Supernetworks: Decision-Making in the 21st Century

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and
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Eugene M. Isenberg School of Management

The Virtual Center for Supernetworks
http://supernet.som.umass.edu

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THE ROCKEFELLER FOUNDATION

Virtual Center for Supernetworks

- Established in 2001 at the *Isenberg School of Management* to serve as a resource for researchers, educators, students, and practitioners.

- In 2003, founded the *Supernetworks Laboratory for Computation and Visualization.*

The center emphasizes the importance of critical infrastructure networks, their interrelationships and analysis, and expands upon *scientific and management network tools for decision-making*.

The *center team* is multidisciplinary and multicultural and at present consists of students from four different continents.

The *center* supports *undergraduates in research* since they are our future and provide new and fresh perspectives.

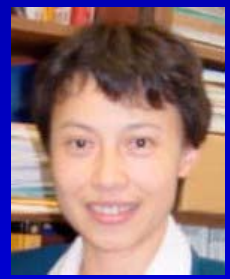
Center associates from different academic institutions and industry work closely with the center director and student associates.

The Supernetwork Team










New International Associates

Patrizia Daniele

University of Catania

Italy

Monica Gabriela Cojocaru

University of Guelph

Ontario, Canada

Bellagio Research Team Residency March 2004

We are in a New Era of Decision-Making characterized by:

- increasing risk and uncertainty;
- importance of dynamics and realizing a fast and sound response to evolving events;
- complex interactions among decision-makers in organizations;
- alternative and at times conflicting criteria used in decision-making;
- global reach of many decisions, and
- high impact of many decisions.

The complexity of today's decision-making environments in organizations requires the development and harnessing of *appropriate and rigorous scientific tools* which must be based on *information technology* since only such technology provides one with the speed and accuracy needed to model complex interactions and to optimize accordingly.

The New Era is Network-Based with the Internet providing critical infrastructure along with transportation/logistical networks as well as other telecommunication networks and energy networks.

No longer are networks independent of one another but critically linked with major questions arising regarding decision-making and appropriate management tools.

Indeed, the events of 9/11 coupled with the recent computer worm and viruses along with the biggest blackout in US history demonstrate irrevocably that we must as a nation harness the ***best and most powerful methodologies*** for the modeling, analysis, and solution of ***complex decision-making problems***.

Background

*Throughout history, **networks** have served as the foundation for connecting humans to one another and their activities.*

- Roads were laid, bridges built, and waterways crossed so that humans, be they on foot, on animal, or vehicle could traverse physical distance through ***transportation***. The airways were conquered through flight.
- ***Communications*** were conducted using the available means of the period, from smoke signals, drum beats, and pigeons, to the telegraph, telephone, and computer networks of today.

Importance of Networks to the Economy and the Nation

- US consumers, businesses, and governments spend annually over $950 billion on transportation (US DOT).
- Corporate buyers spend annually over $517.6 billion on telecommunications (Purchasing).
- Energy expenditures in the United States exceed $515.8 billion a year (US Dept. of Commerce).

Information technology has transformed the ways in which individuals work, travel, and conduct their daily activities, with profound implications for existing and future networks.

The ***decision-making process*** itself has been altered due to the addition of alternatives and options which were not possible or even feasible.

The ***boundaries*** for decision-making have been redrawn as individuals can now work from home or purchase products from work.

We live in an era in which the freedom to choose is weighted by the immensity of choices and possibilities:

- Where should one live?
- Where should one work? And when?
- How should one travel? Or communicate? And with whom?
- Where should one shop? And how?

Not only has individual *decision-making* been transformed in this new era but *organizations* have as well.

How do we capture in a rigorous manner *cooperation vs. competition* and the ramifications, *centralized control vs. decentralized control*, and *different criteria* in decision-making?

Moreover, what are the results on the flows on the networks be they in the form of vehicles, messages, products, and/or services, as well as financial?

Who wins and who loses?

Classical Networks

Network System	Nodes	Links	Flows
Transportation			
Urban	Intersections, Homes, Places of Work	Roads	Autos
Air	Airports	Airline Routes	Planes
Rail	Railyards	Railroad Track	Trains
Manufacturing and Logistics	Distribution Points, Processing Points	Routes Assembly Line	Parts, Products
Communication	Computers Satellites Phone Exchanges	Cables Radio Cables, Microwaves	Messages Messages Voice, Video
Energy	Pumping Stations Plants	Pipelines Pipelines	Water Gas, Oil

Reality of Today's Networks

Reality of Today's Networks:

- *large-scale nature* and complexity of network topology;
- *congestion*;
- alternative behavior of users of the network, which may lead to *paradoxical phenomena*;
- the *interactions among networks* themselves such as in transportation versus telecommunications networks;
- *policies* surrounding networks today may have a *major impact* not only economically but also *socially, politically, and security-wise*.

Large-Scale and Complexity

- Chicago's Regional Transportation Network has 12,982 nodes, 39,018 links, and 2,297,945 origin/destination pairs.

- AT&T's domestic network has 100,000 origin/destination pairs. In the detail graph applications in which nodes are phone numbers and edges are calls, there are 300 million nodes and 4 billion edges.

Congestion

- In the case of *transportation networks* in the United States alone, congestion results in $100 billion in lost productivity, whereas the figure in Europe is estimated to be $150 billion.

- In terms of the *Internet*, the FCC reports that the volume of traffic is doubling every 100 days, which is remarkable given that telephone traffic has typically increased only by about 5 percent a year.

System-Optimization versus User-Optimization

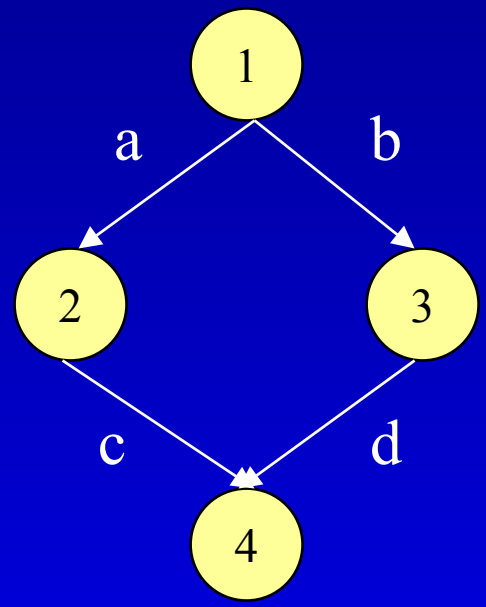
In transportation networks, travelers select their routes of travel from an origin to a destination so as to minimize their own travel cost or travel time, which although *optimal* from an individual's perspective (*user-optimization*) may not be optimal from a societal one (*system-optimization*) where one has control over the flows on the network.

The Braess' Paradox

Assume a network with a single O/D pair (1,4) . There are 2 paths available to travelers: p_1=(a,c) and p_2=(b,d).

For a travel demand of 6, the equilibrium path flows are $x_{p_1}^* = x_{p_2}^* = 3$ and

The equilibrium path travel cost is $C_{p_1} = C_{p_2} = 83$.



$c_a(f_a)=10\ f_a$ $c_b(f_b) = f_b+50$

$c_c(f_c) = f_c+50$ $c_d(f_d) = 10f_d$

Adding a Link Increased Travel Cost for All!

