COLUMBIA UNIVERSITY
School of Professional Studies

Master of Enterprise Risk Management

Company Failures ERMPS5510
Tuesday 6:10 – 8:00 PM
Credits 3

Instructor:	Christakis (Chris) Droussiotis, c.droussiotis@columbia.edu, (908) 930-4725 (Voice /Text)
Instructor's Web:	**www.ProfessorDrou.com**
Office Hours:	In Person: 7:00pm-8:00pm (Tuesdays) Lewisohn Hall (2nd floor study room) Remote: https://calendly.com/professordrou/30min to book a 30-minute zoom call.
Response Policy:	I intend to log onto the course and check email daily. You should expect a response from me within 24 hours. If you have an urgent question or concern, please contact me via text message or telephone
Teaching Assistants:	TBA
Office Hours:	By Appointment

Course Overview

Why do companies fail? Some fail because of poor strategy. Others are because of excessive leverage. Some collapse because management ignores warning signs. Others are destroyed by operational failures, fraud, market disruptions, liquidity crises, cyber risk or regulatory failures. This course examines corporate failures through the lens of finance, risk management and strategic decision making.

Students will analyze some of the world's most significant corporate collapses and learn how professional credit analysts, bankers, investors, private equity firms and boards identify warning signs long before bankruptcy occurs.

Drawing on real-world cases from banking, private equity, technology, healthcare, energy and transportation, students will develop practical skills in:

- Credit analysis
- Financial Statement Analysis
- Bankruptcy prediction
- Operational risk
- Market risk
- Liquidity risk
- Corporate governance
- LBO analysis
- Enterprise Risk Management
- Turnaround strategies

Learning Objectives

By the end of the course students will be able to:

✓ Identify early warning signs of corporate distress

✓ Analyze financial statements for deterioration
✓ Evaluate credit risk
✓ Perform bankruptcy risk assessments
✓ Understand leverage and capital structure failures
✓ Assess operational and strategic failures
✓ Evaluate management decision making under uncertainty
✓ Understand restructuring alternatives
✓ Recommend turnaround strategies
✓ Build a complete Failure Assessment Framework

Readings
Required textbooks and materials

Corporate Financial Distress, Restructuring, and Bankruptcy: Analyze Leveraged Finance, Distressed Debt, and Bankruptcy, 4th Edition, Edward I. Altman, Edith Hotchkiss, and Wei Wang

Reading materials for homework and in-class exercises will be provided, either posted on Canvas and the professor's website www.professordrou.com or made available during class. There will be four case study homework assignments that are individual projects, whose reading materials will be posted on Canvas and www.professordrou.com .

Assignments and Assessments

1. Homework (15%)

Graded Homework Problems give you an opportunity to demonstrate your mastery of the topics covered in the course and solidify your knowledge of finance theory through the practical application of the concepts, models, and theories, discussed in class. Students are required to submit a set of Graded Homework Problems. Homework and due dates will be posted on Canvas.

2. Credit Risk Memorandum (15%)

Students will prepare a professional credit memorandum evaluating a financially distressed company.

The memorandum should include:

- Business and industry overview
- Financial analysis
- Liquidity and cash flow assessment
- Capital structure analysis
- Key risks
- Credit strengths and weaknesses

- Risk rating
- Lending recommendation (Approve, Decline, or Conditional Approval)

3. Midterm Examination (30%)

The midterm will assess concepts covered during the first half of the course, including:

- Types and causes of company failures
- Financial statement analysis
- Early warning indicators
- Bankruptcy prediction models
- Credit risk fundamentals
- Capital structure and leverage
- Case studies discussed in class

The exam will include multiple-choice, short-answer, analytical, and case-based questions.

4 Final Examination (30%)

The final examination will be comprehensive and emphasize the integration of concepts covered throughout the semester.

Topics may include:

- Corporate failure frameworks
- Financial distress analysis
- Credit risk assessment
- Bankruptcy prediction
- Capital structure and leverage
- LBO analysis
- Bankruptcy and restructuring
- Market, operational, and governance risk
- Enterprise Risk Management
- Corporate turnaround strategies
- Analysis of real-world company failures

The examination will include analytical problems, case studies, financial analysis, and essay questions requiring students to apply concepts rather than simply recall definitions.

