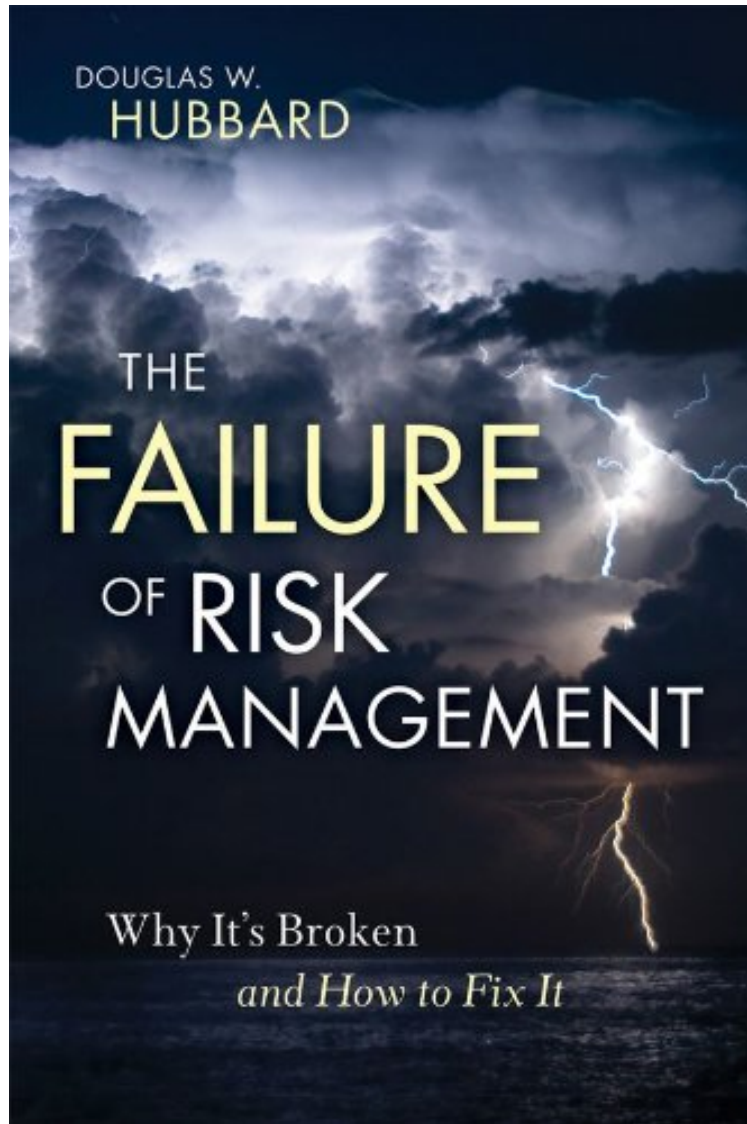


[Download pdf] The Failure of Risk Management: Why It's Broken and How to Fix It

# The Failure of Risk Management: Why It's Broken and How to Fix It

*Douglas W. Hubbard*

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**Douglas W. Hubbard : The Failure of Risk Management: Why It's Broken and How to Fix It** before purchasing it in order to gauge whether or not it would be worth my time, and all praised *The Failure of Risk Management: Why It's Broken and How to Fix It*:

1 of 1 people found the following review helpful. Problems shown in a risky topic. By Felix Hathaway A thorough assessment of current risk assessment methods and their shortcomings. Hubbard takes the reader through some historic events that showcase shortcomings in different fields in regards to risk management. Rooting his points in both case

studies and citations to a multitude of other research, Hubbard provides reasoning for the found flaws in how risk is handled today. A favorite component for all of Hubbard's work has always been the vast amount of background research, there is never a shortage of avenues for readers to look for further information. After providing this relatively comprehensive debunking of many widely used techniques, Hubbard offers some solutions involving a larger reliance on quantitative methods and the scientifically proven method of estimation calibration training.

9 of 9 people found the following review helpful. Risk management from the mineral explorer's perspective  
By Rock Doctor  
I work in the mineral exploration industry where managing risk is a daily aspect of life as we know that more than 95% of the time an exploration project will fail. Therefore, like others in my industry (which spends about \$10 Billion a year, globally) I am very interested in any insights that I can glean from the general risk-management literature that might help me and my business. This was the reason that I bought Douglas Hubbard's book and I was not disappointed in finding some gems that could help me. In particular, I found the discussion about calibrating expert judgment to be very enlightening and the concept that calibration is not domain-specific to be a very interesting insight. Hubbard's general approach to the philosophy of measurement I also found very helpful. When you work in a highly uncertain domain, it is very easy for people to totally reject any form of quantitative analysis. However, Hubbard makes the very profound comment that it is actually in areas of highest uncertainty that we get the most value (ie in terms of improving our business decision making) with the least amount of additional measurement. I have recommended this book to many others in my industry and have also now purchased Hubbard's early book.

