

releases. Often these articles appear in the weekend business news section. Sometimes they even look like articles but carry the label of advertisement.

Your Assignment: Analyze the clippings and write a critique about them. Focus on the news in the articles. Why is it news? Where did it come from; that is, does it appear to be news-generated from a press release or created as a sales piece? Is there any angle that the reporter has not covered in detail that a manager could use as an opening to generate another story? Are there any negative twists to the story?

3. Search the news media coverage for a recent crisis event. This situation could have been large or small, public or potentially public in nature, and occurring in any organization. Most events will be local and minor in nature, compared to product recalls or company bankruptcies. Once you find an event, go to several news-source archives. Use local newspapers, or national newspapers such as *USA Today* and *The Wall Street Journal*. Search magazines like *Business Week*, *Fortune*, or *Forbes*. Also search radio and television outlets such as National Public Radio (NPR), CNN, or MSNBC.

Your Assignment: Using the crisis event that you have selected, critically evaluate the media coverage of it. Try to find press releases and transcripts of media interviews. Write a short analysis of the crisis event. Start with the pre-crisis period and then the actual event(s) that revealed the nature of the crisis. What were five specific things that the organization did right in managing the crisis? What were five specific things that it did wrong? What do you speculate were five or more issues or situations that, if known by the press, could have made the entire process even more explosive? What was the impact of this event on the public/professional image of the organization?

4. Videotape an investigatory news program like *20/20*, *60 minutes*, or *Dateline*. If you have a hard time videotaping such a program, use an Internet search engine. Type in the name of the person being interviewed, along with the words *media interview*. Try to select a segment during which the reporter is playing an antagonistic role. Compare the reporter's questions and the interviewee's answers to those on pages 390–394. How do the questions compare? Would you have answered the same questions differently? How? Be specific.



Internet

5. Your instructor has designated a class session to talk in detail about press releases, press conferences, and media interviews. She has assigned the current chapter, but wants each class member to contribute something from the public relations domain. She gives two Web sites that have hundreds of stories on all three areas: <http://www.press-release-writing.com/newsletters/> and <http://www.e911.com/eaindex.html>.

Your Assignment: Go to the Web sites and select one article from each of the three areas: press releases, press conferences, and media interviews.

Write a maximum one-page summary for each article. The summary should cover the what, where, when, how, and why an organization would use that aspect of media management.



InfoTrac

6. Your instructor wants some examples of how organizations managed the media during a crisis. The Exxon Valdez case is a classic example of how not to manage a crisis or to work with the media. You decide to take that example to class. But along the way you find another example of how Exxon also managed the media well. You decide to report on both of the Exxon cases in your classroom. You can find the stories at: "A Case Study: Framing the Media's Agenda During a Crisis," by Sonya Forte Duhe and Lynn M. Zoch, in *Public Relations Quarterly*, Winter 1994, Article No. A16762591; "The Two Faces of the Exxon Disaster," by Stephanie Pain, in *New Scientist*, May 22, 1993, Article No. A14231429; and "The Alaskan Oil Spill: Lessons in Crisis Management," by Martha H. Peak, in *Management Review*, April 1990, Article No. A8925131.

Your Assignment: Review the articles and prepare an outline that you can use in reporting the cases to your class.

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Part Five

Reporting Case Analyses



Chapter 15
Analyzing a Case and Writing a Case Report

Chapter 16
Discussing and Presenting a Case Study

Analyzing a Case and Writing a Case Report

The first fourteen chapters of this book have presented information designed to help you survive and succeed in your professional life once you complete your undergraduate studies or leave the graduate program. Chapters 15 and 16 will help you survive an important part of your advanced program: the case course. The chapters focus on the real-world importance of learning to quickly and accurately analyze problems and arrive at solutions via the case-analysis method. They also help you develop an understanding of how to use the case-analysis process to survive in upper-level and graduate program case courses.

The case method of teaching is popular in graduate business programs throughout the United States. Although schools of law have long used it and the Harvard Graduate School of Business made it a central instrument of its program in the 1920s, many upper-class undergraduates and MBAs find the case method to be a new and anxiety-producing experience. As students move into the analysis process, that anxiety is lessened when they can apply firsthand job experience and the wide array of managerial tools and techniques they learn in their business school classes.

In this chapter, you will learn the proper way to analyze and write a case report for any of the three different types of cases: the formal case, the case story, and the critical incident. To fully understand the case you are assigned, and to effectively analyze it requires mastering a different learning style, overcoming the fear of writing and speaking, and developing your own personal system of analysis.

If you are new to the case method, there is a proper four-step way to read a case. First, preview by looking at the basic outline of the case. Second, skim to identify the key issues. Third, read and reread the case to develop strategic notes. Fourth, scan the case again prior to the class discussion.

As you read a case, you should consider the four approaches to case analysis. You can use a **system** approach and examine the entire organization. Maybe a **behavioral** perspective, which examines people within the organization, would work better. Could a **decision-making** approach be employed? Would you be better off using a **strategy** process?

As you start your case analysis, you should use the six-step problem-solving model: (1) consider the relevant information; (2) define the problem; (3) analyze your facts and underlying assumptions; (4) list all possible solutions; (5) select a solution and prepare to defend it; and (6) determine the correct way to carry out the solution.

This chapter will show you how to write a ten report. Three organizational formats for the suspense mode, the news-first mode, and the story

Understanding the Classroom Case Method of Learning

What Is the Case Method?

The case method applies the ancient Socratic technique of teaching people how to think and how to ask questions. It develops skills in diagnosing situations, defining problems, analyzing the sources and constraints of problems, developing alternative courses of action, and deciding on particular courses of action. The premise of the case method is that you are more likely to retain and use concepts learned through a guided discovery than you would through lectures and note-taking. Learning best occurs when we teach ourselves through our own struggle—especially when we are limited by facts, time, and personal differences.

Skill development distinguishes the case method from other teaching styles. Case courses pull together a broad array of the latest theories, concepts, or techniques of finance, accounting, management, or marketing. Cases present a general and useful way of thinking about, analyzing, and solving actual business problems. Many instructors use this approach as they analyze financial-, marketing-, and operations-type problems in a classroom setting, even though they may not employ formal cases. Along the way, you will discover your strengths and weaknesses in thinking and decision-making, and you will refine your ability to take risks when faced with unknown outcomes.

The case method helps you develop the skills necessary for becoming an effective manager.

Cases also present common pressures and constraints that managers daily confront in the organizational world. "Cases center around an array of partially ordered, ambiguous, seemingly contradictory, and reasonably unstructured facts, opinions, inferences, and bits of information, data, and incidents out of which you must provide order by selectively choosing which bits to use and which to ignore."¹

Different Types of Cases

You will probably find at least three types of cases being used in your classes: the formal case, the case story, and the critical incident.

The Formal Case

A formal case describes a simulated or real-life situation faced by management. It may deal with a specific problem experienced by one company or by an industry as a whole. Problems and events in the simulated situation are not identified as good and bad; the cases often involve complex financial data and can cover 15 or 20 pages. A single-best solution may or may not exist, although you may apply some theories you have learned and arrive at what you consider to be the best answer.

The case might focus on issues such as: Should a franchise fast-food chain add a new food product? Should a company move from one location to another? Should

a company diversify, merge, or acquire a competitor? What marketing strategy should a real estate firm use when the sales are down?

The Case Story

The second type of case presentation, the case story, differs from the formal case in several ways. It is usually written, much like a news story, as a chronological history of a decision made by management. The outcome and an analysis of the decision are presented and little excess information is given. In this form of case presentation, management's answer may not be the best answer.

This type of case can be two or three pages long and usually follows the form of a good magazine or newspaper article that has a one-or two-point thesis and lots of narrative to describe actions taken by individuals or the company. This type of case focuses on issues such as: marketing processes, sales methods, company events, product failures, and human behavior.

The Critical Incident

The third type of case gives little background information and usually presents a scenario in which the impact is greater on the interpersonal relationships than on the organization itself. While the formal case often involves long-term, strategic decisions, the critical incident asks, "What should we do now?" and involves more immediate issues.

The opening paragraph of this type of case often throws you into the middle of a dilemma. For instance, a critical-incident case might begin by saying, "A chemical manufacturing company has had an explosion at a local plant." The case, while short (two or three pages), gives many of the possible solutions that can be developed. This type of case was used as exercises in Chapter 13, on Crisis Management. They can also be developed quickly by managers and used in company training programs.

Overcoming the Difficulties of the Case Method

While the case method is often used in business schools, some people experience difficulties in learning a new style of both studying and responding. The following ideas should help you overcome any anxieties you may experience in learning by the case method.

Conquering a Different Learning Style

The case method is well suited for individuals who like to deal with real-life situations. It is not as well suited for people who find it difficult to operate in an environment of ambiguity and uncertainty or who must have a final or correct solution to a problem.

If you find the case method uncomfortable, strive to transfer from the traditional learning process of teacher-to-student, to a student-to-student mode. As your colleagues share their ideas and analyses, listen to them carefully and add up their thoughts in order to develop your own critical analytical abilities.

The case approach demands that you do extensive preparation outside the classroom. This preparation includes reading, note-taking, conducting library research on data not given in the case or textbook, and organizing your thoughts into writing.

Overcoming the Fear of Writing and Speaking

If you are timid about your ability to present your problem statements or solutions either on paper or orally, take heart: The remainder of this chapter will help you develop a method for reading and analyzing a case and then writing a case analysis. Chapter 16 will present ideas on how to effectively present an oral case analysis. Chapters 2 through 9 should be reviewed for ideas on writing improvement.

Developing Your Personal System of Case Analysis

As you read the following pages and begin the process of case analysis, work on developing your personal system of thinking and decision-making. You will soon be enjoying the new method of learning and will use it in all your classes. You will also find that learning how to think and analyze information in a systematic way will carry over into an effective personal analytical process that you will use long after you leave school.

Reading a Case Properly

Every manager desires solutions to his or her business problems; but solutions can be found only through properly analyzing the problem. With the case method, a proper analysis can be conducted only after careful reading. Your main objectives in reading should be, as efficiently as possible, to cover the material thoroughly and glean the most significant points. Proper analysis generally requires at least two readings of each case. If you are unfamiliar with the case-study method and anxious about how to properly analyze a case, you should probably count on several additional readings. Always assume that your instructor is an expert on each case and can respond to any questions or statements you may have.

There are four basic steps to properly reading a case: previewing, skimming, reading, and reviewing. The first three should be done prior to writing your analysis or making an oral presentation in class. The last, reviewing, should be done as you prepare to discuss the case in class. The early preparation pays off in allowing you to better remember the information and to feel confident of your ability to discuss it.

Previewing

Previewing a case serves the same purpose as previewing a magazine article or a book. Your goal is to learn as much about the case as possible before actually reading it. Look at the title and subtitle. Does this information tell you anything about the focus you should have as you read the case? Examine the title and name of the author. Has your professor, another academician, or a practitioner in the business community authored the case? Size up the case by looking at each page and familiarizing yourself with the main headings and subheadings. Review the organizational pattern around which the information has been developed.

Most cases are divided into two parts: text and supporting exhibits. As you look through the text, highlight key names of individuals and businesses and any proper nouns that will give you valuable information needed to understand the case. As you look at the illustrations and exhibits, carefully note their context and the relevance of their information. In the previewing stage resist the temptation to mark

any items on the case. At this stage you are merely sizing up the case to determine how you are going to read and dissect it.

Skimming

Skimming involves previewing in greater detail. Avoid the desire to read each word and especially to underline or mark items in the text. As you skim, look for major ideas, issues, problems, and potential solutions—anything that will help you analyze the case. Your chief objective in the skimming phase is to determine the thesis or key problems or issues in the case. Often, this information is found at the beginning of the case. If it is not, search until you find it.

Reading

Now you are ready for your first reading of the case. Read at a comfortable pace and look for answers to questions, specific facts, or details that you will need in deciding solutions. Resist underlining on the first reading because it is time-consuming and generally indicates you do not understand the information. You can save underlining for a second reading. In this way, you are less likely to highlight unimportant information. If absolutely necessary, make brief, penciled notations to yourself. Later, erase the notes or make them bolder with ink. Some find the use of stick-on flags effective in marking observations made during the reading.

During your second reading, dissect and analyze the case from the standpoint of problems, major issues, and potential solutions. A case story or critical incident usually gives you only facts. Formal cases, on the other hand, contain extensive background material, but much of it provides no real clues to the solutions. While you may find the background information interesting, look for the key information that will benefit you in your analysis.

Reviewing

After you have absorbed the main points in the case, reviewing the highlights and your attached notes should be sufficient to refresh the information in your mind. Reviewing allows you to remember names and facts that are pertinent to the case. A quick scan of the highlights and your attached notes should be sufficient to refresh the information in your mind.

As you read the case, look for the common elements that everyone examines, but also look for unexpected items that might give you an edge on cracking the case. These items might be actions of individuals, methods of recording financial data, or ways inventories are ordered or recorded. If you make a habit of looking for the unexpected, you may find the most significant elements that will improve your analysis of the case. Work on understanding the flow of information from beginning to end, the technical nature of elements as they are described, what characters say and do, and any discrepancies in their actions. Constantly ask yourself, “What is not being said here?”

Be sure to look for issues your instructor may have mentioned when assigning the case. How does the case fit in the flow of the subject matter of any other cases discussed thus far in the class? What comments or inferences did your instructor make about the company or major characters? Was his or her attitude critical or

praiseworthy? You may have to make inferences about your instructor at first, but as you work through cases during the semester, you will pick up on his or her philosophy. Finally, look at all aspects of the case. While you will probably separate marketing considerations from accounting, finance, or management issues as you read the case, pull them all together at the end. If you have done an adequate job of reading, the task of analyzing the case will be much simpler.

Case Analysis Approaches

Cases require you to examine issues from the as-is world of reality, rather than the should-be world of theory. Yet as you move through the analysis process you will join both worlds together and make to-be recommendations that will bring optimal closure to the case.

General Analytical Approaches

After reading the case, but before you begin your analysis, determine the specific analytical approach you want to take. The approach you select will be the result of the type of case you are encountering, and the support for your position that you will be able to offer. Four general approaches are often used.²

The Systems Approach

In this approach an organization is viewed as a system that converts inputs into outputs. As you examine the problems, opportunities, and actions, try to get information on all the components of the system and the way they interact with each other. This approach works with cases related to marketing, production, finance, and the aspects of management like planning, organizing, and controlling systems. In a manufacturing organization, for example, raw goods are purchased and converted into products that are sold to distributors and, ultimately, to consumers. Manufacturing, as a process, makes more sense from this systems view than from a view that sees it as merely an assembly-line procedure.

A good analysis would start by viewing an organization from the top down and seeking some of the following information: What business is it in? What markets does it serve? What technologies does it use? What is its financial condition? or What is the organizational structure?