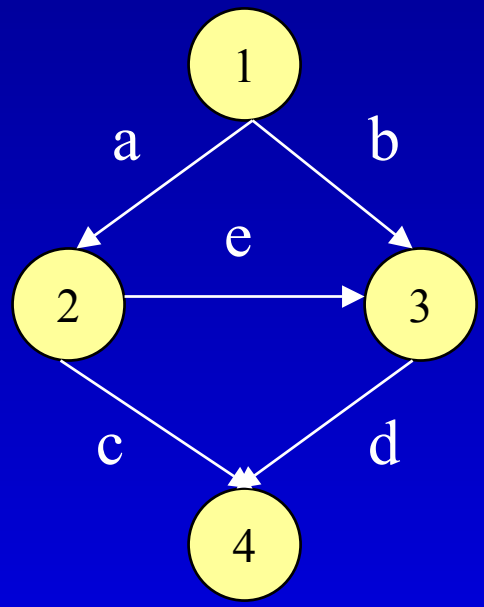
Adding a new link creates a new path p_3=(a,e,d).

The original flow distribution pattern is no longer an equilibrium pattern, since at this level of flow the cost on path p_3, C_{p_3}=70.

The new equilibrium flow pattern network is $x_{p_1}^* = x_{p_2}^* = x_{p_3}^* = 2$.

The equilibrium path travel costs:

$C_{p_1} = C_{p_2} = C_{p_3} = 92.$



$c_e(f_e) = f_e + 10$

This phenomenon is also relevant to telecommunications networks and, in particular, to the Internet which is another example of a noncooperative network.

Recently, we have discovered paradoxes in networks with zero emission links such as telecommmunication networks:

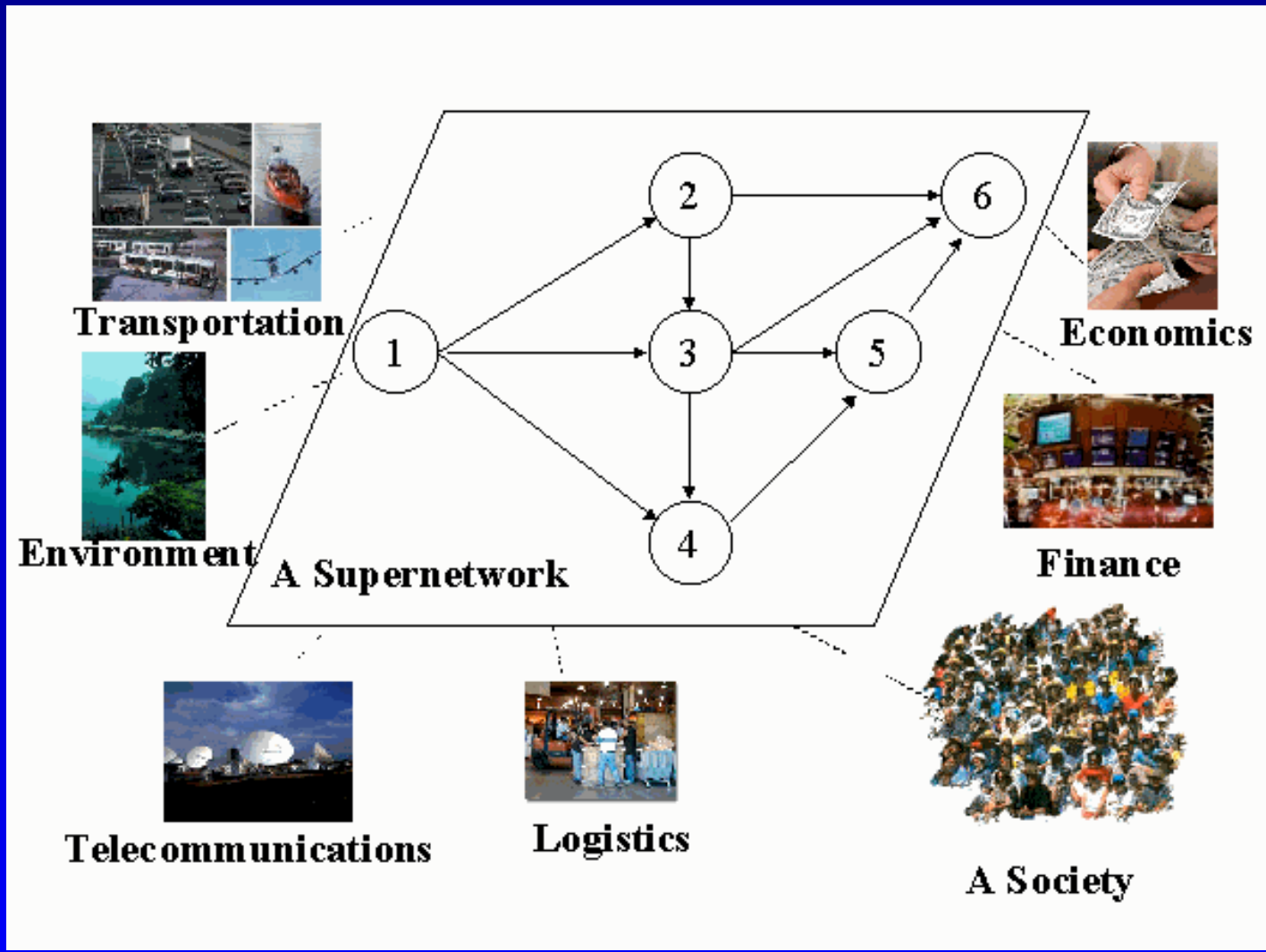
- The addition of a zero emission link may result in an increase in total emissions with no change in demand!

- A decrease in demand on a network with a zero emission link may result in an increase in total emissions!

One must *incorporate the network topology*, the relevant cost and demand structure, as well as the behavior of the users of the network(s) into any network-based policy!

These paradoxes further illustrate the interconnectivity among distinct network systems and that they cannot be studied simply in isolation!!!

Supernetworks: A New Paradigm



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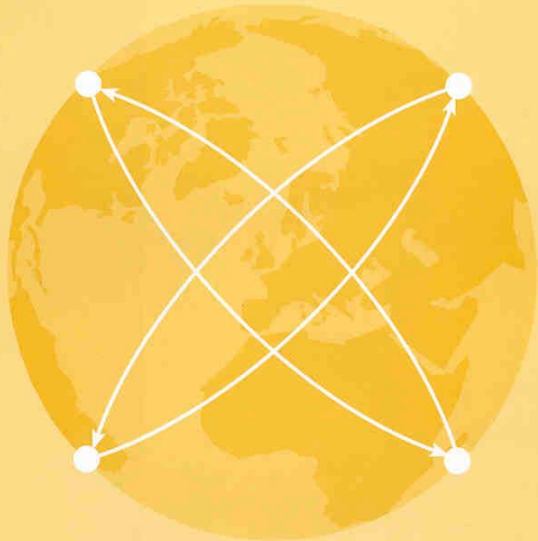
Supernetworks

Decision-Making for the Information Age

Anna Nagurney
June Dong



New Dimensions in Networks

Supernetworks

- Supernetworks may be comprised of such networks as transportation, telecommunication, logistical, and/or financial networks.

