

**Making Effective Decisions**  
Goizueta Business School  
MJ Prietula

May 31, 2011

The discussions of the Piedmont Project afforded interesting and diverse discussions on perspectives of sustainability. As I reasoned through my notes and readings, I tried to discern some common factor that could be applied across the varied landscapes of topics. I came to the following conclusion: sustainability rests on the consequences of decisions – decisions by policy makers, decisions by voters, decisions by CEOs, decisions by jurists, decisions by public health officials, decisions by marketers, decisions by architects, decisions by shareholders, decisions by teachers, decisions by students – decisions by all of us. And every decision has a consequence. And every consequence has a consequence. Sometimes consequences are intended, sometimes they are not. Sometimes consequences are known, sometimes they are not. Sometimes consequences matter, sometimes they do not. Sometimes consequences lead to additional decisions, sometimes they do not. Regardless, there is a dynamical and recursive nature to choices and their consequences to sustainability – decisions matter, and they can matter a lot.

Within such discussions, this course takes a “decision-centric” focus to understanding sustainability. What are the critical decisions underlying a specific sustainability issue? Why do people make the choices they do? What interventions are appropriate to alter their choices? And what are the ethical bounds on such interventions?

This course takes a bottom-up approach to collective choice – how do individuals make their decisions and what are the implications of groups of individuals making those decisions? The former question is about understanding the psychology of decision making, while the latter merges collective topics in psychology with agent-based computational models. The use of agent-based models allows students to view the dynamical consequences of collective choice influenced by policies over time, which demonstrates intuitive and counterintuitive results.

Sustainability Components. As this course is a general business course on decision making, the approach to addressing sustainability topics will be a combination of planned examples/cases and opportunistic discussions as events in the community and world unfold over the course. Consequently, this component is designed as a “hidden” (or “embedded”) curriculum. The overall objectives for the course are essential components to any sustainability context: how to people make decisions? How do groups make decisions? How can we influence/predict either?

The specific sustainability objectives arise out of the set of cases and examples selected.



## Sustainability Components (Instructor's Guide)

Several topics in the course have natural examples and readings that address sustainability topics, but are dealing with issues in individual and social decisions and can serve as important focal points for discussion. As sustainability is an embedded curriculum, it is essential to highlight the parts of these readings that address sustainability (directly) and bring in current examples for the parts that are less direct. These serve as critical anchors in the underlying theory of how to characterize problems and solutions of sustainability. Here are some key suggestions.

### Collective Action & Issues

Garrett Hardin, The Tragedy of the Commons, *Science*, Vol. 162, No. 3859 (December 13, 1968), pp. 1243-1248.

Garret Hardin, *Filters Against Folly: How To Survive Despite Economists, Ecologists, and the Merely Eloquent*. Penguin Books. 1986.

Eleanor Ostrom, *Governing the Commons: The Evolution of Institutions for Collective Action*. Cambridge University Press. 1990.

Mancur Olson, *The Logic of Collective Action: Public Goods and the Theory of Groups*. Harvard University Press. 1971.

Jared Diamond, *Collapse: How Societies Choose To Fail or Succeed*. Viking. 2005.

Malcom Gladwell, *The Tipping Point: How Little Things Can Make a Big Difference*. Little, Brown and Company. 2000.

### Individual Choice

Richard Thaler & Cass Sunstein, *Nudge: Improving Decisions About Health, Wealth, and Happiness*. Yale University Press, 2008.

### Cases

Within the context of these readings, the following examples of Harvard/Darden cases I use in this course tha tserve as excellent “instantiation” of the concepts in the context of actual settings and provide linkages between business decisions and their impact on their social and physical environments. Thus, the choices of cases allow the instructor to tune the course to his or her specific goals.

