CASE STUDY GUIDE

1. Reading a Case Study

- When you read the case for the first time, resist the temptation of discussing the case with your team members and generating solutions. Instead, during the initial read, establish who the decision maker is and what decision needs to be made.
- Read the first paragraph and then the last. That will allow you to form a picture of what the case is about and the preliminary understanding of the issues facing the decision-maker.
- Read the case carefully and take quick notes. Armed with an initial understanding, you are now prepared to assess the relevance and importance of specific case facts. Highlighting the case facts at this stage will help you to be able to quickly extract them and use them effectively in your analysis.
- Highlight any questions raised by the principal actors or characters: they usually indicate what work is expected (e.g., answers to specific questions, specific types of case analysis, or evaluation of specific alternatives).
- Identify key goals of the organization, industry key success factors (if they are made explicit), and important constraints (e.g., the urgency of a decision, or the lack of resources or expertise).
- Consider what analysis methods to perform with the case facts you have identified as relevant and important.
- Subsequent reads of the case will likely be confined to rereading the notes you made on specific sections of the case as you undertake your analysis.

2. Analyzing a Case Study

Over the course of your competition prep, you will face a variety of cases. All of the cases will be in written format. The length of cases will vary, as will the breadth and complexity of issues they cover. As well, some cases will direct and limit the scope of your analysis, while other cases will pose general questions and require a more skilled approach to case analysis.

Regardless of the size and scope of the case, case analysis involves five basic steps:

1. Identify the issues, problems, and opportunities.
2. Analyze the issues, problems, and opportunities.
3. Develop and evaluate alternative solutions.
4. Make recommendations for action.
5. Implement your recommendations for action.

3. Performing a Case Study Analysis

3.1. Identify the Key Concern

The first step in analyzing a case is to identify the organization's issues, problems, and opportunities (collectively referred to hereafter as "key concern") that you will attempt to resolve. A clear understanding of the key concern is paramount; otherwise, your analysis and your generation of alternative solutions will lack the necessary focus. Although some cases will direct your attention toward specific issues, a considerable degree of judgement is usually required to identify the key concern.

3.1.1. Pay attention to the questions

Questions from two sources provide important clues about the key issue:

a. **The principal actors or characters in the case**. These clues are thoughts or direct questions raised by the principal actors themselves. You can usually find these clues at the beginning or end of a case, but they might also be sprinkled throughout the case.
b. **The author of the case**. The case narrator sometimes provides attention-directing questions at the end of the case.

If, in your analysis, you have not answered all of the questions posed in the case, you have likely either omitted an important issue or become sidetracked by minor concerns. Moreover, even if you have resolved some issues, if you have not addressed all of the questions posed in the case, your analysis will likely fail to totally satisfy your client (the judges).

Especially in international competitions where the cases are, in general, more complex, the judges could expect you to look beyond the more obvious key concern or those suggested by the case principals to consider issues that people close to the situation could have overlooked. You should address these supplementary issues in addition to, not instead of, addressing the specific requests posed by the principals in the case.

3.1.2. Distinguishing Symptoms from Key Concern

To correctly identify the issues, it is important to distinguish between symptoms and underlying causes. Your goal should be to focus on the underlying causes. To uncover them, ask the question "Why?" until you can no longer provide a satisfactory answer.

For instance, an organization might be suffering from low productivity. Asking why productivity is low might lead you to conclude that employee morale is low and that employees are not motivated to perform well. Probing further, you might find that both of these issues arise because the reward system does not adequately recognize good performance. Low productivity and employee morale are symptoms of the underlying cause.

Alternatively, an organization might be plagued by low customer retention. Asking why customers are going elsewhere might lead you to conclude that customer service is poor, product defect rates are high, existing competitors have improved their products, and a new competitor has entered the market. The last two items are root causes because asking “why” will not lead to further answers. Therefore, they are issues to resolve even though they are not within the organization’s control. Asking “why” for the first two items might lead you to the third issue, namely that the company’s goals and reward system emphasize efficiency rather than product quality.

3.2. Analyzing the Key Concern

Analysis involves examining the issues in detail. It requires that you dissect the issues and consider them closely to understand their nature and key elements.

3.2.1. Use Case Facts

One aspect of analysis is using case facts to develop a detailed understand of the issues. You can use the case facts to help build logical arguments, develop findings, and draw educated inferences rather than casual guesses. For instance, if the key concern in an organizational behavior case is inadequate managerial training, facts from the case should indicate that the training provided to managers did not sufficiently clarify decision making processes or how to delegate tasks, or both. Or, for a marketing case, an issue with increased competition might be supported by the case facts describing the entrance of new competitors into the market, new products introduced by the competitors, or price reductions offered by competitors.

Many important case facts are contained in the case’s figures and exhibits. These case facts could include data about the worldwide market size, the competition, the company’s revenues and profit, industry sales, product prices, or organizational charts. Study each figure or exhibit to determine the key insight it offers. Go beyond the specific facts highlighted in the body of the case; figures and exhibits usually include additional facts that can be interpreted in other ways to enhance your analysis.

3.2.2. Use Business Concepts, Models, and Tools

Another aspect of analysis is the use of business concepts, models, and tools to analyze the issues. For example, in a marketing case, you could apply the model of a product life cycle or the concept or the four P’s; you could also calculate market share and changes in market share. To analyze issues in a finance case, you could use tools such as contribution margin analysis or the profitability ratios. In an integrated strategic management case, you might apply the concepts of the value chain and competitive advantage, compute financial ratios, and apply tools such as the Porter’s Five Forces framework.

You are expected to use your discretion in selecting the most relevant models to apply. For some cases, the analysis will largely rely on qualitative models, and for others, large quantitative.

4. Core to the Case

Core questions to think about when analyzing the company and the external industry and market.

