

MGT 000

Strategic Decision Making

Third Module, 2016-2017

Course Information

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Office Hour: Wed. 4:00-5:00 pm, or by appointment

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Classes: Tuesdays and Fridays

Sessions: 10:30am-12:20pm

Venue: PHBS Building, **Room 335**

Course Website:

Course Management System

1. Course Description

1.1 Context

Course Overview

Compared with managing, trading was admirably direct. You made your bets and either you won or you lost.

Michael Lewis, *Liar's Poker*, 1989

Decisions are a part of life and while they range in complexity, we face various decisions on a daily basis. But how can we make decisions that lead to optimal outcomes? Research on *judgement and decision making* provides great insights on this question, and specifically, on biases people have and heuristics people draw when making decisions. With an ever-growing wealth of studies on the topic, this stream of research, mostly utilizing experimental methods, is being transformed into a science that can advance people's decision quality. However, undoubtedly useful in certain circumstances, the application of such research highly depends on the types of decisions being made. Thus, this course focuses on one type of decisions previous research on *judgement and decision making* did not cover—namely, **strategic decisions**.

On the one hand, *judgement and decision making* research deepens our understandings of decision making in finance and marketing areas. For example, how do investors and customers make investment and consumption decisions, respectively. On the other hand, business schools have started to apply results of *judgement and decision making* research to managerial

decision making. However, there are clear limits to these applications. For business managers and executives, the most important and most difficult tasks are **strategic decision making** with consequences for the performance of the company—the decisions that are drastically different from investment decisions and consumer choices. They are simply different types of decisions that require different kinds of decision logics and tools. Accordingly, before you take any advice on how to make better decisions, you must recognize how decisions differ.

Decisions vary along two dimensions: **Control** and **Performance**. Control considers how much we can influence the conditions of the decision and its outcome. And performance addresses the way we measure success. By combining the two dimensions, we may categorize decisions into four types (adapted from Rosenzweig, 2014, the *required textbook*):

Type1: Making Judgments and Routine Choices. When you go shopping in a supermarket or a department store, you typically pick from the products before you. Those items, perhaps a jug of milk or a jar of jam, are what they are. You have no capacity to alter or improve them. Control is low. Moreover, you make the choice that suits you best—it doesn't matter what anyone else is buying. Performance is absolute. The same goes for most personal investment decisions. You may be able to decide which company's shares to buy, but you can't improve their performance after you buy them. You want high returns, of course, but are indifferent to others' performance—you are not trying to outperform other people when managing your own investments. The goal is to do well, not to finish first in a competition.

Type2: Influencing Outcomes. Many decisions involve more than making judgments about matters we cannot influence or selecting among options we cannot improve. In many occasions, we strive very hard to make things happen. Imagine that the task at hand is to determine how long we will need to complete a project. That is a judgment we can control, and indeed, it is **up to us** to get the project done. In this situation, positive thinking matters. By believing we can do well, perhaps even holding a level of confidence that is by some definitions excessive, we can often improve our performance. Optimism isn't useful in picking stocks whose performance we cannot change, but in the second type of decisions, where we have the ability to exert control and to influence outcomes, optimism and confidence are extremely important and, sometime, necessary.

Type3: Placing Competitive Bets. The third category brings competition into consideration. Success is no longer a matter of absolute performance but depends on how well you do relative to others. The best decisions must anticipate the moves of rivals. That's the essence of strategic thinking, which is "the art of outdoing an adversary, knowing that the adversary is trying to do the same to you (Dixit and Nalebuff, 1993)." Investments in stocks are typically Type1 decisions, but if you are taking part in a student contest where the team with the highest return takes the prize, you are involved in Type3 decisions. Now you need to make decisions with an eye to what your rival teams will do, anticipating their likely moves so that you can have the best chance of winning.