### **Driving Sustainability at Bloomberg L.P**

Describes the addition of environmental, social and governance (ESG) performance indicators to the Bloomberg terminal. The initiative grew out of Bloomberg's broader sustainability initiatives and is an example of how committed employees can create positive social change within organizations. Issues highlighted in the case for discussion include: How can committed employees implement an innovative sustainability initiative within a large corporation? How can ESG data be more strategic for both Bloomberg and investors? And finally: How should the ESG data industry be structured, and what impact does ESG data have on the future institutionalization of sustainability?

*learning objective:* To examine organizational and institutional change process in the sustainability domain, and secondly the importance and economic impact of environmental, social and governance (ESG) metrics for diverse corporate stakeholders.

### **Amanco: Developing the Sustainability Scorecard**

Describes the challenges of using the Balanced Scorecard to implement a triple-bottom-line strategy for delivering excellent economic, environmental, and social performance. The owners and senior executive team of Amanco, a producer of plastic pipe and complete water treatment systems, want strong financial returns but are also deeply committed to improving the environment and making a difference in people's lives. Robert Salas, CEO, wants a management system that communicates and motivates Amanco's three high-level goals. Initially, he creates a simple scorecard of measures, but he soon migrates to developing a strategy map and Balanced Scorecard that places economic, environmental, and social objectives as the highest-level objectives. He faces the challenges of cascading the corporate Balanced Scorecard to operating units throughout Latin America and how to develop better measures of social and environmental impact. Salas must also address whether he can sustain Amanco's balanced strategy while entering the Brazilian market, where he faces an entrenched and much larger competitor.

*learning objective:* To illustrate the development of a management system using strategy maps and Balanced Scorecards to help a company implement its triple-bottom-line objectives of excellence in economic, environmental, and social performance.

### **Banco Real: Banking on Sustainability**

ABN AMRO REAL made corporate social responsibility central to its brand, adding to customer focus and reflecting its values. Leaders developed the Bank of Value theme and

implemented it through activities such as microfinance in poor communities, environmentally oriented lending products, socio-environmental screening of customers and suppliers, employee diversity, and reduction of waste and recycling. Now the fourth largest private bank in Brazil, its top leaders are assessing the first four years and wondering what to do next, as competitors adopt similar practices, reducing its competitive advantage, and as it wants to ensure its impact on social change in a country with daunting social problems.

*learning objective:* To discuss corporate strategy and corporate branding when considering these in the context of their prior choices of social responsibility.

### **Patagonia**

Patagonia produces high-quality environmentally friendly garments that command significant price premiums. Its environmental mission motivates it not only to donate to environmental causes and reduce the impact of its own production, but also to share its practices with other companies. While pursuing its strong environmental stance, Patagonia maintains a larger gross profit margin than its competitors and is targeting a 10% rate of annual growth in sales. In spring 2010, Patagonia was in the process of implementing a new, radical environmental initiative called "Product Lifecycle Initiative" (PLI). This initiative represented a holistic commitment to lengthen the lifecycle of each product and reduce landfill waste. It constituted Patagonia's efforts to take responsibility for the products it made, "from birth to death and then beyond death, back to rebirth." The initiative consisted of a mutual contract between the company and its customers to "reduce, repair, reuse, and recycle" the apparel that they consumed.

*learning objective:* This case invites students to understand a unique type of business model, assess its sustainability, and evaluate innovative ways to compete.

### **(Product) RED**

Describes the launch and initial results of the (PRODUCT) RED campaign, a social marketing initiative conceived of by U2's Bono and Bobby Shriver to combat AIDS in sub-Saharan Africa. The company licensed the (RED) brand to partner companies, which initially included Gap, Apple, Motorola, Armani, and American Express. The business model was structured to benefit partner companies by increasing consumer purchases - of (RED)-branded products such as red iPods and phones - while also resulting in increased donations to the Global Fund.

*learning objective:* First, the case focuses on how to create, promote, and manage a brand over time. Second, the case focuses on managing a novel social marketing campaign, in which consumer purchases benefit not just recipients of donations, but also (RED)'s partner companies. Finally, the case integrates these two topics, exploring brand

management when sustainability is crucial not just for the success of the company but for saving lives.