INTERNAL
Profits and revenues for the last three years?
● Get a feel for the size of the company. ● Is it public or private?
Customer segmentations? Product mix?
● Who are the customers? ● What products do we offer?
Costs / Margins?
● What are the costs and margins associated with the product? ● Any recent changes?
Production capabilities and capacity?
● Ability to expand. ● Running at full capacity? If not, why not?
Brand?
● How strong is the brand? ● Is it the market leader, or strength has faded?
Distribution Channels?
● How are the products/services distributed? ● How can the company expand its channels?
What constitutes success?
● Different from Key Concern. ● Conjure what success means to the client (larger market share, etc.)

EXTERNAL
Market size, growth rate, and trends?
● How is the industry doing overall? ● How is the company growing compared to the industry?

Industry drivers?
● Are they brand, price, content, size, economics, technology, geopolitical events, bargaining power of buyers, bargaining power of suppliers, or distribution channels?
Customer segmentation(s)?
● Which customer segments is the company going after? ● How big is the target market?
Industry changes
● Any major changes within the industry? i.e.: New players, new technology, mergers, new regulations
Distribution channels?
● What are the major distribution channels within the industry? i.e.: Think of all the ways you can watch a movie.
Major players and market share?
● Who are the competitors and how much market share do they have? ● Is it a fragmented market or dominated by one or two main players?
Product differentiation?
● How do competitors differentiate their products/services?
Barriers to entry/exit?
● Barriers to Entry i.e.: Access to capital, distribution channels, raw materials, human talent, government regulations, customer loyalty, market domination by major players ● Barriers to Exit i.e.: Massive investment, non transferable fixed assets, contract requirements with suppliers, government requirements such as tax breaks from state in exchange for employment, high cost of leaving market.

4.1. Four Key Case Scenarios

Most case studies have a concern/issue that revolves around one of the four key scenarios below. I’ve outlined steps to analyzing each of these scenarios and questions that will help you solve the case.

<table>
<tr><th colspan="2">PROFIT AND LOSS ISSUES</th></tr>
<tr><td>Step 1 - Revenues</td><td>

What are the major revenue streams, and what percentage of the total revenue does each stream represent?
Does anything seem unusual in the balance of percentages?
Have the percentages changed lately? If so, why?

If profits are declining because of a drop in revenues, concentrate on marketing and distribution issues.
If profits are declining because of rising expenses, then concentrate on operational and financial issues - e.g., COGS, labor, rent, and marketing costs.
If profits are declining, yet revenues have gone up, then review changes in costs, any additional expenses, changes in prices, the product mix, changes in customers' needs.

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<tr><td>Step 2 – Costs</td><td>

Any major shifts in costs? Do any costs seem out of line?
If we benchmarked our costs against our competitors' costs, what would we find?

Ways to Cut Costs, if Needed:

Labor

Cross-train workers.
Cut overtime.
Reduce employer 401(k) or 403(b) match.
Raise employee contribution to healthcare premiums.

Production

Invest in technology.
Consolidate production space to gain scale and create accountability.
Create flexible production lines.
Reduce inventories 0IT).
Outsource.
Renegotiate with suppliers.
Consolidate suppliers.
Import parts.

Finance

Have customers pay sooner.
Refinance your debt.

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	- Sell nonessential assets. - Hedge currency rates. - Redesign health insurance.

ENTERING A NEW MARKET ISSUE	
Step 1 - Questions About the Company & Market	Refer to Core Lists from before
Step 2 - Investigate the market to determine whether entry makes good business sense	- Who are the competitors, and what size market share do they have? - How do their products differ from ours? - How will we price our products or services? - Are substitutions available? - Are there any barriers to entry? i.e.: capital requirements, access to raw materials, access to distribution channels, and government policy. - Are there barriers to an exit? How would we exit if this market sours? - What are the risks? For example, market regulations or technology.
Step 3 - If we decide to enter this market, we need to figure out the best way to do so	- Start from scratch and grow organically. - Acquire an existing player from within the industry. - Form a joint venture/strategic alliance with another player with a similar interest. What can each side bring to the venture? - Outsourcing. This is not necessarily a "bad" word.

PRICING ISSUE	
Step 1 – Investigate the Company	- How big is it? What products does it have, and is it a market leader in this field? - What is the objective: profits? market share? or brand positioning? - Is it in charge of its own pricing strategies, or is it reacting to suppliers, the market, and competitors?
Step 2 – Investigate the Product	- How does it compare with that of the competition? - Are there substitutes or alternatives? - Where is the product in its growth cycle?

	○ If a product is in its **emerging growth stage**, concentrate on R&D, competition, and pricing. ○ If a product is in its **growth stage**, then emphasize marketing and competition. ○ If a product is in its **mature stage**, focus on manufacturing, costs, and competition. ○ If a product is in its **declining stage**, define niche market, analyze the competition's play, or think exit strategy.
Step 3 – Determine a Pricing Strategy	● **Competitive Analysis** ○ Competitor's prices ○ Competitor's prices compared to ours ○ Substitutions ○ Consumer buying habits ● **Cost-based Pricing** ○ COGS – What does it cost to make? ○ What's our breakeven point? ○ What size profit margin can we add? ● **Price-based Costing** ○ What are people willing to pay for this product? *If they're not willing to pay more than what it costs you to make the product, then it might not be worth making.* ○ What's it worth to them compared to other things? ○ Also consider what your product will be worth to the buyer. *Compare it with other products or services in their lives. What did they pay in those cases?*

GROWTH AND INCREASING SALES ISSUE	
Option 1 – Increase Volume	● Expand the number of distribution channels. ● Increase product line through diversification of products or services (particularly with products that will not cannibalize sales from existing products). ● Analyze the segments of the business that have the highest future potential. ● Invest in a marketing campaign. ● Acquire a competitor (particularly if the question is about increasing market share). ● Adjust prices (lower them to increase volume and raise them to decrease demand or increase profits).