Type4. Making Strategic Decisions. In the fourth category of decision making, we are able to influence outcomes (i.e., Control is high) and success means doing better than rivals (i.e., Performance is relative). Then we enter into the reign of *strategic management*. Business executives—PHBS students in the future—are not like consumers picking a product or investors selecting a stock, purely making a choice that leads to one outcome or another. By the way you lead and inspire, and through your ability to communicate and encourage, you can—and will—influence outcomes. That's the definition of "*management*." Moreover, business leaders are in charge of companies that compete aggressively with others; outperforming rivals is crucial. That's where "*strategy*" comes in (see the **Figure** below, Rosenzweig, 2013).

In their daily responsibilities, business leaders face a range of decisions in each of the four fields outlined above. When turning to academic research to help make better decisions, it is critical to understand the *nature* of the four types of decisions. For example, the decisions to release a new product, enter a new market, or acquire another company are all **Type4** decisions. These strategic decisions involve characteristics that are distinctly different from most financial and consumer decisions. More importantly, these differences in decision characteristics will render **different implications** than those drawn by the *judgement and decision making* studies (which are most applicable to Type1 decisions). Your knowledge of the four types of decisions and their differences will dramatically increase your success rates as future managers and business leaders.



Figure: Four Types of Decisions (Rosenzweig, HBR November, 2013)

For **Type1** decisions, scholars in *judgement and decision making* have demonstrated that people make decisions in ways that do not conform to the tenets of *economic rationality*. Instead, they exhibit **systematic biases**, which managers could use to shape routine decisions.

For **Type2** decisions, researchers in *operations management* and *decision analysis* have developed various **decision models** utilizing optimization methods, simulation tools, dynamic programming, and so on. Decision models are important management tools that can resolve issues emphasizing internal efficiency instead of external competition. That is, absolute—rather than relative—performance is the key.

For **Type3** decisions, guidance comes from the branch of economics that studies competitive dynamics: **game theory**. Game theory can illuminate areas from price competition to election, yet it has an important limitation: *Players cannot alter the terms of the game*.

In sum, although a great deal of efforts have been put on teaching students (1) the presence of common biases, (2) the function of decision models, and (3) the logic of game theory, students are still deficient of skills applying to the business world because many essential business decisions are of Type4—**strategic decisions**.

The **Type4** decisions are, in their nature, in contradiction to the careful controls of laboratory experiments, so we know less about how to make those strategic decisions. What sort of **mind set** do they require? *Short answers*: When we can influence outcomes, it is useful to muster high levels of confidence. And when we need to outperform rivals, such elevated levels of confidence are not just useful but indeed indispensable. Only those who are able to hold a degree of commitment and determination that is by some definitions excessive will be in a winning position.

In the course of **Strategic Decision Making**, I not only will draw from the findings of the *judgement and decision making* studies, but also will compare and contrast those findings with more recent works relevant to strategic decisions. The course will provide students insights of strategic decision making, which is totally different from other types of decision making and therefore requires entirely distinct *decision logics and methods*. That being said, the course will put its emphasis on **Type4** decisions and will only examine issues of Type1, Type2, and Type3 decisions whenever necessary. The course aims to teach students **strategic decision making**.

The Course Is Not...

The course is **not** one on *judgement and decision making* regarding human common biases and heuristics. It is **not** a course on *operations management* and *decision analysis*, which focus on decision models utilizing optimization methods. It is **neither** a course of *game theory* because we will emphasize outcomes and payoffs that are not fixed or not known before making decisions. Finally, the course encompasses three parts. **Part I** introduces characteristics that distinguish strategic decisions from other types of decisions: *Control* and *Performance*. **Part II** applies knowledge we have taught in Part I to specific business issues: *overconfidence*, *leadership*, *entrepreneurship*, and *winner's curse*. **Part III** provides a review and synthesis of strategic decision making.

