MANAGEMENT

THEORY

## INDIVIDUAL AND GROUP DECISION MAKING IN MACEDONIAN SMES

Accos. Prof. Snezhana Hristova, PhD<sup>1</sup>, Assoc. Prof. Dimitar Kovachevski, PhD<sup>2</sup>, Ivona Mileva, MSc<sup>3</sup>

**Abstract:** Management is principally a bundle of decision-making processes. Decision-making is the process of selecting the best alternative among various available courses of action. The managers of any organization are responsible for achieving the vision, mission and operational and financial goals in particular. All the functions like planning, organizing, coordinating and controlling are dependent on the quality of the decisions made. In companies, no matter of their size, decisions are made on all hierarchical levels.

Structured decision-making process is important for large corporations, but not less important for small and medium enterprises. The innovation capacity that enables the competitive points of difference, utilization of market opportunities and potentials depend on the accuracy and timing of the decisions.

This paper discusses the different methods used in individual and group decision-making processes and their application in the small and medium enterprises in North Macedonia. We conducted a research on a sample of SMEs from North Macedonia and analyzed the different decision-making methods applied and the role of individual and group decision-making methods from the perspective of managers (entrepreneurs) and employees including their roles and involvement.

Key words: SMEs, decision-making, management.

JEL codes: M00, M10.

<sup>1</sup> School of Business Economics and Management University American College Skopje, shristova@uacs.edu.mk.

<sup>&</sup>lt;sup>2</sup> School of Business Economics and Management University American College Skopje, dimitar.kovachevski@uacs.edu.mk.

<sup>&</sup>lt;sup>3</sup> School of Business Economics and Management University American College Skopje, ivona.mileva@uacs.edu.mk.

#### Introduction

Decision-making is the primary management function and refers to making relevant, realistic and optimal decisions to build the desired future and to select the organizational strategy as a way to effectively adapt to all modern working processes and environment of SMEs. In practice, managers who lead and manage SMEs indicate that decision-making is the most important ability for successful execution. Strategic decision-making and planning relates primarily to organizational abilities of managers and entrepreneurs, as well as the employees in SMEs, it influences the ability of the companies to effectively adjust to the changing competitive environment and achieve the desired results.

The strategic approach to decision making in SMEs depends on the ability of a realistic assessment of the situation. Better results and greater competitiveness can be achieved through the application of improved styles and practices by the managers.

This paper will show how managers make decisions, individually or in a group, which of the available techniques they apply, what the role of the employees is and to which extent the managers and employees are involved in strategic and operational decision-making. In the light of the limited literature and conducted studies on decision making in North Macedonia, we reviewed the available sources and made empirical research of Macedonian SMEs on the different decision making methodologies they apply.

#### 1. Litrature review

The study of individual versus group decision making in solving contextually relevant and consequential problems showed that the groups outperformed their most proficient group member 97% of the time. The dilemma whether individual or group decision making is more suitable has always been present in companies. On the other hand, there are studies that have generally concluded that the knowledge base of the most competent group member appears to be the practical upper limit of group performance and that process gains will rarely be achieved (Michaelsen et al., 1989). In

the light of the limited availability of studies and sources in North Macedonia on this topic we tried to make research on the application of individual versus group decision methods in Macedonian SMEs as inspiration for further analisys and research on the effects of each method.

#### 2. Individual and group decision making

Group decision making is one of the methods used by the managers to make decisions. Fundamentally, the group influences the behaviour of its members and they are the source for standards considerations of standards, group views on value systems, support, approval, criticism and even censorship of decisions. The formation of groups for decision-making can be formal and informal. In terms of group decision-making, group situations form the largest part of the context for decision. The context of the particular situation filters modifies the information for decision-making and, at the same time, is the source of much of the information.

