

Managerial Decision Making

MNGT 4574

(Elective)

Dr Anna Gunnthorsdottir

Session 2, 2008

Class Dates: 24-27; 29 May - 1 June
Examination: 2 July (Wed)
Payment Due: 25 April

Course aims / objectives:

Management is making decisions on behalf of the firm. In recent years there has been increased emphasis on “strategic thought”, which covers the cognitive foundations of managerial decision making. Professionals increasingly realize that tools and technical skills are not helpful unless the underlying managerial thought is actually unbiased and correct. The higher in the management stratum a person is, the more complex, critical, and high-stakes the decisions, and the more difficult, and the more critical the quality of managerial decision making becomes. Clearly, the ability to make better managerial decisions conveys a professional competitive advantage. It also offers a life-long advantage in all other areas of life since the principles of sound decision-making apply quite broadly in life. The aim of this course is to give students insight and tools to improve their decision-making skills now and in the future.

At the end of the program, you will be able to:

- Avoid common errors and traps that prevent managers from making effective decisions
- Frame strategic decisions effectively (and correctly)
- Analyze your own decision making processes and pinpoint your personal problem areas
- Identify and control the emotional aspects of decision making
- Choose the best strategy for making a given decision based on how critical and important it is
- Leverage the potential of groups and teams for decision making
- Better predict and understand the decisions of others
- Influence the decisions of others to your advantage
- Manage escalation processes
- Avoid or profit from market bubbles
- Use a range of novel decision-making techniques to improve your decision making, e.g., information markets or scenario planning.

The topics will be covered through lectures, classroom discussion of readings and cases, and decision exercises.

Assessment:

Preparatory assignment:	10%
MBA decision analysis:	15%
Group project:	35%
Final examination:	30%
Class participation:	5%
Peer reviews from group project:	5%

NOTE:

An assignment is due on the first day of class, based on Module 1 readings.

See below for the details on the Preparatory Assignment. Further details are in the reading pack.

Preparatory assignment	10%	Due Friday, 23 May (day before first class), emailed to instructor by midnight. See below, as well as reading pack, for details
MBA decision analysis	15%	Due Friday, 13 June at 5.00pm Hong Kong time, emailed to instructor.
Group project	35%	Due Friday, 4 July at 5.00pm Hong Kong time, emailed to instructor.
Final examination	30%	Wednesday, 2 July at 7.00pm (closed book; a list of all possible exam questions is provided to students beforehand, see reading pack)
Class participation	5%	Attendance, preparedness, and quality of participation.
Peer reviews from group project	5%	Due Friday, 4 July at 5.00pm Hong Kong time, (forms provided with syllabus), emailed to instructor.

1. Preparatory Assignment (10%)

Read the assigned readings for Module 1. Prepare a memo about four different types of decisions that you made or make at work. (One of the four decisions can be a private decision, but at least three must be work or career-related) Separately for each decision,

- a) Describe the decision task and its environment so that it is clear to someone unfamiliar with it. Was the decision made by you alone or by a group? Describe the process by which you made the decision.
- b) Classify the decision using the "Matrix of Decision Types" in Murnighan & Mowen (p 11). Justify your classification.
- c) Describe the types of decision strategies used (Janis & Mann reading). Justify your analysis.
- d) Identify problem-solving tools used, if any (Wood et al. reading) and describe how they were applied to that decision.

Maximum length 800 words. For further details see reading pack.

2. MBA Decision Analysis (15%)

Write a critical analysis of your decision to undertake an MBA at the AGSM. Your answer should cover the following:

- a) What triggered the decision process
- b) A description of the decision environment
- c) How values and goals influenced your choice
- d) Describe the decision strategy or strategies (including considerations of the available information) that, in retrospect, you believe you used and why?
- e) In retrospect, was there any judgement bias or limited frames that you fell prey to?
- f) Did emotion play a role?
- g) To what extent, if at all, did intuition come into play?
- h) Additional points. Creative application of course material/original analysis. Under this heading you need to apply original thought and synthesize what you have learnt so far from this course.