Prerequisites:

MGT510 **Strategic Management**, MGT520 **Organizational Behavior**, MGT550 **Operations Management**, MGT561 **Consumer Behavior**, and MGT573 **Behavioral Finance**

1.2 Textbooks and Reading Materials

Textbooks:

1. Rosenzweig, P. 2014. *Left Brain, Right Stuff: How Leaders Make Winning Decisions*. Public Affairs. (Hereinafter **R**). (The only **Required** textbook)
2. Bazerman, M., and Moore, D. 2016. *Judgment in Managerial Decision Making*. 9th ed. John Wiley & Sons, Inc. (Hereinafter **B&M**).
3. Shapira, Z. 1995. *Risk Taking: A Managerial Perspective*. Russell Sage Foundation. (Hereinafter **S**).
4. Thaler, R., and Sunstein, C. 2008. *Nudge: Improving Decisions about Health, Wealth, and Happiness*, Yale University Press: New Haven.

Additional Readings:

The readings, coming from a number of different sources such as journal papers and articles in Harvard Business Review, are carefully chosen to cover basic knowledge of the topics and to present contrasting viewpoints from different studies. This class is probably the best opportunity you have to learn about decision making from the strategy and management point of view—a skill that will become increasingly important as you take more and more responsibility of your companies. I hope you will seize this opportunity and avail yourself of all the course reading materials.

2. Learning Outcomes

2.1 Intended Learning Outcomes

Learning Goals	Objectives	Assessment
1. Our graduates will be effective communicators.	1.1. Our students will produce quality business and research-oriented documents.	O
	1.2. Students are able to professionally present their ideas and also logically explain and defend their argument.	O
2. Our graduates will be skilled in team work and leadership.	2.1. Students will be able to lead and participate in group for projects, discussion, and presentation.	O
	2.2. Students will be able to apply leadership theories and related skills.	
3. Our graduates will be trained in ethics.	3.1. In a case setting, students will use appropriate techniques to analyze business problems and identify the ethical aspects, provide a solution and defend it.	O
	3.2. Our students will practice ethics in the duration of the program.	
4. Our graduates will have a global perspective.	4.1. Students will have an international exposure.	O
5. Our graduates will be skilled in problem-solving and critical thinking.	5.1. Our students will have a good understanding of fundamental theories in their fields.	O
	5.2. Our students will be prepared to face problems in various business settings and find solutions.	O
	5.3. Our students will demonstrate competency in critical thinking.	O

2.2 Course Specific Objectives

*Education is the kindling of a flame, **not** a filling of a vessel.*

~Socrates

You must prepare before the class, participate in the class, and practice after the class in order to acquire, assimilate, and apply knowledge of the course—*Strategic Decision Making*. While I work hard at promoting your learning, you need to understand that it is ultimately *your own* learning. Therefore, the quality of the learning experience heavily depends on (1) your preparation of class materials, (2) your participation to the class discussion, (3) your practice of the case analysis, and (4) your collaboration with team members. That is, what you learn depends on your own efforts as well as those of your colleagues. At the end of the day, what you gain from the class is largely determined by you and your colleagues.

I have tried to organize and run the course in ways that emphasize pre-class preparation, in-class discussion, as well as after-class case analysis and team collaboration. First, you are required to read the materials listed in the syllabus before each session. In the class, I will talk about the materials with the expectation that you have read articles, textbook chapters, papers, and cases for the session. I will ask questions related to the readings, and your class participation grade and course work grade will be evaluated on the basis of your responses and your presentations.

To engage in class discussion, I will assign every one of you a number in this class, and the student whose number is drawn will have to respond to the questions I ask. You will have to pay attention to my questions because everyone has a chance to be asked. Moreover, you will have to listen to your classmates' opinions because I will also ask **follow-up questions**, such as "would you summarize what James said previously" and "do you agree what James just said?" Failure of answering questions in class will lead to lower class participation grade.

You will be assigned and grouped as teams. Your grades reflect your individual effort and that of your team. I encourage you to interact with your team members in a regular basis because everyone needs to submit four case write-ups on a team-basis and the final exam also will be a joint product of your team.