1 of 1 people found the following review helpful. Exceptional summary of the risk management landscape  
By Carl Kirstein  
When I attended a course on risk management for my masters degree in engineering management, I was very disappointed with the prescribed book. It contained very shallow principles on risk management and an overview of some approaches. It did not really equip me as a manager to know the history of risk management (how it developed and why); and where it is heading to. It also did not tell me the strengths and weaknesses of risk management models and approaches.

previously I have read "how to measure anything" from Hubbard and thought that a book about measurement taught me more about risk management than risk management books. Then I read this one that put everything together in a single book. Hubbard can be "evangelistic" in promoting his approach, but he provides an exceptional overview of the risk management landscape and how it evolved over the years. He also puts his head on a block and probably offends many authors in calling the weaknesses to their approaches to risk management (and in some cases he even demonstrates the weaknesses with research findings or examples). He goes further by providing recommendations on how risk management could be tackled.

I highly recommend this book for people interested in tackling risk management, or just wanting a general overview of risk management. I should warn that he is very single minded in promoting quantitative risk modelling, which is not suitable to complex domain issues (see the Cynefin framework). But what I do take home with me is that we are able more often to perform quantitative risk modelling than we think we can. And it is a superior way of managing risk when compared to qualitative methods (such as the infamous risk matrices)

An essential guide to the calibrated risk analysis approach  
The Failure of Risk Management takes a close look at misused and misapplied basic analysis methods and shows how some of the most popular "risk management" methods are no better than astrology! Using examples from the 2008 credit crisis, natural disasters, outsourcing to China, engineering disasters, and more, Hubbard reveals critical flaws in risk management methods—and shows how all of these problems can be fixed. The solutions involve combinations of scientifically proven and frequently used methods from nuclear power, exploratory oil, and other areas of business and government. Finally, Hubbard explains how new forms of collaboration across all industries and government can improve risk management in every field.

Douglas W. Hubbard (Glen Ellyn, IL) is the inventor of Applied Information Economics (AIE) and the author of Wiley's *How to Measure Anything: Finding the Value of Intangibles in Business* (978-0-470-11012-6), the #1 bestseller in business math on Amazon. He has applied innovative risk assessment and risk management methods in government and corporations since 1994. "Doug Hubbard, a recognized expert among experts in the field of risk management, covers the entire spectrum of risk management in this invaluable guide. There are specific value-added take aways in each chapter that are sure to enrich all readers including IT, business management, students, and academics alike"

—Peter Julian, former chief-information officer of the New York Metro Transit Authority.  
President of Alliance Group consulting "In his trademark style, Doug asks the tough questions on risk management. A must-read not only for analysts, but also for the executive who is making critical business decisions."  
—Jim Franklin, VP Enterprise Performance Management and General Manager, Crystal Ball Global Business Unit, Oracle Corporation.

"...shows how to identify and fix hidden problems in risk management. He uses real world examples to reveal serious problems in common quantitative and qualitative approaches to risk analysis." (Book News, August 2009)  
From the Inside Flap  
The 2008 credit crisis, terrorism, Katrina, computer hackers, and air travel disasters all have something in common—the methods used to assess and manage these risks are fundamentally flawed. If risks cannot be

properly evaluated, risk management itself becomes the biggest risk. *The Failure of Risk Management* shows you how to identify and fix these hidden problems in risk management. Ineffective risk management methods, often touted as "best practices," are passed from company to company like a bad virus with a long incubation period: there are no early indicators of ill effects until it's too late and catastrophe strikes. Exploring why risk management fails—the failure to measure and validate methods as a whole or in part; the use of components known not to work; and not using components that are known to work—*The Failure of Risk Management* shows you how to measure the performance of risk management in a meaningful way, identify where risk management is broken, and fix it. Respected expert and bestselling author Douglas Hubbard—creator of the critically praised *Applied Information Economics (AIE)*—uses real-world examples to reveal the serious problems in our current approaches to risk analysis. Hubbard skillfully illustrates how to use a calibrated risk analysis approach, and the many benefits that go along with it, along with checklists and practice examples to get you started. One of the first resources to apply risk management across all industries, *The Failure of Risk Management* provides you with the tools you need to hit the ground running with radically better risk management solutions. Here, you'll discover: The diversity of approaches to assess and mitigate risks