5. Attendance & Participation (10%)

Participation will be evaluated based on:

- Attendance
- Preparation

- Quality of class participation
- Contribution to discussions
- Professionalism and teamwork

Grading

The final grade will be calculated as described below:

FINAL GRADING SCALE

Grade	Percentage
A+	98–100 %
A	93–97.9 %
A-	90–92.9 %
B+	87–89.9 %
B	83–86.9 %
B-	80–82.9 %
C+	77–79.9 %
C	73–76.9 %
C-	70–72.9 %
D	60–69.9 %
F	59.9% and below

The evaluation will be based on the following weights:

Homework Assignments	15%
Credit Risk Memorandum	15%
Midterm Examination	30%
Final Examination	30%
Attendance & Class Participation	10%
Total	**100%**

Course Schedule/Course Calendar (follow www.professordrou.com for material)

Week	Topic	Chapters
Week 1	**Introduction to Company Failures** Topics • Why companies fail • Types of failures • Strategic • Financial • Operational • Market • Governance • Failure versus decline	Chapter 1

	Case • Kodak	
Week 2	**Causes of Corporate Failure** Topics • Business model failures • Competitive disruption • Excess leverage • Management mistakes • Industry cycles • Failure framework Case • Blockbuster	Chapter 2
Week 3	**Financial Statement Warning Signs** Topics • Income statement deterioration • Cash flow analysis • Liquidity • Working capital • Debt service capacity • Early warning indicators Your Material • Credit analysis methodology	Chapter 2
Week 4	**Bankruptcy Prediction & Early Warning Systems** Topics • Altman Z-Score • Probability of Default • Early warning systems • Financial ratios • Credit ratings Your Material • Commercial credit analysis	Chapter 4
Week 5	**Credit Risk Analysis** Topics • Five Cs of Credit • Credit underwriting • Credit memos • Covenant analysis • Credit committee process Your Material	Chapter 4

	• SMBC/MUFG credit methodology	
Week 6	**Leverage and LBO Failures** Topics • Leveraged buyouts • Capital structure • Debt capacity • Sponsor behavior • Covenant-lite lending • Private Credit Cases • RJR Nabisco • TXU **Midterm Exam Review**	Chapter 3
Week 7	**MIDTERM EXAM**	
Week 8	**Bankruptcy & Corporate Restructuring** Topics • Chapter 11 • Chapter 7 • DIP Financing • Creditor negotiations • Restructuring alternatives Reading Altman Chapter 5 Cases • Hertz • Spirit Air	Chapter 5
Week 9	**Distressed Investing & Turnarounds** Topics • Distressed debt • Recovery values • Enterprise valuation • Going concern value • Liquidation value	Chapter 6
Week 10	**Operational Failures** Topics • Human error • Process failures • Technology failures • Fraud • Operational risk • Root Cause Analysis	Material to be provided

	Cases • Boeing • Knight Capital • Wells Fargo	
Week 11	**Market Risk & Bank Failures** Topics • Liquidity Risk • Interest Rate Risk • Duration • Deposit Runs • Asset-Liability Management • Capital Adequacy • Stress Testing Cases • Silicon Valley Bank • Credit Suisse • Washington Mutual • First Republic	Selected sections from Chapter 2 and 4 Material to be provided
Week 12	**Market Risk** Topics • Interest Rates • FX Risk • Commodity Risk • Inflation • Economic Cycles • Black Swan Events Case • Long-Term Capital Management • Archegos	
Week 13	**Corporate Governance & Ethical Failures** Topics • Board oversight • Executive incentives • Fraud • Corporate governance • Agency conflicts Cases • Enron • WorldCom	Selected sections from Chapters 2 & 5
Week 14	**Student Presentations** Students analyze a failed (or nearly failed) company using:	

	• Failure framework • Financial analysis • Credit assessment • Root cause analysis • Turnaround recommendations **Comprehensive Failure Simulation** Students serve as a Credit Committee / Board of Directors evaluating a distressed company. Topics include: • Strategic assessment • Financial analysis • Bankruptcy risk • Operational risk • Market risk • Governance • Financing recommendation • Turnaround strategy	
Week 15	**Final Exam**	

Course Policies

I expect you to come to class on time and thoroughly prepared. I look forward to an interesting, lively and confidential discussion. If you miss an experience in class, you miss an important learning moment, and the class misses your contribution.

