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**Alternative Solutions to Traditional Approaches
to Risk Analysis and Decision Making Using
Fuzzy Logic**

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To my family

Contents

List of Figures	x
List of Tables	xiii
Acknowledgements	xvi
Vita and Publications	xxiii
Abstract	xxii
1 Introduction	1
1.1 Research Problem Outline	1
1.2 Research Questions	5
1.3 The main challenges of Research Topic	6
1.4 About this thesis	7
1.4.1 Approach	7
1.4.2 The contradictory mystery of Fuzzy Logic	9
1.4.3 Objectives	11
1.4.4 Outline of the thesis and the main contributions	12
2 Background and Literature Review	15
2.1 Risk Analysis and Risk Management	15
2.1.1 Risk Analysis	15
2.1.2 Risk Management	21
2.2 Fuzzy Logic in Decision Making and Risk Analysis	25
2.3 Fuzzy Sets and Fuzzy Logic	25

2.3.1	Fuzzy Sets	26
2.3.2	Natural Language Computation	33
2.3.3	Fuzzy Logic	35
2.3.4	Fuzzy Systems and Fuzzy Control	37
2.4	Risk Assessment, Decision Making and Fuzzy Logic	39
3	Ranking of generalized fuzzy numbers	47
3.1	Introduction	48
3.2	Two algorithms for ranking generalized fuzzy numbers	51
3.2.1	Chen’s algorithm and its extension	51
3.2.2	Chen and Lu’s algorithm and its extension	56
3.3	Comparison of the proposed methods with other algorithms	58
3.4	Application Example	60
3.5	Conclusion	63
4	Pessimistic evaluation of risks	67
4.1	Introduction	67
4.2	Fuzzyfication of risk factors and overall risk	69
4.3	Pessimistic evaluation of risks	71
4.4	Conclusion	74
5	Extended Fuzzy Cognitive Maps for RAM	76
5.1	Fuzzy Cognitive Maps	77
5.2	Extended Fuzzy Cognitive Maps: Group Decision Making and Risk Assessment	86
5.2.1	Extended Fuzzy Cognitive Maps	87
5.3	E-FCMs for SPM	89
5.4	Group Decision Making using E-FCMs	91
5.5	Application Example	94
5.6	Conclusions	98
6	Belief Degree Distributed Fuzzy Cognitive Maps	99
6.1	Introduction	99
6.2	Belief Degree-Distributed FCMs	101
6.3	Application Example of BDD-FCMs Group Mapping	106
6.4	Comparison of FCMs	111

6.5	Comparison of BDD-FCMs	114
6.6	An example of comparing experts using BDD-FCMs	116
6.7	Application Examples: Energy Policy Evaluation	119
6.8	Real-life Case Study: Energy Policy Evaluation	122
6.9	Adding confidence levels (CVs) for criteria: GBDD-FCMs and Experts' comparison Considering CL values	126
6.10	Assessing Nuclear Safety Culture by using BDD-FCMs . .	134
6.10.1	Introduction to Safety Culture	134
6.10.2	The hierarchical structure of safety culture indica- tors and attributes	139
6.10.3	The proposed approach to evaluate Safety Culture .	141
6.10.4	Application example	143
6.11	Conclusions	150
7	Fuzzy Bayesian Networks	153
7.1	Bayesian Networks	153
7.2	Fuzzy Bayesian Equation	157
7.3	Fuzzy Bayesian Networks	160
7.4	Fuzzy Bayesian Networks for Risk Analysis	163
8	Conclusions	167
	References	169

List of Figures

1	Risk Analysis and Risk Management structure (Cha01) . . .	16
2	Risk Control Process (SGF02)	24
3	The support, core and height of FS	27
4	Fundamental t-norms: (a) minimum; (b) product; (c) bounded product	28
5	Fundamental t-conorms: (a) maximum; (b) probabilistic sum; (c) bounded sum	29
6	Standard definitions of intersection, union and complement	30
7	Triangular Fuzzy Number	31
8	Generalized Trapezoidal Fuzzy Number	32
9	Minimal and maximal values of α cut of two generalized trapezoidal fuzzy numbers	33
10	Linguistic Variable Temperature	34
11	Hedge Very	35
12	FRBS architecture	38
13	FRA structure	41
14	Membership Function for likelihood	41
15	Membership function for severity	42
16	Fuzzy calculation based on cause effect diagrams	43
17	Three layer architecture for the fuzzy risk system	44
18	Illustration of Chen's algorithm	52
19	Illustration of Chen's modified algorithm	54
22	Risks of three companies	66

