

Tenth Edition

CASES IN  
**STRATEGIC MANAGEMENT**



Strickland  
Thompson

# Cases in **STRATEGIC MANAGEMENT**

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**A. J. Stuckland III**

**Arthur A. Thompson, Jr.**

*Both of the University of Alabama*

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Tenth Edition

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## CASES IN STRATEGIC MANAGEMENT

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# Cases in **STRATEGIC MANAGEMENT**

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**To our parents, our wives, and our children**

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# PREFACE

**T**he use of cases to drive home key concepts and principles and to engage students in managerial decision-making continues to be a core component of today's courses in strategic management. We think you will find this collection of cases appealing to students, stimulating to teach, and on target with respect to the leading problems and issues in strategic management.

## THE CASE COLLECTION IN THE TENTH EDITION

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The 34 cases in this edition include 22 new cases not appearing in any of our previous textbooks; 8 cases from the ninth edition of *Strategic Management: Concepts and Cases*; and 4 carryover cases from the last edition of this volume. We've tried to strike a good balance between fresh cases, previously used cases that are still timely and very much on-target with respect to the issues, and proven favorites. To highlight the close linkage between the cases and strategic management concepts, we have grouped the cases under five chapter-related and topical headings. In Section A are five cases spotlighting the role and tasks of the manager as chief strategy-maker and chief strategy-implementer. Section B contains a 13-case grouping where the central issues deal with analyzing industry and competitive situations and crafting business-level strategy. Section C has four cases involving strategy assessments and strategy-making in diversified companies. There are nine cases in Section D, all revolving around the managerial challenges of implementing strategy. Section E contains three cases highlighting the links between strategy, ethics, and social responsibility.

The case line-up in this tenth edition reflects our steadfast preference for cases that feature intriguing products and companies and that are capable of sparking both student interest and lively classroom discussions. At least 19 of the cases involve high-profile companies, products, or people that students will have heard of, know about from personal experience, or can easily identify with. The America Online, Intel, and Acer Computer cases provide students with insight into the special demands of competing in industry environments where technological developments are an everyday event, product life-cycles are short, and competitive maneuvering among rivals comes fast and furious. At least 16 of the cases involve situations where company resources and competitive capabilities play as much a role in the strategy-making, strategy-implementing scheme of things as do industry and competitive conditions. Indeed, we made a special effort to ensure that the cases selected for this edition demonstrated the relevance of the resource-based view of the firm. Scattered throughout the lineup are 11 cases concerning non-U.S. companies, globally competitive industries, and/or cross-cultural situations; these cases, in conjunction with the globalized content of the text chapters, provide ample material for linking the study

of strategic management tightly to the ongoing globalization of the world economy—in proper keeping with AACSB standards. You'll also find 5 cases where the central figures are women, 9 cases dealing with the strategic problems of family-owned or relatively small entrepreneurial businesses, and 18 cases involving public companies about which students can do further research in the library or on the Internet. Six of the cases (America Online, Ben & Jerry's, Callaway Golf, Nintendo vs. SEGA, Bama Pie, and Food Lion) have videotape segments that either are available from the publisher or can be ordered from other sources.

The case researchers whose work appears in this edition have done an absolutely first-class job of preparing cases that contain valuable teaching points, that illustrate the important kinds of strategic challenges managers face, and that allow students to apply the tools of strategic analysis. We believe you will find the tenth edition's collection of 34 cases exceptionally appealing, eminently teachable, and very suitable for drilling students in the use of the strategic management concepts and analytical tools. It is an unusually attractive and stimulating case lineup from beginning to end.

## Company Website Addresses and Use of the Internet

As a prelude to the cases, we have once again included "A Guide to Case Analysis" that gives students positive direction in what case method pedagogy is all about and offers suggestions for approaching case analysis. To this discussion, we have added a new section on how to use the Internet and various online services to (1) do further research on an industry or company, (2) obtain a company's latest financial results, and (3) get updates on what has happened since the case was written. The information available on the Internet is exploding at a rapid-fire pace. We think students will find our list of information-laden Web sites and the accompanying suggestions of how to use the various search engines a time-saving and valuable assist in running down the information they are interested in. And to further facilitate student use of the Internet, we have included company Web site addresses at appropriate locations in the cases themselves. Alternatively, students can use the special Web site for this edition that contains hyperlinks to Web pages of the companies.

