5.7 Group versus individual decision making

Task forces, teams and boards are all examples of where decision making occurs in a group setting. The basic idea behind group decision making is the notion that two heads are better than one. Generally the diversity of groups facilitates better-quality decisions.[14] However, a group can be inferior to the best individual in the group.[15] In some cases, groups will provide the best-quality decisions and in others the individual will do better.[16] In coming to a conclusion about the efficiency of groups it is necessary to consider the advantages and disadvantages of group decision making.

Group decision making: advantages and disadvantages

Advantages

- Group decision making allows a greater number of perspectives and approaches to be considered, thereby increasing the number of alternatives that can be drawn up.
- Groups generally facilitate a larger pool of information to be processed. Individuals from different areas can bring varied information to the decision-making setting.
- By increasing the number of people involved in the process it is more likely that a greater number of people will understand why the decision was made, and this facilitates implementation.
- Group decision making allows people to become involved and produces a sense of ownership of the final decision, which means that people will be more committed to the decision.
- Using a group to arrive at a decision means that less co-ordination and communication is required when implementing the decision.

Disadvantages

- Group decisions take longer to arrive at and this can be problematic when speed of action is key.
- Groups can be indecisive and opt for satisficing rather then maximising. Indecision can arise from lack of agreement among members. Satisficing occurs when individuals grow tired of the process and want it brought to a conclusion, leading to satisficing rather than maximisation.
- Individuals who have either a strong personality or a strong position can dominate groups. The result is that a particular individual can exert more influence than others. The main problem with such a situation is that the dominating person's view of the decision need not necessarily be right; and if his/her view is the right one, convening a group for discussion is a waste of time.
- Groups inevitably have to compromise to reach a decision and this can lead to mediocre decisions. Mediocrity results when an individual's thinking is brought into line with the average quality of a group's thinking. This is called the levelling effect.
- Groups can lead to group think, which can be defined as 'a mode of thinking that people engage in when they are deeply involved in a cohesive group, when members' strivings for unanimity override their motivation to realistically appraise alternative courses of action'. Group think happens in situations where the need to achieve consensus among group members becomes so powerful that it takes over realistic evaluations of available alternatives. Criticism is suppressed and conflicting views are not aired for fear of breaking up a positive team spirit. Such groups become over confident and too willing to take risks.

Source: Irving, J. (1982) *Group Think*. Boston: Houghton Mifflin.

Having considered the advantages and disadvantages of group decision making, it is clear that group decision making is well suited to certain circumstances. We can identify factors that favour individual and group decision making.[17]

Factors favouring individual decision making include:

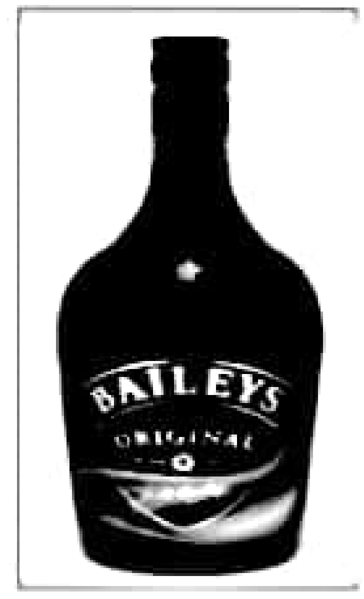
- Short time frame.
- Decision is relatively unimportant to the group.
- Manager has all the data needed to make the decision.
- One or two members of the group are likely to dominate.
- Conflict is likely.
- People attend too many meetings.
- The data is confidential.
- Group members are not sufficiently qualified.
- The manager is dominant.
- The decision does not directly affect the group.

Factors favouring group decision making include:

- Creativity is required.
- Data is held by the group.
- Acceptance of the solution by group members is important.
- Understanding of the solution is important.

- The problem is complex and needs a broad range of knowledge.
- The manager wants to build commitment.
- More risk taking is involved.
- Better understanding of group members is needed.
- The group is responsible for the decision.
- The manager wants feedback on ideas.

Management Focus 5.2 Baileys: the result of a brainstorming session



The concept of Baileys Irish Cream was developed from a brainstorming session. Baileys is a unique mixture of fresh, premium Irish dairy cream, spirits, Irish whiskey and a proprietary recipe of chocolate flavours.

It's now sold in 180 countries worldwide and is both the world's top selling liqueur brand and the world's top selling cream liqueur brand. Baileys accounts for over 50 per cent of all spirits exported from Ireland. Over 75% of the raw ingredients and packaging used to make and present Baileys is sourced from the island of Ireland.

Source: www.the-baileys-lounge.baileys.com/en-ie/Product-and-Company-Information.aspx.

5.8 Improving group decision making

In order to avoid the disadvantages associated with group decision making and to build on the advantages, three main ways of improving group decision making have been proposed.

