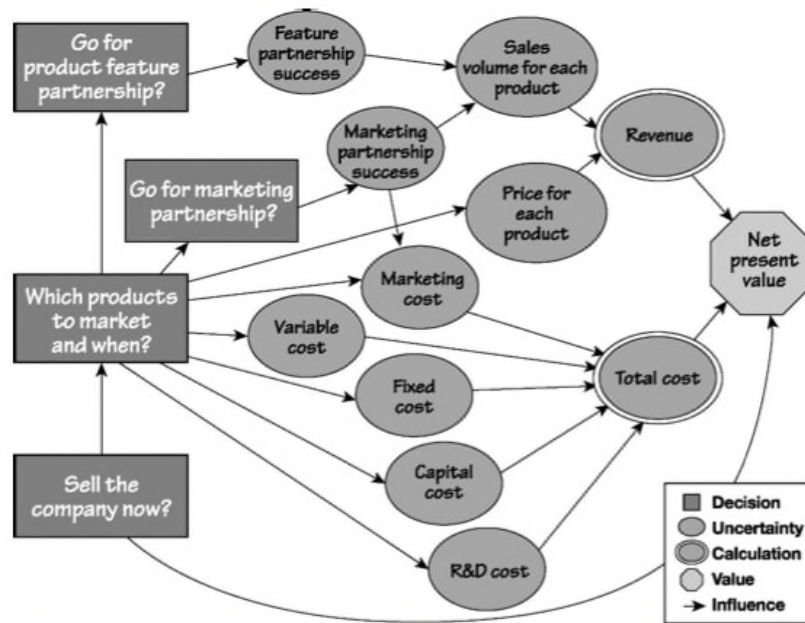


98 Part II: The Six Requirements for DQ

FIGURE 8.4 Example of a Business Relevance Diagram

(also called an *influence diagram*³) is just detailed enough to show the important decisions and uncertainties that influence the final value calculation.

The Decision Model: A Tool for Analyzing Complex Decisions

When a decision has multiple alternatives and complex value calculations, a *decision model* is used to translate the many input variables into value outcomes. The decision model incorporates the relationships and captures the uncertainty of the input factors shown in the decision's relevance diagram. A well-constructed decision model will calculate the value outcome of any combination of the input factors. Typically, a spreadsheet program like Microsoft Excel is used to build the decision model. With a decision model, it is easy to run many thousands of cases representing different combinations of the uncertain input factors.

Like a good relevance diagram, an effective decision model should be “as simple as possible, but no simpler,” as described in Albert Einstein’s

adage. A decision model captures the essence of the situation without unnecessary detail. Good decision modelers start with something very simple and add more structure as needed to quantify and differentiate the value of alternatives. While many organizations use financial models to project earnings and other important metrics, few have mastered the art of building reliable decision models that support DQ in an uncertain world.