

# Problem solving and decision making strategies



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## **Background**

Problem solving and decision-making are important skills for business and life. Problem solving often involves decision-making, and decision-making is especially important for management and leadership. There are processes and techniques to improve decision-making and the quality of decisions. Decision-making is more natural to certain personalities, so these people should focus more on improving the quality of their decisions. People that are less natural decision-makers are often able to make quality assessments, but then need to be more decisive in acting upon the assessments made. Problem solving and decision-making are closely linked, and each requires creativity in identifying and developing options, for which the brainstorming technique, as this thesis is particularly useful.

## **Collection of data and findings of RH cars**

There are two types of data collection methods; they are primary data collection and secondary data collection.

- **Primary Data Collection:** Primary data collection can be deemed as bespoke and therefore time consuming and costly.
- **Secondary Collection Data:** Secondary data include general reports supplied to an enterprise by various data services. Such reports might concern market share, retail inventory levels and consumer buying behaviour.

The data collection for any car manufacturer can be used questionnaires to collect data in conjunction with published sources such as annual reports, price lists, and actual sales records. For cost reasons it could not conduct

observations of on the-job application, interviews, or focus groups. Instead, rather ascertained the key metrics that would drive business impact (number of units sold and margin per unit realized) from the questionnaire and then validated the metrics with actual figures confirmed by the client.

One key survey is the monthly “ Customer Satisfaction Index”, tracked by RH Financial, which directly measures end customer satisfaction regarding the financial services obtained in the dealership. These provide the management team with data. The actions that need to be taken to drive these metrics the right way are sometimes more elusive in an industry that has very little customer contact once an account is set up.

## **Survey methodology and frame used**

A systematic method for gathering information from (a sample of) individuals for the purposes of describing the attributes of the larger population of which the individuals are members. The attributes attempt to describe basic characteristics or experiences of large and small populations in our world.

RH survey features

- Information is gathered by asking customer questions.
- Information is collected either by having interviewers ask questions and record answers or by having people read or hear questions and record their answers.
- Information is collected from only a subset of the population to be described (a sample) rather than from all members.

Surveys are used extensively in car manufacturer industry to assess attitudes and characteristics of a wide range of cars and also new models.

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When information is obtained, or data is measured, the method, or process used to gather information, greatly affects the results. The extreme complaints might not represent the attitudes of the whole group. Similarly, measuring or counting data depends on the instrument or method used. The basing judgments on customer complaints alone ignored the general population of other opinions, which should be judged together, such as in a statistical sample of the whole statistics.

A questionnaire for a particular purpose

**Please select which best represents your views.**

**1. Overall satisfaction – All things considered, please rate your overall satisfaction with...**

1a RH Credit

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

1b Your selling dealership

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

1c Your vehicle

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

## **2. About your finance/lease contract – Please rate your satisfaction with...**

2a Finance/Lease transaction overall

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

2b Ease of obtaining financing

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

2c Speed of approval for financing

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

2d Explanation of financing terms and conditions at the dealership

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

2e Ease of understanding the content of your finance contract

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

2f Timeliness of receiving your Welcome Pack/your contract

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

2g Accuracy of documents we sent

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

### **3. Contact with RH Credit**

3a Have you contacted RHCredit with a question or problem related to your contract

Yes

No

3b Your contact experience with RHCredit

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

Thinking about the representative you dealt with, how satisfied are you with the...

3c Ease of making contact with the right person/employee to answer your question or resolve your problem

Completely Satisfied

Very Satisfied

Fairly Satisfied



Somewhat dissatisfied

Very dissatisfied

3d Courtesy of the representative

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

3e Responsiveness of the representative

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

3f Representative's ability to answer your question completely and accurately  
3h Representative's follow-through on promised actions

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

Thinking about your most recent contact...

3g How many times did you contact RHCredit before your question or problem was resolved

Completely Satisfied

Very Satisfied

Fairly Satisfied

Somewhat dissatisfied

Very dissatisfied

#### **4. Future intentions – Based on your experience, would you...**

4a Recommend RHCredit to a friend or family member

Definitely Would

Probably Would

Might or might not

Probably would not

Definitely would not

4b Recommend your selling dealership

Definitely Would

Probably Would

Might or might not

Probably would not

Definitely would not

4c Recommend your make/model of vehicle

Definitely Would

Probably Would

Might or might not

Probably would not

Definitely would not

**Summarizing data using representative values, and use the results to draw valid and useful conclusions for RH Cars.**

The root-cause analysis helped RH to identify key factors that tend to lengthen decision cycles. They included inadequate training in the clear communications of alternatives, absence of a good model of teamwork, and a control-oriented management philosophy. Decision-making increasingly

happens at all levels of a business. The Board of Directors may make the grand strategic decisions about investment and direction of future growth, and managers may make the more tactical decisions about how their own department may contribute most effectively to the overall business objectives. But quite ordinary employees are increasingly expected to make decisions about the conduct of their own tasks, responses to customers and improvements to business practice. This needs careful recruitment and selection, good training, and enlightened management.