There is a lot of evidence that group or team decision-making in certain situations has shown significant advantages over individual decisions. When managers face a given problem, in order to be good decision-makers they should consider the advantages and disadvantages of group and individual decision-making (Dessler, 2007). Individual decisions, in the broader context of organizational science, have their roots in the early stages of entrepreneurship development, when the majority of the most important decisions are made by only one person. Over time, the development of the enterprises and their structures influences the decision-making to disperse to larger number of persons and organization hierarchy levels.

Both decision-making styles may be considered to have positive and negative features. In the last decades of organizational science development, preference is given to teamwork, and in this context, to the group decision. However, it should be noted that individual decisions are not old-fashioned or outdated; they have shown to be an effective way of making decisions when they are correlated with the power and responsibilities of individuals in the organization. This is also valid, when it comes to crisis

situations in the functioning of the company, when there is not enough time to exchange opinions or when such exchange of views will deepen the crisis, the experience, ability and determination of the individual without hesitation to deal with problems and their negative tendencies are of great value in making the right decision. In practice, you can meet a number of companies that are successful because they are led by responsible individuals (Dessler, 2007).

Group decision-making is often presented as a modern approach to problem solving. In contemporary literature, there is a rapidly expanding circle of supporters of the standpoint that the effectiveness of decision-making can be increased by applying group decision-making. It is empirically confirmed that the participation of lower levels of management and employees in the decision-making process gives positive results. Making management teams and insisting on teamwork as quality groups for decision-making are important dimensions of the organization of modern corporations (Dessler, 2007).

Many important decisions are made by groups of managers, not by individuals. Group decisions have the advantage of right decisions, but on the other hand, the adoption of a group decision as a process takes much more time and resources, unlike when it is done at an individual level. In addition, group decisions sometimes are made within the so-called singleminded groups. In order to cope with such potential disadvantages of group decision-making, managers have used two techniques that act against the group single-mindedness and other cognitive biases. These are the techniques of "Devil's Advocate" and "Dialectic Research." The goal of the Devil's Advocate technique is to develop a solid argument for a recommended course of action, then subjecting that recommendation to an in-depth, formal critique. Through repeated criticism and revision, the approach leads to mutual acceptance of a recommendation (Hartwig, 2016). Dialectical research follows the previous technique, the managers are grouped into two groups and each group is separately responsible for evaluating alternatives and selecting one of them.

#### 3. Decision making in Macedonian SMEs

According to the study of manufacturing companies in North Macedonia conducted by Sofijanova and Zabijakin-Chatleska (2013), employees' participation and empowerment programmes, the application of employees' involvement in decision-making and problem solving practices affects the perception of operational performance.

In another study of the Macedonian automotive industry, (Stefanovska-Petkovska et al., 2015) it is stated that the involvement of employees in decision making process positively influences employees' satisfaction and business performance.

The study of leadership and decision making styles in Macedonian companies shows that conservative culture and individual decision making prevails in the cases of the leaders at the lowest and that of the highest level of management, while the more participatory and flexible culture is the most preferred by the middle management. Promotion of various on-the-job-training programmes, drafting of younger and educated managers, gender balanced boards and strategic drafting of foreigners in them and growth of innovativeness will positively influence the introduction of participative management style, structured group decision making processes resulting in increased competitiveness (Kostovski et al., 2015).

According to the study of the business sector in North Macedonia, the predominant management and decision making style remains autocratic and individualistic despite not being suitable for the new industries, new times and new profiles of the work force (Bojadjiev et al., 2015).

Dominant companies in North Macedonia after the transition were small family-owned trade companies with lack of managerial experience and expertise where decisions were made individually by the founder. However, as the market competitiveness and regulation rose and the companies grew in their size and turnover, more structured approach was implemented. According to (Kostovski et al., 2017), some of the companies started to implement group decision-making with more advanced IT tools. The study, conducted together with the management team and with the new product development cross-functional team of one of the biggest Macedonian food

processing companies, based on Exsys Corvid programme decision support system showed the following results:

- Group decision-making, backed up by software tools, can significantly improve the user's decision-making system;
- It helps managers check all the relevant facts and critical data in relation with the new product decisions;
- Due to the speed at which it operates, it allows considering a number of anticipated (and unexpected) situations that could arise by changing the input parameters in a relatively short time;
- Automation of the routine and saving time of the key people;
- Capturing the organizational knowledge and not letting the expertise get away with retirement or fluctuation of staff members;
- Easier reaching of consensus between parts of the company, consistency in the decision-making.

