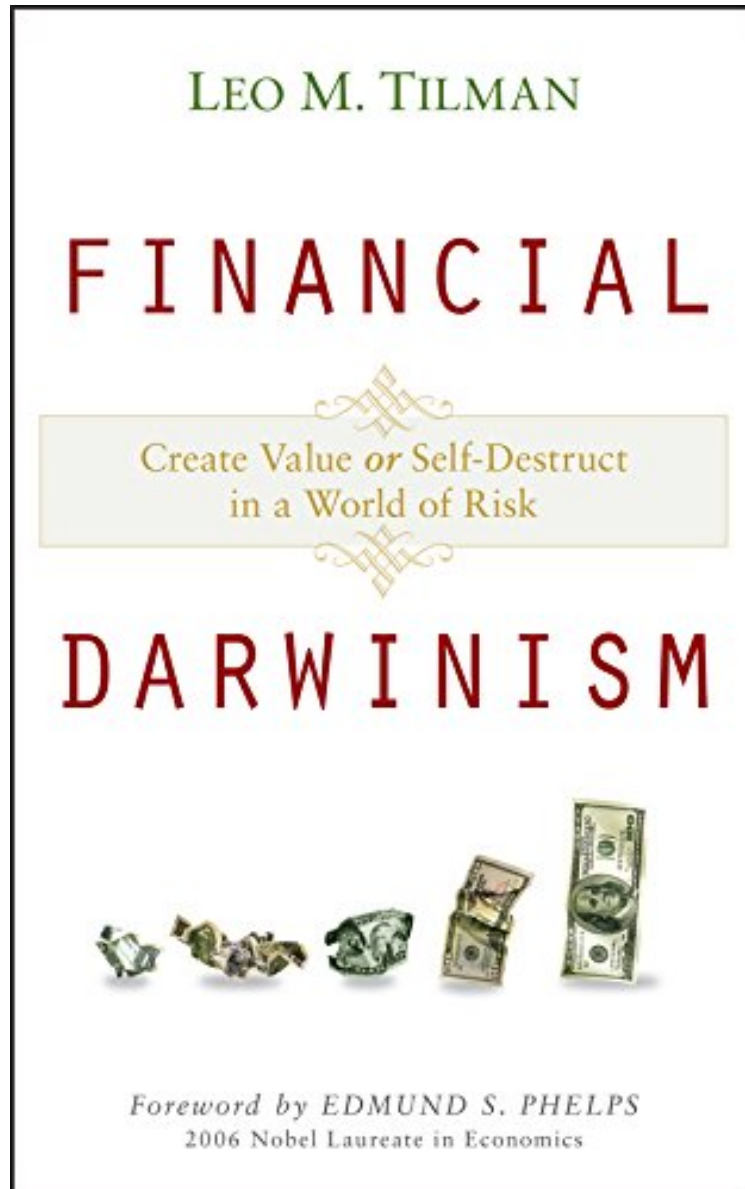


# Financial Darwinism: Create Value or Self-Destruct in a World of Risk

*Leo M. Tilman*

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**Leo M. Tilman : Financial Darwinism: Create Value or Self-Destruct in a World of Risk** before purchasing it in order to gage whether or not it would be worth my time, and all praised Financial Darwinism: Create Value or Self-Destruct in a World of Risk:

0 of 0 people found the following review helpful. Clarity of Thought on Financial Risk AnalysisBy Marlys

