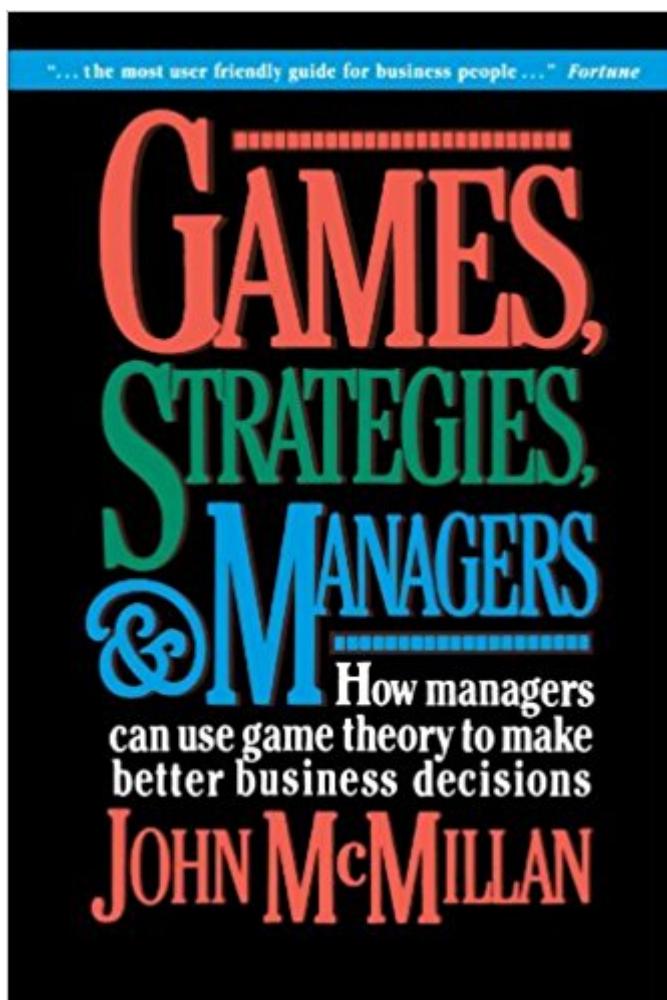


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# Games, Strategies, And Managers: How Managers Can Use Game Theory To Make Better Business Decisions



## Synopsis

"Business is a game--the greatest game in the world if you know how to play it," said IBM's founder Thomas J. Watson. He would probably agree that business negotiations are essentially the game of predicting what the other person will do. Faced with employees, subcontractors, salespeople and others, managers are continually called upon to make strategic decisions based on how someone else will act and react. How do the successful ones do it? Is it savvy? Guesswork? Even the most canny negotiators would be hard pressed to describe their own methods, which they generally develop intuitively over long and costly experience. But a key to becoming a top negotiator is now available to managers at all levels, in Games, Strategies, and Managers--the revealing new book that injects some science into the art of business decision-making. Adapted from the hottest new area of economic theory and based on the latest breakthroughs, Games, Strategies, and Managers goes far beyond the advice commonly offered to negotiators--the old saws, the tales about what worked once in Cleveland--to provide powerful insight into what's really going on beneath every negotiation. Using seven key questions as a starting point, it helps the executive strip away the distracting details of a situation. It doesn't matter if the issue is commissions, piece rates, royalties, managerial incentives, or cost-overrun provisions--the game is the same. The negotiator who recognizes these underlying rules and exploits them to best advantage will gain the upper hand, in formal negotiations as well as in dozens of everyday business situations. Of course, any game involves risk. Managers often have to make a decision without full knowledge of the consequences, and others' actions are not entirely predictable. Game theory explores how to take creative risks to get the strategic edge. Invaluable practical illustrations that show game theory in action include the setting of executives' incentives, the organizing of a network of subcontractors, and a behind-the-scenes look at how international trade negotiations really work. For the sales manager devising a commission-payment scheme to motivate salespeople, the procurement manager trying to get a subcontractor to limit production costs, the compensation committee designing a managerial incentive scheme, and beginning or experienced executives in all industries, Games, Strategies, and Managers shows how to excel at "the greatest game in the world." Even more than a powerful tool of business strategy, game theory is a valuable habit of mind--a way for executives to sharpen their thinking in business and in life. While experience may help you see the trees, game theory shows you the whole forest.

## Book Information

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## **Customer Reviews**

"An excellent guide to understanding puzzling business situations....Anyone who has to think for a living will find this book a torch to illuminate murky situations."--Soundview Executive Book

Summaries"Games, Strategies, and Managers will be helpful both for beginning managers and for advanced strategic planners."--Akira Omori, Arthur Andersen & Co.

Managers are continually called on to make strategic decisions based on how someone else will act, and react, and this is exactly what game theory was invented to analyze. With the publication of John McMillan's 'Games, Strategies, and Managers,' managers can now unlock the power of this bold way of thinking. The book strips away distracting details and provides insights into what is really going on in every negotiation and strategic decision.

Games, Strategies, and Managers introduces game theory in business, management and our personal life, not the basic lessons on corporate management and strategy. Basically this book is on game theory, decision making, contract theory and mechanism design though it has many case studies of business and management. It sounds difficult and tedious, but it is actually reader-friendly and easier for interested people to read through than other books of game theory. What makes a difference is to introduce some models and problems in the last two appendices, which will greatly help students of economics or business, and the business people understand the essence of game theory. Not only will reading the problems, but also solving them be necessary to make sense. The models used in this book are all quadratic functions and thus if you know about a quadratic function, you can solve them. Compared with Thinking Strategically of Dixit and Nalebuff, much more popular

alternative widely accepted as an elementary essay on game theory, Games, Strategies, and Managers may be less popular and has less case studies with less explanations. However, it has more practical case studies and shortcut explanations on them. In this point, it will help more to use game theory for thinking about and trying to solve practical issues. Of course, as this author tells, game theory cannot explain every aspect of our business and management life, nor answer all the business and management problems, which seems to be able to explain and answer only what we have taken for granted in real life. However, it can be said to be true that we don't know a lot about it. Game theory gives us some elementary frameworks for thinking about it. This book will play a role of the guide for us to see what we see in everyday life through the lens of game theory, and will give us new insights on it. Over 20 years have already passed since this book was published, and unfortunately its author, prof. John McMillan, has already passed away. We can never hope for its revised edition (however, McMillan's another great book, Reinventing The Bazaar, can be its revised edition since it uses almost the same key words, bidding, signaling, bargaining and contracting.). However, it doesn't mean that it has been already out of date; Rather it will give timeless and important lessons on business, management and life.

I have greatly enjoyed both of John McMillan's books that I have read. This book was very concise, explained the subject in an engaging manner, was technical enough to get a feel for pure game theory as taught in an economics class, and was just an enjoyable read. I don't know how useful it would be to an actual manager (I'm not one.) but for me it provided the perfect introduction to game theory.

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