## Strat-TUTOR Software Supplement for Students

Available with the tenth edition is a second-generation software option called Strat-TUTOR that contains study questions for each of the 34 cases in the tenth edition, plus a set of custom-designed case preparation guides for 17 of the cases that lead students through the needed analysis, provide number-crunching assistance, and tutor students in use of the concepts and tools presented in the chapters.

## Study Questions and Case Preparation Guides

We've all experienced poor and uneven student preparation of cases for class discussion. Sometimes it's because of inadequate effort, but more often it is because of confusion over exactly what analysis to do and/or inexperience in using the tools of strategic analysis to arrive at solid recommendations. To give students some direction in what to think about in preparing a case for class, Strat-TUTOR provides study questions for all 34 cases in the tenth edition. To help them learn how to use the concepts and analytical tools properly, there's an interactive guide (not a solution!) for use in preparing 17 of the cases. Each study guide has been *tailored* to fit the specific issues/problems and analytical requirements posed by the case. We have scrupulously avoided creating one generic case preparation guide because cases in

strategic management cut across a broad range of issues/problems and entail diverse analytical requirements. Strategy analysis in single-business situations is fundamentally different from strategy analysis of diversified companies; cases where the spotlight is on developing a strategy are fundamentally different from cases where the main issues revolve around strategy implementation and execution.

The Strat-TUTOR case preparation guides provide:

- *Study questions* to trigger the process of thinking strategically and to point students toward the analysis needed to arrive at sound recommendations.
- *A series of interactive screens that coach students in the use of whatever analytical tools are appropriate*—whether it be five-forces analysis, strategic group mapping, identification of key success factors, SWOT analysis, value chain analysis, competitive strength assessments, construction of a business portfolio matrix, industry attractiveness assessments, or strategic fit matchups.
- *Follow-on questions* to prod students to think clearly about what conclusions flow from their analysis.
- *Calculations* of financial ratios, compound average growth rates, common-size income statements and balance sheets, and any other statistics useful in evaluating industry data, company financial statements, and company operating performance.
- *What-iffing capability* that allows students to readily develop projections of company financial performance (when such projections are germane to the case).
- *Reminders* of strategy principles and generic strategic options to help students arrive at a set of pragmatic action recommendations.
- *Printouts* of the work done (to serve as notes students can use in the class discussion).

The interactive design of the case preparation guides keeps the ball squarely in the student's court to do the analysis, to decide what story the numbers tell about a company's situation and performance, and to think through the options to arrive at recommendations. Strat-TUTOR is thus not a crutch or "answer-file" for the cases; rather, it is a vehicle for using the PC to tutor students in strategic thinking and helping them learn to correctly apply the tools and concepts of strategic management. We've endeavored to design the case preparation guides to coach students in how to think strategically about business problems/issues, to drill them in the methods of strategic analysis, and to promote sound business judgment. You can be assured that the case notes students develop with the aid of Strat-TUTOR will represent their work, not ours.

To decide whether Strat-TUTOR makes sense as a requirement or recommended option in your course, we suggest booting up a copy of the Strat-TUTOR disk (or use the free download at the publisher's Web site described below). Perusing one or two of the case preparation guides will give you a feel for the caliber of the software and its fit with your instructional approach. Strat-TUTOR uses a Windows format (familiar to most students) and is very user-friendly; the software must be used on computers equipped with either Windows 3.1x or Windows95 (or 98).

## Downloading a Free Strat-TUTOR Demo

Students can download a free demo of the case preparation guide for Ben & Jerry's Homemade at the Web site for this edition ([www.mhhe.com/thompson](http://www.mhhe.com/thompson)). If they are

satisfied with the value-added offered by the sample preparation guide, they can use a credit card to purchase the full software package at the Web site (in the event you decide to make use of Strat-TUTOR optional rather than to require it as part of the official course package).

## The Tenth Edition Instructor's Package

The instructor's package for the tenth edition of *Cases in Strategic Management* includes an *Instructor's Manual* containing:

- An overview of the 34 cases, a grid showing the broad issues/problems that each case involves, and some suggestions for sequencing the cases.
- A comprehensive teaching note for each of the 34 cases.
- Six "classic" cases from previous editions for adopters' use in testing, oral team presentations, or open class discussion (including teaching notes).

