Spring 2013

Course Syllabus and Schedule
MET AD 682 (MG 610) INTRODUCTION TO RISK MANAGEMENT AND ORGANIZATIONAL CONTINUITY

Course Description
This overview course examines the management issues involved with assessing the security and risk environments, in both the private and public sectors, in order to assure continuous system wide operations. The course studies the elements of risk assessment and operational continuity using the project management framework of planning, organizing and control. Students are exposed to the role of the firm in crisis response and management as well as the terms, systems and interactions necessary to assure continuous operations. Topics include: the role and need for comprehensive assurance strategy and planning, the security aspects of the firm, an overview of the system wide structure, as well as the organizations within that structure, designed to plan for and respond to local or national crisis, the social and emotional impact on workforce productivity and the organizational infrastructure relating to national, regional and international compliance.

Instructor:  Mark Carroll
Phone: 508 468 0967 (Cell) (Emergency only, please)
508 230 9290 (Home)
E-mail markcarroll100@aol.com  (Note: As an adjunct instructor, I do not use BU email system, except possibly to distribute materials but I do not pick up mail, so messages left will not be read)

Date/Time:  Wednesday 6:00 - 9:00 PM
January 16 – May 1, 2013 (14 weeks)

Location:  Photonics Center
8 Saint Mary’s Street
Room 202 (PHO 202)

COURSE OBJECTIVES:

The primary objective of this course is to convey the key elements of risk facing any given enterprise as well as the options and resources available to that enterprise to address these risk elements. The course will provide a basic introduction to the issues, challenges, strategies facing the enterprise in handling individual risk components. Since these risk components are not independent, the course will discuss a framework for addressing these risk elements in an integrated or holistic manner, ensuring that tradeoffs are understood, acknowledged and accepted by the enterprise and its management.
Not all risk can be avoided. The resulting secondary objective is how the enterprise responds or plans to respond when it is faced with a crisis. The core elements of crisis response and the prioritization of crisis activities in the event of a disaster are key to a successful recovery and must be understood well in advance of the actual crisis.

These objectives have one paramount goal, the survival and ongoing operation of the enterprise. Ensuring the continuity of operations is a complex task involving all aspects of the enterprise; from image management to brand protection to operational excellence. Lack of proper risk management or in effective crisis response in any of these areas can severely impact or even destroy the enterprise.

While the focus of this course is the generic 'enterprise', the issues vary among various organizations and between the public and private sectors as a whole. The commonality and differences facing these sectors and what it means to risk management and crisis response will be discussed in detail.

Although mismanagement of enterprise risk can bring an organization to its (operational or financial) knees, risk management is not the raison d'être of the organization and should not be treated as an organizational goal. Rather, risk management should be woven into the fabric (i.e., culture) of the organization as a critical success factor for all of its undertakings and initiatives. Knowing how to define and build the risk-averse environment is fundamental to ensuring that risk is truly managed at the enterprise level.

It is the objective of the text and supporting materials to provide the reader with:

1. An understanding of organizational risk elements, their evaluation and control.
2. A detailed understanding of the potential business impacts of unmanaged risk
3. Knowledge of enterprise organizations that address risk elements (Security, IT, Business Continuity, Risk Management, Corporate Communications, Audit)
4. The components and prioritization of crisis response in addressing manifested risk
5. A framework for development of business recovery and continuity strategy
6. Sample cases of risk properly and improperly managed and the resulting impact on image and valuation
7. Public and private statutory and regulatory considerations that influence how the enterprise addresses risk

The course will introduce the student to key organizational risk and crisis management issues by presenting material organized in five major sections.

(1) Organization and Risk fundamentals - This section will focus on the enterprise itself; its mission, purpose, goals, etc. and the various risk elements that this organism encounters that threaten achievement of these goals. Management processes and forces are (or should be) in place within the organization to define, quantify, mitigate and shape these risk elements yielding a level of residual risk that is acceptable to the enterprise, allowing it to achieve its goals.

(2) Enterprise Risk Organization - This section will focus on the corporate culture regarding risk tolerance and the organizational components within the corporate structure that ensure that risk is kept 'in check.' Effective risk management is highly dependent on both the corporate culture and the organizational structure that has been put in place to guard against significant risk exposure while ensuring operational effectiveness and achievement of enterprise goals (i.e., controls without constraints).

