Relationship Between Proposals

- Independent proposals

  choosing any proposal from that set has no effect on your ability to choose any other proposal in the set

- Dependent proposals

  choosing any one proposal from that set limits your ability to choose any other proposal in that set

For now, Ignoring budget constraints, staffing limits, etc

Dependent Proposals

- Codependent proposals

  choosing one requires choosing the other and vice versa

- Mutual exclusive proposals

  choosing either one prevents choosing the other *(for other technical or business reasons, not because of financial or staffing limits)*

- Contingent proposals

  choosing P2 depends on first choosing another proposal, P1, but P1 doesn't depend on choosing P2.

  - One way dependency

Alternatives

- The typical business decision involves choosing between more than just two proposals
- It's often possible to choose more than one of the proposals at the same time.
- Given a set of k proposals, if those proposals are all independent and there aren't any budget (or other resource) constraints, then there would be 2^k different possible unique courses of action.
- These range from carrying out none of the proposals to carrying out all of the proposals, and includes all of the various combinations in between
- Any dependencies among the proposals just make matters more complicated.
- The decision process is a lot simpler when the choices can be represented entirely in mutually exclusive terms.

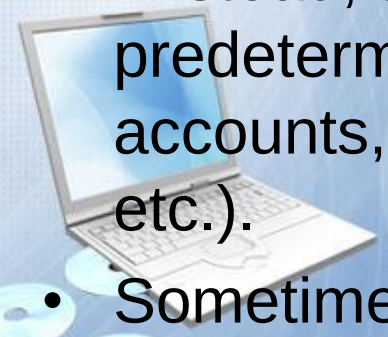
Developing Mutually Exclusive Alternatives

- STEP 1: Generate All Theoretically Possible Combinations Of Proposals

- STEP 2: Remove Invalid Alternatives

The "Do Nothing" Alternative

- It's important to consider the do nothing alternative in most business decisions
- Alternative A0 represents a course of action that, by convention, is called the "do nothing" alternative.
- This alternative doesn't really mean doing nothing at all, it only means that none of the proposals in the set being considered are carried out.
- Instead, the money is put into investments that give a predetermined rate of return (bonds, interest bearing accounts, put into a more profitable part of the corporation, etc.).
- Sometimes even the best of the stated proposals is worse than what could be achieved by investing somewhere else



Reading Material

- Part I
  - Chapter 9 : Developing Mutually Exclusive Alternatives

Text Book:

*"**Return on Software: Maximizing the Return on Your Software Investment**" by Steve Tockey*