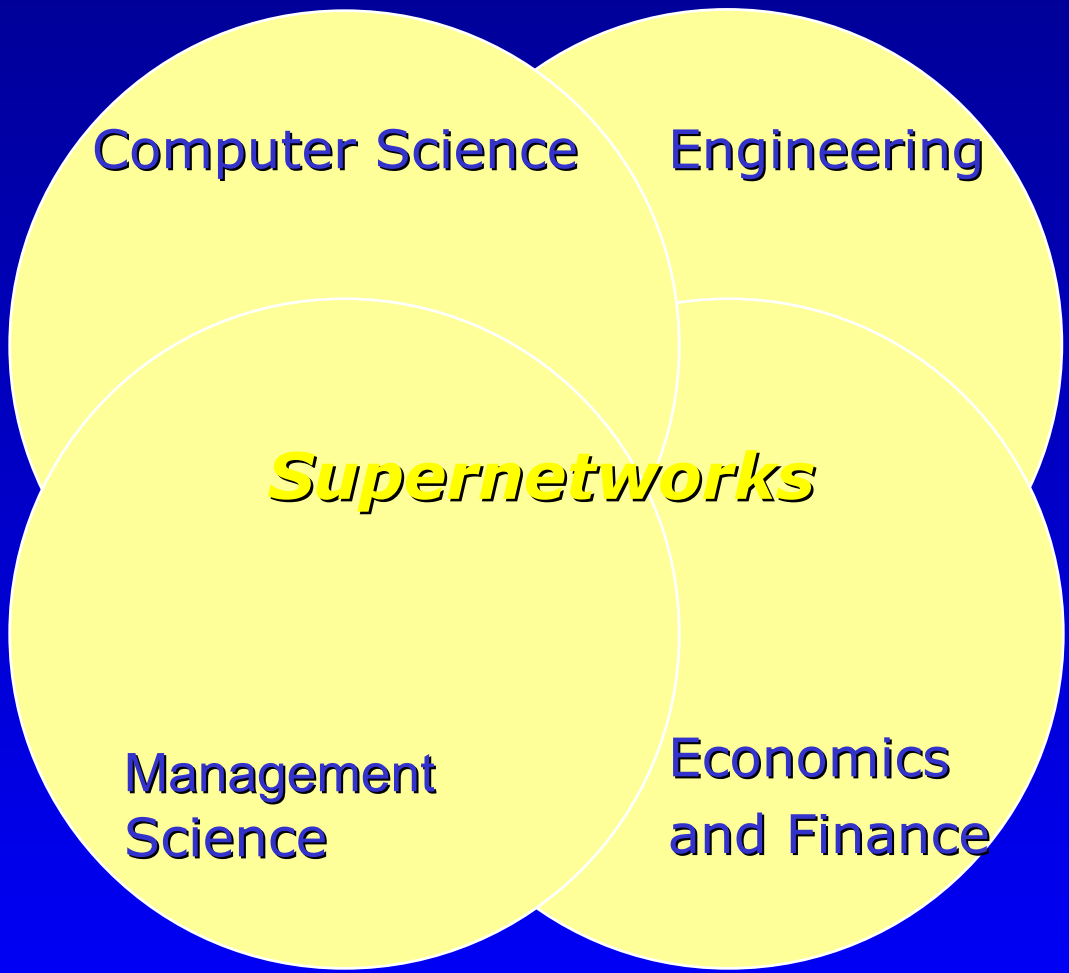
- They may be *multilevel* as when they formalize the study of supply chain networks or *multitiered* as in the case of financial networks with intermediation.

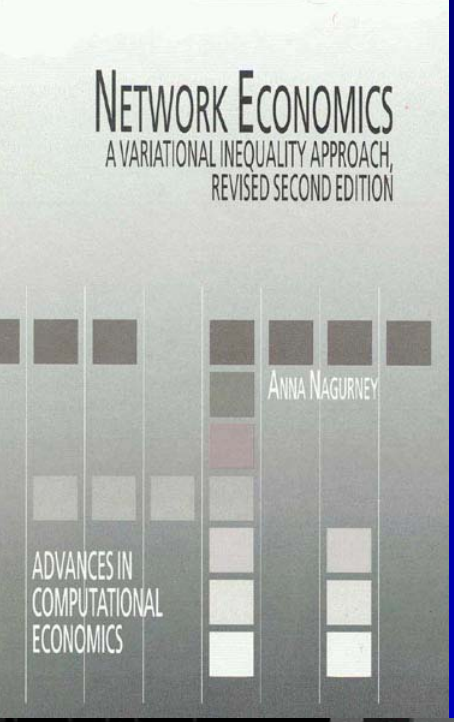
- Decision-makers may be faced with multiple criteria; thus, the study of supernetworks also includes the study of *multicriteria decision-making*.

The tools that we have been using in our supernetworks research include:

- network theory
- optimization theory
- game theory
- variational inequality theory and
- projected dynamical systems theory (which we have been instrumental in developing)
- network visualization tools.

