The Benefits and Costs of Teamwork

Success of an organization rests heavily on decisions made by its employees. Decisions are critical for the existence of any firm because they determine whether it would rise to the top or fall and fade away. Firms grant decision rights to teams of employees in order to benefit from their diverse opinion, specialized knowledge, and unique talent.

Teamwork is beneficial because by sharing information in a group setting a wide range of ideas take place. It is less likely for new ideas to emerge in a sequence of bilateral communications between a decision-maker and individual employees. Sharing ideas in a group can stimulate unique ways of thinking. An employee may view an issue from a completely different perspective than his/her coworker. Therefore, different views and ideas that arise within a group could lead to a well-developed idea about performing an action, writing a policy, or creating a product. In addition, each employee’s comprehension is minimal in a sense that not a single employee has full knowledge to make correct choices every time.\(^1\) Put in differently,

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\text{There's a limit to how much information any one individual can process, and a limit on how many perspectives one person can see. Many decisions need full group participation to explore the situation, provide input, and make a final choice. As you've probably seen, groups can often make better decisions than any one person operating on his or her own. This is one of the main reasons that good companies have boards, to which important decisions are taken.}^{2}
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This statement iterates that there is a certain extent to which an employee can process information and apply that information to his/her job. When several differing interpretations are incorporated, than the ultimate goal of collaborative decision-making is achieved. It is important for firms to remember the importance having full and precise information in the making of decisions. Through teamwork more informed decisions derive from accurate information applied by all group members.

However, there is a cost associated with assigning decision rights to teams. Each team member must carry equal responsibility in getting the job done. One of the challenges facing teams is low productivity of some members as they estimate that other team members contribute fully to the completion of their collective tasks. Hence, they may

\(^1\) Brickly, Smith, and Zimmerman, pp. 378-379
\(^2\) From “Organizing Team Decision-Making”
decide to shirk. “Team members bear the full costs of their individual efforts, but share the gains that accrue to the team. This arrangement encourages team members to free-ride on the efforts of others.”³ While responsible team members invest sufficient time and effort, others wait to receive equal reward and recognition for results derived from teamwork. Likewise, time can be an issue when it comes to making collective decisions:

> “Some companies have a culture of driving to full consensus on all decisions, willing to spend the additional time to review and re-evaluate options and issues, until everyone on the team agrees on every item. This may work in some environments, but it can also be unproductive in the grand project scheme, robbing precious time from achieving the most important objectives while everyone tries to reach full agreement on smaller matters. Decisions are hard to make, but they must be made in a timely manner.”⁴

Decision-making is a difficult and time-consuming process. For this reason, it creates challenges for managers to assign decision rights to teams because most decisions, especially in large firms, are not taken lightly. In order to arrive at decisions that would help increase value, sufficient time must be allocated to the process. As a result, firms bear substantial costs of assigning decision rights to teams.

In order to balance the costs and the benefits of assigning decision rights to teams, it is important for managers to come up with an optimal team size. If a team size is just right (not too many or too few members) to provide the firm with best possible decisions, then benefits and costs of assigning decision rights to teams would balance each other out. The marginal analysis asserts that a team size is optimal, when the additional cost of adding a new member equals its incremental benefit. Research in this area indicates that virtually effective teams must have at most 25 members. If team size were not optimal, then the benefits from assigning decision rights would fall short of its costs.⁵ The key is for the firms to minimize costs, while profiting from benefits associated with decision-making. The optimal team size is exactly what will help firms lower its costs and increase its benefits from teamwork.

To conclude, team decision-making can pose a challenge to managers; it is the way organizations deal with such challenges that would eventually lead to success. Conducting and managing work-groups is a challenge in itself as different employees have different views, while some group members do not share the same goals and values. Still, team members must work together to invoke workable ideas and make informed decisions. Managers, presented with these challenges, must find ways to create a balance between benefits and costs of assigning decision rights to teams. They must encourage employees to collaborate and cooperate in making collective decisions.

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³ Brickly, Smith, and Zimmerman, p. 380
⁴ From “Getting Team Members to Agree on the Right Project Tradeoffs”
⁵ Brickly, Smith, and Zimmerman, p. 380
because it is the positive attitude of employees and effective teamwork that will help firms climb to the top.

**References**