The Behavioral Approach

This approach focuses on the behavior of people within an organization. Because an organization is an artificial entity, created by law, it cannot think or act. People in the organization are the real agents of behavioral action. A good analysis will examine behavior both internal and external to an organization. Managerial leadership is a typical focus of such an analysis. Individual traits, behavioral styles, values, and acts committed by responsible people within the organization yield valuable information.

The impact of social structures upon individuals is also something that fits the behavioral approach. Information about corporate culture, organizational change, human resource management practices, and even executive-selection procedures fit the behavioral approach.

The Decision Approach

This third approach makes use of one or more decision-making models or tools that help identify and evaluate alternatives. Table 15.1 gives an extensive list of these tools, along with formulas and descriptions of conclusions resulting from their use. Most of these ratios require financial and numerical data. While you may be familiar with these models, you need to develop a competency in using them quickly to identify and evaluate alternatives. As Rand suggests, you need to be able

Table 15.1 **Decision-Making Tools**

Ratio	Calculated	Measures
Profitability Ratios		
1. Gross profit margin	$\text{Sales} - \text{Cost of goods sold} \div \text{Sales}$	The total margin available to cover operating expenses and to yield a profit.
2. Net profit margin, or Net return on sales	$\text{Profits after taxes} \div \text{Sales}$	Shows after-tax profits per dollar of sales.
3. Operating profit margin, or Return on sales	$\text{Profits before taxes and before interest} \div \text{Sales}$	The firm's profitability from current operations.
4. Return on total assets	$\text{Profits after taxes} \div \text{Total assets, or Profits after taxes} \div \text{Total assets}$	Net return on total investment of the company or the return on both creditor's and shareholder's investments.
5. Return on stockholder's equity, or Return on net worth	$\text{Profits after taxes} \div \text{Total Stockholder's equity}$	Rate of return on stockholder's investment in firm.
6. Return on common equity	$\text{Profits after taxes} - \text{Preferred stock dividends} \div \text{Total stockholder's equity} - \text{Par value of preferred stock}$	The net return to common stockholders on the investment.
7. Earnings per share	$\text{Profits after taxes} - \text{Preferred stock dividends} \div \text{Number of shares of common stock outstanding}$	Stockholder earnings per share of common stock.
Liquidity Ratios		
1. Current ratio	$\text{Current assets} \div \text{Current liabilities}$	Firm's ability to pay its current financial liabilities.
2. Quick ratio, or Acid-test ratio	$\text{Current assets} - \text{Inventory} \div \text{Current liabilities}$	Firm's ability to pay short-term obligations without relying on the sale of its inventories.
3. Inventory to net working capital	$\text{Inventory} \div \text{Current assets} - \text{Current liabilities}$	Extent of firm's working capital invested in inventory.

continued

Ratio	Calculated	Measures
Leverage Ratios		
1. Debt-to-assets ratio	Total debt ÷ Total assets	Extent to which total borrowed funds are used as a percentage of assets.
2. Debt-to-equity ratio	Total debt ÷ Total stockholders' equity	A measure of borrowed funds versus funds provided by shareholders.
3. Long-term debt-to-equity ratio	Long-term debt ÷ Total stockholder's equity	The balance between firm's debt and equity.
4. Times-interest-earned, or Coverage ratio	Profits before interest and taxes ÷ Total interest charges	The company's ability to pay all interest payments.
5. Fixed-charge coverage	Profits before taxes and interest + Lease obligations ÷ Total interest charges + Lease obligations	Firm's ability to meet all fixed-charge obligations.
Activity Ratios		
1. Inventory turnover	Sales ÷ Inventory of finished goods	Indication of firm's excessive or inadequate inventory.
2. Fixed assets turnover	Sales ÷ Fixed assets	The sales productivity and utilization of firm's plant and equipment.
3. Total assets turnover	Sales ÷ Total assets	The firm's effectiveness in using total assets.
4. Accounts receivable turnover	Annual credit sales ÷ Accounts receivable	The average length of time to collect credit sales.
5. Average collection period	Accounts receivable ÷ Average daily sales	Average length of time firm waits to receive payment after a sale.
Shareholder's Return Ratios		
1. Dividend yield on common stock	Annual dividends per share ÷ Current market price per share	Owner's return in form of dividends.
2. Price-earnings ratio (PE)	Current market price per share ÷ After-tax earnings per share	The market perception of a firm. Faster-growing firms have higher PE than slower-growing or more risky firms.
3. Dividend payout ratio	Annual dividends per share ÷ After-tax earnings per share	The percentage of profits paid out as dividends.
4. Cash flow per share	After-tax profits + Depreciation ÷ Number of common shares outstanding	Total cash, after expenses, available for firm's use.

Source: Adapted from *Appendix II: Financial Analysis in Case Studies*. (n.d.) (pp. 1-3). Retrieved March 26, 2002, from http://www.swcollege.com/management/hitt/hitt_student/appendix_2.html.

to answer questions like: “How are these alternatives related? What events must occur before an alternative can be realized? Are certain events dependent on other events occurring? What is the likelihood they will occur? What is the net cash flow in contribution dollars of a given alternative adjusted for the probability it will occur? Which costs are relevant or irrelevant? Which costs are variable versus fixed? What then is the cash break-even? What will the pro forma P&L and Balance Sheet look like if we follow this alternative?” Asking the right questions is critical.³

The Strategy Approach

This final approach is most often used with longer, formal cases and typically in business school policy courses. The learning objective of such courses is to help managers develop strategic thinking abilities, especially as they prepare business and marketing plans. Using the strategy approach, a manager analyzes a strategic fit between the goals and objectives of an organization, the general external environment, the specific internal environment of the organization, and the resources needed to carry out the described strategy.

Such an environmental approach is a good place to ask questions like:

- What do we know and not know about this organization?
- What are the objectives?
- What do the customers want?
- How can services be improved?

Such questions can be asked about a specific department, an entire company, or even an industry.

From the questions come answers regarding the organization’s present and future *internal environmental strengths and weaknesses*, and *external environmental opportunities and threats*. The acronym SWOT is used to refer to this form of analysis. SWOT is an analytical tool that is often referred to as a “situational analysis” and an “environmental scan.”

To identify internal strengths and weaknesses you can assess resources (inputs), present strategy (process), and performance (outputs). Usually your case will have information on inputs such as salaries, supplier, the physical plant, and full-time equivalent personnel. Unfortunately, cases often do not give a clear idea of the organization’s philosophy, core values, distinctive competencies, and culture.

You conduct a SWOT analysis by examining each of the parts. *Strengths* are advantages like resources, market position, new products, professional staff, unique and creative aspects, and leadership expertise, upon which the organization can capitalize. Organizations always desire to build upon their strengths. *Weaknesses* are disadvantages that can hinder performance and goal achievement. For an organization it is often difficult to honestly identify weaknesses. At the same time strengths are often exaggerated. In reality strengths and weaknesses are often similar and can mirror one another. An organization’s greatest strength can also be its greatest weakness. In the Valdez accident, Exxon’s safety record turned out to be a weakness.

Opportunities are developments in an organization’s external environment that focus on the future. They are advantages that the organization should use wisely. Items that often surface here are: technology, experienced personnel who can be

hired, or new manufacturing techniques that can be adopted. *Threats* are future events or happenings that can prevent success and cause difficulty. A good list here will allow you to minimize danger. Sometimes threats appear to be current weaknesses projected into the future, such as competition, political action groups, or government regulations. Threats can be met and turned into opportunities.

Table 15.2 presents a checklist of case ideas that you can look for as you conduct a SWOT analysis. Keep in mind that this list is generic in nature and each item does not apply to every organization. Also remember that “what is a strength/opportunity for one company might be a weakness/threat for another.”⁴

Now that you have a better understanding of the case method, realize the importance of a proper reading process, and recognize several case analysis approaches, the job of analyzing a case will be easier.

Table 15.2 SWOT Analysis

Internal Assessment	External Assessment
<p><i>Major Strengths</i></p> <ul style="list-style-type: none"> • skilled workforce • \$40-billion capital investment • employee layoffs • market position • employee comfort <p><i>Major Weaknesses</i></p> <ul style="list-style-type: none"> • too many employees • low sales • production cutbacks <p><i>Major Opportunities</i></p> <ul style="list-style-type: none"> • state-of-art plant • just-in-time inventory • reduce jobs • tax incentive <p><i>Major Threats</i></p> <ul style="list-style-type: none"> • loss of creative employees • difficulty in learning new tasks • strikes • poor relationship with unions 	<p><i>Major Strengths</i></p> <ul style="list-style-type: none"> • largest U.S. corporation • market position • popular image <p><i>Major Weaknesses</i></p> <ul style="list-style-type: none"> • outdated facilities • distance from suppliers <p><i>Major Opportunities</i></p> <ul style="list-style-type: none"> • move closer to suppliers • Poletown site <p><i>Major Threats</i></p> <ul style="list-style-type: none"> • government regulations • foreign competition • pressure from Detroit • increased unemployment • tarnished image • displacement of residents • public paying for tax incentives

Applying the Six-Step Case Analysis Process

Before you can write a case report, you must first analyze the case. Proper case analysis requires good decision-making skills, which usually follow a six-step process. Most of the cases in your management, marketing, finance, policy, and accounting courses will follow this six-step process:

- Step 1. Consider the relevant information.
- Step 2. Define the case problem and write a problem statement.
- Step 3. Analyze the facts and underlying assumptions.
- Step 4. List possible alternative solutions.
- Step 5. Select a solution and prepare to defend it.
- Step 6. Decide how to carry out the solution.

Before you attempt an analysis of a “formal” case, like those that you will find in many of your classes, we encourage you to use the following primer. The EK&G case story is a short, fictitious, even humorous case. But it will allow you to easily generate answers to the six steps above. Read it and write your own answers to each of the six steps.

EK&G Case⁹

Founded in 1980 as a medical technology firm, EK&G Products spent its early years searching for “the right product” to manufacture. The two owners, Fred Eghart and Irving Kleptow, were engineers from the medical technology field who believed that starting up their own firm could eventually fill a void in the market left by the larger manufacturers.

In early 1982 the Pulsomatic was developed and tested on a limited basis. The Pulsomatic was a small box affixed to a stand, much like a gumball machine. After inserting a quarter in the machine, a customer would lace his thumb in a small hole in the front of the unit. In 45 seconds, a small slip of paper would come out that would indicate the customer’s pulse rate and also tell a fortune.

Eghart and Kleptow believed that a large market existed for this product. Supermarkets, restaurants, bars, and nursing homes would be ideal spots for the Pulsomatic. A marketing manager could be used to help distribute the product.

As production began, the costs of the Pulsomatic began to rise. Initial cost estimates had been around \$175 per unit. But the fortune-telling logic unit (FTLU) was a specialty item that soon began to rise in price. Because the only manufacturers of FTLUs were in China, there was no way to insulate against price rises or currency fluctuations.

As the manufacturing costs exceeded \$250 per unit, Eghart and Kleptow began to wonder if sufficient quantities of the unit could be produced in order to achieve economies in production. Production estimates showed that average costs per unit could be reduced to \$200 if more than 1,000 units were produced each year. Because orders of the product totaled 1,000 after three months of marketing, it became apparent that the idea of hiring a marketing manager was well founded.

After screening a number of qualified MBA graduates, Eghart and Kleptow hired Hal Sigoin. Mr. Sigoin promptly increased the number of orders to 2,500 and production resumed.

Delivery began in June 1985, with ten units going out. The revenues from sales of the machine were split as follows: 25 percent to the business where each machine was located, and 75 percent to EK&G. Original estimates showed that revenues would average \$150 per machine per month. This would mean that EK&G would recoup its costs in about two and one-half to three months. Over that same time, the host business would receive revenues of more than \$100.

On the evening of August 1, 1985, Eghart and Kleptow poured champagne at their victory celebration. It looked as if the product would be a success, and they wanted to share this success with their staff of five dedicated employees.

To complete your analysis of this case, develop answers to steps 1 through 6. After that, check your answers to the ones found in Figure 15A.1 in the appendix at the end of the chapter.

Now we will look at a more “formal” case. This case typifies many formal cases that you will find in your classes. Assume that you are in a decision-making position at General Motors. What would you encourage the company to do, and why?

The New GM Assembly Plant⁶

In early 1980, General Motors (GM) was the largest industrial corporation in the United States. Their sales from the previous year were \$66 billion and they had over 850,000 employees. But GM, along with the other automakers, faced trouble. Trends toward tighter government regulations and foreign auto competition had produced low sales, production cutbacks, and widespread layoffs. GM's change strategy for staying competitive involved a \$40-billion five-year capital investment program that would begin in that same year.

One phase of the program required that two existing Detroit manufacturing facilities, Cadillac Assembly and Fisher Body Fleetwood Plant, would be demolished and one state-of-the-art facility be constructed. GM did not care where the new plant was built (they were examining sites in both Detroit and in Midwestern states within the Sunbelt). The new plant had several needs, however. It had to be close to suppliers to utilize the new just-in-time inventory methods, it required about 500 acres to allow for a new robotics system, and it had to be completed by mid-1981. GM estimated the cost of constructing the facility would be at \$500 million.

Immediately Detroit Mayor Coleman Young started applying pressure for GM to remain in the greater Detroit area. Detroit had experienced many years of economic difficulties. Large firms had moved many to the suburbs and others out of the state. Unemployment at the time was 18 percent and the closing of the two plants would create a loss of 6,000 auto assembly jobs, and thousands of other jobs in design, manufacturing, and sales. Because of business closings the structures in the inner city were decaying. The tax burden was high and the base was low. The inner city was 63 percent minority and high in elderly, disadvantaged, and poor.

As GM examined the Detroit area only one site became a possibility. There were 300 acres in Poletown and an adjoining 165 acres in Hamtramck. The latter property presented no acquisition problems; Poletown was another story. The resident base consisted of first- and second-generation Polish descendants, mostly elderly and retired. They considered their homes to be their most valued asset.

General Motors agreed to the site in concept but threw the resident problem back to the city of Detroit because it was applying pressure on GM to remain in the area. The Detroit City Council, without consulting the Poletown residents, decided to use its power of eminent domain. When residents learned of the plot they formed the Poletown Neighborhood Council that immediately brought a lawsuit against the city of Detroit. They asserted that the eminent domain legislation was designed for public usage. They argued that the new plant constituted “private use” and not public. Further, the use of the law in such a way violated the Michigan State Constitution and destroyed both the cultural and social environment of a community. The court voted 5-2 against Poletown.

While the suit cleared the way for General Motors, it left other problems. Poletown had 3,438 persons that would be displaced, and 1,176 homes that would be demolished. GM estimated the following costs: \$62 million to the Poletown residents for their property, \$28 million for their relocation, \$35 million for the home demolition, and \$82 million for site preparation. The total cost would be \$207 million.

Knowing that the Sunbelt states had offered large tax incentives, the City of Detroit made its proposal. It would find a way to cover the \$207 million and would give a 50-percent tax abatement for 12 years, or \$13.35 million per year. When capitalized at 12-percent interest that would amount to \$83 million. Altogether Detroit's offer would be the best.