### Types of Business Decisions

1. Programmed Decisions can be written down into a series of fixed steps which anyone can follow. They could even be written as computer program
2. Non-Programmed Decisions. These are non-standard and non-routine. Each decision is not quite the same as any previous decision.
3. Strategic Decisions. These affect whether to take over Company A or Company B
4. Tactical Decisions. These are medium-term decisions about what kind of marketing to have, or how many extra staff to recruit
5. Operational Decisions. These are short-term decisions, about which firm to use to make deliveries.

### **Analyse data using measures of dispersion, and use to inform RH cars.**

A proper description of a set of data should include both of these characteristics. There are various methods that can be used to measure the dispersion of a dataset, each with its own set of advantages and

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disadvantages. These statistics describe how the data varies or is dispersed (spread out). The two most commonly used measures of dispersion are the range and the standard deviation. Rather than showing how data are similar, they show how data differs (its variation, spread, or dispersion). The study of dispersion is very important in statistical data. If in a certain car Manufacturer Company like RH there is consistence in the wages of workers, the workers will be satisfied. But if some workers have high wages and some have low wages, there will be unrest among the low paid workers and they might go on strikes and arrange demonstrations. It is reasonable to expect greater dispersion of wage increases to be associated with higher monetary incentives, but also with increased perceptions of unfairness. The authors' analysis of linked employer-employee data from Denmark for the years 1992-97 shows that the dispersion of wage growth within firms generally had a negative association with firm performance. The results are robust across industries and categories of firm size, but are mainly driven by white-collar rather than blue-collar workers.

Quartiles, percentiles, correlation coefficient

Quartiles: One of the three numbers (values) that divide a range of data into four equal parts. The first quartile (also called ' lower quartile') is the number below which lies the 25 percent of the bottom data. The second quartile (the ' median') divides the range in the middle and has 50 percent of the data below it. The third quartile (also called ' upper quartile') has 75 percent of the data below it and the top 25 percent of the data above it. See also interquartile range and percentile.

Percentile: A score equal to or greater than 97 percent of those attained on an examination is said to be in the 97th percentile. Percentiles are values that divide a set of observations into 100 equal parts. The percentile rank is the proportion of values in a distribution that a specific value is greater than or equal to. For example, if an individual received a mark of 95% on a math test and that mark was greater than or equal to the marks of 88% of students then that mark would place that individual in the 88th percentile.

Correlation coefficient: A measure that determines the degree to which two variable's movements are associated. Statistical measure of the degree to which the movements of two variables are related. In statistics, a measurement of the degree to which two things vary together. The maximum value for a correlation coefficient is 1.00, which occurs when two variables have a perfect positive correlation. A negative correlation coefficient indicates two variables that have an indirect relationship.

### 3. 1 A range of graphs using spreadsheets – line, pie, bar charts

The following figure shows the auto sales in July 2009:

Car cost can be divided into following major factors:

Below is a graph of about lease is probably the way to go at cars. Get in for a couple or three years while the car is new (i. e. is at the most reliable part of its lifespan), then get out.

Problems of cars on the road is given below:

### 3. 2 Spreadsheet graphs to assist in forecasting for specified business

information

Half of the respondents in a European survey listed fuel consumption as a priority when buying a new car. The survey was performed in March and April 2007 and included respondents from twelve European countries. Safety, price and reliability were named by more than half of the respondents as a priority.

Priorities when buying a new car

Q: Which are your priorities when buying a new car?

Share of European

Respondents

Safety

73. 1%

Price

63. 7%

Reliability

57. 8%

Fuel Consumption

49. 7%

Comfort

36.9%

Design

18.3%

Size

17.9%

Exhaust Gas

15.6%

Color

3.4%

•

Surveys are constructed also to find out the target audience needs of the car such as luggage space, passenger seats, also size of the car. These are some interesting things that I picked up during the people study done through interviews and surveys:

The highest priority of people is Cost and Efficiency. This is shown in the graph I generated according to the results of the surveys. 30.44% of the answers I received out of the 40 people who filled the surveys are related to cost and efficiency. 13.77% of the answers are actually stating the customers are happy with their car's efficiency.



