1. Business cases: what are they, why do we use them and how should you go about doing a case analysis?

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Introduction

In the 1970s, economists used to distinguish between the 'Saltwater school' of macroeconomics associated with economists from universities on the east and west coasts of the United States, especially Harvard and MIT in Cambridge, Massachusetts, including Princeton and Yale, as well as Berkeley in California, and the 'Freshwater school' centred on the Chicago School of Economics and other universities located around the Great Lakes. Saltwater economists typically aligned with the approach to macroeconomics first set out by John Maynard Keynes, in its classic Keynesian or neo-Keynesian versions, and were critical of high theory based on assumptions about free markets, perfect competition and rational expectations. Freshwater economists emphasised the significance of the rational expectations model in economic decision-making and the importance of building a strong theoretical connection between how individuals and firms interact in markets when building theories intended to account for aggregate macroeconomic phenomena.[1]

In much the same way as Saltwater and Freshwater economics, there have been two traditions in management scholarship: the Harvard Business School approach to teaching, which makes extensive use of cases, and the Chicago Booth School of Business approach, which espouses the primacy of theory.[2] Another parallel is with the 'two cultures' thesis advanced by British natural scientist and novelist C.P. Snow in the 1950s, who, in his Rede Lecture at the University of Cambridge in 1959, famously argued that the intellectual life of western society had become split between the two cultures of science and the humanities and that this division was a major handicap to solving global problems[3] – for the use of business cases in management teaching, think 'humanities' and for the approach which advocates the primacy of theory and quantitative techniques think 'science'. Both have their place.

What then is the approach to management education taken at LSE? The answer – as you might expect, given the antecedents of the Department of Management in economics, finance and accounting – is that there is a strong focus on theory and quantitative techniques. But the Department of Management also has its roots in teaching industrial relations, international business, organisational behaviour, leadership, change management, ethics and the sociology of information systems – subjects that are more closely associated with qualitative research. In these areas case studies have always been an essential part of the curriculum.

Someone once said (or perhaps it is apocryphal): 'Business is the art of making irrevocable decisions based on incomplete information.' Business cases have great value because of how they imitate real life: they contain lots of information – more than you need – and teach you to focus on what is important and relevant; several interpretations are usually possible, depending on what information you take to be most relevant; and they lack a single, compelling answer to the question of what to do next. At the same time, the application of theory and the examination of numerical data using quantitative techniques and financial analysis mean that the level of critical case analysis moves a long way beyond the bland, superficial and anecdotal of some 'problem-oriented' case teaching. Case analysis taught in an analytical way provides students with critical thinking skills that will be essential in their future careers.

What is the purpose of this book?

The case studies in our collection encompass a wide range of industries, including health, tech, media, oil and gas sectors, fast fashion, financial services and the public sector. All cases were written by LSE's Department of Management's faculty members (some with co-authors). With a focus on curriculum enhancement, *Navigating the 21st Century Business World: Case Studies in Management* is intended to serve as a source of inspiration for teaching management theories.

Why *Navigating the 21st Century Business World* you might ask? Certainly, many of the issues dealt with in the collection are decidedly modern – notably corporate purpose (Chapter 4 on Unilever), climate change and sustainability (Chapter 11 about 'Big Oil' and Chapter 12 on fast fashion), AI and the digital revolution (Chapter 15 about transformation in the automotive sector). But some of the cases raise issues which predate the start of the new millennium (for example, Maxwell [Chapter 6], Chapter 2 on Lucas Industries/GKN and the Imperial Tobacco pension fund [examined in Chapter 5]). We make no apologies for including these historical cases, which we continue to use in our teaching. History matters, in business as in other spheres of life. The Nobel prize-winning economic historian Douglass North has demonstrated how path dependencies mean that the past does affect the future. Patterns do repeat themselves. Two of the older cases in the collection, Lucas Industries/

GKN and the Maxwell case, provide valuable lessons – the former as a way of comparing the positioning and resource-based views of business strategy, the latter to help understand why good corporate governance is critically important as security against misrule.

Business schools still teach strategic positioning and the resource-based view – classically illustrated by the Lucas/GKN case, even if industrial engineering has noticeably declined in the United Kingdom. There is much to be learned from the Maxwell case about the bad corporate governance and the dangers of narcissistic leadership – which sadly continues to be a 21st-century phenomenon. The American philosopher George Santayana said that those who forget the past are condemned to repeat it – or was it Winston Churchill? No matter the source, the sentiments are perennial, in business as elsewhere. Better to learn vicariously from the mistakes of others – indeed that is one of the things which case study teaching and learning is all about.

