Decision making for behemoth motors corp

Business, Management

Business management has become one of the most popular jobs in the world . Wally Wizard, as GSPN manager, needs a keen eye to ensure that the business is running with no hitches, no obstacles to success and no decrease in revenues. First, it is important to define what Wally Wizard's problem is. Superficially, Mr. Wizard has no problem with the outfit, because statistics show that only 2% of their products fail quality control. However, upon closer inspection, Mr. Wizard does have a problem: the direct materials that they utilize are acquired pursuant to monthly contracts.

Even though there are no future obligations under the contracts, BMC is still vulnerable to his suppliers' whims: sudden increase in rates or the possible non-renewal of their contracts the following month. Now that the problem has been identified, what alternatives do Mr. Wizard have? A perfect opportunity in an offer made by Far East Enterprises, Ltd. comes along. Although production costs are a fraction higher than BMC/GSPN's current operations, FEE offers a two-year contract that would presumably contain less risk than the current system.

However, if Mr. Wizard opts for the outsourcing, what to do with their 100 strong employees? Mr. Wizard already has the relevant information he needs so that he can make a viable, intelligent and profitable decision. Behemoth Motors Corp. 2 (1) FEE assures the same quality as the current BMC/GSNP quality. (2) The FEE outsourcing is covered by a contract. (3) The factory floor space vacated by the business operations can be a source of savings. (4) FEE's delivery schedule is as reliable as BMC's. (5) BMC's supervisors can be absorbed by other BMC units.

Therefore, the only problem is the laying off of 100 laborers. The solution to this would be intense collective bargaining agreements with the union. The FEE contract will commence on July yet, buying time for the company to make negotiations. Labor standards and regulations do not enjoin employers from discharging or laying off employees (Kim 2003). The employees may be given three months'notices of their discharge. In lieu, Mr. Wizard can monetize the three months notice, which will provide ample support and time for the employees to gain employment.

Unions are amenable to notices specially if the workforce to be discharged is paid off. This is an opportunity cost for BMC/GSPN, wherein Mr. Wizard quantifies the cost of sacrificing his workforce, in favor of obtaining the benefits of the FEE contract (Jay 2004). Mr. Wizard will wake a sound managerial decision by opting for the FEE Behemoth Motors Corp. 3 Contract. Why? Most of the qualitative factors in making decisions are soundly met (Relevant Costs): (a) Quality is assured; (b) Delivery schedules will be met;

(c) FEE is a reputable outsourcing company which will in turn uphold the reputation of BMC/GSPN; and (d) As result, customer opinion will be high and their satisfaction guaranteed. To conclude, studies have shown that outsourcing benefits include better planning, higher points of operational consistency, and faster implementation of new techniques and strategies (Ferrell 2003). Behemoth Motors Corp. 4 References Relevant Costs for Decision Making, Retrieved May 27, 2008 from: http://www. mhhe. com/business/accounting/garrison/Student/olc/garrison9emgracct_s/chapterindex13.

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