PHBS 北京大学汇丰商学院 商界军校

MGT 584
Managerial Decision Making
Second Module, 2025-2026

Course Information

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Classes: Tuesdays and Fridays
Sessions: 1:30pm-3:20pm
Venue: PHBS Building, ***Room 335***
Office Hour: **Wednesdays 2:00pm-3:00 pm**, or by appointment

1. Course Description

MGT 584 Managerial Decision Making *deals with four types of decision making: (1) Making Judgments and Routine Choices; (2) Influencing Outcomes; (3) Placing Competitive Bets; and (4) Managing for Strategic Success. To categorize and explain these four types, the course introduces two dimensions of management decisions: (A)* **Control**—*Whether or not the outcome of decisions can be* influenced *by decision makers; (B)* **Performance**—*Whether or not the success of decisions is evaluated* relatively *against rivals.*

The course will put more emphasis on the fourth type of **making strategic decisions** *because most courses in business schools do* not *emphasize making strategic decisions, but one of the other three types, such as making individual investment decisions, operations management decisions, and competitive bidding decisions, respectively. Moreover, the course will compare and contrast strategic decisions with these other decisions, showing that decision makers must adopt drastically different* **decision logics and methods** *when making strategic decisions. It next provides students the decision logics and methods for strategic decision making.*

1.1 Context

Course Overview

Compared with managing, trading was admirably direct. You made your bets and either you won or you lost.

Michael Lewis, *Liar's Poker*, 1989

Decisions are a part of life and while they range in complexity, we face various decisions on a daily basis. But how can we make decisions that lead to optimal outcomes? Research on *judgement and decision making* provides great insights on this question, and specifically, on biases people have and heuristics people draw when making decisions. With an ever-growing wealth of studies on the topic, this stream of research, mostly utilizing experimental methods, is being transformed into a science that can advance people's decision quality. **However**, undoubtedly useful in certain circumstances, the application of such research highly depends on the types of decisions being made. Thus, this course focuses on one type of decisions previous research on *judgement and decision making* did not really cover—namely, ***strategic decisions***.

On the one hand, *judgement and decision making* research deepens our understandings of decision making in finance and marketing areas. For example, how do investors and customers make investment and purchasing decisions, respectively? One the other hand, business schools have started to apply results of *judgement and decision making* research to managerial decision making. However, there are clear limits to these applications. For business leaders, the most important and difficult tasks are ***making strategic decisions***—decisions that are drastically different from investment decisions and consumer choices. They are simply different types of decision making that require different kinds of decision logics and methods. Accordingly, before you take any advice on how to make better decisions, you must recognize how decisions differ.

Decisions vary along two dimensions: **Control** and **Performance**. Control considers how much we can influence the conditions of the decision and its outcome. And performance addresses the way we measure success: relative and absolute. By combining the two dimensions, we categorize decisions into four types (**adapted from Rosenzweig, 2014)**:

Type1: **Making Judgments and Routine Choices**. When you go to a supermarket or a shopping mall, you typically choose from the products available on the selves. Those items, perhaps a jug of milk or a jar of jam, are what they are. You have NO capacity to alter or improve them. *Control is low*. Moreover, you make the choice that suits you best—it doesn't matter what anyone else is buying. *Performance is absolute*. The same goes for most personal investment decisions. You may decide which company's shares to buy, but you can't improve their performance after you buy the stocks. You want high returns but are indifferent to other people's stock performance. Namely, you are not trying to outperform others when managing your own investments. The goal is to do well, not to finish first in a competition.

Type2: **Influencing Outcomes**. Many decisions involve more than making judgments about matters we cannot influence or selecting among options we cannot improve. In many occasions, we strive very hard to make things happen. Imagine that the task at hand is to determine how long we will need to complete a project. That is a judgment we can control, and indeed, it is ***up to us*** to get the project done. In this situation, *positive thinking* matters. By believing we can do well, perhaps even holding a level of confidence that is by some definitions excessive, we can often improve our performance. Optimism isn't useful in picking stocks whose performance we cannot change, but in the second type of decisions, where we have the ability to exert control and to influence outcomes, *optimism and confidence* are extremely important and, oftentimes, necessary.