	● Create a seasonal balance. (Increase sales in every quarter - if you own a nursery, sell flowers in the spring, herbs in the summer, pumpkins in the fall, and Christmas trees and garlands in the winter).
Option 2 – Developing a New Product	● **About the Product** ○ What's special or proprietary about it? Is the product patented? For how long? ○ Are there similar products out there? Are there substitutions? ○ What are the advantages and disadvantages of this new product? ○ How does this new product fit in with the rest of our product line? ○ Can our sales force sell it? ● **About Market Strategy** ○ How does this strategy affect our existing product line? ○ Are we cannibalizing our own sales from an existing product? ○ Are we replacing an existing product? ○ How will this strategy expand our customer base and increase our sales? ○ What will the competitive response be? ○ If we are entering a new market, what are the barriers to entry? ○ Who are the major players and what are their respective market shares? ● **About Customers** ○ Who are our customers and what is important to them? ○ How are they segmented? ○ How can we best reach them? (Think about distribution & marketing channels! How do you get product, service, marketing to them?) ○ How can we ensure that we retain them? ● **About Funding** ○ How is this product being funded? ○ Does our company have the cash or are we taking on debt? ○ Can we support the debt under various economic conditions? ○ What is the best allocation of funds?

Option 3 – Starting a New Business	● **Who is our Competition?**
	  ○ What market share does each competitor have?
	  ○ How do competitors' products or services differ from ours?
	  ○ Are there any barriers to entry or exit?
	● **Management**
	  ○ How experienced is the management team?
	  ○ What are its core competencies?
	  ○ Have they worked together before?
	  ○ Is there an advisory board?
	● **Distribution Channels**
	  ○ Which, and how many, distribution channels can we rely on?
	● **Products and Services**
	  ○ What is the product, service, or technology?
	  ○ What is the competitive edge?
	  ○ What are the disadvantages?
	  ○ Is the technology proprietary?
	● **Customers**
	  ○ Who are the customers?
	  ○ How can we best reach them?
	  ○ How can we ensure that we retain them?
	● **Finance**
	  ○ How is the project being funded?
	  ○ What is the best allocation of funds?
	  ○ Can we support the debt under various economic conditions?

Option 4 – Competitive Response	● **Competitor Introduces New Product and Increases Their Market Share**
	  ○ What is the competitor's new product and how does it differ from what we offer?
	  ○ What has the competitor done differently? What changed?
	  ○ Have any other competitors picked up market share?
	  ○ Have the consumer's needs changed?
	  ○ Did they increase or expand into new channels?
	● **Potential Responses**
	  ○ Analyze our current product and redesign, repackage, or move upmarket.

	○ Introduce a new product. ○ Increase our profile with a marketing and public relations campaign. ○ Build customer loyalty. Cut prices. ○ Lock up raw materials and talent. ○ Acquire the competitor or another player in the same market. ○ Merge with a competitor to create a strategic advantage and become more powerful. ○ Copy the competitor.
Option 5 – Dealing with Companies in Trouble / Turnaround	● **Analyze the company and industry.** ○ Why is it failing? Bad products or services? Bad management? Bad economy? ○ Are our competitors facing the same problem? ○ Do we have access to capital? ○ Is the company publicly traded or privately held? ● **Potential Actions:** ○ Learn as much as possible about the company and its operations. ○ Analyze services, products, and finances. ○ Secure sufficient financing so your plan has a chance. ○ Review the talent and temperament of all employees and get rid of the "dead weight." ○ Determine short-term and long-term goals. ○ Devise a business plan. ○ Visit clients, suppliers, and distributors - and reassure them. ○ Prioritize goals and get some small successes under your belt ASAP to build confidence.

4.2. Common Strategic Analysis Models

4.2.1. Analyzing the Macro Environment - PESTLE

PESTLE is a framework or tool used to analyze and monitor the macro-environmental factors that may have a profound impact on an organization's performance. This tool is especially useful when starting a new business or entering a foreign market. The acronym stands for Political, Economic, Social, Technological, Legal, and Environmental factors.

P Political	E Economic	S Social	T Technological	L Legal	E Environmental
• Increasing political focus on healthcare • Global governments look for healthcare savings • Britain voted to leave Europe causes political turmoil	• Increasing labor cost • Inflation • Consumer confidence is low • Low fuel prices and interest rates helps promote growth in market capacity	• Increasing attention in healthcare	• Opportunity: Advertise through social media	• Hello World Pharmacy was fined $450m for pollution issues	• Adverse weather condition causes the temporary suspension of some factories • Growing attention to environmental protection

Example of PESTLE analysis of a pharmaceutical company.

Political Factors

These factors are all about how and to what degree a government intervenes in the economy or a certain industry. Basically, all the influences that a government has on your business could be classified here.

Factors:

- Government stability/instability
- Corruption level
- Tax policies
- Freedom of press
- Government regulation and deregulation
- Special tariffs
- Political action committees
- Government involvement in trade unions and agreements
- Competition regulation
- Voter participation rates
- Amount of government protests
- Defense expenditures
- Level of government subsidies
- Bilateral relationships
- Import-export regulation/restrictions
- Trade control
- Lobbying activities
- Size of government budgets

Economic Factors

Economic factors are determinants of a certain economy's performance. These factors may have a direct or indirect long-term impact on a company since it affects the purchasing power of consumers and could possibly change demand/supply models in the economy. Consequently, it also affects the way companies price their products and services.

Factors:

- Growth rate
- Interest rate
- Inflation rate
- Exchange rate
- Availability of credit
- Level of disposable income
- Propensity of people to spend
- Federal government budget deficits
- Gross domestic product trend
- Unemployment trend
- Stock market trends
- Price fluctuations

Social Factors

This dimension of the general environment represents the demographic characteristics, norms, customs, and values of the population within which the organization operates. Social factors are especially important for marketers when targeting certain customers. In addition, it also says something about the local workforce and its willingness to work under certain conditions.

