



## ***Managerial Decision Making***

*Academic Year:* **2016/2017**

*Trimester:* **2<sup>nd</sup> (Nov-Dec)**

*Instructor(s):* Dr. Andrew C. Hafenbrack

### *Course Description:*

This course is designed to provide you with a better understanding about how you and other people think, feel, decide, and behave. One main objective is to increase awareness of the psychological processes that underlie the choices that people make, as well as systematic biases and heuristics that people have when making decisions. A second main objective is to give you a space to reflect on who you are and who you want and do not want to be, as well as provide tools for how to mindfully create a life that aligns with your goals. A third main objective is to better understand how to interact with oneself and other people in ways that are responsible, productive, and mutually rewarding. A last main objective is to appreciate the role of emotions and moods in how people decide and behave. All of these topics will be presented based on scientific research, including related interventions or “brain hacks” which can help people become more effective.

Much of the value of this course will come from your active participation in exercises and class discussions. This class will employ an active learning approach using readings, lectures, short films, a case, exercises, and discussions. In general, how much you learn will depend on how deeply you explore the issues that the course raises. There is a lot to cover and not much time, so I also provide supplementary readings, which are not required, at the end of this syllabus for students who would like to learn more about these topics beyond the scope of the course. To maximize the benefit that you and your classmates receive from this course, please carefully read all of the required readings before coming to class. Also, please arrive to each class on time including the first class in particular, because this is when we introduce ourselves to each other and collectively establish guidelines.

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### *Course Objectives:*

1. For the course material to be memorable and directly useful in your life.
2. To develop an increased awareness of how individuals think, feel, decide, and behave.
3. To experiment with interventions that can improve how people feel, decide, and perform.
4. For you to acquire tools to make more-informed, often better decisions.



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Extra Costs (case studies, platforms...):

There will be one case that will cost about 5 Euros. It will be available at the copy center.

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Grading:

The final grade is calculated based on the final exam, the group presentation, the two assignments, and class participation and attendance. The following percentages will be used to calculate the final grade:

Final exam (40%): There will be a final examination covering all the class topics.

Group presentation (20%): Separate guidelines will be distributed regarding the group presentation. Each group will consist of 2-6 students.

Assignment 1 (10%): The details of Assignment 1 will be shared during the first session and will be due before the final session. This is an individual assignment.

Assignment 2 (15%): The details of Assignment 1 will be shared during the first session and will be due before the final session. This is an individual assignment.

Participation and attendance (15%): You will be responsible for reading the course content assigned before each class, preparing for exercises and the presentation, and actively participating in role-plays and class discussions. Attendance to all sessions is expected and each missed class session will translate to lost participation points. Partial credit will be given to students who notify me before the class session for their absence with a reason.

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Course Content:

Week 1

## Course Introduction

### Identity: Who We Are and Want to Be

Theme: Identity is important. Being aware of who we are and what we want can help us create lives that are aligned with our goals and values, and some self-awareness can only be learned by doing.

Required readings:

Markus, H., & Nurius, P. (1986). Possible selves. *American Psychologist*, 41(9), 954-969.



## Week 2

### Motivational Biases

Theme: People want to think of themselves in a certain way (good, smart, capable) and arrive at pre-desired conclusions, and this can lead them to make less accurate judgments and decisions. People often find evidence to confirm what they want to be true.

Required readings:

Schwartz, B. (2005). "The Sunk-Cost Fallacy." *Slate*.

[http://www.slate.com/articles/news\\_and\\_politics/hey\\_wait\\_a\\_minute/2005/09/the\\_sunkcost\\_fallacy.html](http://www.slate.com/articles/news_and_politics/hey_wait_a_minute/2005/09/the_sunkcost_fallacy.html)

### Cognitive Biases and Heuristics

Theme: People can think fast and less accurately or slow and more accurately. It can be good to fit the depth of cognitive processing to the demands of the task at hand.

Required readings:

Holt, J. (2011, November). Two brains running [Review of Daniel Kahneman's book *Thinking fast and slow*]. *The New York Times*.

