

Managerial Decision Making
ECO 307
Online
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Office Hours Via Zoom:

- Monday – 10:00AM-12:00PM

Email: apagel@depaul.edu (I check my email often, so you can usually receive a reply from me within a few hours.)

Welcome to *Managerial Decision Making*! This is a new course being offered under the recently expanded Business Strategy & Decision Making Program within the Economics Department. While this class does rely on economic theory, this course is meant to give you the tools to look at interactions between individuals and help you figure out how to find the most optimal outcome (as well as a explore the ethical nature of making that choice). This sector of economics is constantly developing and has wide reaching applications, so I am very excited to expose you to the basic frameworks and hear your thoughts during in-class discussions this quarter. (or rather see them since we will be online this quarter)

Use of Electronics

This is an online course, so use of electronics is expected. However, please DO NOT multitask when listening to lectures. I attempt to break up the videos in to related topics, so please focus on 1 thing at a time to maximize your retention. ([This is a very serious suggestion that is related to the topic of this course](#))

Asking Questions

General questions about the class should be place on the appropriate discussion board. I will do my best to answer them quickly, but please feel free as a student group to answer a question if you know the answer. With that in mind, please check the discussion board for your question first before posting it.

Please only email me questions if they are of a personal nature.

The reason for this distinction is to make sure I'm not answering the same question repeatedly via email.

Textbook: "Judgment in Managerial Decision Making." by Max H. Bazerman & Don A. Moore. 8th edition. ISBN 978-1-118-06570-9

Course Cadence: You should work through this material in this order:

1. Read the assigned chapter
2. Read supplemental articles (skim through for basic ideas)
3. Watch all the videos available in 1 week
4. Take quiz
5. Repeat

Goals/Learning Outcomes: The goal of this course is for you to understand the various cognitive issues that can affect an individual's decision-making process. While this course is based in economic theory, there is not an expectation of math heavy analysis. Instead, we'll be identifying a wide variety of heuristics and biases that become blockers to effective decision-making. By the end of this course, you should be able to:

1. How to approach the decision-making process and the cognitive blockers that hinder rational decisions.
2. Recognize the components of overconfidence and their effect on internal and external assessments.
3. Identify and describe common biases, and how bounded awareness contributes to their formation.
4. The importance of information framing and its role in influencing preferences.
5. Be able to describe the ways emotions and motivations can influence decisions.
6. Describe how commitment can lead to poor decisions and how to mitigate that outcome.
7. Be able to explain the ethical challenges of using 'nudges'.
8. Be able to describe strategies and tactics that can improve decision-making processes.

Prerequisite: ECO 105 is a prerequisite to this course. It is an introduction to economic thinking that will help you be successful in this course.

D2L: All course material will be accessible through D2L. You are responsible for checking the D2L site daily for important announcements.

Lecture Videos: Lecture videos will be made available on a weekly basis and as you view each lecture. This is done for two reasons:

- 1) Cramming all of this material into short period of time will not result in retention or adequate application. Anything related to economics needs to be approached in a methodical way.
- 2) Each topic builds upon itself, so you will not be able to jump into a random week and expect to succeed. Watching the subsequent material is important.

NOTE: I have the ability to see how long you view a topic, so it is easy for me to assess if you've spent the time to watch a video in its entirety or simply fast forwarded.

Exams: The exams in this course will NOT be spit-back exams in which you memorize and reproduce material in the readings and lectures. Exams will require you to use the principles covered in lectures and readings to analyze new problems. *Rehearsing the material we cover in class will help you do well on the exams.* Exams will include both multiple choice questions and written response questions. At least half of each exam will involve written responses.

Journals: You will be required to write 4 journals that are 2-3 pages long and double spaced. Due dates are listed on D2L. You have the option to write a 5th Journal to replace your lowest Journal grade.

You will choose a (full feature) article about a firm, industry, organization, or policy, and then (a) summarize the article, and (b) discuss the article applying the relevant concepts covered in class. If the article is a few pages long, attach a copy of it to your submission. If it's many pages long, a link will suffice. If the article is behind a paywall, please include a PDF.

Each of these journals should be between 2-3 pages (excluding the copy of the article).

I will grade your submissions based on (a) the quality and relevance of the article you choose, (b) the quality of your summary, and (c) your ability to analyze/discuss your chosen article using the class frameworks. Clearly, your choice of article is very important, as it is crucial that you select one that is a good match for the assigned topic and the issues/concepts you will highlight. You may use more than one article if you wish. HINT: Try to relate one of the supplemental readings to your article's theme.

