Analyzing managerial decisions: why teams fail essay sample

Profession, Manager

In some way or another, all firms use teams in order to complete tasks that need collaboration between individuals. Brickley, Smith & Zimmerman (2009), note that “ teams are formed because they are more successful at assembling specialized knowledge for decision making than are alternative methods that might be used to pass the knowledge through the traditional hierarchy” (p. 504). While working in teams can be a great way to get tasks and goals completed more efficiently, if not managed correctly, teams can become dysfunctional. Some of the main reasons that teams fail is due to misaligned reward and performance evaluation systems, lack of setting performance benchmarks or setting erroneous performance benchmarks, and poor performance evaluation systems.

One of the main reasons why teams fail is because there are misalignments between the reward and performance evaluation systems, and also the decision making process. Brickley, Smith & Zimmerman (2009), note that “ team production effects make evaluating the performance of individual team members quite complicated” (p. 506). When firms fail to align their performance evaluation systems with the rewards structure, teams can become dysfunctional. For example, a team may be paid 100 per cent of their bonus based on the total number of units of a particular product that the team, as a whole, produces. While this is a typical structure in many firms, if a firm fails to align the performance evaluation system with the rewards system, several issues such as free-rider problems can arise.

The second reason why teams may fail in an organization is because of the lack of setting performance benchmarks or setting erroneous performance benchmarks. If teams and individuals do not have a performance benchmark or have an erroneous performance benchmark, then issues can arise in firms as accurate performance measurements will not be in place which can cause employee dissatisfaction, low performance, among other. Brick, notes one issue that firms have when they base their performance goals on historical data, the ratchet effect. According to Brickley, Smith & Zimmerman (2009), this effect “ discourages employees from exceeding the quota substantially to avoid raising the standard for future periods to much” (p. 490).

Finally, the third reason (among others), that teams fail is when firms have poor performance evaluation systems. Firms may use a variety of techniques and tools to measure team and individual performance, such as within-firm performance assessments, across-firm performance assessments and subjective and objective performance evaluations. In the technique, firms can assess individual performance by forming reference groups. One drawback of this technique is that “ only in rare cases are employees’ jobs identical” (Brickley, Smith & Zimmerman, 2009). In some instances, firms fail to properly set up the reference group and can cause great problems in the performance evaluation systems.

In contrast, firms use across-firm performance evaluations. Brickley, Smith & Zimmerman (2009), note that “ firms employ external benchmarking to overcome the lack of an internal reference group or to avoid the pernicious actions of sabotage and collusion” (p. 496). The other problem that arises from this type of performance evaluation system is that firms can be very different in many aspects both internally and externally. For example, the structure of a firm may be very different than another team. In addition, the operating environment, including their suppliers, costs and clients can be different; therefore, setting a performance benchmark from a different firm can be difficult.

Finally, some firms focus their performance evaluation systems in subjective or objective-only criteria. Brickley, Smith & Zimmerman (2009), note that " subjective evaluations provide a more holistic view fo an employee's performance because obecjtive evaluations often exclude difficult to-observe job tasks" (p. 497). In order to overcome the drawbacks of both methods, it is important that firms combine both subjective and objective measures. For example, a firm can assess an employee both on the number of items sold and also on a client satisfaction survey.

Reference

Brickley, J., Smith, C., & Zimmerman, J. (2009). Managerial economics and organizational architecture (5th ed.). New York: McGraw Hill/Irwin.