

1

17-2 Game Show Uncertainty

In the final round of a TV game show, contestants have a chance to increase their current winnings of \$1 million to \$2 million. If they are wrong, their prize is decreased to \$500,000. A contestant thinks his guess will be right 50% of the time. Should he play? What is the lowest probability of a correct guess that would make playing profitable?

2

17-6 Hiring

The HR department is trying to fill a vacant position for a job with a small talent pool. Valid applications arrive every week or so, and the applicants all seem to bring different levels of expertise. For each applicant, the HR manager gathers information by trying to verify various claims on resumes, but some doubt about fit always lingers when a decision to hire or not is to be made. What are the Type I and II decision error costs? Which decision error is more likely to be discovered by the CEO? How does this affect the HR manager's hiring decisions?

G17-1 Uncertainty

Describe a decision your company has made when facing uncertainty. Compute the expected costs and benefits of the decision. Offer advice on how to proceed. Compute the profit consequences of the advice.

Following only applicable to **Group Problem G17-1**

you are required to complete **Group Problem G17-1: Uncertainty**. As you are evaluating your current company, address the following decisions in your response (600-750 words):

1. What environmental factors and risks must be considered in the company's decision-making process?
2. Evaluate costs factors influencing the company's decision.
3. Determine strategies that would provide value to the outcome your company is seeking relating to this decision.