

# FORD CASE ANALYSIS

## 1. IDENTIFY THE PROBLEM

## 2. CONDUCT ANALYSIS

### Identify Problems

When conducting case analysis, one of your most important tasks is to identify the problem. Earlier we noted that one of the main reasons to conduct case analysis is to find solutions. But you cannot find a solution unless you know the problem. Another saying you may have heard is “A good diagnosis is half the cure.” In other words, once you have determined what the problem is, you are well on your way to identifying a reasonable solution.

Some cases have more than one problem. But the problems are usually related. For a hypothetical example, consider the following: Company A was losing customers to a new competitor. Upon analysis, it was determined that the competitor had a 50 percent faster delivery time even though its product was of lower quality. The managers of company A could not understand why customers would settle for an inferior product. It turns out that no one was marketing to company A’s customers that its product was superior. A second problem was that falling sales resulted in cuts in company A’s sales force. Thus, there were two related problems: inferior delivery technology and insufficient sales effort.

When trying to determine the problem, avoid getting hung up on symptoms. Zero in on the problem. For example, in the company A example above, the symptom was losing customers. But the problems were an underfunded, understaffed sales force combined with an outdated delivery technology. Try to see beyond the immediate symptoms to the more fundamental problems.

Another tip when preparing a case analysis is to articulate the problem.<sup>7</sup> Writing down a problem statement gives you a reference point to turn to as you proceed through the case analysis. This is important because the process of formulating strategies or evaluating implementation methods may lead you away from the initial problem. Make sure your recommendation actually addresses the problems you have identified.

One more thing about identifying problems: Sometimes problems are not apparent until *after* you do the analysis. In some cases the problem will be presented plainly, perhaps in the opening paragraph or on the last page of the case. But in other cases the problem does not emerge until after the issues in the case have been analyzed. We turn next to the subject of strategic case analysis.

### Conduct Strategic Analyses

This textbook has presented numerous analytical tools (e.g., five-forces analysis and value-chain analysis), contingency frameworks (e.g., when to use related rather than unrelated diversification strategies), and other techniques that can be used to evaluate strategic situations. The previous 12 chapters have addressed practices that are common in strategic management, but only so much can be learned by studying the practices and concepts. The best way to understand these methods is to apply them by conducting analyses of specific cases.

The first step is to determine which strategic issues are involved. Is there a problem in the company's competitive environment? Or is it an internal problem? If it is internal, does it have to do with organizational structure? Strategic controls? Uses of technology? Or perhaps the company has overworked its employees or underutilized its intellectual capital. Has the company mishandled a merger? Chosen the wrong diversification strategy? Botched a new product introduction? Each of these issues is linked to one or more of the concepts discussed earlier in the text. Determine what strategic issues are associated with the problems you have identified. Remember also that most real-life case situations involve issues that are highly interrelated. Even in cases where there is only one major problem, the strategic processes required to solve it may involve several parts of the organization.

Once you have identified the issues that apply to the case, conduct the analysis. For example, you may need to conduct a five-forces analysis or dissect the company's competitive strategy. Perhaps you need to evaluate whether its resources are rare, valuable, difficult to imitate, or difficult to substitute. Financial analysis may be needed to assess the company's economic prospects. Perhaps the international entry mode needs to be reevaluated because of changing conditions in the host country. Employee empowerment techniques may need to be improved to enhance organizational learning. Whatever the case, all the strategic concepts introduced in the text include insights for assessing their effectiveness. Determining how well a company is doing these things is central to the case analysis process.

**Financial ratio analysis** is one of the primary tools used to conduct case analysis. Appendix 1 to Chapter 13 includes a discussion and examples of the financial ratios that are often used to evaluate a company's performance and financial well-being. Exhibit 13.1 provides a summary of the financial ratios presented in Appendix 1 to this chapter.

In this part of the overall strategic analysis process, it is also important to test your own assumptions about the case.<sup>8</sup> First, what assumptions are you making about the case materials? It may be that you have interpreted the case content differently than your team

**financial ratio analysis**

a method of evaluating a company's performance and financial well-being through ratios of accounting values, including short-term solvency, long-term solvency, asset utilization, profitability, and market value ratios.

