

# Description

## 742 - Decision Theory, Spring 2017

### Decision Theory

7,5 ECTS

Course Director: Associate professor Karin Svedberg Helgesson

Decision Theory is a course for students who want to know more about the theories and practices of decision-making, and who want to be better prepared to face future challenges of decision-making as individuals, in groups, and in organizations.

The course is suitable for students with a diversity of interests. It usually attracts students from across most specializations at the SSE, but is provided by the Department of Management & Organization. The course also welcomes exchange students, and is open to a limited number of students within the Swedish Program.

*Changes 2017:* The examination of this course has changed somewhat as compared to last year as a result of feedback from students. Notably, the Group Assignments are now graded, and the Individual Essay Assignment has been given relatively more emphasis as compared to the final exam. **(Please refer to “Examination” for specific details and deadlines).**

#### Intended Learning Outcomes

Decision Theory is an advanced course in the theories and practices of decision-making. Having completed the course, the successful participant will be able to:

- apply decision theory to a variety of practices of complex decision making in business firms and other organizations - in everyday situations and during crisis,
- examine the wider context of strategic decision making and evaluate the extent to which important contingencies for such decision making may be altered (e.g. through lobbying),
- reflect upon her/his own role in processes of decision making (e.g. through knowledge of how bounded rationality influences the capacity of individuals in decision making) and make illustrations of it and express the insights by using course theories,
- **explain how and why “implementation problems” may arise, and to what extent and how such problems may be addressed ,**
- describe the range of other functions that decisions can fulfil (apart from being choices of particular courses of action), and how these alternative functions may affect decision making in practice.

#### Content

The course integrates the study of important theoretical models and concepts with insights from decision-making, and decision makers, in practice (see Pedagogical Structure below). Another key feature of the course is to take the experience of participants as a starting point for discussion. Hence, the course starts off by discussing individual decision making before turning to decision making in groups. These themes are then followed by the topic core of the course: decision making in business firms and other organisations. **The movement from “the individual” to “the organization” is reflected in the modular construction of the course. The course consists of five modules: M1 “Individual Decision Making”, M2 “Group Decision Making”, M3 “Crisis Decision Making”, M4 “Strategic Decision Making and Implementation”, and M5 “Lobbying and Political Decision Making”.**

## M1 Individual Decision Making

During the first week, the experience of participants as individual decision makers and as students at the SSE is used as a starting point for introducing theories of decision-making. By **reflecting on individual accounts we explore the merits and limits of the idea of the “rational decision maker”, a model of decision making that students have met in various previous courses** in e.g. marketing and economics. The analysis of individual decision-making is further elaborated upon through the ground breaking work of authors like Daniel Kahneman and James G. March.

## M2 Group Decision Making

The second module, now also starting during the first week, is devoted to decision-making in groups. One topic discussed, is how decisions are made when the assigned decision maker does not have access to all relevant knowledge. How may such situations resolved? Another central idea in this module **is the concept of “groupthink”, a form of group-based irrationality**: What is groupthink? How does it arise? What are the possible remedies? The module also includes consideration of problems related to group composition and devotes some time to discussing the evaluation of small group performance.

## M3 Crisis Decision Making

As the first two modules show, following the standard model of rational decision-making in practice is often difficult. One complication is that preferences are not necessarily stable. What one wants today may no be what one wants next week, next year or next decade. Luckily, in most **cases, we are involved in decision making under conditions of “business as usual”, which makes** things a bit easier. However, in crisis situations the process of decision making becomes ever more complex as the level of uncertainty increases in a number of areas at the same time, while the demand for speed of decision making is heightened. In this module we will analyse extended problems related to crisis decision-making, including some communicative aspects.

## M4 Strategic Decision Making and Implementation

In the fourth module, we enter into the core of the course: decision making in business firms and other organisations. This module requires a lot of reading as we cover a wide range of issues related to strategic decision- making and implementation. Some the questions addressed during the course of the three weeks are:

- How are decisions in organizations usually made?
- How and why is consensus important in strategic decision-making?
- Why are decisions not always followed by actions?
- **What are “implementation problems” and how can they be handled?**
- How is it possible that clear goals may sometimes be more difficult than fuzzy ones to implement?
- Why may it be a good thing to have more rather than less ambiguity in a decision process?
- What is an organized anarchy – and how does decision-making within such an organizations differ from the standard model of decision-making?

