

Long Term Examination of the Profitability Estimation Focused on Benefits

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Abstract : Strategic investment decisions are characterized by high innovation potential and long-term effects on the competitiveness of enterprises. Due to the uncertainty and risks involved in this complex decision making process, the need arises for well-structured support activities. A method that considers cost and the long-term added value is the cost-benefit effectiveness estimation. One of those methods is the "profitability estimation focused on benefits – PEFB"-method developed at the Institute of Management Cybernetics at RWTH Aachen University. The method copes with the challenges associated with strategic investment decisions by integrating long-term non-monetary aspects whilst also mapping the chronological sequence of an investment within the organization's target system. Thus, this method is characterized as a holistic approach for the evaluation of costs and benefits of an investment. This participation-oriented method was applied to business environments in many workshops. The results of the workshops are a library of more than 96 cost aspects, as well as 122 benefit aspects. These aspects are preprocessed and comparatively analyzed with regards to their alignment to a series of risk levels. For the first time, an accumulation and a distribution of cost and benefit aspects regarding their impact and probability of occurrence are given. The results give evidence that the PEFB-method combines precise measures of financial accounting with the incorporation of benefits. Finally, the results constitute the basics for using information technology and data science for decision support when applying within the PEFB-method.

Keywords : cost-benefit analysis, multi-criteria decision, profitability estimation focused on benefits, risk and uncertainty analysis

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