Factors:

- Population size and growth rate
- Birth rates
- Death rates
- Number of marriages
- Number of divorces
- Immigration and emigration rates
- Life expectancy rates
- Age distribution
- Wealth distribution
- Social classes
- Per capita income
- Family size and structure
- Lifestyles
- Health consciousness
- Average disposable income
- Attitude towards government
- Attitude towards work
- Buying habits
- Ethical concerns
- Cultural norms and values
- Sex roles and distribution
- Religion and beliefs
- Racial equality
- Use of birth control
- Education level
- Minorities
- Crime levels
- Attitudes towards saving
- Attitude towards investing
- Attitudes towards retirement
- Attitudes towards leisure time
- Attitudes towards product quality
- Attitudes towards customer service
- Attitudes towards foreign people

Technological Factors

These factors pertain to innovations in technology that may affect the operations of the industry and the market favorably or unfavorably. These factors may influence decisions to enter or not enter certain industries, to launch or not launch certain products or to outsource production activities abroad. By knowing what is going on technology-wise, you may be able to prevent your company from spending a lot of money on developing a technology that would become obsolete very soon due to disruptive technological changes elsewhere.

Factors:

- Technology incentives
- Automation
- R&D activity
- Technological change
- Access to new technology
- Level of innovation
- Technological awareness
- Internet infrastructure
- Communication infrastructure
- Life cycle of technology

Legal Factors

Although these factors may have some overlap with the political factors, they include more specific laws. Companies need to know what is and what is not legal to trade successfully and ethically. If an organization trades globally this becomes especially tricky since each country has its own set of rules and regulations. In addition, you want to be aware of any potential changes in legislation and the impact it may have on your business in the future.

Factors:

- Discrimination laws
- Antitrust laws
- Employment laws
- Consumer protection laws
- Copyright and patent laws
- Health and safety laws
- Education laws
- Consumer protection laws
- Data protection laws

Environmental Factors

Environmental factors have come to the forefront only relatively recently. They have become important due to the increasing scarcity of raw materials, pollution targets and carbon footprint targets set by governments. These factors include ecological and environmental aspects such as weather, climate, environmental offsets, and climate change which may especially affect industries such as tourism, farming, agriculture, and insurance.

Factors:

- Weather
- Climate
- Environmental policies
- Climate change
- Pressures from NGO’s
- Natural disasters
- Air and water pollution
- Recycling standards
- Attitudes towards green products
- Support for renewable energy

4.2.2. Analyzing the Industry Environment – Porter's Five Forces

Porter's Five Forces analysis is a framework that analyzes the level of competition within a certain industry. It is especially useful when starting a new business or when entering a new industry sector. According to this framework, competitiveness does not only come from competitors. Rather, the state of competition in an industry depends on five basic forces: threat of new entrants, bargaining power of suppliers, bargaining power of buyers, threat of substitute products or services, and existing industry rivalry. The collective strength of these forces determines the profit potential of an industry and thus its attractiveness. If the five forces are intense (e.g., airline industry), almost no company in the industry earns attractive returns on investments. If the forces are mild however (e.g., soft drink industry), there is room for higher returns.

Threat of New Entrants

New entrants in an industry bring new capacity and the desire to gain market share. The seriousness of the threat depends on the barriers to enter a certain industry. The higher these barriers to entry, the smaller the threat for existing players. Examples of barriers to entry are the need for economies of scale, high customer loyalty for existing brands, large capital requirements (e.g., large investments in marketing or R&D), the need for cumulative experience, government policies, and limited access to distribution channels.

Factors:

- Economies of scale
- Product differentiation
- Brand identity/loyalty
- Access to distribution channels
- Capital requirements
- Access to latest technology
- Access to necessary inputs
- Absolute cost advantages
- Experience and learning effects
- Government policies
- Switching costs
- Expected retaliation from existing players

Supplier Power

This force analyzes how much power and control a company's supplier (also known as the market of inputs) has over the potential to raise its prices or to reduce the quality of purchased goods or services, which in turn would lower an industry's profitability potential. The concentration of suppliers and the availability of substitute suppliers are important factors in determining supplier power. The fewer there are, the more power they have. Businesses are in a better position when there are a multitude of suppliers. Sources of supplier power also include the switching costs of companies in the industry, the presence of available substitutes, the strength of their distribution channels and the uniqueness or level of differentiation in the product or service the supplier is delivering.

Factors:

- Number of suppliers
- Size of suppliers
- Supplier concentration
- Availability of substitutes for the supplier's products
- Uniqueness of supplier's products or services (differentiation)
- Switching cost for supplier's products
- Supplier's threat of forward integration
- Industry threat of backward integration
- Supplier's contribution to quality or service of the industry products
- Importance of volume to supplier
- Total industry cost contributed by suppliers
- Importance of the industry to supplier's profit

Buyer Power

The bargaining power of buyers is also described as the market of outputs. This force analyzes to what extent the customers can put the company under pressure, which also affects the customer's sensitivity to price changes. The customers have a lot of power when there are not many of them and when the customers have many alternatives to buy from. Moreover, it should be easy for them to switch from one company to another. Buying power is low however when customers purchase products in small amounts, act independently and when the seller's product is very different from any of its competitors. The internet has allowed customers to become more informed and therefore more empowered. Customers can easily compare prices online, get information about a wide variety of products and get access to offers from other companies instantly. Companies can take measures to reduce buyer power by for example implementing loyalty programs or by differentiating their products and services.

Factors:

- Buyer volume (number of customers)
- Size of each buyer's order
- Buyer concentration
- Buyer's ability to substitute
- Buyer's switching costs
- Buyer's information availability
- Buyer's threat of backward integration
- Industry threat of forward integration
- Price sensitivity

Threat of Substitute Products or Services

The existence of products outside of the realm of the common product boundaries increases the propensity of customers to switch to alternatives. In order to discover these alternatives, one should look beyond similar products that are branded differently by competitors. Instead, every product that serves a similar need for customers should be considered. Energy drinks like Redbull for instance are usually not considered a competitor of coffee brands such as Nespresso or Starbucks. However, since both coffee and energy drinks fulfill a similar need (i.e., staying awake/getting energy), customers might be willing to switch from one to another if they feel that prices increase too much in either coffee or energy drinks. This will ultimately affect an industry's profitability and should therefore also be considered when evaluating the industry's attractiveness.