2.3 Assessment/Grading Details

Grading

Class Participation:	20%
Case Write-up:	25%
Course Work:	20%
Group Final Exam:	35%

Class participation grades reflect my judgment of your contribution to the learning environment. The grades take into account (1) the *frequency* of your responses in class, (2) their *quality* (e.g., relevance to course materials; insights that differ from others' points of view; elaboration or clarification of others' opinions), and (3) the *professionalism* of your conduct (i.e., attendance, punctuality, preparedness, and respect to your colleagues and their contributions).

Case write-up grades are my evaluation of your analysis of the cases in written format. There are eight cases in total: Four are individual write-ups and the other four are team-based reports. For the former, everyone is required to submit your own write-up, within 2 pages, before class discussion. For the latter, your team needs to work together to write analyses, within 4 pages, for the other four cases. Each case constitutes 5% of your total grade. I will automatically exclude the case with the lowest grade for you, and thus your case write-up grade will encompass 35% of your total grades.

Course work grades are the results of your presentations in class relating to my assignment course works. Unlike case write-up, course work focuses on oral presentations in the class. The grades will reflect my appraisal of your team's oral presentations for the questions and topics assigned. Most course works will ask you and your team to elaborate the design of an experiment, the insight provided by a simulation model, or the definition of a critical concept. That is, course work is to make sure you and your team understand the materials we address in the class and have the ability to articulate the meanings and implications of those materials.

Group final exam grades are my assessment of *your team's* ability to answer the exam case in written format. Therefore, it is reasonable to expect better performance in the final exam if you and your team members DO get together once or twice a week to discuss cases, individual or group-based. I will use both relative and absolute evaluation schemes. By relative, I mean there will be as many different grades as the number of teams in class. For example, if we have six teams, there will be six different final exam grades so that a ranking of teams' performance can be provided. The grades are the same for all members within your team, as in the group case write-ups. Thus, your final exam grades depend on how your teams do in writing up the exam case. By absolute, I mean that it is possible for all teams to get good grades if every team passes a reasonable threshold. Finally, unlike the group case write-ups that limits to only 4 pages, the final exam can be *up to 5 pages*.

2.4 Academic Honesty and Plagiarism

It is important for a student's effort and credit to be recognized through class assessment. Credits earned for a student work due to efforts done by others are clearly unfair. Deliberate dishonesty is considered academic misconducts, which include plagiarism; cheating on assignments or examinations; engaging in unauthorized collaboration on academic work; taking, acquiring, or using test materials without faculty permission; submitting false or incomplete records of academic achievement; acting alone or in cooperation with another to falsify records or to obtain dishonestly grades, honors, awards, or professional endorsement; or altering, forging, or misusing a University academic record; or fabricating or falsifying of data, research procedures, or data analysis.

All assessments are subject to academic misconduct check. Misconduct check may include reproducing the assessment, providing a copy to another member of faculty, and/or communicate a copy of this assignment to the PHBS Discipline Committee. A suspected plagiarized document/assignment submitted to a plagiarism checking service may be kept in its database for future reference purpose.

Where violation is suspected, penalties will be implemented. The penalties for academic misconduct may include: deduction of honour points, a mark of zero on the assessment, a fail grade for the whole course, and reference of the matter to the Peking University Registrar.

For more information of plagiarism, please refer to **PHBS Student Handbook**.

