



Lahore University of Management Sciences

DISC 323 – Decision Behavior Summer Semester 2024

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Course URL (if any)	LMS

Course Teaching Methodology

- Teaching Methodology: synchronous, In person

Course Basics

Credit Hours	3			
Lecture(s)	Nbr of Lec(s) Per Week	4	Duration	90 min
Recitation/Lab (per week)	Nbr of Lec(s) Per Week		Duration	
Tutorial (per week)	Nbr of Lec(s) Per Week		Duration	

Course Distribution

Core	MGS
Elective	
Open for Student Category	
Close for Student Category	

COURSE DESCRIPTION

Course *There are two aspects to “Decision behavior”: (1) how do we as humans make decisions? and (2) what can be done to improve decision-making? This course especially intends to enable management science students to answer these questions about themselves and specifically apply them to “managerial contexts”. As business professionals, we need to what may lead us to make the “wrong” decisions. Hence, the course discusses the various types of biases and heuristics people use, the effects of bounded rationality, with in-depth focus on certain common management-related biases. Available solutions from research are also presented.*

COURSE PREREQUISITE(S)

- Note: the material in these courses is only background knowledge (e.g. when does probability assessment apply to business decisions). We will not be covering any technical tools or models in this course.
- Disc 212 (Intro to Management Science)*
- Disc 320 (Qualitative & Quantitative Methods in Business)*
- Disc 321 (Decision Analysis)*

COURSE OBJECTIVES

- Be aware of common human biases*
- Understand when not to apply certain common heuristics*
- Understand what types of attention-focusing errors (bounded perception) give rise to biases*



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| | <ul style="list-style-type: none"> Understand how biases translate to problems in common managerial contexts <p><i>Be aware of available strategies to remedy certain biases</i></p> |
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Learning Outcomes

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| <ul style="list-style-type: none"> • • • | <p><i>Upon completion of the course, students will be able to</i></p> <ol style="list-style-type: none"> Identify and name common human biases Have better control of their own decision-making and judgment processes Identify certain biases when presented with real-life situations <p><i>Demonstrate understanding of strategies that are needed to remedy certain biases (not necessarily to execute them themselves, but will have a foundation to develop such skills or be able to work with those who need to lead such changes in organizations)</i></p> |
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Grading break up: Component Details and weightages

Individual / Group Assignment(s): 15%
 Quiz(s): 20%
 Class Participation: 10%
 Attendance: 5%
 Group Project and Presentation: 25%
 Final Examination: 25%

Examination Detail

Midterm
Exam

Yes/No: No
 Combine Separate: NA
 Duration: NA
 Preferred Date:
 Exam Specifications:

Final Exam

Yes/No: Yes
 Combine Separate: NA
 Duration: 90 mins
 Exam Specifications: Close book, close notes

COURSE OVERVIEW

SESS. #	TOPICS	RECOMMENDED READINGS	SESSION OBJECTIVE(S)
1.	Introduction	B&M, Ch. 1	a. Introduction to Subject Overview of Course & Assessment
2.	Mount Everest 1996		Biases in decision making
3.	Overconfidence	B&M, Ch. 2	a. What is overconfidence bias? b. How overconfidence bias affects business decisions?
4.	Common Biases 1	B&M, Ch. 3	a. What is the availability heuristic? b. What biases issue from it?
5.	Common Biases 2	B&M, Ch. 3	a. What is representativeness



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			<i>heuristic?</i> <i>b. What biases issue from it?</i>
6.	Students' Group Project Presentations 1	-	<i>Experiments on overconfidence, availability and representative heuristics</i>
7.	Bounded Awareness 1	B&M, Ch. 4	<i>a. What is bounded awareness?</i> <i>b. Experience bounded awareness problems</i>
8.	Bounded Awareness 2	B&M, Ch. 4	<i>a. Situations leading to bounded awareness</i> <i>b. Experience of more problems of this type</i>
9.	Framing and the Reversal of Preferences	B&M, Ch. 5	<i>a. What is framing?</i> <i>b. What is preference reversal?</i> <i>Framing of order and certainty</i>
10.	Framing and the Reversal of Preferences	B&M, Ch. 5	<i>a. Mental Accounting of Transactional Utility and Endowment Effects, etc.</i> <i>b. Omission bias, Status Quo; Rebate Bonus Framing; Joint/Separate preference reversal</i>
11.	Students' Group Project Presentations 2	-	<i>Experiments on bounded awareness, framing, and mental accounting of transactional utility including omission bias, status quo, and preference reversal</i>
12.	Motivational & Emotional Influences 1	B&M, Ch. 6	<i>Reasons for self-contradictory preferences; Positive Illusions</i>
13.	Motivational & Emotional Influences 2	B&M, Ch. 6	<i>Sources of emotional influence on Decision-making</i>
14.	Escalation of Commitment 1	B&M, Ch. 7	<i>Concepts of Unilateral & Competitive Commitment Paradigms</i>
15.	Escalation of Commitment 2	B&M, Ch. 7	<i>Sources of Escalation Commitment</i>
16.	Students' Group Project Presentations 3	-	<i>Experiments on motivational and emotional influences including unilateral and competitive commitment paradigm</i>
17.	Ethics and Fairness in Decision Making 1	B&M, Ch. 8	<i>Examples of ethical issues</i>
18.	Ethics and Fairness in Decision Making 2	B&M, Ch. 8	<i>More examples ethical dilemmas</i>
19.	Common Investment Mistakes	B&M, Ch. 9	<i>Understanding common investment mistakes and their impact on firm's decision making</i>
20.	Students' Group Project Presentations 4	-	<i>Experiments on ethical issue and investment problems</i>
21.	Making Rational Decisions in Negotiations	B&M, Ch. 10	<i>Concepts of rational decision making in negotiations</i>
22.	Making Rational Decisions in Negotiations	B&M, Ch. 10	<i>Creating value in negotiation</i>
23.	Negotiator Cognition	B&M, Ch. 11	<i>Understanding negotiator cognition and escalation of conflict</i>



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24.	Students' Group Project Presentations 5	-	<i>Experiments on negotiation and negotiator cognition</i>
25.	Improving Decision Making 1	B&M, Ch. 12	<i>Role of Decision Analysis Tools</i>
26.	Improving Decision Making 2	B&M, Ch. 12	<i>Role of Expertise & Debiasing Techniques</i>
27.	Course Review #1		

TEXTBOOK(S)/SUPPLEMENTARY READINGS

[BM] Bazerman, M.H. & Moore, D.A. "Judgment in Managerial Decision Making" 8th Edition, Wiley

Other readings:

Below are some popular books that are based on behavioral decision research. These books are highly recommended. The past few years has seen a rapid growth in bestselling books written for general public that deal with behavioral decision research topics.

- Ariely, D. (2008) Predictably Irrational: The hidden forces that shape our decisions. Harpe Collins. A bestselling book on behavioral economics. I highly recommend that you watch a video by Dan on decision making that can be found on www.Ted.com/talks.
- Makridakis, S., Hogarth, R., & Gaba, A. (2009). Dance with change: Making luck work for you. One World Publications.
- Thaler, R. H. & Sunstein, C. R. (2008). Nudge: Improving decisions about health, wealth, and happiness. Yale University Press.
- Lewis, M. (2004). Moneyball: The art of winning an unfair game. (Paperback version.) This is not a book on decision behavior research. However, it is a fun read on intuitive judgment versus statistical reasoning.
- Heath, C., Heath, D. (2013). How to Make Better Choices in Life and Work. Crown Business. The Heath brothers offer a simple four stage process for improving decision making based on a deep understanding of why people make poor choices.