NEW YORK UNIVERSITY
CORPORATE TURNAroundS & LEADERSHIP: LAW & BUSINESS
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TRANSFORMING CRISIS TO OPPORTUNITY
FALL TERM 2016

Dates: September 20 – December 20 (NO CLASSES OCTOBER 11 and DECEMBER 13)

Meeting Time: 6:00-9:00pm, Tuesday

Classroom: Vanderbilt Hall 216

Professors: Karen Brenner and Helen Scott
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Office Hours: Available to meet by appointment

Course Objectives:

This course focuses students on all aspects of corporate turnarounds - from the early stages of recognizing potentially company-threatening problems, to diagnosing and implementing appropriate corrective market/financial/organizational/legal solutions to such problems. The course will also explore the important role of communication and leadership in effecting corporate turnarounds. Students will be challenged to enhance skills in leadership, communication, and collaboration.

Course Description:

This course examines the opportunity for transformational change emanating from a corporate crisis. We explore the following question: how does senior level management effectively change an organization in response to dramatic changes in circumstances? All too often, managers and corporate boards fail to recognize factors that threaten the firm’s business until its very survival is in doubt. In such cases, the board of directors and management may need to implement drastic and sudden changes in several aspects of the firm.

The course draws on several of the core disciplines in the MBA program, and provides an opportunity to apply them to organizations in the midst of major transitions. Students should come into this
course ready to integrate various business disciplines- applying both quantitative and qualitative tools drawn from accounting, corporate finance, cash flow modeling, debt restructuring, negotiation, marketing, management, leadership and communication. An important aspect of the course is the role of leadership in creating a transformational opportunity resulting from a crisis. Financial, market, and organizational aspects of transformation will be explored through case studies, articles, texts and class discussion.

The course is relevant for students who anticipate working in any operating company or in a firm advising and/or interacting with such a company- including consultants, turnaround specialists, venture capital and private equity professionals, activist fund managers, lawyers, and bankers. The skills developed in this course should be applicable to professionals throughout their careers. Specific attention is paid to cultivating skills appropriate to early stage career assignments.

This course satisfies the following specializations: law and business, leadership and change management.

Prerequisites:

This is an advanced course that assumes students are familiar with accounting, corporate finance, and management.

Grading:

The weights for the student’s overall grade are:

Class participation 25%
Short Papers 30%
Individual Presentation (or with partner) 10%
Final project 35%

(No more than 35% of students will receive a grade of A or A-)

Class participation:

Your obligation in this course is to prepare for class discussion by thoroughly reading and analyzing each of the assigned materials before each class. This is an essential part of the course. Students are responsible for being prepared to discuss answers to all of the study questions before coming to class. The instructor may ask students to present the assigned materials as a basis for discussion.
Short papers:

Each student should prepare three written analyses. Each analysis should answer one question from three different sessions and must be submitted prior to addressing the question in class. The objective in the short papers is to demonstrate mastery of the course concepts by integrating the reading material, as is appropriate, in your analyses. These analyses should be 3-4 pages in length (typed and double-spaced). The papers must be submitted on NYU Classes and are due on or before Sessions 3, 5, and 8.

Individual or Pair Presentation:

Each student will be required to prepare and deliver an in-class presentation. The presentation is to be 3-5 minutes long. Students are being asked to introduce themselves as the new incoming turnaround leader and to weave their “leadership story” in the introductory narrative. This will be discussed in greater detail the first day of class.

Final team project:

On the first day of class each student will be assigned to a team for the final project. The final team project will be a class presentation of a turnaround case. The team will be asked to select a specific turnaround case and present a discussion to include: reasons for the business decline/underperformance (internal/external); a diagnosis of the market/financial/operational/strategic/legal/leadership elements relevant to a turnaround plan (Z-score, stock market performance, balance sheet and income statement analysis, liquidation analysis, short and long-term cash flow considerations, benchmarking); and an action plan to restore the company to a profitable state. (Other than the assigned companies, students may select a company from the following sources: debt selling greater than or equal to 10bps above treasuries; earnings decline of greater than or equal to 30% over the last 12 months, and/or; rating agencies downgrade to CCC. Should you choose a company not on the assigned list it must be approved by the professors.)

The purpose of this project is to apply the principles of corporate turnarounds to an actual, specific business situation. The presentation may include an analysis of alternative approaches (should the turnaround be complete) that could have yielded a preferred result. Integrating the course material (text, cases, and leadership lessons) to the analysis is essential. The presentation slides or other written product should be submitted to the professors before beginning the case presentation in class. After the presentation, which is to last no more than 30 minutes, the team is expected to address questions from the class, which is to last no more than 10 minutes. Each member of the team MUST also complete and submit either by email, or in person, a confidential team evaluation at the conclusion of the presentation. Grades will be adversely impacted if there is a failure to submit the confidential team evaluation. The evaluation form is available on NYU Classes under Resources.

