

# USING STRATEGIC MANAGEMENT STUDY CASES IN ROMANIA

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*Abstract: The paper discuss the use of study case in the teaching of strategic management and the translation of the method from United States to Romania. Some technical aspects of American experience in strategic management case researching are underlined, with a focalised approach on financial analysis and their informational context. The basic weaknesses of the method are also analysed in order to understand the practical problems in Romanian educational environment. The general value as a tool in achieving participation and in developing communication is magnified with a specific Romanian one: gathering direct information.*

*Key-words: case study, strategic management, qualitative data, financial analysis, firm classification*

## Introduction

The use of case studies has been the most popular method of teaching strategic management and business policy for about one hundred years. The method was used on large scale in business school, especially at Harvard Business School in USA, and after 2<sup>nd</sup> WW the “American standard” has spread in Europe and Asia, becoming a worldwide instrument that provides the opportunity to move in the real business environment.

After 1990 the case studies begins to be used also in East Europe, accompanying the introduction of some new courses in business and economic faculties, as the strategic management course. In Romania the strategic management course replaced the planning course, designed in the ‘80’s old “Soviet style” and after 1995 became a permanent discipline in so-called management specialization of faculties of economic sciences.

Generally, in strategic management the case method is a tool that offers students the possibility to translate from a very specialized and technical view to a broader, less precise analysis of the overall organization. The situations presented are actual and real business situation and enable to examine the application of theoretical concepts. They are intended to serve as a basis for class discussion and are not intended to be a comprehensive collection of teaching material. This approach gives students the feel for what it is like to face analyzing, making and implementing strategic decisions and strategic management.

## Some Characteristics of a Case Study in “American Standard”

There are different approaches to the process of analyzing qualitative data. The case study commence from a deductive position, meaning that the researcher will seek to use existing theory to shape the approach in research and data analysis (Saunders *et al.*, 2003). Yin (2003) suggests that, where you have made use of existing theory to formulate the research question and objectives, it may also use the theoretical propositions that helped you do this as a means to devise a framework to help you to organize and direct your data analysis. The preference for devising theoretical propositions prior to data collection as a means to analyse data leads to two analytical procedure: the procedure termed *pattern matching*, that involves predicting a pattern of outcomes based on theoretical propositions to explain what the researcher expect to find, and the procedure, labelled by Yin (2003) *explanation building*, that involves an attempt to build an explanation while collecting data and analyzing them, rather than testing a predicting explanation.

An overview of case studies written for American textbooks reveals a very technical approach, based on financial analysis. All the well-known textbooks (i.e. Wheelen and Hunger, 2008) have extensive recommendations concerning this segment of strategic analysis, underlined its decisive importance for the success of the entire work. For marketing, human resource or production it doesn’t exist a similar standardized approach, but some strategic tools as SWOT analysis or portfolio matrix offers a rationale and comprehensive perspective.

A typical financial analysis of a firm begins with official financial statements. The first recommended step is the use of ratio analysis from data in these statements. It is done to identify possible financial strengths or weaknesses as a part of SWOT analysis. Ratios are useful and they enable the researcher to compare a firm's ratios with industries averages. A number of steps, including the correction for inflation, ought to be done in a basic analysis in order to reveal, according to American standards, the "real" situation and the developing trends. Looking for inconsistencies and aggressive accounting methods, some financial experts proposed special checklist of items to examine for so-called red flags that suggests an underlying problem.

Many resources for financial information are available for American academics or students. The companies' annual reports, Standard and Exchange Commission Report Forms ([www.sec.gov](http://www.sec.gov)), regional and national statistics, economic indicators and other online information could be used for a study case. But if the study case is focalised on a multinational corporation, the financial statements can get very complicated and difficult to understand. On the other hand, if the study is focalised on a small or medium new firm operating in an emerging industry the information could be inconsistent or difficult to collect.

For other activities of the firm the technical advices are not as clear as in the case of financial analysis (Ambrosini *et al.*, 1998). The direct observation is very costly and unusual for the American educational environment. The available information is from indirect sources, like newspapers or magazines articles. But even in the case of an expert or academic opinion there are considerable pressures to cite the approaches that the author of the study believes their audience views as legitimate and credible (Locke, 1997).

„There is no one best way to analyze or present a case report” is the sentence that the textbooks use as a conclusion for the chapter labelled „suggestions for case analysis” (Wheelen and Hunger, 2008). In fact, each instructor has personal preferences for format and approach. An overview of best American and English textbooks (i.e. Johnson *et al.*, 2008) show a preference for a „functional” approach of the firm, meaning a distinct discussion of marketing, operations, research or financial activities. A modern approach includes the discussion of new issues like organizational culture, information systems or corporate social responsibility.