A Multidisciplinary Paradigm




NETWORK ECONOMICS
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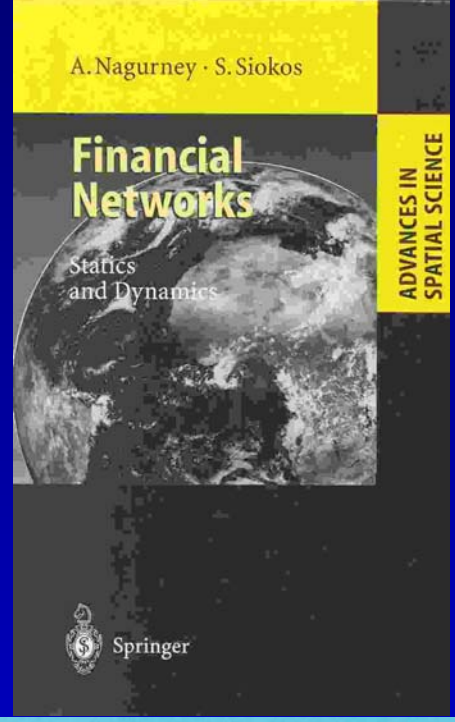
ANNA NAGURNEY
ADVANCES IN COMPUTATIONAL ECONOMICS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Financial Networks
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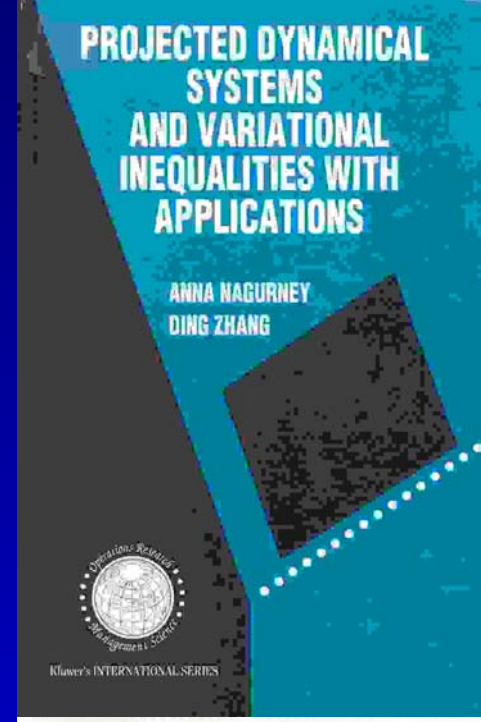
PROJECTED DYNAMICAL SYSTEMS AND VARIATIONAL INEQUALITIES WITH APPLICATIONS
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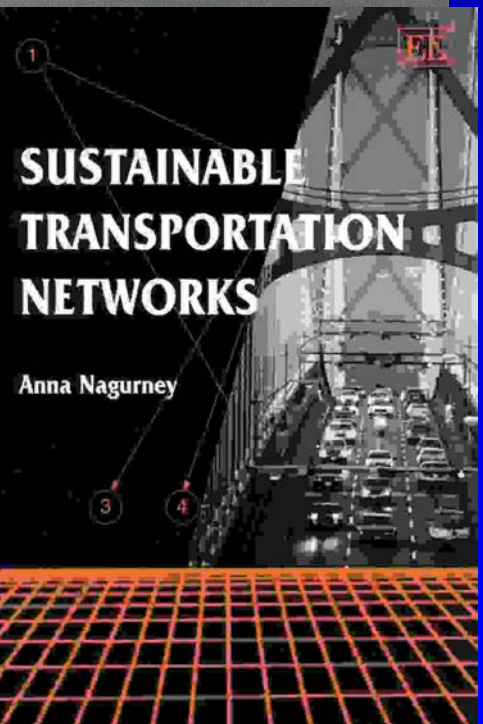
DING ZHANG
Kluwer's INTERNATIONAL SERIES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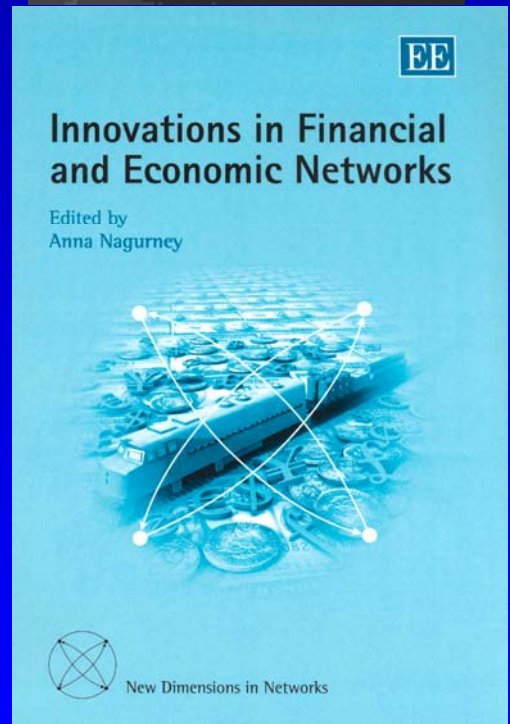
SUSTAINABLE TRANSPORTATION NETWORKS
Anna Nagurney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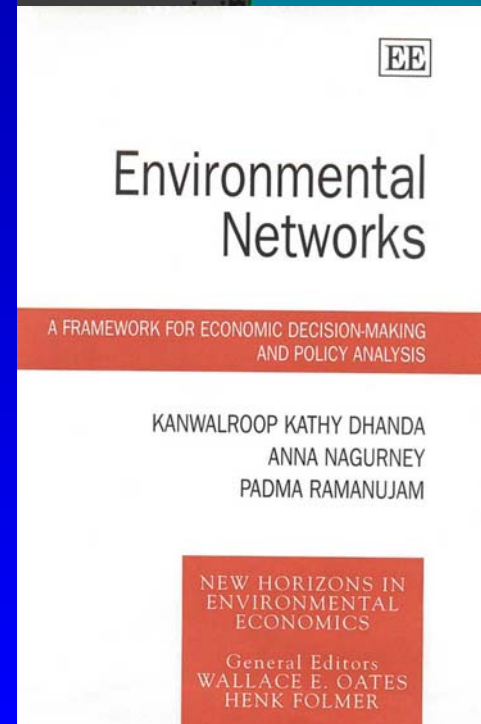
Edited by
Anna Nagurney
New Dimensions in Networks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ANNA NAGURNEY
PADMA RAMANUJAM
NEW HORIZONS IN ENVIRONMENTAL ECONOMICS
General Editors
WALLACE E. OATES
HENK FOLMER

We are interested not only in addressing topological issues in terms of connectivity but in predicting the various flows on the networks whether physical or abstract subject to human decision-making under the associated constraints, be they budget, time, security, risk, and/or cost-related.

Some Successes

- We were the first the lay down the theoretical foundations for dynamical systems with constraints (called projected dynamical systems) which allows for the qualitative analysis of such systems including stability analysis along with discrete-time algorithms.

- The applications that we have studied range from dynamic transportation networks to global supply chains and international financial networks with risk management.

- We have demonstrated through several distinct network systems how *risk and stochastic components* could be directly incorporated into a variational inequality framework.

- We were the first to quantify and model decision-making on *multitiered networks* as well as *multilevel networks* (along with the dynamics).

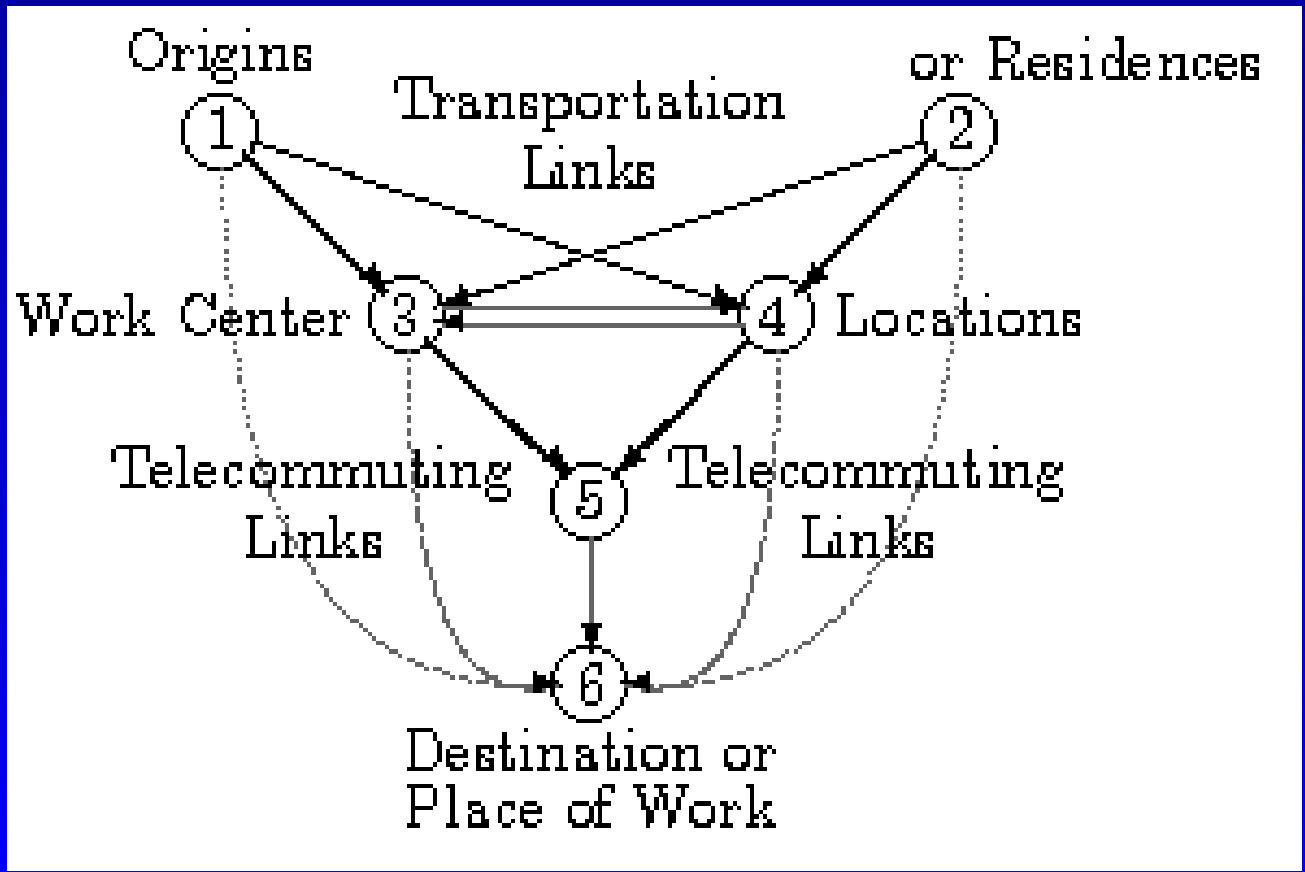
- We have made fundamental extensions to *multicriteria decision-making* on networks with *multiple decision-makers*.

