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*The*

# CASE STUDY HANDBOOK

*How to Read, Discuss, and Write Persuasively About Cases*

WILLIAM ELLET

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*How to Read, Discuss, and Write Persuasively About Cases*

**William Ellet**

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# INTRODUCTION

*The Case Study Handbook* has emerged from sixteen years of work with business school students. The impetus for it was a void in the guidance I could give them about case essays.

When I first worked with MBA students, I confined myself to conventional writing advice—coherent paragraphs; active voice; essays with a discernible beginning, middle, and end. The advice had an impact, but not as much as I hoped. Eventually, I realized that in case examinations, students often didn't know how to recognize the need for an argument or were unclear about how to write one. (This lack of knowledge isn't the fault of students; it's the fault of the writing instruction they have received.) I immediately placed argument at the forefront of my instruction. I experimented with thesis statements derived from an enthymeme. I tried Stephen Toulmin's syllogistic approach to the structure of an argument. In the end, I kept it simple: conclusion, reasons, and evidence.

Understanding when an argument is needed and how to construct one helped many of the writers. Nevertheless, I remained concerned about the trouble students had with case-based essays. Their writing was often characterized by fuzzy points of view, disjointed discussions of issues, and uneven use of evidence. It took me a long time to realize that these essays were unwittingly mirroring the cases the writers were supposed to be interpreting. Argument therapy was an incomplete solution to this problem. The students needed more, and I didn't have more to offer.

I knew that if there was a solution, it was in the cases themselves—but my jurisdiction was writing. Reluctantly, I sat in on case discussions and read many case exams. I read cases that students were writing about and compared them to the essays written about them. Some students intuitively knew how to respond to questions like these: What is the best decision? Why is this organization performing badly? I marveled at their clarity of purpose, despite the pressure of an exam, the challenge of a case, and the lack of information about the reader's expectations. I learned from the successful essays and those that fell short.

Gradually, the ideas in this book took shape, and I tried them out with MBA students to see if I could finally offer advice that spoke to all their needs.

The ideas weren't confined to writing. I found myself reverse-engineering a method that could be used for analyzing a case. I have been using the ideas detailed in this book for five years, and the results have been consistently positive in class discussion and case-based exams—not as judged by me but by the grades of MBA instructors who know nothing of the method and have no reason to know. I have been especially happy about the students who have been able to lift themselves out of academic trouble.

I make statements in this book that could be construed as a theory of cases. Readers, especially business academics, need to understand what this book is not. It has no theoretical ambitions. It is not a rhetoric or generative theory of cases or a taxonomy with exclusive categories. It does not break new ground on argumentation. It describes a pragmatic method grounded in observations about situations that frequently occur in cases and in students' responses to them. Strictly speaking, this book isn't about the case method because such situations also occur in the real world—not surprising, given that cases mirror the real world. The method doesn't account for every situation encountered in cases or every combination of situations. It simply takes advantage of the fact that many cases *do* involve certain well-defined situations.

Each of these situations has its own logic, and an awareness of it can help students read cases more efficiently, discuss them more effectively, and write about them more cogently. The links between analysis, discussion, and writing are a primary advantage of the method, However, it is *not* a substitute for the theories, frameworks, processes, and quantitative methods taught in business courses. In fact, it is intended to complement and facilitate their use. The method shouldn't detract or distract from them but accelerate recourse to them and focus their application.

The essays and essay excerpts in the book are based on the writing of MBA students. I have disguised the writing to protect the privacy of the authors. Because the original essays were examinations written under time pressure, I have also edited them so that they are better examples of the points made in the book. However, I restrained the editing to avoid the appearance of "ideal" examples. Only a single example of bad writing is used; it is a contrast to a good example on the same case. I think examples of bad writing tend to reinforce bad writing.

All of the cases in the book are from Harvard Business School. To avoid causing problems for instructors, the cases have been carefully researched to ensure that they are no longer being ordered for classroom use anywhere in the world. I use these inactive cases to demonstrate the method put forward in the book. I stress to the reader that my interpretations are no more definitive than anyone else's, and in those interpretations I include open questions

and other ways to look at the case. In other words, I do everything I can to discourage the notion of a "right answer" to a case. Some short excerpts from cases that are still taught have been carefully disguised to prevent a student from gaining an unfair advantage—although it's hard to imagine that the brief quotations could provide any even if they weren't disguised.

*The Case Study Handbook* hasn't been written with the pretension of being indispensable. On their own, business students develop approaches to cases that work and smoothly adapt to writing case-based essays. Nonetheless, too many students don't arrive at a reliable approach to cases, and that hinders their learning. The same can be said about writing—too many students struggle with it in business school. With the long-term growth in MBA enrollments and the widespread use of cases, the worldwide pool of students who will encounter the case method continues to expand.

This book is intended for all case method students, current and prospective. My hope is that the benefits will extend even more widely. Everyone gains if learners are better prepared for classroom discussion and written arguments—the student, peers, professors, and future employers.

CHAPTER 1

# PERSUASION, ARGUMENT, AND THE CASE METHOD

Each year, entering business school students encounter an approach to teaching and learning new to many of them: the case method. By *case*, I mean the substantial studies from business schools or corporations, not the slender vignettes included in many business textbooks. For novices, the first encounter can be perplexing. A case appears to be a straightforward narrative, but when these students finish reading them, they wonder what point the case is trying to make. A case study of a restaurant chain ends with the president turning over in his mind basic questions about the business. He gives no answers and the case doesn't either. In another case study, a young MBA has accidentally learned of alleged office behavior that could have serious consequences for the individuals involved, including him. At the conclusion of the case, he has a literal and figurative headache—and nothing explicit is mentioned about what he should do.

In classroom discussions of cases like these, instructors use the Socratic method, in which students carry the discussion through answers to a stream of questions. Students can feel vulnerable, and the classroom atmosphere can be strained and edgy, particularly in the first months. Written case-based examinations pose another challenge. In class, the entire group, including the instructor, works collaboratively on a case. Depending on the size of the class, each student is likely to contribute only a small number of comments to the discussion. On exams, students are on their own. They not only have to analyze the case in response to one or more questions but also write an essay that satisfies and persuades an expert reader—all in a limited time.

In class and on exams, case method students are asked questions like these:

- Is the change effort described in the case worthwhile? If it is, why has it failed? How can it be successfully implemented?
- How attractive is the industry described in the case? Are some segments more attractive than others? Why? Identify, analyze, and evaluate the strategy of the company featured in the case.

- Thinking from the perspective of current European Union members, do you agree with their decision to enlarge the EU by ten new members? What are the pros and cons? What is the impact on the world economy?

## SKILLS FOR STUDYING CASES

From time to time, MBA students have told me they feel there is a secret to the case method that some people get and some don't. If you get it, you do well; if you don't, you scrape by as best you can, always fearful that you will be exposed.

The case method requires a lot from the student. At the same time, it isn't a secret society in which a few fortunate individuals get it and thus outperform their peers. Case method students need two distinct sets of skills. First, they need to be able to analyze a case, to give it meaning in relation to its key issues or questions that have been asked about it. The goal is to come to conclusions congruent with the reality of the case, taking into account its gaps and uncertainties. Second, students have to be able to communicate their thinking effectively.

This book provides a method of organizing and directing case study and guidance on how to communicate the results. The method should help you use the business concepts that are already part of your working knowledge or are taught in business courses—concepts such as:

- Expectancy Theory (Victor Vroom)
- 5 Cs analysis of marketing situations[1]
- 5 Ps Model of Leadership (Mildred Golden Pryor, J. Christopher White, and Leslie A. Toombs)
- Macroeconomics
- Value Chain (Michael Porter)

The combination of a method to organize thinking about a case and business concepts will help you come to conclusions and explain why you think they're valid. In education and in business, your conclusions have little meaning unless they're shared with others. The case method is about stating and comparing opinions and learning from the differences and similarities. In an academic program, communicating conclusions about a case occurs orally, in study groups and class discussions, or in formal presentations. It also occurs in writing, in class assignments, research projects, and examinations. Each type of communication has its own needs and requirements. In class, you have to meld your insights with the overall discussion.

The role of each individual is to advance the discussion and contribute to the collective understanding of the case. Individual or group presentations usually aim at persuading the audience. A case-based essay also aims at persuasion. This book is divided into three separate skills: case analysis (part I), discussion (part II), and writing about cases (part III).

## RECEIVING KNOWLEDGE VERSUS MAKING IT

Many entering business school students have been educated in a lecture system. A lecture is an efficient way for an expert to deliver content to many individuals at once. In combination with textbooks, which are lectures in print, this learning model can deliver volumes of content in a short time.

The lecture model is good at transferring information. Like any learning model, it has limitations. One of the most important is that it doesn't encourage listeners to think about the content and apply it. Lectures on organizational development or macroeconomics aren't truly meaningful until the learner can apply the content to issues to better understand organizations or countries. Concepts that are meant to be applied require practice opportunities. The lecture method generally doesn't afford students the chance for rigorous practice, and learners tend to be graded on recall of facts.