#### 4. Methods for creative and effective decision-making

A successful manager in a small and medium enterprise should have the ability and well developed skills in strategic decision-making. Strategic decision-making in the management of SMEs from the aspect of the applied styles and practices of managers and employees is a process where they gain knowledge how to turn their own business vision into a reality by developing teamwork abilities, planning and execution adaptations as well as anticipating new opportunities for their companies. Each new opportunity requires a new re-thinking process for making the right decision.

Strategic approach to making new decisions in a changing environment for SMEs requires vision about the ideal goal of the business, reversing the story of how to achieve the vision for development, growth, profits and motivated employees (Anderson et al., 2009). When developing a decisive concept, five different factors are important. These factors can help turning the vision and decisions into a reality.

The following criteria are included:

a) Organization of SMEs. The organization covers the employees in the SMEs, the organizational structure and the resources used in the application of styles and practices of making decisions on different hierarchical levels.

- b) Observation. When looking globally at the top blue chip companies, generating major innovative ideas and profits, we can notice many types of decisions as opposed to monitoring only our own environment. It allows us to see things in a global framework. By increasing our ability of observation in decision-making, we become more aware of what motivates people and what makes them choose a different style and practice in different situations. (Mendenhall at al., 1995).
- c) Aspects. Aspects represent different ways of looking at issues. When establishing a decisive strategy, we should take into account several aspects: the environment, the market and the project itself. These aspects of thinking can be used in identifying the outcomes and critical factors, the adjustment of our actions to achieve our goal in decision-making in SMEs by applying styles and practices of managers and employees in all jobs and processes.
- d) Driving forces. Driving forces allow SMEs to turn their idea into a reality. They are the foundation of what we want employees to focus on in business (i.e. what will be used to motivate people when they decide). Examples of driving forces might include: individual and organizational incentives, empowerment and planning, qualitative factors such as a defined vision, values and goals, productive factors such as commitment, quantitative factors such as results or experience of making decisions by using the following economic principles: efficiency, productivity and consistency with the compatibility of the guidelines and performance targets in small and medium enterprises.
- e) Ideal position. After considering the first four factors of strategic decision-making in small and medium enterprises, managers need to define their ideal position since they will act as decision-makers by applying their personal styles and practices. The ideal position for decision-making by managers in SMEs includes meeting requirements such as being productive, using opportunities, possession of key skills needed for decision-making, and ability to apply strategy and tactics that will be used to achieve the goal (Anderson et al., 2009).

Creativity is not only the output in the form of artwork, knowledge and value systems used in decision-making, but it is transmitted in everything that surrounds the different industries and branches of operation of SMEs. Creativity in making productive and forward-looking decisions requires putting aside the paradigm: "Operation is specific and there is no room for jokes!" Only the correct path to rapid and measurable real market decisions brings enterprises to prosperity and progress. When we try to be unique in applying creative techniques for making quality decisions, and surpass competitors, we must abandon routine and think of contemporary innovative ways to apply adaptive concepts of decision-making, and apply them in a manner that creates a motivating atmosphere for the employees in SMEs.