ElavskyExcellent work by Tilman who is at his best when communicating complex risk-related concepts. I first read this in 2008 and reread parts of it again in 2014 as the lessons are valuable enough to revisit them. The analysis and views were first articulated the same year at the culmination of the financial crises, showing the prescience of Tilman's analysis and assessment of hidden and unaccounted-for risk. The subsequent emphasis on governance is a direct result of the lack thereof leading up to the crises, and naturally leads one to the understanding of how short termism and focus on accounting variables contributes to unaccounted risk profiles. Excellent source for those who want to better understand the financial crises from an original thinker on risk assessment. 1 of 1 people found the following review helpful. "Create value or self-destruct in a World of Risk"By DarthMr. Tilman's message in "Financial Darwinism" is a timely and important one, especially in the dynamic new financial world: Firms (particularly ones where revenue is tied to financial transactions) will need to be more proactive in adapting its business models as well as adopt Risk Management as an integral part of their decision-making process in order to become or maintain their status as the market leader. This book is very thorough in defining formulaically the earnings equation of financial firms and emphasizes how the new financial environment will impact/impair each component of the earnings models and how firms can adapt their business to overcome such an attack. Although at times I found the re-emphasis of the earnings equation a little overdone, perhaps this is necessary to hone in for non-finance professionals. One particular area where I thought Mr. Tilman could have spent more emphasis is on how the principles of Risk Management can have influence senior-level management decisions. While this point was obviously stated, little detail or examples are provided to depict its usage and effectiveness. For example, "Risk transparency" was touted as a way to improve risk management, but no specific examples of "what kinds of risk transparency" or how management should use risk transparency to better understand risk was explained. While I think the author never meant to dedicate a chapter to risk transparency, a more detailed explanation would have made the argument for utilizing the principles of risk management in boardrooms more convincing. In all, the author wanted to show that the world of finance is undergoing a tectonic shift and that old business models are being threatened. In order for firms to survive in this new financial regime, they would need to rethink their earnings model, be creative in how they protect their income streams, and utilize Risk Management as an ex-ante and not a ex-post concept. In that end, Mr. Tilman has done a good job. 11 of 11 people found the following review helpful. Fascinating, original, and desperately neededBy Rockwell StensrudI was fascinated by the premise of Financial Darwinism and found myself agreeing with most of its conclusions and remedies. The subject matter is extremely timely right now. Investors, politicians, and financial people are struggling to understand the new financial world order. An astounding amount of leverage and risk was not at all visible before this crisis and resulting losses were surprising, to say the least. The theory is solid and fascinating and is clearly a strong suit. This is why I couldn't wait to get to the "real life" examples presented in Chapter 5, which is the heart of the message. The case study of the current financial crisis illustrates why Tilman's theory works. This chapter makes getting through the detail in prior chapters, where the reader is trying to understand the implications of the book's ideas, worth it. Notwithstanding somewhat excessive use of dashes (the author's amusing style quirk), the clarity of thought is impressive. As a journalist and personal investor, I was afraid that this book would only be understandable (and of use) to finance experts, executives, economists, and such. This was not at all the case - thanks to all the main points clearly laid out in the first chapter. Despite the Darwinian message, it is likely this book will become the new "bible" for businesses and investors around the world.

In *Financial Darwinism*, author Leo Tilman lays the groundwork for understanding the new financial order by introducing his evolutionary thesis and then outlines an actionable decision-making framework that enables financial institutions and investors to fully leverage the power of business strategy, corporate finance, investment analysis, and risk management. *Financial Darwinism* is an invaluable road map to today's financial world and an essential guide to surviving and thriving during these challenging times.

"As the world places increasing emphasis on fair valuation, risk-based financial disclosure and risk-focused regulation, Tilman's guide becomes more important for CEOs, directors and fiduciaries who must build risk evaluation into all fundamental decisions." (Corporate Governance) "While Tilman's thesis is directed to financial firms, the concept applies to all businesses. Failure to adopt a risk management strategic planning model will lead to extinction, hence the "Darwinism" in the title. Summing Up: Recommended." (Choice, April 2009) "...Tilman couldn't have chosen a better time...clearly written and with plenty of rational advice for financial institutions" (City A.M., December 11th 2008) "One of the book's merits is that he offers tables that provide taxonomies of business model transformation." (Financial World, February 2009) "This book is highly recommended for finance professional sat all levels of an organization as well as investors desiring insights into how firms can weather the "tectonic shift" in the financial landscape. The terminology and models used should be within the grasp of anyone who has taken an undergraduate course in finance." (Journal of Corporate Finance and Accounting) "Tilman] sees much to be learned from the collective blindness that led to the economic meltdown. ... says the first steps to recovery are humility and innovation" (Alpha magazine) "This book offers a deeply thoughtful and well-reasoned analysis of what has gone

