

ENGINEERING & CONSTRUCTION RISK INSTITUTE

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Decision Analysis

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Introduction: Decision Analysis is the discipline and practice for addressing and evaluating important decisions in a formal manner and can be used for removing or reducing risk

Purpose: There is much written material available on Decision Analysis that deals with the theory, methods and tools for identifying and assessing important aspects of a decision. This document will not attempt to replicate this but more rather deal with Decision Analysis in general terms as part of the Risk Management process. Further, there is a need to emphasize the use of a disciplined process in decision making in lieu of, at times, the complete reliance on experience and intuition.

Scope: Research shows that decision analysis methods are rarely used even when making high stakes decision.

Decision analysis can be used in a variety of business management fields, planning, marketing and human resources etc.

In the E&C operational environment decision making and risk taking are linked whereby the decision chosen has the probable outcome of removing or reducing risk.

Decision analysis tools include decision models, decision trees, and influence diagrams which try to ensure there is an objective rather than a subjective approach. Most decision makers however, rely on emotions, habits or traditions when making choices in the face of certainty, especially as they are often made under outside pressures or time constraints.

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