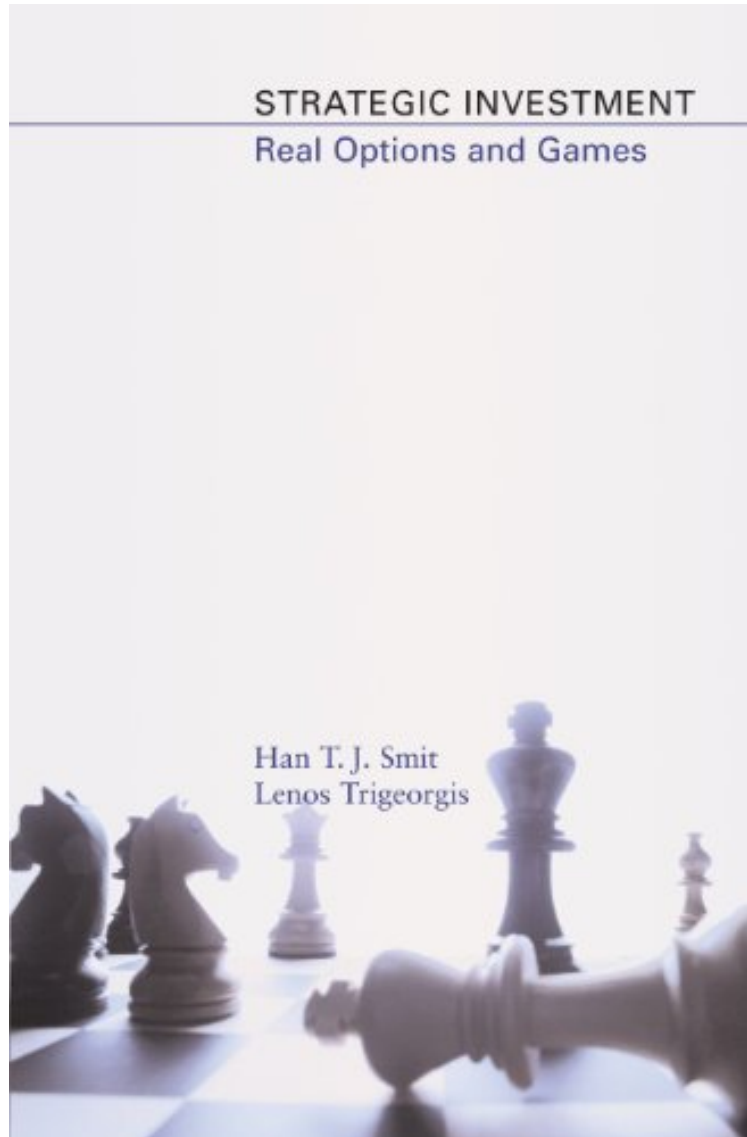


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Strategic Investment: Real Options and Games

Han T. J. Smit, Lenos Trigeorgis
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Angioletti In *Strategic Investment: Real Options and Games*, Smit and Trigeorgis developed a complete guide on how to develop valuation studies based on Real Option Theory and Game Theory. The approach is affordable for graduate and post graduate students or even for analyst looking for orientation about valuation and investment

Corporate finance and corporate strategy have long been seen as different sides of the same coin. Though both focus on the same broad problem, investment decision-making, the gap between the two sides--and between theory and practice--remains embarrassingly large. This book synthesizes cutting-edge developments in corporate finance and related fields--in particular, real options and game theory--to help bridge this gap. In clear, straightforward exposition and through numerous examples and applications from various industries, Han Smit and Lenos Trigeorgis set forth an extended valuation framework for competitive strategies. The book follows a problem-solving approach that synthesizes ideas from game theory, real options, and strategy. Thinking in terms of options-games can help managers address questions such as: When is it best to invest early to preempt competitive entry, and when to wait? Should a firm compete in RD or adopt an accommodating stance? How does one value growth options or infrastructure investments? The authors provide a wide range of valuation examples, such as acquisition strategies, RD investment in high-tech sectors, joint research ventures, product introductions in consumer electronics, infrastructure, and oil exploration investment. Representing a major step beyond standard real options or strategy analysis, and extending the power of real options and strategic thinking in a rigorous fashion, *Strategic Investment* will be an indispensable guide and resource for corporate managers, MBA students, and academics alike.

