Commentary

Development and Research of Economic Decision Analysis

Manish Pandey*

Department of Hotel & Business Management, Jamia Millia Islamia University, Jamia Nagar, Okhla, New Delhi, India

DESCRIPTION

Decision Analysis (DA) is a methodical, quantitative, and visually appealing way to dealing with and assessing the significant decisions that corporations occasionally have to make. The phrase is credited with being created in 1964 by Ronald A. Howard, a Stanford University professor of management science and engineering. When making various decisions, such as those involving management, operations, marketing, capital investments, or strategic decisions, both large and small organisations will apply this concept.

Decision analysis involves elements of psychology, management strategies, training, and economics and will use a number of methods to examine all pertinent information to assist in the decision-making process. It is frequently used to evaluate choices that are made in light of several different factors and that have a wide range of potential outcomes or goals. When trying to decide on risk management, capital investments, or strategic business decisions, individuals or groups might employ the approach.

Such tools are intended to give decision-makers options when striving to achieve business objectives, while also describing uncertainties involved and offering metrics of how successfully objectives will be attained if ultimate results are realised. Probabilities are often used to communicate uncertainty, whereas utility functions and trade-offs are used to describe friction between opposing aims. In other words, goals are evaluated in terms of their value to the organisation or, if met, their expected value.

Research of decision analysis

Decide what problem has to be fixed or what decision needs to be taken first. Consider the options or potential solutions after identifying the problem. Consider the scenario when Wehave a sizable sum of money that We want to invest. Utilizing a decision analysis may help Weselect the investment that best suits We needs from a range of options. Think about using journalising as a tactic to pinpoint the problem and come up with potential remedies. We can start exploring prospective remedies orpossibilities now that We have a clearunderstanding of issue.

They can utilise the facts from this information to build a decision model and evaluate the options' results. Consider each choice from a variety of perspectives, including any costs, risks, trade-offs, advantages, and success probability that may be involved. Depending on the issue trying to resolve, research may incorporate both qualitative and quantitative information. For instance, if there company is looking to expand, We might consider elements like the neighborhood's demographics or the volume of foot traffic on that particular street.

Economic decision tree

To describe and assess possibilities, we can use a decision model in conjunction with framework.

Decision tree: We can combine framework and decision-making model. One of the most popular tools for decision analysis is the decision tree, a flowchart that shows the likely results of the choices. We can create a decision tree by sketching a rectangle to represent issue or problem and adding branches to represent your options and their outcomes. Clarify the thinking and consider the options.

Influence diagrams: Influence diagrams are flowcharts that concentrate on the potential effects of various variables on the choice or objective. This sort of flowchart is made by first drawing a square in the middle to represent the query, then adding branches for any unclear aspects that might be relevant and have an effect on the choice and the result.

CONCLUSION

Models are often used to examine the results of various decisions after developing a framework to assess a problem. Models are used to show decisions in comparison to other options since they are visual representations of expected consequences. Businesses can choose the option that results in a good conclusion by modelling the various predicted outcomes and their probabilities. Decision trees, which are models in the shape of trees with "branches" that stand in for various outcomes, are one of the most often used models in decision analysis. Because they are easy to comprehend and offer insightful information

Correspondence to: Manish Pandey, Department of Hotel and Business Management, Jamia Millia Islamia University, Jamia Nagar, Okhla, New Delhi, India, E-mail: Pandeym123@gmail.com

into a situation by presenting the results, alternatives, and probability of various selections, decision trees are frequently employed. This makes determining which decision yields the best result simple.