3. Topics, Teaching and Assessment Schedule

Content of Class Sessions

Session	Month	Date	Day	Topic	Textbooks	Course Works & Cases
1	Feb.	21	Tue.	Introduction	<i>What Makes Strategic Decisions Different?</i>	NA
2-1	Feb.	24	Fri.	Judgement and Decision Making	R Chapter 1 B&M Chapter 1	Course Work 1
2-2	Feb.	28	Tue.		B&M Chapter 3	<i>The Structure of a Business Decision</i>
3-1	Mar.	3	Fri.	The Question of Control	R Chapter 2 S Chapter 1-2	Course Work 2
3-2	Mar.	7	Tue.			TBD
4-1	Mar.	10	Fri.	Competition and Relative Performance	R Chapter 3-4	Course Work 3
4-2	Mar.	14	Tue.			<i>Paramount Pictures vs. Warner Bros.</i>
5-1	Mar.	17	Fri.	Over-confidence?	R Chapter 5 B&M Chapter 2	Course Work 4
5-2	Mar.	21	Tue.			TBD
6-1	Mar.	24	Fri.	Winner's Curse	R Chapter 10 B&M Chapter 4	Course Work 5
6-2	Mar.	28	Tue.			<i>The Failed Acquisition</i>
7-1	Mar.	31	Fri.	Deliberate Practice	R Chapter 7 B&M Chapter 7	Course Work 6
7-2	Apr.	5	Tue.	Decision of a Leader	R Chapter 8 B&M Chapter 8	NA
8-1	Apr.	7	Fri.	Entrepreneurship	R Chapter 11	Course Work 7
8-2	Apr.	11	Tue.			<i>Taking the Plunge: New Luxury Ventures</i>
9-1	Apr.	14	Fri.	Strategic Decisions	B&M Chapter 12 R Chapter 12	Course Work 8
9-2	Apr.	18	Tue.		S Chapter 9	TBD
10	Apr.	21	Fri.	Synthesis		NA
Exam	Apr.	25	Tue.	Final Exam		

Part I. Understanding Decisions: *Control* and *Performance*

In Part I, students learn the two dimensions—*Control* and *Performance*—that categorize decisions into four types. We answer the following questions to understand decisions as well as decision making.

1. *General question*: What are managerial decisions? How do they differ from other types of decisions, such as consumer behavior choices and investment decisions?
2. *Control question*: Are we able to influence the outcome after we make decisions, or is the outcome uncontrollable?
3. *Performance question*: Are we seeking an absolute level of performance when we make decisions, or is performance relative?

Session 1 **What Is Decision Making?** (Feb. 21)

Human rational behavior...is shaped by a scissors whose two blades are the structure of task environments and the computational capabilities of the actor.

Herbert Simon

Reading: Aguilar, F. 1989. *Introduction to Decision Making*, **HBS**, 9-393-048.

Raiffa, H. 2002. Decision Analysis: A Personal Account of How It Got Started and Evolved. *Operations Research*, 50 (1):179-185.

Buchanan L., and O'Connell, A. 2006. A Brief History of Decision Making. *Harvard Business Review*, January 2006.

Robbins, S. and Coulter, M. 2016. Chapter 2. Making Decisions; in *Management* (13ed.), Pearson Education, Inc.

Question: What is the classical decision making process? Describe your decision making process of taking this course. Is the classical decision making process helpful in guiding your decision making? If so, how is it helpful? If not, elaborate why not.

Session 2-1 **Philosophies of Decision Making** (Feb. 24)

Reading: Drucker, P. 2008. The Elements of Effective Decision Making, in *Management* (Rev. Ed.), p.295-307. HarperCollins, New York: NY.

March, J. ambiguous interpretation of information, changing future preferences of stakeholders (including yourself)

Raiffa, H. Multi-objective (TBD)

B&M Chapter 1. *Introduction to Managerial Decision Making*.

Question: What do we know about the computational capabilities of a decision maker? What do we know about the structure of task environments? How do the two shape the behavior of a decision maker?

Course Work 1: Elaborate A Heuristic or Common Bias And Provide An Example

Session 2-2 Judgement and Decision Making (Feb. 28th)

Reading: **B&M** Chapter 3. *Common Biases*.

Optional: **R** Chapter 1. *Crunch Time on a Hot August Night*

Case: *The Structure of a Business Decision*. Drucker Case **35**.

Session 3-1 The Question of Control: Can You Influence Outcome? (Mar. 3rd)

God grant me the serenity to accept the things I cannot change, courage to change the things I can, and wisdom always to know the difference.

Serenity Prayer

Reading: **R** Chapter 2. *The Question of Control*.

Kahneman, D., and Lovallo, D. 1993. Timid Choices and Bold Forecasts: A Cognitive Perspective on Risk Taking. *Management Science*, 39 (1): 17-31.

