\dfrac{\text{Current assets}}{\text{Current liabilities}}$	The firm's ability to meet its current financial liabilities

Ratio	Formula	What It Shows
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

Ratio	Formula	What It Shows
		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 have 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	$\frac{\text{After-tax profits + Depreciation}}{\text{Number of common shares outstanding}}$	A measure of total cash per share available for use by the firm

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Printed By: Tom Woodside (thomasjwoodside@gmail.com)