

Satisficing Measures for Analysis of Risky Positions

David B. Brown, Melvyn Sim

Published Online: 7 Oct 2008 | <https://doi.org/10.1287/mnsc.1080.0929>

Abstract

In this work we introduce a class of measures for evaluating the quality of financial positions based on their ability to achieve desired financial goals. In the spirit of Simon (Simon, H. A. 1959. Theories of decision-making in economics and behavioral science. *Amer. Econom. Rev.* **49**(3) 253–283), we call these measures *satisficing measures* and show that they are dual to classes of risk measures. This approach has the advantage that aspiration levels, either competing benchmarks or fixed targets, are often much more natural to specify than risk tolerance parameters. In addition, we propose a class of satisficing measures that reward diversification. Finding optimal portfolios for such satisficing measures is computationally tractable. Moreover, this class of satisficing measures has an ambiguity interpretation in terms of robust guarantees on the expected performance because the underlying distribution deviates from the investor's reference distribution. Finally, we show some promising results for our approach compared to traditional methods in a real-world portfolio problem against a competing benchmark.

[< Previous](#)

[Back to Top](#)

[Next >](#)



Volume 55, Issue 1

January 2009

Pages iv-163

Article Information

[Supplemental Material](#)

Metrics

Downloaded 82 times in the past 12 months

Cited 125 times

Information

Received: July 12, 2007

Published Online: October 07, 2008

Copyright © 2009, INFORMS

Cite as

David B. Brown, Melvyn Sim, (2008) Satisficing Measures for Analysis of Risky Positions. *Management Science* 55(1):71-84.

<https://doi.org/10.1287/mnsc.1080.0929>

Keywords

satisficing

aspiration levels

targets

risk measures

coherent risk measures

convex risk measures

portfolio optimization

PDF download



Sign Up for INFORMS Publications Updates and News

SIGN UP

Partners

Atypen

crossref

PORTICO



Institute for Operations Research and the Management Sciences

5521 Research Park Drive, Suite 200
Catonsville, MD 21228 USA

phone 1 443-757-3500

phone 2 800-4INFORMS (800-446-3676)

fax 443-757-3515

email informs@informs.org

Get the Latest Updates

[Discover INFORMS](#)

[Explore OR & Analytics](#)

[Get Involved](#)

[Impact](#)

[Join Us](#)

[Recognizing Excellence](#)

[Professional Development](#)

[Resource Center](#)

[Meetings & Conferences](#)

[Publications](#)

[About INFORMS](#)

[Communities](#)

[PubsOnLine](#)

[2024 INFORMS/ALIO/ASOCIO International Conference](#)

[Certified Analytics Professional](#)

[Career Center](#)

[INFORMS Connect](#)

Copyright 2026 INFORMS. All Rights Reserved

[INFORMS Code of Conduct](#) | [Terms of Use](#) | [Privacy](#) | [Contact INFORMS](#) | [Sitemap](#)

Follow INFORMS on:  [X](#)  [Facebook](#)  [LinkedIn](#)  [Bluesky](#)