**EXHIBIT 13.1** Summary of Financial Ratio Analysis Techniques

Ratio	What It Measures
<b>Short-term solvency, or liquidity, ratios:</b>	
Current ratio	Ability to use assets to pay off liabilities.
Quick ratio	Ability to use liquid assets to pay off liabilities quickly.
Cash ratio	Ability to pay off liabilities with cash on hand.
<b>Long-term solvency, or financial leverage, ratios:</b>	
Total debt ratio	How much of a company's total assets are financed by debt.
Debt-equity ratio	Compares how much a company is financed by debt with how much it is financed by equity.
Equity multiplier	How much debt is being used to finance assets.
Times interest earned ratio	How well a company has its interest obligations covered.
Cash coverage ratio	A company's ability to generate cash from operations.
<b>Asset utilization, or turnover, ratios:</b>	
Inventory turnover	How many times each year a company sells its entire inventory.
Days' sales in inventory	How many days on average inventory is on hand before it is sold.
Receivables turnover	How frequently each year a company collects on its credit sales.
Days' sales in receivables	How many days on average it takes to collect on credit sales (average collection period).
Total asset turnover	How much of sales is generated for every dollar in assets.
Capital intensity	The dollar investment in assets needed to generate \$1 in sales.
<b>Profitability ratios:</b>	
Profit margin	How much profit is generated by every dollar of sales.
Return on assets (ROA)	How effectively assets are being used to generate a return.
Return on equity (ROE)	How effectively amounts invested in the business by its owners are being used to generate a return.
<b>Market value ratios:</b>	
Price-earnings ratio	How much investors are willing to pay per dollar of current earnings.
Market-to-book ratio	Compares market value of the company's investments to the cost of those investments.

members or classmates. Being clear about these assumptions will be important in determining how to analyze the case. Second, what assumptions have you made about the best way to resolve the problems? Ask yourself why you have chosen one type of analysis over another. This process of assumption checking can also help determine if you have gotten to the heart of the problem or are still just dealing with symptoms.

As mentioned earlier, sometimes the critical diagnosis in a case can be made only after the analysis is conducted. However, by the end of this stage in the process, you should know the problems and have completed a thorough analysis of them. You can now move to the next step: finding solutions.

### **Propose Alternative Solutions**

It is important to remember that in strategic management case analysis, there is rarely one right answer or one best way. Even when members of a class or a team agree on what the problem is, they may not agree upon how to solve the problem. Therefore, it is helpful to consider several different solutions.

After conducting strategic analysis and identifying the problem, develop a list of options. What are the possible solutions? What are the alternatives? First, generate a list of all the options you can think of without prejudging any one of them. Remember that not all cases call for dramatic decisions or sweeping changes. Some companies just need to make small adjustments. In fact, “Do nothing” may be a reasonable alternative in some cases. Although that is rare, it might be useful to consider what will happen if the company does nothing. This point illustrates the purpose of developing alternatives: to evaluate what will happen if a company chooses one solution over another.

Thus, during this step of a case analysis, you will evaluate choices and the implications of those choices. One aspect of any business that is likely to be highlighted in this part of the analysis is strategy implementation. Ask how the choices made will be implemented. It may be that what seems like an obvious choice for solving a problem creates an even bigger problem when implemented. But remember also that no strategy or strategic “fix” is going to work if it cannot be implemented. Once a list of alternatives is generated, ask:

- Can the company afford it? How will it affect the bottom line?
- Is the solution likely to evoke a competitive response?
- Will employees throughout the company accept the changes? What impact will the solution have on morale?
- How will the decision affect other stakeholders? Will customers, suppliers, and others buy into it?
- How does this solution fit with the company’s vision, mission, and objectives?
- Will the culture or values of the company be changed by the solution? Is it a positive change?

The point of this step in the case analysis process is to find a solution that both solves the problem and is realistic. A consideration of the implications of various alternative solutions will generally lead you to a final recommendation that is more thoughtful and complete.

## Make Recommendations

The basic aim of case analysis is to find solutions. Your analysis is not complete until you have recommended a course of action. In this step the task is to make a set of recommendations that your analysis supports. Describe exactly what needs to be done. Explain why this course of action will solve the problem. The recommendation should also include suggestions for how best to implement the proposed solution because the recommended actions and their implications for the performance and future of the firm are interrelated.

Recall that the solution you propose must solve the problem you identified. This point cannot be overemphasized; too often students make recommendations that treat only symptoms

### Emphasize strategic analysis.

The purpose of case analysis is to diagnose problems and find solutions. In the process, you may need to unravel the case material as presented and reconfigure it in a fashion that can be more effectively analyzed. Present the material in a way that lends itself to analysis—don't simply restate what is in the case. This involves three major categories with the following emphasis:

Background/Problem Statement	10–20%
Strategic Analysis/Options	60–75%
Recommendations/Action Plan	10–20%

As you can see, the emphasis of your presentation should be on analysis. This will probably require you to reorganize the material so that the tools of strategic analysis can be applied.