

An Approach to Case Analysis

Step 1: Situation Audit

This step 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. Accordingly, much of the material in the audit should be in worksheet form rather than formal discussion that is handed in with a written case. As the purpose of this step is to show the relevance of case information, your situation audit should be diagnostic rather than descriptive.

For example, it is descriptive to report "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 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 focus 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. Some focus on individual marketing mix decisions at the brand level, while others deal with corporate and/or strategic business unit (SBU) decisions. 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.

There are at least two philosophies regarding the appropriate depth and scope of a situation audit. One holds that the situation audit should include a comprehensive assessment of the organization's mission and objectives; each business unit of interest; present and potential customers and competitors; the organization's market-target objectives and strategies; its marketing program positioning strategy; its product, distribution, pricing and promotion strategies; current planning, implementation, and management activities; its financial condition, and an overall summary of the organization's situation.

The second philosophy holds that the situation audit can be a short, concise analysis of the major strengths, weaknesses, opportunities, and threats -- a SWOT analysis -- reserving the comprehensive effort for the analysis step. The SWOT analysis would include only that information crucial to analyzing the case. The emphasis is on analysis, diagnosis, synthesis, and interpretation of the situation. In a written case assignment, you should be able to present this in less than two pages.

Note on Gathering More Data & Making Assumptions

Students often feel they need more information in order to make an intelligent decision. Rarely, if ever, do decision makers 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. Therefore, they (like you) have to make 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. That kind of argument invariably comes back to get you in the end!

Step 2: Problem/Decision Statement

Identification of the main problem, opportunity, or issue in a case is crucial. To paraphrase from Alice in Wonderland, if you don't know where you are going, any solution will take you there. 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 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, symptoms are effects. The examples above are the effects of something wrong in the organization. Why are sales low, morale low, and turnover high? Sales may be low because of low morale and high turnover. Why? Maybe it has something to do with the compensation plan, which may be caused by inadequate profit margins. Margins may be low due to improper pricing or an outdated distribution system. Symptoms may appear in one part of the overall marketing program and the true problem may lie elsewhere. Keep asking why until you are satisfied that you have identified the problem (cause) and not just another symptom (effect).

When you identify more than one major problem or decision in a case, ask yourself whether they are related enough to be consolidated into one central problem/decision. If you have identified two or more problems that are not related, rank them in order of importance and address them in that order. You may find that although the problems do not appear to be linked, the solutions are related -- one solution may solve multiple problems.

A final suggestion is to state problems/decisions concisely, 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?

What is the best positioning strategy for our shampoo?

Which of the five candidates should be hired?

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 that can be subdivided into components or sub-problems.

Step 3: Identification of Alternatives

Alternatives are the strategic options that appear to be viable solutions to the problem or decision 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 which 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, begin refining it 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 whether or not an alternative is feasible, given the existing financial, productive, managerial, marketing, and other constraints and whether or not it could produce the results sought. That is, does the alternative directly address the problem you identified in Step 2?

"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/decision that must be made, ignoring it, or delaying, probably will not help. While a solution may include further study, this is usually part of the implementation plan rather than part of the solution. If complete information were available, decisions would be easy. This is seldom 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, judgment, experience, and on less-than-perfect information.

Step 4: Critical Issues

Critical issues are the main criteria you use to evaluate your strategic options. By stating the issues you intend to use in evaluating alternatives, you make clear the criteria you plan to use in assessing and comparing the viability of your alternative courses of action.

Perhaps the best place to start in identifying critical issues is to ask what general factors should be considered in making a strategic decision regarding the problem presented. 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 would then be: "What criteria should be employed to assess the niche choices?" For each niche, appropriate criteria might include potential sales volume, variable costs, contribution margins, market share, total niche sales, business strength, niche attractiveness, etc. This will provide an evaluation relative to the market and to competition.