The GM case is a short financial and plant-location case story. The case analysis approaches used as examples for this case story combine the decision and strategy approaches. We will now work through the case by using the six-step analysis process.

Analyzing the GM Case

You have read the case and made an initial determination of the analytical approaches that you could possibly use. Now you should enter the decision-making process. Most of the cases in your management, marketing, finance, policy, and accounting courses will follow this six-step process.

Step 1: Consider the Relevant Information

Your first task is to gain a familiarity with the basic details of the case. As you sort these out recognize the degree of certainty (facts) and uncertainty (inferences) that exist. You will seek to determine the who, what, when, where, and how, or general background facts in the case. In detail identify the people, organizations, activities, and contexts of the situation.⁷

What can you learn about the *company*?

- What business is it in?
- What are its products or services?
- What are its characteristics?
- What is its strategy? Goals?
- What is its growth history?
- How is it structured?
- Does it have any critical systems or policies?

What can you learn about the *industry* or *market*?

- Who are the competitors?
- What is the basis of competition?
- Who are the major players?
- What barriers to entry exist?
- What are the market trends?
- What is the company's market share?

What can you learn about the *players*?

- Describe the major players both internal and external to the company.
- What are their characteristics and style?
- Who has to take action? What action?
- Who is influencing the decision maker?
- What pressures are the players under?
- What is the financial position of each principal? (assets and liabilities)

What can you learn about the *products* or *services*?

- What are the products and services?
- What are the product life cycles?

- Are there competitive advantages or risks?
- Are there technological advantages or risks?
- What major factors enhance and threaten distribution or positioning?
- What impact does the sales force exert?

As you remember these basic facts move to condense your information into a process that will guide your analysis. Consider the following four areas:

Environmental and Industry Analysis. An organization must determine what effect marketing dynamics, competitive factors, foreign competition, government regulations, product portfolio, and so forth will have on it. These factors should be stated in terms that affect the strategic options available to the firm.

Organizational Analysis. Organizational factors are crucial in determining an organization's ability to carry out proposed strategies and achieve effective performance. Approaches to alternative organization structures and functional integration are often key determinants of success. The effect of mergers on the culture and leadership of an organization are also important considerations.

Internal Operations. Operations form the basis for carrying out strategies that have been formulated. Greater emphasis is placed on the organization's ability to achieve high quality, high performance, and strategic control. Issues such as robotics, just-in-time manufacturing, computer applications, motivation, culture, and human resource management increasingly determine the competitive advantage of an organization.

Resources. Resources are the lifeblood of an organization. Many consider investments, capacity, facilities, cash flow, return on investments (ROI), and the budgeting of strategic funds to be the bottom line of strategy formulation. Financial analysis, revenue forecasts, and resource allocation, especially for R&D, are important aspects of analyzing cases to determine feasible strategies.

Scan the case again to determine the significant facts and events. List these as statements. After you finish, review your list and outline the facts and events. In the GM case, several significant items can be listed.

1. GM was the largest industrial corporation in the United States, and was profitable until 1980.
2. GM, like the other auto manufacturers, faced pressures from increased government regulations and foreign competition.
3. A capital campaign called for two existing plants in the Detroit area to be demolished and a new plant built either in Detroit or another location.
4. The new plant would be designed around state-of-the-art techniques.
5. The city of Detroit was in economic difficulty, it did not want to lose the GM plant, and it applied pressure to GM to rebuild in the city.
6. One site in the greater Detroit area suited GM. Part of the site consisted of mostly retired and elderly Polish residents.
7. While the residents did not want to move, Detroit gave GM the power to receive the Poletown land through eminent domain.

8. While the cost of purchasing and preparing the Poletown property was more expensive than purchasing property in a Sunbelt location, the city of Detroit offered to cover the cost, and through tax incentives would even contribute more to GM than all the other communities.

Step 2: Define the Case Problem and Write a Problem Statement

The philosopher John Dewey once stated that a problem well defined is half solved. Defining a problem is not simple, but once done, the definition logically leads the person doing an analysis toward the possible solutions.

List the various problems, and symptoms of the problems, that you have identified. What are the facts for each? Is the problem an individual, group, or situation? For instance, does a gap exist between actual performance and desired performance? For whom is it a problem? Why? Are standards being violated? What is the ideal outcome that is desired?

Problems are barriers that threaten to block an organization or person from achieving important goals. The problems could be a competitor introducing a new product or operational procedure. It could be a downturn in the economy, new legal steps to make markets more competitive, or consumer concerns within the social environment.

As you glean problems from the case, separate them as items to solve—but avoid stating problems in such a general way as:

- The company owner has weak management experience.
- The product promotion plan is inadequate.
- The company has a bad credit history.

Such statements blur the case information, make understanding difficult, and create barriers to finding solutions. It is hard to immediately know how to solve a bad credit history. Instead, phrase the problem as a descriptive statement:

- The company owner has never interviewed or hired a sales manager; yet she must immediately replace the current sales manager who abruptly resigned.
- The schedule for the product promotion plan cannot be accomplished in one fiscal quarter because the advertising material will take longer to produce and the plan is inadequately funded.
- Citicorp has refused to extend further credit to the firm until it pays the outstanding loan balance of \$100,000 within the 30-day grace period.

A good problem statement should be descriptive, zeroing in on the key issue that must be addressed. It should not rehearse the case in detail. Don't confuse symptoms with causes. Differentiate between fact and inference. Also, be sure that you avoid suggesting a solution at this point.

Start the GM case by listing the different problems or issues that you observe. Next, narrow the issues into a written problem statement. If you find that the statement is too vague as you proceed with the analysis, rewrite it.

Four significant problems are apparent in the GM case:

1. There is pressure from Detroit and the GM stakeholders (union, employees) to remain in the area.

2. Rebuilding in the Detroit area will initially be more costly than in going to the Sunbelt, although the city and other groups will find a way to cover all of those costs.
3. There will be a high toll in human pain and the loss of ethnic identity associated with having to use the eminent domain law to remove the Poletown residents.
4. GM and Detroit may sustain a tarnished image because of treatment of Poletown residents.

After narrowing these issues, we recognize that the most significant problems in the GM case are pressure from Detroit and the local stakeholders to build on the Poletown site, and the pain and harm to be imposed on the Poletown residents. In fact, a dilemma is present because GM is being pressured from both sides. Whatever its decision, one side will be unhappy.

Step 3: Analyze the Facts and Underlying Assumptions

At this point you must decide which theories will be most useful. Choose the analysis methods that are most appropriate to the problem you identified. Run your numbers and analyze the results.

Consider the underlying assumptions in the case. Are your assumptions reasonable and realistic? Do your assumptions relate to decisions the company or key decision makers in the case are making as a result of their control? Or, are the decisions related to uncertainty factors—factors that the company or managers do not control? Can you support the assumptions with information and facts found in the case? Make sure you distinguish among facts, inferences, and opinions. Discuss stakeholder assumptions.

In searching for assumptions, also distinguish between causes and effects, which are often related. For example, a retail organization is losing money (effect). One reason (cause) is that customers are no longer buying the company's product (effect). Careful examination shows that the product is of poor quality (cause). Yet the poor quality of the product (effect) is a direct result of management not spending research development dollars on updating the product (cause). Further searching shows that top management made a decision several months earlier to cut the R&D budget (effect) because of cost-cutting measures (cause).

What you will end up with at this point are the key criteria you will use to design and solve the case problem. What are the constraints that are being faced? At the very minimum a solution must be affordable, legal, and ethical. Are there other constraints that become apparent in your analysis? The final act in this step is listing any key criteria that you will use in making your recommendation.

In examining the GM case we can pull out several assumptions:

1. GM assumes no other site is available around Detroit.
2. Detroit assumes that keeping GM is critical to its economic well-being.
3. Detroit assumes current GM employees would be used in the new plant. GM may make the same assumption, but in reality new employees might be easier to train in new technologies.
4. Detroit assumes the tax dollars it will lose from the tax incentive package will be recouped from GM personnel and their spending.

5. GM and Detroit assume from the start that the Poletown residents are against selling their homes. In reality they may be for the idea if they were allowed to participate in the decision-making process.
6. Detroit and GM assume that the best problem-solving method in this case is the cost-benefit analysis.

It is evident that the list of assumptions is by no means exhaustive. Instead, it points to a seemingly endless string of questions that can be developed from a simple case. If other subject matters were considered, such as accounting, finance, and management, the list would grow even longer. Remember as you are analyzing material to list it in a readily accessible form. Availability facilitates your writing of an analysis.

At this point you can also do a SWOT analysis of the case. Go back to Table 15.2 on page 415 and review the parts.

Step 4: List Possible Alternative Solutions

For every problem there are at least three solutions, one of which is to do nothing. This approach, like recommending additional research, is usually not an acceptable solution. Step 4 is your opportunity to be creative and to think “outside the box.” Do not be limited to minimal alternatives, which seem to easily arise from the facts of the case. Alternative solutions for GM are:

1. It can agree to build its new plant on the Poletown site.
2. It can conduct a more extensive survey of the Detroit area to see if a comparable or more suitable site exists.
3. It can allow the Poletown residents to have an active voice in the decision-making process.
4. It can put its human and social responsibilities ahead of its profit-maximization responsibilities. (Does it have a social responsibility to create jobs in Detroit? Does it have a social responsibility not to dislocate Poletown residents? How do these two responsibilities conflict?)
5. GM can move to a Sunbelt location.

As you identify solutions, consider the criteria that must be met in order to accomplish each solution. List advantages and disadvantages to each. Do not predetermine the best solution at this point; it may cause you to ignore important contradictory information and will detract from your analysis. Also consider the pros and cons of each alternative solution. Weighing these against each other often logically guides you to the best solution. Other critical questions to ask and answer could be:

- How do the alternatives fit the company goals?
- Can the behavior of individuals be changed?
- Are there major constraints on elements like time, money, or traditions?
- Do available resources exist?
- Do the decision makers have real sources of power to make necessary changes?
- Should others be involved in the solution (solving and implementation)?

Step 5: Select a Solution and Prepare to Defend It

After analyzing the case in depth, you should be able to select the best solution. If you have analyzed the case carefully, you should know the likelihood of being able to achieve the selected option and what will be needed for implementation. The recommendations of your solution should always address the problems that you isolated in Step 2.

Problem: The company owner has a responsibility to hire the best sales manager.

Recommendation: Ms. Bhappu would be wise to promote the current brand manager, Shandra Johansson, into the sales manager position. Shandra understands the promotion plan for all brands, is well liked, and has the respect of everyone in the marketing department, and her brand has been the top revenue producer for the past five years.⁸

In stating your solution show how the solution will correct the problem. The points and recommendations should be made short and concise. Use the logic and reasoning from the case analysis to defend your selection. You may desire to list the advantages and disadvantages, and costs and benefits, of your solution. In many instances your various alternatives will build one upon another until one is obviously better than all the others. The financial analysis that you rendered often helps this occur. Your solution should clearly address the critical aspect of the case problem. Consider the probability of success, the many risks, and what will happen if failure should occur.

As you examined the GM case, you probably arrived at your preferred solution. You may have felt the best solution was to agree to build the new plant on the Poletown site. You can state that solution in the following way:

I recommend that GM build the new plant in the Detroit area. Because the total financial allowances Detroit proposes will equal or exceed those of any other location, Detroit makes economic sense. Because GM feels a responsible obligation to the city of Detroit and the GM employees, that obligation would also be covered. The process of allowing the land to be taken by eminent domain, without involving the Poletown people in the deliberations, will create a truly bad image problem. GM would be smart to have the Poletown Neighborhood Council participate in the problem-solving process.

Step 6: Decide How to Carry Out the Solution

At this stage you will develop an action plan for carrying out the solution. Your plan should spell out the specific steps required, along with performance benchmarks. What are the essential changes that are needed? Who will be the change agent? Does he or she have the power, skills, and knowledge to carry out the solution? What is the time element? What are the needed resources? Who will need to be involved? What will be the impact on the organizational structure? Finally, what contingency plan will need to be in place if success does not occur?

A recommendation for an “action plan solution” for the GM case could be: “Because the plant needs to be built by mid-1981, GM should move as quickly as possible to contact the Poletown Neighborhood Council, get them involved in the problem-solving process, and determine the overall impact the new plant will have on GM, GM employees, the city of Detroit, and the Poletown residents.”

After completing the six steps of case analysis, you are ready to communicate your findings. In most advanced business programs, three settings exist: written case analysis, class discussion, and group presentation. We will examine only the first setting in this chapter; Chapter 16 covers the latter two. In almost every instance, your instructor will determine which method you and your classmates will follow.

The Written Report

While there is no one correct way to prepare a written case analysis, most include certain specific items and follow one of a few generally accepted formats. The majority of your study time will probably be devoted to analyzing the case, but leave sufficient time to prepare the written report. When you are under a time constraint, it is tempting to consider the completion of your analysis as the end of your assignment. However, your career potential is based on the written report, so you should devote ample time to writing and developing your ideas. This section presents four different formats for a written case analysis. (At this point you may find it helpful to review the overall writing sequence discussed in Chapters 4, 9, and 10. The material on the inductive and deductive writing styles is especially important. Many of the ideas and techniques discussed there can apply here.)

Even though you will have spent many hours analyzing the case, your instructor will usually spend only 20 to 30 minutes grading each written report. It is therefore important that you write clearly enough so that he or she can understand the main points that you want to communicate. You may be tempted to write your report in the same six-step process that you used for analysis. However, your instructor already knows the case, and does not wish to read a restatement of the facts, although he or she may want to see your logic. Organize your material in a succinct and direct manner. There are three schools of thought on the written analysis format: the suspense format, the news-first format, and the strategic-issues format. Ask your instructor which he or she prefers.

The Suspense Format

The suspense, or inductive, format report follows a three-step progression: (1) identify the strategic issues and problems, (2) analyze and evaluate the possible solutions to these issues, and (3) make recommendations. Kerin and Peterson encourage this approach. They believe that:

The first heading should contain a focused paragraph that defines the problem and specifies the constraints and options available to the organization. Material under the second heading should provide a carefully developed assessment of the industry, market and buyer behavior, the organization, and the alternative courses of action. *Analysis and evaluation should represent the bulk of the written report.* This section should not contain a restatement of case information. It should contain an assessment of the facts, quantitative data, and management views. The last heading should contain a set of recommendations. These recommenda-

tions should be documented from the previous section and should be *operational* given the case situation. By all means, commit to a decision!⁹

You can refer to Chapter 9, on report-writing, to review the inductive writing style.

The News-First Format

In the news-first, or deductive format, you: (1) present your recommended solution first, (2) support your recommendation, (3) list the other alternatives and why you did not select them, and (4) provide evidence supporting your observation and recommendations.