According to Levesque (2001) managers and employees of small and medium enterprises strive to enhance creativity in deciding about and implementing business processes using the following steps:

- a) Hiring a diverse workforce, hiring staff with different backgrounds, experience and interests;
- b) Encouragement of creativity and allowing employees to be creative;
- c) Tolerating failure. The safest way to "stifle" creativity of employees is punishing those who want to do something new and have made a mistake;
- d) Motivating curiosity by constantly asking the question "What if?" and taking a position "I could perhaps";
  - e) Seeing difficulties in making decisions as a challenge;
- f) Making a vision for preparing decisions with creativity. Almost everyone has the capacity for creativity, but the development of creativity requires adequate preparation.
- g) Providing support or necessary tools and resources for development of creativity. Creativity in decision-making often requires that employees "dream with open eyes" and managers need to emphasize this as an important part of the process.
- h) Introduction of decision-making procedures for the acceptance of new ideas. Employees in any organization come up with a variety of creative ideas, but not every organization is willing to accept them.

i) Rewarding creativity. The financial rewards for good decision-making can be effective motivators for creative behaviour, but non-monetary rewards such as praise, recognition and promotion can also be powerful incentives.

In order to encourage creativity and making the right and competitive decisions by managers, entrepreneurs and employees various methods have been developed: the method of focus group analysis of innovative problems, brainstorming, free association method, Gordon method, etc. The purpose of their application is creating a significant number of ideas to develop a new product or service, or creative solution to occurring problems in SMEs and applying appropriate styles and practices of managers in their daily operation (Albert & Runce, 1999).

Brainstorming is a technique for group problem solving, in which managers meet face to face and discuss the different alternatives of making a decision. The nominal group technique is used to avoid blocking the production, in which each manager is given more space and time to make a decision, usually in the following order: the manager presents the problem; 30-40 minutes are given for writing down ideas and solutions. Then, all the alternatives are discussed and the best-ranked alternative is selected. The Delphi technique is a structured communication technique or method that was originally developed as a systematic, interactive forecasting method which relied on the panel of experts and decision makers involved in the decision-making process. The Delphi technique does not require managers to meet together, but the leader of the panel sends the problem in written form, followed by iterative writing of opinions and proposals by members of the decision-making panel. Experts reply to issues and problems faced by the organization via prepared forms in two or more rounds. After each round, the facilitator provides an anonymous summary of the experts' opinions and predictions in the previous round, and the reasoning provided for their judgments to carry and follow the steps to vote. It is believed that though the iterative process the range of responses will be reduced, and the group will come to the "right" answer - the right decision. Delphi is based on the assumption that the predictions (or decisions) of a structured group of individuals will be more accurate than those from unstructured groups (George & Jones, 2008).

Making decisions is one of the tasks of employees at all levels in organizations. Although each decision can have a significant impact on the whole organization and its results, innovative decision-making is focused on developing and enhancing the creativity of the participants and improvement of the decision-making process. The ultimate goal is to strengthen the individuals and their creative capacity in decision-making. The expected long-term result is a significantly more effective decision-making process (Mullins, 2005).

The training methodology for making creative decisions involves two stages: In the first stage participants fill in a questionnaire created by Donald Shepard, used to measure the degree of creativity and effectiveness of individuals in making decisions. The feedback report allows the participants to identify those areas in which it is necessary to improve their creative capabilities. This programme, at the beginning, analyzes the individual tendencies of the training participants in four key areas of creativity: Openness to information - natural curiosity and interest in information. Readiness to accept and work with information from different sources. Ability to delay evaluation. Function of the left and right brain hemispheres - the ability to balance creativity and logic. Ability to exploit creativity or logic according to the situation. Facing uncertainty - the ability to accept ambiguity and ambivalence. Readiness to continue despite the lack of information. Acceptance of risk - the ability to act decisively even when there is some risk of failure. Following individual assessment of key abilities that are important for effective decision-making, suggestions for improvement in identified areas are given.

