Case Notes

# Module F: Decision-Making Tools

# Gerber Products Company – The Solution

## Case Summary

*This case describes how Gerber used decision tree as a decision making tool to select a proactive approach to address concern about phthalates.*

Case Analysis *This case illustrates the four elements of any decision-making process and how to use a decision tree to make sequential decisions. It relates the difficulty of making decisions under uncertainty to problems of estimating various states of nature and payoffs. Gerber’s decision to respond proactively was made rationally with the best information it had. It turned out to be costly as ultimately phthalates was approved for use in toys and other products.*

## Sample Answers to Case Questions

1. This case illustrates an example of the fact that sometimes the “best” alternative is the one that minimizes costs; in other words, the optimal solution is the one that isn’t profitable itself but keeps a firm from losing too much money due to a bad decision choice. Can you think of another circumstance where an organization faced a similar decision that involved minimizing the negative payoff (Hint: think of industries with significant pollution of environmental hazard concerns)?

When Marriott learned about the health risks associated with second-hand smoking, it decided to make all its hotel smoke-free. This is another example of making a decision that minimizes negative payoffs.

2. Given the fact that ultimately, the government found that phthalates were not harmful, was Gerber’s decision to respond proactively a good one or a bad one? Why? Can an organization afford to wait until full information is available about potential health risks?

Gerber’s decision to respond proactively is still a good one because it showed Gerber cared about its customers in ensuring its products are free of any health risks. It put its customers first and was not simply meeting government regulations.