

**ROBERT F. WAGNER GRADUATE SCHOOL OF PUBLIC SERVICE
NEW YORK UNIVERSITY**

RISK MANAGEMENT: LEADERSHIP IN A HIGH STAKES ENVIRONMENT

SPRING 2018 TERM - SYLLABUS

COURSE INFORMATION

Instructors: Jennifer Geiling and Katie Leonberger
Emails: jb984@nyu.edu, kleonberger@crenyc.org (pref.) or kl74@nyu.edu

Pre-requisites: EMPA students
Office hours: On request (by email)

Class location: 194 Mercer, room 301
Class time: 2:30pm - 4:10pm
Class dates: Saturdays: January 27, February 10, February 24, March 10,
March 24, April 7, April 21

COURSE OVERVIEW AND DESCRIPTION

The nonprofit and public sectors are mutually dependent with a relationship characterized by multiple layers of risk. Nonprofit organizations face operational risks that include multi-year contracts with flat funding, capped overhead rates, growing community demand, rigorous performance requirements and multiple layers of administrative requirements. At the same time, cities rely on the strength and stability of these nonprofit organizations to deliver uninterrupted and effective programs and services to diverse populations and communities.

As recent nonprofit closures and collapses illustrate, failure by executives and boards to identify, assess, manage and mitigate risk undermines the sustainability of the organizations they lead and threatens the delivery of critical programs and services to the thousands or millions of people who use them, including those in our most vulnerable communities. Further, an inability to take on risk in an informed way jeopardizes an organization's ability to innovate and offer new programs that meet emerging needs.

This course will prepare leaders in public service and nonprofit organizations to identify,

assess, manage, and mitigate risks. It is designed for nonprofit and government managers with the understanding that every manager has an opportunity to lead from their seat and position within their organization.

LEARNING OBJECTIVES

This course prepares students to:

- Identify the range of risks facing nonprofit organizations and the public sector
- Understand enterprise risk management systems and how to use them to assess organization-wide risks,
- Flexibly use risk management approaches to mitigate potential risks by providing opportunities to role-play and experiment with approaches and tools; and
- Understand how to best assess and engage with risk when needed to best serve an organization's beneficiaries.

The goals for our students are to begin incorporating risk management and engagement into their existing managerial duties and raise awareness about risk.

READINGS

Students are expected to be prepared for class discussions and participate fully. Readings include case studies that will form the foundation for exploring course concepts and experimenting with risk management approaches. Students will also be expected to share their own experiences relevant to the topics and cases being explored.

COURSE REQUIREMENTS

Attendance: Please arrive to class on time. Since this course consists of only 7 classes, we require that you attend every class. If you know that you have a conflict with one of the classes, please discuss/email before registering. Your final grade may be impacted if you miss a class.

Class Participation (20%): Your active participation is critical to ensuring that the learning objectives are realized. This class is designed to give you hands-on experience with risk management practices and tools. You can only develop competency in these skills if you actively engage in the classroom activities, classroom discussions, and homework assignments.

Current Events: The course draws on current conversations and news in the NYC public

and nonprofit sectors. The expectation is that students are keeping abreast of news stories. You may want to read Nonprofit Quarterly, City & State, New York Times, Politico, among other sources of information.

Written Assignments (35%): Each student will complete two individual, written memos, described more fully herein.

Final Project (45%): Each student will submit a final project that consists of a written report and PowerPoint presentation. More details are provided herein. If you fail the final project, you will not pass this class.

Due Dates: Due dates for the written assignments and final project are:

- Assignment 1: February 20
- Assignment 2: April 3
- Final Project: Written assignment due April 21
PowerPoint presentation due April 21

Extensions will be granted only in case of an emergency and only if requested prior to the due date. Late submission without prior permission will be penalized by ½ a letter grade per day (e.g., B+ to B).

We do not provide extra credit or make-up assignments.

COURSE POLICIES

Grading: This course offers grades based on the NYU grading guidance: <https://wagner.nyu.edu/files/admissions/GradingGuidelines.pdf>

Students with disabilities. Any students requiring accommodation should contact me to make proper arrangements. Please be prepared to share your documentation from the NYU disabilities office.