We anticipate that the knowledge gained from these practical situations will enable current and future management students and leaders to navigate the intricacies of the corporate world with confidence, flexibility, critical thinking and adaptability.

Types of case

The cases found in this selection are of three kinds:

- short cases intended primarily for class discussion and designed to shed light on a particular idea or theory;
- classic cases, first developed by the faculty at Harvard Business School – who invented the case method as a way of illustrating real-world challenges facing organisations – place the student in the shoes of a key decision-maker;
- 'raw cases', as pioneered by Yale School of Management. These are open-ended, multi-perspective studies with many pages of relevant material that students must analyse, such as statutory documents, analyst reports, news articles, stock charts and interviews with key players. This format reflects the way managers must access and analyse information to make informed business decisions. The raw case study method allows students to wander through real-time information with a specific assignment that prompts them to 'discover, evaluate, analyse, decide and communicate, similarly to how managerial decisions are made in the real world of international business.'[4]

In Table 1.1 we have set out the types of cases in this collection and provide a number of key words to identify important themes which are explored in each case.

Table 1.1: Types of cases and issues covered

	TYPE OF CASE	ISSUES COVERED
Part 2: Strategy and general management		
2. Corporate strategy in the UK vehicle components industry: a comparison of Lucas Industries and GKN	Classic case	Britain's industrial decline, product diversification, corporate strategy, resource-based view, strategic positioning
3. The Collapse of Carillion plc	Classic case	Accounting for long-term contracts, business strategy, mergers and acquisitions, outsourcing, transaction cost economics
4. On what matters: Unilever plc – purpose or performance?	Classic case	Shareholder primacy, socially responsible business, corporate purpose, sustainability
Part 3: Governance, accounting and control		
5. Asset allocation and governance at the Imperial Tobacco pension fund in the mid-20th century	Classic case	Governance, professional standards
6. The fall of the Maxwell empire	Raw case	Auditors, corporate governance, directors, narcissistic leaders, pension funds
7. Activist investors: Alliance Trust and Elliott International	Classic case	Activist investors, corporate governance, leadership, measuring financial performance
8. The failure of the Royal Bank of Scotland	Raw case	Corporate governance, global financial crisis, managerial decision-making, mergers and acquisitions, narcissistic leaders
Part 4: Economics, politics and the business environment		
9. China National Petroleum Company in Sudan	Classic case	Chinese state-owned enterprises, emerging markets, government-investor relations, international business
10. The Oyu Tolgoi copper mine and the obsolescing bargain in Mongolia	Classic case	Emerging markets, international business, multinationals
11. Activist investors versus Big Oil: How should ExxonMobil and British Petroleum respond?	Classic case	Corporate purpose, the social responsibility of business

12. Environmental impact: why fast fashion is bad for the environment	Raw case	Environment, fashion industry, marketing, change management
Part 5: Human resource management and organisational behaviour		
13. The UK's National Health Service: teams, conflict and performance	Short case	Conflict, conflict management, diversity, team-building
14. Redesigning a performance management system	Classic case	Pay, performance management systems
15. Transformation in the automotive sector: the management challenges of AI and the digital revolution	Classic case	Digital transformation, job design, future of work
16. auticon: promoting a neuro-diverse workforce	Classic case	Diversity and inclusion, neurodiversity, human resource management, environmental, social, and governance (ESG)
Part 6: Public management		
17. Planning and programming for a government-hosted mass gathering event in India: the 2019 Prayagraj Kumbh Mela	Classic case	Design science, leadership, systems change
18. Socio-economic background and career progression within the UK Civil Service	Short case	Socio-economic class, human resource management, diversity and inclusion, organisational behaviour

As well as the three types of cases (classic, short, and raw) we asked contributors to write the cases studies in this collection in their own style and voice, not to a prescribed formula. We regard this kind of diversity as a strength.

Who is this book for?

This collection is intended to be a useful resource for academics and students in higher education as well as practitioners at various levels of their management careers. In today's fast-paced business environment – when volatility, uncertainty, complexity and ambiguity are the norms – rather than teaching students what to do, we should prepare them to navigate their environment with an open mind and the necessary skills that enable them to critically assess different options and make decisions in high-stakes, high-pressure situations. The capacity to critically evaluate large amounts of information and effectively solve complex challenges and dilemmas is essential for university students as well as future leaders.