When students enter a case-based program, they understandably assume that regurgitation of case facts is a central task. They are surprised when their professors not only expect them to know the facts but to use them to support an opinion about an issue the case raises. It doesn't help that incoming business school students often aren't told what the case method asks of them. A sink-or-swim mentality seems common in professional education, at least in the United States. In the lecture method, learners *receive* knowledge from an expert. In the case method, learners *make* the knowledge with the assistance of an expert. This fundamental shift causes many new case method students to be confused and uncertain about how they should go about learning.

## WRITING AND PERSUASION

A graduate once summed up his feelings about writing instruction in an MBA program: "I didn't go to business school to learn how to write!"

Fair enough. But many business school students don't think they have strong writing skills and aren't sure how to write an argument. Graduates of undergraduate programs often have had little practice in writing after a required freshman composition course and very little meaningful feedback on what they do write. Individuals with degrees and backgrounds in science and technology may have done no significant writing since high

school. Yet, quality MBA programs—classroom based and online—require students to write, and the dearth of prior instruction and practice can be a liability. It can also reduce graduates' career effectiveness. The title of a much discussed *New York Times* article captures the state of writing in the United States: "What Corporate America Cannot Build: A Sentence."[2]

The ability to think clearly and communicate convincingly has always been an important skill for managers and leaders. It is now arguably more important. Rapid globalization, the increase in geographically dispersed work groups, and the Internet put a new premium on text communication. The *New York Times* article just cited illustrates the daily chaos that badly written e-mails cause in companies. In the "knowledge economy," employees are expected to think and act on their own. These skilled and intelligent individuals expect management to explain and persuade, not issue orders. With employees distributed around the world, the most practical way of reaching them is writing. Well-written documents can be a hidden source of competitive advantage.

Persuasion is the art of convincing an audience, listeners or readers, to believe, think, or act as the speaker or writer wants them to. The art has a long history, going back more than two thousand years in the West. It is still as vital today as it was in its ancient forms. Argument and persuasion are necessary to resolve controversy—to assist people with very different views of the same thing to find common ground. That function has particular importance in business, with its emphasis on action. Differences of opinion need to be negotiated so that a company can take intelligent action.

Cases have multiple meanings and thus are always controversial. In a class of forty students, there are likely to be forty different views of a case. To persuade classmates and professors in a case method setting, writers must deal with two obstacles: the shared text (the case) and the critical outlook or attitude of the audience. The audience knows the text and the facts so writers can't afford to make factual mistakes. In addition, because the audience members are familiar with the case and will have their own opinions about it, writers must meet a high standard of proof.

On the other hand, the audience's knowledge of the case is an asset. It relieves writers of having to describe the case situation, define the terms used in it, and other tasks speakers and writers often have to perform when the audience isn't intimately familiar with the topic. Also, most professors are less interested in the position writers take on a case than in how well they can prove it.

There are many ways to persuade an audience—emotional appeals; tricks of logic; appeals to authority; or reasoning and evidence. In an academic or business setting, the best way to persuade is through argument. Academic work is founded on rational, logical thinking and discourse, and argument is essential to both. For business students, learning to analyze a

situation accurately and persuade through rational argument has great importance. Managers and executives need to be able to think logically about the businesses they are trying to run, the people they are trying to lead, and the goals they are trying to achieve. Thinking chronically clouded by emotion, lapses in reason, or an unwillingness to look hard at the facts generally leads to trouble for both managers and their organizations.

Broadly speaking, an argument is a series of logically related statements. The fundamental relationship, the one that matters most, is between the statement of a conclusion and the evidence for it. You make a conclusion about a case—the president of the country is right to default on its foreign debt—and readers nod their heads and say, "Fine, but what can you say to prove it?"[3] For the audience to take your conclusion seriously, you need to show them why they should.

Here's an illustration of the conclusion-evidence relationship:

*What? (conclusion)*
The president is right to default on the country's foreign debt.

*[because]*

*Why? (evidence)*
Full payment of the debt will destabilize the country.

The statement "Full payment of the debt will destabilize the country" won't persuade anyone on its own. The audience needs to see the evidence proving that full payment will destabilize the nation.

*What? (conclusion)*
The president is right to default on the country's foreign debt.

*[because]*

*Why? (reason)*
Full payment of the debt will destabilize the country.

*Evidence*

1. Debt payments will take money out of the country that is badly needed to support the economy and meet social needs such as education and healthcare.

   Evidence includes historical narrative showing that past economic downturns have impoverished the population and created political conflict that worsened the economic situation.

2. National finances are depleted.

   Evidence includes data and calculations showing that poor management of the economy has resulted in deficit spending and spotty tax collection.

3. The national economy is just beginning to recover.

   Evidence includes data and calculations showing that GDP has increased by 3 percent and 5 percent

the last two years, respectively; inflation has declined 5 percent in a year; but unemployment has risen sharply.

4. The standard of living and other indicators of social well-being are improving, but a downturn in the economy will reverse the gains.

   Evidence includes data showing that per capita income has risen slightly (2 percent). Major crime is down 6 percent and the decline coincides with improved economy.

5. A political crisis has just been resolved, but if the economy declines, there is potential for more.

   Evidence includes recent political history of political turmoil that has prevented the government from taking the difficult steps necessary for economic growth.

The argument began with a conclusion and a statement summarizing the proof. Arrayed under the statement are other, more detailed, statements. Each needs to be accompanied by further evidence that corroborates it. (In order to keep the outline uncluttered, most of this detailed evidence has not been included.) Note that the evidence is not only specific but is also derived from different sources including economic statistics and political history. Generally, the broader the range of evidence that aligns with a conclusion, the more convincing the argument is.

Keep this simple model of argument in mind, especially in the chapters on case-based writing. Cases constantly invite immersion in the details of fact and data. You want that detail—but you also want a structure that manages the detail and links it to a conclusion.

## NOTES

1. See Robert J. Dolan, "Note on Marketing Strategy," Note 9-598-061 (Boston: Harvard Business School Publishing, 1997).

2. Sam Dillon, "What Corporate America Cannot Build: A Sentence," *New York Times*, December 7, 2004.

3. Paraphrase of Stephen Toulmin, *The Uses of Argument* (Cambridge: Cambridge University Press, 1958), 13.

CHAPTER 2

# WHAT *IS* A CASE?

In a case method classroom, both the instructor and student must be active in different ways. Each is dependent on the other to bring about teaching and learning. Instructors are experts, but they rarely deliver their expertise directly. The art of a case method instructor is to ask the right question at the right time, provide feedback on answers, and sustain a discussion that opens up meanings of the case.

To illustrate the pattern of question and response, here is a portion of a simulated case discussion of the Harvard Business School case "Malaysia in the 1990s (A)":

*Instructor:* What do you think the prime minister should do? What should he say at the United Nations?

*Student A:* He shouldn't give in to the environmentalists. The country should be free to do what it wants inside its borders. That's nobody else's business. The environmentalists should worry about problems in their own countries.

*Instructor:* So he should go it alone, then? Say you were interested in putting your money into the country. Which would you prefer: a government open to discussion and negotiation about issues, or one that takes a hard line with outsiders?

*Student A:* I guess I would want the government to be willing to talk. But I don't think this is an issue that needs to be discussed.

*Instructor:* You said you think environmental groups should only concern themselves with issues in their home countries?

*Student A:* Yes.

*Instructor:* Does Malaysia have a strong environmental movement?

*Student A:* I . . . I don't know. The case doesn't say.

*Instructor:* Let's assume it doesn't. Does an environmental point of view have any utility for a developing nation? Are there any results that could damage the country's development, or is it just a matter of saving, say, a

species of frog that Western scientists have not yet had a chance to study?

*Student A:* I think the country can't afford to have Western standards for environmental protection.

*Student B:* The case does mention some negative consequences for Malaysia, things like erosion, floods, and some types of plants that might be destroyed which could be developed for medicines.

*Instructor:* OK. Can deforestation hurt the country's long-term development?

*Student C:* It could. Harvesting trees at a rate that isn't sustainable means the timber harvest will get smaller and smaller. Eventually, the industry and the revenue from it will disappear.

*Instructor:* Is this a big problem, a small problem, or something in between?

*Student C:* I think it's mostly in one area.

*Instructor:* Is there anything in the case that tells us the scope of the problem? Has anyone got numbers that help define it?

*Student C:* I don't have specific numbers. I know timber is going down as a percentage of exports . . .

Students provide most of the content of a case discussion. They are indispensable to the creation of knowledge. In fact, if they don't come to class well prepared, the case method will fail because the people responsible for making meaning from the case are not equipped to do it. In a lecture-, or expert-based, teaching method, facts tend to be configured in a way that yields a single interpretation, the "truth." Case discussions are replete with facts and information, but they aren't shaped into a single truth.