Factors:

- Number of substitute products available
- Buyer's propensity to substitutes
- Relative price performance of substitutes
- Perceived level of product differentiation
- Switching costs
- Substitute producer's profitability & aggressiveness

Rivalry among existing competitors

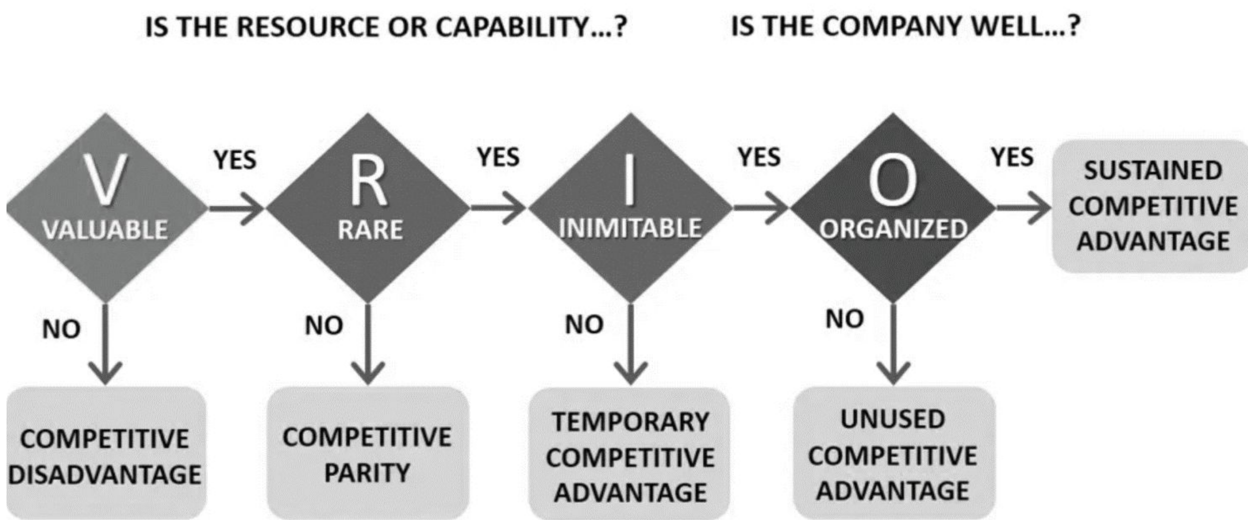
This last force of the Porter's Five Forces examines how intense the current competition is in the marketplace, which is determined by the number of existing competitors and what each competitor can do. Rivalry is high when there are a lot of competitors that are roughly equal in size and power, when the industry is growing slowly and when consumers can easily switch to a competitor offering for little cost. A good indicator of competitive rivalry is the concentration ratio of an industry. The lower this ration, the more intense rivalry will probably be. When rivalry is high, competitors are likely to actively engage in advertising and price wars, which can hurt a business's bottom line. In addition, rivalry will be more intense when barriers to exit are high, forcing companies to remain in the industry even though profit margins are declining. These barriers to exit can for example be long-term loan agreements and high fixed costs.

Factors:

- Number of competitors
- Diversity of competitors
- Industry concentration and balance
- Industry growth
- Industry life cycle
- Quality differences
- Product differentiation
- Brand identity/loyalty
- Switching costs
- Intermittent overcapacity
- Informational complexity
- Barriers to exit

4.2.3. From Firm Resources to Competitive Advantage – VRIO

The VRIO Framework is a perspective that examines the link between a company's internal characteristics and its performance. Firm resources can be defined as '*all assets, capabilities, organizational processes, firm attributes, information, and knowledge controlled by a firm that enables it to improve its efficiency and effectiveness*'. Resources are often classified into categories such as tangible (e.g., equipment, machinery, land, buildings, and cash) and intangible (e.g., trademarks, brand reputation, patents and licenses) or physical, human and organizational resources. For companies to transform these resources into sustainable competitive advantage, resources must have four attributes that can be summarized into the VRIO framework.



Valuable

First and foremost, resources must be valuable. Resources are valuable when they enable a firm to implement strategies that improve a firm's efficiency and effectiveness by exploiting opportunities or by mitigating threats. Another way to assess whether a resource or investment is valuable is by looking at its Net Present Value (NPV), meaning that the costs invested in the resource should be lower than the expected future cash flows discounted back in time.

If none of the resources possessed by a firm are considered valuable, the focal firm is likely to have a ***competitive disadvantage.***

Rare

Secondly, resources must be rare. Resources that can only be acquired by one or few companies are rare. If a certain valuable resource is possessed by many players in the industry, each of the players has a capability to exploit the resource in the same way, thereby implementing a common strategy that gives none of the players a competitive advantage. Such a situation is indicated as competitive parity or competitive equality.

In case a company does possess many resources that are valuable and rare, it is likely to have at least ***temporary competitive advantage.***

Inimitable
Although valuable and rare resources may help companies to engage in strategies that other firms cannot pursue since the other firms lack the relevant resources, it is no guarantee for long-term competitive advantage. It may give the focal company a first-mover advantage, but competitors will probably try to imitate these resources. Another criterion that resources should meet is therefore that they should be hard and costly to imitate or substitute.

If a company's resources are both valuable, rare, and inimitable, the company has a high potential to gain a ***competitive advantage that is sustainable over time***.