NYU/Wagner grading policy: <http://wagner.nyu.edu/current/policies/grading.php>

NYU/Wagner academic integrity policy: <http://wagner.nyu.edu/current/policies/>

COURSE SCHEDULE AND ASSIGNMENTS

Please note that readings may be updated during the class term.

Class 1: Introduction to Risk and Risk Management (January 27)

- Learning Objectives
 - Understand the importance of risk management by reading spectacular stories of failure and their impact on public policy, communities and employees.
 - Raise awareness of categories of risk across the sector and organizations.
 - Establish definitions and core concepts related to the subject of risk as a foundation for exploring risk through this course and assessing risk within organizations.
 - Understand how to develop, institute, and manage a risk management system.

- Readings
 - **Case:** “Enterprise Risk Management at Hydro One” - Multimedia, *Harvard Business School*, October 9, 2014.
 - Leonberger, K. and J. Ballow, “Risk and Reward: Positioning Your Nonprofit for Sustained Impact,” *The Nonprofit Quarterly*, Summer 2017, Volume 24, Issue 2.
 - *New York Nonprofits in the Aftermath of FEES: A Call to Action*, Human Services Council, 2016: Executive Summary.
 - Powell, M., “Agency Will Pay \$1.7 million for False Job Placement Claims,” *The New York Times* December 19, 2012, <https://cityroom.blogs.nytimes.com/2012/12/19/agency-will-pay-1-7-million-f-or-false-job-placement-claims/>
 - Reading for in-class exercise: Keller, J., Pearce, A. and Andrews, W., “Tracking Trump’s Agenda, Step by Step,” *The New York Times*, December 22, 2017, https://www.nytimes.com/interactive/2017/us/politics/trump-agenda-tracker.html?_r=0
 - Recommended additional reading (not required):
 - New York City Department of Investigations Report - Investigation of Seedco’s Workforce Center Contracts: <http://www.documentcloud.org/documents/324372-seedco-report-march-2012.html#document/p1>
 - Clark, A., “Questions Loom In Wake of FEES’ Fall,” *The Jewish Week*, February 4, 2014.
 - Swarns, R.L., “As a Social Service Agency Collapses, a Union Leader Worries for Its Workers,” *The New York Times*, February 22, 2015.

- Affidavit of Kristin Woodlock
- McCambridge, Ruth, “The FEGS Autopsy” NPQ, February 26, 2016.

Class 2: Cultural Components and Cultivation (February 10)

- Learning Objectives
 - Understand the role of culture in risk engagement and identify the key cultural components for effective, holistic risk management.
 - Internalize the concept of “leading from your seat.”
 - Introduce and practice key approaches that support a culture of risk engagement.

- Readings
 - **Case:** “Sy Friedland and JF&CS,” *Babson Entrepreneurial Leader Collection*, April 2017
 - The editors, “Sorting Risk and Uncertainty,” *The Nonprofit Quarterly*, Summer 2017, Volume 24, Issue 2.
 - Basford, Tessa and Bill Schaninger, “The four building blocks of change,” *McKinsey Quarterly*; April 2016.
 - Bilich, T., “A Call For Nonprofit Risk Management,” *Stanford Social Innovation Review*, July 13, 2016.
http://ssir.org/articles/entry/a_call_for_nonprofit_risk_management Review from Class 1: “Enterprise Risk Management at Hydro One”
 - Fraser, J., Simkins, B, “The Challenges of and solutions to implementing ERM, *Kelley School of Business* 2016

 - Recommended additional reading (not required):
 - Lawson, E. and Price, C., “The psychology of change management,” *McKinsey Quarterly*, June 2003.
<http://www.mckinsey.com/business-functions/organization/our-insights/the-psychology-of-change-management>
 - Keller, S. and Price, C., “Encouraging Organizations to Change: The Influence Model,” *Management Innovation Exchange*, August 10, 2011.
<http://www.managementexchange.com/blog/encouraging-organizations-change-influence-model>

Assignment 1 is due on February 20

Assignment: **Case:** Eaves, D. and Datla, A, “Cracking the Monolith: California’s Child Welfare Services Disrupts Technology Procurement (A) and (B),” *Harvard Kennedy School*, July 10, 2017. Assess the risks in this case study. Choose one that you think is

critical. Explain the potential impact if the risk is ignored. Explain how you would manage the risk. Identify the cultural considerations in doing so and suggest how to address them.