The logic of the method sounds fine, even inspirational. The reality of the experience can be baffling. Case method instructors usually don't provide a packaged summation or give a personal opinion of students' conclusions and plans for action. They may teach concepts for analyzing cases studied in the class. What they don't do is announce definitive conclusions or right answers, although they may discriminate between more and less plausible solutions. Students enter and leave the classroom responsible for the outcomes of the discussion.

For students, this can be a monumental shift in the educational experience, from the comfort of authority and the officially sanctioned truth to the hard work of personal responsibility and the unease of ambiguity and multiple meanings.

## WHAT A CASE IS, WHAT IT DOES, WHAT IT DOESN'T DO

A business case imitates or simulates a real situation. Cases are verbal representations of reality that put the reader in the role of a participant in the situation. The unit of analysis in cases varies enormously, from a single individual or organization to an entire nation or the world. Cases can range from one page to fifty or more. But they all have a common purpose: to represent reality, to convey a situation with all its cross currents and rough edges—including irrelevancies, sideshows, misconceptions, and little information or an overwhelming amount of it.

Most educational texts represent the real as logical and coherent. But real business situations are fluid and inevitably involve uncertainty; they don't present selected and sorted information. Cases don't either. Real situations consist of some clarity, too much or too little information, and lots of contingency—and so do cases. They provide business students with the equivalent of laboratories used for educating scientists and doctors. To fulfill its role, a case must have certain characteristics. As an analog of reality, a substitute for the direct experience of a business situation, a case must have these three characteristics:

- A significant business issue or issues
- Sufficient information on which to base conclusions
- No stated conclusions

A case without a significant issue has no educational value. You can therefore assume that every case deals with something important (e.g., a pricing dilemma, debt-equity trade-offs, a major problem in a plant). A case must have an adequate fact base to make possible reasonable conclusions, but it doesn't state any conclusions.

Many cases have these complicating properties:

- Information that includes "noise"—irrelevancies, dead ends, and false, biased, or limited testimony by characters in the case
- Unstated information that must be inferred from the information that is stated
- A nonlinear structure in which related evidence is scattered throughout the text and is often disguised or left to inference

A well-written case *must* have these characteristics in order to simulate reality. As a reader of cases, therefore, you must be able to:

- Construct conclusions from the information in the text

- Filter out irrelevant or low-value portions of the text
- Furnish missing information through inferences
- Associate evidence from different parts of the case and integrate it into a conclusion

Cases may put statements that sound conclusive in the mouths of case characters, but every case character is subject to skepticism based on his or her self-interest and limited point of view. Many cases have elaborate padding in the text and exhibits that serve as noise to distract the reader and make it harder to distinguish useful information. Noise is a characteristic of real situations. Today, we are awash in information, much of it of little value. Cases provide a hard but invaluable education in filtering information according to its relevance and value. Some of the best cases, however, use the opposite strategy. They offer what seems to be a hopelessly inadequate fact base. They mimic situations in which information is scarce, placing a premium on the reader's ability to make inferences. Every case, whether it has a large amount of information or very little, requires the reader to make inferences. This can be the most difficult transition from textbooks and lectures. If memorization is the primary skill of the lecture model, inference is the primary skill of the case model.

Cases look like they have a linear structure. They can have an introduction and a conclusion, a sequence of headings and subheadings, and a series of exhibits that look like those in textbooks. The introduction and conclusion can provide invaluable information, as we shall see, but they don't always. Headings and subheadings seem to divide the case into sections with the logic of a textbook or a *Wall Street Journal* article. Business cases imitate the structure of linear documents such as textbooks, but they are nonlinear, meaning the content is not presented in the most logical way. Along with inferential information, this characteristic is probably the greatest challenge for readers. Inexperienced students read cases assuming that the text has a logical order. They are puzzled when the content follows an organization that isn't completely illogical but is still confusing. They can then steel themselves to try harder, to spend more time on cases, to take better notes. Instead, they should question whether the way they read matches the nature of the text.

## TAMING AN INDETERMINATE TEXT

Cases require active readers. The texts most of us regularly read encourage us to be passive readers. The journalism of newspapers, magazines, televi-

sion, and the Internet, whether reporting or opinion, tells the reader what it means. If it doesn't, it has failed. A newspaper article, for example, states its subject clearly, often in the first paragraph, and carefully declares its main points, which are usually explained and amplified through specific examples. For instance, a recent front-page article in a U.S. newspaper began with an anecdote about a doctor who discovered that a pharmaceutical company representative knew a great deal about which drugs he was prescribing. Here is the third paragraph of the story:

> *Drug makers, in a level of detail unknown to many physicians, are spending millions of dollars to develop secret reports about individual doctors and their patients, according to consultants to the drug companies.*[1]

The paragraph succinctly states the overall point of the story. The balance of the text provides examples of the data collection and explores the reasons why the companies want to collect it.

In a textbook, an expert delivers the truth, as he or she sees it, to readers. A history text on ancient Rome asks this "fundamental question" on page 1:

> *How was it possible, on Italian soil and on the basis of a league presided over by one of its members, to create a single power with a strong army and a rich treasury, whereas Greece, in spite of her creative genius, never succeeded in any of her attempts to secure the same result? In other words: why did Rome, just such a city-state as Athens or Sparta, succeed in solving the puzzle which had baffled both Athens and Sparta and even the Greek monarchies founded upon military strength by the successors of Alexander?*[2]

The rest of the text—more than three hundred pages—seeks to answer this question.

The Harvard Business School case "Malaysia in the 1990s (A)" begins with the prime minister of the country, Mahathir bin Mohamad, about to address the United Nations General Assembly and have meetings with potential investors. Western environmentalists have been criticizing his country for deforestation. The prime minister must consider his country's development strategy in relation to internal and external interests. At the end of the case, he is left wondering whether he should accept his speechwriters' confrontational statements dismissing the environmentalists and their criticism. The rest of the case doesn't report only those facts relevant to the controversy or offer the views and reasoning of all the parties to the dispute and evaluate which one has the most legitimate position. Compared with a news story or textbook, the case's opening and closing sections seem to have little to do with the text in between.

## THREE WAYS TO READ

There are at least three possible approaches to reading a case:

- Receive it.
- Find it.
- Make it.

The first approach, "Receive it," fits a text that states both a subject and its significance, as a news story or an online product review does. The second, "Find it," is adapted to a text that has keys or clues that the reader recognizes and puts together for a solution. A mystery novel is a good example. (So, oddly enough, are highly quantitative cases, which give clues that help identify the correct formulas or equations that will fill a need stated or implied in a case.) The final approach, "Make it," is appropriate for cases.

In "Malaysia," the beginning and end of the case are clear enough. We can assume that the criticism of Western environmental groups has some basis—which is not say it is true as stated—and it could complicate the government's development strategy. But when we read the case, the information varies considerably in its apparent relevance to the issue raised at the beginning. A reading of the case induces an uneasy feeling that although the content bears on the issue, how it does is unclear. Indeed, the most basic matters of fact are not clearly stated or are stated in multiple ways. If this were a news story, the editor would send it back to the reporter for a complete rewrite.

By design, a case doesn't tell you what it means. On first reading, it can seem to be a whole that is less than the sum of its parts. Therefore, you can't sit back and let the text do the work. You have to read a case actively and construct your own meaning.

### NOTES

1. Liz Kowalczyk, "Drug Companies' Secret Reports Outrage Doctors," *Boston Globe*, May 25, 2003, section A.
2. Michael Ivanovich Rostovtzeff, *Rome* (New York: Oxford University Press, 1960), 1.

PART I

# ANALYSIS

CHAPTER 3

# HOW TO ANALYZE A CASE

A case is a text that refuses to explain itself. How do you construct a meaning for it?

Start by recognizing some contextual factors that help limit and narrow the analysis. Cases are usually studied in a course. A marketing case requires you to think as a marketer, not a strategist or manufacturing manager. Courses are often divided into different modules or themes defined by certain types of situations and, often, concepts, theories, and practices appropriate for these situations. You can expect to encounter the themes in the cases that are part of the modules and opportunities to put to work the analytical tools and best practices you have learned. Past case discussions provide a foundation for thinking about a new case, and study questions can call attention to important issues. You should make use of all these contextual factors, but they don't amount to a method for analyzing a case.

## STARTING POINT FOR UNDERSTANDING

The case method is *heuristic*—a term for self-guided learning that employs analysis to help draw conclusions about a situation. *Analysis* is derived from a Greek word meaning, "a dissolving." In English, analysis has two closely related definitions: to break something up into its constituent parts; and to study the relationships of the parts to the whole. To analyze a case, you therefore need ways of identifying and understanding important aspects of a situation and what they mean in relation to the overall situation.