Readings:

2. Required Digital Course pack. Available at the NYU Professional Bookstore using the following instructions:
   a. Go to the NYU Bookstore web site: http://www.bookstores.nyu.edu
   b. Click on the "Search All Books" link under Textbook Inquiry & Ordering
   c. In the "Search by ISBN" option
   d. Enter
   e. Proceed to Checkout and complete your order.
   f. After completing your order you will receive an email with your access code and instructions regarding accessing the Digital Course pack.

3. Additional readings available on NYU Classes under Resources.

Class Schedule:

Session #1:

Failure and Decline in Perspective; Predictable Organizational Crisis; Most Common Management Errors; Early Warning Signals of Decline- Quantitative and Qualitative

(This session has more reading material than the remaining sessions, as there are introductory concepts that we will be referring to throughout the semester. Please do not be concerned that this is representative of the weekly readings.)

Textbook:

Course Overview and Introduction: Introduction, Pages 1-4; Chapter 9, Pages 81-90

The Corporate Turnaround Perspective

Reasons for Corporate Decline: Chapters 1-2, Pages 7-26; Chapters 6-7, Pages 49-71

Readings:

Turnaround Management: The Past as Prologue, Howard Brownstein

Distress Prediction Models: Catalysts for Constructive Change- Managing a Financial Turnaround
Leadership and the Psychology of Turnarounds by Rosabeth Moss Kanter

Rhetoric by Aristotle, Book I, Parts 1 and Part of Part 2

Tyco International Corporate Governance by Rakesh Khurana and James Weber


Interviews:

If the Boss Rides a Harley, He Must Be Human, NYTimes Corner Office, May 1, 2013

In A Near-Death Event, a Corporate Rite of Passage, NYTimes, Corner Office, August 2, 2009

I’m Prepared for Adversity. I Waited Tables, NYTimes, Corner Office, June 6, 2010

Finding Purpose in Tunneling Through Granite, NYTimes, Corner Office, April 13, 2013

Questions:

1. What is the pathology/cycle of decline in organizations as depicted by Kanter? What can an executive do to reverse the cycle? Why are Aristotelian notions of rhetoric especially important in turnaround situations?

2. What is the “Z-Score?” How, and why can it be applied to a turnaround? What elements did GTI apply to aid it in its restructuring and how effective was it?

3. What are the characteristics of a turnaround? What are the types of business failures and what are some of the characteristics of a firm on the way to failure? Which are most common and why?

4. How did Breen turn a crisis into an opportunity? Relate readings from the textbook to Tyco’s experience. What were the reasons for the corporate decline? What were the early actions taken and why? What constraints was the Company under that limited Breen’s flexibility early on? How would you assess his decision to completely replace his board of directors? Were there legal impediments to the board resigning? What were the implications on value creation?

Session # 2:

Stages in the Turnaround Cycle: Management Change Stage; Evaluation Stage; Emergency Stage; Stabilization Stage; Return to Normal Growth Stage

Key Factors in Turnaround Success
Textbook:
Chapter 10, Pages 91-109
Chapter 11, Pages 111-123

Readings:
Dragonfly Corporation by Howard H. Stevenson and Jim Sharpe
A Strategic Perspective on Bankruptcy by Bill George, Jim Sharpe and Andrew N. McLean

Interviews:
The Art of Adding by Taking Away, NYTimes, Corner Office, January 19, 2013
In Sports or Business, Always Prepare for the Next Play, NYTimes, Corner Office, November 10, 2012
Want to Lead? Ask Tennyson and Shakespeare, NYTimes, Corner Office, September 3, 2011
If Supervisors Respect the Values, So Will Everyone Else, NYTimes, Corner Office, January 26, 2013

Questions:
1. What are the stages in a turnaround cycle and what characteristics and actions are specific to each stage, and why? What are the key factors to a successful turnaround?

2. In Dragonfly Corporation identify the: stakeholders, early warning signals of distress, key factors for success to be profitable in this business, and the liquidation value. Determine the strategic alternatives available and, given your answers to the preceding questions, a rationale for identifying a particular path. Consider the legal implications in your analysis.

Session # 3:
Role of Management and Leadership: Management Change; Turnaround Leader Characteristics; Taking Charge; Motivating the Organization

Textbook:
Chapter 8, Pages 73-77
Chapters 13-16, Pages 141-199

Readings:
Tipping Point Leadership by W. Chan Kim and Renee Mauborgne
What Makes a Leader by Daniel Goleman
Leadership That Gets Results by Daniel Goleman


How to Get a Job at Google, NYTimes, Thomas L. Friedman, February 22, 2014

Interviews:

He Prizes Questions More than Answers, NYTimes, Corner Office, October 25, 2009

How to Adopt Mentors Without Really Asking, NYTimes, Corner Office, April 28, 2012

Leadership Never Looks Prepackaged, NYTimes, Corner Office, August 18, 2012

A Good Mentor Never Tramples on Big Dreams, NYTimes, Corner Office, December 18, 2012

Wain Kellum of Vocalocity on Winning Over Employees, NYTimes, Corner Office, August 22, 2013

Questions:

1. What were the circumstances upon Bratton’s arrival? What were the hurdles he had to overcome? How did he overcome each one? What actions created the greatest leverage in the short term? What were the critical reasons for his success? Integrate the readings from the textbook into your analysis.