Format: No more than 3 pages, single spaced with one inch borders, Times New Roman, 12 point font.

Class 3: Scenario Planning in an Operating Environment of Diverse Risks (February 24)

- Learning Objectives
 - Understand and practice scenario planning as a tool for risk management.

- Readings
 - Shell Scenarios video: <https://www.youtube.com/watch?v=jQ2uIPeiEYQ>
 - Rosenberg, M., *Using Scenarios to Plan for Tomorrow*, IESE Insight Magazine
 - Recommended additional reading (not required) by Pierre Wack, the often quoted “founder” of scenario planning:
 - Wack, P., *Scenarios: Uncharted Waters Ahead*, Harvard Business Review, September 1985
 - Wack, P., *Scenarios: Shooting the Rapids*, Harvard Business Review, November 1985 (companion to aforementioned)

Class 4: Managing Financial Risk Using Scenarios, Key Indicators, and Board Engagement (March 10)

- Learning Objectives
 - Develop knowledge about the financial reality of nonprofits, and awareness of the risks and potential consequences of this tenuous financial environment.
 - Identify and practice tools that can help mitigate financial risks, including:
 - Scenario budgeting and other contingency planning
 - How to manage - and make decisions - based on KPIs
 - Regular tests of financial internal controls
 - Discussing financial statements with senior staff and board

- Readings
 - **Case:** ”Lutherwood-CODA (Community Opportunities Development Association),” *Stanford Graduate School of Business*, 2003
 - Polanco, H. and Walker, S., “Models and Components of a Great Nonprofit Dashboard,” *Nonprofit Quarterly*, November 30, 2017,

<https://nonprofitquarterly.org/2017/11/30/financial-management-models-of-a-great-nonprofit-dashboard/> .

- Nonprofit Finance Fund 2015 State of the Nonprofit Sector Survey:
 - Summary:
http://www.nonprofitfinancefund.org/sites/default/files/docs/2015/2015survey_natl_summary.pdf
 - Overview and Key Findings:
<http://www.nonprofitfinancefund.org/state-of-the-sector-surveys>
- SeaChange Capital Partners, Oliver Wyman, and GuideStar, *The Financial Health of the United States Nonprofit Sector: Facts and Observations*, October 2017.
- MacIntosh, J., “Understanding Overhead: A Governance Challenge for Nonprofit Trustees,” July 2016.
<http://seachange.org/wp-content/uploads/2016/12/Overhead-for-Trustees.pdf> (Purpose of this reading for this class session is to understand “indirect” and “overhead” costs.)
- *New York Nonprofits in the Aftermath of FEES: A Call to Action*, Human Services Council, 2016:
 - Executive Summary (review from Class 1 reading list)
 - Appendix C.2: Standards of Excellence in Nonprofit Financial Management
 - Appendix C.3: Nonprofit Financial Stability KPI Recommendations
- Recommended additional reading (not required):
 - *New York Nonprofits in the Aftermath of FEES: A Call to Action* (Full Report), Human Services Council, 2016.
 - Oliver Wyman, SeaChange Capital Partners, *Risk Management for Nonprofits*, March 2016.
<http://seachange.org/wp-content/uploads/2016/03/SeaChange-Oliver-Wyman-Risk-Report.pdf>

Class 5: Understanding your business model to manage programmatic and organizational risk (March 24)

- Learning Objectives
 - Develop a common understanding of the concept of business models in the social sector context.
 - Learn how to assess an organization’s business model by looking at the dual prongs of financial viability (profitability) and social impact - and how to make strategic decisions accordingly.