Maximum length 1500 words. In order to facilitate systematic and objective grading, organize your paper with headings and discuss points in this order.

3. Group project (35%)

There will be some choice about this project. Details regarding the group project will be provided in class. Maximum length 4000 words.

4. Final exam (30%)

Two-hour exam (closed book), with short-answer questions. The exam will cover main concepts and ideas from the course, both from readings and lectures. A list of all possible exam questions is provided to you beforehand in the reading pack. All exam questions will be selected from this pool of questions.

5. Class participation (5%)

You are expected to attend, to read the material in the readings packet as preparation for class, and to think about it; for details on how to prepare each reading see the notes at the beginning of each module in your reading pack. There are SOME cases in which you will be instructed to do the readings after, rather than before class, and this is clearly detailed in the reading pack, and in the syllabus. You should be able to answer the specific questions in the reading notes, to refer back to readings during class discussions, and to make thoughtful comments about the course topics. Finally, there will be some in-class games and competitions, and the winners get extra class participation points. In sum, the class participation grade is based on attendance, preparedness, thoughtful participation and performance during in-class competitions.

6. Peer evaluation (5%)

All group members must submit an evaluation of the contributions of each group member incl. themselves to the group project. The evaluations should be completed on copies of the attached Peer Evaluation Form (last page of this syllabus) and handed in on the day the group project is due. The Peer Evaluation Forms must be completed individually and the ratings cannot be discussed with anyone else. If a peer evaluation sheet is handed in late, this student's peer evaluation grade gets discounted according to the late hand-in policy of the course (see next page).

Course modules/readings:

The modules below correspond roughly but not entirely to the nine days of the course.

Required Readings:

Module 1 Models and realities of managerial decision making

1. Drucker, P. F. (1967): "The effective decision". *Harvard Business Review*, Jan-Feb, 92-98.
2. March, J.G. (1994). Limited rationality. In *A Primer On Decision Making: How Decisions Happen*, New York: The Free Press, pp.1-23.
3. Janis, I.L. & L. Mann (1977) "Decision Making Strategies", from *Decision Making: A Psychological Analysis of Conflict, Choice, And Commitment*. pp. 21-41
4. Murnighan, J.K. & J.C. Mowen (2002). "Tough calls in a speed driven world". From their book *The Art of High Stakes Decision Making: Tough Calls In A Speed Driven World.* NY: Wiley, pp. 1-31
5. Wood, R., P. Atkins & R. Trevelyan (1999) *Problem-Solving Toolkit*, Sydney: AGSM. pp.1-10. (Skim the rest and use it as a reference throughout the course)

Module 2 Decision framing

1. Harvard Business Essentials (2006). "The framing challenge: What is the real problem?" In *Decision Making--5 Steps to Better Results*. Boston: HBS Press.
2. Russo, J.E. & P.J.H. Schoemaker (1990). "The power of frames", and "Winning frames" from their *Decision Traps: The Ten Barriers to Brilliant Decision-Making And How to Overcome Them*, pp.15-63 (Ch 2, 3).
3. Murnighan, J.K. & J.C. Mowen (2001). "Take different perspectives". From their book *The Art of High Stakes Decision Making: Tough Calls in a Speed Driven World*. NY: Wiley, pp.188-229 (Ch. 6.)

Module 3 Human judgement, heuristics and biases

1. Roxburgh, C. (2003), "Hidden Flaws In Strategy". *The McKinsey Quarterly* (2).
2. Hammond, J. SS., R.L. Keeney, and H. Raiffa (1998), "Hidden traps in decision making", *Harvard Business Review*, September-October. **Do this reading after the lectures, not before.**
3. Bazerman, M. H. (2002), "Common biases", from *Judgement in Managerial Decision Making*, (5th edition) New York: John Wiley, pp. 11-41. **Do this reading after the lectures, not before.**
4. Ghemawat, P. & F. Ghadar (2000). The dubious logic of global megamergers". *Harvard Business Review*, July-August, 65-72.

