Case Notes

# Module F: Decision-Making Tools

# Gerber Products Company – The Problem

## Case Summary

*This case describes the problem faced by Gerber Products Company in responding to health risks of phthalates used to make PVC pliable for its many baby products.*

Case Analysis *This case illustrates a decision-making situation under risk. Geber Products Company is made aware of the health risks associated with phthalates and must decide whether or not to continue using it in its products.*

## Sample Answers to Case Questions

1. Frame the above situation as a decision. What are the strategic choices that Gerber faces as a result of these circumstances?

A decision-making situation has four elements: (1) decision alternatives, (2) states of nature, (3) consequences, and (4) payoffs. In the Gerber case, its decision alternatives are using phthalates in its product line or eliminating phthalates from its product line. The states of nature is whether phthalates is found to be carcinogenic or not. The consequences are outcomes resulting from deciding whether or not to use phthalates in the event that phthalates is found to be carcinogenic or not. The payoffs are the values of each consequence. Gerber needs a strategy to effectively analyze its decision alternatives and select the best option.

2. Suppose you were a senior manager at Gerber when this issue came to light. What are the critical choices you need to make? What are the potential risks and costs for:

a. Ignoring the potential problem.

b. Responding with the decision to immediately end the use of all phthalates in your production processes.

Geber has two choices: one is to continue using phthalates but run the risk of societal and legal costs if its products are found to be carcinogenic. The other option is to invest in new technologies to eliminate phthalates from its product line. This requires heavy costs of investment in both product development and production processes but will avoid the health risk associated with phthalates.