Brainstorming, which became popular in the 1950s, was developed by Alexander Osborn to facilitate the development of creative solutions and alternatives. Brainstorming is solely concerned with idea generation rather than evaluation, choice or implementation. The term effectively means using the brain creatively to 'storm' a problem. It is based on the belief that when people interact in a relaxed and unrestrained setting they will generate creative ideas. The acceptance of new ideas is also more likely when the decision is made by the group involved with its implementation.[18] In brainstorming the group members are normally given a summary of the problem before the meeting. At the meeting members come up with various ideas, which are recorded in full view of all other members. None of the alternatives is evaluated or criticised at this stage. As members produce new ideas and alternatives this serves to stimulate other members in the hope that a truly good solution can be identified.

The **Delphi technique** was developed in the early 1960s as a means of avoiding the undesirable effects, while retaining the positive aspects, of group interaction.[19] Delphi was the seat of the Greek god Apollo, who was renowned for his wise decisions. The Delphi technique consists of a panel of experts formed to examine a problem. Rather than physically meeting, the various members are kept apart so that social or psychological pressures associated with group behaviour cannot influence them. In order to find out their views, they are asked to complete a questionnaire. A co-ordinator then summarises the findings and members are asked to fill out another questionnaire to re-evaluate earlier points. The technique assumes that, as repeated questionnaires are conducted, the range of responses will narrow to produce a consensus. The Delphi technique is particularly useful where experts are physically dispersed, anonymity is required and members have difficulty communicating with each other. On the negative side, however, it reduces direct interaction among group members.

Nominal grouping was developed in the 1970s. In contrast to brainstorming, it does not allow a free association of ideas, tries to restrict verbal interaction and can be used at many other stages of the decision-making process apart from idea generation.[20] In nominal grouping, members are given a problem and are asked to think of ideas individually with no discussion. They then present these ideas on a flip chart. A period of discussion follows, which builds on the ideas presented. After the discussion, members privately rank the ideas. Generation of ideas and discussion proceeds in this manner until a solution is found.[21]

The main advantage of this approach is that it overcomes differences in power and prestige between members and it can also be used at a variety of stages in the overall decision-making process. Its main disadvantages are that its structure may limit creativity and it is costly and time-consuming.

5.9 Summary of key propositions

- Decision making is the selection of a course of action from a range of alternatives. It plays an integral part in planning but is also a fundamental part of the entire management process.
- Organisations make hundreds of decisions each day, which can be classified as programmed and non-programmed. Programmed decisions are well structured, routine, repetitive, occurring on a regular basis. Non-programmed decisions are new, unstructured and have no established procedures for making them.
- Decisions are taken under different conditions ranging from complete certainty to risk and uncertainty.
- Certainty means that the available alternatives and their costs or benefits are certain: managers know with certainty that particular alternatives will lead to definite outcomes and there is no element of doubt.
- Under the risk condition, all the possible alternatives and their potential costs and benefits are known, but the outcomes are sometimes in doubt: the alternatives are known but the outcomes are unknown.
- Uncertainty is when the available alternatives, the likelihood of their occurrence and the outcomes are all unknown. Decisions made under uncertain conditions are consequently the most difficult to take due to the lack of concrete knowledge. In the current business environment more and more decisions are being made under conditions of uncertainty.
- Barriers to effective decision making include: decision framing, the illusion of control and time pressures.
- The decision making process contains six key steps: problem identification and diagnosis; identification of alternatives; evaluating alternatives; choice of alternative; implementation; and evaluation.
- The four most popular approaches to decision making are: the rational model; bounded rationality; escalation of commitment; and the political model.
- Rationality in relation to decision making refers to a process that is perfectly logical and objective, whereby managers gather information objectively, evaluate available evidence,

consider all alternatives and ultimately make choices that will lead to the best outcomes for the organisation.
- Decisions can be taken by either groups or individuals depending on the nature of the decision. The quality of group decisions can be enhanced by three main techniques: brainstorming; the Delphi technique; and nominal grouping.

Discussion Questions

1 Explain the nature and importance of decision making.
2 Explain, using your own examples, the differences between programmed and non-programmed decisions.
3 Explain the different decision-making conditions under which decisions are taken.
4 What do you understand by the term 'rationality' in relation to decision making?
5 Explain the term 'bounded rationality'.
6 What role do political forces play in organisational decision making?
7 Apply the rational model of decision making to your decision about how to spend next year's summer holiday. Evaluate its effectiveness.
8 Outline the advantages of group decision making.
9 Outline the disadvantages of group decision making.
10 Explain the terms 'group think' and the 'levelling effect'.
11 Evaluate group versus individual decision making.
12 How can group decision making be improved?

Concluding Case: Glanbia – big plans; key decisions

Glanbia plc is an international nutritional solutions and cheese group. Its headquarters are in Ireland, and it produces some of the best-known brands in Ireland. Glanbia is a major supplier of mozzarella for pizza toppings, and cheese for both McDonald's and Burger King. The company was formed from the merger of Avonmore Foods and Waterford Foods in 1997. It employs 4,300 people worldwide and has manufacturing and processing facilities in seven countries. The company is quoted on both the Dublin and London Stock Exchanges. Total group revenue for 2010 was €2.6 billion.

