

OPIM/MGMT690 – Managerial Decision Making Fall 2011

preliminary

This version: 08/17/2011

Professor: Uri Simonsohn
Schedule: W 9 - 11.50 **room:TBA**
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Office: JMHH 548
Office Hours: Mondays 10-11.30

1. Objectives

The course has two main objectives.

The first is improving the ability of students to motivate desired behavior on others, be it consumers, employees or people outside a business relationship altogether. This is accomplished by expanding the rather limited toolbox that standard economics provides for motivating behavior (namely, financial incentives and information) with tools arrived at from insights in the field of behavioral decision making.

The second objective is to improve the quality of students' own decisions, primarily by enhancing their *intuitive* empirical ability. People are poor intuitive statisticians, meaning that when they 'just think' about situations for which some data or casual observations exist, they tend to make serious inferential errors, in turn leading to systematically biased decisions. We will study some errors that are particularly important for real world managerial settings and look for easy-to-implement solutions.

2. Grading

Final grades will be determined by aggregating:

- Two tests (40% each)
- Weekly preparation-questions (20% total)

Tests

Tests contain 4-8 short-answer questions and a few multiple-choice like questions.

Sample tests will be posted online.

Test #1 – **MONDAY** October 17th – 9-10.30

Test #2 – WEDNESDAY December 7th, in class.

Two-sided cheat-sheet written by test-taker herself is allowed (if typed, font \geq 10).

If you have a class conflict on Monday October 17th for Test 1, you must submit before October 1st an on-line request to take it at a different time

Preparation Questions

What they are: Questions posted on webCafé before each class.

Why: Preparation questions are intended as a substitute for a participation grade; they incentivize constant class preparation without introducing a personality bias. They also allow grading more students per class in a more cost effective and less subjective manner.

Feedback on content: Students will not usually receive individual feedback on their answers. We will discuss the questions in class, providing general feedback.

Grading: Most questions are graded on a 0-1 scale. Most answers are expected to get a 1. Often the material needed to answer a question is covered on the following class, so questions are graded on effort rather than correctness.

Some weeks longer assignments will be given as preparation questions. Those assignments will count twice as much as regular week assignments. Look for the “*” in Reading column in schedule below.

3) Lecture Schedule

Day	Date	Topic	Reading
1	Wednesday, September 07, 2011	Introduction	B1 - Thaler - Introduction to "Nudge"
2	Wednesday, September 14, 2011	Anchoring, status-quo bias, subconscious preferences	E01 - Schwarz - Self-Reports E02-E05 - Various facebook privacy readings W1 - Fresh Air interview of Frank Luntz (podcast)
3	Wednesday, September 21, 2011	Impact of context and elicitation mode on preferences	E06* - Cardon Showalter - Flexible Spending paper
4	Wednesday, September 28, 2011	Mental Accounting	E07 Spending the Check W2 Kahneman nobel award acceptance speech
5	Wednesday, October 05, 2011	Risk Aversion	B2* - Toro case
6	Wednesday, October 12, 2011	Impatience	No reading
	Monday, October 17, 2011	Test 1	
7	Wednesday, October 19, 2011	Corporate social responsibility	E08 Pay what you want
8	Wednesday, October 26, 2011	Valuing information	E09 - Decision tree book (chapters 1 & 3)
9	Wednesday, November 02, 2011	Noise and information. How to tell them apart?	E10 - Odds of that E11 - Cancer Clusters
10	Wednesday, November 09, 2011	Thinking Causally: Why did that happen?	E12* - Exercise "Parking as incentives to sell"
	Wednesday, November 16, 2011	No Class - Thanksgiving	
11	Wednesday, November 23, 2011	How to make the most of existing information?	E13 - Evidence-based management E14* - Predicting housing prices (assignment)
12	Wednesday, November 30, 2011	How to learn from experience?	E15 "9-11" commission report - ch.11 (read first) E16 "9-11" commissioner report - ch.1 (read second) B3 - Russo Schoemaker - Chapter 8 & 9
	Wednesday, December 07, 2011	Test 2 Comprehensive	

E# are readings are available from webCafé

W# are podcats/webstreams available from webCafé

B# are readings in the Study.net bulkpack

* indicates an assignment which will have double weight as a Preparation Question.