However on the other hand, 16. 67% of the answers state the opposite. The main complaints of people who have cost issues with their cars are:

- The petrol is costing too much.
- The car requires servicing quite often and the cost of the service is expensive.
- The car parts are expensive when you need to replace them.
- On top of all those costs, they still need to pay for car insurance and registration.

The second highest priority is the Exterior of the car. The answers shown in the survey reach to a conclusion that:

- More people are moving to small and more compact vehicles and they actually like the fact that their cars are compact.
  - A few people actually want small cars because of the fact that they are easier to drive and park. This is a very interesting point because not only small cars are easier to drive and park but they also reduce congestion on the road. Less congestion means less traffic and also more parking space.
  - Some people are happy with how their car looks but they do not really like the fact that the car gets dirty. This shows that quite a lot of people do not enjoy washing their cars and this could mean two things. First, the people actually do not see the interaction with their cars as an enjoyable activity and they see their cars just as a utility to take them from A to B. Second, It could also mean that they enjoy the interaction but they do not have the
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time to do the car washing due to their other priorities. Whichever reason, the interaction of people and cars should be more enjoyable to make more people want to buy a certain car.

## **Preparing a formal business report**

RH has instituted a number of business practices with suppliers designed to increase collaboration, provide for data transparency and expand the volume of business with select suppliers, while building a more sustainable business model. They have also been able to reduce the total number of production suppliers eligible for major sourcing from RH from 3,300 to approximately 1,600 suppliers today, with a further reduction to 750 suppliers planned. We have paid specific attention to strengthening their minority and women suppliers - which currently account for about \$4 billion of their annual \$35 billion of purchases from U. S. supplier locations. Our consolidation efforts have resulted, and will result, in more business for our major suppliers, which will increase their financial strength.

Moreover, as RH moves aggressively to global vehicle platforms, sourcing to common suppliers for the total global volume of a vehicle's components is dramatically increasing, meaning that a smaller number of suppliers will receive a greater volume of the purchases made by RH to support our global vehicle platform. RH's dealers are a source of strength, especially our rural/small town dealers, who represent the face of RH in communities across the U. S. and provide employment, tax support, community leadership and customer service. At their current and expected future market share, they clearly have too many dealers and therefore have made it increasingly difficult to sustain a healthy and profitable dealer network. To address this

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overcapacity, RH is partnering with our dealers and are downsizing and restructuring the RH, Lincoln and Mercury network in our largest 130 metropolitan market areas to provide targeted average-year sales for RH dealers at 1, 500+ units and Lincoln Mercury dealers at 600+ units, resulting in sustainable profits in both good and bad years. We are doing this while maintaining customer convenience factors such as driving distance, location, and appealing facilities. We have joined with our dealers to fund these consolidation actions jointly to protect our representation in the marketplace.

To further reduce costs, RH recently made several significant changes to our Compensation and Benefit plans, including: (i) eliminating merit increases and bonuses due to be paid in 2009; (ii) suspending the Company's 401(k) matching contribution, and Company-paid tuition assistance and dependent scholarships; (iii) capping retiree life insurance at \$25, 000; and (iv) improving the costeffectiveness of benefit programs through more efficient plan offerings and increased employee cost sharing. With respect to the hourly work force in the United States, RH and the UAW agreed to a transformational labor agreement in 2007, the benefits of which are only beginning to be realized. Under this agreement, our hourly labor cost disadvantage compared to the transplants will be substantially reduced, although not completely eliminated. These labor costs savings should begin to materialize as they have the opportunity to bring workers into the workforce at the new wage levels

Product excellence through leadership in fuel economy, innovation, quality,

safety, and leading edge “ comfort and convenience” technology; Substantial and continuous improvement in engineering and investment efficiency facilitated by leveraging the global assets of “ One RH” and a reduction in the number of vehicle platforms, engines, transmissions, and customer offered complexity; and - Significant improvement in the profitability of small cars. Balanced Portfolio. They are leveraging our global product strengths to deliver six new world-class small and medium sized vehicles to the United States over the next four years. This will enable our car and crossover product segment mix to increase from 48% to 60% and result in volume and share growth. They are targeting sales leadership in “ people movers” and crossovers through addition of new vehicles (such as the RH Flex) and redefining existing vehicles (such as the RH Explorer).