The Strategic-Issues Format

Use the strategic-issues format in writing reports on strategy cases. The length of such a report is short, normally one to two pages. To produce such a report in an adequate manner requires careful and thorough analysis. In this written format, you cite: (1) the crucial strategic issues, (2) the assumptions you made about those issues, (3) the strategies you recommend for dealing with the issues, (4) the justification for your recommendations, (5) the plan of action for implementation, and (6) the expected results.

Another approach follows the example used in Chapter 8, “Proposal Writing.” Figure 8.2 presents a brief proposal that provides an excellent format for a case analysis: Summary, The Current Situation, The Problem, The Analysis, and The Solution. Many students have found that format to be very helpful.

Exhibits and Typing

Many written reports use case exhibits. Remember that the data in any exhibit should help to support the positions you have taken in your text. If your exhibitions are short, place them strategically in your text to help explain your conclusions. Otherwise, present long exhibits in an appendix at the end of your report. Designate each exhibit by a clear title that describes its purpose; the reader should be able to understand the material contained in the exhibit without referring back to the text. Whenever you refer to an exhibit in the case, make sure that you give an explanation for the exhibit.

Your final typed report should follow the rules of good writing that are discussed in this text. To give you an idea of what a sample written report looks like, we include a case, “Accounting Procedures at Champion Marketing,” and a student’s written report of the case in Appendices A and B, respectively, on pages 457–460 and 461–464 at the end of the book. The case is a critical incident, and the analysis follows the suspense format. You should read and analyze the case in Appendix A, following the guidelines provided in this chapter, before reading the student analysis in Appendix B.

Some Do's and Don'ts for Case Preparation

Do's of Case Analysis

1. Accept the fact that much of the material in the case is useless to your investigation. This is a valuable lesson. As a future manager, you must learn to slice through the fluff and make decisions based on relevant information.
2. Realize that different professors, in different classes and disciplines, want you to conduct different types of analyses. Just as there is no one managerial style that is perfect for all, there is no one case analysis style. Learn early in the class to identify personality and behavioral characteristics of your professors that will indicate how they want the cases analyzed. Often, the professor gives his or her pet analysis outline at the introduction to the course. Be looking for it.
3. Follow a logical, clear, and consistent path through the case analysis. The conclusion should always flow out of your recommendations, and your recommendations should clearly be supported by your analysis. If this does not occur, your problem statement may be faulty.
4. Recognize the difference between facts and inferences or suppositions. Much case material is clearly presented, but you are often required to make subjective interpretations. Learn to distinguish clearly between the two and refer to inferences as such in your analysis. The more suppositions you make, the weaker your analysis becomes; strive to base your analysis on facts whenever possible.
5. Take a stand in your analysis and support it. Many students try to hedge and take a “let’s wait and see what others will say” approach. Instructors recognize this and your peers see it. Learn to trust your judgment, take a stand, and build the necessary support for it. Recognize also that your peers will constantly take shots at your stance. The stronger and better-supported your stand, the better you will look.
6. Recognize that a good written product really is produced in the rewriting. Give yourself time to reread and edit your analysis, even a second and third time.

Don'ts of Case Analysis

1. Don't expect a right conclusion to be available following the study of a case. Many case instructors will not give the correct answer even if they know it. Case information is often based on a specific event or a short period of time. Often, the actual businesses or individuals within the case never know what would have really happened if an alternative decision were made and followed. Your job is to learn to analyze problems and arrive at good solutions.

2. Don't tell the instructor that you need more information before arriving at a decision. Lack of information is common to all cases. Working with incomplete information is good practice because, as a manager, you often will not have all the needed information. Since gathering all the information takes time, and managers must make quick decisions, learn to make proper assumptions based on the information that is available.
3. Don't expect cases to cover a single discipline or to lend themselves to a solution by a given theory or concept. Situations are complicated, and even though you may be in a marketing position, the financial, managerial, and strategic-planning areas of the business can impact your work. The broad view is especially true in policy courses, where an objective is to relate material you have covered to a variety of courses.
4. Don't expect your instructor to give you clear instructions on what he or she expects from your analysis. One professor at a major university tells his students on the first assigned analysis, "I cannot tell you what an excellent analysis will look like, but I will know it when I see it." Although everyone has the same case, the professor expects a multitude of different methods from students as they seek a solution. Most instructors will encourage you to develop your best analysis by not telling you precisely what they want.
5. Don't be so short-sighted that you decide on a conclusion early in the analysis and become locked into that conclusion. The person who develops several solutions will have the advantage and will learn more. This person wisely selects a hypothesis and works through to the conclusion.
6. Don't feel that you have to solve all the problems in the case. This is impossible in case studies. Instead, confront only the major problems. Develop alternative solutions to one problem at a time and then move on to other problems. Businesses have hundreds of minor problems; it is the major ones that are life threatening. Practice quickly identifying the major problems and finding solutions for them.

Summary

The case method is a common style of teaching in advanced business programs. The learning potential of this approach has been demonstrated numerous times. If you learn an effective procedure for analyzing a case and writing an effective report, you will be rewarded both in the classroom and later in your career.

In this chapter, we examined the correct way to analyze a case and write a case report. There are three different types of cases: the formal case, the case story, and the critical incident. There is a proper way to read a case, too. The first step is to preview by looking at the basic outline of the case. The second stage is skimming, where you identify the key issues. The third stage is to read and reread the case,

making strategic notes to yourself. The fourth stage is scanning prior to class discussion. Proper reading of a case helps you in the case analysis process.

There are four case analysis approaches. First, consider the organization as a system. Second, look at people within the organization and approach the analysis from a behavioral perspective. Third, use a decision-making approach by employing theories or models to help you arrive at decisions about the information in the case. Fourth, use the strategy approach by conducting a SWOT analysis in light of the organization's goals and objectives. You might also consider combining approaches.

As you analyze the case, follow six important steps: (1) consider the relevant information, (2) define the case problem, (3) analyze the facts and underlying assumptions, (4) list possible solutions to the problem, (5) select a solution and prepare to defend it, and (6) decide how to implement the solution.

Communicate your results in one of three ways: through a written report, class discussion, or group presentation. In this chapter, we concentrated on the written report. While there is no one correct way to prepare a report, three specific organizational formats were given. The first style is the suspense or inductive mode, which identifies the problem first, analyzes and evaluates possible solutions, and makes the recommendation. The second style is the news-first, or deductive mode. Here you present your recommendation first, support why you chose one solution over another, list the alternatives you did not select and the reasons for not choosing them, and finally, give evidence that supports your observation and recommendations. The third style is the strategic-issues format, which summarizes the key points in a one- or two-page memo format.

Discussion Questions

1. What types of cases have you encountered in your academic life? As you read this chapter you probably thought about the case stories and critical incidents you have read in the textbooks for other courses, and any formal cases required in other classes. How do you differentiate among the three types, and how do you prepare differently for studying and discussing them?
2. For many people the use of formal cases in the classroom is an anxiety-producing experience. Describe your level of anxiety with the use of formal cases, and how you have developed a personal system to use in analyzing cases. If you have never before participated in a formal case analysis and discussion, hypothesize how you believe you will feel and deal with it.
3. On the opening day of your business school program one of your instructors was extolling the benefits of the case study method. Since then you have grown confused on the real value of such a classroom learning experience. Your instructor senses this and gives a short assignment designed to show the class how many executives perceive the process as being truly valuable.

Your Assignment: Your instructor assigns the following article found in InfoTrac: "A Crash Course for CEOs: Harvard Business School Tailors a Program to Entrepreneurs," by Lawrence Curran. The article is taken from *Electronics*, June 1991, vol. 64, no. 6, pp. 13-16, Article A10923240.

Read the article and outline several practical benefits that executives at the Harvard Business School have gained from using the case study approach. Develop five or six talking points from the outline. Take your findings to class where they will be discussed.

4. Select a major headline-making event in the business community. A recent crisis situation would be ideal. Collect several newspaper, magazine, radio, television, and Internet stories about the event. Using the four case-analysis approaches describe how the event can be discussed differently using each approach.
5. A SWOT analysis is regularly used when considering strategic plans. Briefly apply it to your own personal career path and describe your strengths and weaknesses, and the external opportunities and threats that you will face when looking for a job.
6. The six-step process presented for analyzing cases is typical to standard decision-making and problem-solving models. Consider each step of the process and describe how you might apply this approach to analyzing problem issues and events in your business classes.
7. Review the section on written report analyses. As you listen to media reports regarding critical business events, discuss which format is used most often. Which is intuitively easier for you and which is the most difficult? If you cannot find suitable media examples, you can also make use of Figures 8.2, 9.4, 9.5, and the sample reports found in this textbook.

Communication in Action



Internet

1. Writing your first case analysis is always an anxiety-producing event, especially when you are unsure of how to analyze the material. To help you get started your instructor has decided to use a "What do you leave out?" assignment. Go to <http://www.agric.wa.gov.au/programs/> and click on "New Industries." There you will find a "New Industries Strategic Plan" for the department of Agriculture in Western Australia. This extensive strategic plan is designed in outline form and describes the directions this government department plans to take over a five-year period.

Your Assignment: Read through the "New Industries Strategic Plan." Write a one- or two-page report on this plan. Use the strategic-issues format and cite the crucial strategic issues the department plans to take, the assumptions they have made about those issues, the strategies they

recommend for dealing with the issues, the justification for their recommendations, their plan of action, and the expected results.

2. Along with your assignment to read this case chapter, your instructor has assigned the reading of an Internet case. The purpose is to parallel the material in the chapter with material in actual cases. To do this look up an Internet case at <http://www.lib.sfu.ca/researchhelp/subjectguides/bus/casestud.htm>. Click on "Netscape Communications Corporation." The case is a detailed study of Netscape's early years. Although the details are dated, it serves as a good example of a Web-based case study and as an easily designed case for analysis.

Your Assignment: Examine the case. You will find it is divided into four areas: the company, the market, the business environment, and technologies. After you have read through the case prepare a memo comparing and contrasting the Web case to the "analyzing a case" material in the chapter. How did the reading compare? Did you find it easy to preview, skim, and then read? Were you able to comprehend the information in the Web case in the same way as when you read a case in the textbook? Which of the four general case analytical approaches does the Netscape case fit? What tools did the presenter use to help the reader analyze the Netscape case? For instance, how easily does the business environment section lend itself to the SWOT analysis?

3. As this chapter suggests, students in case courses often do not know the instructor's case process style when they enter a class. Learning that style, how to prepare for classroom discussions, and how to write case analyses are critical requirements for all case students. The notes of Fred R. David, a professor at Francis Marion University, provide great insight into the case-analysis approaches and how to use them in analyzing a case.

Your Assignment: Look up David's notes at <http://mars.wnec.edu/~achelte/howto.html>. "Ponderosa Inc.- 1988" is a short, strategic-management case about a hostile takeover of the Ponderosa chain of steak houses. As you read the case and notes, determine which tools David would recommend for doing a clear analysis of this case. After reading this material use those tools to write a short analysis of the Ponderosa case.

4. Assume that you have accepted a summer internship with a local health clinic. The clinic is publicly funded and serves a community of several thousand. The clinic's director knows that your knowledge of community health care systems is limited. The first day on the job is orientation. That afternoon your director places you in front of a computer and gives you an Internet site, <http://erc.msh.org/>. She tells you the site is rich in managerial information about health care. She asks you to spend the afternoon reading cases related to the work that she wants you to do.

Your Assignment: Opening the site you find the home page has a variety of links. The center of the page houses the "Content: tools and information resources grouped by topic" section. When you click on any of the listed subjects you will be given an outline for that subject. Go to

the center section that says "content" location and click on "The Manager." That section will list text by "management topic." When you click on that location you will be given a "Topical List of Management Issues." Read through the list and select a topic of interest. Click on that topic and you will find a case scenario, case discussion questions, and a case analysis.

Survey three or four topics. Read the case and answer the questions. You can check your answers by reading the analysis. When you are finished prepare a short memo for the clinic director. In the memo describe what you learned about health management.



InfoTrac

5. Part of the value of good strategic planning is establishing goals that work to your advantage when accomplished. To get to the goal stage requires accurate facts and a discerning analysis of what to do with those facts. Some researchers believe another element is also required: anticipating change. In their article "Anticipatory Management: Tools for Better Decision Making" William C. Ashley and James L. Morrison discuss this concept. Look it up on InfoTrac. After you have read it, write a short memo to your instructor describing how the concept can be used in conjunction with the decision-making material in the textbook. The article was printed in *The Futurist*, September-October 1997, vol. 31, no. 5, p. 47(4), Article A20227223.

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Appendix

Sample Case Analysis

This chapter concludes with a sample student analysis of the EK&G Products case. As you read the analysis, compare the notes that you made earlier to those presented here.

Figure 15A.1 Sample Case Analysis

EK&G Case Analysis

Step 1: Consider Relevant Information

In the EK&G Products case, several significant items can be listed. In this particular case, a chronological listing works well.

1. EK&G was formed in 1980 as a medical technology firm.
2. Pulsomatic was developed and tested in 1981.
3. The company believed that a large market existed and geared up for production of the Pulsomatic.
4. Early estimates of production costs were around \$175.
5. Only 1,000 units were first ordered.
6. With a small number of sales the unit cost soared to over \$250.
7. Hal Sigoin was hired as marketing manager.
8. Delivery began in June 1984.
9. Between June and August 1984, 2,500 units were ordered.
10. The owners celebrated their "success" on August 1, 1984.

Step 2: Define the Case Problem and Write a Problem Statement

First, list the different problems or issues that you observe. Second, narrow the issues into a written problem statement.

Four significant problems are apparent in the EK&G Products case:

1. a lack of proper market research or market "feel"
2. a lack of a substantial number of orders
3. very high overhead and fixed costs
4. no firm marketing plans or distribution system

The most significant problems in the EK&G Products case are low sales and high per-unit costs, resulting in low profits.

Step 3: Analyze the Facts and Underlying Assumptions

In looking at the EK&G Products case, we can pull out several critical issues.

1. A target market is not clearly defined.
2. Sufficient demand does not currently exist. (Can it be created?)
3. The break-even quantity is not determined.
4. In order to sell the Pulsomatic, a marketing representative may need to be hired in addition to Hal Sigoin. (How will this hiring affect break-even costs?)
5. The actual costs of each unit must be determined, including whether or not the unit cost will increase or decrease.
6. Eghart and Kleptow seem to assume that no similar product currently exists. They must discover if this is indeed the case.
7. The partners are assuming that the product and the revenue proposition are attractive to merchants.

Step 4: List Possible Solutions to the Problem

What are the possible solutions to the major problem you have identified? Alternative solutions for EK&G are:

1. Close down the business.
2. Examine the viability of the entire Pulsomatic venture to determine the likelihood of success. If it is deemed worthwhile,
 - a. find a way to market the Pulsomatic broadly to many stores and public locations, or
 - b. find a small segment of retail stores or food service locations that are customer intensive and market to that segment.

Step 5: Select a Solution and Prepare to Defend It

A possible solution to this case might be:

"I recommend that EK&G Products examine the viability of the entire Pulsomatic venture to determine the likelihood of success. If the Pulsomatic is determined to be a feasible product, a strategic business plan must then be developed. The plan should include considerations of how to achieve increased sales in one or two markets."