The case studies provide business scenarios to inspire debates and discussion not only for students aspiring to enter the field of management but also for seasoned executives aiming to enhance their leadership skills and entrepreneurs who are constantly looking for a competitive advantage. Each case study gives an in-depth look at the wide range of challenges faced by organisations and business leaders in various industries and geographical areas.

Mostly for students...

How do business cases work?

The basic structure of a standard case study presents:

- a decision-maker with a dilemma;
- background information, often including financial and other quantitative data, setting up the basis of the current situation and the dilemma;
- a set of choices, goals or issues that need to be resolved, which form the basis for the case discussion.

Thus, we can derive three generic questions:

- What is the nature of the problem?
- What factors explain the situation as we now find it?
- What are the choices going forward, and their likely consequences?

These questions mirror our mission to teach the uses of theory: applying general understandings about the 'causes of things' in order to:

- explain the shape of the present; and
- predict the likely consequences of possible interventions.

What are you aiming for in preparing a case discussion?

You are ready for a case discussion when you can answer each of the questions posed in class in a cogent and complete manner when called upon to do so. You should have a clear statement (thesis) and be able to argue it using facts from the case. Preparation should take time – hours, not minutes. If you cannot do this, you are not adequately prepared for the case class – instead, you will be relying on others to have done the work on your behalf that is required for the group to carry the discussion forward. You will also be running several steps behind the discussion and will only grasp a small percentage of what is going on.

What do you need to do?

You will sometimes be given specific instructions about the task, but the default is simply 'to write a case analysis'. To do this, you need to work out what the main issues are, before deciding what specific questions you need to answer to address these issues. Sometimes your instructor will help you by providing a list of some of the questions that the case analysis should cover.

You need to be a detective. Look for clues, infer, fill in the blanks, look for patterns. Be curious. Interrogate the data and ask the questions that you would want to know answers to, as if you were a manager with a problem to solve in practice. You need to be able to draw conclusions and justify them. Get to the bottom-line answer in as simple a form as possible, but make sure you can support your answer with arguments, facts and data. Can you answer the main question in one sentence?

Ways to do this include:

- Make a first pass of the facts and the data. Read the case and make lots of notes in the margins. Summarise the takeaway from each important paragraph. Note details and interpretations.
- Think. What is the big picture? What frameworks and theories help to explain the phenomena you are trying to understand? How would they explain the 'causes of things' in the case?
- Examine the data in the exhibits (figures, tables and other exhibits). Start asking questions – what can you do with this information? What is relevant and what is irrelevant to the question at hand? Case writers often provide lots of data to encourage you to sift through and work out what is important.
- Look at the specific questions you have been set, if any. Use any of the generic questions set out in the case. Answer them directly and clearly. If no specific question is set, think about what the main question might be. Why have you been set this particular case? Before you can give a good answer, you need to be clear about what the critical question is.

Can I use information outside the written case?

The basic rule is – 'No', particularly in short cases and classic cases. Generally speaking, all the information you need will be contained in the case notes and exhibits. It is not particularly helpful to use evidence that you glean from Wikipedia or using Google, for example, about what actually happened next in the real case. However, there are some exceptions to this rule.

In 'raw cases' you are encouraged to search for additional information to help you develop your research skills. You should weigh the validity of different sources carefully. Peer-reviewed academic journal articles and independent reports commissioned by the government or international organisations are a good starting point. Company reports and accounts are an important

source of financial information and other data but be careful to distinguish between material required by statute, which has been audited by independent third-party auditors, and other material which is essentially no more than corporate PR. Newspaper articles can be good for facts and data, but you might need to triangulate by comparing two or more different sources. Be careful to distinguish between facts and opinions.

Be aware of potential biases. In the UK, *The Guardian* has traditionally adopted a left-of-centre political perspective, compared with *The Times* and *The Daily Telegraph*'s more predominant right-of-centre perspective. The *Financial Times* and *The Economist* are typically well researched and rigorously edited, but do be aware of their editorial stance, which is based on classical, social and economic liberalism, particularly advocacy of free trade and free markets. In the US, *The Wall Street Journal*, *The Washington Post* and *The New York Times* are generally reliable sources of information. Most other countries have a leading newspaper focused on financial journalism equivalent to the *Financial Times* and *The Wall Street Journal*. Blogs, consultancy reports and papers produced by think tanks can also be sources of useful information but do remember to assess the validity and reliability of published material very carefully, and always be careful to distinguish between facts and opinions.

In summary, you must carefully follow the instructions you are given – your teachers will not be impressed if you spend a lot of time searching for additional information when they want you to focus on developing your analytical skills or if you rely upon relatively thin information when they are expecting you to do additional research.