### **Management information systems and information processing tools for operational, tactical and strategic levels of the organization**

The Concept of management information systems originated in the 1960s and become the byword of almost all attempts to relate computer technology and systems to data processing in business. During the early 1960s, it became evident that the computer was being applied to the solution of business problem in a piecemeal fashion, focusing almost entirely on the computerization of clerical and record - keeping tasks. The concepts of management information systems were developed to counteract such in efficient development and in effective use of the computer.

An organization must control the operations in the light of the plans and targets developed in the planning process. The car manufacturer must know

if manufacturing operations are in line with the targets and if not, he must make decisions to correct the deviation or revise his plans. Similarly the wholesaler will want to know the impacts that his commissions have had on sales and make decisions to correct adverse trends. The municipal corporation will need to control the tendering process and contractors who will execute the pumping station plans.

Generally, MIS is concerned with planning and control. Often there are elaborate systems for information that assists operations. For example, the car manufacturer will have a system for providing information to the workers on the shop floor about the job that needs to be done on a particular batch of material. There may be route sheets, which accompany the raw materials and components in their movement through various machines. This system per se provides only information to support operation. It has no managerial decision-making significance.

Generally MIS has all the ingredients that are employed in providing information support to manager to making planning and control decisions. Managers often use historical data on an organization's activities as well as current status data make planning and control decisions. Such data comes from a database, which is contained in files maintained by the organization. This database is an essential component of an MIS. Manual procedures that are used to collect and process information and computer hardware are obvious ingredients of an MIS. These also form part of the MIS. In summary, when we say that " an MIS is an integrated man - machine systems that provided information to supports the planning and control function of managers in an organization. It does the following function.

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- Sub serves managerial function
- Collects stores, evaluates information systematically and routinely
- Supports planning and control decisions
- Includes files, hardware, software, software and operations research models.

Effective management information systems are needed by all business organization because of the increased complexity and rate of change of today's business environment. For Example, Marketing manager need information about sales performance and trends, financial manger returns, production managers needs information analysing resources requirement and worker productivity and personnel manager require information concerning employee compensation and professional development. Thus, effective management information systems must be developed to provide modern managers with the specific marketing, financial, production and personnel information products they required to support their decision making responsibilities.

## **Inventory control systems in Organisation**

An inventory control system is a set of hardware and software based tools that automate the process of tracking inventory. The kinds of inventory tracked with an inventory control system can include almost any type of quantifiable good, including food, clothing, books, equipment, and any other item that consumers, retailers, or wholesalers may purchase. Modern inventory control systems are almost exclusively based on barcode technology. Though barcodes were initially developed to automate the process of grocery store checkout, their ability to encode a wide variety of

alphabetic and numeric symbols makes them ideal for encoding merchandise for inventory applications. Inventory control systems work in real-time using wireless technology to transmit information to a central computer system as transactions occur.

Inventory control systems are employed in a wide variety of applications, but they all revolve around tracking delivery of goods to customers. Inventory control is crucial in retail stores, especially those with a large number or variety of merchandise items for sale. Inventory control is also used in warehouses to track orders and shipments, and for automated order processing. Other important applications of inventory control systems are in manufacturing, shipping, and receiving.

Inventory control is important to ensure quality control in businesses that handle transactions revolving around consumer goods. Without proper inventory control, a large retail store may run out of stock on an important item. A good inventory control system will alert the retailer when it is time to reorder. Inventory control is also an important means of automatically tracking large shipments. For example, if a business orders ten pairs of socks for retail resale, but only receives nine pairs, this will be obvious upon inspecting the contents of the package, and error is not likely. On the other hand, say a wholesaler orders 100, 000 pairs of socks and 10, 000 are missing. Manually counting each pair of socks is likely to result in error. An automated inventory control system helps to minimize the risk of error. In retail stores, an inventory control system also helps track theft of retail merchandise, providing valuable information about store profits and the need for theft-prevention systems.

Automated inventory control systems work by scanning a barcode either on the item. A scanner is used to read the barcode, and the machine reads the information encoded by the barcode. This information is then tracked by a central computer system. For example, a purchase order may contain a list of items to be pulled for packing and shipping. The inventory control system can serve a variety of functions in this case. It can help a worker locate the items on the order list in the warehouse, it can encode shipping information like tracking numbers and delivery addresses, and it can remove these purchased items from the inventory tally to keep an accurate count of in-stock items. All of this data works in tandem to provide businesses with real-time inventory tracking information. Inventory control systems make it simple to locate and analyze inventory information in real-time with a simple database search.