Winner of the 2004 Award for Best Professional/Scholarly Book in Business, Management, and Accounting, Association of American Publishers From the Inside Flap "Strategic Investment: Real Options and Games provides a powerful synthesis of modern corporate finance and corporate strategy. Its arrival could not be more timely for the practice of strategic management. Cumulative developments in finance science and innovations in financial technology over the past three decades have had a profound impact on financial markets and financial institutions globally. However, their influence on the practice of strategic corporate finance has been far more limited. That is changing and as a consequence one can anticipate significant opportunities for innovation in strategic advice and its implementation in the impending future. Who better to prepare us for it than Han Smit and Lenos Trigeorgis, with their combined experiences as serious academic researchers, skilled consultants, and seasoned teachers? Their carefully constructed text uses actual case settings and hypothetical situations to exemplify the power of combining real options and game theory to clarify and quantify strategic analysis of the firm. Whether MBA student or seasoned professional, the reader is in for a treat: Bon Appetit!"--Robert C. Merton, Harvard Business School and Nobel Laureate in Economic Sciences "This excellent book builds bridges across two dimensions. First, it synthesizes the real options approach to capital investment and game-theoretic analysis of strategic interactions. Second, it spans sophisticated theory and business practice. Academics as well as business managers can learn from it and enjoy its wonderfully clear exposition."--Avinash Dixit, author of *Lawlessness and Economics* "A tour de force. This book unifies two major strands of economic theory--real options and games--into a single, coherent framework, and then shows how these ideas can be applied to the formulation of corporate strategy. With deep knowledge, enlivened by zest and humor, the authors take the reader to the forefront of current thinking."--Carliss Y. Baldwin, William L. White Professor of Business Administration, Harvard Business School, coauthor of *Design Rules: The Power of Modularity* "In the study of investment decisions, it has been common to focus on either the financial or the strategic aspects of an investment. This admirable book combines the two perspectives, using the tools of real options and game theory. With its wide-ranging and eclectic assortment of theoretical models and case studies, the book will prove useful to students, practitioners, and researchers."--Robert L. McDonald, Erwin P. Nemmers Distinguished Professor of Finance, Kellogg School of Management, Northwestern University, author of *Derivatives Markets* "This book promises to have a very significant impact on the field of strategic management. For years, the field has struggled to find a way of reconciling two contradictory views: flexibility is good vs. commitment is good. Smit and Trigeorgis provide the framework and tools to evaluate when each strategy will create shareholder value. Very well written, the book provides a wealth of interesting examples. It will certainly be of interest to the strategy/investment analyst and MBA student."--Karel Cool, BP Chaired Professor of European Competitiveness, INSEAD "This timely pioneering book by preeminent authorities in the field provides a powerful introduction to the combination of two important modern tools for investment decisions--real options and game theory. These tools are being increasingly used by consultants and firms. Smit and Trigeorgis show that it is possible to be straightforward and clear when analyzing real investments and framing business plans using sophisticated tools like real options and games. They bypass complexity and focus on intuition and applicability, providing a rich practical framework allowing the reader to analyze investment strategy with eagle-eyed wisdom. Even the most rigorous reader will recognize the power of simplicity in analyzing complex business problems and the richness of the case applications. It is the ideal text not only for undergraduate and MBA students but also for consultants and managers, who will finally get the first readable book on this topic."--Marco A.G. Dias, Petrobras From the Back Cover "Strategic Investment: Real Options and Games provides

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