Session # 4:

Role of Management and Leadership in Crisis

Readings:

Unintended Acceleration: Toyota’s Recall Crisis by David Austen-Smith, Daniel Diermeier, and Eitan Zemel


Corporate Apologies- Beware The Pitfalls of Saying Sorry, by Jeffrey Pfeffer, Fortune, October 26, 2015

The GC as ‘Chief Crisis Manager’ in the Wake of Tragic Events by James F. Haggerty, Corporate Counsel, July 30, 2012

You Have to Lead From Everywhere, An Interview with Admiral Thad Allen, USCG (Ret.) by Scott Berinato

Interviews:
Questions:

1. Integrating “Companies Can Apologize” and “Corporate Apologies,” assess Toyota’s crisis response strategy. What was the crisis about and what made it challenging for Toyota? If you were the CEO or GC of a company that had a product recall how would you have responded to this crisis? Describe the elements before, during and after the events.

Session # 5:

Role of Management and Leadership- Moral Obligations in Downsizing

Readings:

Leading Change- Why Transformation Efforts Fail by John P. Kotter

The Work of Leadership by Ronald A. Heifetz and Donald L. Laurie

Where Leadership Starts by Robert A. Eckert

Voices of Survivors: Words That Downsizing CEOs Should Hear by Hugh M. O’Neill and D. Jeffrey Lenn

Strategies for Responsible Restructuring by Wayne, F. Cascio, Academy of Management Executive, 2005, Vol. 19 No. 4

Reductions in Force: It’s Different in Europe, Rebekah Mintzer, Corporate Counsel, January 29, 2015

The Five Biggest Mistakes Employers Make When Laying Off Employees

Primal Leadership The Hidden Driver of Great Performance by Daniel Goleman, Richard Boyatzis, and Annie McKee

Interviews:

The Importance of Painting a Clear Picture, NYTimes, Corner Office, November 26, 2011

At Yum Brands, Rewards for Good Works, NYTimes, Corner Office, July 12, 2009
Questions:

1. From the leadership interviews to date, “The Work of Leadership,” and “Where Leadership Starts,” what are the leadership lessons that are most applicable to turnarounds and why? How would you juxatpose these lessons with “Why Transformation Efforts Fail?”

2. In a turnaround that may involve retrenchment and layoffs of personnel what principles would guide your judgment and your communication to employees? What steps should be considered before downsizing? Is retrenchment counterproductive to assuring short and long-term success?

Session # 6: Textbook:

Turnaround Strategies and Practices:

The Evaluation Stage: Chapter 17, Pages 203-229

Structure of Evaluation; Viability: Financial, Competitive, Organizational Assessments

Planning Strategies by Stage Chapter 18, Pages 231-261

Contrast the Various Planning Requirements by Stage of Turnaround

Readings:

Right Away and All at Once: How We Saved Continental by Greg Brenneman

Turning Around a Struggling Airline: An interview with the CEO of Malaysia Airlines by Alex Pichter, Fredrik Lind and Seelan Singham, The McKinsey Quarterly, November 2008

EasyJet Chief Leads Airline Through Turnaround by Nicola Clark, NYTimes International Business, June 15, 2015

Profit Pools: A Fresh Look at Strategy by Orit Gadiesh and James L. Gilbert

Interviews:


Where Are You When the Going Gets Tough? NYTimes, Corner Office, April 10, 2010

Getting Ahead by Having Answers Instead of Questions, NYTimes, Corner Office, May 27, 2013

Avinoam Nowogrodski of Clarizen, in the Rewards of Listening, NYTimes, Corner Office, March 13, 2014

Questions:

1. What was Brenneman’s motivation for taking the job to turnaround Continental? What were the circumstances upon his arrival at the Company? What was his philosophy about the people at the Company? What were the key strategic elements on which he focused to drive the turnaround? Elaborate on one of the elements and explain how it contributed to the effort.

2. How would you compare/contrast the different planning elements for each stage of a turnaround? What are the objectives, strategies and tactics unique to each stage?

