

IMPORTANCE OF GROUP DECISION-MAKING TO COMPANY DEVELOPMENT

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Abstract: If we want to create the enterprise, is vital and capable of survival in market environment, a creative redesigning of the existing philosophy with simultaneous creation and promotion of new managing knowledge as the base of modern management, in order to organize the enterprise as good as possible, is necessary. This is a prerequisite for effective and efficient operations.

Certainly, harmonious functioning of any enterprise primarily depends on linking of all dimensions and factors of the organization structure, as well as on defining of management structure. It is the matter of business philosophy of the modern enterprise in which way it shall arrange the relations between the enterprise as a system and units, as well as the relations between the enterprise units themselves.

In the period of transition, managers are required to be flexible, creative and well acquainted with all the components of external surrounding. On the other hand, they should have adequate professional managerial knowledge and skills that are able to develop further.

1. INTRODUCTION

There is a thin line between success and failure of a company in market economy, namely almost the same path that leads to success can take a company into a zone of failure, if the goals of development are not accomplished, if the order of events is disturbed, if a prompt reaction to the distinct market impulses lacks.

A company is the basic institution of market economy. Important common features of business systems of all companies are: each company procures resources and takes part in resources market as a buyer of capital, primary products and energy; all companies use rare resources to produce goods and services, participate in the market of goods and services as a seller. More importantly, each company makes decisions on the way to organize its activities. These decisions refer both to the questions such as; *what, how and how much* to produce and which internal organization should be applied, in order to achieve the set goals. Finally, each company has to decide on how to respond to the different market conditions and competitor pressures as, in addition to resources, capabilities and competence, market and competition are the chief efficiency arbitrators of a company.

Company operation and functioning in modern business conditions is becoming more complex. Many factors that have impact on the process of decision-making are getting more complex, in addition to the almost constant changes of immediate surroundings. Responsibility in decision-making process is higher, as the possible consequences of a bad decision can negatively reflect on the existence of the entire system. In order to overcome these problems, there is a need to consider different opinions and ideas and to substitute individual for group decision-making; where decisions are being made by a team of experts. A larger number of people involved in decision-making process can have different perspectives to a problem, which enables more thorough and versatile insight into the problem and a possibility of reaching a better decision.

Group decision-making is a process of reaching a decision in a group which consists of authorized decision-makers, that are, in our conditions, mostly managers of a company itself. Decision-making group, can be seen as a group made up of more managers, whose task is to identify the problem, analyze it, perceive possible solutions and single out those that best suit the goal set ahead. Members of a group are not required to be in the same place during the process of decision-making, but they have to be aware of other members' existence and existence of a group as an entity.

Above mentioned problems in which a company operates are, as a rule, characterized by multiple criteria of decision-making, which opens up a new field of management, namely multi-criterion group decision-making. It is a type of decision-making process in which a number of managers are being involved in different moment in time, with a task of choosing the most acceptable alternative based on a number of user criteria (both qualitative and quantitative). These criteria can be classified as: financial (profit, price, income), technological (operational, level of tracking society progress), sociological (per capita income, level of education), ecological (level of environmental protection and conservation). A short account on management discipline will follow for purposes of clarifying the above mentioned methodology.

2. MANAGEMENT AND ORGANIZATION

Modern theory suggests that the efficient management requires the presence of the following prerequisites in company operations: competitive market of goods and services, dominance of economical not social role of a company, professionalism in management activities, corporative organization existence, securities market, etc.

The concept of management (scientific discipline that describes business operating phenomena and conditions of the operating environment where the phenomena occurs, explains it and finds adequate solutions to the arising problems) refers to a group of qualified personnel, who run and manage business operations of a company and relations within the group. Therefore, management of a company can be: the top management, middle management and, at the level of executive-operational activities, the first line management.

Lately, influenced by development of new scientific disciplines such as IT and system theory, a new situational approach to management has been developed as well as the study of a company as a complex open dynamic system using quantitative methods and models. Considering that over the years different management problems were being solved using computers, we can say that applying new information technologies in management today has lead to its significant advancement.

