1. Abstract and objectives

This course focuses on "risky conundrums" – complex, contentious risk situations and business problems that involve a multitude of stakeholders and values at risk. Managing risky conundrums is one of the key societal and organizational challenges of our time. By way of example, one could argue that one of our riskiest conundrums, human-induced climate change and its consequences, is unfolding as we speak, while with the staggering pace of innovation in genetics, artificial intelligence and others, we are creating other conundrums too.

In this course, we take a risk-management lens to big societal problems and try to understand their nature, and consider the role of calculative and management practices in dealing with them. First, we shall examine preventable risks, and explore the phenomenon at their root, risk incubation. Then we turn to strategy risks, which promise benefits for those who take them carefully, and explore the « creativity triad »: risk, innovation and dissonance. Rather than viewing dissonance as inevitably dysfunctional, we shall explore how managers can harness it in order to achieve diverse objectives and find solutions to complex organizational and societal challenges. In this way, this course builds on, and investigates further, the risk-management issues explored in Advanced Management Accounting.

The problems we shall explore through the lens of this course include not only those related to organizational failure, but also to financial crises, and the (so far) globally ineffective response to climate change. The objective is to give you the confidence and mind-set to dare to take on some of these challenges in your professional lives, so that you can "do your bit" and make a positive difference.

For rigour and theoretical depth, we shall apply research-based frameworks for a number of real-life organizational and societal conundrums, in the solution of which calculative practices (such as accounting and risk analyses) have got a role. You will see, however, that such practices do not work by themselves - they need to be made work. If you plan to write your master thesis under my supervision, this course is a must as with each class, there will be both managerial and research-method lessons.

Learning objectives
By the end of the course you will be able to:

1. Define, research and make recommendations for the solution of complex risk situations and business problems ("risky conundrums").

2. Applying concepts (such as risk incubation) and theories (such as the "relational theory of risk"), you will be able to better understand the diverse sources of dissonance, which (unchecked) can result in control failure and suboptimal business and societal outcomes. You will also be able to recommend adequate solutions, mobilizing the toolkit of accounting and control.

3. Understand the relationships between strategy risks, innovation and dissonance, and consider adequate managerial responses to this inevitable « creativity triad ».

4. A critical appreciation of different classical and more recent studies on risk, innovation and dissonance. That is, an ability to read, synthesize and critique academic papers, to present and communicate complex ideas in a classroom setting, and to build theoretical frameworks that synthesize different perspectives.

2. Outline (course structure and content)

Sessions

Class 1 – Pluralism, disaster management and innovation.

Research Method topic: Applying theory to explain positive and negative organizational outcomes.

21 September

Core reading:


Case reading: the Kursk Submarine Rescue Mission.

Assignment questions:

The research puzzle this week is the following: despite the fact that the KURK rescue-mission’s participants collectively had the necessary technical assets (equipment, information, staff) to save lives – they failed to save anyone. How can we explain this failure? What recommendations can we make for the management of pluralistic crises in order to bring about collaboration among multiple parties?

2. Assess the apparent risk perceptions (risk objects and objects at risk, as per Boholm and Corvellec) held by the parties in this mission. How did these perceptions contribute to the failure of the rescue?

3. Identify the reasons why the Chilean Mine Rescue succeeded (as described in Rashid et al.) by comparing and contrasting the organizational characteristics of the two missions.

Class 2 – Recurring man-made disasters - the challenges of full cultural adjustment.

Research Method Topic: Synthesizing multiple case studies to develop theory.

5 October

Core reading:

Case reading:
- From Titanic to Cosa Concordia – a century of lessons not learned.
- In the aftermath of Costa Concordia, Risk and Regulation, p4-5.

Assignment questions:

Attention! For this session, I am asking you to prepare individual work before class. This is to ensure that you can practice bringing evidence from disparate cases together. Your individual assignments will be essential to get the full value of this class. Please send me your completed individual surveys a day before class (on the 12th).

In class, we shall compare and contrast your individual questionnaires. What are the most salient factors of risk incubation, based on your cases? What other lessons can we learn from putting together your cases? Thank you for your cooperation.

Individual work (Pre-class):

Q1. Each group will be assigned a short case-study of a man-made disaster. Please read it carefully and fill in the following questionnaire. Illustrate your answers with relevant examples and remember to send your completed survey to me before the class.

