

THE ART OF STRATEGY

A Game Theorist's Guide to Success in Business and Life

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The Web site for this book is at www.artofstrategy.info.

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MAIN IDEA

To become skilled at strategic thinking and genuinely master the art of strategy, you should become familiar with the basic principles and concepts of the formal academic discipline known as “game theory”. The reasons why:

- Game theory underpins how good strategic decisions are made in business and in life.
- Game theory is the art of understanding others based on what they do, not merely what they say.
- Game theory allows you to anticipate and preempt how others will respond while you offer them options.
- Game theory provides a framework for soliciting the cooperation of others, even when they are motivated by ulterior motives.


In all, good strategic thinking still remains an art but if you understand the basic principles and ideas of game theory, you position yourself to become a better strategic thinker.

“Strategic thinking is the art of outdoing an adversary, knowing that the adversary is trying to do the same to you. It is also the art of finding ways to cooperate, even when others are motivated by self-interest, not benevolence. It is the art of convincing others, and even yourself, to do what you say. It is the art of interpreting and revealing information. It is the art of putting yourself in others’ shoes so as to predict and influence what they will do.”

– Avinash Dixit and Barry Nalebuff

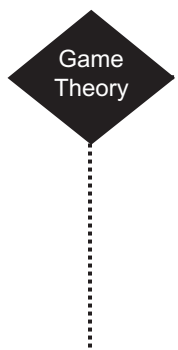
	<p>..... What is it?</p>	<p>Page 2</p>
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To understand the science of game theory, first become familiar with its underlying definitions and concepts. Once you understand the lay of the land, you can then start using game theory in the strategic decisions you need to undertake.

	<p>..... What are the basic rules of game theory?</p>	<p>Pages 3 - 5</p>
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- ▶ 1 Look forward, reason backward
- ▶ 2 If you have a dominant strategy, use it
- ▶ 3 Eliminate any dominated strategies from consideration
- ▶ 4 Always look for equilibrium situations
- ▶ 5 In zero-sum situations, mix your plays

The five basic rules of game theory provide a systematic framework for good strategic thinking. They also allow sound strategic decisions to be made and then followed through on.

	<p>..... Applying game theory to strategic thinking</p>	<p>Pages 6 - 8</p>
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▶ 1	▶ 2	▶ 3
Manipulating information	Cooperation coordination	Auctions & contests
▶ 4	▶ 5	▶ 6
Bargaining situations	Voting situations	Negotiating incentives

Once you understand the principles and broad rules of game theory, you can then get to work applying game theory to practical benefit in real world business situations. This is much more of an art than an exact science, however, and therefore you need to be prepared to acquire expertise in this area by example, experience and practice. The best way to improve your skill at the art of strategy is to learn how it has been done before in similar situations and to then transpose those principles to your specific requirements.

