

Hough Graduate School of Business Warrington College of Business Administration

Executive MBA Program

EMBA18, Spring 2017

Syllabus for
GEB6930: Risk and Crisis Management
Section 3186

2 credits

Instructor: Keith Florig, Ph.D. Email: kflorig@ufl.edu

GEB-6930 1 Risk & Crisis Management

Course Description

A crisis is an unpredicted event that threatens the high-level goals of a firm, draws intense external scrutiny, and paralyzes normal operations. Whether it's a factory fire, the loss of a key customer, a supply chain disruption, a product recall, or a senior manager facing criminal charges, a crisis places a high demand on a firm to diagnose the problem, communicate with affected stakeholders, and present a credible path to renewal both inside and outside the organization.

Crisis events are becoming more common as business volumes grow, supply chains become more complex, advocacy groups become better organized, recording devices proliferate, and more people consume and contribute to social media. Firms engaged abroad face additional risk of crisis by operating in settings where social, political, and media norms are not fully understood.

Depending on an organization's culpability for a crisis and how competently its managers respond to it, a crisis can profoundly influence an organization's reputation and its bottom line. To cope with this threat, managers must build their crisis management knowledge and skills and prime their organization to respond effectively when a crisis breaks.

In this course, we examine the impacts of crisis on market valuation and reputation, learn how risk management can reduce the probability of encountering a crisis, and discover how a well-designed and practiced crisis management strategy can help an organization emerge from crisis with stronger stakeholder support and improved financial outlook. Students apply theories of stakeholder engagement, risk perception, and crisis communication to analyze different types of crisis occurring both in the US and abroad.

Learning Goals

After completing this course, you will be able to:

- Identify the most likely types of crisis that might be encountered in your industry.
- Assess the seriousness of a crisis from the perspective of your firm's most important stakeholders.
- Apply tools of risk management to address the root causes of crisis.
- Prepare for crisis by assembling a crisis management team.
- Select a crisis communications strategy that preserves both reputation and profit.
- Select and train spokespeople who can perform well under live questioning.
- Use social media to build a base of support before a crisis strikes, continuously monitor stakeholder concerns, and respond quickly to supporters and critics when a crisis erupts.
- Create a business recovery plan to restore normal operations once the crisis is over.
- Display leadership during a crisis and convey a spirit of renewal after the crisis.
- Change organizational processes in response to lessons learned in crisis.

Teaching Method

Lectures introduce concepts and theories of risk and crisis management. Principles learned in lecture are applied and practiced in class discussions, team exercises and crisis simulations. Class discussion of a wide variety of crisis scenarios evoke an appreciation for the complexity of crisis decision making. Team exercises challenge students to identify the root causes of a crisis, understand stakeholder perceptions of a crisis, and devise an evidence-based crisis communication strategy. Simulation of a crisis press event challenges teams to connect with stakeholders, stay on message, and respond to media questions in real time.

Prerequisites

The last month of this course assumes knowledge of basic concepts of probability distributions. Those needing a refresher can consult a suitable introductory textbook or on-line tutorials such as the collection at www.stattrek.com. An excellent tutorial on probability distributions is at http://wps.prenhall.com/wps/media/objects/9434/9660836/online tutorials/heizer10e tut1.pdf

Readings and Lecture Slides

Most readings are available in a course pack and on the course's Canvas site. Some readings are only accessible online through the hyperlinks in the reading list at the end of this syllabus. There is one textbook: Coombs (2014). Lecture slides are available in the course pack and on the course website.

Grading (see descriptions of individual component below)

Quizzes (4 equally weighted)	50 %
Team assignments (4)	20 %
Contributions to discussion board	15 %
Participation in class discussion	15 %

Following <u>college MBA guidelines</u>, the distribution of final grades will be adjusted so the class average is no greater than 3.50 (where A=4, A=3.67, B=3.33, B=3.00, etc.). This means that **you are graded relative to your classmates.** To assess your performance on each grade component, focus on your performance relative to the class mean, not on your absolute score.

Quizzes

Four short quizzes spaced throughout the course will be given instead of a final. These closed-book quizzes test knowledge of concepts covered in the lecture notes (PPTs) and readings. Quizzes test only material covered since the previous quiz. Quizzes are given in class via Canvas at the start of each month's class meetings. Each quiz has 10 multiple-choice questions which must be answered within 16 minutes.

