

Which One Should We Choose? Analyzing Decision Using the Opportunity Wheel and PrOACT Method

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ABSTRACT

The present study analyzes a case study of a family business companies in Indonesia named PT. Karya Adhi Sejahtera (KAS). This company recently is facing two decision alternatives namely is to choose a medical equipment project bids or is to choose the information system project bids. The problem arises when there is a different view from the chief executive officer (CEO) and the other members of board of directors (BOD) on viewing this two opportunities. While the CEO wanted to concern on the second alternative as a new business, the other members of BOD think that it would be better if the company concern on the first alternative considering their scarcity of resources. The present study examines which alternative is better based on the needs and objectives of the company. The methods used are The Opportunity Wheel and the PrOACT methods. From the two methods above, it is concluded that the best alternative is to concern on the first alternative (medical equipment project bids) rather than the second one.

Keywords: Decision analysis, PrOACT, Opportunity Wheel method

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1. INTRODUCTION

PT. Karya Adhi Sejahtera (KAS) is a private family-owned company that consists of more than twenty employees. This company began its business in 2009 as a supplier and subcontractor for medical equipments such as Philips Medical Equipment Products, Radon Cobalt Radiotherapy, and Sakura Autoclave Sterilization Equipment. PT. KAS earns its income from various projects notably on supplying medical equipments. Its clients are some state-owned hospitals and medical universities. PT. KAS obtains its financing from various sources, namely government and its own equity capital. As a subcontractor, PT. KAS recently is facing a quiet competitive business condition. To earn income, PT.KAS needs to win some projects that are usually held as the *“open tender, project auction/bids”*. However, PT. KAS has expanded its business to another part of industry. Knowing that the industry of medical equipment is quite sensitive nowadays (with many cases exposed in the television) and this company had lost several times in the latest project bids, PT. KAS has tried to widen its business into an information system business.

The CEO of PT. KAS believes that there is a high potential market for this business. With high confidence they have started to hire some fresh graduates with programming backgrounds. Unfortunately this expansion of business, which already run for about almost 6 months, has not earned any income yet and the concept of business expansion or widening the business is questioned since they have totally neglected their core business as the medical equipment subcontractor. Owing to this unfortunate situation, PT. KAS can only rely on its cash saving. However, even in this crisis conditions, the CEO still believes that PT. KAS will win at least one project in couple of month. The fact of the company neglecting their basic business can be seen from the CEO's decision to focus on the information system project bids, while there is another opportunity on the bids of the medical equipment project. The information system project is valued around 10 billion rupiahs while the medical equipment project is valued around 23 billion rupiahs.

The CEO has taken the business expansion decision due to the needs of information system is quite high nowadays and this company has losses several times in the latest project bids. This decision was not made by using any particular calculations about the potential risk. The CEO did not do any evaluation on the resources that the company possessed.

The medical equipment business has been at stake and this company has earned losses in several project bids lately.

The problem which has arisen from this decision is that the company has neglected their core business, and also the opportunity to join the medical equipment project bids. The CEO has taken the decision in a condition where most company's members did not involve in the decision. However, after already 6 months neglecting its core business, the other members of BOD were starting to think that this decision was not right. The other BOD members thought that even if the medical equipment industry was in a futile, sensitive and even high competition condition, it won't make any huge effect for PT. KAS since this company plays all the things as its procedure and they have been in that industry for quiet long. They had considered that the CEO's decision about expanding their business into the information system industry need to be reexamined due there were two project bids. Moreover, given minimum resources, they need to choose which project bids that they will join and concentrate on. Meanwhile the CEO wanted to concern only to the Information System project, the other BOD thinks that it will be better if PT. KAS concerns to the medical equipment project as usual.

Business expansion is a good strategy for a company to widen their market and business lines. However, this strategy needs to be determined carefully since there must be some risks exposure of each business line. Furthermore this company is having a financial distress and it is impossible to keep using its cash savings to cover the operational costs. This is why this company needs to reevaluate its decision about the business expansions which neglecting its core business.

