

Week 1: A Framework for International Risk Management (Introduction)

Lecture:

- Selling “Generic”/ Unbranded pharmaceutical products —> is cheap because it is not branded and —> the patent has expired, no innovation, no R&D costs, mass production, no marketing/ advertising activities, no cost
 - Sell it to poor countries/ low purchasing power countries and those that “need” the drug (with high levels of illness)
- Heuristics & Biases (Tversky & Kahneman 1974)
 - Stereotyping
 - preconceived ideas
 - lack of representative data
 - lack of appreciation of changes in data
- “Risk is the condition of decision-making.”
- **Risk (Working definition)**
 - Uncertainty, deviation from expectation
 - Measurability, probability
 - Negative outcome (danger, hazard, unfortunate loss)
 - Future
 - Risk is the uncertainty regarding the occurrence and severity of events and consequences with respect to something that is valued.
- Uncertainty occurs because of today’s strategic decision.
- Business model (THE FIRM)
 - Political & Regulatory Uncertainties
 - Political Stability of a government
 - Free trade and business regulations
 - Socio-cultural Uncertainties
 - Changes in society
 - Social and cultural changes
 - Economic Uncertainties
 - Currency rates and interest rates
 - Environmental & Extreme Uncertainties
 - Pollution, terrorism (extreme risk),
 - Technological Uncertainties
 - Technological changes in the business
 - Industry risk (competing firms, product markets, input/ factor markets)
 - how industry is destructed and predict the possible destruction in the future
- ISO31000 Compliance (International Organisation for Standardisation) —> principles on risk management.

Reading: No readings for this week.

Week 2: Business Vulnerability (Risk Analysis)

- **Business Model Canvas (BMC); Economic Logic; Strengths & Vulnerabilities**
 - Business Model (Osterwalder): Money earning logic of a company
 - Osterwalder & Pigneur 2010: A business model describes the rationale of how an organization creates, delivers and captures value.
 - Why use? Effective and quick way to your business and identify the need for change.

Business Model Canvas (BMC)

- 1) *Customer Segment*
 - For whom does the company create value?
 - Who pays for the value that the company creates?
 - (Somebody who pays)
- 2) *Value Proposition*
 - What value does the company create?
 - What customer, problems, needs and wants does the company address through the value that it creates?
 - (Company's response to what a customer needs)
- 3) *Customer Relationship*
 - How does the company build customer loyalty?
 - How are relationships created?
 - (Lock-in mechanisms such as reward cards; contract; discounts)