The use of computers and suitable software solutions is compulsory today in applying most of the management methods, models, rules, skills and techniques. Modern management development and specialized management disciplines are marked by the use of the Internet. This opens up new possibilities in management development such as e-Business, Virtual management (the subject will be separately dealt with in the article). Communicational capabilities enabled by the Internet are a strong support to management development as it opens up new possibilities and new directions of development. The Internet provides new organizational models as well as quick and efficient communication necessary in team work, i.e. group decision-making and modern management methods. Using the Internet in the concept of virtual project management can serve as an example. Through the concept of multi-project management it can be used for managing and executing a number of operations and projects. A short outline of modern organization models will follow.

3. MODERN ORGANIZATION MODELS OF BUSINESS SYSTEMS

Network organization structure models

It can be said with certainty that the 21st century is marked by new technologies such as the Internet, multimedia technologies electronic communication and collaboration technology, being the bases of group decision-making. The entire society and all its activities are being infiltrated by internet technology and its application. Many businesses and the lives of hundreds of million people largely depend on the Internet. Tendencies of the Internet growth are unimaginably high, about 400% per year.

Growth of the Internet has enabled easier communication and exchange of information and knowledge. Almost all companies are present on the Internet, from the smallest to the giant companies like General Motors, Shell Oil, etc. The effort of all of them is to draw the attention of individuals and to inform of the public of their existence, goods and services.

Companies themselves, as well as their organization structure are under constant influence of the surrounding changes. Prompted by new technologies companies, without clearly defined structure, are emerging. They are flexible not only in terms of their geographical location, but also the sphere of their business activities and staff hired to execute their aims.

“Flat hierarchical structures, network and virtual organisations have imposed themselves as much more efficient way of organising business in the Information Era”, see in (6).

Making use of information technologies and the Internet in business has lead to development of e-business. In newly created surrounding conditions, the need for the new type of organization – Virtual organization- appeared.

Virtual organization (VO) concept is relatively new; therefore there is a number of different definitions. Common element in all of them is the fact that each virtual organization has network structure, but not vice versa; each network is not VO.

Nowadays forms of sheer virtual organization are very rare. On the other hand, aspects of virtuosity are to be found in many traditional organizations. For instance, although most companies have divisional structure, it is getting more common for them to form outside links with other firms in form of strategic partnership, alliances and contacts. Even though teams among companies are rare, teams within one company are getting more geographically separated and functionally crossed. Fast growth technology enables having virtual teams. These tendencies show that the companies are getting more and more virtual characteristics.

As stated before, network structure is a significant feature of virtual organization. For those reasons classification of organizations with network structure will follow.

Network structure organization classification

Different authors have offered different classifications of network organization. Three types of network structure are mainly differentiated:

1. The modular type – dislocating non-vital functions and activities but keeping full strategic control;
2. The virtual type – network of a larger number of independent businesses (suppliers, buyers and associates) who affiliates to share knowledge, skills, expenses and access to markets;

3. The barrier-free type – network of companies trying to eliminate barriers between different cultures, functions and processes by developing high level of trust between partners.

The researchers of this field agree that this new corporate culture also demands different business philosophy – instead of keeping different internal relations, the emphasis is placed on the results.

One of the most common classifications, containing a significant potential for understanding network organization, according to the level of activity dislocation and management manner, is grouped into three categories:

- ✓ Stable networks,
- ✓ Internal networks and
- ✓ Dynamic networks.

The above mentioned classification can help in understanding the usual supplement of the said categories, and it includes three very important characteristics that determine the differences between certain types of network.

Individual firm – multi firms,
Individual industry – multi industries

Stable (based on the experience and trust among partners) – temporary (grounded on electronic communications and markets).

Network organizations are mostly grouped in four categories:

1. Internal market, where internal organizational units work as independent profit centers, buying, selling and investing in other internal and external units, according to and based on their determined trade relations, which can be modified by company policy..
2. Vertical market (network marketing chain) - in which a bigger firm organizes relations with suppliers and distributors through value chain of an industry, assuming the task of monitoring and managing critical configurations to which the participants of a network are exposed at the competition market;
3. Internal market or concentric networks – that represent an institutionalized affirmation of companies that operate in different industries. It is characterized by intensive inter-relations in using resources, strategic decision-making, culture and identity, and periodical collective actions.
4. Network of possibilities, consisting of a set of companies specializing in different products, technologies or services gathered in temporary associations around competitive projects and products.

Characteristics of virtual organizations

Basic characteristics which differentiate virtual organizations from traditional are:

- Geographical dispersion,
- Electronic communication,
- Boundary crossing,
- Sideline in contrast to hierarchy relations,
- Changing participants.