S Chapter 1. *The Role of Risk in Decision Making*; **S** Chapter 2. *Characteristics of Risk and Risk Taking*.

Question: How do we tell the difference between things we cannot control and those we can? If we cannot be sure about the difference, should we err in the belief of control or in the belief of no control?

Course Work 2: *What Is Illusion of Control? What Is Illusion of the Illusion of Control?*
Elaborate Langer's (1975) and Gino et. al.'s (2001) *Experimental Design*.

Langer, E. 1975. The Illusion of Control. *Journal of Personality and Social Psychology*, 32 (2): 311-328.

Gino, F., Sharek, Z., and Moore, D. 2001. Keeping the illusion of control under control: Ceilings, floors, and imperfect calibration. *Organizational Behavior and Human Decision Processes*, 114 (2): 104-114

Session 3-2 Influencing Outcome (Mar. 7th)

*Strategies with the greatest possibility of success also run the greatest chance of failure. ... Behaviorally, at least, the opposite of success isn't failure, but **mediocrity**.*

Michael Raynor, *The Strategy Paradox*

Reading: Isenberg, D. 1985. The Art of Action Planning. *Harvard Business School*, 9-486-029.

Case: TBD

Session 4-1 Competition and Relative Performance (Mar. 10th)

There's no silver medal for second place.

Sean Connery in *Indiana Jones and the Last Crusade*

Reading: **R** Chapter 3. *Performance, Absolute and Relative*.

Moore, D. 2007. What Competition? Myopic Self-Focus In Market-Entry Decisions, *Organization Science*, 18 (3): 440–454.

Question: What are the differences between competition in the business world and that in the sport fields?

Course Work 3: *Absolute Improvement and Relative Success*, **R** Chapter 4, p. 67-72.

Session 4-2 Strategic and Vicarious Thinking (Mar. 14th)

Here, you see, it takes all the running you can do, to keep in the same place. If you want to get somewhere else, you must run at least twice as fast.

The Red Queen in *Alice through the Looking Glass*

Reading: **R** Chapter 4. *What It Takes to Win*.

Case: Paramount Pictures: The Transformers Dilemma. *Ivey Business School Case*, **W12144**.

Warner Bros. Pictures: The Harry Potter Dilemma. *Ivey Business School Case*, **W12145**.

Optional: Dodge, R. 2012. Chapter 3. Vicarious Thinking; in *Schelling's Game Theory: How to Make Decisions*, p. 13-28. Oxford University Press, Oxford: NY.

Summary of Part I: Managing Decision Making

Exercise: What are the four types of decisions? Read the courses listed in the Course Catalogue (Management) and assign each course into the four types of decision.

Part II. Applications

In Part II, students apply basic knowledge learn in Part I to various managerial issues, including overconfidence, deliberate practice, leadership, winner's curse, and entrepreneurship.

Session 5-1 Confidence and Over-Confidence (Mar. 17th)

Reading: **R** Chapter 5. *Confidence . . . and Overconfidence*.

B&M Chapter 2. *Overconfidence*.

Optional: Moore, D., and Healy, A. 2008. The Trouble With Overconfidence. *Psychological Review*, 115 (2): 502–517.

Question: What are the three types of overconfidence? Is making a decision (e.g., a bid) based on anticipated improvements (e.g., learning curve) an example of overconfidence?

Course Work 4: What Do We Talk About When We Talk About Overconfidence?
Elaborate Camerer and Lovallo's (1999) Experimental Design.

Camerer, C., and Lovallo, D. 1999. Overconfidence and Excess Entry: An Experimental Approach. *American Economic Review*, 89(1): 306-318.

Cain, D., Moore, D., and Haran, U. 2015. Making Sense of Overconfidence in Market Entry. *Strategic Management Journal*, 36: 1-18.

Session 5-2 Confidence (Mar. 21st)

Case: TBD

Session 6-1 Winner's Curse (Mar. 24th)

Only the paranoid survives.

Andy Grove of Intel

Reading: **B&M** Chapter 4. *Bounded Awareness*.

