OBJECTIVE
This course focuses on the psychology of judgment and decision making. If you are like most people, you rely heavily on intuition in making decisions, judgments, and forecasts. As we'll discover in class, there are many advantages to intuition. A large amount of research in recent years shows that people rely on a small number of intuitive heuristics, or “rules of thumb,” in making decisions. These heuristics are extremely useful. For starters, they're fast and easy. In fact, they're so easy that most of the time we're not even aware that we're using them! In addition, heuristics probably get us close to the right answer much of the time. However, they can also lead to big mistakes. While intuition often serves us well, there are many decision traps that we tend to fall into on a repeated basis. These traps relate to how we think about risk and probability, how we learn from experience, and how we make choices. This course will teach you about the traps. Knowing what can go wrong and knowing the right questions to ask will help you think smarter, and maybe only a little harder.

In addition to improving your own decision making, this course will teach you a great deal about how other people make decisions and think about uncertainties. Even if you are completely rational yourself and require no tutoring whatsoever (there are always a few people who think this of themselves), you will still find this course useful. Managers, consumers, investors, forecasters, and negotiators all fall into the traps. Therefore, understanding the psychology of decision making can give you a competitive advantage.

Improving your decision making abilities requires active learning. You need to make decisions, and to see (and feel) yourself fall into the traps we discuss in class. You will do so through a number of class exercises & activities in which you must make decisions in the face of (often tremendous) uncertainty, the kind of uncertainty that you will experience every day as a manager.

We will use a combination of lectures, group activities, cases, readings, questionnaires, and individual reflections.

Assignments & Grades
The final grade will include the following components:

- Class Participation: 25%
- Participation assignments: 25%
- Group Assignment: 25%
- Individual reflection paper: 25%

-----
100%

Class participation involves preparing the material very carefully, taking part in the class exercises, activities, and discussions. The class is very much hands-on; so class participation is critical.
When evaluating your participation in class discussions, less weight is given to quantity. I am more concerned with the quality of discussion. In general, I am looking for the following indicators of high-quality participation:

- Including logical arguments and/or evidence to support an opinion;
- Providing a different perspective, relevant to the on-going discussions;
- Building upon or exemplifying different aspects (such as culture) of other people’s comments while simultaneously being respectful to others when making comments;
- Linking relevant concepts to current events and examples from your previous work and personal experience;
- Contributing to the learning of others (mine, too).

The participation assignments are quite short (usually about a paragraph) and should be completed via SharePoint before coming to class (details to follow). They are intended to provide a better basis for our class discussions and to help strengthen the takeaways. These are graded on a 0-1 basis: For each, you get full credit (1) or you get nothing (0). You get 1 by turning the assignment in when it’s due; you get 0 when you don’t.

The purpose of the individual reflection paper is to provide participants with an opportunity to synthesize their reflections on their own decision style and experience. A good reflection paper provides only some details of the context of decisions to illustrate main learning insights about how you tend to make decisions and links these insights to specific concepts and principles learned from class and readings.

More details on the assignments and guidance on Individual reflection paper and Group assignment will be provided in class.

Remarks:
Auditing this course is not possible.

First & second class participation is mandatory. No exception will be granted. Failure to comply with this rule will imply that you are automatically dropped from this course.

Readings
Most of the readings for the course are contained in the course pack. Depending on developments and interests, I may make some additional readings available throughout the course. There is no required text. Optional background books are:


In the outline that follows, optional readings are marked by an asterisk. The exercises will be made available throughout the course. These are not included in the course pack.
Session 1: Introduction & Basic Concepts

Reading:

Case Discussion

Preparation Questions:
1. Perform an analysis of John’s problem using the material contained in John Brown (A) and (B). The case gives all the information known to John about the possible consequences and their likelihood. According to your analysis, should John have the surgery? Please provide a few reasons justifying your decision.
2. What other information would you like to have prior to making the decision? How would you obtain that information?
3. Why are these kinds of decisions difficult? What do medical decisions and managerial decisions have in common?

Session 2: Making a Decision

Prepare

Reading:

Session 3: a) Fair process, b) Chance, Randomness, and the Illusion of Control

Reading:

Exercise:
- Peter Lynch

Session 4 & 5 (double session)

Session 4: Experimentation

Reading:

Exercise:
- Hiring Consultants?

Session 5: Belief testing

Prepare
- Fashionnet case.
Session 6: Sunk Cost and the Escalation of Commitment

Case Discussion:

Preparation Questions:
1. Why did this tragedy occur? What is the root cause of this disaster?
2. Are tragedies such as this inevitable in a place like Everest?
3. What is your evaluation of Scott Fischer and Rob Hall as leaders? Did they make some poor decisions? If so, why?
4. What are the lessons from this case for general managers in business enterprises?

Reading:

Session 7: Metaknowledge and Overconfidence

Reading:

Exercise:
- Game of Experts

Session 8: Decision making and the brain: guest speaker Prof J. Teboul

Reading:
  o Two chapters from the forthcoming book Brain Challenges by J. Teboul. *
Sessions 9 & 10 (double session):

Session 9: Prospect Theory

Reading:
- Camerer, C. (2000). Prospect theory in the wild: Evidence from the field in D. Kahneman & A. Tversky (Eds.), *Choices, Values, and Frames.* *

Exercise:
- The INSEAD pen-game

Session 10: Choice Heuristics and Consumer Decision Making

Reading:

Exercise:
- Using Prospect Theory to your advantage

Session 11: Techniques for forecasting and deciding 1

Exercise:
- Delphi

Session 12: Techniques for forecasting and deciding 2: Groups

Prepare
- Lost at Sea Survival Exercise

Reading:

Session 13: Techniques for forecasting and deciding 3

Exercise:
- Price forecasting competition

Sessions 14 & 15 (double session): Learning from Experience: Business Simulation Game

Reading:

Exercise:
- Business Simulation Game

Session 16: Group assignment presentations & Wrap-up