Module 4 Emotions and intuition

1. Simon, H. (1987) "Making management decisions: The role of intuition and emotion", *Academy of Management Executive*, February, pp.57-63.
2. Hayashi, A.M. (2001) "When to trust your gut", *Harvard Business Review*, February, pp. 59-65.
3. Murnighan, J. K. & J. C. Mowen (2002). "Intuition and emotion". From their book: *High Stakes Decision Making: Tough Calls In A Speed Driven World*. NY: Wiley 2002. Ch.5.

Module 5 Individual decision-making styles and subconscious motives

1. Lubit, R. (2002) ."The Long-Term Organizational Impact of Destructively Narcissistic Managers". *Academy of Management Executive*, 16, (1). pp. 127-138 .

Module 6 Creativity and group decision processes

1. Taylor, R.N. (1984). "Developing Creative Solutions: Theories, Research, And Techniques" In *Behavioural Decision Making*. Glenview, IL: Scott, Foresman and Company. Pp. 39-53.
2. Harvard Business Essentials (2006). Organizational Traps: The Madness- And The Wisdom- Of Crowds. In *Decision Making--5 Steps To Better Results* (Chapter 5). Boston: HBS Press. **Do this one reading AFTER the lectures, NOT before.**
3. Kambil, A. (2003). *You can bet on idea markets*. HBS Working Knowledge, December.
4. Amason, A., W. Hochwarter, K. Thompson, & A. Harris (1995). "Conflict: An Important Dimension in Successful Management Teams." *Organizational Dynamics*. pp. 20-35. (AGSM students are familiar with this reading from an earlier course; in that case, skim).
5. De Bono, E.: *Six Thinking Hats*.
6. Adizes, Ijazak: *Adizes Method For Group Meetings*.

Module 7 Escalation, bubbles and herds

1. Ross, J. & B.M. Staw (1991). "Managing Escalation Processes in Organizations", *Journal of Managerial Issues*, 3(1), pp.15-30.
2. McKay, Charles (1841/1996). The tulipomania. In "Extraordinary Delusions And The Madness Of Crowds".NY: Wiley.
3. Stiglitz, Joseph (2003). "The fruits of irrationality". The Guardian, September 2003.

Module 8 Ethical decision making

1. Messick, D.M. & M.H. Bazerman (1996) "Ethical Leadership and the Psychology of Decision Making", *Sloan Management Review*, Winter, pp.9-22.
2. Bratman, M.(1981) "What Does It Mean? How Do You Know?" *The Stanford Observer*, Nov.
3. Newsweek articles on Enron:
 - a. Fineman, H. & M. Isikoff. "Lights out: Enron's failed power play". Jan. 21, 2002
 - b. Sloan et al. "Who killed Enron". Jan. 21, 2002
 - c. Sloan, A.: "Digging into the deal that broke Enron." Dec. 17, 2001
 - d. Thomas & Murr: "The gambler who blew it all". Feb. 4, 2002
 - e. Additional facts on Enron.
4. Watkins, S. (2003). Former Enron vice president Sherron Watkins on the Enron collapse. *Academy of Management Executive*, 17(4), pp. 119-125.

Module 9 Tools and techniques

1. Huyett, W., & S. P. Viguerie (2005). Extreme competition. *The McKinsey Quarterly*, Vol.1 (January) 47-57.
2. Shaw, G., R. Brown & P. Bromiley (1998). Strategic stories: How 3M is rewriting business planning. *Harvard Business Review*, May-June, 41-50.
3. Clemen, T. R. (1991): "Structuring decisions". From his *Making Hard Decisions: An Introduction to Decision Analysis*. Belmont, CA: PWS –Kent. pp. 34-56. Ch. 3. **You may be able to skip this reading if you take good notes in class.**
4. Handout on influence diagrams by Anna Gunnthorsdottir

Module 10 Effective managerial decision making

1. Isenberg, D.J. (1984) "Strategic opportunism" *Harvard Business Review*, Nov-Dec, pp. 92-97.

Course materials and text/s:

Readings Package (see details below)
Exercises will be handed out in class

Recommended books/ supplementary articles/ chapters (not required):

- Adams, James. L. (1974). *Conceptual blockbusting*. San Francisco, CA: Freeman & company. (How to exercise frame breaking and creative thinking. How to have good ideas.)
- Harvard Business Essentials (2006) *Decision Making: 5 Steps to Better Results*. HBS Press.
- Clemen, R.T. (1996) *Making Hard Decisions: An Introduction to Decision Analysis*, 2nd edition. Duxbury Press. (A thorough academic text book on decision making).
- De Bono, E. (1994). *De Bono's thinking course*. London: BBC Books. (unusual, easy book on how to think laterally from the guru of lateral thinking).
- Gladwell, M. (2005). *Blink: The Power of Thinking Without Thinking*. NY: Time Warner. (New book on how intuition works).
- Surowiecki, James (2004). *The Wisdom of Crowds: Why the Many Are Smarter Than the Few and How Collective Wisdom Shapes Business, Economies, Societies and Nations*. NY: Random House. A new perspective on group decision making. The title is an allusion to MacKay's "madness of crowds"
- MacKay, Charles (1841/1995). *Extraordinary popular delusions and the madness of crowds*. Many editions of this 19th century classic exist from various publishers. The AGSM library also has several copies. (Great bedside reading about economic decision making thru the ages, fun and enlightening).
- Goleman, Daniel (1998). *Working with emotional intelligence*. NY: Bantam. (Applied book on how to become more effective in decision-making, in personal interactions and under stress).

- Kim, Chan & Renee Mauborgne (2005). *Blue Ocean Strategy: How To Create Uncontested Market Space And Make Competition Irrelevant*. Cambridge, MA: HBS Press. Breaks traditional frames in strategic thinking. Read with a critical mind!
- Lubit, Roy H. *Coping with Toxic Managers, Subordinates, and Other Difficult People*. New York: Prentice Hall, 2004. (A useful expansion on module 5, how to deal with all kinds of difficult people in professional settings).
- Machiavelli, Niccolo (1515). *The prince*. Many editions of this classic exist. (A classical reference book on strategy and human nature that some managers keep on their night table literally for decades).
- Murnighan, J.K. & Mowen, J.C. (2002) *The art of high stakes decision making: Tough calls in a speed driven world*. New York: John Wiley. (An applied reading for managers)
- Nalebuff, B. & Ayres, I. (2003). *Why not? How to use everyday ingenuity to solve problems big and small*. Cambridge, Mass: Harvard University Press. (Encouragement to think outside the box, with business applications)
- Russo, J.E. & Schoemaker, P.J.H. (1990) *Decision Traps: The ten barriers to brilliant decision-making and how to overcome them*. Fireside. (Very applied, for managers; makes for very easy reading).
- Seligman, Martin (2002). *Authentic happiness*. NY: Simon & Schuster. (Helps you interpret the psychological test you will take in the course)
- Turner, Barry & Nick Pidgeon (1978). *Man-made disasters*. Oxford: Butterworth-Heinemann. (A classic, for a long time a secret tip. Particularly relevant in light of the recent September 11, Beslan (Russia) School, and New Orleans disasters)
- Vaughan, Frances E. (1979) *Awakening your intuition*. NY: Bantam. (Exercises to focus inward to listen to one's intuitive voice; A bit new-agey but does contain useful exercises)

Miscellaneous:

Grading criteria: For papers and project: see reading pack.

Format of papers: All as pdf files, e-mailed out to the instructor by the specified time, with the active-field Assessment Cover Sheet filled out and attached:

[http://www2.agsm.edu.au/agsm/web.nsf/AttachmentsByTitle/0020_Assessment_CoverSheet/\\$FILE/0020_Assessment_CoverSheet.pdf](http://www2.agsm.edu.au/agsm/web.nsf/AttachmentsByTitle/0020_Assessment_CoverSheet/$FILE/0020_Assessment_CoverSheet.pdf)

Peer evaluation forms should be filled in, converted to pdf, and emailed to the instructor in the same way.