Step 6: Decide How to Implement the Solution

A recommendation for implementation of a solution to EK&G could be:

"Restaurants and bars throughout the state and adjoining states are places of customer intensiveness. Mr. Sigoin should aggressively pursue sales to these businesses either by himself or with the help of commissioned salesmen. This or some other measure should be taken in order to stimulate sales, and therefore increase production, in order to reduce the per-unit cost."

Source: Rasberry, R. W. (1984). EK&G products. Dallas, TX: A Cox School of Business case, Southern Methodist University. Prepared with the aid of David Rudman.

Discussing and Presenting a Case Study

Chapter 15 described how most advanced business programs employ some form of case study. Often the teaching methodology of an entire school revolves around the case approach; such is true of the Harvard Business School. You will use the case analysis process in a general way to analyze real-life business problems. For these reasons, it is academically important that all business students learn to adapt to the case method. Your process of analyzing cases—and how you discuss and present your analyses—will affect your grade in the course and will determine your success in your business life.

There is rationale for individuals making oral case presentations and discussing cases in class. More information can be exchanged quickly as a result of a large group discussion; thus, knowledge can be gained more readily. Because class discussion is democratic, everyone has a fair chance to learn and grow. Finally, a positive result of the discussion is the immediate feedback received by individuals as their peers evaluate their ideas and make additional suggestions. Better solutions are selected this way and individual confidence and professionalism are gained.

While Chapter 15 described a process of written analysis, Chapter 16 takes the analysis process one step further and shows how to prepare and present case analyses orally. The overall objective of Chapters 15 and 16 is to help you analyze cases. Our specific emphasis in this chapter will be on class discussions. But because this method is also important for practical business situations, some techniques for group and individual presentations will also be given. To gain additional information about oral presentations in business, refer to Chapters 11 and 12. A review of Chapter 3, on visual devices, will also be useful.

Assuming that you have mastered the case analysis process presented in Chapter 15, you should now learn to prepare, present, and review the oral case analysis.

Preparation Steps for the Oral Case Presentation

Ask yourself the questions in the following sections as you prepare for your oral case presentation, regardless of whether it is during a class discussion, a group presentation, or individual presentation.

What Type of Discussion Strategy Should You Adopt?

The strategy that you pick for presenting a case should depend on several factors. First, consider your knowledge about different parts of the particular discipline (for example, finance, accounting, marketing). Work experience that you may have from previous jobs or your exposure to an industry or profession will add to your knowledge. Your skills at both analyzing a problem and communicating your ideas will also influence your strategy choice. Finally, consider your confidence level for the particular discipline; that is, how you see yourself and how you desire to appear and communicate within the classroom.

How Visible Do You Desire to Be?

Visibility relates to how active you want to be in the classroom. If your desire is to be conspicuous, you probably will take a very active role in discussing the material. If you desire to have a major impact and perhaps be an authority type, you may desire a more moderately visible seat, because you plan to talk anyway. If, however, you are fearful and desire not to talk at all, you will probably find yourself seeking a hideout position. While nervousness may drive you to such a place, your grade will probably reflect your passiveness and lack of participation.

What Role Do You Want to Play?

The strategy you take in class generally relates to the discussion role you desire to play. Ronstadt describes eight possible discussion roles that we normally see in case courses:

1. *Expert Witness.* This role is played by the individual who has insider information or in-depth knowledge about the case or the case's relationship to other cases.
2. *Bail 'em Out.* This individual usually has a very clear understanding of the case and generally understands an appropriate solution. He or she often waits until the class gets stuck and then comes to its aid.
3. *Assume a Personality.* The strategy here requires assuming the particular role of an individual within the organization being discussed. During a discussion, questions often are directed to the person who likes to assume a particular personality.
4. *Get the Facts.* The student using this strategy desires a minimum amount of participation. He or she usually throws out facts, which can be easily drawn from the case, in a quick and unimportant manner. Such a person, despite talking, has low visibility because others quickly add further information, and the discussion moves on rapidly. If you choose this strategy, avoid one-line statements. Construct your statements with clarity and substance so that it is evident to the instructor that you fully understand the facts of the case.
5. *Industry Expert.* This person is an authority because he or she has analyzed the industry in question and can offer trends and clarification on the case.

6. *I've Got Experience.* This role is generally played by someone who has had work experience in business and who desires that others know he or she has been in situations of the type under discussion. Often the impact of their information-sharing is minimal. If the information is good, however, this person probably becomes the expert witness and is sought out for specific reasons.
7. *Questioner.* The questioner is not someone who merely speaks in class in order to make a statement. Instead, this person generally directs crucial questions toward participants who have made statements regarding analysis, purpose, solutions, and so forth. This role is an important one because it shows an overall understanding of the case and it helps control the direction of the discussion. It also helps to clarify questions that more-silent participants may have but are afraid to ask.
8. *Wrap-It-Up.* The person who plays this role has listened carefully throughout the discussion and is capable of taking all the major issues and boiling them together into a coherent line of thought. This individual goes beyond merely repeating what has been said and helps to leave participants with a clearer understanding of the entire case and discussion.¹

During your first case course, you may find that you adopt a particular case strategy in the middle of the semester and will either stay with it or change it periodically. Learn from that first experience and adapt a strategy prior to the first class meeting in later semesters. Besides developing a professional approach to problem solving, you may improve your grade considerably.

One of your objectives during the discussion is to be seen by the instructor as a major contributor to the problem-solving process. Instructors determine contributions in a variety of ways:

1. Significant information that leads toward a solution
2. A statement encouraging movement from one part of the case to another
3. A new alternative
4. A statement about key assumptions
5. An insightful generalization
6. Input from use of a key analytical tool
7. A suggested plan of action
8. Clarification of financial statements or quantitative data
9. A quality summary
10. The ability to relate one case to another

Who Is Your Competition?

The case methodology requires a give-and-take movement, flowing from an analysis of problems to a discussion of solutions, in order that a natural collaboration will develop among participants. Even though a grade is given for participation, try not to think of in-class competition as a win-lose situation. Instead, seek to establish the win-win position where you and your fellow classmates will be cooperating together. You will be competing in a puzzle process, trying to arrive quickly and accurately at workable solutions.

During the first few classes, observe which classmates talk the most. Determine whether their comments are accurate. Who plays which of the roles outlined above? How can you work with these different individuals and their strategies so that true collaboration occurs? Likewise, who is less visible? How can you help draw out these individuals so that they, too, will be contributors?

How Well Do You Listen?

As we mentioned in Chapter 1, listening is one of the most important communication skills that a manager can develop. Perfecting the skill will have terrific payoffs in the business world, and will make the job of discussing cases in the classroom much easier. Most of us admit that we are not good listeners. See how many of the following behavioral patterns you identify with.

1. *The Pretender* looks at a speaker in the eye and uses all the right nonverbal moves and gestures, yet mentally is not tuned-in. When you drift to this position, stir yourself to quickly get on track. You never know when the instructor will call on you and you don't want to respond with "I don't know," or worse, "I wasn't listening." Clearing your mind is a vital step toward good participation. It is crucial that you listen to the person who leads the discussion. Avoid the temptation to shuffle your papers and order your thoughts. Listen instead and allow your mind to follow the discussion flow. Be ready to go wherever the discussion goes. As the discussion is taking place, try to keep in mind which phase of the analysis process the participants are talking about. Watch and listen carefully.
2. *I'm-next* listening is performed by a stage hog who can't wait to talk. Case classes are often full of participants with raised hands who are eager to answer the next questions. While the motivation is good, if you are mentally rehearsing what you will say, you might be embarrassed to respond and suddenly realize your answer did not present a sufficient response. True listening allows for real understanding.
3. *Broken-record* listening is performed by people who love to hear themselves talk, and they cannot shut up. The remedy for this is to have a short outline in your mind, then say your answer simply yet logically, and then shut up and wait for the next response.
4. *My-answer-is-better* is the feeling one gets when a responder has tried to one-up a colleague. If your answer is truly better, that's great. But an instructor who was unimpressed with the ego behind an I've-done-one-better answer has embarrassed many students.
5. *Rapid-writing note-taking* is the technique used by someone who wants to remember everything. The problem is that while you are writing the verbatim answers, you are also missing important points that the speaker or others are making. Taking thorough notes is important. Yet do not let the note-taking become the objective. Learn to record just enough to help you stay mentally focused and able to respond. Write key words, dates, and ideas in outline form. Keep in mind a mental outline of the overall analysis, the points made thus far, and the key ideas expressed under each point. Mentally extend your own analysis by building on comments made by

your colleagues. You can even offer these ideas orally, which may help the instructor stay within the prepared format.

6. *Asking questions* often embarrasses a nervous student. But in the flow of a case discussion one often gets the feeling that one seemingly profound statement after another is made. However, it is usually a well-thought-out question that really pulls the discussion back to the desired track. Learn how to actively listen by asking good questions. You can then follow up by making an excellent response of your own.

In the classroom we can become better listeners by doing some of the following: Prepare physically by clearing your mind of everything except the subjects to be discussed. Looking over your case analysis notes will help you focus. Also pick a location in the classroom where you feel comfortable, can see, and from which you can best respond to the instructor and your colleagues. Mentally share responsibility for the dialogue that is about to take place. Develop a “partnership” among yourself and the others in the room. Keep an open mind and avoid developing stereotypes of colleagues and characters in the case. Allow the information that you hear to expand your impression of those around you and the case content. Realize that listening does not mean problem solving or having to provide an answer. Often the best responses are those that advance the entire analysis process. As you listen, hear what is being said, how it is said, and what is not being said. Learn to pick up on things that are left out. Learn to cope with the element of personal risk. If you truly wish to be a “partner” you need to risk responding, even when emotionally you may be anxious to do so.

What Is the Instructor’s Style?

In order to prepare adequately, you must also understand your instructor’s teaching style. If you have never had the instructor for a previous course, ask questions of your colleagues and try to find out as much as possible about his or her style prior to the first class. During the first class, listen carefully to what the instructor says. Watch, too, for how the instructor communicates and is attracted to communicators. Does the instructor prime participants for discussion? Is he or she attracted to the most vocal participant? Is the instructor active (energetically following an agenda), or passive (letting the group determine the direction and flow of the discussion)? Does the instructor often digress and add personal comments about the case? If digression does occur, are the comments important or distracting?

Ronstadt cites five instructor discussion styles most often used in the case classroom. Some instructors adopt one style and stick with it, whereas others shift styles from case to case or even within a single case. Learn your instructor’s style and prepare for the type of discussion that will take place in the classroom:

1. *The Cross-Examiner.* The cross-examiner thoroughly questions each statement made by a student. The goal is to pull out additional information and to develop the logic of a student’s position. While the tone may sound adversarial, the instructor is not using the process to harass the individual but merely to advance the discussion.
2. *Devil’s Advocate.* The devil’s advocate questions students in relation to positions taken. Often, the instructor’s line of questioning assumes an opposing

position or role; through the discussion process, the instructor has the class either support or refute the opposing position. The point of such a discussion is to see if other possibilities are indeed tenable.

3. *The Hypothetical Position.* Instead of questioning a position or statement, the instructor may pose a hypothetical situation that is an extreme example of the position. He or she then pushes the student to consider the example in terms of the student's previous recommendations. This style is used to uncover and display the strength of a discussion's logic.
4. *Role-Playing.* The instructor may divide the class into various personalities represented within the case. Each student will assume a personality and the discussion will revolve around how each would make decisions if he or she were the actual person.
5. *The Silent Style.* Often in the course of discussion, the instructor will adopt a silent stance. When this happens, the instructor makes little or no input and allows the discussion to continue so that someone in the class will exert leadership and offer suggestions that will move the class forward or that will turn the course of the discussion. It is important during this time to realize that big points can be gained if you are the one who offers carefully constructed comments that move the class forward.²

As you read the case you should get a sense of the exciting problems and personalities involved. The instructor will then peel back layers of the case to reveal its depth to students. If you saw "X" in your reading of the case, the instructor will help you see "2X" through the discussion. Listening is a key to making this happen. Your instructor will listen carefully and will guide you to a successful end.³

How Will You Handle the Instructor's Questions?

After previewing possible instructor styles, it is important to consider how you will handle questions posed in the classroom. Because the class operates within a time constraint, coordination between instructor and students is important. Good case teachers use several questioning techniques. First, they ask directive questions that do not invite memorized statements: "What do you project the sales to be for the next quarter, and why?" By asking such a question they are looking for ideas on controversial issues and on how the case material relates to the course theories.

While certain questions may be directed to particular students, the instructor really desires that the entire class answer the question in their own minds. The instructor is interested in the entire class participating in the orchestration process of the discussion. For this reason, instructors usually do not repeat their questions; they expect you to listen carefully and to realize that a question, and its answer, must be incorporated into the orchestrated process. Likewise, instructors do not repeat participant's answers unless they incorporate the answer into part of the next question or by summarizing what has been said.

Your ability to handle a lead-off question is particularly important. The lead-off question is crucial because it stimulates further discussion. Answers often reflect who is best prepared to discuss the case. If for some reason you are not ready to discuss the case or participate in class, tell the instructor. While this may create a negative image in the instructor's mind about your participation, it will save you

the embarrassment of being called on and being unable to answer the question in class. Usually, however, you can use this out only one time. If you are perpetually unprepared, your grade will be adversely affected. If you beg out one class period, you should give an excellent performance during the following class.

An effective instructor will ask you what information you need and how you will use it. If you are asked a question that you do not understand, try to direct the question and your answer into an area of the case where you feel confident. Also, do not use the excuse “there’s not enough information”; too much information will tell you the complete story of the case and therefore will make discussion unimportant.

Remember that your instructor, in asking questions, realizes that each class member has a different opinion. Such a difference is healthy and students are encouraged not only to have their own opinions but to learn to support their opinions carefully. The freedom of expression of different ideas is key to the decision-making process of the case approach. In asking questions, the instructor will take generalizations and will try to help students channel these into constructive facts that are related to the course. The discussion is most productive when the theories of the course are highlighted and facts from the case are used to further develop the theory.

How Will You Ask Questions?

As part of a case discussion, you will find yourself both answering and asking questions. Several ideas can guide you to ask effective questions. First, minimize the direct questions you pose to the instructor during class discussion that do not relate specifically to the case discussion statement—avoid such questions as “Isn’t this just another example of a poorly managed organization?” Instructors are busy working the class through the case and are interested in your input, not your questions. The exceptions to this rule are when you ask clarifying questions or move the discussion with a question, which is really addressed to the entire class—such as saying, “This situation reminds me of the McGuire case that we examined two weeks ago. Isn’t the main problem here the weakness of the manager and consequently a poorly managed organization?” Such questions should relate to the logical sequence of the discussion. Avoid a question that asks for premature information; for example, if the class is discussing the analysis of facts, you should not pose a question about a solution to the case.