In the second phase of the training, participants learn the four-stage decision-making process as well as the ways in which personal creative potential can be applied to the process. A model of the decision-making process encompasses the following steps: (1) Identification - a phase in which the question of what is actually being decided is clarified. While this phase may be very short in case of a simple problem, major decisions may include longer time for problems identification and more careful information gathering. (2) Research of possible alternative solutions. Often, the solutions are obvious and they require a little effort. In other cases, the search for effective solutions requires much more mental effort. (3) Evaluation of the

alternatives based on their values and impact. (4) Selection - selecting one of the alternatives (Brannick, et. al., 2007).

The quality of each stage in the process contributes to the overall quality and success of the decision making. The time spent at each stage depends on the nature of the decision, its importance, the context and the habits we have developed and applied in decision-making situations. During the training, the participants are introduced to different situations and approaches to problem solving through case studies and learn how to use the tools and techniques that will bring them to successful outcomes in similar real-life decision-making situations. Given that the programme is focused on developing personal decision-making styles, this training also provides an action plan through which participants learn how to activate the under-utilized aspects of their creative potential. Some of the areas in which this decision-making programme has proved to be effective are: (1) Talent Management, (2) Innovations, (3) Development of management and employees, (4) Strategic Change and (5) Coaching (Ulrich & Creelman, 2006).

#### 5. Research methodology and discussion questions

The main goal of the research is to find the ways in which managers make decisions and the influence of the application of different styles of group and individual decision making in small and medium enterprises in the Republic of North Macedonia. Specifically, the degree of application of effective individual and group decision-making methods in SMEs is analyzed.

Subject of analysis in the research are small, medium and micro enterprises. The survey was conducted in 2017, among 100 companies in Skopje and other bigger cities in the Republic of North Macedonia. According to the size of the enterprises - subject of the research, the sample consists of 24% micro companies, 41% small enterprises and 35% medium enterprises. According to the type of activity of the enterprises, the sample consists of 25% doing production, 15% financial services, 25% education and 35% trade enterprises.

The research was conducted through a questionnaire sent to the companies answered by managers (in many cases founders of the SME) and employees. The age and role structure of the persons questioned is as follows in Table 1.

Table 1
Age and role structure of the persons interviewed

Role / Age years	20-25	26-35	36-45	46-55	56-65
Manager / founding owner	11%	25%	38%	14%	12%
Manager	5%	27%	36%	17%	15%
Employee	7%	27%	34%	15%	7%

Source: Author's research

#### 6. Research findings

The questions in the research were structured in a way to explore the degree to which different methods of decision-making are used, focusing on the level of application of individual and group decision-making methods and techniques. The application of group and individual decision-making methods was separately analyzed for managers (entrepreneurs) and employees considering their different roles and responsibilities in SMEs. The application of different decision-making methods also depends on the core business of the SMEs. The manufacturing enterprises employ more employees, which requires more sophisticated operational processes that involve facing complicated and multifunctional problems and challenges. In those enterprises decisions are made by using the group decision-making process more often. On the other hand, in commercial (trade) enterprises decisions are made by using individual decision making more often. Most commercial enterprises are small businesses owned and managed by one person, who sets and makes decisions. It is commonly said in practice that the group and team in small and medium-sized enterprises decide better and more efficiently where the teams should include more knowledge and participants with skills in more disciplines, which depends on the available resources and number of employees in the SMEs.

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#### a) Individual decision-making

Regarding the question "Are you making decisions individually?", the results are shown in Table 2. It can be concluded that managers most often make individual decisions according to their expertise, motivation, creativity, dedication to their work and their perception of the business situation. The employees do not decide individually, because they are not pivotal in the work processes and do not hold managerial responsibilities.

Table 2
Individual decision making

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Question: Are you making decisions individually?			
	Answers		
	Yes	No	
Employees	22%	78%	
Managers	85%	15%	

Source: Authors research

#### b) Group decision making

Based on the answers to the question "Are you using group decision making?" shown in Table 3, it can be concluded that group decision-making is characteristic for employees, expressed by 75% of the research participants. In contrast, the managers base their decisions less on a group effort which is related to their position, responsibility and attitudes.