<http://www.nytimes.com/2011/11/27/books/review/thinking-fast-and-slow-by-daniel-kahneman-book-review.html>

## Week 3

### Happiness and Meaning

Theme: Some of the things people think will make them happy do not, and some of the things people dread can make them happy and/or feel a sense of meaning.

Required reading:

Smith, E. E. (2013, January) "There's more to life than being happy." *The Atlantic*.

<http://www.theatlantic.com/health/archive/2013/01/theres-more-to-life-than-being-happy/266805/>

### Generosity and Trust

Theme: People have self-serving biases and actively trying to be helpful can counteract these and create a culture or friendships in which people can trust each other and give each other the benefit of the doubt if something goes wrong, but watch out for takers.



#### Week 4

## Understanding and Using Emotions

Theme: Emotions are powerful forces that convey information, influence action and choice, and can sometimes be consciously changed.

Required reading:

Baumeister, R. F., Vohs, K. D., DeWall, C. N., & Zhang, L. (2007). How emotion shapes behavior: Feedback, anticipation, and reflection, rather than direct causation. *Personality and Social Psychology Review*, 11(2), 167-203.

## Negative Feedback and Group Dynamics

Theme: Because people are each stuck within their own perspective, negative feedback is an important resource that we can use to improve, and seeking it can be one of the fastest ways to learn how to perform well.

Required readings:

Friedman, T. (2014). "How to get a job at Google." New York Times.

[http://www.nytimes.com/2014/02/23/opinion/sunday/friedman-how-to-get-a-job-at-google.html?\\_r=0](http://www.nytimes.com/2014/02/23/opinion/sunday/friedman-how-to-get-a-job-at-google.html?_r=0)

Grant, A. (2016, May). Stop serving the feedback sandwich. LinkedIn blog.

<https://www.linkedin.com/pulse/stop-serving-feedback-sandwich-adam-grant>

#### Week 5

## Learning to Listen and Create Value

Theme: Listening to your teammates, friends, and partners and asking questions, while also advocating your perspective, allows people to create value and make better group decisions, whereas using power to get what you want often destroys value.

Required readings:

Falcão, H. (2016). Do your negotiating techniques create value? *INSEAD Knowledge*.

<http://knowledge.insead.edu/node/2381/pdf>

Falcão, H. (2016). The pursuit of value. *INSEAD Knowledge*.

<http://knowledge.insead.edu/node/674/pdf>

## Self-Control and Decision Support Systems

Theme: Self-control is an important determinant of how well people are able to achieve their goals and make choices aligned with long-term interests, and designing decision support systems or accountability mechanisms can help.



**Required reading:**

Lehrer, J. (2009, May 18). "DON'T! The secret of self-control." The New Yorker, 26-32.

<http://www.newyorker.com/magazine/2009/05/18/dont-2>

**Week 6**

## **Student Presentations**

## **Closing Thoughts**

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Biography:

Andrew Hafenbrack received his B.S. in Decision Science from Carnegie Mellon University in Pittsburgh, and his M.Sc. and Ph.D. from INSEAD in Singapore. His research on how mindfulness meditation can improve decision-making, cultural differences in how judgmental people are toward individuals who are different, and how living abroad can help people get more job offers has been published in academic journals. He is currently interested in examining how mindfulness can improve or impair work performance, as well as looking for other interventions people could use to feel and perform better, particularly at work. He joined Católica Lisbon School of Business and Economics in September 2015, where he teaches in the Undergraduate and Master's programs.