(3) Project Framework - This section will focus on the necessary project or program components for operational continuity. Key to this section will be identification of event and environmental risks that need to be addressed, the potential impact of these risks on the organization, alternative operating strategies to ensure minimal impact on critical functions, emergency response options, operational plans that support the recovery strategy, and methods for ensuring that defined plans remain effective. An effective program relies on an understanding of the organization's goals, understanding of risk elements and appetite for risk (i.e., the Need - Section 1) as well as the organizations and functions in place to keep this risk in check (i.e., the Solution - Section 2). The project framework bring this together.
(4) Crisis Management - This section will focus the management of a potential or actual crisis. What are the immediate issues that must be addressed? What are the tradeoffs? What does it mean to declare disaster? In addition to dealing with management and operation recovery of an actual crisis, emphasis will be placed on communications with the media and coordination with public authorities as well as the role of 3rd party vendors and service providers.

(5) Regulatory/Statutory issues - This section will focus on outside organizations and standards in place that govern the enterprise. Focus will be first and foremost on general legal requirements (e.g., Sarbanes-Oxley), requirements and industry-specific legal requirements (e.g., SEC, FINRA) as they apply to business continuity and recovery. Regulatory requirements (e.g., FDA) and industry certifications (e.g., ISO 9000, PS-PREP) will then be reviewed in detail as critical components of the recovery process.

To achieve these objectives, the course will consist of the following:
1. Classroom lecture reviewing text information with general discussion of the applicability of the subject matter to issues in the real world;
2. Use of supplemental and outside readings discussing real life situations faced by organization and their responses (both correct and incorrect) to the crisis at hand.

In an effort to:
1. Explain the fundamental elements of risk that are inherently present in the organization
2. Review the potential responses of the organization to ensure that these risks are kept in check
3. Review the organizational structure which is (needs to be) in place to address risk
4. Review the further response of the organization in responding to risks that have surfaced and turned into crisis

Course Contact/Materials

Course information will be disseminated via BU email so please ensure that you have a proper BU email account and check this account for course information throughout the semester (but please do not respond to me via BU email).

Course Materials:
Readings (text, supplemental, cases), discussion.

By Paul L. Walker

The Definitive Handbook of Business Continuity Management
2010 3rd Edition (please make sure you have this edition)
By Andrew Hiles

Required Additional Materials (provided):

GAO-04-384 Human Capital
Opportunities to Improve Federal Continuity Planning Guidance
www.gao.gov/cgi-bin/getrpt?GAO-04-384

Enterprise Risk Management: Trends and Emerging Practices
By Jerry Miccolis, Kevin Hively and Brian W. Merkley
COURSE GRADING

Your final grade will be based upon the following:
(1) Participation (Value added contributions to class discussions)  20%
(2) Mid-term exam  25%
(4) Comprehensive Final Exam/Project  30%
(3) Final presentation and debate  25%

GRADING PROCESS

While there is no fixed absolute number of grades in any one level it is important to note that high grades reflect an excellence in the understanding of class material and organization of thought. In addition, as an important aspect of any class, whether on line or in a classroom, is the shared thoughts and insights of the class members, grades will also reflect an individual’s contributions to the class. I will follow the Boston University, Metropolitan College, recommendations concerning grading standards. As such, a maximum of approximately 25 to 35 percent of the class would be in the A range (this is both for A and A- grades). The remaining grades would be expected to fall in the B+, B and B- range. As grades are earned and not awarded, the College does give grades in the C+/C/C- range for work that is below average/standards. In graduate work a B/B+ is generally considered to reflect the average grade and reflects solid achievement, as courseware is and should be challenging.

A-/A grades reflect true distinction beyond the class norm.

Class Participation

You are expected to attend class weekly and participate in class discussions. Effective understanding of risk-based techniques and practices requires a sandbox for discussion of the application of these practices. That sandbox comes in the form of the classroom where your experiences, ideas, challenges serve as the basis for discussion of organizational risk and related issues. It is expected that you will bring forward your contentions and viewpoints on how the specific enterprise areas under discussion have or could be applied to your environment. While it is possible, but not encouraged, to attend class without actively participating in discussion points, it is totally impossible to participate without being present, and as a result participation grades will be impacted by an absence. To clarify, you will lose 1.5 points from your final average for every class you miss. Please make every effort to earn the participation component of your grade.

If you know that you will miss a future class, please let me know now or as early in the term as possible so we can discuss options for making up the lost discussion grade points.
Further, effective case discussion requires your involvement and knowledge of your insights on the subject at hand. Unlike a more objective course in finance or operations, there are often no clear-cut, definitive answers, so classroom discussion and debate will be the norm when wrestling with multi-faceted and complex issues. Delivering your perspective in a logical, well-thought argument will greatly enhance the quality of our weekly classroom sessions while contributing to your semester grade.

