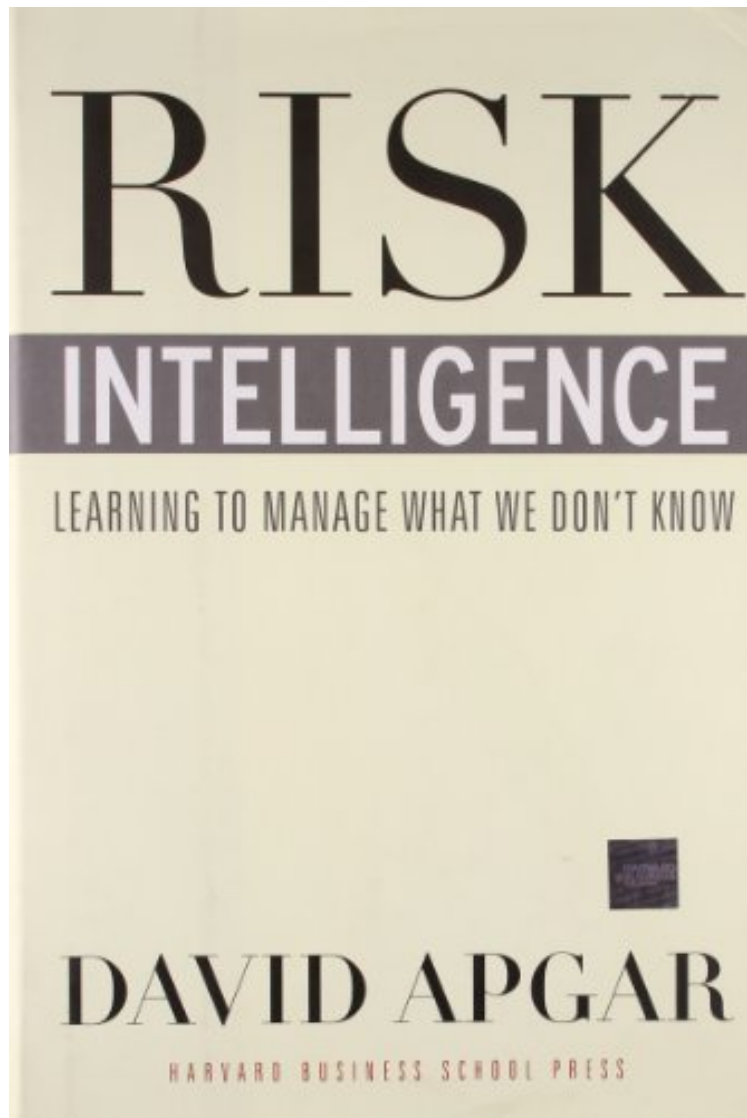


(Read and download) Risk Intelligence: Learning to Manage What We Don't Know

Risk Intelligence: Learning to Manage What We Don't Know

David Apgar

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David Apgar : Risk Intelligence: Learning to Manage What We Don't Know before purchasing it in order to gauge whether or not it would be worth my time, and all praised Risk Intelligence: Learning to Manage What We Don't Know:

0 of 0 people found the following review helpful. Interesting book on Risk ManagementBy lorenzopreveThis is an interesting book in Risk Management; it stresses the importance of separating learnable from non-learnable risks, and design strategies according to this.It is not my style of book, but overall I have enjoyed reading it. I will provide a short summary of the book by going over the main concepts of each chapter.Chapter 1 presents a general approach to risk management and focuses in the organization's ability to learn about the risks it is assuming. The general idea of

the chapter is that a risk can be random or learnable, and a risk could be learnable for some firms and random for some others. The author states that the company needs to choose risk that can learn about, and "we must know what we are good at learning". The chapter offers four rules that are the response to four myths; they are: +Myth 1: All Risks are Random. Rule 1: Recognize which risks are learnable.+Myth 2: Since Risk average out, they rarely create persistent winners and losers. Rule 2: Identify risks you can learn about fastest+Myth 3: There is no pattern to how risks evolve. Rule 3: Sequence Risky Projects in a "learning pipeline"+Myth 4: Business Partners get the same results no matter how they allocate the risks. Rule 4: Keep networks of partners to manage all risks

Chapter 2 presents the book's First Rule: Recognize which risks are learnable. This Chapter separates non-random "learnable" risks from random ones, bearing in mind that our relative risk assessment skills might affect the distinction. The author recognizes the importance of learning what drives learnable risks. The chapter states that the risk assessment ability becomes a critical skill that determines success. The chapter's bottom line is a strong urge to differentiate learnable from non-learnable (random) risks, and states that as a rule of thumb, a random risk usually depend on a well-established and efficient market.

