



## ***Understanding and Managing Strategic Risk***

*“Driving Credit Union Performance”*

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***Accelerate*** *your credit union's performance*

# Experiential Learning (Gaming)

- Learning to use the available tools is a process and requires investment of time and money
- Executive education is difficult and costly
  - Retention of lecture material is very low
  - Case learning takes time to perfect
  - Difficult to get executives to analyze their own initiatives, especially in a group
- Experiential learning (gaming) solves several problems
  - Active engagement
  - Unleash competitive instincts
  - Make it fun
  - Make it “un-personal”
  - Little or no preparation required

# Introduction to Strategic Risk: COSO Standard

Four objectives categories – *strategic, operations, reporting, and compliance* – are represented by the vertical columns, the eight components by horizontal rows, and an entity's units by the third dimension. This depiction portrays the ability to focus on the entirety of an entity's enterprise risk management, or by objectives category, component, entity unit, or any subset thereof.



# Introduction to Strategic Risk: COSO Standard



# Introduction to Strategic Risk: COSO Standard

## Enterprise Risk Management



# Save the Blue Frog!

An Integrated Accounting Case Involving Valuation,  
Sustainability, Controls and Risk, and Ethics



# The Characters



**John Formica**  
**BFAC**



**Okopipi**  
**Vastaria**



**Matt Rooney**  
**Bann Capital**

# The Characters



John Formica  
BFAC

*John is ambivalent about the attractiveness of this new client opportunity. Although he is excited by the possibility of establishing a long term relationship with a global energy client, his "risk antennae" are buzzing with the fear that the project has no long term sustainable future.*



# The Characters



Matt Rooney  
Bann Capital

*Matt is an accomplished investment professional with decades of successful experience in global energy projects. However, recent industry developments (e.g. declines in energy prices, political turmoil in energy-rich regions, and public controversy over sustainability concerns) have compelled him to become more aggressive in approving risky investments.*

# The Characters



Okopipi  
Vastaria

*Okopipi is clearly worried about the prospects of the extinction of his species. He is also angry at the realization that a project that threatens his extinction was approved by local government officials who received cash payments. Thus, Okopipi tends to behave in a pensive, sullen, and fearful manner.*

# Simulation Game Theory

## EXPERIMENTAL VARIABLES

- ✓ Entertainment Value \*
- ✓ Active vs. Passive Instruction \*
- ✓ Accessibility of Game Simulation \*
- ✓ Extent of Interactive Processes \*

*\* Highly significant*

## EVALUATION CRITERIA

### AFFECT

- ✓ Self-Efficacy \*
- ✓ Motivation
- ✓ Reactions

### BEHAVIOR

- ✓ Effort

### COGNITION

- ✓ Declarative Knowledge \*
- ✓ Retention \*

### SKILL

- ✓ Procedural Knowledge \*
- ✓ Transfer of Knowledge

# Save The Blue Frog!

an integrated accounting case involving valuation, sustainability, controls and risk, and ethics

[HOME](#)

[#1 VALUATION](#)

[#2 SUSTAINABILITY](#)

[#3 CONTROLS & RISK](#)

[#4 ETHICS & MORALITY](#)

[QUESTIONS?](#)

## Introduction

You are a member of the professional services team at a Big Four Accounting Firm (BFAC). One day, you and your fellow professionals return from lunch and discover that a senior partner has placed [several pages of client information](#) on your desk.

Please review [this client information](#) and outline the particulars of the situation before you proceed to the first module, i.e. #1 Valuation. You should focus on the potential benefits and risks of pursuing this client opportunity.

### Required:

- Describe the client's understanding of its needs.
- Describe your understanding of the client's needs.
- Identify the primary benefits of accepting the client engagement.
- Identify the primary risks of accepting the client engagement.

### WELCOME TO VASTARIA!



*home of the blue frog*

### CASE CONTENT

[Client Information](#)

[Client Spreadsheet Model](#)

[Faculty Only \(Password\)](#)

[Feedback Survey](#)

[Reference Materials](#)

# Act 1, Scene 1: Valuation

**Character:** Matt Rooney, Chair of Board of Directors, WOW; Senior Managing Director, Bann Capital

**Purpose of Conversation:** To assess the validity of the baseline \$1.3 billion valuation in consideration of the project fact pattern that was known at the time of that the baseline analysis was prepared by Bann and WOW.

**Matt's Motivation:** Matt is an accomplished investment professional with decades of successful experience in global energy projects. However, recent industry developments (e.g. declines in energy prices, political turmoil in energy-rich regions, and public controversy over sustainability concerns) have compelled him to become more aggressive in approving risky investments.

## Act 1, Scene 2: Decision

**Character**: An anthropomorphic blue frog, introducing the decision choices and providing Siri-like guidance in response to questions by the student. In Act 1, the blue frog possesses no clear disposition or preference regarding the choices.

**Choice**: Should the original decision to green-light the project a reasonable one?

Choice a: Do nothing and proceed with the project.

Choice b: Close down the project.

# Act 2, Scene 1: Sustainability

**Character:** Jacques Plui, Director of Audit Committee, WOW

**Purpose of Conversation:** To re-assess the initial valuation process in consideration of new concerns that have arisen about the blue frog. To discuss the Audit Committee's perception of the environmental risk that confronts the firm in regards to this sustainability concern, as well as the risks and costs of relocating or protecting the endangered species.

