

## Strategic Case Studies: Aide de Memoir

*By Dr. T. Power*

During your courses at Royal Roads, a number of you have already had significant exposure to case studies. In my opinion, nowhere is the use of case studies as an educational tool more important than in the studies relating to the practice of strategic analysis. The ability to gain 'real world' experience in crafting and implementing strategy, short of putting your own money on the line, is best derived through the case study method.

Royal Roads University strategy courses adopted the Harvard case study model in 2001. Just as your peers in the study of medicine work on cadavers, you'll have the opportunity to think and behave as practicing professionals in the roles you will be expected to play when you leave this institution: business managers!

It is my expectation by the time we conclude our short sojourn together, you will have developed a set of approaches and 'tricks of the trade' to assist you in analyzing cases.

You'll find strategic studies classes place heavy reliance on critical thinking skills and the ability to create convincing arguments to succeed in supporting your position.

Kipling said:

*"I keep 6 honest serving men (they taught me all I knew): Their names are what and why and when: and how and where and who."*<sup>1</sup>

I expect you to maintain Kipling's questioning approach as a key thought in your mind as you undertake your analysis of the cases. Full and complete answers to Kipling's questions (what, why, when, how, where and who?) will provide you with the issues, problems, choices and information that you'll consider in order for you to select the appropriate course of action for each case.

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<sup>1</sup> From *The Elephant's Child* (1902)

From time to time, specific question may be provided to you for specific examination relating to the case study selected for that day, but when preparing for your case discussions, you may also find the following lists of generic questions useful as the questions will no doubt have application in all case studies. Generally, the questions will answer this question: *“If you were X (the focal person), what is your analysis of the situation, what action would you take, and why?”*

Identify:

- Who is the decision maker in the case?
- What decision is to be made?
- What are the decision maker’s objectives?
- Are there other important actors? What are their objectives?
- What are the key issues, points, or questions that must be addressed or resolved in order to reach a decision?
- What is the environment in which the decision is to be reached, i.e. specific constraints and opportunities affecting the decision?
- What specific alternative actions can the decision maker take? With what consequences?
- What would I do? Why?

There are no ‘approved solutions’ to the issues that we will identify. Providing your position is evidenced based, not merely rhetoric, you will achieve the aim of the exercise.

Unlike research cases where the thinking is done and the answers are already reached, the carefully selected strategic teaching cases used in this course are not at all like cases used in academic and other professional research disciplines.

Our teaching model will be Socratic in nature with a heavy reliance on dialogue. Lectures in strategic studies will be minimal. Your responsibilities are the 4 Ps:

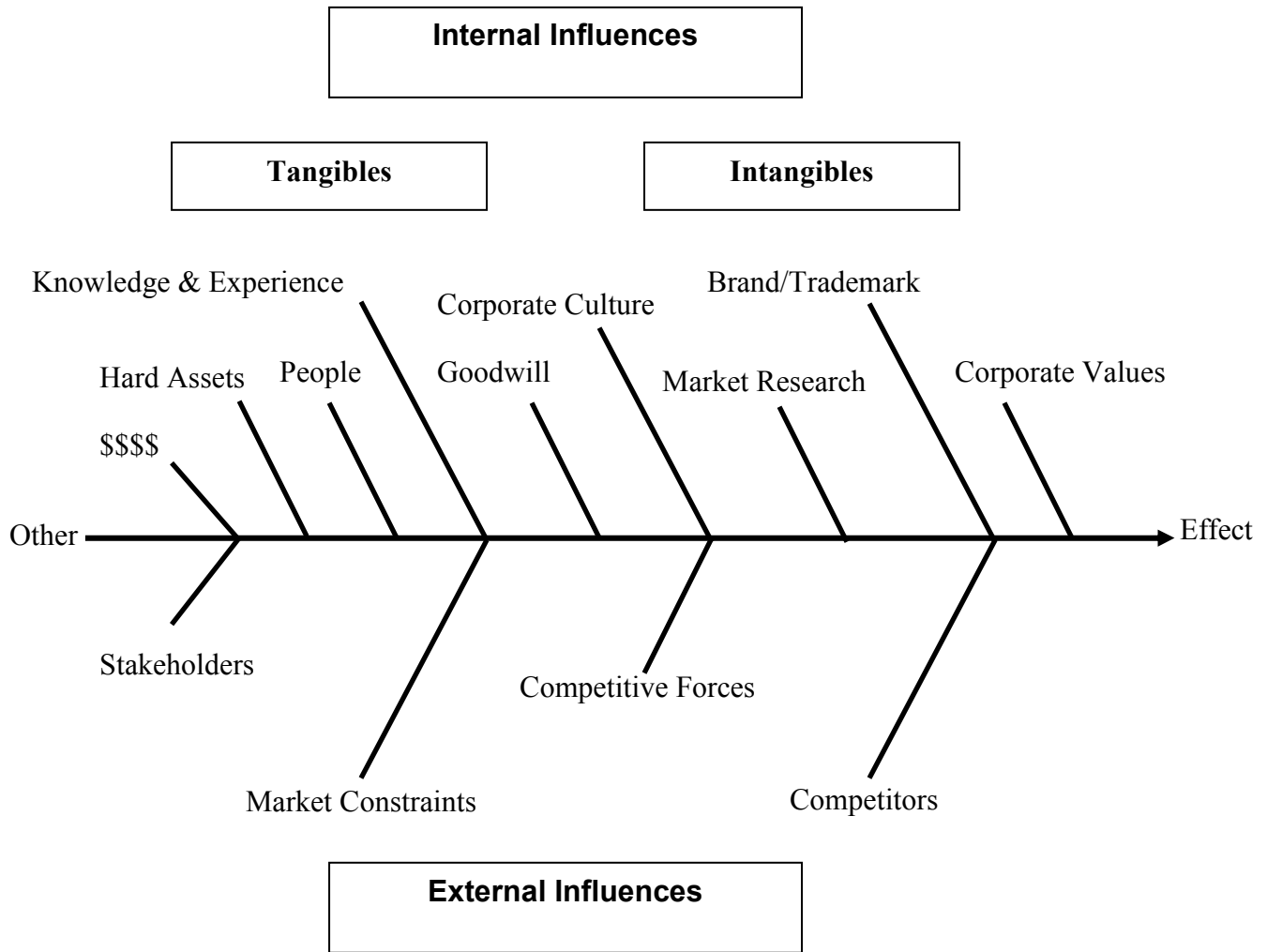
preparation, promptness, presence, and participation; I will facilitate, and you will lead the case discussion. In this course, I assume:

- both you and I will assume responsibility for learning;
- that the flow of information knowledge and ideas will be mutual;
- your duty is to accept responsibility for your own learning by being prepared to contribute, and to take the chance to express your own ideas frequently;
- you'll find the course to be more work but also more fun than some other courses you've taken at Royal Roads;
- you may be uncomfortable with the dynamics that will be fluid and surprising, as no two case discussions are alike and the participants are not the same. It may therefore seem somewhat disconcerting, but the results will be more intellectually stimulating and rewarding.

My goal is that by the end of the course, you will be competent and confident in critical thinking and in the skills of argument persuasion.

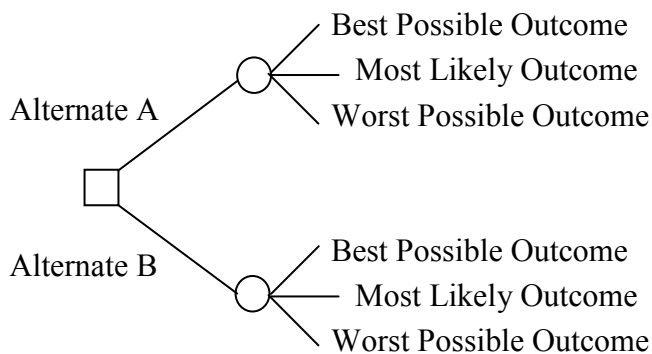
The preparation of a case chart (doodling) is sometimes helpful to identify the core issues rather than the symptoms. I recommend that, prior to class, you prepare a chart for *every* case and have them available with your speaking notes. On occasion, without giving you prior notice, I will ask for your chart(s) and notes for submission.

