

Decision making critical thinking

[Business](#), [Management](#)



Decision Making

In May 2012, the shareholders of MTS bank made a decision to merge with Dalcombank. In this case, Dalcombank is to cease its operations in the course of the year and become part of MTS bank. The major aim of this course of decision is to increase the share capital of the organization so that the bank can have more capital to invest. The bank aims at opening more branches so that it can reach more customers. In addition, the bank aims at operating in other many countries so that it is able to compete globally like other banks. MTS does not only aim at increasing its presence all over the world but the management also aims at increasing the type of services that it provides to its customers. In this regard, the bank is coming up with innovative services that it wishes to introduce to the market. All these operations need money that can be obtained through various ways one of them being through increase in the capital that the bank is allowed to raise from shares.

Specifically, the major aim of the bank is to be able to increase its profitability. The method that the bank wishes to pursue to earn more profits is through serving more customers so that the total sale of its services can increase hence increasing the profitability. In return, the shareholders are to benefit from increased share value and the dividends. The decision problem in this case was on how the capital to invest so as to reach more customers would be obtained.

Through merging, more share capital can be raised and hence finance the expansion process of MTS bank. The provision of a wider range of services to the customers aims at capturing a wider market. With a variety of services,

the bank will be able to meet the needs of its customers more effectively. Satisfied customers will always come back to the bank for more services hence increasing the profits of the bank. In addition, with new services new customers will come to benefit from the new services and this increase in the number of customers mean increased profitability of the bank.

The assumption made in this decision making process is that the shareholders of Dalcombank will be willing to accept the process of merging between the two companies. This is however not the case since the shareholders may feel that their ownership in the company will not be felt after the merging process hence they may resist the merging process. The management of Dalcombank may also resist the offer to merge. This is considering the fact that some of the employees in Dalcombank will have to lose their positions and power. The shareholders have also assumed that after the merging process, the resulting bank will be able to run smoothly which may not be the case considering the fact that there may be conflict between the managers of both organization regarding how the new business will be managed.

The stakeholders in this decision making process are the board of directors of the two banks and the shareholders of both banks. The interests of the board of directors are to ensure that the performance of the bank they manage is excellent so that they can attract more investors into the company. As a result, the management team will benefit from this success. However, the board of directors of Dalcombank is concerned that the merger between the two banks may mean that they will lose their positions. On the other hand, the shareholders of the two banks wish to see good performance

of the companies they have invested in so that the value of their investment can increase. The shareholders of these banks also benefit from increased dividends if the banks make more profits. However, the shareholders of Dalcombank are concerned that if this decision is implemented, it will mean loss of their investment. This is because the company they will be dealing with will be different from the one they invested in. therefore these shareholders need to ensure that proper agreement is made to assure them security of their investment funds.

The stakeholders have a great impact on the decision making process. In the first place, the majority of the shareholders should accept the merging process otherwise, the merging activity cannot occur. The MTS board of directors should also sell the idea of merging to the Dalcombank well so that the management of Dalcombank can accept this agreement. The board of directors of Dalcombank has the right to accept or refuse the proposal from MTS bank. It is after the acceptance that they can sell the idea to the shareholders of Dalcombank who also have to decide whether the decision is favorable or not.

The decision to merge has an impact to the shareholders of the companies. The ownership of Dalcombank is to cease if the decision is accepted hence the shareholders lose their interest in the company. In addition, ownership of the MTs bank is to be diluted after the merging activity. Therefore the control of the bank by each shareholder is to reduce. The earnings per share of MTS bank is likely to be affected by the merging process since increased number of shares with constant profit means that the earning per share will have to reduce. The shareholders of MTS bank will have less control of the

organization due to the increased number of shareholders after the new shares are issued to the public.

The interest of the shareholders can be protected by ensuring that what is supported by at least two thirds of the shareholders is what is implemented. Generally, two thirds of the shareholders means that most of the investors support the decision being made hence the interests of the majority are protected. However, sometimes the majority shareholders may make a decision with an aim of taking away the rights of the minority shareholders. In this regard, measures should be put in place to ensure that the interests of the minority shareholders are protected. This can be done by giving them a chance to prove that the decision passed by the majority shareholders was meant to take away their rights and interests in the company. If this is the case, the decision by the majority shareholders should be terminated. It is usually important to ensure that the rights of all the individuals in an organization are protected so that the reputation of the organization remains intact. In addition, conflicts in decision making in such an organization are eliminated.

Reference.

MTS bank (2012) shareholders of MTS bank make a decision concerning reorganization in form of affiliation to Dalcombank. Retrieved from;
<http://www.mtsbank.ru/en/profile/news/detail/14069/>