

5.17: Introduction to Using a Decision Tree

What you'll learn to do: describe the components and use of a decision tree

Despite the limitations of strict rational decision making, there is no doubt that it still has significant value—especially as we refine and improve our abilities to predict costs and market outcomes for our potential actions. When a business feels it has a reasonably accurate measurement of potential costs and a reasonable prediction of likely future outcomes, that data can be used to calculate the likely value of decision pathways. A useful tool for this is the decision tree, which we are going to learn about now.

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