Novel Applications

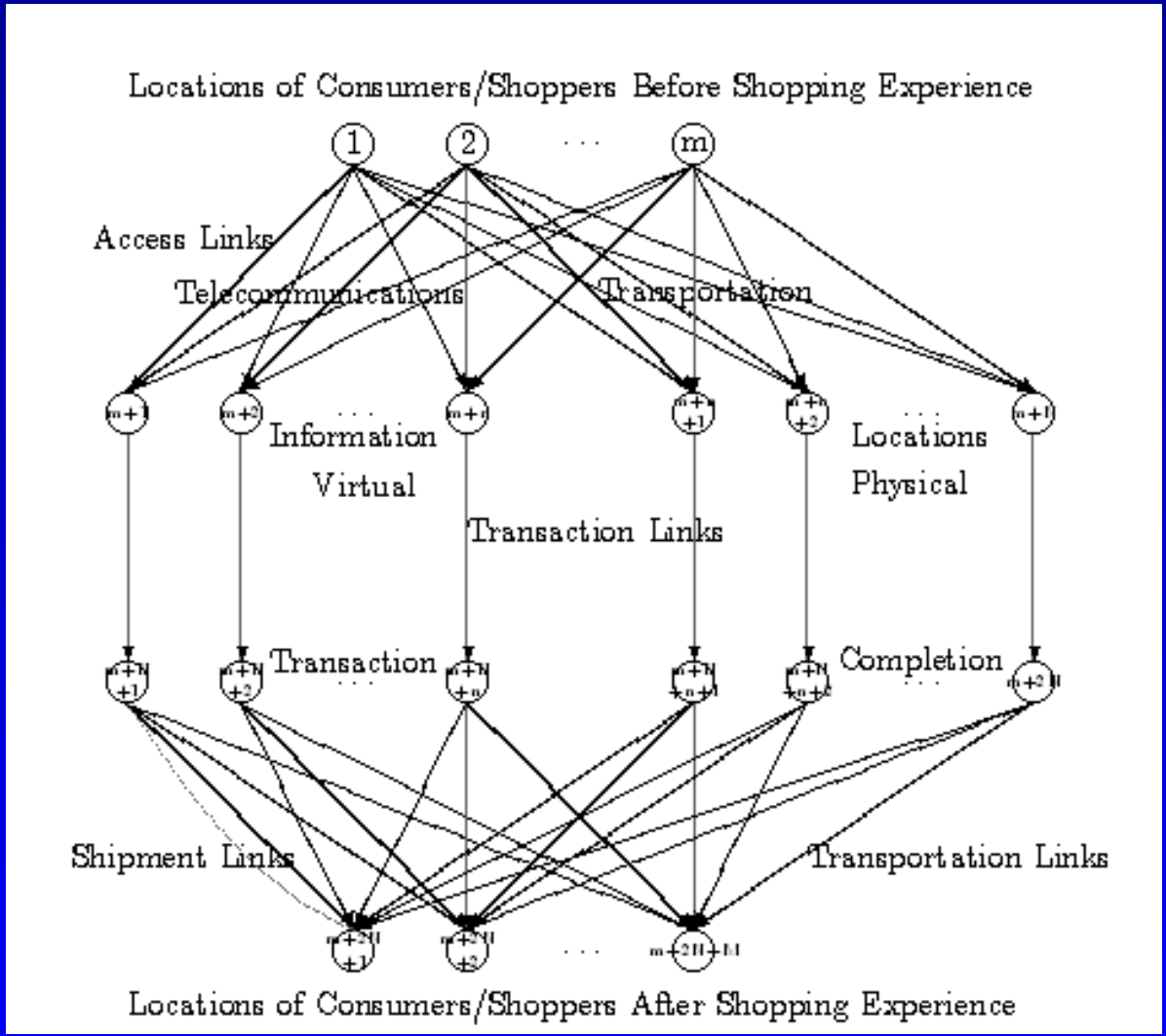
Applications of Supernetworks

- Telecommuting/Commuting Decision-Making
- Teleshopping/Shopping Decision-Making
- Supply Chain Networks with Electronic Commerce
- Financial Networks with Electronic Transactions
- Reverse Supply Chains with E-Cycling
- Energy Networks/Power Grids
- Knowledge Networks

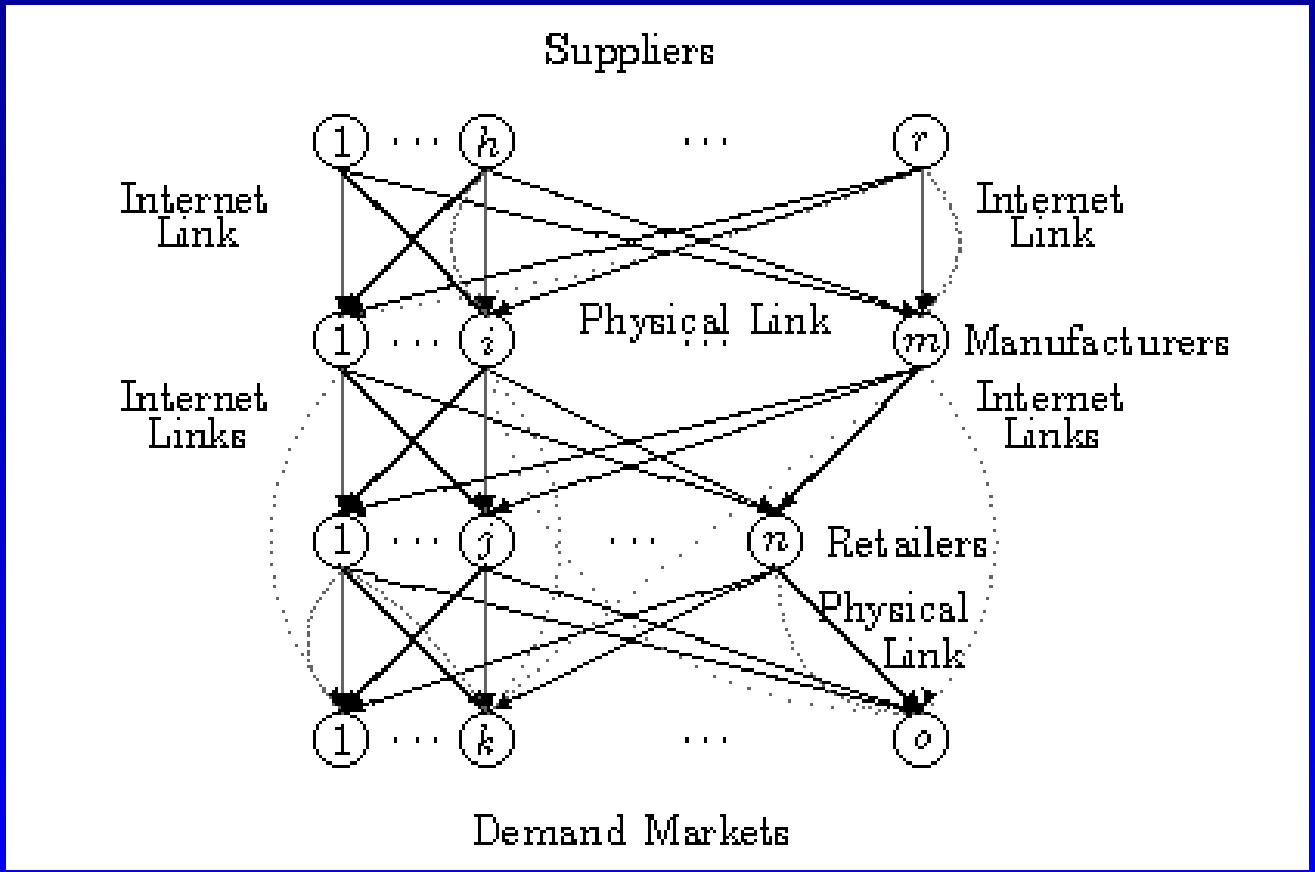
A Supernetwork Conceptualization of Commuting versus Telecommuting



