Category

Strategy

Strategic Options, Real-Options & Portfolio of Bets Playbook

Valuing and staging strategic investments the way real-options thinking values investments under uncertainty

- Executive
- Advanced
- Template Included

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- 4 minute(s)

Overview

A framework for treating strategic initiatives as a portfolio of staged bets — sized and sequenced using real-options logic — rather than committing full capital upfront to investments whose value depends on information you don't have yet.

Do we need formal financial options-pricing models to use this?

No — this playbook uses real-options thinking (stage investment, preserve the option to expand or exit as information arrives) as a decision discipline, not a financial engineering exercise requiring Black-Scholes-style modeling.

How is this different from standard capital budgeting (NPV)?

Standard NPV assumes a single committed path and values it once. Real-options thinking explicitly values the flexibility to expand, delay, or abandon as new information arrives — often revealing that a staged, smaller initial bet is worth more than a single large upfront commitment, even when the NPV of committing fully looks similar.

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