Each business discipline has its own theories, frameworks, processes and practices, and quantitative tools. All of them are adapted to help understand specific types of situations. Michael Porter's concepts are productive when investigating competitive advantage—but they aren't very helpful for deciding whether to launch a product at a particular price or choosing the best method to finance the growth of a business. Porter's five forces can describe and explain the industry context in which a firm operates.[1]

No one would expect Porter's framework to guide a product launch decision. Specialized methods are fruitful because they're tailored to fit well-defined purposes. They're often complex, though, and hard to apply, especially for people who are just learning how to use them.

This book teaches an approach to cases that complements business concepts and theories. Its purpose is to provide a starting point for analysis that aids the use of theories and frameworks and quantitative formulas, all of which are indispensable for reaching conclusions about a case and building an argument for those conclusions. The case situation approach identifies features of a case that can be helpful to its analysis and encourages active reading.

## THINKING, NOT READING, IS KEY

Students new to the case method usually believe the most reliable way to understand a case is to read it from start to finish and then reread it as many times as necessary. (That's why many business school students think speed-reading courses can help them.) They rush into a case, highlighter in hand, reading as if the case were a textbook chapter. For case analysis you need to know when to read fast and when to read slowly. You should also spend more time thinking about a case than reading it.

When you begin work on a new case, you don't know what to look for. That is the major dilemma that confronts everyone who reads a case. In an active approach to a case, you start thinking *before* you read the case. And as you start reading it, you ask questions about the content. Then you seek answers in the case itself. As you find partial or full answers, you think about how they relate to each other and to the big picture of the case. You don't make knowledge by reading. Reading is never the primary resource of case analysis. Reading is simply an instrument directed by the thought process that makes meaning from the text.

## TYPES OF CASE SITUATIONS

Four types of situations occur repeatedly in cases:

- Problems
- Decisions
- Evaluations
- Rules

People sometimes react indignantly to this classification. They insist that there are a multitude of situations portrayed in cases, and it's misleading to say they're reducible to four. The four are not the *only* situations found in cases, but many case situations *do* belong in one of the four categories, and when they do, an awareness of which one can help organize analysis. This approach isn't the only correct way—it is one way. Try it and see if it helps.

Feel free to integrate pieces of it with your own way of dealing with cases. The greatest value of the case situation approach may be that it causes you to think about how you think about case studies.

## *Problems*

The word *problem* has many meanings. The meaning can be vague, referring to something that's difficult or troubling. The definition of *problem* as a case situation, however, is quite specific. It is a situation in which (1) there is a significant outcome or performance, and (2) there is no explicit explanation of the outcome or performance. To put it simply, a problem is a situation in which something important has happened, but we don't know why it did.

Cases provide many examples of problems defined this way. In one, a well-trained, well-intentioned manager has tried to introduce a worthwhile change in the sales strategy of an organization—a change supported by a detailed, data-driven analysis everyone admits is a breakthrough—and has failed to get any of the sales staff to go along. In another, an accounting manager of a manufacturer notices that two good retail customers suddenly have accounts payable that are large and overdue enough to be worrisome. He has no idea why the two firms would fall so far behind in their payments.

Both of these cases describe situations that involve negative outcomes. The causes of these sorts of outcomes are important to know for a practical reason: the knowledge can help improve the situation. The change effort may be self-destructive because it has weaknesses that are not apparent, or the manager may be good at many things but is a poor change agent. The manufacturer's retail customers may have large accounts payable because they have sloppy internal controls—or they may both be on the verge of bankruptcy. These possibilities illustrate why accurate causal analysis is vital. A conceptually flawed change is addressed very differently from an individual who isn't well suited to lead change. If both situations exist, the corrective action is that much more complex. Retail operations that need to clean up their accounting processes might require the manufacturer to engage in negotiations over a period of time, but two firms with bad debts that might go bankrupt require the supplier's immediate attention. ●

Success can also be a problem in the special meaning used here. Take the case of a company that specializes in outdoor advertising. It operates in three different market segments, but the case doesn't tell you which is the most profitable, much less why. Another case describes the development of a country over a period of thirty years or so; after severe political and social upheaval, the country slowly recovers and exceeds the performance of most countries in the region. But the case doesn't state how much more successful

the country has been relative to its neighbors, and while it provides a great deal of data, both economic and demographic, it doesn't enumerate the reasons for the country's revival.

Problem analysis begins with a definition of the problem. That seems obvious, yet many cases don't state a problem. So first, you need to realize a problem exists and then define it for yourself. Next, you work out an explanation of the problem by linking the outcome or performance to its root causes—this is the main work of problem analysis. To carry it out, you'll need relevant tools, the specialized methods of business disciplines such as organizational behavior or operations management.

### *Decisions*

Many cases are organized around an explicit decision. The second paragraph of "General Motors: Packard Electric Division" (reproduced in this book) begins with this sentence: "The Product, Process, and Reliability (PPR) committee, which had the final responsibility for the new product development process, had asked [David] Schramm for his analysis and recommendation as to whether Packard Electric should commit to the RIM grommet for a 1992 model year car." Like many cases, this one complicates that decision immediately: Schramm must make up his mind within a week, and the product development people and manufacturing disagree over which way to go.

The existence of an explicit decision is an important distinction, because nearly all business cases involve decisions. In many of these cases, however, the decisions are implicit and dependent on another situation. Let's take a case described earlier that involves a problem: the outdoor advertising company. The case implies a decision: What is the best strategy the company should pursue in the future? This decision can only be made after the company's current strategy and how well it works are analyzed.

The decisions featured in cases vary greatly in scope, consequence, and available data. An executive must decide whether to launch a product, move a plant, pursue a merger, or provide financing for a planned expansion—or the president of a country must decide whether to sign a controversial trade agreement. Regardless of the dimensions of a decision, analyzing it requires the following:

- Decision options
- Decision criteria
- Relevant evidence

Identifying decision options is often easy because the case tells you what they are. As soon as you encounter a stated decision, you should look for a statement of the alternatives. If they aren't stated, then the first goal of analysis is to come up with plausible decision options.

The most important part of a decision analysis is determining the criteria. A rational decision can't be made without appropriate criteria. A decision case isn't likely to state criteria—they have to be derived through careful study of the specifics of the case, with the help of specialized methods. The criteria are used to develop evidence to complete a decision analysis. The goal is to determine the decision that creates the best fit between the available evidence and the criteria. In the General Motors case, a possible decision criteria is value to the customer. The reader needs to find evidence indicating which option delivers the greatest value to the customer. (That doesn't settle the matter, though, because there are other criteria.)

One other characteristic of decision analysis deserves mention here. There is no objectively correct decision. The standard for a good decision is the one that creates more benefits than the alternatives and has fewer or less severe downsides.

### *Evaluations*

Evaluations express a judgment about the worth, value, or effectiveness of a performance, act, or outcome. The unit of analysis of an evaluation can be an individual, a group, a department, an entire organization, a country, or a global region. An annual performance evaluation of an employee is a real-world example. So is a new CEO evaluating the performance of the company she is now heading. An evaluation can also involve the assessment of an act, such as a decision that has already been taken. Here is an example:

> *From the perspective of current EU members, do you agree with their decision to enlarge the Union by ten new members?*

Finally, an outcome can be the subject of an assessment. The competitive position of a company, for instance, is the outcome of numerous decisions and performances as well as contingencies such as macroeconomic conditions.

Like decision analysis, evaluation requires appropriate criteria. Without them, there are no standards for assessing worth, value, or effectiveness. As in decision analysis, evaluative criteria are inferred from the particulars of a situation with help from specialized methods. Evaluating a company's financial performance over a five-year period can be undertaken with a long list of financial formulas, but the circumstances portrayed in the case come into play as well. The numbers may show that a company has a steadily declining

performance over the period, but it still may be doing well because the national economy is slumping and the company is actually doing better than its competitors.

An overall evaluation expresses the best fit between the evidence and the criteria. In the example just given, measured against purely financial criteria, the company is doing poorly. Yet, the evidence pertaining to macroeconomic and competitive criteria alters the evaluation: in a tough market, the company is actually performing better than its peers.

Another requirement of evaluation is that it include both positive and negative sides. A leader has strengths and weaknesses, and both are included in an accurate evaluation. Moreover, there may be aspects of the leader's performance that are ambiguous—he has delegated power widely, but it is too early to tell whether the managers below him can handle the power. And this individual's performance as a leader could be substantially affected by factors outside his control—corporate headquarters has intervened in his promotion decisions and insisted that certain favorites be elevated even though they aren't the best-qualified candidates.

### *Rules*

Quantitative methods can provide critical information about business situations. For example, say there is a need to compare the value of a company when a specific condition exists—a partnership with another company—and when it doesn't exist. The way to calculate future cash values—one that experts and experience support as reasonably accurate—is net present value. An NPV calculation is done according to a formula. Mathematically, there is a right way to perform the calculation; any other way provides an inaccurate result.

