

## **Strategic Case Analysis**

Using the AMA (American Management Association) 8 step case analysis process  
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### **1. The Basic Problem Solving or Case Analysis Process**

### **2. Applying the Process**

## **The Basic Problem Solving or Case Analysis Process**

You have all engaged in the process numerous times in your life in general as well as in your academic career. However, since you will be utilizing this process extensively in this course it is appropriate to spend some time reviewing and discussing the process. Whether this process is being applied to a simple, routine decision or an immensely complex decision the steps in the process are the same. It is what one does within each of those steps that vary. To begin let's review the process.

### *Step 1 - Recap and analyze the relevant facts*

In this step you take a look at the information you have and can gather that is relevant to the situation. The relevancy component is critical. . Often cases that are presented in texts, and certainly the information that is available through all of the sources out there today, contain "stuff" that is related but not relevant. As a manager that is strategically analyzing a situation (case) the first step is to figure out what you need to pay attention to and what you don't. That is relevance. For example, you are presented with a scenario that involves employees who are chronically late for work and the information you have mentions that it is snowing. Is the fact that it is snowing relevant or not? It may or may not be. It could just be extra "stuff" that is included. On the other hand if this group of chronically late employees all happen to travel the same road that is notorious for multi-car pile ups when it snows...then the fact that they are late when it is snowing is relevant. This also points out that in many situations trying to work from only the facts presented is not enough. The manager must be astute enough to recognize when additional information is required, and what type of information, in order to assess the relevance of a particular piece of data. At the same time he or she must know when to make the decision with the information at hand. Often this step is concluded with a SWOT analysis which further extrapolates the most important issues out of the overall situation analysis. This helps to zero in on the root problem.

### *Step 2 - Determining the Root Problem & Step 3 - Identifying the Problem Components*

This is a crucial step and one that is often short-changed as we go about solving problems both personally and professionally. It is imperative that once we have gathered, recapped, and analyzed all of the relevant information we stop and articulate **WHAT THE ROOT PROBLEM IS** about which we must now make a decision. This step is not a long drawn out explanation. You should be able to state the problem in a sentence. It may then be necessary, and in the comprehensive case or more complex situations a given, to elaborate on any identifying

component portions of the problem. Often it is necessary to prioritize or identify which components need to be addressed first, second, and so forth at this stage of the process.

#### *Step 4 - Generating Alternatives (THE WHAT/Setting Objectives)*

This is the brainstorming step if you will. It is here that a variety of alternative courses of action are identified and articulated. All of these are of course related to solving the problem. This step is where you list the strategies you might pursue. And this is an important point - if it isn't here you can't choose it as your preferred course of action. While it isn't possible to list every possible course of action there should be a variety of things to do. This is where you put your creative powers to work. In this part of the process, you should engage in brainstorming. Remember that in brainstorming you simply generate ideas - save the evaluation of those ideas for later. That isn't to say in critical strategic case analysis you want to include every idea you came up with in the report. In real world strategic planning I have seen reports that refer to the process and that it generated a number of ideas that upon initial screening were determined as not plausible or viable. What you are doing here is not a full analysis of everything. Rather you are conducting an initial screening and narrowing the choices to those that seem most likely to succeed at the outset.

#### *Step 5 - Evaluating Alternatives*

When the case analysis report is written up it often appears as if these two steps have taken place simultaneously. That is not, or should not, be the case. Once you have narrowed the list you should take the information you gathered and analyzed in the first step and apply it to these alternatives. You should articulate what the most probable outcome will be based on the information you have collected, your experience, education, and expertise. When it is written up it is important to support your stated probable outcome. As an example it is not enough to say, do nothing - situation will not improve. While it is likely that this is true in many situations it lacks credibility because you have not explained why this is the case. One other tidbit in regards to writing this section up - make sure the alternatives are clearly differentiated from each other. I would strongly suggest the use of headings in this type of writing - bold, underline, etc. Remember in business writing you are trying to convey information and the reader needs to be able to pick the pieces out quickly and easily when working back and forth through the report!