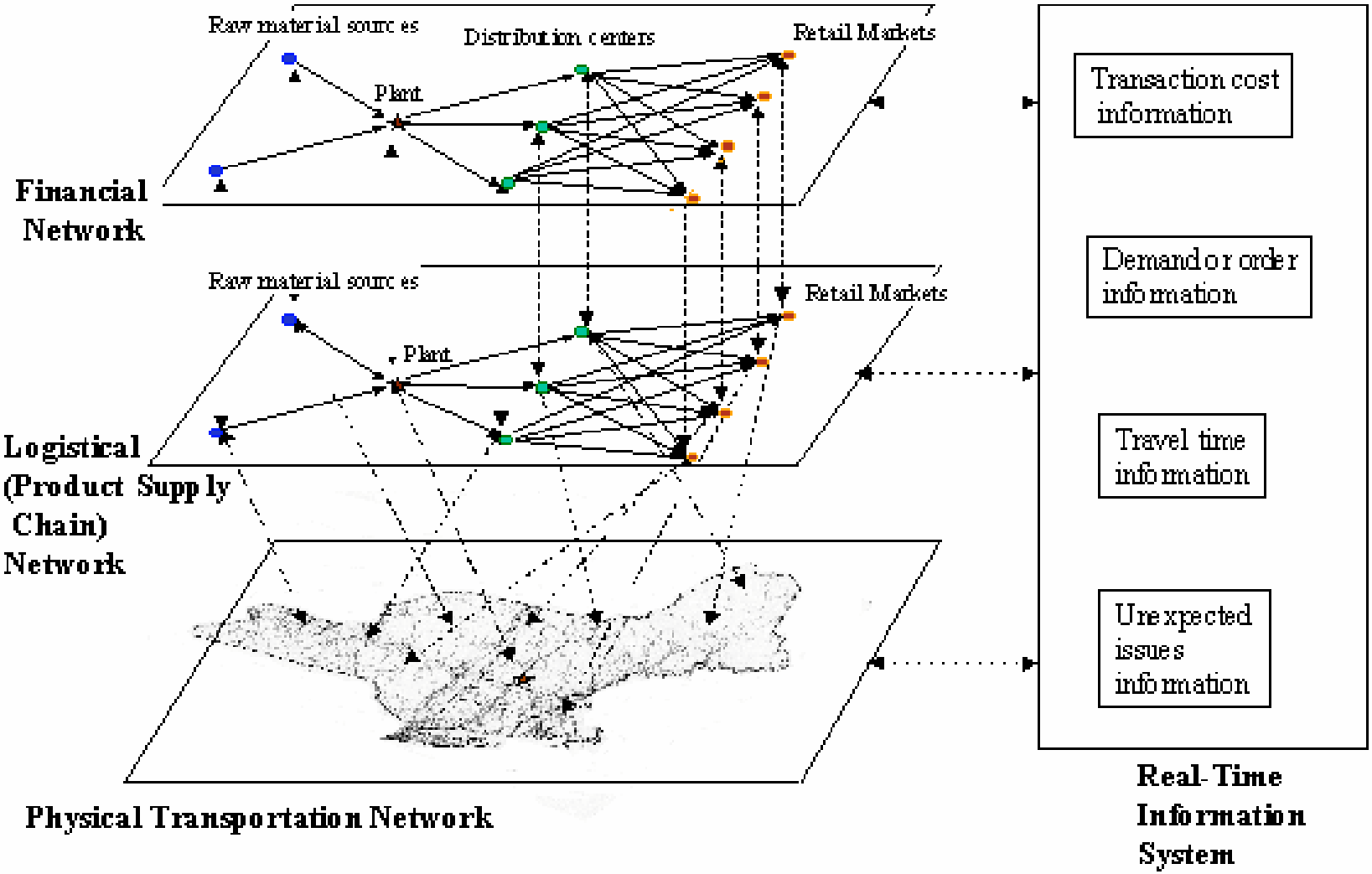
A Supernetwork Framework for Teleshopping versus Shopping