For rules analysis, you need to know:

- The type of information needed in a situation
- The appropriate rule to furnish that information
- The correct way to apply the rule
- The data necessary to execute the rule

Rules analysis exists in virtually every area of business. A breakeven calculation is a rule used in marketing. In manufacturing, quantitative methods are used for process analysis, and accounting and finance consist primarily of rules. The scope of rules is very narrow. For the most part, they are useful only in specific sets of circumstances, but in those circumstances are very productive. There is a correct way to execute or perform the rule,

and the output is of one type. A well-defined set of rules is needed to analyze a company's liquidity. Those rules are the most useful in the situation, because they are designed to be. Each calculation specified by a rule has a procedure that must be followed. If it isn't, the result is a meaningless number. Each calculation yields a precise output of a prescribed type (e.g., a percentage less than or equal to zero).

*Qualitative* methods are different from rules. There are often many alternative methods for obtaining the same or similar information. To analyze the quality of leadership in an organization or its competitive strategy, there are a large number of methods to choose from. There is no prescribed method that provides correct information about competitive advantage. In marketing, two different methods can be applied to the same situation, can produce very different results, and can both be useful—or useless. A second difference between rules and qualitative methods is how they are executed. There is a correct way to execute a rule such as the formula for net present value; there is no objectively correct way to execute qualitative methods for analyzing competition.

That is *not* to say that rules analysis lacks uncertainties and ambiguities. Any calculation about the future involves uncertainty. This uncertainty is built into formulas through assumptions, and assumptions involve judgment, not objective truth. Settling on a growth or inflation rate over a certain period of time is speculative. The key is the reasoning behind the choice. Central bankers can be wrong about inflation and growth, and so can the rest of us. Assumptions need to have a reasonable basis, but reasonable people can disagree about them. But note that the argument is about assumptions, not about the rules themselves. (Experts do argue about the fitness of rules and make changes to them, but after they do, everyone uses the changed rule and executes it the same way.)

Sometimes, though, an idiosyncratic assumption has no material effect on the result of a calculation. In the earlier valuation example, you might assume a growth rate that is too optimistic, but if the rate is the same for the calculation with and without the partnership, it should have no effect on the comparison of the end values.

The results of rules analysis frequently provoke sharp differences of opinion. What two people infer from the same numerical results can diverge. Economists are famous for looking at the same set of numbers and coming to vastly different conclusions about them, even though they all agree on the formulas and data that have produced the numbers. The same is true in companies. One executive can read financial numbers as confirmation that a strategy is working, while another can read them as a warning that disaster looms. In short, numbers don't explain what they mean, and they don't make decisions for you.

However, the interpretation of the output of rules is distinct from the rules themselves. If the right rule is applied and correctly performed, and the rule doesn't involve a controversial assumption (like the predicted growth rate of GNP), everyone will come up with exactly the same result. If a qualitative method relevant to a situation is applied to the same set of facts in a way consistent with the generally understood meaning of its concepts, everyone will not necessarily come up with the same result. That is the fundamental difference between rules, as defined here, and qualitative methods.

Rules aren't pursued further in this book. Learning rules analysis means learning a certain category of rules—valuation, for instance—and when and how to use them. That learning is the province of accounting, finance, tax, and other areas that are intensely rule governed. However, it may be helpful to remember that when rules depend upon assumptions, the values chosen for them require an argument. Moreover, the information rules provide has great importance for the analysis of problems, decisions, and evaluations. Accounting rules can diagnose the financial health of an organization. Macroeconomics is invaluable in evaluating a nation's development strategy. Financial rules are indispensable to a decision about whether to sell a company at a given time and price. Rules are a large and important subset of the specialized methods necessary to understand case situations.

## CASE ANALYSIS AS A PROCESS

The way you analyze a case differs from the way anyone else does. There is a difference, though, between personal study habits and a process for analyzing a case. The latter involves more than habits and practices. It concerns how you think about a case. The intention of this section is to suggest a process that has helped case method students become more efficient and productive. This process is designed for case discussion preparation, but it is easily adapted to a process for writing a case essay. (However, the way a case is analyzed for an essay is more prescriptive, since an essay must have certain elements. Chapters 10 through 12 will explain these elements.)

The key to the process is active reading. Active reading is *interrogative* and *purposeful*. You ask questions about the case and seek answers. Questions give a purpose for reading; they direct and focus study on important aspects of a situation. The moment you sense that you are reading without purpose, stop and regroup. It may be a good time to step away and stretch, do some yoga, or walk. Active reading is also *iterative*, meaning you make multiple passes through a case. With each iteration, the purpose of reading changes: you are looking for new information or looking at old information in a new way. Three concepts contribute to active reading: a goal, a point of view, and a hypothesis.

### *Goal of Analysis*

At first it may seem obvious. What other goal can there be for analyzing a case than to understand it? The problem is that "understanding" is too vague. Another way to think about the goal is, How do you know when to conclude the study of a case? This is an important question. If you don't have a concrete limit, you can drift along for hours, much of it taken up by distraction and undirected effort. Here is a more concrete goal: you are familiar with the information in the case, you have come to a conclusion about the main issue, you have evidence showing why your conclusion is reasonable, and you have thought about other possible conclusions and why yours is preferable to them.

This substantive goal can be combined with a time limit. Allocate a set amount of time—two hours, for example—for each case. At the end of the period, stop and settle for whatever you know about the case. This is a very good way to put constructive pressure on yourself to make the most of the time.

### *Point of View*

To anchor analysis, take advantage of what's already in the case. Adopt the point of view of the protagonist—the main character. Put yourself in her shoes. Her dilemma should be your dilemma. If it's a decision, set a recommended decision as your goal. When you adopt the persona of the main character, don't assume that you're dealing with a cardboard cutout, a dramatic veneer. Consider the character's strengths, responsibilities, and blind spots. By all means, too, be sensitive to the dilemmas characters find themselves in. Often, a good question to ask yourself is, Why is the person in this dilemma?

### *Hypothesis*

One of the most useful constructs for resolving the protagonist's dilemma is a *hypothesis*. A hypothesis is "a tentative explanation that accounts for a set of facts and can be tested by further investigation."[2] It is indispensable to science and to any fact-based analytic activity in which multiple conclusions are possible.

A hypothesis offers the advantage of a concrete statement you can test against case evidence. Say that the protagonist of a case must evaluate an individual she has hired—a rising star, but also a person who alienates many people inside the firm and cuts some corners in his relentless pursuit of new business. The hypothesis is that the new hire should receive a high rating despite some flaws in his performance. To test it, you'll have to develop a

strong argument, based on relevant criteria, facts, and inferences, that backs a positive evaluation but also recognizes poor performance on other criteria.

Cases don't allow just *any* hypothesis. The available evidence in the case sets the rational limit on the range of hypotheses. A hypothesis that can't be argued from evidence in the case is simply an unsubstantiated opinion. However, there is a range of possible hypotheses about every case. A contrarian's position—one that opposes what seem to be safer hypotheses and can be argued from evidence—can have a galvanizing effect in a discussion, forcing everyone to look at the evidence from an entirely new angle or consider evidence no one else has noticed.

## DESCRIPTION OF PROCESS

The rest of this chapter outlines a process for working on cases. The process has five phases:

1. Situation
2. Questions
3. Hypothesis
4. Proof and action
5. Alternatives

The process is meant to be flexible and adaptable. Experiment with it, using the cases in this book. Many MBA students don't give much thought to their case-study approach, not because it is unimportant but because they don't see anything tangible to think about. Ultimately, the value of the process described below depends on whether it prompts you to think about your own process.

### *1. Situation (5 minutes)*

The most difficult part of a case analysis seems to be the beginning. You have to bridge the gap between no knowledge about the case and knowledge sufficient to form a hypothesis. That gap can look very wide as you begin reading a case thick with detail; it can seem to be all parts and no whole. Earlier in the chapter, I stressed that it is hard to find something when you don't know what you're looking for. To get started, you can structure analysis with a series of questions. The process I advocate is understanding the big picture first and then filling it in with details. Start by asking this question: *What is the situation?*

Usually reading the first and last sections of the case is sufficient to identify the situation. Decisions and evaluations tend to be stated at the beginning. Problems are harder to recognize, and more details about identifying them are provided in chapter 5. A characteristic of a problem case is the absence of any actionable statement made by or about the protagonist. Often, the main character is reflecting on a situation and wondering what to do.

Reading the first and last sections of the case can often provide far more information than just the type of situation. In decision cases, these sections may specify the decision options. That is true of the case "General Motors: Packard Electric Division." If you don't find options at the beginning or end of a case, you should scan other sections. The opening or ending of a problem case may present a partial or complete description of the problem. In all types of cases, the initial and final sections frequently express a tension or conflict important to the analysis. In "General Motors," the first section identifies the decision and a conflict between two functional groups. The two sides of the conflict, with the protagonist in the middle, can be reference points for analysis. Why do the product development people so strongly support an innovative component that they're willing to take a formidable risk? And why are the manufacturing people just as adamant that the company should not go forward with the component in the short term?

