



Department of Managerial Economics and Decision Sciences:
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Strategic Crisis Management

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Course Overview

Business, it seems, has entered the age of crisis. Every day another major company enters the headlines, and usually not in a flattering context. These trends are further amplified by an ever-faster-moving global news cycle and are scrutinized by activists, interest groups, and an increasingly skeptical public. Crises have been frequently conceptualized as threats, but they can also provide opportunities. Seizing such opportunities requires a close connection to the company's position in the marketplace as well as strategic frameworks for effective crisis response.

Increased globalization and the use of information technology have further accelerated these trends. Moreover, as political activists, NGOs and the media begin to recognize the increasing importance of businesses in bringing about social change, companies will find themselves the target of activists that hope to advance their cause. Since many stakeholders are frequently motivated by moral concerns, companies are being held accountable by standards other than legal constraints or financial performance. As a consequence, companies increasingly find themselves as targets of aggressive legal action, media coverage and social pressure. Recent examples include environmental protection, global labor standards, animal rights, the responsibility of companies in battling the global AIDS/HIV crisis, privacy and security in e-commerce, corporate scandals and executive pay, socially responsible investing, and product safety. These challenges are particularly critical for market leaders. Market leaders cannot merely rely on following industry standards in environmental or international labor regulations.

One of the key challenges presented by these developments is that they do not arise from the usual, contract-based interactions that characterize "normal" business interactions. Animal rights activists do not contract with pharmaceutical companies. They use aggressive, unexpected tactics designed for maximal visibility and shock effect to force industry-wide change to advance their goals. Hence, companies frequently encounter

these issues in the context of unexpected events that lead to a corporate crisis. This class will thus focus on crisis management from the point of view of managers and consultants. To anticipate and manage crises successfully, managers need to combine strategic thinking with an awareness of the importance of the ethical dimensions of business. That is, managers not only need to understand the motivations and strategic capabilities of stakeholders, but also should appreciate the importance of value-based management in preventing and managing corporate crises.

This class is based on experience-learning: a rich set of case studies and crisis simulation exercises balance the theoretical and conceptual frameworks and will help participants to improve their strategic thinking as well as team management and communication skills in high-stress situations. Students should be prepared to be challenged and work hard.

Key Benefits

During this class, you will:

- Challenge your basic beliefs about the nature of crisis
- Learn to scan your business practices for reputational, political, and regulatory risks.
- Anticipate and prepare for potential crises
- Explore techniques for successfully solving problems in high-pressure crisis situations characterized by complex decision environments, time-pressure, high stakes, unanticipated events, and information overload
- Develop strategies for managing stakeholders, public opinion, media relations, and public officials
- Design reputation management strategies and processes
- Integrate your crisis management approach into your overall business strategy

Readings

You are required to obtain the book *Reputation Rules: Strategies for Building Your Company's Most Valuable Asset*. New York: McGraw-Hill (2011) and the *Course Reader* which contains the remainder of the readings and course materials. The book was specifically written for this class and contains various frameworks and case examples. The Course Reader and book will be available at the Northwestern University bookstore.

Course Requirements and Grading

In class we will only briefly review the class readings. They serve as a point of departure for our discussions. It is essential that you have mastered the class readings in time for each session.

Students are expected to master the content of the readings, to make constructive contributions to class discussions, to successfully participate in group exercises and presentations, and to perform adequately or better on a final examination. Grades in the course will be based on three components: (1) a final exam which will count 45 percent; (2) group assignments and simulations which will count 40 percent; and (3) class attendance and participation, which will count 15 percent.

FINAL EXAM: The final will be an **individual, in-class, “closed book”** exam consisting of short questions that will cover the assigned readings, cases, and lecture material for all classes. In addition, you may have to answer some short essay questions. This is an individual assignment, and you must not discuss your work or the case with anyone other than me.

GROUP WORK: Group assignments and simulations are an integral part of class discussion. You will be assigned to a group at the beginning of class. I encourage you to meet with your study group on a regular basis, but you are not required to do so.

However, during the simulation exercise you may be asked to prepare group presentations. The chosen group is responsible for all aspects of the presentation such as keeping time, handling questions, etc. All other students are expected to take the role of clients, directors, or partners (depending on the governance structure of the firm and the details of the assignment). Group assignments are in-class simulations of real-world tasks. It is thus important that you take the role-playing aspect seriously. We will randomly choose groups to present and defend their analyses.

PARTICIPATION and ATTENDANCE: Attendance, preparation, and participation are essential for this class to be value-adding. If you have to miss class, please let me know in advance. Much of the learning in this course comes from class discussion of cases or homework assignments. Learning opportunities are maximized when a student is actively engaged in the class discussion.