

New York University
Stern School of Business
MBA Langone Program

Managerial Decision Making (*MGMT-GB.3151.S1 Fall 2023*)

3 Sundays, 9-4, EST
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Temporary Syllabus

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TF : TBD

Course description and objectives

The objective of this course is to help you become a better decision maker. When asked about their ability to make decisions, previous students expressed concerns that they lack self-confidence when making decisions. Others indicated that the process of making decisions can be painful, especially if one has to make an important decision. This may stem from the deliberation process one goes through that can be stressful. Others added that at times they second-guess their decisions and some acknowledged that they suffer from regret when a decision they have made led to an undesired outcome. A few mentioned that having gone through such a process made them indecisive and unclear about how to go about making future decisions.

While the above concerns are often described with regard to personal and business decisions, similar concerns are often voiced by more experienced managers whose work requires making many business decisions. Making decisions at work may be easier when managers can solicit the help of their colleagues but at the same time the consequences may loom even larger when making such decisions rather than when making personal decisions. This course takes a systematic approach to improve your decision-making skills. The course is organized around two major themes: (1) a distinction in decision-making among *descriptive*, *normative* and *prescriptive* aspects, and (2) a distinction between *intuitive* and *systematic* decision-making and their integration for better judgment and decision making. We will discuss applications of these themes to prediction, risk taking and organizational decision-making.

I. Descriptive, normative and prescriptive aspects

Descriptive aspect: This aspect examines how we make judgments and predictions about the world (such as how successful a certain start-up is going to be). How do we learn and how do we update our beliefs based on new information? How do we make decisions based on these judgments? How do we make risky choices? All these questions are descriptive and we will attempt to analyze the actual ways people behave in dealing with those aspects. It appears that while people may be consistent in forming judgments and making decisions, their decisions are not always as wise as they can be.

Normative aspects: How *should we act* in a given decision situation? In what way *should* our decisions be structured and constrained so that we eventually make decisions in a consistent manner? We will compare the “*should*” (*normative* analysis) with the “*do*” (*descriptive* aspect). The normative aspect often refers to the question of rational decision-making, that is, how we *should* act if we wish to behave rationally. Suppose you find a difference between the descriptive and normative aspects of decision behavior, what can one do to “correct” their behavior? This is the topic of the next aspect.

Prescriptive aspects: How can you improve your decision-making? The emphasis here is on prescription; similar to the way a doctor writes a prescription to improve someone’s physical condition when her/his behavior (descriptive) does not conform to what it ought to be (normative). In this course, we will develop a framework that will help you understand your own decision behavior and will allow you to improve and generate options from which to choose better alternatives.

II. Intuitive, systematic decision-making and their combination

We often describe someone's decision behavior as "intuitive" because we cannot explain her/his behavior in a causal sequential manner. For example, the way a doctor makes a diagnosis of a patient in 10 seconds is not comprehensible to the naïve observer. We classify a decision as intuitive if it is fast and appears to be non-explainable. On the other hand, the systematic decision mode is often perceived as a slow and algorithmic type of a structured process.

In this course we will examine the perspective that intuition is knowledge based and may have required a long practice until it becomes fast and appears to be intuitive to an observer. While I will put a few formulas on the board they will be used just as illustration. This course is not about formal decision models. If you are looking for a formal decision-making course there are a few options at Stern such as Data Science and more. The goal of this course is how to incorporate decision models into your intuition.

III. Course format: a workshop

Since we will be meeting for 3 full Sundays, the course will take the form of a workshop, which means that we will engage in several exercises and analyze cases in groups with the goal of learning from ourselves as well as from the other students in the class. To that end, there will be an electronic survey prior to class that will ask you to respond to a specific set of questions. Please complete this survey by TBD at 11 PM. See description below.