Type3: **Placing Competitive Bets**. The third category brings *competition* into consideration. Success is no longer a matter of absolute performance but depends on how well you do relative to others. The best decisions must anticipate the moves of rivals. That's the essence of strategic thinking, which is "the art of outdoing an adversary, knowing that the adversary is trying to do the same to you (Dixit and Nalebuff, 1993)." Investments in stocks are typically Type1 decisions, but if you are taking part in a student contest where the team with the highest return takes the prize, you are involved in decisions of the third Type. Now you need to make decisions with an eye to what your competitors will do, *anticipating* their likely moves so that you can have the best chance of winning.

Type4. **Managing for Strategic Success**. In the fourth category of decision making, we are able to influence outcomes (i.e., *Control is high*) and success means doing better than rivals (i.e., *Performance is relative*). Then we enter into the reign of ***strategic management***. Business leaders—*PHBSers in the future*—are not like consumers picking a product or investors selecting a stock, purely making a choice that leads to one outcome or another. By the way you lead and inspire, and through your ability to communicate and encourage, you can—and will—influence outcomes. That's the definition of "*management*." Moreover, business leaders are in charge of companies that compete aggressively with others, and thus outperforming rivals is crucial. That's where "*strategy*" comes in (see the ***Figure*** below, Rosenzweig, 2013).

In their daily responsibilities, business leaders face a range of decisions in each of the four types outlined above. When turning to academic studies to help make better decisions, it is critical to understand the ***nature*** of the four types of decisions. For example, the decisions to release a new product, enter a new market, or acquire another company are all **Type4 decisions**. These strategic decisions involve characteristics that are distinctly different from most financial and consumer decisions. More importantly, these differences in decision characteristics will render ***different implications*** than those drawn by the *judgement and decision making* research (which are most applicable to Type1 decisions). Your knowledge of the four types of decisions and their differences will dramatically increase your success rates as future business leaders, managers, and entrepreneurs.

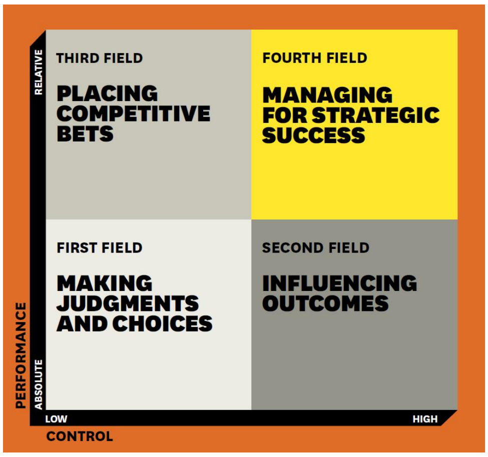

Figure: *Four Types of Decisions (Rosenzweig, 2013;* ***HBR*** *November)*

For **Type1** decisions, scholars in *judgement and decision making* have demonstrated that people make decisions in ways that do not conform to the tenets of *economic rationality*. Instead, they exhibit ***systematic biases***, which managers could use to shape routine decisions.

For **Type2** decisions, researchers in *operations management* and *decision analysis* have developed various ***decision models*** utilizing optimization methods, simulation tools, dynamic programming, and so on. Decision models are important management tools that can resolve issues emphasizing internal efficiency instead of external competition. That is, **absolute**—*rather than relative*—performance is the key.

For **Type3** decisions, guidance comes from the branch of economics that studies competitive dynamics: ***Game theory***. Game theory can illuminate areas from price competition to election, yet it has an important limitation: *Players cannot alter the terms of the game.*

In sum, although a great deal of efforts have been put on teaching students (1) the presence of common biases, (2) the function of decision models, and (3) the logic of competitive interaction, students are still deficient of skills applying to the business world because many essential management decisions are of **Type4**—***strategic decisions***.

The **Type4** decisions are, in their nature, in contradiction to the careful manipulations of laboratory experiments, so we know less about how to make those strategic decisions. What sort of **mindset** do they require? *Short answers*: When we can influence outcomes, it is useful to muster high levels of **confidence**. And when we need to outperform rivals, such elevated levels of confidence are not just useful but indeed <u>indispensable</u>**.** Only those who are able to hold a degree of commitment and determination that is by some definitions excessive will be in a winning position.