In addition, there are video supplements for use with the America Online, Ben & Jerry's, Callaway Golf, Nintendo vs. SEGA, Bama Pie, and Food Lion cases that you can use to enrich and vary the case discussion format. There's a special instructor-only section at the text Web site ([www.mhhe.com/thompson](http://www.mhhe.com/thompson)) that allows you to download most of the instructor's support materials. The casebook and the instructor's package should provide all the materials and resources you need to put together and deliver a case package that is very much in keeping with contemporary strategic management issues and that wins enthusiastic student approval.

## Case Research Acknowledgments

We are much indebted to the case researchers who have contributed their work to this volume and to the companies whose cooperation made the cases possible. To each one goes a very special thank you. The importance of timely, carefully researched cases cannot be overestimated in contributing to a substantive study of strategic management issues and practices. From a research standpoint, cases in strategic management are invaluable in exposing the generic kinds of strategic issues that companies face, in forming hypotheses about strategic behavior, and in drawing experienced-based generalizations about the practice of strategic management. Pedagogically, cases about strategic management give students essential practice in diagnosing and evaluating strategic situations, in learning to use the tools and concepts of strategy analysis, in sorting through various strategic options, in crafting strategic action plans, and in figuring out successful ways to implement and execute the chosen strategy.

Without a continuing stream of fresh, well-researched, and well-conceived cases, the discipline of strategic management would quickly fall into disrepair, losing much of its energy and excitement. There's no question, therefore, that first-class case research constitutes a valuable scholarly contribution.

Any comments you wish to make about the mix of cases or a specific case will be most welcome, as will your calling our attention to specific errors. Please fax us at (205) 348-6695, e-mail us at [athompso@cba.ua.edu](mailto:athompso@cba.ua.edu), or write us at P.O. Box 870225, Department of Management and Marketing, The University of Alabama, Tuscaloosa, AL 35487-0225.

**A. J. Strickland III**  
**Arthur A. Thompson, Jr.**

# CONTENTS

## CASES IN STRATEGIC MANAGEMENT 1

### A GUIDE TO CASE ANALYSIS 2

#### Section A: The Manager as Chief Strategy Maker and Strategy Implementer

- \*Case 1 America Online, Inc. 16  
*Arthur A. Thompson, The University of Alabama*  
*John E. Gamble, University of South Alabama*
- \*Case 2 Ben & Jerry's Homemade, Inc. 37  
*Arthur A. Thompson, The University of Alabama*
- \*Case 3 Andrew S. Grove: CEO of Intel Corporation 63  
*Arthur A. Thompson, The University of Alabama*  
*John E. Gamble, University of South Alabama*
- Case 4 The Fudge Cottage 93  
*Deborah R. Ettington and Shalini Venkateswaran, Eastern Michigan University*
- Case 5 Cineplex Odeon Corp. (B) 110  
*Joseph Lampel and Jamal Shamsie, New York University*

#### Section B: Crafting Strategy in Single Business Companies

- \*Case 6 Cannondale Corporation and the Mountain Bike Industry 128  
*Romuald A. Stone, Keller Graduate School of Management*
- \*Case 7 Cuchara Valley Ski Resort 159  
*Gary Bridges, University of Southern Colorado*
- \*Case 8 Callaway Golf Company 174  
*John E. Gamble, University of South Alabama*
- Case 9 Rykă, Inc.: Lightweight Athletic Shoes for Women 195  
*Valerie J. Porciello, Alan N. Hoffman, and Barbara Gottfried, Bentley College*
- Case 10 Video Concepts Inc. 210  
*John Dunkelberg and Tom Goho, Wake Forest University*
- \*Case 11 Nintendo vs. SEGA (A): The Videogame Industry 217  
*Romuald A. Stone, Keller Graduate School of Management*
- Case 12 Nintendo vs. SEGA (B): The Videogame Wars 254  
*Romuald A. Stone, Keller Graduate School of Management*