Chapter 3 presents the book's Second Rule: Identify Risks you can learn about faster. The Chapter focuses on the managerial ability to assess different kinds of learnable risks. It is not the ability to manage risks, but the organization's ability to learn about them what is discussed in this chapter. The author proposes a five steps test that is designed to help the reader's assess their ability to learn about their risks, and promises that it helps improving these abilities as well. The chapter closes by characterizing the ability to assess risk, dividing people in Impressionists (lots of memorable experiences but lack of ability of applying it in the right situations), Encyclopedists (lots of superficial knowledge), and Amnesiacs (lots of knowledge that they do not share with others). This chapter makes a point in trying to build teams that combine the three types of risk assessors.

Chapter 4 presents the book's Third Rule: Sequence risky projects in a "learning pipeline". The Chapter focuses on the importance of having a strategy regarding the way we interact with risks. It stresses the importance of learning one risk at a time, and to continually improve our ability to learn about risks. This chapter combines the concepts of "pipelines of risks" and "portfolio of risks" getting the best of their interaction. These two concepts are interconnected in the Risk Strategy Matrix that relates the Risk Correlations and our Ability to Assess it. This matrix shows the life cycle of risks. The chapter presents the "Risk Audit Strategy" that ends in a matrix that present all the company's projects in a Risk Diversification and Risk Intelligence space. Then the author relates this matrix with BCG's Growth-Share Matrix.

Chapter 5 presents the book's Fourth Rule: Keep networks of partners to manage all risks. The Chapter introduces the Risk-Role Matrix, which relates Risk Diversifiability with Market Intensity, and uses it to explain the position of our firm in a network. Risk diversifiability, a concept introduced in Ch. 4, is related with the correlation between the different risks in our portfolio, and market intensity is affected by the correlation of our risks with the economy (the author uses the SP500 as a benchmark for the economy). The idea is that, according to where is our project located in this matrix, we should play a different role in our risk network; here the author uses the terms, "customer umbrella", "classic borrower", "shock absorbers", and "risk distributors" as roles depending on where is our firm located in the matrix. The chapter relates the choice of where the company should be located, to its financial situation. The chapter moves on to the discussion of the so-called "flat-field" risks; those risks that nobody can know better than the rest of the market. The author gives a nice example about their importance explaining how creating a flat-field risk helped Mexico solving its debt problem (Dizard's Index). The chapter ends exploring what we have learned so far and its implications in expansion to emerging markets.

Chapter 6 provides a ten-step story of risk intelligence that, according to the author, will help the reader rethinking its business and the economy. The steps are related to the Rules of Risk Intelligence outlined in the book. The ten steps are: (1) Choose projects, problems and ventures with learnable risks in mind, (2) Score your intelligence for the options you are considering and triage them, (3) Look for patterns in your risk intelligence scores and try to improve them, (4) Conduct a risk strategy audit for your main activities, (5) Classify your new risk pipeline in terms of gaps that threaten growth, (6) Compare the risk-role matrix for your activities with your risk partner networks, (7) Compare the risk roles that fit your organization with what fits your risks, (8) Look for opportunities to transform learnable risks into flat-field risks, (9) Check whether your launch market for an idea is relevant to your target market, (10) Look for opportunities to break the compromise between risk and growth.

Overall, the book was interesting. It is not my style, too many lists and recipes, but I understand that it might add significant value to the reader that values that.