In the course of ***Managerial Decision Making***, I will not only draw from the findings of the *judgement and decision making* studies, but also will compare and contrast those findings with more recent works relevant to strategic decisions. The course will provide students insights of managerial decision making in general, and strategic decision making in specific, which is totally different from other types of decision making and therefore requires entirely distinct *decision logics and methods*. That being said, the course will put its emphasis on **Type4** decisions and will only examine issues of Type1, Type2, and Type3 decisions whenever necessary. In short, unlike traditional managerial decision making course, **MGT584** aims to teach students more ***strategic decision making***.

The Course Is *Not*…

The course is **not** one on *judgement and decision making* regarding human common biases and heuristics. It is **not** a course on *operations management* and *decision analysis*, which focus on decision models utilizing optimization methods. It is **neither** a course of *game theory* because we will emphasize game rules and payoffs that are <u>not fixed</u> or <u>not known</u> before making decisions. Finally, the course encompasses three parts. **Part I** introduces characteristics that distinguish strategic decisions from other types of decisions: *Control* and *Performance*. **Part II** applies knowledge we have taught in Part I to specific business issues: *overconfidence*, *leadership*, *entrepreneurship*, and *winner's curse*. **Part III** provides a review and synthesis of strategic decision making.

Prerequisites (optional):

MGT510 **Strategic Management** and MGT520 **Organizational Behavior**

Complementary Courses:

MGT550 **Operations Management**, Econ513 **Game Theory**, MGT561 **Consumer Behavior,** and MGT573 **Behavioral Finance**

1.2 Textbooks and Reading Materials

Reference Books:

1. Rosenzweig, P. 2014. *Left Brain, Right Stuff: How Leaders Make Winning Decisions.* Public Affairs. (Hereinafter ***R***).

2. Bazerman, M., and Moore, D. 2012. *Judgment in Managerial Decision Making*. 8th ed. John Wiley & Sons, Inc. (Hereinafter ***B&M***).

Additional Readings:

The readings, coming from a number of different sources such as journal papers and articles in *Harvard Business Review*, are carefully chosen to cover basic knowledge of the topics and to present contrasting viewpoints from different studies. This class is probably the best opportunity you have in learning decision making from the ***strategy point of view***—a skill that will become increasingly important as you take more and more responsibility in your future companies. I hope you will seize this opportunity and avail yourself of all the course readings.

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	**O**
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	**O**
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	**O**
	2.2. Students will be able to apply leadership theories and related skills.	
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	**O**
	3.2. Our students will practice ethics in the duration of the program.	
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	**O**
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	**O**
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	**O**
	5.3. Our students will demonstrate competency in critical thinking.	**O**

2.2 Course Specific Objectives

Education is the kindling of a flame, **not** *the filling of a vessel.*

~Socrates

You must prepare before the class, participate in the class, and practice after the class in order to acquire, assimilate, and apply knowledge of the course—*Managerial Decision Making*. While I work hard at promoting your learning, you need to understand that it is ultimately *your own responsibility to learn*. Therefore, the quality of the learning experience heavily depends on (1) your **preparation** of class materials, (2) your **participation** to the class discussion, and (3) your **practice** of group final report with your team members. That is, what you learn depends on your own efforts as well as those of your colleagues. At the end of the day, what you gain from the class is largely determined by <u>you and your teammates</u>.

I have tried to organize and run the course in ways that emphasize pre-class reading preparation, in-class discussion and presentation, as well as after-class case analysis with team collaboration. First, you are <u>required</u> to read the materials listed in the syllabus before each session. In the class, I will talk about the materials with the <u>expectation</u> that you have read the articles, textbook chapters, papers, and cases for the session. I will ask questions related to the readings, and your class participation grade and coursework grade will be evaluated on the basis of your responses to my questions and your presentations.

To engage in class discussion, I will prepare **name cards** for every one of you in this class, and the student whose name card is drawn will answer the question I ask, or present the coursework you have done (see **coursework grades** in details below). You will have to pay attention to my questions because everyone has a chance to be drawn and asked. Moreover, you will have to listen to your classmates' opinions because I will also ask <u>**follow-up questions**</u>, such as "would you summarize what James just said" and "do you agree what James said?" Failure of answering questions in class will lead to lower class participation grade.

You will be assigned and grouped as teams. Your grades reflect your individual effort and that of your team. I encourage you to interact with your team members in a regular basis because everyone needs to submit <u>four</u> case write-ups on a team-basis and the final report also will be a joint product of your team.