A quiz missed due to an <u>excused</u> absence can be made up during the week following the quiz. An excused absence is one that is conveyed to the instructor <u>in advance</u> by email, and is the result of a true emergency (e.g., illness). Job-related events and vacations are not excusable.

Team Assignments

There are four graded team assignments. Details on the team task, deliverables, and grading criteria will be provided with each assignment. Late team assignments will not be accepted. All team members are expected to contribute equally.

Discussion Board

The Canvas site for the course has a discussion board function. We will use the d-board to discuss news items relevant to risk and crisis management. This is an excellent way for us all to learn from each other, using timely examples drawn from a variety of risk and crisis domains. Each student is required to make two (2) posts to the discussion board between the first class and the last. At least one of these posts must be completed before our class meeting on February 3. You can either open a new conversation (with an attachment or link if needed) or comment on an existing conversation (if that topic isn't already "talked out"). One of your posts must be a new conversation and one must be a comment on an existing conversation. When you introduce a new conversation, you should include your thoughts about why this topic should be of interest to students of risk and crisis management.

Posts to the d-board will be graded for quality. A high-quality post is clearly relevant to the course, includes some analysis applying principles encountered in the course, and offers additional outside information (e.g., data, expert opinion, collaborating reports) to illuminate the case. It is not sufficient to simply post a link to a news story without any original commentary on what can be learned from it. It is not sufficient to simply offer your opinion without providing some analytical argument. To make your d-board entry easier for others to read, please post <u>links</u> to outside materials, rather than paste long sections of outside materials into your post. It is ok to quote short snippets of text, however. D-board entries can be screened by TurnItIn, so cite your sources. Late discussion board entries will not be accepted.

Class Participation

The participation grade includes both attendance and engagement. The following are particularly important for receiving full class participation credit:

- attend all classes
- arrive on time
- display your name card
- be attentive and contribute to class discussion
- don't use your laptop, phone, or tablet, except during break periods.
- if you have to miss a class, notify the instructor by email in advance. Absence for illness or family emergency will be excused. Work emergencies will not be excused. Unexcused absence results in loss of participation credit.

Software

We will use excel add-ins called SimVoi (pronounced SIM-VOY) for the last team assignment. Installation instructions and a tutorial are on the course's Canvas site.

Classroom policies

We follow the HGSB's guidelines on Student Performance and Accountability at http://warrington.ufl.edu/graduate/academics/msm/docs/StudentPerformanceAccountability.pdf

Academic Honesty

UF policy provides serious penalties for academic dishonesty. It's the student's responsibility to be familiar with the UF Student Conduct and Honor Code:

http://www.dso.ufl.edu/sccr/process/student-conduct-honor-code/

Be especially careful about plagiarism. Those unfamiliar with the definition of plagiarism in all of its forms should seek guidance on proper attribution, such as the tutorial at

https://www.indiana.edu/~istd/overview.html

Accommodations for Students with Disabilities

This course follows university guidelines for accommodating students with disabilities. Students can request accommodation by following the procedures at https://www.dso.ufl.edu/drc/

Counseling Services

Feeling overwhelmed? The folks at UF's Counseling and Wellness Center might be able to help: http://www.counseling.ufl.edu/cwc/

Course Schedule, Readings, and Assignments (Subject to change. Monitor announcements.)