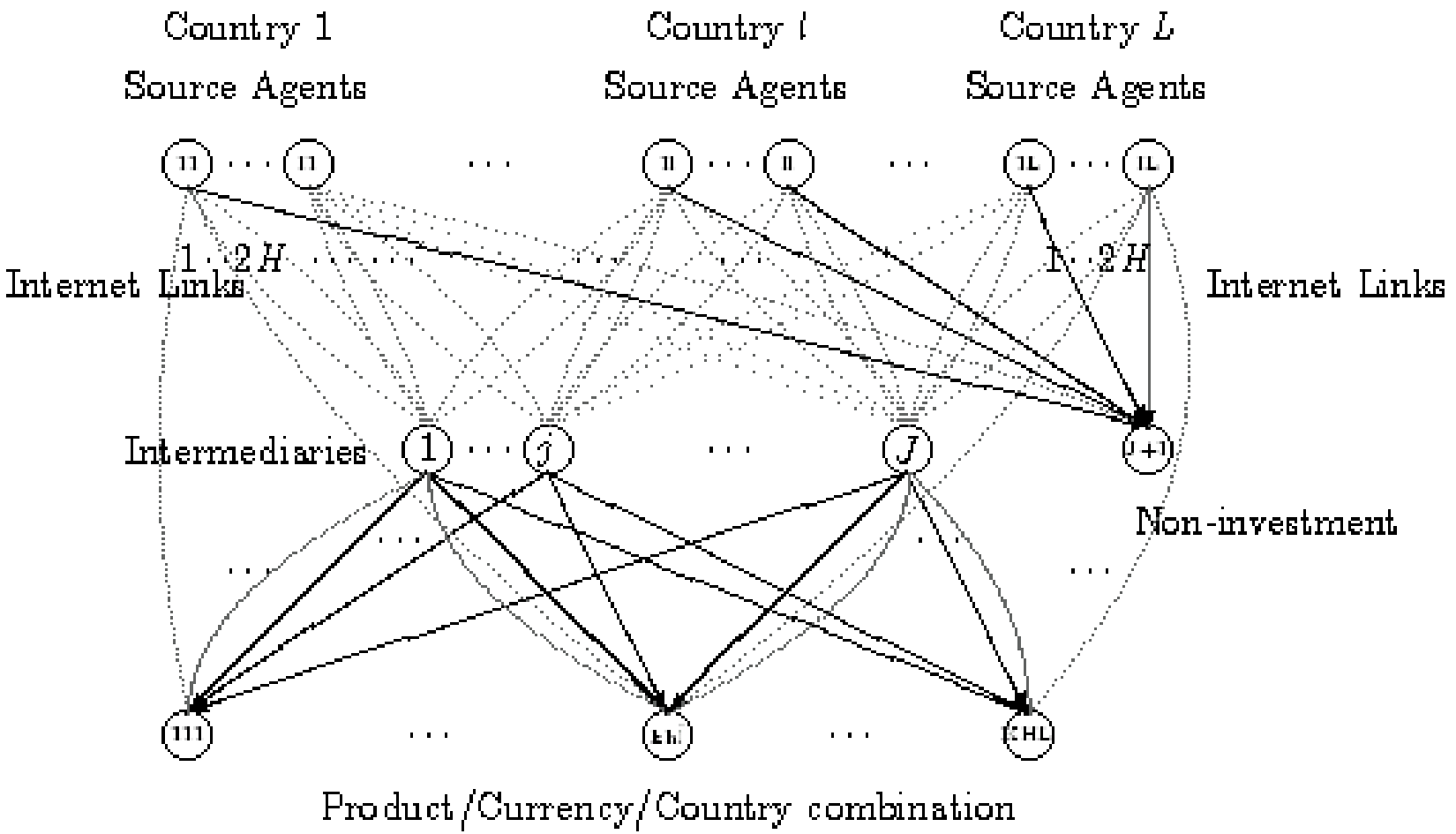
The Supernetwork Structure of a Supply Chain Network



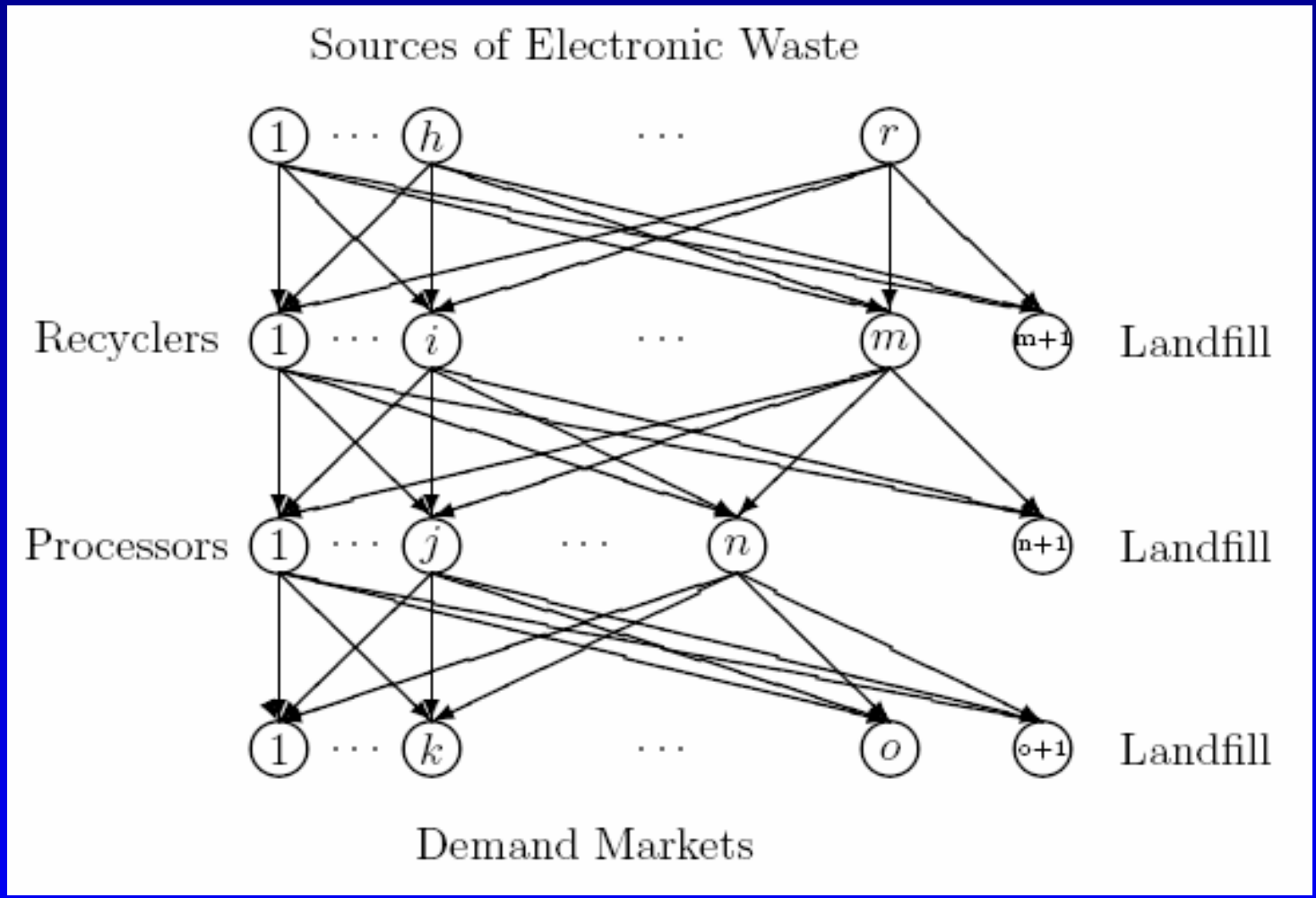
Supply Chain -Transportation Supernetwork Representation