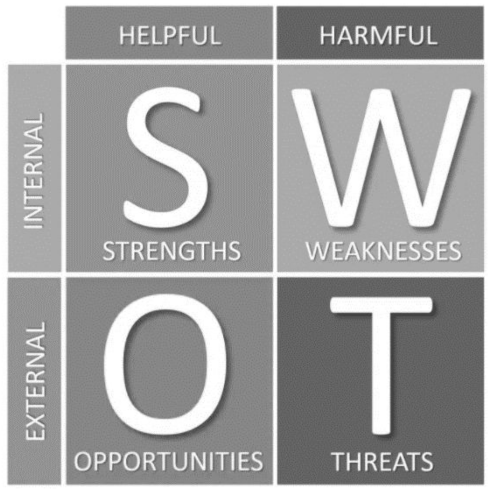
Organization-wide supported
The resources themself do not create any advantage for a company if the company is not organized in a way to adequately exploit these resources and capture the value from them. The company therefore needs the capability to assemble and coordinate resources effectively. Examples of these organizational components include a company's formal reporting structure, strategic planning and budgeting systems, management control systems and compensation policies.

Without the correct organization to acquire, use, and monitor the resources involved, even companies with valuable, rare, and inimitable resources will have ***unused competitive advantage***.

When all four resource attributes are present, a company is safe to assume it has a distinctive competence that can be used as a source of ***sustainable competitive advantage***.

4.2.4. Bringing Internal and External Factors Together – SWOT Analysis

SWOT Analysis is a business framework that helps assess a wide variety of factors that may have a profound impact on a business's performance. These factors may either be internal to a company or external. Furthermore, these factors may either be favorable or unfavorable to a company. By combining these two dimensions one can draw a 2×2-matrix consisting of four quadrants: Strengths, Weaknesses, Opportunities and Threats.



Strengths [Helpful / Internal]

A company's strengths are its characteristics that give it an advantage over competitors. Examples of valuable company resources are patents, a strong brand reputation, a new innovative product, a talented workforce, historically developed know-how and large financial reserves.

Weaknesses [Harmful / Internal]

A company's weaknesses are characteristics that place a company at a disadvantage relative to others. Weaknesses could for example be a lack of patent protection, poor reputation among customers, a small working capital, bad leadership, and an inefficient production process.

Opportunities [Helpful / External]

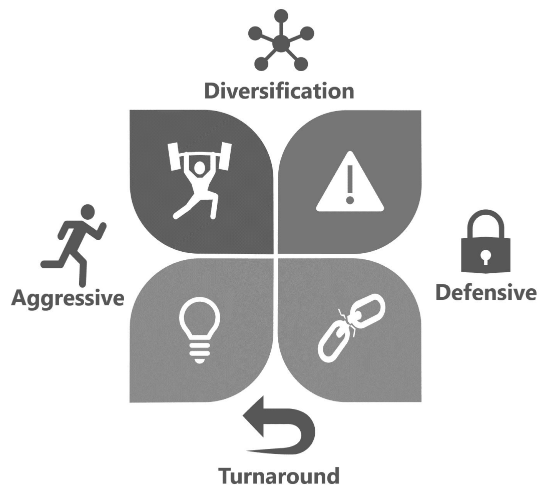
Opportunities are the external factors of the SWOT analysis that may affect a company's performance positively. To assess the opportunities, a company should look for elements in the environment that could be exploited to its own advantage.

Threats [Harmful / External]

The threats on the other hand are the external factors that could cause trouble for the company in the future. Examples of harmful macro-environmental developments *(PESTLE results)* could be an increasing unemployment rate, disruptive technologies, and increasing government corruption levels. In terms of industry specific threats *(Porter's Five Forces result*s), one could think about new competitors entering the arena, the availability of substitute products and increasing bargaining power from suppliers.

4.2.5. SWOT Strategy Diagram

A SWOT analysis helps assess a company's current internal and external situation but does not provide concrete strategic actions to take. One way to map out the strategic options a company has, is by using the SWOT Strategy Diagram. By combining the external environment's opportunities and threats with the internal organization's strengths and weaknesses, we can come up with four basic strategies to follow based on the situation it is in:



*Internal **Weaknesses** and External **Threats** = **Defensive Strategy***

The company in this case has little development opportunities. It operates in a hostile environment and its potential for change is small. It does not have significant strengths, which could withstand threats. The aim of a defensive strategy is to minimize both weaknesses and threats.

Defensive strategy boils down to a pessimistic scenario such as the liquidation of a company or in an optimistic situation – to strive for survival by merging with another organization.

*Internal **Weaknesses** and External **Opportunities** = **Turnaround Strategy***

In this situation the company has more vulnerabilities (weaknesses), but its environment provides plenty of opportunities to resolve that. The Turnaround strategy attempts to minimize the weaknesses and to maximize the opportunities. The strategy should include the exploitation of these opportunities while reducing or correcting weaknesses within the organization.

Outsourcing activities or acquiring another company with the right resources could be an option for example.

*Internal **Strengths** and External **Threats** = **Diversification Strategy***
In this case we see a strong company operating in a hostile environment. The aim of a Diversification strategy is to maximize the strengths of a company while minimizing the threats through these strengths.

A company with strong financial capabilities and cost-reducing skills, could lower its prices to drive out competition.

*Internal **Strengths** and External **Opportunities** = **Aggressive Strategy***
Any company would like to be in a position where it can maximize both strengths and opportunities. Such an enterprise can lead from strengths, utilizing its resources to take advantage of the opportunities the market is offering.

Companies in these situations could think about expanding internationally or expanding their product portfolio to boost revenues.

4.3. Stakeholder Analysis

A stakeholder analysis identifies the relevant internal and external stakeholders (e.g., customers, shareholders, employees, distributors, suppliers, and the local community) and what they need or expect from an organization as it pertains to the dilemma under consideration.

After identifying potential stakeholders and their interests, a company can either align its actions to meet the interests and needs of the stakeholders, or it can manage its relationships with stakeholders by addressing the consequences of the company's actions on them.

Use a grid that summarizes the existing preferences of all stakeholders, the new required preferences (i.e.; to align with a particular alternative), major gaps between stakeholder expectations and corporate actions, and ways to reduce those gaps.

4.4. Key Success Factors

Key Success Factors (KSFs) identify what a company needs to succeed or win in the industry. KSFs include product qualities, organizational capabilities, resources, and market achievements that combine to create value for customers and are critical for long-term competitive success in the industry. An industry usually has one three to four KSFs; rarely are there more than five or six.

