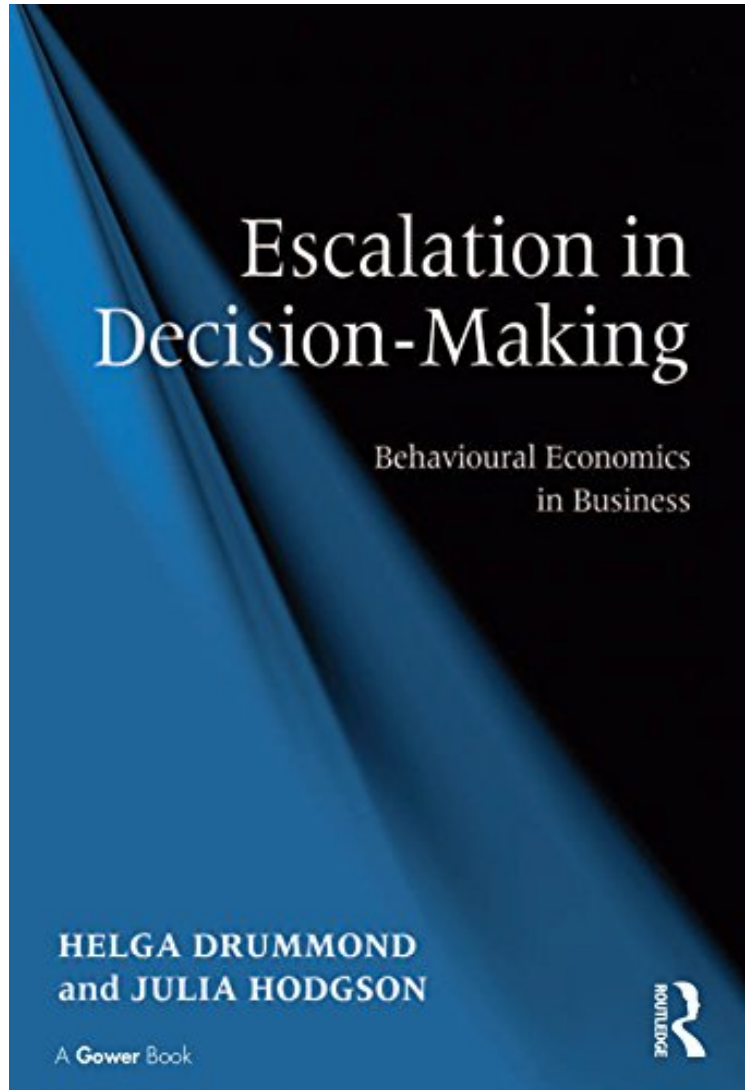


Escalation in Decision-Making: Behavioural Economics in Business

Helga Drummond, Julia Hodgson
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Helga Drummond, Julia Hodgson : Escalation in Decision-Making: Behavioural Economics in Business before purchasing it in order to gage whether or not it would be worth my time, and all praised Escalation in Decision-Making: Behavioural Economics in Business:

When a venture seems to be faltering, do you persist and hope that things will get better or do you cut your losses? This may be one of the most important decisions business or project owners may ever have to make. Persistence involves the risk of throwing good money (or resources) after bad, but owners may feel they have too much invested

to quit now. Escalation in Decision-Making reveals why social scientists believe that owners may not respond rationally to such predicaments. Instead of exiting when the odds are clearly stacked against them, they re-invest and end up compounding their losses - a phenomenon known as escalation of commitment. The authors, Helga Drummond and Julia Hodgson, also introduce the concept of entrapment, a variation whereby decision-makers passively drift towards insolvency as the cost of changing direction becomes too high. So: Acirc;middot; what drives escalation? Acirc;middot; why do some owners quit whilst others persist until the bailiffs arrive? Acirc;middot; what can we learn from owners' mistakes? Acirc;middot; what makes newcomers believe they can succeed where others are conspicuously failing? These questions of behavioural economics are answered using a narrative that analyses decisions made by market traders facing economic extinction. Many highly successful entrepreneurs started their careers in markets - it was once an almost guaranteed route to prosperity - now market traders are struggling to survive. Although the market traders featured are small entrepreneurs, the ubiquitous phenomenon of escalation at the heart of these stories is widely relevant to practitioners such as project managers in large organizations and to those responsible for managing risk in many situations. Rich in case studies involving real business decisions and dilemmas, Escalation in Decision-Making provides an accessible introduction to the application of theory against a background of growing interest in behavioural economics, now being researched and taught in univ

About the Author Helga Drummond, PhD (University of Leeds) has been part of the Faculty at Liverpool University Management School since 1990. She is now Professor of Decision Sciences. Professor Drummond is associated with a number of departments and agencies of the UK Ministry of Defence and is currently a non-executive director of the Service Personnel and Veterans Agency and a member of the Defence Scientific Advisory Council, the Finance Committee of the Royal Institution of Chartered Surveyors and the Disciplinary Tribunal of the Joint Council of the Inns of Court. Professor Drummond has lectured on risk and decision making at Cambridge University, Manchester University (UMIST), and the Defence Academy, Shrivenham. She has written eleven books and numerous academic papers and journal articles. She is frequently called upon to comment in the national newspapers press and broadcast media. Julia Hodgson, MA, MPA, PGCE and lecturer at the University of Liverpool Management School. She has published academic papers and journals in the areas of decision making in organisations and consumer experience.