

Kellstadt lab educates companies on how to manage strategic risks

Events like the financial meltdown of 2008, court proceedings against major companies, and congressional debate on a major overhaul of financial regulations have prompted corporate boards and executives to focus on strategic risks—those most significant to a company's bottom line.

DePaul's Kellstadt Graduate School of Business has been at the forefront of helping companies meet this challenge through its three-year-old Strategic Risk Management Lab, established as part of the Center for Strategy, Execution and Valuation.

"The Strategic Risk Management Lab helps establish DePaul as a community of thought leaders in risk management and governance," says Ray Whittington, dean of the College of Commerce. "We are engaging our students and business leaders in applying leading practices to connect strategy and risk and to consider how risk can be better managed."

Mark Frigo, director of both the lab and the center, describes the lab as an "engagement platform for thought leaders and business leaders to co-create and share leading practices in strategic risk management." The lab works through research, seminars, thought leadership and courses to help organizations understand and manage strategic risks.

Boards, executive teams and managers across all industries and sizes of companies need to pay attention to the concepts involved, says Richard Anderson, a clinical professor who's helped establish the lab along with Frigo, who is the Ledger & Quill Alumni Foundation Distinguished Professor of Strategy and Leadership.

"It's not a new topic," Anderson says. "But it's one that has been rediscovered."

The lab's tenets are based on the book "Driven: Business Strategy, Human Actions, and the Creation of Wealth" (2007), derived from a decade of research on high-performing companies and co-authored by Frigo and

Joel Litman, managing director at New York-based Equity Analysis & Strategy Inc. The leading practices developed in the lab are described in a new book, "Strategic Risk Management: A Primer for Directors and Management Teams" (2010), by Frigo and Anderson.

Risks are, by definition, embedded in business

strategy, Frigo says, and the management lab—at times in collaboration with colleagues from institutions including the University of Michigan, Harvard Business School and North Carolina State University—examines how to identify, monitor and manage those risks.

Students in the Kellstadt course on strategic risk management apply the concepts while looking at case studies based on companies like Lehman Brothers.

"This is real-time learning," Anderson says. Holding up a copy of the complaint against Goldman Sachs, he adds, "We went through what's going on here, what are the issues, and what can you learn, diagnostically."

Kellstadt alumni and others in the business world can learn from articles in journals such as the Harvard Business Review and Strategic Finance, published through groups including the Committee of Sponsoring Organizations. The group soon will release a monograph by

Frigo and Anderson titled "Enterprise Risk Management: Approaches for Getting Started." The lab also holds quarterly roundtables and executive seminars.

"The topic of strategic risk management is a moving target right now," Anderson says. "Our objective is to continue to be at the forefront, watching what's going on and potentially shaping it. ... Our focus is on putting out information and tools that are practical and useful right now."

"Strategic risk management is an evolving core competency," Frigo adds. "It's something organizations will need to develop as a true core competency at the board, executive leadership and management levels."