Identifying KSFs allows a company to assess its performance against industry KSFs. A company wants to perform well on all KSFs and be distinctively better on one or two to develop a competitive advantage.

COMMON TYPES OF INDUSTRY KSF'S	
Technology	● Expertise in a particular technology or in scientific research (important in pharmaceuticals, internet applications, mobile communications, and most high-tech industries) ● Proven ability to improve production processes (important in industries where advancing technology opens the way for higher manufacturing efficiency and lower production costs)
Manufacturing	● Ability to achieve economies of scales and/or capture learning/experience curve effects (important to achieving low production costs) ● Quality control know-how (important in industries where customers insist on product reliability) ● High utilization of fixed assets (important in capital-intensive, high-fixed-cost industries) ● Access to attractive supplies or skilled labor ● High labor productivity (important for items with high labor content) ● Low-cost product design and engineering (reduces manufacturing costs) ● Ability to manufacture or assemble products that are customized to buyer specifications.
Distribution	● A strong network of wholesale distributors/dealers ● Strong direct sales capabilities via the internet and/or having company-owned retail outlets ● Ability to secure favorable display space on retailer shelves
Marketing	● Breadth of product line and product selection ● A well-known and well-respected brand name ● Fast, accurate technical assistance ● Courteous, personalized customer service ● Accurate filling of buyer orders (few back orders or mistakes)

	• Customer guarantees and warranties (important in mail-order and online retailing, big-ticket purchases, new product introductions) • Clever advertising
Skills and Capability	• A talented workforce (important in professional services like accounting and investment banking) • National or global distributions capabilities • Product innovation capabilities (important in industries where rivals are racing to be first-to-market with new product attributes or performance features) • Design expertise (important in fashion and apparel industries) • Short delivery time capability • Supply chain management capabilities • Strong e-commerce capabilities (a user-friendly website and/or skills in using internet technology applications to streamline internal operations)
Other Types	• Overall low costs (not just in manufacturing) so as to be able to meet customer expectations of low price. • Convenient locations (important in many retailing businesses) • Ability to provide fast, convenient after-the-sale repairs and service. • A strong balance sheet and access to financial capital (important in newly emerging industries with high degrees of business risk and in capital-intensive industries) • Patent protection

5. Develop and Evaluate Alternatives

In this step of a case analysis, you first identify alternative solutions to address the issues you previously identified and analyzed, and then evaluate the advantages and disadvantages of each alternative. The best alternative will resolve more than one identified issue and key success factors.

5.1. Develop Alternative Solutions

When identifying alternative solutions, go beyond the status quo (which might or might not be a viable solution, depending on the company's situation) and beyond identifying a poor alternative and a very good one. Strive to develop multiple viable alternatives that are not chosen with a bias toward or against a particular course of action. Creative thinking will enable you to develop novel approaches. Avoid a premature evaluation of alternatives and try to develop as many alternatives as possible.

Even if you know the course of action the organization ultimately chose, resist the temptation for that knowledge to bias your development and evaluation of alternatives.

5.2. Evaluate the Alternative Solutions

Assessing the advantages and disadvantages of each alternative represents another form of analysis, as is quantifying the financial impact of an alternative. When you evaluate your alternatives, present a balanced assessment of both the advantages (pros) and the disadvantages (cons). Use of biased or one-sided arguments undermines both the usefulness of your analysis and its credibility.

If you have difficulty generating pros and cons, establish a set of criteria for decision making (KSF) and use those criteria to identify pros and cons. For example, in a strategic management case, decision criteria may include the degree to which the action:

- Fits within the organization's mission, value proposition and goals;
- Fits with stakeholder preferences;
- Is profitable;
- Increases market share;
- Enhances the organization's brand;
- Capitalizes on specific external opportunities;
- Helps to mitigate external threats;
- Uses internal strengths;
- Avoids or mitigates internal weaknesses;
- Builds on an existing competitive advantage or helps to create a competitive advantage;
- Requires additional resources or competencies;
- Can be accomplished within the organization's existing structure; or
- Mitigates or increases risks, including environmental and reputational risks.

The principal in the case might have alerted you to some of the decision criteria to be applied. If so, be sure to use those as your starting point in establishing a set of decision criteria.

Measuring alternatives against key success factors also helps to keep the analysis consistent, reducing bias. For instance, by applying the key success factors, you avoid citing a loss of market share as a disadvantage of one alternative but overlooking the same disadvantage in another alternative that is your implicit favorite.

Your evaluation of alternatives should also go beyond obvious disadvantages such as being “costly” or “time-consuming”. A costly alternative might still be highly advisable, especially if it generates sufficient advantages. Almost all courses of action involve some cost and time, so clearly distinguish how these factors vary from one alternative to the next and, when possible, provide evidence. For instance, one potential product line might require a significant push by the sales department to make it successful whereas another might not require as much effort because it fits better with the organization’s existing product lines and target market.

Once you begin to evaluate your alternatives, you will probably be able to quickly discard a few alternatives after some preliminary analysis. For instance, in a strategic management case, one alternative could lie far outside the organization’s existing competencies and contradict one or more of the organization’s clearly stated goals. Discoing one or more unsuitable alternatives will allow you to focus your detailed analysis on the more feasible and more helpful alternatives. Nonetheless, some preliminary analysis is important to ensure that you do not rule out options too quickly as a result of you own biases.

It can sometimes seem expedient to group a few alternative solutions and evaluate them as a package. However, evaluating combined alternatives can be difficult because each component usually has its own pros and cons. Also, evaluating packaged alternative solutions often obscures some of the issues, resulting in an evaluation that is less thorough than if each alternative had been evaluated separately. Therefore, is usually preferable to wait until the recommendation and/or implementation phase to combine alternatives.

5.3. Use Case Facts and Business Models to Evaluate Alternatives

When evaluating alternatives, you will have another opportunity to introduce key facts from the case and to apply results from the models previously utilized to support your analysis. Some of these models will tie directly to the key success factors.