wrong and the outlines of an eventual road to recovery." (Financial Executive International)From the Inside FlapThe world of modern finance presents a landscape of significant uncertainty, but also of rapid innovation and opportunity. Once-comfortable financial business face increased competition and lower profit margins. Time-tested investment and business strategies are being threatened by disruptive technologies and globalization. "Once-in-a-lifetime" financial crises seem to be occurring with an alarming regularity. More than ever before, success rests on the ability to make sense of the profound changes, link up seemingly unrelated phenomena, and understand the global forces at play. In "Financial Darwinism," author Leo Tilman analyzes the tectonic financial shift that has taken place over the past quarter century and then comprehensively explores the challenges facing financial institutions--as well as the entire universe of their potential responses. "Financial Darwinism" explores why and how financial firms must continuously evolve amidst genuine complexity and uncertainty in order to survive and remain competitive. It analyzes the strategic, investment, regulatory, and public policy implications of a "future that has already happened" and identifies actionable ways of putting new ideas into practice in risk-focused manner. This book starts by introducing Dynamic Finance--and evolutionary thesis about the origins, the drivers, and the implications of the ongoing financial revolution. After examining how financial institutions used to create economic value in the past, Tilman offers a concise new risk-based approach to thinking about economic performance. He then develops a practical decision-making framework he calls Financial Darwinism that is designed to help financial institutions navigate the dynamic new world. "Financial Darwinism"--a blend of business strategy, corporate finance, investment analysis, and risk management--gives financial executives and investors a menu of broad choices on how to create economic value. In the process, a new kind of strategic vision, the breadth of global perspective, and command of advanced financial tools are shown to be essential ingredients of success. This book is about change, and change is always difficult, indeed wrenching--institutions must be redesigned, outdated paradigms discarded, and corporate cultures redefined. However, the alternative--the Darwinian failure to evolve--is far more painful, particularly when capital markets, clients, and competitors beat you to the punch and make difficult choices "for" you. "Financial Darwinism" is an invaluable road map to the new financial order and an essential guide to adapting and succeeding in it. For more information, visit [www.FinancialDarwinism.com](http://www.FinancialDarwinism.com)From the Back CoverPraise for FINANCIAL DARWINISM "The best business management tool is common sense. While such a timeless truth remains indispensable, it takes new thinking to navigate the astonishingly complex and rapidly changing world of finance. Over the years, I have personally witnessed leading organizations' reliance on Leo Tilman's advice and insights to deliver consistent profits and manage risk. I hope the readers of this smart, original, and practical book will benefit in kind." mdash;Alan C. "Ace" Greenberg, Vice Chairman Emeritus, J.P. Morgan "Responding to earnings pressures with outdated concepts and tools or, worse yet, blind risk-taking has an unhappy ending in every case. Get your organization's costs under control and staff it with highly competent professionals. Then use Financial Darwinism to prosper in the world of globalization and deregulation." mdash;Jamie B. Stewart Jr., President and CEO, The Federal Farm Credit Banks Funding Corporation Past Acting President and COO, The Federal Reserve Bank of New York "A masterful treatise on piloting complex financial institutions through the newer and tougher challenges imposed on them by the evolving marketplace. Tilman presents a unified conceptual framework that not only resonates with one's intuition, but also offers specific structural approaches to the decisions made by financial executives. This book is a must for anyone interested in improved strategies for risk management and economic performance." mdash;Dr. Darrell Duffie, Dean Witter Distinguished Professor of Finance, The Graduate School of Business, Stanford University "Tilman has distilled the larger pattern from the seemingly endless reorganizations of financial institutions, some strategic and others quite foolish. Financial Darwinism articulates a framework for understanding and, for financial executives and practitioners, initiating strategic choices." mdash;Dr. Bennett W. Golub, Vice Chairman, BlackRock, Inc. "Financial Darwinism explains the tectonic shifts now underway in the investment world far better than any book I have seen to date. Those who are interested in really understanding how financial markets have dramatically changed in the past few yearsmdash;and how they are likely to change again in the next few yearsmdash;would do well to read and absorb this important work by Leo Tilman." mdash;David M. Rubenstein, Cofounder and Managing Director, The Carlyle Group