- Gain awareness of the risks related to maintaining, expanding, and closing programs.
- Learn and practice the Matrix Map for business modeling and Go/No Go tool for funding/contract assessment.
- Reading
 - **Case:** “The Rotary Cove Beach,” *Richard Ivey School of Business Foundation*, 2011.
 - Bell, Jeanne, Jan Masaoka, and Steve Zimmerman. *Nonprofit Sustainability: Making Strategic Decisions for Financial Viability*. San Francisco: Jossey-Bass, 2010. Pages 11-16; 19-72; 169-173.
 - FMA’s “Go / No Go Decision Tool” - see:
 - <http://fmaonline.net/nonprofit-financial-management/financialresources/fundingtool/>
 - http://fmaonline.net/wp-content/themes/fma/questions/opportunity_assessment_questionnaire_printable.pdf
 - Zimmerman, S. and Bell, J., “The Matrix Map: A Powerful Tool for Mission-Focused Nonprofits,” *Nonprofit Quarterly*, April 1, 2014, <https://nonprofitquarterly.org/2014/04/01/the-matrix-map-a-powerful-tool-for-mission-focused-nonprofits/>
 - ACS Strategic Blueprint: <http://www1.nyc.gov/assets/acs/pdf/about/2017/BluePrint.pdf> (focus on the metrics used to understand effectiveness)
 - *Review from Class 4:*
 - SeaChange Capital Partners, Oliver Wyman, and GuideStar, *The Financial Health of the United States Nonprofit Sector: Facts and Observations*, October 2017. <http://seachangeap.org/wp-content/uploads/2017/10/Philadelphia-Risk-Report.pdf>
 - Polanco, H. and Walker, S., “Models and Components of a Great Nonprofit Dashboard,” *Nonprofit Quarterly*, November 30, 2017, <https://nonprofitquarterly.org/2017/11/30/financial-management-models-of-a-great-nonprofit-dashboard/>.
 - Recommended additional reading (not required):
 - MacIntosh, J., “Understanding Overhead: A Governance Challenge for Nonprofit Trustees,” July 2016. <http://seachangeap.org/wp-content/uploads/2016/12/Overhead-for-Trustees.pdf> (Purpose of this reading for this class session is to

understand “indirect” and “overhead” costs.)

Assignment 2 is due April 3

Assignment: Please read the case “Teach for China and the Chinese Nonprofit Sector,” *Harvard Business School*, October 2, 2015.

Format: 3 pages, single spaced with one inch borders, Times New Roman, 12 point font.

Class 6: The Role of Boards in Risk Management & Team Based Decision Making (April 7)

- Learning Objectives
 - Understand the role of boards versus management in risk management.
 - Understand the information that Boards need from Management to execute their duties and oversight obligations.
 - Understand and practice team based decision making.

- Readings
 - **Case**: ”The State Fair of Virginia,” *Richard Ivey School of Business 2012*.
 - The editors, “From Risk Management to Risk Leadership: A Governance Conversation with David O. Renz,” *The Nonprofit Quarterly*, Summer 2017, Volume 24, Issue 2.
 - Ormazabal, G., “Risk Oversight: What Every Director Should Know” *IESEinsight*, Issue 28 First Quarter 2016.
 - Bellafante, G., *With No Heroes in Sight, the Big Apple Circus Will Fold Its Tent*, The New York Times, July 26, 2016.
 - Sisney, L., “Mastering Team-Based Decision Making,” *Organizational Physics*, January 24, 2012.
 - Review from Class 5: MacIntosh, J., “Understanding Overhead: A Governance Challenge for Nonprofit Trustees,” July 2016.
<http://seachangeap.org/wp-content/uploads/2016/12/Overhead-for-Trustees.pdf>

 - Additional recommended reading, if interested in board governance:
 - <https://nonprofitquarterly.org/2017/08/21/nonprofit-board-governance-responsibilities-basic-guide/>

Class 7: Presentation of Final Projects (April 21)

- Present a risk management plan (using PowerPoint) for your organization building

on the many approaches and tools discussed in the class. More detail and format to be provided. Please speak to us if you do not have an organization.