A different vision regarding the case study is provided by Mintzberg (2004). Henry Mintzberg underlines the problem of this instruction instrument's utility in management, considering the Harvard Business School approaches have become stereotype and enough focused on figures to lose sight of the product, the client and the organization. Consequently, even the utility of the research approach appears to be doubtful at last, because both the specific and the social content of the management act are eluded (Mintzberg, 1975).

One may conclude that the intrinsic drawback of the case study research, in the way Americans utilize it, consists in the detachment from practice and, finally, from reality. An American student is asked to prepare a case study research on an important American company, sometimes quasi-unfamiliar to him from the products' and technologies point of view. He goes to the library, that implies to use the computer and the Internet, gathers some financial, bookkeeping or eventually economical pieces of information, and introduces the into a Harvard type diagram. If the company wasn't listed on the stock market (usually on NYSE) and wasn't mentioned in various newspapers and magazines, the work would be impossible to prepare using this approach.

What is astonishing about most of the case study researches of this kind is that they are grounded upon an impressing set of references, but anyway they leave the impression of “second hand” information. Sometimes is obvious that the product is only superficially known and the associated process is unfamiliar (Pascale, 1984). On the other hand, the focus on figures, especially on those economically significant, generates some of the most peculiar effects. This way, the fact that human beings and concrete objects are at stake is omitted, and their place is taken by abstractions. Direct observation is replaced by a computer game and the sensation that a person having manual dexterity is more “competent” than the one who thinks is apt to generate dark thoughts about this manner of learning.

The criticisms of Mintzberg, who quotes more caustic than himself researchers, are devastating for the American way of case study research fashion and for “the Harvard style”. A more serious fact is that these criticisms are supported by case study researches about “the making of”, statistics and dissimilar examples, from the industrial management of the Vietnam War to the Enron case. Some of these phenomena seem to have “duplicates” in the post '89 Romanian actuality.

## **Romanian Style in Researching the Case Situation**

In Romania, the practice of utilizing this research and study instrument is limited, even if there are many interesting to analyze elements: affairs, organizations, persons. At present, is being more widespread the utilizing of case study research about organizations abroad, with which Romanians are more familiar due to media articles than due to concrete manifestations of a concrete activity in the national area.

The maturation of research field, formed by the strategic management, means for the business environment and for Romanian universities the appearance of case study researches, which are focused on domestic or operating in Romania organizations. Even if interesting researches appeared during the last decade, they were rare and much too insufficient anyway for a transitional economy.

The theoretic utility of the case study researches is provided by the fact that learning from others' success or failure would be more economical than learning from your own mistakes. People should also learn that a more transparent behaviour of the organizations, including private companies, is apt to encourage the improvement of the business climate.

Because in this field only few steps forward were made, the database concerning the Romanian economy realities is rather precarious. The official statistics are too general and the mass-media information is mostly superficial and summary, even at the level of specialized publications. The Bucharest Stock Market is concerned with only about fifty important companies. If the information concerning the public sector generates certain credibility doubts, it is no wonder that in the private company area the available information is either vague or totally absent. Even the specialized information regarding certain categories of market research, information, provided for a price, is available in a quantity which is far from the steady economy standards in the Europe and in the world.

In this context, to realize a case study research concerning a company which operates in Romania requires without fail its voluntary collaboration. The internal sources are necessary to provide consistency and credibility for such a research. Only for relatively few companies and industries there is a public database available, sufficiently developed to support an analysis which leaves aside the internal sources.

The first barrier in using internal information sources is to get the approval of the chosen organization's management to realize the research, excluding an approach using "grey information" or illegal practices. The mentioned barrier immediately reveals a series of problems that multiply rapidly, combining with technical and organizational problems, with those associated with a certain mentality type or a certain management style. In an important organization, even for acquiring common information, the highest executive or even the owner approval may be necessary. The education of many top managers is poor, as Livingston (1970) observed, and that explain the difficult dialog with a researcher.

This situation usually reveals an organization deficiency or a deformed perception of the problem. At this stage the first difficulty shows up, because it is hard to approach these people, due to certain hierarchic filters and to their lack of availability for being involved in such an insignificant considered matter. A situation of interest for management emerges when the necessity of conveying such a message constituted as a case study research is not understood, the business environment and the studious youth being ignored.

Certain organizations have an opposite attitude perceiving the necessity of conveying a message by means of a case study research. They react promptly to this kind of challenge and totally support this research, considering it an opportunity to prove good corporative citizen manners.