Writing up a case analysis

As well as discussing cases in class, you may be asked to write a case analysis as part of a formative or summative assignment. There are many ways of doing this, and your instructor will guide you on what they are expecting. An approach sometimes used at LSE is the Introduction – Facts – Theory – Analysis – Conclusion, or 'IFTAC' framework. This is a systematic approach to case analysis, intended to encourage you to identify the key facts in the case, to identify relevant theory, to apply theory to the key facts as part of your critical analysis of the case, and to draw conclusions that answer the questions you have been set. More information about the IFTAC framework is set out below.

- Introduction. Provide some context. Think about why you have been set this particular case. What is the main question you are being asked to answer?
- Facts. What are the key facts? Summarise the main points – this part of the assignment is, in some ways, an old-fashioned exercise in comprehension. What story is the data telling? Be as concise as possible and make selective use of any of the quantitative (for example, financial) data that really stands out. Depending on the case, your summary

of the facts might be best structured chronologically, focusing on key events or thematical, focusing on the key themes which are apparent in the written case.

- Theory. What is the theoretical framework for your analysis? What are the main theories that are relevant to your analysis of the data? Again, be selective and concise. This is not an opportunity for you to write at length about a particular theory, or to provide blanket coverage of all the theories that you think might be tangentially relevant to the case. It is a chance to think hard about the key theory or theories that are the main tools in your critical analysis.
- Analysis. This is the engine room of your assignment. By applying your theoretical framework to the data you have summarised at the start, how do you explain the data – what is going on?
- Conclusion. Make sure you have answered the specific question or questions asked in the case. What is the main takeaway? Also remember the importance of reaching balanced conclusions. The facts in a case study provide evidence, not a proof. Your conclusions are probabilistic ('more likely than not', 'likely', 'very likely') rather than absolutely certain. It is unwise to generalise from a single case – the fact that a particular outcome has resulted in a particular set of circumstances does not mean that, given the same circumstances in another case, the same outcome will inevitably occur. 'Business is the art of making irrevocable decisions based on incomplete information' – is also about taking risks on a timely basis after weighing the best available evidence.

Most of all, make your case write-up interesting. Tell the story of the case in a way that becomes an 'analytical narrative', an intelligent study demonstrating your academic credentials, not mere tabloid journalism.

Mostly for instructors...

Different cases for different purposes

The versatility of case studies is demonstrated by how some of our contributors have used them in their courses. For example, the Maxwell case has proven particularly valuable in a Masters in Management course to teach students about corporate governance. Students worked in groups over a three-week period investigating corporate governance in public companies and the lessons learned from Maxwell, the governance of occupational pension funds in the post-Maxwell period as well as the role of non-executive directors and auditors in business. Similarly, the Lucas Industries and GKN case was used to teach the classic tools of business strategy, such as strategic positioning and the resource-based view, within the context of Britain's industrial decline in the 1980s–1990s.

Cases are also great tools to assess students' learning. The Royal Bank of Scotland case, for example, was designed as the basis of a 3500-word summative assignment for postgraduate Masters in Management students at the conclusion of a course on business ethics, corporate governance and ethical leadership. The Carillion and the 'Alliance Trust and Elliott International' cases have been successfully used for both formative and summative assessments at the postgraduate level, typically through 2000-word analytical assignments. Their complexity and scope make them equally suitable for MBA courses and third-year undergraduate management courses.

Teaching at the advent of generative artificial intelligence (GenAI)

Case studies are particularly well-suited to learning and assessment of learning in the era of AI. The management theorist W. Edwards Deming once said that the key to providing a good solution is to ensure that you ask the right questions – or was it Plato, or Einstein, or Carl Jung or somebody else that said this? Either way, the key insight is that, when presented with a vast amount of information – some of which is relevant, and some not – writing a good case analysis requires the analyst to craft the right questions to ask, as well as the ability to process and summarise the data. GenAI tools such as ChatGPT or Copilot are becoming better and better at processing information and answering even critical questions.

However, GenAI is not as well adapted to the messy world of business cases when it is necessary to work out what the right questions are in the first place. The skills that students develop and cannot yet effectively 'outsource' to GenAI tools are those that require thinking, emotional intelligence, self-reflection and going beyond the mere facts. To successfully analyse and draw useful insights from case analysis, students need to explore the human side of situations, such as the understanding of political motivations, stakeholder dynamics, ethical dilemmas, power relations within organisations, the nature of change and how people go through it.

