

## Corporate Risk Management

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**Course objective:** Understanding risk and uncertainty is central to research in finance. As the nature of corporate risk evolves, so does our understanding of how firms respond to these challenges. This course focuses on current topics in corporate risk and risk management, beginning with a brief overview of classic theory. We then will dive into the rapidly advancing literature on measuring risk and explore opportunities for generating new measures. Next, we'll examine how firms manage risk, discussing both operational and financial hedging strategies. Throughout, the course will emphasize the use of innovative datasets to provide fresh insights into classic corporate finance questions and foster the development of new research ideas.

**Schedule:** Classes will be held May 7-9, 2025, at Aalto University School of Business.

May 7, 14:15 – 16:45

1. Introduction to risk management (Froot et al., 1993; Guay and Kothari, 2003)
2. Does risk management matter? (Cole, et al., 2017; Cornaggia, 2013; Giambona, et al., 2025; Perez-Gonzalez and Yun, 2013)

May 8, 10:00 – 12:15 & 13:15 – 15:30

3. Understanding risk (Baker, et al., 2016; Hoberg, et al., 2014, Saunter et al., 2023)
4. Team empirical project
5. Risk management beyond derivatives
6. Novel data to answer classic questions (Gormley and Matsa, 2011; Rampini, et al., 2014)

May 9, 9:00 – 13

7. Team presentations (one of ^ articles)
8. Editor Q&A

**Evaluation:** Participation in class discussion and team presentation.

### Readings (\* required)

\*[Froot, K. A., D. S. Scharfstein, and J. C. Stein](#), 1993, Risk Management: Coordinating Corporate Investment and Financing Policies, *Journal of Finance* 48, 1629-1658.

\*[Gormley, T. and D. Matsa](#). 2011, Growing Out of Trouble? Corporate Responses to Liability Risk, *The Review of Financial Studies* 24, 2781-2821.

\*[Guay, W., and S. P. Kothari](#), 2003, How much do firms hedge with derivatives?, *Journal of Financial Economics* 70, 423-461.

\*[Rampini, A., A. Sufi, and S. Viswanathan](#), 2014, Dynamic risk management, *Journal of Financial Economics* 111, 271-296.

**\*Select and read one of these three articles.**

[Baker, S., N. Bloom and S. Davis](#), 2016, Measuring Economic Policy Uncertainty, *Quarterly Journal of Economics* 131, 1593–1636.

[Hoberg, G., G. Phillips, and N. Prabhala](#), 2014, Product market threats, payouts, and financial flexibility, *Journal of Finance* 69, 293-324.

[Sautner, Z., L. Van Lent, G. Vilkov, and R. Zhang](#), 2023, Firm-Level Climate Change Exposure, *Journal of Finance* 78, 1449-1498.

**\*Select and read one of these four articles.**

[Cole S., X. Giné, and J. Vickery](#), 2017, How Does Risk Management Influence Production Decisions? Evidence from a Field Experiment, *Review of Financial Studies* 30, 1935-1970.

[Cornaggia, J.](#) 2013. Does risk management matter? Evidence from the U.S. agricultural industry. *Journal of Financial Economics* 109, 419–40.

[Giambona, E., Kumar, A., and G. Phillips](#), 2025, Hedging, Contract Enforceability and Competition, *Review of Financial Studies*, forthcoming (available on Gordon Phillip's website)

[Perez-Gonzalez, F. and Yun, H.](#), 2013, Risk Management and Firm Value: Evidence from Weather Derivatives. *Journal of Finance* 68, 2143-2176.

[Alfaro, L., P. Conconi, H. Fadinger, and A. F. Newman](#), 2016, Do Prices Determine Vertical Integration?, *The Review of Economic Studies* 83, 855–888.

[Almeida, H., K.W. Hankins, and R. Williams](#), 2017, Risk Management with Supply Contracts, *The Review of Financial Studies* 30, 4179–4215.

[Bonaimé, A. A., K. W. Hankins, and J. Harford](#), 2014, Financial Flexibility, Risk Management, and Payout Choice, *The Review of Financial Studies* 27, 1073-1101.

[Bradley, D., C. Pantzalis, and X. Yuan](#), 2016, Policy risk, corporate political strategies, and the cost of debt, *Journal of Corporate Finance* 40, 254-275.

[Friberg, R., K. W. Hankins, and I. Goldstein](#), 2024, Corporate Responses to Stock Price Fragility, *Journal of Financial Economics* 153, 103795.

[Hanley, K. W., and G. Hoberg](#), 2012, Litigation risk, strategic disclosure and the underpricing of initial public offerings, *Journal of Financial Economics* 103, 235-254.

[Hoberg, G., and K. Moon](#), 2017, Offshore Activities and Financial vs Operational Hedging, *Journal of Financial Economics* 125, 217-244.

<sup>^</sup>[Howell, S. T.](#), 2020, Firm type variation in the cost of risk management, *Journal of Corporate Finance* 64, 2020, 101691.

<sup>^</sup>[Jung, H.](#), 2025, Real Consequences of Shocks to Intermediaries Supplying Corporate Hedging Instruments, *The Review of Financial Studies* 38, 39–113.

^[Kamiya, S., J. Kang, J. Kim, A. Milidonis, and R. M. Stulz](#), 2021, Risk management, firm reputation, and the impact of successful cyberattacks on target firms, *Journal of Financial Economics* 139, 719-749.

^Sanz, L., 2024, Supply Network Fragility, Inventory Investment, and Corporate Liquidity, Working paper [https://leandrosanz.github.io/files/JMP\\_Supply\\_Network\\_Fragility.pdf](https://leandrosanz.github.io/files/JMP_Supply_Network_Fragility.pdf)

^[Sen, I.](#), 2023, Regulatory Limits to Risk Management, *The Review of Financial Studies* 36, 2175–2223.

^[Weagley, D.](#), 2019, Financial Sector Stress and Risk Sharing: Evidence from the Weather Derivatives Market, *The Review of Financial Studies* 32, 2456–2497.