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Definition of Coalition:
We get a coalition when two or more decision makers ~~come to~~ work together to achieve their goals. (preference and identity)

Sometimes it can be hard to fullfill your goals (preferences or identity) by yourselves, and it can be beneficial to form coalition with other decision makers to be better able to fullfil ones goals. As decision makers are likely to have inconsistent goals (preferences and identities) rather then consistent, its important to consider who you will form a coalition with. Rational decision Makers should form coalition with a winning coalition. But this doesn't necessarily take place, as some decision makers feel that their goals (preferences and identities) will be better preserved by joining a loosing coalition. Decision makers would like their coalitions to be as small as possible, and still be able to win. The reason for this is that the outcome of the win then will be decided between fewer decision makers. Making the winning for each decision

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larger. Coalition don't just have positives sides. Each decision maker are likely to have different preferences and identeties. That is they are likely to be inconsistent. In a coalition one can't presume that all of your goals (preferences and identities) will be fulfilled, you have to give to get. To wich degree a decision maker will fullfill his goal could depend on his power. Force models of power and exchange models of power, can be used to describe how decision makes can achieve power. In an exchange model of power (which could be most relevant for coalitions, as there are more then one decision maker, and all bring resources to the table) we can for exapnle achieve power by controll of important resources and if we are able to set the rules of the game. A modern example of a coalition could be the war on Iraq, where USA formed a coalition to make war on Iraq (or more precisely to remove Saddam Hussein), and to remove the persieved threat of dangerous mass destruction weapons.

alliance ✓

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Framing is to understand a situation based on prior knowlegde. As decision makers all more or less are different from each other, they will perciere, process and intepretate information different from each othe, and thereby also store information differently. And this is just for the same information which they have been confronted with, ~~not to mentioned that~~ Decision makes also experiense different situations. There are therfore know wonder that decisen makers differ in their intepretation of poblems, perception and processing of information.

Image theory is a theory for decision making that builds a lot on ~~three~~ framing. They divide the frames of the decision maker into three categories:

1. Value Image: This is the value, etichs and moral image (frame) of the decision maker.
2. Tranjectory Image: This is the goals of the decision maker.
3. Scenario Images: This is the plans to achieve the decision makers goals.

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Decision are made acording to it the options fit ~~into~~ with the images. This process is called screening. As people probably all differ in their ~~Goals~~ Value, goal and plan images, there are no wonder different people will make different decision based on theese frame. The ~~decision~~ options doesn't necessary have to fit perfectly with the ~~options~~ images. Rather the decisiion maker has a rejecting theshold, options not comforing to this treshold will be screened away. Sometimes we are left with just one option after the screening process, and we then go for this options, other times decision makers are however left with more than one options. Desicn makers then have to evaluate the options again, this time they typically focus on quantity not quality (as they did in the screening process), since the options already ~~are~~ have passed rejecting treshold.

Researches often refer to frames as schemas or senarios, while sosial reasearchers refer to them as scripts, and personal psychology as stereotypes.

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~~scripts typically~~ Example of scripts can be when we are taking the buss. We in Norway associate taking the buss with going on the buss, pay the buss driver, and then sit down (preferably alone as norwegians are a bit shy). The bus script can be different across cultures, as other countries can have different practices. ~~Stereotypes can be perceptions of different~~. We observe that decision makers frequently tries to make situations and information fit with existing frames, that is they look for confirming evidence not disconforming evidence. For example a manager with a product background will propably see the reduction of sales of a product as a product problem not as a sales problem. There are done a number of experiments to understand how framing works. One experiment asked participants to decide if a seatbelt law should be passed or not. The participants ~~were asked~~ were told ~~that they were~~ to make the decision as public officials or parents. ~~Half of the~~ The participants were given statistical information and a story of a little

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girl who died without using a seatbelt. The participants who were given public officals role tended to focus on the statistical information when passing the law, while participants who were given parent roles focused on the story. Indicating what frame you use (in this case public offical or parent) are important for how decision makers attend to information.

So far we have indicated that each decision maker have his one set of frames. This is true but frames can also be shared. This can amongst others be done by socializing an ~~depart~~ departmentalisation in organization (frames will be shared inside the different departments)

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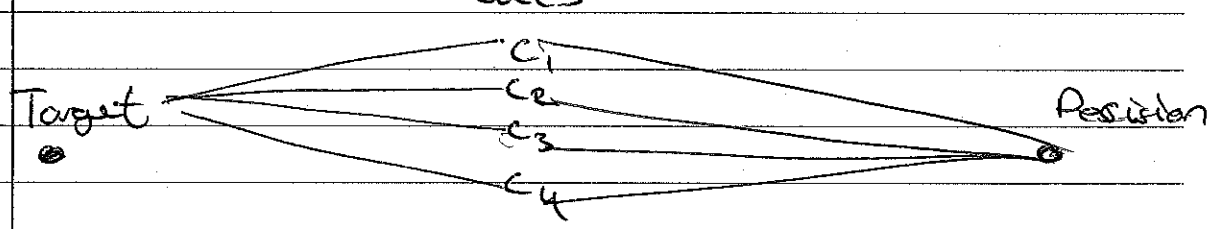
Brunswicks lens mode is a model of how we perceive the world.