\*Cases for which there are case preparation exercises on Strat-TUTOR

- \*Case 13 Pasta Perfect, Inc. 273  
*Joan Winn and John W. Mullins, University of Denver*
- Case 14 Coral Divers Resort 287  
*Kent E. Neupert, University of Houston*  
*Paul W. Beamish, University of Western Ontario*
- Case 15 FedEx vs. UPS: The War in Package Delivery 306  
*Lane Crowder, Robert E. Spekman and Robert Bruner, University of Virginia*
- \*Case 16 The Quaker Oats Company, Gatorade, and Snapple Beverage 334  
*Arthur A. Thompson, The University of Alabama*  
*John E. Gamble, University of South Alabama*
- Case 17 Jim Thompson Thai Silk Company 352  
*Robert A. Pitts, Gettysburg College*
- \*Case 18 Whirlpool Corporation 368  
*Arthur A. Thompson and Bryan Fuller, The University of Alabama*

### **Section C: Crafting Strategy in Diversified Companies**

- \*Case 19 PepsiCo, Inc. 399  
*John E. Gamble, University of South Alabama*  
*Richard C. Hoffman Salisbury State University*
- \*Case 20 Bombardier, Ltd. (B) 421  
*Joseph Lampel and Jamal Shamsie, New York University*
- Case 21 Greenley Communications and the Western Region Network Television Stations 441  
*George M. Puia, University of Tampa*  
*Marilyn L. Taylor, University of Missouri–Kansas City*
- Case 22 Escorts, Ltd. (A) 458  
*Andrew Delios and Jaideep Anand, The University of Western Ontario*

### **Section D: Implementing and Executing Strategy**

- \*Case 23 Robin Hood 472  
*Joseph Lampel, New York University*
- Case 24 Kitty's Maids 474  
*Tom Hinthorne, Montana State University–Billings*
- Case 25 Bama Pie, Limited 492  
*Raymond E. Belford, Oklahoma City University*
- Case 26 Novotel 509  
*Brian Hunt and Charles Baden-Fuller, City University Business School, London*  
*Roland Calori, Groupe ESC Lyon*
- \*Case 27 The Lincoln Electric Company, 1996 536  
*Arthur Sharplin, University of Texas at Austin*  
*John A. Seeger, Bentley College*
- \*Case 28 Wal-Mart Stores, Inc. 563  
*Arthur A. Thompson, The University of Alabama*  
*Kem Pinegar, Birmingham-Southern College*  
*Tracy Robertson Kramer, George Mason University*
- \*Case 29 Kmart Corporation 596  
*John E. Gamble, University of South Alabama*
- Case 30 Journey to Excellence: The Ritz-Carlton Hotel in Sydney, Australia 619  
*Supryia A. Desai and Elliott N. Weiss, University of Virginia*

- Case 31 Acer Computer Products (Taiwan): Shortening the Product Development Cycle 638

*Jean-Francois Tremblay and John R. Kennedy, University of Western Ontario*

### Section E: Strategy, Ethics, and Social Responsibility

- Case 32 Food Lion and PrimeTime Live 654

*Joseph Wolfe, University of Tulsa*

- \*Case 33 DesignTex Inc. (A) 674

*Matthew Mehalik, Michael E. Gorman, Andrea Larson and Patricia H. Werhaue, University of Virginia*

- Case 34 The Betaseron Decision (A) 687

*Ann K. Buchholtz, University of Georgia*

### CASE INDEX 691

# CASES IN STRATEGIC MANAGEMENT

# A GUIDE TO CASE ANALYSIS

**I**n most courses in strategic management, students use cases about actual companies to practice strategic analysis and to gain some experience in the tasks of crafting and implementing strategy. A case sets forth, in a factual manner, the events and organizational circumstances surrounding a particular managerial situation. It puts readers at the scene of the action and familiarizes them with all the relevant circumstances. A case on strategic management can concern a whole industry, a single organization, or some part of an organization; the organization involved can be either profit seeking or not-for-profit. The essence of the student's role in case analysis is to *diagnose* and *size up* the situation described in the case and then to *recommend* appropriate action steps.

I keep six honest serving men  
(They taught me all I knew);  
Their names are What and Why and  
When;  
And How and Where and Who.

**Rudyard Kipling**

## WHY USE CASES TO PRACTICE STRATEGIC MANAGEMENT? —————

A student of business with tact  
Absorbed many answers he lacked.  
But acquiring a job,  
He said with a sob,  
“How does one fit answer to fact?”