The company's decision making on which matter they choose is important for the business. Based on Lunenburg (2011), the prominent researcher such as Drucker (2010), Mintzberg (2008) also contended that decision making is one of the most important activities among all management activities. However, sometimes the decision making can trigger some conflicts in organization. This is why, the purpose of this study is to examine each alternative of businesses faced by the company in a more rational and systematic way. The decision analysis methods which will be used as the tools in this research is the Opportunity Wheel method and the ProACT method.

2. METHOD

This study is a type of case study. However, the data source from the case is resulted from the interview process with the company owners which consist of its boards of directors. Since this company is a type of family owned business, it is not hard to find time when the owners are gathered in one place. To examine which decisions are better to be taken by PT.KAS, this study uses two methods of decision making. The first is The Wheel Opportunity method and the second method is the PrOACT method.

2.1. The Opportunity Wheel Method

The opportunity wheel method is a method created by Walk (2011). This method is made to minimize condition of over or under-investment of the critical business resources that a company possesses. The figure below is about the aspects that would be examined in this opportunity wheel method.

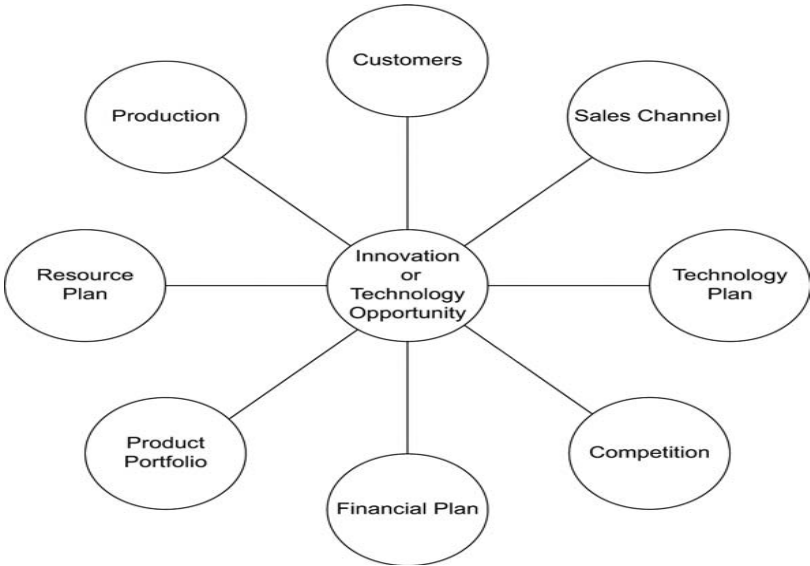


Figure 1. Opportunity Wheel Decision Method Aspects (Walk, 2011)

This method uses a form that will be filled by the decision makers. According to Walk (2011), the decision making process is to fill the form and to decide each score for each aspect. Moreover, Walk (2011) contended that there are three-value (0.5 and 10) point scale. However, sometimes problems may arise when some aspect’s score are high and some others

are low. Thus, to avoid this “high-score wins all”, Walk suggested that the new idea will be rejected if it has two or more “0” scores and at least it must have two “10” scores to be selected. In order to comprehend it more, please take a look at below table (Table 1).

Table 1
Opportunity Wheel Criteria & Scores (Walk, 2011)

Aspects	Criteria & Score
Customers	0 Customer opportunity not identified 5 Solves a known problem or presents a known opportunity 10 Builds a key relationship or works for all customers
Sales channel	0 Not a good fit with sellers’ motivation or abilities 5 Easy to sell 10 Sell itself, build a key seller relationship, or works for all sellers
Technology plan	0 Outside 5 Fits 10 Enhances
Competition	0 No real advantage 5 Meets competition 10 Certain advantage
Financial plan	0 Unknown profitability 5 Reasonable or customary profit 10 >10% profit assured
Product portfolio	0 Outside 5 Adds to portfolio 10 Fits
Resource plan	0 Resources unavailable 5 Resource available 10 Frees up resources
Production	0 Can’t meet delivery 5 Can meet delivery 10 Can exceed delivery