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Contact(s) and Office hours:

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Office: 5315

Office hours: by email appointment

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Bibliography (Supplementary Readings, **Not Required**):

**Week 1**

**Identity: Who We Are and Want to Be**

- Bolles, R. N. (2012). *What Color Is Your Parachute?* Random House. [any recent version, updated yearly]
- Ferriss, T. (2009). *The 4-Hour Workweek*. Harmony.
- Ibarra, H. (1999). Provisional selves. *Administrative Science Quarterly*, 44(4), 764-791.
- Pennebaker, J. W. (1997). Writing about emotional experiences as a therapeutic process. *Psychological Science*, 8(3), 162-166.
- Petriglieri, J. L. (2011). Under threat: Responses to and the consequences of threats to individuals' identities. *Academy of Management Review*, 36(4), 641-662.
- Potts, R. (2002). *Vagabonding: An uncommon guide to the art of long-term world travel*. Ballantine Books.
- Roccas, S., & Brewer, M. B. (2002). Social identity complexity. *Personality and Social Psychology Review*, 6(2), 88-106.
- Sherman, D. K., & Cohen, G. L. (2006). The psychology of self-defense: Self-affirmation theory. *Advances in experimental social psychology*, 38, 183-242.
- Steele, C. M. (1988). The psychology of self-affirmation: Sustaining the integrity of the self. *Advances in experimental social psychology*, 21(2), 261-302.
- Stone, D., Patton, B., & Heen, S. (2010). *Difficult conversations: How to discuss what matters most*. Penguin.

**Week 2**

**Motivational Biases**

- Arkes, H. R., & Ayton, P. (1999). The sunk cost and Concorde effects: Are humans less rational than lower animals? *Psychological Bulletin*, 125(5), 591-600.
- Arkes, H. R., & Blumer, C. (1985). The psychology of sunk cost. *Organizational Behavior and Human Decision Processes*, 35(1), 124-140.
- Aronson, E., & Mills, J. (1959). The effect of severity of initiation on liking for a group. *The Journal of Abnormal and Social Psychology*, 59(2), 177-181.
- Bazerman, M., & Moore, D. A. (2012). *Judgment in Managerial Decision Making*. Wiley.
- Buehler, R., Griffin, D., & Ross, M. (1994). Exploring the "planning fallacy": Why people underestimate their task completion times. *Journal of Personality and Social Psychology*, 67(3), 366-381.
- Bushman, B. J., & Baumeister, R. F. (1998). Threatened egotism, narcissism, self-esteem, and direct and displaced aggression: Does self-love or self-hate lead to violence?. *Journal of personality and social psychology*, 75(1), 219-229.
- Festinger, L. (1957). A theory of cognitive dissonance.
- Fischhoff, B. (1975). Hindsight is not equal to foresight: The effect of outcome knowledge on judgment under uncertainty. *Journal of Experimental Psychology: Human perception and performance*, 1(3), 288-299.





- Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica: Journal of the Econometric Society*, 263-291.
- Kruger, J., & Dunning, D. (1999). Unskilled and unaware of it: how difficulties in recognizing one's own incompetence lead to inflated self-assessments. *Journal of Personality and Social Psychology*, 77(6), 1121-1134.
- Kunda, Z. (1990). The case for motivated reasoning. *Psychological Bulletin*, 108(3), 480-498.
- Moore, D. A., & Healy, P. J. (2008). The Trouble With Overconfidence. *Psychological Review*, 115(2), 502-517.
- Plous, S. (1993). The psychology of judgment and decision making. McGraw-Hill Book Company.
- Simonson, I., & Staw, B. M. (1992). Deescalation strategies. *Journal of Applied Psychology*, 77(4), 419-426.
- Staw, B. M. (1976). Knee-deep in the big muddy: A study of escalating commitment to a chosen course of action. *Organizational Behavior and Human Performance*, 16(1), 27-44.
- Svenson, O. (1981). Are we all less risky and more skillful than our fellow drivers?. *Acta Psychologica*, 47(2), 143-148.
- Thaler, R. (1980). Toward a positive theory of consumer choice. *Journal of Economic Behavior & Organization*, 1(1), 39-60.
- Tversky, A., & Kahneman, D. (1974). Judgment under uncertainty: Heuristics and biases. *Science*, 185(4157), 1124-1131.

