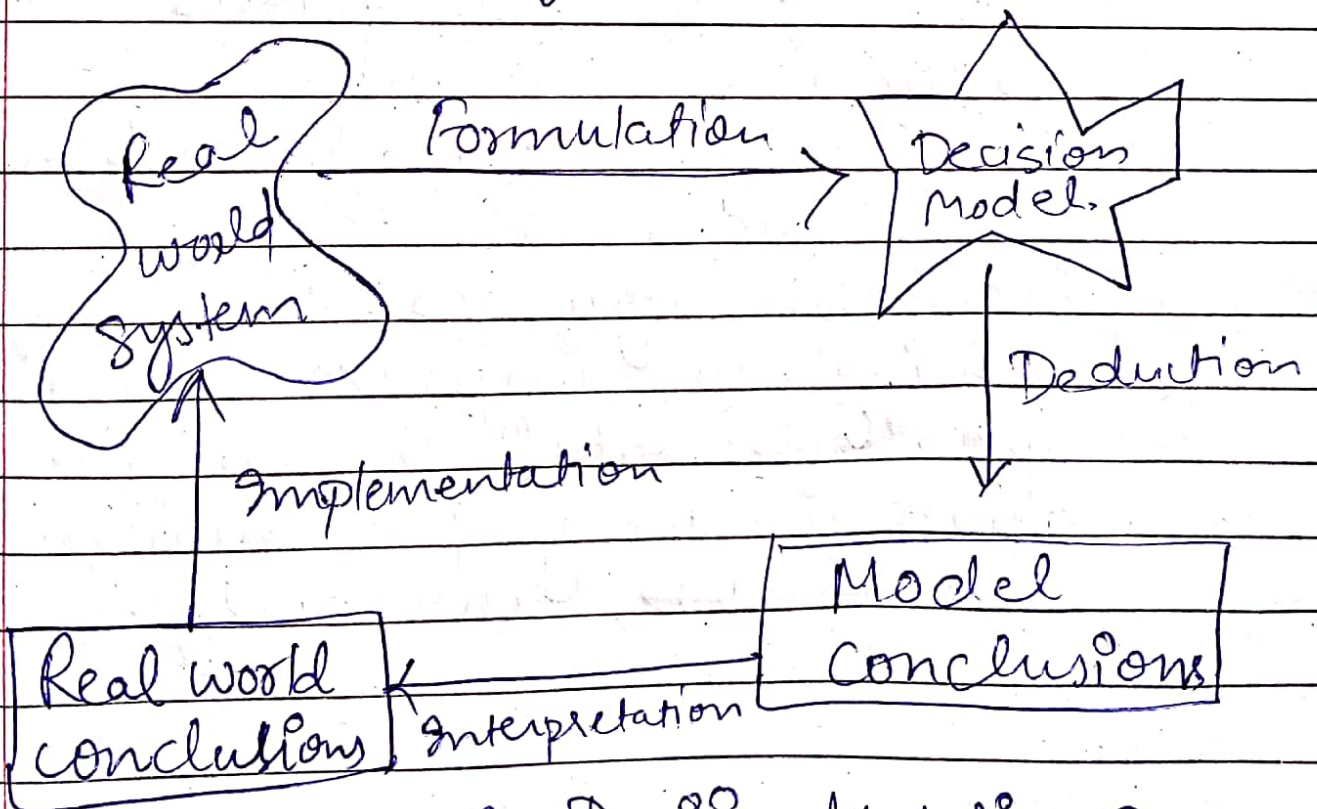


② Decision Modeling process

Decision Modeling refers to the use of mathematical or scientific methods to determine an allocation of scarce resources which improves or optimizes the performance of a system.

The term operations research and management science are also used to refer to decision modeling.



Decision Modeling process

Application of Decision Model

A sample of systems to which decision models have been applied include:

- Financial systems

Portfolio optimization, security pricing, cash flow matching,

Example: Liberty View Capital Management uses a spreadsheet optimization model developed by a 1995 Columbia MBA to hedge bond investments using stock and options.

- Production systems

Oil, steel, chemical and many other industries.

Examples: Citgo uses linear programming to improve refining operations. Total benefit: approximately \$70 million ~~ann~~ annually.