The thinking is that or sensory system constantly give us new changing information of the world. Human have on the other hand a need to make the world a less complex place, we need to make it stable. Our perception of for example a chair is therfore constant. The lens model can be used in decision making. Imaging a manager who are going to hire salespeople. He can let the applications be cues, and his way of hiring be the left side (the target), and the currently best salespeople be the left side (decision). The manager would like to choose salespersons who are better or at least as good as his current best salespersons. He can look for cuess, which

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Supposebly ~~not~~ are important for good salespeople. We can then make a regression analyze to help find this out. there are however problems with this. ~~Often~~ Regression analyze ~~regr~~ demands that ~~it~~ their are on a linear relationship between cues and ~~Sales~~ decision. The problem is that sometimes cues are additive. A cue can make another cue more or less effective at predicting a good salesperson. A solution could be to combine this two cuess into one cue.

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Escalation of irrational commitment typically occurs when we have made an investment and we would not like to see this investment going to waste. Typically we first make an irrational decision, or at least a decision with an outcome that is not satisfactory. Whether or not a decision is inteligent or not could be evaluated by looking at process or outcome. A decision with a outcome that is not satisfactory could therefore still be viewed as a iateligent decision if we use process to evaluate inteligence but not if we use outcome. An ~~to~~ Example of an investment like this can be an investment in a company who has underperformed, or in a industry plant who isn't up do date, of the famous swedish company who made mechanical calculators and know faced the treat of electronical calculators. The problem is not ~~tha~~ so much that people have made a bad decision, but rather that they continue making

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bad decision. We have a escalation of irational commitment Typically decision makes have problems viewing their privous investments as sunk cost ~~Maybe bea~~ ~~They wish to~~ One explanation is that they wish to avoid waste. They have trouble making new decision without considering ~~what~~ the prior investment. The corect way of doing decisions should be to search ~~for the~~ for the alternative wich gives best expected utility without looking what has been done in the past.
In the case of the swedish mechanical calculator makes it was hard to change the way they make calculators to electronically, because they were the best at making mechanical calculators and had made a lot of investment. Also it could be hard for investors who also participate in a company, to accept that the money they have spent should be viewed as sunk cost, could be beaause they

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wish to avoid waste, but could also be because investors like these believes that they can turn things around, and therefor continoee to make investments in the company (escalation of irrational commitment) & only to discover later that they have lost even more money.

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5 1

~~Prescriptive theory~~ The decision models that ~~asks the question~~ follow the logic of consequences typically ask four quistions when taking decisions:
1. What alternatives are available to us.
2. What consequences are associated with the alternatives.
3. What preferences do I have
4. What decision rule should i use.

The consequenses are typically given value in line with what preferences you have for the consequences. The consequences are then given probabilities. You then get expected value for each consequenses, and you then ~~pass~~ move on to add up the expected value of each consequence, so that you get the expected value for each alternative. Most model following logic of consequences recognice that you should use a subjective value, As a rich person given 100$ will perceive this$ as less valuable as a poor person getting 100$ would, leading to the use of expected utility. Decision makers are then expected to max their expected utility, that is to choose the

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alternative which gives max expected utility.

This rational metodh of making decisions has lead to critics, as decision makers are constrainde by their bounded rationality and that they ~~of~~ satisfy instead of maximating. Decision makes are not able to attend to every alternative, to understand all of their consequences and to remember all of their preferences. We have problem storing memory, and retrieving it after its stored. Typically its easier to retrieve the memerory if its recent and frequent. We typically search for information for decision making as long as the percieved value is greater then the cost. Rational followers have more or less accepted the notion of bounded rationality amongst decision makers. One problem is however that decision makers seem to not follow some fundamental aspect of rationility like Transitivity, summation. Transitivity builds on the notion that decision makkers are able "rangere" consequenses. That ic they would like a instead of b, ~~then~~ and b instead of c,

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then they should also prefer a instedd of. This should also be stable if one is removed. Reality amongst decision makers however show differently. That the "rangeing" not always hold, and that when one thing is removed the "rangeing" change. The sumnation refer to that you should want ~~two positive~~ the sum more than the different parts. Ex: you more want 50 $ and soccer ticket then just 50 $, This has however not always hold true in the real world.