Q2. Reflect on the core and case readings. What are the most important lessons learnt / not learnt from studying man-made disasters at sea (e.g. Titanic, Costa Concordia) - and elsewhere?

Q3. What can accountants learn from man-made disasters?

Class 3 – Man-made disasters and the blame-game-cases from the financial services industry.

Research Method topic: Applying a critical case to test the relevance of existing theories.

19 October
Core reading:

- Background reading (for clarification): *The role of auditors.*

Case reading: Lehman Brothers.

Assignment questions:

1. What was the primary cause of Lehman’s collapse: “executive failure” (greed) or “systems failure (normal accident)”? Who is to blame (if at all)?

2. Consider the actions and decisions undertaken by Lehman’s auditors E&Y. CEO Tully stated: “At the end of the day we feel very good about the work we did at Lehman.”
   If you were interviewing Tully on behalf of Lehman’s investors, how would you respond? In your opinion, was E&Y at fault in Lehman’s fall? Why or why not? (See Note on the Role of Auditors in the post-SOX world, if necessary.)

3. Compare and contrast Mezias (1994)’s account of a previous financial disaster with Palmer and Maher (2010)’s account of the 2007-2009 mortgage meltdown. What similarities/differences strike you as interesting and important?

4. What lessons can we take away from these two crises? What should accountants do to reduce the probability of executive failure and/or systems failure?


Class 4 – Dissonance and dysfunction: Researching Conflicts of Interest.

Research Method topic: Nailing down and operationalizing concepts - synthesizing multiple definitions of multifaceted phenomena

2 November

Core reading:

- Eugene Soltes, Nanette Byrnes. (2014). *The Fall of the “Fabulous Fab”.*
- *Conflicts of Interest* – Reading Folder for Research (Legal, psychology-based and organizational conceptions)
- SEV vs. Fabrice Tourre – Additional Evidence.

Assignment questions:

1. In your opinion, what, if anything, did Fabrice Tourre do wrong?

2. Based on the Reading Folder, what are the various definitions of conflict of interest? What definitions could we apply, to describe the COI problem(s) in the case study?
3. Reflecting on the documentary Inside Job and the examples in the above Readings for Research -
what kinds of conflict of interest were present in the run-up to the Great Financial Crisis (GFC)? Try to
come up with a classification of different types of conflict of interest (and cite the examples that
support your categories).

4. Review the additional evidence, incl. Tourre's correspondence, the SEC's allegations, as well as
Goldman's general statement about its role and risk management during the GFC. What (if any)
conflicts of interest can you see in
a) Fabrice Tourre's handling of the Abacus product creation and sales
b) Goldman's business model?

Class 5 – Managing innovation – Planetary Resources, Inc. (PRI).


16 November

Core reading:


Case reading:

  Tack.

Assignment questions:

1. How can PRI be "cash flow positive", despite the fact it has not raised nearly enough investment to
fund its technological roadmap?

2. The B case is a transcript of a discussion that took place among managers at PRI. The research
challenge for today is to analyze this transcript and find out how PRI actually manages risks and
dissonance. What norms guide the interactions among the participants? (See Stark's chapter to
understand the role of dissonance in innovation.)

3. What changes in organizational structure or in control systems would you recommend to PRI's top
management? (Tip: (Re-)read Simons (1995) to understand the role of control systems, and O'Reilly
and Tushman (2004) to reflect on the role of organizational structure, concerning, especially,
innovation.)

4. Should PRI enter the Earth observation market? Why, or why not

Class 6 – Dissonant views about the responsibility of managers – and about capitalism.
Research Method Topic: Critical research – understanding ideologies and their influence on managerial theory and practice

30 November

Core reading:


Case reading:


Assignment questions:

1. Read the Friedman doctrine. List the fundamental ideas presented in the doctrine - and the values that you feel are associated with these ideas. Which values do you agree with, which ones you do not?

2. Read Rajan’s Introduction of Fault Lines. What criticisms of the Friedman doctrine (and US-style capitalism) can you raise based on this? What alternatives or improvements does the author see to the current state of US capitalism?

3. Read the parable of the four tribes in Greene’s Introduction to his book Moral Tribes. What forms of social / economic order do you recognize in these tribes? How would you describe the form of capitalism (alternative?) you would like to support and live in?