Late hand-ins: 5/100 points off the assigned grade for every initiated 24-hour delay in submitting the paper. Weekends and holidays are counted the same way. For example, if the assignment is due Friday evening at 6pm, 15% off for assignments turned in between that time and the following Monday 6pm, and so on.

Absences: As class participation is part of the grade, full and timely attendance is expected. Frequent absences affect the grade. Please note that all courses require a minimum of 80% attendance.

In order to pass the course: All six items that make up the grade (see table above) must be satisfactory.

Mobile phones: Switch off in class.

Word limits on papers: Papers of different length generate fairness concerns since they are not comparable. It is not right that some students use more space than others in order to make their point. Papers will be randomly checked for word counts. Papers that exceed the word limit will therefore be returned to the student and a late-hand-in grade deduction will apply. No exceptions.

Grade appeals: For appeals during the term, the time limit is 5 working days after the Hong Kong office has announced that graded assignments have arrived. Submit in writing. For appeals regarding final grade, see the 2004 student handbook.

Academic honesty and plagiarism

“Plagiarism means submitting work as your own that is someone else’s. For example, copying material from a book or other source without acknowledging that the words or ideas are someone else’s and not your own is plagiarism. If you copy an author’s words exactly, treat the passage as a direct quotation and supply the appropriate citation. If you use someone else’s ideas, even if you

paraphrase the wording, appropriate credit should be given.” (Davis, UC Berkeley 12/6/99)

The University regards plagiarism as a form of academic misconduct, and has very strict rules regarding plagiarism. For full information regarding policies, penalties and information to help you avoid plagiarism see: <http://www.lc.unsw.edu.au/plagiarism/index.html>

Plagiarism is the presentation of the thoughts or work of another as one's own.* Examples include:

- direct duplication of the thoughts or work of another, including by copying work, or knowingly permitting it to be copied. This includes copying material, ideas or concepts from a book, article, report or other written document (whether published or unpublished), composition, artwork, design, drawing, circuitry, computer program or software, web site, Internet, other electronic resource, or another person's assignment without appropriate acknowledgement;
- paraphrasing another person's work with very minor changes keeping the meaning, form and/or progression of ideas of the original;
- piecing together sections of the work of others into a new whole;
- presenting an assessment item as independent work when it has been produced in whole or part in collusion with other people, for example, another student or a tutor; and,
- claiming credit for a proportion a work contributed to a group assessment item that is greater than that actually contributed.†

Submitting an assessment item that has already been submitted for academic credit elsewhere may also be considered plagiarism.

The inclusion of the thoughts or work of another with attribution appropriate to the academic discipline does *not* amount to plagiarism.

Students are reminded of their Rights and Responsibilities in respect of plagiarism, as set out in the University Undergraduate and Postgraduate Handbooks, and are encouraged to seek advice from academic staff whenever necessary to ensure they avoid plagiarism in all its forms.

The Learning Centre website is the central University online resource for staff and student information on plagiarism and academic honesty. It can be located at:

www.lc.unsw.edu.au/plagiarism

The Learning Centre also provides substantial educational written materials, workshops, and tutorials to aid students, for example, in:

- correct referencing practices;
- paraphrasing, summarising, essay writing, and time management;
- appropriate use of, and attribution for, a range of materials including text, images, formulae and concepts.

Individual assistance is available on request from The Learning Centre.

Students are also reminded that careful time management is an important part of study and one of the identified causes of plagiarism is poor time management. Students should allow sufficient time for research, drafting, and the proper referencing of sources in preparing all assessment items.

* Based on that proposed to the University of Newcastle by the St James Ethics Centre. Used with kind permission from the University of Newcastle

† Adapted with kind permission from the University of Melbourne.

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Students are encouraged to contact the instructor at any time if there are any questions.