

Chapter 8 Real Options New York University

Creating Shareholder Value through Mergers and Acquisitions
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DOMINGUEZ KARLEE

Creating Shareholder Value through Mergers and Acquisitions Oxford University Press
 Decision-makers in business and economics face a staggering array of problems. For example, managers of growing firms have to decide when to expand their business, governments have to decide whether to undertake large infrastructure investments, and managers of oil firms must decide how rapidly to deplete their reserves. While these problems seem quite diverse, they all share many important features. In each case, the decision-maker must choose when to take a particular action that will be potentially impossible to reverse, and the consequences of taking (or not taking) that action are uncertain. Also, the timing and nature of these actions directly affect the cash flows generated by the entities they manage. This book explains how techniques originally developed to price financial derivatives can be used to analyze real-world decisions, and provides the tools necessary to put them into practice. The real options analysis approach to decision-making is built on strong theoretical foundations, and is widely discussed in practitioner literature, but often only at a fairly intuitive level. What practitioners need—and what this book delivers—is a structured approach to systematically applying real options analysis to the wide variety of problems they will meet in business and economics. *Real Options in Theory and Practice* focuses on building up a general approach to solving real options problems from the ground up. Rather than aiming to build a "black box" to solve a small set of standardized real options problems, it describes the building blocks of any successful real options analysis and shows how they can be assembled in a way that is appropriate to the problem being analyzed. For both practitioners and academics, *Real Options in Theory and Practice* will serve as an authoritative and invaluable resource for those looking for effective and practical solutions to complex, real-life problems.

Rethinking the Foundations of Global Corporate Success John Wiley & Sons

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 R&D 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, R&D 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.

An Integrated Approach to Process, Tools, Cases, and Solutions John Wiley & Sons

Platform Ecosystems is a hands-on guide that offers a complete roadmap for designing and orchestrating vibrant software platform ecosystems. Unlike software products that are managed, the evolution of ecosystems and their myriad participants must be orchestrated through a thoughtful alignment of architecture and governance. Whether you are an IT professional or a general manager, you will benefit from this book because platform strategy here lies at the intersection of software architecture and business strategy. It offers actionable tools to develop your own platform

strategy, backed by original research, tangible metrics, rich data, and cases. You will learn how architectural choices create organically-evolvable, vibrant ecosystems. You will also learn to apply state-of-the-art research in software engineering, strategy, and evolutionary biology to leverage ecosystem dynamics unique to platforms. Read this book to learn how to: Evolve software products and services into vibrant platform ecosystems Orchestrate platform architecture and governance to sustain competitive advantage Govern platform evolution using a powerful 3-dimensional framework If you're ready to transform platform strategy from newspaper gossip and business school theory to real-world competitive advantage, start right here! Understand how architecture and strategy are inseparably intertwined in platform ecosystems Architect future-proof platforms and apps and amplify these choices through governance Evolve platforms, apps, and entire ecosystems into vibrant successes and spot platform opportunities in almost any—not just IT—industry
Real Options Academic Press

In a world of ever increasing talent and ever more rapid creation of new knowledge, and in a world that is growing in complexity by the day, it is truly intriguing to learn of capabilities for success and failure in rapid innovation-based industries. The fusion of academic concepts and empirical insights make this book a source of inspiration for inquiring managers. Norbert Walter, Chief Economist of Deutsche Bank and CEO of Deutsche Bank Research, Germany This volume represents a most welcome and important contribution to the emergent and fast-growing dynamic capabilities view (DCV) of the firm and sustainable competitive advantage. It simultaneously helps to assess critically, integrate with a wide range of other perspectives, broaden the scope, and deepen the conceptual foundations of the DCV. In addition and importantly, it links DCV to, and contrasts it with, managerial practice. The authors dispassionate approach is a further plus. The editors have done an excellent job and should be congratulated for this work that should be a must-read. Christos Pitelis, Reader in International Business and Competitiveness, University of Cambridge, UK This path-breaking book provides unique insights into the organisational realities of strategic reconfigurations in uncertain markets, thus advancing the dynamic capability perspective. Dynamic capabilities continue to excite academics. It is a perspective that promises explanations of competitive advantage, but its full potential remains somewhat hidden behind abstract notions. This eloquent volume seeks to overcome the challenge by combining the theory and practice of organisational resource configurations. Joint contributions by expert academics and business executives demystify, but also confirm, elements of the theory. Thus, the book integrates dynamic capabilities with organisational realities as well as with adjacent theories of strategic innovation and entrepreneurship. *Strategic Reconfigurations* provides a guide to strategic management in turbulent times, for students, researchers, and professionals alike. Business executives in high-velocity markets will find the book invaluable.