#### *Step 6 - Choose an Alternative*

This would seem rather self-evident. But you would be amazed at how often it is skipped. Even in professional, real world reports. It is like reading a mystery novel and having the last page missing or hearing a joke when the teller forgets the punch line. The reader is sitting there going, ok and so now what? What are you going to do? Again this is one of those sections where you simply and clearly state what the choice of strategies is going to be. After completing the alternative evaluation it is often pretty straight forward, or at least appears to be. Keep in mind that your readers are not as immersed in this as you have been. What seems patently obvious to you may not be to them. Don't assume - articulate the reasoning behind your choice.

Step 6 is also the point where far too many people stop in the process. Strategy most certainly involves the big picture approach. Up to this point in the process you have been essentially focusing on the big picture. You have taken detailed information to determine what that big picture should look like, but still big picture. In order to do the complete job, you have to work through two more steps.

### *Step 7 - Implementation Plan (THE HOW)*

The implementation plan portion of strategic case analysis is where you explain just how you intend to make this wonderful idea you've just decided upon happen. This is where you outline the tactical details. In the real world this stage will often involve operational action plans that state the name of the person and a precise date by which certain tasks will be completed. In a course based setting it isn't possible to take it to that depth. However, it is necessary to complete a basic tactical plan that outlines the major tasks that must be undertaken and a logical timeframe within which they are to be completed. For example, let's imagine for a moment that your chosen strategy involves some type of expansion. Well, expansion takes money and the financial reports do not show the organization to be particularly cash heavy. So in order to carry out the expansion the firm must borrow money. Break that down into the necessary steps - i.e.: determine amount needed within 2 weeks, determine if needed funds should be borrowed, a bond issued, stock issued, etc. within 4 weeks, and so forth. This is a rudimentary example but it should give you the idea. This portion of the business plan (strategic case) is often presented in the form of a table with columns for the action, the area of the firm responsible, and a time frame for completion. Without this section of the case analysis the plan is not complete; and often neither will your work in the course be complete!

### *Step 8 - Alternative Choice*

Finally, as with any plan, it is necessary to set up an evaluation point. How and when are you going to stop to check on whether or not this strategy has been successfully implemented? Is the firm getting the return expected? Obviously in the scope of a course you will not actually carry out either the implementation or the evaluation of results. But you do need to state how and when this will take place. You also need to state what action is suggested in the event the results are not as desired. Would you start the process over? Would you choose some other alternative that you've already identified and evaluated? That is part of the decisions you must make.

### **Applying the Process**

Throughout the foregoing discussion there are some underlying assumptions. Within the context of any course, this process is case based. That means you are given a base scenario - usually from a text of some sort - and asked to analyze. For the final comprehensive case in an upper level course you will do this with exceptional depth because they will be comprehensive in nature. You will take what the case contains and go out into the world of information and research. For the cases in lower level courses it will not be as intense because the cases will focus more on specific portions of the strategic planning process. For example, the case may be aimed at a lack of information when the strategy or alternative is to gain additional information and how you would go about doing that.

It is also important to remember that throughout this process, either in class or professionally, that the source of information is documented. Failing to do this is not only wrong in so many ways, but it strips away the credibility of what you are proposing right from the outset. Proper documentation means indicating the source of information within the body of the work in a consistent, recognized and approved manner AND including a complete list of sources at the end of your work. If the work is not properly documented it does not meet the assignment criteria and is subject to failure! Clear enough? Ok, enough said.

It was mentioned earlier that business writing is intended to provide the reader with information he or she can use and so you want to make it easy to do just that. How do you do that? Here are some suggestions and with all the writing you've done in your academic career you undoubtedly have ideas of your own too!

- Use a table of contents and page numbers
- Use headings for large sections as well as to identify where key ideas start within the body of the report
- Use charts and graphs where they convey information more clearly - particularly statistical comparisons as an example
- Double space! This makes reading easier in long pieces of work and leaves space for the reader to make notes.
- And now you would add?

