

## **RISK AND CRISIS MANAGEMENT**

### **Fall Semester 2021**

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### **COURSE OVERVIEW**

This class focuses on two vital issues every non-profit and government agency—local, state, or federal—faces: (1) assessing and managing risk and (2) handling crises that seem to constantly emerge.

The first half of the course (taught by Professor Brockett) focuses on identifying, assessing and proactively managing risk, before any potential negative consequences are realized, in order to have a planned approach to situations that can threaten or inhibit the mission of the organizational unit doing the analysis. Government agencies, non-profits, and for-profit firms all face risks, and many of these risks are similar across organizational types, and are susceptible to similar management strategies. Examples include economic risks, cyber risks, global climate change risks, liability risks, natural catastrophe risk (e.g., floods, tornadoes, wildfires, and earthquakes), terrorist risk, and pandemic risk. When unprepared for, these can wreak havoc on the goals and mission of governmental and non-governmental entities alike. When properly implemented, risk management can mitigate the impact of hazards and perils and lower the consequences and social and financial burdens of risk. This first portion of the course will present a common paradigm for identifying and managing risk, and for prefunding and preparing for risk so as to mitigate the adverse effects (the likelihood and/or severity of the risk consequences) on the enterprise. The class information dispersal will be through background lectures, group discussions, and student presentations.

This class will be taught online this Fall 2021 semester (an example of both risk management and crisis management in this time pandemic risk vulnerability). The organizational structure for this first portion of the class will be centered on the risks involved (e.g., catastrophe risk and how to manage it, liability risk and how to handle it, property risk and how to handle it, human risks and how to handle them, etc.). Examples of good and bad risk management strategies will be presented and class discussion on the subject is strongly encouraged. An enterprise wide or holistic risk strategy will also be discussed as a modern approach to risk management. The goal of this first portion of the course is to give the student the tools and strategies to identify risks and evaluate different ways to handle them. The unique difficulty in implementing risk management faced by governmental agencies and non-profit organizations (whose mission is not just financial and for whom a “bottom line” metric is not necessarily appropriate) will be discussed throughout. There will be text readings and specialized readings posted to the website for the course for class discussion.

The text for the first portion of the course will be chapters from the book *Risk Management for Individuals and Enterprises 2<sup>nd</sup> Edition*, (February 2019) by: Etti Baranoff, Patrick Brockett, Yehuda Kahane, and Dalit Baranoff ISBN: 978-1-4533-9206-5 published by Flatworld Publishers and available online at [https://catalog.flatworldknowledge.com/catalog/editions/baranoff\\_2-risk-management-enterprises-individuals-2-0](https://catalog.flatworldknowledge.com/catalog/editions/baranoff_2-risk-management-enterprises-individuals-2-0). There will be homework problems assigned from the readings which will be graded. Additionally, there will be a research paper (to be turned in on *October 3* of approximately 10-12 pages) that goes through the risk management process for your particular organization, identifies and discusses the risks faced, and offers alternative methods for handling these risks. The main focus of this paper is to have you take a close look at the risks your organization faces and how these risk are being handled (assuming they are). Class discussions and homework will constitute 10% of your grade for this portion of the course, the paper will constitute 70% of your grade and an oral presentation to the class of your risk management analysis (on *October 10*) will constitute 20% of your grade for this portion of the course. For the oral presentation (since this is online), please prepare a PowerPoint lecture summary and email it to Patrick Brockett ([brockett@utexas.edu](mailto:brockett@utexas.edu)) no later than midnight on October 8. That way the presentations can be pre-loaded and run without time consuming transition between students. Although more difficult in an online environment, class discussion is going to be strongly encouraged.

Not all risks, however, will have been anticipated and planned for, and for some, even with proper planning, unanticipated damages can occur and crises arise. This leads to crisis management.

The second portion of the course (taught by Professor Daly) focuses on what organizations need to do to successful manage crises including preparing and managing during crises, communicating in crisis settings, and learning from crises. Crises are inevitable. At some point, something will happen outside or within any organization that will spark a crisis. How that crisis is handled shapes the reputation of the organization and the careers of every leader of that organization. Handled well, reputations are enhanced; handled poorly, careers are ruined and organizations falter. Indeed, one the major responsibilities of organizational leaders is effectively handling crises.

In this portion of the class, we focus on the issues leaders of organization must consider before, during, and after a crisis. We begin the class by defining crises, noting the sorts of crises organizations face, and the value, intrinsically and extrinsically of good crisis management. We highlight the importance of preventing, anticipating, and planning for, crises. Then, using a stage model of crises we explore what leaders need must do to recognize crises early, handle them well, and recover from them promptly. We emphasize how what leaders say and do matters immensely during crises. Finally, we discuss the role of the media in crises and how leaders and organizations need to both understand and effectively manage the media throughout a crisis.

The goal of this portion of the class is to give participants a deep understanding of crisis management and provide a variety of practical tools and skills participants can use when faced with crises. For instance, as exercises students will complete a crisis assessment of their organization, develop a disaster recovery plans for their organizations, play the role of crisis managers facing the onslaught of media and other stakeholders while trying to successfully

manage incoming information, and examine why some organizations are culturally more crisis-prone than others.