Real Options in Engineering Design, Operations, and Management Edward Elgar Publishing

Updated and revised, this second edition applies advanced financial analytics within a strategic framework that recognizes an environment where sustainable competitive advantage is a progressively more difficult task. *Real Options* offer the link to value and the strategic opportunities that lie in an increasingly dynamic landscape

Solving Real-World Problems with Quantitative Methods BPP Learning Media

What I Didn't Learn in Business School is a compelling read—whether you're a recent business school grad struggling to apply your new knowledge or an experienced leader who already knows that no strategy is created in a vacuum. --Book Jacket.

Classical Readings and Recent Contributions Routledge

Mergers, Acquisitions, and Other Restructuring Activities: An Integrated Approach to Process, Tools, Cases, and Solutions, Tenth Edition, is the most comprehensive and cutting-edge text available on the subject. Supported by recent peer-reviewed academic research, this book provides many recent, notable deals, precedent-setting judicial decisions, government policies and regulations, and trends

affecting M&As, as well as takeover strategies and tactics. Today's policies, politics and economics are reflected in the book's 40 case studies, 90% of which involve deals either announced or completed during the last several years. These cases represent friendly, hostile, highly leveraged, and cross-border transactions in ten different industries, involving public and private firms and those experiencing financial distress. Sections discuss an overview of M&As, key regulations, common strategies and tactics, how managers may choose a business strategy from available options, valuation methods and basic financial modeling techniques, the negotiating process, how deal structuring and financing are inextricably linked, how consensus is reached during the bargaining process, the role of financial models in closing the deal and strategic growth options as alternatives to domestic M&As. Provides a rigorous discussion of the strengths and limitations of financial modeling as applied to M&A and how these models can be applied in various areas. Includes new academic research and updated/revised case studies. Presents updated M&A tactics and strategies, along with court cases and new regulations governing business combinations, valuation methodologies and financing.

Real Options in Capital Investment Academic Press

A nation's culture and structure influence both the type and degree of innovation achievable within its society. Examines and discusses the latest developments in the valuation of capital investment opportunities.

A Stochastic Control Framework for Real Options in Strategic Evaluation McGraw Hill

Harness the power of real options. Real options theory is based on the Nobel Prize-winning work on financial options, and has captured the interest of executives, managers, and investors who need to understand the future profitability of an asset. Originally developed to value technology initiatives and companies, the method is now being applied broadly across various businesses and industries. The Real Options Solution offers comprehensive coverage of the real options approach with a five-step framework and examples for applying the author's unique total value model based on real options analysis. This approach will help executives and investors minimize the risk of committing to new ventures and delivers a framework flexible enough to apply to business initiatives in all types of companies.

Strategy, Value and Risk Butterworth-Heinemann

eBook: New Products Management 11e

Project Valuation Using Real Options John Wiley & Sons

Praise for Real Options Analysis Course "Dr. Mun's latest book is a logical extension of the theory and application presented in Real Options Analysis. More specifically, the Real Options Analysis Course presents numerous real options examples and provides the reader with step-by-step problem-solving techniques. After having read the book, readers will better understand the underlying theory and the opportunities for applying real option theory in corporate decision-making." -Chris D. Treharne, President, Gibraltar Business Appraisals, Inc. "This text provides an excellent follow up to Dr. Mun's first book, Real Options Analysis. The cases in Real Options Analysis Course provide numerous examples of how the use of real options and the Real Options Analysis Toolkit software can assist in the valuation of strategic and managerial flexibility in a variety of arenas." -Charles T. Hardy, PhD, Chief Financial Officer & Director of Business Development, Panorama Research, Inc. "Most of us come to real options from the perspective of our own areas of expertise. Mun's great skill with this book is in making real options analysis understandable, relevant, and immediately applicable to the field within which you are working." -Robert Fourt, Partner, Gerald Eve (UK) "Mun provides a practical step-by-step guide to applying simulation and real options analysis-invaluable to those of us who are no longer satisfied with conventional valuation approaches alone." -Fred Kohli, Head of Portfolio Management, Syngenta Crop Protection Ltd. (Switzerland)

Battling Resistance to Antibiotics and Pesticides Harvard Business Press

Aswath Damodaran, distinguished author, Professor of Finance, and David Margolis, Teaching Fellow at the NYU Stern School of Business, have delivered the newest edition of Applied Corporate Finance. This readable text provides the practical advice students and practitioners need rather than a sole concentration on debate theory, assumptions, or models. Like no other text of its kind, Applied Corporate Finance, 4th Edition applies corporate finance to real companies. It now contains six real-world core companies to study and follow. Business decisions are classified for students into three groups: investment, financing, and dividend decisions.

