THE OHIO STATE UNIVERSITY
FISHER COLLEGE OF BUSINESS

BusFin 4239 *Risk Management*

Semester: Spring '20	**Class Day/Time:** MON/WED 9:35-10:55am		**Room**: 220SB
Instructors:	Bernadette A. Minton, PhD Doug Huffner, JD.	**Email**: Minton.15@osu.edu Huffner.7@osu.edu	
Office Hours	Prof. Minton Prof. Huffner	Tuesdays 1:30-2:30 pm & by Appt. By Appt.	700E Fisher Hall 216B Ohio Stadium (between Gates 18 & 20)

Course Description: Business Finance 4239, *Risk Management*, extends the skills students developed in Corporate Finance and Investments classes to the role of risk management within the firm. Taking risks and mitigating risks are integral parts of what senior executives and Boards of Directors do to create shareholder value. Yet, the global financial crisis and corporate meltdowns suggest that many companies do not fully understand the risks that they face or how to balance these risks to create value. Risk management has become one of the top priorities of boards, investors, regulators, and rating agencies and companies around the world are investing in enterprise risk management (ERM) functions and risk-aware employees.

In this course, students will learn the financial and economic foundations of risk management and techniques to identify, assess, and manage risks with the goal of balancing risks to create value. They also will gain insights into the features of a value-enhancing risk management function with the goal of developing the skills needed to be an effective member of a risk management team as well as a risk-aware professional.

Course Resources/Materials:

1. *Course notes* are posted on the course website (http://carmen.osu.edu). Please bring your notes to class each day to participate in the class discussion.

2. *Required HBS Coursepack* (https://hbsp.harvard.edu/import/687415). The cost of the Coursepack is $21.25.

3. *Required readings* are posted on the course website. Students are expected to have completed the assigned reading before class. To encourage preparation and facilitate class discussion, the professors will call on students in class to share their insights.

4. Suggested readings related to current events will be posted periodically on the course website.

5. *Additional Resources:* Below are some national and international news resources and trade associations that are relevant to the course and excellent sources of information.

    - The *Wall Street Journal* (WSJ) provides national and international news as well as detailed information on financial markets and institutions.
    - The *Financial Times* is a daily newspaper out of London with a US edition. The *Financial Times* offers a much more extensive coverage of economic and business activity outside of the United States, compared to most domestic news sources such as the WSJ.
    - The *Economist* is a weekly British news magazine that analyzes the week's events and surveys financial market developments. Its target audience includes senior executives as well as high-ranking government officials.
    - *Bloomberg.com*: Bloomberg.com offers news, data, and videos on a broad group of markets, asset classes, and the economy.
    - *Risk Management Trade Associations*
        - Global Association of Risk Professionals (GARP): A professional association for risk managers whose mission is to "advance the risk profession through education, training, and the promotion of best practices globally." (www.GARP.org)

- The Risk Management Association (RMA): A not-for-profit, member-driven professional association whose "sole purpose is to advance the use of sound risk management principles in the financial services industry." (www.rmahq.org)
- Risk Management Society (RIMS): A non-profit organization "dedicated to educating, engaging and advocating for the global risk community." (www.RIMS.org)

Evaluation Criteria:

Graded Components	% of Total	Type
Attendance and Participation	10%	**Individual**
Exams (2)	50%	**Individual**
Course Project	15%	**Individual or group**
Bloomberg Risk Assessment Assignment	10%	**Individual or group**
Homework Assignments	15%	**Individual and group**
Total	**100%**	

Academic Conduct:

If a student is suspected of, or reported to have committed, academic misconduct in this course, we are obligated by University Rules to report our suspicions to COAM. If you have questions about the above policy or what constitutes academic misconduct in this course, please contact either of us. See OSU Prohibited Conduct – Section 3335-23-04(A)

University Policies, Services and Resources (go.osu.edu/UPolicies)

Fisher Undergraduate Handbook and QuickLinks (www.bsbalinks.com)

Fisher Navigator Resource Portal (www.nav-1.com)

Learning Goals and Objectives:

Students will learn

- the concepts of risk, risk management, and enterprise risk management
- the financial and economic foundations of risk management
- the roles of a risk appetite framework, governance, and culture in risk decisions and risk management
- the main features of a value-enhancing risk management function
- how to identify, assess (quantitatively and qualitatively), and manage the risks facing a firm
- how to effectively use risk reporting and communication with key stakeholders to create an understanding of the risks impacting the firm

By the end of this course: Students will be able to demonstrate that they understand

- how the applications of ERM principles are linked to value creation and theory
- the importance of the firm's risk appetite and consideration of *both* risk and reward in decision-making
- the importance of considering culture, behaviors, and incentives in decision-making
- the breadth and depth of risks companies face
- existing and emerging ERM frameworks and perspectives
- how to "think" in the context of ERM
- how to "apply" ERM concepts to business scenarios (the "real world")

Graded Component Details

Attendance and Participation: A portion of your grade (10%) will be based on class contributions, split between attendance (5%) and active class participation (5%). Active class participation can take many forms such as posing questions and making comments during lectures, answering questions, and participating in case discussions. A combination of cold-calling and soft-calling will be used to maximize participation. Each student will be given ample opportunities to contribute to the classroom discussion. We will monitor contributions daily, and will cold-call students who need encouragement to speak up in class. *Please note, the maximum points awarded for attending class and not actively participating is 5 points.*

Exams' Details: There will be two *non-cumulative* (2) exams**.** Exam 1 will take place on Wednesday, February 12th, 9:35AM – 10:55AM and Exam 2 will take place on Friday, April 24th, 10:00AM – 11:45AM (Final exams period). Both exams will take place in 220SBHall. **Everyone will take the two exams on the assigned dates. There are no make-up exams.**

Course Project: There will be a course project due Wednesday, April 15th. Students can work independently or in groups of no more than four (4) students. Each student or group of students group will be working independently of all other groups. Details of the project will be discussed in class and posted on the course website.

Bloomberg Risk Assessment Assignment: In this assignment, students will use Bloomberg tools to evaluate risks and the differences between the risks of an Exchange Traded Fund (ETF) and those of a mutual fund. Students can work independently or in groups of no more than three (3) students. Each student or group of students group will be working independently of all other groups. Details of the project will be discussed in class and posted on the course website.

Homework Assignments: The homework assignments will be individual and group assignments, depending on the assignment. In either case, each student or group will be working independently of all other students or groups. All assignments are due at the beginning of class on the date indicated in the assignment. **No late assignment will be accepted** (See Course Schedule for assignments' dates).

Grading Scale

Letter	A	A-	B+	B	B-	C+	C	C-	D+	D	E
(Points)	(4.0)	(3.7)	(3.3)	(3.0)	(2.7)	(2.3)	(2.0)	(1.7)	(1.3)	(1.0)	(0.0)

Range 100% - 93% 90% - 87% - 83% - 80% - 77% - 73% - 70% - 67% - 60% - 0%

Note: Above percentages are % of overall points earned.

Week	Week - Topic	Monday Date	Monday Details	Wednesday Date	Wednesday Details
1	Course Introduction	1/6/2020	Course Introduction - Overview of Syllabus, Risk Attitude Survey (TopHat); What is Risk? *Reading:* • Kaplan and Mikes, 2012 Managing Risks, A New Framework, *Harvard Business Review* (*HBS Coursepack)*	1/8/2020	What is Risk? continued
2	What is ERM?	1/13/2020	What is ERM? Phases of ERM development; Characteristics of an ERM Framework. *Reading*: • Lam, Next Frontier: Performance-based Continuous ERM	1/15/2020	COSO ERM Framework *Reading*: • COSO: Enterprise Risk Management: Integrating Strategy with Performance **HW # 1 (Firm's Risk Function Assignment) due**
3	RM and Firm Value	1/20/2020	No Class – MLK Holiday	1/22/2020	Theories of Risk Management *Readings:* • Dougherty Chap. 7 (textbook chapter) • Stulz (2013) How Companies Can use Hedging to Create Shareholder Value, *Journal of Applied Corporate Finance*.
4	Risk Appetite Framework and Risk Identification	1/27/2020	Risk Appetite & Risk Tolerance Statements; Risk Identification Techniques *Readings* • RIMS, 2012, Exploring Risk Appetite & Tolerance. • Wittenberg, Pellerin and Smith-Bingham, 2012, Defining your Risk Appetite: The Importance of Taking a Quantitative and Qualitative Approach	1/29/2020	**Guest Speaker:** **HW # 2 (RM and Frim Value Exercises) due**