The company's vision is 'to be the leading global nutritional solutions and cheese group'. To this end the business strategy of Glanbia is 'to deliver attractive and growing returns to shareholders, excellent solutions and service to our customers, value adding routes to market for our milk suppliers and to provide rewarding careers to our employees'.

Operationally the group is divided into three main divisions, reflecting its history and the direction of its strategy.

1 **US Cheese and Global Nutritionals.** This division is one of the leading producers of American-style Cheddar cheese for both the US market and also for export to overseas markets. Glanbia has a large-scale cheese processing facility in Idaho, USA. The Global Nutritionals side of the business developed as a by-product associated with cheese processing, namely whey pool, which is a key raw material for nutritionals. The nutritionals business can be further divided into: Ingredient Technologies, a business-to-business nutritional ingredients solutions development sector; Performance Nutrition, consisting of health and wellness products; and Customised Premix Solutions, a business-to-business vitamins and minerals business. Examples of nutritional products include Thermax, used in ready to drink beverages, and Revive, a recovery beverage.

2. **Dairy Ireland.** This division consists of three main sectors: Agribusiness produces and sells a wide variety of farm inputs, including animal feed, to the group's main farming suppliers; Dairy Ingredients uses 1.5 billion litres of milk to produce cheese- and dairy-based ingredients (Glanbia processes 25 per cent of the Irish milk pool and 40 per cent of the Irish whey pool) and Consumer Products uses 0.3 billion litres of milk annually to produce dairy products and liquid milk.

3. **Joint Ventures and Associates.** Glanbia has three main international joint ventures: Southwest Cheese, based in the USA; Glanbia Cheese in the UK; and Nutricima in Nigeria.

Key strategic priorities for the group include: alignment with key customers and markets; first-class science-based innovation; effective risk and capital management and operational excellence; and strategic cost management.

TABLE 5.1 GLANBIA'S OPERATING DIVISIONS

US Cheese and Global Nutritionals	**Dairy Ireland**	**Joint Ventures and Associates**
• US Cheese • Ingredient Technologies • Performance Nutrition • Customised Premix Solutions	• Dairy Ingredients • Consumer Products • Agribusiness	• Southwest Cheese • Glanbia Cheese • Nutricima
40% group revenue	44% group revenue	16% group revenue

Glanbia's strategy centres on maximising the scale and efficiency of its businesses. To this end, the company aims to secure and enhance its strong market leadership in key sectors by continuous development in innovation, market knowledge operations and technological standards. In pursuit of this strategy and in response to events in the competitive marketplace, Glanbia has taken a number of important decisions. Some of these decisions were expansionary in nature; others were responses to strong market competition and unfavourable environmental conditions.

Following the 1997 merger, Glanbia decided to create a single group identity, which it introduced in 1999. The Glanbia group name was designed to replace the previous use of both Avonmore and Waterford. It was envisaged that this move would reduce consumer confusion, especially in the UK market, and also reduce internal divisions between the former Avonmore and Waterford staff.

After the merger and creation of Glanbia the overall focus centred on a number of sectors, the two most significant of which were nutritional products and cheese. The cheese sector involved the USA, pizza and cheese production for the EU market, and the Irish and UK retail cheese market. The USA cheese business, based in Idaho, is thriving due to its low-cost location and the scale advantages accruing to Glanbia. Glanbia benefited from strong demand and increases in the price of cheese. The competitive position of some of Glanbia's other divisions deteriorated over the same period and this presented the company with some tough decisions. Many of the problems centred on the UK market where the strength of sterling, price wars between supermarkets and strong competition among suppliers have all negatively affected Glanbia.

In 1999, the liquid milk business in the UK provided Glanbia with many problems as the company found one of its traditional markets under severe price pressure. Glanbia lost an important account with Asda WalMart and continued to face strong competition from other suppliers. In addition, the supermarkets began a process of rationalising the number of suppliers they traded with. Under such competitive pressure Glanbia decided to sell the liquid milk business in the UK to Express Dairies. The global meat market has also been faced with oversupply and falling demand. From 1998 onwards, demand from Russia and Asia declined. This was coupled with increased international competition. The extent of oversupply in the international pig meat market in the EU and USA led Glanbia to dispose of its beef operation to Dawn Meats; and it also disposed of its sheep meats division.

In 2010 Glanbia announced its intention to sell its Irish dairy business to Glanbia Co-operative Society (its 54.6 per cent shareholder) in order to focus on expansion of its international business. In 2008 the company acquired Optimum Nutrition, a US body-building supplement manufacturer. By focusing on the nutritionals side of the business Glanbia could see faster and more consistent growth. In addition, the recession had dented earnings across the food industry and global diary markets had become more volatile. However, the sale did not receive the required agreement by the Glanbia Co-operative members in May 2010 and the plan was put on hold. In November 2012 a decision was made to establish a joint venture between Glanbia Co-op and Glanbia plc (on a 60:40 basis), that would take control of the company's Irish milk processing unit. To finance the plan the co-op reduced its shareholding in Glanbia plc from 54.4 per cent to 51.4 per cent.