Harvard Business Review

READING GUIDE

HBR's 10 Must Reads on Managing Risk

HBR's 10 Must Reads Series

Is your business playing it safe—or taking the right risks? *HBR's 10 Must Reads on Managing Risk* gathers definitive ideas from the pages of *Harvard Business Review* to help you and your organization avoid the most common errors in risk management; understand the three distinct categories of risk and tailor your risk-management processes accordingly; embrace uncertainty as a key element of breakthrough innovation; adopt best practices for mitigating political threats; upgrade your organization's forecasting capabilities to gain a competitive edge; and detect and neutralize cyberattacks originating inside your company.

Here are some key lessons and takeaways to get you started and guide your reading.

What you need to know about managing risk in 61 words:

The three categories of risk are preventable risks, strategy risks, and external risks. Risk can be built into your business model. The end of the Cold War, supply chain innovations, and the tech revolution are changing political risk. Weak leadership and flawed corporate oversight contribute to fraud and white-collar crime. Companies must account for climate-change threats in their risk assessments.

There are three categories of risks, each of which requires a different risk-management approach.

- **Preventable risks** arise from within the company and generate no strategic benefits. They should be avoided or eliminated cost-effectively.
- **Strategy risks** are risks taken for superior strategic returns. Steps should be taken to reduce their likelihood and impact cost-effectively.
- **External risks** are uncontrollable risks. These require distinct processes that encourage managers to openly discuss these risks and find cost-effective ways to reduce their likelihood or mitigate their consequences.

There are six common mistakes managers make when confronting extreme risk:

- We think we can manage risk by predicting extreme events.
- We are convinced that studying the past will help us manage risk.
- We don't listen to advice about what we shouldn't do.
- We assume that risk can be measured by standard deviation.
- We don't appreciate that what's mathematically equivalent isn't psychologically so.
- We are taught that efficiency and maximizing shareholder value don't tolerate redundancy.

EXPLORE MANAGING RISK IN THE HBR.ORG ARCHIVE

Audio: "NASA's Former Head of Science on What It Takes to Manage Complex, High-Risk Projects" on *HBR on Leadership*

Article: "Managing the Risks of Generative AI" by Kathy Baxter and Yoav Schlesinger

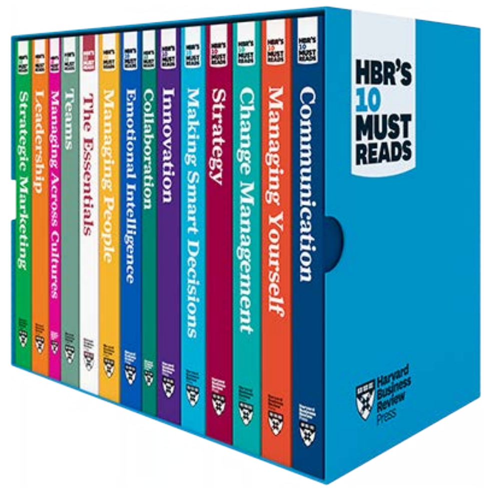
Audio: "The Risks of Rebranding" on *HBR on Strategy*

Article: "From Droughts to Floods, Water Risk Is an Urgent Business Issue" by Jose Ignacio Galindo, Nicolas Wertheimer, and Jay Famiglietti

Article: "Research: When Geopolitical Risk Rises, Innovation Stalls" by Vivek Astvansh, Wesley Deng, and Adnan Habib

Audio: "Geopolitics, Technology, and Risk" on *Azeem Azhar's Exponential View*

HBR's 10 Must Reads Ultimate Boxed Set



The most important ideas on management all in one place. We've combed through hundreds of *Harvard Business Review* articles on topics such as emotional intelligence, communication, change, leadership, strategy, managing people, and managing yourself and selected the most important ones to help you maximize your own and your organization's performance. This 14-volume set offers essential reading selected from the pages of *Harvard Business Review* on topics critical to the success of every manager.