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Week	Week - Topic	Monday Date	Monday Details	Wednesday Date	Wednesday Details
5	Risk Governance and Culture	2/3/2020	Risk Governance and Culture *Readings:* • JPMorgan Chase 2016 10-K Excerpt on ERM. • Stulz (2016) Risk Management, Governance and Risk Taking in Banks, *FRBNY Economic Policy Review*	2/5/2020	Risk Governance and Culture Continued **HW # 3 (Enron Assignment) due**
6	**EXAM 1 week**	**2/10/2020**	**Review for Exam 1**	**2/12/2020**	**Exam 1**
7	Risk Assessment & Intro. to Quantitative Risk Assessment Methods	2/17/2020	Risk Assessment Overview and Intro to Quantitative Risk Assessment *Reading:* • Curtis and Carey, 2012, Risk Assessment in Practice, Thought Leadership in ERM pages 1&2, 8-12.	2/19/2020	Risk identification and assessment exercise for risks facing OSU
8	Quantitative Risk Assessment Methods Part 2	2/24/2020	Quantitative Risk Assessment Part 2 *Readings:* • Das and Lynch, 1997, Value-at-Risk (HBS Coursepack). • Nocera, Jan. 2, 2029, Risk Management, *NY Times* Magazine	2/26/2020	**Guest Speaker** **Mark Bures** ERM Champion Former Global ERM Leader, Valvoline
9	Role of Data Analytics in Risk Assessment	3/2/2020	Role of Data Analytics in Risk Assessment *Reading*: • Van Liebergen, Machine Learning: A Revolution in Risk Management and Compliance?	3/4/2020	**Guest Speaker** Noah Jellison, Senior Manager, EY **Bloomberg Risk Assessment Assignment due**
SPRING BREAK – 3/9/2020 – 3/13/2020					

Week	Week - Topic	Monday Date	Monday Details	Wednesday Date	Wednesday Details
10	Qualitative Risk Assessment	3/16/2020	Qualitative Risk Assessment *Reading:* Curtis and Carey, 2012, pages 12-18.	3/18/2020	Qualitative risk assessment application for OSU risks
11	ERM Strategies	3/23/2020	ERM Strategies. *Readings*: • Harrignton, Niehaus and Risko, 2002, Enterprise Risk Management: The Case of United Grain Growers, *Journal of Applied Corporate Finance* • Muelbroek, 2002, A Senior Manager's Guide to Integrated Risk Management, *Journal of Applied Corporate Finance* **HW#4 (HBS Case: J&L Railroad – HBS Coursepack) due**	3/25/2020	Insurance as an ERM strategy and ERM strategy application to OSU risks *Reading:* • AIA Property & Casualty Insurance Basics
12	ERM and Strategic Decisions	3/30/2020	Incorporating ERM into Strategic Decisions. *Readings:* • Re-read Lam article from week 2 • HBS Case: United Grain Growers Ltd (A) (HBS Coursepack) *In class United Grain Growers case exercise*	4/1/2020	**Guest Speaker (TBA)** **HW#5 (HBS Case: Hedging at Jet Blue – HBS Coursepack) due**
13	Risk Reporting, Monitoring & Communication	4/6/2020	Risk Reporting, Monitoring & Communication *Reading:* Nottingham, 2014 Risk Communication Aligning the Board and C-Suite	4/8/2020	Risk Reporting & Monitoring Strategies at OSU

Week	Week - Topic	Monday Date	Monday Details	Wednesday Date	Wednesday Details
14	Course Project Reports & Course Conclusion	4/13/2020	**Course Conclusion**	4/15/2020	**Course Project Paper Due**; *Group report-outs on course project*
15	Review for Exam 2	4/20/2020	Review for Exam 2		
Final Exams Period	**Friday**	**4/24/2020**	**Exam 2 - 10:00AM - 11:45AM**		