The single most important critical issue in many decisions is profitability. Rolled on the thighs of virgins!(it's all about money, right?). Since profits are a principal goal in all commercial organizations, nearly every marketing decision is influenced by monetary considerations that affect (expected) profits. Sometimes several profit-oriented critical issues are involved. These may include future costs and revenues, break-even points, opportunity costs, contribution margins, taxes, turnover, sales, market share, etc.

Many critical issues 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 critical issue, 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 critical issues 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 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:

Alternative A: (specify)

Identify the critical issue and thoroughly discuss Alternative A in those terms.

For the remaining critical issues, follow the same procedure.

Alternative B: (specify)

Critical Issue 1: Thoroughly discuss Alternative B in terms of critical issue 1.

Critical Issue 2-n: Follow the same procedure.

After alternatives are analyzed against each issue, you should complete your analysis with a summary assessment of each alternative. This summary will provide the basis for preparing your recommendations. One approach that students sometimes find useful in preparing their summary analyses is illustrated below. The exhibit, labeled ABC Company Summary Assessment, entails five steps:

List critical issues on one axis and alternative actions on the other.

Assign a weight to each critical issue reflecting its relative importance on the final decision. For convenience, assign weights that add up to one.

Review your analysis and rate each alternative on each critical issue using a scale of one to five, with one representing very poor and five representing very good.

Multiply the assigned weight by the rating given to each alternative on each issue.

Add the results from (4) for each alternative.

ABC COMPANY

Summary Assessment

Critical Issues

Relative Weights	(1)	(2)	(3)
Corporate Mission & Objectives	0.2	5	2
Market Opportunity	0.3	2	3
Competitive Strengths/weaknesses	0.2	2	3
Financial Considerations	0.3	1	1
INDEX: Relative Weight x Rating		2.3	2.2
			3.7

It is important to understand that this type of analytical aid is not a substitute for thorough, rigorous analysis, clear thinking, and enlightened decision making. Its value is in encouraging you to assess the relative importance of alternatives and critical issues, and in helping you to organize your analysis.

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 following example of a recommendation deals with whether a manufacturer of oil field equipment (AOS) should introduce a new product line.

"The key decision that management must make is whether viscosity measurement instrumentation represents a business venture that fits into the overall mission of the firm. The preceding analysis clearly indicates that this would be a profitable endeavor. If AOS concentrates on the high-accuracy and top end of the intermediate-accuracy range of the market, sales of \$500,000 appear feasible within two to four years, with an estimated contribution to overhead and profits in the \$150,000 range. This assumes manufacturing costs can be reduced by 20 to 25 percent, that effective marketing approaches are developed, that further development is not extensive, and that price reductions per unit do not exceed 10 percent."

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. For example:

"AOS should initially offer two instruments. One should provide an accuracy of 0.25 percent or better; the second should be in the accuracy range of 0.1 to 0.5 percent. Top priority should be assigned to inland and offshore drilling companies. Next in priority should be R&D laboratories in industry, government, and universities, where accuracy needs exist in the range offered by AOS. Based on experience with these markets, other promising targets should be identified and evaluated."

"AOS needs to move into the market rapidly, using the most cost-effective means of reaching end users. By developing an OEM arrangement with General Supply to reach drilling companies and a tie-in arrangement with Newtech to reach R&D markets, immediate access to end-user markets can be achieved. If successful, these actions will buy some time for AOS to develop marketing capabilities, and they should begin generating contributions from sales to cover the expenses of developing a marketing program. An essential element in the AOS marketing strategy is locating and hiring a person to manage the marketing effort. This person must have direct sales capabilities in addition to being able to perform market analysis and marketing program development, implementation, and management tasks."

The last part of your recommendations sections 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 firms couldn't possibly afford, even if they were worth the money.

The numbers used in your tentative budget may not be as accurate as they would be if you had complete access to company records. Make your best estimate and try to get as close to 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 recommendations sections 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. Keeping in mind the page limitations imposed upon you for this class, it is generally 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.