After reading the openings and closing sections, you should put the case aside for a moment and consider what you have learned. Is the situation a problem, decision, or evaluation? Do you have any ideas about the causal frameworks or criteria that might fit the situation? Does it seem you'll have to cut through a large amount of information in the case or make many inferences because the information is scarce? Are there any hints in the two sections about causes, criteria, or even a plausible decision or evaluation? Do the hints seem reliable or just a way to throw you off?

### *2. Questions (15 minutes)*

Knowing the situation allows you to ask questions pertinent to a problem, a decision, or an evaluation. The most important of these questions is: *What do I need to know about the situation?*

Here are questions specific to each situation:

#### PROBLEM

Who or what is the subject of the problem (e.g., a manager, a company, a country)? What is the problem? Am I trying to account for a failure, a success, or something more ambiguous? What's the significance of the problem to the subject? Who is responsible for the problem (usually it is

the protagonist) and what might he need to know to do something about it?

DECISION

What are the decision options? Do any seem particularly strong or weak? What's at stake in the decision? What are the possible criteria? What might the most important criteria be for this kind of decision? Are any of the criteria explicitly discussed in the case (case headings can sometimes give good clues)?

EVALUATION

Who or what is being evaluated? Who's responsible for the evaluation? What's at stake? What are the possible criteria? What might the most important criteria be for this sort of evaluation? Are any of the criteria explicitly discussed in the case (case headings can sometimes give you good clues)?

You won't be able to answer these questions now. That will take further study. To make this first pass through the text more targeted, it's useful to do a *content inventory*. Its purpose is to locate information that might be used to answer the questions about the situation.

To perform a fast inventory, scan the headings in the text. Read a little of the sections, especially those that seem to have valuable information. Examine the exhibits to get a sense of what they convey. You will learn something about the case—sometimes a great deal more than you might expect. You'll also build a map of the useful content. Because cases often aren't linear in their organization, this map is very important; pieces of information related to the same issue will be found in different sections of the case and in the exhibits.

Use a pencil or pen to mark up the case. Mark high-value sections and circle facts, numbers, and statements of possible importance. Be sure to capture any thoughts about the answers to your questions, and record new questions that come to mind. Note what issues particular exhibits may illuminate, and what calculations might be performed later to yield relevant information.

### *3. Hypothesis (45 minutes)*

Armed with a list of things you want to know about the situation and a map of the content, you are ready for this question: *What's my hypothesis?*

This is the most important phase of work on the case. Through close study of high value sections and exhibits, you narrow the possibilities to the

one that seems most plausible to you. If there are three alternatives for a decision, test them, starting with the one you suspect has the most promise. Here are some other suggestions for structuring your work at this point:

PROBLEM

- Make sure you know the problem that needs to be diagnosed. Consider whether the characteristics of the problem suggest causes.
- Think about the frameworks that seem most appropriate to the situation. Quickly review the specifics of the frameworks if you aren't sure of them.
- Pursue the diagnosis by looking at case information through the lens of the cause you are most certain about.
- For each cause, make a separate pass through the case looking for evidence of it.
- If the case has a lot of quantitative evidence, to what cause is it most relevant? If you don't have a cause relevant to the quantitative evidence, formulate one. Work up as much relevant, high-value quantitative evidence as you can.
- In a case with a protagonist, consider whether she is a potential cause. If you think she is, work out how she contributes to the problem.

DECISION

- Review the criteria you have come up with so far. Which do you have the most confidence in?
- Review the decision options. Do any seem especially strong or weak?
- Apply the criterion that seems to identify the most evidence in the case.
- Investigate the strongest decision option with the criterion you have the most confidence in. Or, if you're reasonably certain about which is weakest, see if you can dismiss that option quickly.
- If the case has a lot of quantitative evidence, which criterion is most relevant to it? If you don't have a criterion relevant to the quantitative evidence, formulate one. Work up as much relevant, high-value quantitative evidence as you can.

- If there are conflicts about the decision between individuals or groups, think about why that is. Look at the decision from the point of view of each of the parties to the conflict.
- If the protagonist is in a difficult position in relation to the decision, consider why that is.

EVALUATION

- Review the criteria you have come up with so far. Which do you have the most confidence in?
- What are the terms of the evaluation going to be (e.g., strengths/weaknesses)? Do any stand out in the case (e.g., an obvious strength of an individual)?
- Do you already have a sense of the bottom-line evaluation you favor? If you do, what are the reasons for the preference? Pursue those reasons.
- Start by applying the criterion that seems to identify the most evidence in the case.
- Investigate the most positive rating or the most negative with the criterion you have the most confidence in.
- If the case has a lot of quantitative evidence, which criterion is most relevant to it? If you don't have a criterion relevant to the quantitative evidence, formulate one. Work up as much relevant, high-value quantitative evidence as you can.

Taking notes helps you organize and remember information, but it serves the equally important purpose of recording your thought process. Without note taking, you can too easily stray from active reading. Of course, note taking can degenerate into transferring information in the case to a piece of paper or computer screen. Notes on a case don't simply record facts. They capture anything that might lead to answers to the questions you've asked.

It may sound trivial, but I recommend that students try to contain the "highlighter habit." This study aid is well adapted to the lecture model of learning, but it can be a detriment to case study. Highlighting sentences is satisfying because it makes you feel you're doing something. In reality, what you're doing is marking sentences to think about later, and that's a setup for passive reading. You should be thinking about statements *the first time* you encounter them. That said, highlighters can be useful as a tool to differentiate related content: facts about one aspect of the case, for example, or text and numbers that belong to one category of evidence.

A pencil or pen is more conducive to active reading—to write down questions and make notes. When you begin to gravitate toward a conclusion, stop work and write it down. The function of a hypothesis is to give you a position to try out, not a final conclusion, so listen carefully to your intuition.

If you have time, put the case away after this iteration. Even a short break can be useful. There is scientific evidence that our subconscious minds are much better at dealing with complexity than our conscious minds. Turning your attention to something else allows that subconscious capacity to work on the information you have collected.

### *4. Proof and Action (40 minutes)*

A hypothesis drives a different approach to the case. You want to prove something, not look for something to prove. Ask these questions: *What evidence do I have that supports the hypothesis? What additional evidence do I need?*

Look at the information you've compiled and identify evidence supporting the hypothesis. Your first priority should be to add to the evidence you have. What is the strongest evidence? Can you add more to it?

Now assess where evidence is missing. Where will you find more—or is there any evidence in the case? Think about any factors you may have overlooked such as a cause, criterion, or evaluative category.

Go back into the case, with the single purpose of bringing out more evidence that aligns with your hypothesis. You don't have to work from the first page to the last. You can go directly to the sections and exhibits you think have what you need. Of course, you can work from beginning to end if that makes you more comfortable. Just be sure to stay focused on what you're trying to prove.

Let's say that you're building an argument for a decision option and one of the criteria is cost savings. You've noted some statements that imply your decision option will save money for the firm and circled numbers that you thought were relevant to savings. Collect those numbers now, and work out calculations to estimate the total savings. You may then have one of those gratifying moments of case study: from those scattered numbers that looked so inconsequential when viewed individually, you've pulled together an estimate that indicates a very large annual savings—and that's just one part of your argument.

Also give some thought to the actionable content of your position. How would you implement the decision you're recommending? What actions does your diagnosis or evaluation call for? Think in practical, real-world, not ideal-world, terms. Don't just sketch out in your mind a broad

approach to action. Think about tangible actions and write them down. Finally, give a bit of thought to the order of the actions. An action plan is a program in which actions are taken at a certain time for a reason. It isn't a to-do list.

### *5. Alternatives (15 minutes)*

It may seem paradoxical, but the last phase of analysis should be to question your own hypothesis: *What is the greatest weakness of the hypothesis? What is the strongest alternative to it?*

The intention isn't to undermine your hard work but to take a step back and look critically at the hypothesis and the evidence. Every position has a weakness, and you should be the one who recognizes it, not the professor or your peers. Here are some ways to think critically about your work:

#### PROBLEM

Can the problem be defined differently? Would that make a difference to the diagnosis? Are there any holes in the diagnosis—could there be causes missing? What's the weakest part of the diagnosis? Could an entirely different diagnosis be made? What would it look like?

#### DECISION

What's the biggest downside of the recommended decision? How would you manage the downside? What's the strongest evidence against the recommendation? How would a case for the major alternative look?

#### EVALUATION

Have you been objective and thorough about the evaluative findings that oppose your overall assessment? Think how a different overall evaluation might be proved. Have you accounted for factors that the subject of the evaluation couldn't control?