Exams

There will be a midterm and comprehensive final exam. (Note: Final exam format has not yet been determined and may be in the form of a paper). The exams will cover information from lectures, cases, and readings. Exams will be closed book and closed notes with the possibility of a quick-reference exam aid (we will discuss). The course overall will be structured to ensure involvement and discussion of key subject areas. Exams will follow the same approach with a combination of factual responses and situational responses that involve critical thinking (the wrong answer is the answer that is poorly expressed or not well thought out). A challenging question demands and should evoke a challenging response.

For scheduling and planning purposes, this course completes with the last week of classes and does not include any activity during FINALS week.

Tests will be a combination of true/false questions, fill in the blanks, matching, and short essays.

On Memorization: Although the real value of this course lies in the interaction and case-based discussions that take place, this value will only surface where there is an understanding of the basic fundamentals (terms, definitions, etc.) that are used in this discussion. This is a new language complete with its own acronyms and terminology. Discussions using this terminology are impossible to follow let alone contribute to without an understanding of the basic language. If only for this purpose, memorization of certain course materials is necessary.

On Informed Manner: Informed discussion is not to be confused with opinion. While your participation and involvement is paramount, it is most valuable if backed up and defended by course (or outside) materials. This will become more and more important as the semester progresses and you become more familiar and comfortable with the subject matter and the ramifications of your discussion contribution. In other words, the reasonable, cursory answer you present in discussion in Week 1 in January will probably not be sufficient for Week 11 in April. Your understanding of the subject matter will be dramatically different and should dictate a more meaningful discussion based on your higher quality contribution.

Whether you agree or disagree with the discussion is not nearly as important as why you agree/disagree, as supported by readings, lecture, prior discussion, etc. Feel free to go out on a limb with your perspective, but support your radical position with coursework and critical thinking.

Timely Presentation of Materials Due

Please Note: All work requests have due dates. These are the LAST DATES that stated material is due. Materials presented after due dates may be refused or downgraded. Please consider this a fact and not a subject for discussion unless there are mitigating circumstances (which should surface well before the due date). The paper date is often viewed by students as the date to turn in the paper. It is the LAST DATE in which to turn in the paper. This means that the paper will be accepted anytime up to that date but not after.

Paper topics need to be approved in advance. Please feel free to discuss the outline and/or approach you will use for your paper. Note that whatever the specific topic, your paper will involve critical thinking and conclusion based on facts presented. This is not a research paper per se nor is it a book report. The goal is not to determine how well you can pull together facts but rather what you can surmise, infer, conclude from these facts.

REQUESTS FOR MAKE UP EXAMINATIONS OR LATE ASSIGNMENTS:

Requests for a make-up exam will be handled on a case-by-case basis. Since written or presented material can be (and should be) done in advance there would be no situation that I can think of that would allow this material to be late. Please consider the date of the presentation and the paper to be the last date that this material can be presented.
not the day that it is to be presented. This will help you to make deadlines should unfortunate situations arise at the last minute.

I strongly advise you to avoid requesting a make-up exam since it is a disservice to others in the class who have organized their schedules to assure the timely presentation of materials and examinations.

I recognize that, infrequently, unfortunate situations arise that could make it essential to miss the exam. Any request to make up the examination must relate to a fairly catastrophic event which made fulfilling the requirement impossible. Such requests will be reviewed, by me, on an individual basis and verification of the incident will be expected. I hope that you will understand that I do not do this to penalize any individual student but to attempt to assure that there is a level playing field and the total class feels confident that no one has a unique or unfair advantage. Note that papers cannot be rewritten nor exams retaken to improve grades (except by special agreement).

**YOUR PRESENTATION REQUIREMENTS:**

This will be a teaming exercise involving the development of a presentation that takes a position (stand) on a given subject. You will form into teams of 2 – 3 members. Teams will select a topic that they wish to present and a stand on that topic (e.g., *An organization should assume any risk justified on a long term cost-benefit basis*). Another team will take a different or even opposite stand on that same issue. Each team will develop a presentation, framed in coursework, proper research, and critical thought.

Teams will then present to the class their argument in support of their position on the issue. Teams will field questions for clarification from the other team (as well as the rest of the class). Team will then have a chance to rebut each other’s contentions. Note that rebuttal is not simply a restatement of your original position, but a specific response to the opposing team’s arguments. Teams will be graded on the quality of their presentation (both form and substance including research), the ability to field questions and the logical ability to defend their position.