**Jacques' Motivation:** Jacques comes from a wealthy French family that is publicly known for supporting oceanic protection projects, though he is less familiar with land-based and freshwater-based environmental programs. Much of his personal family wealth is invested in WOW stock, and he is torn between his commitment to the environment and his need to protect his family fortune.

## Act 2, Scene 2: Decision

**Character**: An anthropomorphic blue frog. In Act 2, the blue frog is clearly worried about the prospects of the extinction of its species.

**Choice**: Do we save the blue frog?

Choice a: Do nothing and proceed with project.

Choice b: Maintain the project scope and relocate the blue frog.

Choice c: Reduce the project scope and protect the blue frog.

*If we do nothing, there is a 10% chance that the blue frog will become extinct, resulting in a public relations nightmare that bankrupts the company and causes \$1 billion in shareholder losses.*

*If the blue frog is relocated by the company, there is still a 5% chance of extinction. If it is protected, there is still a 2% chance of extinction.*

*The cost of relocating or protecting the blue frog is \$10 million.*

*A reduction of project scope will reduce the valuation by \$50 million.*



# Online Learning Games



# Online Learning Games



# Online Learning Games



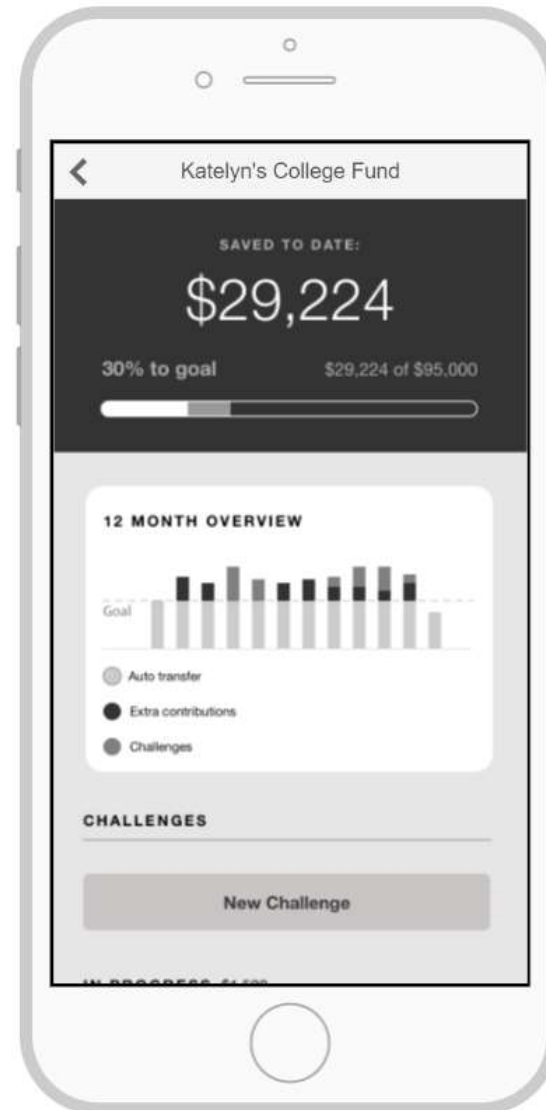
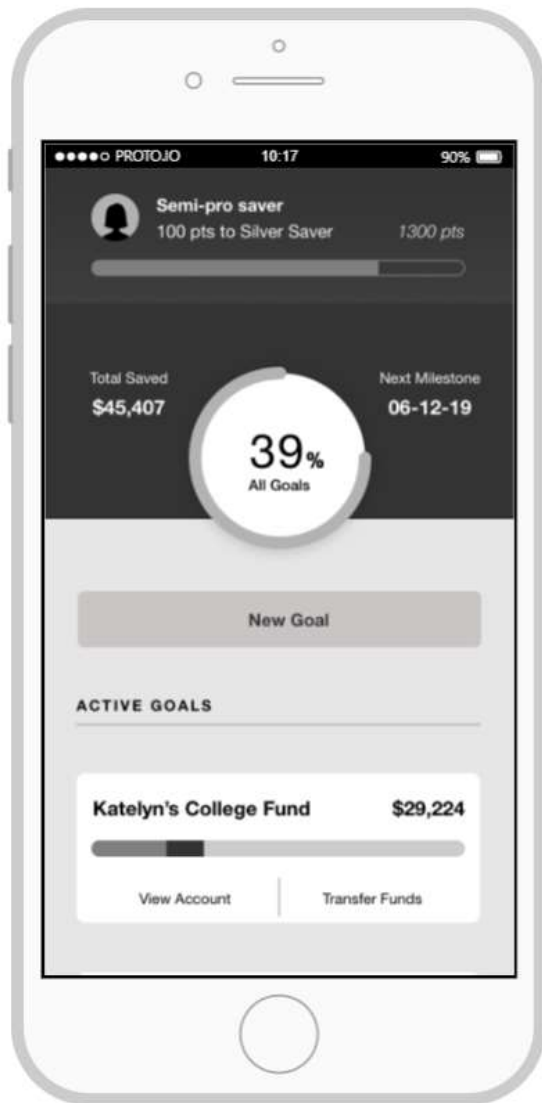
# Online Learning Games



# Online Learning Games



# Driving Member Behavior



# Questions

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