The foregoing limerick was used some years ago by Professor Charles Gragg to characterize the plight of business students who had no exposure to cases.<sup>1</sup> The facts are that the mere act of listening to lectures and sound advice about managing does little for anyone's management skills and that the accumulated managerial wisdom cannot effectively be passed on by lectures and assigned readings alone. If anything had been learned about the practice of management, it is that a storehouse of ready-made textbook answers does not exist. Each managerial situation has unique aspects, requiring its own diagnosis, judgment, and tailor-made actions. Cases provide would-be managers with a valuable way to practice wrestling with the actual problems of actual managers in actual companies.

The case approach to strategic analysis is, first and foremost, an exercise in learning by doing. Because cases provide you with detailed information about conditions and problems of different industries and companies, your task of analyz-

<sup>1</sup>Charles I. Gragg, “Because Wisdom Can’t Be Told,” in *The Case Method at the Harvard Business School*, ed. M. P. McNair (New York: McGraw-Hill, 1954), p. 11.

ing company after company and situation after situation has the twin benefit of boosting your analytical skills and exposing you to the ways companies and managers actually do things. Most college students have limited managerial backgrounds and only fragmented knowledge about companies and real-life strategic situations. Cases help substitute for on-the-job experience by (1) giving you broader exposure to a variety of industries, organizations, and strategic problems; (2) forcing you to assume a managerial role (as opposed to that of just an onlooker); (3) providing a test of how to apply the tools and techniques of strategic management; and (4) asking you to come up with pragmatic managerial action plans to deal with the issues at hand.

## OBJECTIVES OF CASE ANALYSIS

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Using cases to learn about the practice of strategic management is a powerful way for you to accomplish five things:<sup>2</sup>

1. Increase your understanding of what managers should and should not do in guiding a business to success.
2. Build your skills in sizing up company resource strengths and weaknesses and in conducting strategic analysis in a variety of industries and competitive situations.
3. Get valuable practice in identifying strategic issues that need to be addressed, evaluating strategic alternatives, and formulating workable plans of action.
4. Enhance your sense of business judgment, as opposed to uncritically accepting the authoritative crutch of the professor or “back-of-the-book” answers.
5. Gaining in-depth exposure to different industries and companies, thereby acquiring something close to actual business experience.

If you understand that these are the objectives of case analysis, you are less likely to be consumed with curiosity about “the answer to the case.” Students who have grown comfortable with and accustomed to textbook statements of fact and definitive lecture notes are often frustrated when discussions about a case do not produce concrete answers. Usually, case discussions produce good arguments for more than one course of action. Differences of opinion nearly always exist. Thus, should a class discussion conclude without a strong, unambiguous consensus on what to do, don’t grumble too much when you are *not* told what the answer is or what the company actually did. Just remember that in the business world answers don’t come in conclusive black-and-white terms. There are nearly always several feasible courses of action and approaches, each of which may work out satisfactorily. Moreover, in the business world, when one elects a particular course of action, there is no peeking at the back of a book to see if you have chosen the best thing to do and no one to turn to for a provably correct answer. The only valid test of management action is *results*. If the results of an action turn out to be “good,” the decision to take it may be presumed “right.” If not, then the action chosen was “wrong” in the sense that it didn’t work out.

Hence, the important thing for a student to understand in case analysis is that the managerial exercise of identifying, diagnosing, and recommending builds your skills;

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<sup>2</sup>Ibid., pp. 12–14; and D. R. Schoen and Philip A. Sprague, “What Is the Case Method?” in *The Case Method at the Harvard Business School*, ed. M. P. McNair, pp. 78–79.

discovering the right answer or finding out what actually happened is no more than frosting on the cake. Even if you learn what the company did, you can't conclude that it was necessarily right or best. All that can be said is "here is what they did . . ."

The point is this: *The purpose of giving you a case assignment is not to cause you to run to the library or surf the Internet to discover what the company actually did but, rather, to enhance your skills in sizing up situations and developing your managerial judgment about what needs to be done and how to do it.* The aim of case analysis is for you to bear the strains of thinking actively, of offering your analysis, of proposing action plans, and of explaining and defending your assessments—this is how cases provide you with meaningful practice at being a manager.

