



“The average payback on the analysis of large, risky IT investments is more than 20 times the cost of the analysis.”

-Doug Hubbard
President & CEO
Hubbard Decision Research

CEO Interview: Doug Hubbard, CEO, Hubbard Decision Research

Recently, **Q1 Productions** had the opportunity to sit down with Doug Hubbard, President & CEO of Hubbard Decision Research, to discuss the impact of AIE programs on complex decision making not only for IT investments but for a broad range of investments and programs. For more information about Hubbard Decision Research, check out their website at www.hubbardresearch.com; or come out and meet them at the upcoming AIE Workshop to be held this April 24th in Washington, D.C.

Q1 Productions: How does the design of this workshop enable participants to see the value of Applied Information Economics?

Doug Hubbard: Applied Information Economics (AIE) applies the most advanced investment analysis methods available today to the biggest and risk investment portfolio in most organizations: the IT portfolio. But many executives may see real quantitative risk analysis and decision modeling like AIE as something beyond their reach. We demystify these topics by focusing on a few key principles, making them intuitive, and then showing how they apply in real-world examples. We show them several actual situations where measuring risk in a statistically-sound manner averted major disasters and helped to define a much more valuable IT initiative.

Q1 Productions: Describe how the participants can utilize the basics of the methodology in order to better analyze their internal decision making processes.

Doug Hubbard: The participants will get several practical “take-aways” from the seminar. They will learn the fundamentals of the AIE concepts including how to express an intangible as a measurable and how to express uncertainty quantitatively. They will also be familiarized with more advanced methods so they can spot situations where different techniques would apply.

We also give them several interesting findings from our case studies that are useful even by themselves. For example, they will find out which variables best predict IT project success and which variables they should really be measuring (and which ones they should stop measuring). No matter how extensively they wish to employ AIE after the workshop, there are surprising findings that will change the way they look at IT investments.

Q1 Productions: Share a recent success story of one of your clients that has utilized the AIE system to manage their risk.

Doug Hubbard: The EPA has used AIE several times on a variety of topics. One study was for an IT project called the Safe Drinking Water Information System. AIE successfully modeled how SDWIS correlates to improved public health, a feat that had not ever previously been accomplished at the EPA. We also found that some of the proposed functionality was much riskier and had a more marginal and uncertain value while other functions were very low risk and high value. By changing the priority of implementation of these functions, we improved the value of the investment by millions of dollars.

A good example outside of IT is a project we did for the US Marine Corp. They use a model developed by the AIE method for forecasting fuel requirements for the battlefield. They found, much to their surprise, that the largest controllable contributor to uncertainty was not chance of enemy contact or “battle tempo” but road conditions along convoy routes. We also found that the biggest single factor in how much fuel is used by tanks was, again, not chance of enemy contact, but simply whether the Marines were familiar with the local area. Findings like this allowed us to construct a fuel forecasting model that should save the USMC about \$54 million per year in costs related to over and under-stocking.

Q1 Productions: How do you see AIE applied across industry verticals?

Doug Hubbard: AIE applies to any risky decision wrought with intangibles and uncertainty. It has been applied in insurance, military logistics, banking, government, software startups, and more. In all of these types of organizations they ask some of the same questions about big, risky decisions: “How do I measure these ‘intangible?’” or “How do I know how much risk I’m taking?” or “How do I know what I should be measuring?”. When these questions are asked, AIE applies.

Q1 Productions: What has been the most fulfilling professional experience you have had in founding and growing Hubbard Decision Research?

Doug Hubbard: I have had the opportunity to work on projects that not only have a major impact on the bottom line of companies, but projects about assessing government programs for improving public health and child safety or improving the logistics capability of our military in war. There is no doubt in my mind that people’s lives have been improved and, perhaps, in some cases saved when leaders have used AIE-driven analysis in their decisions.

Q1 Productions: What is your greatest personal achievement?

Doug Hubbard: Besides marrying the right woman? That’s easy. My greatest personal achievement is the development of the AIE method itself and successfully applying it to so many different issues.