2.3 Assessment/Grading Details

Grading

Participation:	30%
Coursework:	35%
Final Report:	35%

Class participation grades reflect my judgment of your contribution to the learning environment. The grades take into account (1) the *frequency* of your responses in class, (2) their *quality* (e.g., relevance to course materials; insights that differ from others' points of view; elaboration or clarification of others' opinions), and (3) the *professionalism* of your conduct (i.e., attendance, punctuality, preparedness, and respect to your colleagues and their contributions).

Coursework grades are the results of your performance in class relating to my assigned questions in coursework. Coursework focuses on <u>**oral presentations**</u> and <u>**discussions**</u> in the class. The grades will reflect my appraisal of your informal presentations for the questions listed. Most coursework demands you to understand the reading materials so as to elaborate *the design of an experiment, the insight provided by a simulation model, or the definition of a critical concept*. That is, coursework is to make sure you understand the papers/articles we address in the class and have the ability to articulate the meanings and implications of those reading materials.

Final report grades are my assessment of *your team's* learning in the whole module in written format. To do so, I ask all of you to apply what you have learned in the class to tackle the issue of CEO succession, both in public companies and in family businesses. Find out one succession case and evaluate it with the aspects you believe relevant. I will use both *relative* and *absolute* evaluation schemes. By relative, I mean there will be as many different grades as the number of teams in class. For example, if we have five teams, there will be five different final report grades so that a ranking of teams' performance can be provided. The grades are the same for all members within your team. Thus, your final report grades depend on how your teams perform in analysing the decision of CEO succession. By absolute, I mean that it is possible for all teams to get good grades if every team passes a reasonable threshold. Lastly, the final report must be *up to* ***four pages***.

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to **PHBS Student Handbook**.

3. Topics, Teaching and Assessment Schedule

Content of Class Sessions

Session	Month	Date	Day	Topic	Textbooks	Coursework
1	Nov.	14	Fri.	Introduction		*Coursework 1*
2-1	Nov.	18	Tue.	Judgement and Decision Making		*Coursework 2*
2-2	Nov.	21	Fri.		***B&M*** Chapter 1 & 3	*CW 1-2 due*
3-1	Nov.	25	Tue.	The Question of Control	***R*** Chapter 1-2	*Coursework 3*
3-2*	*Nov.*	*26*	***Wed.****			*CW3 due*
4-1	Dec.	2	Tue.	Competition and Relative Performance	***R*** Chapter 3-4	*Coursework 4*
4-2	Dec.	5	Fri.			*CW4 due*
5-1	Dec.	9	Tue.	Over-confidence?	***R*** Chapter 5 ***B&M*** Chapter 2	*Coursework 5*
5-2	Dec.	12	Fri.			*CW5 due*
6-1	Dec.	16	Tue.	Winner's Curse	***R*** Chapter 10 ***B&M*** Chapter 4	*Coursework 6*
6-2*	*Dec.*	*17*	***Wed.****			*CW6 due*
7-1	Dec.	23	Tue.	Deliberate Practice and Leadership	***R*** Chapter 7 ***B&M*** Chapter 7	*Coursework 7*
7-2	Dec.	26	Fri.		***R*** Chapter 8 ***B&M*** Chapter 8	*CW7 due*
8-1	Dec.	30	Tue.	Entrepreneur-ship	***R*** Chapter 11	*Coursework 8*
8-2	Jan.	2	Fri.			*CW8 due*
9-1	Jan.	6	Tue.	Strategic Decisions	***B&M*** Chapter 12 ***R*** Chapter 12	*Coursework 9*
9-2	Jan.	9	Fri.		***S*** Chapter 9	*CW9 due*
10	Jan.	13	Tue.	Synthesis		TBD
*	***Jan.***	***20***	***Tue.***	***Report***	**Group Final Report Due**	

Part I. Understanding Decisions: *Control* and *Performance*

In Part I, students learn the two dimensions—*Control* and *Performance*—that categorize decisions into four types. We answer the following questions to understand decisions as well as decision making.

1. ***General question***: What are strategic decisions? How do they differ from other types of managerial decisions, such as operations management and investment decisions?

2. ***Control question***: Are we able to influence the outcome after making decisions, or is the outcome uncontrollable?

3. ***Performance question***: Are we seeking an absolute level of performance when we make decisions, or is performance relative?