We differenciate between objective probability and subjective probability. Objective probability can be necessary and frequent. Necessary probability could for example be the probability of a dice turning up to be a 6, which should be 1/6. Frequent probability refer to probability based on the past, for example statistics. This is a probability typical used by insurance companyes. Subjective probability is however the decision makers estimate. The problem is that this probability doesn't necessarily conform to objective

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The reason for this can be many;
- Events that rarely happens we assig to low risk to.
- When managrs have success they typically think that it was they who made the success, and not luck or chance (risk). When they fail they turn it the other way around and think that it was to bad luck. (Just the same way do students think about the exam:))
- Situations with have severe consequences like plain crashes and nuclear accidents we assign more risk to, then more known existents like car crashes. The reason could be that the plain crases are more available to us because of media coverage.
- If we experience an event we typically see this as representativt, even though the sample is to small and not random.

Amongst other because of these shortcomings othe model based on the prescriptive rational models have been developed. Prospect theory is a theory which builds on

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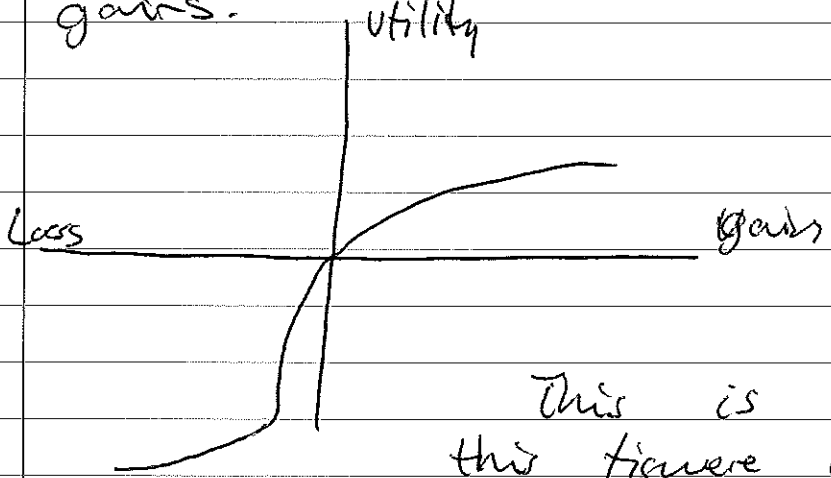
prescriptive rational models but tries to dapt it more to the ~~behaviour~~ actually behaviour of the decision makers. Prospect theory feels that decion makes go through a logic of consequences, they do however introduce som aspects that are different;

1. Wealth: Decision makes are not seen as max expected utility but as having a reference point, which typially is the status quo. Options are evaluated as gains or losses compared this reference point. Decision makes are more satisficers than maximatios.

2. Value: Prospet theory uses decision weigths. They try recognize that loss is felt more than the equal in gains.



This is showed in this figuere where the curve is steeper for loss than for gains. also the figure show that the curve gets

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less steeper when it moves to man gains ora loss, Representin that when youre alreadry have gained much more gain will give less utility. ~~te zE~~ Rich man perciev 100$ to bl less valuable than a poor person.

3. ~~pobs~~ probability: Paper theory ~~recognise~~ ~~that~~ assign higher propabilities for pobabilies under 0.3, while higher for probabilities over 0.3.

Logic of appropiness also tryies to ~~describe~~ ~~prescribe~~ ~~tells~~ describe how decison makers make decisions.. The ask three quistions.
1. What kind of situation is this. That is they recognize the situation
2. What kind of identity should I use in this situation.
3. What kind of rule should I use.

As othe model mentioned this model also builds on framing. When you recognice the situation you make use of prior knowledge to understand this situation. After recognizing the situation you

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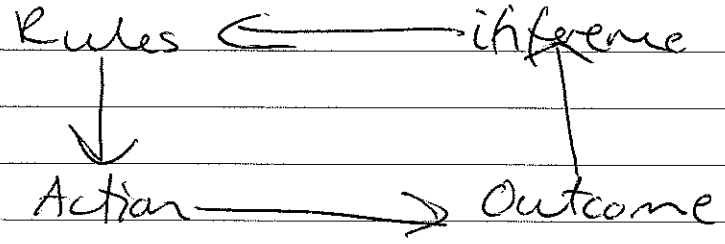
Should find a identity that is suitable. You then proceed to probe your memory for the right rule to follow.

The rules can be developed as can identity and recognition and many believes this could happen i a cycle.



failures in this cycle could lead to rigidity of rules, that its hard to see the conection between action and outcomes. That its hard to retrieve the right rules to the right actions.

Identity can be ~~dddd~~ developed by sosialisation, deportamentklær and so on.

Time!