Lec-			
ture	Date	Topics and Deliverables	Reading/Assignment
1	12/10 Sat	Syllabus review	Diermeier 2011
	2:05-4:15	Risk & crisis in stakeholder context	Smith et al 2011
		Motivation for risk and crisis management	Buehler & Pritsch 2003
2	12/11 Sun	Crisis, reputation, and stakeholder	Coombs 2014, Chaps. 1 & 3
	1:05-3:15	perceptions	Washburn & Lange 2013
			Team assignment 1 handout: Stakeholders'
			risk perceptions
	1/6 Fri	Team Assignment 1 to Canvas by 6 pm	
3	1/7 Sat	Quiz 1 (bring laptop)	Fischhoff 2011
	12:15-2:25	Team Assignment 1 presentations	Coleman and Pinder 2010
		Emotion and crisis behavior	
4	1/8 Sun	Crisis Communication Strategy	Coombs 2014, Chaps. 8
	7:30-9:40		Schweitzer et al. 2015
			Lowe 2010
			Weber-Shandwick 2011
			Team assignment 2 handout: Crisis
			communication critique
	2/2 Th	Team Assignment 2 to Canvas by 6 pm	
5	2/3 Fri	Quiz 2 (bring laptop)	
	2:30 – 5:15	Team Assignment 2 presentations	
6	2/4 Sat	Crisis Preparation and Spokespeople	Coombs 2014, Chaps. 2, 5 & 6
	8:30- 10:40	Utilizing Traditional and Social Media	Grégoire et al. 2015
			Team assignment 3 handout: CEO
			statement
7	2/5 Sun	Types of risk	Aabo et al. 2005
	9:55 – 12:05	Enterprise risk management	Buehler & Pritsch 2003
	3/3 Fri	Team Assignment 3 to Canvas by 6 pm	
8	3/4 Sat	Quiz 3 (bring laptop)	
	12:15-2:25	Team Assignment 3 presentations	
9	3/5 Sun	Modeling risk with Monte Carlo simulation	Team assignment 4 handout: Modeling risk
	9:55-12:05		at BeeLine Air Ambulance
	3/30 Th	Team Assignment 4 emailed to	
		kflorig@ufl.edu by 6 pm	
10	3/31 Fri	Quiz 4	
	1:55-4:05	Team assignment 4 presentations	

Readings

Aabo, T., J.R.S. Fraser, and B.J. Simkins (2005). "The Rise and Evolution of the Chief Risk Officer: Enterprise Risk Management at Hydro One," Journal of Applied Corporate Finance 17(3):62-75. [Implementing Enterprise Risk Management].

Buehler, K.S. and G. Pritsch (2003) "Running with Risk," McKinsey Quarterly, November, pp. 40-49. [Risk identification and analysis]

Coleman, L. and S. Pinder (2010) "What Were They Thinking? Reports from Interviews with Senior Finance Executives in the Lead-up to the Global Financial Crisis," Applied Financial Economics, 20:7–14. [Groupthink responsible for 2008 financial crisis]

Coombs, W.T. (2014) Ongoing Crisis Communication: Planning, Managing, and Responding, paperback, Fourth Edition, SAGE Publications, Inc., ISBN-10: 1452261369, ISBN-13: 978-1452261362. [Textbook]

Diermeier, D. (2011) "Reputation Rules: Don't Neglect Your Company's Most Precious Asset," Change This, Number 83.03, June. NOT IN PACKET. Available at http://changethis.com/manifesto/83.03.ReputationRules/pdf/83.03.ReputationRules.pdf [Reputation risk is on the rise]

Fischhoff, B. (2011) "The Emotions of Nuclear Experts," Bulletin of the Atomic Scientists. [How managers' own emotions affect crisis response]

Grégoire, Y., A. Salle, and T.M. Tripp (2015) Managing Social Media Crises with Your Customers: The Good, the Bad, and the Ugly," Business Horizons 58, 173—182. [Prescriptions for handling various types of social media crises]

Lowe, R. (2010) "Disclosing Errors, Offering Compensation, May Keep Physicians Out of Court," Medscape, August 10. Free with registration at www.medscape.com/viewarticle/726987 print [Accommodation reduces anger]

Schweitzer, M.E. et al. (2015) "The Organizational Apology," Harvard Business Review, September, pp. 44-52, HBR Reprint R1509B. [When and how to apologize]

Smith, N.C., S. Ansett and L. Erez (2011) "How Gap Inc. Engaged With Its Stakeholders," Sloan Mgmt. Review 52(4):69-76, Summer. [Stakeholder outreach reduces risk, ameliorates crisis.]

Washburn N.T. and D. Lange (2013) "Does Your Company Seem Socially Irresponsible," Sloan Management Review 55(1):10-11, Fall. [Perceived harm and culpability drive crisis expectations]

Weber Shandwick (2011) "Managing Legal and Reputation Risk: A View from the Field," Executive Summary. NOT IN PACKET. Available at https://www.webershandwick.com/uploads/news/files/Legal ExecSummary Global.pdf

****** END OF SYLLABUS ******

GEB-6930 6 Risk & Crisis Management