Session 1 Introduction: What Is Decision Making?

Human rational behavior...is shaped by a scissors whose two blades are the structure of task environments and the computational capabilities of the actor.

Herbert Simon

Readings: Robbins, S. and Coulter, M. 2016. Chapter 2. Making Decisions; in *Management* (13ed.), Pearson Education, Inc.

Buchanan L., and O'Connell, A. 2006. A Brief History of Decision Making. *Harvard Business Review*, January 2006.

Drucker, P. 2008. The Elements of Effective Decision-Making, in *Management* (Rev. Ed.), p.295-307. HarperCollins, New York: NY.

Question: What do we know about the *computational capabilities* of a decision maker? What do we know about the *structure* of task environments? How do the two shape the behavior of a decision maker?

Coursework 1: *Read the Syllabus p1-8 Carefully and Skim p9-15*

Session 2-1 Philosophies of Decision Making

Readings: Shih, W. 2015. *Rational Choice and Managerial Decision-Making*. *HBS*, 9-614-048.

Kahneman, D. 2003. Maps of Bounded Rationality: Psychology for Behavioral Economics. *American Economic Review*, 93 (5): 1449-1475.

Kahneman, D., Lovallo, D., and Sibony, O. 2011. Before You Make That Big Decision…. *Harvard Business Review,* June, 2011.

Coursework 2: *Describe Your Decision Making Process of Taking This Course. Compare Your Process with Both the Rational Decision Making Model and the Bounded Rationality Model, Which One Is Closer to Yours?*

Session 2-2 Judgement and Decision Making

Readings: ***B&M*** Chapter 1. *Introduction to Managerial Decision Making.*

B&M Chapter 3*. Common Biases.*

Optional: Kahneman, D., and Lovallo, D. 1993. Timid Choices and Bold Forecasts: A Cognitive Perspective on Risk Taking. *Management Science,* 39 (1): 17-31.

Discussion: *Respond to Problems of Table 3.1 (p.32-34) and Pick One Common Bias*

Session 3-1 The Question of Control: Can You Influence Outcome?

God grant me the serenity to accept the things I cannot change, courage to change the things I can, and wisdom always to know the difference.

Serenity Prayer

Readings: Langer, E. 1975. The Illusion of Control. *Journal of Personality and Social Psychology*, 32 (2): 311-328.

Gino, F., Sharek, Z., and Moore, D. 2011. Keeping the illusion of control under control: Ceilings, floors, and imperfect calibration. *Organizational Behavior and Human Decision Processes*, 114 (2): 104–114.

Bohns, V., and Flynn, F. 2013. Underestimating Our Influence over Others at work. *Research in Organizational Behavior*, 33: 97–112.

Question: How do we tell the difference between things we cannot control and those we can?

Coursework 3*: What Is Illusion of Control? What Is* **Illusion** *of the Illusion of Control? Elaborate* Langer's (1975) and Gino et. al.'s (2011) *Experimental Design.*

Session 3-2 Influencing Outcome

Strategies with the greatest possibility of success also run the greatest chance of failure. … Behaviorally, at least, the opposite of success isn't failure, but **mediocrity***.*

Michael Raynor, *The Strategy Paradox*

Readings: ***R*** Chapter 1. *Crunch Time on a Hot August Night*

R Chapter 2. *The Question of Control.*

Session 4-1 Competition and Relative Performance

There's no silver medal for second place.

Sean Connery in *Indiana Jones and the Last Crusade*

Readings: ***R*** Chapter 3. *Performance, Absolute and Relative.*

R Chapter 4. *What It Takes to Win.*

Moore, D., J. Oesch, and C. Zietsma. 2007. What Competition? Myopic Self-Focus In Market-Entry Decisions, *Organization Science*, 18 (3): 440–454.

Question: What are the differences between competition in the business world and that in the sports fields?

Coursework 4*: Elaborate and Discuss "Absolute Improvement and Relative Success,"* ***R*** Chapter 4, p. 67-72.

Session 4-2 Competitive Dynamics and Vicarious Thinking

Here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast.

The Red Queen in *Alice through the Looking Glass*

Readings: Dodge, R. 2012. Chapter 2. Strategic Thought; in *Schelling's Game Theory: How to Make Decisions*, p. 13-28. Oxford University Press, Oxford: NY.

