

Decision tree

Business



Decision tree The company should not give in to the union demands because it increases the unit cost from 3.52 to 4.07. By giving in, the company is disadvantaged to clinch the first contract unless other bidders place their bids far below their new unit cost. From the decision tree, it is evident that the company has very minimal chances of winning with a 0.81 probability to win should bidders quote a unit price of 4.07. The company can avoid the strike and agree with what the union suggests before the strike actually occurs. Even though the unit cost will increase from 3.52 to 3.8, it will be much better as when compared to allowing the strike to take place, which has adverse effects on winning the contract.

To win the second contract, the company must show proof of its ability to perform by presenting its financial investment. The expected value will increase with an increase in unit cost while the net profits reduce with an increase in unit cost.

Conclusion

Decision trees at times become complex in nature but play a substantial role in helping the organization in critically analyzing the options and deciding on the best course of action.