- In a strategic management case, alternatives can be evaluated by assessing their fit with stakeholder’s preferences and by identifying resource gaps that would need to be filled to implement each option.
- In a human resources case, you could evaluate alternative ways to recruit new managers by considering the theoretical pros and cons of various recruitment techniques and assessing their prospects for success, given the company’s specific needs.
- In a finance case, solutions could be evaluated against the company’s required rate of return or payback period.
- In a marketing case, you could demonstrate how a proposed product is designed to meet the needs of the firm’s current target market or how its short development time would allow the firm to begin selling the product before the competition does.

The examples above illustrate that the evaluation of alternatives usually involves some additional analysis. The analysis of the issue and of the alternatives should fit together; the concepts and models used to analyze the issues should be consistent with the analysis of alternatives. The goal is to provide analyses that demonstrate sound argument and logic and are supported by careful use of the case facts and appropriate analytical models.

5.4. Strategy Options

Below are examples of types of strategies companies could take to solve certain issues. This can come in handy when developing alternatives.

TYPES OF STRATEGIES	
Concentrated Growth **Firm develops and exploits its expertise in a delimited competitive arena**	● Increasing present customers' rate of use ○ Increasing size of purchase ○ Advertising other uses ○ Giving price incentives for increased use ● Attracting competitors' customers ○ Establishing sharper brand recognition ○ Increasing promotional effort ○ Initiating price cuts ● Attracting nonusers to buy the product ○ Introducing trial use thru' sampling, price incentives, etc. ○ Pricing up or down ○ Advertising new uses
Market Development **Consists of marketing present products, often with only cosmetic modifications to customers in related market areas**	● Opening additional geographic markets ○ Regional expansion ○ National expansion ○ International expansion ● Attracting other market segments ○ Developing product versions to appeal to other segments ○ Entering other channels of distribution ○ Advertising in other media
Product Development **Involves substantial modification of existing products or creation of new but related products**	● Developing new product features ○ Adapt (to other ideas, developments) ○ Modify (change color, motion, sound, odor, form, shape) ○ Magnify (stronger, longer, thicker, extra value) ○ Minify (smaller, shorter, lighter) ○ Substitute (other ingredients, process, power) ○ Rearrange (other patterns, layout, sequence, components)

	○ Combine (blend, alloy, assortment, ensemble, combine units, etc.) ● Developing quality variations ● Developing additional models and sizes (product proliferation)
Innovation	● Involves creating a new product life cycle, thereby making similar existing products obsolete.
Horizontal Integration	● Acquisitions or mergers of competing businesses.
Vertical Integration	● Acquisitions or mergers of suppliers or customer businesses.
Concentric Diversification	● Involves acquisition of businesses related to acquiring firm in terms of technology, markets, or products (synergy)
Conglomerate Diversification	● Involves acquisition of a business because it represents a promising investment opportunity. ○ Primary motivation is the profit pattern of a venture.
Turnaround Strategy	● Involves a concerted effort over a period to fortify a firm's distinctive competencies, returning it to profitability. ● Cost Reduction ● Asset Reduction
Bankruptcy	● Liquidation ○ Involves complete distribution of a firm's assets to creditors, most of whom receive a small fraction of amount owed. ● Reorganization ○ Involves creditors temporarily freezing their claims while a firm reorganizes and rebuilds its operations more profitably.
Corporate Combination Strategies	● Joint Ventures ○ Involves establishing a third company (child), operated for the benefit of the co-owners (parents)

	- Strategic Alliance
	  - Involves creating a partnership between two or more companies that contribute skills and expertise to a cooperative project.
	  - Exists for a defined period.
	  - Does not involve the exchange of equity.

Outsourcing	- Put business focus on what you do best. - Access to world-class capabilities. - Free up resources for other purposes.

6. Recommendations

6.1. Apply Key Success Factors for Making Sound Recommendations

The next step of case analysis is to choose your recommended solution for the key concern. Your goal is to develop recommendations that are:

- Useful, given the issues that you are trying to resolve;
- consistent with your analysis;
- reasonable, given the organization and its environment;
- feasible, given the organization's resources;
- and convincing to the judges.

Articulate the key success factors you have established and applied in developing your recommendation. If the principal in the case has established the key success factors, your recommendation should explicitly address how your solution meets those criteria.

6.2. Craft Your Implementation

Your recommendation should include sufficient operation-level details to enable their implementation. For example, specify who should implement the recommendation, how, when, and in what priority. You might want to develop a more complete implementation plan and spend most of your presentation on it. This approach helps build a convincing, persuasive argument for your recommendation.

Your recommendation should address all of the issues you identified and should be both supported by and consistent with your analysis. Where appropriate, demonstrate how and why your recommendation would be acceptable to key individuals in the organization. Ensure that the organization is financially able to implement the action plan and has the expertise, time, and other organizational resources necessary to do so.

6.3. Base Your Recommendation on the Information You Have

Avoid recommending that further information be obtained or that additional analysis be completed. Instead, base your recommendation on the information you have, even if you believe more information is needed. Consultants rarely have all of the information they desire. If further analysis is absolutely essential, your recommendation should specifically state what should be done, why, and by whom.

6.4. Evaluate Your Recommendation

Before finalizing your recommendation, take time to evaluate your recommended solution by asking the following key questions:

- Does the recommended solution address the issues identified in the analysis?
- Is there theoretical support for this solution?
- Does the recommendation address the pros and cons identified when you evaluated alternatives?

- Does the recommendation suggest how to mitigate and overcome most of the risks?
- Does the recommendation solution meet organizational goals?
- Is the recommended solution financially viable? Is it feasible from a resource perspective?
- Is the recommended solution acceptable to various stakeholders of the organization?
- Does the recommendation provide sufficient details to enable the organization to implement it?

Being able to answer these questions affirmatively will help your recommendation and implementation meet the criteria of being useful, consistent, reasonable, feasible, and convincing.