Even though most students are already using GenAI tools in their learning and assessments,[5] we believe that cases still provide a useful laboratory for developing managerial skills in the classroom. While reliance on GenAI tools among students may be helpful for reducing the effort required to get through long readings, relying on chatbots without proper guidance can lead students to miss developing essential critical thinking and problem-solving skills.[6] Students may accept chatbots' responses unquestioningly, mistaking authoritative tones for factual accuracy and failing to use their own common sense and hence miss important human dynamics.[7]

Sandy set the Royal Bank of Scotland (RBS) case study as his final assignment for second-year Masters in Management students before retiring from full-time teaching. The task was: 'To write an extended case analysis of the Royal Bank of Scotland case, making particular use of theories and concepts which have been covered in the course.' After marking 80 3500-word case

analyses, he decided to set ChatGPT the same task. But first he had to formulate a question: 'Why did Royal Bank of Scotland fail?' ChatGPT's answer was concise, well structured and well written. It covered much of the ground that many of the students did and would have warranted a pass grade. However, it ignored certain important issues, especially business ethics. It was under-referenced, made up some of the references it did cite, and – most importantly – lacked a critical perspective. At least two-thirds of the student cohort wrote better assignments.

Indeed, the use of GenAI in university courses can be both exciting and daunting for course convenors as well as students. The potential for time-saving and increased efficiency is attractive, but we should not underestimate the impact it has on teaching and learning. Similarly to how business leaders grapple with managing and adapting to change in their jobs, the integration of GenAI in classrooms is a change journey for all as well. AI-enabled technologies have an accelerated impact on students' learning experiences, the overall dynamics of higher education teaching, and the outcomes of case discussions, regardless of whether educators openly and actively embrace or approve them, or whether students rely on them without their professors' awareness.[8]

Future employees in professional jobs will rely on skills that cannot efficiently be substituted by machines. Case studies, if used as intended – with or without the help of GenAI tools – provide excellent opportunities to develop problem-solving, emotional intelligence, as well as political and negotiation skills. We believe that GenAI tools, if used with purpose – instead of 'mindlessly' to substitute learning – can effectively enhance and augment students' skills and boost their creativity, leaving them more time for critical thinking and the evaluation of human dynamics.[9]

What are the key lessons for us from this?

The ability to identify the most important issues that are embedded in all the noisy details of a good business case, and then to frame the right questions to ask, are the key skills students need to learn. It is this ability to think critically which is important.

For the instructor this means carefully constructing the assignment instructions and being prepared to re-evaluate their assessments or re-explore students' learning process. In the cases contained in this book you will find some illustrative questions which are designed to help give some general guidance, but are not intended to be exhaustive. You can decide whether, and how, you want to use these questions. But do think about encouraging students to work out what the case is all about by formulating key questions themselves, perhaps as a preliminary assignment before the main event.

Teaching notes

Teaching notes are available to bona fide educators from a number of the individual case writers. You will find further details at the beginning of each chapter. Please make any requests by email from a work email address containing a link to an academic website confirming your status as a bona fide educator. The teaching notes are not written to a prescribed format and are typically the notes that the case writer wrote for themselves prior to teaching the case. Please do use them responsibly – it would defeat the object of the exercise if they were to be circulated widely among students.

References

[1] See Warsh, D. (2006) *Knowledge and the Wealth of Nations – A Story of Economic Discovery.* New York: W.W. Norton & Company.

[2] See Augier, M., and March, J. (2011) *The Roots, Rituals, and Rhetorics of Change – North American Business Schools After the Second World War.* Stanford, CA: Stanford University Press.

[3] Snow expanded upon the lecture in his book entitled *The Two Cultures and the Scientific Revolution*, published by Cambridge University Press in 1959 and illustrated it in his sequence of novels *Stranger and Brothers.*

[4] Shi, Yuwei and Dow, Sandra (2019) 'International business education at the interface: the raw case study method', *Journal of Teaching in International Busines*s, vol. 30, no. 3, pp. 246–268. https://doi.org/10.1080/08975930.2019.1698392

[5] Sallai, Dorottya (2024) 'Assessment and curriculum design can't ignore how students use AI', *Management with Impact Blo*g, 9 August. LSE's Management Department. https://blogs.lse.ac.uk/management/2024/08/09/assessment-and-curriculum-design-cant-ignore-how-students-use-ai/

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9   Sallai, Dorottya (2024) 'A Human-Centred Approach to AI Transformation', *Management with Impact Blog*, 9 May. LSE's Management Department. https://blogs.lse.ac.uk/management/2024/05/09/a-human-centred -approach-to-ai-transformation/