Second, when you ask a question, make sure it is logical and self-explanatory. A case discussion is not the place for many of the normal questions of why, how, when, and so forth, that passive listeners and talkers insert into normal interpersonal conversations. During class discussion, each participant should strive to make statements and questions simple, clear, and meaningful.

How Should You Prepare Your Discussion Notes?

Before you can prepare your notes, you must adequately analyze the case. In Chapter 15, we discussed a six-step analysis process:

1. Consider the relevant information and underlying assumptions.
2. Define the case problem and write a problem statement.
3. Analyze your facts.

4. List the possible solutions to the problem.
5. Select a solution and prepare to defend it.
6. Decide how to implement the solution.

Many students do excellent, time-consuming analyses, only to be unable to discuss their analyses and findings in class. It is important that you combine the analytical and communicative process into your presentation.

Rescript Your Notes

Rescripting your original analysis notes, or revising them so that they will better serve you in the discussion, is important. During your analysis, remember that certain information and analytical tools will always be a part of class discussion. As you analyze the overall case, remember the various financial statements found in the exhibits. Although you may be tempted to breeze over them quickly, ask yourself instead, “What is the financial stability of the organization?” In your rescripting, make notations regarding questions you can ask or responses you can make about the financial statements. If you learn to do this task well in the classroom, you will find it an invaluable tool in future business meetings.

Refer to the Analytical Tools

As you further analyze the case, you will undoubtedly use many of the analytical tools listed in Table 15.1 (pages 412–413). Whether these tools are profitability measures, projections of financial statements, or cost-revenue analysis formulas, you should be prepared to discuss the case using the tools that will provide the most information. Be careful to make sure your solution encompasses both qualitative reasons and quantitative facts; avoid the tendency to focus on just one or the other.

Make Key-Word Notes

After you have analyzed the case, make notes that can be used as quick references in class discussion or as you deliver your presentation. Such notes generally require larger lettering, key words instead of complete sentences, and facts or statistics organized in a readily usable manner. The key is to design material so it is easily accessible to prevent you from shuffling through piles of paper.

Use the Instructor’s Note Pattern

One excellent method of note organization is to design your notes in the same pattern as the one your instructor uses on the chalkboard. Watch as your instructor diagrams cases. Does he or she use an ordering process? Does the instructor chronologically list facts, list alternatives with their pros and cons, put problems with solutions, or arrange a sequence of ideas and information? Is the analysis on the left and the recommendations on the right? Some instructors even use different colors of chalk or markers. By ordering your ideas into the patterns your instructor uses, you can easily follow the class discussion and contribute your own ideas.

Should You Join a Study Group?

Some instructors require that class members participate in study groups prior to class discussion. If your instructor does not have such a requirement, you should still consider developing a study group for the following reasons. First, study groups

improve case learning since they require you to practice the development and support of logical positions. They are useful as well because they employ creative brainstorming, which is a by-product of class discussion. Also, small groups are much easier to talk in than large classes of 60 to 80 participants. By practicing in a study group, your confidence for speaking in the classroom should be increased. Finally, while they may not be called *study groups*, you will find that your time will be spent in numerous work groups of one sort or another once you are in the business world. The learning from your case study group will carry over into that environment.

There are several things to consider in organizing a study group. First, you should be acquainted with the other members of the group. Know how they perform in class. Are they shy or assertive? Are they outspoken or knowledgeable? Are they motivated to work? A group should pick individuals who contribute equally to the overall effort. This means that all members agree to meet at the same time, to be fully prepared to discuss each case, and to be committed to helping the entire group effort. Do not join a group if you feel intimidated by any other group participant.

Just as in business, it is often helpful to combine different types of participant knowledge. For example, a study group can use persons with backgrounds in accounting, finance, marketing, and communication. When your group first meets, establish ground rules by which you will operate. Ground rules might include what style of leadership the group will follow, time limits, who will take the notes, how you will handle digressions in discussion, and, finally, how you will ensure that each member is fully prepared for each session. Preparation should include a thorough reading and understanding of the case and a full analysis of the case by each individual.

Presentation of the Oral Case Analysis

In making an oral case presentation, three methods can be used: class discussion, group presentation, and individual presentation. The material that follows on class discussion and group presentations relates to the material on meeting management found in Chapter 12. The material for individual presentations is related to Chapter 11.

Class Discussions

As you participate in class discussion, remember that such a discussion process usually follows an abbreviated form of case analysis: identifying and analyzing the case situation, analyzing key solutions, and choosing a particular solution with recommendations for specific action. While the discussion generally revolves around these three areas, you should be aware that the process is often altered depending on the nature of the case and the opening statements made by both the instructor and the students.

When Should You Talk?

Your first decision is whether you will talk immediately or sit quietly. The strategy you selected during your preparation has prepared you for the discussion. If you talk first, you make yourself vulnerable, but you also set the pace for the remaining

class discussion. Such an assertive position takes courage—you may be wrong, but at least you have started talking.

If you decide to be quiet at the outset, however, you can determine the direction of the class discussion and you can contribute to the direction and flow of the process. Here you run the risk, if you are nervous, of eventually not talking at all. For this reason, you must develop your strategy during the preparatory stages and follow that strategy once the class discussion has started. If everyone starts talking at first, tailor your comments to those made by your colleagues.

While class discussions of cases require risk on your part, they are akin to business decisions in management situations, which also involve risk. Through proper analysis you try to minimize the risk. While speaking out in class is often one of the most risky aspects, it is far worse to sit day after day and never say a word. Your boss on the job would never allow this to happen, and neither will a good case instructor. Because most case-oriented classes include participation as a major portion of the grade, it is important that you talk. The instructor often takes little responsibility for getting you involved or for limiting the input of class members who monopolize discussion. The instructor usually feels this is part of the group participation problem that must be handled by the group itself. Ronstadt summarizes this process of talking versus not talking.

[I]f you are an active participant, you cannot realistically expect to be right all the time. After all, good learning comes partly from making mistakes. And you can expect to make errors of analysis or reasoning. If your classmates or your professor reveal an error, do not defend it to the death. Defending a defenseless position is foolhardy and the mark of a poor manager who cannot recognize plain facts because of an emotional need to always be right. Remember, people do not do poorly in case courses for being honestly wrong. They do poorly for not doing.⁴

Practice Your Improved Listening

Use the listening techniques mentioned earlier to enhance your learning and to advance the discussion. Keep in mind that listening is not the end result of the exercise. As Harvard professor Charles Gragg states, “It can be said flatly that the mere act of listening to wise statements and sound advice does little for anyone. In the process of learning, the learner’s dynamic cooperation is required.” If you are listening with the overall idea in mind, you can help the class minimize digressions and wandering. Digressions usually occur because of confusion regarding the process of decision making. Help direct the discussion back toward the key unresolved issues with your comments. The solution will then be easier to see. “The desired result of student participation is achieved by the opening of free channels of communication between students and students, and between students and teachers.”⁵

Follow the Instructor’s Pace within the Discussion

The role of the instructor during class discussion is to keep the process moving in an orderly and productive manner. He or she will ask questions that invite responses. The strategy you choose should determine the role that you will play in responding. Observe the instructor’s verbal and nonverbal communication. How does he or she signal the class to shift gears and focus on new and different material? By observing the instructor’s style, you will be better able to participate in the

discussion, to move the class toward an excellent solution, and to improve your own grades. A sample class plan is listed in Table 16.1. Refer to this for a general idea of how a case class could be conducted. Realize, however, that individual instructors design and carry out class discussion in their own unique way.

Look for a Place to Insert Good Qualitative Statements

Regardless of whether or not you are a whiz at numbers, many of the most useful statements in a case discussion are phrased from a qualitative, not a quantitative, standpoint. To the financial expert, the bottom line may say it all. If numbers are not your strong suit, however, do not spend all your time looking for answers as you run the numbers. Instead, consider the more difficult questions. For example,

Table 16.1 A Sample Class Plan Outline

Time (minutes)	Sequence	Activity
	1.	People to call on during this class if they do not volunteer (six or eight names).
0–10	2. 3.	General class announcements. Comments about the next class and its assignment.
10–15	4.	Review of the theory readings assigned: a. Any questions or comments? b. Specific questions to be raised if students do not discuss on their own initiative.
15–25	5. 6. 7.	Case introduction. An anecdote about the industry. A tie-back to previous class discussions, etc. Who will start? Will I ask or will I wait for a volunteer? Key questions I may want to ask.
25–40	8.	Important points to cover: a. <i>Diagnosis</i> : What is the problem and why is it occurring? b. <i>Alternatives</i> : What are they? How to evaluate them? c. <i>Action</i> : What is the decision? What are short-term actions? What are long-term actions?
5–15	9.	Conclusion, if any: a. Questions to ask: Is this problem similar to one in other courses? How different/similar was this case from previous cases? b. Variations that might exist, relevant current news items, relative importance with course content, and further related readings.

Source: Adapted from James A. Erskine, Michiel R. Leenders, and Louise A. Mauffette-Leenders, *Teaching with Cases*, Research and Publications Division, School of Business Administration, University of Western Ontario, London, Ontario, 1981, p. 126. Reprinted by permission.

a manufacturing firm may have to choose between two parts. By purchasing one, the ROI (return on investment) may be higher than by using the more costly part, but the difficult questions that you should ask may revolve around the implications for product quality.

Give Effective Summaries

Many students expect the instructor to summarize the discussion that has taken place within the classroom. Most instructors prefer that a member of the class not only summarize what has taken place, but also relate the case and discussion to the overall context of the theories being studied within the course. At the same time, they realize that this is a difficult thing to ask of most students. If you really want to impress your instructor, giving effective summaries is one way you can probably do it.

Do Not Expect a Correct Answer to the Case Problem

Few instructors provide their solutions to the case or describe what the organization actually did. Most prefer that the alternatives developed by the class be the ones used in relating the course theory. They believe that disclosing what actually happened is risky and discourages students from carefully providing their own alternatives to cases. They know that in the business world there will always be several available alternatives for solving problems.

Group Presentation

If the instructor assigns a group presentation, start by forming your group if the group composition has not already been assigned. If you have a choice in picking your colleagues, remember that groups are best formed on the basis of complementary skills, not friendships. Skills should represent the analysis process, expertise in the fields of discipline, and so forth. Form the group, like the study group, with members who are committed and dependable and who will work hard to deliver a professional presentation.

Before your group meets, each member should analyze the case and arrive at a solution. Make extensive notes and arrange the notes in a manner that will make it easy to discuss what you have found. Together, meet to discuss the analysis, and then arrive at your group's solution to the problem. After your discussion, divide the parts of the presentation for ease of preparation and presentation. Division may be made by expertise, knowledge, or communicative skills. One method of dividing the group calls for one member to make the introduction and conclusion, another member to provide background information, a third member to present the problem analysis, a fourth member to cover possible solutions, and the final member to give the group's selected solution.

Decide how your group needs to use visual aids. Review Chapter 3 at this point and consider the use of a software graphics package. Various packages exist and are probably available at your school on the local network. Some of the easiest to use are: Microsoft PowerPoint, Lotus Freelance Graphics, and Harvard Graphics.

After the aids are assembled, your group should meet for a practice session. As you practice, look over all handouts and aids to make sure that they are error-free, will be easy to use, and will facilitate retention.

Arrive early on the day of the presentation. Dress appropriately. If you and your group are to be in front of the class, consider wearing appropriate business attire. Arrange the seats in a way that will create a professional image and will aid you in making your presentation. Stick to the time limit. Speak in a professional manner and bridge together the individual contributions through well-thought-out and rehearsed transitions. As each person speaks before the class, support each other with both words and actions (eye contact and facial expressions). Let the class see that the project is a unified effort, not the work of one or two individuals. Talk to the class and not to the overhead machine, computer monitor, or screen. Never disagree with members of your group in front of the class, unless you have previously decided to do so in order to make a point during the case.

When you are finished with the presentation, be prepared to answer any questions from the audience.

The Individual Case Presentation

If you are given the assignment to make an individual case presentation in class, take the assignment seriously. This presentation is your opportunity to shine and score points for yourself. Be aware that there are the three areas that you must adequately cover: preparation, practice, and presentation. This is also a good place to reread Chapter 11 on business presentations.

Preparation

Start your preparation just as you would for a class discussion. Analyze the case carefully and make notes of your analysis. Rescript the notes in a form that will allow you to easily follow while you make your presentation.

As you organize your thoughts, be careful not to repeat a lot of the preliminary information and facts that everyone in the class already knows. If there are major analytical tools that you have employed in the analysis, mention them and outline the information gleaned from them. The outline that you will use is crucial. Reduce your notes to just a few pages. Work from key categories, columns, breakdowns that trigger in your mind the information that is on your page. The more easily you can interpret your notes, the more easily you will be able to communicate to your audience.

While rescripting your notes, consider whether you will use visual aids. (Refer to Chapter 3 at this point.) Three aids that are easy for students to use in individual case presentations are the chalkboard, transparencies, and handouts. If your classroom is equipped with a personal computer and projection system, there are several graphics packages that you might consider using.

Practice

After you have organized and prepared your presentation, go through several practice sessions. First, look over your notes mentally at least once. Second, read through your notes out loud and emphasize the major points you want your audience to remember. Third, talk out loud about your notes and refer to them only occasionally. Practice in this manner at least three or four times. If you do not have time for numerous out-loud sessions, at least practice major blocks of the presen-

tation. Remember, practicing the delivery of the analysis makes for an excellent presentation.

It is to your advantage to memorize two parts: the introduction and the conclusion. If these are clear in your mind, you will have no problem getting into and out of your presentation, and the rest of the material will make more sense to the listeners. Do not try to memorize the entire analysis. Such a task is not time effective, and if you lose your place you will probably freeze. Also, an entirely memorized presentation looks passive and canned, not professional. Rely on your notes during practice and, after several run-throughs, you will have little difficulty getting through the talk.

If you are going to use visual aids, such as PowerPoint slides or an overhead projector with transparencies, make sure you practice with these aids until your presentation is smooth.

Presentation

On the day of your presentation, arrive early to set up the room. If possible, stand during your presentation, but avoid standing locked behind a podium. Look at your audience. Speak to them. Try to establish a dialogue whereby you seem to be carrying on a conversation together. Do not talk to the screen if you are using the overhead projector. Be sure to observe the time limit and save room for questions and answers at the end.

Some rules to follow in the question-and-answer session are:

1. Repeat all questions before answering them.
2. Recognize the questions in the order given.
3. Relate the questions to the logic of your presentation.
4. Avoid digressing and getting into individual conversations with classmates.
5. Make your answers brief.
6. Be courteous.
7. Do not be afraid to say "I don't know" if you do not have an answer.
Do not use the phrase as a cop-out, however.