## M5 Lobbying and Political Decision Making

In this final module, we take a definite step outside of the single organisation perspective in order to explore the wider conditions for decision-making, **and the possibilities of affecting the “rules of the game” through lobbying. There exists a multitude of rules that need to be taken into**

considerations when making strategic decisions, as well as a large number of organisations, public, private and third sector, involved in rule production and monitoring. This requires us to be knowledgeable about matters such as who the important rule setters are in our particular case, what kinds of rules they are in favour of, and how rules can be changed, if at all. The theoretical basis for this module is the classic text by Kingdon on agenda setting (which, in turn, is **constructed around Cohen et al's Garbage Can model of organizational choice**, discussed in M4). To provide a practitioner perspective on lobbying and public affairs, the course will include participation from invited consultants in the business.

Please note: As of Spring 2017, M5 is primarily examined via the Individual Essay Assignment, **as described under "Examination"**. **The literature for M5 is therefore not included in the final written exam.**

### Pedagogical Structure

In this course, research based lectures and discussions are complemented by input from practice and/or student experience. The course makes use of business cases and also has guest lectures where a manager from a business firm or another organisation has been invited to share her/his experiences of making and implementing decisions and/or to influence the decisions of others.

The course further expects students to continuously reflect on what they have learned about the themes and problems encountered through a set of assignments. There are *3 graded assignments to be conducted collectively* in study groups. There are also *2 graded Individual Assignments* as well as a final written exam. **(Please refer to "Examination" and "Assignments" for further details, and deadlines).**

## Literature

This is the reading list for Spring 2017.

Please note. Texts marked with \* will be examined via the Individual Essay and will not be part of the Final Written Exam.

### Book

- Kingdon, John W. (2010) 'Agendas, Alternatives and Public Policies', Updated 2nd edition. With an Epilogue on Health Care. Series: Longman Classics in Political Science, New York: Longman inc. Chapters: 1, 2, 3, pp. 86-89 in chapter 4, 5, 6, 7, 8, 9. \*

### Articles

- Baier, Vicky Eaton, March, James G. & Saetren, Harald (1986), 'Implementation and Ambiguity', *Scandinavian Journal of Management Studies*, (2):3-4: 197-212.
- Brunsson, Nils (1990), 'Deciding for Responsibility and Legitimation', *Accounting, Organizations and Society*, (15) 1/2: 47-59.
- Cabantou, Laure and Jean-Pascal Gond (2011) 'Rational Decision Making as Performative Praxis: Explaining Rationality's Éternel Retour', *Organization Science*, (22) 3: 573-586.
- Cohen, Michael D., March, James G. and Johan P. Olsen (1972), 'A Garbage Can Model of Organizational Choice', *Administrative Science Quarterly*, (17)1:1-25. NB! Excerpt pp. 1-11.
- Cohen, Michael D., March, James G. and Johan P. Olsen (2012), " 'A Garbage Can Model' at Forty: a Solution that Still Attracts Problems", *Research in the Sociology of Organizations*, 36:19-30.

- Frey, Dieter and Felix C. Brodbeck (2004), 'Group Processes in Organizations', *International Encyclopedia of the Social and Behavioral Sciences*, 6407-6413.
- Hale, Joanne E., Ronald E. Dulek and David P. Hale (2005), *Crisis Response Communication Challenges: Building Theory from Qualitative Data*, *Journal of Business Communication*, (42) 2:112-134.
- Kahneman, Daniel (2003), 'Maps of Bounded Rationality: Psychology for Behavioral Economics', *The American Economic Review*, (93) 5: NB! Excerpt: pp. 1449-1461 + 1469-1470.
- Laroche, Hervé (1995), 'From Decision to Action in Organizations' Decision-Making as Social Representation, *Organization Science*, 6:1:62-75.
- Manias, Elisabeth and Annette Street (2001), 'The Interplay of Knowledge and Decision Making between Nurses and Doctors in Critical Care', *International Journal of Nursing Studies*, 38:129-140.
- March, James G. (1978), 'Bounded Rationality, Ambiguity and the Engineering of Choice', *The Bell Journal of Economics*, (9) 2:587-608.
- Markóczy, Livia (2001), 'Consensus Formation During Strategic Change', *Strategic Management Journal*, (22) 11: 1013-1031.
- Pralle, Sarah B. (2003), Venue Shopping, Political Strategy, and Policy Change: The Internationalization of Canadian Forest Advocacy', *Journal of Public Policy*, (23) 3: 233-260.\*
- Sahlin-Andersson, Kerstin (1992), 'The Use of Ambiguity – The Organizing of an Extraordinary Project', In Hägg, Ingemund and Esbjörn Segelod (Eds.), *Issues in Empirical Investment Research*, pp.143-158, Amsterdam: Elsevier.
- Scheufele, Dietram A. and David Tewksbury (2007) 'Framing, Agenda Setting, and Priming: The Evolution of Three Media Effects Models', *Journal of Communication*, 57: 9-20.\*
- Weick, Karl E. (1988) 'Enacted Sensemaking in Crisis Situations', *Journal of Management Studies*, (25) 4:305-317.
- Whyte, Glen (1998), 'Recasting Janis's Groupthink Model: They Key Role of Efficacy in Decision Fiascos', *Organizational Behavior and Human Decision Processes*, 2/3: 185-209.

