## Contents

Chapter 1	Introduction to Managerial Decision Making	1
	The Anatomy of Decisions System 1 and System 2 Thinking	1 3
	The Bounds of Human Attention and Rationality Introduction to Judgmental Heuristics An Outline of Things to Come	5 7 10
Chapter 2	Overconfidence	14
	The Mother of All Biases Overprecision Overestimation Overplacement Let's Hear it for Well-Calibrated Decision Making	14 16 22 26 28
Chapter 3	Common Biases	31
	Biases Emanating from the Availability Heuristic Biases Emanating from the Representativeness	34
	Heuristic Biases Emanating from the Confirmation Heuristic Integration and Commentary	38 46 57
Chapter 4	Bounded Awareness	60
1	Inattentional Blindness Change Blindness Focalism and the Focusing Illusion Bounded Awareness in Groups Bounded Awareness in Strategic Settings Discussion	65 66 67 69 71 81
Chapter 5	Framing and the Reversal of Preferences Framing and the Irrationality of the Sum of Our Choices We Like Certainty, Even Pseudocertainty Framing and The Overselling of Insurance	82 85 87 90

	What's It Worth to You? The Value We Place on What We Own Mental Accounting Rebate/Bonus Framing Joint-versus-Separate Preference Reversals Conclusion and Integration	91 93 94 96 98 100
Chapter 6	Motivational and Emotional Influences on Decision Making When Emotion and Cognition Collide Self-Serving Reasoning Emotional Influences on Decision Making Summary	103 105 112 114 117
Chapter 7	The Escalation of Commitment The Unilateral Escalation Paradigm The Competitive Escalation Paradigm Why Does Escalation Occur? Integration	119 121 123 127 131
Chapter 8	Fairness and Ethics in Decision Making Perceptions of Fairness When We Resist "Unfair" Ultimatums When We are Concerned about the Outcomes of Others Why do Fairness Judgments Matter? Bounded Ethicality Overclaiming Credit In-Group Favoritism Implicit Attitudes Indirectly Unethical Behavior When Values Seem Sacred The Psychology of Conflicts of Interest Conclusion	132 133 135 139 142 143 145 146 147 151 152 154 158
Chapter 9	Common Investment Mistakes  The Psychology of Poor Investment Decisions Active Trading Action Steps	160 162 170 171
Chapter 10	Making Rational Decisions in Negotiations A Decision-Analytic Approach to Negotiations Claiming Value in Negotiation Creating Value in Negotiation	175 176 179 180

	Content	ts • vii
	The Tools of Value Creation Summary and Critique	185 191
Chapter 11	Negotiator Cognition	193
	The Mythical Fixed Pie of Negotiation	193
	The Framing of Negotiator Judgment	195
	Escalation of Conflict	196
	Overestimating Your Value in Negotiation	198
	Self-Serving Biases in Negotiation	200
	Anchoring in Negotiation	203
	Conclusions	205
Chapter 12	Improving Decision Making	206
	Strategy 1: Use Decision-Analysis Tools	208
	Strategy 2: Acquire Expertise	213
	Strategy 3: Debias Your Judgment	216
	Strategy 4: Reason Analogically	219
	Strategy 5: Take an Outsider's View	222
	Strategy 6: Understand Biases in Others	223
	Strategy 7: Nudge Wiser and More Ethical Decisions	226
	Conclusion	228
	References	231
	Index	261