Units participating in such organization have additional common characteristics, beside transaction partners. Some of common characteristics of virtual organization shown in (6) are:

- Mutual goals,
- Mutual expertise,
- Mutual work,

- Mutual priorities in time and result,
- Mutual responsibility and trust, and
- Mutual recognitions and awards.

This creates a common ground, whereby the corporation and coordination between units is made easier than in case of transaction partners. Advantages of such virtual organization in relation to sheer market transaction can, also, be explained from the aspect of transactional expenses: closer cooperation creates trust between partners within a virtual organization; it diminishes the danger of opportunistic attitude and thus reduces the transactional expenses.

In effect, virtual organizations can have different forms. Different units in a network can be legally independent, or a part of one company. As long as all of them are considered equal in organization, the power share within an organization does not have to be equal.

On the other hand, the term virtual can be interpreted as “potentially stable”. They are dynamic organizations which are involved in certain actions until they are completed. This type of temporary cooperation implies joint managing.

The way of making decisions is slowly becoming a common denominator of the said types of organization, which is team work or group decision-making. It is clear that the level of complexity (responsibility) of decision, that has to be made, for numerous reasons exceeds the individual level, and (in a way) demands to be concurred within a specialized team of experts. For that reason the sequel will provide and outline group decision-making.

4. GROUP DECISION-MAKING

Certain forms of group decision-making were present even in the first activities after the creation of human society. Still, modern type of group-decision making was created in the second half of the twentieth century. Due to a stronger economy development and market growing more turbulent, managers have started to face more complex situations in business. They are required to make some important decisions with far-reaching consequences to the company. In making such decisions a high concentration of knowledge and experience is needed, with the presence of high risk. The set demands have started to exceed the capabilities of an individual so a group decision-making was devised. A detailed study of this field is given in (7).

Decisions, both individual and group, are made to achieve an aim. The aim that is to be achieved can be desirable and worth to a different extent. The probability of reaching it can be higher or lower. If the goal is harder to achieve, its realization represents a higher success, but at the same time, there is a bigger possibility that, in spite of the effort and means invested, the aim is not achieved. If the aim is more difficult and desirable, there is less possibility of success. When we take up a less attainable aim the possibility of failure is greater, and we are exposed to a higher risk, then if we choose a less desirable but easily achievable goal. People differ in the amount of risk they are ready to take. Some are careful and make decisions that will enable small but certain success. Others act differently; they seek greater success even if the likelihood of reaching it is small, see (8). The question of the amount of risk in decision-making was intensively studied in the early years of the sixties. At that time it was one of the most intensively studied subjects in the field of decision-making process, especially **group decision-making**. Different problems regarding the willingness to a risk were observed: to which extent does the amount of risk depend on situational factors, like the amount of invested money; on different demographical factors, like sex and age; on personal factors, like the level of motivation to

be achieved, independent or traits like impulsiveness and rigidity; whether the willingness to take a certain amount of risk is a general characteristic of an individual, and is manifested both in judgment and advice, which he or she gives, and in actions he or she undertakes in different conditions.

5.1. Approaches of group decision-making

It can be concluded that, today, the following four approaches to decision-making have singled out:

- ✓ rational approach,
- ✓ political approach,
- ✓ procedural approach, and
- ✓ “waste bin” approach

Rational approach fully supports the economical aspect of decision-making. It implies solving problems where the goal is fully pre-defined with clearly defined alternatives and its possible consequences. A special attention is given to observing each alternative (advantages and disadvantages) in relation to accomplishing the goal.

Political approach where proposals, prepared in advance, are being looked into by session participants with the purpose of solving a problem. Each session participant strives to reach the level of a referent point, so that each of them, to a certain point, derogates from the starting position. Minimizing misunderstanding and conflict is requested.

Procedural approach fully supports pre-defined procedures in reaching the group decision. All group-decision activities are structures. Thus group-decision making with this approach is based on a precise decision algorithm.

“Waste bin” approach, represents a form of group decision-making the activities of a group decision-making process are not predefined themselves. The session participants waver around the contradictory (conflict) positions and ideas in a particular time. It is a useful process when the decision has to be made as soon as possible, despite the procedure sometimes being entirely unstructured.