## "BUT WHAT IF MY HYPOTHESIS IS WRONG?"

Students have asked me that question many times. A hypothesis isn't wrong; a hypothesis fails when you can't make a credible argument for it from case evidence. If you find yourself in that situation—and you will sooner or later—first make sure the difficulty lies with the hypothesis and not with your evidence gathering. You may have overlooked important information or not used specialized tools effectively. If you're certain the evidence isn't there, face up to it but realize that the work you've already done isn't wasted.

You now have a good grasp of the case and probably have a good sense of what the evidence is and where it is. Your work with a new hypothesis is therefore likely to move along quickly.

Another way of looking at the fear of being wrong is to ask yourself what the alternative is. I have not heard of a method of case analysis that never leads to dubious conclusions. In fact, making analytic mistakes is invaluable. Through mistakes, we learn more about the thought process called case analysis. And a shaky analysis can sometimes be a symptom of risk taking, which is also an invaluable learning experience.

## NOTES

1. Michael E. Porter, *Competitive Strategy: Techniques for Analyzing Industries and Competitors* (New York: The Free Press, 1980).

2. *The American Heritage College Dictionary*, third edition (Boston: Houghton Mifflin Company, 1993).

CHAPTER 4

# CASE ANALYSIS DEMONSTRATION

The previous chapter describes a case analysis process. This chapter demonstrates how to use the process to investigate a case, "Malaysia in the 1990s (A)." Please read the case first and then reread sections when they are discussed. This process demonstration is not the definitive analysis of the case. Compare your own ideas about the case to those in the chapter. The more you actively engage the analysis and test it against the case, the more learning you will gain for your own approach to analysis.

## 1. SITUATION

You can learn a great deal from the first and last sections of many cases. The first section of "Malaysia" tells us the prime minister must decide how to respond to the charges of Western environmentalists. The situation therefore centers on a decision. The opening section says that the country has been independent for just thirty years at the time of the case. In that period, it has enjoyed "healthy" economic growth and "relative" political stability. The Western environmentalists are decrying rapid deforestation. Their primary threat seems to be a boycott of Malaysian timber products.

The last section ("A Western Timber Ban?") suggests an option: Western timber companies are orchestrating the criticism. The final sentence of the case suggests a more sinister motive: unnamed entities are trying to keep the country poor. In other words, the real issue is East versus West, a developing country versus developed countries. We should note that contention as another issue to look into. Does the case have any evidence to support a conspiracy theory? Before we delve into that, we need to take a step back—already—and think about other questions we might want to ask.

First, are the charges of the environmental groups true? This is a good question because it is fact based. Second, how important is timber to the Malaysian economy? And third: How much would a Western timber ban hurt the country's economy?

Now, we need to think about decision alternatives. In the final section advisers to the prime minister recommend that he reject the criticism and

preserve the status quo. By a simple exercise of logic, we can quickly come up with an alternative diametrically opposed to the first: accept the criticism and make the changes necessary to satisfy it. If these are the two extremes, it means that a decision option in the middle is something like this: accept any valid criticism, reject the rest, and make necessary changes.

Here are the decision alternatives and the questions that can organize the initial study:

- Alternatives
  - Option 1: Reject criticism, preserve the status quo.
  - Option 2: Accept criticism entirely, make all necessary changes.
  - Option 3: Accept any legitimate criticism, reject rest, make necessary changes.
- Questions
  - Are the environmental charges true?
  - Is logging economically significant?
  - Would a Western timber boycott hurt?
  - Any evidence to support conspiracy theory about Western timber companies?

By reading just the opening and closing of the case and thinking about them, we already have some promising leads for analysis.

Before moving on, we should critique the options. Sometimes it's possible to draw quick conclusions about them. An Asian country enjoying reasonable economic growth is probably not going to change its policies because distant environmental groups are criticizing it—unless the country is going to suffer dire consequences. Option 1 seems more plausible unless we can find evidence that it will result in serious negative consequences.

## 2. QUESTIONS

Now we should think about decision criteria. Normally, the concepts and methods of an MBA course would be the primary resource for criteria—but that resource isn't available. Instead, I will borrow ideas from a first-year course taught at a business school.

For the Malaysian government, the most important consideration has to be the welfare of the country. The decision should promote the national welfare. But the term "national welfare" is too broad. We need to break it

down into specific components. Macroeconomics certainly is a foundation of national well being, and it has the added advantage of being measurable. Other elements of the foundation are social and political dynamics, and they can be measured to some degree. To keep the analysis focused, we want a spare list of criteria. Let's add just one more possibility: Malaysia's international reputation or image. The initial list of criteria (see below) will get us started. We can drop, modify, or add criteria if the initial ones don't yield evidence.

CRITERIA

- Decision must promote national welfare in these ways:
  - Economic
  - Social
  - Political
- Decision also must support positive international image

Now we scan "Malaysia" and the exhibits and read a little of each section to find relevant content. The following sections and exhibits seem to promise valuable information:

*Factual background*

- Environmental concerns
- The concession system

*Economy*

- Economic strategy
- Economic performance
- Exhibits 3, 5, 8, 9, 10

*Social-political*

- Social conditions
- Political structure

We will start our investigation with these sections. Other parts of the case may have pertinent information, but at this stage we don't want to overload ourselves.

## 3. HYPOTHESIS

We are now ready to read the case to develop a hypothesis.

### *Environment*

In "Environmental Concerns," we find that Malaysia has a very small percentage of the world's rain forests, 2 percent to be exact. At the same time, the government admits that the rate of logging activity is currently unsustainable. Our first criterion yields an uncomfortable mix: the country is using up its tropical forests faster than it can replace them, but the contribution to the global problem is small. We could say, at this point, that our work is done. No, Malaysia isn't perfect, but the environmental critics seem to be focused on the wrong country. Still, that doesn't feel like a complete position.

### *Economy*

Here's what we learn from the sections on the economics of the country.

"Economic Strategy" tells us a lot about the path the government has taken to promote economic growth. The exhibits we flagged tell us even more. Exports are very important to the economy, and timber remains a big part of the export mix. At the same time, a goal of the country's development strategy is lessening its dependence on commodity exports such as logs. The case text and numbers in the exhibits show that the strategy is working. Raw material exports are a declining portion of Malaysian exports, though timber has not declined as rapidly as other commodities. Most of the country's exports of logs go to Asian countries, Japan in particular. A Western boycott of raw timber from Malaysia would probably have little effect, although it might be broadened to include Malaysian value-added wood products, and that could hurt. However, the case doesn't have information on the percentage of value-added wood exports to Western nations.

Foreign direct investment has grown by more than 300 percent from 1980 to 1990, but foreign capital could move on to the next low-wage economy in the region if Malaysian wages continue to increase. That exit might not be as bad as it sounds if the government can move the economy to value-added products and services before the low-wage seeking FDI flows elsewhere.

Two other points about timber harvesting stand out. First, unsustainable logging could eventually harm Malaysia. Environmental degradation imposes costs; in addition, logging would obviously be curtailed or eliminated as the stock of trees declines. It seems that current policies could at some point in the future undermine the future they are supposed to bring about. Second, large-scale production of logs for export continues Malaysia's reliance on commodity exports, a dependence that the government is determined to reduce, if not eliminate.

Political and social well-being are closely linked to economic development. Malaysia has struck a delicate social and political balance based on a bigger pie and an artificially bigger slice delivered to the majority Malays, who have lagged other groups in income, through the New Economic Policy (NEP). Without continuing economic growth and an assurance that the majority will share in it, the risk of instability seems high. At the same time, the NEP should give us pause. It has a positive goal and has produced the intended results, yet the mechanism exacts the costs of inefficiency and is vulnerable to corruption.

Although it may seem too soon, we can already try out a hypothesis. Remember that hypotheses are statements that give purpose to an investigation; they are not hard-and-fast conclusions.

*Malaysia should make no changes to its basic economic policies for the time being, but the government should monitor logging and take steps if it threatens to hurt long-term development.*

## 4. PROOF AND ACTION

To back our hypothesis, we can build an argument on a framework of several statements:

### FACTUAL CONTEXT

- Malaysia is a very small contributor to tropical deforestation.
- The government admits logging that exceeds agreed upon limits.

### CRITERIA

*Economic*

- Abrupt cuts in raw timber exports will reduce GNP.
- A Western boycott of raw timber would not damage the Malaysian economy.
- But unsustainable logging could hurt the economy more severely if it were continued long enough.
- So can continued dependence on commodity exports and low-wage production.

Establishing the factual context is straightforward. The case states that Malaysia has just 2 percent of the world's rain forests. In addition, logging a tropical forest does not mean that it is permanently barren. Logged land in

the tropics can regenerate in twenty-five or thirty years, unlike forests in colder climates.