Notes :

Overall score <40 points: Reject opportunity

Overall score =40: Consider ways to improve scores

Overall score >40: Pursue opportunity

This method will be used by collecting opinions of all decision makers in PT. KAS. In this case it will be the Board of Directors who will discuss about the score of each aspect. It is also being used in this study since it has a complete overall investigation for a company which runs a new business or going to run a new business and do some innovation on its business. It was described by Walk (2011):

"...even in relatively small companies, where the eight opportunity wheel objectives often managed by only two or three individuals, it is still very, very helpful for the management team to explicitly consider each function...".

By using this method, we will see is the company ready or not to take the new opportunity (in this case is to take the opportunity to join the Information System project bids).

2.2. The PrOACT Method

The PrOACT method is taken from the Smart Choice book by Hammond *et al.* (1999). This method approach is to examine and help decision maker to do a smart choice. Moreover, PrOACT is an abbreviation of Problem, Objectives, Alternatives, Consequences, and tradeoffs. As what the book says, this PrOACT is essential to divide and resolve a complex decision situation, Thus, the method break the decision into the elements and push the decision maker to think systematically about each one.

3. RESULTS AND DISCUSSION

3.1. Opportunity Wheel Method Alternative Analysis

Based on the previous discussion about the problem, in this section PT.KAS's decision on expanding its business to information system industry will be examined especially on joining the information system project bids. In this examination process, the BOD discusses together about each opportunity aspect and decides the points of each aspect. Below are the scoring and the explanations for the eight opportunity aspect.

Customers

Score	0
Score Criteria	Customer opportunity not identified
Explanation	Even though the CEO said that the needs for information system are high nowadays, and yet they do not realize about which market they want to trace. After several discussions with the BOD, they are also still unaware about the customers' criteria in this industry. Even in the upcoming <i>project bids</i> they also have not do any preliminary research about their user and off course since they are a new player in this industry, they have not known any influential network.

Sales Channel

Score	0
Score Criteria	Not a good fit with sellers' motivation or abilities
Explanation	PT.KAS has 5 sales persons (marketing staff) for their company. However, these staffs are not ready to shift their role from the medical equipment sales into information system sales. It was also discussed that the selling point of these two businesses are different. Furthermore, Until now PT.KAS has not done any training or knowledge sharing about what information system is. The marketing staff only does an informal sharing with the programmer, but again they are not ready to sell the product or present the products' benefits to the users.

Technology Plan

Score	5
Score Criteria	Fits
Explanation	PT.KAS has already recruited two programmers to do the program design job. Thus, it can be considered that this company at least has a plan on what kind of product they will produce. The programmers whom are recruited are fresh graduates, and yet the BOD considers that they have creative and bright ideas. The problem is, since they are new, they don't have any relation or network in the industry.

Competition

Score	0
Score Criteria	No real advantage
Explanation	PT.KAS has already run its business steadily in the medical equipment industry. Even though the CEO thinks that it is sensitive and futile right now, but there is no fact that this business is no longer profitable. In fact, most of the BOD considers that even if this company run its business as usual, as long as it fully concentrates on it, it will be still highly profitable. Thus, expanding its business into the information system industry without any well preparation will add no significance advantage for the company.

Financial Plan

Score	5
Score Criteria	Reasonable
Explanation	PT. KAS is a new player in this industry. The BOD contends that even if they get the project, they still cannot forecast exactly how much the nominal profit will be. However, they have expected the profit by doing benchmarking from some other information system companies and they argue that if they get the project, at least they will have a breakeven point at first.

Product Portfolio

Score	0
Score Criteria	All new concept (start from beginning)
Explanation	PT.KAS is a new player in this industry. The product portfolio is still a new concept. It means that they start from the beginning and they still do not have any last product which could be enhanced.