Instructionally, the class includes readings, exercises, lectures, and in-class case studies. Among the assignments in the class, students will complete an in-depth analysis of a specific crisis some government organization has faced in the past. Grading will be based on three different course requirements: (a) one test (45% of total grade); (b) one paper (45% of total grade) and (c) participation in the course (10% of total grade).

The textbook for the second half of the class is *Effective Crisis Communication: Moving From Crisis to Opportunity* 2017 (4<sup>th</sup> Edition) by Robert Ulmer, Timothy Sellnow, and Matthew Seeger.

The test for the second part of the class will be administered on December 12, 2021. It will be composed of short answer, identification, and true/false sorts of questions. The paper (no more than 12 pages) for this portion of the class requires you to form teams of four to six people, and then interview between four and six people who have recently tried to, or currently are trying to, successfully manage a crisis event. You should try to collect responses from people who have handled different sorts of crises and in different organizations. You should carefully integrate your interviews describing what they are doing (or have done), what is (or has) worked, and what is (or has) not worked. Your goal is to come to understand how crises are handled by organizations. An excellent paper has a couple of distinctive characteristics. First, specific observations (e.g., don't say that media relations are important. Instead, describe specific media moves that the organizations made) that others could use. If you will, a checklist so that were someone to face a crisis he or she could turn to your paper for specific advice. Second, integrated observations. A good paper is not a series of interviews stapled together. Instead, a good paper finds some general themes that cut across interviews. Please make sure you use class materials (lecture and readings). The paper should be emailed, in WORD format, to [daly@mail.utexas.edu](mailto:daly@mail.utexas.edu) no later than December 10<sup>th</sup>. You will present a brief summary of your preliminary paper in class on December 12<sup>th</sup> (parenthetically, a historic crisis day)

**Class participation.** It is your responsibility to be thoroughly prepared to discuss the material in class. Participation in all class sessions will be assessed by the quality, rather than the quantity, of comments. Comments that provide new insights and advance the discussion are particularly valued. Simply showing up for class without contributing to the discussion will not count as participation, although *failing to attend class or missing a substantial portion of any class will mean that you get no participation points for that class.*

### SCHEDULE, TOPICS, AND ASSIGNMENTS

<p><b>August 29</b></p>	<p><b>Brockett: Introduction to Risk Management in the Public Sector.</b></p> <ul style="list-style-type: none"> <li>- <b>A very brief history of risk management</b></li> <li>- <b>Why studying risk is important but difficult in the public sector</b></li> <li>- <b>Types of risks impacting the public sector</b></li> </ul> <p><b>Steps in the risk management process</b></p>	<p><b>Read Chapter 1 and 3</b>  <b>Submit posted Ch 1 and Ch 3 problems</b></p>
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September 12	<b>Brockett: Catastrophic risk and its management.</b> <b>Natural risks (including pandemic risk)</b> <b>Man-made risks</b> <b>Political risk.</b>	Catastrophe Readings posted on Canvas
September 19	<b>Brockett: Liability risk and its management</b> <b>Property risk and its management</b> <b>Social solutions for human resource risks and their management</b>	Chapters 11, 12, 16 and 18. hand outs
October 3	<b>Brockett: Cyber and AI (and technology) risk and its management</b> <b>Financial risk and its management</b>	Cyber risk part of Chapter 11, Posted Cyber risk readings Research paper due
October 10	<b>Brockett: Student presentations of their research projects, discussions about the evolving nature of risk management and future risks (time allowing)</b>	Research paper student discussions
October 24	<b>Daly: Introduction to Crisis Management in the Public Sector.</b> <ul style="list-style-type: none"> <li>- The nature of crises; definitions &amp; perspectives</li> <li>- Why crisis management matters</li> <li>- Types and history of crises</li> <li>- Consequences of handling and not handling crises</li> </ul>	
November 7	<b>Daly: Planning for crises</b> <ul style="list-style-type: none"> <li>- Why people avoid planning</li> <li>- Managing to avoid crises</li> <li>- Identifying crises (e.g., SWOT)</li> <li>- Core value exercise</li> <li>- Simulations, scenario planning and groupthink</li> <li>- Developing and maintaining a crisis plan (e.g., reporting authority, identifying stakeholders)</li> <li>- Crisis management teams</li> </ul>	
November 21	<b>Daly: Handling crises</b> <ul style="list-style-type: none"> <li>- Managing crisis responses</li> <li>- Framing the crisis</li> <li>- Image repair</li> <li>- Influencing in the crisis event</li> <li>- Credibility and trust building</li> <li>- Technology and crisis response</li> <li>- Stress management techniques</li> <li>- Learning from crises</li> </ul>	
December 5	<b>Daly: Crisis Communication</b> <ul style="list-style-type: none"> <li>- Enhancing the clarity of your message</li> <li>- Managing rumors</li> <li>- Media management</li> </ul>	

	- Understanding the “rules” of media Specific techniques for different media (traditional and non-traditional)	
<b>December 12</b>	<b>Daly: Presentations, Summary, and Exam</b>	