R Chapter 10. *When Are Winners Cursed?*

Lovallo, D., Viguerie, P., and Uhlaner, R. 2007. Deals Without Delusions, *Harvard Business Review*, December 2007.

Exercise: An auction of coins.

Question: What is a winner's curse? When are winners cursed?

Course Work 5: TBD

Session 6-2 Winner's Curse (Mar. 28th)

Case: *The Failed Acquisition*. Drucker Case 42.

Session 7-1 Improve Your Decision Over Time: Deliberate Practice (Mar. 31st)

Reading: **R** Chapter 7. *Better Decisions over Time*.

B&M Chapter 7. *The Escalation of Commitment*.

Ericsson, K. 2006. The Influence of Experience and Deliberate Practice on the Development of Superior Expert Performance, in Ericsson, K., Charness, N., Feltovich, P., and Hoffman, R. (ed.) *The Cambridge Handbook of Expertise and Expert Performance*: 638-703.

Question: Are we making a decision that lends itself to rapid feedback, so that we can make adjustments and improve a next effort?

Course Work 6: TBD

Session 7-2 Leadership and Decision of a Leader (Apr. 5th)

Reading: **R** Chapter 8. *Decisions of a Leader*.

B&M Chapter 8. *Fairness and Ethics in Decision Making*.

Question: Are we making a decision as an individual or as a *leader* in a social setting? What is distinctive about the role of a leader? What are the differences between making individual decisions and making decisions in an organization?

Session 8-1 Entrepreneurship: Start-up Decision (Apr. 7th)

In the middle of difficulty lies opportunity.

Albert Einstein

Reading: **R** Chapter 11. *Starting Up, Stepping Out*.

Sarasvathy, S.

Question: How do entrepreneurs make decisions? Are they different from how managers make decisions? If so, why and how are they different?

Course Work 7: TBD

Session 8-2 Entrepreneurship (Apr. 11th)

Case: *Taking the Plunge: New Luxury Ventures*. Darden Case, University of Virginia.

Summary of Part II: Managing Decision Making

Exercise: Redo and review your previous exercise. Read the courses listed in the Course Catalogue (Management) and assign each course into the four types of decision.

Part III. Review and Synthesis

Session 9-1 Strategic Decisions (Apr. 14th)

It might be preferable to have managers imagine (sometimes falsely) that they can control their fates, rather than suffer the consequences of imagining (sometimes falsely) that they cannot.

Zur Shapira, *Risk Taking*

Reading: **R** Chapter 12. *The Stuff of Winning Decisions*.

B&M Chapter 12. *Improving Decision Making*.

Rosenzweig, P. 2013. What Makes Strategic Decisions Different? *Harvard Business Review*, November 2013.

Courtney, H., Lovallo, D., Clarke, C. 2013. Deciding How to Decide. *Harvard Business Review*, November 2013.

Question: What are strategic decisions? Specifically, what characteristics differentiate strategic decisions from the other three types of decisions?

Course Work 8: Provide an Example of Strategic Decision Making, Contrasting It with Making an Operations Management Decision

Session 9-2 Strategic Decision-Making (Apr. 18th)

Reading: **S** Chapter 9. *On the Prospects for Improving Managerial Risk Taking*.

Bruch, H., and Ghoshal, S. 2004. *A Bias for Action*, HBS Press.

Thaler, R., and Sunstein, C. 2008. Chapter 5. *Choice Architecture* in *Nudge*. Yale University Press, New Haven.

Question: When the best course of action remains uncertain, do we have a sense of on which side we should err? Is it better to commit a Type I error and take action, even if we may be wrong? Or are we better off not to act and run the risk of a Type II error?

Case: TBD

Session 10 Synthesis: Learning By Decision Making (Apr. 21st)

Reading: TBD

Final Exam (Apr. 25th)

Final exam starts at 3:30pm on Monday (the time is subject to change). It is due on Apr. 26th (Tue.) at 9am. Every team only needs to submit ONE copy of your case report before the deadline.