## PREPARING A CASE FOR CLASS DISCUSSION

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If this is your first experience with the case method, you may have to reorient your study habits. Unlike lecture courses where you can get by without preparing intensively for each class and where you have latitude to work assigned readings and reviews of lecture notes into your schedule, a case assignment requires conscientious preparation before class. You will not get much out of hearing the class discuss a case you haven't read, and you certainly won't be able to contribute anything yourself to the discussion. What you have got to do to get ready for class discussion of a case is to study the case, reflect carefully on the situation presented, and develop some reasoned thoughts. Your goal in preparing the case should be to end up with what you think is a sound, well-supported analysis of the situation and a sound, defensible set of recommendations about which managerial actions need to be taken. The Strat-TUTOR software package that accompanies this edition will assist you in preparing the cases—it contains a set of study questions for each case and step-by-step tutorials to walk you through the process of analyzing and developing reasonable recommendations.

To prepare a case for class discussion, we suggest the following approach:

1. *Read the case through rather quickly for familiarity.* The initial reading should give you the general flavor of the situation and indicate which issue or issues are involved. If your instructor has provided you with study questions for the case, now is the time to read them carefully.
2. *Read the case a second time.* On this reading, try to gain full command of the facts. Begin to develop some tentative answers to the study questions your instructor has provided or that are provided on the Strat-TUTOR software package. If your instructor has elected not to give you assignment questions or has elected not to use Strat-TUTOR, then start forming your own picture of the overall situation being described.
3. *Study all the exhibits carefully.* Often, there is an important story in the numbers contained in the exhibits. Expect the information in the case exhibits to be crucial enough to materially affect your diagnosis of the situation.
4. *Decide what the strategic issues are.* Until you have identified the strategic issues and problems in the case, you don't know what to analyze, which tools and analytical techniques are called for, or otherwise how to proceed. At times the strategic issues are clear—either being stated in the case or else obvious from reading the case. At other times you will have to dig them out from all the information given; if so, the study questions and the case preparation exercises on Strat-TUTOR will guide you.

5. *Start your analysis of the issues with some number crunching.* A big majority of strategy cases call for some kind of number crunching—calculating assorted financial ratios to check out the company’s financial condition and recent performance, calculating growth rates of sales or profits or unit volume, checking out profit margins and the makeup of the cost structure, and understanding whatever revenue-cost-profit relationships are present. See Table 1 for a summary of key financial ratios, how they are calculated, and what they show. If you are using Strat-TUTOR, much of the number-crunching has been computerized and you’ll spend most of your time interpreting the growth rates, financial ratios, and other calculations provided.
6. *Use whichever tools and techniques of strategic analysis are called for.* Strategic analysis is not just a collection of opinions; rather, it entails application of a growing number of powerful tools and techniques that cut beneath the surface and produce important insight and understanding of strategic situations. Every case assigned is strategy related and contains an opportunity to usefully apply the weapons of strategic analysis. Your instructor is looking for you to demonstrate that you know *how* and *when* to use the strategic management concepts presented in the text chapters. The case preparation guides on Strat-TUTOR will point you toward the proper analytical tools needed to analyze the case situation.
7. *Check out conflicting opinions and make some judgments about the validity of all the data and information provided.* Many times cases report views and contradictory opinions (after all, people don’t always agree on things, and different people see the same things in different ways). Forcing you to evaluate the data and information presented in the case helps you develop your powers of inference and judgment. Asking you to resolve conflicting information “comes with the territory” because a great many managerial situations entail opposing points of view, conflicting trends, and sketchy information.
8. *Support your diagnosis and opinions with reasons and evidence.* The most important things to prepare for are your answers to the question “Why?” For instance, if after studying the case you are of the opinion that the company’s managers are doing a poor job, then it is your answer to “Why?” that establishes just how good your analysis of the situation is. If your instructor has provided you with specific study questions for the case or if you are using the case preparation guides on Strat-TUTOR, by all means prepare answers that include all the reasons and number-crunching evidence you can muster to support your diagnosis. Work through the case preparation exercises on Strat-TUTOR *conscientiously* or, if you are using study questions provided by the instructor, *generate at least two pages of notes!*
9. *Develop an appropriate action plan and set of recommendations.* Diagnosis divorced from corrective action is sterile. The test of a manager is always to convert sound analysis into sound actions—actions that will produce the desired results. Hence, the final and most telling step in preparing a case is to develop an action agenda for management that lays out a set of specific recommendations on what to do. Bear in mind that proposing realistic, workable solutions is far preferable to casually tossing out off-the-top-of-your-head suggestions. Be prepared to argue why your recommendations are more attractive than other courses of action that are open. You’ll find Strat-TUTOR’s case preparation guides helpful in performing this step, too.