Managerial Flexibility and Strategy in Resource Allocation Elsevier

Gain the understanding of today's financial markets and corporate financial management you need to propel you toward your goals with the contemporary insights and innovative learning tools found in Brigham/Houston's popular FUNDAMENTALS OF FINANCIAL MANAGEMENT: CONCISE, 11E. This market leader offers intriguing insights into the social responsibility of business, the significant effects of recent changes in corporate tax code, the ongoing multiple effects related to the economic impact of the coronavirus pandemic and other emerging issues straight from today's headlines. Clear explanations and real, meaningful examples help you understand the what and the why of

corporate budgeting, financing, working capital decision making, forecasting, valuation and Time Value of Money. Hands-on exercises, cases and activities guide you in putting the theory you learn into action. Important Notice: Media content referenced within the product description or the product text may not be available in the ebook version.

Platform Ecosystems Taylor & Francis

Applying practical tools to the volatile process of negotiating. Prognosticators apply Monte Carlo Analysis (MCA) to determine the likelihood and significance of a complete range of future outcomes; Real Options Analysis (ROA) can then be employed to develop pricing structures, or options, for such outcomes. Richard Razgaitis' Dealmaking shows readers how to apply these powerful valuation tools to a variety of business processes, such as pricing, negotiating, or living with a "deal," be it a technology license, and R&D partnership, or an outright sales agreement. Dealmaking distinguishes itself from other negotiating guides not only by treating negotiations as an increasingly common situation, but also by presenting a tool-based approach that creates flexible, practical valuation models. This forward-thinking guide includes a variety of checklists, case studies, and a CD-ROM with the appropriate software. Richard Razgaitis (Bloomsbury, NJ) is a Managing Director at InteCap, Inc. He has over twenty-five years of experience working with the development, commercialization, and strategic management of technology, seventeen of which have been spent in the commercialization of intellectual property.

Real Options in Theory and Practice Greenwood Publishing Group

Explains methods, benchmarks, and techniques for assigning a monetary value to intangible assets, and examines the strategic context for intellectual property valuation in global companies.

eBook: New Products Management 11e CRC Press

This text addresses a wide range of issues in valuation using the Real Options technique. It covers the whole area of Real Options and looks closely at developments, especially in valuing technology companies. Authors in Europe, North and South America, Asia and Africa provide seven Real Options models and applications.

Expectations Investing John Wiley & Sons

Comprehensive in scope, Real Options reviews current techniques of capital budgeting and details an approach (based on the pricing of options) that provides a means of quantifying the elusive elements of managerial flexibility in the face of unexpected changes in the market. In the 1970s and the 1980s, developments in the valuation of capital-investment opportunities based on options pricing revolutionized capital budgeting. Managerial flexibility to adapt and revise future decisions in order to capitalize on favorable future opportunities or to limit losses has proven vital to long-term corporate success in an uncertain and changing marketplace. In this book Lenos Trigeorgis, who has helped shape the field of real options, brings together a wealth of previously scattered knowledge and research on the new flexibility in corporate resource allocation and in the evaluation of investment alternatives brought about by the shift from static cash-flow approaches to the more dynamic paradigm of real options—an approach that incorporates decisions on whether to defer, expand, contract, abandon, switch use, or otherwise alter a capital investment. Comprehensive in scope, Real Options reviews current techniques of capital budgeting and details an approach (based on the pricing of options) that provides a means of quantifying the elusive elements of managerial flexibility in the face of unexpected changes in the market. Also discussed are the strategic value of new technology, project interdependence, and competitive interaction. The ability to value real options has so dramatically altered the way in which corporate resources are allocated that future textbooks on capital budgeting will bear little resemblance to those of even the recent past. Real Options is a pioneer in this area, coupling a coherent picture of how option theory is used with practical insights in into real-world applications.

A Framework for Risk Management Harvard Business Review Press

Business leaders are frequently faced with investment decisions on new and ongoing projects. The challenge lies in deciding what projects to choose, expand, contract, defer, or abandon, and which method of valuation to use is the key tool in the process. This title presents a step-by-step, practical approach to real options valuation to make it easily understandable by practitioners as well as senior management. This systematic approach to project valuation helps you minimize upfront investment risks, exercise flexibility in decision making, and maximize the returns. Whereas the traditional decision tools such as discounted cash flow/net present value (DCF/NPV) analysis assume a "fixed" path ahead, real options analysis offers more flexible strategies. Considered one of the greatest innovations of modern finance, the real options approach is based on Nobel-prize winning work by three MIT economists, Fischer Black, Robert Merton, and Myron Scholes.

The Economics of Online Markets and ICT Networks J. Ross Publishing

The study of investment under uncertainty was stagnant for several decades until developments in real options revitalized the field. The topics covered in this book include the reasons behind the under-investment programme.

The Art of Capital Restructuring Springer

First published in 2009. Routledge is an imprint of Taylor & Francis, an informa company.