6 of 6 people found the following review helpful. Risky Business

By Retired Reader

Risk management is a vital function for most rationally managed organizations. Any competent business plan or project proposal will include a section on risk mitigation. So what is risk? In essence it is anything that will hinder or prevent an organization from achieving its goals or purpose. Clearly then it is in an organization's interest to reduce the probability that a risk will occur through what is called 'risk mitigation'. There are numerous methodologies to achieve this some good others more problematic. Yet effective risk mitigation can mean the difference between profit or loss and success or failure. It is far from a trivial matter.

Which brings us to this rather provocatively titled book, "Risk Intelligence", that provides a unique contribution to risk mitigation. Although Apgar does not say so, he uses the term 'intelligence' in both its meanings namely, cognitive ability and processed information. He usefully divides risk into two categories 'learnable' and 'random' by which he means risks whose probable occurrence can be assessed and

risks that may be equally probable but that cannot be assessed accurately. Apgar believes that a number of factors, such as previous experiences, can combine to enable individuals and organizations to understand some risks better than others and that for them such risks are what he calls learnable. He correctly notes that if a specific risk is understood it cannot be predicted, but its probability can be assessed. Such risk 'knowledge' can give an organization a competitive edge in most situations. As with so many things once somebody actually thinks them up, the concept of 'risk intelligence' seems obvious. But Apgar is to be congratulated for first articulating and explaining such a useful idea. Of course, 'risk intelligence' is not the only factor in risk mitigation. Apgar would no doubt be the first to point out that other factors such as reserve capacities, process flexibility, and realistic alternatives provide the resiliency essential to successful risk management. 7 of 10 people found the following review helpful. Needs more work

By Bernard Z

At work, I am doing software development planning. So I need a clear understanding of Risk Intelligence. So I bought this book. The writer's argument is that all risk falls into two categories one is what is knowable and therefore can be learned, and the other unknowable so difficult to prepare. So what you should do is your projects as you learn!

As I went on, reading this book. I found it full of current examples that are at best dubious to prove his point. For example the US planners' miscalculation in Saddam's Iraq was not the WMD, but later in trying to create a secular democracy in a post-Saddam Iraq and underestimating the Muslim fundamentalist response. Nor were the Japanese clever planners so more advanced in alternatives to oil that gave them an advantage when the oil crunch occurred. It was because Japanese are generally smaller than Americans, so their cars are smaller. When the oil crunch occurred, they were already making smaller so more fuel efficient cars and during the crisis they kept making them. Another example quoted is the 2004 Indian Ocean tsunami. If as the writer states the US had warned the Indians in time, it would have made little difference as the public, the police, the coastguard and the military in India had no procedures to act on this information. I was there and saw in India the local authorities had no idea of what to do. This became an important discussion in India after the event which the writer should have read up about before quoting it in his book. I was willing to put all of this aside. I know my market and I know its competition so I wanted to see what this book could help me in my risk intelligence. I found little. I kept thinking what is unknowable often occurs in the project that we think we know. This doubt is the nature of life. At the end I went through the step-by-step format hoping to get something. But I found it wanting. I know my market, I know my competition knows the market. Say something they know a little better than us. Does that give me a 1 or 2 to them? I do not know from reading the book. Also many reasons go into assigning projects for example resources, the companies current needs, the clients needs etc. Risk analysis is one of many. I cannot order the projects as he suggests. It maybe a good book for a university course but it needs much work and less politics before a manager like me can get some value out of it.

Too many executives think risk management is strictly for technical specialists. In *Risk Intelligence: Learning to Manage What We Don't Know*, David Apgar challenges this misconception. The author explains how to raise the quality of your risk analysis—thus enhancing your “risk IQ”—by applying four simple rules:

- 1) Recognize which risks are learnable—and reduce their uncertainty by discovering more about them.
- 2) Identify risks you can learn about the fastest. The higher your learning speed, the more a project is worth pursuing.
- 3) Take on risky projects one at a time—learning about the risks underlying each before moving to the next.
- 4) Build networks of business partners, suppliers, and customers who can collectively manage new ventures' risks by playing distinct roles.

The book provides two tools for improving your risk IQ—the Risk Intelligence Audit and the Risk Scorecard—and concludes with a 10-step action plan for systematically raising your managerial and organizational risk IQ. Your reward? Smarter business decisions over time.