# Examination

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## Examination

The maximum score on the course is 100p. The examination consists of four parts, as outlined below. In order to pass, students need a minimum total score of at least 50p and a minimum score of 25p on the final written exam. Letter grades (A-E) for the course will be awarded following the SSE standard.

Individual Examination (Max 6p+35p+50=91p)

- *Individual Case Analysis (Max 6p):*

Each student is required to complete a mandatory case analysis. The required length is **500-600 words**. This assignment is to be up-loaded by 10.00 a.m., Tuesday, January 31, 2017 (please see **“Assignments”** for details). **The specifics of the assignment will be released around one week** before the deadline.

**Please note:** Case Analyses that are not up-loaded on time, or that do not follow the length requirements, may only receive a maximum score of 2p.

- *Individual Essay (Max 35p):*

Each student is required to write an Individual Essay based on an assignment around the Kingdon book and the articles in module 5 (required length **1600-1800 words**, excluding title page and references/sources). The essay is to be uploaded by 17.00, Friday, March 3, 2017. (please see **“Assignments”** where details will be posted by mid February).

**Please note:** Individual Essays that are not up-loaded on time, or that do not follow the length requirements, may only receive a maximum score of 20p.

- *Final Written Exam (Max 50p):*

**The final written exam covers all the literature from the first four modules (see “Literature”, for details).** NEW: As of 2017, the final written exam does not cover the Kingdon book nor the articles from module 5 on lobbying.

The two-hour exam consists of two questions designed to cut across modules and themes.

- To pass the exam, a minimum score of 25p (out of 50p) is required.
- Students who fail the March exam have a second chance to pass at the retake in June.

Group Examination (Max 3p+3p+3p=9p)

- *Group Reflections (max 3p each):*

There are 3 **mandatory “Group Reflections” to be completed (required length 1000-1500 words)**. Group Reflections are written within smaller work groups. Each Group Reflection is to be uploaded by 10.00 a.m. on the designated Tuesday (**please see “Assignments” for details**). Each Group Reflection may receive a maximum score of 3p.

**Please note:** Group Reflections that are not up-loaded on time, or that do not follow the length requirements, may only receive a maximum score of 1p

## Schedule

January 18

13:15- 15:00 Room: 350

Introduction + Individual DecisionMaking 1

January 25

10:15-12:00 Room:350

Individual DecisionMaking 2

January 26

10:15-12:00 Room: 350

Individual Decision Making 3

13:15-15:00 Room: 350 Individual Decision Making 4

January 31

**10:00** Assignment Individual Assignment 1

February 1

10:15-12:00 Room: 350 Group Decision Making 1

13:00-15:00 Room: 350 Group Decision Making 2 ,  
Case Analysis Seminar

February 2

10:15-12:00 Room: 350 Group Decision Making 3.

13:00-15:00 Room: 350 Crisis Decision Making 1

February 7

**10:00** Assignment

Group Assignment 1.

13:15-15:00 Room: 320 Crisis Decision Making 2

Case Analysis Seminar

February 8

10:15-12:00 Room: 320 Strategic Decision Making 1

13:15-15:00 Room: 350 SDM 2.

February 14

**10:00** Assignment

Group Assignment 2.

February 15

10:15-12:00 Room: 320 SDM 3, Case Analysis Seminar

13:15-15:00 Room: 350 SDM 4.

February 16

10:15-12:00 Room: 350 SDM 5.

February 20

10:15-12:00 Room 328 Lobbying and Political Decision Making 1.

Readings: Kingdon

13:15-15:00 Room: 328 LPDM 2.

Readings: Kingdon

February 21  
10:00 Assignment  
Group Assignment 3.

February 22  
10:15-12:00 320 LPDM 3.

March 3  
**17:00** Assignment  
Individual Essay Assignment

March 8  
10:15-12:00 Room: 320 LPDM 4/Guest

13:15-15:00 Room:350 Guest/LPDM 5.

March 9  
10:15-12: 00 Room: 350 Summing up/Guest

13:15-15:00 Room: 350 Summing Up

March 17  
14:00-16:00 Room: TBA  
Examination Decision Theory

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[https://portal.hhs.se/Courses/\\_layouts/15/SSE/CW/CourseSchedule/Show.aspx?courseid=76052/2](https://portal.hhs.se/Courses/_layouts/15/SSE/CW/CourseSchedule/Show.aspx?courseid=76052/2)