## Student Guide to Case Analysis Using the American Management Association 8-step Process.

Sally Armstrong, May 2005. Davenport University.

References

Patten, D. (undated). *Strategic Case Analysis*. Davenport University.

Boone & Kurtz, (2006). *Contemporary Business 11<sup>th</sup> Ed.* New York. McGraw-Hill Irwin.

Case studies present you with real life scenarios and situations that help to develop your critical thinking, problem solving and decision making skills in the relatively safe environment of the classroom. Whether the situation described in a case is fairly straightforward or is highly complex, as in upper level courses, the entire problem solving process involves 3 stages and eight steps. However, in Introductory or Foundation courses the questions at the end of case studies will typically focus on specific steps, in the first two stages. This introductory guide will help you understand and practice all the steps of the process and will ensure that you are well prepared to tackle the more challenging cases in upper level classes when that time comes. It will also help you to become a better problem solver in your domestic, social and working life.

### Steps 1-3 – The Problem Identification Stage

#### **Step 1 – Review the case and identify the relevant facts**

Problem situations or cases often include extraneous information or irrelevant ‘stuff’. Therefore, when you are trying to find a solution to a situation or to answer a case question, the first step is to identify the key facts so that you can figure out **what** is going on **before** deciding **how** to answer or solve the problem. In advanced courses, this usually involves extensive research but in an introductory or foundation level course, you will typically only use the information in the case. However, to do well in any case study assignment, it is important to read the case carefully and also to make sure you fully understand **what** the assignment and/or case questions are asking for. As you review the case, this will help you to identify **what** you need to pay attention to and what to ignore. That’s what relevance means – eliminating ‘stuff’ and identifying the important facts in a situation.

Let us assume that you have just read a case entitled XYZ company and are trying to answer the following question:

What are the current challenges facing XYZ company?

You must identify and list the key facts which, for the purposes of our example, are those listed below:

- The government has recently deregulated the industry to stimulate competition.
- Telecommunications advances have led to increasing internet use.
- More and more users are comparison shopping on the internet
- Price competition in the industry is increasing and average net profit margins have fallen 1% in the past two years.
- XYZ recently laid off 10% of its workforce in an effort to lower costs and remain competitive. Management believes that this is enough to allay the effects of competition for the next 3 years.
- Many companies in the industry are now forcing their employees to make a contribution to healthcare benefits.
- The company’s employee survey indicates that morale among employees is at an all time low.
- The management believes that low morale is the cause of the recent 2% fall in productivity.
- The employee survey also indicates that employees would be willing to pay a contribution towards healthcare if it stopped job losses.
- Although the company remains profitable and made over \$11,000 000 last year, net profit decreased by \$1,000 000.
- The company’s net profit margins also decreased by 1% last year.
- The company advertises regularly and its overall marketing costs are in line with its competitors.
- The company estimates that if employees pay 50% of their healthcare costs they can save \$1,500 000 per annum.

## **Step 2 - Determining the Root Problem & Step 3 - Identifying the Problem Components**

To identify the **root** or **cause** of the problem and the **purpose** of each question, consider how past experience or the concepts in this or previous courses may be useful. Bear in mind, that end of chapter cases in introductory or foundation level classes are generally assessing your understanding of the concepts discussed in that chapter. Also, not every concept will be relevant to every case or case question. However, you must decide what evidence or facts in the case are **contributing** to the problem and/or are **symptomatic** of the concept. Ranking each fact or item of evidence will help you to decide how important it is and the order in which it should be addressed.

