

Better Decision Making Made Possible

By Jon Paul

VP Sales & Marketing

Morrison Company

Archive storage, as an outsourced process, is a growing option for companies burdened by government regulatory action and industry mandates. As more companies turn to external storage options, your ability to assess risk may mean the difference in winning business or remaining competitive. Understanding costs, in particular in a competitive marketplace, can direct which storage solution you should implement in your facility.

A pragmatic analysis of your company and its strengths, weaknesses, opportunities and threats may alleviate a potential bad decision that would have cost you money and reputation!

Are you considering opening or expanding an archive storage facility? Are you confident you have thought through the myriad of issues relating to the best storage solution that will maximize profitability? Confused? How can we make better decisions?

Who doesn't want to make better decisions? Perhaps it's not apparent, but all of us have developed a process or set of criteria we use to make decisions. Whether deciding on a lunch menu, the movie guide, or what clothes to wear we use varying methods to determine our next move. Although these examples are not critical to the success of our day, they illustrate how the decisions we make effect other elements of our lives.

According to the *Society for Judgment and Decision Making* there are 116 different decision-making or valuation methods used today. Reviewing their list reveals commonly known methods like "break even point" and "brainstorming", but how many of us know about Game Theory and SWOT?

Game Theory

For those who saw the movie "A Beautiful Mind" John Nash was credited for developing a new theory of arbitration. This Nobel Prize winner also created Game Theory. His idea was to see business as a game, in the sense that a move by one player sparks moves by others. Game Theory can also be defined as the study of how people interact and make decisions.

Applying Game Theory to your storage solution decision can be as simple as answering the question what if?

Many factors affect the financial outcome of a particular storage solution. What if the assumptions change you used for each factor? For example what if the cost to construct your building changed? What if the size of the storage box you plan to use changes? What if the building height is lowered? These and other factors will drastically alter which box storage solution to use (catwalk versus high bay with an order picker). Game Theory suggests you set up a methodology to test different "what if" scenarios and view their outcomes. Wouldn't this improve your chances of a making a better decision?

Think for a moment of how you may already be using this approach to develop competitive strategies that erect barriers to competitive pressures.

SWOT Analysis

Are you in the middle of a decision? Perhaps taking a SWOT at the decision will help guide you. A SWOT Analysis is used by companies to evaluate their ability to implement a strategy. Expressed as strengths, weaknesses, opportunities and threats, this tool is typically drawn with four quadrants. Within each quadrant an organization must list examples that illustrate that trait; thereby creating a fit with its external environment. The SWOT diagram is an excellent tool for analyzing the internal strengths and weaknesses or an organization and the external opportunities and threats.

Here is an example of a SWOT analysis of a company in the archive storage business. Based on the results of this analysis, a company may continue to implement the decision or change direction.



SWOT Analysis ACME Record Storage

Strengths

- Particular industry or market experience of management
- Exclusive access to low cost materials
- New or innovative services
- Location of business
- Cost advantage through proprietary know-how
- Quality processes and procedures
- Strong brand or reputation

Weaknesses

- Lack of market experience by management team
- Undifferentiated products and services (in relation to competition)
- Location of business
- Competitors have superior access to distribution channels
- Poor quality goods or services
- Damaged reputation

Opportunities

- Developing market
- Mergers, joint ventures or strategic alliances
- Moving into new attractive markets
- A new international market
- Loosening of regulations
- Removal of a trade barrier
- A market led by a weak competitor

Threats

- A new competitor in your home market
- Price war
- Competitor has a new innovative substitute service
- New regulations
- Increased trade barriers
- New tax policies may be introduced on your service

This classical analysis tool is a useful guide and an illuminating exercise your management team should conduct a minimum of once a year.

Business Application

If you agree that business and government have a common trait, exposure to threat, then these two decision-making methods help to define and manage risk. Successful organizations have learned to understand and manage risk. This was the conclusion of a December 2001 task force report on decision making methods by the US Department of Energy. You can view their complete report at http://emi-web.inel.gov/Nissmg/Guidebook_2002.pdf



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This post 9/11 report, *Guidelines to Decision-Making Methods*, espoused decision-making methods managers should use within the Department when assessing exposure to terrorism. In this report, guidelines were published in these four areas:

- The benefits of using a disciplined decision-making approach
- Prerequisites to the decision-making process
- How to choose among several decision-making methods
- How to apply the method chosen

Decision-Making Process

In the report, the task force recommended an eight step process that would lead to decisions that minimized risk and maximized potential.

Step 1 - Define the Problem. Problem definition is the crucial first step in making a good decision. This process must, as a minimum, identify root causes and limit assumptions. The key to developing an adequate statement is to ask enough questions about the problem to ensure that the final report will clearly answer the questions.

Step 2 - Determine the requirements that the solution to the problem must meet. Requirements spell out what the solution to the problem must do. For example, a requirement might be that a storage solution must produce XX number of storage locations per sq. feet. Any alternatives that produced less than that should be discarded.

Step 3 - Establish goals that support the problem you've defined. Goals are broad statements of intent and desirable values. Examples might be: reduce worker back inquiries, minimize down time, and maximize cubic space. The process of establishing goals may suggest new or revised requirements.

Step 4 - Identify alternatives that will solve the problem. Alternatives offer different approaches for changing the initial condition into the desired condition. Generally, the alternatives vary in their ability to meet the requirements and goals. An example of a storage solution alternative is whether the space could be solved by installing a catwalk box storage system versus a high-bay with man-up order picker system.

Step 5 - Develop evaluation criteria based on the goals. Usually no one approach will be the best for all goals, requiring alternatives to be compared with each other. Decision criteria which will discriminate among alternatives must be based on the goals. Using a few discriminators will result in a more understandable decision. Examples of criteria are: payback period, ROI, and interruption to existing operations.

Step 6 - Select a decision-making tool. Certainly any of the 116 different decision-making methods might be a candidate for your organization and its culture. Perhaps the SWOT method appeals to your management team. Complimenting these analytical methods should be a financial analysis. Ideally this financial analysis should compare and contrast each of the prominent record storage options available today.

Step 7 - Evaluate alternatives against the criteria. Alternatives can be evaluated with quantitative methods, qualitative methods or any combination. Criteria can be weighted and used to rank the alternatives. A record storage example might be to weight ROI lower than maximum storage positions because perhaps your market conditions may allow you to increase the revenue per storage unit over and above your initial assessment.

Step 8 - Check the answer to make sure it solves the problem. A final solution should fulfill the desired state, meet requirements and best achieve the goals within the values of the organization. Once the preferred alternative has been evaluated, the decision-making staff can present it as a recommendation to the operational and financial management structure.

In Conclusion

In summary, decision-making is part of every day. Every organization is using some type of process. No matter how informal, any process should mirror the steps described earlier so that threats brought about from external competition and internal weakness can be minimized. Incorporating a "what if" decision tool will help you make better informed decisions.

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About the Author:

Jon Paul is Vice President of Sales and Marketing of Morrison Company. As an engineered material handling solutions integrator, Morrison Company assists records storage companies with solutions for their material handling needs. More company information can be found at www.morrisoncompany.com.

Morrison Company has developed a tool that can be used to evaluate which record storage option makes sense for your building. Included in this "what if" analysis tool are a cost comparison worksheet, ROI calculator, and discounted payback schedule. To request this tool, email sales@morrisoncompany.com.