

Research
Based
Curricula



**Decision Making in
Business**

Key Stage 5

Business Studies

Resource 3

2019



Resource Three Overview



Topic	Group Decision Making
A-Level Modules	Understanding management decision making; understanding the role and importance of stakeholders
Objectives	<p>By the end of this resource, you will be able to:</p> <ul style="list-style-type: none">✓ demonstrate an understanding of how decisions are made in organisations on a group level;✓ critically assess the quality of decisions taken;✓ show awareness of the ethical dilemmas and responsibilities faced by organisations and individuals.
Instructions	<ol style="list-style-type: none">1. Read the data source2. Complete the activities3. Explore the further reading
Context	<p>A stakeholder is a person, group or organisation that has interest or concern in an organisation. Stakeholders can affect or be affected by the organisation's actions, objectives and policies. Some examples of key stakeholders are creditors, directors, employees, government (and its agencies), owners (shareholders), suppliers, unions, and the community from which the business draws its resources (from http://www.businessdictionary.com/definition/stakeholder.html).</p> <p>An executive is a person or group appointed and given the responsibility to manage the affairs of an organisation and the authority to make decisions within specified boundaries (from http://www.businessdictionary.com/definition/executive.html).</p>

Resource Three

Data Source



Many organisations prefer to use group decisions rather than an individual one for solving strategic and tactical questions. There are several research directions in this topic: the wisdom of crowd (where a diverse group of people come to a conclusion); jury of experts (a formal form of “the wisdom of crowd” in the organizational context); the Delphi method (a structured way of getting a consensus decision); scenarios and role-playing. We will briefly describe all of them.

Wisdom of Crowd

Since individuals have different biases and faults in decision making, a better approach is to ask many people. Using a diverse sample of people for prediction of political events (e.g. elections, referendums) on state or national level proved effective by many studies. For example, Miller et al. (2012) showed that citizen forecasts are more accurate than professional prediction markets. Similar results were established for the national level (e.g. US presidential elections) where citizens’ predictions were again better than any quantitative statistical methods, prediction markets or election experts. Hence, we can say that for big, national levels “the wisdom of crowd” works well. However, there is limited research on “the wisdom of crowds” in an organisational setting given that the company is big enough for such a knowledge elicitation method.



Resource Three

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Jury of Experts

When leading experts (or executives) with different responsibilities are brought together, the final decision will incorporate different managerial viewpoints and experiences. However, there might be political drawbacks in such debates. This approach could be effective for strategic questions, although quite expensive and slow. Also, if all experts are internal for the company, group biases may prevail domination by various people, different level of contribution and agreement. The use of a focus group could be a good alternative. The main difference is that focus groups aim to explore a problem and possible answers rather than to reach a solution. These groups require a facilitator who controls and guides the process. Unfortunately, focus groups are still subject to all personal and group biases that we have discussed above.

The Delphi Method

When the final decision is based on several rounds of questionnaires of multiple experts while every round the experts are provided with feedback on the anonymous views of the other experts. First, since there is no direct interaction (it can be done online), this process allows minimising negative aspects of personal interactions (e.g. boss/employee, different levels of domination and contribution due to many factors). Second, it naturally comes to a better consensus where the range of opinions decreases over the rounds, but at the same time, everyone feels responsible for his/her results. This method shows really good, consistent results, but also quite tricky and expensive to organise.

Resource Three

Data Source



Scenarios

The use of scenarios is useful when a problem can be presented as a story that represents possible future events. All elements and its interaction should be carefully included. This method could be used for

- Understanding possible outcomes and its consequences;
- Developing organisational strategies;
- Testing theoretical business concepts in practice.

If carefully planned and implemented, scenarios can be powerful tools to simulate business processes. This method is time-consuming and quite expensive: it includes the major stakeholders and actors. It should also be thoroughly checked for consistency and plausibility. If scenarios are used in "what if" manner, then it can be approximated with a simple simulation.

Role-playing

Role-playing is basing on the scenario method described above but adds some dynamics of interaction among the interested parties. For example, it could help to analyse how different sides can behave in a particular setting. This method allows either reaching the final decision or evaluating different approaches prior to making the decisions and recognising the complexity of problems. An example of role-playing is when experts gather together to discuss some work-related conflicts.

Resource Three Activities



Activities 1

- 1) Can you explain what is happening when the Delphi method is used?
- 2) Who can participate in Jury of Experts?
- 3) How would you explain the differences between Jury of Experts and The Delphi Method?
- 4) What is the difference between Role playing and Scenarios methods?
- 5) What would you select as the best method for group decision making? Why?

2



Imagine that you work for Jaguar/Landrover company, and there is a question, what type of car is to launch next year. The key features of the vehicles are provided in the table below. The company is planning to produce only one type. Which car should be selected? Is this possible to do without any additional information? How can one find out whether the correct solution is proposed?

	Car 1	Car 2	Car 3
Fuel consumption (miles per gallon)	14.3	24.4	19.2
Number of cylinders	8	4	6
Transmission	Automatic	Manual	Manual
Weight (1000 lbs)	4	2	3

Please list at least five factors which can influence your decision.

3 (optional group work)

When was a ballpoint pen invented?

Ask people in the group and calculate the average. If needed, you can collect the second round of individual estimators.

Note: people in a group should not discuss their guesses.

Resource Three Further Reading



Explore Scenario Thinking: Practical Approaches to the Future.
George Wright and George Cairns, Palgrave, 2011.



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