

A Survey of Case Studies Used in Core Finance Courses for MBA Students

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The case study approach in finance is often regarded as one of the best ways to bridge the gap between theory and practice. While much has been said about the relationship between case courses and graduate programs, little research has been performed on sources of cases in use, coverage and organization of courses, and the grading of oral and written reports. U.S. finance professors who have taught the MBA-level core finance courses (the 2nd MBA-level finance course), were surveyed to determine which sources of cases have been used, the organization of classroom discussions, number of oral and written assignments, and grading procedures.

INTRODUCTION

Kester (1999) addresses that teaching finance courses poses the continuous challenge of linking a variety of theories to the actual practice of finance in the real world. Most finance textbooks for MBA students are oriented toward the memorization of terms, concepts, and predictable end-of-chapter problems. The required memorization only fulfills the lowest level of Bloom's Taxonomy of Education Objectives (1956), while leaving the other five levels—comprehension, application, analysis, synthesis, and evaluation—untouched. To overcome the tendency of textbooks to treat finance in an overly mechanical or theoretical manner, many instructors use the case method, either to supplement lectures or as the basis for a separate course devoted entirely to cases. There are different ways for students to master a subject, but many argue that the case study approach is the most effective.

Roulac (1975) states that the use of case studies can facilitate the transition from intellectual dependence to independence and self-reliance. Viscione and Aragon (1978) find that when applied successfully, case studies offer a unique opportunity for students to become intimately involved with financial decision-making processes. They also mention that the two key issues in finance education are the development of the overall analytical skills and the bridge of the gap between theory and practice. Therefore, introducing case studies to bridge the gap between theory and practice also tends to reinforce the development of critical thinking in finance education. Facione (2011) says that critical thinking is a process of making reflective judgments about what to believe or what to do, and it is widely applied in problem solving and decision making. In this sense, case studies in finance education provide an excellent

opportunity to train students in the skill of critical thinking, while at the same time to achieve higher levels of the objectives promoted by Bloom's Taxonomy.

Most cases center on a series of real-life, current, and decision making situations. Cases are not designed to present a right answer which one can memorize in the hope that can be applied in similar situations. In other words, cases are the raw materials that permit simulation in the classroom of actual discussions carried on informally among the students. The learning comes from actually participating in the search for solutions. In case analysis, the focus shifts to the student's involvement rather than isolation and subjective class preparation, thereby reducing the role of the instructor to, more or less, a facilitator of ideas and arguments. Tripaty (2009) concludes that the role of the instructor in case studies is variously described as guide, facilitator, probe, referee, overseer, resource person, leader, tutor, moderator, or questioner.

The case study approach has been long regarded as an effective strategy to improve the oral and written skills of students in financial management. In fact, the case study approach enables students to learn all forms of communication simultaneously: reading, listening, speaking, and writing. The growth and promising development of the case method are attributable, pedagogically, to its ability to generate enthusiasm while students analyze practical situations and evaluate workable solutions to real problems faced by American businesses. Consequently, the case study approach helps students better understand and appreciate the real-world relevance of finance theory and concepts. For their part, several papers, Dorn (1999), Botstein(1980), and Addams(1981) all reveal that potential employers have confirmed that the skills toward which case studies are directed are significant factors in hiring graduates and evaluating work performance of individuals considered for promotions. The purpose of this research note is to ascertain how extensively finance professors use case studies in teaching their MBA level core finance courses, which is closely related to the work of Kim and Guithues (1982).

While much has been said about the relationship of case courses to graduate programs, little research has been performed on sources of cases in use, coverage and organization of courses, and the grading of oral and written reports. Finance professors who have taught the MBA-level core finance courses (the 2nd MBA-level finance course), were surveyed to determine which sources of cases have been used, the organization of classroom discussions, the number of oral and written assignments, and grading procedures. This course is variably known as corporate finance, financial administration policy, advanced financial management, financial administration, and others.

Data were obtained from a questionnaire mailed to chairpersons of the finance departments in all AACSB schools in the United States in March 2010. We obtained mailing labels of deans for AACSB schools from the Association to Advance Collegiate Schools of Business in Tampa, Florida for \$150, and then replaced the name of dean with the chairperson of the finance department. Of the sixty-two questionnaires which were returned, forty-eight respondents used case studies in their courses, while fourteen respondents did not use case studies in their courses. Because forty-eight respondents fit into the grouping for our study, we separated our data to reflect current teaching practices in case studies on the graduate level.