Camerer, C., Ho, T., and Chong, J. 2004. A Cognitive Hierarchy Model of Game. *Quarterly Journal of Economics*, 119 (3), 861-898.

Exercises: **"Beauty Contest" Game;**

"Vicarious Thinking" Test (Dodge, 2012, Ch. 3)

Summary of Part I: Four Types of Decisions

Reading: Rosenzweig, P. 2013. What Makes Strategic Decisions Different? *Harvard Business Review*, November 2013.

Exercise: Read the courses listed in the *Course Catalogue (Management)* and assign each course into one of the four types of decisions we learn in Part I.

Part II. Applications

In Part II, students apply basic knowledge they learned in Part I to various managerial issues, including overconfidence, deliberate practice, leadership, winner's curse, and entrepreneurship.

Session 5-1 Confidence and Over-Confidence

Readings: ***B&M*** Chapter 2. *Overconfidence.*

Moore, D., and Cain, D. 2007. Overconfidence and Underconfidence: When and Why People Underestimate (and Overestimate) the Competition. *Organizational Behavior and Human Decision Processes*, 103: 197-213.

Moore, D., and Healy, A. 2008. The Trouble With Overconfidence. *Psychological Review*, 115 (2): 502–517.

Question: What are the three types of overconfidence? Is making a decision (e.g., a bid) based on anticipated improvements (e.g., learning curve) an example of overconfidence?

> ***Coursework 5****: What Do We Talk About When We Talk About Overconfidence? Describe the Three Types of Overconfidence* (***B&M*** Chapter 2)*.*

Session 5-2 Overconfidence or Strategic Intent?

Reading: ***R*** Chapter 5. *Confidence . . . and Overconfidence*

Hamel, G. and Prahalad, C K. 1989. Strategic Intent. *Harvard Business Review*.

Discussion: Under which circumstance is over-confidence useful or even necessary?

Session 6-1 Winner's Curse and M&A Decisions

Readings: ***B&M*** Chapter 4. *Bounded Awareness*.

Thaler, R. 1988. The Winner's Curse. *Journal of Economic Perspectives*, 2(1): 191-202.

Lovallo, D., Viguerie, P., and Uhlaner, R. 2007. Deals Without Delusions, *Harvard Business Review*, December 2007.

Exercise: An Auction of Coins.

> ***Coursework 6:*** *Explain What a Winner's Curse Is and When Winners Are Cursed.*

Session 6-2 When Are Winners *Not* Cursed?

Readings: ***R*** Chapter 10. *When Are Winners Cursed?*

Texas Instruments—Inventing Learning Curve Pricing. **Commoncog website.**

<u>Session 7-1</u> **<u>Deliberate Practice: Improve Your Decision Over Time</u>**

Practice puts brains in your muscles.

Sam Snead

Readings: ***R*** Chapter 6. *Base Rates and Breaking Barriers.*

R Chapter 7. *Better Decisions over Time.*

Gollwitzer, P., and Kinney, R. 1989. Effects of Deliberative and Implemental Mind Sets on Illusion of Control. *Journal of Personality and Social Psychology*, 56 (4): 531-542.

Optional: Ericsson, K., Prietula, M., and Cokely, E. 2007. The Making of an Expert, *Harvard Business Review*, July 2007.

Question: Are we making a decision that lends itself to rapid feedback, so that we can make adjustments and improve a next effort?

Coursework 7: *Explain How Deliberate Practice Works (Ericsson, et al., 2007) and How Deliberative and Implemental Mindsets Work Together (Gollwitzer and Kinney, 1989).*

<u>Session 7-2</u> **<u>Leadership and Decisions of a Leader</u>**

Readings: ***R*** Chapter 8. *Decisions of a Leader.*

B&M Chapter 7. *The Escalation of Commitment.*

B&M Chapter 8. *Fairness and Ethics in Decision Making.*

Question: Are we making a decision as an *<u>individual</u>* or as a *<u>leader</u>* in an organization? What is distinctive about the role of a leader? What are the differences between making individual decisions and making decisions in an organization?

<u>Session 8-1</u> **<u>Entrepreneurship: Start-up Decision</u>**

In the middle of difficulty lies opportunity.

Albert Einstein

Reading: ***R*** Chapter 11. *Starting Up, Stepping Out.*

Camerer, C., and Lovallo, D. 1999. Overconfidence and Excess Entry: An Experimental Approach. *American Economic Review*, 89(1): 306-318.

