Systems Thinking for Business

Capitalize on Structures Hidden in Plain Sight

by

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Strategic Decision Checklist

- ☐ **Does the result of this decision depend on another's actions?** First things first, avoid competitor neglect.
- ☐ **Is this coordination, competition, or a bit of both?** How does the situation fit in this classification. It may give you a clue for possible actions. For example, if it is purely competition, then an irrevocable commitment may be an option worth analyzing.
- ☐ **Can I quantify my options, their options, and the potential results?** This is reminding you to attempt to write out the options and the other party's potential responses. You can use a payoff matrix, decision tree, or another form if it helps.
- ☐ **Is this a Prisoner's Dilemma (PD)?** The PD is so common that your situation may well be one. If so, we have discussed a lot of ways to respond.
- ☐ **Is the other entity an individual, small group, or organization?** Who is making the decision on the other side and what are their motivations? What are their utilities? We will get into this in some detail when we talk about the TOP (Technical, Organizational, Personal) multiple perspectives approach in Chapter 8.
- ☐ **What information is public, what is my private information, what private information might the other party have?** It is important to consider the information space. For example in the case of negotiating a price, the seller may have much better information about the product (think about buying a used car).
- ☐ **Have I interacted with this entity in this situation before?** Is this some type of iterated game? Do you have any clues as to their strategy? Also consider if the other party has been in this situation before with another player. They may have learned something from those previous interactions.
- ☐ **What are the factors of utility to me and the other entity?** Think about both your own and the other parties motives. Attempt to translate the objective outcomes (e.g., dollars) into utility. Recall prospect theory and the nonlinearity and nonsymmetry (loss aversion) of the curve.
- ☐ **Is there a sequencing to the decisions? Could first or last moves be critical?** Think about the sequence of decisions. In the game of Chicken, if the other player has already thrown their steering wheel out the window, then you have lost that option.
- ☐ **Is it legal or beneficial to communicate?** The legal framework is obviously key here but signaling may be a viable strategy. Communication can be valuable if there is some degree of coordination in the situation (versus purely competitive).
- ☐ **Should I announce my strategy?** Announcing your strategy could be very valuable in a situation with a high degree of coordination.
- ☐ **Does it seem there is no clear best strategy (warranting random choice)?** If there is no clear best strategy, and the game is iterated, then a random response may be the best option.

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