Reviewing the Oral Case Analysis

During class discussion, you should be listening, watching, and talking instead of writing. But as soon as class is over, the wise student summarizes what happened in class. A format such as questions/issues/specific facts/comments is helpful. Within your summary, list the key ideas and any overall generalizations. Be sure to note how this case relates to cases previously covered in the course. Compare and contrast the issues and cases. Also list any analytical tools that were employed to explain the case. A thorough review, written out immediately after the discussion, will help you in your overall understanding of the course theories and will save you time in studying for the final test. An example of just such a review list is found in Table 16.2. Ronstadt uses the acronym *FIG* to guide the summarization notes. The letters stand for *facts*, *ideas*, and *generalizations*.

Table 16.2**A FIG Review List**

Session No. 1

Fact 1: More than half of all retail businesses fail within the first two years of operation.

Fact 2: The average business life span is six years.

Fact 3: You cannot buy time when running a business operation, and there is no such thing as a sure deal.

Fact 4: There are 2,575,000 dry-cleaning businesses in the United States.

Fact 5: There are 4,150,000 grocery stores in the United States.

Idea 1: The concept of “interstice theory” applies to large corporations that are too small for large companies to get involved with and too large for small business ventures. An example would be producing wooden spools for large cable and wire manufacturers.

Generalization 1: You need three primary resources to start a business: people, capital, and an idea.

Generalization 2: A marginal business will return a lower profit than the salary realized if one had decided to work for someone else.

Generalization 3: The entrepreneur’s basic goal is to maintain a level of survival.

Source: Adapted from Robert Ronstadt, *The Art of Case Analysis: A Guide to the Diagnosis of Business Situations*, 2nd ed., Lord, Dover, Massachusetts, 1980, p. 38. Reprinted by permission.

Summary

While Chapter 15 helped you develop the tools for analyzing a case and writing a case report, this chapter gave you an understanding of how to discuss and present a case analysis in the classroom.

As you prepare for the oral case presentation, there are nine important questions that you should ask. First, what type of discussion strategy should you adopt? The answer to this question depends on how conspicuous and vulnerable you wish to become. Second, how visible do you desire to be? If you desire to take an active role in the discussion, you will have a highly visible profile in the class. Third, what role do you want to play? The strategy you take in class relates to one of eight possible roles: expert witness, bail ’em out, assume a personality, get the facts out, industry expert, I’ve got experience, questioner, or wrap-it-up. The fourth question to ask is, who is your competition? Knowing something about your classmates’ styles will help you in planning your role. Fifth, what is your instructor’s style? This is a vital question; the answer determines how you will strategically prepare for the discussion. Instructors have one of five styles: the cross-examiner, the devil’s advocate, the hypothetical position, the role-player, or the silent style. Sixth, how will you handle the instructor’s questions? This determines not only the strategy you will take in the discussion but also how you will prepare for the process. Seventh, how will you ask questions? As a student your role is generally one of providing answers, but there are important ways to ask questions. Eighth, how should you prepare your discussion notes? Proper note preparation requires rescripting

your notes, making references to the analytical tools, making key-word notes, and using the instructor's note pattern. Finally, should you prepare for class discussion by joining a study group?

Preparation pays off during the final presentation that generally takes the form of class discussions, group presentations, or individual presentations. Points that are important for the class discussion are knowing when to talk, learning to actively listen, following the pace the instructor sets within the discussion, looking for a place to insert good qualitative statements within the discussion, learning to give effective summaries, and learning not to expect a correct answer for the overall case. Group presentations closely follow Chapter 12 on meeting management. An effective group presentation requires a great deal of coordination between members before, during, and after the actual presentation. Individual presentations follow the points made in Chapter 11 on business presentations. Preparation is vital and so is learning the correct visual aids to use.

Finally, the wise student reviews the case analysis immediately following a class. A useful analysis summary focuses on three aspects: facts, ideas, and generalizations.

Discussion Questions

1. As you prepare for your first case discussion, remember the preparation steps that were presented at the start of this chapter. Go back to those questions on pages 437–444 and develop a short response to each. As you think about the questions and your answers, commit to using that as a strategy for your first case discussion.
2. One of the key preparation steps asked the question, “How well do you listen?” Think back over other courses that you have taken, especially those that required a great amount of active participation. What were your listening strengths and weaknesses in that and other courses? How do you plan to better prepare yourself as a listener in your current case course?
3. Study groups are often recommended and even required in case courses. What do you consider to be the advantages and disadvantages of a case-study group? For every disadvantage, describe how you and others in the group can possibly turn it into an advantage.
4. Making reference notes on a case to use during the in-class discussion is always an important decision. How will you reconcile what you think you need, and what you actually will use? Think through the case, the abundant information, and your general ability to listen, look at notes, and respond to an instructor's facilitation. How do you plan to design your note cards?
5. After your first case discussion revisit the chapter to revise your discussion strategy. Look at the sample class-plan outline on page 446. How well did the instructor's facilitation fit with the generic timetable? What can you determine about the instructor's style as a result?
6. Anticipating that your instructor will assign individual or small-group presentations of a case, reread the material on pages 447–449. Also revisit Chapters 3 and 11, and the discussion on visuals and presentation-making. Describe what you need to use from that material to ensure that your case presentation will be exceptional.

Communication in Action

1. As you prepare for your next case discussion in the classroom, decide which role to play. Take a sheet of paper and write down the eight possible roles described in this chapter. List under each role type the pros and cons of playing each role, given the composition of your class. Next, list several techniques that you could use in employing each technique. Finally, take your list with you to class and try to use at least two or three of the techniques during the next case analysis.
2. This assignment asks you to team with six of your classmates, and to conduct a simulated discussion on the case "What Could Have Saved John Worthy." It involves a man who recently changed health insurance plans to a managed care plan. The case examines the business of managed health care, and the ethics of making critical health decisions. You can find the case at: "What Could Have Saved John Worthy," *The Hastings Center Report*, July-August 1998, vol. 28, no. 14, p. 81(17), Article A21195468. Printing out the case, and determining your individual role, makes it easier to read and discuss.

Your Assignment: You and your student colleagues should examine the case and read the first five pages. After reading the case each person should choose one of the following roles:

1. Fran Davis, Family Doctor
2. Edward R. Post, Emergency Department Physician
3. Connie S. Rodgers, Customer Service Representative
4. Michael Depp, Medical Director, GoodCare
5. Peter Ferrell, President, Factory Inc.
6. Jane Worthy, Patient's Wife and GoodCare Member
7. Collective Agency in the Design of Managed Care

After everyone has picked a role, read the description of each role. After having read all of your material, assemble as a group and discuss the case. Try to use the six-step analysis process presented in Chapter 15:

1. Consider the relevant information and underlying assumptions.
2. Define the case problem and write a problem statement.
3. Analyze your facts.
4. List the possible solutions to the problem.
5. Select a solution and prepare to defend it.
6. Decide how to implement the solution.



Internet

3. Good classroom discussions revolve around asking and answering questions. In preparation for your in-class case discussions your instructor has asked you to look at two short cases and respond to the questions asked by the author. The cases are housed on an Internet site created by Donald Clark.

The site address is: <http://www.nwlink.com/~donclark/hrd/learn2.html>. When you open the learning activities page you will see the link for two cases: *Wholesome Food* and *The Fall of Quest*. Pay particular attention as you read the material that prefaces the cases, which is quite good and helps you understand the concept of the cases.

Your Assignment: Open the Internet page and read the two cases. When you finish each case create answers to the questions that are asked. Clark's own answers are then posted for your comparison.



InfoTrac

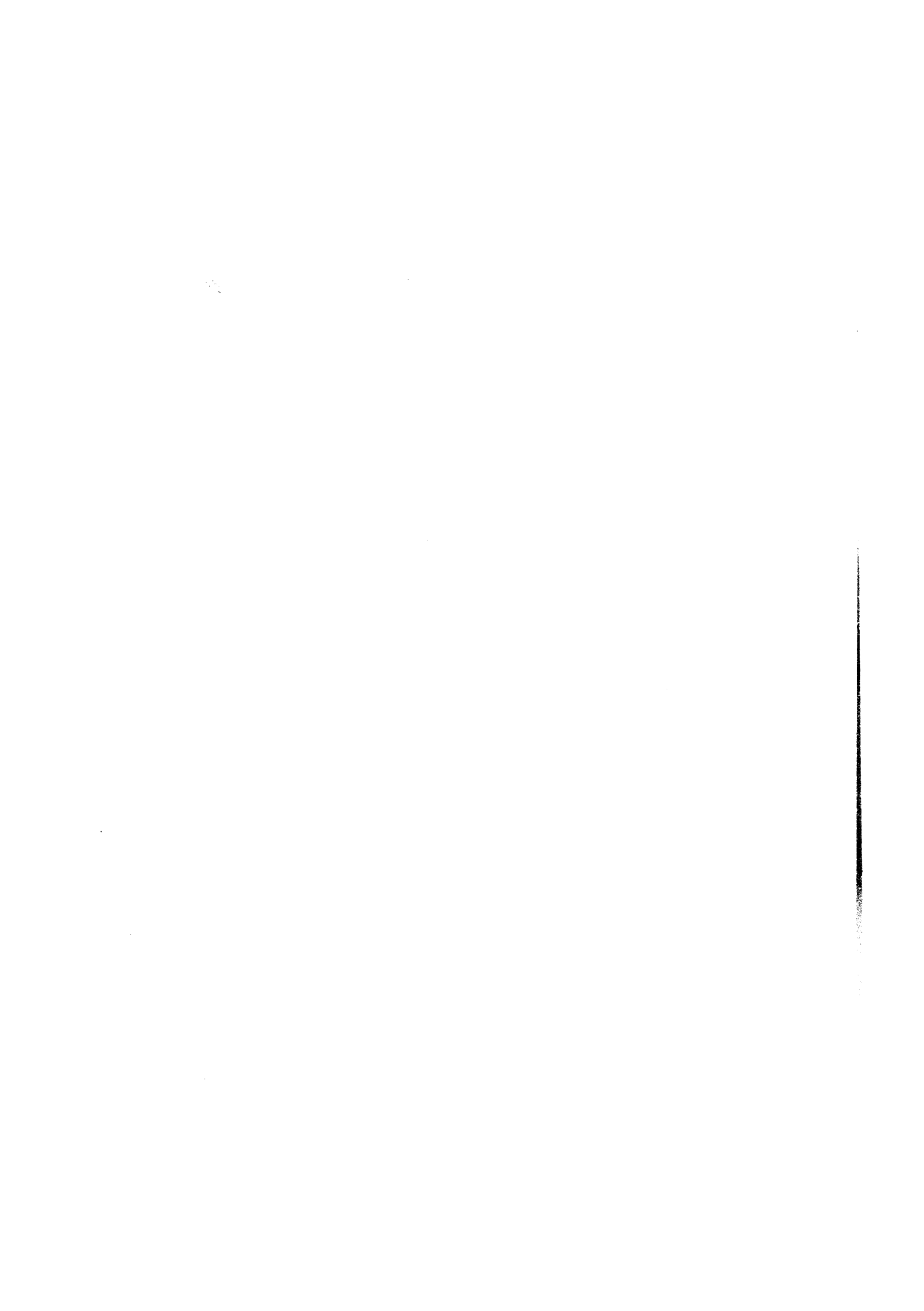
4. Entering the in-class discussion process for a formal case usually requires a trial-and-error method. The process does not seem so overwhelming if you have the opportunity to interact with some of your classmates prior to the first big discussion.

The exercise involves reading an InfoTrac article and discussing the questions to two cases presented. You will get a general understanding of the discussion process, and will also be introduced to several multicultural issues.

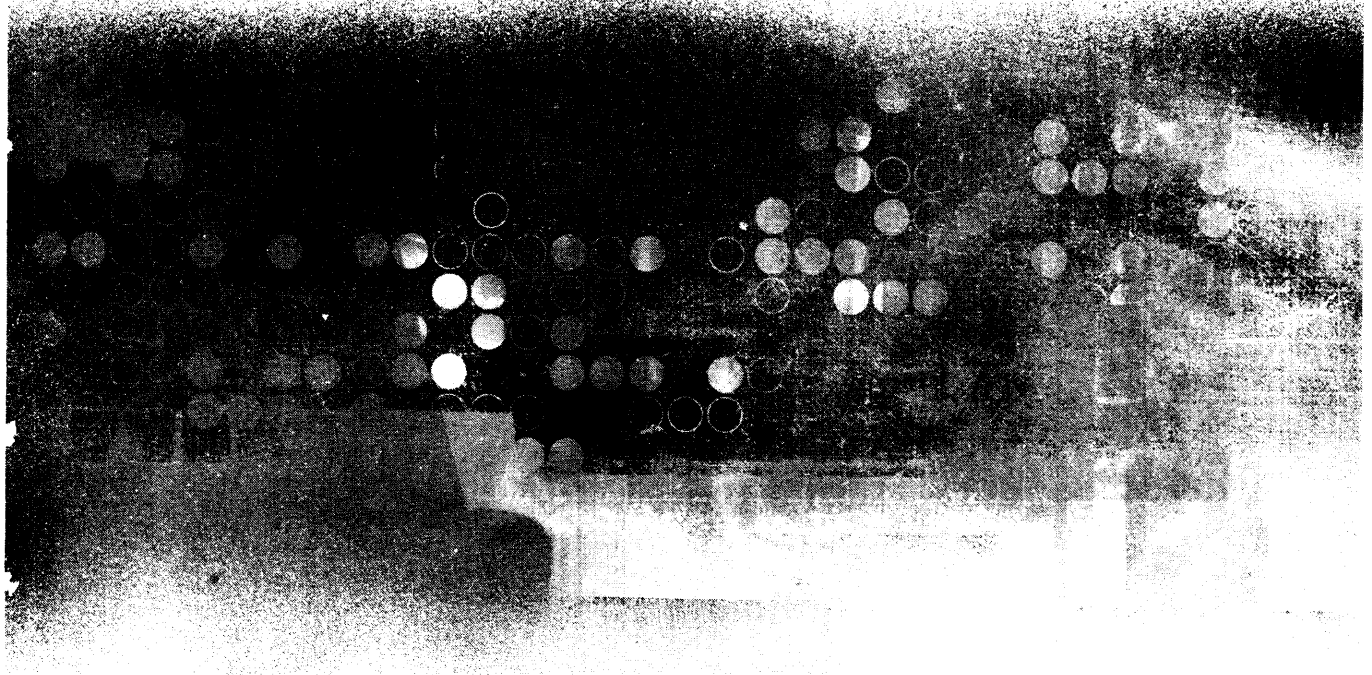
Your Assignment: In InfoTrac find, "Challenging Students to Respond to Multicultural Issues: The Case-Study Approach," by Helen M. Sharp, *Business Communication Quarterly*, June 1995, vol. 58, no. 2, p. 28(4), Article A17190262. With two of your classmates read the article and each case that is presented. At the end of each case you will find five discussion questions. Discuss the questions as a group. At the end of your discussions talk as a group about what you have learned from the exercise and how you will apply it to your course.

