

### Unit 3 Discussion Guidance – Decision, Decisions, Decisions!

**Scenario:** You are a business owner faced with an important decision that could potentially be very lucrative. Keep in mind the “Six Steps in Decision Making” as you set up your decision analysis.

**Main Post:** For this discussion, you will be asked to compose an **essay** to address the following questions:

1. Create a scenario in which your business needs to make a decision.
2. Identify at least three alternatives and three states of nature for the decision.
3. Create a decision table in Excel that includes:
  - the alternatives
  - the states of nature
  - the potential payoff/losses for each alternative
  - Note: These fictitious amounts should be based on any information you feel is pertinent in your business decision making.
4. Include the payoff table in the essay and as an attachment to the discussion board.
5. Choose **one** of the three decision strategies:
  - Optimistic
  - Pessimistic
  - Criterion of Realism
6. For the decision strategy chosen above:
  - List the best payoff.
  - List the alternative to use based upon the payoff.
  - State why the decision strategy was chosen.
7. Indicate your final decision.

After you have contemplated the questions above, write your essay including the answers to all of the questions above. All essays should:

- have an introduction, body, and conclusion.
- have three or more body paragraphs.
- end with a conclusion paragraph tying all of your ideas together, stating the final decision made, and why that decision was reached.

**The essay should be at least five paragraphs in length.**

You can also view a Discussion Board starter video to assist you with the Unit 3 Discussion Board in the [Unit 3 LiveBinder](#).

.....

These responses are meant to be a guide on how to address the initial post and do not include all possible responses.

1. I am the business owner for my personal juice/smoothie business, "The New Green!" I have smoothie carts in various locations around town. Business has been going very well and I am considering expanding my business to our neighboring town.

2. Three alternatives would be:

1. Expand fully to neighboring town with 3 new smoothie carts
2. Pilot the expansion with just 1 new smoothie cart
3. Stay status quo – do not expand (Make the customers come to me!)

Three states of nature would be:

1. Serious demand for good nutrition
2. Moderate demand for good nutrition
3. Nobody cares about good nutrition

3 & 4. On a typical "awesome" day, I sell about \$250 in smoothies per cart, and it costs about \$100 for electricity and staffing. So, a net income of about \$150 per day per cart.

On a typical "moderate" day, I sell about \$150 in smoothies per cart, and it still costs about \$100 for electricity and staffing. So, a net income of about \$50 per day per cart.

On a typical "poor" day, I sell about \$50 in smoothies per cart, and it still costs about \$100 for electricity and staffing. So, a net loss of about \$50 per day per cart.

I will set up my decision table based on the above profit/losses per smoothie cart.

	<b>Awesome Nutritional Demand</b>	<b>Moderate Nutritional Demand</b>	<b>Poor Nutritional Demand</b>
<b>3 New Carts</b>	450	150	-150
<b>1 New Cart</b>	150	50	-50
<b>0 New Carts</b>	0	0	0

5. I will choose to use the Criteria of Realism strategy.

For the Criteria of Realism (Hurwicz), I will use a coefficient of realism of  $\alpha = 0.75$ . As a reminder, this means that I will be 75% optimistic and 25% pessimistic – a compromise between the optimistic and pessimistic strategies. The Criteria of Realism decision is to build 3 new carts, based upon the decision strategy's alternative value of 300.

## Hurwicz Criteria Decision Process

				$\alpha =$	0.75
	Awesome Nutritional Demand	Moderate Nutritional Demand	Poor Nutritional Demand	Alternative value	
3 New Carts	450	150	-150	300	
1 New Cart	150	50	-50	100	
0 New Carts	0	0	0	0	
				0	

Hurwicz Criteria
300

**Essay:**

I am the business owner for my personal juice/smoothie business, "The New Green!" I have smoothie carts in various locations around town. Business has been going very well and I am considering expanding my business to our neighboring town.

Before making my decision, I am going to examine my alternatives ....

Because of how my business operates, I choose to use the strategy ...

Here is an examination of a table that has the potential payoffs/losses. This table is indicating to ...

My final recommendation is ...