Working through steps 1-3 is sometimes all that is required to answer case questions, such as:

**Case Question:** “What are the current challenges facing XYZ company?”

Continuing with the example from step 1, let us assume that the chapter concepts include the external forces that affect an organization such as political/legal, economic, socio-cultural, technological or competitive and also the internal forces such as management problems, staffing problems or financial problems. From reading the case, the key facts indicate that there are some external legal, technological and social forces that are causing competition to increase and are having an effect both outside and inside the organization. As you write up your answer, you should state the **cause** of the problem, describe the **components** you have identified and the **effects** they are having. So, an answer to this type of case question and our example might look something like this:

The current challenges facing XYZ are how to remain competitive and profitable, improve productivity and maintain good employee relations. A number of factors are contributing to this situation. First, the government has recently passed laws to deregulate the industry. This is causing competition in the industry to increase. Second, widespread adoption of telecommunications and the internet means customers are finding it much easier to shop around and compare prices. This is also stimulating competition and is driving down prices industry-wide. Lower prices have led to lower profits in the industry and the 1% fall in XYZ’s net margin is reflected in the \$1,000 000 decline in net profit. Consequently, XYZ has been downsizing and recently laid off 10% of its workforce in an effort to cut costs. A recent company survey indicated that downsizing has adversely affected employee morale which the management believes is responsible for the 2% decline in productivity. (XYZ, pp 214-215).

## **Steps 4-6 – The Decision Making Stage**

As you have seen, questions relating to the first 3 steps usually require you to provide a descriptive answer. Here are some typical examples of questions that make you think more creatively and critically and will require you to proceed through steps 4-6:

“Do you agree with Wal-Mart’s position or the union’s position on organizing Wal-Mart’s employees” Why?”

“What else do you think Stacy’s Pita Chips could do to promote its products? Be specific.”

“How do you think Toyota can protect its reputation for quality while growing rapidly?” (Boone & Kurtz, 2006).

Can you see how these questions require you to express an opinion, make a decision about a future course of action or propose a solution? Also, did you notice that they all call for you to explain your reasons? Let us look at how you should tackle this type of question using steps 4, 5, & 6 but, remember, you must always work through steps 1-3 **before** proceeding to this next stage.

## **Step 4 - Generating Alternatives**

If the case assignment or question requires a solution, a decision or an opinion then you need to consider all the options; just like you might before buying a new car. Brainstorming will help you generate a list of possible alternatives. In this step, you do not need to be judgmental; virtually any idea goes but if you do not list it, you cannot then choose it as the best option.

Going back to our example in the problem identification stage, we will assume that the next question you have to answer is:

What do you think XYZ should do to overcome the challenges they are facing?

Before we move to step 5, let us brainstorm for a few moments and list some alternatives for XYZ:

1. Close XYZ down – the future is bleak
2. Do nothing – the company has already cut costs enough
3. Increase productivity- to reduce unit costs
4. Employ more sales people- to increase sales revenue
5. Run some extensive advertising campaigns- to increase sales revenue and product awareness
6. Discontinue company benefits – to reduce costs
7. Continue to lay off staff as needed – to reduce costs
8. Implement voluntary redundancy/retirement and a hiring freeze – to reduce costs.
9. Ask employees to pay a proportional cost of medical benefits – to reduce costs.

### Step 5 - Evaluating Alternatives

Once you have listed all your alternatives, the next step is to narrow them down to those that seem most attractive; much like whittling down a long list of new cars to a few potential makes and models. After you've screened your list, take the relevant facts that you gathered in step 1 and apply them to each of the remaining alternatives. This provides you with the necessary supporting evidence to reject most of the remaining alternatives and decide on the best.