Course Requirements

Attendance Policy

It is imperative that you attend all class sessions. Missing a class (especially the first class) for anything other than a family or medical emergency will substantially reduce this component of your grade. If you must miss a class due to an emergency, please notify me before the class session you will be missing. Partial attendance at a class session or showing up unprepared for a class will be treated as an absence.

1. Class participation (15% of your grade). You are expected to attend all class sessions since live discussion is essential for learning the class material. Students are expected to participate in all class discussions. Participation includes full preparation for class and for exercises. If you will be absent (only under exceptional circumstances) or unprepared, I should be notified in advance. There are reading assignments for each class and in class exercises in all class sessions. Class participation includes:

* Quality of class participation. Active discussion is a very important part of the learning process in the course and is also part of what will make the course interesting for you and your fellow students. You will be evaluated on the quality of your contributions and insights. Quality comments possess one or more of the following properties:

- Offer a different and unique, but relevant, perspective
- Contribute to moving the discussion and analysis forward
- Build on other students' comments
- Transcend the "I feel" syndrome. (That is, they include some evidence, argumentation, or recognition and demonstrate some reflective thinking.)
- Provide a real-life example of a course concept

*Cold Calls. I will *cold call*, that is, call on students to answer questions without prior notification. To make sure that you are not surprised, prepare for all the classes. Trying to respond as if you have read the case and the articles while you have not done so will definitely not look good.

2. Home assignments (35% of your grade). There will be three home assignments. All assignments should be submitted electronically via Bright Space (*BSpace*). Assignments will be graded based on the quality of your descriptions and analysis using model/frameworks from class. Be sure to complete all items in the assignment and provide rationale for your analysis. Attention will be given to how clearly and coherently you convey your arguments.

3. Final exam (50% of your grade). The final exam in this course will enable me to assess your mastery of the full spectrum of the material we cover in the course. It will focus on how well you understand the decision-making phenomena and related frameworks that we discuss. It will also focus on your ability to apply these frameworks. It will be a take-home exam and will consist of approximately 8 short essay questions. You will have to complete it in a single 2-3-hour setting. More information about the exam will be provided.

Text:

Shapira, Z. (1997). *Risk Taking: A Managerial Perspective*. New York: Russell Sage Foundation.

Available on Amazon, B&N, Google Play (virtual), and as ebook on Bobst library.

Optional Texts:

1. Groopman, J. (2007). *How Doctors Think*. New York: Houghton & Mifflin.
2. Kahneman, D. (2011). *Thinking Fast and Slow*. New York: Farrar, Straus & Giroux.

Readings:

1. Short cases distributed in class via email.
2. Articles and cases posted on Bright Space (*BSpace*).
3. Course pack. The course pack covers done of the cases we will use in class. To pay the course-pack fee go to the Harvard School Publishing (HBSP) Website. If you are already registered there (via another course), go to pay. If not, register first, then continue to pay.

Professor Zur Shapira

Zur Shapira is the William Berkley Professor of Entrepreneurship and Management at the Stern School of Business, New York University. He was a Research Fellow at the International Institute of Management in Berlin, a Visiting Scholar at the Russell Sage Foundation, a Resident Scholar at the Rockefeller Foundation and a Visiting Scholar at the Center for Rationality. He is a fellow of the Academy of Management and a fellow of the American Psychological Society. His publications include the books: *Risk Taking: A Managerial Perspective*, *Organizational Decision Making*, *Technological Learning: Oversights and Foresights*, *Organizational Cognition*, and *The Evolution of a New Industry: A Genealogical Approach* (translated to Chinese). He appeared on *NBC nightly News*, *NBC's Today Show*, *BBC worldwide*, *CNBC* and *NPR*. His research was cited in *Forbes Magazine*, *Inc. Magazine*, *Institutional Investor*, *The Hill*, *TheMarker*, *The Seattle Times* and *the Wall Street Journal*. He has been Editor in Chief of *Organization Science*. Recent invited keynote addresses include presentations at the Intel Corporation, CNH Capital and the Conference Board of Canada.