Resource plan

Score	5
Score Criteria	Resources available
Explanation	In previous discussions, it was contended that PT.KAS have already recruited (two) programmers. The BOD also argued that these programmers are creative and full of bright ideas. In brief, the BOD and the programmers are argued that they can run one until two projects within one month.

Production

Score	5
Score Criteria	Can meet delivery
Explanation	Since the targeted project is only one project, even though there are only two programmers PT. KAS believes that they can meet the delivery.

From the eight opportunity aspect examinations above, the total score is acquired. Moreover, PT.KAS is considered might ready enough to join the opportunity on the information system project bids. The table below will show us the overall score briefly:

Table 2
The Eight Opportunity Score

Opportunity Aspects	Score
Customers	0
Sales Channel	0
Technology Plan	5
Competition	0
Financial Plan	5
Product Portofolio	0
Resource Plan	5
Production	5
Total score	20

From the above table, it shows that the total score is 20 and it means that the company has not ready to join the Information System project

bids. This score also means that the expansion should also be reconsidered and if this company keeps consistent on its decision to do the expansion and join the project bids, they should prepare and improve the score of these eight opportunities in overall.

3.2. ProACT Method Alternative Analysis

PT. KAS is now facing problems regarding to which project they need to choose. They need to choose one of the project bids since they have limited resources both on human resources and finance. That is why there are some difficult considerations between the CEO and other member of the Board of Directors (BOD). From the view of the CEO, this company needs other businesses alternative that can be relied on. They view the medical equipment business is already become a “red ocean” business and a quiet sensitive business regarding to the expose on television. The decision to make the company concern on the new business rather than just think about the current business is also because this company had lost several times in the latest project bids.

However, the other member of BOD argued that this business expansion is not a huge problem if it still consider about the current business. Since the company has a limited resources, and now it is not ready to join the information system project bids, the other members of BOD think that it will be better if the company still focus on its core business while it is doing the preparation on the information system business. In short, they need to choose one of the project bids since they have limited resources and a critical financial condition right now. In order to join a project bid, a company should commit into it totally so they can seize the maximum opportunity.

Each of members of BOD will state his/her objective as “what the company wants from a project”. Below are the collected objectives from each member of BOD which consists of marketing director, finance director, operation and field director and the CEO. The alternatives that the company has will be discussed. This section is also important, Hammond et al. (1999) contended that alternatives are the raw material of decision making. PT.KAS recognizes that they have two alternatives. The first alternative is to choose the medical equipment project bids and the second is to choose the information system project bids.

Table 3
What the Company Want From a Project Bids

Objectives	Sub-objectives	Why ?
Estimated size of opportunity	<ul style="list-style-type: none"> The size of opportunity on wining the project in the project bids 	The company should consid- er about its' opportunity on winning the project. In the view of the marketing direc- tor, the size of opportunity also will convince the com- pany to start the arrange- ment for the project bids. If the opportunity is too small, it will be better to focus on another alternative.
Network avail- ability	<ul style="list-style-type: none"> Number or network/ link that the company know in the process of project bids 	The number of networks which are related into the project bids also important. Most members of BOD think that the network that they have will also influence the opportunity to win the project.
Estimated earned profit	<ul style="list-style-type: none"> Estimated amount of profit that the compa- ny will get if win the project (profit forecast) 	To run the business the com- pany can not only hang on until the break even point, but they also need the profit
Cos.t	<ul style="list-style-type: none"> The expenses of the project bids and the estimated cost of the project itself 	The company is in the criti- cal condition of financial, the cost/ expenses of the project bids need to be considered.
The size of the project	<ul style="list-style-type: none"> The quantity of the product that need to be delivered, the com- plexity of the product 	The scarcity of resources both human and financial also influenced the company on choosing how big and how fast they can deliver their product

As it was discussed in previous discussion, there are different opinions between the CEO and the other members of BOD on viewing this problem. The CEO thinks and prefers to choose the information system project bids. Again, this is because of he want to expand the company's business. However, the other members of the BOD think that it will be better if the company focus first on the medical equipment project bids. They think that the network availability in this industry will strengthen their opportunity to win the project bids.