COVERAGE

Table 1 shows the number of cases assigned for classroom discussion and written reports. As a group, the respondents assigned an average of seven cases for written analysis, oral presentation, or both, though a few professors assigned over fifteen cases. Apparently, a greater number of professors used written case analysis than oral presentation.

TABLE 1
NUMBER OF CASES ASSIGNED FOR ORAL AND WRITTEN REPORTS

Oral Report			Written Report		
Number of Cases	Number of Responses	Percentage Responses	Number of Cases	Number of Responses	Percentage Responses
0 (zero)	27	0.56	0 (zero)	11	0.23
1 to 5	15	0.31	1 to 5	31	0.64
Over 6	<u>6</u>	<u>0.13</u>	5 to 9	<u>6</u>	<u>0.13</u>
Total	48	1.00	Total	48	1.00

Needless to say, there are a wide variety of finance cases from a variety of sources, including universities, academic journals, case books, textbooks with both theory and cases, and others. While the use of case studies introduces high levels of flexibility and effectiveness into the classroom, the careful selection of finance case studies is of great concern. Bruner et.al. (1999) find that the three major criteria used for case study selection are the educational objectives, the type and level of the course, and the background of the students.

Table 2 shows that the most popular source of cases obtained by the respondents is Harvard Business School finance cases (34 percent), followed by other sources (17 percent), unpublished school case studies or their own cases (14 percent), and case books (14 percent). Those professors who selected “other sources” as the sources of their cases said that they used articles published in *the Wall Street Journal*, trade magazines, and academic journals. Three of out six respondents who obtained their cases from college clearing houses said that they used the University of Virginia Darden School of Business cases.

TABLE 2
SOURCES OF CASES USED

Sources of Cases Used	Number of Respondents
Case books	10 (0.14)
Textbooks with both theory and cases	8 (0.12)
Harvard Business School finance cases	24 (0.34)
College clearing houses	6 (0.09)
Unpublished school case studies or your own cases	10 (0.14)
Other sources	<u>12 (0.17)</u>
Total	<u>70 (1.00)</u>

It is not surprising to find that the most popular source of cases used by corporate finance instructors is Harvard Business School cases. Dorn (1999) mentions that the case method has been popular at Harvard University for teaching the complexities of the law, and later, business administration and communication. Harvard Business School professors introduced business cases for the first time to give students practical experience for use in the real world. These cases have been published for the use of other institutions, and Harvard Business School has sold a course packet of cases tailored to the need of each instructor for years. They have motivated other schools and instructors around the world to develop

thousands of cases for their classroom uses and for sale.

Fifty-six percent of the respondents said that they spent somewhere between one and sixteen hours—with an average of four hours—lecturing on research tools and techniques of financial analysis to assist members of the classes in their oral and written case reports. On the other hand, the remaining 44 percent reported that they did not spend any time on research tools and techniques for case analysis. Furthermore, the respondents almost equally divided their class time between case studies (49.58 percent) and non-case assignments (50.48 percent).

However, it is important to note that eleven instructors (24 percent) spent over 80 percent of their class time on case studies, while fifteen instructors (31 percent) spent over 80 percent of their time on non-case assignments, such as lectures on theories, term papers, examinations, etc.

There are necessary steps and guidelines normally followed in analyzing cases. While the formats varied, the clear majority of instructors (58 percent) followed a four-step procedure:¹

1. Identify only one key problem.
2. Identify the causes of the problem.
3. Define alternative solutions.
4. Reach a decision.

The student must first understand the background information about the case or an overview of the case, and then: 1) identify only one key problem, though there may be several problems or a multitude of symptoms; 2) identify the causes of the problem, which requires careful diagnosis because wrong causes may lead to wrong solutions; 3) define alternative solutions and evaluate the pros and cons of each alternative, and 4) reach a decision—one of the alternatives must be selected with an adequate explanation of its superiority. The identification of the problem is perhaps the most critical part of the analysis, because the failure to identify the problem correctly may yield solutions to the wrong problem. It appears that Darden integrates this four-step procedure of case analysis with the four-step learning process for their MBA students. “Students find the Darden curriculum both challenging and rewarding. Darden’s case method is based on a Four- Step Learning Process, which allows for complete understanding and integration of the materials:

1. Read and consider each case on your own. You must identify problems, define alternatives, analyze data, make decisions and outline a course of action.
2. Share your ideas with your learning teams and resolve areas of uncertainty.
3. Discuss the case in class and explore the input of everyone in your section.
4. Reflect on how your initial ideas changed as a result of the input from your learning team, section and faculty.”²

