Course Description

“Decision Making” is a second-term course in the MSc in Management, at the Barcelona School of Management. It comprises twenty 90-minute lectures, and it serves as a general elective course for students specializing in any of the tracks.

Objectives

The main objective of this course is to improve the students' decision-making skills by introducing them to some of the main ideas and tools used in the science of decision making. Decision Science is an interdisciplinary field of study, which takes concepts from disciplines such as economics, psychology, management, philosophy, and mathematics. The ideas and tools used in Decision Science can be applied to virtually any type of decision and they are having an increasing impact on management and on policy making across the world. A prominent example of this is the recent creation of so-called Behavioral Insights Teams in countries such as the UK and the US, which are government bodies dedicated to the design of economic and social policies based largely on lessons taken from Decision Science. This course will focus on explaining the main intuitions behind those ideas and tools in an accessible way. Following the course will not require any particular technical knowledge or skill, and the mathematical elements introduced will be very basic.

Central to the course will be the notion that decision making can be analyzed at three different levels: normative, descriptive, and prescriptive. The normative level is concerned with determining the “rational” decision to make in a particular situation. The descriptive level focuses on understanding the way that human beings actually behave when they make decisions. The prescriptive level is about what advice to give to people when they have to decide. The course will touch on all three levels and it will have a strong focus on the descriptive (or behavioral) aspect. It will show how understanding the way people behave in different decision situations (i.e., the descriptive level) is crucial to know what errors and biases are likely to affect decision making and how they can be corrected, for instance by designing environments that promote better decisions.

Methodology

The methodology used in the course will include explaining and discussing theoretical concepts, discussing potential applications of those concepts to real-world situations, conducting replications of popular decision-making experiments with the students, and other interactive activities related to decision making.
A significant element of the course will be the discussion of possible real-world applications of the decision-making concepts studied. People make decisions in a wide variety of settings, which can go from everyday personal decisions (like how much to work, eat, exercise, or what to buy) to important decisions made in different types of organizations (like investment decisions, hiring decisions, or government policy decisions). This provides much scope for potential applications. To elaborate on this aspect, the students will be asked to think about their own proposals for applications, including making at least one class presentation about them.

**Evaluation criteria**

The evaluation of the course will consist of three elements:

a) **Final Essay (50%)**: The students will have to write an essay (individually or in small groups) and present it in the last week of class. Each essay will focus on one of the main decision-making concepts studied in the course, and it is expected to: 1) explain the main ideas related to that concept, 2) propose potential applications of it in business, management or policy making, and 3) sketch the design of an experiment to test a hypothesis related to that concept.

b) **Class Assignments (20%)**: The students will be given assignments for some of the sessions (to be done individually or in small groups), such as preparing brief presentations on possible applications of ideas studied in previous classes or reading papers and preparing for discussions about them.

c) **Participation (30%)**: The students will be encouraged to participate in the discussion of the theoretical concepts explained in class and their applications and also of the experiments and other activities conducted in class.

There will be no exam in this course.

Students are required to attend 80% of classes. Failing to do so without justified reason can have consequences in the final grade. As with all courses taught at the UPF Barcelona School of Management, students who fail the course during regular evaluation will be allowed ONE re-take of the examination/evaluation. If the course is again failed after the re-take, students may have to register again for the course the following year.

**Contents**

Below is a table of contents with the titles given to the main topics covered in the course (the exact meaning of the different titles will become clear during the course):

1. Introduction
2. Making decisions in conditions of risk and uncertainty
3. Prospect Theory: Reference points, loss aversion and framing
4. Forming judgments
5. Evaluating time
6. Decisions with multiple attributes

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Note: This document is only informational, detailed contents and faculty may change.
7. The role of emotions
8. Attention and the unconscious mind
9. Putting it all together

Slides and other materials to be used in the classes will be uploaded to Aula Global before the corresponding sessions or given to the students in class. The students will also be provided with a detailed list of bibliographical references that they can use to learn more about the different topics covered in the course.

SESSION PLAN

Below is a tentative weekly plan, which may be adapted in response to class dynamics:

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<thead>
<tr>
<th>WEEK</th>
<th>Topic</th>
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<tbody>
<tr>
<td>1</td>
<td>Introduction - Making decisions in conditions of risk and uncertainty</td>
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<td>2</td>
<td>- Prospect theory: Reference points, loss aversion and framing</td>
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<td>3</td>
<td>- Forming judgments</td>
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<td>4</td>
<td>- Evaluating time</td>
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<td>- Decisions with multiple attributes</td>
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<td>7</td>
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<td>8</td>
<td>- Attention and the unconscious mind</td>
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<td>9</td>
<td>- Putting it all together</td>
</tr>
<tr>
<td>10</td>
<td>- Student presentations/discussion of final essays</td>
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Reading Materials/ Bibliography/Resources

This section contains a number of bibliographical references that can be useful for students to follow the course and to expand on the different topics covered. The last subsection lists some popular books related to issues studied in the course.

GENERAL


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MAKING DECISIONS IN CONDITIONS OF RISK AND UNCERTAINTY


PROSPECT THEORY: REFERENCE POINTS, LOSS AVERSION AND FRAMING


FORMING JUDGMENTS


EVALUATING TIME


DECISIONS WITH MULTIPLE ATTRIBUTES


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MSc in Management


THE ROLE OF EMOTIONS


ATTENTION AND THE UNCONSCIOUS MIND


POPULAR BOOKS


Bio of Professor

Daniel Navarro-Martinez (PhD) is an Associate Professor in the Department of Economics and Business at Universitat Pompeu Fabra, and an Affiliated Professor at the Barcelona Graduate School of Economics and the Barcelona School of Management. Before coming to Barcelona, he held positions at the University of Warwick (UK) and the London School of Economics and Political Science (UK). He does research in the fields of behavioral economics and judgment and decision making. His research has been published in international scientific journals, such as Management Science, the Journal of Marketing Research, Social Science & Medicine, the Journal of Risk and Uncertainty, Judgment and Decision Making, the Journal of Economic Psychology, and Theory and Decision.