Cain, D., Moore, D., and Haran, U. 2015. Making Sense of Overconfidence in Market Entry. *Strategic Management Journal*, 36: 1-18.

Coursework 8: *Elaborate* Camerer and Lovallo's (1999) *and* Cain, et al.'s (2015) *Experimental Designs.*

<u>Session 8-2</u> **<u>Entrepreneurship</u>**

All entrepreneurs begin with three categories of means: Who they are, what they know, and whom they know.

Saras D. Sarasvathy

Readings: Sarasvathy, S. 2018. What Makes Entrepreneurs Entrepreneurial? *University of Virginia, Darden School Foundation.*

Busenitz, L., and Barney, J. 1997. Differences between Entrepreneurs and Managers in Large Organizations: Biases and Heuristics in Strategic Decision-Making. *Journal of Business Venturing*, 12 (1): 9-30.

Sarasvathy, S. 2001. Causation and Effectuation: Toward a Theoretical Shift from Economic Inevitability to Entrepreneurial Contingency. *Academy of Management Review*, 26(2): 243-263

Dew, N., Read, S., Sarasvathy, S., and Wiltbank, R. 2009. Effectual versus predictive logics in entrepreneurial decision-making: Differences between experts and novices. *Journal of Business Venturing*, 24: 287–30.

Dew, N., Read, S., Sarasvathy, S., and Wiltbank, R. 2015. Entrepreneurial Expertise and the Use of Control. *Journal of Business Venturing Insights*, 4: 30-37.

Optional: Stull, W. 2014. Taking the Plunge: Teaching the Microeconomics of Entrepreneurship. *Int. Adv. Econ. Res.*, 20: 139–150.

Isenberg, D. 1985. The Art of Action Planning. *HBS*, **9-486-029**.

Questions: How do entrepreneurs make decisions? Are they different from how managers make decisions? If so, why and how are they different?

Summary of Part II: Application

<u>Exercise</u>: Applying *judgement and decision making* research to the issues of overconfidence, deliberate practice, leadership, winner's curse, and entrepreneurship, scholars suggest that decision makers must be aware of biases and heuristics when dealing with these issues because the biases and heuristics will lead to ineffective and inefficient outcomes.

Please argue against these suggestions based on your learning in Part II.

Part III. Review and Synthesis

Session 9-1 Strategic Decisions

Only the paranoid survives.

Andy Grove of *Intel*

Readings: ***R*** Chapter 12. *The Stuff of Winning Decisions*.

B&M Chapter 12. *Improving Decision Making*.

Rosenzweig, P. 2013. What Makes Strategic Decisions Different? *Harvard Business Review*, November 2013. (*Read it Again!*)

Optional: Courtney, H., Lovallo, D., Clarke, C. 2013. Deciding How to Decide. *Harvard Business Review*, November 2013.

Question: What are strategic decisions? Specifically, what characteristics differentiate strategic decisions from the other three types of decisions?

> ***Coursework 9:*** *Provide an Example of Strategic Decision Making, Contrasting It with Making an Operations Management Decision or an HR Decision.*

Session 9-2 Strategic Decision-Making

It might be preferable to have managers imagine (sometimes falsely) that they can control their fates, rather than suffer the consequences of imagining (sometimes falsely) that they cannot.

Zur Shapira, *Risk Taking*

Readings: ***S*** Chapter 9*. On the Prospects for Improving Managerial Risk Taking.*

Bruch, H., and Ghoshal, S. 2004. *A Bias for Action*, HBS Press.

Question: When the best course of action remains uncertain, do we have a sense of on which side we should err? Is it better to commit a ***Type I error*** and take action, even if we may be wrong? Or are we better off not to act and run the risk of a ***Type II error***?

Session 10 Synthesis: Learning By Decision Making

Reading: Reeves, M., Love, C., Tillmanns, P. 2012. Your *Strategy Needs A Strategy*. *Harvard Business Review*.

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Final Report

> ***Group Report:*** *Apply What You Have Learned in This Class to Evaluate the Decision of CEO Succession, and Write Down Your Suggestions For Both Public Companies and Family Businesses.*

Final report is due at 5pm on Monday, Jan. 20th. Each team please submits ONE copy of your final report to our TA, Linhao.