### **Forest Stewardship Council**

In just a few years the Forest Stewardship Council (FSC) made impressive progress toward its mission of promoting "environmentally appropriate, socially beneficial, and economically viable management of the world's forests." By 2001, 25.5 million hectares of forests in 66 countries had been certified as meeting FSC's standards for sustainable forestry. With members in 59 countries, the FSC had managed to bring forestry's mainstream close to its viewpoint, with 80% of the industry recognizing the need for third-party certification. However, by mid-2002, the formula that had brought success to the organization as a small start-up was proving inadequate to sustain the healthy growth of a global, mature, multistakeholder organization. Its management and staff were finding themselves lacking critical skills to take the organization to the next level. Some of its governing structures were paralyzing it. Serious imbalances between supply and demand of certified wood were threatening to break the organization. Moreover, competing certification schemes backed by powerful business groups were moving swiftly to capitalize on those imbalances and displace FSC as the global standard of choice for certification. Finally, the organization also suffered from a chronic financial weakness. In that context, Heiko Liedeker, FSC's executive director, is compelled to rethink the organization.

*learning objective:* Requires students to apply and integrate concepts in four areas: strategy, organization, governance, and financial sustainability. In addition, the case presents the complexity of the entrepreneurial and managerial process of creating and growing a social enterprise

### **Frito-Lay North America: The Making of a Net Zero Snack Chip**

Implementing a sustainability strategy requires firms to consider economic, strategic, environmental, and community perspectives. Suitable for MBA, undergraduate, and executive learners, this sustainability case covers innovation, intrapreneurship, and strategy. An Excel carbon footprint analysis exercise (UVA-S-ENT-0112) accompanies the case; a technical note entitled, "Corporate Greenhouse Accounting: Carbon Footprint Analysis" (UV2027) is an effective complement. Frito-Lay's Arizona facility pilots a program to take its snack chip manufacturing off the grid. Decision makers discuss operating, financial, marketing, and corporate strategy as the facility calculates its carbon footprint, converts to non-fossil-fuel energy sources, and stops relying on the scarce local water supply.

*learning objective:* 1. Learn how to perform carbon footprint analysis; 2. Identify triple-bottom-line issues related to "net zero" sustainability strategy; 3. Explore how a corporate division creates a pilot program



**Emory University**  
**Goizueta Business School**  
**BUS 451 Making Effective Decisions (Spr 2012 draft)**

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Course: Undergraduate Level  
Hours: Contact via email, Skype, or appointment

Every aspect of your life is surrounded by decisions – those made by you and those made by others. How do people interpret situations and data as they do? Why do people (and groups) make mistakes? What role does knowledge play? What about biases? What are decision traps? How can we avoid them? What should we know about emotion, deception and lying? What do we know of the psychological and neurological mechanisms underlying economic, risk, social and ethical decisions? What influences us? Is there a psychology of leadership? What are the myths to be dissolved? What is the psychology of thought? What is the psychology of trust and deception? What is the psychology of expertise? What is the psychology of technology – why do we yell at computers? How can we use this information to better *create a sustainable society*? This course explores answers to these questions.

Imagine how much better your life would be if all of your important decisions (and important decisions affecting you) were as good as they realistically could be. Although this is an unattainable goal, we can all learn to improve our decision making. And if we improve by even a small amount, we will be better off and so will many other people. That is what this course is about: making your decisions and problem solving better so that you and everyone else can benefit.

As your career grows, your decisions will become more and more important. Many of them will entail considerable risk. Many will also involve potential competition. Most of them will be neither clear-cut nor obvious. You have acquired the tools of rationality. In this course we will examine the bounds of rationality and how decisions (and problems) are made under the influence of those bounds. My goal in the course is to examine both how you currently make your decisions and how a variety of methods will allow you to significantly improve your decision making and problem solving skills. All this comes from the enormous amount of research in the last few years about how people make decisions and solve problems, and how they can make their decisions and problem solving better.