23	The most used approaches to RAM with Fuzzy Logic	68
24	System High Level Design	68
25	A possible definition of linguistic variables for 'The Severity of Cost Change' and 'The Severity of Time Change' (VL=Very Low, L=Low, M=Medium, H=High, VH=Very High)	70
26	Risk calculation with the traditional approach (a) and with the pessimistic approach (b)	72
28	Illustrations of CM (a) and FCM (b)	80
29	An example of a map with complex structure	82
30	An example of a map with hierarchical structure	82
31	Evaluations of the same problem provided by two different experts (C_i , $i=1, \dots, 5$, in the two figures refers to the same concept)	84
32	Group map generated from Table 15	85
33	EFCM of public health domain	88
34	E-FCM for SPM	90
36	The final E-GFCM	97
37	Transforming crisp number assignment to belief structures	103
38	Transforming an interval assignment into belief structures	104
40	Group map generated from Table 18	109
42	Comparison of four experts' similarity from the maps in Figure 41	119
43	A possible representation of the Energy Policy evaluation .	120
44	Graphical representation of the clustering of experts by their similarity	122
45	Final Result of Similarity among 10 experts	126
46	Comparison of five experts from Table 37	133
47	The hierarchy of safety culture	140
48	High level design	142
49	Evaluation of safety culture from three internal and one external experts	145
50	Group map generated from Table 41	149

51	Ideal-positive and ideal-negative FCMs	150
52	An example of BN in software development domain	156
53	An example of a BN of risk factors and a risk	161
54	An example of a BN in software project management . . .	165
55	The membership functions for fuzzy states of risk <i>Defects</i>	165

List of Tables

1	Application fields of Fuzzy Logic in RAM and Decision Making	45
2	Extension of Chen’s method applied to fuzzy sets in Figure 20	55
3	Extension of Chen’s method applied to fuzzy sets in Figure 21	55
4	Extension of Chen and Lu’s algorithm applied to fuzzy sets in Figure 20	58
5	Extension of Chen and Lu’s algorithm applied to fuzzy sets in Figure 21	58
6	Figure 20: Comparison of our methods with other methods	59
7	Figure 21: Comparison of our methods with other methods provided by Bortolan and Degani	60
8	The likelihood L and severity S of each risk for each software company	62
9	Risk likelihood/severity fuzzy values and corresponding linguistic terms	62
10	Fuzzy sets for Likelihood of Risk Factors, and corresponding linguistic terms	70
11	A possible representation of risk impact calculation based on risk factor severity and likelihood	71
12	Fuzzy Inference Rules	73

13	Application fields of CMs and FCMs	77
14	Adjacency matrices of two experts from Figure 31	85
15	The aggregated results of two experts opinion as a group	85
16	List of nodes with their descriptions	106
18	Group Aggregation Results	109
19	Group Aggregation Results By Crisp Numbers	110
20	Augmented matrices of two experts from Figure 31	113
21	Adjacency matrices of four experts from the maps in Figure 41	118
22	The DR and SIM values of two experts BDD-FCMs	119
23	List of criteria and subcriteria	120
24	The evaluation of each scenario after aggregating all criteria for each expert	121
25	Experts' belief structures generated from Table 24	121
26	The DR and SIM values of experts for Energy Policy Evaluation	122
27	Criteria List for Energy Policy Domain	123
28	The aggregation results of 10 experts' evaluation for 8 scenarios	124
29	The aggregation results with belief structures generated from Table 28	124
30	The DR value applying our algorithm generated from Table 29	125
31	The SIM value applying our algorithm generated from Table 29	125
32	Adjacency matrices of five experts' FCMs	128
33a	Expert e_1	129
33b	Expert e_2	129
33c	Expert e_3	129
33d	Expert e_4	130
33e	Expert e_5	130
34a	Expert e_1	130
34b	Expert e_2	131