Session # 7: Textbook:

The Emergency Stage: Chapter 19, Pages 263-298

Asset Redeployment; Financial Management; Operations Management; Marketing Management in an Emergency Stage

Readings:

Jamie Dimon and Bank One (A) by Paul M. Marshall and Todd Thedinga

Interviews:

In a Word, He Wants Simplicity, NYTimes, Corner Office, May 24, 2009

The Keeper of That Tapping Pen, NYTimes, Corner Office, March 22, 2009

Get a Diploma, but Then Get a Passport, NYTimes, Corner Office, August 1, 2010

Don Knauss of Cloroz, on Putting Your Followers First, NYTimes, Corner Office, March 22, 2014

Brad Smith of Intuit: Follow the Fastest Beat of Your Heart, NYTimes, Corner Office, April 12, 2014
Questions:

1. How would you evaluate the actions Dimon has taken since becoming CEO? What is he trying to accomplish in addition to learning about the situation? What signals is he sending to the organization? What are the most important problems he is facing upon his arrival? What plan of action would you recommend?

Session # 8: 

Textbook:

The Stabilization Stage: Chapter 20, Pages 299-335

The Return-to-Growth Stage: Chapter 21, Pages 337-361

Financial Management; Operations Management; Marketing Management in the Stabilization and Return-to-Growth Stages

Readings:

Nissan Motor Co., Ltd., 2002 by Michael Yoshino and Masako Egawa

Strategic Transformation as the Essential Last Step in the Process of Business Turnaround by John A. Pearce II and D. Keith Robbins

At Ford, Turnaround Is Job One by James B. Shein

The Driver in Ford’s Amazing Race by Nancy F. Koehn

Ford’s Mr. Inside, in Sight of the Crown by Bill Vlasic

Is This Man Going to Redefine the Way We Drive? by Steve Marsh

Interviews:

Managing Globally, and Locally, NYTimes, Corner Office, December 13, 2009

Remember to Thank Your Star Players, NYTimes, Corner Office, July 11, 2010

Want to Lead? Learn to Nurture Your Butterflies, NYTimes, Corner Office, November 19, 2011

Leadership without a Secret Code, NYTimes, Corner Office, November 1, 2009

Strive for Results, Not for the Accolades, NYTimes, Corner Office, December 31, 2011
Questions:

1. What were the circumstances upon Ghosn’s arrival? Why have his efforts succeeded when other restructuring efforts before had failed to be sustained? What were the key drivers of success in the turnaround? How did cultural and ownership circumstances affect his strategy? What were the implications on value creation?

2. Compare and contrast the turnaround efforts at Ford with those at Nissan. What were the internal/external reasons for decline? Could the companies cut their way to a turnaround? Why did previous efforts in both cases fail and these efforts lead to success?

3. When is a strategic transformation critical to a turnaround and what are its elements?

4. From the last four sessions, what are the leadership lessons that are most applicable to turnarounds and why? What are the key strategic, financial and operational elements to assure institutionalization of the elements of a turnaround? What leadership characteristics are important in providing for the enduring value created in a turnaround?

Session # 9:

Reflections and Institutionalizing Success

Readings:

Why Companies Fail by Megan Mc Ardle

Level 5 Leadership- The Triumph of Humility and Fierce Resolve by Jim Collins

Turnaround Management Every Day by John O. Whitney

Netflix Looks Back on Its Near-Death Spiral by James B. Stewart, NYTimes, April 26, 2013

What’s Luck Got to Do With It? By Jim Collins and Morten T. Hansen, NYTimes, October 29, 2011

Why Mandela Was Unique, NYTimes, Thomas L. Friedman, December 10, 2013

Interviews:

Distilling the Wisdom of CEO’s by Adam Bryant, NYTimes, April 16, 2011

On A Busy Road, A Company Needs Guardrails, NYTimes, Corner Office, October 13, 2012

Fred Hassan of Bausch & Lomb, on Managers as Ambassadors, NYTimes, Corner Office, July 27, 2013

Dolf van den Brink of Henineken USA, on Transparency, NYTimes, November 26, 2013
Eileen Martinson of Sparta Systems on Clarity of Leadership, NYTimes, Corner Office, January 9, 2014

Charisma? To Her It’s Overrated, NYTimes, Corner Office, July 5, 2009

Sessions # 10, # 11, and # 12:

Team Presentations and Course Recap

Additional Readings (not required):

Solitude and Leadership, William Deresiewicz, United States Military Academy at West Point, March 1, 2010

The Opposable Mind by Roger Martin

The Innovator’s Dilemma- When New Technologies Cause Great Firms to Fail by Clayton M. Christensen

Journey to the Emerald City by Roger Connors and Tom Smith

Corporate Financial Distress and Bankruptcy by Edward I. Altman and Edith Hotchkiss

Team of Rivals by Doris Kearns Goodwin

The Servant as Leader by Robert K. Greenleaf

The Outsiders by William N. Thorndike, Jr.

Great by Choice by James C. Collins and Morten T. Hansen