GRADING

The respondents reported that they divided their course grade between case studies (55 percent) and non-case assignments (45 percent). Table 3 shows the component elements of the course grade, frequency of their usage, and weighted average course grade. The three elements most commonly used to determine the student course grade are written case reports, oral presentation, and examinations. The weighted average course grade by the forty-eight instructors as a group consists of written reports (49 percent), examinations (36 percent), oral presentation (1 percent), class participation (6 percent), and quizzes (7 percent). While oral presentation is used by almost 58 percent of the respondents as one of the criteria for the course grade, it accounts for only 14 percent of the weighted average course grade. On the other hand, while examinations are used by about the same percentage of the respondents (56 percent) as the oral presentation (58 percent) as one of the criteria for the course grade, its weight (36 percent) in the course grade is almost two times as much as that of the oral presentation. Table 3 indicates that class participation is used by almost half of the respondents for the course grade, but it amounts to only 7 percent of the weighted average course grade.

TABLE 3
COMPONENTS OF GRADE, THEIR USAGE, AND WEIGHTED GRADE

Components	Number of Respondents	Percent of Total (48)	Weighted Average Course Grade
Written Reports	45	0.94	0.4943
Oral Presentation	28	0.58	0.1396
Examinations	27	0.56	0.3587
Class Participation	19	0.40	0.0067
Quizzes	9	0.19	0.0007
Total			1.0000

The respondents as a group put a little more weight on case studies (56 percent) than on non-case assignments (44 percent) in dividing their course grade between these two criteria, but this weighted average is highly misleading because quite a few of professors used either case studies or non-case assignments as an almost exclusive criterion for the course grade. In addition, the respondents reported that in order to determine if their students had read the assigned case before each class, they gave quizzes (15 percent), collected written case outlines and/or written reports (58 percent), asked some questions (46 percent), and used other methods or no method (12 percent) on the cases beforehand. It is important to note that the percentage total of these methods used is greater than 100 percent because some instructors used multiple methods to make sure that their students had read the assigned cases before each class started. Apparently, this survey indicates that the respondents felt that the student's preparation was critical to successful use of the case analysis method.

Case course instructors are more likely to face student complaints because a portion of the course grade depends on the instructor's subjective judgment. Both oral presentation and class participation are the two areas in which grades depend on the instructor's subjective judgment. One way to minimize such student complaints is to assign very little or no weight to these controversial areas. Thus, it is fair to assume that the respondents of this study might have assigned little weight to these two subjective judgments in order to minimize student complaints, while using them to make sure that students will be motivated to better prepare for oral presentations and classroom discussions.

CONCLUSION

The case method encourages students to develop competencies and critical thinking by placing finance concepts in the corporate context. The success of the case method as an important learning experience, however, is directly related to the amount of student preparation and involvement. Thus, our survey confirms that instructors made certain that their students had read the assigned cases before each class by giving quizzes, collecting written case outlines and/or written reports at the beginning of the class, and asking some questions on the cases beforehand. Instructors can foster their students' active participation in class discussion by assigning a higher weight in the course grade on class attendance and class participation, but they assigned a smaller weight on these elements, perhaps, in order to avoid student complaints.

Quite a few of our respondents (fourteen instructors out of sixty-two respondents) did not use even a single case in their MBA-level core finance courses. In addition, twenty-six instructors who used cases in their courses have spent over 80 percent of their class time either on cases or lectures. As Viscione and Aragon (1978) address that the fundamental problem in finance education is the gap between theory and practice, this problem can be eliminated by using case studies in finance education, but the success of

the case method depends on student knowledge of essential concepts and techniques. Thus, to overcome the limitations of an all-case course or an all-lecture course, both cases and lectures can be combined into a single course to obtain the best of both worlds. In other words, a well-balanced approach in both areas is critical to solving the fundamental problem of the gap between theory and practice in finance education. Only twenty-two of the sixty-two respondents in our survey have done so in their MBA-level core courses in finance.

ENDNOTES

1. The idea for a four-step procedure of case analysis used in this article came from several articles, including , Roulac, S.E., Fall 1975, "The Use of the Case Method in Financial Education," *Journal of Financial Education*, 63-71 and Tripaty, M.R., April 2009, "Case Methodology in Teaching & Research: A Critical Review," *Indian Journal of Industrial Relations*, 1-14.
2. http://www.darden.virginia.edu/html/standard.aspx?menu_id=635&styleid=2&id=812, October 12, 2010.

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