34c	Expert e_3	131
34d	Expert e_4	131
34e	Expert e_5	132
35	Belief Structured(with CV) adjacency matrix of GBDD-FCM from Table 34	132
36	DR values of five experts for three scenarios	133
37	Similarity measures of five experts for three scenarios . . .	133
38	The list of nodes and their descriptions	144
39	Adjacency matrices of 3 internal and 1 external experts from Figure 49	146
40a	Expert e_1	147
40b	Expert e_2	147
40c	Expert e_3	148
40d	External expert e_4	148
41	Group Aggregation Results	149
42	Adjacency matrices of IP-FCM and IN-FCM from Figure 51	151
43	Probability distribution matrix for S_2 utility node	155
44	Employees' experience percentage	157
45	The NPT for D	157
46	The conditional probabilities	160
47	The probability table of S, Q and TD	161
48	The probability table of S and M	161
49	The probability table of Q and M	162
50	NPT for risk factors and risk	164

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Publications

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Presentations

1. L. Mkrtchyan, "Belief Degree Distributed Fuzzy Cognitive Maps," at *Transportation Research Institute (IMOB), University of Hasselt*, Hasselt, Belgium, October 2010.
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4. L. Mkrtchyan, "Risk Analysis with Fuzzy Logic," at *Summer School in Advanced Artificial Intelligence, University of Ulster*, Belfast, Northern Ireland, 2009.

Abstract

Fuzzy set theory (FST) and *Fuzzy logic* (FL) are one of the main components of *soft computing* which is a collection of techniques to handle hard problems in which the application of traditional approaches fails. The father of FST and FL stated that the dominant aim of SC is to exploit the *tolerance for imprecision and uncertainty* to achieve tractability, robustness, and low solution cost.

Since its establishment the theory of fuzzy sets and fuzzy logic became very popular and received much attention especially during the last decade being applied in many different fields. The wide use of fuzzy controllers in many mass-produced products resulted in the increase of research in fuzzy set theory and fuzzy logic.

In this thesis we use the techniques that are based on FL and FST for risk analysis and risk-based decision making.

There are several reasons for using FL and FST. Fuzzy logic is a true extension of conventional logic: thus anything that was built using conventional design techniques can be built with fuzzy logic. Another advantage is that it is close to human reasoning, and it is easy to understand for the users who do not have strong mathematical knowledge. A fuzzy system allows the user to use and to reason with words instead of crisp numbers. In addition, FL also offers a wide range of operators to perform efficient combinations of fuzzy predicates.

In this thesis we propose alternative solutions to the existing approaches that use FL and FST for risk analysis and risk-based decision making. We investigated the current approaches, and we actually found that there exists only a small

amount of researches that focus on risk analysis by using fuzzy logic. As far as we found, there are very few approaches that are generic and representative enough to be applied generally and to be used for complex problems. The existing approaches are very specific, targeting a particular area concentrating on specific types of risks.

In this thesis we propose several different frameworks and algorithms based on FST and FL.

First, we introduce two algorithms to rank the *generalized fuzzy numbers*. The main reason for developing a new ranking algorithm is that the existing ranking algorithms have some disadvantages that make them not suitable for risk assessment and decision making. We used our algorithms in risk-aware decision making related to the choice of alternatives.

Second, we introduce a *pessimistic approach* to assess the impact of risk factors on the overall risk. The methods that use the fuzzy weighted average often give a lower result than the real risk especially in the case of a large amount of input variables. Furthermore, the traditional approaches of using fuzzy inference systems may give the same result for different cases depending on the choice of the defuzzification method. For the pessimistic approach we used our developed algorithms of ranking generalized fuzzy numbers.

Next we propose the use of *Fuzzy Bayesian Networks* (FBNs) for risk assessment. While there is a considerable number of studies for Bayesian networks (BNs) for risk analysis and decision making, as far as we found there is not a study to make use of FBNs even though FBNs seem more appropriate and straightforward to use for risk analysis and risk assessment. In general, there is only a small amount of studies about FBNs, and not in many application fields.

The last approach discussed in this thesis is the use of *Fuzzy Cognitive Maps* (FCMs) for risk analysis and decision making.

We propose a new framework for group decision making in risk analysis using *Extended FCMs*. In addition we developed a new type of FCMs, *Belief Degree Distributed FCMs*, and we show its use for decision making.