Future planning for RH basis of the secondary data collected through presenting collected

“ With the global economic crisis petering out, markets seem to be recovering faster than previously assumed,” said Norbert Reithofer, BMW’s chief executive. Across the car industry, luxury producers are reporting strong growth in new markets and a revival in company car sales in the US and Europe, where the segment did not benefit from last year’s scrapping incentives that skewed demand towards smaller cars. JD Power, the auto consultancy, estimates that global sales of premium and superpremium cars, which fell by 12 per cent in 2009 – compared with the market’s overall 2.5 per cent drop – will rebound by 10 per cent this year, more than double the 4 per cent growth it projects for the overall market. BMW’s sales rose 13.8 per cent in 2009.

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cent to 315, 614 cars in the quarter, mostly driven by more than doubled sales in China. “ Demand in China has influenced our performance . . . significantly,” said Friedrich Eichiner, chief financial officer. BMW, which now sells one in five of its cars in Asia, became one of several carmakers to announce further expansion in China this year when it unveiled plans to spend €560m on a second plant in Shenyang. BMW’s arch-rival Daimler doubled its Chinese sales in the first quarter, which helped it to swing from a loss of £1. 4bn a year ago to an operating profit of £1. 2bn. China is now Daimler’s third-largest market and one of its fastest growing. Mr Reithofer said the Munich-based carmaker had received an “ outstanding” order income for its new 5 Series model. BMW said a refreshed model line-up also helped it cut back on incentives for car buyers. Arndt Ellinghorst, analyst at Credit Suisse, said: “ BMW is in the fortunate position that its product momentum coincides with the market recovery.” BMW, which also produces Minis and Rolls-Royces, reiterated its target of an operating margin of 8-10 per cent in its automotive business by 2012 - a goal described by analysts as ambitious. Lane sharing, Page 22

Car industry executives, when they gather at the Geneva auto show next week, can congratulate themselves on having weathered their sharpest crisis in decades without suffering the collapse they warned would jeopardise millions of jobs. The perennial sick man of manufacturing has survived the worst of the downturn, which began in 2008, thanks to tens of billions of dollars shovelled into the sector in the form of financial bail-outs, “ cash for clunkers” consumer subsidies, and soft government loans. In one sign that the market is turning, US car sales - after hitting a 27-year-low of 10. 4m last

year - are now growing again. But the mood in Geneva will hardly be ebullient amid forecasts of a hollow recovery for a sector that has not cured itself of its chronic problems. Even as the US market revives, demand for cars in Europe is due to drop this year as "cash for clunkers" scrappage programmes come to an end. Dieter Zetsche, Daimler's boss, who heads the European industry group Acea, this week spoke of a "stoney" road ahead for the industry in 2010. Analysts predict car sales in mature markets - Europe, North America, and Japan - will not return to their pre-crisis levels before 2013. "If you look globally, the industry is very much out of intensive care but it still requires a lot of monitoring going forwards," says Calum MacRae, lead auto analyst with PwC. Worse, warn experts, European governments' interventions in particular kept carmakers afloat without forcing them to address the overcapacity that always was and remains a leading source of their ills. On the contrary: France, Italy, Germany and the UK all overtly linked their aid to carmakers to the future of their plants. US carmakers, in deeper financial distress than their European or Asian competitors before the crisis started, cut capacity by 3.5m units in 2007-09, according to PwC. The US government forced GM and Chrysler to close plants as the price for their more than \$60bn of bailout loans. In Europe, where most carmakers cut shifts or put workers on shorter hours rather than shutting plants, just 1.2m units of capacity were cut, says PwC. Only two plant closures have been announced since the crisis began: of Fiat's plant in Termini Imerese, Sicily, and Opel's in Antwerp, Belgium. Jaguar Land Rover also said it would close one of its three UK plants this decade. The industry's structural problems mean carmakers will face intense competitive pressure even as scrappage subsidies are withdrawn. "It looks like we're past the worst but a slow

recovery is almost a given," says Robert Schulz, analyst with Standard & Poor's. France's PSA Peugeot Citroën, reporting earnings this month, said it expected Europe's car market to contract by 10 per cent this year; its rival Renault said it would shrink by 9 per cent. Fiat's shares have slumped this month after Italy's government declined to extend the scrapping subsidies that fuelled demand for its cars last year. The ending of Germany's scrapping scheme alone is due to slash tota