

Example of auto fleet discount case study

[Business](#), [Company](#)



The Automobile company is experiencing a major problem due to inadequate production which has made it difficult for the company to meet its financial goals that were estimated particularly profit. As a result, the board met to discuss ways on how to boost sales in order to reach its sales target. A board member proposes for actions that will see the company sell to an Auto fleet rental company at a discount so that they may increase their purchases and the Automobile Company meet its target. However, it seems the company will have to offer the Auto fleet a large discount in order to encourage them to purchase, but that is not the case as the company wants to utilize its controlling interest to make the Auto fleet go along. However, the company is reluctant as no other company has used this method before and therefore there is the fear of the unknown. In this analysis, we analyze the situation using modeling techniques such as causal loop diagrams, systems archetypes, entropy, interpretation and control to see if the proposed decision is appropriate.

The management wants to attract the fleet company to buy more cars by offering more discounts. This strategy may work well if the move is well calculated. Discounts will have an impact on many factors in the internal environment of the business. Sales may improve at the expense of profits. Production activities will increase as the company will have to produce more cars so as to meet the artificial demand that it would have created. There are various variables involved in the entire process. Sales, profits and discounts are the variables. From the casual loop diagram, an increase in the discounts offered will result to an increase in sales but the profits will reduce unless the company makes quite a big number of sales.

In the diagram, two arrows are labeled with letter “ S”, to indicate that, when the first variable changes, the second one varies in the same direction.

The arrows labeled “ O” means that when the first variable changes, it causes the second variable to change in the opposite direction.

Though the marginal profit will not be affected by the increase in discounts offered, it is important that the management limits the offer, as it may negatively impact on profit. The management should establish the limits between the internal and external factors of the system (Pfeffer, 194). This difference is very significant to the management of the company because it will help to pay consideration on the main interrelationships within the systems and the transactions within its environment.

Possessing the controlling interest on a car rental company, which is a customer to the automobile company, is ineffective without the consideration of the peripheral environment in the industry. Since the automobile company wants to increase its competitiveness, it should analyze the actions taken by its competitors in the highly competitive automobiles industry (Duncan, 321). Due to the existing argument regarding the environment, the interpretation model can be used to make a decision that will be effect and turn around the unpleasant performance of the company. Below is a model representing organizational interpretation modes.

This interpretation model will provide the management with a better insight to the practicality of the decision that they want to put in action. I urge the management to conduct a thoughtful interpretation before implementing the board’s proposal.

Using system archetype models, giving offering large discounts may cause

the fleet company to buy more the automobiles company. This might exceed the production capacity of the company. If this happens, the company will have to make more efforts to instantly increase its production plants. The management should strike a balance between the discounts offered and production capacity, to avoid overstraining the company's production ability, bearing in mind the fact that the strategy of increasing the discounts is only a short term strategy (Sterman, 153). The long term as well as short term goals and objectives of the business should as well not be compromised. In this case, the actual condition is the low sales while the corrective action is the intended increase in discounts offered. Any decision intended to correct the unpleasant condition needs to be well thought of so as not to jeopardize the overall performance of the business. In my point of view, huge discounts will not necessarily translate to increase in sales as the fleet company may already have purchased to its full capacity.

Organizational behavior needs to be taken into account by thoughtfully and thoroughly examining the internal and external environment of the company (Jung, 64). The management needs to analyze the following archetypes that will reveal the patterns of behavior.

- Escalation
- Eroding goals
- Shifting the burden
- Limits to growth
- Fixes that fail
- Attractiveness principle
- Growth and Underinvestment

- Tragedy of the commons

A clear analysis will reveal that there is a lot that needs to be done and not merely a matter of increasing the discounts with an aim to boost the sales. Obviously, archetypes do not describe one particular problem but a series of problems which may be interrelated and also diagnose the anticipated problems to avoid unnecessary failure of the business (Sterman, 159). The tools will help the organization to gain a deeper understanding of the organization and its environment thus contributing to possibly averting future problems. The management needs better thinking about problems and not better solutions.

The automobile company can modify the solution or search for the best solution already in the analyzable environment (Duncan, 318). Market research, trend analysis and forecasting can be used by the management to determine whether the discounting decision will result into more opportunities or problems. It will be an accurate measure as decisions are made based on the formal search procedures.

The management should adopt measures whose possibility of success is almost one. The proposal of the board of directors is doubtful and on my view, thorough consultation should be made and involve all stake holders in so as to come up with a strategy that will boost the sales without creating other risks to the business (Jung, 203). The customers are an important part in this due to the special role that they play in the success of a business and caution must be taken to include and streamline them in the decision making process.

In conclusion, it seems the proposal may be effective if implemented

carefully by analyzing the business environment of the company. However, management needs to analyze the proposal by using the modeling techniques prior to implementation.

Works cited

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