The financial hit to the national economy that would result from an abrupt reduction in raw timber exports can be proved with numbers from several of the exhibits. The social and political consequences are matters of inference. In the past unrest in the country has been partly driven by economic inequity. Furthermore, Malaysia has not enjoyed the same improvement in living standards as some of its Asian neighbors. If the majority finds itself losing its modest gains, the political consequences might force decisions that prop up the majority's standard of living but injure the overall economy.

Case exhibits provide numbers for Malaysia's raw timber exports that show they are overwhelmingly imported to Asian countries. A Western boycott would presumably have no effect on the Japanese businesses that import most of Malaysia's raw timber. Not only are Japanese firms Malaysia's biggest timber customers, but they also pay the best prices. There is abundant evidence, too, that the government has managed to achieve goals that few developing nations with a heterogeneous population have been able to attain: (1) steady economic growth, (2) an improvement in the standard of living of the entire population, with the largest increase going to the least well off, and (3) a decreasing reliance on volatile commodities. These three related points show how the government's policy seeks to balance various needs, including those of the environment.

Data in the text and exhibits prove Malaysia's steady economic growth. The government's development strategy has propelled the country to an impressive 5.9 percent annual growth rate in the 1980s. The government has adjusted the composition of exports to decrease commodities and increase value-added products; the percentage of manufactured goods has leaped from 28 percent of total exports in 1980 to 67 percent in 1990.

### *Social-Political*

We have now worked the environmental and economic content in some depth. We should look further into social and political issues to see if they have a bearing on the hypothesis. Exhibits and the section "Social Conditions" inform us that the Bumiputras—the indigenous groups including the Malays and others—have enjoyed 2.7 percent annual growth in terms of household income as compared to 1.4 percent for the Chinese. Rising prosperity across all ethnic groups promotes stability, which is the foundation of economic growth. Although Malaysia has not performed at the level of the "Asian Tigers" such as Singapore and South Korea, it has fared well

considering that the Tigers have homogeneous populations and Malaysia does not.

"Political Structure" is brief; perhaps the most significant conclusion we can take from it is that Malaysian politics are a carefully orchestrated balancing of ethnic groups. The majority leads this national coalition but doesn't pursue its self-interest at the expense of other groups. The majority has the political power to mandate policies that essentially confiscate wealth from other groups. In that context, the NEP appears to be a restrained policy.

We can now add some additional points to the framework of our argument:

SOCIAL-POLITICAL

- Abrupt and sustained reductions in GNP will result in a declining standard of living that would fall most heavily on those with low incomes: the majority Malays.
- If the economic progress of the majority is reversed, the result will be social distress (e.g., rising unemployment) and that could ignite political conflict.
- The majority could demand that the government funnel more wealth to it, disrupting the political system and destabilizing the economy.

The evidence we have compiled is consistent with the hypothesis. If we use just the economic data available to us, we can assert that over time, the export of logs will dwindle. But there are two nagging points. Logging needs careful management to make sure that it can sustain domestic value-added manufacturing, and "careful management" could be viewed differently by Malaysia and Western nations.

Nevertheless, we cannot help but notice that the state of Sarawak is mentioned frequently as a trouble spot for timber harvests. The state has had difficulty managing logging, and there is a cryptic reference to the questionable behavior of Japanese trading firms. In the final major section of the case, we learn that both the state and federal governments invited an international timber organization to assess the situation in Sarawak. To reach a sustainable timber harvest, the group recommended an immediate 50 percent cut in production, but Sarawak hasn't complied, despite assurances that it would.

In the process of proving a conclusion about a case, you may come across an issue that doesn't fit in the argument you are making. That is what is happening here. When this happens, you need to consider whether the issue works against the position you're crafting or is one of the almost

inevitable complications case situations throw at readers. The only way to answer the question is further study.

The government belongs to an international organization, has signed an agreement to manage its forests responsibly, and has promised to make a big cut in production. Shouldn't the government keep its word and clamp down on unauthorized logging? The inability to make good on these commitments points to a problem, and it could make foreign investors question putting money into the country. Governments that don't keep their word usually aren't good for business. Malaysia's international image could also take a hit, making other governments less willing to work with the country.

The Sarawak situation deserves a closer look. The state has enjoyed the highest rate of growth in household income in the country from 1976 to 1990, according to case exhibit 7. At the same time, the timber harvest shows a huge increase from 1980 to 1990 (case exhibit 10, section B), and almost all of the harvest has been exported, primarily to Japan (case exhibit 10, section C). The two trends correlate: the people of Sarawak have been making a good deal of money by cutting down their forests at an unsustainable rate and selling them to the Japanese.

How can this happen? Here are some relevant facts and inferences:

- Japanese trading companies appear to be encouraging excessive logging since it provides them with a low-cost source of timber.
- The assignment of logging concessions is not transparent, and there is evidence of blatant self-dealing in Sarawak.
- There is evidence of illegal logging in Sarawak.
- Gross understaffing hampers enforcement of logging limits in Sarawak.
- The state and federal governments appear to be more interested in blaming each other than doing anything about the problem.

Recalling information in "Social Conditions" in the light of the above facts, we can infer that the NEP overlay on the national economic strategy has left the door wide open to corruption. We can make the following inferences:

- Japanese trading companies pay off Chinese businesspeople, the real owners of logging concessions.
- The Chinese pay off their nominal Malay partners required by the NEP.
- The Chinese "silent partners" or the Malay nominal owners pay off the appropriate state and federal officials, who obstruct enforcement and allow the logs to be cut and exported.

Now we need to think about modifying our hypothesis. Is this just an interesting side issue of the case, or is it something more central? Corruption can corrode economic development in multiple ways. We can add to our basic position that the country should deal with the corruption driving logging in some parts of the country:

> *Malaysia should make no changes to its basic economic policies, but the government should honor its international commitments and gradually reduce illegal logging.*

This position seems to conform to the evidence, but it may not be realistic given the politics of a heterogeneous population. We do not have much evidence to work with on Malaysian politics—primarily, "Social Conditions" and "Political Structure." Perhaps the country should deal with the corruption associated with logging but move slowly to avoid disturbing the social and political equilibrium brought about by the NEP. The revised hypothesis acknowledges the concerns of external critics but balances that with internal considerations.

## 5. ALTERNATIVES

The criteria and evidence have led us to grapple with the mix of policies that best serves Malaysia's long-term interests. The case attempts to portray the situation from a position of political and ethical neutrality. The criticism of environmentalists in the developed world is reported and not judged as fair or unfair. We are forced to dig into the facts to decide for ourselves, and we find that the criticism may be factually correct, but it doesn't take into account a variety of mitigating factors.

The NEP is not condemned as an obvious violation of free market principles or championed as an engine of economic equality. The case provides data on the NEP that shows progress toward its stated goals. Yet the case also furnishes evidence of negative consequences. Unsustainable logging does not help long-term development. But is it so harmful that the central government should take dramatic steps to curb it? Are there other ways to assist the majority in raising their standard of living without the distortions and dangers of the NEP? Or is the mix of positive and negative factors appropriate to Malaysia's state of development? Should any significant changes be made now when the development model seems to be succeeding for the most part?

Your hypothesis is influenced by your experience, values, and cultural background as well as by the evidence. The case can be viewed as a conflict between critics from wealthy developed nations who can afford the luxury of environmental concerns and leaders of a developing nation who are trying

to improve the lives of their people. The perspective can be reversed: groups in the West are trying to protect the environment in all parts of the world, not just developed nations, because that is in the best interests of the global population. As much as possible, we should try to recognize the importance of both the world ecosystem and the best interests of millions of people living in a developing country.

We have gone far enough to demonstrate a case analysis. Your responsibility would be to decide on a final position—a recommendation to the prime minister—and to have evidence at hand to support the recommendation as convincingly as you can. But it's also important for the learning process that you also have in mind questions provoked by study of the case. Each of them can be a path to further learning, for you and for everyone else in a case classroom.

## CONFIDENCE IN A CONTENTIOUS WORLD

It is not easy to prove something. There are situations in which an audience has a low threshold of proof, but generally, with an internal audience in a company, a group of potential investors, or an MBA class, proving a controversial position is hard work. To be persuasive you need to be able to perform an adequate analysis of the situation.

Developing a proof requires multiple skills. Yet confidence has a lot to do with it too. You need to keep in mind the standard of proof for a position on a case: reasonable and actionable, not scientific certainty. In other words, *are you confident that your argument takes into account the major pieces of evidence in the case?* as opposed to, *are you satisfied that your argument is true and excludes all other possible arguments?* Many new case method students tacitly assume that the standard of proof for an interpretation of a case is the scientific one. They try to build an airtight proof, working against a standard they can never achieve because the case content simply does not allow it.

A second point to keep in mind is a variation on the test of optimism versus pessimism: Is the glass half full or half empty? Students can focus obsessively on the half-empty part of the glass: what they don't know about the case. You are far better served by focusing on what you *do* know about the case and working from that to create more knowledge.