Quizzes: There will be weekly quizzes during the quarter on D2L. They will always be available on Friday at 9:00AM CDT and are due by Sunday at 11:59 PM CDT. You will have 45 minutes to complete each one with only 1 attempt. You will have access to the results the following Monday.

Participation: The face-to-face version of this course would allow for in class conversations to help us work through our understanding of heuristics and bias, which has an implication for your own personal use. To encourage this same level of engagement, you are required to participate on the discussion board.

- Original Posting: you are required to share exactly 2 articles (no more or less) that relates to our course during the quarter and ask thoughtful questions of your classmate's posts at least 4 times.
- Frequency: You may only post article once in a week and must wait 1 week before posting your next one (e.g. First post during Week 1, you can post again beginning in Week 3).
- Assessment: All of your posts will be assessed on their originality (i.e. are you asking the same question or making the same comment that has already been presented) and quality.

Grade: Your final course grade will be determined by the following events and weights:

Midterm	30%	Week of April 29
Final	30%	Week of June 10
Journals	20%	
Quizzes	10%	
Participation	10%	

These weights are non-negotiable and will not be altered for anyone either before or after the final exam.

Final grade scale

The final grade for this course is

A	93-100	C	73-76
A-	90-92	C-	70-72
B+	87-89	D+	67-69
B	83-86	D	60-66
B-	80-82	F	≤59
C+	77-79		

Dean of Students

The Dean of Students Office (DOS) helps students in navigating the university, particularly during difficult situations, such as personal, financial, medical, and/or family crises. DOS assists students with Absence Notifications to faculty, Late Withdrawals, and Community Resource Referrals. They also have resources and programs to support health and wellness, violence prevention, substance abuse and drug prevention, and LGBTQ student services. You may contact DOS at <http://studentaffairs.depaul.edu/dos/>.

Special Needs

Students who feel they may need an accommodation based on the impact of a disability should contact me privately to discuss their specific needs. All discussions will remain confidential. To insure that you receive the most appropriate accommodation based on your needs, contact me as soon as possible in the quarter (preferably the first week of class) and make sure that you have contacted one of the Center for Students with Disabilities Offices for support and additional service: Lincoln Park: Student Center 370, (773)325-1677; Loop: Lewis Center 1420. (312)362-8002.

Academic Integrity: I adhere to the Academic Integrity Policy of DePaul University. Please refer to your student handbook for details regarding this policy and the consequences for any violations.

Liberal Studies: Student work in this course will fulfill the ***Social Cultural and Behavioral Inquiry*** Learning Outcomes and Writing Expectations of DePaul's Liberal Studies Program. Students will be able to:

- Analyze and reflect upon arguments about the contemporary world using relevant theory, methods, and/or empirical evidence.
- Analyze interdependent relationships between contemporary society and individuals.

There will be written homework during the quarter, which will result in at least 10 pages of writing outside of class. In addition, exams will have written questions.

Topic Outline

This is a target list of topics by week. In general, we will cover one chapter every two or three classes. That means this class moves quickly. Please do not fall behind as it is very difficult to catch up. I will begin teaching immediately on the first day of class so those of you so inclined should read Chapter 1 before day one.

Supplemental Readings are available on D2L. Below is a schedule of the required text chapters

- Week 1:** Ch. 1: Introduction to Managerial Decision Making
Supplemental Reading
- “The Future of Decision Making: Less Intuition, More Evidence” by Andrew McAfee
- Week 2:** Ch. 2: Overconfidence
Supplemental Reading
- “Avoiding the Pitfalls of Overconfidence while Benefiting from Advantages of Confidence” by Alex B. Van Zant & Don A. Moore
 - [“People are really bad at estimating their own abilities”](#) by Andy Kiersz
 - [“The Benefits and Danger of Over-Confidence”](#) by Todd Essig
- Week 3:** Ch. 3: Common Biases & Ch. 4 Bounded Awareness
Supplemental Reading
- “Decisions Without Blinders” by Max H. Bazerman and Dolly Chugh
 - “How did I miss that? By Max H. Bazerman
 - “May I have your attention Please? A Review of Change Blindness” by Rebecca Ellis
 - “Root Out Bias from Your Decision-Making Process” by Thomas C. Redman
 - “When the blind lead.” by Peter S. Cohan
- Week 4:** Ch. 5: Framing and Preference Reversal
Supplemental Reading
- “The Endowment Effect: Why Executives Love Their Company’s Stock” by Robert A. Clarfeld
 - “A Reference Price Theory of the Endowment Effect” by Ray Weaver and Shane Frederick

