

The Safe Driver Training Program for Humongo Corp.

An example of best average result approach vs. Fear of criticism and punishment.

A government agency has delivered an administrative ruling that companies must have documented training for their drivers or they may get fined. The Consulting Yahoo Agency (CYA) would do training. Bob Koehler, as Safety Coordinator at Humongo Corp., is being paid big bucks to help the Safety and Operations Council (SOC) make an informed decision to do one of three things:



1. Ignore the issue and hope the courts overturn it-- training cost, \$0.
2. Train just those employees who drive company vehicles--training cost, \$100K.
3. Train everybody---Training cost, \$4 M.

The probability of a stringent interpretation is low (1%), but would result in a \$20M fine if everyone isn't trained. A moderate ruling would give a fine of \$3M only if the company drivers aren't trained. This gives the costs shown in the table. Calculate expected monetary loss for each approach.

Total cost of as a function of policies on driver safety training (\$K)

Court attitude	combined cost of training and fines (\$K)			EMLoss
	loose	moderate	stringent	
Probability	0.75	0.24	0.01	
Nobody	0	3,000	20,000	
Company car drivers	100	100	20,100	
Everybody	4,000	4,000	4,000	

If Bob were trying for the best average result, which approach would he recommend?

Court attitude	Potential regrets		
	loose	moderate	stringent
Nobody			
Company car drivers			
Everybody			

If costs are "too high", Bob would never get promoted. He could even get fired for giving bad advice (sacked by SOC). Show what he would recommend if he were taking a minimax regret strategy.

On average, how much more would it cost the company to have minimax regret strategies used in cases like these instead of expected monetary value?

What could SOC do to promote decisions based on best average result?

R.J. Banis, October 17, 1994