

**INVITED LECTURE**  
**THE MULTIPLE CRITERIA PARADIGM FOR FINANCIAL DECISIONS**

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**ABSTRACT**

Financial modeling has become increasingly important for financial decision making and risk management. Over the years, the sophistication and complexity of financial models has increased, but the recent crisis raised criticism on their effectiveness. From the point of view of financial theory, financial modeling is mainly based on a normative and descriptive approach, which has adopted the wealth maximization principle. The multicriteria decision aid (MCDA) paradigm extends and enhances this framework, emphasizing the multidimensional aspects of financial decisions, which can be represented by quantitative and qualitative factors. MCDA introduces tools and methods that enable the structuring of financial problems, the analysis of trade-offs among multiple objectives, and the evaluation of multiple ways of actions, in a systematic and rigorous manner. This paper discusses the important role that MCDA can play in improving financial models for decision making using examples from the areas of investment appraisal and portfolio selection.