For the 2007 Romanian student, the danger to be "drowned" by figures is limited, which appears to be a positive aspect connected with case study researches. This makes him do "field research", to have a knowledge of the product, to know the people, to ask the customers and eventually, to put himself in their place, to realize different experiments and other public activities. It is true that from "white information" one may imperceptibly pass to "grey information" and, using various experiments, one may easily slide to immoral zones, but usually good intentions prevail. It should be practically and clearly recognized that this passage is encouraged and morally justified by the ambiguous and deceitful behaviour of the organizations whose co-operation is asked. According to this pattern, one may formally approve, when in fact he consciously provides distorted information for obtaining free advertising or other commercial effects. A summary check on the received information may move the researcher to the "grey zone".

Interesting things may be realized about the statistic data available in Romania but, essentially, one can remark they cover the nowadays reality only superficially. For instance, it is difficult to estimate the size of a specific market and of the market shares belonging to the various competitors, in the way this can be

done in the Western Europe. The eventual market information comes from private sources, but even here there is a significant distortion, due to the way general data are produced.

Due to these general reasons, the case study researches in Romania make a direct field research necessary. This approach implies visits to the respective organization, the familiarization with its products, discussions with numerous persons who represent a larger stakeholders range. The dialogs with managers, consumers and providers are essential. Only in the field one can estimate if the carefully selected images, used in the advertising campaigns, correspond to the reality. Only in the field one can observe the organization personnel's behaviour.

From the content's point of view, the emphasis should shift from the financial part of the organization to the technical and human matters to escape the simplifying trap of financially significant figures. The Enron scandal and failure, or the disaster of the Romanian tourism suggests one cannot reduce business to financial relations and money, but assuming major strategic risks.

The product and context oriented approach is justified by the fact that the case study research mainly addresses to the economy students. They have limited knowledge associated with the product realization process; therefore, a familiarization with the technical aspects is needed. We must underline that understanding the way one organization works cannot result from reading the bookkeeping reports only. This is more valid in Romania, where the double or triple accountancy habit and the existence of the "taxes department", specialized in "correctly" avoiding the law, are a rule. This reality is reflected in the underground economy proportion, which represents one third from the official one (Schneider, 2005). Too many financial reports leave the impression that management is turning into a computer game that requires a certain fingering (even if the "dexterity" concept may be creatively used).

The company to contact being chosen, we searched for a communication channel. HERE the interesting part of the research began, "about the making of" and the first differences to be analyzed and commented upon appeared between companies.

The multitude of companies which can constitute case study research subjects may be divided into three groups, according to the external signal reception and to the opening of the external communication channel (Bacanu, 2007):

- "the hedgehog companies" represent hard to identify and to utilize companies, having narrow communication channels;
- "the black hole companies" represent the companies which have communication channels, but the signal reception is not to be seen;
- "the window companies" represent the companies which have open communication channels to the top of the pyramid and point out the signal reception.

From the answer's promptitude point of view, one may also discern three categories of companies (Bacanu, 2007):

- "the coral companies" represent the companies which certainly received the stimulus, but showed no answer reaction;
- "the dinosaur companies" represent the companies which received the external stimulus and convey an answer after a several weeks period, unreasonably long from the functional point of view;
- "the samurai companies" which represent the companies which answer rapidly, as a samurai sword blow, be their answer yes or no.

One cannot understand the management of an organization, according to the given research philosophy, without thoroughly studying the essential person of the business: the owner or the highest rank executive. The analysis means to know the person, his place of work, his assistants and close collaborators. It is also important to listen to all these people. If the dialog takes place in "their natural environment", the value of "collateral information" improves. Any apparently insignificant detail is important in a puzzle type inlaid work, which represents a vivid image of the organization, more suggestive than a position occupied sometimes only for one year at the middle of Romanian Capital Magazine Top 300.

On the other hand, the signals concerning the Romanian organizations which can be received from the Romanian media must be treated with more reticence. For instance, discussing the media articles, specialized media included, one may observe that many of them are written by people with limited

competence and experience, sometimes even by students. Other authors, even renowned in the nowadays press, cannot refrain from expressing “opinions” about unfamiliar fields. The same doubts increase when the analyses slide to the quantitative side, being ignored the essential aspects associated with economical, social or technical basic mechanisms.

## Conclusions

Strategic management is beginning to mature in both theory and method for teaching. The educational methods used are becoming more sophisticated and valuable in building a knowledge base of how to strategically manage business organizations. Even under academic criticism and under the pressure of alternative modern methods, the study case remains the main instrument for strategic management in American business schools.

In Romania the use of study case for teaching strategic management is at the beginning. The main problem in a case study construction is to obtain reliable data. For a Romanian student or case studies’ writer in 2008 this problem could be avoided by an intelligent choice of an “open” organisation. The direct observation and the work on the field become the advantages of Romanian style in the construction of strategic management study cases.

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