

# 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)

|                     | combined cost of training and fines (\$K) |          |           |        |
|---------------------|---|----------|-----------|--------|
| Court attitude      | loose                                     | moderate | stringent | EMLoss |
| 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     |        |

Best by EMV

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

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.

|                     | Potential regrets |          |           |            |
|---------------------|-------------------|----------|-----------|------------|
| Court attitude      | loose             | moderate | stringent | Max Regret |
| Nobody              |                   |          |           |            |
| Company car drivers |                   |          |           |            |
| Everybody           |                   |          |           |            |

Best by CYA

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 rather than CYA?

1. identify responsibility for each decision and punish or reward people for results in each case.
2. promote the winners, demote the losers.
3. get as much data as you possibly can before ever making any decisions regardless of cost.
4. depersonalize decisions by agreeing on a process to give the best expected results and apply it with reasonable consistency. Reward people for the process.
5. get rid of people who make mistakes.
6. supervise people more closely so they don't make selfish decisions.
7. do everything by committee.