1. There is no need to close down – the company is still profitable.
2. Deregulation and consumer shopping habits mean competition is likely to be a fact of life for a long time to come— doing nothing is, therefore, not an option. The company must look for more ways to cut costs
3. Increasing productivity would help the company but without the commitment of the workforce this is unlikely to be successful.
4. Employing more sales people is an option but would increase costs without any real guarantee of success
5. The company already advertises regularly – doing more would push costs up higher than the industry average making it more uncompetitive unless revenues greatly increase as a result. This seems unlikely with the advent of increasing competition.
6. Discontinuing company benefits would decrease costs but may damage employee morale still further, However, it is a longer term possibility as employees have indicated they would rather pay for benefits than lose their jobs
7. Continuing to lay off employees will perpetuate the downward spiral of morale and productivity.
8. Voluntary redundancy/retirement and/or a hiring freeze may be a more acceptable alternative to enforced layoffs.
9. Employees have already indicated that they would be willing to pay a proportion of their healthcare costs so this is a good option. Also, this is becoming the industry norm so it should not adversely affect future recruitment.

### Step 6 - Choose an Alternative

After evaluating all your options, choosing the best alternative is usually a straight forward next step but it is also one that is often skipped, even by business professionals. So, make sure that you state your **preferred** solution simply and clearly. Keep in mind that your readers aren't as familiar with the case as you, so, even if you think the reasons for your solution, decision or opinion are obvious, you must still explain **which facts** led you to that conclusion. Imagine that you had decided to do nothing because you think things will settle down.

It is not enough to say,

“XYZ could close down or spend a lot of money on advertising and promotion to boost sales but the best solution is to do nothing, I think things will settle down.”

Using the evidence/information from the case, other research (typically only necessary in upper level classes) and your experience to clarify your reasoning, you would have to state that you are recommending ‘Do nothing’ **because** ... , say **what** you mean by ‘things’ and **why** you think they will

‘settle down’. An unsupported decision, solution or opinion does not fly in business and it will not get you many points in your case assignments either. So, going back to our screened list of alternatives, our answer would read something like this:

Although management believes that the recent 10% reduction in staff has reduced costs sufficiently to allay the effects of competition for the next 3 years (XYZ), they cannot afford to stand still or do nothing further because competition is increasing and is here to stay (XYZ). Increasing promotional activity would also increase costs with no guaranteed results and more job losses would result in a further decline in morale and productivity. Bearing all this in mind, XYZ’s best option, therefore, is to introduce employee healthcare contributions. This will save the company \$1, 500 000 per annum and employees have already indicated that they would be willing to accept this option in preference to further job losses (XYZ). Therefore, productivity is likely to improve once the changes are communicated and implemented.

### **Steps 7 & 8 – The Action Planning Stage.**

The first two stages of the case analysis process focus on identifying and making decisions about the big picture. In this last stage, steps 7& 8 call for you to define **how** you will turn your solution or decision into action, **how, when and what** you will monitor to ensure things are working out as planned and **what** you will do if they are not. Steps 7 & 8 are often not required when answering introductory or foundation level case questions. However, learning about them and starting to use them appropriately will serve you well in future classes, impress your instructor and probably earn you some extra points in your assignments! It is also very good business practice.

#### **Step 7 - Implementation Plan**

If the case questions ask you for a solution or to decide on a course of action, it is important to describe **how** you will execute or implement it. Without this section, the plan is not complete and sometimes, particularly in upper level classes, your case assignment will not be either! An implementation plan outlines **who** will do **what** by **when** and is often conveyed in a simple table, as the following example for our XYZ case illustrates.

In our XYZ example, we have decided to introduce a new benefits program to reduce costs. Let us assume that the benefits team in the Human Resources department will be responsible for communicating changes in the benefits program to employees. This communication must be complete by mid May so that employees can make informed selections in the open enrollment period during the last two weeks of May.