Late work

There will be no credit granted to any written assignment that is not submitted on the due date noted in the course syllabus without advance notice and permission from the instructor.

School and University Policies and Resources

Copyright Policy

Please note—Due to copyright restrictions, online access to this material is limited to instructors and students currently registered for this course. Please be advised that by clicking the link to the electronic materials in this course, you have read and accept the following:

> The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted materials. Under certain conditions specified in the law, libraries and archives are authorized to furnish a photocopy or other reproduction. One of these specified conditions is that the photocopy or reproduction is not to be "used for any purpose other than private study, scholarship, or research." If a user makes a request for, or later uses, a photocopy or reproduction for purposes in excess of "fair use," that user may be liable for copyright infringement.

Academic Integrity

Columbia University expects its students to act with honesty and propriety at all times and to respect the rights of others. It is fundamental University policy that academic dishonesty in any guise or personal conduct of any sort that disrupts the life of the University or denigrates or endangers members of the University community is unacceptable and will be dealt with severely. It is essential to the academic integrity and vitality of this community that individuals do their own work and properly acknowledge the circumstances, ideas, sources, and assistance upon which that work is based. Academic honesty in class assignments and exams is expected of all students at all times.

SPS holds each member of its community responsible for understanding and abiding by the SPS Academic Integrity and Community Standards posted at https://sps.columbia.edu/students/student-support/academic-integrity-community-standards. You are required to read these standards within the first few days of class. Ignorance of the School's policy concerning academic dishonesty shall not be a defense in any disciplinary proceedings.

Diversity Statement
It is our intent that students from all diverse backgrounds and perspectives be well-served by this course, that students' learning needs be addressed both in and out of class, and that the diversity that the students bring to this class be viewed as a resource, strength and benefit. It is our intent to present materials and activities that are respectful of diversity: gender identity, sexuality, disability, age, socioeconomic status, ethnicity, race, nationality, religion, and culture.

Accessibility
Columbia is committed to providing equal access to qualified students with documented disabilities. A student's disability status and reasonable accommodations are individually determined based upon disability documentation and related information gathered through the intake process. For more information regarding this service, please visit the University's Health Services website: https://health.columbia.edu/content/disability-services.

Class Recordings
All or portions of the class may be recorded at the discretion of the Instructor to support your learning. At any point, the Instructor has the right to discontinue the recording if it is deemed to be obstructive to the learning process.

If the recording is posted, it is confidential and it is prohibited to share the recording outside of the class.

DEIA Policy
SPS is committed to fostering inclusive learning environments in our classrooms.
Read the full DEIA policy here:
https://academicaffairs.sps.columbia.edu/sites/default/files/content/Diversity,%20Equity,%20Inclusion%20&%20Accessibility%20in%20SPS%20Classrooms%2010.10.23.pdf

SPS Academic Resources
The Division of Student Affairs provides students with academic counseling and support services such as online tutoring and career coaching: https://sps.columbia.edu/students/student-support/student-support-resources.

Columbia University Information Technology
Columbia University Information Technology (CUIT) provides Columbia University students, faculty and staff with central computing and communications services. Students, faculty and staff may access University-provided and discounted software downloads.

Columbia University Library
Columbia's extensive library system ranks in the top five academic libraries in the nation, with many of its services and resources available online.

The Writing Center

The Writing Center provides writing support to undergraduate and graduate students through one-on-one consultations and workshops. They provide support at every stage of your writing, from brainstorming to final drafts. If you would like writing support, please visit the following site to learn about services offered and steps for scheduling an appointment. This resource is open to Columbia graduate students at no additional charge. Visit http://www.college.columbia.edu/core/uwp/writing-center.

Career Design Lab

The Career Design Lab supports current students and alumni with individualized career coaching including career assessment, resume & cover letter writing, agile internship job search strategy, personal branding, interview skills, career transitions, salary negotiations, and much more. Wherever you are in your career journey, the Career Design Lab team is here to support you. Link to https://careerdesignlab.sps.columbia.edu/