**Cause and Effect Model (Doodling)**



**OR**

**A Decision Tree (Doodling)**



You will also find additional material, which I recommend, entitled “*A Guide to Case Analysis*” in the textbook.

## **Process**

From time to time, our daily process for case analysis will be conducted in 3 stages:

1. Your case preparation at home
2. Ten-minute team-based analysis during class
3. Class discussion

When working through the 3 stage process, I recommend you undertake the following steps:

### **Step one**

In 15-20 minutes (no matter how long the case):

- read the first and last paragraphs;
- answer who, what, how, when, and why;
- take a quick look at case exhibits;
- do a quick review of case sub-titles;
- skim case body;
- read assignment question(s) and reflect.

By the end of stage one, you should have a solid perspective and sense of direction to allow for a more in-depth look at the subject case.

### **Step two**

#### *Part 1*

Read the case in detail. The opening sets the stage; read quickly through the opening but halfway through, slow down and start making notes so that you can begin your analysis. Remember to read the assignment questions as you undertake these steps. Prepare your case ‘doodling’ chart.

#### *Part 2*

Apply the following case solving process to your case:

- Define the issue
- Identify the internal and external influences
- Analyze the case data and probe to identify the root causes
- Select decision criteria (qualitative and quantitative)
- Generate alternatives
- Analyze and evaluate alternatives
- Select preferred alternative
- Develop an action implementation plan

I hope you find these materials a helpful addition to the text materials.

## **SUMMARY OF KEY FINANCIAL RATIO FORMULAE**

A requirement in almost every business case is to examine the strategic and financial objectives in order to ascertain whether or not the organization current strategy is working. The metrics for the financial objectives are ratios. Here are some of the most common ratios that you will encounter on this program. It is very important to understand what information can be drawn from your computations. You should memorize at least a half dozen of the most common every day ratios such as the price / earning P/E ratio. It is anticipated that you will have command of these ratios by the time you have completed the program.

<b>Category</b>	<b>Item</b>	<b>Formula</b>	Evaluation indicator (for an increase in indicated item)
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<b>Category</b>	<b>Item</b>	<b>Formula</b>	<b>Evaluation indicator (for an increase in indicated item)</b>
Profitability	Gross Margin (%) (Gross Profit Rate)	Gross Profit/Net Sales	F
Profitability	Net Margin (%) (Profit Margin)	Net Income/Net Sales	F
Profitability	ROE (Return on Common Shareholders' Equity)	Net Income/Average Equity	F
Stability	Debt to Assets	Total Liabilities/Total Assets	A
Stability	EBIT Interest Coverage (Times Interest Earned)	Earnings before interest expense and taxes (EBIT)/ Interest Expense	F
Stability	EBITDA Interest coverage (Cash Interest Coverage)	Earnings before interest expense, depreciation, amortization and taxes (EBITDA)/Interest Expense	F
Liquidity	Current Ratio	Current assets/Current Liabilities	F
Liquidity	Acid Test (Quick) Ratio	(Cash + Marketable securities + Receivables)/Current Liabilities	F
Efficiency	Age of Receivables (in days)	(Average Receivables/Sales) X 365	A
Efficiency	Inventory turns (X) –an alternative to age of inventory	Cost of Goods sold/Average Inventory	F
Shareholder Value	Earnings per share (EPS)	Net income attributable to common shareholders/ weighted average number of common shares issued and outstanding	F
Shareholder Value	Book value per common share	Total common equity/ number of common shares issued and outstanding	F
Shareholder Value	Price Earnings Ratio (P/E)	Price per share/EPS	F
Shareholder Value	Price to Book	Price per share/(book value per share)	F

## Notes

- Equity for unincorporated business is the total value of the capital accounts of the proprietor/partners

2. Common Equity for companies is made up of common stock + retained earnings + foreign currency translation surplus (if any)
3. When banks make credit assessments of private companies they will, in many cases, treat shareholders' loans that have no set repayment date as another form of equity. We follow the same practice in this course.
4. Increases in ratios labeled with an F are considered to be favorable; increases in ratios labeled with an A are considered to be adverse movements.
5. The ratios listed in this Appendix are intended to be consistent with the definitions in Financial Accounting by Kimmel, et al.

I know you will enjoy the experience... Good luck "Doodling".