#### **Communication Plan for New Benefits Program**

<b>Action Required</b>	<b>Action by</b>	<b>Time required/Deadline</b>
Identify volunteers for focus groups to identify appropriate communication methods	Benefits Director	1 week/ 31st Jan
Conduct focus groups	Benefits Team	2 weeks/14th Feb
Prepare communication & enrolment forms in formats identified by focus groups	Benefits Director & PR Consultants	4 weeks/14 <sup>th</sup> March
Send draft communications & documents to printers	PR firm	1 week/21 <sup>st</sup> March
Printer proofs edited	Benefits Director/PR consultants	1 week/28 <sup>th</sup> March
Print communications & enrollment forms	Printer	4 weeks/21 <sup>st</sup> April
Deliver communication materials & enrolment forms to employees	Benefits Team	2 weeks/5 <sup>th</sup> May
Open enrollment	Employees	2 weeks /14 <sup>th</sup> May – 31 <sup>st</sup> May
E-mail deadline reminder	Benefits Director	1 day/ 21 <sup>st</sup> May
Priority E-mail deadline reminder	Benefits Director	1 day/28 <sup>th</sup> May
Priority E-mail & phone stragglers	Benefits Team	2 days/30 <sup>th</sup> & 31 <sup>st</sup> May



## Step 8 - Alternative Choice

Finally, as with any plan, it is very important to build in measures so that you can periodically monitor whether it is working. Therefore, you need to state **HOW, WHEN** and **WHAT** you will measure, for example: quarterly reviews of new accounts opened, sales volume or number of units sold, increases in customer awareness or satisfaction levels, gross profit margins or net profits. You must also have a contingency plan in case things do not go as expected. Will you make modifications to your existing plan? Will you start the process over? Will you choose some other alternative that you have already identified?

Let us take a final look at our XYZ example and decide **how, when** and **what** we would measure if this were a real life situation and **what else** we could do if things do not go according to plan:

### XYZ Measurement & Controls

- Month end reviews of management accounts to monitor costs/productivity
- Month end financial reviews to monitor profitability
- Quarterly employee satisfaction survey to monitor effects of new benefits program on morale

### XYZ Alternative Strategies

- Assuming interim employee survey indicates restored morale, further employee contributions to benefits may be possible e.g. retirement contributions, reduction in paid time off
- If morale insufficiently restored - Voluntary lay offs/redundancy and hiring freeze may be necessary.

## Writing Up Answers to Case Studies.

Good writing that presents the reader with clear, understandable information and is free from errors of typography, grammar, spelling and punctuation is one of the skills that most impresses instructors **and** employers. That is why written communication is listed in the D.U.E.S. and why DU provides Learning Center tutors to help you improve your writing skills. Working through the 8-step case analysis process requires a lot of effort so here are a few additional tips to ensure that poor mechanics do not undermine all your hard work:

- Include your name, assignment number and submission date on a cover page or as directed in the assignment guidelines.
- Use one inch margins, double line spacing and 12pt font – an APA 5<sup>th</sup> Ed. style requirement that also makes your work easier to read and grade. (APA template is available in MSWord on all DU academic computers).
- Use APA 5<sup>th</sup> Ed. style appropriately in the body of your work to cite evidence from all your sources, including case study information. It is plagiarism to use other people's ideas and writing without acknowledging them and DU instructors search the internet for plagiarism using <http://www.turnitin.com>
- Always assume that the reader does not know the question you are answering. Therefore, do not respond with statements that begin "Yes, they should." or "No, I don't agree". Review the sample answers in this document if you are unsure how to restate questions in your answer.
- Generally, it is better to write using third person and active voice, for example: "The company faces the following challenges..." rather than "I think the following challenges are faced by the company..." again, use the examples in this document to guide you.
- Create signposts for the reader by using headings for large sections and use sub headings, if necessary. Note: As in this document, business writing typically does not adopt APA style headings.
- Use formatting such as bold, underlining or italics **judiciously** and **consistently** to emphasize important points. For example, this document uses **bold**.
- Include charts and graphs if they can convey information more clearly than narrative –for example, in comparisons of statistical or financial data.
- Include an APA 5<sup>th</sup> Ed. style reference page that lists all the sources of information you cited in the body of your work.
- Run the spell and grammar check feature in Microsoft Word to correct errors.
- Proofread and edit your work to identify and correct additional errors.
- Have someone with strong writing skills check your work before you submit it.
- Review the assignment guidelines carefully to make certain that you have fulfilled all the requirements before you submit it.