#### Cognitive Biases and Heuristics

- Fischhoff, B. (1982). Debiasing. In D. Kahneman, P. Slovic, & A. Tversky (Eds.), *Judgment Under Uncertainty: Heuristics and Biases*. Cambridge: Cambridge University Press: 422 – 444.
- Gawande, A. (1998, March 30). "No mistake: Should doctors start acting more like machines?" *The New Yorker*, 74-81.
- Kahneman, D. (2011). *Thinking, fast and slow*. Macmillan.
- Milkman, K. L., Chugh, D., & Bazerman, M. H. (2009). How can decision making be improved? *Perspectives on Psychological Science*, 4(4), 379-383.
- Plous, S. (1993). The psychology of judgment and decision making. McGraw-Hill Book Company.
- Taleb, N. N. (2007). *The black swan: The impact of the highly improbable*. Random House.

#### Week 3

##### Happiness and Meaning

- Baumeister, R. F., Vohs, K. D., Aaker, J. L., & Garbinsky, E. N. (2013). Some key differences between a happy life and a meaningful life. *Journal of Positive Psychology*, 8(6), 505-516.



- Bruner, J. S. (1990). Acts of meaning (Chapter 1, pp.1-32). Cambridge: Harvard University Press.
- Csikszentmihalyi, M. (1990). Flow: The psychology of optimal experience. Harper & Row.
- Dunn, E., & Norton, M. (2013). Happy money: The science of smarter spending. Simon and Schuster.
- Fredrickson, B. L., Cohn, M. A., Coffey, K. A., Pek, J., & Finkel, S. M. (2008). Open hearts build lives. *Journal of Personality and Social Psychology*, 95(5), 1045-1062.
- Gilbert, D. T., Pinel, E. C., Wilson, T. D., Blumberg, S. J., & Wheatley, T. P. (1998). Immune neglect. *Journal of Personality and Social Psychology*, 75(3), 617-638.
- Kahneman, D., Krueger, A. B., Schkade, D., Schwarz, N., & Stone, A. A. (2006). Would you be happier if you were richer? A focusing illusion. *Science*, 312(5782), 1908-1910.
- Kray, L. J., George, L. G., Liljenquist, K. A., et al. (2010). Counterfactual thinking creates meaning. *Journal of Personality and Social Psychology*, 98(1), 106-118.
- Norem, J. K., & Cantor, N. (1986). Defensive pessimism: harnessing anxiety as motivation. *Journal of Personality and Social Psychology*, 51(6), 1208-1217.
- Ordóñez, L. D., Schweitzer, M. E., Galinsky, A. D., & Bazerman, M. H. (2009). Goals gone wild. *The Academy of Management Perspectives*, 23(1), 6-16.
- Schwartz, B., Ward, A., Monterosso, J., Lyubomirsky, S., White, K., & Lehman, D. R. (2002). Maximizing versus satisficing: happiness is a matter of choice. *Journal of Personality and Social Psychology*, 83(5), 1178-1197.

#### Generosity and Trust

- Bearden, N. (2011). The Principle of Charity. <http://www.spotlightmind.com/the-principle-of-charity>
- Cialdini, R. B. (1993). Influence: the psychology of persuasion.
- Derue, D. S., & Ashford, S. J. (2010). Who will lead and who will follow? *Academy of Management Review*, 35(4), 627-647.
- Grant, A. (2013). Give and take: A revolutionary approach to success. Hachette UK.
- Grant, A. M., Campbell, E. M., Chen, G., Cottone, K., Lapedis, D., & Lee, K. (2007). Impact and the art of motivation maintenance: The effects of contact with beneficiaries on persistence behavior. *Organizational Behavior and Human Decision Processes*, 103(1), 53-67.
- Putnam, R. D. (1993). The prosperous community. *The American Prospect*, 4(13), 35-42.
- Putnam, R. D. (2001). Bowling alone. Simon and Schuster.
- Sinek, S. (2014). Leaders eat last. New York: Portfolio. [His TED talks are also good.]
- Sutton, R. I. (2007). The no \*sshole rule: Building a civilized workplace and surviving one that isn't. Business Plus.
- Taleb, N. N. (2012). Antifragile: things that gain from disorder. Random House.
- Useem, J. (2015, May) "Why it pays to be a jerk". *The Atlantic*.