Notes

1. Ronstadt, R. (1980). *The art of case analysis: A guide to the diagnosis of business situations*, 2nd ed. (pp. 33-35). Dover, MA: Lord.
2. *Ibid*, pp. 30-32.
3. Talking with Professor John Quelch. In *Teaching materials*. (1998, Fall). (p. 2). Boston, MA: Harvard Business School Press.
4. Ronstadt, R. *The art of case analysis*, p. 36.
5. Leading classroom discussion: learning vs. listening, *Teaching materials* (1998, Spring). (p. 1). Boston, MA: Harvard Business School Press.



Appendices



Appendix A

A Formal Case

Appendix B

A Written Analysis of a Formal Case

APPENDIX

A Formal Case

The following case and the evaluation of it in Appendix B serve as an example of an effectively written analysis. The case describes an ethical quandary being faced by a managerial accountant at Venture Sports, a division of Champion Marketing, Inc.

Work through the case using the steps presented in the chapter on case studies. Take the time to list the significant events and facts, the major problems, the possible solutions, and your recommendations. Do all of this before reading the student analysis of the case in Appendix B.

Case: Accounting Procedures at Champion Marketing, Inc.

Introduction

In the late afternoon of Friday, May 9, 2002, Cathy Rodgers walked slowly to her car. As she climbed inside, the warmth from the afternoon sun suddenly felt soothing. She had just completed a two-day continuing education program for CPAs. Throughout the sessions, she had been troubled about a recurring problem at work. It all started as the seminar leader led the participants through a discussion of the ethical behavior of accountants. The objective was to raise the sensitivity of the men and women attending, and to help them see clearly the many ethical pitfalls they could possibly encounter as CPAs. But for Rodgers, the message was more immediate. For the past six months Rodgers had bounced between solutions regarding an ethical problem at her company—Champion Marketing. As she put the key into the ignition of her car, she knew that she had to resolve the problem and that she had to do it quickly.

Champion Marketing, Inc.

Champion Marketing, Inc., is headquartered in Lansing, Michigan, with four sales offices located in different regions. It is a large specialty marketing firm that has traditionally sold promotional items to sales representatives. Their products include mainstream items like calendars, pens, pencils, coffee mugs, and watches, and a variety of other items that carry a company logo or salesperson's name, address,

and telephone number. For the last five years, Champion has been the most profitable company among the four major specialty marketing firms in the United States.

Venture Sports Products

In January 2002 Champion began an acquisition program. One of the first companies that it purchased was Venture Sports Products. Venture was a financially successful operation responsible for selling most of the giveaway items distributed to fans at collegiate and professional sports events across the nation. The items are purchased by large corporate sponsors who advertise regularly at sporting events. These sponsors are firms who make and sell alcoholic beverages, soft drinks, sporting goods, fast-food items, and automotive products. A typical giveaway item might be a full-color poster of the team's players or a T-shirt with the team's name embossed across the front. The sponsoring firm would place its name in a significant location such as the back of the T-shirt.

Mike McMann founded Venture Sports Products in 1982 in Detroit. Mike had played college football at Michigan State University in Lansing and graduated in 1976. For four years he was a linebacker for the New Orleans Saints, before a serious injury ended his professional career in 1981. Drawing upon his numerous contacts in the collegiate and professional ranks, McMann formed Venture so he could return to his hometown, create a firm with real growth potential, and remain close to the sports world he loved.

From the beginning Venture was successful. As sales grew McMann added more employees. Soon he found himself constantly on the road servicing old customers, discussing promotional items with manufacturers in Japan and Hong Kong, and selling new people on the merits of specialty advertising.

In late 2001 Cecil Osburn, president of Champion Marketing, approached Mike about the possibility of selling his company. He was willing to pay a premium for the company, and he asked McMann to remain as an employee of Champion. When McMann agreed to the sale, he became vice president of Champion Marketing, heading the Venture Sports Product Division.

Cathy Rodgers

Cathy joined the accounting staff at Champion in 1999, following her graduation from Michigan State University. At MSU she had majored in accounting and was a member of the Beta Alpha Psi accounting fraternity. In the summer she worked as a relief teller in a hometown bank. During tax season she worked at a Lansing branch of Quick Tax. The faculty sponsor of the fraternity helped Rodgers land the job in the accounting department at Champion. Rodgers seemed to fit in from the very start. She started in general accounting and was quickly promoted to the managerial accounting level.

In early January 2001, Cecil Osburn called Rodgers into his office. For the next hour he told her about the board of directors' plans to expand the company. A few days later that expansion started with the acquisition of Venture Sports Products. Venture Sports became a new division of Champion, and Rodgers became the management accountant responsible for the new area, reporting to Mike McMann. She

was elated. She received a promotion, a sizable pay increase, and the promise that she would become a regional office assistant vice president within three to five years.

The Ethical Quandary

For the first two months Rodgers was exuberant, but the feeling soon faded when Mike McMann arrived on the scene. After just a few weeks she became concerned about McMann's honesty.

The first event occurred when McMann turned in an expense account for a ten-day sales trip to California. Included were the customary receipts for travel, lodging, meals with drinks at expensive restaurants, and sporting events. But Rodgers became troubled when she saw that receipts for a weekend stay for two at a resort in Phoenix were attached to those of the sales trip.

After reviewing the expense report, Rodgers asked McMann about the charges. He became defensive and told her he had worked so hard while in California that he needed the downtime with his wife before starting the sales calls the following week. When pressed further he told her, "The California trip was very productive, as was the trip to the Midwest the following week. The time in Phoenix was my charge-up for the days to follow. It was part of the expense of doing business." Rodgers did not argue further with him because the expense form had the signature of Cecil Osburn, to whom McMann directly reported.

From mid-March until the seminar, McMann seemed to stretch his spending past the limit. He purchased a camera, a cell phone, a VCR, cases of wine, and a variety of other items that clearly seemed to not be a part of ordinary sales expenses. Cecil Osburn had signed each of the expense reports that Rodgers reviewed. In April she again confronted him. This time she was told, "Cecil brought me on board to make this division financially successful. I am doing that and our sales are higher than ever. Besides, he signs off on all my expenses. Seems to me that you would realize I know what is right and wrong, and I'm not about to turn in an expenditure that does not qualify for reimbursement. I'm going to make this division the most profitable in the entire company. I like you, Cathy, and I hope you are on my team and not against me."

Rodgers left that meeting shaken. As the division accountant, she had to enforce the policies and procedures regarding expense reports, review the expense reports, record the expenses, and, in case of discrepancies, check all questionable expenditures to make sure that policies were accurately enforced.

Rodgers's Deliberation

As Rodgers tried to resolve the quandary, she considered several possible factors. Was Cecil Osburn testing her, or did he just not look at the types of expenses on McMann's forms when he approved them? Did McMann really have a special deal established with Osburn? Could he be entering the items after Osburn signed off on the reports? Rodgers felt the real bind of not only having to post the expenses, but also approving them—but she questioned whether they should be approved.

She was hesitant to share her problem with others. Whom should she tell? Jerry Parr, vice president of accounting, chaired a review board of which she and the

other divisional accountants were members. This board customarily heard discrepancy issues of this nature. If she talked to one or more of her colleagues she could jeopardize her case if she had to eventually send the issue to the board of review. She knew she could go directly to Osburn and find out if McMann had a special deal or if he was merely overlooking the items listed on the reports.

The Seminar's Impact

The seminar that Rodgers attended was sponsored by the American Institute of Certified Public Accountants (AICPA), of which she was a member. During a session on ethical behavior, the facilitator talked about how an AICPA member had to assume an obligation of self-discipline above and beyond the requirements of laws and regulations. According to the AICPA Principles of the Code of Professional Conduct, Rodgers has a responsibility to her employer and her colleagues to display ethical behavior, even at the sacrifice of personal advantage. There are lots of risks for her. She knows that she could lose not only her future promotion but also her job. Monday morning will arrive too soon. Rodgers has the weekend to decide what she will do.

A P P E N D I X

A Written Analysis of a Formal Case

The following sample represents an effective case analysis. The suspense format is used to determine the actions that Cathy Rodgers should take regarding expense report discrepancies. Before you read this analysis, you should read the case in Appendix A.

Case: Accounting Procedures at Champion Marketing, Inc.

Strategic Issues and Problems

Cathy Rodgers faces a perplexing moral quandary. As the accountant for Venture Sports Division, she is in a position to review expense reports submitted by her boss, Mike McMann. McMann has repeatedly presented expense reports with unreasonable expenses. In addition he has requested reimbursement for items that are clearly against company policy. Rodgers confronted him on the policy discrepancies and left with the impression that her job could be in jeopardy if she pursued the issue further. To make matters more difficult, she believes that McMann's boss, Cecil Osburn, automatically approves the expense reports and expects her to check them. She is not absolutely sure that McMann does not have some kind of special arrangement with Osburn. Because Venture is a new acquisition of Champion and the transition between cultures is still under way, his actions may be anticipated by the president.

It is evident that management has not made it clear to Rodgers how she should proceed when faced with apparent violations of company policy within this new division. She has been left to decide for herself what procedures to follow. Rodgers has to decide her true role. Is it to adjust the accounting practices of a division in order to accommodate the individual wishes of employees, or is it to serve as a professional expert who interprets the activities of the division in an unbiased manner? As a managerial accountant she cannot afford to become the middle person, caught between presenting facts accurately and honestly and pleasing a superior who wants data presented in the most favorable light. Her duty as a professional is to uphold the standards of accounting, and this should help her make decisions concerning her actions.

As a result of attending the seminar, Rodgers is motivated to resolve the quandary. She wishes to maintain her integrity, fulfill her responsibility to the company, and not damage her career.

Analysis and Evaluation

Typically in a corporate environment the board of directors and the CEO endorse a philosophy related to various business practices. The philosophy is then supported with policy statements, which are distributed throughout the organization for all employees to know and follow. These policy statements include what reimbursable expenses are approved. As an accountant Rodgers obviously knows these policies and has applied them in her work. It seems safe to assume that McMann is also familiar with the policies, especially as she has discussed them with him. It is logical that, if McMann had received special approval from Osburn regarding particular expenditures, Osburn would have told Rodgers.

Is McMann wrong to request reimbursement on the expenses? After all, he is an executive with Champion and is helping the company make a profit. The answer to this question is determined at the level at which particular policy is made. If McMann is given authority to establish policy, he is also given authority to change it. The policies in question would be within his authority to change. In this case, however, he is claiming authority not given to him. To the extent that this results in personal gain for McMann, he is in every legal sense stealing from Champion, Inc.

Osburn's role in this situation is critical. He must sign McMann's expense report. This indicates that the company requires a higher-level approval for cash reimbursements. The reason for this policy is to ensure that cash is reimbursed strictly for authorized company expenses. By rubber-stamping McMann's reports, Osburn is an unknowing participant to the deception.

Rodgers has been placed in a delicate situation. Generally it is not the accounting department's responsibility to make judgment calls concerning reimbursement expenses. But because Osburn has not stopped reimbursables that violate corporate policy, she believes she has to double-check the items. Because she is emotionally stressed over this issue, we can assume that she wants to act in an ethical way and to continue working at Champion.

Rodgers's Alternatives

Rodgers has four alternative courses of action for resolving the problem. First, she can do nothing. This will mean going along with McMann and making no issue of the policy violations. This will avoid further confrontations with him that could end her career. However, she will allow a double standard to exist for enforcement of company policy. She will also be ignoring her obligation to the company and to Osburn regarding the safeguarding of company assets. If McMann continues to purchase more disallowed items, she could even be labeled as an accomplice. Rodgers also runs a risk that the expense discrepancies would be discovered later by someone else in the organization. At a minimum her reputation for integrity would be tarnished; at a maximum her job could be in jeopardy. There is even an outside possibility that McMann is getting Osburn to sign the reports and then adding the expensive items to it before submitting it to accounting, thus leaving Osburn unaware of the fraud.

The second alternative is to approach the audit review board and let them hear the case. Taking this action will result not only in identifying McMann's violations of company policy, but also in focusing attention on Osburn for approving expenses contrary to the company policy. While this step would allow Rodgers to fulfill her obligation to the company and maintain her integrity, it could also be very detrimental to her career at Champion. This procedure does not follow the organizational chain of command; it bypasses Osburn, who will probably become upset when his managerial actions are questioned. It is also possible that McMann does have some special arrangement regarding expenses or that Osburn has other reasons for approving Mike's reports. Going around Osburn would result in embarrassment for everyone involved and would not win Rodgers the future support and confidence of him or of those on the review board. Rodgers simply does not have enough information to follow this alternative, and she would be foolish to escalate the matter into a board audit before learning the facts.

The third alternative is to go directly to Osburn and, using McMann's expense report as an example, ask for clarification of company policy. At least three possibilities could result: Osburn could clarify that McMann did have special arrangements for expense claims; he could realize that McMann is using company assets for his personal benefit and that changes are in order; or he could become aware that McMann was following habits from his old company and that new guidelines needed to be issued. While this alternative does follow the chain of command it still places Rodgers in a precarious position if McMann, in fact, does have a special arrangement with Osburn.

The last alternative focuses on policy instead of personality. Without mentioning McMann, Rodgers can ask Osburn if he expects her to rubber stamp all expense reports that he approves or whether he is relying upon her to surface irregularities. If Osburn desires that she approve all reports, she can then request that he send a memo to that effect to everyone in the division. This step would enhance her position without her having to denounce McMann to Osburn. If he expects automatic acceptance of his approvals, she could ask Jerry Parr, vice president of accounting at headquarters, if there are printed guidelines for the proper way to handle a questionable expense that has been approved by management. If guidelines do exist, she should then ask that they be distributed to every division in the company. If guidelines do not exist, she should request that they be established and then distributed to all divisions.

Plan of Action

Rodgers's best alternative is to take the policy approach. This allows her to avoid personalities and to focus on the policy regarding reimbursable expenses. If guidelines do exist, she should ask Parr to distribute those to every division as quickly as possible, along with a memo encouraging employees to refamiliarize themselves with the policy. If guidelines are not available, she could be the catalyst for clarifying necessary policy at Champion. She could even volunteer to serve on a committee to draft the policy statement.

This alternative addresses the policy of reimbursable expenses and will allow all employees in the future to know what is and is not allowed. It will give management and accounting the sufficient data to be able to make conclusions and recommendations that will allow them to uphold accounting principles and resolve

future issues correctly. Employees will see that top management has set the tone for the company regarding approved expenditures and the rules of accounting. Sent from top management, this helps establish the attitude of cooperation and professionalism throughout the organization. It should tell all parties that accounting serves an integral role at Champion Marketing, and it is not there to constantly question each expense and raise unnecessary flags.

This procedure will also help Rodgers in future communication with McMann. While he will not appreciate the distribution of the policy, he will have the written statement to refer to when submitting future reports. She can use the statement to justify nonpayment of any items from the recent past. If McMann questions the policy, he should be directed to Parr in the headquarters office for further clarification. Parr, in turn, can direct Rodgers to Osburn for answers to additional questions. With this plan of action, Rodgers's integrity is intact and her job security is maintained.