

How to do a Case Study

SBMA7103
Strategic Management – Week 5

What is a Case Study?

“The aim of case analysis is to demonstrate an understanding of what the case represents – by interpreting the specific information from the case documents using theoretical concepts and theoretical perspectives which fit the business context under investigation.” (from Lynch, 2015, p. xxii)

- A case study is an account – a narrative (with details) - of a particular set of circumstances within a business or within a business sector which focuses upon the strategic questions facing a particular organisation or enterprise.
- The skill in providing a professional case study is to provide a balance between factual information and theory which enables readers / listeners to acquire an understanding of the strategic issues and opportunities confronting a business (or a business sector).

Why do a Case Study?

There can be several professional / academic contexts within which a case study is needed:

1. To report on what a business did (strategically) when faced with specific circumstances.
2. To explain and illustrate the circumstances a specific business (or sector) faces in the future.
3. To formulate predictions / trends which an entire industry may face – in changing circumstances.
4. To provide a narrative account of competitive rivalry amongst businesses.
5. To explain / justify the need for a collaborative strategy amongst two or more businesses – in response to market conditions.
6. To evaluate strategic decision-making within a business in order to propose changes or modifications to existing strategies.

What belongs in a Case Study?

- Case study materials provided (on Moodle) are **certainly** not sufficient for you to develop a full account of the strategic implications of the chosen case.
- A proper case study has three core ingredients:
 - Analysis and interpretation of the case facts.
 - Application of conceptual and theoretical material which justifies your interpretation.
 - Presentation of your findings with supporting evidence.
- **Above all**, your role (as a strategic manager / business analyst) is to evaluate critically the strategic decisions made and their suitability for the business environment in which those decisions were (are) taken.

How to structure a Case Study

- Decide first upon who you are reporting to (Board of Directors? CEO? Business Owner?).
- A checklist for your report might be:
 - Title Page + Company / Sector name and your own details.
 - Executive Summary (at most one page).
 - Company / Sector situation (strategic issues).
 - Analysis and evaluation of current and future positions.
 - Alternative Options (and their “payoff” / outcomes).
 - Recommendations.
 - Action Plan / Feasibility study (based on analyses of the external and internal business environments).

The scary bit: – “Must I do a financial analysis of the business?”

- **Yes** – but it is not that ‘scary’ (just arithmetic).
- Justifying strategic recommendations has to refer to the (financial) benefits to the business of adopting your strategy.
- Explaining the strategic options available has to be based on the resources available (including financial).
- Most strategic analysts will use some form of **“ratio analysis”** to determine the financial viability of a strategic option – based primarily upon available data from:
 - The company’s balance sheet;
 - The company’s “profit and loss” account

“Must I do Financial Analysis (2)?”

- Typically there are five (5) main groups of **ratios** an analyst / investor / strategic manager will consider when examining the financial viability of strategic options:
 - *Profitability Ratios*: (ROCE = Return on capital employed; ROE = Return on Equity; GPM = Gross Profit Margin; NPM = Net Profit Margin).
 - *Activity Ratios*: (NAT = Net Asset Turnover; Length of SP = Stockholding Period; DCP = Ratio of Debtors to Sales; CPP = Creditor Payment Period)
 - *Liquidity Ratios*: CR (Current Ratio) = Current assets / Current liabilities; Quick Asset Ratio = (Current Assets – stocks) / Current Liabilities.
 - *Capital Gearing Ratios*: (GR) = Long + Short-term borrowing / Capital Deployed; Debt to Equity (DE) = Long + Short-term borrowing / Shareholder funds (equity + reserve); Interest Cover (IC) = Earnings Before Interest (EBIT) / Interest Charges.
 - *Investor Ratios*: Earnings per Share (EPS) = Net Profit / Number of ordinary shares; Price-Earnings Ratio (PE) = Current share market price / Earnings per share; Dividend Yield (DY) = Percentage of dividend per share against current price; Dividend Cover (DC) = EBIT / Total Dividend.

[There is a worked example of how to calculate these ratios on the Lynch web site]

Summary

Remember: the aim of case analysis is to give an account of what the facts of the case represent!

- There are many contexts within which a case study may be needed (comparison, forecasting, evaluating strategic options . . .).
- A Case Study needs three core ingredients: analysis and interpretation of key facts; justifying your interpretation using core concepts and theories; presenting findings and evidence.
- Demonstration of the financial viability / risks associated with a strategic change has to be factored into recommendations about strategic purpose.