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**UNIVERSITÄT
BERN**

Faculty of Business, Economics
and Social Sciences

Department of Business
Administration

Institute for Accounting

An Integrated Perspective on Corporate Risk Management (Master)

(KSL 447543)

Lecturer: Prof. Dr. Arthur Posch, Universität Bern

Semester: Fall 2020

Extent: 3 SWS Lecture

Credits: 4.5

1. Content

The rise of risk management constitutes one of the major developments in both academia and corporate practice of the past decade. More than ever, managing risks appropriately has become a fundamental pillar for organizational survival. Prompted by the financial crisis, interest in risk management practices has recently sparked. While risk and uncertainty are not new, what is new is that risk and uncertainty emerge from a variety of both internal and external sources. This constantly evolving complexity poses increasingly substantial problems for firms. Adding fuel to recent developments, regulation such as Sarbanes-Oxley 404 demands investments in risk management practices.

While there are many risk management standards worldwide that seek to help companies implement risk management systematically and effectively, scholars have described current risk management practices as a discipline of everything and nothing. Despite the prevalence of risk management standards, risk management has very often turned out to be fluid and poorly defined.

Given that risk management has developed from originally narrow treatments by finance to an issue about management accounting and control, the question becomes whether and how management accounting and control can play a more active role in corporate risk management endeavors. Despite the well acknowledged notion that risk and performance are two sides of the same coin, prior literature on performance measurement in management accounting and control has been largely oblivious to the notion of risk. Recent developments in corporate practice, however, indicate that companies have started to catch up. Approaches such as risk-adjusted forecasting and planning as well as risk-adjusted performance measurement have started to diffuse to corporate practice.

What makes the topic of risk management especially challenging and fascinating are its close interdependencies with management accounting and corporate governance. By explicitly incorporating

these overlaps this course seeks to provide a more holistic perspective on risk management. The topics covered in this course among others include:

- Theoretical foundations of risk management (definitions, statistical background, biases, etc.)
- Cybernetic risk management approach (risk identification, risk assessment, risk response, control activities, information & communication, monitoring)
- Weaknesses of traditional cybernetic risk management approaches
- Enterprise risk management and its components
- Organizing risk management within the firm
- Risk management & corporate governance
- The role of management accounting and control for risk management
- Tools for risk identification, risk analysis, risk evaluation, risk treatment, and monitoring & review (e.g., risk matrices, scenario analysis, sensitivity analysis, TARA-framework, etc.)
- New concepts in risk management (e.g., risk appetite, risk culture, tone from the top, etc.)

2. Learning Outcomes

Upon completion of this course, students

- gain a fundamental understanding of risk management approaches and corresponding statistical background knowledge
- understand the role of risk management as value driver and view risk management in light of greater societal challenges
- are familiar with more recent advancements that are at the intersection of risk management and management accounting and control
- are capable of critically evaluating contemporary trends in risk management
- understand the role of management accounting as both a source of risks and as a potential way to address risk issues
- understand the relevance and complementary role of softer and more behaviorally oriented approaches towards risk management
- are able to systematically analyze strengths and weaknesses of corporate risk management programs

3. Date/Place

Weekly on Tuesday 13:15 – 16:00h (see KSL)

4. Teaching Method

The course uses a variety of teaching approaches. Besides classical lectures, examples from practice are used and students get the opportunity to actively participate in in-class discussions. Hence, students are highly encouraged to critically reflect on the materials presented during this course.

5. Admission Requirements

Participants should have a sound baseline understanding of management accounting and control, and quantitative methods (e.g., descriptive statistics and correlations). Advanced competences in the field of risk management are helpful but not required. Students wishing to participate in the course must register in KSL.

6. Evaluation/Grading

Grading is based on three pillars. Next to a final exam (50% of grade), a case-study presentation (30%), and class participation (20%) count towards the final grade. Students are expected to work in teams on the case study and the corresponding presentation. The topics will be announced during the first meeting in September.

7. Literature

This course does not follow a single textbook but will rather draw on slides that are based on a variety of literature sources such as book chapters, research papers, business thought papers, business press articles, surveys and other resources. Reading material will be made available at the Institute for Accounting in due course.