

Smart Management

Course instructor

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Further instructors will be asked to join the course, and may do so based on availability and interest

Location

Campus Munich

Application and registration procedure

Goal and target audience

How do managers make decisions in real-world situations? One approach to this question is that they behave according to the idealized models of neoclassical economics. Herbert Simon, a Nobel laureate in economics and a pioneer of artificial intelligence, proposed the concept of bounded rationality, which recognizes that human decision makers have limited cognitive capacities and information, and often make decisions in complex and uncertain environments. Managers do not always maximize their utility or profit, but rather use simple decision rules that exploit the structure of the environment. In this course, we will learn about the simple rules that managers use to make decisions in real-world organizations, in the domains of hiring, strategy, innovation, negotiation, and other domains of organizational decision making.

Application/Registration process

By email to tomas.lejarraga@uib.eu until June 15, 2024. Participants will be admitted on a first come, first served basis.

Course aims

What this course is

This course has three goals: (1) it will help doctoral candidates develop a better understanding of how managers make decisions; (2) it will provide them with conceptual tools to navigate their own professional careers; and (3) it will introduce them to a fascinating field of research in which much is left to be explored and discovered.

What this course is not

This is not a course on mainstream behavioral economic, and does not pursue the idea promoted in the heuristics-and-biases program that managers' decisions are biased and prone to error. Instead, this course will offer a perspective in which simple decision rules are shown to be smart adaptations to navigate the uncertain business environment.

Course objectives

Knowledge Objectives

Participants will learn about a fascinating field of research that has been largely neglected in the mainstream scientific and practical domains of management, but that has made strong inroads in other domains such as artificial intelligence and operations management.

Skills Objectives

Participants will learn how managerial decision-making research is conducted and develop a critical view on research findings. They will also learn how scientific theories of decision making are evaluated and compared. Finally, they will learn how to communicate their own research to a scientific audience.

Learning Objectives

Participants will learn to understand, discover, and apply decision heuristics to scientific and practical managerial problems.

Preliminary schedule

The course will be held in person at the TUM main campus in Munich between June 18 to 20.

Core readings

Key reading

Lejarraga, T., & Hertwig, R. (2021). How experimental methods shaped views on human competence and rationality. *Psychological Bulletin*, 147(6), 535.

Reb, J., Luan, S., & Gigerenzer, G. (2024). *Smart management: How simple heuristics help leaders make good decisions in an uncertain world*. MIT Press.

Extended reading

Artinger, F., & Gigerenzer, G. (2016). The cheap twin: From the ecological rationality of heuristic pricing to the aggregate market. In *Academy of Management Proceedings* (Vol. 2016, p. 13915). Academy of Management.

Berg, N. (2004). Success from satisficing and imitation: Entrepreneurs' location choice and implications of heuristics for local economic development. *Journal of Business Research*, 67, 1700–1709.

Bingham, C. B., & Eisenhardt, K. M. (2011). Rational heuristics: The “simple rules” that strategists learn from process experience. *Strategic Management Journal*, 32, 1437–1464.

Cristofaro, M., & Giannetti, F. (2021). Heuristics in entrepreneurial decisions: A review, an ecological rationality model, and a research agenda. *Scandinavian Journal of Management*, 37, Article 101170.

Cosmides, L., & Tooby, J. (1992). Cognitive adaptations for social exchange. In J. H. Barkow, L. Cosmides, & J. Tooby (Eds.), *The adapted mind: Evolutionary psychology and the generation of culture* (pp. 163–228). Oxford University Press.

Eisenhardt, K. M., & Sull, D. N. (2001). Strategy as simple rules. *Harvard Business Review*, 79, 106–119.

Gilbert-Saad, A., Siedlok, F., & McNaughton, R. B. (2018). Decision and design heuristics in the context of entrepreneurial uncertainties. *Journal of Business Venturing Insights*, 9, 75–80.

Luan, S., Reb, J., & Gigerenzer, G. (2019). Ecological rationality: Fast-and-frugal heuristics for managerial decision making under uncertainty. *Academy of Management Journal*, 62, 1735–1759.

Luan, S., & Reb, J. (2017). Fast-and-frugal trees as noncompensatory models of performance-based personnel decisions. *Organizational Behavior and Human Decision Processes*, 141, 29–42.

Sull, D., & Eisenhardt, K. M. (2015). *Simple rules: How to thrive in a complex world*. Houghton Mifflin Harcourt.


Course procedures

In the first session, I will give an overview on the historical background on the research on judgment and decisions making, leading to and introducing the theoretical foundations of the fast-and-frugal heuristics program. In the second session, we will discuss the properties of heuristics (such as the reasons why they work well in certain environments) and on the scientific methods to study them. Between the second and third session, students will prepare a group assignment that will be delivered in the third session. In the fourth and final session, the students will take an integrative exam.

Assessment

Groups presentations (40%) and exam (60%)

Workload

3  (21 hours lectures, 90 hours total workload)