5.2. A concept of group decision-making

Basic problem in multi-criteria group decision-making is finding procedures needed to choose a decision that would suit the desirable solution, with the possibility of selecting (which is common) the most acceptable alternative.

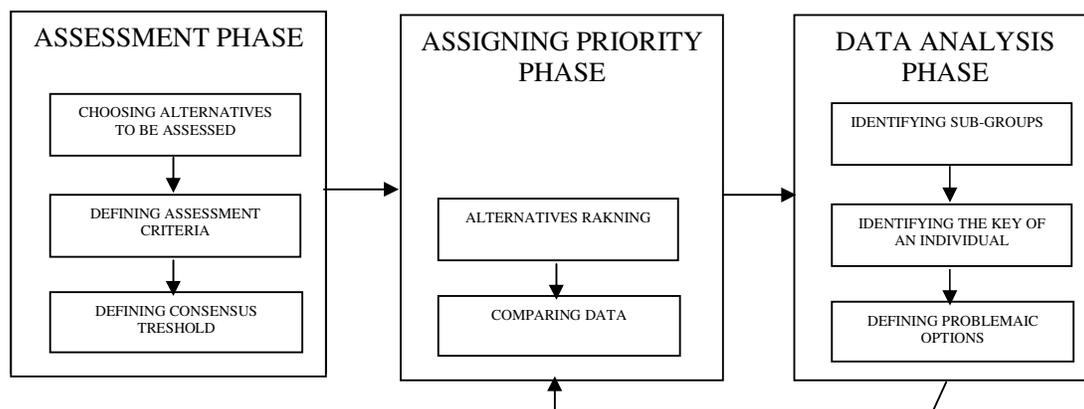


Fig.1. Conceptual framework of group decision-making phases

Conceptual framework of group decision-making phases is roughly divided into three parts (phases):

- (1) assessment phase
- (2) assigning priority phase
- (3) data analysis and concluding phase.

The assessment phase comprises three basic activities: defining alternatives, defining criteria and consensus threshold between session members. The second phase, assigning priorities, comprises the procedures used to determine alternatives order of importance with a possibility of comparing data. And finally, the third phase is data analysis, whose aim is to identify sub-groups and eventual problem activities based on the gathered data. It should also assert the level of anticoincidence indicators in a group. Each of the aforesaid phase of group decision-making, can be observed upon applying the procedure with some of the multi-criteria group decision-making.

The main characteristic of a group decision-making is a group: an entity made up of more individuals. Within a group beside professional also psychological and sociological characteristics of an individual are stressed. Owing to interaction between individuals within a group, a group consciousness, also group goals and virtues are created. A detailed outline of methodological support to group decision-making is given in (7), while the sequel offer an overview of illustrated example, its solution for the purpose of advancing the management process.

6. CONCLUSION

Conditions in which every economic system (a company) operates have become very complex and uncertain. Globalization of the world market and technological progress have significantly altered the existing business environment and have lead to growing pressure on expenses and time of product development. In such conditions it has been necessary to respond quickly and flexibly to the fast and constant changes of clients requests. This creates a strong need for management in newly created changes within a company, especially from the aspect of constant management improvement.

Most models and methods of management change over time. The role of a manager is to choose and use most efficient methods and models in solving a particular problem in a given situation. The position, importance and the influence of a manager in decision-making process is regarded from an aspect of manager role, hierarchical level of

management in an organization, manager's authority, communication and environment impact.

It is perfectly certain that good management and business advancement of a company is based on adequate business decisions. On the other hand, the level of responsibility for a made decision grows bigger, which requires it to be made by specialized decision-making team. In our conditions they are mainly board of managers, monitoring boards, boards of directors, expert councils, etc. Their basic role in decision-making is observing multiple alternative directions and ideas, with the view of reaching the most acceptable decision in a group. During the session mutual appreciation of different opinions and concordance prevails, for purposes of accomplishing mutual goal set by the group. Such group decision-making is becoming predominant in relation to other forms, especially in relation to individual decision-making, because the importance of making a decision exceeds the level of individual responsibility.

On the other hand, the need for improving the quality of decisions made in a group is evident. Decision, as such, represents a constant subject of interest to researchers, with its great practical and theoretical significance.

In the period of transition, managers are required to be flexible, creative and well acquainted with all the components of external surrounding. On the other hand, they should have adequate professional managerial knowledge and skills that are able to develop further

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