Milano The New School for Management and Urban Policy Managerial Decision Making: Fall 2009 Tuesday, 6:00-7:50

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Required Readings:

1. Hoch, Stephen, et al., <u>Wharton on Decision Making</u>, Wiley, 2001. (Selections) (Syllabus code: W)

- 2. Bazerman, Max, <u>Judgment in Managerial Decision Making</u>, Wiley, 7th ed., 2009.
- 3. Drucker, Peter, et al., <u>Harvard Business Review on Decision Making</u>, Harvard Business Review Press, (Selections) (Syllabus code H)
- 4. Akerlof, George & Shiller, Robert, <u>Animal Spirits: How Human Psychology Drives</u> the Economy and Why It Matters for Global Capitalism, Princeton, 2009.
- 5. Assigned journal articles available online. (Syllabus code P)
- 6. Case studies; handouts; materials for exercises. (Distributed in class)
- 7. Research assignment sources. (individually selected.)

Course Description

Decision making is in many ways the central focus of managerial action: managers spend much of their intentional effort attempting to solve problems, defined as gaps between an actual and a desired state. To solve a problem they must formulate and enact a decision. A promising approach to making organizational decisions is found in rational and rule-based models that outline steps in the decision-making process, seek to maximize utility, emphasize successful precedents, and/or provide a framework for multi-party participation in the decision making process.

But what does decision making actually entail in the managerial context that may be insufficiently underscored in these models and that, nonetheless, may influence outcomes significantly-sometimes "decisively?" This course examines various decision-making models and how they relate to the social action context of managerial decision making. Readings and other assignments offer multiple conceptual frameworks for examining the complexity of making decisions in organizational contexts.

Course Objectives

Students will examine such concepts as decision making under conditions of certainty, risk, and uncertainty; bounded rationality and satisficing; competitive and group decision making; action rationality; retrospective sensemaking and mindfulness: all in an effort to understand both how managers "should" make decisions adhering to a model of rational choice--and how managers actually do make decisions, often contrarily, in the organizational environment. The recent book by leading economists Akerlof and Shiller, "Animal Spirits," provides a very current policy and strategy context for decision making from the perspective of the psychological basis for behavioral economics, applied to the global economic crisis.

Method of Instruction:

Class and small-group discussions, role-play and other experiential exercises, inter-active lectures, writing assignments, in-class problem solving activities, case analyses, student presentations, text and article readings, special topics project research.

Course Requirements

Readings will include primary sources, including some of the classic works on managerial decision making; cases that illustrate the complexity of real-world decision making contexts; essays on a range of emerging issues in managerial decision making, and individual research sources for a project that will focus on one of those emerging issues. These issues will be drawn from such areas as the following: the impact of 21st century technology on the decision making process; the influence of gender in making decisions; the role of national culture in a globalized decision making environment; temporality and the impact of high speed management on decision making; group decision-support tools and expert systems in decision making; ethical dilemmas in decision making.

Class sessions provide students a critical opportunity to learn from each other's experience and perspectives, to engage in activities that strengthen the learning process, and to explore more fully the material they have read. Therefore, students are expected to complete all required readings as assigned, attend and participate actively in class meetings, and contribute proportionally to group activities. If exceptional circumstances preclude attendance at a class meeting, students are expected to inform the instructor whenever possible prior to the meeting date (or soon after if advance notice is impossible). Participation constitutes a significant percentage of the course grade; attendance is a necessary (but not sufficient!) condition for participation. Habitual lateness points to a time management issue one should resolve as a courtesy to others.

Allocation of Grading

25% Class Participation

Attend, prepare, discuss assignments; participate in classroom exercises.

25% Decision Memo

20% Case Analysis Critiques (Peer-reviewed)

30% Special Topics Project

Decision Memo

Students will read the assigned case, will write a decision memorandum that offers analysis and recommendations, and will participate in class discussion of the case.

Case Analysis Critiques

Students will prepare a case analysis critique that applies a perspective on decision making. Each student will post online an anonymous copy of her/his critique (identifiable only by an instructor-assigned number), and in turn will download the critique he/she is assigned to assess (again, identifiable only by an instructor-assigned number). For this "double-blind" peer assessment, students will rank the critique 1 (excellent), 2 (competent), 3 (unconvincing) and will write one paragraph to justify the assessment. Assessments will be emailed to the instructor who will in turn forward them to the author of the assessed critique. The instructor will review critiques and adjust the assessment score if his judgment differs substantially from that of the student reviewer.