#### Week 4

#### Understanding and Using Emotions





- Barsade, S. G. (2002). The ripple effect: Emotional contagion and its influence on group behavior. *Administrative Science Quarterly*, 47(4), 644-675.
- Ekman P. (2003). Emotions revealed: Recognizing faces and feelings to improve communication and emotional life. New York: Henry Holt.
- Goleman, D. (2006). Emotional intelligence. Bantam.
- Hafenbrack, A. C., Kinias, Z., & Barsade, S. G. (2014). Debiasing the Mind Through Meditation: Mindfulness and the Sunk-Cost Bias. *Psychological Science*, 25(2), 369-376.
- Lerner, J. S., Small, D. A., & Loewenstein, G. (2004). Heart strings and purse strings carryover effects of emotions on economic decisions. *Psychological Science*, 15(5), 337-341.
- Loewenstein, G., & Lerner, J.S. (2002). The role of affect in decision making. In R. Davidson, K. Scherer, & H. Goldsmith (Eds.), *Handbook of affective science* (pp. 619-642). Oxford.
- Mayer, J. D., Roberts, R. D., & Barsade, S. G. (2008). Human abilities: Emotional Intelligence. *Annual Review of Psychology*, 59, 507-536.
- Tan, C. M., Goleman, D., & Kabat-Zinn, J. (2012). *Search Inside Yourself: The unexpected path to achieving success, happiness (and world peace)*. HarperCollins.

#### Negative Feedback and Group Dynamics

- Ashford, S. J. (1986). Feedback-seeking in individual adaptation: A resource perspective. *Academy of Management Journal*, 29(3), 465-487.
- Ashford, S. J., & Tsui, A. S. (1991). Self-regulation for managerial effectiveness: The role of active feedback seeking. *Academy of Management Journal*, 34(2), 251-280.
- Dweck, C. (2006). *Mindset: The new psychology of success*. Random House.
- Stone, D., & Heen, S. (2014). *Thanks for the feedback: The science and art of receiving feedback well*. Penguin UK.
- Thompson, L.L. (1999). *Making the team: A guide for managers*. Prentice Hall.

#### Week 5

##### Learning to Listen and Create Value

- Athos, A. & Gabarro, J. (1978). *Interpersonal Behavior*. Englewood Cliffs, NJ: Prentice-Hall. [Chapters 8-11, pp. 398-460].
- Falcao, H. (2012). *Value negotiation: How to finally get the win-win right*. FT Press.
- Fragale, A. R. (2006). The power of powerless speech. *Organizational Behavior and Human Decision Processes*, 101(2), 243-261.
- Galinsky, A. D., Magee, J. C., Inesi, M. E., & Gruenfeld, D. H. (2006). Power and perspectives not taken. *Psychological Science*, 17(12), 1068-1074.
- Katz, N. (2001). Sports Teams as a Model for Workplace Teams: Lessons and Liabilities. *Academy of Management Executive*, 56-67.
- Schein, E. H. (2013). *Humble inquiry: The gentle art of asking instead of telling*. Berrett-Koehler Publishers.



**Self-Control and Decision Support Systems**

Bryan, C. J., Adams, G. S. & Monin, B. (2013). 'Cheating' vs. 'being a cheater'. *Journal of Experimental Psychology: General*, 142, 1001-1005.

Duckworth, A. L., Peterson, C., Matthews, M. D., & Kelly, D. R. (2007). Grit: perseverance and passion for long-term goals. *Journal of Personality and Social Psychology*, 92(6), 1087-1101.

Gawande, A. (2010). The checklist manifesto: how to get things right (Vol. 200). New York: Metropolitan Books.

Gollwitzer, P. M. (1999). Implementation intentions: Strong effects of simple plans. *American Psychologist*, 54, 493-503.

Thaler, R. H., & Sunstein, C. R. (2008). Nudge. Yale University Press.

Wansink, B. (2007). Mindless eating: Why we eat more than we think. Bantam.

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This syllabus is subject to change.