4. Which ideologies underpin managers’ thinking in the cases cited by Alvesson and Spicer?

Class 7 – Are we Collapsing? Accounting and the Environment.

Research Method topic: Doing research on the interface of science and social science

14 December

Core reading:

- Reading Folder: Scientific discourse on climate change
Assignment questions:

1. Environmentalists claim that free market capitalism (and certain institutions of it) are destroying the planet. What (who) are the culprits in this view?

2. Reflect on the collapse of past civilizations (Diamond, Scott). They had no free market capitalism - so why did they collapse? What is the lesson we must learn from them?

3. Are we indeed collapsing? Is there an alternative scenario and if so, what does it look like? How can we know which scenario is more likely? Can you think of an early warning system? Where would you implement it and who would use it (how)?

4. What’s the role of accounting in this story (and in your scenarios)?

3. Teaching methods

The course is a mix of lectures and discussions.

4. Evaluation and grading

4.1 Final essay: 70% (individually or in teams depending on numbers)

4.2 Participation: 30% (incl. hand-ins for lectures 1 to 7, assignment questions will be given on Moodle).

4.3 Retake: Students who fail the course and are tested in an exam retake-session will pass a 30 minutes oral exam on all the topics of the seminar.

4.4 PhD students: Please refer to additional requirements in appendix I

5. Bibliography

Articles, case studies: see Section 2 above.
Appendix I

PhD students are required to develop a preliminary research idea focusing on one of the risky conundrums discussed in class. You have an opportunity to freely determine what to investigate, which in the process will test your creativity and critical thinking ability. For example, you may choose a controversial, multiparty risk situation / managerial discourse / innovation, such as:

- A controversial area of financial regulation (e.g. Swiss banking secrecy; Stress-testing capital strength; Conflicts of interest regulation, etc.)
- A complex corporate governance debate (e.g. executive compensation; the management of «fraud risk», etc.)
- Climate change and sustainable business debate
- The future of capitalism debate
- Debate about artificial intelligence – “the rise of robots”

You will then choose a time horizon, and within it an actor that was particularly vocal in this timeframe - i.e. agency, consulting firm, business organization or activist group. I shall ask you to identify two or three other organizations / actors that challenged the viewpoint of your first actor, and analyze the differences and changes in their risk perceptions over your time horizon (descriptive research).

Next, I shall ask you to formulate research questions for causal research, and by applying qualitative methods (critical case studies, or the vignette-method), develop explanations. Rather than engaging in “home-span philosophies”, however, you will be expected to carry out a substantive review of the literature that bear relevance on your observations, and apply theories to formulate your explanations. In the course of iterating a theory you might be able to contribute to some yourself.

In particular: Your task will be to identify a research question by studying a risky conundrum by desk research and by reading peer-reviewed journal articles or books. I expect you to summarize the nature of the risky conundrum (a case or several vignettes), your question(s), motivation and theoretical foundations in maximum 10 pages (double-spaced). Then, you shall apply theory (for example, the relational theory of risk), to explain how this conundrum has emerged and why (e.g. tease out the risk perceptions related to the actors, and their actions (or inaction) that characterize the situation). I would also expect you to trace the nature and use of calculative practices that bear on the management of this situation. I expect you to find between 10-15 peer-reviewed journal articles that will support your argumentation either theoretically or with empirical results (about 10 pages double-spaced). Finish with reflections and conclusions (about 3 pages, double-spaced).

All sources must be adequately cited and presented in full in the reference list. Do not “lift” sentences verbatim (i.e., do not copy word-for-word what someone else has written); please paraphrase what
you borrow from others and document all sources (even if paraphrased). Failure to document a source of information, or plagiarism of any sort will result in a “zero” grade!
The assignment is due by e-mail to me (anette.mikes@unil.ch) by 8 January 2018.

**Grading:** The final grade will be entirely based on your research essay, with the following considerations.

1. Presentation of chosen issue (a deep case or multiple vignette study of the risky conundrum), literature review and research question - 50%
2. Analysis of empirics, development of explanatory arguments, and integration of literature - 30%
3. Flow and presentation - 20%
   a) Proper and objective writing using a logical order and reasoning
   b) General presentation, sources of information, references