- Week 5:** Ch. 6: Motivational and Emotional Influencers
Supplemental Reading
- “The Role of Emotion in Economic Behavior” by Scott Rick and George Loewenstein
 - “Motivational Influences of Social Context on Consumer Behavior” by Stefano Puntoni and Nader Tavassoli
 - “A Motivational Account of Question-Behavior Effect” by Anneleen Van Kerckhove, Maggie Geuens, and Iris Vermeir
- Week 6:** Ch. 7. Commitment Escalation
Supplemental Reading
- “Knowing When to Pull the Plug” by Barry M. Staw and Jerry Ross
 - “Why Amazon Pays Some of Its Workers to Quit” by Alana Semuels
 - “Trapped by the entrepreneurial mindset: Opportunity seeking and escalation of commitment in the Mount Everest disaster” by Jeffery S. McMullen and Alexander S. Kier
- Week 7-8:** Ch. 10 & Ch. 11: Negotiations
Supplemental Reading
- “The Tactical Utilization of Cognitive Biases in Negotiations” by Alexander Rhode, Avo Schonbohm, & Jacobus van Vliet
 - “How to dissolve fixed-pie bias in negotiation? Social antecedents and the mediating effect of mental-model adjustment” by Wu Liu, Leigh Anne Liu, and Jian-Dong Zhang
- Week 9-10:** Ch. 12: Improving Decision Making
Supplemental Reading
- “Nudging and Other Ways of Steering Choices” by Daniel M. Hausman
 - “Should Governments Invest More in Nudging” by Shlomo Benartzi et al
 - “Air Force to develop tool for military intelligence analysis and decision-making” by John Keller
 - “Debate: Expertise vs experience” by unknown

How to Study Economics

Economics is a discipline in which the language is spoken in math and in words. You will use both quantitative and qualitative methods in learning economics. Principles of Economics is taught and learned as a series of stories that are told using diagrams, a few equations, and words. You need to be able to do all three.

Review your notes soon after class so you can fill in any gaps while the lecture is still fresh in your mind. This has a much higher payback than most students realize and gives you a head start into understanding the concepts.

Stop memorizing and start thinking. Sadly, most students have been taught to memorize facts, figures and formulas. That is a terrible waste of your time and your brain. Stop doing it. If life was about solving predictable challenges, we would teach you what those challenges are and exactly how to solve them. Life's biggest challenges are unpredictable and solutions are made up on the fly. It is not possible to understand or solve problems like climate change, crime, and hunger, or to invent a new product by memorizing things. You will have to think.

Practice. Although you can learn some facts and figures by reading, the best way to learn economics is by practicing. The problem sets are very important because they get you started thinking about the material and the stories we learn. Draw pictures, ask questions, use scrap paper and scribble all over it as you work the problems and study the material. The purpose of the problem sets is to help you start thinking, NOT to teach you how to work a specific type of problem. If you approach the homework and studying for exams by memorizing formulas or memorizing how curves shift under different situations, or memorizing how to work different types of problems, or memorizing answers to different problems, your understanding will be very superficial and you will only be able to answer exam questions that are exactly like the ones you memorized----and there are very few exam questions that will be exactly like what you memorize and do on your homework. ***I repeat—the exams will not contain problems exactly like those on the homework or like the ones I work in class. The problems are designed to help you start thinking more deeply about the models. This thinking will occur outside of lecture and is crucial to mastering the material and doing well on exams.*** The exams will assess your understanding of the “stories”, your ability to explain them, your ability to work with them, and your ability to think within them.

Uncover the intuition. Go for a walk, sit down alone, or get together with a few classmates and talk through the problems but without any numbers. Try to figure out the purpose of each problem. Think about the big picture. Talk about the information you need to solve the problem. Be able to draw the graphs and explain what is on each axis, and the relationship being drawn. Only use numbers when you get stuck on the verbal explanation. As you think about a problem, step back and look at the big picture—why should I know this? Where does it fit in?

Persist. Exercising your brain is a lot like exercising your body—it does not produce results overnight. A little bit of work every day is the best way to succeed. However, you will be more successful in economics if you approach studying using these tips.