SEEK 440A - Values and Crisis Decision-Making

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Course Overview
In today’s business world, companies are increasingly becoming the dominant source of social and cultural change. Increased globalization and the use of information technology will further accelerate this process. 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 focuses 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 a recognition 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 they 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 political and social 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
- Integrate your crisis management approach into your overall business strategy

**Readings**

You are required to purchase the *Course Reader* (CR) which contains all readings and course materials.

If you are planning to take SEEK 441 *Strategic Management in Non-Market Environments*, you might also consider purchasing the text book for this class, *Business and its Environment* (BIE), Prentice-Hall, by David P. Baron. Along with a great deal of other material, this book contains many of the readings in the *Course Reader* and some of the cases used.

**Course Requirements and Grading**

Students are expected to master the content of the readings, to make constructive contributions to class discussions, to participate successfully 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. All group-related grades will be based on group performance and peer evaluation at the end of class.

FINAL EXAM: The final will be an individual, in-class, “open book” exam consisting of short questions that will cover the assigned readings, cases, and lecture material for all classes. In addition, you will 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.
COURSE OUTLINE

Session 1: Friday January 26\textsuperscript{th}, 6-7:30PM

Introduction
To develop successful crisis management strategies, managers need to be able to evaluate the crisis potential of their business. A key component of successfully predicting whether a business decision may have adverse consequences is to understand the motivations of stakeholders and their capacity for action. I will also give a brief overview of the class content and will discuss organizational and logistical issues.

Case: CR-1 Buffalo Savings Bank (A)

Assignment
Assume the role of managers in Buffalo Savings Bank (A). Analyze BSB’s situation, adopt a policy with respect to calling the loans, and develop a strategy for achieving your objective. It is convenient to think of policies as being represented as a point along the following spectrum:

\textit{No Call}.........\textit{Call but compromise}.........\textit{Call, period}

An example of a compromise might be to offer borrowers an opportunity to refinance below the market rate.

Be prepared to give a short presentation of your findings. You do not need to prepare any written materials or Power Point presentations.

Session 2: Friday January 26\textsuperscript{th}, 7:45-9:00PM

Managing the Media
Typically no crisis occurs without the news media. The focus of this session is the impact of the news media on business strategies and their public perception.

Reading: CR- 2 “The News Media and Nonmarket Issues”
Cases: CR- 3 The Mercedes A-Class
Session 3: Saturday January 27th 9:00-10:15AM  
**Activists and NGOs**  
Political activists are frequently the cause of unexpected corporate crises. This is especially true for multi-national companies in consumer goods markets. This session addresses a recent case in which activists, collective action, and media pressures arose to challenge a company's strategy.

Reading: CR-4 “Private Politics”  
Case: CR-5 Shell, Greenpeace, and Brent Spar

Session 4: Saturday January 27th, 10:30 AM-12:00PM  
**Crisis Simulation A – Part 1**  
This class will simulate a crisis scenario involving activists and the media. Readings and assignments will be distributed in advance and during the simulation.

Reading: To be distributed  
Case: To be distributed

Session 5: Saturday January 27th, 1:00-2:15PM  
**Crisis Simulation A – Part 2**  
This class will simulate a crisis scenario involving activists and the media. Readings and assignments will be distributed in advance and during the simulation.

Reading: To be distributed  
Case: To be distributed

Session 6: Saturday January 27th, 2:30-4:00PM  
**Issue Management**  
Individuals, activists, journalists, and government officeholders may be motivated by moral concerns about a firm’s actions. Since individuals have a range of ethical intuitions and concerns, it is necessary to view issues from the perspective of a number of ethical systems. Ethical analysis helps to understand the moral implications of managerial decisions and to estimate the likelihood of morally motivated action.

Case: CR-6 Living Benefits

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Distribute Group Assignment MITI Case A for discussion in Session 7
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**Session 7: Friday February 2\textsuperscript{nd}, 6:00-7:15 PM**

**MITI A**

In this session students will present a plan for anticipating and managing potential crises facing a medical technology firm (MITI) entering a new market in a developing country.

- **Reading:** na
- **Case:** MITI A

**Session 8: Friday February 2\textsuperscript{nd}, 7:30-9:00 PM**

**Crisis Simulation B—Part II**

- **Reading:** To be distributed
- **Case:** To be distributed

**Session 9: Saturday February 3\textsuperscript{rd}, 9:00-10:15 AM**

**Values-Based Management**

This class will discuss the importance of values in anticipating and managing crises.

- **Reading:** CR-7 “The Cult in Culture”
- **CR-8 “The Fall of the House of Andersen”**

**Session 10: Saturday, February 3\textsuperscript{rd}, 10:30 AM-12:00PM**

**Final Exam**