You all have varied experiences, which are important to this course: learn from each other. Thus one key role that I play is that of a conductor or a moderator. Our classes will be a combination of exercises, discussions, and analysis. By asking you to work through problems and make many decisions, we will try to highlight some of the

underlying tendencies that many people - including you and me - often display. This way we can build a deep understanding of the decision and problem solving processes.

Class Procedures: Professional behavior, of course, is expected and the class will be interactive, thus requiring your presence and *informed* participation (where discussion is supported and placed in the context of the readings and assignments).

Grading:

Exams (2)	30%	[In class, closed book]
Homework (4)	20%	
Group Project (1)	20%	
Final Exam		20% [Final exam is closed book, closed notes]
Participation, etc.	10%	

There are two in-class exams and a final exam that will be based on readings and in-class discussions. There will be four homeworks. There will also be “informed student led” discussions by teams of students (I will randomly assign the teams for these discussions). Participation is based substantive comments derived from the readings and the discussions. Note that grading is based on the suggested distribution of electives by the GBS. Thus, in the end it is a comparative performance score. Not also that it is *your* responsibility to demonstrate your competence, interest, and willingness to participate. I intend to give you every opportunity to demonstrate these.

Computer/Phone Policy.

Please do not use laptops during class unless requested to do so by the instructor. Take notes with pen/pencil and paper. Please turn off all audible alarms and ringers on cellular phones.

Attendance.

Attendance is, of course, required, and so is *presence* which is demonstrated by informed participation. Bring your Name Cards. *Name cards are required for participation.*

Rules of Presence.

You are expected to participate in class discussions.  
You have a right to your opinion and may express it.  
You must grant that right to others.

### Cold Calls

The policy for the class is to assume you *are prepared* and I will call on you to summarize, lead the class on a topic, or generate discussion questions. If you are not prepared, please inform me prior to the start of class.

### Ethics and Code of Conduct

All students are expected to adhere to the [GBS Honor Code](#).

### Class Conference

You are expected to monitor the class conference for important (and not so important) information. For email, use the assigned one for the class or there may be delays in responding.

### Readings

Readings will be available from the online library access at Emory and (eventually, it takes time for them to assemble the stuff) from Emory's [ReservesDirect](#). You are responsible for accessing them. Others will be handed out or posted to the conference. As the course ensues, I will post additional readings as necessary.

All Harvard Business Review articles must be purchased from Study.net, which has this course listed.

### Initial Schedule

<u>Week</u>	<u>Meeting</u>	<u>Date</u>	<u>Topics</u>
1	1Th	Jan 13	Introduction to the course
2	2T	Jan 18	Levels of Analysis
	3Th	Jan 20	Expertise & Intuition
3	4T	Jan 25	Heuristics & Biases I
	5Th	Jan 27	Heuristics & Biases II
4	6T	Feb 1	How to build agent-based models
	7Th	Feb 3	Nudges & Cues
5	8T	Feb 8	Emotions
	9Th	Feb 10	Ecological Perspective
6	10T	Feb 15	Risk
	11Th	Feb 17	Creativity
7	12T	Feb 22	Randomness
	13Th	Feb 24	Accidents & Errors
8	14T	Mar 1	<i>open</i>
	15Th	Mar 3	<b>Exam I</b>
<b>9</b>		<b>Mar 7-11</b>	<b>Spring Break (No Meetings)</b>
10	16T	Mar 15	Negotiation
	17Th	Mar 17	Crowds, herds & markets I
11	18T	Mar 22	Crowds, herds & markets II
	19Th	Mar 24	Them, us & culture
12	20T	Mar 29	Altruism & empathy
	21Th	Mar 31	Social Influence
13	22T	Apr 5	Cheating & deception
	23Th	Apr 7	Leadership
14	24T	Apr 12	Moral decisions & ethics
	25Th	Apr 14	Interacting with things
15	26T	Apr 19	<i>No meeting</i>
	27Th	Apr 21	<b>Exam II</b>
		Apr 28 -May 4	<b>Final Exam Period</b>