**Presentation/Debate topics:**

The following are sample presentation/debate topics. Feel free to recommend your own topic:

1) A formal, extensive Business Impact Analysis (BIA) is not really necessary to address key risks?

2) Since some disasters are not within human control, there are situations for which you can do nothing?

3) Private organizations have no role in a crisis until allowed involvement by public organizations.

4) Regulatory and statutory requirements on an organization should be suspended during a crisis period until the organization can resume normal operations.

5) Organizational policies are too restrictive during a crisis and should be suspended in order to ensure effective crisis management and recovery.

6) When an organization experiences a major crisis, its communications organization (e.g., Corporate Communications) should always play an active role in the crisis management effort.

Presentations will be delivered in both hardcopy and softcopy format. Softcopy will be in Microsoft Powerpoint format.

**Note:** Based on enrollment, both too many or too few, the above approach may not be feasible so we will discuss in the early weeks of the course.
The following is the course schedule with assignments.

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**WEEK 1 (1/16)**

**INTRODUCTION AND LOGISTICS**
- Class Introductions
- Schedule review, syllabus review, course requirements, etc.
- Materials (publications) Review

**RISK FUNDAMENTALS**
- What is Risk?
- Risk Options
- Enterprise Organism
- Enterprise Value
- Enterprise Risk

**REPUTATION RISK**
Oxford Reputation and Value (Pages 5, 12 - 15, 20 - 23)
- Reputation Equity and Shareholder Value
- Cases: Bridgestone, Coke

Assignment (for 1/23): Find an organization or brand that has suffered an image impact in the past 3 years. How has the organization responded? Was it effective? What would you have done differently? Write a 1-page summary to be submitted and be prepared to bring forward for discussion next week.

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**WEEK 2 (1/23)**

**RISK FUNDAMENTALS (continued)**
- What is Risk?
- Risk Options
- Enterprise Organism
- Enterprise Value
- Enterprise Risk

**REPUTATION RISK (continued)**

Article: 5 threats that can sink your company
Oxford Reputation and Value (Pages 5, 12 - 15, 24 - 33)
- Review/Discussion
- Cases: Shell, Hoover
- Brand Value (Perrier)
- Cases: Sainsbury, Intel

Oxford - Improving Risk to Drive Value - FM Global Study (All)
Governance, Value, Risk Metrics
FM Global - Protecting Value Study (all)
Oxford – The Risk Earnings Ratio (all 6 pages)

**ORGANIZATIONAL RESPONSE TO RISK - OVERVIEW**
Who has responsibility for Risk?
What organizations address Risk?

**INTRODUCTION TO RISK MANAGEMENT AT THE ENTERPRISE LEVEL**
Miccolis Enterprise Risk Management (Pages XVII - XXXVI, 1 - 7, 83 - 93, 123 - 130, 131 - 133)
- Cases: Clarica Life Insurance, Wal*Mart

Assignment (for 1/30): Be prepared to discuss - Why do we need governance? **Who** is governance for? Nobody protects me when I “Invest” in lottery tickets so why should there be governance to protect me in (from) a corporation when I decide to invest in their stock? What kind of message does the current bailout send? Where in the private or public sectors do we see too much/not enough governance? Be prepared to bring forward for discussion.

*Presentation topic submissions due this week.*

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**WEEK 3 (1/30)**

**ENTERPRISE RISK MANAGEMENT (Walker, Barton = red book)**
- Intro (1 – 33) – Focus on value lessons
- United Grain Growers
- E I DuPont de Nemours
- Microsoft Corporation
- United Grain Growers
- Unocal

**PRESENTATION TOPIC DISCUSSION/PLANS**
- Who’s doing what
- Schedule for presentation weeks.

**ORGANIZATIONAL RESPONSE TO RISK - DETAIL**

Assignment (for 2/6): Do you agree or disagree: Risk issues are largely static, not changing from year to year, so why do we need any change in the organizational approach to addressing risk? The traditional risk silos are addressed by specialists who know exactly how to deal with their respective areas of risk. Write a 1-page summary to be submitted and be prepared to bring forward for discussion.