Table 3
Group decision making

Questi	on: Are you making group decis	ions?	
	Answers		
	Yes	No	
Employees	75%	25%	
Managers	55%	45%	

Source: Authors research

#### c) Brainstorming

A group problem solving technique in which managers meet face to face and discuss various alternatives to make the decision. Table 4 shows

the answers to the question "Are you using the brainstorming technique in decision making?"

Table 4
Brainstorming technique in decision making

Question: Are you using the brainstorming technique in decision-making?			
	Answers		
	Yes	No	
Employees	55%	45%	
Managers	35%	65%	

Source: Authors research

Managers meet in face to face meetings to discuss various alternatives for problem solving and decision making in much lower percentage than employees do. 35% of the manager's respondents expressed that they use the brainstorming technique; while 55% of the employees answered that, they use it. Employees have a greater circulation of operational issues and greater need for solving multifunctional problems, for which they require different viewpoints

d) The nominal group decision-making technique is used to avoid blocking of the decision making process, where managers have more time to make decisions.

It is followed by elaboration and evaluation of alternatives and the highest-ranked alternative is selected. Table 5 shows the answers to the question "Are you using the nominal group decision-making technique?" It can be concluded that managers in almost all of the cases use this technique in contrast to the employees.

Table 5
Nominal group decision-making technique

<u> </u>			
Question: Are you us	ing the nominal group decision-	making technique?	
	Answers		
	Yes	No	
Employees	15%	85%	
Managers	95%	5%	

Source: Authors research

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e) Delphi technique is used when managers and experts do not meet, but the leader of the discussion informs them via mail about the problem and they respond in writing with analyses, proposals and alternative solutions. Documents are analyzed in the process and consensus is reached.

Table 6
Delphi technique

Question: Are you using the Delphi technique in decision-making?			
	Answers		
	Yes	No	
Employees	37%	63%	
Managers	25%	75%	

Source: Authors research

The research shows that the managers and employees do not use the Delphi technique with high intensity, only 25% and 37% respectively.

#### f) Strategic and operational decisions

Strategic decisions help to determine, change or adapt the business strategy of the enterprise, i.e. its future. The employees, in accordance with their functional and hierarchical responsibilities, are mostly executors and their strategic decision-making role is expressed by only 23% of the respondents, while managers and entrepreneurs with 74% of the respondents answer that they are making the strategic decisions, which makes them the drivers of the strategic processes.

In case of making operational decisions, the situation is slightly different compared to the strategic decisions. Employees are more involved in making operational decisions with 58%, the managers are also involved with 65%. This once again proves that managers in small and medium enterprises are involved in almost all decisions.

#### Conclusions

Based on the literature review on the theories and decision-making methodologies in business enterprises and the conducted research on the decision-making practices, styles and methods used in selected North Macedonian small and medium enterprises, the following conclusions can be drawn.

The small and medium enterprises in North Macedonia, as far as the decision-making process is concerned, are characterized with key role of the managers and, in many cases, at the same time - founders of the company itself. Most of the decisions they make individually, with low involvement of employees. Personal experience, skills and creativity play major role in the decision-making process. This is especially valid for the strategic decisions, but also in the case of operational decisions, where managers play a significant role.

Regarding the application of different decision-making methodologies and techniques it can be concluded that managers use at a low level the group decision-making techniques like the brainstorming or Delphi, but still, by using the nominal group decision-making technique they take into account the opinion of the employees. Employees, on the other hand, use the brainstorming technique more often, as they have to solve operational issues that involve interdisciplinary and multifunctional problems.

Managers in companies, in majority of the cases, instead of relying on their creativity, energy and experience, should utilize at higher level the knowledge and strategic thinking of the employees when making strategic decisions with long-term effect. As the literature review and available empirical data show that group decision making result in better decisions, managers in the North Macedonian SMEs should focus more on developing skills and ability to apply structured group decision making and empower employees in the strategic decision making.

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