"Special Topics in Managerial Decision Making" Assignment

Each student will select an MDM topic from among those provided (see the course description section above for examples) or of similar scope and (organizational) focus. He or she will research this topic, and will deliver a **10-minute** formal presentation on the topic at the scheduled class meeting. Students will choose a topic early and review relevant sources. Students' presentations must include 1) references to relevant theory, 2) historical/contemporary treatment of the relevant issues and, 3) analysis of a suitable MDM case. Work will be assessed for topic relevance, depth of analysis, and presentation skills. A brief (two-three pages plus references) written summary of presentation highlights is due 12/15, the evening of the final set of presentations.

OVERVIEW OF COURSE CALENDAR AND ASSIGNMENTS

9/1: Introduction: Course goals and objectives
Review of course content, assignments, expectations, grading
Overview: Decision Theory, Managerial Decision Making Issues and Competencies
"Special Topics" identified

9/8: The Rational Model and its Critics I
Drucker, "The Effective Decision" (H)
Harrison, E. Frank. "Inter-disciplinary Models of Decision Making" (P)
Bazerman, Ch. 1, "Introduction to Managerial Decision Making"
Kahneman & Lovallo, "Delusions of Success" (P) (read last, but be sure to read it!)

9/15: The Rational Model and its Critics II

Stryker, Perrin. "Can You Analyze This Problem?" (H)

Stryker, Perrin. "How to Analyze That Problem" (H)

Mintzberg & Westley, "Decision Making: It's Not What You Think" (P)

Hoch & Kunreuther, "A Complex Web of Decisions" (W)

9/22: Bias, Uncertainty, Alternative Models and Frameworks

Hoch, "Combining Models with Intuition to Improve Decisions" (W)

Schoemaker & Russo, "Managing Frames to Make Better Decisions" (W)

Bazerman, Ch. 2, "Common Biases"

Bazerman, Ch. 4, "Framing and Reversals of Preference".

9/29: No Tuesday classes—Monday Schedule

10/6: Bounded Rationality and Satisficing

Weick (Review of Vaughn), "The Challenger Launch Decision: Risky Technology, Culture, and Deviance at NASA" (P)

Luce, Payne, & Bettman, "The Emotional Nature of Decision Tradeoffs" (W)

Decision Memo: "How to Spend Half-a-Million" case

10/13: Bounded Rationality, continued

Argyris, "Interpersonal Barriers to Decision Making" (H)

Bazerman, Ch. 5, "Motivational and Emotional Influences on Decision Making"

Bazerman, Ch. 6, "The Escalation of Commitment"

10/20: Negotiation and Mutual Adjustment I

Kolb & Williams, "Breakthrough Bargaining" (P)

Bazerman, Ch. 9. "Making Rational Decisions in Negotiations"

Glick & Croson, "Reputations in Negotiations" (W)

Hammond, Keeney, Raifa, "Even Swaps: A Rational Method for Making Tradeoffs" (H)

10/27: Negotiation and Mutual Adjustment II

Bazerman, Ch. 10, "Negotiator Cognition"

Schweitzer, "Deception in Negotiations" (W)

Shell, "Electronic Bargaining: The Perils of Email and the Promise of Computer-Assisted Negotiations" (W)

DUE: Case Analysis Critique, "EuroDisney"

11/3: Intuitive Decisions

Bazerman, Ch. 3, "Bounded Awareness"

Hayashi, "When Should You Trust Your Gut?" (H)

Etzioni, "Humble Decision Making" (H)

Jehn, Weigelt, "Reflective vs Expedient Decision Making Views From East and West" W

DUE: Case Analysis Critique Peer Assessment

11/10: *Decision Making and the Global Economic Crisis*Akerlof & Shiller, Introduction, Chapters 1-7, Ch. 7 Postscript

11/17: Ethics, Public Policy, Responsibility
Irwin & Baron, Values and Decisions" (W)
Pauly, "Split Personality: Inconsistencies in Private and Public Decisions" (W)
Bazerman, Ch. 7, "Fairness and Ethics in Decision Making"

11/24: Organizational Learning and Innovation
Leonard & Sensiper, "The Role of Tacit Knowledge in Group Innovation" (P)
Camerer & HO, "Strategic Learning and Teaching" (W)
Kleindorfer, "Decision Making in Complex Environments: New Tools" (W)
Oberholzer-Ghee, "Learners or Lemmings: The Nature of Information Cascades" (W)
Kahn & Morales, "Choosing Variety" (W)

12/1: Special Topics Presentations I

12/8: Special Topics Presentations II

12/15: Special Topics Presentations III

Bazerman, Ch. 11, "Seven Strategies for Improving Decision Making"