In the other hand, the CEO thinks that the failure of previous project bids in the medical equipment project will also decrease their probability to win the current project bids. He thinks that the failure phenomena shown that the company is unable to compete in that industry, this is why he keeps telling that the company should concern on the information system project bids so it can try new things, new business line, and hopefully a new business to rely on.

Back to the other members of BOD opinion, they think that the failing is not caused by the company is unable to compete. They think that it just a matter of networking, and also some price adjustment. This is why, they think that right now after they try to build some relations and price adjustment with suppliers, it will be better if the company focus on the medical equipment project bids first. The other members of BOD think that the business expansion itself is a good idea. However, in this critical condition taking a risk on joining a project bids that totally new for the company is risky. There are many things have to be considered such as: time, cost, and also the image of the company which already known as the medical equipment subcontractors company.

3.3. Consequences

Table 4
Consequences Table for PT.KAS Project Bids

Objectives	Sub-objectives	Alternatives	
		Medical Equip- ment Project Bids	Information System Project Bids
Opportunity Size	Judgment of the esti- mated opportunity to win the project	High	Low
Network Availability	People known in the process related to the project bids	Many	No one
Estimated earned profit	Percentage of profit that will be earned if win the project	High	Moderate
Estimated cost	Percentage of cost need to be expense	Moderate	Low
Size of project		Large	Moderate

3.4. Tradeoffs

In this phase we will see the tradeoffs from the alternatives. To describe the tradeoffs we will choose the ranking method for each objective and compare it between the alternatives. Bellow is the table of ranking alternatives on each objective, the smaller the total score of the rank is the better

Table 5
Ranking Alternatives for Each Main Objectives for The Project Bids

Objectives	Ranking Alternatives	
	Medical Equipment Project Bids	Information System Project Bids
Opportunity Size	1	2
Network Availability	1	2
Estimated earned profit	2	1
Estimated cost	1	2
Size of project	1	2
Total Score	6	9

From the ranked alternatives for each main objectives above, it was seen that the medical equipment project bids has the lower total score compared to the information system project bids. From the book, the author contended that the smaller the total score the better the alternative.

4. CONCLUSION

From the above discussion, it was seen that the best alternative based on the two used method is the first alternative (Project Bids for Medical Equipment project). Below is the comparison between the alternatives of each method:

Based on table 6, it was seen that based on the opportunity wheel method, the company is not ready yet to join the information system project bids. With this method, it can also be seen that the company should reject the opportunity of joining the information system project bids because the overall score for the eight opportunity aspect is below 40. In fact, the company is also not ready in several opportunity aspects such as they

still don't know the type of their upcoming customer, they don't aware or know the sales channel which is caused by the network unknown by them. In the other hand, based on the method even if the company join the information system project bids there won't be any real advantage for them recently since they not ready yet to face the competition between other competitor in that industry.

Table 6.
The Result Comparison from Each Method

Method	Medical Equipment Project Bids	Information System Project Bids
The Opportunity Wheel Method	-	Scored at 20
PrOACT Method	Ranked at 6	Ranked at 9

The suggestion to choose the first alternative (Medical Equipment Project bids) is also robust by the second method. By using the PrOACT method, it was seen that the first alternative (medical equipment project bids) is better than the second alternatives (information system project bids) this is because the smaller the rank the better the alternatives for the company.

In the other hand, the opportunity wheel method was not used for the first alternatives since this method only used to examine a new opportunity for a company. Thus, it can be concluded that from those two methods which are The Opportunity Wheel Method and the PrOACT method, the first alternative (medical equipment project bids) is the better alternative for the company.

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