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**WEEK 4 (2/6)**

**ORGANIZATIONAL RESPONSE TO RISK - DETAIL (CONTINUED)**

**HUMAN ELEMENT**
- FM Global – Human Factor Management – (all 13 pages)
- FM Global – Flirting with Natural Disasters (all 16 pages)
- Oxford Metrica – Protecting Value in the Fact of Mass Fatality Events (all 24 pages)

**GUEST SPEAKER – STEVE MORASH, Boston University**

**PROJECT FRAMEWORK FOR BUSINESS CONTINUITY**
- DRII 10 Professional Practices (Overview)

**INTRO TO THE RISK MODEL**

Assignment (for 2/13): Agree or disagree: In the event of a crisis’ knowledgeable people know their function and will know what to do. There is little or no value to developing a plan for recovery since you can’t anticipate what will happen, the impact, etc. and no plan can cover all possibilities. Further, the plan you write is nothing more than the knowledge of these people put to paper. Just let
them do it (i.e., recovery from the crisis) – yes?

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**WEEK 5 (2/13)**

**MORE (EXTENSIVE) RISK MODELING**

**PROJECT FRAMEWORK FOR BUSINESS CONTINUITY**

- Video: Best Practices in BCP (schedule permitting)

**Hiles**

- Chapters 1-4

**DRII**

- Subject areas 1 – 3
  - Project Initiation and Management
  - Risk Evaluation and Control
  - Business Impact Analysis

Assignment (for 2/27): What internal organization should be responsible for development, oversight, etc. of all business continuity planning? Traditionally, the Information Technology (IT, MIS) organization has had a major role in this area. Why? Should this continue? What are the risks of changing this to another organization? Conversely, what are the risks of leaving recovery with the IT organization?

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**Note: No class on 2/20 due to Patriot’s Day substitute for Monday classes – possible assignment**

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**WEEK 6 (2/27)**

**PROJECT FRAMEWORK FOR BUSINESS CONTINUITY**

- Chapters 5-8

**GENERAL REVIEW - MIDTERM PREPARATION**

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**WEEK 7 (3/6)**

**MIDTERM EXAMINATION**

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**WEEK 8 (3/20 (Note week change due to Spring recess))**

**MIDTERM ANSWER REVIEW**

**PROJECT FRAMEWORK FOR BUSINESS CONTINUITY (Continued)**

- Chapters 9 - 13

**Hiles**

- Subject areas 4 - 6
  - Developing Business Continuity Strategies
  - Emergency Response and Operations
  - Developing and Implementing Business Continuity Plans

**DRII**

Assignment (for 3/27): Should plans be tested? What should the basis be for periodic testing (i.e., every quarter, when personnel changes take place, after a major acquisition ?? How would you define the test cycle. Further, how much do you test?

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**WEEK 9 (3/27)**

**PROJECT FRAMEWORK FOR BUSINESS CONTINUITY (Continued)**

- Section Two: Chapters 14 - 17

**Hiles**

- Subject areas 7 - 10
  - Awareness and Training Programs

**DRII**
WEEK 10 (4/3)

PROJECT FRAMEWORK FOR BUSINESS CONTINUITY (Continued)
Hiles  Section Two: Chapters 18 - 23
- Subject areas 7 - 10
  Awareness and Training Programs
  Maintaining and Exercising Business Continuity Plans
  Public Relations and Crisis Coordination
  Coordination with Public Authorities

WEEK 11 (4/10)

REGULATORY AND STATUTORY CONSIDERATIONS
CONTINUITY OF OPERATIONS IN THE FEDERAL GOVERNMENT
- GAO-04-384 Human Capital Considerations

PUBLIC AND PRIVATE SECTOR ISSUES
- Guest speaker (Dave Weidman)

Hiles  Buncefield Oil Depot
Assignment (for 4/17): Compare and contrast: Private and public sector risks. Are there any major differences between the public and private enterprise resulting in a different approach to risk management? Be prepared to bring forward for discussion. Should plans be tested?

Presentation status milestone

WEEK 12 (4/17)

PROJECT PRESENTATION AND TEAM DEBATE – Round 1
CRISIS MANAGEMENT RESPONSE
- Interstate Restoration
- Crisis in Organizations (Barton Video)
- Guest Lecturer (??)

Assignment (for 4/25): Agree or disagree: When a crisis strikes, it is important to make sure that communication is consistent from the affected organization to the public. Corporate communication should document all communication to the outside world (e.g., press) and ensure that this information is in the hands of each individual in the organization to ensure a consistent message.

Presentations due this week (please submit both hard and softcopy).

WEEK 13 (4/24)  CI

Finals Preparation – No Class

WEEK 14 (5/1)

PROJECT PRESENTATION AND TEAM DEBATE – Round 2
PROJECT AND DEBATE REVIEW
COURSE REVIEW (FINAL PREP)

Print Date: 05/30/13
COURSE WRAP-UP
FINAL EXAM (OR PAPER SUBMISSION)