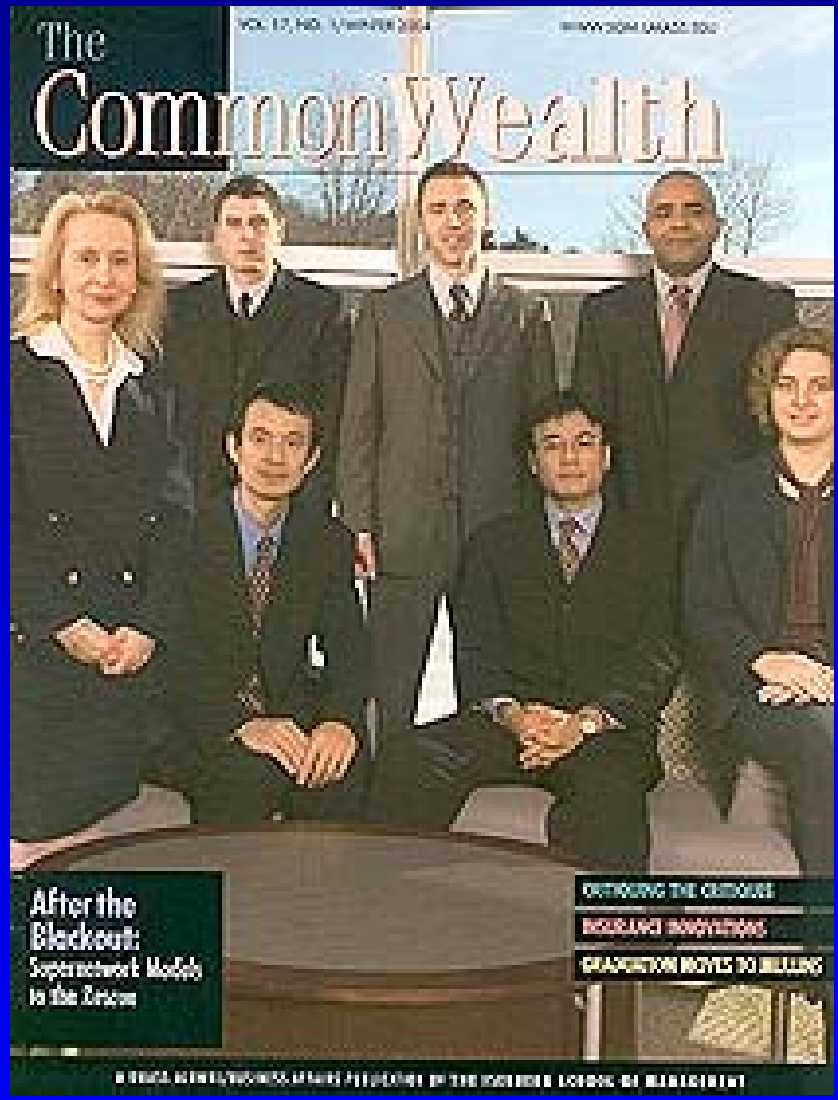
International Financial Networks with Electronic Transactions



The 4-Tiered E-Cycling Network

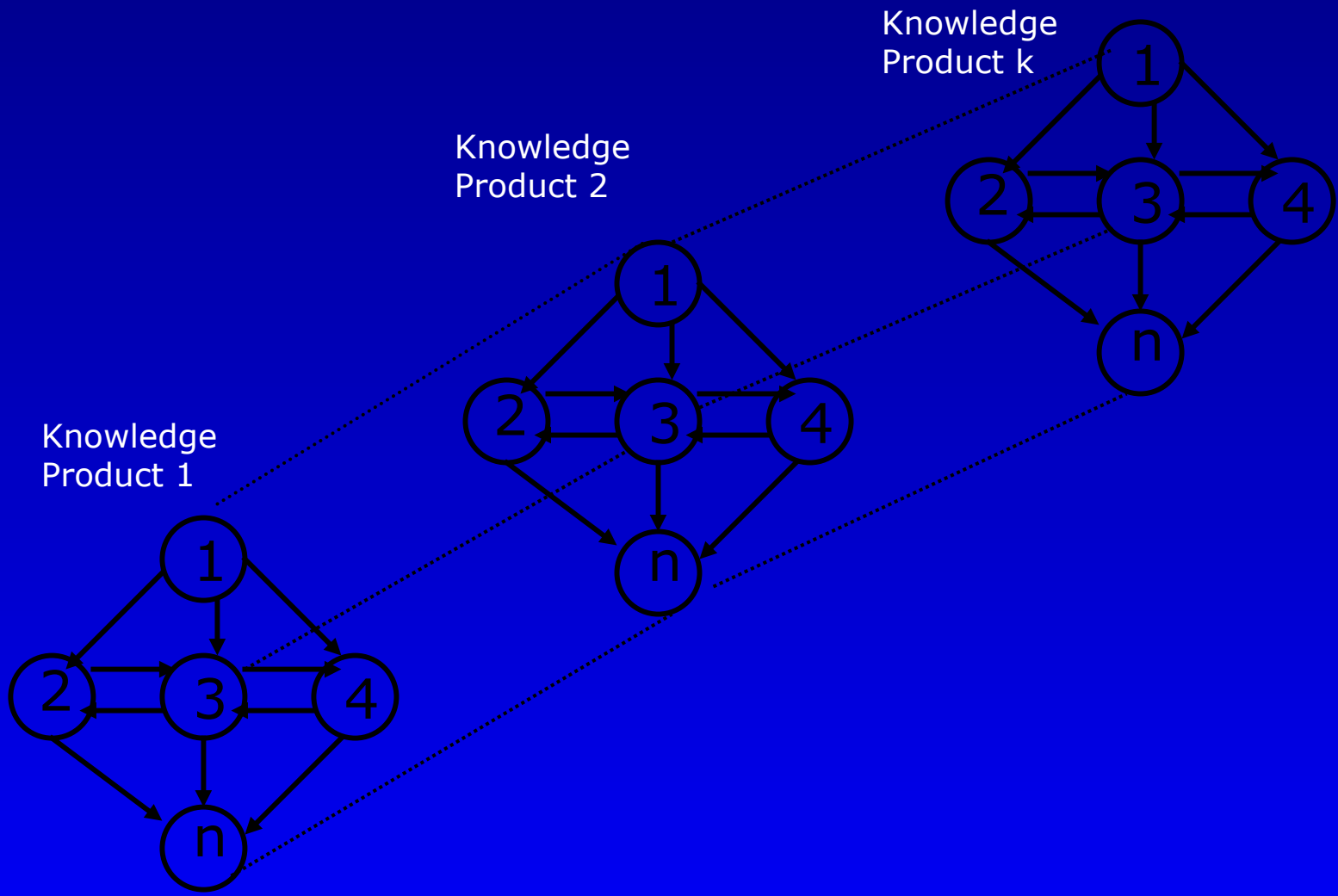


Power Grids


The
CommonWealth
After the Blackout:
Outsourcing the Outlook
Graduation Moves to Beijing

New Directions

A Knowledge Supernetwork



The framework is rigorous in its foundations and both qualitative and computational in its perspective.

We are partnering with the American Quality and Productivity Center of Houston, Texas to apply the results to HP and the AID.

Some Center Activities

Within the past 2 academic years, student associates have presented the results of their research in

- China
- Japan
- England
- Sweden
- Arizona
- Arkansas
- California
- Connecticut
- Florida
- Massachusetts
- Rhode Island
- Texas

Additional Recognitions

- Featured several times in *Mass High Tech*, *OR/MS Today*, and *CNN/Money*.
- Subject of a documentary out of Boston.
- Associates awarded numerous fellowships, prizes, etc., including a *Chow Fellowship*, *AT&T Industrial Ecology Fellowships*, a *Distinguished Chaired Fulbright*, a *President's* and two *Provost's Awards*, and two *UMASS Leaders for the 21st Century*.

Visit the Virtual Center for Supernetworks

http://supernet.som.umass.edu

The Virtual Center for Supernetworks

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The Virtual Center for Supernetworks at the Isenberg School of Management, under the directorship of Anna Nagurney, the John F. Smith Memorial Professor, is an interdisciplinary center established to:

- stimulate activities related to supernetworks
- explore applications of supernetworks
- bring together faculty, students, and those in industry and government for education and collaboration
- expand the knowledge base of network research
- disseminate information concerning networks and their roles in today's Information Age and Network Economy.

The Supernetwork Sentinel

The Newsletter of the Virtual Center for Supernetworks

Winter 2004

Isenberg

Experiences from a Rockefeller Foundation Team Residency at the Bellagio Center by Nagurney, Daniele, and Cojocaru

NEW!

Welcome New International Center Associates, Professors Cojocaru and Daniele!!!

Thank you!

Eugene M. Isenberg School of Management

The Virtual Center for Supernetworks